CABINET

DATE	8th September 2022
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 1 Financial Monitoring Report
STATUS	Open
FORWARD PLAN REF NO.	Not included on the Forward Plan therefore, to be considered under the General Exception provisions of the Constitution.

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 first 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 risks and opportunities over the forthcoming financial planning period.

2) Refers the Financial Monitoring 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 first quarter of the financial year, the Council is currently forecasting a £7.9M overspend against its 2022/23 budget. This forecast largely reflects the on-going demands being experienced within Children's services.

1.2 Whilst additional resources have been invested into services as part of the most recent budget round, demand in terms of the numbers of Children Looked After has continued to rise and is above where we would expect it to be. The reported financial position within Children's has been exacerbated by a lack of local placements and an increasing reliance on agency staffing. Mitigating actions, including the establishment of a team to challenge high cost placements and the recruitment of overseas social workers, are expected to reduce the overspend over the remainder of the financial year.

1.3 The Council faces a range of other risks and opportunities over the forthcoming financial planning period. These include continued recovery from the impact of COVID19, health and social care reform, economic instability and demographic demand. Notably, inflationary pressures are impacting across the board, leading to potential further cost pressures across a range of areas.

1.4 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 detailed half year review is planned in order to ascertain a more accurate picture around costs and timing of delivery.

1.5 At the present time, the Council is forecasting that it will deliver £81M of capital investment in year, of which more than half is supported by external grant and contributions. Whilst capital financing costs are anticipated to rise over the medium term, the Council continues to operate within its approved Treasury Management Strategy, and investment plans are designed to deliver long term payback in terms of additional funding or reduced costs.

1.6 As in 2022/23, the Council expects to receive an interim financial settlement from Government for 2023/24 with changes to the local government financial model in relation to fair funding being postponed. This uncertainty will necessitate a review of the Council's financial sustainability as part of the next planning round to ensure the Council is best placed to deal with the risks and opportunities it currently faces.

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. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

6.1. 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

7.1. Ultimately all resourcing decisions taken by the Council impact upon the environment. For this reason, the Council must take climate change and environmental issues into account in the establishment of its financial plans. The Council's financial strategy looks towards consuming resources more efficiently, eliminating waste and supporting and developing the green economy and infrastructure. This includes recognising and realising the economic and social benefits of a high-quality environment.

8. CONSULTATION WITH SCRUTINY

8.1. Report to be forwarded to all scrutiny panels.

9. FINANCIAL IMPLICATIONS

9.1. As set out on the report

10. LEGAL IMPLICATIONS

10.1. 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.

11. HUMAN RESOURCES IMPLICATIONS

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

12. WARD IMPLICATIONS

12.1. All wards affected

13. BACKGROUND PAPERS

13.1. 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

13.2. 2021/22 Outturn
https://democracy.nelincs.gov.uk/wp-content/uploads/2022/05/7.-2021-2022-Provisional-Financial-Outturn.pdf

14. CONTACT OFFICER(S)

14.1. Sharon Wroot – Executive Director (Environment, Economy and Resources)

COUNCILLOR STEPHEN HARNESS
PORTFOLIO HOLDER FOR FINANCE, RESOURCES AND ASSETS

Finance Monitoring Report 2022/23 – Quarter 1

Appendix 1

KEEP BRITAIN TIDY NETWORK AWARDS 2020
FINALIST
OUTSTANDING SERVICE DELIVERY AWARD

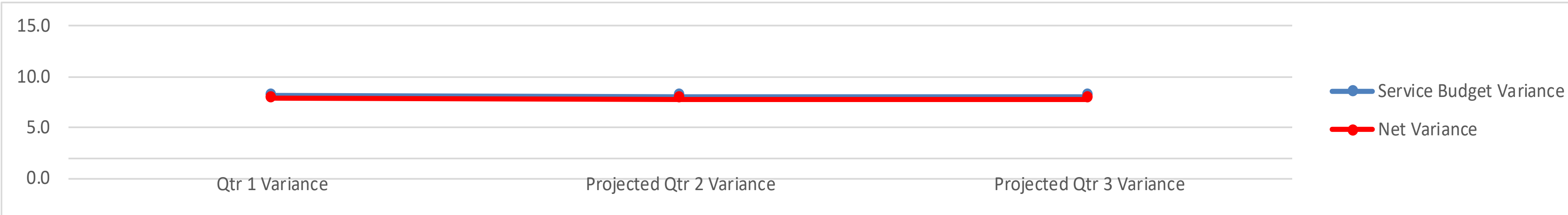
LGC Awards 2020
FINALIST

FINANCIAL OVERVIEW - QTR1

On Course | Monitor | Cause for Concern

Quarterly Revenue Spend Forecast Position £'M

Pg 4



Revenue Position 5.53%

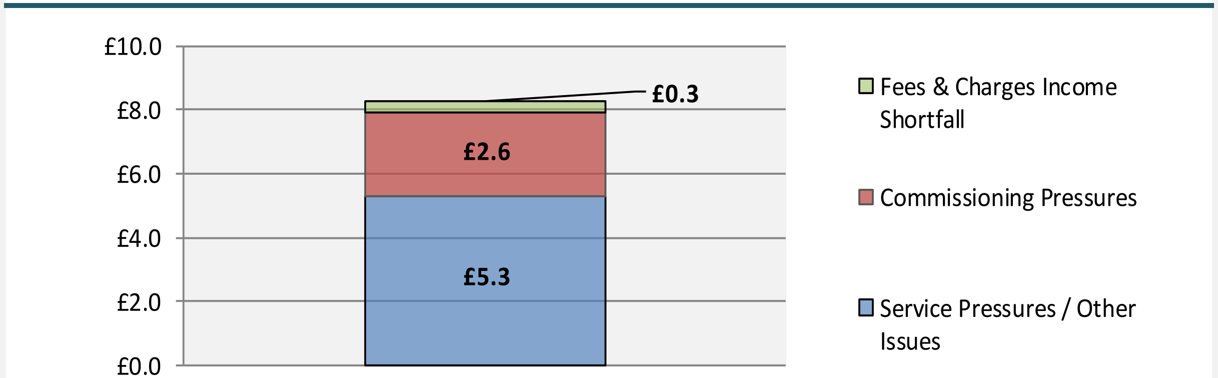
REVENUE	Budget £'M	Forecast £'M	Variance £'M	
Resources	2.8	3.4	0.6	Pg 7
Environment	16.8	16.8	0.0	Pg 8
Economy & Growth	27.1	26.7	(0.4)	Pg 9
Children & Family Services	50.3	58.3	8.0	Pg 11
Public Health	0.9	0.9	0.0	Pg 13
Adult Services	50.8	50.8	0.0	Pg 14
Total	**148.7**	**156.9**	**8.2**	
Corporate Budgets Underspend			(0.3)	Pg 15
Net			**7.9**	

Capital Position 0.99%

CAPITAL	App Prog £'M	Forecast £'M	Variance £'M	
Resources	9.4	9.4	0.0	Pg 7
Environment	12.9	10.9	(2.0)	Pg 8
Economy & Growth	45.1	47.9	2.8	Pg 10
Children & Family Services	13.1	13.1	0.0	Pg 12
Public Health	0.0	0.0	0.0	
Adult Services	0.0	0.0	0.0	
Total	**80.5**	**81.3**	**0.8**	
Funding			(0.8)	
Net			**0.0**	

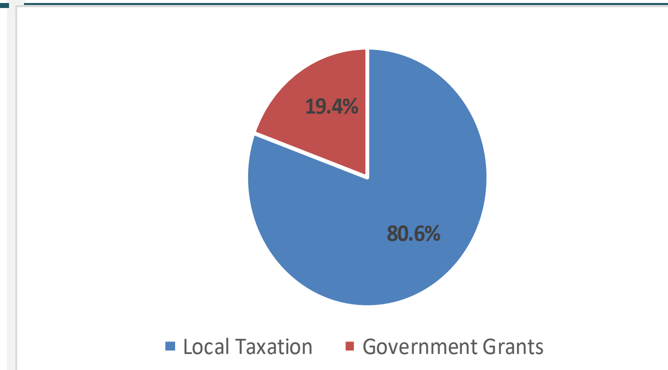
Service Over Spend Analysis £'M

Pg 4



Funding Outturn

Pg 16



Overview

At the end of first quarter of the financial year, the Council is currently forecasting a £7.9M overspend against its 2022/23 budget. This forecast largely reflects the on-going demands being experienced within Children's services.

Whilst additional resources have been invested into services as part of the most recent budget round, demand in terms of the numbers of Children Looked After has continued to rise and is above where we would expect it to be. The reported financial position within Children's has been exacerbated by a lack of local placements and an increasing reliance on agency staffing. Mitigating actions, including the establishment of a team to challenge high cost placements and the recruitment of overseas social workers, are expected to reduce the overspend over the remainder of the financial year.

The Council faces a range of other risks and opportunities over the forthcoming financial planning period. These include continued recovery from the impact of COVID19, health and social care reform, economic instability and demographic demand. Notably, inflationary pressures are impacting across the board, leading to potential further cost pressures across a range of areas.

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 detailed half year review is planned in order to ascertain a more accurate picture around costs and timing of delivery.

At the present time, the Council is forecasting that it will deliver £81M of capital investment in year, of which more than half is supported by external grant and contributions. Whilst capital financing costs are anticipated to rise over the medium term, the Council continues to operate within its approved Treasury Management Strategy, and investment plans are designed to deliver long term payback in terms of additional funding or reduced costs.

As in 2022/23, the Council expects to receive an interim financial settlement from Government for 2023/24 with changes to the local government financial model in relation to fair funding being postponed. This uncertainty will necessitate a review of the Council's financial sustainability as part of the next planning round to ensure the Council is best placed to deal with the risks and opportunities it currently faces.

Sharon Wroot – Executive Director (Environment, Economy and Resources)

Revenue

£7.9M Total Revenue Forecast Overspend

£8.2M Service Budgets Forecast Variance

5.5% % Representation of Service Budget Overspend to Net Budget

REVENUE	Revised Budget £'M	Forecast £'M	Variance £'M
Resources	2.8	3.4	0.6
Environment	16.8	16.8	0.0
Economy & Growth	27.1	26.7	(0.4)
Children & Family Services	50.3	58.3	8.0
Public Health	0.9	0.9	0.0
Adult Services	50.8	50.8	0.0
	148.7	**156.9**	**8.2**
Corporate Budgets	7.1	6.8	(0.3)
	155.8	**163.7**	**7.9**
Earmarked reserves	(0.8)	(0.8)	0.0
School Balances	0.0	0.0	0.0
Total	**155.0**	**162.9**	**7.9**
Funding	(155.0)	(155.0)	0.0
Net	**0.0**	**7.9**	**7.9**

At end of Quarter 1 of 2022/23, the Council is forecasting an overspend of £7.9M. This forecast largely reflects the on-going demands being experienced within Children's services. Whilst additional resources have been invested into services as part of the most recent budget round, demand in terms of the numbers of Children Looked After has continued to rise and is above where we would expect it to be. Further actions and mitigations are now essential to ensure we have a balanced position at the end of the financial year.

The Council faces a range of other risks and opportunities over the forthcoming financial planning period. These include continued recovery from the impact of COVID19, health and social care reform, economic instability and demographic demand. Notably, inflationary pressures are impacting across the board, leading to potential further cost pressures across a range of areas.

Capital

£0.8M Service Capital Forecast Variance Overspend

0.99% % Representation of Service Capital Overspend to Approved Programme

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Resources	9.4	9.4	0.0
Environment	12.9	10.9	(2.0)
Economy & Growth	45.1	47.9	2.8
Children & Family Services	13.1	13.1	0.0
Public Health	0.0	0.0	0.0
Adult Services	0.0	0.0	0.0
Total Capital Budgets	**80.5**	**81.3**	**0.8**
Funding	(80.5)	(81.3)	(0.8)
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 detailed half year review is planned in order to ascertain a more accurate picture around costs and timing of delivery.

At the present time, the Council is forecasting that it will deliver £81M of capital investment in year, of which more than half is supported by external grant and contributions.

Alteration approval will be sought within the Quarter 2 report, and the current approved programme can be found within Appendix 1 for information purposes.

Medium Term Outlook

Current economic conditions are uncertain, key projections have varying levels of risk and may impact on the Council's financial position and resources.

Inflation

Inflation is a headline pressure which will continue to effect Council finances. RPI is currently 11.7% and CPI 9.1% (May 2022), and may continue to rise, particularly considering the October energy price cap increase.

Interest rates

Interest rates are expected to continue rising, potentially reaching 3% by the end of 2023. Borrowing costs are forecast to be within budget this year, however this increase is likely to impact future years budgets and could cause a pressure over the next MTFP period.

Pay

As a result of inflationary and cost of living pressures, the National Living Wage agreement and any potential pay awards may be significant. There is a risk that any pay agreements will create budget pressures over the life of the MTFP.

Community impacts

As the economic and social context evolves, we may see changes in the support our community needs, this in turn places increased demand on Council resources. As the rising cost of living continues, this may impact upon demand for Council tax support and other council administered financial aid schemes.

Demand

Economic conditions and associated financial impacts may impact on social care with increased interventions and assessments needed. Over the longer term, an ageing population will also increase demand for certain services.

Current MTFP

The Current MTFP approved by Full Council in February 2022, includes a prudent assessment of the funding position over the forthcoming planning period.

	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
Savings required	7.6	7.5

Key assumptions within the current MTFP will be updated and revised as part of the forthcoming budget round. These will include economic and housing growth, interest rates, inflation and general price increases, government funding and demand trajectories.

Revenue

1.91% Of Total Revenue Service Budgets

£0.6M Forecast Revenue Overspend

21.4% Variance as % Of Total Budget Envelope

REVENUE	Revenue Budget £'M	Revenue Forecast £'M	Variance £'M
Policy Strategy and Resourses	1.7	1.8	0.1
Deputy S151	1.5	1.6	0.1
Assistant Chief Executive	1.2	1.2	0.0
Law, Governance and Assets	(1.6)	(1.2)	0.4
	2.8	**3.4**	**0.6**

VARIANCE ANALYSIS	£M
Commissioning Pressures	0.1
Fees & Charges Income Shortfall	0.0
Service Pressures/Other Issues	0.5
	0.6

Service Comments:-
Demand for Legal Childcare Services and income shortfalls within the Commercial Estate are impacting on the reported position.

The inflationary increases in energy and utilities costs are likely to have an impact over the longer term and result in further ongoing pressures over the Medium Term Financial Plan.

Capital

11.68% Of Total Capital Programme

(£0.0M) Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Capital Forecast £'M	Variance £'M
Law Governance and Assets	6.8	6.8	0.0
Deputy S151	1.3	1.3	0.0
Policy Strategy and Resources	1.3	1.3	0.0
	9.4	**9.4**	**0.0**

Revenue

11.5% Of Total Revenue Service Budgets

£0M Forecast Revenue Overspend

0% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Environment	**16.8**	**16.8**	**0.0**

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

Service Comments:-
Income shortfalls within Grounds Maintenance and Regulatory Services have been largely offset from savings from the waste disposal contract and through the generation of additional recycling income.

Increased costs of fuel are impacting on service delivery costs but are currently being managed within the service.

Capital

16.0% Of Total Capital Programme

(£2.0M) Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Environment	**12.9**	**10.9**	**(2.0)**

Service Comments:-
Public Sector Decarbonisation (£1.2M) Due to increased procurement costs over that originally estimated the cost per ton of carbon saved has increased significantly and this has made elements of the project unaffordable and not eligible for the external grant funding. This means that parts of the original scheme can no longer proceed and no longer offer value for money.

Fleet Replacement Programme (£0.7M) Expenditure has been deferred into next year as a result of extended lead time for vehicle delivery.

18.5% Of Total Revenue Service Budgets

(£0.4M) Forecast Revenue Underspend

1.5% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Regeneration	21.8	21.4	(0.4)
Housing, Highways and Transport	5.3	5.3	0.0
	27.1	**26.7**	**(0.4)**

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

Service Comments:-

Savings are anticipated to be achieved within the service from the concessionary travel and regeneration contracts as well as additional income generated through car parking.

28.07% Of Total Capital Programme

£2.8M Forecast Capital Overspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Regeneration	22.6	29.1	6.5
Housing, Highways and Transport	22.5	18.8	(3.7)
	45.1	**47.9**	**2.8**

SHIIP £1.0M Spending has been brought forward to facilitate planned land purchases.

CDF - Open for Culture (£1.4M) This scheme has now been paused due to rising costs above initial estimates and which cannot be met from within the existing grant funding. Communication is ongoing with the grant body to agree a way forward.

Future High Street Fund £6.8M It is assumed that grant provided for this scheme is being used in advance of that originally planned in order to facilitate the purchase of Freshney Place Shopping Centre.

Local Transport Plan Schemes (£0.3M)
LTP includes a number of individual schemes and any under or overspends are managed through future years allocations. At this stage there is anticipated to be an underspend forecast for the year although position is constantly being reviewed.

Disabled Facilities Grants £0.2M
DFG includes a number of individual schemes and any under or overspends are managed through future years budget allocations. At this stage there is an advanced spend forecast for the year.

Grant St Car Park (£3.3M) The spend in the current year will now primarily relate to design and consultation. Construction works are expected to fall into 23/24.

Green Homes LAD Phase 2 (£0.5M) Despite a positive response and a good volume of surveys completed, a number of factors have contributed to the current forecast underspend. These include the short timescale to deliver the project, a change in legislation for external wall cavity with roof pitches, dropouts from landlords due to top-up costs and high number of D rated properties or properties not technically suited.

33.8% Of Total Revenue Service Budgets

£8.0M Forecast Revenue Overspend

15.9% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Safer and Partnerships	2.2	2.2	0.0
Education and Inclusion	9.6	9.6	0.0
Safeguarding and Early Help	37.3	45.3	8.0
Director Childrens Services	1.1	1.1	0.0
Women, Childrens and Families	0.1	0.1	0.0
Total Children's & Family Services	**50.3**	**58.3**	**8.0**

VARIANCE ANALYSIS	£M
Commissioning Pressures	2.6
Fees & Charges Income Shortfall	0.0
Service Pressures/Other Issues	5.4
	8.0

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 Children Looked After, the number has continued to rise. This coupled with the lack of local placements has meant that the pressure on the placement budget has continued to increase. Further work is underway to quantify the projected costs and cases are being reviewed to look at where changes can be made to the packages of care, this will be a priority over the next month with a dedicated project team to ensure that focus and pace is given to look at reducing these costs whilst maintaining a placement that meets the child’s needs.

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 an offer to 33 social workers which we anticipate will be in our employment by October. Once numbers are confirmed we will be able to release high-cost agency staff. 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. Children’s Services SLT will now revisit the proposals to look at where other work can be undertaken to mitigate against these. Earmarked reserves will be drawdown to support transformational activity across the service.

We have also had confirmation that the DfE will contribute approx. £0.4M 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.

16.27% Of Total Capital Programme

(£0.0M) Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Childrens & Family Services	**13.1**	**13.1**	**0.0**

Service Comments:-
The schemes are currently forecast to be spent in line with the approved budget.

0.61% 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	0.9	0.9	0.0
	0.9	**0.9**	**0.0**

VARIANCE ANALYSIS	£M
Commissioning Pressures	0
Fees & Charges Income Shortfall	0
Service Pressures/Other Issues	0
	0.0

Service Comments:-

The Council has been allocated a ring fenced Public Health grant of £11.9M in 2022/23. This grant is allocated to a number of services with the aim of improving the health of the local population.

The main services that benefit from the Public Health grant include Drugs & Alcohol, Wellbeing Service, Sexual Health, Regulation and Enforcement, Health Visitors, School Nurses and the Localities team. Some of the grant has been used as a contribution towards key contracts which impact public health outcomes and these include Lincs Inspire, Engie and Adult Social Care.

Whilst there are demand needs, the work is targeted and tailored to the grant available. Due to the nature of the grant being ring fenced any under or overspend is rolled into a specific earmarked reserve for future utilisation on public health activities.

34.6% Of Total Revenue Service Budgets

£0M Forecast Revenue Overspend

0% Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Adult Services	50.8	50.8	0.0
	50.8	**50.8**	**0.0**

VARIANCE ANALYSIS	£M
Commissioning Pressures	0
Fees & Charges Income Shortfall	0
Service Pressures/Other Issues	0
	0.0

Service Comments:-

The overall balanced forecast outturn position includes two key variances relating to an anticipated shortfall of income relating to client fees and a reduced cost of commissioning of packages of care, both of which are in part due to lower than anticipated activity. A small underspend against running costs is also forecast at Q1.

The position is uncertain and the forecasting contains several risks such as 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.

The single handed care project is progressing and likely to be operational in early autumn once staff training is complete, the development of an enhanced supported living model is also progressing and a provider has been appointed, however the scheme has yet to be set up and is unlikely to be operational in 22/23.

As part of the DHSC requirements engagement with providers is being undertaken to establish the fair cost of care relating to older people residential and nursing care and support at home services. Once the results of this exercise are concluded identified impacts against current fees will need to be considered and also included within the councils budget process.

The forecast is based on the best available information of current income and expenditure activity levels and does not predict future activity changes or customer behaviours.

Corporate Budgets

4.58% Of Total Revenue Budgets

(£0.3M) Forecast Revenue Underspend

CORPORATE BUDGETS	Budget £'M	Forecast £'M	Variance £'M
Pensions and Appropriations	5.9	5.9	0.0
Technical Adjustments	(12.4)	(12.4)	0.0
Borrowing Costs	13.0	12.7	(0.3)
Levies	0.7	0.7	0.0
Other Budgets	(0.1)	(0.1)	0.0
Total	**7.1**	**6.8**	**(0.3)**

The forecast position of £0.3M underspend for corporate budgets is due to lower borrowing costs within the current financial year to date.

The Council's future borrowing cost is based not on Bank of England base rates but on long-term interest rate expectations. The Council has an identified requirement for up to £75M of new borrowing over the next 3 years.

Whilst costs for 2022-23 will be contained within budget (on current data), the risk of increased borrowing costs remains.

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)	(79.3)	0.0
Business Rates	(45.6)	(45.6)	0.0
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)**	**(155.0)**	**0.0**

In-year funding from local taxation targets is forecast to be on budget. However in- year collection has dropped slightly and is being monitored closely.

Local Taxation

Council Tax Collection	%
Q1 2022/23	27.95
Q1 2021/22	28.40
Q1 2020/21	28.30

Non Domestic Rates Collection	%
Q1 2022/23	26.34
Q1 2021/22	23.39
Q1 2020/21	26.35

Collection Rates:-

Council Tax
Potentially due to the increases of the cost of living, which has been widely reported nationally, collection of council tax is slightly below previous years. In addition, the council tax team have been focused on delivering the energy rebate on behalf of Government. As we move into quarter 2 and finalise the energy rebate process, the focus on collection will be refreshed.

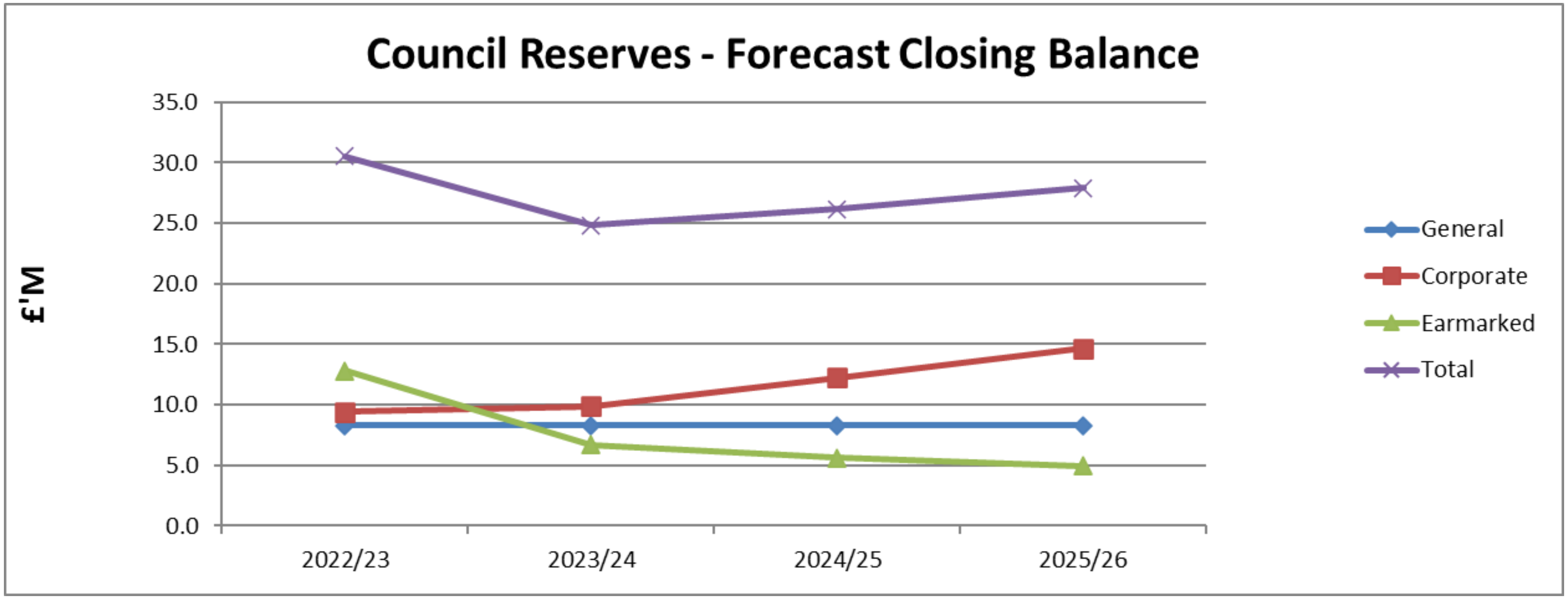
Non Domestic Rates
The overall collectible liability has increased this year. Collection is currently very good and is significantly stronger in comparison to this time last year. Volumes of work are at a manageable level and the team continue to work closely in collaboration with finance colleagues to plan delivery of the CARF payments to local businesses.

Reserves

£8.3M General Fund

5.4% General Fund as % Of Net Budget

£19.6M 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 ready for April 2023.

The Council also maintains earmarked reserves for specific purposes. Corporate reserves are set aside to address risk areas, details of key corporate reserve balances are shown on the next page. Service reserves are expected to reduce further to support transformation and other initiatives over the period of the current MTFP.

Reserves

9.5% 25/26 Corporate Reserves as % Of Net Budget

£14.7M Forecast 25/26 Corporate Reserve Balance

Key Earmarked Reserves

Name	22/23 Closing Balance £'M	Purpose
Self Insurance	1.3	Required to meet cost of claims which are insured internally
Business Rates Equalisation	1.8	Used to mitigate fluctuations in business rates income without impacting service budgets
Transformation Reserve	2.5	Service transformation activity
Pension Fund Reserve	0.4	To smooth future pension fluctuations
Social and Demographic Demand	5.4	To acknowledge increased risk and pressures related to social care and demand demographics
Debt Financing	2.2	Used to mitigate costs of borrowing and capital programme activity

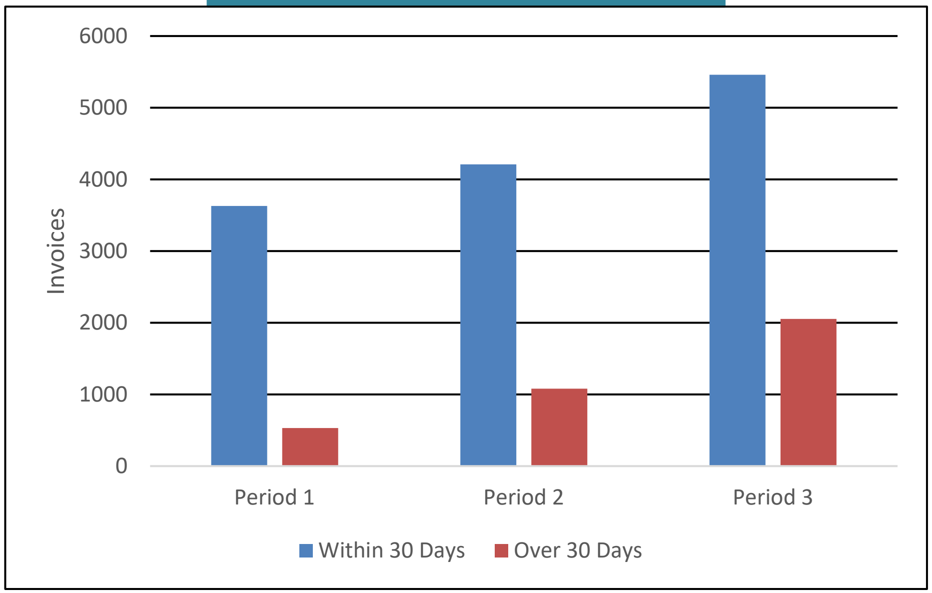
In light of the current economic and financially position faced by the council it is essential that we continue to review corporate and technical reserves to ensure there is sufficient capacity to deal with the risks and opportunities faced. The position will be monitored and considered as part of the medium term financial planning process, and where necessary plans will be put in place to replenish reserves to a reasonable level.

Working Capital Management

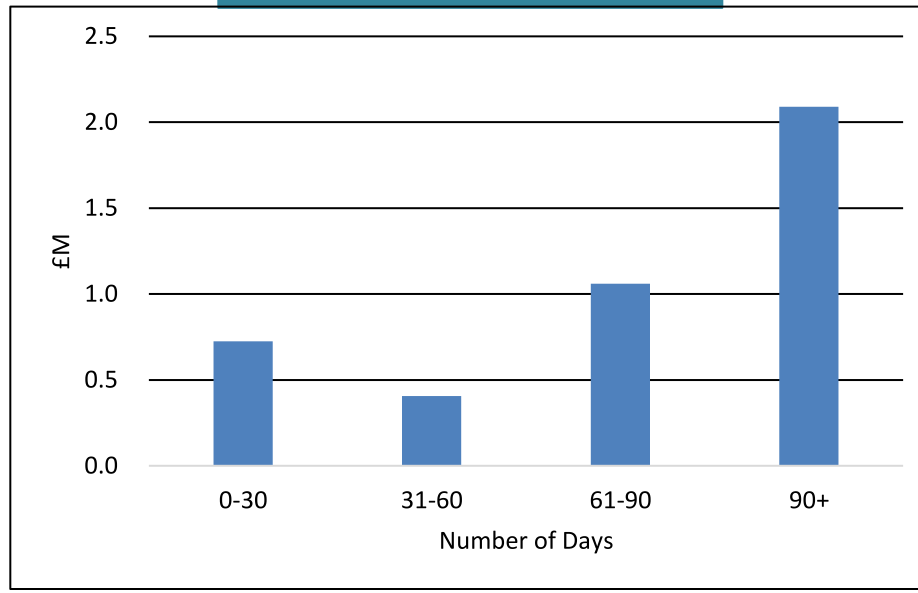
78% Creditor Invoices Paid within 30 days during Qtr. 1

£2.1M Value of over 90 day debt at Qtr. 1

Invoices Paid During Qtr. 1



Outstanding Debt at Qtr. 1



This is the first report since the implementation of the new finance system in April 2022. This has had an impact on the processing of creditor invoices, resulting in slower processing times. This is constantly improving as staff and suppliers adjust to the new ways of working. Continued improvement is expected as system familiarly continues to develop.

Overall debt has increased since Quarter 4 of 2021/22. Whilst there has been a delay in issuing of reminders/debt recovery processes with the new system implementation, this has not impacted on overall debt. Resumption of debt recovery is now reinstated. Whilst the debt for 90+ days is high, it does include balances from older invoices that are being collected via agreed payment plans.

Bad debts and write offs continue to be carefully monitored but, due to the ongoing challenges faced within the local economy, the after effects of the Covid-19 pandemic and the rise in the cost of living, there is the possibility that debt may rise during 2022/23.

Treasury & Cashflow

£39.8M
Investments at 30 June 22

£145.4M
Borrowing as at 31 June 22

0.41%
Average return on investments

3.32%
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 investment. 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 the COVID19 response and, and short-term borrowing taken in advance to provide in-year liquidity has started to unwind now. It is expected balances will revert to more normal levels during the remainder of 2022-23 with a current projected need to borrow during Q3 and beyond.

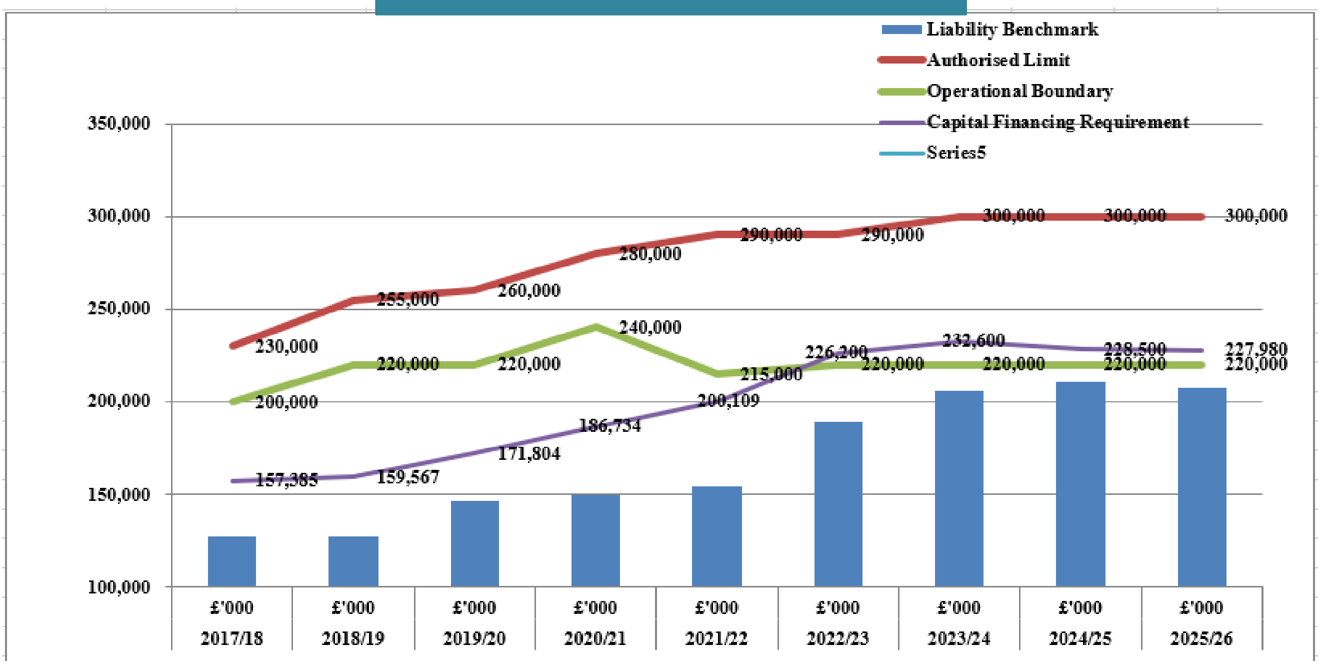
In the meantime rising rates are being reflected in our investment return.

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

Cash balances remain high, but have started to decline as Covid-19 funding is distributed. This trend is expected to continue over the remainder of 2022 with additional borrowing necessary by Q4 on current data.

Our Operational Boundary for borrowing only (Green line in Chart below) has been more closely aligned with borrowing projections and the Capital Financing Requirement to provide an early warning on debt level affordability.

Prudential Indicators



Treasury Outlook

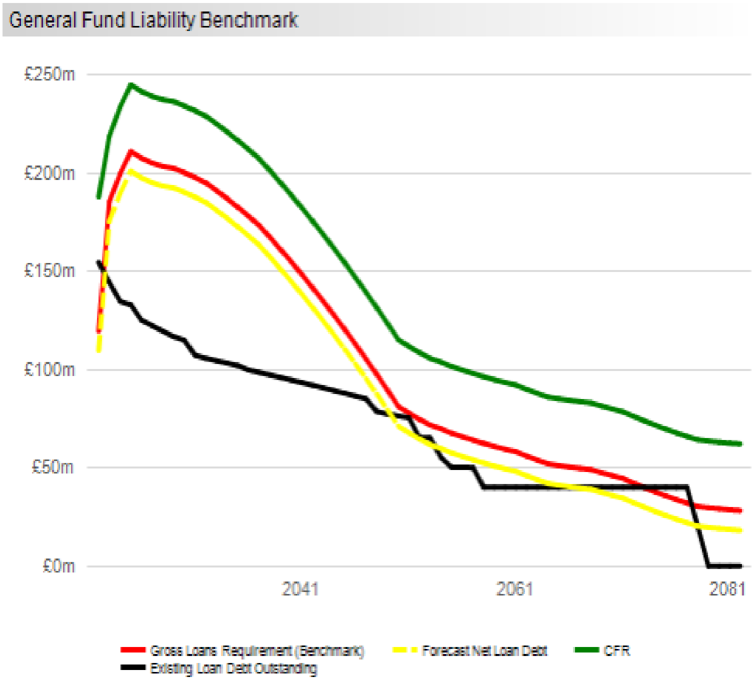
The Liability Benchmark allows us to make long-term borrowing decisions calculated not to create a future 'over-borrowed' position.

Rising interest rates have created a risk in future years based on the current Programme.

Some of this pressure can be alleviated by reserves held specifically to smooth out the impact of rate movements.

Any slippage in the capital programme would delay the borrowing impact.

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 'Liability Benchmark' (red line) 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.



Interest Cost	2022/23	2023/24	2024/25
Forecast outturn	£5.826M	£7.927M	£8.333M
Current Budget	£6.412M	£6.412M	£6.412M

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.

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.

Prudential and Treasury Indicators

Prudential and Treasury Indicators

Under revised Code guidance the Authority will now Report it's performance against Prudential and Treasury Indicators quarterly.

Summary performance will be reported at end Q1and Q3 as part of the Budget Report with Half-year and Outturn positions being reported as part of the regular Treasury Reports.

The tables across confirm the Authority's compliance with the approved Indicators.

Treasury Indicators	**2022/23 Budget £'M**	**30.6.2022 Actuals £'M**
Authorised limit for External Debt (incl. 'Other Debt')	290	151.4 (max)
Operational Boundary for External Debt (incl. 'Other Debt')	250	151.4 (max)
Gross External Debt	196.3	145.4
Investments (Minimum Liquidity)	10	39.8
Net Borrowing	N/A	105.6

Maturity structure of borrowing (Upper/Lower limits)	**2022/23 Range %**	**30.6.2022 Actuals %**
Under 12 months	0-70%	24.7
12 months to 2 years	0-30%	1.2
2 years to 5 years	0-50%	5.1
5 years to 10 years	0-50%	11.2
10 years to 20 years	0-75%	8.8
20 years to 30 years	0-75%	17.9
Over 30 years	0-100%	31.1

	2022/23 Budget £'M	**30.6.2022 Actuals £'M**
Upper Limit for principal invested over 365 days	21	0

Prudential and Treasury Indicators

New loans taken out by the Authority create fixed, long-term obligations for both interest and repayment. These combined commitments are covered by an overall debt budget. Any opportunity to repay early/reschedule loans without a significant upfront cost is dependent on prevailing interest rates and hasn't been economic since 2010 when the Public Works Loan Board added a 1% margin to its loans. The Authority therefore has no real capacity to make revenue savings against this budget, once loans are entered into. For this reason, the percentage of the Council's total net budget required to service debt is closely monitored and has an internal cap of 10% applied.

With new borrowing required for the approved Capital Programme and rates rising, this cap will be reviewed.

Prudential Indicators	2022/23 Budget £'M	30.6.2022 Actuals £'M
Capital expenditure	80.6	5.9
Capital Financing Requirement (CFR)	223.9	221.9*
Annual change in CFR	29.2	31.1*
In year borrowing requirement	51.5	41.7*
Ratio of financing costs to net revenue budget	7.90%	7.98%*

*Projected 31.3.23 Outturn

The Ratio of financing costs to net revenue budget ("the Ratio") is no longer a formal Prudential Indicator required by CIPFA, however the Section 151 Officer continues to view it as a key indicator of borrowing affordability and so considers it important that Members are kept informed of its projection.

Local Authority debt is typically of a fixed and very long-term nature. (*Public Works Loan Board offer fixed rate loans out to 50 years and NELC's average maturity is 28 years*). It follows that once entered into, loans taken out by the Authority create a multi-decade, fixed revenue expense. Some of that expenditure will be committed to on the basis that it unlocks additional income streams (through capital schemes with income or savings characteristics) which – if delivered - will offset the increase in the ratio, while other debt is necessary for non-income generating, yet unavoidable, spend e.g. building maintenance, ICT spend. Recognising these factors, the Authority maintains 10% cap on the Ratio to limit the relative burden on other budgets when pressures and savings need to be managed. With additional borrowing required to support the Capital Programme and rates now rising to levels not seen for over a decade, the ratio will need to be reviewed. On current forecast the Ratio is forecast to change as follows:-

2022/23	2023/24	2024/25
7.98%	8.94%	10.31%

Capital Programme

SCHEME	2022/23 Approved Capital Programme	2023/24 Approved Capital Programme	2024/25 Approved Capital Programme
	£000	£000	£000
Childrens Services			
Schools - Devolved Formula Cap Grant	197	0	0
Schools - Backlog Maintenance	292	400	400
Schools - Basic Need Sufficiency of Places	7,200	5,000	8,000
Special Educational Needs and Disability Fund	3,257	1,452	883
Service Improvement Education	61	0	0
Nursery Places	5	0	0
CCTV Review and Upgrade	2,066	0	0
Safer Streets 2	5	0	0
Adult Services			
Social Care - Better Care Fund	10	0	0
Environment			
Fleet Replacement Programme inc. Recycling Collection	2,668	633	0
Household Recycling Scheme	0	57	0
Litter Bin and Recycling Replacement and Upgrade	29	0	0
Enhancement of Bereavement Services	698	84	12
Peoples Park Refurbishment	41	0	0
Depot Rationalisation	6,519	0	0
Scartho Cemetery Lodge and Chapel	613	38	0
Resort Management	9	0	0
Public Sector Decarbonisation	1,404	0	0
Environmental Services Management System	125	0	0
Regulatory Services Management System	92	0	0
Memorial Testing and Repairs	82	0	0
Play Parks	500	300	0
Resources			
Backlog Maintenance	2,418	38	0
Property Rationalisation Programme	183	0	0
Cartergate Unit Development	220	0	0
Heritage Asset at Risk	674	0	0
Poplar Road Expansion	3,034	0	0
Business Centre Improvement	427	0	0
Capital Investment	920	3,684	5,500

SCHEME	2022/23 Approved Capital Programme	2023/24 Revised Capital Programme	2024/25 Revised Capital Programme
Capital Receipt Flexibility	400	400	0
ICT Refresh	748	646	0
Corporate Systems Investment	44	0	0
Learning Mgt System Implementation	21	0	0
Sentinel Master Data Mgt	209	65	0
M365 Transformation Programme	173	175	131
Customer and Service Management Platform	85	0	0
Economy and Growth			
Cleethorpes HLF Townscape Heritage	957	665	219
Sth Humber Infrastructure and Investment Programme	2,460	130	6,038
Playing Pitch Reprovision	1,555	2,500	300
Riverhead Square & Unlocking Potential	162	0	0
Cleethorpes Public Art	309	0	0
Heritage Action Zone	264	230	0
Town Deal Investment	2,005	1,300	0
Central Clee Regeneration	257	3,520	0
CDF - Open For Culture	1,651	70	0
Future High Streets Fund	9,446	17,387	0
Towns Fund	3,576	10,264	0
Disabled Facilities Grants	4,000	3,500	3,500
Local Transport Plan Schemes	5,318	4,838	4,864
Housing Assistance Grants and Loans	714	250	0
GLLEP Junction Improvement	28	0	0
Immingham Lock Flood Def Gates	63	0	0
A18 Laceby to Ludborough	407	0	0
Accelerated Construction	309	0	0
Corporation Bridge	3,913	500	0
Extended Cycle Track	1,035	0	0
Rough Sleeper Accommodation Grant	111	0	0
Green Homes Grant LAD Phase 2	726	0	0
Grimsby and Immingham Flood Innovation	1,392	1,980	0
Grant St Car Park	3,392	0	0
Sustainable Warmth	1,094	0	0
TOTAL CAPITAL PROGRAMME	**80,573**	**60,106**	**29,847**

Funding	2022/23 Revised Capital Programme	2023/24 Revised Capital Programme	2024/25 Revised Capital Programme
	£000	£000	£000
External Grants	42,409	31,808	9,350
Corporate Borrowing	37,569	22,898	19,997
Capital Receipts	441	400	500
Revenue Contributions	0	0	0
Other Private inc S106	154	5,000	0
	80,573	**60,106**	**29,847**