

CABINET

DATE	03/11/2021
REPORT OF	Councillor Stan Shreeve – Deputy Leader and Portfolio Holder for Finance, Resources and Assets
RESPONSIBLE OFFICER	Sharon Wroot – Executive Director for Environment, Economy and Resources
SUBJECT	2021/22 Quarter 2 Financial Monitoring Report
STATUS	Open
FORWARD PLAN REF NO.	CB 11/21/01

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 position and performance against its Finance and Commissioning Plan for the second quarter of the 2021/22 year. Further detail and analysis is provided within Appendix 1 to this report.

RECOMMENDATIONS

It is recommended that Cabinet:

- 1) Notes the reported position and the uncertainties related to the impacts of Covid and its potential longer-term implications
- 2) Refers the Financial Monitoring Report to Scrutiny for consideration.
- 3) Approves the revised Capital Programme included at Annex 1.
- 4) Approve use of Covid related earmarked reserves and unringfenced grant funding to offset Covid related service pressures

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

- 1.1 At the mid-point of the financial year, the Council is forecasting a £4.3M overspend against its 2021/22 budget. The forecast reflects the on-going impact of CV19, and the subsequent risks and demands being experienced, particularly within children's and family services. We are continuing to work with services to manage and mitigate demand and workforce pressures although the financial position is becoming increasingly acute.

- 1.2 We have continued to deliver a range of financial support packages within the Borough during 2021/22. This funding has been predominantly directed towards addressing the socio-economic challenges that have been faced by individuals and businesses.
- 1.3 Collection rates, in particular non-domestic rates, have been affected by CV19 and we are continuing to monitor the position. The impact on future years income remains a risk and will be impacted by the pace at which the local economy recovers.
- 1.4 The Council's long term financial strategy remains focused on the achievement of financial sustainability through economic and housing growth and therefore the pace of delivery is critical. The Council has taken a more commercial approach over the past two years and is working alongside Government and private investors to accelerate growth across the Borough. Major regeneration projects within the town centres and the Humber bank are factored into the capital investment programme.
- 1.5 It is anticipated that we will deliver £53.0M of the approved capital programme in year. Whilst borrowing costs are increasing, the Council continues to operate within its approved Treasury Management Strategy and investment plans are designed to deliver long term payback in terms of additional income or reduced costs.
- 1.6 Looking ahead, the Council faces a range of challenges including the continued and long term impacts of CV19, NHS reform, changes to local government funding models, inflationary pressures and demographic impacts on social care demand.
- 1.7 The Spending Review (SR21) and Autumn Budget will set out the Government's spending priorities for the forthcoming planning period (2022/23 – 2024/25) and will be critical in informing the Council's likely resources in light of these challenges. Additional funding for social care has been announced although details of the exact distribution and raising of these funds is still to be confirmed.
- 1.8 The Council continues to hold reserves to address some of the specific risks it faces. However it should be noted reserves are non-recurrent in nature and will need to be reviewed as part of the next budget round. This will ensure the Council has sufficient capacity to deal with the increased risks and opportunities it currently faces as it recovers from the impacts of CV19.

2. RISKS AND OPPORTUNITIES

- 2.1 Key risks and opportunities are detailed within Appendix 1.

3. OTHER OPTIONS CONSIDERED

- 3.1 Not applicable to monitoring report.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

- 4.1 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

5.1 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. 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

7.1 Quarterly resource reports are progressed to Scrutiny panels for consideration.

8. FINANCIAL IMPLICATIONS

8.1 As set out in the report

9. LEGAL IMPLICATIONS

9.1 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

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

11. WARD IMPLICATIONS

11.1 All wards affected

12. BACKGROUND PAPERS

12.1 Outcomes Framework, Commissioning Plan and Budget 2021/22 – 2023/24.
<https://democracy.nelincs.gov.uk/wp-content/uploads/2020/06/5.-Budget-Finance-and-Commissioning-Plan-2021-22-2023-24-1.pdf>

12.2 2021/22 Quarter 1 Financial Monitoring Report
[7.-Quarter-1-Finance-Monitoring-Report-1.pdf \(nelincs.gov.uk\)](https://democracy.nelincs.gov.uk/wp-content/uploads/2020/06/7.-Quarter-1-Finance-Monitoring-Report-1.pdf)

13. CONTACT OFFICER(S)

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COUNCILLOR STAN SHREEVE

PORTFOLIO HOLDER FOR FINANCE, RESOURCES AND ASSETS

Finance Monitoring Report 2021/22 – Quarter 2



Appendix 1

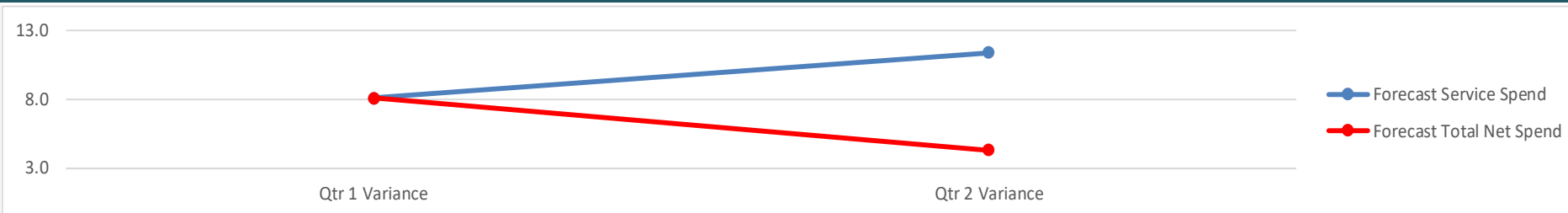


FINANCIAL OVERVIEW - QTR2

✓ On Course
 ! Monitor
 ✗ Cause for Concern

Quarterly Revenue Spend Forecast Position £'M

✗ Pg 6



Revenue Position

✗ 7.99%

REVENUE	Budget £'M	Forecast £'M	Variance £'M	
Resources	3.1	3.4	0.3	Pg 8
Environment	16.9	17.0	0.1	Pg 9
Economy & Growth	27.8	28.1	0.3	Pg 10
Children & Family Services	45.6	56.8	11.2	Pg 11
Public Health	0.4	0.4	0.0	Pg 13
Adult Services	48.8	48.3	(0.5)	Pg 14
Total	142.6	154.0	11.4	
Other Budgets Underspend			(1.3)	Pg 15
Funding adjustment			(5.8)	Pg 16
Net			4.3	

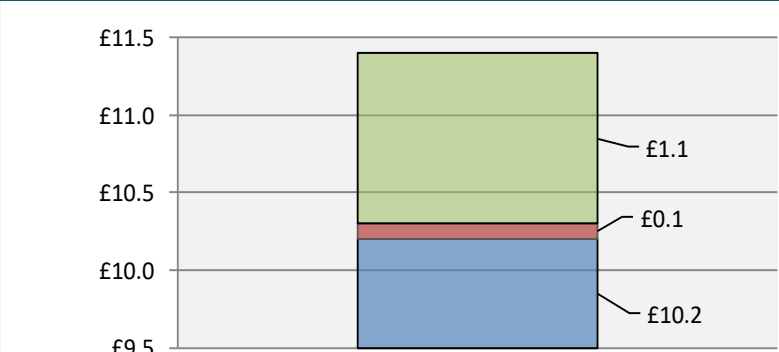
Capital Position

✗ (4.40%)

CAPITAL	App Prog £'M	Forecast £'M	Variance £'M	
Resources	9.1	9.1	(0.0)	Pg 8
Environment	14.0	12.8	(1.2)	Pg 9
Economy & Growth	24.0	23.1	(0.9)	Pg 10
Children & Family Services	3.6	3.3	(0.3)	Pg 11
Public Health	0.0	0.0	0.0	Pg 13
Adult Services	4.7	4.7	0.0	Pg 14
Total	55.4	53.0	(2.4)	
Funding			2.4	
Net			(0.0)	

Service Over Spend Analysis £'M

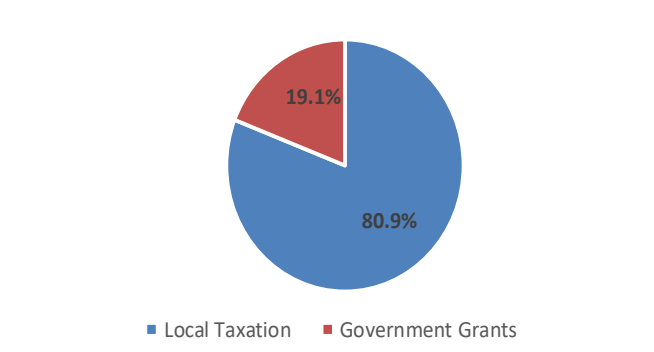
Pg 5



- Fees & Charges Income Shortfall
- Commissioning Pressures
- Service Pressures / Other Issues

Funding Outturn

Pg 16



- Local Taxation
- Government Grants

Overview

At the mid point of the financial year, the Council is forecasting a £4.3M overspend against its 2021/22 budget. The forecast reflects the on-going impact of CV19 and the subsequent risks and demands being experienced, particularly within children's and family services. We continue to work with services to manage and mitigate demand and workforce pressures although the financial position is becoming increasingly acute.

We have continued to deliver a range of financial support packages within the Borough during 2021/22. This funding has been predominantly directed towards addressing the socio-economic challenges that have been faced by individuals and businesses.

Collection rates, in particular non domestic rates, have been affected by CV19 and we are continuing to monitor the position. The impact on future years income remains a risk and will be impacted by the pace at which the local economy recovers.

The Council's long term financial strategy remains focused on the achievement of financial sustainability through economic and housing growth and therefore the pace of delivery is critical. The Council has taken a more commercial approach over the past two years and is working alongside Government and private investors to accelerate growth across the Borough. Major regeneration projects within the town centres and the Humber bank are factored into the capital investment programme.

It is anticipated that we will deliver £53.0M of the approved capital programme in year. Whilst

borrowing costs are increasing, the Council continues to operate within its approved Treasury Management Strategy, and investment plans are designed to deliver long term payback in terms of additional income or reduced costs.

Looking ahead, the Council faces a range of challenges including the continued and long term impacts of CV19, NHS reform, changes to local government funding models, inflationary pressures and demographic impacts on social care demand.

The Spending Review (SR21) and Autumn Budget will set out the Government's spending priorities for the forthcoming planning period (2022/23 – 2024/25) and will be critical in informing the Council's likely resources in light of these challenges. Additional funding for social care has been announced although details of the exact distribution and generation of these funds is still to be confirmed.

The Council continues to hold reserves to address some of the specific risks it faces. However it should be noted reserves are non-recurrent in nature and will need to be reviewed as part of the next budget round. This will ensure the Council has sufficient capacity to deal with the increased risks and opportunities it currently faces as it recovers from the impacts of CV19.

Sharon Wroot – Executive Director

COVID-19 Grant Funding

Grant scheme - Direct	2021/22		
	Total Available	Committed	Balance Available
LA Support Grant * ^	6,495,749	(6,495,749)	0
Covid CTAX Support Grant	1,529,242	(1,529,242)	0
Lower Tier Service Grant	257,000	(257,000)	0
Covid Community Testing	365,147	(365,147)	0
Fees and Charges Compensation Scheme	430,000	0	430,000
MHCLG-C19 Clinically Extremely Vulnerable	296,320	(296,320)	0
DHSC-C19 Test and Trace Support	188,000	(188,000)	0
DHSC-C19 Test and Trace Admin Costs	90,757	(90,757)	0
Contain Outbreak Management Fund	5,388,245	(4,446,245)	942,000
Covid Winter Grant Scheme (CWGS) now Covid Local Support Grant (CLSG)	739,369	(739,369)	0
Rough Sleepers	635,536	(635,536)	0
Homeless Prevention Grant	383,867	(383,867)	0
Domestic Abuse Safer Accommodation Funding	373,916	(373,916)	0
Holiday Activities and Food Grant	773,750	(773,750)	0

Grant scheme - For Distribution	2021/22		
	Total Available	Committed	Balance Available
MHCLG-C19 Other Community Hardship Fund	35,226	(35,226)	0
Covid-19 Additional Restrictions Grant	2,741,626	(2,741,626)	0
Covid-19 Restart Grant (businesses)	8,946,360	(8,946,360)	0
Covid-19 New Burdens	228,800	0	228,800
Council Tax Hardship Fund	229,691	(229,691)	0
Adult Social Care Infection Control and Rapid Testing	2,321,031	(2,321,031)	0
Practical Support Self Isolating	317,154	0	317,154

Revenue Highlights

£4.3M Total Revenue
Forecast Overspend

£11.4M Service Budgets
Forecast Variance

7.99% % Representation of
Service Budget
Overspend to Net Budget

REVENUE	Original Budget £'M	Revised Budget £'M	Forecast £'M	Variance £'M
Resources	2.7	3.1	3.4	0.3
Environment	16.2	16.9	17.0	0.1
Economy & Growth	27.5	27.8	28.1	0.3
Children & Family Services	44.2	45.6	56.8	11.2
Public Health	0.2	0.4	0.4	0.0
Adult Services	48.8	48.8	48.3	(0.5)
	139.6	142.6	154.0	11.4
Corporate Budgets	4.7	5.7	4.4	(1.3)
	144.3	148.3	158.4	10.1
Earmarked reserves	4.2	1.8	1.8	0.0
School Balances	0.0	(1.6)	(1.6)	0.0
Total	148.5	148.5	158.6	10.1
Funding	(148.5)	(148.5)	(148.7)	(0.2)
COVID Funding	0.0	0.0	(5.6)	(5.6)
Net	0.0	0.0	4.3	4.3

At Qtr.2 of 2021/22 the Council is forecasting an overspend of £4.3M. This is after the release of unallocated corporate contingency of £1.3M, and COVID related earmarked reserves and un-ringfenced funding of £5.6M.

Additional costs, increased service demand, shortfalls against income targets and delays in the delivery of savings programmes have continued to the mid point of 2021/22. Since Qtr.1 the forecast outturn for service budgets has increased by £3.3M, with a revised overspend of £11.4M forecast by the end of the year, detailed analysis of each key area is included within this report. Further actions and mitigations will be required to ensure we have a balanced position at the end of the financial year.

The Council remains in a period of uncertainty and the medium to long term impact of the pandemic on the financial position is still being understood, and this will be a key feature of the 2022/23 to 2024/25 budget planning process, which is now underway.

Capital Highlights

(£2.4M)

Underspend

Service Capital
Forecast Variance

4.40%

% Representation of Service
Capital Underspend to Approved
Programme

CAPITAL	Original Programme £'M	Approved Programme £'M	Forecast £'M	Variance £'M
Resources	8.9	9.1	9.1	(0.0)
Environment	9.1	14.0	12.8	(1.2)
Economy & Growth	22.2	24.0	23.1	(0.9)
Children & Family Services	10.7	3.6	3.3	(0.3)
Public Health	0.0	0.0	0.0	0.0
Adult Services	3.3	4.7	4.7	0.0
Total Capital Budgets	54.1	55.4	53.0	(2.4)
Funding	(54.1)	(55.4)	(53.0)	2.4
Net	0.0	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 mainly due to Covid-19 which has further affecting the construction works in relation to the CDF Hub.

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 and programme adjustment requests have been made and are detailed opposite.

A revised Capital Programme which reflects these proposed adjustments is included in Annex 1.

The original programme was approved by Council as part of the budget planning process in February 2021.

These schemes are a mix of grant funded and corporate resource.

SLIPPAGE REQUESTS	2021/22 £M
Town Deal Investment	(3.06)
Community Housing Fund	(0.01)
Heritage Action Zone	(0.37)
Fleet	(0.50)
Enhancement of Bereavement Service	(0.52)
Total	(4.46)

PROGRAMME ADJUSTMENTS	2021/22 £M
Towns Fund	0.56
Cleethorpes Public Art	0.04
Fleet	(0.25)
Capital Investment Pot	0.25
A18 Laceby to Ludborough	0.08
Total	0.68

Revenue

2.17% Of Total Revenue
Service Budgets

£0.3M Forecast Revenue
Overspend

9.7% Variance as % Of Total
Budget Envelope

REVENUE	Revenue Budget £'M	Revenue Forecast £'M	Variance £'M
Policy Strategy and Resources	1.6	1.6	0.0
Deputy S151	1.3	1.2	(0.1)
Assistant Chief Executive	1.1	1.2	0.1
Law, Governance and Assets	(0.9)	(0.6)	0.3
	3.1	3.4	0.3

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.2
Fees & Charges Income Shortfall	0.2
Service Pressures/Other Issues	(0.1)
	0.3

Income through the markets continue to be impacted by Covid, with pressures of £0.14M. Ongoing child care legal demand is also causing a cost pressure of £0.28M. These are partially offset through estimated savings from the Coroners Service estimated at £0.12M.

Capital

15.54% Of Total Capital
Programme

(£0M) Forecast Capital
Underspend

CAPITAL	Approved Programme £'M	Capital Forecast £'M	Variance £'M
Law Governance and Assets	6.1	6.1	0.0
Deputy S151	1.3	1.3	0.0
Policy Strategy and Resources	1.7	1.7	(0.0)
	9.1	9.1	(0.0)

Revenue

Environment

11.85% Of Total Revenue Service Budgets

£0.1M Forecast Revenue Overspend

0.6% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Environment	16.9	17.0	0.1

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.0
Fees & Charges Income Shortfall	0.2
Service Pressures/Other Issues	(0.1)
	0.1

Main pressure is from income losses as a result of Covid, particularly within Taxis and Licensing and Enforcement that have resulted in an overall pressure of £0.14M.

Capital

23.8% Of Total Capital Programme

(£1.2M) Forecast Capital underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Environment	14.0	12.8	(1.2)

Fleet Replacement - A reduced number of replacement vehicles are now required to be replaced following changes to the recycling methods used by the Council and this has resulted in a saving of circa £250k which can be de-committed. The remaining £500k needs to be slipped as a result of ongoing delays on vehicle delivery lead times impacted by Covid.

Enhancement of Bereavement Services - One of the elements of this scheme relates to a new bespoke funeral service project which will not now commence until 22/23, the commencement date having been impacted by delays on the other elements of the scheme.

19.50% Of Total Revenue Service Budgets

£0.3M

Forecast Revenue Overspend

1.1% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Regeneration	6.4	6.4	0.0
Housing, Highways and Transport	21.4	21.7	0.3
	27.8	28.1	0.3

VARIANCE ANALYSIS	£M
Commissioning Pressures	(0.1)
Fees & Charges Income Shortfall	0.5
Service Pressures/Other Issues	(0.1)
	0.3

The ongoing impact of covid restrictions and changes in working practices is resulting in a forecast income loss of £0.42M from car parking. Additional contract efficiencies and early payment discounts has helped achieve savings to offset this pressure by £0.1M.

Capital

19.13% Of Total Capital Programme **(£0.9M)** Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Regeneration	10.6	9.3	(1.3)
Housing, Highways and Transport	13.4	13.8	0.4
	24.0	23.1	(0.9)

An overspend of £0.3M is forecast in the Unlocking Potential scheme due to the Garth Lane element.

This is in respect of additional charges for preliminaries to cover Covid related delays & unforeseen site conditions & changes to specifications

Construction works in relation to the CDF Hub will now be taking place in 22/23 due to Covid related delays in the early stages with restrictions on travel & site access. This has caused an expected £1M underspend, however the position will be reviewed in the coming months with a view to slipping an amount into 22/23 once more accurate costs are known.

Delays in getting materials due to Covid has also caused delayed spend of around £0.4M in the Heritage Action Zone scheme.

A further potential overspend of £0.7M is being highlighted within the LTP scheme. It is reported as worst case scenario if we are not successful in the recent Levelling Up Fund bid. These costs are in relation to the bid & if successful will be covered by the grant, if not successful LTP will look into deferring other projects into 22/23 to reduce the in-year overspend.

The scope of work on the Cleethorpes Public Art scheme has been reduced with an associated underspend forecast of £0.2M.

31.9%

Of Total Revenue
Service Budgets

£11.2M

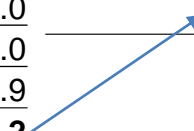
Forecast Revenue
Overspend

24.6%

Variance as % Of Total
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Education and Inclusion	9.4	9.7	0.3
Safer and Partnerships	2.1	2.1	0.0
Childrens Trust	0.6	0.6	0.0
Director Childrens/Family Services	0.4	0.4	0.0
Safeguard and Early Help	33.1	44.0	10.9
Total Children's & Family Services	45.6	56.8	11.2

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.0
Fees & Charges Income Shortfall	0.2
Service Pressures/Other Issues	11.0
	11.2



Summary and Risks in respect of the remainder of the year The projected overspend of Children's Services is down to two main reasons, the costs of additional agency social worker teams and staff, and the demand in the system. In respect of the former and a significant reason for the increase in the outturn projection is that 4 of the 5 additional project teams have now been factored in to remain in place until the end of March 2022 with the 5th team remaining until the end of January 2022. In respect of the latter, whilst the numbers of CLA, CP and CIN have fallen since the start of the financial year the children exiting the system have generally been at lower placement cost than new entrants. One reason for this down to a lack of local provision resulting in higher cost IFA / out of area placements having to be used for the new entrants. In respect of CLA this increased in the last week to 583 (17th October 2022). This is down from 592 at the start of the financial year with a revised planned target of 550 by March 2022.

£4.5M Independent Residential (Agency) placements and Independent Foster Care placements Due to both higher numbers than budgeted for and complexity of need of looked after children which exceeds the capacity of local provision of all types. An Improvement plan is in place to re-design the Children's Social Care service approach through a series of aligned work programmes including the Early Discharge Team Placement Panel and Valuing Care. The number of children coming into the system is showing positive signs that the rate of increase has slowed but the issue of meeting needs locally persists as stated above which as a consequence results in increased financial pressure.

£5.3M Safeguarding ,Children in Care and Family Time This is the cost of additional Social Worker teams and associated staffing to manage the high demand for Children's Social Services. The impact of the COVID pandemic has severely restricted the recruitment of Social Workers necessitating the use of a number of additional teams at a significant cost. The cost projection In respect of this has increased as an assumption has been built in that 4 of the 5 additional project teams have now been factored in to remain in place until the end of March 2022 with the 5th team remaining until the end of January 2022.

£0.5M Fostering and Adoption Foster Carer payments, Special Guardianships and Residency Orders. This has continued from the previous financial year due to the increased number of CLA, which at the end of Qtr. 2 stood at 577, (March 2021 was 592). Whilst specific actions to manage the overspend are in place in this area, they are limited. Other wider service actions will continue in 2021/22 and beyond, such as the implementation of the Improvement Plan and targeted actions around placement costs demonstrated by the creation of a Placement Panel which meets weekly to review current and new placements.

£0.4M Home to School Transport The pressure against the SEN home to school transport contract budget line is based upon revised contract information and increasing pupil numbers, underspends against other budget areas however have mitigated some of this pressure resulting in transport budgets collectively forecasting a £0.4M overspend.

Dedicated Schools Grant (DSG) At the 1st April 2021 the DSG Account brought forward a deficit balance of £0.8M. Pressures still remain in the High Needs Block and the current projected overspend is around £1m. Potential actions will not be enough to bring the DSG back into balance therefore the actions being developed and progressed by the service still need to happen. It is likely that the DfE will request actions we are taking to bring the DSG Account into balance at some point.

Conclusion While there are potential mitigations for some if not all the above it is difficult to quantify the impact of these at this stage of the financial year however what can be concluded is that each of the mitigations will have a minimal effect on the financial outturn in 2021-22 and will not be fully effective until the financial year 2022-23.

Capital

6.12% Of Total Capital Programme **(£0.3M)** Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Childrens & Family Services	3.6	3.3	(0.3)

(£0.3M) Looked After Children The original scope of the Looked After Children scheme has now been put on hold & a decision needs to be made as to whether an alternative project can be delivered that can achieve the same or very similar outcomes. A business case is to be produced for consideration but if unsuccessful this budget will be decommitted from the programme.

0.21% Of Total Revenue
Service Budgets

£0.0M Forecast Revenue
Overspend

0.00% Variance as % Of Total
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Public Health	0.3	0.3	0.0

The Council has been allocated a ring fenced Public Health grant of £11.6M in 2021/22. This grant is allocated to a number of services with the aim of improving the health of the local population. The main services that benefit from the Public Health grant include Drugs & Alcohol, Wellbeing Service, Sexual Health, Regulation and Enforcement, Health Visitors, Schools Nurses and the Localities team. Some of the grant has been used as a contribution towards key contracts which impact public health outcomes and these include Lincs Inspire, Engie and Adult Social Care. 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.

Due to Covid, a number of additional grants have been received and are managed directly by the Public Health service. The largest is the Contain Outbreak Management Fund (COMF) £5.4M of income is available to be spent this financial year and currently some £0.9M remains to be fully allocated. Other smaller grants which are Covid related and expected to be spent in year include community test and trace, practical support for self isolation, drug treatment harm and crime reduction and adult weight management.

Revenue

Adult Services

34.22% Of Total Revenue
Service Budgets

£(0.5M) Forecast Revenue
Underspend

0.00% Variance as % Of Total
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Adult Services	48.8	48.3	(0.5)

Budget monitoring as at 30th September 2021 forecasts a year end underspend position of (£0.5M), this predominantly relates to Covid funding received via health ,release of provision not anticipated to be required and non-recurrent expenditure not expected to be utilised in 2021/22. As a result the forecast is based on the best available information at the time. The position is still uncertain and the forecasting contains many risks chiefly around the impact of COVID moving forward.

Capital

7.96% Of Total Capital
Programme

(£0.0M) Forecast Capital
Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Adult Services	4.7	4.7	0.0
	4.7	4.7	0.0

Corporate Budgets

3.76%

Of Total Revenue
Budgets

(£1.3M)

Forecast Revenue
Underspend

CORPORATE BUDGETS	Budget £'M	Forecast £'M	Variance £'M
Pensions and Appropriations	4.6	4.6	0.0
Technical Adjustments	(13.0)	(13.0)	0.0
Borrowing Costs	11.1	11.1	0.0
Levies	0.7	0.7	(0.0)
Other Budgets	2.2	1.0	(1.3)
Total	5.6	4.3	(1.3)

The forecast position of £1.3M underspend for corporate budgets includes the following:

A debt financing saving of £0.5M due to delays in borrowing. This will be fully allocated to the Debt Financing Earmarked Reserve (EMR) in order to meet future borrowing requirements.

£0.2M savings through the pension revaluation. This has been ringfenced to be allocated to the Pension EMR to help smooth future pension arrangements.

£1.3M unallocated corporate contingency which has been released to offset service pressures.

Funding - Summary

80.9% Local Taxation Budget as % of Total Funding

1.98% Council Tax uplift 21/22

FUNDING	Budget £'M	Forecast £'M	Variance £'M
Council Tax	(76.4)	(76.7)	(0.2)
Business Rates	(43.7)	(43.7)	0.0
Revenue Support Grant	(9.2)	(9.2)	(0.0)
Better Care Fund	(7.8)	(7.8)	0.0
Social Care Support	(6.1)	(6.1)	0.0
Capital Grants and Contributions	0.0	0.0	0.0
New Homes Bonus	(0.1)	(0.1)	0.0
COVID-19 Business Support Grants	0.0	0.0	0.0
COVID-19 LA Support Grant	(5.0)	(6.5)	(1.5)
COVID-19 Lower Tier Service Grant	(0.3)	(0.3)	(0.0)
COVID-19 EMR	0.0	(4.1)	(4.1)
Total	(148.5)	(154.3)	(5.8)

In-year funding from local taxation targets is forecast to be on budget. However in- year collection has dropped as a result of the pandemic and this will potentially impact on future years. The position is being monitored closely and being reflected in the medium term financial plan for 2022/25. A small balance (£0.2M) has been released from the Covid Council Tax Hardship EMR in year. In addition COVID related earmarked reserves and un-ringfenced funding of (£5.6M) has been released to offset service pressures.

There is still a great deal of uncertainty in relation to longer term impact of the pandemic on the Council's funding. The Government allowed councils to spread collection fund losses over an extended period of time and this will mitigate, to a degree, the impact over the short term.

Local Taxation

Council Tax Collection	%	Non Domestic Rates Collection	%
Q2 2021/22	54.48	Q2 2021/22	51.77
Q2 2020/21	54.38	Q2 2020/21	53.71
Q2 2019/20	55.04	Q2 2019/20	56.96

Collection Rates:

Council Tax

Council Tax collection is slightly ahead of last year in percentage terms and we have collected approximately £4M more so far this year. The collectible debit for this year has increased by approximately £6M compared to last year.

Non Domestic Rates

Whilst NNDR collection is currently behind last year in percentage terms, we have actually collected approximately £6M more so far this year. The collectible amount has varied substantially over the last 18 months due to numerous Covid related reliefs and exemptions (mainly pertaining to the leisure/retail/hospitality sector) and is currently approximately £13M higher this year than last.

Medium Term Outlook

The Council is anticipating the financial impact of the Covid-19 pandemic to 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	Covid funding is non recurrent in nature. Future Government support, the Fair Funding review and changes to the LG financial model 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 four fifths 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.

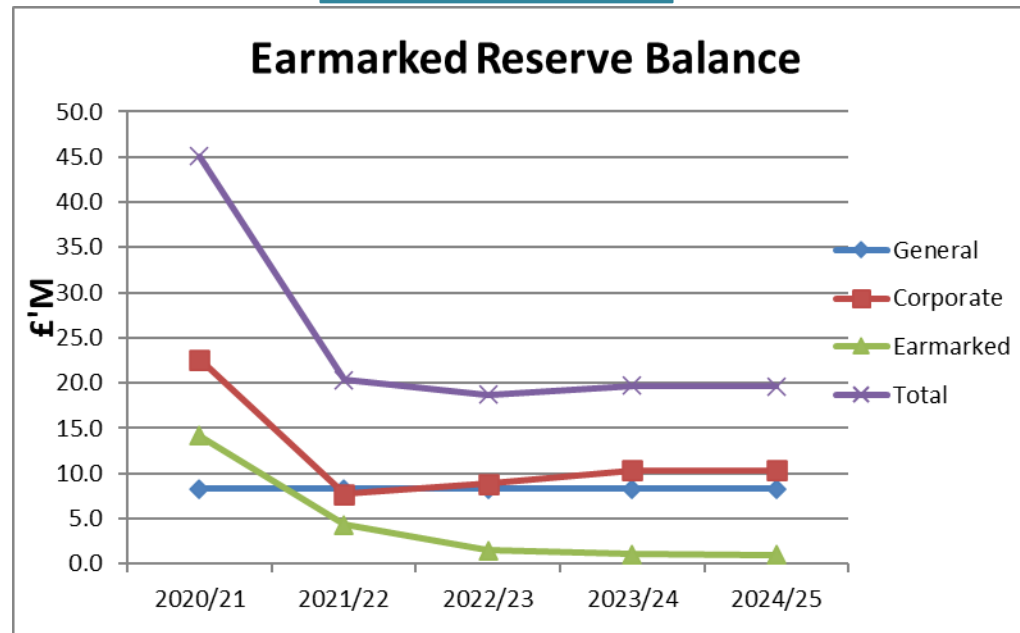
Reserves

£8.3M General Fund

5.6% General Fund as %
Of Net Budget

£19.6M Forecast 24/25 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.

Reserves.

6.9%

24/25 Corporate
Reserves as % Of Net
Budget

£10.3M

Forecast 24/25 Corporate
Reserve Balance

Key Corporate Earmarked Reserves

Name	21/22 Closing Balance £'M	Purpose
Self Insurance	1.3	Required to meet cost of claims which are insured internally
Business Rates Equalisation	1.9	Used to mitigate fluctuations in business rates income without impacting service budgets
Management of Change	1.8	To cover costs of organisational change
Debt Financing	1.8	Used to mitigate costs of borrowing and capital programme activity
Covid -19 EMR	4.1	To mitigate COVID related service pressures

The overall capacity within reserves has reduced over recent years, 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 faced by the council.

In light of the reported service pressures, it is proposed that the Covid-19 EMR of £4.1M is drawdown in full to partially offset the position. This has been assumed in the revenue and funding figures presented within the report. It should be noted that this is a one-off action and other mitigations will be required to deal with the remaining pressures and those that are continue beyond this financial year.

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

95.5%

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

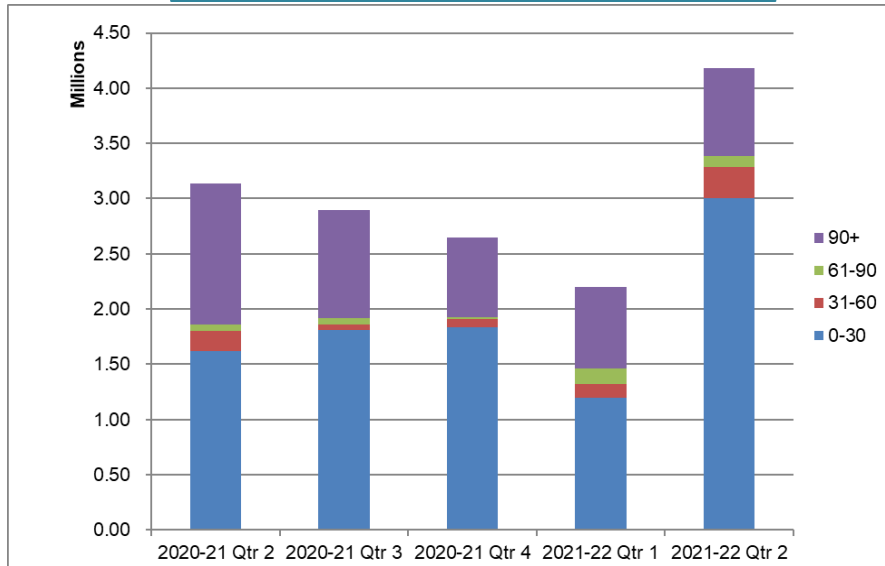
96.0%

2021/22 % Creditor Invoices Paid within 30 days at Qtr. 2

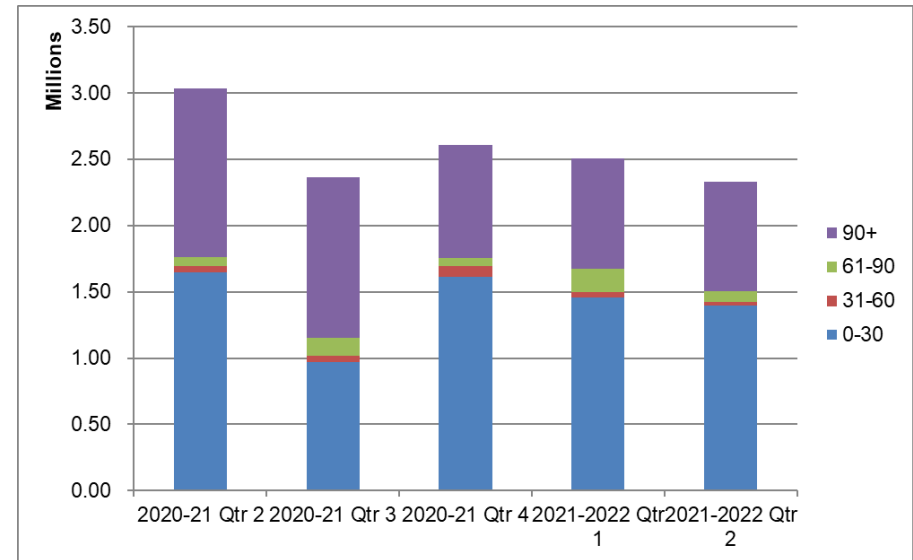


Direction of Travel

Council Managed Sundry Debts



Engie Managed Sundry Debts



Invoicing and the issuing of routine reminders has continued as normal during the Covid-19 pandemic. Debt recovery action had been relaxed, however since September 2020 all debt recovery action has resumed.

Quarter 2 shows a marked increase in current debt. However, this is due to a large outstanding invoice which was due for payment on the 29.09.2021. There is no issue with the invoice and it is expected to be paid imminently. Taking this invoice out of the calculation, the overall aged debt is lower than both the comparative period of 2020/21 and the previous reported quarter. Engie managed debts continue to show improvement in all categories.

Bad debts and write offs continue to be carefully monitored but, due to the ongoing Covid-19 pandemic and the challenges faced within the local economy, there is still the possibility that debt may rise during 2021/22.

Treasury & Cashflow

£55.4M

Investments at 30 Sept 2021

£155.1M

Borrowing as at 30 Sept 2021

0.01%

Average return on investments

3.16%

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.

Our cash position is temporarily boosted by various grant streams, primarily in connection with the pandemic response and unwind, and short-term borrowing taken in advance to provide in-year liquidity. As these sources of cash are utilised over the coming months it is expected balances will revert to more normal levels during the remainder of 2021-22.

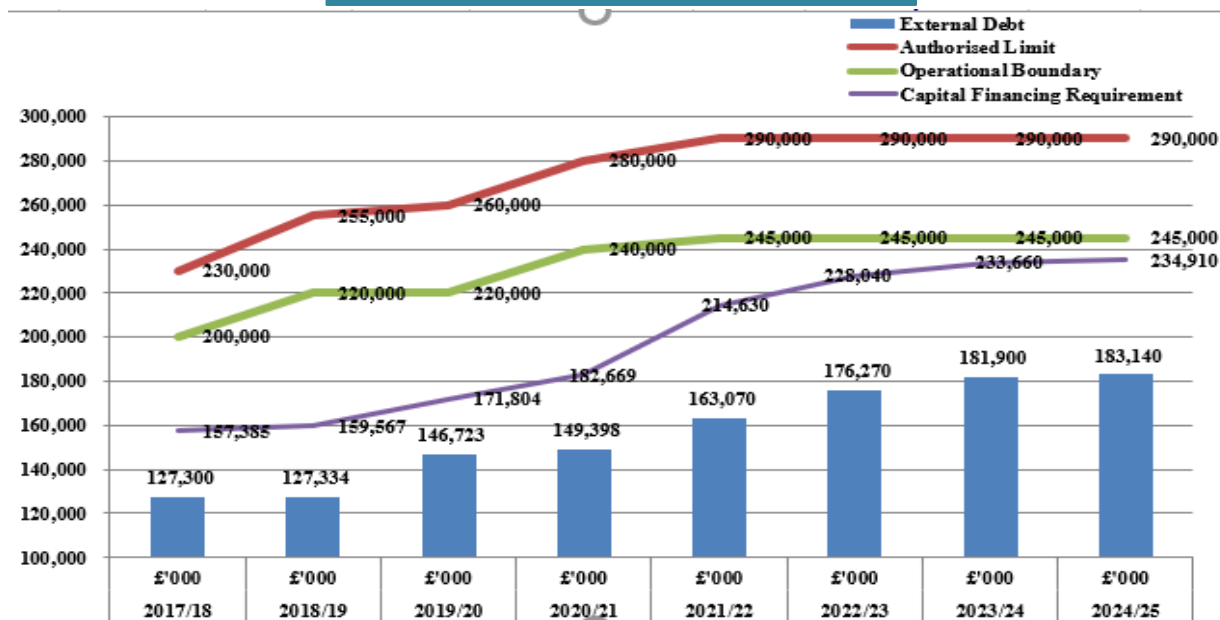
The higher balances have reduced the likelihood of needing to borrow further in the current financial year, though this is subject to the pace of Capital spend.

Current investments are consistent with the Treasury Management Strategy.

Balances remain high, bolstered by Covid related support grants. At quarter end balances remained steady year-on-year but still sat £20-25M higher than pre-covid levels, including £7m of Business Support Grant. It is still anticipated that balances will move back toward more typical levels during the remainder of 2021 as support funds are deployed..

The continued presence of higher than usual balances means that our requirement for further borrowing in the remainder of 2021-22 is now somewhat diminished.

Prudential Indicators



Capital Programme

SCHEME	2021/22 Revised Capital Programme	Slippage Request to 22/23 - 23/24	Changes to the Programme 2021/22	Changes to the Programme 2022/23	Changes to the Programme 2023/24	2021/22 Revised Capital Programme	2022/23 Approved Capital Programme £000's	2023/24 Approved Capital Programme £000's
Childrens Services								
Schools - Devolved Formula Cap Grant	112	0	0	0	0	112	100	0
Schools - Backlog Maintenance	753	0	0	0	0	753	600	600
Schools - Basic Need Sufficiency of Places	637	0	0	0	0	637	1,860	3,500
Special Educational Needs and Disability Fund	627	0	0	0	0	627	763	0
Looked After Children	307	0	0	0	0	307	0	0
Nursery places	140	0	0	0	0	140	0	0
Lincs2 Portal System Inv.	1	0	0	0	0	1	0	0
Service Improvement Education	61	0	0	0	0	61	0	0
CCTV Review and Upgrade	955	0	0	0	0	955	0	0
Adult Services								
Disabled Facilities Grants	4,674	0	0	0	0	4,674	2,964	2,685
Social Care - Better Care Fund	10	0	0	0	0	10	0	0
Environment								
Fleet Replacement Programme inc. Recycling Collection	4,757	-500	-250	0		4,007	1,590	0
Litter Bin and Recycling Replacement and Upgrade	76	0	0	0	0	76	0	0
Enhancement of Bereavement Services	1,262	-521	0	0	0	741	521	0
Peoples Park refurbishment	76	0	0	0	0	76	0	0
Household Recycling Scheme	0	0	0	0	0	0	0	0
Resort Management	46	0	0	0	0	46	0	0
Environmental Services Management System	135	0	0	0	0	135	0	0
Regulatory Services Mangment System	130	0	0	0	0	130	0	0
Operation Gateway	220	0	0	0	0	220	0	0
Memorial Testing and Repairs	105	0	0	0	0	105	0	0
Public Sector Decarbonisation	2,974	0	0	0	0	2,974	0	0
Depot Rationalisation	3,021	0	0	0	0	3,021	3,757	0
Play Parks	50	0	0	0	0	50	450	300
Resources								
Backlog Maintenance	1,495	0	0	0	0	1,495	38	38
Cartergate Unit Development	220	0	0	0	0	220	0	0
Property Rationalisation Programme	202	0	0	0	0	202	0	0
Capital Investment	866	0	250	0	0	1,116	91	3,741
Digital Strategy Delivery/Imp Civica/Edrms	10	0	0	0	0	10	0	0
Fire Segregation Works	9	0	0	0	0	9	0	0
Capital Receipt Flexibility	400	0	0	0	0	400	400	400
Heritage Asset at risk	686	0	0	0	0	686	0	0
Scartho Cemetery Lodge and Chapel	259	0	0	0	0	259	392	20
Shared Services								
Corporate Systems Investment	435	0	0	0	0	435	0	0
IT Transformation Programme	98	0	0	0	0	98	0	0
Learning Mgt System Implementation	25	0	0	0	0	25	0	0
ICT refresh	1,169	0	0	0	0	1,169	646	646
Public Health								
GY Leisure Centre	2	0	0	0	0	2	0	0
Drug & Alcohol Recovery	12	0	0	0	0	12	0	0
Playing Pitch Reprovision	1,373	0	0	0	0	1,373	3,262	0

SCHEME	2021/22 Revised Capital Programme	Slippage Request to 22/23 - 23/24	Changes to the Programme 2021/22	Changes to the Programme 2022/23	Changes to the Programme 2023/24	2021/22 Revised Capital Programme	2022/23 Approved Capital Programme £000's	2023/24 Approved Capital Programme £000's
Economy and Growth								
Housing Assistance Grants and Loans	804	0	0	0	0	804	250	250
Willing/Peaksfield Flood Alleviation	191	0	0	0	0	191	0	0
Community Housing	65	0	-14	0	0	51	0	0
Local Transport Plan Schemes	4,206	0	0	0	0	4,206	4,023	4,208
Freeman Street Regeneration	7	0	0	0	0	7	0	0
Cleethorpes HLF Townscape Heritage	567	0	0	0	0	567	1,158	421
Sth Humber Infrastructure and Investment Programme	3,659	0	0	0	0	3,659	4,478	2,725
Supported Housing Scheme	19	0	0	0	0	19	0	0
Immingham lock flood def gates	63	0	0	0	0	63	0	0
Cleethorpes Public Art	597	0	40	0	0	637	0	0
Smart Energy for business	942	0	0	0	0	942	0	0
Heritage Action Zone	525	-365	0	0	0	160	685	200
Town Deal Investment	3,510	-3,058	0	0	0	452	3,058	0
Riverhead Square & Unlocking Potential	1,241	0	0	0	0	1,241	0	0
Central Clee Regeneration	284	0	0	0	0	284	3,748	0
Europarc Food Enterprise Zone	179	0	0	0	0	179	0	0
Open For Culture	1,407	0	0	0	0	1,407	0	0
Estate Road 2	354	0	0	0	0	354	0	0
Corporation Bridge	1,359	0	0	0	0	1,359	2,967	500
A18 Laceby to Ludborough	596	0	77	0	0	673	0	0
Accelerated Construction	2,022	0	0	0	0	2,022	0	0
Affordable Housing S106 monies	125	0	0	0	0	125	0	0
Poplar Road Expansion	1,440	0	0	0	0	1,440	1,690	0
Business Centre Improvement	638	0	0	0	0	638	0	0
Extended Cycle Track	2,559	0	0	0	0	2,559	0	0
Future High Streets Fund	1,046	0	0	0	0	1,046	8,868	17,386
Rough Sleeper Accomodation Grant	183	0	0	0	0	183	0	0
Towns Fund	0	0	564	5,468	7,969	564	5,468	7,969
Green Homes Grant LADPhase 2	850	0	0	0	0	850	0	0
Corporate and Democratic								
Eco Park	14	0	0	0	0	14	0	0
TOTAL CAPITAL PROGRAMME	57,842	-4,444	667	5,468	7,969	54,065	53,827	45,589

Funding	2021/22 Revised Capital Programme	Slippage Request to 22/23 - 23/24	Changes to the Programme 2021/22	Changes to the Programme 2022/23	Changes to the Programme 2023/24	2021/22 Revised Capital Programme	2022/23 Approved Capital Programme £000's	2023/24 Approved Capital Programme £000's
External Grants	26,065	-185	590	5,468	7,969	26,470	26,613	26,080
Corporate Borrowing	31,049	-4,259	0	0	0	26,790	26,714	14,009
Capital Receipts	476	0	0	0	0	476	500	500
Revenue Contributions	36	0	0	0	0	36	0	0
Other Private inc S106	216	0	77	0	0	293	0	5,000
	57,842	-4,444	667	5,468	7,969	54,065	53,827	45,589