

# CABINET

<b>DATE</b>	10th February 2021
<b>REPORT OF</b>	Councillor Stan Shreeve Deputy Leader and Portfolio Holder for Finance, Resources and Assets
<b>RESPONSIBLE OFFICER</b>	Sharon Wroot - Executive Director for Environment, Economy and Resources
<b>SUBJECT</b>	2020/21 Quarter 3 Finance Monitoring Report
<b>STATUS</b>	Open
<b>FORWARD PLAN REF NO.</b>	CB 02/21/04

## 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 the third Quarter 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 quarter 3, the Council is forecasting a balanced position against its 2020/21 budget. This represents an improvement of £0.7M against the position reported at Quarter 2. The improvement reflects additional COVID-19 income from Government and movements in service spending forecasts.
- Despite the reported balanced position, financial pressures continue to be experienced largely due to the Council's COVID-19 response.
- Pressures have been particularly acute within social care system as a whole, with additional provider sustainability payments and increasing costs associated with children at risk or looked after. As previously reported, the focus on COVID-19 has also led to delays in implementing and delivering aspects of the Council's commissioning priorities.
- During the third quarter we have continued to deliver a range of financial support packages within the Borough. This funding is predominantly directed towards supporting businesses and individuals deal with the financial impacts of the pandemic. 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.

- Inevitably collection rates within both council tax and business rates have been affected by the pandemic and we are continuing to closely monitor the position. Council tax collection is down 1.2% and Business rates collection is down 3.5% compared to the same point last year. The impact on future years income will be dependent upon the pace at which the local economy recovers and be reflected in future years budget estimates.
- Despite the above, the Council's long term financial strategy remains focused on the achievement of financial sustainability by embracing the area's economic potential and growing the tax base. Increasingly, the Council is taking a more commercial approach and investments are anticipated to make a significant contribution to the Council's strategic objective of enabling the growth of a strong and sustainable local economy. The Council is working alongside Government and private investors to accelerate growth across the Borough. Major projects within the Port of Immingham, Stallingborough Enterprise Zone and in the Town Centres are planned and factored into the capital investment programme.
- It is anticipated that we will deliver £54.7M of the approved capital programme in year. Importantly though, the Council continues to operate within its approved Treasury Management Strategy and the Council's capital investment plans remain affordable, prudent and sustainable.
- Looking forward, the Council faces the range of challenges including the continued and long term impacts of COVID 19, NHS reform, transitional arrangements linked to EU Exit and demographic pressures on social care demand.
- As in 2020/21, the Council has received a one year financial settlement from central Government for 2021/22 with longer term changes to the local government financial model being postponed for at least another year.
- This current level of uncertainty will necessitate a review of level of reserves as part of the forthcoming budget to ensure the Council has sufficient capacity to deal with the increased risks and opportunities it currently faces. It is important to note that this level of uncertainty is likely to remain for some time and the medium to long term impact of the pandemic on the financial position is still being understood.

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 3, the uncertainties related to the impacts of COVID-19 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 DECISIONS**

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 Attached at Appendix 1 is the Quarter 3 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**

- 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.
- 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**

- 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 2020/21 – 2022/23.  
<http://www.nelincs.co.uk/wp-content/uploads/2019/05/Budget-Summary-2019.20-MTFP-2019.20-2021.22.pdf>

12.2 2020/21 Quarter 3 Finance Monitoring Report (attached).

**13. CONTACT OFFICER:**

13.1 Sharon Wroot, Executive Director for Environment, Economy and Resources  
Tel: (01472) 324423.

**COUNCILLOR STAN SHREEVE**  
**PORTFOLIO HOLDER FOR FINANCE, RESOURCES AND ASSETS**

# Finance Monitoring Report 2020/21 – Quarter 3



Appendix 1



# FINANCIAL OVERVIEW - QTR3

## Quarterly Revenue Spend Forecast Position £'M



### Revenue Position

✗ 11.48%

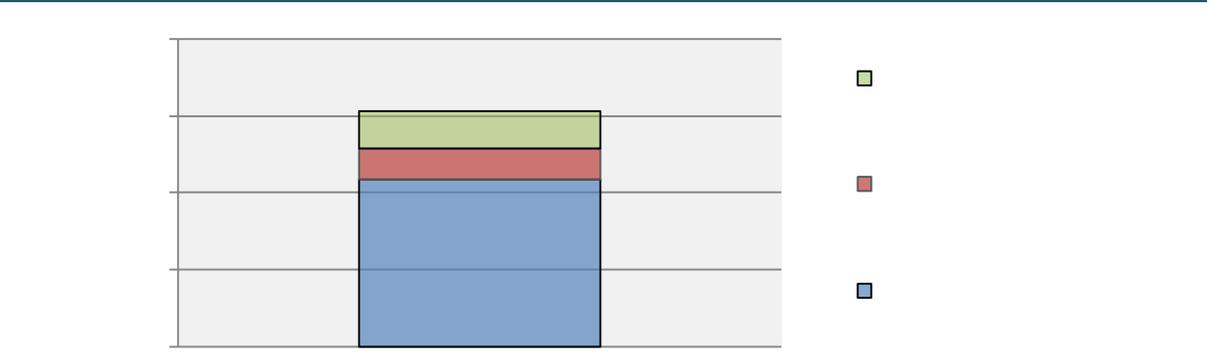
REVENUE	Budget £'M	Forecast £'M	Variance £'M	
Corp & Dem Services	3.3	6.3	3.0	Pg 8
Environment	16.5	16.5	0.0	Pg 9
Economy & Growth	23.1	24.0	0.9	Pg 10
Children's & Family Services	40.1	50.0	9.9	Pg 12
Public Health & Leisure	5.0	5.4	0.4	Pg 14
Adult Services	45.3	46.4	1.1	Pg 15
<b>Total</b>	<b>133.3</b>	<b>148.6</b>	<b>15.3</b>	
Other Budgets Underspend			(1.1)	Pg 16
Unallocated Covid-19 Funding			(14.2)	Pg 17
<b>Net</b>			<b>0.0</b>	

### Capital Position

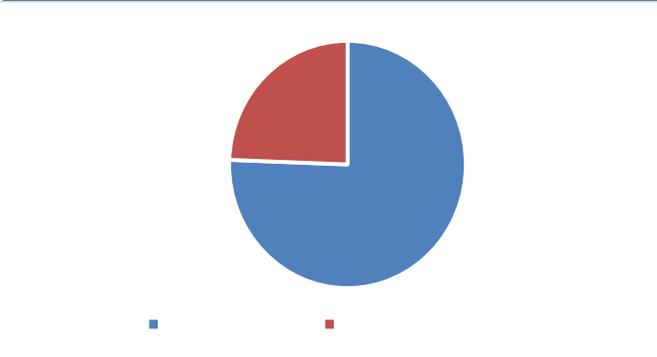
✗ (6.31%)

CAPITAL	App Prog £'M	Forecast £'M	Variance £'M	
Corp & Dem Services	4.1	3.6	(0.5)	Pg 8
Environment	5.3	4.3	(1.0)	Pg 9
Economy & Growth	42.0	42.0	0.0	Pg 11
Children's & Family Services	4.0	1.8	(2.2)	Pg 13
Public Health & Leisure	0.4	0.4	0.0	Pg 14
Adult Services	2.8	2.8	0.0	Pg 15
<b>Total</b>	<b>58.6</b>	<b>54.9</b>	<b>(3.7)</b>	
Funding			3.7	
<b>Net</b>			<b>0.0</b>	

## Service Over Spend Analysis £'M



## Funding Outturn



# Overview

At the end of third quarter of the financial year, the Council is forecasting a balanced position against its 2020/21 budget. This represents an improvement of £0.7M against the position reported at Quarter 2 and reflects a combination of additional grant income from Government and movements in service spending forecasts.

Despite the reported balanced position, financial pressures continue to be experienced largely due to the Council's COVID-19 response. Pressures have been particularly acute within social care system as a whole, with additional provider sustainability payments and increasing costs associated with children at risk or looked after. As previously reported, the focus on COVID-19 has also led to delays in implementing and delivering aspects of the Council's commissioning priorities.

During the third quarter we have continued to deliver a range of financial support packages within the Borough. This funding is predominantly directed towards supporting businesses and individuals deal with the financial impacts of the pandemic. 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.

Inevitably collection rates within both council tax and business rates have been affected by the pandemic and we are continuing to closely monitor the position. Council tax collection is down 1.2% and Business rates collection is down 3.5% compared to the same point last year. The impact on future years income will be dependent upon the pace at which the local economy recovers and be reflected in future years budget estimates

Despite the above, the Council's long term financial strategy remains focused on the achievement of financial sustainability by embracing economic potential and growing the tax base. Increasingly, the Council is taking a more commercial approach and investments are anticipated to make a significant contribution to the Council's strategic objective of enabling the growth of a strong and sustainable local

economy. The Council is working alongside Government and private investors to accelerate growth across the Borough. Major projects within the Port of Immingham, Stallingborough Enterprise Zone and in the Town Centres are planned and factored into the capital investment programme.

It is anticipated that we will deliver £54.7M of the approved capital programme in year. Importantly though, the Council continues to operate within its approved Treasury Management Strategy and the Council's capital investment plans remain affordable, prudent and sustainable

Looking forward, the Council faces the range of challenges including the continued and long term impacts of COVID 19, NHS reform, transitional arrangements linked to EU Exit and demographic pressures on social care demand. As in 2020/21, the Council has received a one year financial settlement from central Government for 2021/22 with longer term changes to the local government financial model being postponed for at least another year.

This current level of uncertainty will necessitate a review of level of reserves as part of the forthcoming budget to ensure the Council has sufficient capacity to deal with the increased risks and opportunities it currently faces.

It is important to note that this level of uncertainty is likely to remain for some time and the medium to long term impact of the pandemic on the financial position is still being understood.

**Sharon Wroot – Executive Director**

# COVID-19

The Council's activities continue to be impacted by the COVID19 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 a range of financial support to meet the immediate costs of the response. This funding has been recognised within the Council's revenue funding position within 2020/21. The Government has required the Council to report information on the utilisation of the funding and a monthly return is made to MHCLG. Key areas where funding has been applied during the year include:

- Additional personal protective equipment
- Establishment of Shielding hubs
- Provider sustainability payments
- Infection control measures
- Workforce pressures and residential costs within Children's social care
- Homelessness and rough sleeping demand
- ICT and agile working equipment
- Lost car parking income
- Reduced other income (including court costs, registrars)
- Wider compliance measures
- Delayed savings and transformational activity

In addition to the direct funding the Council has received, it has helped to administer a range of financial support packages within the Borough. This funding has included a range of mandatory and discretionary business grants, support for individuals through the Council Tax Hardship Fund and infection control monies to support the Care Home sector. 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.

The Council has put in place proportionate governance and oversight arrangements for each of the funding allocations it has received from Government with involvement of the Leader of the Council, Portfolio Holder for Finance and Resources and Chief Executive.

Further detail on funding allocations received are provided below.

# COVID-19 Funding

## Direct funding

Grant scheme	Description	Amount	Date
General Government Grant - Tranche 1	General LG grant allocation	5,215,565	Apr-20
General Government Grant - Tranche 2	General LG grant allocation	4,381,071	Jun-20
General Government Grant - Tranche 3	General LG grant allocation	1,592,902	Aug-20
General Government Grant - Tranche 4	General LG grant allocation	3,474,173	Oct-20
Compliance and enforcement	Enforcement and compliance activity.	99,729	Oct-20
Fees and charges compensation scheme	Quarter 1 and Quarter 2 compensation	500,000	Oct-20
Test and trace	Mitigation against and management of outbreaks	1,049,417	Jun-20
Contain Outbreak Management Fund	Additional allocation	1,276,504	Nov-20
Clinically Extremely Vulnerable individuals	Monthly allocation	96,000	Oct-20
Covid Winter Grant scheme	Targeted financial support	628,462	Nov-20

## Distributed funding

Grant scheme	Description	Amount	Date
Small Business Grant / Retail, Hospitality Leisure	Round 1	35,510,000	Apr-20
Discretionary Business grant	Fully distributed June 2020	1,587,750	May-20
Assisted restrictions grant	Discretionary fund	3,191,260	Nov-20
Local Restrictions Grant Closed	Covering period 5/11/2020 - 2/12/2020	2,814,966	Nov-20
Tier 2 restrictions grant	Covering period 31/10/2020 - 5/11/2020	96,285	Nov-20
Council Tax Hardship Fund	Support economically vulnerable people and households	1,655,033	Mar-20
Care home support package/Infection control	Allocated to CQC registered providers	2,246,238	May-20
Adult Social Care Infection Control	Mandatory care home allocation	1,040,335	Oct-20
Adult Social Care Infection Control	Mandatory community funding and discretionary funding	1,040,335	Dec-20

# Revenue Highlights

£0.0M Total Revenue  
Forecast Overspend

£15.3M Service Budgets  
Forecast Variance

11.48% % Representation of  
Service Budget  
Overspend to Net Budget

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Corporate & Democratic Services	3.3	6.3	3.0
Environment	16.5	16.5	0.0
Economy & Growth & Housing	23.1	24.0	0.9
Childrens & Family Services	40.1	50.0	9.9
Public Health & Leisure	5.0	5.4	0.4
Adult Services	45.3	46.4	1.1
	<b>133.3</b>	<b>148.6</b>	<b>15.3</b>
Corporate Budgets	4.6	3.5	(1.1)
	<b>137.9</b>	<b>152.1</b>	<b>14.2</b>
Earmarked reserves	1.1	1.1	0.0
School Balances	(1.1)	(1.1)	0.0
<b>Total</b>	<b>137.9</b>	<b>152.1</b>	<b>14.2</b>
Funding	(137.0)	(137.0)	0.0
Covid-19 Funding	(0.9)	(15.1)	(14.2)
<b>Net</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

The Council is currently forecasting a balanced outturn position. Service areas are reporting a £15.3M 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, of which £14.2M is shown above, this includes estimated compensation for income losses of £0.4M. This, in addition to underspends against borrowing costs and other budgets has resulted in the forecast balanced position.

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

(£3.7M)

Service Capital  
Forecast Variance

6.31%

% Representation of Service  
Capital Underspend to Approved  
Programme

Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Corporate & Democratic Services	4.1	3.6	(0.5)
Environment	5.3	4.3	(1.0)
Economy & Growth & Housing	42.0	42.0	0.0
Childrens & Family Services	4.0	1.8	(2.2)
Public Health & Leisure	0.4	0.4	0.0
Adult Services	2.8	2.8	0.0
<b>Total Capital Budgets</b>	<b>58.6</b>	<b>54.9</b>	<b>(3.7)</b>
Funding	(58.6)	(54.9)	3.7
<b>Net</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>

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 3 a number of slippage requests have been made and are detailed opposite.

In addition, a number of programme adjustments are proposed. These include the de-commitment of recycling service bin purchase due to costs being lower than anticipated.

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 2020.

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

<b>SLIPPAGE REQUESTS</b>	<b>20/21 £M</b>	<b>PROGRAMME ADJUSTMENTS</b>	<b>20/21 £M</b>
Immingham Dock	(0.06)	Fleet	(0.46)
Accelerated Cons Funding	(0.40)	Capital Investment	0.50
Sufficiency of School Places	(1.06)	South Humber Bank Major Maint	0.18
SEND	(0.29)	Local Transport Plan	0.08
New Nursery Places	(0.14)	Disabled Facilities Grant	0.38
CCTV Review & Upgrade	(0.77)	Backlog Maintenance	0.09
Property Rationalisation	(0.11)	Town Deal Investment	0.20
Catergate Office Development	(0.22)	Central Clee Regeneration	0.20
Heritage Assets at Risk	(0.45)	Clee Public Art	(0.10)
Clee HLF Townscape Heritage	(0.11)	<b>Total</b>	<b>1.07</b>
SHIP	(2.60)		
Unlocking the Potential	(0.20)		
A18 Laceby to Ludborough	(0.50)		
Willingham/Peaks Drainage	(0.07)		
Heritage Action Zone	(0.16)		
CFD Open for Culture	(0.02)		
Housing Assistant Grants and Loans	(0.15)		
Controlling Rogue Landlords	(0.05)		
Disabled Facilities Grant	(0.38)		
Backlog Maintenance	(0.28)		
Looked After Children	(0.10)		
Service Improvement Education	(0.04)		
<b>Total</b>	<b>(8.15)</b>		

# Revenue

# Corporate & Democratic Services

**2.48%** Of Total Revenue Service Budgets

**£3.0M**

Forecast Revenue Overspend

**90.9%**

Variance as % Of Total Budget Envelope

REVENUE	Revenue Budget £'M	Revenue Forecast £'M	Variance £'M
Resources	(2.0)	(0.2)	1.8
Shared Service	2.2	3.0	0.8
Law	1.6	1.9	0.3
Communities	1.5	1.6	0.1
	<b>3.3</b>	<b>6.3</b>	<b>3.0</b>

VARIANCE ANALYSIS	£M
Commissioning Pressures	1.1
Fees & Charges Income Shortfall	0.8
Service Pressures/Other Issues	1.1
	<b>3.0</b>

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

**7.02%** Of Total Capital Programme

**(£0.5M)**

Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Capital Forecast £'M	Variance £'M
Resources	2.5	2.0	(0.5)
Shared Service	1.5	1.5	0.0
Gov Dem & Community Engage	0.1	0.1	0.0
	<b>4.1</b>	<b>3.6</b>	<b>(0.5)</b>

The Holme Hill element of this scheme is now on hold as NELC are looking to dispose of the property, therefore potential underspend in relation to these works - no slippage required at this moment in time until further decisions are made.

**12.38%** 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	<b>16.5</b>	<b>16.5</b>	<b>0.0</b>

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

**9.08%** Of Total Capital  
Programme

**(£1.1M)** Forecast Capital  
underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Environment	<b>5.3</b>	<b>4.3</b>	<b>(1.0)</b>

A £1.0M underspend has been recorded within the waste & recycling service. The purchase of new recycling bins and new litter bins have come in at a lower price than originally anticipated resulting in £0.6M being de-committed from the schemes.

**17.33%** Of Total Revenue Service Budgets

**£0.9M** Forecast Revenue Overspend

**3.9%** Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Economy & Growth	19.7	20.2	0.5
Housing	3.4	3.8	0.4
	<b>23.1</b>	<b>24.0</b>	<b>0.9</b>



VARIANCE ANALYSIS	£M
Commissioning Pressures	0.1
Fees & Charges Income Shortfall	1.0
Service Pressures/Other Issues	(0.2)
	<b>0.9</b>

The service is forecasting a significant shortfall from car parking income of £1.0M as a direct impact of the COVID-19 outbreak. These costs are being offset by staffing and in year service savings. 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.

**66.21%** Of Total Capital Programme

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

<b>CAPITAL</b>	Approved Programme £'M	Forecast £'M	Variance £'M
Economy & Growth	38.8	39.2	0.4
Housing	3.2	2.8	(0.4)
	<b>42.0</b>	<b>42.0</b>	<b>0.0</b>

The Local Transport Plan programme is currently on schedule to spend £0.3M over the current budget allocation based on their latest schedule of works - Any overspend on their existing budget will be met from bringing forward next year's allocation. This will be assessed at the next quarter before bringing any funds forward.

Littlecoates Junction is currently forecasting a potential £0.2M overspend due to various issues including some COVID related ones - currently various options are being explored to cover this potential overspend including S106/external funding / LEP re-alignment.

Accelerated Construction Funding now shows that circa £1M will be incurred in 20/21 and the remaining budget will all now be incurred in the new year. Agreement has now been reached with Sport England regarding playing pitch re-provision and this has allowed planning permission to be progressed.

**31.12%** Of Total Revenue Service Budgets

**£9.9M**

Forecast Revenue Overspend

**24.7%** Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M	VARIANCE ANALYSIS	£M
Skills	0.7	0.8	0.1	Commissioning Pressures	0.3
Education	7.4	7.7	0.3	Fees & Charges Income Shortfall	0.4
Assessment & Safeguarding	10.2	17.6	7.4	Service Pressures/Other Issues	9.2
Children & Families	15.4	17.5	2.1		<b>9.9</b>
Safer NEL	1.6	1.6	0.0		
Performance & Qual	0.4	0.4	0.0		
Women & Children	1.3	1.3	0.0		
Budget to be allocated	3.1	3.1	0.0		
<b>Total Children's &amp; Family Services</b>	<b>40.1</b>	<b>50.0</b>	<b>9.9</b>		



Children's and Family Services are continuing to experience operational and demand pressures and this has led to a movement in their forecast outturn position. As previously reported, the service has had to invest in additional resources to deliver the necessary improvements highlighted by Ofsted in its most recent inspection. Whilst service improvements have and continue to be secured and have resulted in £0.3M of cost reduction, the current financial situation within the service has been exacerbated by the COVID-19 pandemic. This has led to increased costs particularly in respect of the recruitment and retention of Social Workers, out of area placements and delayed transformational plans. The overall projected overspend is £9.9M however the estimated costs of COVID count for around £5.8M.

The key variances relate to:

Agency Placements & Safeguarding – An overspend of £2.8M is forecast due to increasing numbers and complexity of need for looked after children. An Improvement plan to re-design the approach through a series of work programmes including the Early Discharge Team Placement Panel and Valuing Care has started and is showing positive signs around children entering the system and the reduction in Children Protection numbers with cost savings beginning to be realised. Further savings are reflected in the forecast projections which present a risk and will be a challenge given the high demand needs that locally persists.

Child Resource & Regulation (Foster Carer payments, Special Guardianships and Residency Orders) - This area is currently forecasting an overspend of £2.5M. The number of Children Looked After (CLA) within the system remains high and at the end of October stood at 604 (September 2020 was 594). The implementation of the Improvement Plan, including targeted actions around placements was expected to bring the number of CLA down by year end but this will not achieve its target predominantly due to the demand and COVID situation.

Safeguarding (£3.5M) - This is the cost of additional Social Worker teams and associated staffing, to manage both the high demand for Children's Social Services and the delays to recruitment arising from the COVID pandemic resulting in the need to retain these more teams for longer than was planned.

## Capital

**6.85%** Of Total Capital Programme      **(£2.2M)** Forecast Capital Underspend

<b>CAPITAL</b>	Approved Programme £'M	Forecast £'M	Variance £'M
Children's & Family Services	<b>4.0</b>	<b>1.8</b>	<b>(2.2)</b>

Sufficiency of School Places (£1.1M) underspend - Slippage now required due to COVID related matters - works in schools have been delayed due to the schools utilising all of their accommodation space to ensure social distancing can be met & contractors cannot access the areas of work. Majority of work now having to be done in school holidays.

SEND (£0.3M) Underspend - Slippage now required due to a delay around the final element of the scheme at Western Primary which hasn't been able to progress until the outcome of the review of children's centres has been completed.

CCTV Review & Upgrade (£0.8M) Underspend - The procurement exercise for the new system will not be completed now until the new year therefore £0.8M needs to be slipped into 21/22

# Revenue

# Public Health & Leisure

**3.75%** Of Total Revenue Service Budgets

**£0.4M** Forecast Revenue Overspend

**8.00%** Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Public Health	0.6	0.6	0.0
Leisure	4.4	4.8	0.4
	<b>5.0</b>	<b>5.4</b>	<b>0.4</b>

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

The Council received a ring fenced Public Health grant of £11.5M 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, pressures are being faced following the closure of all of the facilities due to the COVID-19 pandemic. Following detailed discussions, financial assistance of £0.175M has been offered to LIL to assist with financial sustainability arising as a result of the COVID pandemic. A joint grant funding application has been submitted to DCMS to obtain further support

# Capital

**0.68%** 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

**33.98%** Of Total Revenue Service Budgets

**£1.1M** Forecast Revenue Overspend

**2.43%** Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Adult Services	45.3	46.4	1.1
	<b>45.3</b>	<b>46.4</b>	<b>1.1</b> →

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.3
Fees & Charges Income Shortfall	0.0
Service Pressures/Other Issues	0.8
	<b>1.1</b>

Adults Services has seen an improvement in the reported overspend since Qtr. 2 and is now reporting a projected overspend of £1.1M. This is an improvement of £1.9M. The reason for this significant change is forecast assumptions about provider sustainability payments have been revised due to the additional monies provided by the government for infection control measures which have helped to fund the additional cost of care during the pandemic.

In addition through the pandemic period there has been a reduced level of demand for services, in part due to families being able to offer more support during the pandemic lockdown. Some people have deferred their decision to take up care placements due to the perceived risk of infection during this time. All of these changes have had a significant impact on levels of demand and consequently cost incurred.

# Capital

**4.78%** 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
	<b>2.8</b>	<b>2.8</b>	<b>0.0</b>

# Corporate Budgets

3.32%

Of Total Revenue  
Budgets

(£1.1M)

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	9.8	(0.8)
Levies	0.7	0.7	(0.0)
Other Budgets	1.9	1.6	(0.3)
<b>Total</b>	<b>4.6</b>	<b>3.5</b>	<b>(1.1)</b>

The £1.1M 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.

# Funding - Summary

**82.2%** Local Taxation Budget as  
% of Total Funding

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

<b>FUNDING</b>	Budget £'M	Forecast £'M	Variance £'M
Council Tax	(72.1)	(72.1)	0.0
Business Rates	(42.8)	(42.8)	0.0
Revenue Support Grant	(9.1)	(9.1)	0.0
Better Care Fund	(7.8)	(7.8)	0.0
Social Care Support	(4.8)	(4.8)	0.0
New Homes Bonus	(0.3)	(0.3)	0.0
COVID-19 LA Support Grant	(0.9)	(14.7)	(13.8)
COVID-19 Income Compensation Grant	0.0	(0.4)	(0.4)
<b>Total</b>	<b>(137.9)</b>	<b>(152.1)</b>	<b>(14.2)</b>

The in year funding position includes an additional £15.1M in direct COVID-19 support grants received from Government, and now includes all four tranches of LA Support Grants.

£14.2M of this funding is being used to support the significant cost pressures reported against service budgets in this financial year. With a further £0.9M being transferred to an EMR in order to ease the pandemic implications over the transitional period of the new financial year.

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. In- year collection has dropped as a result of the pandemic and this will be realised in future years. The position is being monitored closely and being 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 will mitigate, to a degree, the impact over the short term.

# Local Taxation

<b>Council Tax Collection</b>	<b>%</b>	<b>Non Domestic Rates Collection</b>	<b>%</b>
Q3 2020/21	80.19	Q3 2020/21	78.78
Q3 2019/20	81.36	Q3 2019/20	82.31
Q3 2018/19	81.72	Q3 2018/19	82.84

## Collection Rates:

### Council Tax

Given the ongoing difficulties of the year, council tax collection is lower than the same point in time last year. Due to a number of council tax payers moving to a 12 month payment profile from a 10 month profile, there is confidence that some of this slippage will be recovered before the end of the financial year.

During the third quarter we have reverted back to a standard reminder and summons approach. This is expected to have an impact as the year draws to a close.

### Non Domestic Rates

The third 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 COVID-19.

A return to standard recovery procedures has commenced during the third quarter. 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, they have continued to make a positive contribution to the payments of the various business grants in conjunction with Economic Development colleagues.

### Outlook

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

# Medium Term Outlook

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

Risk	Commentary
<b>Funding</b>	The Government has provided the Council with direct grants totalling £15.2M which are being used predominantly on additional social care costs associated with responding to the emergency, plus the creation of an EMR to cover the transition of the new financial year. However this funding is non recurrent in nature. Future Government support, the Fair Funding review and planned extension of the Business Rate Retention scheme will be critical.
<b>Collection rates</b>	The financial impact of the slow down in the local economy has a direct impact on the Council's funding to deliver its services. Local taxation currently makes up around 80% of the Council's base funding. For each 1% change in council tax collection rates the Council would see an impact of approximately £0.7M.
<b>Fees and charges</b>	The Council generates significant income through other sources of fees, sales and charges such as car parking income, income from the commercial estate. All of these income streams are at risk as a result of the emergency situation and could be impaired over time. These will continue to be monitored.
<b>Economy</b>	The Council's financial strategy is very much focused on creating a sustainable funding base to allow priority services to be delivered. Growing the local tax base and bringing more business rate stability through retaining and developing a thriving local economy are therefore extremely important. Any economic downturn will therefore impact on the Council's finance and commissioning plans.
<b>Demand and service pressures</b>	There are additional financial burdens and pressures created by the response to the emergency, particularly social care. These include additional hospital discharges, provider sustainability, increasing costs associated with children at risk or looked after, and delays to implementing or delivering savings programmes. The longer the situation continues the bigger the financial impact.
<b>Reserves</b>	The adequacy of the Council's reserves are being closely monitored given the increased risk faced within the current operating environment. The Council's reserves are currently all held for a specific purpose and supported by the annual statement on the adequacy of reserves. It is important to note that reserves can only be used once. A review of reserves will be undertaken as part of the forthcoming budget round.
<b>Capital programme</b>	We anticipate that the Council's planned capital programme, and in particular economic growth focused areas such as the multi-million pound South Humber Infrastructure and Investment Programme, will be delayed and anticipated growth impaired over the medium term. Investment through the capital programme will support the borough's overall recovery process.
<b>Treasury</b>	Treasury and cash management will need to be carefully monitored over the coming months as the economic situation remains instable. Borrowing and investment strategies will remain under review.

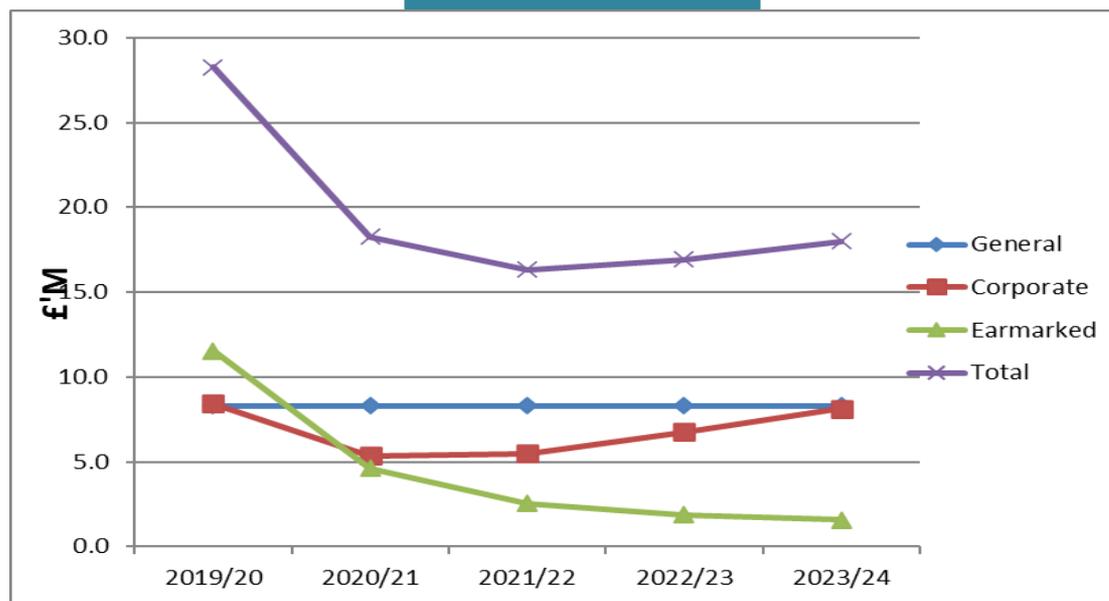
# Reserves

£8.3M General Fund

6.0% General Fund as %  
Of Net Budget

£18.0M 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.

# Reserves.

5.9%

23/24 Corporate  
Reserves as % Of  
Net Budget

£8.1M

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	0.2	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 In light of the current economic climate.

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

# Working Capital Management

94.5%

2019/20 % Creditor Invoices Paid within 30 days at Qtr.3

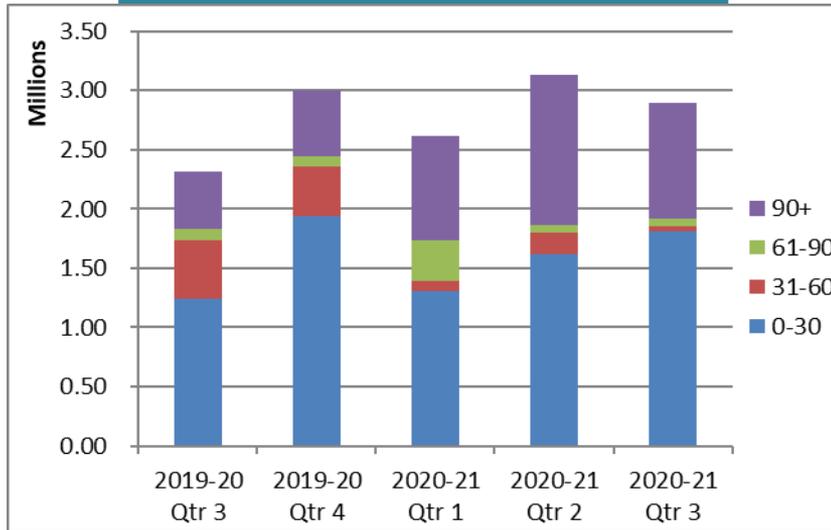
95.8%

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

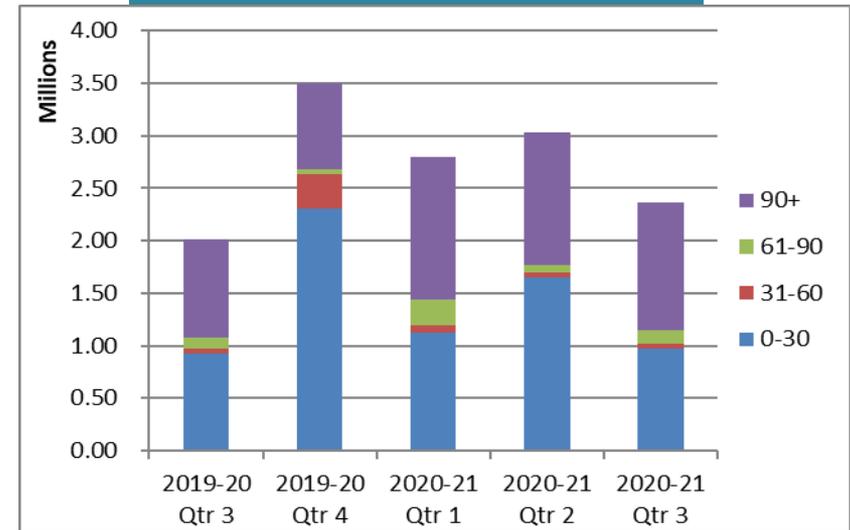


Direction of Travel

## 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 2020 all debt recovery action has resumed.

With the resumption of all debt recovery actions overall aged debt has decreased since quarter 2 but is still higher than the same period for 2019/20. However this is mainly due to the number of current invoices raised.

Whilst the situation regarding bad debts and write offs continues to be carefully monitored, due to the ongoing COVID-19 pandemic and the challenges faced within the local economy, it is possible that debt may rise further during the remainder of the financial year.

# Treasury & Cashflow

£39.2M

Investments at 31 Dec 2020

£151.6M

Borrowing as at 31 Dec 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.

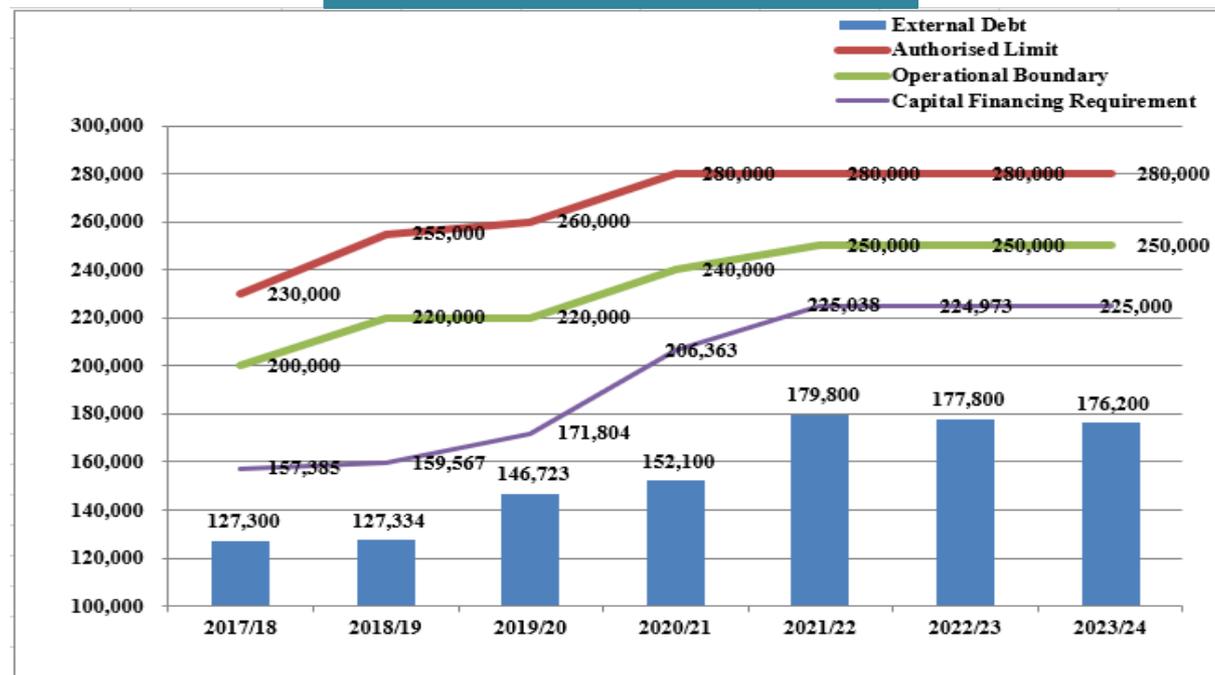
One key lender (Public Works Loan Board) confirmed a reduction in their lending rate during the period. However, this comes with added scrutiny/restrictions on access. The Authority has formed relationships with alternate borrowers, should they be needed.

Current investments are consistent with the Treasury Management Strategy.

Balances increased by £5M during the quarter, primarily due to Lockdown 2.0 grant receipts. At quarter end balances sat £20-25M higher than in recent years including £7M of Business Support Grant. 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 went negative over Christmas period) but no budget pressures are anticipated.

## Treasury & Cashflow



# Capital Programme

SCHEME	2020/21 Revised Capital Programme at Qtr 2 £000's	Slippage to 2021/22 £000's	Changes to Programme £000's	2020/21 Revised Capital Programme at Qtr 3 £000's	2021/22 Approved Capital Programme Q3 £000's	2022/23 Approved Capital Programme Q3 £000's
<b>Childrens Services</b>						
Schools - Devolved Formula Cap Grant	146			146	190	0
Schools - Backlog Maintenance	552	-275	40	317	775	500
Schools - Basic Need Sufficiency of Places	1,390	-1,061	-40	289	8,061	4,000
Childcare Management System Inv.	24			24	0	0
Special Educational Needs and Disability Fund	490	-290		200	290	0
Looked After Children	286	-100	75	261	100	0
Nursery places	141	-136		5	136	0
Liquidlogic	68			68	0	0
Lincs2 Portal System Inv.	4			4	0	0
Service Improvement Education	61	-36		25	36	0
CCTV Review and Upgrade	800	-771		29	974	0
<b>Adult Services</b>						
Disabled Facilities Grants	2,813	-382	307	2,738	3,270	5,650
Social Care - Better Care Fund	10			10	0	0
<b>Environment</b>						
Fleet Replacement Programme inc. Recycling Collection	4,483	-50	-465	3,968	3,804	0
Litter Bin and Recycling Replacement and Upgrade	219		-100	119	0	0
AQMER (Air Quality Equip)	1			1	0	0
Enhancement of Bereavement Services	1,116	-499		617	1,065	0
Peoples Park refurbishment	0			0	76	0
Household Recycling Scheme	923	-923		0	923	0
Depot Rationalisation	50			50	6,757	0
<b>Resources</b>						
Backlog Maintenance	870		90	960	660	0
Cartergate Office Development	220	-220		0	220	0
Property Rationalisation Programme	130	-105		25	205	0
Capital Investment	0		600	600	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	-445		418	486	0
<b>Shared Services</b>						
Corporate Systems Investment	500			500	273	0
IT Transformation Programme	130			130	98	0
ICT refresh	624		241	865	754	646
<b>Public Health</b>						
GY Leisure Centre	3			3	0	0
Health and Well Being Centre	70			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 2 £000's	Slippage to 2021/22 £000's	Changes to Programme £000's	2020/21 Revised Capital Programme at Qtr 3 £000's	2021/22 Revised Capital Programme £000's	2022/23 Revised Capital Programme £000's
<b>Economy and Growth</b>						
Housing Assistance Grants and Loans	640	-253		387	658	250
Willing/Peaksfield Flood Alleviation	386	-69		317	69	0
Community Housing	212			212	0	0
Local Transport Plan Schemes	4,864		-735	4,129	3,419	3,249
Freeman Street Regeneration	7			7	0	0
Cleethorpes HLF Townscape Heritage	873	-114		759	1,893	141
GLLEP Junction Improvement	3,267			3,267	0	0
Sth Humber Infrastructure and Investment Programme	9,605	-2,599		7,006	10,183	0
CATCH offshore	17			17	0	0
Supported Housing Scheme	1,014			1,014	0	0
Immingham lock flood def gates	63	-63		0	63	0
Coastal Communities	581		-98	483	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		180	835	0	0
PSiCA (Partnership in Conservation Area)	370	-160		210	440	200
Town Deal Investment	1,159		200	1,359	3,550	0
Riverhead Square & Unlocking Potential	5,997	-200	65	5,862	200	0
Central Clee Regeneration	672		200	872	3,998	0
Europarc Food Enterprise Zone	601			601	0	0
Stallingborough Engineering Development	1,976			1,976	0	0
Controlling Rogue Landlords	59	-46		13	46	0
Open For Culture	1,606	-1,313	-40	253	1,320	0
Estate Road 2	620		790	1,410	0	0
Corporation Bridge	340		-170	170	1,330	3,470
A18 Laceby to Ludborough	2,218	-500	230	1,948	500	0
Accelerated Construction	2,688	-1,200	-488	1,000	1,200	0
Affordable Housing S106 monies	0		500	500		
<b>Corporate and Democratic</b>						
The Knoll	9			9	0	0
Eco Park	64			64	0	0
<b>TOTAL CAPITAL PROGRAMME</b>	<b>61,919</b>	<b>-11,810</b>	<b>1,382</b>	<b>51,491</b>	<b>61,777</b>	<b>20,976</b>