

## **CABINET**

<b>DATE</b>	5 <sup>th</sup> August 2020
<b>REPORT OF</b>	Councillor Stan Shreeve, Portfolio Holder for Finance and Resources
<b>RESPONSIBLE OFFICER</b>	Sharon Wroot Director of Resources and Governance
<b>SUBJECT</b>	2020/21 Quarter 1 Finance Monitoring
<b>STATUS</b>	Open
<b>FORWARD PLAN REF NO.</b>	FP 08/20/02

### **CONTRIBUTION TO OUR AIMS**

The Council has two clear strategic priorities – Stronger Economy and Stronger Communities. In order to achieve these priorities the Council needs to have a clear and robust financial and commissioning plan, which focusses on long-term financial sustainability.

### **EXECUTIVE SUMMARY**

This report provides key information and analysis of the Council's financial position and performance at the end of Quarter 1 of the 2020/21 financial year. The information and analysis included within the report will feed into the Council's wider Covid-19 recovery planning.

### **RECOMMENDATIONS**

It is recommended that Cabinet:

- 1) Notes the reported position at Quarter 1 and the various actions being taken to bring spending back in line with budget
- 2) Refers the Financial Monitoring Report to Scrutiny for consideration.
- 3) Approves the revised Capital Programme included at Annex 1.

### **REASONS FOR DECISION**

The report is important in identifying to cabinet both successes, to note progress, and areas of forecast revenue overspend and amendment to the capital programme where actions need to be taken. The area of focus commentary highlights the achievement of any milestones or potential risks affecting the delivery of outcomes.

## **1. BACKGROUND AND ISSUES**

1.1 At the end of the first quarter of the financial year, the Council is forecasting an overspend of £1.7M against its approved budget for 2020/21. Financial pressures are being felt across all areas of the Council's activities predominantly as a consequence of the ongoing Coronavirus pandemic.

1.2 The Council is facing additional financial burdens and pressures created by the response to the emergency, across all areas, including social care, and range from responding to pressure created by additional hospital discharge, provider sustainability, increasing costs associated with children at risk or looked after, to pressures created by delays to implementing or delivering savings programmes.

1.3 As the emergency situation continues, we anticipate the financial impact of the slow down in the local economy will impact on the Council's income base. This of course will also impact on future years in terms of collection and bad debts if the economy continues to slow or stall.

1.4 The Council also generates income through other sources of fees, sales, and charges such as car parking income and income from the commercial estate. All of these income streams have been impacted as a result of the emergency situation.

1.5 The Government has recognised the huge efforts that councils are making and responded to concerns regarding the financial strain being put on the sector by providing additional funding and providing a commitment that they will receive the resources they need to deal with the direct impacts of the pandemic. To date the Council has received £11.2M in direct grant in year which are offsetting, to a degree, the financial pressures being faced.

1.6 As part of the Council's response, we will need to revisit our current business plan, its priorities, and programmes to determine the full and detailed extent of the impact of the emergency response. As part of that work we will explore opportunities to review our plans, and to build on some of the successes of different ways of working and how they could be factored into new operating models in future. However, there is still a great deal of uncertainty in relation to longer term impact of the pandemic.

1.7 Despite the immediate challenges faced by the pandemic, the Council has continued with its ambitious programme of investment within the Borough. 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. Inevitably though the Coronavirus pandemic will have some longer term impacts on the economy which will need to be considered.

1.8 At the present time we are forecasting that we will deliver the majority of the capital programme in year. Where slippage is forecast, the budget is still anticipated to be required in full to deliver the investment programme. Active management of the capital programme will continue throughout the remainder of the year to allow additions, deletions and re-profiling to take place.

1.9 We are continuing to operate within our approved Treasury Management Strategy. Essentially the Council's capital investment plans remain affordable, prudent and sustainable, and treasury management decisions are being taken in accordance with good professional practice.

1.10 In conclusion and in light of the current challenges being faced, there is additional focus being placed on the Council's overall financial standing, with particular focus upon the adequacy of reserves at present. It is important to note that the Council is still in a period of uncertainty and the medium to long term impact of the pandemic on the financial position is still being understood.

1.11 Further detail and analysis is provided within Appendix 1 to this report.

## **2. RISKS AND OPPORTUNITIES**

Key risks and opportunities are detailed within Appendix 1.

## **3. OTHER OPTIONS CONSIDERED**

N/A

## **4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS**

The financial environment in which the Council is operating remains challenging and any significant financial issues will be communicated externally through a variety of media.

## **5. FINANCIAL CONSIDERATIONS**

As set out in the report

## **6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

6.1 Ultimately all resourcing decisions taken by the Council impact upon the environment. For this reason the Council must take climate change and environmental issues into account in the establishment of its financial plans.

6.2 The Council's financial strategy looks towards consuming resources more efficiently, eliminating waste and supporting and developing the green economy and infrastructure. This includes recognising and realising the economic and social benefits of a high quality environment.

6.3 By working towards a low carbon economy, the area will be prepared for, and resilient to, the impacts of climate change. Environmental impact assessments are undertaken for individual budget proposals.

## **7. CONSULTATION WITH SCRUTINY**

Quarterly resource reports are progressed to Scrutiny for consideration.

## **8. FINANCIAL IMPLICATIONS**

As set out in the report

## **9. LEGAL IMPLICATIONS**

There are no legal issues immediately arising from the content of this report given that it is a vehicle to advise and update as to current position. The recommendation for a referral to Scrutiny is prudent.

## **10. HUMAN RESOURCES IMPLICATIONS**

There are no direct HR implications arising from the contents of this report.

## **11. WARD IMPLICATIONS**

All wards affected

## **12. BACKGROUND PAPERS**

Outcomes Framework, Commissioning Plan and Budget 2020/21 – 2022/23.

<https://www.nelincs.gov.uk/wp-content/uploads/2019/05/4-Budget-Commissioning-Plan-Report-Full.pdf>

## **13. CONTACT OFFICER(S)**

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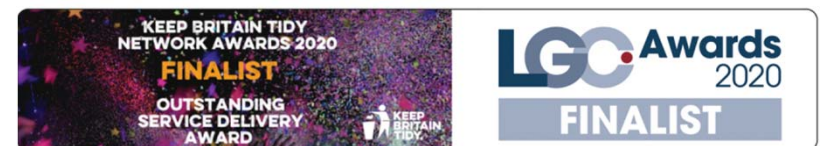
**COUNCILLOR STAN SHREEVE**

**PORTFOLIO HOLDER FOR FINANCE AND RESOURCES**

# Finance Monitoring Report 2020/21 – Quarter 1



Appendix 1



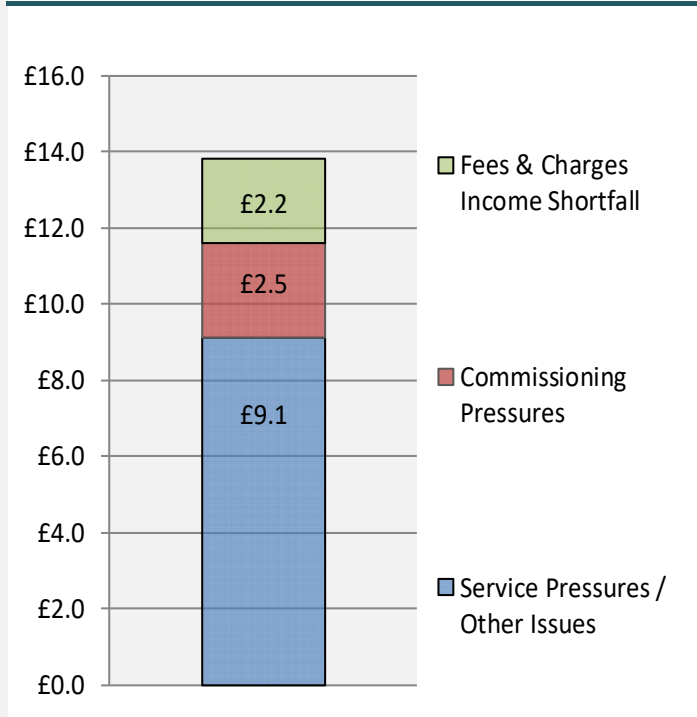
# FINANCIAL OVERVIEW - QTR1

✔ On Course   
 ! Monitor   
 ✘ Cause for Concern

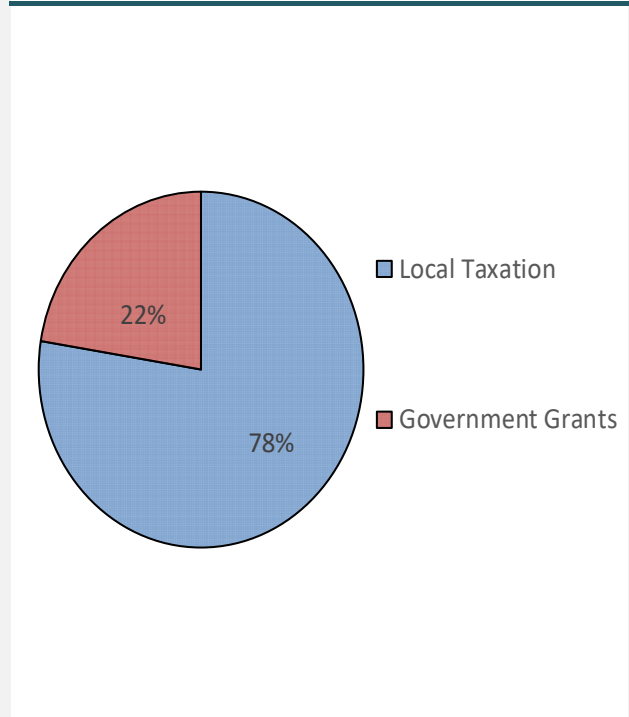
Revenue Position				<span style="color: red;">✘</span> 10.44%
REVENUE	Budget £'M	Forecast £'M	Variance £'M	
Corp & Dem Services	2.8	5.6	2.8	Pg 8
Environment	16.3	16.2	(0.1)	Pg 9
Economy & Growth	22.7	23.9	1.2	Pg 10
Children's & Family Services	40.3	45.8	5.5	Pg 12
Public Health & Leisure	4.8	5.3	0.5	Pg 14
Adult Services	45.3	49.2	3.9	Pg 15
<b>Total</b>	<b>132.2</b>	<b>146.0</b>	<b>13.8</b>	
Other Budgets Underspend			(0.9)	P6 17
Unallocated Covid-19 Funding			(11.2)	Pg 17
<b>Net</b>			<b>1.7</b>	

Capital Position				<span style="color: red;">✘</span> (8.15%)
CAPITAL	App Prog £'M	Forecast £'M	Variance £'M	
Corp & Dem Services	4.2	3.8	(0.4)	Pg 8
Environment	13.6	13.6	0.0	Pg 9
Economy & Growth	41.6	39.6	(2.0)	Pg 10
Children's & Family Services	7.1	4.0	(3.1)	Pg 12
Public Health & Leisure	0.4	0.4	0.0	Pg 14
Adult Services	3.0	2.8	(0.2)	Pg 15
<b>Total</b>	<b>69.9</b>	<b>64.2</b>	<b>(5.7)</b>	
Funding			5.7	
<b>Net</b>			<b>0.0</b>	

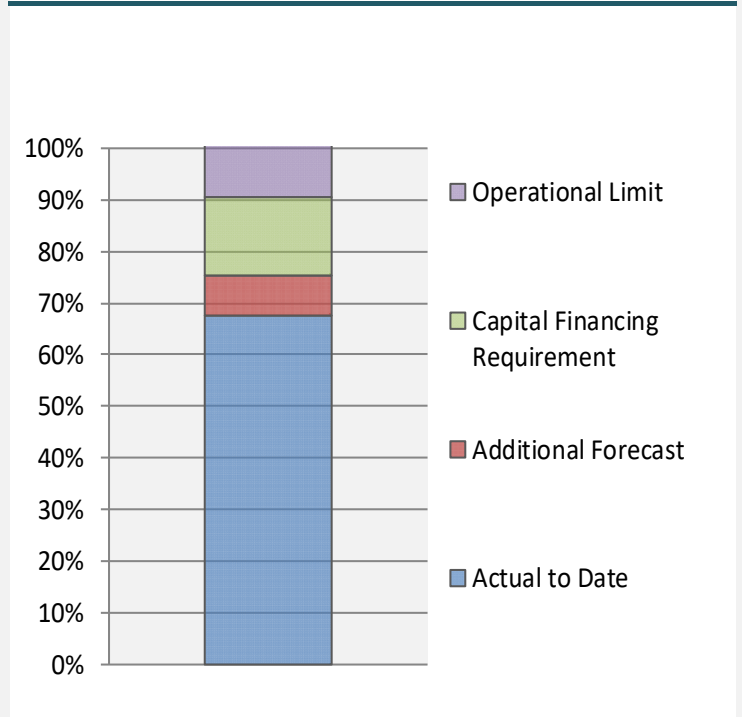
## Service Over Spend Analysis £'M Pg 5



## Funding Outturn Pg 17



## Borrowing Pg 23



# Director of Resources and Governance Overview

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At the end of the first quarter of the financial year, the Council is forecasting an overspend of £1.7M against its approved budget for 2020/21. Financial pressures are being felt across all areas of the Council's activities predominantly as a consequence of the ongoing Coronavirus pandemic. The Council, along with other councils across the country, is facing some significant challenges as it leads the effort to support communities through the crisis.

The Council is facing additional financial burdens and pressures created by the response to the emergency, across all areas, including social care, and range from responding to pressure created by additional hospital discharge, provider sustainability, increasing costs associated with children at risk or looked after, to pressures created by delays to implementing or delivering savings programmes.

As the emergency situation continues, we anticipate the financial impact of the slow down in the local economy will impact on the Council's income base. At present, collection rates are holding up but local taxation makes up around 80% of our income base and is therefore very sensitive to any change. This of course will also impact on future years in terms of collection and bad debts, if the economy continues to slow or stall.

The Council also generates income through other sources of fees, sales and charges such as car parking income, income from the commercial estate. All of these income streams have been impacted as a result of the current situation.

The Government has recognised the huge efforts that councils are making and responded to concerns regarding the financial strain being put on the sector by providing additional funding and providing a commitment that they will receive the resources they need to deal with the direct impacts of the pandemic. To date the Council has received £11.2M in direct grant in year which is offsetting, to a degree, the financial pressures being faced.

As part of the Council's response, we will need to revisit our current business plan, its priorities and programmes to determine the full and detailed extent of the impact of the emergency response. As part of that work we will explore opportunities to review our plans, and to build on some of the successes of different ways of working and how they could be factored into new operating models in future. However there is still a great deal of uncertainty in relation to longer term impact of the pandemic.

Despite the immediate challenges faced by the pandemic, the Council has continued with its ambitious programme of investment within the Borough. 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. This will ensure that the Council can become financially resilient and self-sufficient and generate the resources necessary to maintain and reinvest in quality public services. Inevitably though the Coronavirus pandemic will have some longer term impacts on the economy which will need to be considered.

At the present time we are forecasting that we will deliver the majority of the capital programme in year. Where slippage is forecast, the budget is still anticipated to be required in full to deliver the investment programme. Active management of the capital programme will continue throughout the remainder of the year to allow additions, deletions and re-profiling to take place. We are continuing to operate within our approved Treasury Management Strategy. Essentially the Council's capital investment plans remain affordable, prudent and sustainable, and treasury management decisions are being taken in accordance with good professional practice.

In conclusion and in light of the current challenges being faced, there is additional focus being placed on the Council's overall financial standing, with particular focus upon the adequacy of reserves at present. It is important to note that the Council is still in a period of uncertainty and the medium to long term impact of the pandemic on the financial position is still being understood.

**Sharon Wroot**

# Covid-19

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In March 2020, the Council's activities were severely impacted by the Coronavirus pandemic. The pandemic is having widespread socio-economic impacts and these are anticipated to continue throughout 2020/21 and potentially beyond. The associated financial implications are significant and wide ranging and are reflected throughout this report.

The Government has committed to helping councils face the continuing pressures of the pandemic. To date, the Council has received £11.2M in direct funding from the Government to meet the immediate costs of the response. This grant funding has been recognised within the Council's revenue funding position within 2020/21.

The pandemic has also had a significant impact on income from sales, fees and charges, and the Government has very recently introduced a co-payment scheme to compensate councils for relevant unforeseen losses that are irrecoverable. Councils will absorb the first 5% of all relevant irrecoverable losses compared to their original plans, with the Government compensating councils for 75 pence in every pound of loss thereafter. The Council is currently assessing its position in relation to fees and charges and this will be reflected in the quarter 2 financial report.

Government have also confirmed that it will extend the period over which councils are able to manage any shortfalls in local tax income relating to 2020-21, from 1 to 3 years. It is anticipated that this will ease immediate pressures on councils when budget setting for 2021-22 and protect their ability to deliver services. Further details of will be set out in regulations which we expect Government to lay later this year.

In addition to the direct funding the Council has helped to administer a range of financial support packages within the Borough. This funding has included the following allocations.

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<b>Financial support</b>	<b>2020/21 £M</b>
Small Business Grant and Retail, Hospitality and Leisure Grant	£35.1M
Discretionary business grant	£1.6M
Council Tax Hardship Fund	£1.6M
Care Home Support Package	£2.2M
Test and Trace	£1.05M

The Council has acted swiftly to ensure this funding has been distributed in a timely manner and mitigate against the socio-economic challenges the Borough is currently facing



# Revenue Highlights

**£1.7**

Total Revenue  
Forecast Overspend

**£13.8M** Service Budgets  
Forecast Variance

**10.4%**

% Representation of  
Service Budget  
Overspend to Net Budget

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Corporate & Democratic Services	2.8	5.6	2.8
Environment	16.3	16.2	(0.1)
Economy & Growth & Housing	22.7	23.9	1.2
Childrens & Family Services	40.3	45.8	5.5
Public Health & Leisure	4.8	5.3	0.5
Adult Services	45.3	49.2	3.9
	<b>132.2</b>	<b>146.0</b>	<b>13.8</b>
Corporate Budgets	5.0	4.1	(0.9)
	<b>137.2</b>	<b>150.1</b>	<b>12.9</b>
Earmarked reserves	1.0	1.0	0.0
School Balances	(1.2)	(1.2)	0.0
<b>Total</b>	<b>137.0</b>	<b>149.9</b>	<b>12.9</b>
Funding	(137.0)	(137.0)	0.0
Covid-19 Funding	0.0	(11.2)	(11.2)
<b>Net</b>	<b>0.0</b>	<b>1.7</b>	<b>1.7</b>

The Council is currently forecasting a revenue overspend of £1.7M against its approved budget. Service areas are reporting a £13.8M overspend after facing significant financial implications as a result of the Covid 19 pandemic. A combination of additional costs, increased service demand, shortfalls against income targets and delays in the delivery of savings programmes have resulted in this position. New funding has been received from central government in recognition of the pandemic, £11.2M shown above. In addition, underspends against corporate budgets, mainly borrowing costs, have been released resulting in the net £1.7M overspend position shown.

The Government has recently recognised the impact the pandemic has had on income from sales, fees and charges, and has introduced a co-payment scheme to compensate councils for relevant unforeseen losses that are irrecoverable. Once further details have been received the Council will reflect the impact in monitoring.

The Council is still in a period of uncertainty and the medium to long term impact of the pandemic on the financial position is still being understood. Detailed analysis of each key area is included within this report and we continue to look for ways to mitigate spending pressure. This is an on-going process, and will be a key feature of future financial plans as well as in year.

# Capital Highlights

(£5.7M

Service Capital  
Forecast Variance

7.65%

% Representation of Service  
Capital Underspend to Approved  
Programme

Underspend

**CAPITAL**

**Approved  
Programme £'M**

**Forecast £'M**

**Variance £'M**

Corporate & Democratic Services	4.2	3.8	(0.4)
Environment	13.6	13.6	0.0
Economy & Growth & Housing	46.2	44.2	(2.0)
Childrens & Family Services	7.1	4.0	(3.1)
Public Health & Leisure	0.4	0.4	0.0
Adult Services	3.0	2.8	(0.2)
<b>Total Capital Budgets</b>	<b>74.5</b>	<b>68.8</b>	<b>(5.7)</b>
Funding	(74.5)	(68.8)	5.7
<b>Net</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

The Council has seen an impact as a result of the Covid 19 pandemic, both financially, operationally and in our ability to deliver the capital programme. A number of schemes have seen a pause during the lockdown period.

The underspend above, is as a result of these factors and it is necessary to review the capital programme to ensure we are investing in schemes that are deliverable and affordable, and deliver benefits to the place. The next page details proposed scheme slippage, along with other programme adjustments.

Delivery of the programme will continue to be closely monitored.

# Capital Programme Adjustments

At the end of Quarter 1 a number of slippage requests have been made.

A revised Capital Programme is included in Annex 1 for reference.

The original programme was approved by Council as part of the budget planning process in February 2020.

These schemes are a mix of Grant funded and Corporate Resource.

<b>SLIPPAGE REQUESTS</b>	<b>2020/21 £M</b>
Shared System	(0.22)
Central Clee Regeneration	(1.55)
Corporation Road Bridge	(0.33)
Playing Pitch	(2.00)
SHIIP	(5.22)
Clee HLF Townscape	(0.42)
Disabled Facilities Grant	(0.20)
Capital Allocation to Schools	(0.10)
Sufficiency of School Places	(3.00)
<b>Total</b>	<b>(13.04)</b>

<b>PROGRAMME ADJUSTMENTS/ADDITIONS</b>	<b>2020/21 £M</b>
Depot Rationalisation	6.80
CCTV Review and Upgrade	1.00
Unlocking the Potential	(0.10)
Digital Strategy	(0.18)
Local Transport Partnership	1.08
GLLEP Junctions	(0.14)
<b>Total</b>	<b>8.47</b>

# Revenue

# Corporate & Democratic Services

**2.12%** Of Total Revenue Service Budgets

**£2.8**

Forecast Revenue Overspend

**100%** Variance as % Of Total Budget Envelope

REVENUE	Revenue Budget £'M	Revenue Forecast £'M	Variance £'M
Resources	(2.0)	(0.8)	1.2
Shared Service	1.7	2.8	1.1
Law	1.6	1.9	0.3
Communities	1.5	1.7	0.2
	<b>2.8</b>	<b>5.6</b>	<b>2.8</b>

**M**

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.9
Fees & Charges Income Shortfall	0.8
Service Pressures/Other Issues	1.1
	<b>2.8</b>

As a result of responding to the Covid19 emergency, corporate programmes have had to be paused, leading to delays in delivery of associated savings built into the current plan – the planned Corporate Employment Package Review and Combined Operating Model efficiencies of £0.95M are not currently forecast to be achieved in year. Furthermore Covid-19 has led to a £0.23M shortfall in Registrars Services, £0.37M in lost Court Cost income and £0.2M in business centre and market rental. The impact of Covid-19 has also required additional spend on PPE and funding the shielding hubs with a total impact of £0.47M forecast. Within legal, an overspend of £0.36M is anticipated due to increased demand and costs from a major legal case.

# Capital

**5.64%** Of Total Capital Programme

**(£0.4M)**

Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Capital Forecast £'M	Variance £'M
Resources	2.8	2.4	(0.4)
Shared Service	1.3	1.3	0.0
Gov Dem & Community Engage	0.1	0.1	0.0
	<b>4.2</b>	<b>3.8</b>	<b>(0.4)</b>

The Holme Hill element of the Heritage at Risk scheme is now on hold as different options for the site are explored. No slippage decision is required at this moment in time until further decisions are made.

# Revenue

# Environment

**12.33%** Of Total Revenue  
Service Budgets

**(£0.1M)** Forecast  
Revenue  
Underspend

**0.6%** Variance as % Of Total  
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Environment	<b>16.3</b>	<b>16.2</b>	<b>(0.1)</b>

Additional efficiencies estimated to be £0.55M are forecast through the waste disposal contract as a result of joint working with North Lincs Council and from reduced landfill costs. The latter is due to a planned change to the closure date for periodic maintenance of the Energy from Waste Plant. These efficiencies have been offset by additional vehicle repairs and running costs within Street Cleansing & Refuse estimated at £0.24M, primarily from additional rounds required in response to Covid-19 outbreak.

# Capital

**18.26%** Of Total Capital  
Programme

**(£0.0M)** Forecast Capital  
underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Environment	<b>13.6</b>	<b>13.6</b>	<b>0.0</b>

**17.17%** Of Total Revenue  
Service Budgets

**£1.2M** Forecast  
Revenue  
Overspend

**5.3 %** Variance as % Of Total  
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Economy & Growth	19.6	20.4	0.8
Housing	3.1	3.5	0.4
	<b>22.7</b>	<b>23.9</b>	<b>1.2</b>

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.1
Fees & Charges Income Shortfall	1.1
Service Pressures/Other Issues	0.0
	<b>1.2</b>

The service is forecasting a significant shortfall from car parking income of £1.0M as a direct impact of the Covid-19 outbreak. These costs are being partially offset by staffing efficiencies of £0.17M.

In addition, the Home Options service is forecasting an additional £0.37m budget requirement as a result of homeless and crisis unit costs necessary to respond to Covid-19 requirements.

The Government has recently recognised the impact the pandemic has had on income from sales, fees and charges, and has introduced a co-payment scheme to compensate councils for relevant unforeseen losses that are irrecoverable. Once further details have been received the Council will reflect the impact in monitoring.

**55.84%** Of Total Capital Programme

**(£2.0M)** Forecast Capital Underspend

<b>CAPITAL</b>	Approved Programme £'M	Forecast £'M	Variance £'M
Economy & Growth	41.6	39.6	(2.0)
Housing	4.6	4.6	0.0
	<b>46.2</b>	<b>44.2</b>	<b>(2.0)</b>

The main elements making up the variance are:

£1.3M underspend against CDF Open for Culture due to Covid-19. A revised profile is being submitted to the Arts Council to agree a different timescale for the scheme. Once this has been approved slippage will be requested.

£0.4M underspend against Cleethorpes Townscape Heritage. We are confident of 8 grant applications coming forward this financial year. The amount to be slipped is for three uncertain grant applications and also some public realm works which may not be completed until 2021/22 now.

The position in relation to the economic growth focused areas such as the multi-million pound South Humber Infrastructure and Investment Programme, will continue to be monitored.

**30.48%** Of Total Revenue Service Budgets

**£5.5M** Forecast Revenue Overspend

**13.6%** Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Skills	0.7	0.8	0.1
Education	7.9	8.1	0.2
Assessment & Safeguarding	9.7	14.7	5.0
Children & Families	15.5	18.4	2.9
Safer NEL	1.9	1.9	0.0
Performance & Qual	0.4	0.4	0.0
Women & Children	1.5	1.5	0.0
Budget to be allocated	2.7	0.0	(2.7)
<b>Total Children's &amp; Family Services</b>	<b>40.3</b>	<b>45.8</b>	<b>5.5</b>

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.9
Fees & Charges Income Shortfall	0.3
Service Pressures/Other Issues	4.3
	<b>5.5</b>

The figures presented above are based upon the current position. However there is currently a significant piece of work being undertaken in respect of placements and how these can be reduced. This exercise is expected to report at the end of July when a more realistic assessment can be made as to the expected cost reductions likely to be achieved in this financial year and beyond. As such the figures reported do not reflect any cost reductions at this time but should be available for Qtr. 2.

The key variances are:

£0.2M Family Hubs - A savings proposal was built into the budget in respect of an asset rationalisation and co-location programme across the Family Hubs. This aims to offer the best use of resource for families. Progress on the delivery of the savings has been slow due to Covid-19 impact and at this stage it is uncertain if the level of savings will be delivered in year.

£3.7M SEN / Inclusion service - Due to both increasing numbers and complexity of need of looked after children and Children with SEN. A Transformation plan is in place to re-design areas with Children's Services, and manage demand moving forward there is also a Written Statement of Action, supported by capacity and resources to improve outcomes for children and young people with SEND. Whilst such actions are helping at the current time the number of children coming into the system are exceeding those where needs can be met locally which as a consequence results in increased financial pressure.



£3.4M Safeguarding and Child Resource & Regulation - The pressures relate to Foster Carer payments, Special Guardianships and Residency Orders, Agency Foster care placements and pressures in Children's Homes to manage and prevent out of area placements and children becoming Looked After. This has continued from the previous financial year due to the increased number of Children Looked After (CLA). At the end of May there were 588 CLA (April 2020, 590). Wider service actions will continue in 2020/21 including targeted actions around placement costs and the repositioning of our Early help Provision to manage demand. In respect of Safeguarding, additional agency social workers have been required to manage the high demand of the service. Actions will continue to manage caseloads, so that this resource can be reduced and phased out within this financial year. These will only be able to reduce as the numbers of cases fall and as permanent vacant posts are recruited to.

DSG (Dedicated Schools Grant) - The DSG includes a contingency budget but after commitments there is a forecast deficit of £0.1M although the final position will be determined by the demand for Top Up funding for SEND. The council is continuing to work with schools to eliminate this pressure.

## Capital

# 9.53%

Of Total Capital Programme

# (£3.1M)

Forecast Capital Underspend

<b>CAPITAL</b>	Approved Programme £'M	Forecast £'M	Variance £'M
Children's & Family Services	7.1	4.0	(3.1)

A £3M underspend against Sufficiency of Places has been reported due to COVID-19 delays.

# Revenue

# Public Health & Leisure

**3.63%**

Of Total Revenue  
Service Budgets

**£0.5**

Forecast Revenue  
Overspend

**10.42%**

Variance as % Of Total  
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M	VARIANCE ANALYSIS	
					£M
Public Health	0.6	0.6	0.0	Commissioning Pressures	0.2
Leisure	4.2	4.7	0.5	Fees & Charges Income Shortfall	0.0
	<b>4.8</b>	<b>5.3</b>	<b>0.5</b>	Service Pressures/Other Issues	0.3
					<b>0.5</b>

**M**

The Council received a ring fenced Public Health grant of £11.468M in 2020/21. This grant is allocated to a number of services with the aim of improving the health of the local population. The services that benefit from the Public Health grant include Drugs & Alcohol, Wellbeing Service, Sexual Health, Health Visitors, Schools Nurses and the Localities team. Whilst there are demand needs, the work is targeted and tailored to the grant available. Due to the nature of the grant being ring fenced any under or overspend is rolled into a specific earmarked reserve for future utilisation on public health activities.

In respect of the Leisure & Libraries, there has been a closure of all of the facilities due to the COVID 19 pandemic. We are working with the external provider, Lincs Inspire, to manage the impact on the business and look at future options. Central Government are currently looking at potential support mechanisms for this sector. However it has been confirmed that the sector sits outside the recently announced co-payment scheme to compensate councils for relevant unforeseen losses from fees and charges.

# Capital

**0.54%**

Of Total Capital  
Programme

**£0.0M**

Forecast Capital  
Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Public Health	0.4	0.4	0.0

# Revenue

# Adult Services

**34.27%** Of Total Revenue Service Budgets

**£3.9**

Forecast Revenue Overspend

**8.61%** Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Adult Services	45.3	49.2	3.9
	<b>45.3</b>	<b>49.2</b>	<b>3.9</b>

VARIANCE ANALYSIS		£M
Commissioning Pressures		0.4
Fees & Charges Income Shortfall		0.0
Service Pressures/Other Issues		3.5
		<b>3.9</b>

The projected outturn variance has been based on the best known available evidence at this time. The service has been particularly affected by the Covid 19 pandemic with additional costs and provider sustainability payments necessary. Demand within the system, complexity of caseloads and living wage increases are all contributing to the reported position. There has also been a negative impact on some of the efficiencies which were anticipated to be delivered in 2020/21 together with a loss of income from reduced service take up. Payments to providers to assist with ensuring their financial stability amounted to £1M in Qtr. 1 with anticipated future payment costs of £0.7M in Quarter 2. Lost income from reduced service take up amounts to £0.8M. All of these assumptions will be reviewed as events unfold which inevitably may lead to revised forecast variance projections.

# Capital

**4.03%** Of Total Capital Programme

**(£0.2M)**

Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Adult Services	3.0	2.8	(0.2)
	<b>3.0</b>	<b>2.8</b>	<b>(0.2)</b>

The £0.2M underspend against the Disabled Facilities Grant is a result of a reduction in activity due to the inability to access buildings during the Covid pandemic, this will be slipped into 2021/22.

# Corporate Budgets

**3.66%** Of Total Revenue Budgets

**(£0.9M)** Forecast Revenue Underspend

<b>CORPORATE BUDGETS</b>	<b>Budget £'M</b>	<b>Forecast £'M</b>	<b>Variance £'M</b>
Pensions and Appropriations	3.8	3.8	0.0
Technical Adjustments	(12.4)	(12.4)	0.0
Borrowing Costs	10.6	9.8	(0.7)
Levies	0.7	0.7	0.0
Other Budgets	2.4	2.2	(0.2)
<b>Total</b>	<b>5.0</b>	<b>4.1</b>	<b>(0.9)</b>

The £0.9M underspend reported against other budgets is predominately due to reduced borrowing costs arising from the refocused and reprofiled capital programme due to COVID-19 delays. In addition we have seen a reduction in interest rates.

An underspend against our expected insurance provision costs of £0.15M are also included in the figures above.

# Funding - Summary

**83.9%** Local Taxation as %  
of Total Funding

**1.98%** Council Tax uplift  
20/21

<b>FUNDING</b>	Budget £'M	Forecast £'M	Variance £'M
Council Tax	(72.1)	(72.1)	0.0
Business Rates	(42.8)	(42.8)	0.0
Revenue Support Grant	(9.1)	(9.1)	0.0
Better Care Fund	(7.8)	(7.8)	0.0
Social Care Support	(4.8)	(4.8)	0.0
New Homes Bonus	(0.3)	(0.3)	0.0
COVID-19 LA Support Grant	0.0	(11.2)	(11.2)
<b>Total</b>	<b>(137.0)</b>	<b>(148.2)</b>	<b>(11.2)</b>

The in year funding position is forecasting an additional £11.2M due to COVID-19 support grants. This is being used to support the significant cost pressures reported against service budgets.

In-year funding from local taxation targets is forecast to be on budget, however this is due to the way these funding streams are accounted for. There is an expectation that in-year collection will drop as a result of the pandemic, this will be realised in future years and is being monitored closely.

However there is still a great deal of uncertainty in relation to longer term impact of the pandemic on the Council's funding. The Government has proposed that councils are allowed to spread collection fund losses over an extended period of time and this could mitigate, to a degree, the impact over the medium term.

# Local Taxation

<b>Council Tax Collection</b>	<b>%</b>	<b>Non Domestic Rates Collection</b>	<b>%</b>
Q1 2020/21	28.30	Q1 2020/21	26.35
Q1 2019/20	28.52	Q1 2019/20	29.11
Q1 2018/19	28.89	Q1 2018/19	27.46

## Collection Rates:

### Council Tax

Given the difficulties of the first quarter of the year council tax collection has held up well, although down from the same point in time last year in percentage terms. There have been over 1,000 households who had moved their collection from Apr-Jan to Jun-March, so an uplift in the usual collection pattern is expected towards the end of the year.

Reminder letters were sent in June (and to be repeated in July) and this prompted telephone activity and in many instances payments.

### Non Domestic Rates

First quarter collection performance has been impacted significantly by Covid 19. The overall liability has been reduced by £21.9M due to the awarding of reliefs for many businesses (primarily hospitality, retail & leisure) due to Covid 19. No reminder letters have been sent during the first quarter. The team have undoubtedly experienced their busiest period on record due to the pandemic and been dealing with very high volumes of work.

### Outlook

It is anticipated the financial impact of the slow down in the local economy will impact on the Council's income base in future years. At present, collection rates are holding up but as local taxation makes up around 80% of our income base the impact on future years may be significant if the economy stalls further. Collection rates will continue to be monitored closely for the foreseeable future to assess any specific trends.

# Medium Term Outlook

The Council is anticipating the financial impact of the Covid-19 pandemic will lead to a significant slow-down in the local economy which will therefore impact upon its income and funding base and its expenditure profile over time. There are a range of risks which need to be considered in assessing the Council's overall financial sustainability to ensure that it remains financially resilient.

Risk	Commentary
<b>Funding</b>	The Government has provided the Council with grants totalling of £11.2M which will be used predominantly on additional social care costs associated with responding to the emergency. However funding is non recurrent in nature and will not cover the full anticipated spend in year. Future Government support, the Fair Funding review and planned extension of the Business Rate Retention scheme will be critical.
<b>Collection rates</b>	The financial impact of the slow down in the local economy has a direct impact on the Council's funding to deliver its services. Local taxation currently makes up around 80% of the Council's base funding. For each 1% change in council tax collection rates the Council would see an impact of approximately £0.7M.
<b>Fees and charges</b>	The Council generates significant income through other sources of fees, sales and charges such as car parking income, income from the commercial estate. All of these income streams are at risk as a result of the emergency situation and could be impaired over time. These will continue to be monitored.
<b>Economy</b>	The Council's financial strategy is very much focused on creating a sustainable funding base to allow priority services to be delivered. Growing the local tax base and bringing more business rate stability through retaining and developing a thriving local economy are therefore extremely important. Any economic downturn will therefore impact on the Council's finance and commissioning plans.
<b>Demand and service pressures</b>	There are additional financial burdens and pressures created by the response to the emergency, particularly social care. These include additional hospital discharges, provider sustainability, increasing costs associated with children at risk or looked after, and delays to implementing or delivering savings programmes. The longer the situation continues the bigger the financial impact.
<b>Reserves</b>	The adequacy of the Council's reserves are being closely monitored given the increased risk faced within the current operating environment. The Council's reserves are currently all held for a specific purpose and supported by the annual statement on the adequacy of reserves. It is important to note that reserves can only be used once. A review of reserves will be undertaken as part of the forthcoming budget round.
<b>Capital programme</b>	We anticipate that the Council's planned capital programme, and in particular economic growth focused areas such as the multi-million pound South Humber Infrastructure and Investment Programme, will be delayed and anticipated growth impaired over the medium term. Investment through the capital programme will support the borough's overall recovery process.
<b>Treasury</b>	Treasury and cash management will need to be carefully monitored over the coming months as the economic situation remains instable. Borrowing and investment strategies will remain under review.

# Reserves

£8.3

General Fund

6.1%

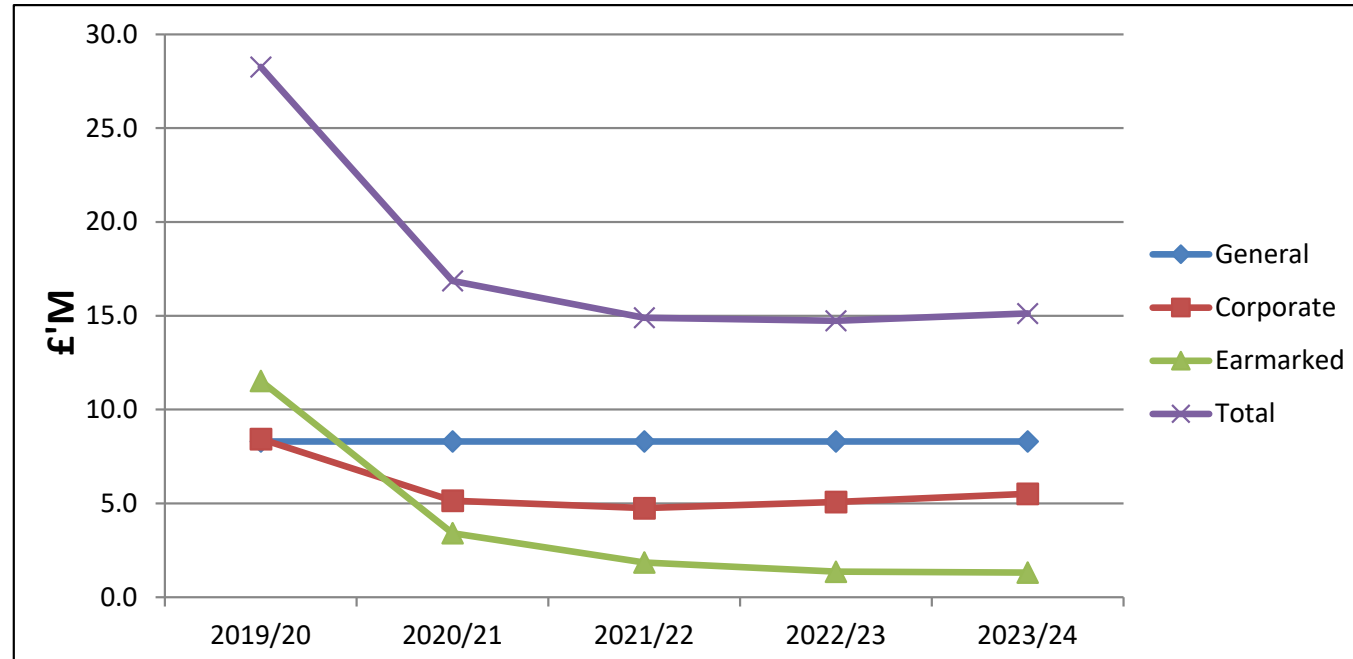
General Fund as %  
Of Net Budget

£15.2M

Forecast 23/24 Total  
Reserve Balance

M

## Reserve Forecast



General fund reserves, set aside to deal with any unforeseen events, remain at £8.3M. This is in line with the medium term financial plan and considered to be a prudent level taking into account the increased level of risk to which the Council is currently exposed.

In addition the Council maintains corporate reserves to address key risk areas.

Service reserves are expected to reduce further to support transformation and other initiatives.

The closing 2019/20 earmarked balance included £5M Covid 19 funding that will be fully utilised in 2020/21



# Reserves.

**3.7%** Corporate Reserves  
as % Of Net Budget

**£5.5M** Forecast 23/24 Corporate  
Reserve Balance

## Key Corporate Earmarked Reserves

Name	20/21 Balance £'M	Purpose
Self Insurance	1.3	Required to meet cost of claims which are insured internally
Business Rates Equalisation	1.4	Used to mitigate fluctuations in business rates income without impacting service budgets
Management of Change	0.8	To cover costs of organisational change
Debt Financing	1.0	Used to mitigate costs of borrowing and capital programme activity

Whilst service earmarked reserves are being used in line with plans, the overall capacity within reserves has reduced over recent years. There may be further call on reserves to support service budgets and address current forecast overspends.

It is therefore essential that we continue to review corporate and technical reserves to ensure there is sufficient capacity to deal with the risks and opportunities that are faced, particularly in light of the current economic climate.

The position will be monitored and considered as part of the medium term financial planning process, and where necessary plans will be put in place to replenish reserves to a reasonable level.

# Working Capital Management

**94.8%**

2019/20 % Creditor Invoices Paid within 30 days at Qtr.1

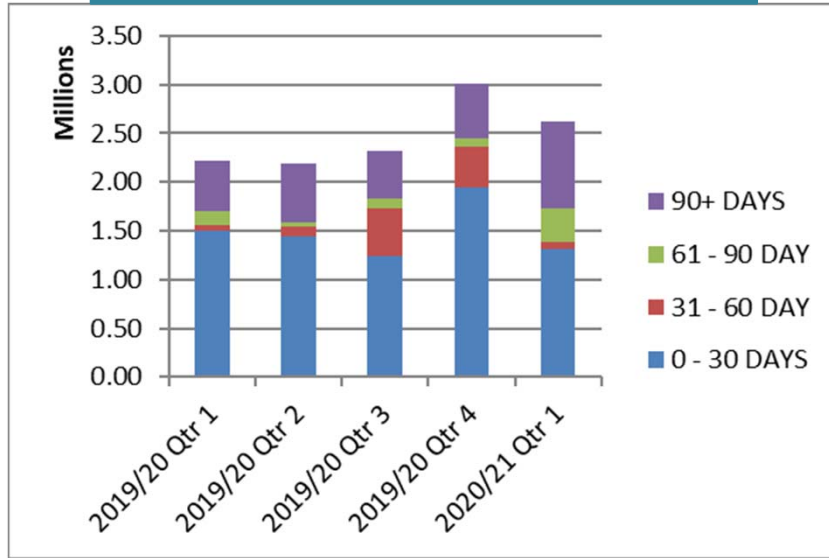
**95.9%**

2020/21 % Creditor Invoices Paid within 30 days at Qtr. 1

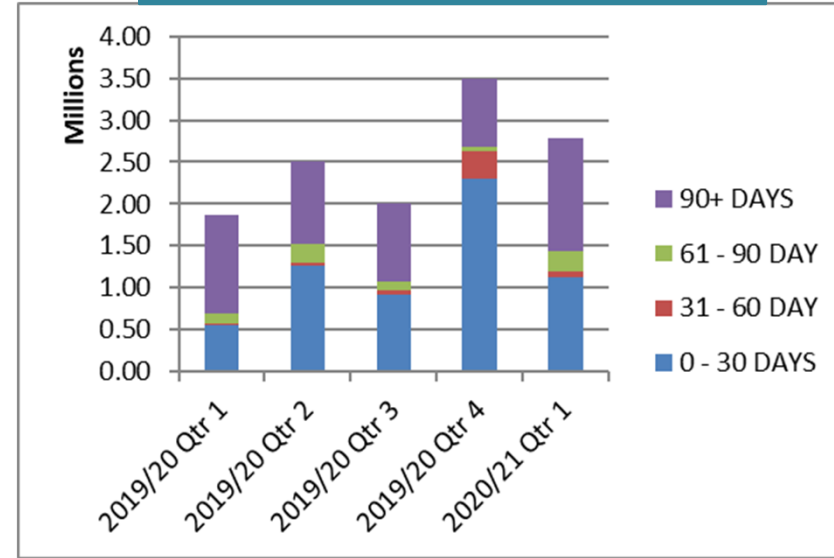


Direction of Travel

## Council Managed Sundry Debts



## Engie Managed Sundry Debts



Invoicing has continued as normal during the pandemic, as have routine reminders, although other debt recovery action was relaxed. Normal recovery processes will be resumed in Q2.

It is possible that debt may rise due to the ongoing challenges within the local economy. The situation regarding bad debts and write offs will be carefully monitored over the remainder of the financial year

# Treasury & Cashflow

**£49.4**

Investments at 30<sup>th</sup> June 2020

**M**

**£162.2M**

Borrowing as at 30<sup>th</sup> June 2020

**0.0%**

Average return on investments

**3.1%**

Average cost of borrowing

The chart opposite shows the projection for various limits, determined to ensure that all borrowing is affordable and linked to the Capital Programme.

The rephasing of the Capital Programme following an initial assessment of the impact of Covid-19 has deferred £10m of borrowing beyond 2020/21. Neither interest rate or inflation are currently expected to make this adjustment materially more expensive for the Council in the longer term.

Our preferred lender (Public Works Loan Board) is currently consulting on changes to its lending margins. It is hoped that this will mean a reduction in their lending rate later in the financial year.

In the meantime the Authority has also formed relationships with alternate borrowers, should this not transpire.

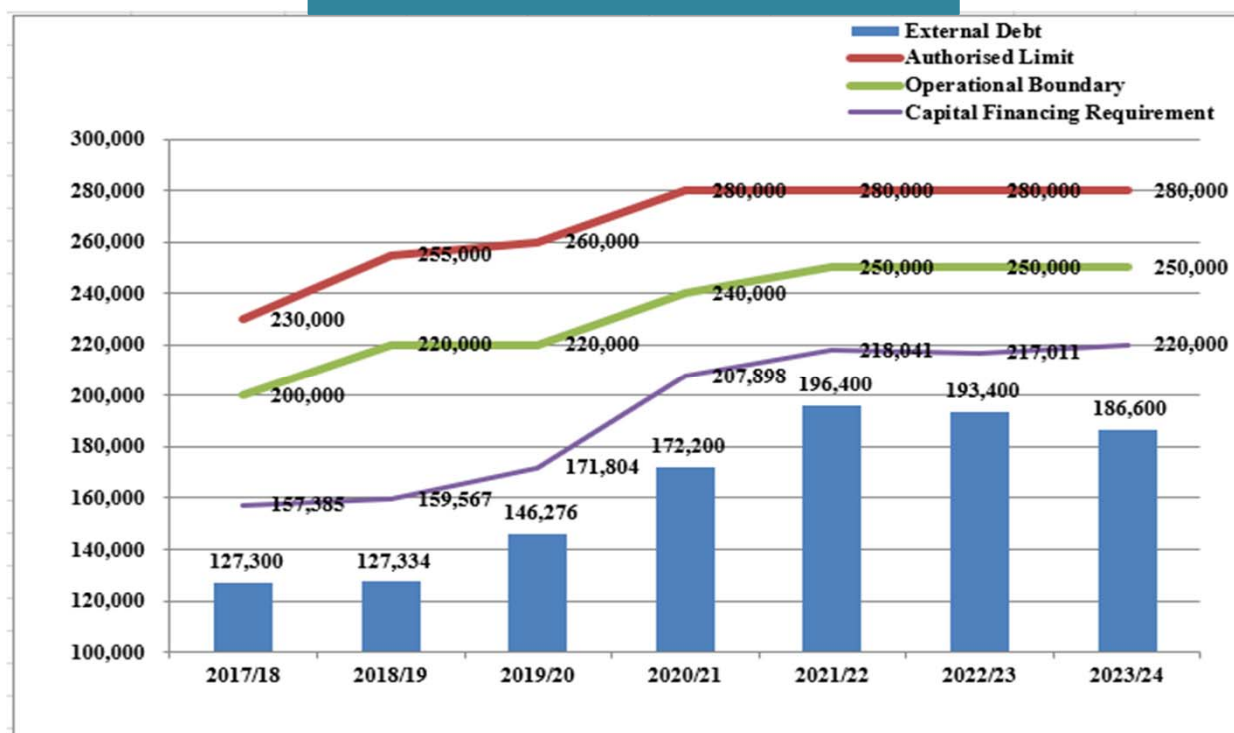
The Council's finances have remained liquid throughout the Covid-19 pandemic and no cash flow issues experienced.

Current investments are consistent with the Treasury Management Strategy.

The Council increased its minimum liquidity level from £10m to £20m at the height of the Covid-19 crisis, through additional short-term borrowing. Subsequent additional support initiatives from central Government further inflated the cash position during Q1 (e.g. Business Support Grant £35.5m - of which £5.6m was retained at period end). As the short-term loans run off and support programmes continue to be deployed into the local economy we expect balances to reduce to more typical levels during Q2.

Yields are now approaching zero but no budget pressures are anticipated.

## Prudential Indicators



# Capital Programme

SCHEME	2020/21 Revised Capital Programme £000's	Slippage to 2021/22 £000's	Changes to Programme £000's	2020/21 Revised Capital Programme £000's	2021/22 Approved Capital Programme £000's	2022/23 Approved Capital Programme £000's
<b>Childrens Services</b>						
Schools - Devolved Formula Cap Grant	246	-100		146	190	0
Schools - Backlog Maintenance	371			371	500	500
Schools - Basic Need Sufficiency of Places	4,390	-3,000		1,390	7,000	4,000
Childcare Management System Inv.	24			24	0	0
Special Educational Needs and Disability Fund	490			490	0	0
Looked After Children	286			286	0	0
Nursery places	141			141	0	0
Liquidlogic	68			68	0	0
Lincs2 Portal System Inv.	4			4	0	0
Service Improvement Education	61			61	0	0
CCTV Review and Upgrade	0		1,003	1,003	0	0
<b>Adult Services</b>						
Disabled Facilities Grants	3,015	-202		2,813	2,888	5,650
Social Care - Better Care Fund	10			10	0	0
<b>Environment</b>						
Fleet Replacement Programme inc. Recycling Collection	4,483			4,483	3,754	0
Litter Bin and Recycling Replacement and Upgrade	219			219	0	0
AQMER (Air Quality Equip)	1			1	0	0
Enhancement of Bereavement Services	1,116			1,116	566	0
Peoples Park refurbishment	76			76	0	0
Household Recycling Scheme	923			923	0	0
Depot Rationalisation	0		6,807	6,807	0	0
<b>Resources</b>						
Backlog Maintenance	870			870	750	0
Cartergate Office Development	220			220	0	0
Property Rationalisation Programme	130			130	100	0
Capital Investment	0		0	0	1,000	1,000
Digital Strategy Delivery/Imp Civica/Edrms	177		-176	1	10	0
Fire Segregation Works	95			95	0	0
Capital Receipt Flexibility	250			250	250	0
Heritage Asset at risk	863			863	41	0
<b>Shared Services</b>						
Corporate Systems Investment	773	-218		555	218	0
IT Transformation Programme	130			130	98	0
ICT refresh	624			624	995	646
<b>Public Health</b>						
GY Leisure Centre	3			3	0	0
Health and Well Being Centre	137			137	0	0
Drug & Alcohol Recovery	82			82	0	0
Playing Pitch Reprovision	2,331	-2,000	5	336	2,495	1,870

SCHEME	2020/21 Revised Capital Programme £000's	Slippage to 2021/22 £000's	Changes to Programme £000's	2020/21 Revised Capital Programme £000's	2021/22 Revised Capital Programme £000's	2022/23 Revised Capital Programme £000's
<b>Economy and Growth</b>						
Housing Assistance Grants and Loans	640			640	405	250
Willing/Peaksfield Flood Alleviation	386			386	0	0
Community Housing	212			212	0	0
Local Transport Plan Schemes	3,781		1,083	4,864	3,419	3,419
Freeman Street Regeneration	7			7	0	0
Cleethorpes HLF Townscape Heritage	1,288	-415		873	1,458	141
GLLEP Junction Improvement	3,125		142	3,267	0	0
Sth Humber Infrastructure and Investment Programme	14,821	-5,216		9,605	7,584	0
CATCH offshore	17			17	0	0
Supported Housing Scheme	1,014			1,014	0	0
Immingham lock flood def gates	63			63	0	0
Coastal Communities	581			581	0	0
Smart Energy for business	3,401			3,401	0	0
NEL Funded Energy	204			204	0	0
A180 - South Humber Link Road	655			655	0	0
PSiCA (Partnership in Conservation Area)	370			370	280	200
Town Deal Investment	2,534			2,534	2,375	0
Riverhead Square & Unlocking Potential	5,102		-105	4,997	0	0
Central Clee Regeneration	2,225	-1,553		672	4,198	0
Europarc Food Enterprise Zone	610		-9	601	0	0
Stallingborough Engineering Development	1,976			1,976	0	0
Controlling Rogue Landlords	59			59	0	0
Open For Culture	1,606			1,606	7	0
Estate Road 2	2,079			2,079	0	0
Corporation Bridge	500	-330		170	1,500	3,300
A18 Laceby to Ludborough	2,218			2,218	0	0
Accelerated Construction	2,688			2,688	0	0
<b>Corporate and Democratic</b>						
The Knoll	9			9	0	0
Eco Park	64			64	0	0
<b>TOTAL CAPITAL PROGRAMME</b>	<b>74,844</b>	<b>-13,034</b>	<b>8,750</b>	<b>70,560</b>	<b>42,081</b>	<b>20,976</b>

Funding	2020/21 Revised Capital Programme £000's	Slippage to 2021/22 £000's	Changes to Programme £000's	2020/21 Revised Capital Programme £000's	2021/22 Revised Capital Programme £000's	2022/23 Revised Capital Programme £000's
External Grants	32,980	-3,697	1,111	30,394	17,872	15,261
Corporate Borrowing	40,720	-9,337	7,639	39,022	23,923	5,715
Capital Receipts	326			326	250	0
Revenue Contributions	111			111	36	0
Other Private inc S106	707			707	0	0
	<b>74,844</b>	<b>-13,034</b>	<b>8,750</b>	<b>70,560</b>	<b>42,081</b>	<b>20,976</b>