

Budget, Finance and Business Plan

2023/24 – 2025/26



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Overview

This Budget, Finance and Business Plan outlines how the Council will support the delivery of its strategic outcomes and priorities as detailed within the Council Plan. It is acknowledged there are a number of significant uncertainties at present and, as a consequence, this plan will need to be subject to regular review throughout the year. Notably, further transformation and change in targeted areas will be required to ensure the Council delivers the right outcomes and remains financially sustainable over the medium term.

The plan itself is set within the context of significant economic uncertainty, with high inflation, increased energy costs, rising interest rates and national pay awards all impacting on the Council's financial position. These economic challenges, on top of underlying demand and demographic pressures within the sector, creates a unique challenge for the Council. In particular the unprecedented increase in utility costs, will present a major challenge to budgets in the coming years if we do not consider options now to address this and also address our carbon footprint.

We must also continue to be ambitious in the regeneration of the Borough, delivering physical transformation which will encourage growth in business, raise aspiration and improve community confidence. We must continue to enable growth and investment in key industry sectors which will drive future employment opportunities. At the same time, we must ensure that our local communities are supported. In times of significant economic and financial uncertainty, these aspirations become more challenging. However, the Council remains committed to delivering an affordable and comprehensive suite of public services for the Borough.

The Council continues to face significant demand pressures within children's services which are above and beyond core funding allocations. The Council is working with partners, its commissioner and the Department for Education (DfE) to deliver an improvement programme designed to address areas of weakness in the system, which will improve outcomes for Children and families and reduce the financial pressures in the system over time. This is a long-term programme, which will continue to be monitored over the course of the improvement journey.

Overview (continued)

The Local Government Financial Settlement announced on 6th February 2023 has provided the Council with a real term increase in funding, taking into account additional tax raising powers. Specifically, the settlement incorporates a council tax referendum limit of 3% and the flexibility to apply a further 2% Social Care Precept to meet extra cost and demand-led pressures. These additional tax raising powers alongside a range of one-off grants, has provided an uplift in income of 8%. However, even with this increase in income, the Council has had to bring forward a range of proposals designed to offset the difference between spending need and income available.

As in 2022/23, the settlement only covers a single year although the supporting policy statement does provide some clarity over future social care grant allocations. Longer term changes to the local government financial model, including fair funding and business rate retention, have once again been postponed. The Council is committed to working with Government on a long-term plan to fund local services and supporting wider devolution where local leaders have sustainable funding and greater freedom to take decisions on how to provide vital services in our communities.

The business plans incorporated within this budget reflect the continued focus on transformation and change, designed to look at different ways of responding to demand. Historically short-term funding has not been an effective way of dealing with rising numbers, and it is imperative that these programmes continue, if we are to improve outcomes and provide support for local communities.

The Council has a responsibility to ensure it can respond quickly to risk and uncertainty and does so by holding a range of reserves specifically for that purpose. As can be seen in the detail of the plan, reserves have fallen consistently over the last few years as earmarked reserves have been utilised. The current level of reserves and continued uncertainty necessitates a review of the level of reserves to ensure the Council has sufficient capacity to deal with the risks and opportunities it currently faces. It is important to note that this level of uncertainty is likely to remain for some time as the medium to long-term impact of COVID and the outcome of the work in respect of the Children's Services Improvement Plan is fully understood.

Overview (continued)

Through the Capital Investment programme, the Council is continuing to take a more commercial approach and investments are anticipated to make a significant contribution to the Council's strategic objective of enabling the growth of a strong and sustainable local economy. Major investment within the Stallingborough Enterprise Zone and in the town centres are progressing well and expected to support the borough at a time of economic challenge and slowdown.

This year we have taken the opportunity to review the overall programme, to reflect current priorities, and ensure that our projects and programmes remain viable. This approach will help to ensure the Council continues to operate within its approved Treasury Management Strategy over the short to medium term and that any external borrowing remains affordable, sustainable and prudent.

The net zero and decarbonisation agenda is a key Council priority, reinforced by the Council's adopted 2030 net zero ambition and underpinned by the Council's approved Carbon Roadmap. We are committed to reducing our own carbon footprint alongside continued support to our key sectors and the reduction in the Borough's overall carbon footprint. To facilitate this, the Council is embarking on an ambitious property rationalisation programme which will deliver efficiency savings, reduce the carbon footprint, support new ways of working, drive footfall and generate capital receipts which can be applied to support the wider transformation programme.

In summary, despite the current economic and demand led challenges the Council's remains committed to the achievement of financial sustainability by embracing the area's economic potential, growing the local tax base, and delivering efficient and affordable public services.

Sharon Wroot, Executive Director – Place and Resources

Context

This financial plan is set within the context of significant change and challenge for the organisation. There are a wide range of issues, both local and national, which have been taken into account when developing the plan

Council Plan, administration priorities and ambition

Financial and economic instability, cost of living and Inflation

Wider Health and Social Care, reform and integration

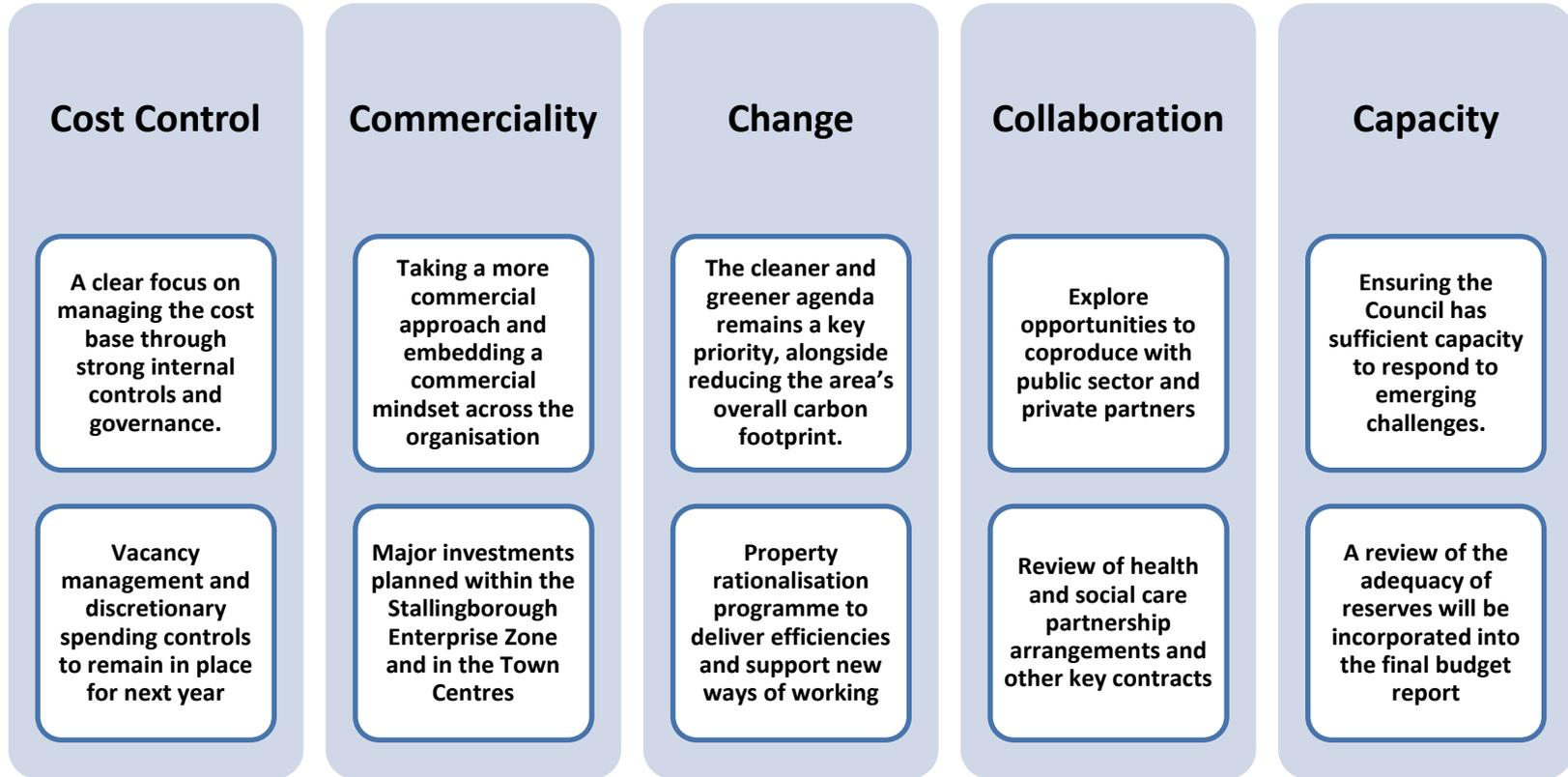
Continued focus on economic and housing growth, including the development of the Humber Freeport and Levelling Up agenda

Future of Local Government and Devolution and funding models

Children and Family Services, managing demand alongside recovery and transformation

Financial Strategy

Despite the challenging financial and economic conditions and increasing demand within social care, the Council remains committed to the achievement of long-term financial sustainability by embracing the area's economic potential and by growing its local tax base. The Council's Financial Strategy is therefore closely aligned to the Council Plan, Local Plan, Economic strategy and housing delivery plan. The Financial Strategy has five key strands:



Budget Approach

North East Lincolnshire's Place Partnership, of which the Council is one stakeholder, has agreed an Outcomes Framework which outlines our approach to achieving our priorities for the borough – **Stronger Economy and Stronger Communities**. Underpinning the Outcomes Framework, a Council Plan has been developed that states the intended aims of North East Lincolnshire Council that support the agreed Place outcomes. Our Business Plans included in **Annex 1** provide more detail about the activity that will support delivery of the Council Plan within agreed budget envelopes, enabling us to decide how best to use the total resources available in order to achieve our outcomes in the most efficient, effective, equitable and sustainable way.

The Outcomes Framework for North East Lincolnshire has five key priorities, and those are that our people should:

- Reach their full potential through skills and learning;
- Benefit from a green economy and a high-quality environment;
- Enjoy good health and wellbeing;
- Benefit from a strong local economy;
- Live in a safe environment, can have their say about things that are important to them and participate fully in their communities.

Our commissioning model is essentially about evidence-based decision making, based on good quality data and insight driven intelligence that enables us to deliver the right outcomes at the right cost. It is an on-going and inclusive process of strategic activities which determine where and how best to deploy the resources available. We are continuing to develop and refine our approach to commissioning, particularly in terms of bringing together resources and capability to make best use of data and insights, working more closely with our partners to co-produce solutions and understanding where it makes sense for the Council to enable others to deliver services in a more cost effective and responsive way.

Timeline

July 2022 to August 2022	September 2022 to October 2022	November 2022 to January 2023	February 2023
<ul style="list-style-type: none">• Refresh Finance Strategy• Agree key priorities• Update medium term financial forecast• Review key financial risks	<ul style="list-style-type: none">• Portfolio Holders and Leadership Team analyse financial resilience and current performance• Analysis of pressures, risks and savings opportunities• Initial variations to budget envelopes, assumptions and high level delivery options	<ul style="list-style-type: none">• Cabinet, Leadership team and Scrutiny refine proposals• Star Chamber• Government financial settlement confirmed• Stakeholder briefings and engagement takes place.• Council Tax Support Scheme and Council Tax Base agreed	<ul style="list-style-type: none">• Robustness of estimates and adequacy of reserves assessed• Cabinet recommend estimated budget to Council reflecting any further feedback received• Council determine final budget and set Council Tax



Local Government Finance Settlement

The Government's Budget and Local Government Finance Settlement published in February 2023 confirmed that core spending on local services will increase by 9.4% nationally, and will help councils deal with inflationary and other cost pressures next year. However, the settlement assumes councils will raise their council tax bills by the maximum amount allowed up to the referendum limit which has forced difficult decisions in the context of the current financial climate.

A focussed one-year settlement provides certainty for 2023/24, with additional information being provided for 2024/25 for some grants which supports longer term planning. The confirmed further delay to the local government financial model reform leaves risks and uncertainty over the medium term.

The settlement has identified additional funding for adult and children's social care which goes some way to dealing with the known issues and demand pressures we continue to face. However, increased complexities and demand within both Adults and Children's social care is a key risk for the authority, and one which despite additional funding will require close monitoring throughout 2023/24. A programme of transformational activity within children's services over the period of the MTFP will provide further focus.

Key headlines:-

- A full settlement for 2023/24 and priorities and intentions for 2024/25
- A percentage increase in Revenue Support Grant based upon the Consumer Prices index (CPI)
- Core council tax referendum principle of 3%, and a new 2% precept for Adult Social Care (ASC) in both 2023/24 and 2024/25
- Continuation of the Better Care Fund at 2022/23 levels
- A new Adult Social Care Discharge grant to be pooled with and distributed based upon the Better Care Fund
- An increase in the Social Care Support Grant, including funding due to delaying the roll out of adult social care reform and roll in of the Independent Living Fund.
- Extension to the Adult Social Care Market Sustainability and Improvement Funding. This includes new grant funding addresses issues such as discharge delays, social care waiting times, low fee rates, and workforce pressures.
- Continuation of the Services Grant, this is an un-ringfenced grant and will be distributed in line with the Settlement Funding Assessment to provide funding in recognition of vital services delivered by local government

Medium Term Financial Plan

The medium-term financial plan (MTFP) reflects the outcome of the financial settlement, service pressures and savings, inflationary and pay uplifts and other key financial information. Funding assumptions have been made for years 2 and 3 of the plan due to the provisional settlement only confirming funding for 2023/24.

The Council holds strategic reserves to ensure it has the capacity to respond to emerging risks, policy change, or transformational initiatives which may arise. The level of these reserves is also reviewed as part of the planning process and reported on through the budget monitoring process to ensure they remain adequate.

The table below summarises the MTFP for 2023/24 to 2025/26. Year 1, shows a balanced position which is reliant upon delivery of the service business plans set out in Annex 1 and the capital programme set out in Annex 2. These will be reviewed and reported on as part of the in-year budget monitoring process. Years 2 and 3 of the MTFP require further savings or increased funding levels and will continue to be reviewed and considered during 2023/24 and into the next budget setting round.

MTFP POSITION					
2021/22 £000	2022/23 £000		2023/24 £000	2024/25 £000	2025/26 £000
FUNDING					
9,192	9,477	Revenue Support Grant	10,656	10,864	11,076
43,667	45,645	Business Rates Retention	48,577	50,073	51,628
65,397	67,896	Council Tax Income	70,698	73,602	75,871
8,764	9,852	Cumulative ASC Precept	11,831	13,984	14,415
(258)	(570)	Collection Fund - Business Rates	0	0	0
1,009	2,092	Collection Fund - Council Tax	525	0	0
1,528	0	Local Council Tax Support Grant	0	0	0
61	837	New Homes Bonus	296	99	0
7,822	8,058	Improved Better Care Fund	8,059	8,059	8,059
6,068	8,226	Social Care Support Grant	12,961	15,171	15,474
4,998	0	COVID-19 Funding	0	0	0
257	270	Lower Tier Services Grant	0	0	0
0	526	Adult Social Care Market Sustainability and Improvement Funding	1,826	1,899	1,947
0	2,739	Services Grant	1,607	1,607	1,607
0	0	Adult Social Care Discharge	1,130	1,912	1,912
148,505	155,048	TOTAL FUNDING	168,166	177,270	181,989
125,758	132,628	Budget Envelopes	147,497	158,465	159,364
18,505	21,210	Other Budgets	19,419	24,260	26,380
144,263	153,838	TOTAL REVENUE SPEND	166,916	182,725	185,744
4,242	1,210	Net Contributions to Earmarked Reserves	1,250	2,450	2,450
148,505	155,048	TOTAL BUDGET REQUIREMENT	168,166	185,175	188,194
0	0	Balance of funding available / (Savings Required)	0	(7,905)	(6,205)

Medium Term Financial Plan – Budget Envelopes

Budget envelopes define the level of investment across each core area of Council activity. Envelopes have been established by considering the forecast funding projections, current expenditure levels, service plans and strategic priorities.

With continued budget challenges there has been significant work undertaken to review the level of investment required across budget envelopes including intelligence from budget monitoring information. Ongoing pressures faced in strategic demand sensitive areas has seen significant levels of additional resources required, this will facilitate transformational activity and ensure focus on key development areas continues. The expected impact of this transformational activity, particularly within Children's Services, has been reflected within the budget envelope totals.

Service Area	2023/24 £'000					2024/25 £'000	2025/26 £'000
	Adjusted Opening Budget Envelope	Other Adjustments	Pressures	Savings	Closing Budget Envelope	Closing Budget Envelope	Closing Budget Envelope
Resources	17,183	1,065	1,780	(2,186)	17,842	19,862	19,900
Environment	12,645	496	279	(400)	13,020	13,478	13,687
Economy and Growth	17,119	(130)	1,446	(329)	18,106	24,456	24,555
Children and Family Services	35,780	699	12,044	(140)	48,383	46,350	43,303
Children and Family Services: flexible use of capital receipts for transformational purposes	0	(4,600)	0	0	(4,600)	(3,600)	0
Public Health and Wellbeing	(64)	0	0	0	(64)	(64)	(64)
Adult Services	56,210	1,600	0	(3,000)	54,810	57,983	57,983
Total	138,873	(870)	15,549	(6,055)	147,497	158,465	159,364

Business Plans have been produced to identify priorities, spending pressures, efficiencies and savings opportunities. These have been through a series of challenge processes including leadership and Budget Scrutiny working groups. The final plans were presented to Scrutiny for formal consultation in January 2023.

Revised budget envelopes are proposed, as detailed in the table above. Several factors are considered in determining the budget envelopes, these include, changes to funding levels, national and local intelligence, inflation rates, pay agreements, local demographics, service demand, and contract inflation. They have also been adjusted to reflect the Business Plans included in **Annex 1**. Due to the underlying risks in some key service areas close monitoring and scrutiny of delivery of the proposed savings opportunities will be required during 2023/24.

Funding – Retained Business Rates

Under the current Business Rates Retention (BRR) scheme, the Council retains 49% of income collected locally, adjusted for write offs, bad debts and appeals. In addition, we receive a top up grant from Government which recognises we do not have the ability to raise sufficient funding locally to support our baseline need. Changes to the local government funding system have been postponed for a further year acknowledging emerging challenges in relation to social care demand and the business rate system. BRR is a key source of income for the Council with approximately £48.6M estimated for 2023/24 this will be reviewed as part of the NNDR return due at the end of January. This represents just under a third of total funding. Reliance on this funding stream may increase as a result of changes to the local government funding model which is expected to be reviewed during the MTFP period. The Council is continuing to drive and support economic and housing growth which in turn should deliver improved levels of local taxation.

Growth and Outlook

Business Rates growth has been planned over the MTFP period; this is in addition to normal inflationary uplifts which are also assumed. There are several key schemes in the Borough that are expected to contribute to this growth.

- The Town Deal reflects a new approach to regeneration that is being taken forward by public and private sector partners to revitalise the town centre, increase skill levels and create new jobs and housing, this is supported by the acquisition of Freshney Place during 2022 with development plans being implemented over the MTFP period.
- The South Humber Infrastructure and Investment Programme (SHIIP), in conjunction with Humber and Greater Lincolnshire Local Enterprise Partnerships, is a multi-phase programme of investment to enable large scale industrial economic growth on the Humber bank.
- The establishment of the Humber Freeport is expected to further stimulate growth across the Humber and Greater Lincolnshire areas.
- The recent announcement of £18.4million Levelling Up funds awarded to Cleethorpes for key town centre projects as detailed within the masterplan for the resort.

Collection Rates

Collection performance for Business Rates is improved against previous years as at quarter 3 of 2022/23. This position is considered when assessing the levels of bad debt provision required as part of the NNDR return which is submitted in January 2023 to central government. Forecasting the overall collection rate is particularly challenging in the current economic environment and is dependent on a number of factors including the level of business rate reliefs available to local business. For this reason, the Council maintains a business rate reserve to smooth any losses.

Funding – Retained Business Rates

Ratings List

A new business ratings list will come into effect on 1st April 2023, based upon valuations as at 1st April 2021. Whilst there will be changes to individual business ratings bills the impact will be managed through transitional reliefs

Collection Fund Deficits

In 2020/21, as part of its response to COVID 19, the Government announced that estimated deficits on the 2020/21 Collection Fund (both Council Tax and Business Rates) will be spread over three years, 2021/22-2023/24 rather than just in 2021/22. This is reflected in the figures presented within the MTFP.

Funding – Council Tax

Changes to the Council Tax Base are influenced by local demographics on supply and demand for new builds, levels of void properties, locally set discounts and the Council Tax Support Scheme (CTSS). Account is taken of the projections in the Local Plan in terms of potential supply of new homes and intelligence from the Economic Development team on projected demand generated by growth in local employment. A prudent level of growth as a result of new homes has been factored into the financial plan.

The Council Tax Base report, set the base for 2023/24. The increase in the tax base to 45,710.4 from the 2022/23 position of 45,206.9 equates to an additional 503.5 Band D equivalent properties. This delivers an extra £0.9M at the current North East Lincolnshire Council average band D level of tax including the Adult Social Care precept. This is built into the medium-term financial plan.

Council Tax Support Scheme

This report recommends no further changes to the CTSS and to maintain the maximum discount at 65% for working age customers.

In 2018/19 a Council Tax Hardship reserve was established to support Council Taxpayers within the scope of the scheme. It is proposed that this fund continues in 2023/24 and over the life of the MTFP and is aligned to anticipated need. Utilisation will continue to be monitored closely throughout the MTFP period.

Collection

There is discretion in estimating the Council Tax collection rate. Consideration of a reduction in the level of collection given the ongoing economic challenges has been given, and collection rates have been monitored closely throughout the year. Collection rates do not appear to be unduly impacted and rates remain around expected levels. Therefore, the decision to maintain the current 98.2% collection rate has been made. This will continue to be reviewed considering the cost of living pressures currently being experienced.

Both surplus and deficits can occur in year on the Collection Fund due to factors such as collection rates, levels of bad and outstanding debt, eligibility for council tax support; and tax base growth assumptions. The Council Tax collection fund for 2022/23 has been reviewed during December 2022 and is forecast to be £0.5M in surplus for NELC by the end of the financial year. The position is reviewed annually and reflected within the financial plan.

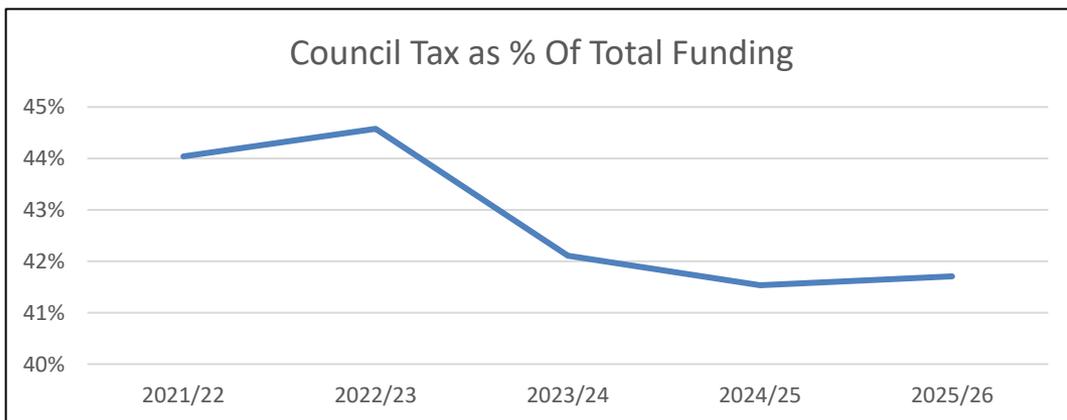
An empty property surcharge continues to be applied to encourage long-term empty properties to become sustainably occupied. This report recommends from 1st April 2024 that, in the case of empty homes, a 100% premium of the original liability is applied after 12 months; and in the case of second or holiday homes, a premium of 100% of the original liability is applied.

Funding – Council Tax

The following table shows historical and forecast levels of Council Tax and associated tax base levels, this excludes the Adult Social Care precept. The planned Council Tax increase is to allow the Council to create sustainable recurrent income to fund frontline services, where central funding isn't necessarily available

Council Tax	Base	2022/23	2023/24	2024/25	2025/26	
		45,206.89	45,710.37	46,210.40	46,710.40	
		Price Increase	1.98%	2.98%	2.98%	1.98%
		Funding £'000	67,896	70,698	73,602	75,871

Core Council Tax is a key source of income for the Council with approximately £70.7M forecast for 2023/24. This represents around 42% of total funding. The proportion of the Council's funding coming from Council Tax remains at just under half of total funding over the financial planning period.



Over the period of the MTFP we have seen an increase in government grant funding due to the governments continued social care support. This is reflected in the fall in council tax as a % of total funding shown opposite.

The governments Autumn Statement saw the core referendum limit for council tax increase from 2% to 3% per year from April 2023 This financial plan has therefore utilised a 2.98% increase to Council Tax for 2023/24 and 2024/25.

In addition, a 2% Adult Social Care precept is factored into the MTFP in line with this latest legislation. The ASC precept will raise a total of £11.83M in 2023/24 which will mitigate increased social care demand pressures.

Funding - Other Funding

Revenue Support Grant

The Council currently receives an annual Revenue Support Grant (RSG) allocation from the Government as part of its finance settlement. The settlement also includes a forecast for our Retained Business Rates. There has been an increase in Revenue Support Grant in 2023/24 based upon the Consumer Prices index (CPI), and It has been assumed that this continues over the MTFP period. RSG is expected to be phased out as part of wider changes to the local government funding model.

Social Care Support Grant

The provisional settlement has confirmed an uplift to the Social Care Support Grant in 2023/24 to £13M, the additional allocation has been put in place to deal with known demand pressures within the system. For NELC the allocation, an uplift of £4.7M from 2022/23, is built into MTFP funding and has been used to address existing social care demand pressure within Childrens and Family and Adult services. In line with indications as part of the provisional settlement it has been assumed that this grant sees uplifts in future years of the MTFP.

The Improved Better Care Fund (iBCF)

Core iBCF allocations for 2023/24 have remained at 2022/23 levels. The Council works closely with the Health and Wellbeing Board to ensure the funds are targeted effectively to meet Adult Social Care needs, reducing pressures on the NHS and ensuring the local care provider market is supported. The 2023/24 allocation for NELC is £8.1M.

2023/24 Services Grant

Government has announced a continuation of this funding stream into 2023/24. However, this has been top sliced to fund other grants and funding streams. For NELC the allocation in 2023/24 is £1.6M, a reduction of £1.1M against 2022/23. It has been assumed that this grant remains at the same level during the MTFP period.

Adult Social Care Market Sustainability and Improvement Funding

An extension from 2022/23, this includes new grant funding to address issues such as discharge delays, social care waiting times, low fee rates, and workforce pressures. There will be reporting requirements placed on this funding regarding performance and use of funding to support improvement against the objectives. The Government will provide further details on reporting in due course. NELC's allocation for 2023/24 is £1.8M

Funding - Other Funding

Adult Social Care Discharge Fund

A new Adult Social Care Discharge Grant for 2023/24. This funding will be required to be pooled as part of the Better Care Fund. The funding will be distributed using the existing Improved Better Care Fund grant shares. The Government will set out further details on the conditions of this funding in due course. The allocation for NELC is £1.1M

New Homes Bonus

New Homes Bonus is paid as an incentive to encourage housing growth by rewarding local authorities for net additional homes to the council tax base. For NELC this has been calculated as £0.3M for 2023/24 and has been assumed to continue at this level of funding over the MTFP.

Funding – Service Grants

Public Health

The 17th November 2022 statement by the Chancellor and subsequent issuing of Government documents thereafter contained very little in respect of the Public Health grant allocations for future years and this information is still awaited. As a result the precise amount the Council will receive has not been confirmed at this time.

Education Funding

The national funding formula for each of the Dedicated Schools Grant notional blocks introduced in 2018/19 remains in place. Further details of the impact of these are given below.

Schools Block

The Chancellor announced that schools will receive an additional £2.3 billion for the next two years on top of the funding announcements made in previous years. This brings the core schools budget to £58.8 billion in 2024-25 and provides an average cash increase of more than £1,000 per pupil by 2024-25 when compared to 2021-22.

High Needs Block

The high needs block of the DSG will benefit from an additional £400M in 2023 to 2024. This is an increase of 4.6% to the high needs allocations announced in July 2022.

The 2023-24 high needs block allocation for NELC announced in December 2022 is £30.4M, this is before deductions. This amount is inclusive of the supplementary grant of £1.19M and £1M import / export adjustment.

The 2023-24 allocation is an increase on 2022-23 of £3M. Whilst this increase is welcome it is still expected that the high needs block will face financial pressures due to increasing demand and complexity, and the financial pressures first experienced since 2017-18 will continue into 2023-24. The Council continues to take actions to mitigate these pressures as is part of the Department for Education's Delivering Better Value Programme. Balancing the high needs block will remain very challenging.

Early Years Funding

The comprehensive changes introduced in 2017/18 are now firmly embedded and the funding of Early Years is now based on participation. As in 2022-23 the amount that Councils can centrally retain is a maximum of 5% from the Early Years Block allocation to fund central services. This does require the agreement of the Schools Forum.

Funding – Service Grants

Early Years Funding continued

The Government announced that in 2023-24 the early years entitlements block will receive a further £20million nationally. Local authorities will receive average funding increases of 3.4% for the 3 and 4-year-old free childcare entitlements and 4% for the 2-year-old entitlement. In North East Lincolnshire a provisional review of the figures indicates that the increase in the 3-4 year old funding rate is 3.4% whilst for 2 year olds it is 1.1%.

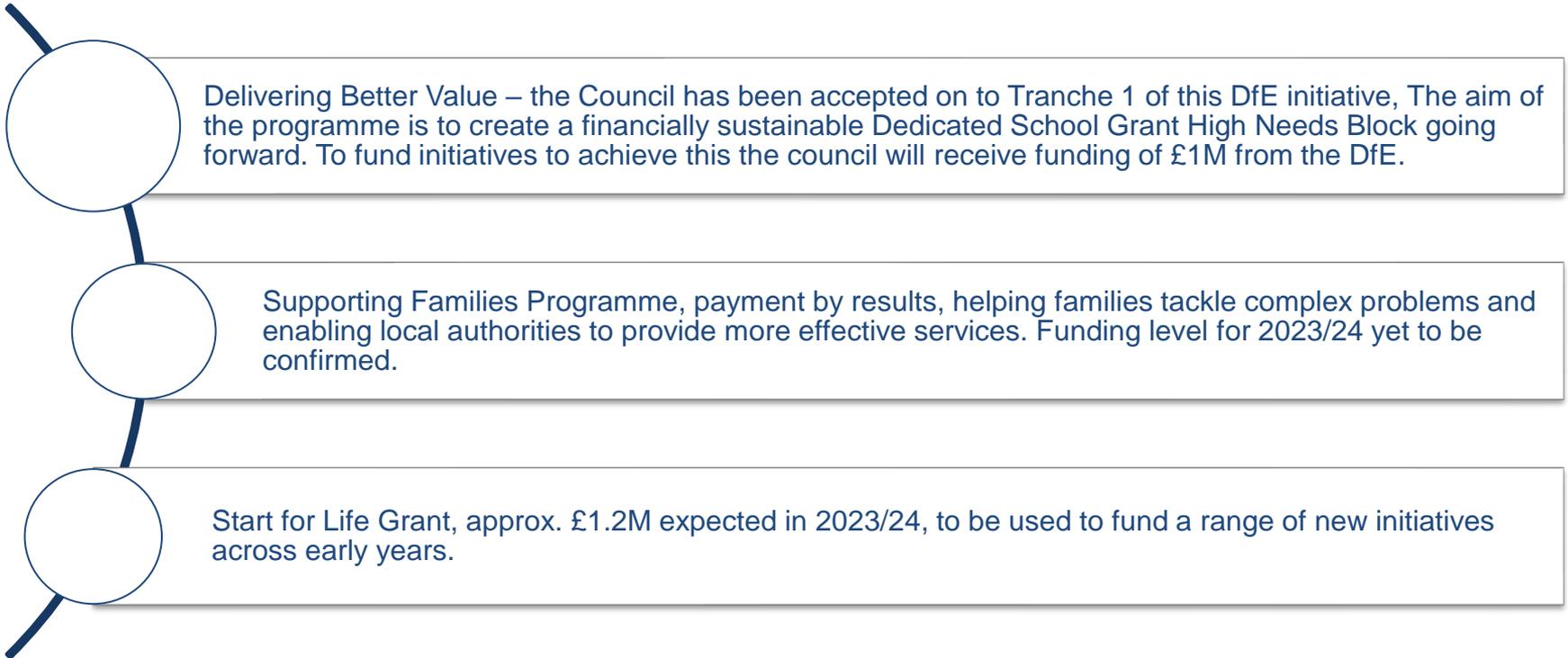
Pupil Premium

The Government announced a 5% increase for pupil premium payments rates. Pupil premium rates will increase from April 2023 by £70 for primary pupils (from £1,385 to £1,455 per child) and £50 for secondary (from £985 to £1,035). The rates for looked-after children, and children who cease to be looked after, will rise by £120 (from £2,410 to £2,530). The rates for service children will increase by £15 (from £320 to £335).

Funding

The Council has been proactive over the past year in generating external funding to support a range of initiatives linked to its key outcomes. Funding has been generated from a number of different sources and will contribute towards longer term financial sustainability.

Listed below are just some of the most significant areas where the Council has already secured external funding to support future service delivery. These sources of external funding are reflected within commissioning plans and cover areas of both revenue and capital expenditure. In terms of future opportunities, the Council is continuing to be proactive in identifying further external funding opportunities. These will be reflected within the medium term financial plan as the funding is secured.



Funding



£20.9M from the Government's Towns Fund continues to be utilised to deliver projects in transformational economic, social and cultural benefits for the town.

£3.0M Department for Transport funding towards the refurbishment of Corporation Road Bridge.

£7.5M of Department for Education grant and section 106 monies to be used towards new school provision and places.

£8.4m of Department for Levelling Up, Housing and Communities grant has been secured to repair the three major bridges and resurface the carriageway along the A180, between Pyewipe roundabout and Riby Square, due to their significant deterioration.

£18.4million Levelling Up funds awarded to Cleethorpes for key town centre projects as detailed within the masterplan for the resort.

£3.4M Environment Agency grant to be used on a Grimsby and Immingham Flood Alleviation Scheme

Service Budgets and Other Issues

Fees and Charges

The Council will undertake an annual review of all fees and charges to ensure value for money when delivering services is being achieved. An uplift in line with an estimated CPI rate for the March preceding the MTFP period will be applied, unless an alternative specific methodology or approach is deemed to be necessary for that service area. The forecast rate uplift at March 2023 is 8%.

Vacancy Management

A vacancy freeze was implemented in 2022/23 to help manage the forecast overspend position in year. It is suggested that this continues into 2023/24. In recognition a reduction in staffing budgets has been built across service budgets and this will be managed at budget envelope level. This has not been included in later years of the MTFP but will be reviewed on an annual basis.

Discretionary Expenditure

Controls to reduce discretionary expenditure were implemented in 2022/23 and these will also continue into 2023/24, this is in line with the financial strategy. It remains a budget manager's responsibility to limit this type of expenditure and to ensure governance and internal controls are implemented and adhered to. This type of expenditure will be closely monitored and challenged where necessary.

Children's Services

Children's Services continues to experience significant placement demand pressures which is over and above the national average coupled with a heavy reliance on the use of agency social workers and teams.

In respect of placement demand the lack of sufficient local provision coupled with excess demand for places nationally has led to an increase in costs and the higher use of this more expensive provision.

Following the recent Ofsted inspection there is now a much sharper focus on the outcomes for children and accompanying this is the consideration of cost and value for Money.

In respect of the reliance on agency social workers the Council has recently recruited 32 overseas social workers who are settling into their roles and will result in the release of the more expensive agency staff.

Service Budgets and Other Issues.

Children's Services (cont.)

A programme of reviews now takes places with focus on where children are placed in bespoke placements which are high cost and more expensive provision with a view to ensuring children and young people are placed within provision which is more appropriate to their needs and provides close regulative monitoring. A piece of targeted work to close cases, where these can be, return children home where it is safe and appropriate to do so and increase the number of in-house foster carers is also underway or in hand.

There has been a continued and significant rise in demand for services and complexity of issues presented by children and their families throughout the child's journey. This is impacting on our ability to allocate and manage cases, leading to inconsistency of social workers for children and a risk of cases drifting and care plans not being progressed. It also has a subsequent impact on our ability to manage budgets. Our response to the issue is to develop a system to reduce the number of handoff points to support the streamlining, of our services, as well as developing a process of future proofing, so we can respond to the increase in demand and complexity.

We will be focusing on our front door to manage the increased capacity and shift our approach to supporting families, so we take a more integrated wellbeing approach, working to families' strengths to provide them with the support that they need. This focus on integrated prevention services will ensure that risk is managed appropriately throughout the service to safeguard children effectively and reduce the potential for a risk averse and overly interventionalist practice.

Reserves

The financial plan is supported by reserves and general fund balances. There are three main categories of reserves held:

General Fund Reserve

Retained to deal with unexpected events. The level is reviewed annually as part of budget setting to ensure it is adequate and appropriate.

Partner & Service Reserves

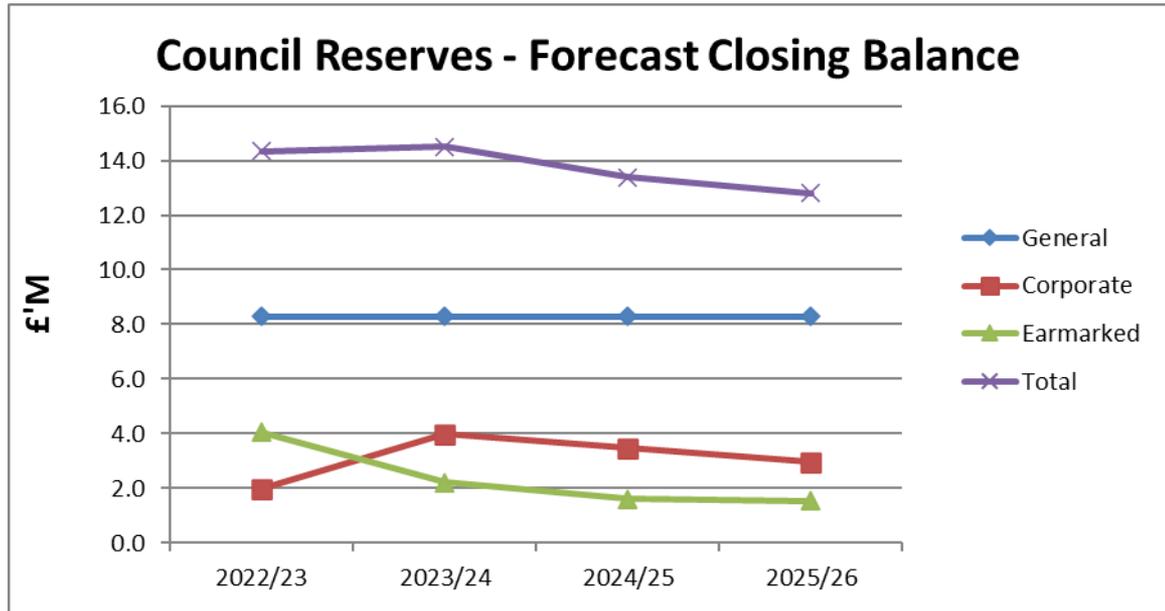
Held for specific purposes relating to delivery. These are held in addition to defined budget envelope and used to support clearly defined activity and outcomes over and above business as usual

Corporate and Technical Reserves

Used to smooth the Council's financial position. These include reserves to support strategic change and transformation.

As part of the financial planning process all reserves, general and earmarked, are reviewed in detail. The graph opposite shows the current forecast closing balance in each year of the financial plan and will be updated throughout the process.

Whilst service reserves are being utilised in line with plans, the overall capacity within reserves has reduced over recent years. In the current economic environment it is essential that the Council continues to review corporate and technical reserves.



Reserves

Corporate and Technical Reserves are used to smooth the Council's financial position and they include reserves to support strategic change and transformation, forecast closing balances are detailed below:

Corporate and Technical Reserves		Forecast Closing Balance			
		2022/23	2023/24	2024/25	2025/26
		£'000	£'000	£'000	£'000
Transformation Reserve*	To Support costs of key transformation projects	-	-	-	-
Self Insurance Reserve	To mitigate insurance claims	-	650	650	650
Debt Financing Reserve as MTFP	Used to mitigate costs of borrowing and capital programme activity	-	2,400	1,900	1,400
BRR Equalisation Reserve	Used to mitigate fluctuations in Business Rate income	-	500	500	500
Council Tax Hardship Fund	Used to support Council Tax hardship claims	233	183	158	158
Joint Arrangements - Safety Camera Partnership	Technical reserve in relation to the Safety Camera Partnership	255	255	255	255
Social Care and Demand Demographic	To deal with in system demand and pressures	1,486	0	0	0
Total		1,975	3,989	3,464	2,964

The on-going risk and uncertainty around the financial crisis, service demands and transformational activity may mean we incur additional expenditure over the period of the MTFP, but as yet this is unknown. It is important to ensure that our reserves remain robust to be able to respond to such calls on expenditure, whilst being able to minimise the impact on planned service delivery.

Service Reserves are held in addition to budget envelopes and used to support clearly defined activity and outcomes over and above business as usual. These are detailed below:

Service and Partner Reserves	Forecast Closing Balance			
	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000
Resources	231	7	-	-
Economy and Growth	738	277	123	54
Environment	9	-	-	-
Children and Family Services	-	-	-	-
Public Health and Leisure	1,138	439	-	-
Adult Services	1,333	1,220	1,220	1,220
Partner Reserves	608	272	272	272
Total	4,058	2,215	1,615	1,546

Capital and Long Term Investment

Capital and long term investment has both legal and regulatory requirements which sets out the powers the Council has and the frameworks it must comply with and operate within for capital investments. The Council is guided by the Local Government Finance Act, DLUHC guidance and CIPFA Codes of Practice. CIPFA has launched a revised Prudential Code of Practice 2021. It creates three new classification of investment, Treasury Management, Service Delivery and Commercial Return. The term 'investments' in the code covers all financial investments of the authority, together with other assets held primarily for financial return such as commercial property. It brings in new restrictions on borrowing which are focused on just one of these categories – investments that are made 'primarily for financial return', including commercial property. The Capital Investment Strategy is the umbrella document that covers both the Service Delivery and Commercial Return elements of the councils investments.

Capital and long term investment is necessary to deliver the Council's key priorities and ambitions. The **Capital Investment Strategy** sits centrally to a number of internal and external influencers and as such must reflect and be informed by the drivers and priorities within them.

The underlying principles of the capital strategy follow the financial strategy:

- Commissioning – Aligning capital investment to support priorities that contribute to the outcomes framework
- Stimulate Regeneration and Economic growth through local investment
- Cost control – Supporting the economic and efficient delivery of core services

The Prudential Code requires Local Authorities to ensure Capital investment is:

- Linked to Strategic Planning
- Clear Asset Management understanding
- Delivers Value for Money
- Investment is prudent and sustainable
- An affordability assessment
- Practical delivery

The CIPFA Prudential Code of Practice 2021 requires councils to produce a Capital Investment Strategy for non-treasury related investments. It provides the opportunity to ensure overall strategy is widely understood including the governance and assurance process and clearly defined risk appetite.

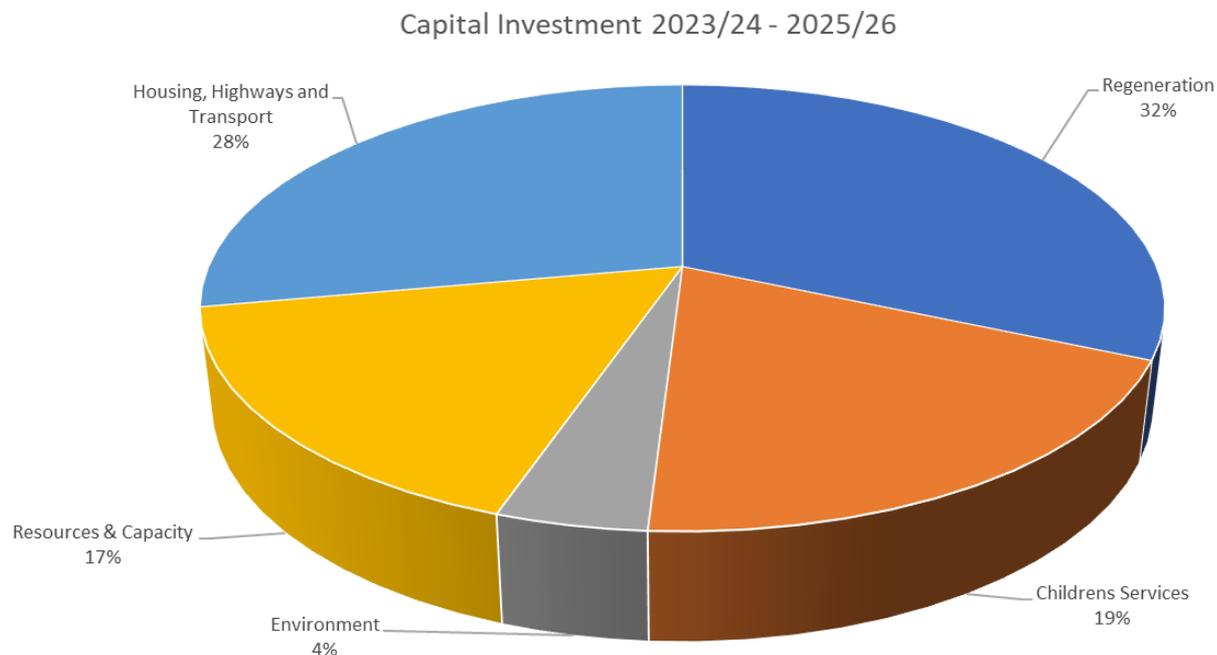


Capital and Long-Term Investment

The Council's long term financial strategy remains focused on the achievement of financial sustainability by embracing the area's economic potential and growing the local tax base. The focus of investment is:-

- Investing in Business Growth and building on the areas industry strengths.
- A green economy maximising low carbon and healthy initiatives in industry and the place.
- Skills and investing in the workforce
- Place-Making ensuring the towns are great places to live, work and stay.

The Capital Programme is undergoing a process of review and reprofile in line with the priorities set out above. It is expected this will identify surplus assets for sale to ensure a streamlined and fit for purpose property and asset base that meets our low carbon / decarbonisation aims.



The Capital Programme covering 2023/24-2025/26 totals £177.3M and is included at **Annex 2**.

Consultation and Engagement



Members Overview & Scrutiny

Budget scrutiny informal workshop to consider the initial budget papers during December 2022.

Following the receipt of the Government Settlement, the Scrutiny Panels will formally consider the business and commissioning plans as part of the budget consultation in January 2023 and make recommendations to Cabinet in February 2023



Member Briefings

Finance information provided for member briefings prior to major meetings



Cabinet & Council Meetings

Council December 2022
(Council Tax Base Inc. Support Scheme)

Cabinet January 2023
(Post Settlement Draft budget)

Cabinet February 2023
(Final Budget)

Council February 2023
(Final Budget)



Targeted Budget Setting Meetings held between Finance Officers and Service areas to discuss budget detail



Political Group Meetings



“Let’s Talk” –engagement with website link asking for residents/business views of tackling resource challenges

Budget issues and survey to be publicised via local and social media channels

More widely, survey will be shared within NELC, other public organisations, partners and local businesses

Engagement Events with Other Stakeholder Groups



Any Comments? – Speak to your Councillor

Information included within Council Tax Bills

Media releases

Social Media

Survey

Residents

Robustness of Estimates and Adequacy of Reserves

Underlying budget assumptions

Business plans outlining the approach to delivery within budget envelopes have been prepared and are included within the Financial Plan. Budget envelopes take into account forecast funding projections for the Council, current expenditure levels across services and external factors.

The reasonableness of the underlying budget assumptions is challenged throughout the budget setting processes. Specific considerations when testing the reasonableness of budget assumptions include:

- Financial pressures experienced in the previous financial year;
- Provisions for inflationary pressures;
- Extent to which known trends and demand pressures have been provided for;
- Achievability of changes built into the budget;
- Realism of income targets; and
- Alignment of resources with the Council's service priorities.

The overall level of risk within the 2023/24 budget is considered to be very high in relative terms. Whilst this level of risk can be considered manageable, it must be on the understanding that key decisions are taken and, where identified savings are not delivered, alternative savings options will be needed.

In terms of the longer medium-term financial planning period, Local Government and wider NHS reform, the longer-term impacts of COVID 19 and rising social care demand remain significant challenges. The established governance arrangements in place within the Council will ensure that monitoring of delivery of budget envelopes and service priorities will take place. These include Overview and Scrutiny Panels, Cabinet and Council Meetings, Leadership Team, Resource Monitoring Process and the financial planning process itself.

Continued uncertainty within both the public sector and the wider economy bring both risks and opportunities to the Council, both in terms of the current planning period and future years. As a consequence, we are making plans to try and manage those, but likely to remain beyond the current planning period. The Council will therefore be required to revisit its financial plans on a more regular basis. Through the risk and opportunity management framework, the significant risks impacting on the budget are recognised.

Robustness of Estimates and Adequacy of Reserves

The Budget is set within the context of significant economic uncertainty, with high inflation, increased energy costs, rising interest rates and national pay awards. In particular the unprecedented increase in utility costs, will present a major challenge to budgets in the coming years if we do not consider options now to address this and also address our carbon footprint. The major risks are outlined in more detail below.

Local Government Financial model

Whilst the Government has confirmed that, the Review of Relative Needs and Resources ('Fair Funding Review') and the business rates reset will not be implemented until the next Parliament, these reforms could have a significant impact on the Council's overall funding profile.

The Fair Funding review will see the introduction of a new system for allocating funding between Councils, which will be based on the updated and improved methods of estimating Councils differing revenue raising capacities and differing spending needs. The Government has confirmed that it plans to revisit the priorities for reform of the local government finance system, taking account of wider work on the future of the business rates tax and on the Social Care system.

Children's Services

Children's safeguarding continues to experience significant placement demand which is over and above the national average coupled with a heavy reliance on the use of agency social workers and teams. In respect of placement demand, the lack of sufficient local provision coupled with excess demand for places nationally has led to an increase in costs and the higher use of this more expensive provision. Following the recent Ofsted inspection there is now a greater focus on the outcomes for children and accompanying this is the consideration of cost and value for Money. In respect of the reliance on agency social workers the Council has recently recruited 32 overseas social workers who are settling into their roles and will result in the release of the more expensive agency staff.

Robustness of Estimates and Adequacy of Reserves

Adult Social Care

Adult service provision within the public sector is one of increasing demand and complexity against a backdrop of financial constraint. Delivering safe and effective Adult Social Care services within this context presents an ongoing challenge in maintaining service quality and also sustainable care markets to meet need. Income generated through the Adult Social Care Precept continues to be being used to support sustainable service delivery alongside improved Better Care Fund, social care and discharge funding allocations.

The Council has appropriate arrangements in place to monitor social care pressures and has committed to taking action to mitigate and manage the impact of increasing demands within the social care system through identification of efficiencies to investment in transformation and system change leading to reduction in cost or avoidance in spend. Planned health and social care reform will need to be carefully managed to ensure opportunities are maximised.

Capital and long-term investment

Capital and long-term investment is necessary to deliver the Council's priorities and ambitions around economic growth and stronger communities. This year the council has taken the opportunity to review the overall programme, to reflect current priorities, and ensure that our projects and programmes remain viable in light of rising interest rates and inflation.

This approach will help to ensure the Council continues to operate within its approved Treasury Management Strategy over the short to medium term and that any external borrowing remains affordable, sustainable and prudent.

Following a review of the Prudential Framework, councils now have to explain why, not just what they are doing with their investment activity, needing to demonstrate more transparency and openness in how good governance has been exercised. The Council has well established appraisal processes in place and any new borrowing will be predicated on the preparation of a sound business case which is closely aligned to the Council's key outcomes and financial strategy.

Robustness of Estimates and Adequacy of Reserves

Economic environment

The Council is continuing to operate in a challenging financial and economic environment which is impacting on individuals, businesses and communities. Dependent on the pace at which the economy returns to a more stable position, there is likely to be a continued impact on the Council's medium to longer term financial planning assumptions.

Nevertheless the Council remains committed to the achievement of long-term growth and financial sustainability and this has been demonstrated through continued growth in the council tax base. Furthermore capital investment is anticipated to make a significant contribution to the Council's strategic objective of enabling the growth of a strong and sustainable local economy.

Adequacy and availability of reserves

The Council holds reserves for three specific purposes:

- *General reserves* to deal with unexpected events and help smooth the impact of uneven cash flows
- *Corporate and technical reserves* to smooth the Council's financial position; and
- *Partner and Service Reserves* - held for specific purposes relating to service delivery.

It is proposed that the level of prudent General Fund reserves is maintained at £8.3 Million for the current year. This balance reflects the level of risk within our current planning assumptions. The General Fund balance will be reviewed during 2023/24, taking into account the overall adequacy of reserves and the latest financial position.

The Council's Corporate and General reserves are held to provide more stability in the financial planning process. These include reserves to support strategic change, fluctuations in business rates and borrowing costs. As can be seen in the detail of the plan, reserves have fallen consistently over the last few years as earmarked reserves have been utilised. Plans are therefore in place to re-establish corporate reserve at an appropriate level over the MTFP period.

Robustness of Estimates and Adequacy of Reserves

Financial management and reporting arrangements

The Council has well-established financial reporting arrangements in place which are set out within Financial Procedure Rules. Arrangements are reviewed on an annual basis taking into account changes in Council responsibilities and the comments from both internal and external audit. The Council's budget monitoring arrangements require services to prepare budget action plans to deal with spending variations on budgets. However it is noted that these have been limited where demand has not been able to be appropriately managed.

The capital programme is also monitored in the quarterly budget monitoring report and a specific capital focussed performance report is provided to the leadership team quarterly. The capital programme is actively managed with requests for slippage challenged, expenditure brought forward where necessary and schemes decommissioned where necessary. There is a robust process for the submission and prioritisation of capital bids. In relation to Value for Money, the Council is continuing to test its performance in terms of economy, efficiency and effectiveness and has arrangements built into its key contractual and partnership arrangements. This principle is particularly important given the current level of risk and uncertainty.

Key Accountabilities

Budget holders/service managers are accountable for managing and reporting the performance of services or contracts, and ensuring that mechanisms are in place to give assurance that the data used for reporting is robust, and that performance is reported at an appropriate frequency. An important part of a budget holder's responsibility for resource management is to ensure that spend is targeted at the Council's desired outcomes and to seek positive assurances that spend and income is compliant with Council's policy and procedures, financial rules and regulations, and that services and contracts are operating at an agreed standard to contribute to delivery of outcomes. Budget holders/service manager are accountable for:

- **Delivering agreed service outcomes** within the Business Plan, relevant service plan and other plans within the performance management framework.
- **Monitoring the budget** (both capital and revenue allocations) and performance **on a regular basis**.
- **Identifying and reporting overspends and underspends and performance exceptions** at the earliest foreseeable date in line with corporate reporting requirements.

Robustness of Estimates and Adequacy of Reserves

Key Accountabilities (continued)

- **Managing resources** in line with Council procedures and requirements, in particular the Council's HR policies and project management guidance.
- **Complying with the Council's Contract Procedure Rules and Financial Regulations** (including seeking positive assurance within the service over their operation through review and testing).
- **Ensuring that all financial transactions are properly authorised** and coded in accordance with Financial Regulations and Report any control breaches.
- **Delivering value for money** in your service area through continuous improvement activity to capture and report on efficiency gains including improved outcomes at no extra cost.
- **Working closely with Resources** to ensure that decisions are made in a timely way, based on robust financial and management information, are risk assessed and have resources allocated before commitments are made.

The Council introduced a Star chamber process whereby the administration and leadership team worked together closely to discuss and challenge budget decisions and the allocation of resources. This will need to continue over the MTFP period to ensure services can be delivered within available budgets.

Partnership governance

The Council has numerous partnership agreements with significant levels of contractual budget arrangements. There are risks associated both with the financial management arrangements and in terms of delivering the outcomes which have been agreed between both parties. Strategic and operational governance and monitoring arrangements are put in place to ensure that members and officers receive assurances that where risks are identified, mitigating actions are in place to address them. The Council's key partnership arrangements will be subject to regular review throughout the MTFP period.

Treasury management

The Council has adopted the CIPFA Code of Practice for Treasury Management and has a Treasury Management Strategy which sets security as the primary principle to mitigate against current instability within financial markets. Risk is mitigated by effective treasury management procedures, scrutiny by the Audit and Governance Committee, engagement of external advisors and monthly review and challenge by S151 officer on Treasury activity.

Robustness of Estimates and Adequacy of Reserves

Financial resilience assessment

Local context must be taken into account when forming an overall picture of financial resilience. This includes an analysis of future demand, performance, a focus on the key longer-term revenues and expenditure and the key risks to which the Council will be exposed to.

A resilient financial plan is built around a strong local taxation base, less reliance on government funding grants, defined service expenditure and adequate reserve levels. For North East Lincolnshire Council, local taxation represents the majority of total funding, with a significant proportion of this coming from Council Tax which allows the greatest level of local determination. Any decisions around council tax price increases therefore need to be considered against service delivery plans.

The key conclusions from the Council's assessment of financial resilience include:

- Local taxation, as a proportion of total funding, has been steadily rising over a number of years. However this has reduced from 2022/23 by 3%, largely due to the additional grant funding received from the government for social care demand.
- We have seen a cumulative increase in Council Tax of 38% since 2009/10, this compares to an increase in the consumer price inflation (CPI) index of 41% since 2009.
- The General fund as a percentage of net current expenditure is in line with the unitary council average. Whilst the Council's earmarked reserves are reducing, the general fund provides resilience. The General Fund, as a percentage of net current expenditure is forecast to be 4.9% in 2023/24
- There are a number of significant and complex schemes approved in the capital programme. These require considerable negotiation and project management. Whilst delivery of them is vital, it is recognised they have long term delivery profiles which can move significantly.
- Projections show that the 65 year olds and over 80 year old population is growing. The projections for North East Lincolnshire follow the same trend as both the Yorkshire and Humber and England. However the percentage of older people within our area remains higher than average for both.
- At the end of the current planning period, projections show the number of young people (aged 0-19) remain stable. Children Looked After (CLA) numbers continue to put pressure on Council budgets and are roughly double the national average. This is a key challenge for the Council.

Robustness of Estimates and Adequacy of Reserves

Conclusion

There is a clear understanding of the duties of the Council's statutory Financial Officer and the implications of them being exercised are fully understood.

The proposed budget for 2023/24 is considered to be based upon robust estimates but as stated earlier contains risk, predominantly in relation to inflation, service demand and the wider economic environment. Whilst reserves have reduced over previous years, plans are in place for them to be built back up. Indicative budget allocations for 2024/25 and 2025/26 are considered to be reasonable based upon planning information available at the present time.

Whilst budget deficits are currently forecast in years 2 and 3 of the plan, and these will need to be addressed as part of next years budget round when the Council will hopefully have greater intelligence on its medium term funding outlook. Clearly though there is increased risk and uncertainty relating to the financial and economic environment within which the Council is operating and the impact this will have on the Council's overall financial standing.

Whilst the business plans contain challenging targets, they have been risk assessed and will be subject to continuous monitoring by the Council's leadership throughout the year. Well established budget monitoring processes are in place which include arrangements for the identification of variances and implementation of remedial actions where necessary.

Sharon Wroot

Executive Director – Place and Resources (Section 151 Officer)

Impact Assessment

Assessments

Public bodies have a duty to promote and deliver on equality and the council has to publish an annual report on how it has met this duty – **Equality Assessment**

Any public body that collects stores and processes personal data has a duty to ensure it does so in line with legal requirements – **Data Protection Assessment**

To look after and make best use of our assets such as Agriculture; Fisheries; Energy; Industry; Transport; waste management; water management; telecommunications; tourism; town and country planning and land usage – **Strategic Environmental Assessment**

The impact assessments need to take place before reports are submitted for information/decision. Failing to work within the law on these issues will put the council at risk of legal challenge. Furthermore, they are designed to protect and enhance the rights and lives of citizens, so it is vital that they are considered properly.

The decision making process

The pre-budget consultation and engagement exercise has sought views from all Members, the public, local businesses, key partner organisations and other stakeholders on the Council's draft budget. The Council is committed to its legal and legislative requirement

Cabinet will consider the results and outcomes of the consultation and of all relevant impact assessments to support informed recommendations regarding the Council's budget and priorities

The full Council meeting in February 2023 will make decisions on the Council's Budget for 2023/26 based on recommendations from Cabinet

Council and Cabinet will take into account feedback from all consultation when making its decisions.

In addition, reports to Cabinet and Council also require evidence that equality has been considered and responded to where necessary.

When developing proposals Officers of the Council undertake impact assessments for individual budget proposals. Budget options are reviewed as the pre-budget consultation evolves, using the consultation feedback received. The pre-budget consultation is the key process to inform the budget decision making process and Officers of the Council undertake specific consultation in developing and implementing the budget proposals approved, where appropriate.

Impact Assessment

The draft budget reports are published on the Council's website, along with any background papers as appropriate.

Everybody living, working, studying, visiting or otherwise engaged with North East Lincolnshire Council may be potentially affected by the Council's and its budget plans

This includes businesses, employees of the Council, Unions as well as, partners, contractors and other stakeholders

Some efficiency savings may impact on staff and this could lead to redundancies and changes in service provision

Where there are changes to the level of service received by the public, consultation will be undertaken and all those affected will be consulted with and able to have a say in the process

Financial decisions

The Council has access to resources which are limited by statute and democratic processes, so service provision is constantly being reviewed to secure value for money and remain affordable. Ensuring financial resilience will often mean changes in the services provided and how they are provided, who they are delivered to and who receives the services

When making decisions that may affect people the Council will aim to ensure that their views are sought and considered so that we can understand the impact of decisions, what matters to them, what they consider as priorities, what areas are in need of improvement and how the choices made may impact on their lives

The budget proposals that may lead to investment, re prioritisation or efficiency savings and/or potential changes in service provision are screened for impact against the protected characteristics groups.

Where proposals involve staff changes and rationalisation, appropriate consultation in line with Council policy will be followed and monitored for any disproportionate and adverse impacts on individual groups.