

CABINET

DATE	15 th February 2023
REPORT OF	Councillor Stephen Harness – Portfolio Holder for Finance, Resources and Assets
RESPONSIBLE OFFICER	Sharon Wroot – Executive Director Environment, Economy and Resources
SUBJECT	2022/23 Quarter 3 Financial Monitoring Report
STATUS	Open
FORWARD PLAN REF NO.	CB 02/23/01

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 Finance 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 third quarter of the 2022/23 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 mitigating actions being taken to bring spending down to manageable levels on a recurrent basis.
2. Acknowledges the risks and opportunities over the forthcoming financial planning period.
3. Approves the reprofiling and reprioritisation of the capital programme as detailed in the report.
4. Refers the attached Report to Scrutiny for consideration.

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 end of the third quarter of the financial year, the Council is forecasting a £6.0M overspend against its 2022/23 budget. The forecast reflects the continued high level of demand being experienced within Children's safeguarding but also acknowledges other significant impacts such as inflation

and the higher than anticipated pay award.

- 1.2 Whilst additional resources were invested into services as part of the 2022/23 budget process, demand in terms of the numbers of Children in Care remains significantly higher than planned. The reported financial position within Children's Safeguarding has been exacerbated by a lack of local capacity and a continued overreliance on agency staffing. Whilst the Council has successfully recruited to a number of permanent roles, agency workers are still required to ensure case loads can be managed at an appropriate level.
- 1.3 This unsustainable position has required action to be taken in year in order to bring spending down to manageable levels on a recurrent basis. A range of actions are within Children and Family services, as part of the improvement and transformation agenda. Alongside this, additional spending controls remain in place at a corporate level as a consequence. Alongside mitigating actions and spending controls, the Council will need to draw upon non recurrent sources of funding and drawdown reserves to balance in year. A review of the overall adequacy of reserves will be undertaken as part of forthcoming budget process.
- 1.4 The Council is still progressing with a programme of capital investment to support delivery of the Council Plan and drive financial sustainability through economic growth. However, due to current financial uncertainty, a full review of the current programme has been carried out for inclusion within the 2023/24 budget proposals. This will ensure that we mitigate the impact of higher interest rates, ensure capital schemes support council priorities and costs are kept within budget allocations.
- 1.5 Despite the Local Government Financial Settlement providing a real term increase in funding next year, inflation, interest rates, demand and capacity all remain challenges across the medium term.

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. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

The report provides details of the resources allocated towards Children and

Young people across a range of Council services.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

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.

8. CONSULTATION WITH SCRUTINY

Report to be forwarded to all scrutiny panels.

9. FINANCIAL IMPLICATIONS

As set out on the report

10. 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 the current position. The recommendation for a referral to Scrutiny is prudent.

11. HUMAN RESOURCES IMPLICATIONS

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

12. WARD IMPLICATIONS

All wards affected

13. BACKGROUND PAPERS

Outcomes Framework, Commissioning Plan and Budget 2022/23 – 2024/25
<https://democracy.nelincs.gov.uk/wp-content/uploads/2021/05/6.-Budget-and-Medium-Term-Financial-Plan-2022-%E2%80%93-2024.pdf>

2022/22 Q2

<https://democracy.nelincs.gov.uk/wp-content/uploads/2022/05/4.-Quarter-Two-Finance-Monitoring-Cabinet-Report.pdf>

14. CONTACT OFFICER(S)

Sharon Wroot – Executive Director Place and Resources (Section 151)

COUNCILLOR STEPHEN HARNESS
PORTFOLIO HOLDER FOR FINANCE, RESOURCES AND ASSETS

Finance Monitoring Report 2022/23 – Quarter 3



Appendix 1

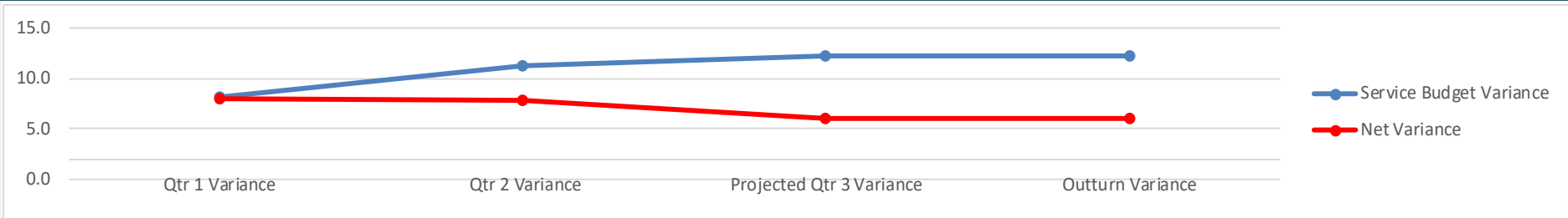


FINANCIAL OVERVIEW - QTR3

✓ On Course
 ! Monitor
 ✗ Cause for Concern

Quarterly Revenue Spend Forecast Position £'M

✗ Pg 4



Revenue Position

✗ 7.84%

REVENUE	Budget £'M	Forecast £'M	Variance £'M	
Resources	7.7	8.1	0.4	Pg 10
Environment	17.4	16.5	(0.9)	Pg 11
Economy & Growth	24.9	23.6	(1.3)	Pg 12
Children & Family Services	53.3	68.3	15.0	Pg 14
Public Health	1.1	1.1	0.0	Pg 16
Adult Services	51.2	50.2	(1.0)	Pg 17
Total	155.6	167.8	12.2	
Corporate Budgets & Funding			(6.2)	Pg 18
Net			6.0	

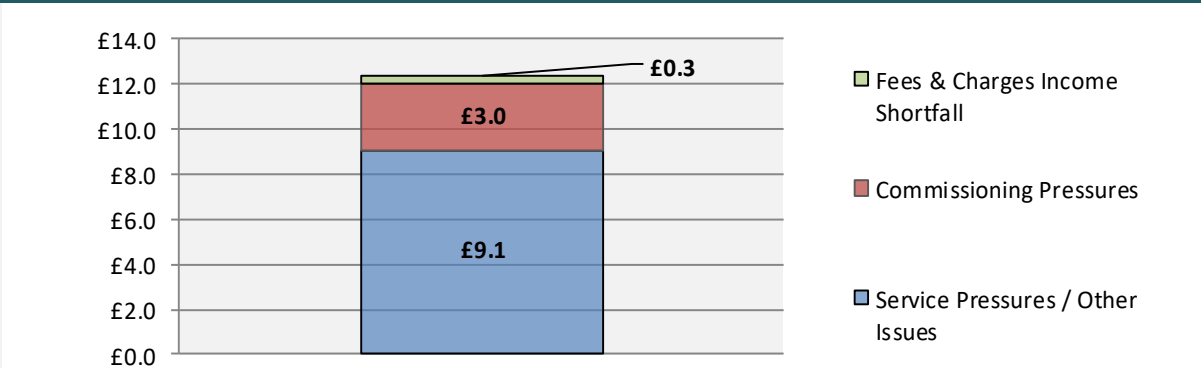
Capital Position

✓ -9.35%

CAPITAL	App Prog £'M	Forecast £'M	Variance £'M	
Resources	2.4	2.6	0.2	Pg 10
Environment	6.8	5.3	(1.5)	Pg 11
Economy & Growth	51.2	46.3	(4.9)	Pg 13
Children & Family Services	7.0	6.9	(0.1)	Pg 15
Public Health	0.0	0.0	0.0	
Adult Services	0.0	0.0	0.0	
Total	67.4	61.1	(6.3)	
Funding			6.3	
Net			0.0	

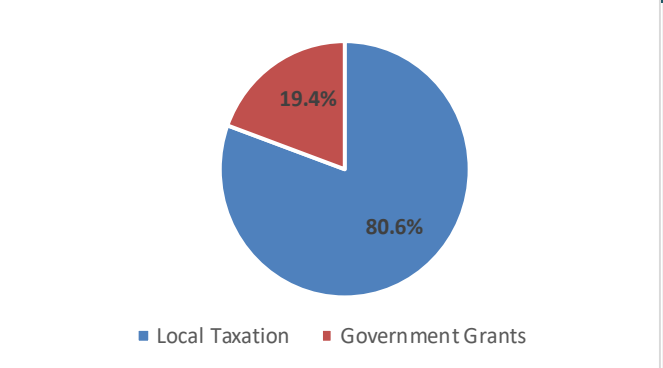
Service Over Spend Analysis £'M

Pg 4



Funding Outturn

Pg 19



Overview

At the end of the third quarter of the financial year, the Council is forecasting a £6.0M overspend against its 2022/23 budget. The forecast reflects the continued high level of demand being experienced within Children's safeguarding but also acknowledges other significant impacts such as inflation and the higher than anticipated pay award.

Whilst additional resources were invested into services as part of the 2022/23 budget process, demand in terms of the numbers of Children in Care remains significantly higher than planned. The reported financial position within Children's Safeguarding has been exacerbated by a lack of local capacity and a continued overreliance on agency staffing. Whilst the Council has successfully recruited to a number of permanent roles, agency workers are still required to ensure case loads can be managed at an appropriate level.

This unsustainable position has required action to be taken in year in order to bring spending down to manageable levels on a recurrent basis. A range of actions are within Children and Family services, as part of the improvement and transformation agenda. Alongside this, additional spending controls remain in place at a corporate level as a consequence. Alongside mitigating actions and spending controls,

the Council will need to draw upon non recurrent sources of funding and drawdown reserves to balance in year. A review of the overall adequacy of reserves will be undertaken as part of forthcoming budget process.

The Council is still progressing with a programme of capital investment to support delivery of the Council Plan and drive financial sustainability through economic growth. However, due to current financial uncertainty, a full review of the current programme has been carried out for inclusion within the 2023/24 budget proposals. This will ensure that we mitigate the impact of higher interest rates, ensure capital schemes support council priorities and costs are kept within budget allocations.

Despite the Local Government Financial Settlement providing a real term increase in funding next year, inflation, interest rates, demand and capacity all remain challenges across the medium term.

Sharon Wroot - Executive Director, Place and Resources (Section 151 Officer)

Revenue

£6.0M

Total Revenue
Forecast Overspend

£12.2M

Service Budgets
Forecast Variance

7.8%

% Representation of
Service Budget
Overspend to Net Budget

REVENUE	Revised Budget £'M	Forecast £'M	Variance £'M
Resources	7.7	8.1	0.4
Environment	17.4	16.5	(0.9)
Economy & Growth	24.9	23.6	(1.3)
Children & Family Services	53.3	68.3	15.0
Public Health	1.1	1.1	0.0
Adult Services	51.2	50.2	(1.0)
	155.6	167.8	12.2
Corporate Budgets	8.7	4.3	(4.4)
	164.3	172.1	7.8
Earmarked reserves	(7.5)	(7.5)	0.0
School Balances	(1.8)	(1.8)	0.0
Total	155.0	162.8	7.8
Funding	(155.0)	(156.8)	(1.8)
Net	0.0	6.0	6.0

At end of Quarter 3 of 2022/23, the Council is forecasting an overall overspend of £6.0M. This forecast reflects the on-going and increasing demands being experienced within Children's safeguarding which have been partly offset by underspends in other service areas, lower than anticipated borrowing costs and increased business rate income.

Whilst additional resources have been invested into services as part of the most recent budget round, demand in terms of the numbers of Children in Care remains above where we would expect it to be. It is recommended that the remaining pressure be addressed through the application of reserves in year.

Capital

(£6.3M)

Service Capital Forecast
Variance Underspend

9.35%

% Representation of Service
Capital Underspend to Approved
Programme

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Resources	2.4	2.6	0.2
Environment	6.8	5.3	(1.5)
Economy & Growth	51.2	46.3	(4.9)
Children & Family Services	7.0	6.9	(0.1)
Public Health	0.0	0.0	0.0
Adult Services	0.0	0.0	0.0
Total Capital Budgets	67.4	61.1	(6.3)
Funding	(67.4)	(61.1)	6.3
Net	0.0	0.0	0.0

The Council is progressing with its ambitious programme of capital investment to support delivery of the Council Plan and drive financial sustainability through economic and housing growth. However, due to current economic and financial uncertainty, a review of the current programme has been undertaken.

At the present time, the Council is forecasting that it will deliver £62M of capital investment in year, of which more than half is supported by external grant and contributions. However a full detailed review of the Capital Programme is being undertaken in order to address the impact of increased borrowing costs.

Capital Programme Adjustments

At the end of Quarter 3, a number of adjustments to the capital programme are proposed 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 2022.

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

SLIPPAGE REQUESTS	£M
Clee HLF Townscape Heritage	(0.23)
Towns Fund	(2.08)
Housing Assistance Grants and Loans	(0.48)
Backlog Maintenance	(0.80)
Heritage Assets at Risk	(0.20)
Corporation Rd Bridge Refurb	(3.41)
Poplar Road Expansion	(3.03)
Business Centre Improvement	(0.33)
Grant St Car Park	(3.30)
Education Management Platform	(0.15)
Fleet Replacement Programme	(1.34)
Enhancement of Bereavement Services	(0.48)
Depot Rationalisation	(4.00)
Scartho Cemetery Lodge & Waiting Rooms	(0.25)
Play Areas	(0.45)
Schools - Devolved Formula Cap Grant	(0.06)
Schools - Basic Need Sufficiency of Places	(3.50)
SEND Special Prov Fund	(3.00)
Total	(27.10)

Capital Programme Adjustments Cont.

At the end of Quarter 3, a number programme adjustment requests have been made and are detailed opposite.

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

PROGRAMME ADJUSTMENTS	£M
SHIP Scheme - Reprofiled	3.04
Cleethorpes Public Art - Reprofiled	(0.20)
Heritage Action Zone - Reprofiled	0.37
CDF - Open for Culture - Decommited	(1.44)
Future High Street Fund - Reprofiled	6.82
Flood Defences - Humberston Fitties - New Scheme	0.13
A180 Structures - New Scheme	3.50
Abbey Walk Car Park Security Measures - New Scheme	0.04
Capital Investment - New Scheme Investment	0.31
Social Care Grant - Decommited	(0.01)
Safer Streets 4 - New Scheme	0.41
Total	12.95

Medium Term Outlook

The current Medium Term Financial Plan (MTFP) showed an opening gap in future years when it was approved in February 2022.

MTFP Summary	2023/24 £M	2024/25 £M
Funding	(156.2)	(160.7)
Service Budget	138.0	141.5
Other budgets	23.3	24.2
Contributions	2.5	2.5
Opening Gap	7.6	7.5

Key assumptions are being reviewed and revised as part of the next 3 year MTFP process. These include economic and housing growth, interest rates, inflation and general price increases, government funding and demand trajectories.

Current economic conditions are volatile and the potential effects of key risk factors have varying significance for projections of the Council's financial position.

Inflation

Inflation continues to affect Council finances, particularly our inflation linked contracts. RPI is currently 13.4% and CPI 9.2% (December 2022) and may rise further before it is predicted to drop next year. Whilst inflationary contract uplifts are included within service budgets, these exceptional rates may result in additional pressures by the end of the MTFP period.

Energy costs

The UK is currently experiencing an energy crisis because of 'a perfect storm of market forces' that hit the sector from all angles. The energy crisis has been building up over the past year, as increased demand during the post-Covid reopening of economies coincided with Russia's invasion of Ukraine and a subsequent squeeze on gas supplies into Europe.

Based on current market conditions we are estimating this to create a £6M pressure by the end of this current MTFP Period. However, as wholesale cost predictions have started to fall, this pressure may lessen slightly.

Interest rates

From Q3 2021/22 interest rates started to climb as the market began to understand that the Bank of England's 'transitory' narrative around post-pandemic inflation firstly looked overly optimistic, and then was entirely undermined by the Russian invasion of Ukraine and soaring energy prices.

This has created pressures for the Council in future years, some of which, but crucially not all, will be mitigated by reserves currently maintained for such a scenario. Despite the use of these specific reserves current forecasts show the increasing rates will potentially create a £4M pressure by 2025/26.

Medium Term Outlook

Pay

September saw a 10.1% increase in the real National Living Wage agreement and, in November a flat rate pay award was agreed for local government employees. There is a risk that any subsequent pay agreements will create compounding budget pressures over the life of the MTFP. We are estimating a net pay award pressure of £2.8M in 2023/24 after taking into account these recent pay awards and contingencies that are set aside in the budget planning process.

Community impacts

As the economic and social context evolves, our community needs will change, this in turn places increased demand on Council resources. As the cost of living continues to rise, this may increase demand for Council tax support and other council administered financial aid schemes, as well as reducing future years funding streams such as the council tax collection rate- this may be particularly pertinent following the increase in the council tax referendum rate which NELC is utilising. The Council has administered a range of support packages to mitigate against these community impacts. A further allocation of £1.6M to the Household Support Fund has been made for the period October 2022 - March 2023.

Demand & Demographics

Economic conditions and associated financial impacts will potentially affect our current demand levels. Our population continues to grow, with the percentage of over 65's and over 80's rising faster than the national average.

By the end of this current MTFP period projections show the proportion of over 65's to reach 23.09% of our total population. These factors all in turn increase the demand on our services.

Budget and Medium Term Financial Plan

The Council is required by law to set a balanced budget for the upcoming financial year. This balanced budget must be based on sound and sustainable assumptions about income and expenditure, the delivery of savings and use of reserves.

The Council received a draft Local Government Financial Settlement for 2023/24 in December 2022. The settlement set out the scope and nature of grant support, inflationary uplifts to some funding streams and an increased council tax referendum limit.

Key dates in the budget setting process include:-

- Budget Consultation (December 2022 – January 2023)
- Formal scrutiny (January 2023)
- Final LG Financial Settlement (February 2023)
- Full Council Budget (February 2023)

4.95% Of Total Revenue Service Budgets

£0.4M Forecast Revenue Overspend

5.2% Variance as % Of Total Budget Envelope

REVENUE	Revenue Budget £'M	Revenue Forecast £'M	Variance £'M
Policy Strategy and Resources	3.0	2.8	(0.2)
Deputy S151	1.7	1.9	0.2
Assistant Chief Executive	1.2	1.3	0.1
Law, Governance and Assets	1.8	2.1	0.3
	7.7	8.1	0.4

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.0
Fees & Charges Income Shortfall	0.1
Service Pressures/Other Issues	0.3
	0.4

Service Comments:-

Demand within Children’s Services in terms of Children In Care continues to be higher than anticipated and this is having a direct impact on demand for Legal services to support court proceedings.

Capital

3.56% Of Total Capital Programme

£0.2M Forecast Capital Overspend

CAPITAL	Approved Programme £'M	Capital Forecast £'M	Variance £'M
Law Governance and Assets	0.0	0.0	0.0
Deputy S151	1.0	1.0	0.0
Policy Strategy and Resources	1.4	1.6	0.2
	2.4	2.6	0.2

Service Comments:-

Additional resources have been invested into corporate system developments to ensure they deliver against organisational requirements.

11.2% Of Total Revenue Service Budgets
 (£0.9M) Forecast Revenue Underspend
 5.2% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M	VARIANCE ANALYSIS	£M
Environment	17.4	16.5	(0.9)	Commissioning Pressures	0.1
				Fees & Charges Income Shortfall	0.0
				Service Pressures/Other Issues	(1.0)
					(0.9)

Service Comments:-

A healthy underspend is currently forecast, due to savings from the waste disposal contract and through the generation of additional recycling income. The Waste Collection Service is showing savings against agency staffing, vehicle repairs and fuel. There is also an improved cost recovery position for green waste, even if the service still generate less income than delivery cost. Port Health fees & charges and Border Inspection Post Savings are covering the overspend from the staffing established from the DEFRA grant which is coming to an end this year.

Capital

10.1% Of Total Capital Programme
 (£1.5M) Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Environment	6.8	5.3	(1.5)

Service Comments:-

Fleet Replacement Programme (£0.2M) - Extended lead times for vehicle delivery requires expenditure being reprofiled into the next financial year.

Public Sector Decarbonation (£1.3M) - Due to increased procurement costs, the cost per ton of carbon saved has increased significantly and this has made elements of the project unaffordable and not eligible for external grant funding. Parts of the original scheme can no longer proceed and no longer offer value for money. Those elements of the scheme will be decommitted.

16.0% Of Total Revenue
Service Budgets

(£1.3M) Forecast Revenue
Underspend

5.2% Variance as % Of Total
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Regeneration	5.8	3.8	(2.0)
Housing, Highways and Transport	19.1	19.8	0.7
	24.9	23.6	(1.3)

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.2
Fees & Charges Income Shortfall	0.1
Service Pressures/Other Issues	(1.6)
	(1.3)

Service Comments:-

Overall performance of the Freshney Place Centre remains strong and is reflected in the financial forecasts. This additional income has offset pay inflation pressures within the EQUANS contract (index linked) and higher than anticipated B&B costs within the Home Options service.

43.62% Of Total Capital Programme **(£4.9M)** Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Regeneration	29.4	30.1	0.7
Housing, Highways and Transport	21.8	16.2	(5.6)
	51.2	46.3	(4.9)

Service Comments:-

SHIIP £0.3M Advanced spend is currently forecast to support planned land acquisitions.

Future High Street Fund £2.7M The grant provided for this scheme has been used in advance of originally planned to facilitate the acquisition of Freshney Place.

Towns Fund £0.3M Cost inflation and supply chain issues are placing pressures on capital works. The Council is reviewing current commitments and project milestones in detail to agree reprofiling of spend into future years.

Playing Pitch Provision (£0.9M) Work is due to commence in January 2023 on the football 'hub' planned for the Clee Fields site which will now be partially funded through a Football Foundation grant award. Following updated cost profiling for this scheme, the forecast outturn variance reflects the reprofiling of funds into the next financial year.

Town Deal (£2.0M) Proposal to reprofile into future financial year

Green Homes LAD Phase 2 (£0.4M) Despite a positive response and a good volume of surveys completed a number of factors contributed to the current forecast underspend in year. These including the short timescales, a change in legislation for external wall cavity with roof pitches and a high number of D rated properties or properties not technically suited.

Grimsby & Immingham Flood Innovation Funding (£0.9M) Delayed start of scheme requires spend to be reprofiled.

Sustainable Warmth (£0.5M) Funding was received later than anticipated but agreement reached to carry grant forward into next year

A180 Structures (£3.5M) Scheme to be reprofiled into next financial year.

34.3% Of Total Revenue Service Budgets

£15.0M Forecast Revenue Overspend

28.1% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Safer and Partnerships	2.3	2.1	(0.2)
Education and Inclusion	10.3	10.4	0.1
Safeguarding and Early Help	40.3	55.3	15.0
Director Childrens Services	(0.2)	(0.1)	0.1
Women, Childrens and Families	0.6	0.6	0.0
Total Children's & Family Services	53.3	68.3	15.0

VARIANCE ANALYSIS	£M
Commissioning Pressures	2.7
Fees & Charges Income Shortfall	0.1
Service Pressures/Other Issues	12.2
	15.0

Service Comments:-

The last year has continued to be challenging for children's services both in terms of continued demand and the financial impact of this. Despite attempts to reduce the numbers of Looked after children the number continued to rise but has now fallen back to the level at the start of the year. This coupled with the lack of local placements and an excess of demand over supply nationally has meant that the pressure on the placement budget has continued to increase.

Work on the review of cases to see where changes can be made to packages of care, is underway and cost benefits are starting to be seen. There has also been a reduction in the number of open cases which will impact on the overall staff resource required at some point in the future.

The high number of agency staff continues to be a significant factor in the pressures, however our initial work with securing overseas recruitment has resulted in the appointment of 32 Social workers that have commenced employment. Whilst this has increased the work force to 66% FTE, there will be a need to continue with agency staff whilst further recruitment is undertaken. Following the Ofsted Inspection and the hidden harm that we are now seeing as a result of COVID and children not being visible, a number of the savings proposals have not been able to be progressed.

We have also had confirmation that the DfE will contribute approx. £400K to the business case for the additional Family support workers and business support staff who have been employed to relieve some pressure in the system in order to allow the social workers to focus more time with the families with a view to reducing the number who need social care interventions.

10.39% Of Total Capital Programme
 (£0.1M) Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Childrens & Family Services	7.0	6.9	(0.1)

Service Comments:-

Capital spend predominantly relates to school and SEND provision. Schemes are currently forecast to be spent in line with the approved budget.

0.71% Of Total Revenue
Service Budgets

£0M

Forecast Revenue
Overspend

0% Variance as % Of Total
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Public Health	1.1	1.1	0.0
	1.1	1.1	0.0

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

Service Comments:-

The Council has been allocated a ring fenced Public Health grant of £11.887m in 2022/23. This grant is allocated across 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, School Nurses and the Localities team.

Some of the grant has been used as a contribution towards key contracts which impact public health outcomes. These include Lincs Inspire and Adult Social Care Partnership.

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.

32.9% Of Total Revenue Service Budgets

(£1.0M) Forecast Revenue Underspend

1.95% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Adult Services	51.2	50.2	(1.0)
	51.2	50.2	(1.0)

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

Service Comments:-

The service has conducted a comprehensive line-by-line budget analysis, and has identified £0.8M of one-off, in-year, underspends that will be released to support the overall Council outturn position for 2022/23. The ambition is that the underspend achieved will be £1.0M and that is reflected in the monitoring albeit the risk has to be recognised.

The key cost drivers of the service remain increasing demand and rising costs, mainly driven by the increased complexity of care needs of people leaving hospital earlier than they would have done previously. Whilst there is risk in the reported position a projection is being made that cost and demand pressures, provider sustainability, activity fluctuations, timing and costs of transitions, and full achievement of DFG savings proposal of £1.2m which is included within the service commissioning plan are able to be contained and delivered within the remaining budget envelope for 2022/23 after the one-off underspends of £0.8M are achieved.

As part of the DHSC requirements, the Fair Cost of Care exercise has been completed. Adult services are awaiting verification of the Fair Cost of Care return from the DHSC. The expenditure of the Fair Cost of Care grant for 2022/23 was delegated by Cabinet to the DASS in consultation with the Portfolio Holder and Section 151 officer. As the amount of funding for the Fair Cost of Care grant for 2023/24 and 2024/25 is still unknown, most of the grant for 2022/23 is being allocated to support at home providers as a one-off payment to support current pressures and to help drive our "Home First" approach. In addition, 25% of the grant is allocated to the costs of conducting the exercise, as allowed for in the grant conditions. Engagement with providers is being undertaken to initiate the fee setting process for 2023/24 for all residential, supporting living and support at home services. Adult services will be particularly reliant on the Fair Cost of Care grant for 2023/24 to support fee uplifts, so the fee setting process for 2023/24 will be particularly challenging in the context of uncertainty of grant funding.

Corporate Budgets

5.31%

Of Total Revenue
Budgets

(£4.4M)

Forecast Revenue
Underspend

CORPORATE BUDGETS	Budget £'M	Forecast £'M	Variance £'M
Pensions and Appropriations	7.5	5.0	(2.5)
Technical Adjustments	(12.4)	(12.4)	0.0
Borrowing Costs	13.0	11.0	(2.0)
Levies	0.7	0.7	0.0
Other Budgets	(0.1)	(0.1)	0.0
Total	8.7	4.3	(4.4)

The £4.4M underspend forecast for corporate budgets reflects earmarked reserve drawdowns, of which £0.9M has been ringfenced for pay awards.

Borrowing costs, comprising interest and monies set aside to repay external loans ('Minimum Revenue Provision'), are expected to be £2.0M lower than budget. Effective treasury and cash management processes have contributed towards this outcome despite rising interest rates. However borrowing costs are expected to rise over the medium term due to a combination of higher interest rates and increased capital programme.

Funding - Summary

80.6% Local Taxation Budget as
% of Total Funding

1.98% Council Tax uplift
22/23

FUNDING	Budget £'M	Forecast £'M	Variance £'M
Council Tax	(79.3)	(81.0)	(1.7)
Business Rates	(45.6)	(45.7)	(0.1)
Revenue Support Grant	(9.5)	(9.5)	0.0
Better Care Fund	(8.1)	(8.1)	(0.0)
Social Care Support	(8.2)	(8.2)	0.0
Capital Grants and Contributions	0.0	0.0	0.0
New Homes Bonus	(0.8)	(0.8)	(0.0)
Market Sustainability	(0.5)	(0.5)	(0.0)
Services Grant	(2.7)	(2.7)	0.0
Lower tier service grant	(0.3)	(0.3)	(0.0)
Total	(155.0)	(156.8)	(1.8)

In-year funding from local taxation has seen higher than anticipated income after a full detailed system review has been carried out.

In-year collection is continuing to be monitored closely.

Local Taxation

Council Tax Collection	%	Non Domestic Rates Collection	%
Q3 2022/23	79.96	Q3 2022/23	80.17
Q3 2021/22	80.40	Q3 2021/22	77.65
Q3 2020/21	80.19	Q3 2020/21	78.78

Collection Rates:-

Council Tax

Collection performance in terms of percentage is 0.44% lower than this time last year. However, the collectible liability is about £4M higher than last year and the Council has collected approximately £3M more already this year compared to last year.

One contributing factor is that more customers are signed up to Direct Debit this year. This is largely due to the fact that the vast majority of council tax payers have been entitled to the government's £150 Energy Rebate payment and Direct Debit was the easiest way to pay this, so additional customers have signed up to Direct Debit so that they could receive their payment more quickly.

This represents good collection performance given cost of living challenges.

Non Domestic Rates

Collection is significantly ahead of this time last year (+2.5%). This represents strong performance given the collectible liability is about £4.2M higher this year. The Council have already collected approximately £5.7M more compared to last year.

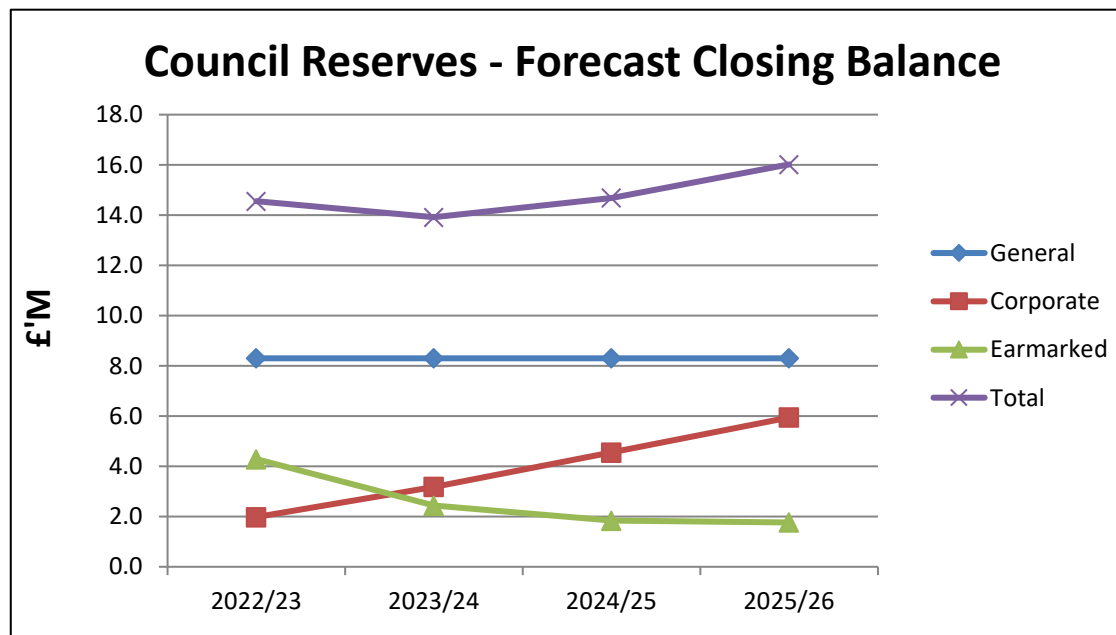
Reserves

£8.3M General Fund

5.4% General Fund as %
Of Net Budget

£16M

Forecast 25/26 Total
Reserve Balance



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 (MTFP) and considered to be a prudent level taking into account the increased level of risk to which the Council is currently exposed. This position will be reviewed and updated as necessary as part of the next MTFP round.

The reserve balances reflected in the chart above include the recommended use of £5.1M reserves in order to mitigate the current overspend position. This includes the use of the Transformation Reserve, Debt Financing Reserve, Business Rates Reserve and Social Care & Demand Demographic Reserve.

Reserves

4.5%

25/26 Corporate Reserves
as % Of Net Budget

£5.9M

Forecast 25/26 Corporate
Reserve Balance

Key Earmarked Reserves

Name	22/23 Closing Balance £'M	Purpose
Business Rates Equalisation	0.0	Used to mitigate fluctuations in business rates income without impacting service budgets
Transformation Reserve	0.0	Service transformation activity
Social and Demographic Demand	1.5	To acknowledge increased risk and pressures related to social care and demand demographics
Debt Financing	0	Used to mitigate costs of borrowing and capital programme activity
Council Tax Hardship Fund	0.2	Used to offer assistance to residents who are facing hardship

In light of the current economic and financially position faced by the Council it is essential that we continue to review corporate and technical reserves to ensure there is sufficient capacity to deal with the risks and opportunities faced.

The Council has drawn upon reserves in order to mitigate budget pressures in year. Plans have been put in place to replenish reserves to a reasonable level as part of the medium term financial planning process.

Working Capital Management

91%

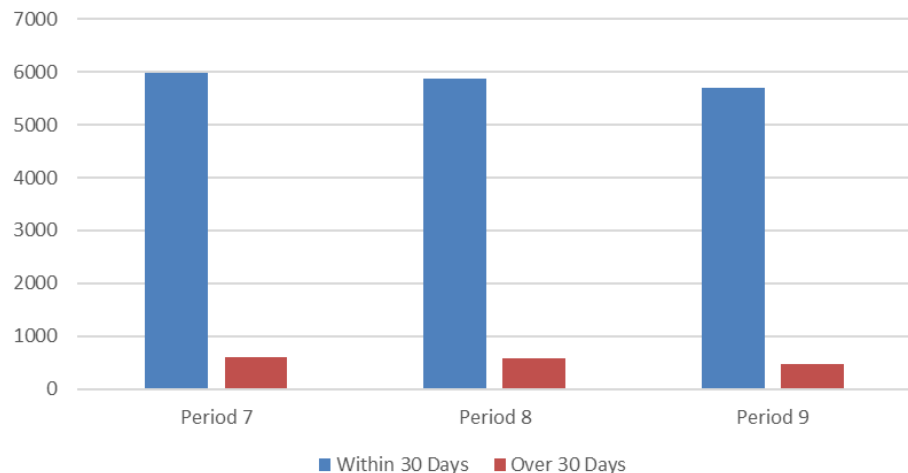
Creditor Invoices Paid within 30 days during Qtr. 3

£3.6M

Value of over 90 day debt at Qtr. 3

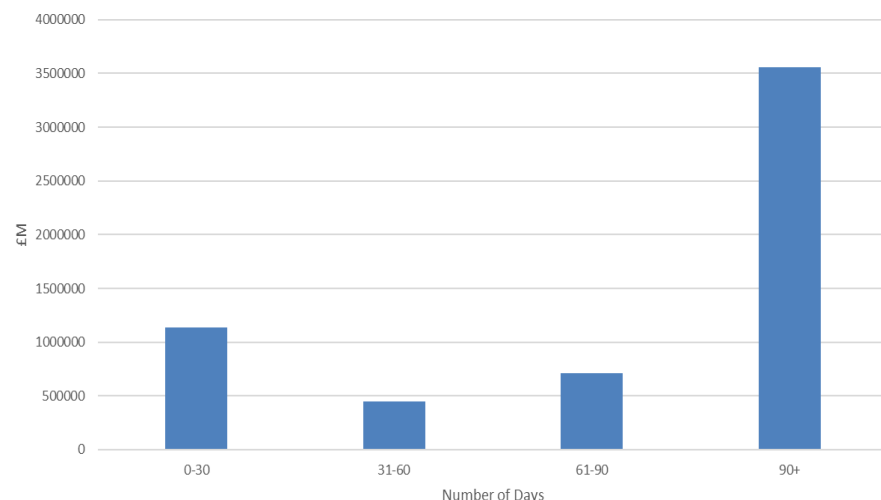
Invoices Paid During Qtr. 3

Transactions Processed



Outstanding Debt at Qtr. 3

Aged Sundry Debt



The processing of creditor invoices within terms continues to improve as familiarisation with the new finance system and ways of working continues to develop. Quarter 3 invoices paid within terms was 91% (Q2, 90%). The volume of invoices processed has increased by circa 4k between Q1 and Q2. It is expected that the improvements will continue in future periods.

The overall debt has increased since 2022-2023 Q2 report predominantly in the 61-90 and 90+ day category indicating that customers are taking longer to pay their debt. This may be influenced by economic factors. Historically the Q3 outstanding debt in the late payment categories has been higher due to the winter holiday period. The debt for 90+ days also includes older invoices where debt is being collected on agreed payment plans.

Bad debts and write offs continue to be carefully monitored with further action taken where necessary.

Treasury & Cashflow 2022-23

£24.1M

Investments at 31 Dec 22

£154.8M

Borrowing as at 31 Dec 22

3.16%

Average return on investments

3.38%

Average cost of borrowing

Current borrowing and investments are consistent with the Treasury Management Strategy.

Balances, which had been elevated due to Covid-19 pandemic positions, have now unwound and sit at typical levels for the Council. Bank rates continue to rise toward an expected terminal rate between 4-4.5%. With £25m of borrowing completed early in the cycle only £10m of additional 1 year borrowing was arranged for future drawdown in 2023 during the period at an average rate of 4.4%

The columns in the chart below show our expected year end borrowing levels assuming full, on-time, delivery of the agreed capital programme.

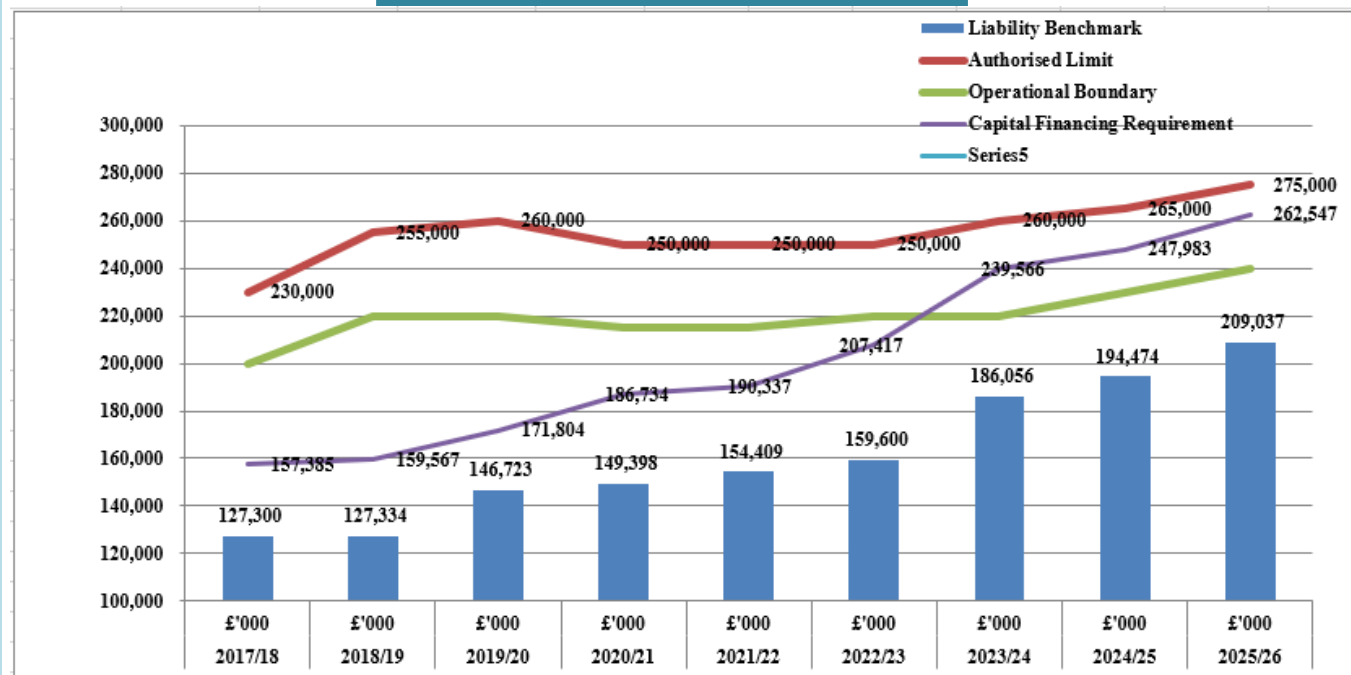
The chart shows the projection for various limits, determined to ensure that all borrowing is affordable and linked to the Capital Programme.

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, which had been boosted by various grant streams, primarily in connection with COVID grant, and short-term borrowing taken in advance to provide liquidity, has now unwound.

Rising rates have created significantly more interest rate risk on our future borrowing requirement. We secured some new borrowing prior to rates spiking in September and our strategy now is to use shorter term borrowing (as far as possible) to see us through the peak of the current cycle.

Prudential Indicators



Treasury Outlook

The chart opposite shows the projection for the Council's projected borrowing over several decades (the red line), using the current approved Capital Programme and an assumption of reduced, but continuing, capital investment funded by borrowing in the future.

The Liability Benchmark allows us to make long-term borrowing decisions calculated not to create a future 'over-borrowed' position.

The table shows current interest rate projections against budgets. These projections move in relation to both additions/reprofiling in the approved Capital Programme and changes in interest rate forecasts.

Rising rates have created a pressure in future years based on the current Programme. Some of this pressure can be alleviate by reserves held specifically to smooth out the impact of rate movements and there is expected to be some slippage in the programme which could delay the borrowing impact.

However, it is clear that debt budgets are now much more challenging than in the recent past.

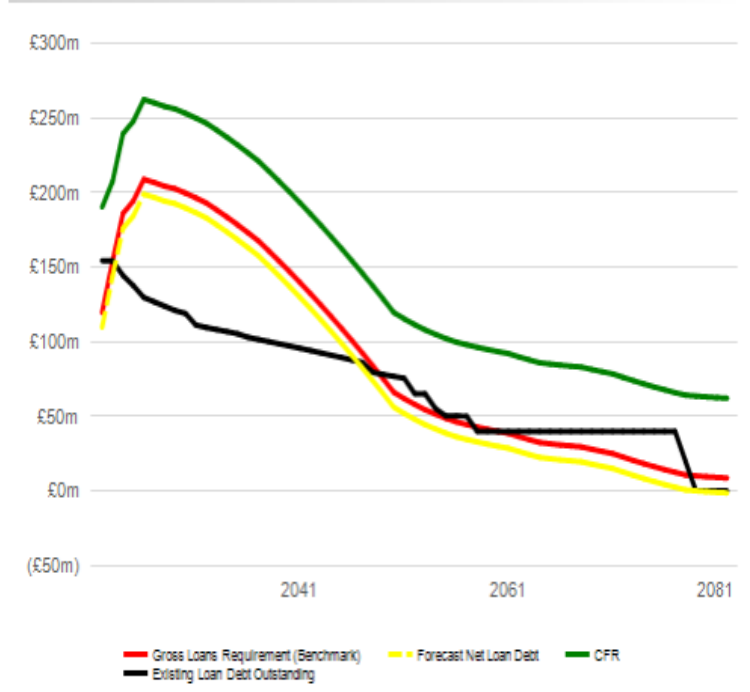
(Right)

Current approved capital plans and a working assumption that capital investment continues (but at a reducing level) over future decades allows us to project over a very long forecast period (consistent with the typical loan terms we can access) and helps guard against incremental borrowing creating an over-borrowed position for future generations of taxpayers.

This projection is known as the Liability Benchmark (the red line) and represents an efficient borrowing strategy over the long-term, against current assumptions. From 2023-24 the Benchmark will be a formal Prudential Indicator under CIPFA Guidance, though we must 'have regard to' it from 2022-23. Readers of the Treasury Management Strategy will be familiar with the tool already as we have reported it for several years.

Interest Cost	2022/23	2023/24	2024/25
Forecast outturn	£5.158m	£7.083m	£8.038m
Current Budget	£6.412m	£6.600m	£6.600m
Shortfall (-)	£1.254m	-£0.483m	-£1.438m

General Fund Liability Benchmark



(Left)

Interest rates have been climbing since Q3 2021/22 as the market began to understand that the Bank of England's 'transitory' narrative around post-pandemic inflation firstly looked overly optimistic, and then was entirely undermined by the Russian invasion of Ukraine and soaring energy prices.

This will potentially increase costs for the Council in future years,

Quarter 3

Capital Programme

Capital Programme

Name of Scheme	2022/23 Capital Programme £000's	2023/24 Capital Programme £000's	2024/25 Capital Programme £000's
Economy & Growth			
Clee HLF Townscape Heritage	725	1,026	290
SHIIP Scheme	5,502	130	2,996
Playing Pitch Reprovision	1,555	2,500	300
Unlocking the Potential	162	0	0
Cleethorpes Public Art	109	0	0
Heritage Action Zone	633	300	0
Town Deal Investment	2,005	1,300	0
Central Clee Regeneration	257	3,520	0
CDF - Open for Culture	209	0	0
Future High Street Fund	16,262	10,571	0
Towns Fund	1,492	12,348	0
Strategic Land Acquisition	500	0	0
Disabled Facilities Grants	4,000	3,500	3,500
Local Transport Plan Schemes	5,318	4,688	4,864
Housing Assistance Grants and Loans	236	478	0
Backlog Maintenance	1,615	841	0
Property Rationalisation Programme	183	0	0
Glepp Junction Improvement	93	0	0
Cartergate Office Development	220	0	0
Immingham Lock flood Def Gates	63	0	0
A18 Laceby to Ludborough	407	0	0
Heritage Assets at Risk	307	200	0
Accelerated Cons funding	309	0	0
Corporation Rd Bridge Refurb	500	4,063	0
Poplar Road Expansion	9	3,025	0
Business Centre Improvement	100	327	0
Grimsby to Imm Ext Cycle Track	1,035	0	0
Rough Sleeper Accom Grant	111	0	0
Green Homes Grant LAD Phase 2	726	0	0
Gy and Imm Flood Innov Funding	1,392	1,980	0
Bradley Replacement 3G Pitch	260	0	0
Grant St Car Park	90	3,302	0
Sustainable Warmth - new scheme	1,094	0	0
Flood Defences - Humberston Fitties	125	0	0
Changing Places Fund	86	0	0
A180 Structures	3,500	4,358	3,387
Abbey Walk Car Park Security Measures	35	0	0
Grimsby Surface Water Flood Alleviation	0	0	0

Capital Programme

Name of Scheme	2022/23 Capital Programme £000's	2023/24 Capital Programme £000's	2024/25 Capital Programme £000's
Resources			
Capital Investment	612	3,051	1,832
Capital Rec't Flexibility	400	400	400
ICT Refresh	748	646	0
System Investment	44	0	0
LMS Implementation	21	0	0
Sentinel Master Data Mgt	209	65	0
M365 Transformation Programme	173	175	131
CRM Developments - new scheme	85	0	0
Education Management Platform	86	783	343
Fleet Replacement Programme	1,332	1,669	0
Household Recycling Scheme	0	57	0
Litter Bin Upgrade Plan	29	0	0
Enhancement of Bereavement Services	566	383	195
Peoples Park Refurbishment	41	0	0
Depot Rationalisation	2,519	4,000	0
Scartho Cemetery Lodge & Waiting Rooms	527	291	0
Resort Management	41	0	0
Public Sector Decarbonisation	1,404	0	0
Environmental Services Mgt System	125	0	0
Regulatory Services Management System	92	0	0
Memorial Testing & Repairs	82	0	0
Play Areas	50	600	150
Children & Family Services			
CCTV Review & Upgrade	2,066	0	0
Safer Streets 2	5	0	0
Safer Streets 4	408	199	0
Schools - Devolved Formula Cap Grant	157	60	0
Schools - Backlog Maintenance	292	400	400
Schools - Basic Need Sufficiency of Places	3,700	8,500	8,000
SEND Special Prov Fund	257	4,452	883
Service Imp Educ	61	0	0
New Nursery Places	5	0	0
TOTAL CAPITAL PROGRAMME	67,362	84,188	27,671

Capital Programme Funding

Funding Source	2022/23 Capital Programme £000's	2023/24 Capital Programme £000's	2024/25 Capital Programme £000's
Specific Grants	14,792	22,272	3,225
Unringfenced Grants	27,239	16,779	6,273
s106/private cont	651	5,124	436
Specific Loans (Salix)	0	0	0
Ring fenced cap rcpts	441	400	400
RCCO/EMR's	280	0	0
Corp Resource	23,959	39,613	17,337
TOTAL FUNDING	67,362	84,188	27,671