

## Understanding the Difference Between Capital and Revenue Expenditure

When the Council spends money, it generally falls into two main categories: capital expenditure and revenue expenditure. Understanding the difference helps explain how your local services and infrastructure are funded and maintained and may help explain why we spend our money in the way that we do.

### Capital Expenditure – Investing in the Future

Capital expenditure is money spent on things that will last a long time and bring value to the community over many years. These are usually big, one-off investments in physical assets.

Examples include:

- Projects such as upgrading the seafront, public spaces, and transport links to boost tourism and local pride in Cleethorpes.
- Buying land, vehicles or property for council use for example Freshney Place Redevelopment (Grimsby). The purpose of buying this asset is to transform the town centre into a modern, mixed-use space which fits into our longer-term aspirations for the North East Lincolnshire
- Building or refurbishing a buildings / asset such as schools. Examples include Beacon Academy rebuild and building new schools in Scartho & Watham.

A bit like buying a house or a car—it's a large upfront cost, but it provides long-term benefits

### How capital expenditure is funded

The Council uses a mix of funding sources to make projects happen. The funding is specific to a particular project and can only be used to fund this type of expenditure

- **Government Grants:** The council applies for funding from national schemes like the Towns Fund, Levelling Up Fund, and the Department for Education's School Rebuilding Programme.
- **Capital Borrowing:** Like a mortgage, the council can borrow money to fund major projects and repay it over time. This is only done when there's a strong business case and the project fits in with the Councils' priorities.
- **Partnerships:** Some projects are delivered in partnership with private developers or other public bodies which is useful to share the costs and benefits.
- **Asset Sales:** The Council may sell unused land or buildings to raise money for new investments and reduce ongoing maintenance costs.
- **Ringfenced Funds:** Some grants are specifically allocated for certain types of projects, such as improving roads, housing, or public health facilities.

To give an example, the Freshney Place redevelopment in Grimsby is being funded through a combination of government grants and Council investment. Similarly, the

new primary schools in Scartho and Waltham are funded through Department for Education capital grants.

These funding sources are separate from the Council's day-to-day budget, which is used for services like waste collection, social care, and libraries.

You can read more about the council's financial strategy on [North East Lincolnshire Council's official website](#).

## Revenue Expenditure – Day-to-Day Running Costs

Revenue funding is what keeps services running every day. Unlike capital funding, which builds things, revenue funding pays for the people, supplies, and utilities that make those things work.

Examples include:

- Paying staff wages
- Running libraries, waste collection, and street lighting.
- Day-to-day support for schools, early help services, and Children's safeguarding
- Adult and Children's Social Care: The largest part of the council's budget, supporting people with complex needs.
- Public Health Services: Local health initiatives, mental health support, and community wellbeing programmes.
- Maintaining parks and public buildings

This is more like paying your household bills—necessary to keep things going, but not something that builds new assets.

## How revenue expenditure is funded

Revenue funding is made up of a range of different funding streams.

Source	Description
<b>Council Tax</b>	Paid by local residents based on property value.
<b>Business Rates</b>	Also known as non-domestic rates- a tax charged on properties used for business purposes in the UK.
<b>Government Grants</b>	Funding from central government, including general support and specific grants for services like education or public health
<b>Service Charges</b>	Fees for certain services, such as garden waste collection and parking
<b>Reserves</b>	Like a savings account reserves are used to smooth out unexpected costs and fund exceptional items

## **How much public money does the council get?**

The Council currently has a net budget of approximately £207.4 million this year to provide services made up of the elements above.

This is spent in the following way:

- Adult Services: £69.5M (33.5%)
- Children and Family Services: £64.2M (31%)
- Economy and Growth: £33.3M (16.1%)
- Environment: £20.2M (9.7%)
- Resource & Governance: £6.6M (3.2%)
- Public Health: £2.1m (1%)

The remaining budget is used for things like borrowing costs, pensions, levies and reserves.

All councils need to keep some money in 'reserves. This is a statutory requirement. Like a household's savings account, reserves can be used in emergency situations that have not been planned for in the normal budget.

Against this backdrop, we want to know what you think our priorities should be for the next year.

Please take part in our online consultation <https://tell-us.questionpro.eu/BudgetConsultation25>