

FINANCE (002)

Financial Resilience Strategy

2020/21 – 2022/23



North Kesteven
DISTRICT COUNCIL

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New



Introduction

Following the 2008 financial crisis, local government has faced a decade of funding reductions as the government tried to fulfil its commitment to eliminate the budget deficit. It is clear that although austerity “is over” local government funding, in particular the Council, faces further reductions in funding levels probably until the middle of the next decade.

In response, the Council has delivered significant budget savings on its General Fund Revenue Budget, in order to balance the budget.

These savings have been achieved through a combination of initiatives;

- The development of **shared services** with neighbouring District Councils, and Lincolnshire County Council including shared legal and procurement services (established in 2008), a shared revenues and benefits service (established 2011), and a shared ICT partnership (developed progressively since 2006);
- The introduction of **charging** for green waste;
- A **transformation** programme generating efficiency gains through the application of systems thinking;
- And the established of its income generation strategy, **ExCITe**.

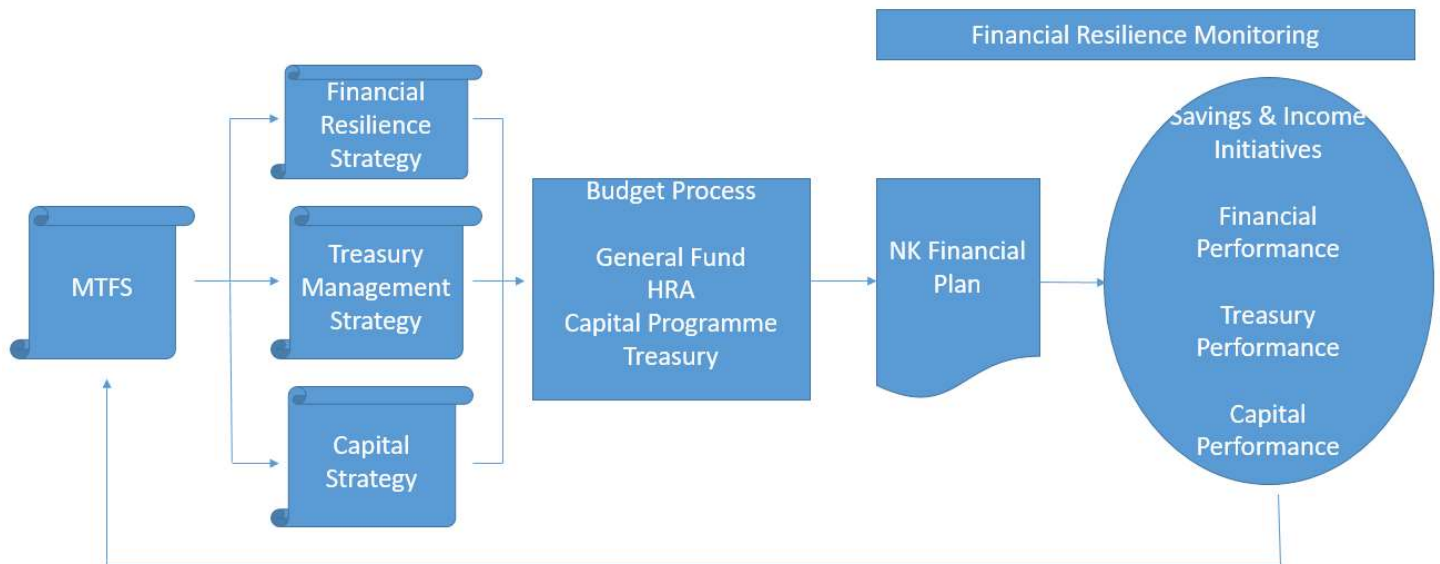
However, by 2020, the support that the Council receives from the Government through the Revenue Support Grant (RSG) will be completely removed, a fall from £8.8million in 2010/11.

With the introduction of Business Rates Retention from 2013/14, the Council receives £2.8million from Business Rates to support the General Fund services, leading to a net reduction of £6million in resources in 2020.

Therefore, in recent years the Council has looked to put a number of initiatives in place to not only generate new income sources but to also strengthen Financial Planning processes, from introducing a 10 year financial planning horizon, establishment of an Income Volatility Reserve to help smooth out fluctuations in funding through Business Rates, and the establishment of savings/income generation plans to ensure service budgets are lean and necessary.

However, the Council plans to respond further to the challenging financial environment it faces by providing a single focus, Financial Resilience, and this strategy represents the Council's ambitions to ensure that it continues to operate with sound financial control and management, so that it can deliver its strong programme of ambitions and goals for the residents and businesses of North Kesteven.

The following diagram demonstrates how Financial Resilience and this new strategy fits into the financial arrangements of the Council. The Council's Medium Term Financial Strategy provides the framework for establishing its Capital, Treasury Management and Financial Resilience Strategies, the building blocks of the Council's budget setting process, the outcomes of which are contained within the Council's NK Financial Plan.



Aims and Objectives

The Financial Resilience Strategy has the following key aims:

- Set the Council's framework and governance arrangements to strengthen its financial resilience;
- Support the delivery of the Council's Medium Term Financial Strategy (MTFS) & NK Plan;
- Set the work programme and monitoring arrangements for the Council's ExCITe programme and initiatives;

What is Financial Resilience?

The chartered Institute of Public Finance and Accountancy (CIPFA) defines Financial Resilience for local councils as “the ability of local authorities to remain viable, stable and effective in the medium to long term in the face of pressures from growing demand, tightening funding and an increasingly complex and unpredictable financial environment”.

Furthermore, CIPFA says that Financial Resilience means “having the resilience to deliver annual savings and manage significant financial shocks while still pursuing ambitious goals for their local communities”.

The National Audit Office and the Chartered Institute of Public Finance & Accountancy (CIPFA) have been assessing the financial resilience of local authorities particularly in the light of the financial difficulties at Northamptonshire County Council.

CIPFA have looked to take a lead and provide insight for Chief Financial Officers and their councils in assessing financial resilience. Their work has identified the following financial stress warning signs:

- Running down reserves;
- A failure to plan and deliver savings in order to ensure the council lives within its resources;
- Shortening medium-term financial planning horizons;

- Greater “still to be found” gaps in saving plans;
- A growing tendency to have unplanned overspends and/or carrying forward undelivered savings.

The Council has not shown any of the financial stress warning signs. In fact, on all points raised by CIPFA, the Council has taken steps to move in the opposite direction and strengthen its financial position, from maintaining and building key reserves (eg Income Volatility Reserve) to delivering savings and reducing the projected funding gap and the lengthening of planning horizons.

CIPFA have released a Financial Resilience Index of all local councils. A summary of the Council’s comparison under this index is detailed at **Appendix 1**. CIPFA’s index centres mainly on the position of Useable Reserves for councils and looks back on how these have changed. It also reviews the General Fund’s sources of income as a percentage of the Net Revenue Expenditure Requirement. The key items are shown in the following table.

CIPFA Index Indicator	2014/15	2015/16	2016/17	2017/18	Stress to other Councils (RAG)
Depletion of Reserves (years)	100	100	100	100	
Level of Reserves	58.6%	84.5%	144.4%	63.2%	
Average Percentage change in Reserves	5.6%	5.6%	5.6%	5.6%	
Percentage of NRE funded by Government Grants	23.4%	20.0%	13.9%	5.5%	
Percentage of Council Tax to NRE	54.0%	69.2%	83.0%	65.2%	
Percentage of Business Rates to NRE	29.9%	45.7%	23.6%	44.6%	

The CIPFA Index provides a summary of what the Council has known and managed for quite some time, and inherently contains a number of mechanisms as it is very much a backward looking review.

The Council’s reserve levels are considered low when compared to other local councils. However, the Council’s level of reserves is planned, with balances held for both the General Fund and the Housing Revenue Account (HRA) being in line with minimum levels stated by the Council. Earmarked Reserves are also only held for specific purposes.

There is a balance between money held in reserves and balances and money used for the delivery of corporate priorities. The Council’s policy is to keep reserves and balances low but prudent to ensure money is not left as dormant and inaccessible for the delivery of corporate priorities.

Characteristics of Financial Resilience

CIPFA has established “The four pillars of resilience” for local councils. These are:

- Getting routine financial management right;
- Benchmarking;
- Clear plans for delivering savings;

- Managing reserves.

The Council has maintained strongly all of the “pillars of resilience” identified by CIPFA.

To ensure that these pillars are maintained, Financial Resilience rests on the core financial elements of Financial Planning, Financial Control and Financial Governance:

Financial Planning

No organisation can achieve its goals effectively without proper structures for allocating and optimising the use of resources.

Financial Planning draws together the strategic planning priorities, demand and resource forecasts and impact of the wider service delivery environment, to produce a costed plan for the impact of proposed policies and plans on the longer-term financial sustainability of the Council. Therefore, financial planning is a key element in delivering strategic objectives, and continually improving services.

Financial Control

Financial control is concerned with the policies and procedures of the Council for managing, documenting, evaluating and reporting financial transactions.

Financial Governance

Finance, like all aspects of the Council, requires strong governance arrangements to be in place.

Key Characteristics of Good Financial Management

CIPFA have identified detailed characteristics of good financial management covering the above three aspects. Attached at **Appendix 2** is an analysis of the Council’s standing against these key characteristics. The following table summarises this.

Area of Good Financial Management	Overall Rating (RAG Rating)	Comment	Improvement Areas
Financial Planning		Generally assessed as strong.	Financial modelling of key assumptions and budgetary while in place requires further development.
Financial Control		Generally assessed as strong.	The Council’s policy around reserves and balances is not contained in one single document.
Financial Governance		Member involvement is strong, and the Council is open and transparent.	

The Council’s financial arrangements, policies and practices are strong and have solidified the Council’s financial standing, leading it to being resilient, flexible and effective, the envy of many local councils. However, the financial environment for local government, and in particular, for rural district councils remains challenging and with most indications suggesting that the environment is likely to

become even more challenging as the Government looks to introduce both Fair Funding and 75% Business Rates Retention.

Therefore, a number of improvements can be made to the Council's Financial Management, as highlighted in the above table to further strengthen the Council's ability to plan, control and manage its financial position in the future.

Financial Benchmarking

The Council participates and subscribes to a number of financial benchmarking groups. The most comprehensive of these is through the Council's advisors LG Futures and its Financial Intelligence Toolkit. A number of benchmarking analyses are provided on the following areas:

- Unit Cost;
- Local Taxation;
- Year on year savings;
- Fees and Charges.

In terms of reviewing the Council's financial resilience, benchmarking reports for Unit Cost and Local Taxation provide the most insight.

The following table summarises the Unit Cost benchmarking comparison for the main areas of local council expenditure for designated nearest neighbours and the greater England average. The full benchmarking report for 2019/20 is attached at **Appendix 3**.

Unit costs

Service:	Relative unit costs:	Your authority's relative unit cost:
Overall unit costs (exc. schools)	Your authority Neighbours England	Expenditure per resident: ■ 4.7% below the NN average ■ 11.1% below the England average
Highways & Transport*	Your authority Neighbours England	Expenditure per daytime population: ■ 129.2% above the NN average ■ 105.4% above the England average
Housing (General Fund)	Your authority Neighbours England	Expenditure per resident: ■ 44.4% below the NN average ■ 56.6% below the England average
Cultural & Related	Your authority Neighbours England	Expenditure per resident: ■ 26.2% below the NN average ■ 50.4% below the England average
Environmental & Regulatory	Your authority Neighbours England	Expenditure per resident: ■ 3.9% below the NN average ■ 17.3% below the England average
Planning & Development	Your authority Neighbours England	Expenditure per resident: ■ 2.9% below the NN average ■ 62.5% above the England average
Central Services	Your authority Neighbours England	Expenditure per resident: ■ 16.9% above the NN average ■ 1.9% below the England average

* Excludes levies for Integrated Transport Authorities and expenditure by the GLA, which may affect national comparisons.

The unit costs shown above, are based on the expected expenditure for 2019/20. This demonstrates that generally the Council's unit costs for the main local council expenditure headings are both lower than the designated nearest neighbours but also the average England position.

The Local Taxation benchmarking again provides a comparison of the Council's position to designated nearest neighbours and the average England position. It concentrates on Council Tax, Business Rates and the collection rates achieved.

Council tax

- In 2019/20, North Kesteven's Council Tax rate was 1.4% lower than the nearest neighbour average, and 12.9% lower than the England average.

Tax rate (per band-D equivalent)

Your authority		£165
Nearest neighbours		£167
England		£189

- Changes in your authority's council tax rate:

In 2019/20

Your authority		+3.1%
Nearest neighbours		+2.8%
England		+2.6%

Over past five years**

Your authority		+11.6%
Nearest neighbours		+12.0%
England		+10.4%

- Changes in your authority's council tax base (band-D equivalent properties):

In 2019/20

Your authority		+1.6%
Nearest neighbours		+1.3%
England		+1.5%

Over past five years

Your authority		+9.7%
Nearest neighbours		+8.0%
England		+9.7%

Non-domestic rates

- Change in the rateable value of non-domestic properties, for your authority or billing authorities:

In 2018/19

Your authority		+0.9%
Nearest neighbours		+1.2%
England		+0.7%

Over past five years

Your authority		+13.7%
Nearest neighbours		+8.7%
England		+2.6%

- Retained business rate income:

Between 2013/14 and 2017/18, your authority's retained business rates were 10.8% higher than its baseline funding level (i.e. its needs-based funding met through business rates).

Retained rates above or below baseline funding

Your authority		+10.8%
Nearest neighbours		+19.8%
England		+17.5%

Collection rates

- Council tax collection rates in 2018/19:

Your authority		99.1%
Nearest neighbours		98.2%
England		97.2%

- Non-domestic tax collection rates in 2018/19:

Your authority		99.4%
Nearest neighbours		98.8%
England		98.3%

↓ Your authority's Council Tax collection rate has decreased from 99.2% in 2017/18.

↓ Your authority's non-domestic collection rate has decreased from 99.9% in 2017/18.

* If your authority's tax rate is currently above these benchmarks, then there would be a notional reduction in revenue.

** This is based on the simple sum of annual changes, rather than the compounded growth rate.

The Council's Council Tax and Business Rates income starts from much lower bases than nearest neighbours and the average England position. However, over recent years, the Council has attempted to address this. For Council Tax it has maximised its position under the Government's Council Tax increase criteria and its work to encourage the expansion of businesses in the district has seen greater local business rates income being generated for the Council.

For Business Rates, the Business Rates Retention regime has seen that the vast majority of the business rates generated in the North Kesteven area has not been retained directly by the Council.

The full 2019/20 LG Futures Local Taxation benchmarking report is contained at **Appendix 4**.

Key Financial Indicators

The CIPFA Resilience Index helps to highlight at a high level where financial stress might be showing within a local council. Similarly, benchmarking based on unit costs is helpful to indicate areas that might need review. However, both of these are backward looking and general in nature and do not fully reflect local conditions or priorities.

The Council has recently undertaken an Internal Audit review of the Council's financial resilience, it has been recommended that the Council looks to identify the key financial indicators and ratios along with the "red flags" in order to help to address the weaknesses in the CIPFA Resilience Index and benchmarking. A number of financial indicators and ratios based on standard ratios for assessing financial performance in the private sector are starting to be seen as good practice for local councils. However, this does not mean that they are the most relevant for the Council nor do they necessarily address its specific financial areas of concern going forward.

The following table details the financial indicators that the Council currently monitors on a regular basis.

Current Financial Key Indicators	Reporting	Target for 2019/20
Business Rates Baseline Change	Annual	2%
Council Tax base change	Annual	1%
Invoice payment	Quarterly	99%

Along with these, the Council also monitors a number of key items of income and expenditure as a part of its Financial Performance, income ley income stream projects, net budget position, New Homes Bonus Income and capital programme performance.

Assessing and strengthening the range of key financial indicators to aid the Council's Financial Resilience position and establishing the financial "red flags" to indicate when financial stress may be occurring, will be developed as part of the work of this strategy.

The Financial Challenge

Background

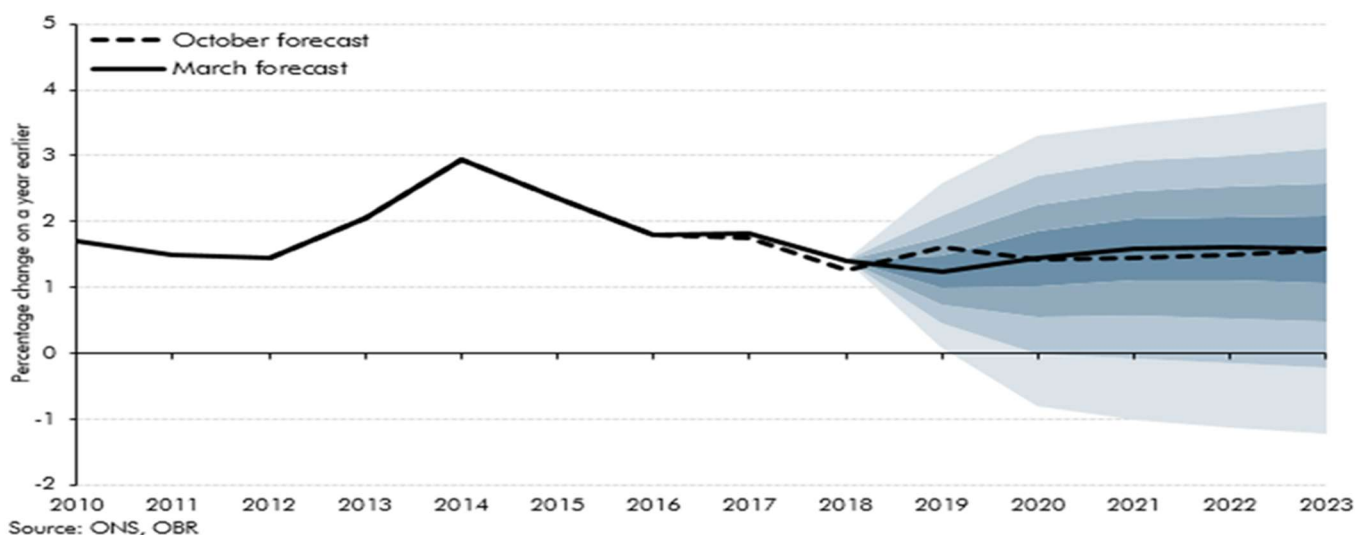
Since the 2008 financial crisis, local government has, in particular, faced the harshest elements of the Government's austerity drive experiencing the deepest reductions in funding. With the removal of

central government grant as a funding mechanism for the Council's General Fund, more and more of the Council's funding is reliant upon local economic factors. Furthermore, cost pressures have continued to build with the Council putting into place various strategies to reduce costs and generate additional income enabling it to manage the funding gap and maintain a balanced budget position.

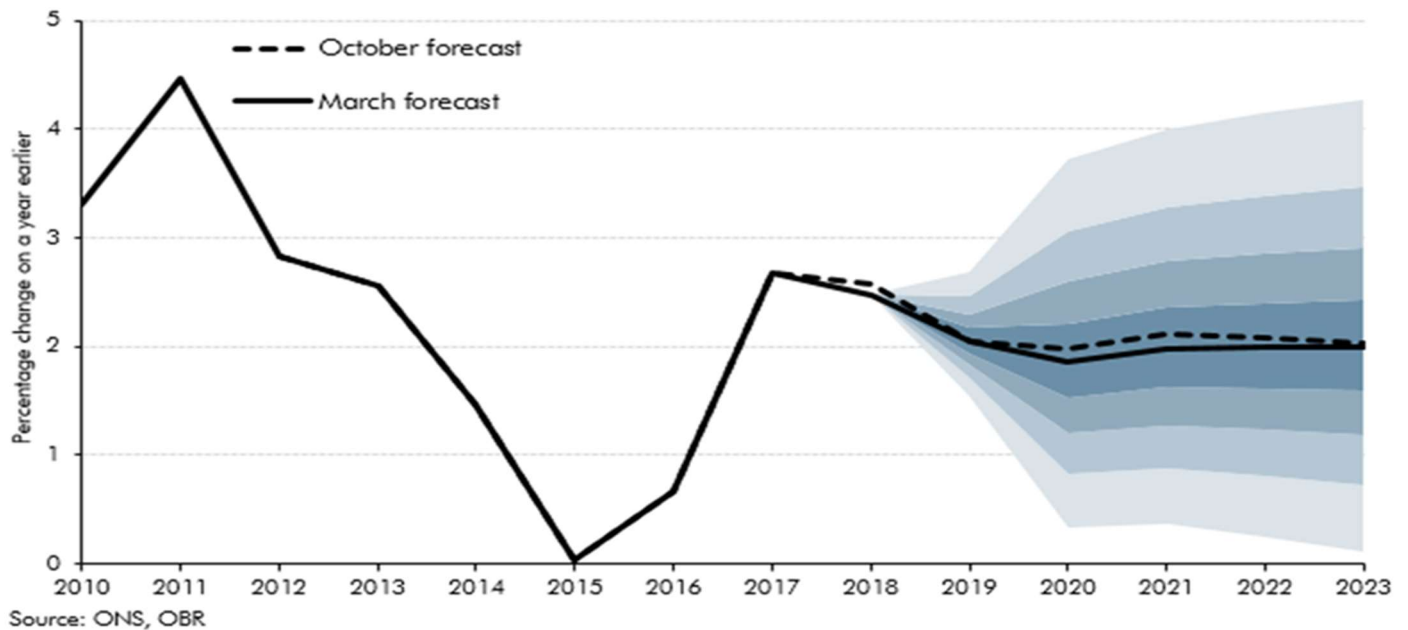
However, national economic outputs have seen a slowdown and the Government intends to reform Local Government Finance, both of which create uncertainty around the future financial position for the Council.

Economic Outlook

The Office for Budget Responsibility (OBR) in its March 2019 forecast produced the following graph for UK growth projects with its projection for 2019 for growth of 1.2%. This sees the UK economy as the worst performing of the G7 countries with the Euro area forecast to grow on average by 1.6% in 2019 and the US 2.5%. The following graph is the OBR's March 2019 projections for UK GDP growth.



Many of the Council's assumptions are based around the likely impact of inflation (CPI) on the costs of its services. The following chart demonstrates the OBR's central projection for CPI which sees it on or around its 2% target for the foreseeable future.



The overall economic outlook for the UK remains weak and uncertain and with many international economic factors becoming volatile and uncertain, the projections for the longer term position for global economy remain on the downside and can be described as “sluggish” at best. Therefore, the financial position that the Council has found itself in over the last 10 years sees no really prospects of improving.

Local Government Finance

Beyond 2020, the Council faces particular uncertainty with the expected introduction of the Government’s Fair Funding Review and 75% Business rates Retention. At this stage, many of the mechanisms of the new system are yet to be determined with all aspects of the current “50%” model being reviewed by Government.

With the ongoing saga over the UK’s departure from the EU, parliamentary time to consider all other aspects of UK law, such as introducing changes to Local Government Finance has been limited. The Chancellor Sajid Javid announced on the 4 September 2019 a one-year Spending Round covering the financial year 2020/21, and that this would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.

While the Chancellor’s announcement, on the face of it, appears to offer some respite for Local Government Finance, the detail of how factors such as “negative” Revenue Support Grant, New Homes Bonus, 75% BRR and Fair Funding Review and of course, with the uncertainty of Brexit and the UK Parliamentary elections, there is no certainty that the Chancellors announcement will come to pass.

The original timetable, towards the introduction of the new finance regime was as follows.

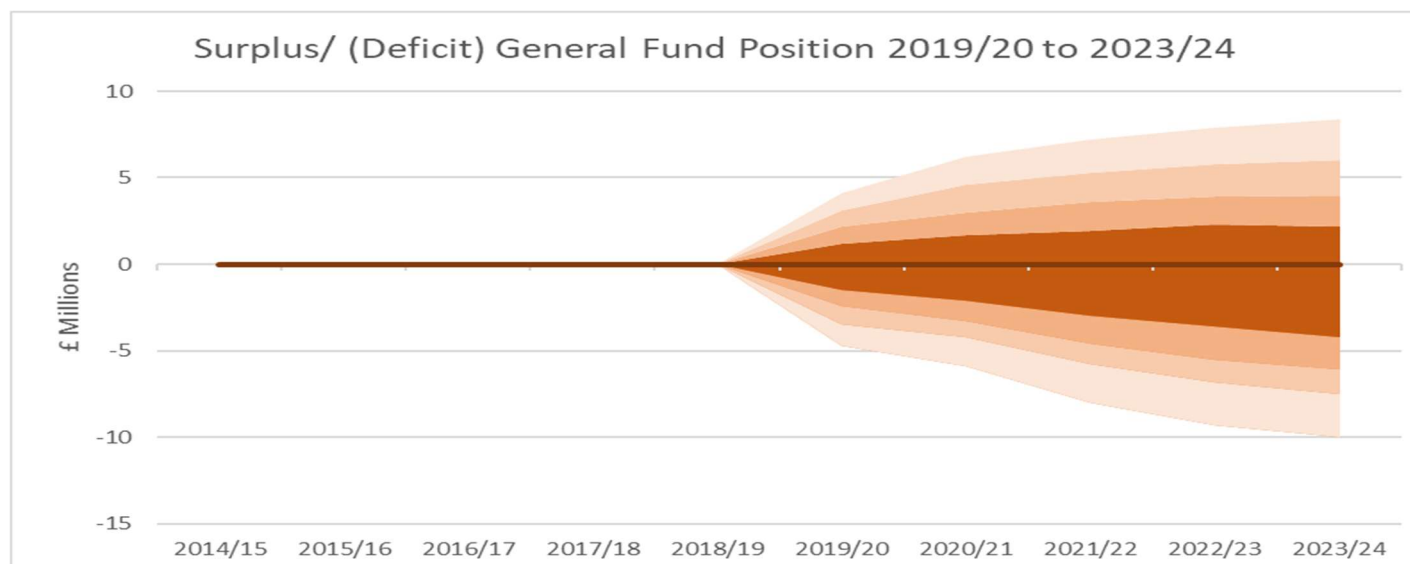
Business Rates Retention & Fair Funding Review Timetable	Likely Date
Submission of Initial “Fair Funding” consultation responses	March 2018 (Completed)
Technical consultations	Summer 2018 – Spring 2019 (Completed)
Consider outcomes from Pilots	Summer 2019
Consider options for assessing relative needs and resources	By September 2019
Set funding Baselines & any transitional arrangements	December 2019/ January 2020
Introduction of final Fair Funding/ 100% BRR	1 April 2020

However, this timetable has now slipped by at least a year. With so much uncertainty still remaining, it is the Council’s intention to remain with the course the Council set out in its MTFs for 2018/19. Pursuit of its plans to drive out savings, efficiencies and develop new income streams continues in order to aim to keep the Council in the best financial position. Thereby, the Council will be able to meet any challenges from the eventual changes introduced to Local Government Finance in the future. This is especially important as many of the Council’s funding and income streams are reliant on local and national economic conditions and the risk of further declines in economic activity is increasing.

Furthermore, should the Council receive any “windfall” from the delay of the Government’s plans, options to best utilise a one-off stronger financial settlement for the Council will be brought to Members for consideration once known.

Potential Impact on the Council

The following graph demonstrates the degree of uncertainty that currently exists over the further financial position of the Council’s General Fund. While the core projection sees the Council maintained a balanced position due to its proactive actions to tackle the funding gaps it has experienced over the last decade, a wide range of financial outcomes still exist as a result of the uncertainty over future funding levels and state of the economy.



The MTFs states the revised General Fund Summary 2018/19 to 2022/23 which is summarised in the following table.

GENERAL FUND	Revised 2019/20 £	2020/21 £	2021/22 £	2022/23 £
Net Cost of Services	11,193,600	10,714,800	11,670,200	11,636,200
Capital Charges and Investments	(1,077,600)	(1,433,500)	(1,412,500)	(1,352,900)
Appropriations	4,867,100	2,077,300	1,394,000	1,557,100
Revised net borrowing costs	120,000	120,000	120,000	0
REVISED NET EXPENDITURE	15,103,100	11,478,600	11,771,700	11,840,400
Funded by				
Council Tax	(6,075,400)	(6,381,700)	(6,478,400)	(6,640,400)
Business Rates	(6,900,400)	(4,976,900)	(5,173,300)	(5,200,000)
Business Rates Surplus/Deficit	(1,647,800)	(350,000)	-	-
Revenue Support Grant (RSG)	(359,500)	-	-	-
Unallocated 2018/19 Surplus	(988,000)	-	-	-
Business Rates Appeals Reserve	850,000	-	-	-
Further Increase/ (decrease) to Income Volatility Reserve	18,000	230,000	(120,000)	-
Total Funding	(15,103,100)	(11,478,600)	11,771,700	(11,840,400)
NET (SURPLUS)/ DEFICIT	-	-	-	-

In order to help smooth financial implications for the General Fund, the Council operates an Income Volatility Reserve. The following table summarises the expected position for the Income Volatility Reserve over the next three years.

Income Volatility Reserve	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Opening Balance	(1,450,800)	(2,658,200)	(2,633,900)	(1,701,200)
Original Contribution (to)/ from Income Volatility Reserve	(1,189,400)	254,300	812,700	56,000
Revised General Fund Contribution	(18,000)	(230,000)	120,000	-
Closing Balance	(2,658,200)	(2,633,900)	(1,701,200)	(1,645,200)

The Council has been able to demonstrate that even with a prudent but realistic reduction of funding based on the Fair Funding and 75% Business Rate Retention expected outcomes, that over the medium term, the actions that it has already put into place and delivered will produce a balanced General Fund position.

Progress to Date

The following table details the budget savings/additional income resulting from these activities that have so far been included within the General Fund base budget.

	2019/20 £ ('000)	2020/21 £ ('000)	2021/22 £ ('000)	2022/23 £ ('000)	2023/24 £ ('000)	2024/25 £ ('000)
Investment Income & arrangement fees – Lafford Homes Ltd	377	756	878	882	882	882
Revised Leisure Services contract	700	750	800	900	900	900
Reduced Debt Charges	600	0	0	0	0	0
Historic Underspends	300	300	300	300	300	300
Total Savings/ Income Included in General Fund	1,977	1,806	1,978	2,082	2,082	2,082

The Original General Fund deficit established as part of the MTFS 2018/19. This showed an expected deficit gap opening up. The following table demonstrates the expected extent of the funding gap for 2023/24 to 2027/28.

GENERAL FUND	2023/24 £ (000)	2024/25 £ (000)	2025/26 £ (000)	2026/27 £ (000)	2027/28 £ (000)	2028/29 £ (000)	2029/30 £ (000)
Original Net Deficit	2,802	2,464	2,348	2,215	2,762	-	-
MTFS 2020/21 Revised	1,201	1,365	2,054	1,703	1,414	1,115	1,003

The proactive work already undertaken by the Council including substantial investment activity, through the Council's Capital Programme, its Transformation Programme and ExCITE programme sees significant progress in reducing the expected funding gap and means that it is well placed to tackle the challenges ahead.

A number of further initiatives were outlined as part of the MTFS 2018/19 that would require time in order for them to become sufficiently established to generate returns for the Council. The following table summarises these and details the expected returns to the General Fund to 2029/30 in order to meet the revised funding gap.

GENERAL FUND	2023/24 £ (000)	2024/25 £ (000)	2025/26 £ (000)	2026/27 £ (000)	2027/28 £ (000)	2028/29 £ (000)	2029/30 £ (000)
Initiatives							
Underspends, savings and increased Fees & Charges	(675)	(675)	(825)	(825)	(825)	(825)	(825)
Lafford Homes	(180)	(240)	(300)	(360)	(420)	(480)	(480)
Increased Workshops	(66)	(132)	(132)	(132)	(198)	(198)	(198)
Investment in local economic schemes	(175)	(250)	(325)	(400)	(475)	(550)	(550)
Income Volatility Reserve	(105)	(68)	(472)	14	504	938	1050
Total Initiatives	(1,201)	(1,365)	(2,054)	(1,703)	(1,414)	(1,115)	(1,003)

Current Initiatives Update

Current Initiatives

Attached at **Appendix 5** is a summary assessing the progress that the Council has made to date, on delivery, the savings and income generation initiatives against the original requirement set through the Medium Term Financial Strategy. The following table summarises progress for 2020/21 to 2022/23.

	Initial Saving 2020/21 £	Revised Saving 2020/21 £	Initial Saving 2021/22 £	Revised Saving 2021/22 £	Initial Saving 2022/23 £	Revised Saving 2022/23 £
Review Underspends	250,000	250,000	250,000	250,000	250,000	250,000
Workshop Occupancy	50,000	50,000	50,000	50,000	50,000	50,000
Fees and Charges	150,000	150,000	150,000	150,000	300,000	300,000
Sleaford Moor Enterprise Park	0	0	87,500	0	97,000	87,500
Heart of Sleaford	25,000	0	25,000	25,000	25,000	25,000
Additional Investment Return from Lafford Homes	0	0	0	0	120,000	120,000
Additional Workshops Programme	0	0	0	0	66,000	66,000
Heads of Service Savings	375,000	299,600	375,000	304,100	375,000	316,000
Total Savings	850,000	749,600	937,500	779,100	1,283,000	1,214,500
Potential Shortfall		(100,400)		(158,400)		(68,500)

It can be seen that the Council overall is making strong progress. However, a small funding shortfall exists for each of the financial years. While these initiatives are slightly behind schedule with the original savings targets, they do not represent an immediate concern but will represent the focus of the Council's Financial Resilience work. These plans are based on the delivery of significant programmes such as the Sleaford Moor Enterprise Park (SMEP) which require large amounts of work by the Council and contain significant capital programme investment in order to bring about.

Therefore, in terms of indicators giving a "red flag" for the Council financial resilience, the delivery against the Council's Capital Programme is a clear and relevant indicator for the Council while also focuses on an area where the Council has historically struggled.

One specific initiative is the identification from Heads of Service of non-employee saving opportunities. Attached at **Appendix 6** is a summary of these proposals. Again, good progress has been made to identify and remove items of expenditure while also identifying income budgets that generate much more than managers have been budgeting to receive.

However, again more work is required to deliver the overall savings target. A number of more in depth saving proposals from Heads of Service have the potential to surpass the savings target but these require further researching to be developed in the months ahead. Therefore, these proposed saving items will form the work of the Transformation programme.

Work of ExCITe

The underlying objectives of ExCITE are twofold:

- First, to ensure that the council has a **viable financial strategy**.

Increased reliance on income streams related to economic performance including planning income, business rate growth, building control income and investment income – means that there is greater potential risk associated with loss of confidence in the national and local economy. In short, an economic downturn, a banking crisis or a global recession will have a significant impact on the NKDC financial position. Therefore, ExCITE aims to diversify the Council's income streams to reduce reliance in any one area.

- Second, to support the Council in achieving its **vision and priorities**.

By seeking ways to deliver outcomes in less traditional ways there is the potential to intervene in the market and to generate a return.

ExCITE has four elements, which make up its title 'ExCITE': Economy; Construction; Investment; Trading.

Each of these elements has the potential to generate a return with varying degrees of financial, human or external support required and whilst there is the potential for a degree of cross fertilisation and overlap, the elements will be treated as distinct opportunities that can be pursued as part of the wider programme of activity.

The key objectives for each of the strands is set out below:

Economy

Objective – to ensure that the Council has a plan for generating income from services dependent on economic performance; and through business rate growth.

Construct

Objective – to ensure that the Council has a plan for investment in housing through the General Fund, and in workshop development and other regeneration projects:

Investment

Objective – to maximise returns to the Council's General Fund through an updated Treasury Management Strategy and by exploring the potential to generate higher levels of return through investment in alternative opportunities, than are available through traditional means.

Trading

Objective – to explore the potential to generate revenue through trading activity and charging for services and trading with partners.

The Council introduced its ExCITE Strategy in October 2015. The work programme since, has focused on the delivery of the major economy and construction areas. Lafford Homes Ltd was incorporated in August 2016 and the SMEP and Heart of Sleaford have significantly moved forward since. The Council's Treasury Management arrangements have been reviewed and updated to allow the Council

to use its financial strengths to make larger returns from its investments.

Attached at **Appendix 7** is summary of the progress achieved to date under the ExCITe work programme.

As part of the Council's Financial Resilience work, ExCITe will form part of this strategy with an updated work programme.

The ExCITe work programme was last updated in October 2017. Therefore, it is appropriate to revise the work programme in the light of establishing a Financial Resilience framework for the Council.

To date, the work of ExCITe has focused largely on economic and in particular local economy initiatives. As the Council's General Fund finances are now reliant on the state of the local economy and its success or otherwise, even though the Council is seeing good success and progress, there is a clear need to diversify its work to ensure new income streams are derived from various sectors. Thereby, should one sector see a downturn, the Council will have initiatives performing strongly in others.

Furthermore, the Council's key financial strength is access to low rate finance and its ability to invest this to make a financial return.

Therefore, attached at **Appendix 8**, is a revised ExCITe work Programme for 2019/20 to 2022/23 that looks to maximise this while developing projects and initiatives under the same four key areas of economy, construction, Investment and Trading. The revised programme represents both using the Council's financial strengths but also continuing to centre on developing the areas in which the Council excels.

The following table summarises the revised ExCITe work programme.

ExCITe Element	Probable level of return	Programme Priority
Economy		
Renewable Energy Schemes	Medium – High	3
Energy Generation	Medium	4
Fees and Charges new opportunities	Low - Medium	7 & 8
Construction		
Support ongoing economic projects(eg SMEP)	Medium	Ongoing
Other opportunities (eg NHS)	High	2
Investment		
Lending to Organisations (eg Housing Associations)	High	1
Lending to third parties	Low - Medium	6
Trading		
Development of a Payroll SME service	Low - Medium	5
Development of a wider back office offer	Low - Medium	9

Areas of Financial Resilience Activity

Governance

The following diagram outlines how Financial Resilience will oversee the work of the Council’s other initiatives and boards that aim to provide savings and income generation options.



Financial Resilience Project Board

In order to monitor and control the Council’s work under Financial Resilience, a Financial Resilience Project Board has been established.

The role of the Financial Resilience Project Board will be to:

- To promote, oversee and advise on the Financial Resilience Strategy, projects and initiatives;
- To consider and review the progress of the Transformation Programme;
- To review progress towards saving and income generation targets contained within the Financial Resilience Strategy;
- To consider the progress of individual Financial Resilience projects and initiatives;
- To approve new projects and savings initiatives for inclusion under Financial Resilience;
- To monitor cost pressures within the General Fund and consider mitigating options;
- To consider performance and benchmarking data on the Financial Resilience of the Council.

Key Financial Resilience Indicators

Current good practice around Financial Resilience within local councils includes the setting and monitoring of a number of key financial indicators. One of the drivers has been to consider the indicators and ratios that are common place in the private sector. However as mentioned earlier, the Council currently sets and produces monitoring information around a number of key aspects of its financial performance and there is a need to ensure that any indicator or ratio used provides useful information or provides an early, relevant “red flag” early warning.

Many of the financial indicators and ratios used in the private sector are not directly relevant to local councils. Therefore, the following table sets out the key financial areas that a large private sector company would look to use and identifies what the Council sees as the most equivalent approach.

Private Sector Financial Indicators/ Ratios	Equivalent indicators/ Ratios for the Council
Assets/ Worth	Capital Programme delivery
Liquidity and Cash	Reserves
Interest Cover	Interest payable vs Council Tax/ Rent levels
Sales and demand	Fees and Charges, Taxbase growth, Net HRA Stock numbers

In order to establish the key financial indicators and red flags, the following indicators and ratios will be monitored by Financial Resilience Project Board in addition to those already established.

Indicators and ratios
Percentage of approved General Fund Capital Programme spend is within 25% of profiled for the quarter
Long term borrowing Interest: General Fund Business Rates and Council Tax Income
Workshop Occupancy Rate
Council Tax & Business Rates collection rates
HRA Void and arrears
Red Flag Indicators
Percentage of approved General Fund Capital Programme spend is lower than 50% of profiled for the quarter
Usable Reserve reduced by 30% within year
Fees and Charges more than 10% below budget
Local Council Tax Support more than 10% above budget
HRA Rent levels more than 10% below budget

These indicators will form part of the Council's financial monitoring arrangements adopted by the Financial Resilience Board.

Action Plan

The following action plan pulls together all of the actions outlined as part of this strategy in order to embed and strengthen the Council's financial resilience. This will form the basis of the initial work to be undertaken.

Action		Completed by	Responsible Officer
1	Establish the Financial Resilience Board	October 2019	Director of Resources
2	Establish processes for monitoring savings initiatives	October 2019	Head of Finance
3	Establish monitoring arrangements for the programmes and activities to develop income streams (ExCITe) that make up the work of Financial Resilience	October 2019	Head of Finance
4	Strengthen the Council's General Fund 10 year financial modelling	January 2020	Strategic Finance Manager
5	Production of a single Policy covering the establishment and use of the Council's reserves and working balances	January 2020	Strategic Finance Manager
6	Establish monitoring and reporting arrangements for the detailed indicators and ratios for Financial Resilience	January 2020	ExCITe Programme Manager
7	Establish monitoring and reporting arrangements for the detailed Red Flags for Financial Resilience	January 2020	ExCITe Programme Manager
8	Implementation of the revised ExCITe work programme	April 2020	ExCITe Programme Manager

Conclusion

Over many years the Council has maintained strongly its financial position and taken the necessary actions to ensure the long term financial viability of both its General Fund and Housing Revenue Account. It has in place a number of strategies and work programmes that are delivering a number of different types of initiatives to protect further the Council's financial standing.








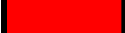



The Medium Term Financial Strategy has set out the long term ten year position for the General Fund which predicts significant funding reductions along with the actions the Council will take to manage this. However, with the current levels of economic uncertainty, the Council cannot rest and is bringing all the individual strands of its work under this one strategy for greater control, ensuring delivery of the future success of the Council for local residents and businesses.



North Kesteven
DISTRICT COUNCIL

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CIPFA RESILIENCE INDEX SUMMARY FOR NORTH KESTEVEN DISTRICT COUNCIL

		2014/15	2015/16	2016/17	2017/18	Indicator of Stress (RAG)
Reserves Depletion Time*	Number of years it will take to deplete Reserves on current trend	100.00	100.00	100.00	100.00	
Level of Reserves*	Total Usable Reserves as a percentage of Net Revenue Expenditure	58.6%	84.5%	144.4%	63.2%	
Change in Reserves*	Average percentage change in reserves over the last 3 years	5.6%	5.6%	5.6%	5.6%	
Unallocated Reserves*	Unallocated Reserves as a percentage of Net Revenue Expenditure	5.1%	11.0%	12.4%	12.2%	
Earmarked Reserves*	Earmarked Reserves as a percentage of Net Revenue Expenditure	53.5%	73.4%	132.0%	51.0%	
Change in Unallocated Reserves*	Average percentage change in unallocated Reserves over the last 3 years	134.2%	134.2%	134.2%	134.2%	
Change in Earmarked Reserves*	Average percentage change in total Earmarked Reserve over the last 3 years	-6.6%	-6.6%	-6.6%	-6.6%	
Grants to Expenditure Ratio	The proportion of Net Revenue Expenditure funded by Government Grants	23.4%	20.0%	13.9%	5.5%	
Council Tax Requirement / Net Revenue Expenditure	Percentage of Council Tax to Net Revenue Expenditure	54.0%	69.2%	83.0%	65.2%	
Retained Income from Rate Retention / Net Expenditure	Percentage of Business Rates to Net Revenue Expenditure	29.9%	45.7%	23.6%	44.6%	
Auditors VfM Assessment		Unqualified	Unqualified	Unqualified	Unqualified	

* Relate to Reserves and Balances held by the Council

Key Characteristics of Good Financial Management

Key Characteristics of Good Financial Planning	North Kesteven Analysis
The council's budget is set in the context of a longer-term financial strategy and a medium-term financial plan covering a three to five-year horizon.	Yes
The council has clearly identified the savings it intends to make over a three to five-year term. The savings plan is underpinned by detailed costings and delivery plans for individual savings. (including transformation/change savings)	Yes
The council has a good track record of delivering on its savings plans.	Yes
Medium-term financial planning and annual budgeting reflect the council's strategic objectives and priorities for the year, and over the longer term.	Yes
Assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services are modelled and based on reasonable predictions.	Yes, but modelling is simplistic
The council understands its sources of income and the risks arising from these, and has reviewed its approach to fees and charges to ensure it achieves value for money	Yes
Financial and corporate planning processes are integrated, link to risk management arrangements and incorporate strategic planning for other resources including the capital programme and workforce planning.	Yes
The council uses financial modelling to assess likely impacts on financial plans and required savings for different scenarios, and to help ensure short-term fixes are not achieved at the expense of long-term sustainability	Yes, developing longer term modelling for the General Fund
The council models key expenditure drivers (for example, population changes and demand for services), sources of income (for example, income and government grant forecasts), revenue consequences of capital and resource requirements and balances.	As above
The council operates within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by members, and appropriate to the strategic, operational and financial risks it faces.	Yes
If the council is not at its target level for balances, there is planned action in place to achieve this taking account of any associated risks to the organisation's financial position and delivery of its priorities.	Not previously an issue as proactively managing the long term General Fund position.

Key Characteristics of Good Financial Control	North Kesteven Analysis
The council has an appropriate and effective budget management policy that clearly sets out roles, responsibilities and accountability. The scheme of delegation is clear, and processes are set out to manage budget under and overspends.	Yes
Financial monitoring and forecasting are fit for purpose and accruals-based, helping to ensure a clear link between the budget, in-year forecasts and year-end position	Yes
The council analyses and extrapolates relevant trends, and considers their impact on the projected final out-turn.	Yes
The council takes timely action to address any budget pressures, for example, by taking corrective action to manage unfavourable variances or by revisiting corporate priorities.	Yes
The council has agreed a clear policy on the use of its reserves. There is a clearly justified minimum level for its 'general fund' reserves balance. There is a clear rationale to explain transfer from, or between, reserves. Clear protocols explain how and when each reserve should be used. Decisions about reserves are underpinned by a comprehensive assessment of risk and current performance.	Yes but not held in a single document
The reserves policy has been agreed by members and is subject to scrutiny.	As above
The council has a clear policy on income generation/charging. There is a register of charges across its services to help manage charges consistently. The council has corporate guidelines on how concessions should be applied. Charges are regularly reviewed and the policy updated.	Yes
The council monitors its key financial ratios, benchmarks them against similar bodies and takes action as appropriate.	Yes, use of services such as LG Future financial benchmarking
The annual governance statement gives a true reflection of the council.	Yes

Key Characteristics of Good Financial Governance	North Kesteven Analysis
The leadership team clearly understands the significant and rapidly changing financial management challenges and risks facing the organisation, and is taking appropriate action to secure a stable financial position.	Yes
The council has sufficient capacity and capability to promote and deliver good financial management.	Yes
The leadership team fosters an environment where there is good understanding and routine challenge of financial assumptions and performance, and a culture of transparency about the financial position.	Yes
The leadership team provides constructive scrutiny and challenge on financial matters to ensure arrangements remain robust and fit for purpose.	Yes
There is regular and transparent reporting to members. Reports include detail of action planning and variance analysis.	Yes
Members scrutinise and challenge financial performance effectively, holding officers to account.	Yes
Internal and external audit recommendations are dealt with effectively and in a timely manner.	Yes
There is effective engagement with stakeholders on budget issues, including public consultations.	Yes



Financial Intelligence Toolkit

2019/20 Subscription

Financial Benchmarking - Unit Costs

North Kesteven

Overview



This report compares unit costs between local authorities in England, using budgeted expenditure from authorities' Revenue Account (RA) returns for 2019/20. The report is intended to act as an initial guide for further investigation into areas where unit costs differ to those of similar authorities and where there may potentially be scope for savings.

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Summary of Key Points




































Notional savings

- The notional impact of setting your authority's unit costs, across every service, equal to:
 - The **bottom 20%** of authorities in England:  notional savings of £3.3m
 - The **top 20%** of authorities in England:  additional expenditure of £6.9m

Annual change in unit costs

- Change in your authority's unit costs between 2018/19 and 2019/20:  **5.4%**
- Your authority's unit costs were ranked 12th highest in the nearest neighbour group in both years.

Unit costs

Service:	Relative unit costs:		Your authority's relative unit cost:
Overall unit costs (exc. schools)	Your authority		Expenditure per resident:
	Neighbours		 4.7% below the NN average
	England		 11.1% below the England average
Highways & Transport*	Your authority		Expenditure per daytime population:
	Neighbours		 129.2% above the NN average
	England		 105.4% above the England average
Housing (General Fund)	Your authority		Expenditure per resident:
	Neighbours		 44.4% below the NN average
	England		 56.6% below the England average
Cultural & Related	Your authority		Expenditure per resident:
	Neighbours		 26.2% below the NN average
	England		 50.4% below the England average
Environmental & Regulatory	Your authority		Expenditure per resident:
	Neighbours		 3.9% below the NN average
	England		 17.3% below the England average
Planning & Development	Your authority		Expenditure per resident:
	Neighbours		 2.9% below the NN average
	England		 62.5% above the England average
Central Services	Your authority		Expenditure per resident:
	Neighbours		 16.9% above the NN average
	England		 1.9% below the England average

* Excludes levies for Integrated Transport Authorities and expenditure by the GLA, which may affect national comparisons.

1. Methodology

Unit costs are based on local authorities' planned expenditure for 2019/20, as reported in Revenue Account (RA) forms. **Expenditure on Fire and Rescue services is excluded from this report**, so as to enable a like-for-like comparison between authorities with otherwise identical functions and responsibilities.

When estimating unit costs, **expenditure is first deflated by the Area Cost Adjustment (ACA)**. This controls for geographical variations in the cost of providing services due to differences in wage and salary costs. These adjustments are based on the ACA figures for 2013/14 as published by DCLG.

To calculate unit costs, deflated expenditure is divided by relevant cost drivers; for example, the number of local residents, social care clients or weighted road length. The latest available data is used for these denominators, which varies from year to year. Details on each denominator are provided in Annex A.

Where local authorities have been restructured, it has been necessary in some cases to estimate expenditure or activity levels using data that relates to now-abolished authorities.

Unit costs are based on net current expenditure (NCE), which is comprised of expenditure on employees and running expenses, net of sales, fees and charges, internal recharges and other income. NCE excludes levies paid to Waste Disposal Authorities and Integrated Transport Authorities, and this should be borne in mind when making any comparisons between authorities where their costs may be recorded differently, due to differing structural arrangements for such services.

2. Comparator groups

For benchmarking purposes, two sets of comparator groups are used in this analysis: (a) North Kesteven's Nearest Neighbour group, and (b) all comparable authorities across England. These comparator groups are explained below.

Nearest neighbour group

Please note this report uses updated CIPFA nearest neighbour groups for 2019

To enable a like-for-like comparison, this analysis makes use of CIPFA's statistical 'nearest neighbours' groups. These identify councils with similar economic and social characteristics and groups them on a statistical basis. These groupings were last updated in 2019.

North Kesteven's nearest neighbour group is shown in the table below:

Table 1 - Nearest neighbour group

■ North Kesteven	■ South Staffordshire
■ Broadland	■ Mid Devon
■ Hinckley & Bosworth	■ Newark & Sherwood
■ South Norfolk	■ East Northamptonshire
■ West Lindsey	■ Melton
■ Mid Suffolk	■ Blaby
■ Staffordshire Moorlands	■ Lichfield
■ Babergh	■ South Ribble

National comparator group

When making national comparisons, it is necessary to consider the services provided by each authority. Unit costs should only be compared among authorities with similar functions and responsibilities.

It is not possible to simply compare all authorities with expenditure in a given service area. For example, both shire counties and shire districts provide Environmental and Regulatory services, but the precise nature of the services provided will differ between the two tiers.

To enable national comparisons, authorities are therefore categorised into three groups, according to whether they provide (1) both upper-tier and lower-tier services, (2) exclusively upper-tier services, or (3) exclusively lower-tier services.

Based on the services it provides, North Kesteven falls into Group 3, as shown in the table below. All national comparisons in this report are made with reference to this grouping of 192 authorities.

Table 2 - National comparator groups

Group	Authority Type	Lower tier	Upper tier	Fire*	No.
Group 1	Metropolitan districts, London boroughs and unitaries without fire responsibilities	✓	✓		120
	Unitaries with fire responsibilities	✓	✓	✓	3
Group 2	Shire counties without fire responsibilities		✓	✓	16
	Shire counties with fire responsibilities		✓		10
Group 3	Shire districts	✓			192

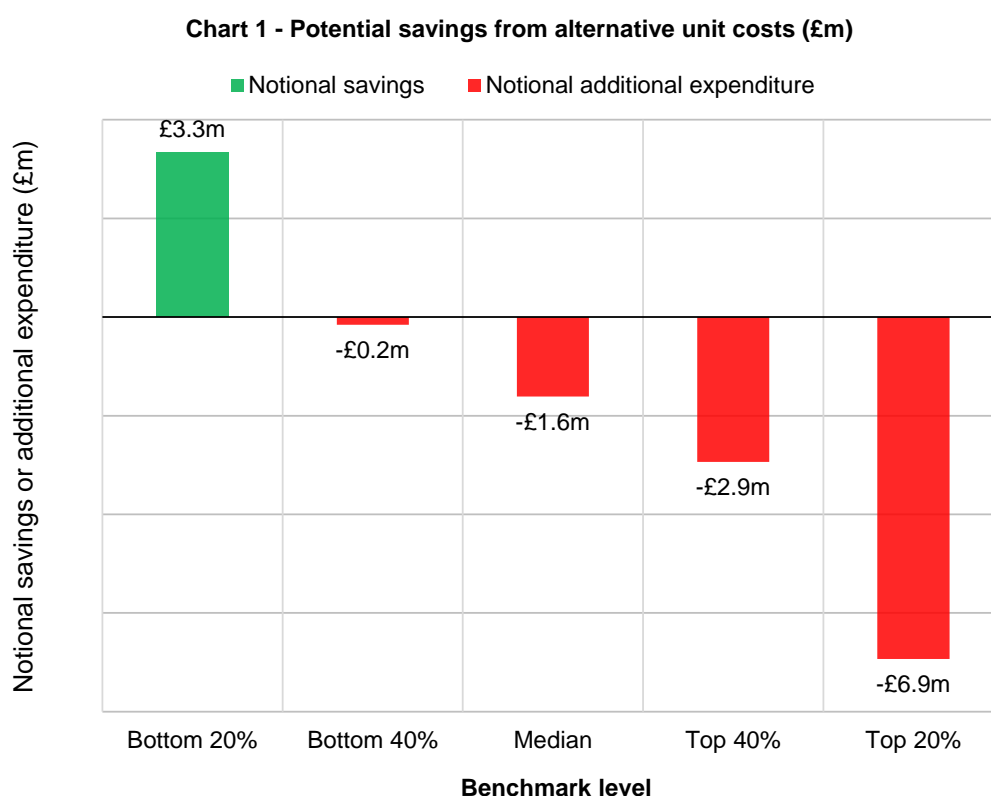
* Expenditure on fire and protective services is excluded from this report, so does not affect comparisons.

3. Potential savings

This section considers the notional savings that could be achieved by setting your authority's unit costs to certain levels relative to other councils in England.

Benchmark unit costs were defined based on the cut-off point for the top 20% of authorities, the top 40% of authorities, the median, the bottom 40% of authorities, and the bottom 20%.

The chart below illustrates the theoretical savings that would result if North Kesteven set its unit costs to these benchmarks for every service. For example, setting its unit costs to the bottom 20% of all comparable authorities* in England, within every major service, would generate notional savings of £3.3m. Setting its unit costs to the top 20% of all comparable authorities would impose additional expenditure of £6.9m.



Please note that these notional savings will vary from those presented in LG Futures' Adults' Social Care Report and Children's Social Report, due to different data and methodologies used.

* The 192 authorities with similar functions as North Kesteven, as described in Table 2 above.

The table below provides a breakdown of these potential savings (or additional expenditure) by service.

Table 3 - Potential savings by major service

Notional savings  Additional expenditure

Service	Bottom 20%	Bottom 40%	Median	Top 40%	Top 20%
Highways & Transport	£1.4m	£0.8m	£0.5m	£0.4m	£0.0m
Housing Services (GFRA only)	-£0.4m	-£0.7m	-£0.9m	-£1.1m	-£1.5m
Cultural & Related Services	£0.0m	-£0.7m	-£1.0m	-£1.4m	-£2.1m
Environmental & Regulatory Services	£0.0m	-£0.5m	-£0.7m	-£1.0m	-£1.7m
Planning & Development Services	£1.2m	£0.6m	£0.4m	£0.3m	-£0.3m
Central Services	£1.1m	£0.4m	£0.1m	-£0.1m	-£1.3m
Total (excluding schools)	£3.3m	-£0.2m	-£1.6m	-£2.9m	-£6.9m

Negative figures indicate increased expenditure. Your authority would incur additional expenditure if its unit costs are currently below the relevant benchmark level.

Please note that for shire districts, notional savings are not calculated for Education, Children's Social Care, Adults' Social Care or Public Health. This is due to a lack of expenditure data for these services.

4. Change in unit costs 2018/19 to 2019/20

This section highlights the change in North Kesteven's unit costs, compared to its nearest neighbours, between 2018/19 and 2019/20.

In 2019/20, North Kesteven's overall unit costs (excluding schools) increased by 5.4%. Its ranking, relative to its nearest neighbours, was unchanged at 12th highest in the group. The change for each major service is shown in the table below.

Table 4 - Change in unit costs relative to the nearest neighbour group

Service Area	Unit Costs (£ per unit)			Nearest Neighbour Ranking (1 = high)			Units
	2018/19	2019/20	Change	2018/19	2019/20	Change	
Highways & Transport	0.50	0.35	●	7th	9th	●	Residents (all)
Housing (General Fund)	8.85	7.22	●	13th	15th	●	Residents (all)
Cultural & Related Services	12.73	9.65	●	9th	11th	●	Residents (all)
Environmental & Regulatory Services	33.87	35.05	●	9th	11th	●	Residents (all)
Planning & Development Services	14.34	18.37	●	9th	8th	●	Residents (all)
Central Services	33.37	38.58	●	8th	7th	●	Residents (all)
Total Expenditure (exc. Schools)	103.66	109.22	●	12th	12th	●	Residents (all)

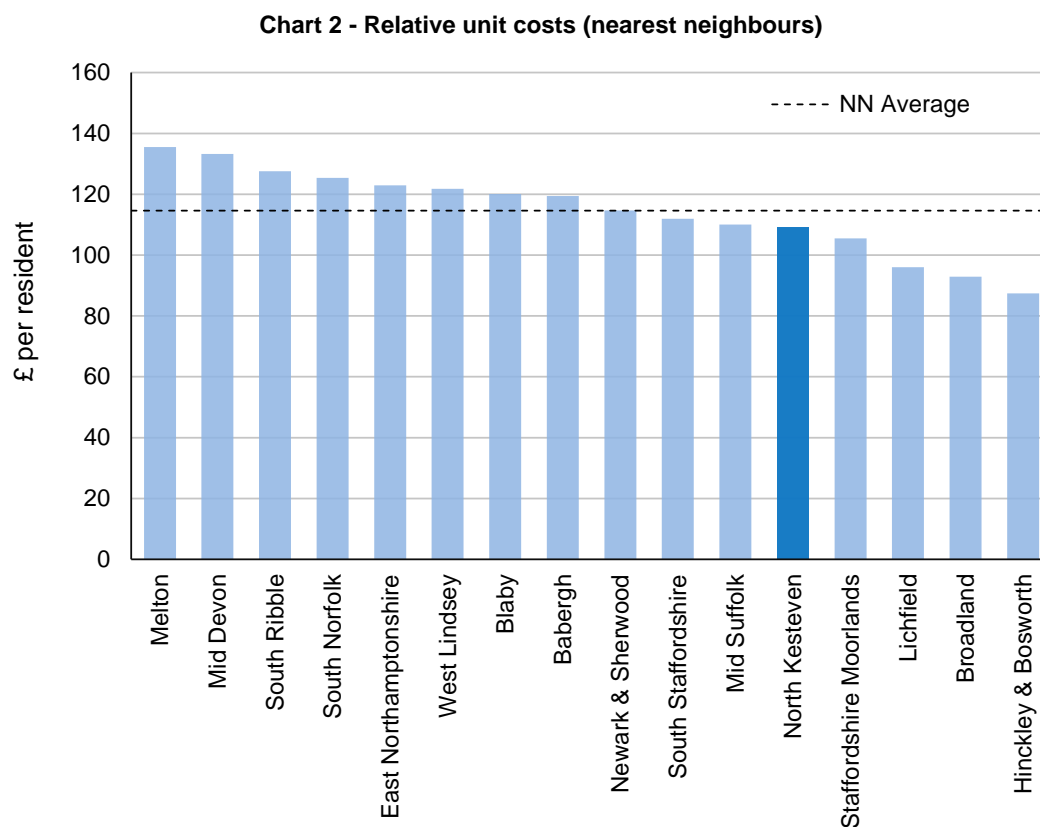
Key: ● Decreased unit costs / improved rank
 ● Unchanged unit costs / unchanged rank
 ● Increased unit costs / worsened rank

Annex A provides more details on the units used to calculate unit costs, as listed in the table above.

5. Overview of unit costs

Nearest neighbour comparison

In 2019/20, North Kesteven's expenditure per resident was 4.7% lower than the nearest neighbour average (excluding schools). It was ranked 12th highest out of the 16 authorities in the group, as shown below.



The table below shows North Kesteven's unit costs, in each major service area, relative to its nearest neighbours. As can be seen, the biggest difference, measured in percentage terms, was in Highways & Transport.

Table 5 - Unit costs compared to nearest neighbours

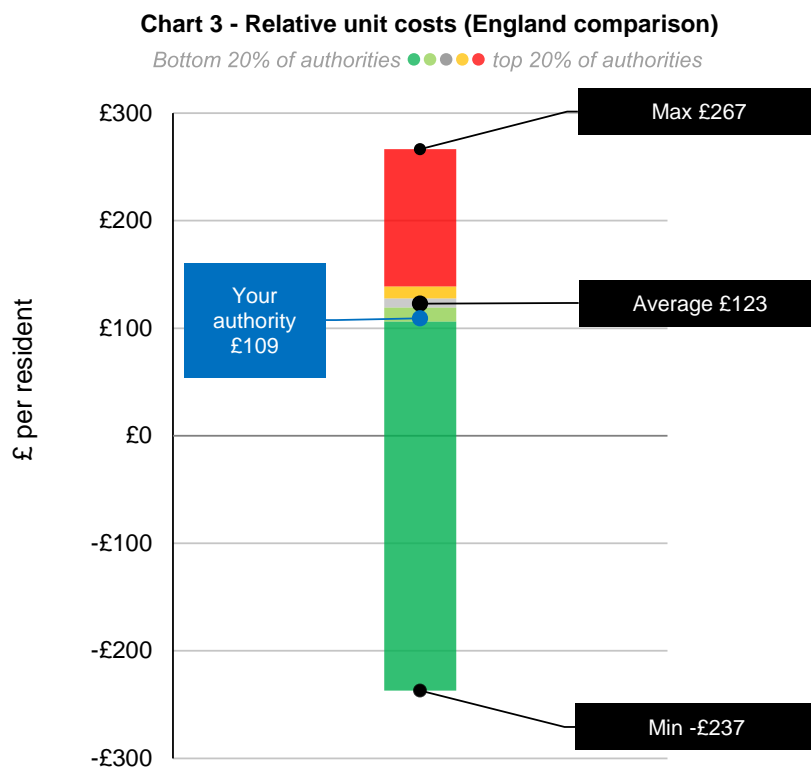
Service Area	Budget 2019/20 (£m)	Unit cost*		Difference from average		Rank out of 16 (1=high)	Units
		Your authority (£ per unit)	NN average (£ per unit)	(%)	(Band)		
Highways & Transport	0.041	0.35	-1.21	129.2%	●	9th	Residents (all)
Housing (General Fund)	0.836	7.22	12.97	-44.4%	●	15th	Residents (all)
Cultural & Related Services	1.118	9.65	13.07	-26.2%	●	11th	Residents (all)
Environmental & Regulatory Services	4.061	35.05	36.47	-3.9%	●	11th	Residents (all)
Planning & Development Services	2.128	18.37	18.91	-2.9%	●	8th	Residents (all)
Central Services	4.469	38.58	32.99	16.9%	●	7th	Residents (all)
Other Services	0.000						
Total (excluding schools)	12.653	109.22	114.61	-4.7%	●	12th	Residents (all)
Total (including schools)	12.653	109.22	114.61	-4.7%	●	12th	Residents (all)

Bottom 20% of NN group ●●●● top 20% of NN group ●●●●

* In this report, unit costs are based on budgeted expenditure **deflated by the Area Cost Adjustment**, which reflects geographical differences in the costs of providing local services, primarily due to wage and salary costs. Values are left blank for 'Other Services' (which varies widely between authorities) and for services where your authority does not have primary responsibility.

England comparison

Relative to all comparable authorities across England, North Kesteven's unit costs were 11.1% lower than average, and ranked 141st highest out of 192 comparable authorities.



The table below provides details of North Kesteven's unit costs relative to all comparable authorities across England.

Table 6 - Unit costs compared to England average*

Service Area	Budget 2019/20 (£m)	Unit cost		Difference from average		Rank out of 192 (1=high)	Units
		Your authority (£ per unit)	England average (£ per unit)	(%)	(Band)		
Highways & Transport	0.041	0.35	-6.53	105.4%	●	48th	Residents (all)
Housing (General Fund)	0.836	7.22	16.62	-56.6%	●	180th	Residents (all)
Cultural & Related Services	1.118	9.65	19.47	-50.4%	●	154th	Residents (all)
Environmental & Regulatory Services	4.061	35.05	42.37	-17.3%	●	151st	Residents (all)
Planning & Development Services	2.128	18.37	11.30	62.5%	●	62nd	Residents (all)
Central Services	4.469	38.58	39.31	-1.9%	●	87th	Residents (all)
Other Services							
Total (excluding schools)	12.653	109.22	122.83	-11.1%	●	141st	Residents (all)
Total (including schools)	12.653	109.22	122.83	-11.1%	●	141st	Residents (all)

Bottom 20% of authorities ●●●● top 20% of authorities

* In this report, unit costs are based on budgeted expenditure **deflated by the Area Cost Adjustment**, which reflects geographical differences in the costs of providing local services, primarily due to wage and salary costs. Values are left blank for 'Other Services' (which varies widely between authorities) and for services where your authority does not have primary responsibility.

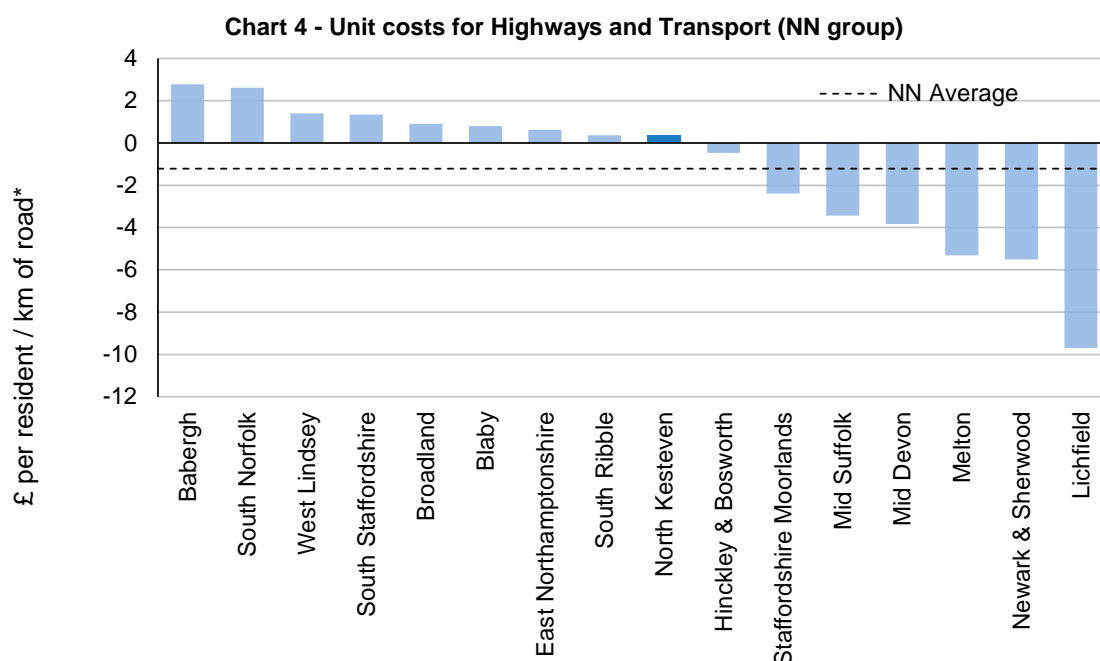
The following section provides additional details on each of these services.

6. Detailed unit costs by service

Highways and Transport

Nearest neighbour comparison

For Highways and Transport, North Kesteven's unit costs were 129.2% higher than the nearest neighbour average, and ranked 9th highest in the group. This is illustrated below.



The following table provides more details on North Kesteven's relative unit costs for this service.

Table 7 - Unit costs for Highways and Transport (NN group)

Service Area	Budget 2019/20 (£m)	Unit cost		Difference from average		Rank (1=high)	Units
		Your authority (£ per unit)	Group average (£ per unit)	(%)	(Band)		
Highways Maintenance	0.000	0.00	0.08	-100.0%	●	4th / 16	Residents (all)
Parking Services	-0.141	-1.22	-1.76	30.9%	●	9th / 16	Daytime population
Street Lighting	0.162	1.40	0.31	347.6%	●	1st / 16	Residents (all)
Transport Planning, Policy and Strategy	0.000	0.00	0.00				Residents (all)
Winter Service	0.000	0.00	0.00				Residents (all)
Traffic Management and Road Safety	0.000	0.00	0.00	100.0%	●	1st= / 16	Residents (all)
Public Transport	0.020	0.17	0.16	10.6%	●	6th / 16	Residents (all)
Other Highways and Transport Services	0.000	0.00	0.00				Residents (all)
Total	0.041	0.35	-1.21	129.2%	●	9th / 16	Residents (all)

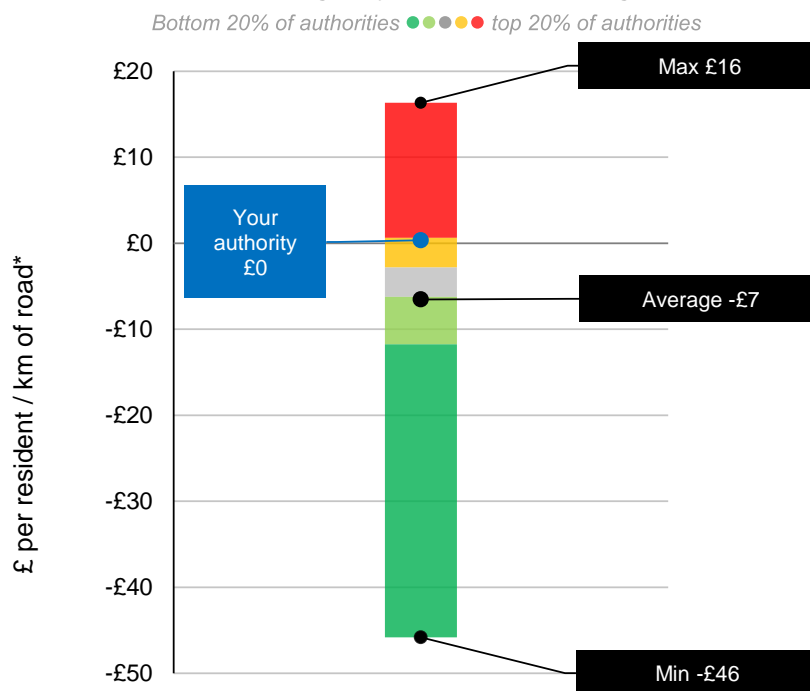
Bottom 20% of NN group ●●●●● top 20% of NN group ●●●●●

* For shire districts, the denominator is resident population, and for all other authorities the denominator is weighted road length. This is because road length data is not available for shire districts.

England comparison

Compared to other authorities across England, North Kesteven's unit costs were 105.4% higher than average. Overall, its unit costs were ranked 48th highest out of 192 comparable authorities. Its relative position is illustrated in the chart below.

Chart 5 - Unit costs for Highways and Transport (England comparison)

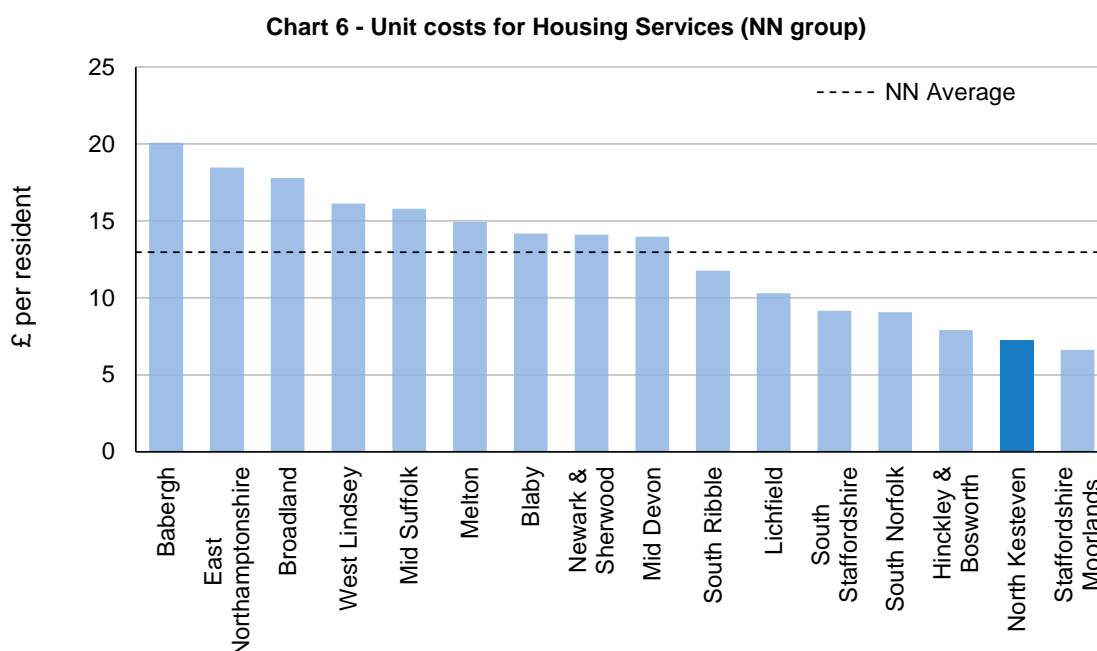


* For shire districts, the denominator is resident population, and for all other authorities the denominator is weighted road length. This is because road length data is not available for shire districts.

Housing Services (General Fund)

Nearest neighbour comparison

For Housing Services, North Kesteven's unit costs were 44.4% lower than the nearest neighbour average, and ranked 15th highest in the group.



The following table provides more details on North Kesteven's relative unit costs for this service.

Table 8 - Unit costs for Housing Services (NN group)

Service Area	Budget 2019/20 (£m)	Unit cost		Difference from average		Rank (1=high)	Units
		Your authority (£ per unit)	Group average (£ per unit)	(%)	(Band)		
Homelessness	0.263	2,528.85	5,370.90	-52.9%	●	16th / 16	Homeless households (duty owed)
Housing Benefits Administration	0.230	52.74	137.74	-61.7%	●	14th / 16	Housing Benefit claimants
Housing Benefits: Rent Allowances and Rebates	0.174	39.90	15.04	165.3%	●	2nd / 16	Housing Benefit claimants
Housing Strategy, Advice, Advances etc.	0.245	2.11	3.39	-37.6%	●	10th / 16	Residents (all)
Housing Welfare: Supporting People	-0.076	-0.66	0.06	-1162.9%	●	16th / 16	Residents (all)
Other Housing Services	0.000	0.00	0.05	-100.0%	●	6th= / 16	Residents (all)
Total	0.836	7.22	12.97	-44.4%	●	15th / 16	Residents (all)

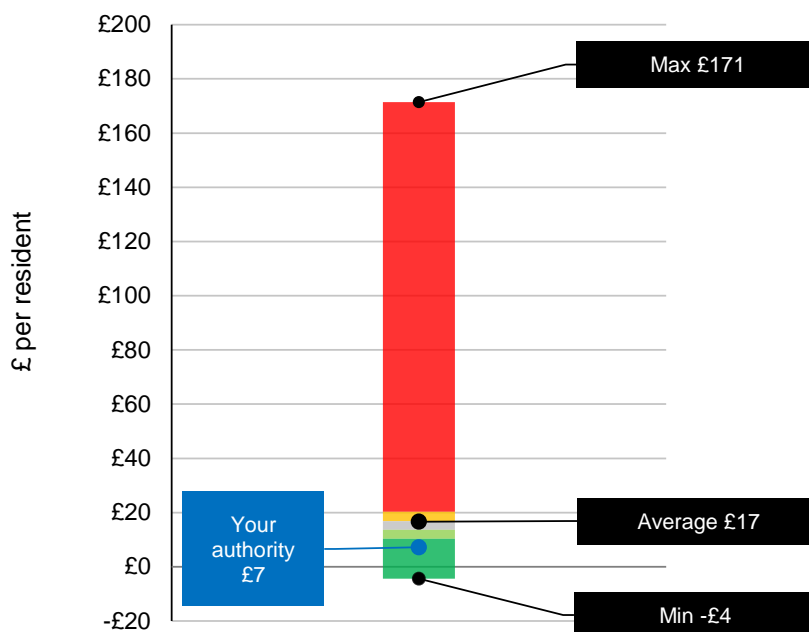
Bottom 20% of NN group ●●●●● top 20% of NN group ●●●●●

England comparison

Compared to other authorities across England, North Kesteven's unit costs were 56.6% lower than average. Overall, its unit costs were ranked 180th highest out of 192 comparable authorities. Its relative position is illustrated in the chart below.

Chart 7 - Unit costs for Housing Services (England comparison)

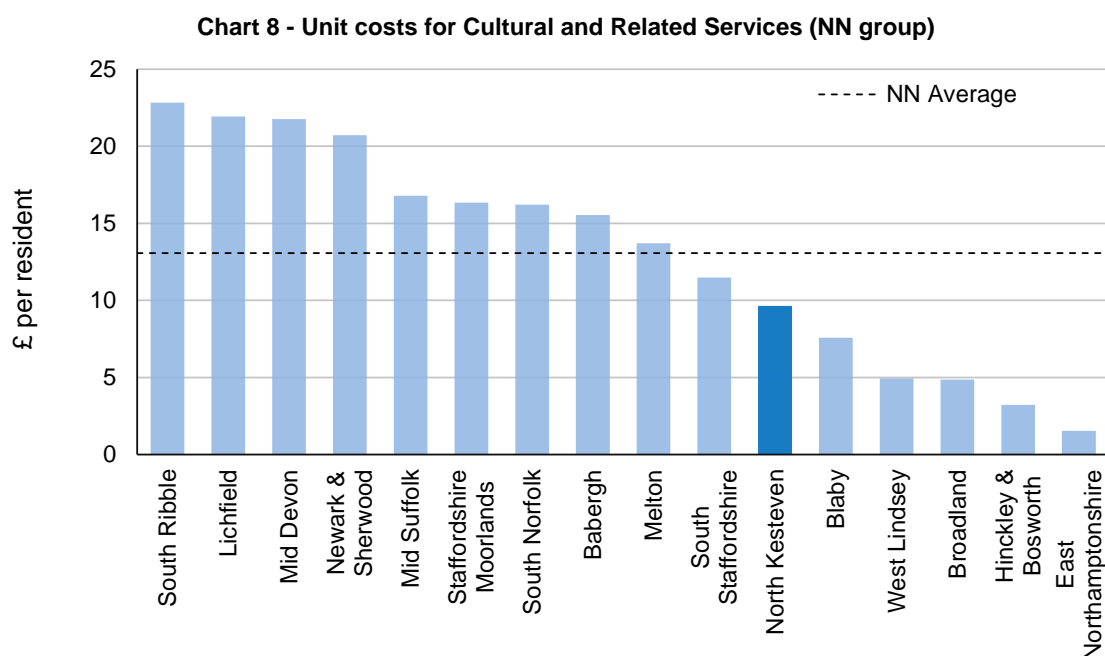
Bottom 20% of authorities ●●●● top 20% of authorities



Cultural and Related Services

Nearest neighbour comparison

For Cultural and Related Services, North Kesteven's unit costs were 26.2% lower than the nearest neighbour average, and ranked 11th highest in the group.



A detailed breakdown of unit costs, relative to the nearest neighbour average, is provided below.

Table 9 - Unit costs for Cultural and Related Services (NN group)

Service Area	Budget 2019/20 (£m)	Unit cost		Difference from average		Rank (1=high)	Units
		Your authority (£ per unit)	Group average (£ per unit)	(%)	(Band)		
Culture and Heritage	0.391	3.37	1.59	112.0%	●	2nd / 16	Residents (all)
Library Service	0.000	0.00	0.00				Residents (all)
Open Spaces	0.207	2.24	21.83	-89.7%	●	13th / 16	LA area (Hectares)
Recreation and Sport	0.385	3.32	4.37	-23.9%	●	10th / 16	Residents (all)
Other Cultural and Related Services	0.135	1.17	0.94	23.7%	●	6th / 16	Residents (all)
Total	1.118	9.65	13.07	-26.2%	●	11th / 16	Residents (all)

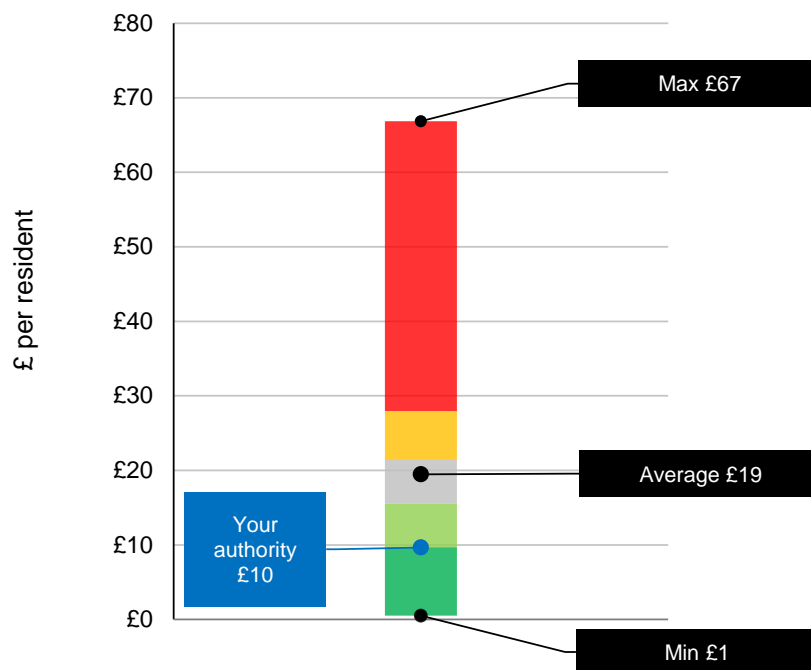
Bottom 20% of NN group ●●●●● top 20% of NN group ●●●●●

England comparison

Compared to other authorities across England, North Kesteven's unit costs were 50.4% lower than average. Overall, its unit costs were ranked 154th highest out of 192 comparable authorities, with its relative position illustrated below.

Chart 9 - Unit costs for Cultural and Related Services (England comparison)

Bottom 20% of authorities (green), top 20% of authorities (red)

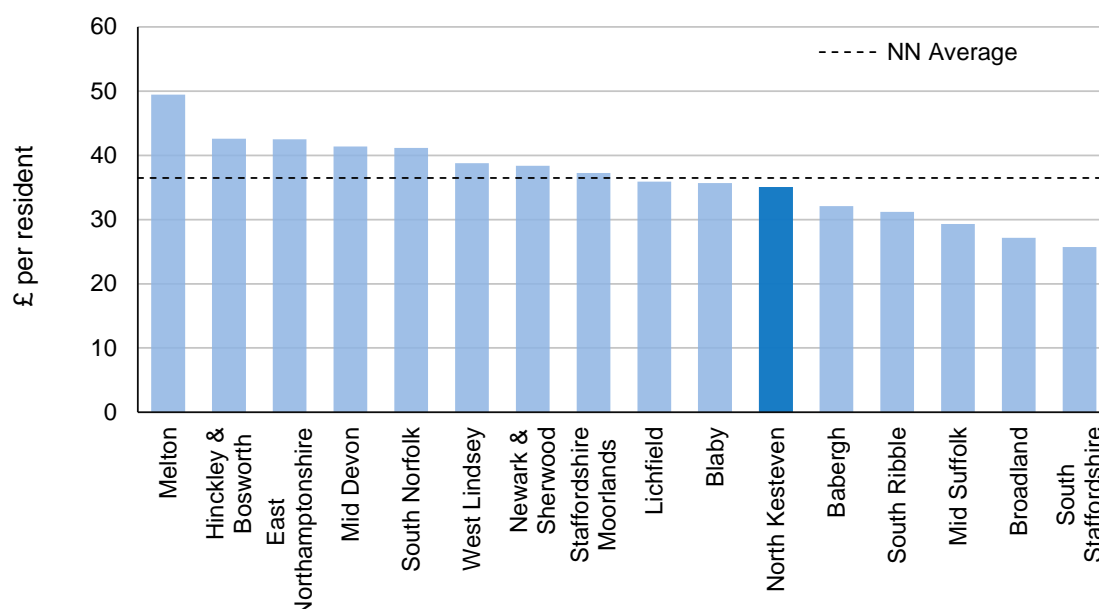


Environmental and Regulatory Services

Nearest neighbour comparison

For Environmental & Regulatory Services, North Kesteven's unit costs were 3.9% lower than the nearest neighbour average, and ranked 11th highest in the group.

Chart 10 - Unit costs for Environmental and Regulatory Services (NN group)



A detailed breakdown of unit costs relative to the nearest neighbour average, is provided below.

Table 10 - Unit costs for Environmental and Regulatory Services (NN group)

Service Area	Budget 2019/20 (£m)	Unit cost		Difference from average		Rank (1=high)	Units
		Your authority (£ per unit)	Group average (£ per unit)	(%)	(Band)		
Cemetery, Cremation and Mortuary Services	0.000	0.00	0.39	-100.0%	●	9th / 16	Residents (all)
Community Safety	0.126	1.09	2.14	-49.3%	●	12th / 16	Residents (all)
Regulatory Services	0.980	8.46	8.39	0.8%	●	11th / 16	Residents (all)
Street Cleansing	0.412	3.56	5.93	-40.0%	●	13th / 16	Daytime population
Waste Collection	0.994	19.79	30.73	-35.6%	●	13th / 16	Number of households
Waste Disposal & Recycling*	1.005	21.52	15.96	34.8%	●	7th / 16	Waste collected - household (tonnes)
Trade Waste & Waste Minimisation*	0.000	0.00	-1.68	100.0%	●	4th / 16	Waste collected - all (tonnes)
Other Environmental and Regulatory Services	0.544	4.70	1.12	320.9%	●	1st / 16	Residents (all)
Total	4.061	35.05	36.47	-3.9%	●	11th / 16	Residents (all)

Bottom 20% of NN group ● ● ● ● top 20% of NN group ● ● ● ●

* Net Current Expenditure (used to calculate unit costs) excludes levies paid to waste authorities, which will affect relative unit costs for these services. The volume of waste collected by waste authorities has been apportioned to members based on their relative population size.

England comparison

Compared to other authorities across England, North Kesteven's unit costs were 17.3% lower than average. Overall, its unit costs were ranked 151st highest out of 192 comparable authorities. Its relative position is illustrated in the chart below.

Chart 11 - Unit costs for Environmental and Regulatory Services (England comparison)

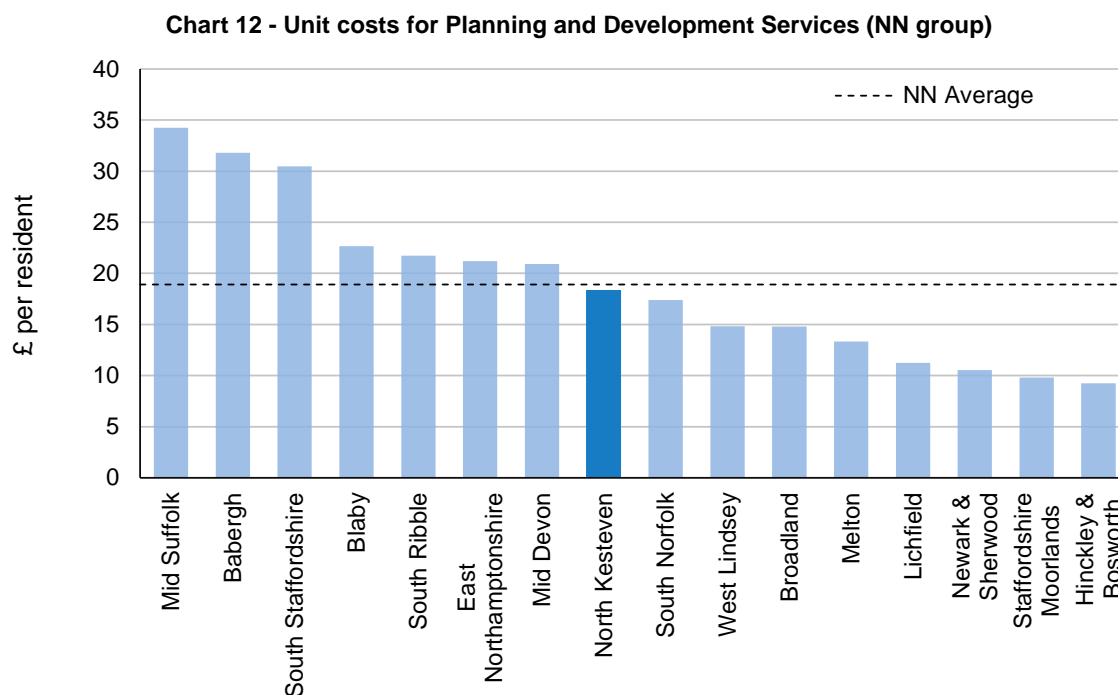
Bottom 20% of authorities (green), middle 20% (yellow), top 20% (red)



Planning and Development Services

Nearest neighbour comparison

For Planning & Development Services, North Kesteven's unit costs were 2.9% lower than the nearest neighbour average, and ranked 8th highest in the group.



More detailed unit costs for North Kesteven are presented in the table below.

Table 11 - Unit costs for Planning and Development Services (NN group)

Service Area	Budget 2019/20 (£m)	Unit cost		Difference from average		Rank (1=high)	Units
		Your authority (£ per unit)	Group average (£ per unit)	(%)	(Band)		
Building Control	0.139	157.24	163.72	-4.0%	●	8th / 16	Planning decisions
Business Support	0.000	0.00	-27.51	100.0%	●	3rd= / 16	Number of businesses
Community Development	0.383	3.31	1.98	67.1%	●	2nd / 16	Residents (all)
Economic Research and Development	0.436	3.76	5.50	-31.5%	●	7th / 16	Residents (all)
Planning Policy	0.165	1.42	4.88	-70.8%	●	15th / 16	Residents (all)
Environmental Initiatives	0.057	0.49	0.08	526.1%	●	1st / 16	Residents (all)
Development Control	0.948	1,072.40	679.60	57.8%	●	4th / 16	Planning decisions
Total	2.128	18.37	18.91	-2.9%	●	8th / 16	Residents (all)

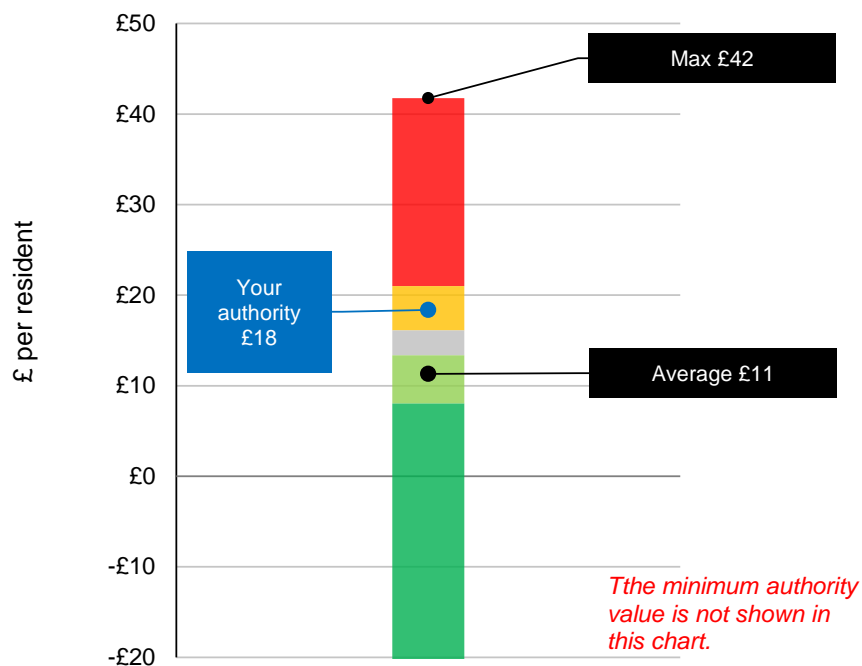
Bottom 20% of NN group ●●●● top 20% of NN group ●●●●

England comparison

Compared to other authorities across England, North Kesteven's unit costs were 62.5% higher than average. Overall, its unit costs were ranked 62nd highest out of 192 comparable authorities. Its relative position is illustrated below.

Chart 13 - Unit costs for Planning and Development Services (England comparison)

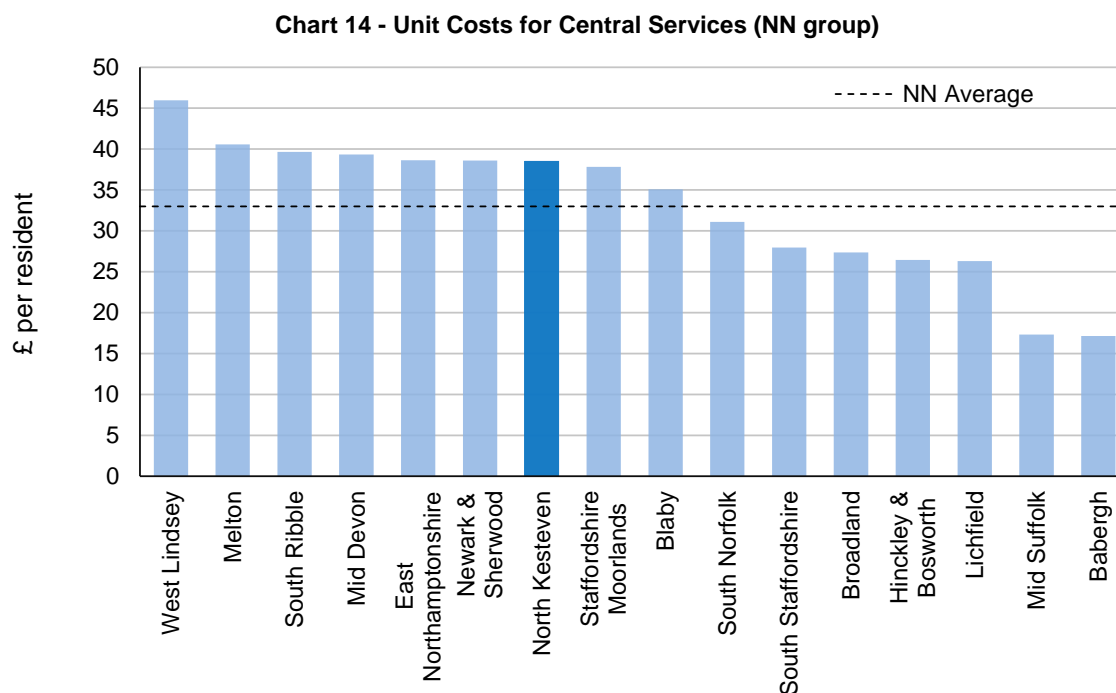
Bottom 20% of authorities (green), middle 60% (yellow/grey), top 20% (red)



Central Services

Nearest neighbour comparison

Within Central Services, North Kesteven's unit costs were 16.9% higher than the nearest neighbour average, and ranked 7th highest in the group.



The following table provides more details on North Kesteven's unit costs for this service.

Table 12 - Unit costs for Central Services (NN group)

Service Area	Budget 2019/20 (£m)	Unit cost		Difference from average		Rank (1=high)	Units
		Your authority (£ per unit)	Group average (£ per unit)	(%)	(Band)		
Coroners Court Services	0.000	0.00	0.00				Residents (all)
Corporate and Democratic Core	2.063	17.81	16.40	8.6%	●	6th / 16	Residents (all)
Emergency Planning	0.133	1.15	0.70	62.9%	●	3rd / 16	Residents (all)
Local Tax Collection	0.518	9.87	14.82	-33.4%	●	14th / 16	Taxable properties
Non-Distributed Costs	0.659	5.69	4.63	22.8%	●	7th / 16	Residents (all)
Other Central Services	1.096	9.46	4.42	113.9%	●	1st / 16	Residents (all)
Total	4.469	38.58	32.99	16.9%	●	7th / 16	Residents (all)

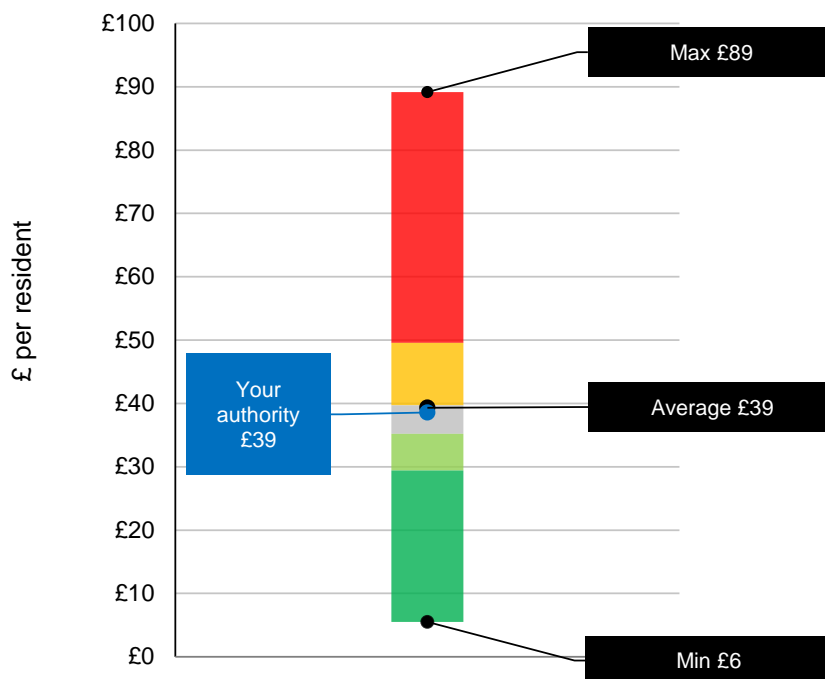
Bottom 20% of NN group ●●●● top 20% of NN group ●●●●

England comparison

Compared to other authorities across England, North Kesteven's unit costs were 1.9% lower than average. Overall, its unit costs were ranked 87th highest out of 192 comparable authorities. Its relative position is illustrated below.

Chart 15 - Unit costs for Central Services (England comparison)

Bottom 20% of authorities ●●●● top 20% of authorities



Annex A - Denominators and data sources

Then following table provides details on the data used to calculate unit costs in this report (presented in alphabetical order).

Table A1 - Data sources

Denominator / Unit	Source	Description
Adult clients (all categories)	HSCIS	Projected number of clients receiving long-term services during the period 2019/20. Based on the 2017/18 Short- and Long-Term (SALT) returns, projected forward by population growth. 'Older' = Older Adults, 'Younger' = Younger Adults, 'PS' = Physical & Sensory, 'LD' = Learning Disabilities, and 'MH' = Mental Health Needs.
Children in Need	DfE	Projected Children in Need for 2019/20. The number of children referred to the local authority and assessed as being in need of services in 2017/18, projected forward by population growth. (Source: Characteristics of Children in Need, DfE).
Daytime population	MHCLG, ONS	The projected resident population in 2019, based ONS's population projections, plus estimated net in-commuters from the 2011 Census.
Homeless households (duty owed)	MHCLG	Number of households assessed and owed a duty by the local authority, Apr to Dec 2018 (Source: Live Tables on Homelessness).
Housing Benefit claimants	DWP	Housing benefit caseload by local authority, average for the 11 months to February 2019. (Source: DWP Stat-Xplore).
LA Area (hectares)	ONS	Size of the local authority in hectares, from the UK Standard Area Measurement (SAM).
Looked After Children	DfE	Projected number of Looked After Children in 2019/20 based on children looked after in 2017/18, projected forward by population growth. (Source: Outcomes for Children Looked After).
Number of businesses	ONS	Count of the number of business units in each local authority, as at March 2018. (Source: NOMIS, UK Business Counts).
Number of households	ONS	Projected number of households for 2019. (Source: Household Projections for England).
Obese & overweight adults	Public Health England	Estimate based on the percentage of adults classified as overweight or obese in 2017/18, multiplied by the projected adult population in 2019/20. (Source: Public Health Outcomes Framework).
Planning decisions	MHCLG	Number of planning applications decided by the district level planning authority in the year to Mar 2019. (Source: Live Tables on Planning Application Statistics, CLG).
Pupils (primary, secondary and special)	DfE	Number of pupils in state-funded primary, secondary and special schools as at January 2018. Primary and secondary school pupil numbers exclude those in academies. (Source: Schools, Pupils and their Characteristics).

Continued over page

Table A1 - Data sources (continued)

Denominator / Unit	Source	Description
Residents (all age categories)	ONS	2016-based Sub-national Population Projections (SNPP) for 2019. These take the 2011 census as the baseline, 'age on' the population each year, and reflect recent trends in births, deaths and migration.
Road Length	MHCLG	Index in which built-up roads carry twice as much as non-built up roads (as published by MHCLG in the calculation of the Relative Needs Formula for 2013/14).
Smokers	Public Health England	Estimate based on smoking prevalence in adults in 2017 (i.e. a percentage), multiplied by the projected adult population in 2019. (Source: Public Health Profiles).
Taxable Properties	MHCLG, VOA	The sum of (i) chargeable dwellings for Council Tax purposes in 2018 and (ii) the number of rateable properties on the rating list as at 25 September 2016. (Sources: Council Taxbase 2018 in England; Central and Local Rating Lists 2017).
Waste collected - all	DEFRA	Household and 'all' waste collected (tonnes) in the year to 31 March 2018. In the case of waste authorities, waste volumes are apportioned based on each member authority's population size. (Source: Local Authority Collected Waste Statistics).
Waste collected - household	DEFRA	



Financial Intelligence Toolkit

2019/20 Subscription

Financial Benchmarking – Local Taxation Report

North Kesteven



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Summary of Key Points




- This report provides analysis of your authority's local tax situation in 2019/20, as well as recent changes. Your authority is compared to its nearest neighbour (NN) group of 16 statistically similar authorities, as well as all comparable authorities across England.

Potential revenue gains/losses*

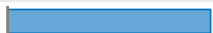


- The notional impact on revenue if your authority's Council Tax rate (Band D equivalent) was increased or decreased, so as to be:
 - higher than exactly **80%** of all comparable authorities  gain of **£2.1m**
 - higher than exactly **20%** of all comparable authorities  loss of **£0.2m**

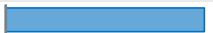


Council tax

- In 2019/20, North Kesteven's Council Tax rate was 1.4% lower than the nearest neighbour average, and 12.9% lower than the England average.




Tax rate (per band-D equivalent)		
Your authority		£165
Nearest neighbours		£167
England		£189




- Changes in your authority's council tax **rate**:

In 2019/20		
Your authority		+3.1%
Nearest neighbours		+2.8%
England		+2.6%

Over past five years**		
Your authority		+11.6%
Nearest neighbours		+12.0%
England		+10.4%




- Changes in your authority's council tax **base** (band-D equivalent properties):




In 2019/20		
Your authority		+1.6%
Nearest neighbours		+1.3%
England		+1.5%

Over past five years		
Your authority		+9.7%
Nearest neighbours		+8.0%
England		+9.7%

Non-domestic rates




- Change in **the rateable value** of non-domestic properties, for your authority or billing authorities:

In 2018/19		
Your authority		+0.9%
Nearest neighbours		+1.2%
England		+0.7%

Over past five years		
Your authority		+13.7%
Nearest neighbours		+8.7%
England		+2.6%

- Retained business rate** income:


Between 2013/14 and 2017/18, your authority's retained business rates were 10.8% higher than its baseline funding level (i.e. its needs-based funding met through business rates).

Retained rates above or below baseline funding		
Your authority		+10.8%
Nearest neighbours		+19.8%
England		+17.5%

Collection rates


- Council tax** collection rates in 2018/19:

Your authority		99.1%
Nearest neighbours		98.2%
England		97.2%

 Your authority's Council Tax collection rate has decreased from 99.2% in 2017/18.

- Non-domestic tax** collection rates in 2018/19:

Your authority		99.4%
Nearest neighbours		98.8%
England		98.3%

 Your authority's non-domestic collection rate has decreased from 99.9% in 2017/18.

* If your authority's tax rate is currently above these benchmarks, then there would be a notional reduction in revenue.

** This is based on the simple sum of annual changes, rather than the compounded growth rate.

1. Comparator groups

Please note: Some nearest neighbour groups have been updated to reflect restructuring in 2019/20

For benchmarking purposes, two sets of comparator groups are used in this analysis: (a) your authority's nearest neighbour group, and (b) all comparable authorities across England.

Nearest Neighbour (NN) group

To enable a like-for-like comparison, this analysis makes use of CIPFA's statistical 'nearest neighbour' groups. These identify councils with similar economic and social characteristics and groups them on a statistical basis. These were last updated in 2019.

For North Kesteven, the nearest neighbour group is shown in the table below:

Table 1 - Nearest Neighbour Group

■ North Kesteven	■ South Staffordshire
■ Broadland	■ Mid Devon
■ Hinckley & Bosworth	■ Newark & Sherwood
■ South Norfolk	■ East Northamptonshire
■ West Lindsey	■ Melton
■ Mid Suffolk	■ Blaby
■ Staffordshire Moorlands	■ Lichfield
■ Babergh	■ South Ribble

National comparator group

When making national comparisons, it is necessary to consider the services or functions carried out by each authority. For example, authorities that provide both upper- and lower-tier services will charge a higher rate of Council Tax than those that provide exclusively lower-tier services, all else being equal. To enable national comparisons, authorities are therefore categorised into three groups, as shown below.

Based on the services it provides, North Kesteven falls into Group 3. All authorities in this group make up your authority's 'National Comparator Group', unless stated otherwise in the report.

Table 2 - National Comparator Groups

Group	Authority Type	Lower tier	Upper tier	Fire	No.
Group 1	Metropolitan districts, London boroughs and unitaries without fire responsibilities	✓	✓		120
	Unitaries with fire responsibilities*	✓	✓	✓	3
Group 2	Shire counties without fire responsibilities		✓		16
	Shire counties with fire responsibilities		✓	✓	10
Group 3	Shire districts	✓			192

* As there are only three unitaries with fire responsibilities, these have been included in Group 1.

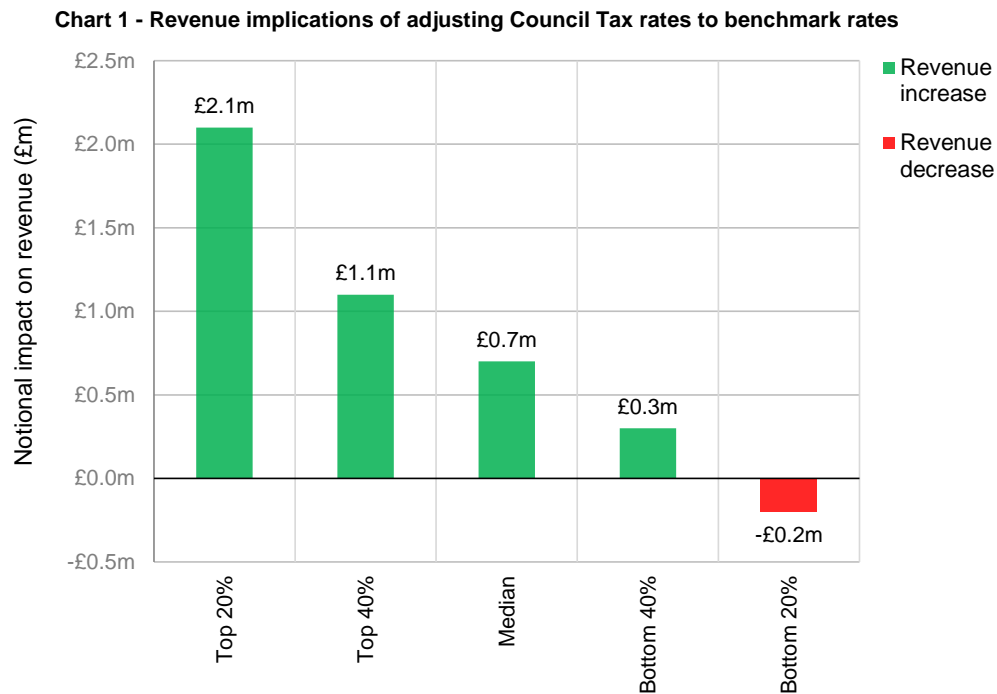
2. Potential revenue gains/losses

This section considers the notional gain or loss in revenue associated with setting your authority's Council Tax rate (Band D equivalent) to certain benchmark rates.

In most cases, these benchmark rates will be of theoretical interest only, given the government's policy of requiring a local referendum for Council Tax rises exceeding certain amounts.

Benchmark rates are set relative to your authority's national comparator group, as identified in Table 2.

The chart below shows the revenue implications of applying these benchmark tax rates to North Kesteven's Council Tax base. For example, setting its tax rates so that it was at the cut-off point for the top 20% of authorities would generate notional revenue gains of £2.1m. Setting rates equal to the bottom 20% of authorities would result in revenue losses of £0.2m.



The following sections provide more details on your authority's Council Tax rates relative to others.

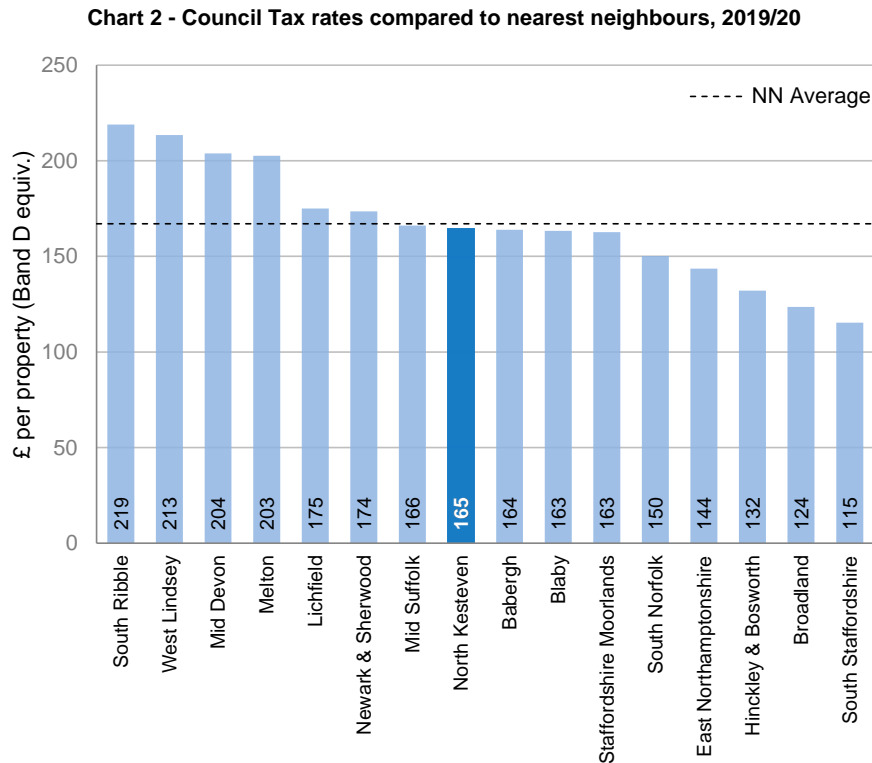
3. Council Tax revenue

This section examines:

- Your authority's relative Council Tax rate in 2019/20
- The change in your authority's tax rate over time
- The change in your authority's tax base over time

Council Tax rates in 2019/20

In 2019/20, the Council Tax rate for North Kesteven was £165 per property (Band D equivalent), 1.4% lower than the NN average of £167. It was ranked 8th highest in the NN group, as shown in the chart below.



Please note that these figures:

- Exclude council tax collected on behalf of precepting authorities (e.g. police or fire authorities);
- Exclude parish and other local precepts;
- Include the Adult Social Care precept (if applicable); and
- Use adjusted Council Tax figures for county councils with fire responsibilities (if applicable).

Compared nationally, North Kesteven's own Council Tax rate was 12.9% lower than the average for all comparable authorities (of £189 per property). It was ranked 135th highest out of 192 authorities, with its relative position illustrated in the chart below.

Chart 3 - Council Tax rates compared to all comparable authorities, 2019/20

Bottom 20% of authorities ●●● top 20% of authorities



Changes in council tax rates

This section examines changes in your authority's Council Tax rate over two periods:

- Changes in the most recent year (2019/20); and
- Over the past five years (since 2014/15).

Change in the tax rate in 2019/20

In 2019/20, local authorities were able to increase their basic Council Tax by up to 3% without triggering a local referendum. In the case of shire districts, the permitted increase was up to 3% or £5 per Band D equivalent property, whichever was greater.

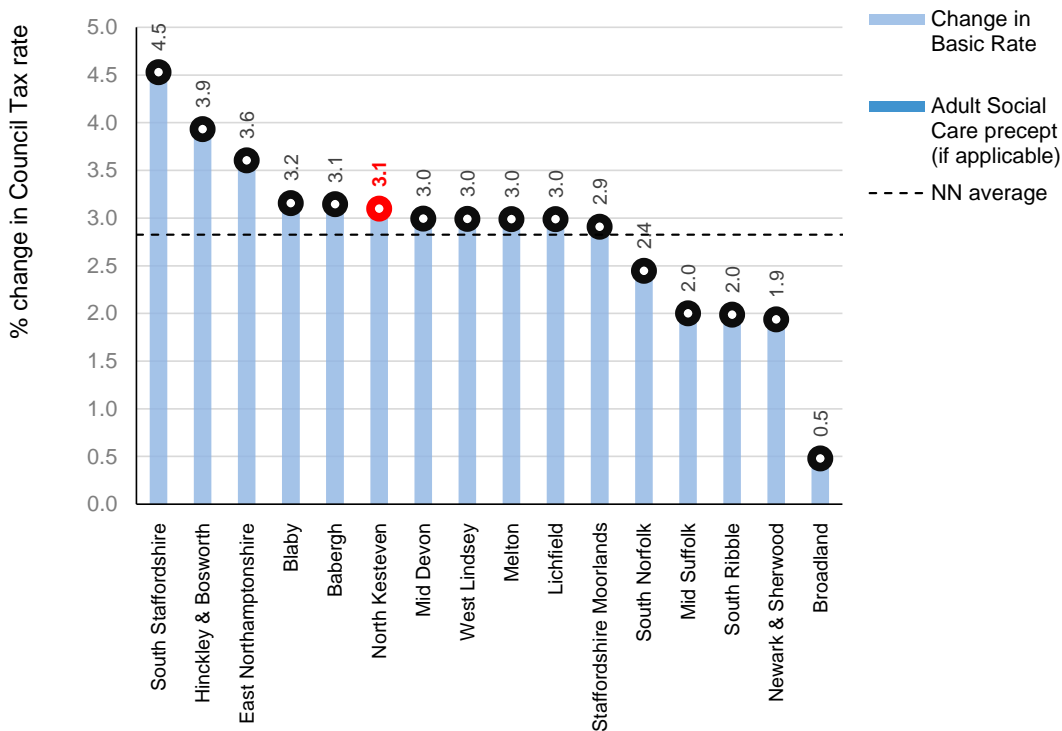
Additionally, authorities with adult social care responsibilities were able to increase their Council Tax rate by a further 2% to fund social care only. This was capped at a 6 percentage point rise between 2017/18 and 2019/20. By 2019/20, 142 of 151 adult social care authorities had reached (or were very close to) this cap.

To enable a like-for-like comparison, in this section, North Kesteven is only compared against other shire districts, i.e. those without the option for the additional adult social care precept.

In 2019/20, North Kesteven increased its Council Tax rate by 3.1%. This compared to a 2.8% average increase among its nearest neighbours, and a 2.6% increase nationally.

North Kesteven's change relative to its nearest neighbours is illustrated below.

Chart 4 - Annual change in Council Tax rates, 2019/20

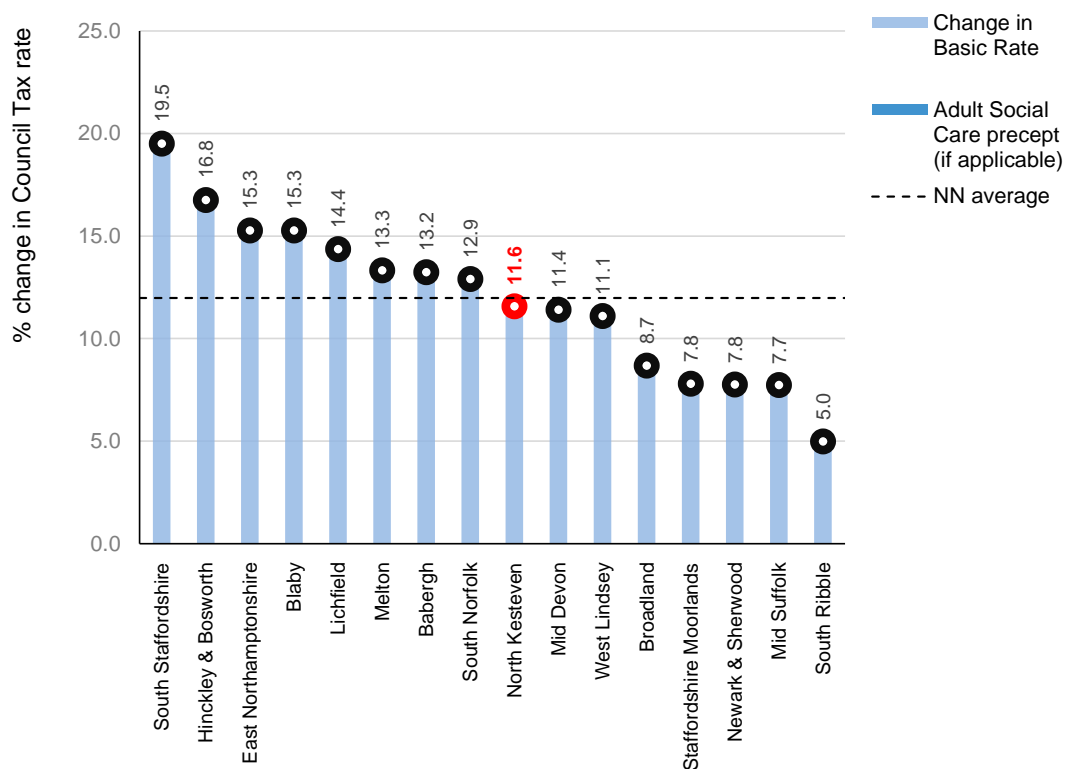


Change in the tax rate over the past five years

Over the past five years, North Kesteven has increased its Council Tax rate by 11.6%.* This compared to a 12.0% average increase among its nearest neighbours, and a 10.4% increase nationally.

North Kesteven's change relative to its nearest neighbours is illustrated below.

Chart 5 - Change in Council Tax rates since 2014/15



* This is based on the simple sum of annual percentage changes, rather than the compounded growth rate.

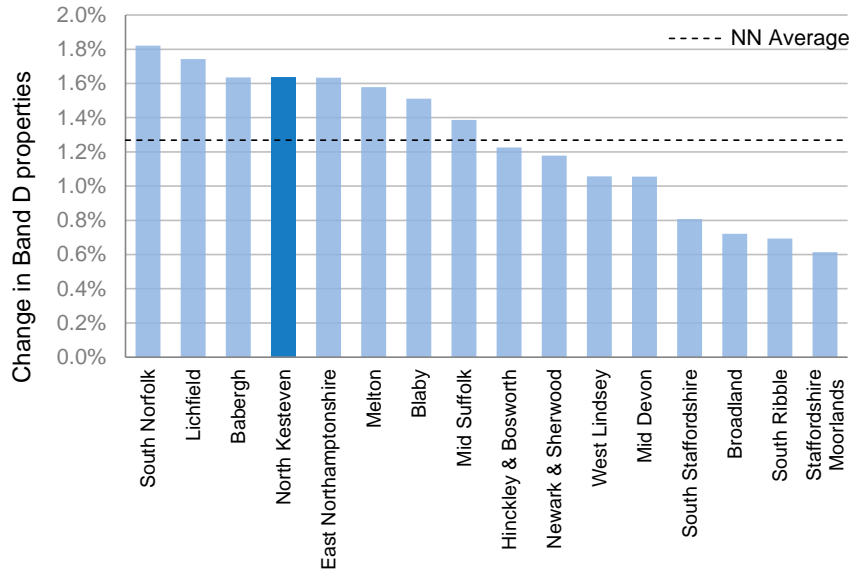
Changes in the council tax base

This section examines changes in the council tax base, based on the number of Band D equivalent properties for tax setting purposes. Changes also reflect the impact of local council tax support schemes, discounts and exemptions. We examine changes in the most recent year, and over the past five years.

Change in the tax base in 2019/20

In 2019/20, North Kesteven's Council Tax base increased by 1.6%, greater than the nearest neighbour average of 1.3%. This is illustrated in the chart below.

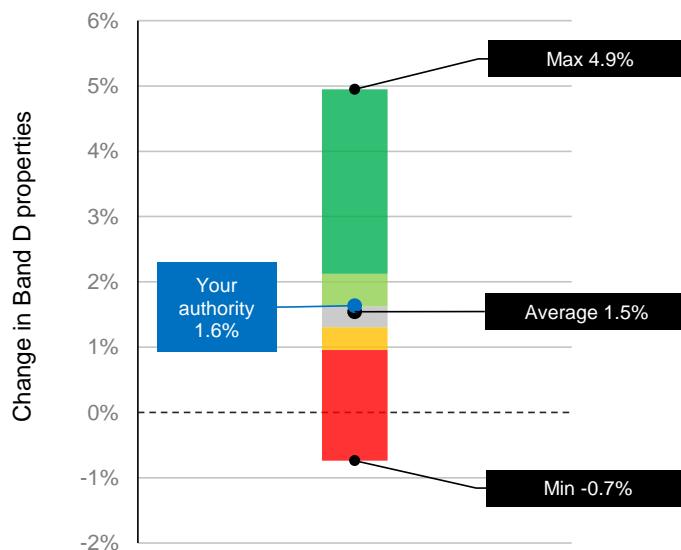
Chart 6 - Change in the Council Tax base, 2019/20 (nearest neighbours)



Compared nationally, the increase in North Kesteven's Council Tax base of 1.6% was greater than the England average of 1.5%. Its growth rate was ranked 132nd highest out of 341 authorities.

Chart 7 - Change in the Council Tax base, 2019/20 (England)

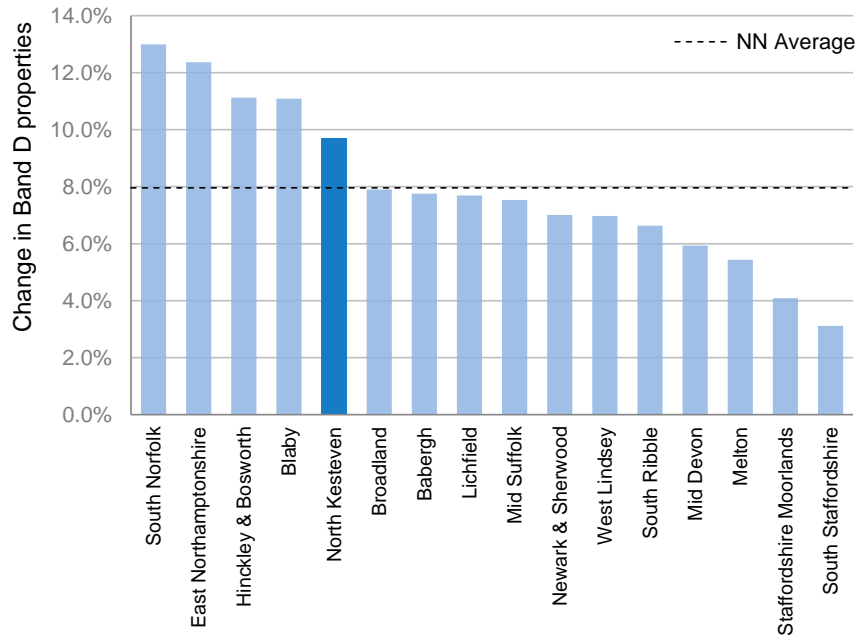
Top 20% of authorities (green), bottom 20% of authorities (red)



Change in the tax base over the past five years

Over the past five years, North Kesteven's Council Tax base increased by 9.7%, more than the nearest neighbour average of 8.0%.

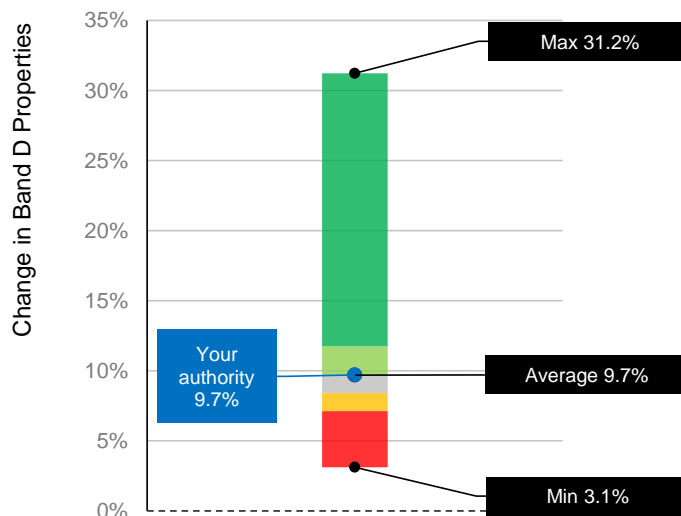
Chart 8 - Change in the Council Tax base since 2014/15 (nearest neighbours)



Compared nationally, North Kesteven's increase of 9.7% was equal to the England average. Its growth rate was ranked 134th highest out of 341 comparable authorities.

Chart 9 - Change in the Council Tax base since 2014/15 (England)

Top 20% of authorities ●●●●● bottom 20% of authorities ●●●●●



4. Non-domestic rates

The business rates retention scheme was introduced in 2013/14. The scheme allows local authorities to retain a proportion of local business rates income, thereby benefitting from any increased local revenues (but also losing resources from any reduction to revenues). Local authorities only benefit from growth in the physical tax base, as opposed to growth in business rates due to changes in the multiplier, which is linked to inflation, or changes in valuation resulting from Revaluation 2017.

This section provides an indication on your authority's relative performance under the scheme. Two measurements are presented:

- Changes in **rateable value**. This is a proxy for rates of change in the business tax base in your local area.
- Changes in **retained business rates income**. This identifies the change in business rate revenue that has been retained by your authority.

Methodology

The analysis below is based on actual figures to 2017/18 (based on the NNDR3 returns), and **forecasts** for 2018/19 and 2019/20 (from the NNDR1). Forecasts are subject to uncertainty, particularly the amount needed to meet the cost of appeals arising from the 2017 revaluation. The figures **include** the impact of:

- Appeals and provision for appeals
- Levy and safety net payments
- Pilot schemes
- Section 31 grants for government policy changes to local reliefs, e.g. 100% small business rate relief

The figures **do not** include the impact of:

- Pooling arrangements
- Any local alternative arrangements to disperse growth e.g. joint pots under pilot status
- Areas that are exempt, e.g. enterprise zones and income from renewable energy sites
- Amounts received due to the multiplier cap
- Governance arrangements in pilot areas (i.e. resources moving between authorities / pots)

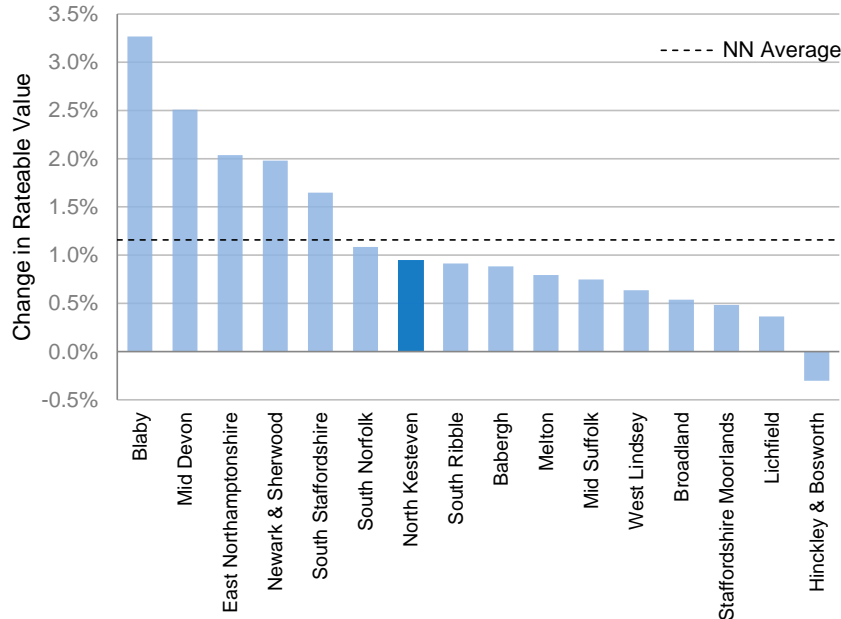
Changes in rateable value

Rateable value is used as a proxy for the size of the tax base in your local area. It reflects the market rent that could be charged on business premises in your local area on a given date.

Change in rateable value in 2019/20

In 2019/20, the annual change in North Kesteven's estimated rateable value was 0.9%, lower than the nearest neighbour average of 1.2%. This is illustrated in the chart below.

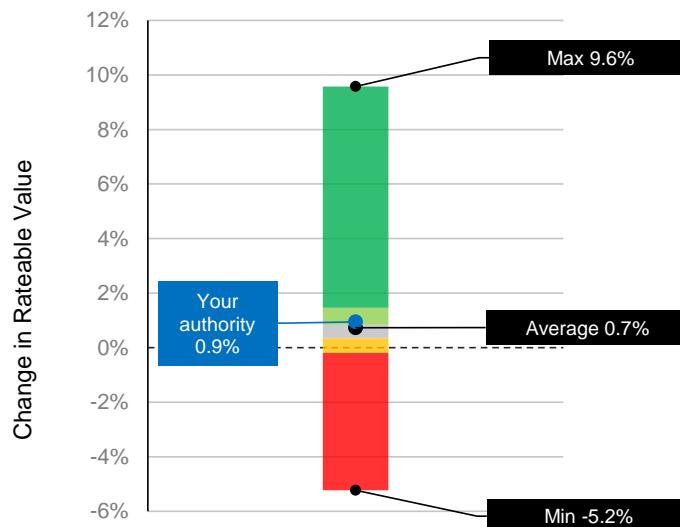
Chart 10 - Change in estimated rateable value, 2019/20 (nearest neighbours)



Compared nationally, the average change in North Kesteven's estimated rateable value of 0.9% was higher than the England average of 0.7%. Its growth rate was ranked 126th highest out of 341 authorities.

Chart 11 - Change in estimated rateable value, 2019/20 (England)

Top 20% of authorities ●●●●● bottom 20% of authorities

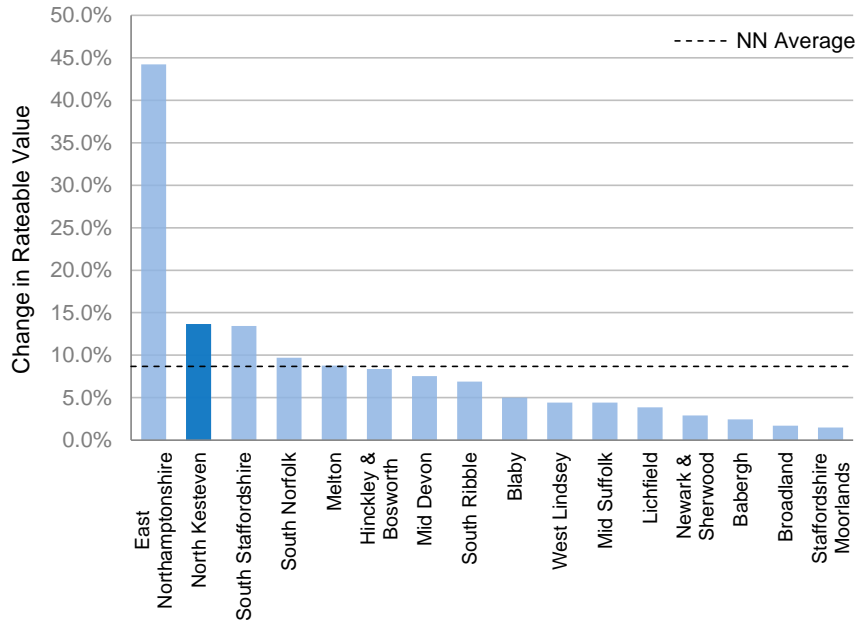


Change in rateable value over the past 5 years

When looking at the change in rateable value since 2014/15, we have adjusted the figures to cancel out the effects of revaluation that took place in 2017.

Over the past five years, North Kesteven's change in rateable value was 13.7%, greater than the nearest neighbour average of 8.7%.

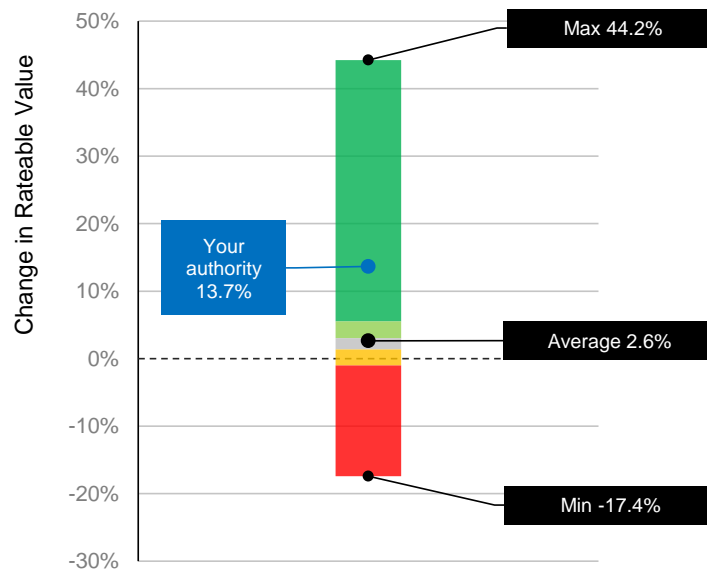
Chart 12 - Change in rateable value since 2014/15 (nearest neighbours)



Compared nationally, North Kesteven's change of 13.7% was greater than the England average of 2.6%. Its growth rate was ranked 9th highest out of 341 comparable authorities.

Chart 13 - Change in rateable value since 2014/15 (England)

Top 20% of authorities (green), bottom 20% of authorities (red)



Changes in retained business rates income

The chart below show estimated business rate income retained by your local authority. This is compared to its baseline funding level, an amount of needs-based funding determined by MHCLG.

Chart 14 - Retained business rate income (£m)

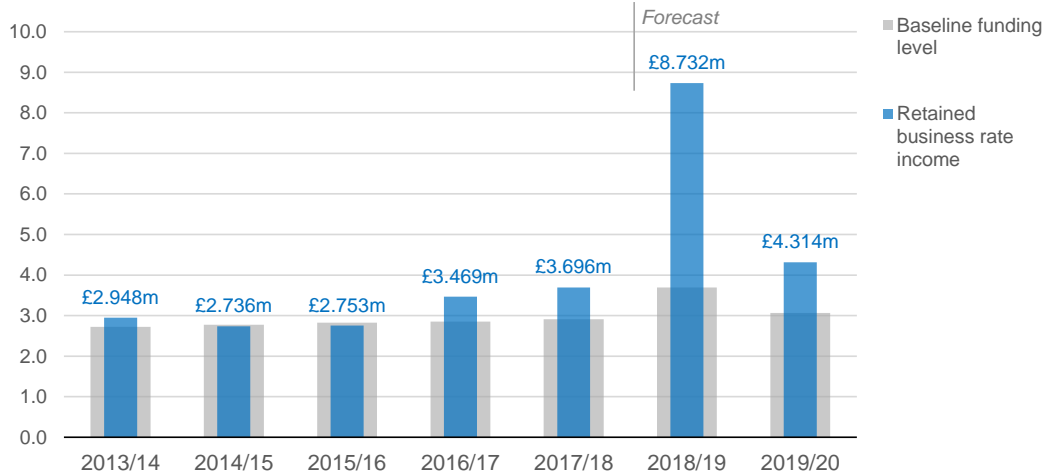
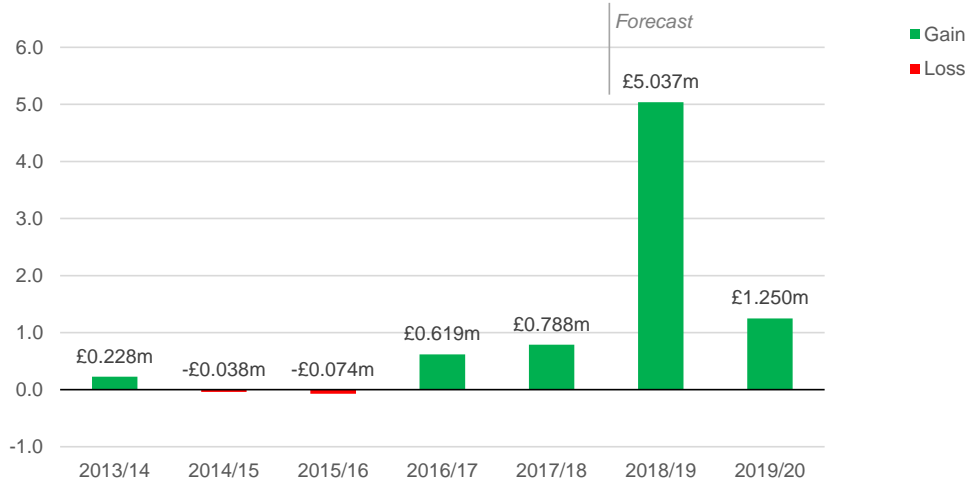


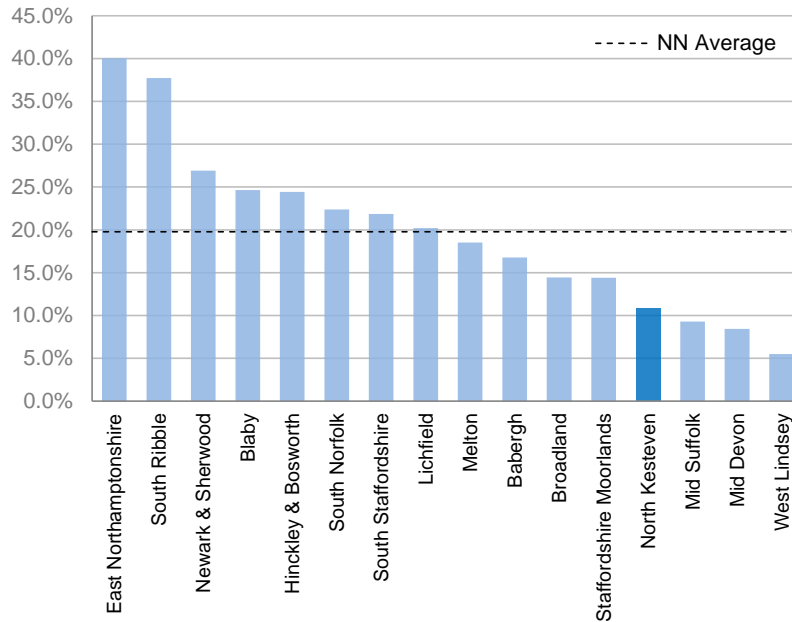
Chart 15 - Difference from baseline funding level (£m)



Your authority experienced a cumulative gain in revenue of £1.5m between 2013/14 and 2017/18, relative to its baseline funding level. This is equivalent to receiving 10.8% more than its baseline funding.

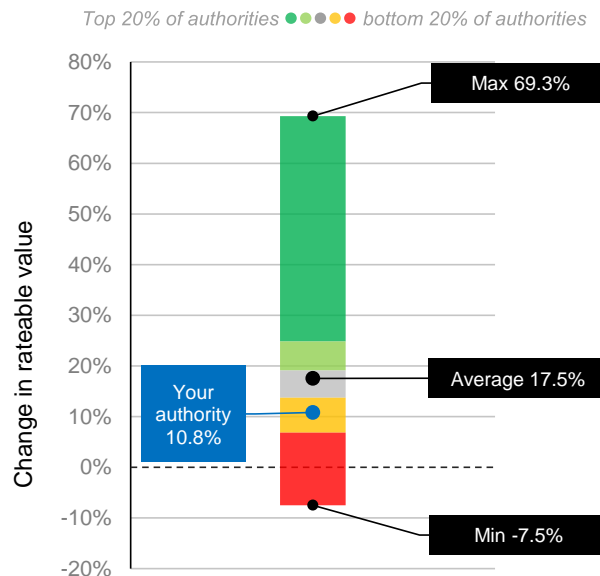
On average, your nearest neighbours received 19.8% more in retained business rates income than their baseline funding levels. Your authority was ranked 13th highest in the group on this measurement.

Chart 16 - Retained business rates relative to baseline funding (2013/14 to 2017/18)



On average, comparable authorities in England received 17.5% more in retained rates than their baseline funding level. Your authority was ranked 134th highest out of 192 authorities.

Chart 17 - Retained business rates relative to baseline funding, England (2013/14 to 2017/18)



5. Collection rates in 2018/19

This final section examines collection rates for Council Tax and non-domestic rates.

Collection rate for Council Tax

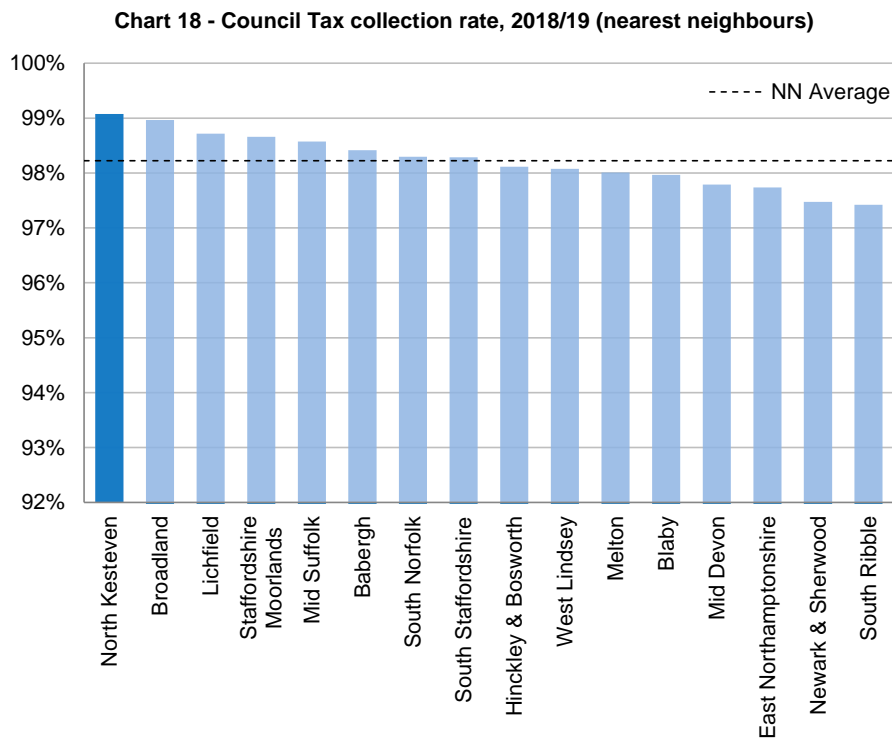
Latest change



In 2018/19, your authority's Council Tax collection rate decreased to 99.1%, down from 99.2% in the previous year.

Collection rates measure the receipts of Council Tax (by 31 March 2019) as a percentage of total net collectable debt.*

In 2018/19, North Kesteven's collection rate was 99.1%, which was higher than the nearest neighbour average of 98.2%. Your authority's collection rate was highest in the nearest neighbour group, as illustrated in the chart below.



Compared nationally, North Kesteven's Council Tax collection rate was higher than the England average of 97.2%, and was ranked 9th highest out of 341 authorities.

Based on North Kesteven's Council Tax requirement of £6.1m, every one percentage point increase in its collection rate would translate to an increase in revenue of £0.1m.

* For county councils, collection rates are estimated based on the collection rates of their constituent billing authorities, weighted by their total net collectable debt.

Collection rate for Non-Domestic Rates (NDR)

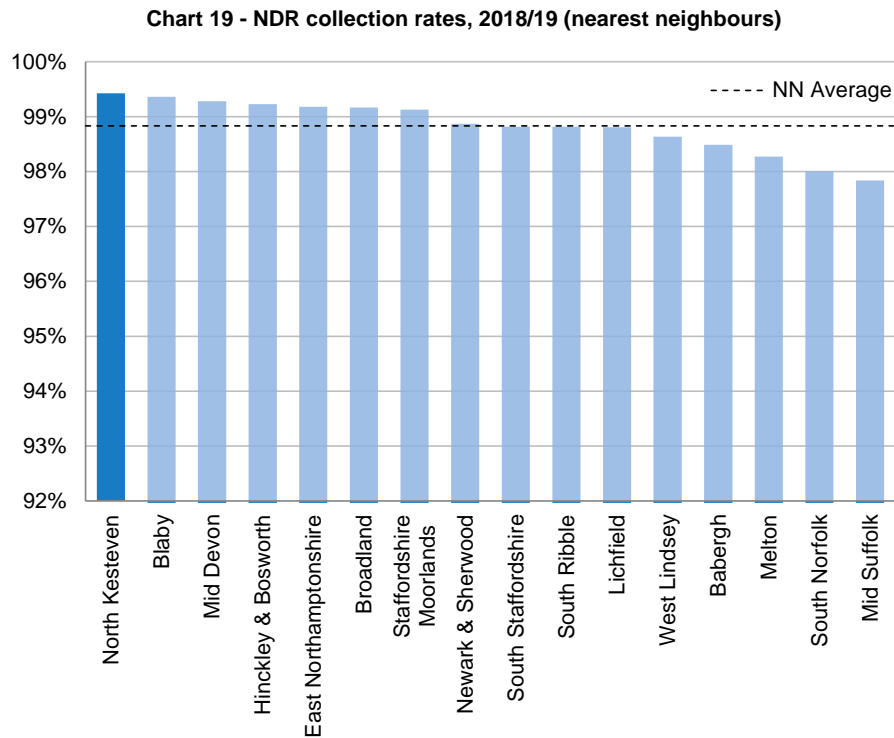
Latest change



In 2018/19, your authority's NDR collection rate decreased to 99.4%, down from 99.9% in the previous year.

NDR collection rates are based on the receipts of the tax (by 31 March 2019) as a percentage of net collectable debt.*

In 2018/19, North Kesteven's collection rate was 99.4%, which was higher than the nearest neighbour average of 98.8%. Your authority's collection rate was highest in the nearest neighbour group, as illustrated in the chart below.



Compared nationally, North Kesteven's collection rate was higher than the England average of 98.3%, and was ranked 22nd highest out of 341 authorities.

* For county councils, collection rates are estimated based on the collection rates of their constituent billing authorities, weighted by their total net collectable debt.

General Fund - Efficiency Savings & Income Generation Initiatives

Current General Fund Initiatives																			
			Financial Year	Financial Year	Financial Year	Financial Year	Financial Year	BRAG Rating					Overall	Delivery for					
Current saving and ExCite Initiatives	SMT Lead	Risk Level	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2028/29 £	Direct Control	Timescale	Monetary Value	Regulatory/ Political	Reputational Impact	Delivery Rating	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2028/29 £	Comments
Review Underspends	J Jarvis	Low	250,000	250,000	250,000	250,000	250,000						Black	250,000	250,000	250,000	250,000	250,000	
Workshop Occupancy assumption rate (80% to 90%)	J Jarvis	Low	50,000	50,000	50,000	50,000	50,000						Black	50,000	50,000	50,000	50,000	50,000	
Additional Fees and Charges Income	D Steels	Low	150,000	150,000	300,000	300,000	450,000						Green	150,000	150,000	300,000	300,000	450,000	To deliver for April 2020, decision and separate report required early Highly sensitive to national economic position
Sleaford Moor Enterprise Park	A McDonough	High	0	87,500	97,000	172,000	547,000						Amber	0	0	87,500	97,000	547,000	
Heart of Sleaford (Cinema)	A McDonough	Medium	25,000	25,000	25,000	25,000	25,000						Amber	0	25,000	25,000	25,000	25,000	
Lafford Homes Ltd - additional to Business Plan (£750k in BP)	P Roberts/ J Jarvis	High	0	0	120,000	180,000	480,000						Amber	0	0	120,000	180,000	480,000	
Additional Workshops (3 over 10 years)	A McDonough	Medium	0	0	66,000	66,000	198,000						Green	0	0	66,000	66,000	198,000	Highly sensitive to national economic position
Heads of Service Savings target	Heads of Service	High	375,000	375,000	375,000	375,000	375,000						Green	257,300	278,000	290,200	291,000	293,700	Agreed only
			850,000	937,500	1,283,000	1,418,000	2,375,000							707,300	753,000	1,188,700	1,259,000	2,293,700	
			Shortfall											-142,700	-184,500	-94,300	-159,000	-81,300	

Heads of Service Savings	Financial Year 2020/21	Financial Year 2021/22	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2028/29
	£	£	£	£	£
Finance & Resources					
AGREED	39,000	45,000	59,000	59,000	59,000
POTENTIAL	0	0	0	0	0
Corporate & Customer Services					
AGREED	15,700	29,900	28,100	28,900	31,600
POTENTIAL	18,300	26,800	26,600	26,400	26,000
Economy & Place					
AGREED	44,200	44,700	44,700	44,700	44,700
POTENTIAL	3,000	3,000	3,000	3,000	3,000
Environment and Public Protection					
AGREED	137,400	137,400	137,400	137,400	137,400
POTENTIAL	30,000	30,000	30,000	30,000	30,000
Housing & Property					
AGREED - multiple expenditure & income budgets	21,000	21,000	21,000	21,000	21,000
POTENTIAL	170,200	173,700	177,400	177,400	177,400
TOTAL	478,800	511,500	527,200	527,800	530,100
TOTAL AGREED	257,300	278,000	290,200	291,000	293,700
TOTAL POTENTIAL	221,500	233,500	237,000	236,800	236,400
<u>Heads of service Savings that require further Investigation</u>					
Fees and Charges	0	50,000	50,000	50,000	50,000
Commercial Opportunities	0	0	50,000	50,000	50,000
	0	50,000	100,000	100,000	100,000
MAXIMUM HEADS OF SERVICE SAVINGS	478,800	561,500	627,200	627,800	630,100

SUMMARY OF EXCITE WORK PROGRAMME PROGRESS

Programme 1 - Economy	
<i>Renewable Energy Schemes:</i> review options to make a return from a renewable energy generating scheme or company.	<ul style="list-style-type: none"> • Main issue for Sleaford Moor Enterprise Park (SMEP) site was the high cost to provide energy • Renewable energy consultant engaged around the supply of a Combined Heat and Power (CHP) facility • Potential ability to scale up CHP to become an energy company for the supply of energy to local businesses • Finalising proposals through the SMEP Board following consultation with Cadent who provide gas through the site
Programme 2 - Construction	
<i>Sleaford Moor Enterprise Park</i>	<ul style="list-style-type: none"> • Purchase of the Sleaford Moor Enterprise Park (SMEP), 37 acres approved April 2017. As site not being bought forward due to significant infrastructure costs mainly supply of energy to the site. • Establishment of the Project Board and Project team • Procurement of specialist partner for design and delivery of the site • Energy options pursued including the application of grant funding
<i>Crematorium</i>	<ul style="list-style-type: none"> • Establishment of a business case to deliver within the district • Necessary to work with potentially two partners in order to bring a scheme forward (land owner and operator) • Delivery proved slow and challenging as viability proved difficult to make. Decision taken not to proceed. • Since our decision not to proceed a third party has sought planning permission.
<i>Regeneration/ Heart of Sleaford (Cinema)</i>	<ul style="list-style-type: none"> • Initial phase of Heart of Sleaford centred on the provision of up to three screen cinema • Business Case established with partner/ land owner • Legal agreements being finalised • Construction expected imminently • Work to procure a third party site operator ongoing
<i>Lafford Homes Ltd: alternative options</i>	<ul style="list-style-type: none"> • Options to increase the supply of housing and therefore the return to the council. This has seen Lafford Homes develop its approach so that it now operates in more profitable areas outside of the North Kesteven.
Programme 3 - Investment	

<i>Revised Treasury Management Strategy</i>	<ul style="list-style-type: none"> • Latest Treasury Management Strategy approved February 2019 allows for greater flexibility in less traditional investment opportunities, in particular third party organisations such as housing associations, school academies and health
<i>Asset Acquisition</i>	<ul style="list-style-type: none"> • Acquiring property for rental return • Current marketplace has been saturated largely by other councils • National economic outlook remains very weak and uncertain which significantly increases the risks to the Council • Decision not to pursue at this time and review when risk levels are acceptable
<i>Lending to other organisations</i>	<ul style="list-style-type: none"> • Ongoing discussions with multiple organisations from the health, education and housing association spheres • Some Business cases assessed with risk or uncertainty over ability to deliver meaning further work required before proposal for consideration by the Council
Programme 4 - Trading	
<i>Development of wider back office offer</i>	<ul style="list-style-type: none"> • Developing further the Payroll offer • Options for greater flexibility to meet small businesses and organisations needs being pursued • Ongoing discussions with a number of organisations to refine and establish a price sufficient for needs and for a reasonable return for the Council • Potential remains to wider to further back office services in support of businesses and other organisations

Revised ExCITE Work Programme 2019/20 to 2022/23

Appendix 8

		<u>Time frame</u>									
<u>Excite</u>		<u>(for Excite</u>		<u>Likely</u>		<u>Priority</u>					
<u>Area</u>	<u>Action</u>	<u>involvement)</u>	<u>Resources</u>	<u>Returns</u>	<u>Priority</u>	<u>Ranking</u>	<u>Timeline</u>				
							By 31 March 2020	By 31 March 2021	By 31 March 2022	By 31 March 2023	
Economy											
	Investment in renewable energy schemes	Short	Low	Medium - High	High	3	✓	✓			
	Explore energy company	Long	Low	Medium	High	4	✓	✓	✓		
	Fees and Charges - new opportunities	Short	Low	Low - Medium	Medium	7	✓	✓			
	Fees and Charges - Service Company exploration	Long	High	Low - Medium	Low	8			✓	✓	
Construction/ Investment Properties											
	Support SMEP, Workshops & Heart of Sleaford	Long	High	Medium	High	Ongoing	✓	✓	✓	✓	
	Regeneration- other opportunities (NHS)	Long	High	High	High	2	✓	✓	✓	✓	
Investment											
	Lending to organisations, eg Housing Associations	Short	Low	High	High	1	✓	✓			
	Lending to other third parties	Short	Low	Low - Medium	Medium	6	✓	✓	✓		
Trading											
	Development of Payroll SME product	Short	Low	Low - Medium	Medium	}5	✓				
	Offer Payroll to SME's	Long	Low	Low - Medium	Medium	}		✓	✓	✓	
	Development of a wider back office offer	Long	High	Low - Medium	Low	9			✓	✓	