

CABINET

DATE	4 th November, 2020
REPORT OF	Councillor Stan Shreeve Portfolio Holder for Finance and Resources
RESPONSIBLE OFFICER	Sharon Wroot Director of Resources and Governance
SUBJECT	2020/21 Quarter 2 Finance Monitoring Report
STATUS	Open
FORWARD PLAN REF NO.	CB 11/20/09

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 2 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. The key messages are:

- At the mid-point of the financial year, the Council is forecasting an overspend of £0.7M against its 2020/21 budget. This represents an improvement of £1.0M against the position reported at Quarter 1. The improvement reflects additional income received through the fees and charges compensation scheme and improved service forecasts.
- Despite the positive swing, financial pressures continue to be experienced across the range of Council services largely due to the Covid-19 response.
- Pressures have been particularly acute within social care, with additional hospital discharges, provider sustainability payments and increasing costs associated with children at risk or looked after. The focus on Covid-19 has also inevitably led to delays in implementing and delivering planned savings programmes.
- During the second quarter of the year we have seen a continued slow down in the local economy which has resulted in reduced collection rates within both council tax and business rates. Local taxation makes up around 80% of the Council's overall income base and is therefore very sensitive to any change.
- Dependent on the pace at which the local economy recovers, there is likely to be a impact on future years income in terms of collection rates and bad debts.
- The Government has recognised the role that councils are making and responded to concerns regarding the financial strain being put on the sector by providing additional grant funding and financial support packages. During the last month the Council has submitted a claim for lost income through the Government's compensation scheme. The scheme has provided an additional

£0.4M to the Council in lieu of lost fees, sales and charges such as car parking income.

- Despite ongoing challenges linked to Covid-19 an ambitious programme of investment within the Borough has been progressing. It is anticipated that the majority of the approved capital programme will be delivered in year and where slippage is forecast, the budget is still anticipated to be required to deliver the Council's investment programme.
- Following a period of reflection, it has been determined that the 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 dampened our original growth assumptions.
- Importantly though, the Council continues to operate within its approved Treasury Management Strategy. Essentially this means the Council's capital investment plans remain affordable, prudent and sustainable, and treasury management decisions are being taken in accordance with proper professional practice.
- Looking ahead to the next financial planning period, there is additional focus being placed on the Council's overall financial standing, with particular focus upon the adequacy of reserves and risk. 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.
- As part of ongoing budget process, we will need to revisit our current business plans, priorities and programmes to determine the full and detailed extent of the impact of Covid-19. As part of that work we are exploring opportunities to review our plans, and to build upon some of the successes of different ways of working and how they could be factored into new operating models.

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

RECOMMENDATIONS

It is recommended that Cabinet:

- (1) Notes the reported position at Quarter 2, the uncertainties related to the impacts of COVID19 and its potential longer term implications 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 informing Cabinet on the financial position and performance of the Council and highlighting key risks and opportunities.

1. BACKGROUND AND ISSUES

Attached at Appendix 1 is the Quarter 2 Finance Monitoring Report for 2020/21. This provides details of the Council's financial position. The report includes sections on key areas of the Council's activities incorporating revenue, capital, and reserves.

2. RISKS AND OPPORTUNITIES

Key risks and opportunities are detailed within Appendix 1.

3. OTHER OPTIONS CONSIDERED

Not applicable to monitoring report.

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.

7. CONSULTATION WITH SCRUTINY

Quarterly resource reports are progressed to scrutiny panels 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.
<http://www.nelincs.co.uk/wp-content/uploads/2019/05/Budget-Summary-2019.20-MTFP-2019.20-2021.22.pdf>

13. CONTACT OFFICER(S)

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COUNCILLOR STAN SHREEVE
PORTFOLIO HOLDER FOR FINANCE AND RESOURCES

Finance Monitoring Report 2020/21 – Quarter 2



Appendix 1



FINANCIAL OVERVIEW - QTR2

Quarterly Revenue Spend Forecast Position £'M



Revenue Position

✘ 9.88%

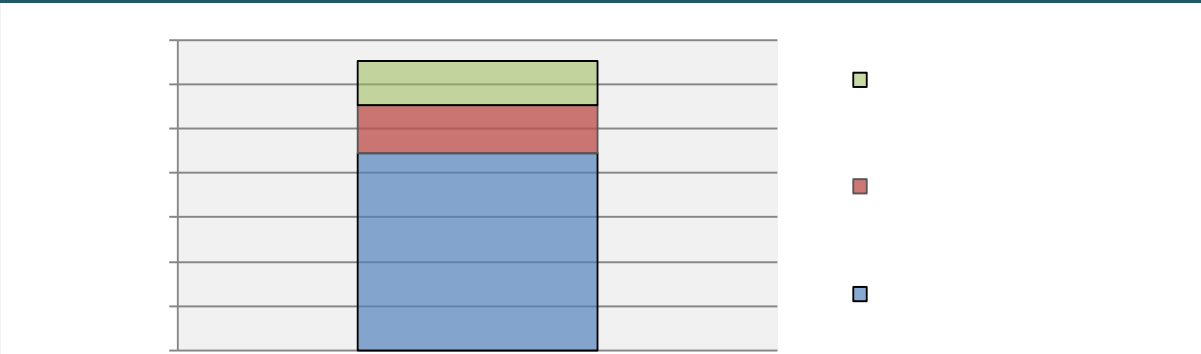
REVENUE	Budget £'M	Forecast £'M	Variance £'M	
Corp & Dem Services	2.8	5.6	2.8	Pg 8
Environment	16.5	16.5	0.0	Pg 9
Economy & Growth	22.9	23.9	1.0	Pg 10
Children's & Family Services	40.3	46.2	5.9	Pg 12
Public Health & Leisure	4.8	5.2	0.4	Pg 14
Adult Services	45.3	48.3	3.0	Pg 15
Total	132.6	145.7	13.1	
Other Budgets Underspend			(0.9)	Pg 17
Unallocated Covid-19 Funding			(11.5)	Pg 17
Net			0.7	

Capital Position

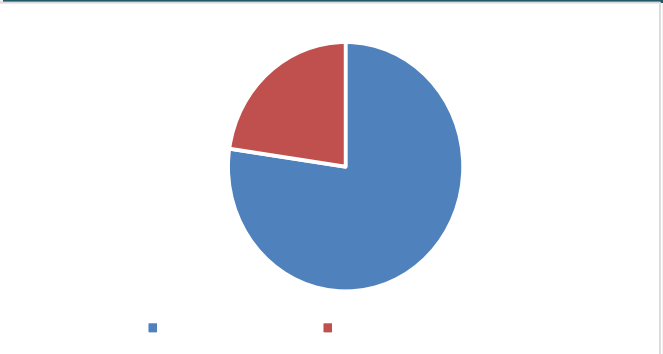
✘ (3.39%)

CAPITAL	App Prog £'M	Forecast £'M	Variance £'M	
Corp & Dem Services	3.8	3.7	(0.1)	Pg 8
Environment	6.8	5.9	(0.9)	Pg 9
Economy & Growth	44.1	43.0	(1.1)	Pg 11
Children's & Family Services	4.0	4.0	0.0	Pg 13
Public Health & Leisure	0.4	0.4	0.0	Pg 14
Adult Services	2.8	2.8	0.0	Pg 15
Total	61.9	59.8	(2.1)	
Funding			2.1	
Net			0.0	

Service Over Spend Analysis £'M



Funding Outturn



Director of Resources and Governance Overview

At the mid point of the financial year, the Council is forecasting an overspend of £0.7M against its 2020/21 budget. This represents an improvement of £1.0M against the position reported at Quarter 1 and reflects additional income received through the fees and charges compensation scheme and improved service forecasts.

Despite the positive swing, financial pressures continue to be experienced across the range of Council services largely due to the Council's Covid-19 response. Pressures have been particularly acute within social care, with additional hospital discharges, provider sustainability payments and increasing costs associated with children at risk or looked after. The focus on Covid-19 has also inevitably led to delays in implementing and delivering planned savings programmes.

During the second quarter of the year we have seen a continued slow down in the local economy which has resulted in reduced collection rates within both council tax and business rates. Local taxation makes up around 80% of the Council's overall income base and is therefore very sensitive to any change. Dependent on the pace at which the local economy recovers, there is likely to be a continued impact on future years income in terms of collection rates and bad debts.

The Government has recognised the role that councils are making and responded to concerns regarding the financial strain being put on the sector by providing additional grant funding and financial support packages. During the last month the Council has submitted a claim for lost income through the Government's compensation scheme. The scheme has provided an additional £0.4M to the Council in lieu of lost fees, sales and charges such as car parking income.

Despite ongoing challenges linked to Covid-19 an

ambitious programme of investment within the Borough has been progressing. It is anticipated the majority of the approved capital programme will be delivered in year and where slippage is forecast, the budget is still anticipated to be required to deliver the Council's investment programme.

Following a period of reflection, it has been determined the 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 dampened our original growth assumptions.

Importantly though, the Council continues to operate within its approved Treasury Management Strategy. Essentially this means the Council's capital investment plans remain affordable, prudent and sustainable, and treasury management decisions are being taken in accordance with proper professional practice.

Looking ahead to the next financial planning period, there is additional focus being placed on the Council's overall financial standing, with particular focus upon the adequacy of reserves and risk. 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.

As part of ongoing budget process, we will need to revisit our current business plans, priorities and programmes to determine the full and detailed extent of the impact of Covid-19. As part of that work we are exploring opportunities to review our plans, and to build upon some of the successes of different ways of working and how they could be factored into new operating models.

Sharon Wroot

Covid-19

The Council's activities continue to be impacted by the Coronavirus pandemic. The pandemic is having widespread socio-economic impacts and these are anticipated to continue throughout 2020/21 and 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 £11.3M in direct funding from the Government to meet the immediate costs of the response. This 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 introduced a co-payment scheme to compensate councils for relevant unforeseen losses that are irrecoverable. Councils must 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 has estimated this figure to be £0.4M for 2020/21 and this is included within the forecast revenue position reported.

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.

Financial Support	2020/21
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

£0.7M Total Revenue
Forecast Overspend

£13.1M Service Budgets
Forecast Variance

9.88% % 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	16.5	16.5	0.0
Economy & Growth & Housing	22.9	23.9	1.0
Childrens & Family Services	40.3	46.2	5.9
Public Health & Leisure	4.8	5.2	0.4
Adult Services	45.3	48.3	3.0
	132.6	145.7	13.1
Corporate Budgets	5.0	4.1	(0.9)
	137.6	149.8	12.2
Earmarked reserves	0.8	0.8	0.0
School Balances	(1.2)	(1.2)	0.0
Total	137.2	149.4	12.2
Funding	(137.0)	(137.0)	0.0
Covid-19 Funding	(0.2)	(11.7)	(11.5)
Net	0.0	0.7	0.7

The Council is currently forecasting a revenue overspend of £0.7M against its approved budget. Service areas are reporting a £13.1M 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.

Funding has been received from Government in recognition of the pandemic, £11.7M shown above which includes estimated compensation for income losses of £0.4M. This, in addition to underspends against borrowing costs and other budgets has resulted in the net overspend of £0.7M.

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

(£2.1M)

Service Capital
Forecast Variance

3.39%

% Representation of Service
Capital Underspend to Approved
Programme

Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Corporate & Democratic Services	3.8	3.7	(0.1)
Environment	6.8	5.9	(0.9)
Economy & Growth & Housing	44.1	43.0	(1.1)
Childrens & Family Services	4.0	4.0	0.0
Public Health & Leisure	0.4	0.4	0.0
Adult Services	2.8	2.8	0.0
Total Capital Budgets	61.9	59.8	(2.1)
Funding	(61.9)	(59.8)	2.1
Net	0.0	0.0	0.0

Despite ongoing challenges linked to Covid-19 an ambitious programme of investment within the Borough has been progressing. However the Council has seen some impact as a result of the Covid-19 pandemic, both financially, operationally and in our ability to deliver the capital programme.

The underspend above, is due to two main issues; firstly Covid-19 and secondly the fleet replacement scheme costs are lower than expected. Full details are included later in the report.

Delivery of the programme will continue to be closely monitored 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.

Capital Programme Adjustments

At the end of Quarter 2 a number of slippage requests have been made and are detailed opposite.

In addition a number of programme adjustments are proposed. These include an additional £1.0M in grant funding from the MHCLG Accelerated Towns Fund and amendments to the Estate Road No.2 scheme

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.

SLIPPAGE REQUESTS	2020/21 £M
HR/Finance System	(0.06)
Peoples Park Refurb	(0.08)
Depot Rationalisation	(6.76)
Town Deal	(1.38)
CCTV Review & Upgrade	(0.20)
Total	(8.47)

PROGRAMME ADJUSTMENTS	2020/21 £M
Estate Road No 2	(1.46)
Relocate/Extend Toning Area	(0.07)
Corp Road Bridge Refurb	0.17
Schools Backlog Maintenance	0.18
Unlocking The Potential	1.00
Total	(0.18)

Revenue

Corporate & Democratic Services

2.11% Of Total Revenue Service Budgets

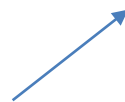
£2.8M

Forecast Revenue Overspend

100% Variance as % Of Total Budget Envelope

REVENUE	Revenue Budget £'M	Revenue Forecast £'M	Variance £'M
Resources	(2.1)	(0.6)	1.5
Shared Service	1.8	2.7	0.9
Law	1.6	1.9	0.3
Communities	1.5	1.6	0.1
	2.8	5.6	2.8

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



Covid-19 has led to corporate programmes being 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 £0.9M are not currently forecast to be achieved in year. Furthermore Covid-19 has led to a £0.2M shortfall in Registrars Services, £0.4M in lost Court Cost income and £0.3M 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 £0.6M forecast. Within legal, an overspend of £0.3M is anticipated due to increased demand and costs from a major legal case and within ICT Shared Service an overspend of £0.3M is forecast due to staffing and other cost pressures.

Capital

6.14% Of Total Capital Programme

(£0.1M)

Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Capital Forecast £'M	Variance £'M
Resources	2.5	2.1	(0.4)
Shared Service	1.2	1.5	0.3
Gov Dem & Community Engage	0.1	0.1	0.0
	3.8	3.7	(0.1)

The Holme Hill element of the Heritage at Risk scheme (£0.4M) is now on hold as different options for the site are explored. A request to bring forward funds of £0.3M has been made to replace Storage area Network that comes to the end of life in March.

12.44% Of Total Revenue
Service Budgets

£0.0M Forecast
Revenue
Underspend

0.0% Variance as % Of Total
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Environment	16.5	16.5	0.0

Savings estimated at £0.3M are forecast through the waste disposal contract as a result of joint working with North Lincolnshire 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 into the next financial year.

These savings are offset by additional vehicle repairs and running costs within Street Cleansing and Refuse Collection estimated at £0.2M. These are primarily due to the additional rounds required in response to the Covid-19 outbreak.

Capital

10.99% Of Total Capital
Programme

(£0.9M) Forecast Capital
underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Environment	6.8	5.9	(0.9)

A £0.9M underspend has been recorded within the recycling element of this scheme . The purchase of new recycling bins have come in at a lower price than originally anticipated

17.27% Of Total Revenue
Service Budgets

£1.0M Forecast
Revenue
Overspend

4.4% Variance as % Of Total
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Economy & Growth	19.6	20.2	0.6
Housing	3.3	3.7	0.4
	22.9	23.9	1.0



VARIANCE ANALYSIS	£M
Commissioning Pressures	0.2
Fees & Charges Income Shortfall	0.8
Service Pressures/Other Issues	0.0
	1.0

The service is forecasting a significant shortfall from car parking income of £0.8M as a direct impact of the Covid-19 outbreak. These costs are being offset by staffing savings of £0.2M. Compensation in relation to fees and charges is currently accounted for within overall covid-19 funding.

The Home Options service is forecasting an additional £0.4M budget requirement as a result of homeless and crisis unit costs necessary to respond to Covid-19 requirements. The overspend will be met from Government Covid allocations.

71.24% Of Total Capital Programme **(£1.1M)** Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Economy & Growth	39.5	38.5	(1.0)
Housing	4.6	4.5	(0.1)
	44.1	43.0	(1.1)

An underspend of £1.3M on the Cultural Development Fund Open for Culture scheme has been reflected due to delays in light of Covid-19. A revised profile has been submitted to the Arts Council and the scheme has now been extended to 2023.

30.39% Of Total Revenue Service Budgets

£5.9M

Forecast Revenue Overspend

14.6% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Skills	0.7	0.8	0.1
Education	7.7	7.9	0.2
Assessment & Safeguarding	11.4	14.7	3.4
Children & Families	16.8	19.0	2.2
Safer NEL	1.8	1.8	0.0
Performance & Qual	0.4	0.4	0.0
Women & Children	1.5	1.5	0.0
Total Children's & Family Services	40.3	46.2	5.9

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.5
Fees & Charges Income Shortfall	0.3
Service Pressures/Other Issues	5.1
	5.9



Children's and Family continue to report an overspent position largely due to the ongoing demand pressures within the service area. Furthermore the service has had to invest in additional resources to deliver the necessary improvements highlighted by Ofsted in its recent inspections. Whilst service improvements have been secured, the current financial situation within the service has been exacerbated by the Covid-19 pandemic which has led to increased costs and delayed planned transformational activities.

The key variances relate to:

Agency Placements & Safeguarding – An overspend of £3.0M is forecast due to increasing numbers and complexity of need for looked after children. An Improvement plan is in place to re-design the approach through a series of work programmes including the Early Discharge Team Placement Panel and Valuing Care. The number of children coming into the system is showing positive signs but the challenge of meeting needs locally persists. In respect of Throughcare and Leaving care, there are increasing numbers in this cohort, with additional costs of £0.4M for allowances and accommodation for post 16 Care Leavers.

Child Resource & Regulation – Covering Foster Carer payments, Special Guardianships and Residency Orders, this area is currently forecasting an overspend of £2.2M. The number of Children Looked After (CLA) within the system remains high and at the end of September stood at 591 (August 2020 was 585). The implementation of the Improvement Plan, including targeted actions around placements, is expected to bring the number of CLA down by year end.

Capital

6.46% Of Total Capital Programme

(£0.0M) Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Children's & Family Services	4.0	4.0	0.0

Revenue

Public Health & Leisure

3.62% Of Total Revenue Service Budgets

£0.4M Forecast Revenue Overspend

8.33% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Public Health	0.6	0.6	0.0
Leisure	4.2	4.6	0.4
	4.8	5.2	0.4

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.2
Fees & Charges Income Shortfall	0.0
Service Pressures/Other Issues	0.2
	0.4

The Council received a ring fenced Public Health grant of £11.47M 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 portfolio, we are continuing to work with the service provider to address the challenges they face.

Capital

0.65% 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

34.16% Of Total Revenue Service Budgets

£3.0M Forecast Revenue Overspend

6.62% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Adult Services	45.3	48.3	3.0
	45.3	48.3	3.0



VARIANCE ANALYSIS	£M
Commissioning Pressures	0.4
Fees & Charges Income Shortfall	0.0
Service Pressures/Other Issues	2.6
	3.0

The service has been particularly affected by the Covid-19 pandemic and additional costs incurred including provider sustainability payments and pressures associated with hospital discharges. The pandemic has also led to delays in 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 the first quarter with anticipated future payment costs of £0.7M per quarter.

Capital

4.52% Of Total Capital Programme

(£0.0M) Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Adult Services	2.8	2.8	0.0
	2.8	2.8	0.0

Corporate Budgets

3.77%

Of Total Revenue
Budgets

(£0.9M)

Forecast Revenue
Underspend

CORPORATE BUDGETS	Budget £'M	Forecast £'M	Variance £'M
Pensions and Appropriations	3.8	3.8	0.0
Technical Adjustments	(12.4)	(12.4)	0.0
Borrowing Costs	10.6	10.0	(0.6)
Levies	0.7	0.7	(0.0)
Other Budgets	2.3	2.0	(0.3)
Total	5.0	4.1	(0.9)

The £0.9M underspend reported against other budgets is predominately due to reduced borrowing costs arising from the refocused and reprofiled capital programme and a reduction in interest rates.

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

Funding - Summary

83.8% Local Taxation Budget as
% of Total Funding

1.98% Council Tax uplift
20/21

FUNDING	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	(0.2)	(11.3)	(11.1)
COVID-19 Income Compensation Grant	0.0	(0.4)	(0.4)
Total	(137.2)	(148.7)	(11.5)

The in year funding position is forecasting an additional £11.5M mainly due to Covid-19 support grants received from Government. 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 and this will be realised in future years. The position is being monitored closely and will be reflected in the medium term financial plan for 2021/22.

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

Council Tax Collection	%	Non Domestic Rates Collection	%
Q2 2020/21	54.38	Q2 2020/21	53.71
Q2 2019/20	55.04	Q2 2019/20	56.96
Q2 2018/19	55.38	Q2 2018/19	57.10

Collection Rates:

Council Tax

Given the difficulties of the first half of the year council tax collection has held up remarkably well, although this has continued to slip from the same point in time last year. Due to changes to payment dates and the reinstatement of recovery action, there is an expectation that some of this slippage will be recovered before the end of the financial year.

The issuing of softer reminders has carried on during the second quarter which has continued to prompt numerous phone calls and in many instances' payments. Previous years collection levels have continued to improve but not by the same level we have experienced in previous years in part due to external collection issues.

Non Domestic Rates

The second quarter collection performance has again been impacted significantly by Covid-19. The overall liability has been reduced by approximately £22m due to the awarding of reliefs for many businesses (primarily hospitality, retail & leisure) due to Covid19.

A 'soft' reminder letter has been sent during the second quarter. Pressures on collection income due to Covid-19 are captured monthly and submitted to MHCLG as part of the ongoing council wide financial return. The team continue to experience very high volumes of work due to the pandemic and along with dealing with very high volumes of NNDR 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
Funding	The Government has provided the Council with grants totalling of £11.7M 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.
Collection rates	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.
Fees and charges	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.
Economy	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.
Demand and service pressures	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.
Reserves	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.
Capital programme	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.
Treasury	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.

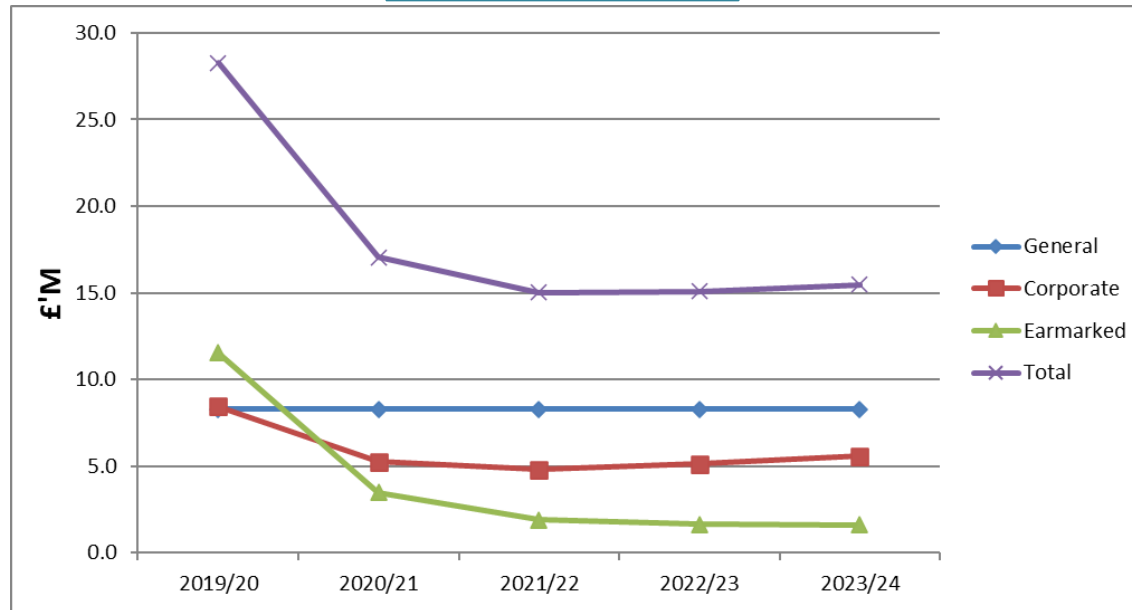
Reserves

£8.3M General Fund

6.0% General Fund as %
Of Net Budget

£15.5M Forecast 23/24 Total
Reserve Balance

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 it is expected will be fully utilised in 2020/21

Reserves.

3.5% Corporate Reserves
as % Of Net Budget

£5.6M 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	1.6	Used to mitigate fluctuations in business rates income without impacting service budgets
Management of Change	0.7	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.

94.8%

2019/20 % Creditor Invoices Paid within 30 days at Qtr.2

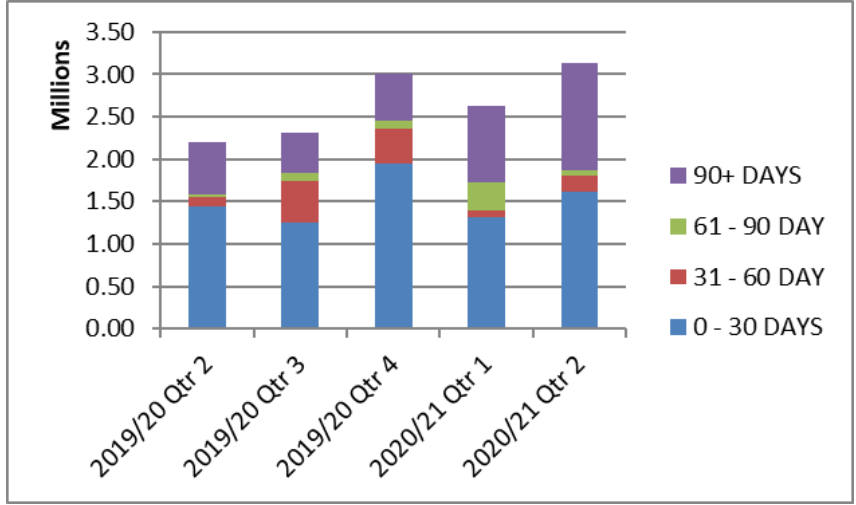
95.6%

2020/21 % Creditor Invoices Paid within 30 days at Qtr. 2

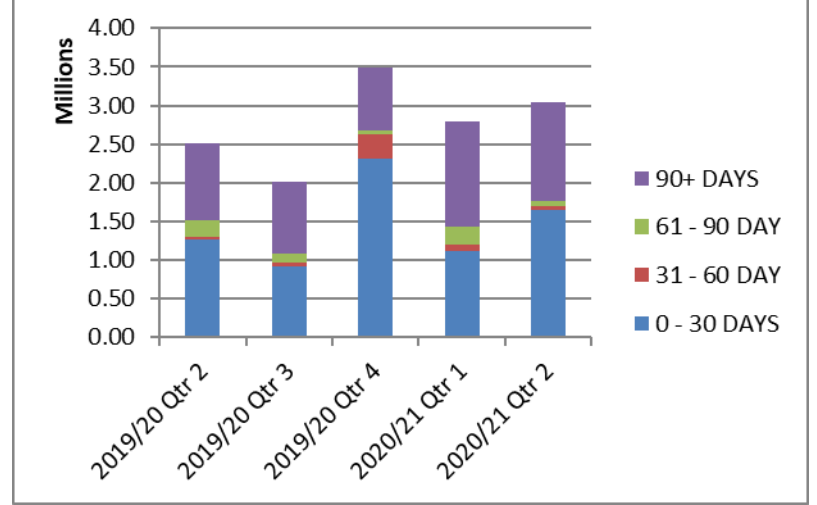


Direction of Travel

Council Managed Sundry Debts



Engie Managed Sundry Debts



Invoicing and the issuing of routine reminders has continued as normal during the pandemic, other debt recovery action had been relaxed, however since September these have resumed.

Overall aged debt has risen since quarter 1 and is significantly higher when compared to quarter 2 in 2019/20. However, this is mainly due to a number of specific large invoices rather than a general uplift in debt.

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

£34.8M

Investments at 30th Sept 2020

£152.1M

Borrowing as at 30th Sept 2020

0.0%

Average return on investments

3.3%

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 Capital Financing Requirement is the underlying need to borrow for capital plans. The Authorised and Operational Boundaries are limits of borrowing that are deemed affordable, they are not targets.

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 rates or inflation are currently expected to make this adjustment materially more expensive for the Council in the longer term.

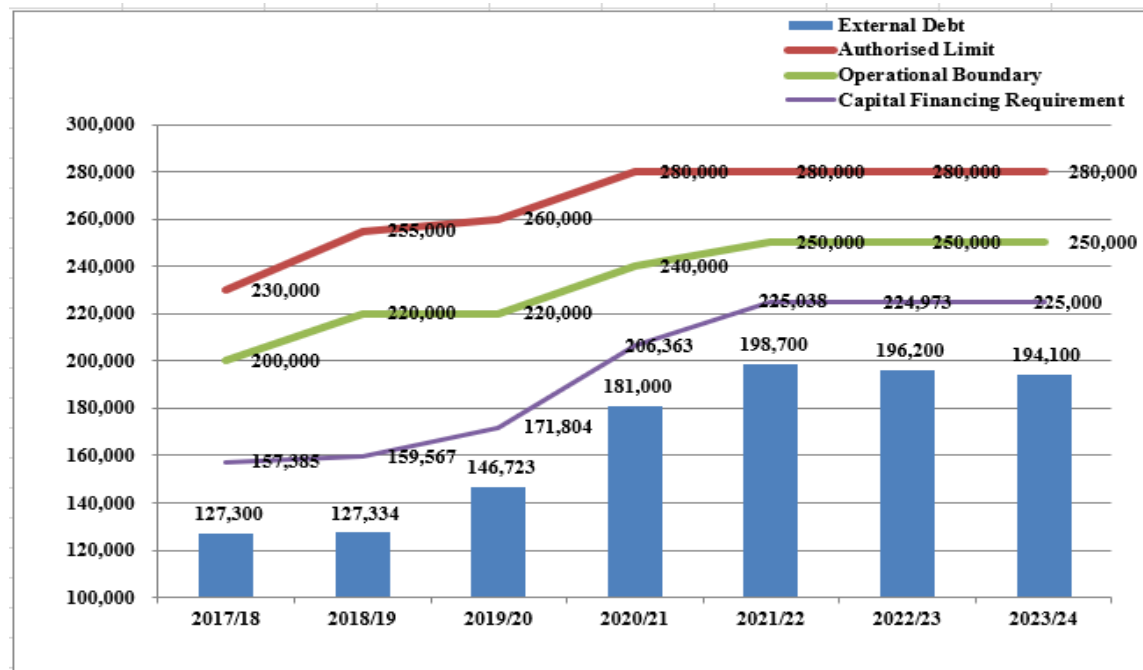
One key lender (Public Works Loan Board) is currently consulting on changes to its lending margins. It is hoped that this will mean a reduction in their lending rate later in the financial year. In the meantime the Council has also formed relationships with alternate borrowers, should this not transpire.

Current investments are consistent with the Treasury Management Strategy.

Balances reduced by £15m during the quarter, including repayment of £10m temporary borrowing. At quarter end balances sat £15-20m higher than in recent years but, given the significant uncertainty still present as a consequence of the Covid-19 pandemic, this higher than normal liquidity was viewed as a reasonable approach.

Yields remain around zero (and may go negative) but no budget pressures are anticipated.

Prudential Indicators



Capital Programme

SCHEME	2020/21 Revised Capital Programme at Qtr 1 £000's	Slippage to 2021/22 £000's	Changes to Programme £000's	2020/21 Revised Capital Programme at Qtr 2 £000's	2021/22 Approved Capital Programme £000's	2022/23 Approved Capital Programme £000's
Childrens Services						
Schools - Devolved Formula Cap Grant	146			146	190	0
Schools - Backlog Maintenance	371		181	552	500	500
Schools - Basic Need Sufficiency of Places	1,390			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	1,003	-203		800	203	0
Adult Services						
Disabled Facilities Grants	2,813			2,813	2,888	5,650
Social Care - Better Care Fund	10			10	0	0
Environment						
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	76	0
Household Recycling Scheme	923			923	0	0
Depot Rationalisation	6,807	-6,757		50	6,757	0
Resources						
Backlog Maintenance	870			870	750	0
Cartergate Office Development	220			220	0	0
Property Rationalisation Programme	130			130	100	0
Capital Investment	0			0	1,000	1,000
Digital Strategy Delivery/Imp Civica/Edrms	1			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
Shared Services						
Corporate Systems Investment	555	-55		500	273	0
IT Transformation Programme	130			130	98	0
ICT refresh	624			624	995	646
Public Health						
GY Leisure Centre	3			3	0	0
Health and Well Being Centre	137		-67	70	0	0
Drug & Alcohol Recovery	82			82	0	0
Playing Pitch Reprovision	336			336	2,495	1,870

SCHEME	2020/21 Revised Capital Programme at Qtr 1 £000's	Slippage to 2021/22 £000's	Changes to Programme £000's	2020/21 Revised Capital Programme at Qtr 2 £000's	2021/22 Revised Capital Programme £000's	2022/23 Revised Capital Programme £000's
Economy and Growth						
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	4,864			4,864	3,419	3,419
Freeman Street Regeneration	7			7	0	0
Cleethorpes HLF Townscape Heritage	873			873	1,779	141
GLLEP Junction Improvement	3,267			3,267	0	0
Sth Humber Infrastructure and Investment Programme	9,605			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	-1,375		1,159	3,750	0
Riverhead Square & Unlocking Potential	4,997	1,000		5,997	0	0
Central Clee Regeneration	672			672	4,198	0
Europarc Food Enterprise Zone	601			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		-1,459	620	0	0
Corporation Bridge	170	170		340	1,330	3,300
A18 Laceby to Ludborough	2,218			2,218	0	0
Accelerated Construction	2,688			2,688	0	0
Corporate and Democratic						
The Knoll	9			9	0	0
Eco Park	64			64	0	0
TOTAL CAPITAL PROGRAMME	70,560	-7,296	-1,345	61,919	50,698	20,976

	2020/21 Revised Capital Programme at Qtr 1 £000's	Slippage to 2021/22 £000's	Changes to Programme £000's	2020/21 Revised Capital Programme at Qtr 2 £000's	2021/22 Capital Programme £000's	2022/23 Revised Capital Programme £000's
Funding						
External Grants	30,394	1,170	181	31,745	18,023	15,261
Corporate Borrowing	39,022	-8,390	-1,459	29,173	32,313	5,715
Capital Receipts	326	-76		250	326	0
Revenue Contributions	111			111	36	0
Other Private inc S106	707		-67	640	0	0
	70,560	-7,296	-1,345	61,919	50,698	20,976