

CABINET

DATE	7 th August 2019
REPORT OF	Councillor Stan Shreeve Portfolio Holder for Finance and Resources
RESPONSIBLE OFFICER	Sharon Wroot Director of Resources and Governance
SUBJECT	2019/20 Quarter 1 Finance Monitoring Report
STATUS	Open
FORWARD PLAN REF NO.	CB 08/19/03

CONTRIBUTION TO OUR AIMS

The Council has two clear strategic priorities – Stronger Economy and Stronger Communities. In order to achieve these priorities the Council needs to have a clear and robust financial and commissioning plan, which focusses on long-term financial sustainability.

EXECUTIVE SUMMARY

This report provides key information and analysis of the Council's financial position and performance at the end of Quarter 1 of the 2019/20 financial year. Key messages are:

- The Council is currently forecasting a revenue overspend of £3.5M against its approved budget. Pressures are being faced across a range of areas but in particular within children's services where demand continues to exceed available resources.
- The Council is making a series of longer-term investments within the Borough to support our key priorities around economic growth and stronger communities. It is anticipated that the 'Town Deal' will provide the catalyst for the delivery of wider economic and housing growth within the Borough. At the present time, we are forecasting that two-thirds of the approved capital programme will be delivered in year. Slippage is anticipated in relation to the South Humber Infrastructure and Investment Programme but the investment is still expected to deliver the anticipated benefits in terms of economic growth and increase business rates.
- In relation to treasury management, we are continuing to operate within our approved Treasury Management Strategy. As returns on investments are typically lower than those payable on borrowing we are continuing to hold minimum levels and reduce the 'cost of carry'. Given the Council's long-term borrowing requirement, we will be looking to lock in some longer term loans while rates remain historically low in preference to having to take the same borrowing later at uncertain rates.

- Despite the current financial pressures, the Council remains committed to the achievement of long-term financial sustainability by embracing the area's economic potential and by budgeting for growth. This is the only way the Council can become self-sufficient and generate the resources necessary to maintain and reinvest into quality public services.

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 1, and refers the Finance Monitoring Report to Scrutiny for consideration.
- (2) Approve the revised Capital Programme included at Annex 1.

REASONS FOR DECISIONS

The report is important in identifying to cabinet both successes, to note progress, and areas of forecast revenue overspend and amendment to the capital programme where actions need to be taken. The area of focus commentary highlights the achievement of any milestones or potential risks affecting the delivery of outcomes.

1 BACKGROUND AND ISSUES

- 1.1 Attached at Appendix 1 is the Quarter 1 Finance Monitoring Report for 2019/20. 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 N/A

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. CONSULTATION WITH SCRUTINY

6.1 Quarterly resource reports are progressed to the Executive and Scrutiny Liaison Board for consideration.

7. FINANCIAL IMPLICATIONS

7.1 As set out in the report.

8. LEGAL IMPLICATIONS

8.1 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.

9. HUMAN RESOURCES IMPLICATIONS

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

10. WARD IMPLICATIONS

10.1 All wards affected.

11. BACKGROUND PAPERS

11.1 Outcomes Framework, Commissioning Plan and Budget 2019/20 – 2021/22

12. CONTACT OFFICER

12.1 Sharon Wroot, Director of Resources and Governance
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COUNCILLOR STAN SHREEVE
PORTFOLIO HOLDER FOR FINANCE AND RESOURCES

Finance Monitoring Report 2019/20 – Quarter 1



Appendix 1



ACHIEVEMENT
AWARDS 2019
FINALISTS **THE MJ**

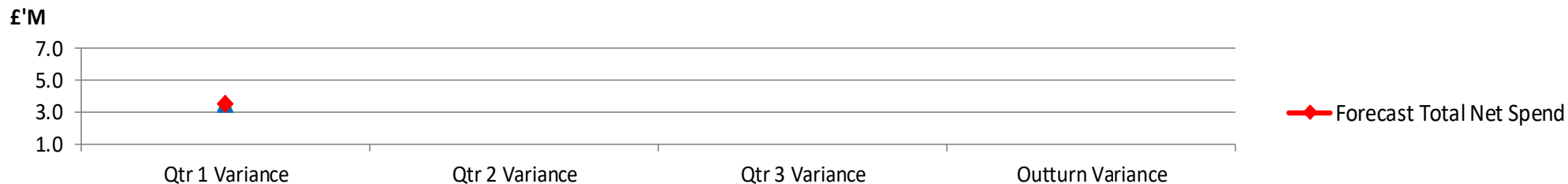


FINANCIAL OVERVIEW - QTR1

✓ On Course
 ! Monitor
 ✗ Cause for Concern

Quarterly Revenue Spend Forecast Position

✗ Pg 4



Service Revenue Position

✗ 3%

REVENUE	Budget £'M	Forecast £'M	Variance £'M	
Corp & Dem Services	2.7	3.0	0.3	Pg 6
Environment	14.2	14.7	0.5	Pg 7
Economy & Growth	18.0	18.1	0.1	Pg 8
Children's & Family Services	37.2	39.8	2.6	Pg 10
Public Health & Leisure	5.3	5.3	0.0	Pg 12
Adult Services	47.2	47.2	0.0	Pg 13
Total	124.6	128.1	3.5	

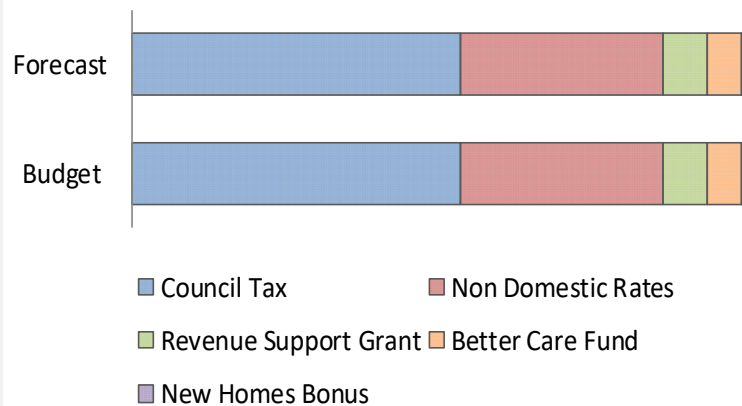
Service Capital Position

✗ (34%)

CAPITAL	App Prog £'M	Forecast £'M	Variance £'M	
Corp & Dem Services	9.8	6.3	(3.5)	Pg 6
Environment	5.1	4.9	(0.2)	Pg 7
Economy & Growth	50.5	32.4	(18.1)	Pg 9
Children's & Family Services	2.6	2.4	(0.2)	Pg 11
Public Health & Leisure	2.6	0.1	(2.5)	Pg 12
Adult Services	4.3	3.5	(0.8)	Pg 13
Total	74.9	49.6	(25.3)	

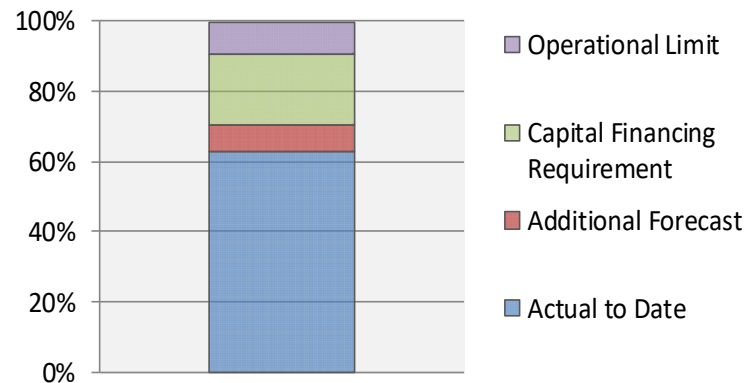
Funding

✓ Pg 16



Borrowing

Pg 18



Director of Resources and Governance Overview

The first quarter of the 2019/20 financial year has continued in the same vein as the previous year, with increasing service demand placing strain on available resources.

The Council is currently forecasting a revenue overspend of £3.5 Million against its approved budget. Pressures are being faced across a range of areas but in particular within children's services where demand continues to exceed available resources.

The Council approved the creation of a £2M earmarked reserve at the end of the 2018/19 financial year to specifically address underlying issues within Children's services including the recruitment of social workers and recommendations arising from a recent Ofsted review. More detailed analysis of the forecast overspend is provided throughout this report alongside risks and additional actions being taken to bring spend back in line with budget.

Leadership Team continue to challenge and monitor financial performance to ensure that spending is brought in line with budget and a range of actions are being explored to reduce the overspend position. Following a recent actuarial review, we have been able to redistribute an insurance surplus across service budgets. A regular review of income targets continues to be undertaken and additional income from areas such as planning fees and waste services are anticipated.

2019/20 is the final year of a four year financial settlement, which has seen the Council's funding shift further from reliance on central funding, to greater reliance on local taxation to fund services. Looking ahead we are anticipating significant changes to the way local government is funded with a move to 75% retention of business rates and removal of remaining support grant. In addition the outcome of the Government's Public Services Spending and Fair Funding reviews could have a significant impact on the Council's funding and scope to provide services.

Despite funding uncertainties and the well documented demand pressures being faced within the social care sector, the Council's commissioning based approach is ensuring that we are focusing upon key priorities and investing in those areas delivering the biggest impact. Budget envelopes continue to define the level of investment across core areas of service delivery and these are being reviewed on an ongoing basis. At the same time we are continuing to invest in transformative and innovative service redesign to support the efficient and cost effective delivery of services.

In accordance with the Council's agreed financial strategy, growing the overall tax base is critical to delivery of financial sustainability. The Council is making a series of longer term investments within the Borough to support our key priorities around economic growth and stronger communities. It is anticipated that the approval of the 'Town Deal' will be the catalyst to deliver wider economic and housing growth in North East Lincolnshire.

At the end of the first quarter we are forecasting that we will deliver the majority of the re profiled capital programme in year. Slippage is forecast, particularly within the Economy and Growth area linked to the South Humber Infrastructure and Investment Programme. The budget is still anticipated to be required in full to deliver this important economic growth programme. Active management of the capital programme will continue throughout the year to allow additions, deletions and re-profiling to take place.

The overall financial standing of the Council is being continually monitored throughout the year with particular focus upon the adequacy of reserves. General fund reserves, set aside to deal with any unforeseen events, remain at £8.3M and we are continuing to hold key corporate reserves to address specific risk areas linked to funding, transformation and insurance. In line with expectations, earmarked reserves are anticipated to reduce to support transformation and longer term initiatives.

In relation to treasury management we are continuing to operate within our approved Treasury Management Strategy. As returns on investments are typically lower than those payable on borrowing we are continuing to hold minimum levels and reduce the 'cost of carry'. Given the Council's long-term borrowing requirement we will be looking to lock in some longer term loans while rates remain historically low in preference to having to take the same borrowing later at uncertain rates.

In conclusion, and despite the current financial pressures, the Council remains committed to the achievement of long term financial sustainability by embracing the area's economic potential and by budgeting for growth. This is the only way the Council can become self-sufficient and generate the resources necessary to maintain and reinvest into quality public services.

Sharon Wroot

Revenue Highlights

£3.5M Total Revenue Forecast Overspend

£3.5M Service Budgets Forecast Variance

2.75%

% Representation of Service Budget Overspend to Net Budget

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Corporate & Democratic Services	2.7	3.0	0.3
Environment	14.2	14.7	0.5
Economy & Growth	18.0	18.1	0.1
Childrens & Family Services	37.2	39.8	2.6
Public Health & Leisure	5.3	5.3	0.0
Adult Services	47.2	47.2	0.0
	124.6	128.1	3.5
Corporate Budgets	3.5	3.5	0.0
	128.1	131.6	3.5
Earmarked reserves	1.6	1.6	0.0
School Balances	(2.2)	(2.2)	0.0
Total	127.5	131.0	3.5
Funding	(127.5)	(127.5)	0.0
Net	0.0	3.5	3.5



The Council is currently forecasting a revenue overspend of £3.5M against its approved budget. Pressures are being faced across a range of areas but in particular within children’s services where demand continues to exceed available resources.

Various actions are being taken to bring spending back in line with budget including a robust and challenging programme of work within children's services aimed at responding to the challenges presented by the increased demand within children's social care. This programme along side previous investment capacity is expected over time to bring costs down whilst still ensuring we achieve the best outcomes for children. We continue to look for ways to mitigate spending pressure in line with the finance strategy including maximising income opportunities, regular review of reserves and further efficiency and saving opportunities.

Capital Highlights

(£25.4M)

Underspend

Service Capital
Forecast Variance

33.9%

% Representation of Service
Capital Underspend to
Approved Programme

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Corporate & Democratic Services	9.8	6.3	(3.5)
Environment	5.1	4.9	(0.2)
Economy & Growth	50.5	32.4	(18.1)
Childrens & Family Services	2.7	2.4	(0.3)
Public Health & Leisure	2.6	0.1	(2.5)
Adult Services	4.3	3.5	(0.8)
Total Capital Budgets	75.0	49.6	(25.4)
Funding	(75.0)	(49.6)	25.4
Net	0.0	0.0	0.0

Approved Programme £'M

75.0

Forecast £'M

49.6

At the end of the first quarter of 2019/20 we are forecasting that we will deliver the majority of the reprofiled capital programme in year.

The main slippage relates to the SHIP Scheme, however the budget is still required in full. The first mitigation site is now complete, agreement on the acquisition of land remains under negotiation. As a result, major elements of construction is expected to now be delayed until 20/21, this is largely due to the delays on land acquisitions on both the Advanced Mitigation sites and Stallingborough

Revenue

Corporate & Democratic Services

2.17%

Of Total Revenue
Service Budgets

£0.3M

Forecast Revenue
Overspend

11.1%

Variance as % Of Total
Budget Envelope

REVENUE	Revenue Budget £'M	Revenue Forecast £'M	Variance £'M
Resources	(1.6)	(1.4)	0.2
Shared Service	2.1	2.2	0.1
Law	0.3	0.2	(0.1)
Governance & Democracy	1.9	2.0	0.1
	2.7	3.0	0.3

Revenue Budget £'M **2.7**

Revenue Forecast £'M **3.0**

£0.2M Resources pressure due to reduced occupancy levels within Business & Enterprise Centres. Communications are ongoing in order to gain Homes England approval to remove tenancy restrictions within the HSI building, along with marketing and tenant incentives in order to increase occupancy.

Commercial Estate have plans in place to address the pressure faced which are targeted at improving occupancy, increasing income, ensuring the estate is fit for purpose and meets demand in the market.

Pressures due to childcare legal demand as a result of the increased caseload coming from Children's services continues to be monitored and allocation of an element of an insurance surplus following an actuarial review mitigates the cost pressure.

Capital

13%

Of Total Capital
Programme

(£3.5M)

Forecast Capital
Underspend

CAPITAL	Approved Programme £'M	Capital Forecast £'M	Variance £'M
Resources	9.0	5.5	(3.5)
Shared Service	0.7	0.7	0.0
Gov Dem & Community Engage	0.1	0.1	0.0
	9.8	6.3	(3.5)

£3.5M variance on the Town Deal Investment is due to the private sector element being incorrectly reflected in the NELC capital programme. It should not be included in NELC capital programme and will be removed from the budget.

Revenue

Environment

11.40%

Of Total Revenue
Service Budgets

£0.5M

Forecast Revenue
Overspend

3.5%

Variance as % Of Total
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Environment	14.2	14.7	0.5



The forecast overspend within environment is primarily resulting from additional staffing pressures and additional costs from the waste disposal contract. The waste disposal pressure is forecast to result from an increase in tonnage banding price from reduced tonnage sent to the Energy from Waste Plant. The service has identified waste disposal contractual savings opportunities, including through the attraction of other local authority waste into the Energy from Waste Plant. This would help mitigate this pressure and would achieve savings of at least £0.2M. Alternative funding to cover the staffing costs is also being sought within the Council.

Capital

6.8%

Of Total Capital
Programme

(£0.2M)

Forecast Capital
Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Environment	5.1	4.9	(0.2)



(£0.2M) Fleet replacement Programme – Budget to be re-phased across both the current and next financial years due to the re-phasing of the fleet vehicle purchases.

14.45%

Of Total Revenue
Service Budgets

£0.1M

Forecast Revenue
Overspend

0.6%

Variance as % Of Total
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Economy & Growth	18.0	18.1	0.1

Budget £'M  18.0

Forecast £'M  18.1

We are forecasting a part year achievement of the savings associated with the Engie contract, some proposals are subject to further diligence and consideration. Where proposals are unachievable we will explore alternatives to contribute to the achievement of the £2M target.

This is partially offset by increased planning income due to the growth in major planning applications that are anticipated during the financial year and allocation of an insurance surplus re-distribution identified following an Actuarial report.

67.4%

Of Total Capital Programme

(£18.1M)

Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Economy & Growth	50.5	32.4	(18.1)



Significant challenge and review has been carried out on the capital programme and this has resulted in the re profiling of a number of budgets into a more accurate forecast of spend against the programme.

SHIIP Scheme (£9.7M) - The first mitigation site is now complete, agreement on the acquisition of land remains under negotiation. As a result, major elements of construction is expected to now be delayed until 20/21, this is largely due to the delays on land acquisitions on both the Advanced Mitigation sites and also the proposed industrial estate at Stallingborough. On Stallingborough, further advice is being taken and its expected to agree terms in the foreseeable future.

Riverhead Square (£2.5M) - the slippage is due to ongoing dialogue around the private sector led cinema development and the implications of Freshney Place having been put on the market. On that basis, we are exploring options should it be required to ensure grant funding is retained and utilised.

A18 Laceby to Ludborough (£2.2M) - Some spend proposed to be re-profiled into future years . The A18 scheme start on site date has been postponed until Feb 20 to account for the impact of the works on other schemes around this site.

29.86% Of Total Revenue Service Budgets

£2.6M

Forecast Revenue Overspend

7.0%

Variance as % Of Total Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Skills	2.9	3.2	0.3
Education	11.8	12.8	1.0
Children & Families	20.1	21.5	1.4
Safer NEL	2.0	2.0	0.0
Women & Children	1.1	1.1	0.0
Childrens/Family Services	(0.7)	(0.8)	(0.1)
Total Children's & Family Services	37.2	39.8	2.6



The areas forecasting overspends are mainly where demand continues to outstrip available resource are:

£0.2M within Family Hubs - A savings proposal was built into the budget in respect of an asset rationalisation programme across the Family Hubs, this aims to offer the best use of resource for families. A Family Hubs project team has been established and a service requirement and scoping workshop has been set up for the end of July. Full saving will not be achieved this financial year.

£0.9M within SEN / Inclusion service due to both increasing numbers and demand and complexity of need of looked after children. Actions are underway to reduce placement costs but not at the expense of outcomes for the child.. A clear action plan is in place, supported by capacity and resources to improve outcomes for children and young people with SEND. The Dedicated Schools Grant is also under pressure, with any future shortfalls likely to call on Council funding.

£1.4M within Safeguarding and Child Resource & Regulation. Child Resource & Regulation relating to Foster Carer payments, Special Guardianships and Residency Orders continuing to be a financial pressure due to an increase in Children Looked After, which now stands at 479 (end of June 2019). There has also been an increasing trend in the number of applications for Special Guardianships Orders since legislation changed. Whilst specific actions to manage the overspend in this area are limited other wider service actions are underway such as a re-structures and targeted actions around placement costs. In respect of Safeguarding the additional cost of agency social workers, which have needed to be used to manage the high demand of the service. Actions continue and more will come on line to manage caseloads and reduce the number of Agency Social Workers required as well as recruiting to permanent vacant posts

3.60%

Of Total Capital Programme

(£0.3M)

Forecast Capital Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Children's & Family Services	2.7	2.4	(0.3)

Approved Programme £'M  2.7

Forecast £'M  2.4

Following an early in year review of the capital schemes, minor re-profiling on a number of programmes has been identified and actioned. The re-profiling is as a result of finalised government funding allocations which have now been received.

Revenue

Public Health & Leisure

4.25%

Of Total Revenue
Service Budgets

£0.0M

Forecast Revenue
Overspend

0.0%

Variance as % Of Total
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Public Health	0.2	0.2	0.0
Leisure	5.1	5.1	0.0
	5.3	5.3	0.0

Budget £'M  **5.3**

Forecast £'M  **5.3**

The Council has received a ring fenced Public Health grant of £10.7M in 2019-20. This grant is allocated to a number of services function with the aim of improving the health of the local population. The services that benefit from the Public Health grant are 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.

Capital

3.47%

Of Total Capital
Programme

(£2.5M)

Forecast Capital
Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Public Health	2.6	0.1	(2.5)

Approved Programme £'M  **2.6**

Forecast £'M  **0.1**

Following the withdrawal of the Bradley Football Pitch scheme a review and discussion will be required on the future of playing pitches across the borough. This is anticipated to delay planned spend into 2020/21.

Revenue

Adult Services

37.88%

Of Total Revenue
Service Budgets

£0.0M

Forecast Revenue
Overspend

0.0%

Variance as % Of Total
Budget Envelope

REVENUE	Budget £'M	Forecast £'M	Variance £'M
Adult Services	46.3	46.3	0.0
Housing	0.9	0.9	0.0
	47.2	47.2	0.0

Budget £'M **47.2**

Forecast £'M **47.2**

A net nil budget outturn is projected at this stage, however as per last year a draw down of reserves in year to achieve this may be required. This area is subject to increasing demand across all elements of adult social care including demographic growth, children transitioning to adults services and cost pressures from the living wage which impacts across residential care, supported living and home based care. We will continue to explore innovative and transformational solutions to achieve our outcomes for Adult Services, whilst working with the CCG to ensure we maximise our opportunities across the new union arrangements.

Capital

5.73%

Of Total Capital
Programme

(£0.8M)

Forecast Capital
Underspend

CAPITAL	Approved Programme £'M	Forecast £'M	Variance £'M
Adult Services	0.6	0.6	0.0
Housing	3.7	2.9	(0.8)
	4.3	3.5	(0.8)

Approved Programme £'M **4.3**

Forecast £'M **3.5**

HPS-Disabled Facilities Grant (£0.8M) Additional grant funding was received for DFG which needs to be planned in. A prudent view to reprofile over future years has been taken at this time.

Corporate Budgets

3.51%

Of Total Revenue
Budgets

£0M

Forecast Revenue
Underspend

CORPORATE BUDGETS	Budget £'M	Forecast £'M	Variance £'M
Pensions and Appropriations	3.8	3.8	0.0
Technical Adjustments	(12.3)	(12.3)	0.0
Borrowing Costs	9.1	9.1	0.0
Levies	0.7	0.7	0.0
Other Budgets	2.2	2.2	0.0
Total	3.5	3.5	0.0

Budget £'M

3.5

Forecast £'M

3.5

Capital Programme Adjustments

Following significant review of the programme to ensure accurate profiling a number of schemes are now requesting slippage to more accurately reflect known delivery plans.

At the end of Quarter 1 a number of slippage requests have been made as detailed in the table.

A revised Capital Programme is included in Annex 1 for reference. The original programme was approved by Council as part of the budget planning process in February 2019.

SLIPPAGE REQUESTS	2019/20 £M
Digital Strategy Delivery/Imp Civica/Edrms	(0.02)
Fleet Replacement Programme	(0.23)
Housing Assistance Grants and Loans	(0.31)
SHIP scheme	(9.72)
CATCH offshore	(0.05)
Supported Housing Scheme	(0.18)
Immingham lock flood def gates	(1.05)
Riverhead Square	(2.49)
A18 Laceby to Ludborough	(2.21)
Community Housing	(0.03)
Willing/Peaksfield Flood Alleviation	(0.29)
Heritage Action Zone	(0.20)
Disabled Facilities Grant	(0.81)
Cleethorpes HLF Townscape Heritage	(0.33)
GLLEP Junction Improvement	(0.41)
Sea Road Regeneration	(0.05)
Playing Pitch Reprovision	(2.46)
Total	(20.84)

PROGRAMME ADJUSTMENTS	2019/20 £M
Local Transport Plan Schemes	(0.34)
Housing Assistance Grants and Loans	(0.20)
Town Deal Investment	(3.50)
Schools - Devolved Formula Cap Grant	(0.03)
Schools - Backlog Maintenance	(0.11)
Schools - Basic Need Sufficiency of Places	(0.16)
Scartha Rd/Barratts Rec site	(0.04)
Capital Investment	0.05
Controlling Rogue Landlords	0.01
Total	(4.32)

Funding - Summary

85.6%

Local Taxation as % of
Total Funding

1.98%

Council Tax uplift
19/20

FUNDING	Budget £'M	Forecast £'M	Variance £'M
Council Tax	67.4	67.4	0.0
Business Rates	41.7	41.7	0.0
Revenue Support Grant	9.0	9.0	0.0
Better Care Fund	7.0	7.0	0.0
Social Care Support	1.3	1.3	0.0
Winter Care Pressures	0.8	0.8	0.0
New Homes Bonus	0.3	0.3	0.0
Total	127.5	127.5	0.0

Budget £'M **127.5**

Forecast £'M **127.5**

The in year funding position is forecast to be as budgeted in the Medium Term Financial Plan 2019/20 – 2021/22.

There is a deficit on the Business Rates collection fund at the end of 2019/20 of £0.9M , however this will be met through the Business Rates Equalisation Reserve and will not affect the in year revenue budget.

Reserves

£8.3M

General Fund

6.5%

General Fund as % Of
Net Budget

£24.1M

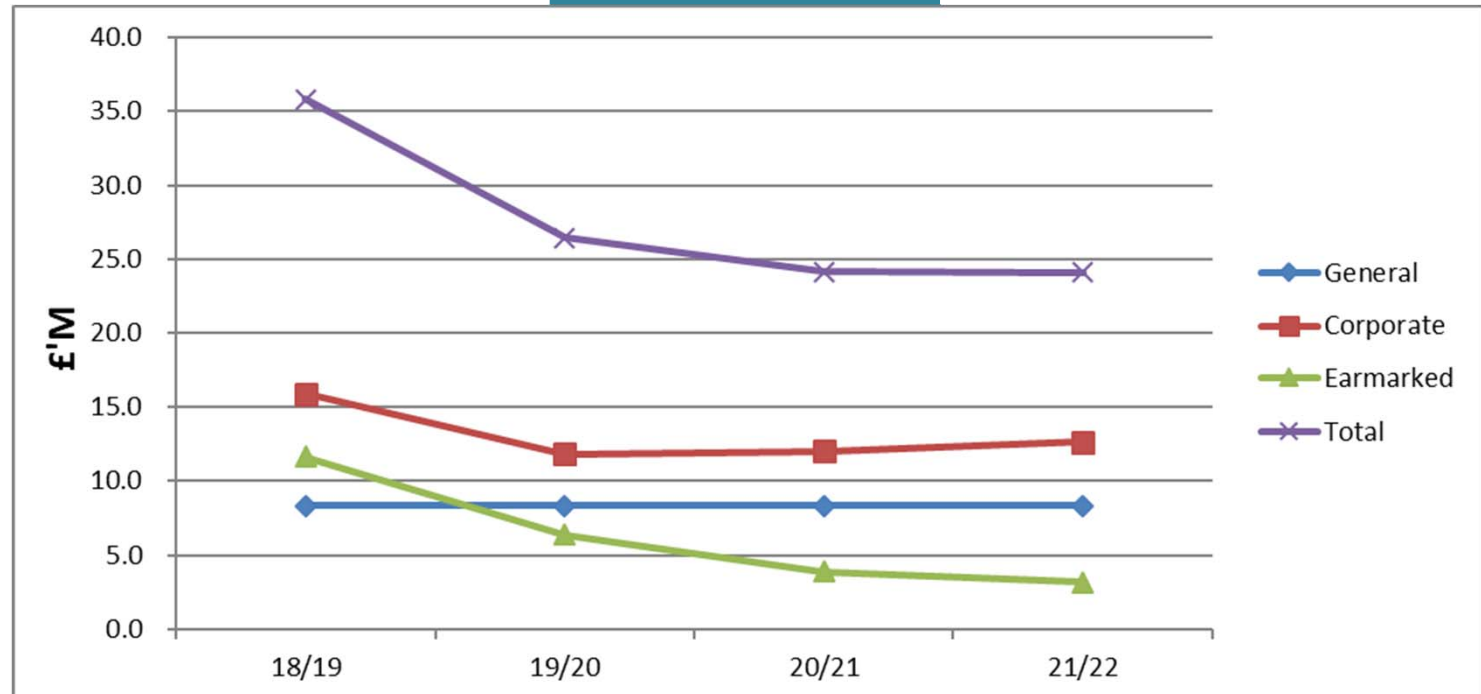
Forecast 21/22 Total
Reserve Balance

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 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.

Reserve Forecast



Key Corporate Earmarked Reserves

Name	19/20 Balance £'M	Purpose
Self Insurance	3.4	Required to meet cost of claims which are insured internally
Business Rates Equalisation	2.6	Used to mitigate fluctuations in business rates income without impacting service budgets
Management of Change	1.8	To cover costs of organisational change
Debt Financing	1.8	Used to mitigate costs of borrowing and capital programme activity
Transformation	0.8	Used for delivery of key transformation projects

Treasury & Cashflow

£16.5M

Investments at 31st Dec 2018

£117.4M

Borrowing as at 31st Dec 2018

0.6%

Average return on investments

3.7%

Average cost of borrowing

The chart opposite takes into account our current Capital spending plans, statutory repayment budget allocations and loan run-off to project our future new borrowing requirement.

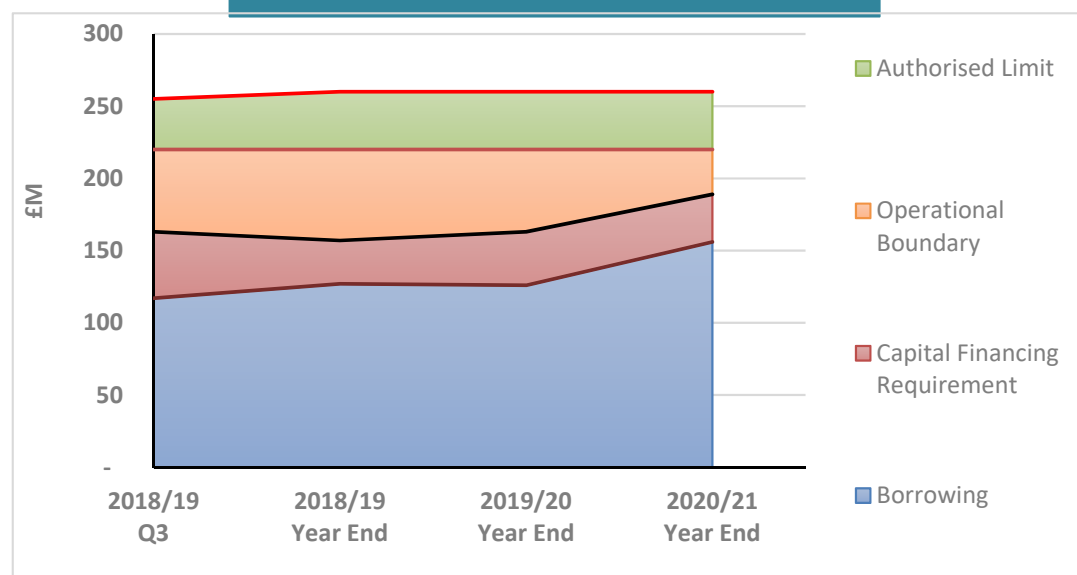
The Capital Financing Requirement (Black Line) is the underlying need to borrow for the councils capital plans. The Authorised and Operational Boundaries are the limits of borrowing that are deemed affordable, they are not targets. Capital financing costs will not exceed 10% of net revenue budget. The current forecast for 2018/19 is 6.39% and they will remain within 10%.

This shows we will need to borrow £13M by the end of the current financial year and a further £42M over the subsequent few years. Of the £55M required by 2021/22, £40M relates to new borrowing for the capital programme with the remainder being replacement of maturing borrowing.

Current investments are consistent with the Treasury Management Strategy.

As returns on investments are typically lower than those payable on borrowing we seek to run cash levels near to minimum liquidity levels to reduce the 'cost of carry' as demonstrated by the figures above. This strategy can however be tweaked within statutory guidance during periods of interest rate volatility, especially when rates are on an upward trend as they appear now to be. For example, given the long-term borrowing requirement identified below we may choose to lock in some longer term loans while rates remain historically low and accept a bit more cost of carry in the short-term in preference to having to take the same borrowing later at uncertain rates.

Prudential Indicators



Working Capital Management

94.8%

2018/19 % Creditor Invoices Paid within 30 days at Outturn

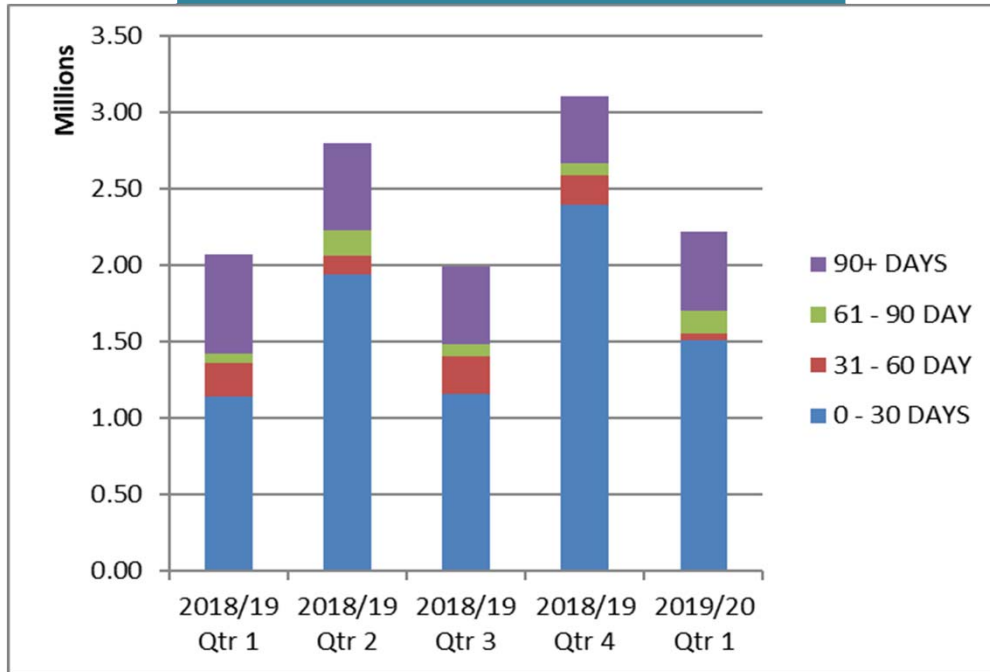
94.8%

2019/20 % Creditor Invoices Paid within 30 days at Qtr. 1

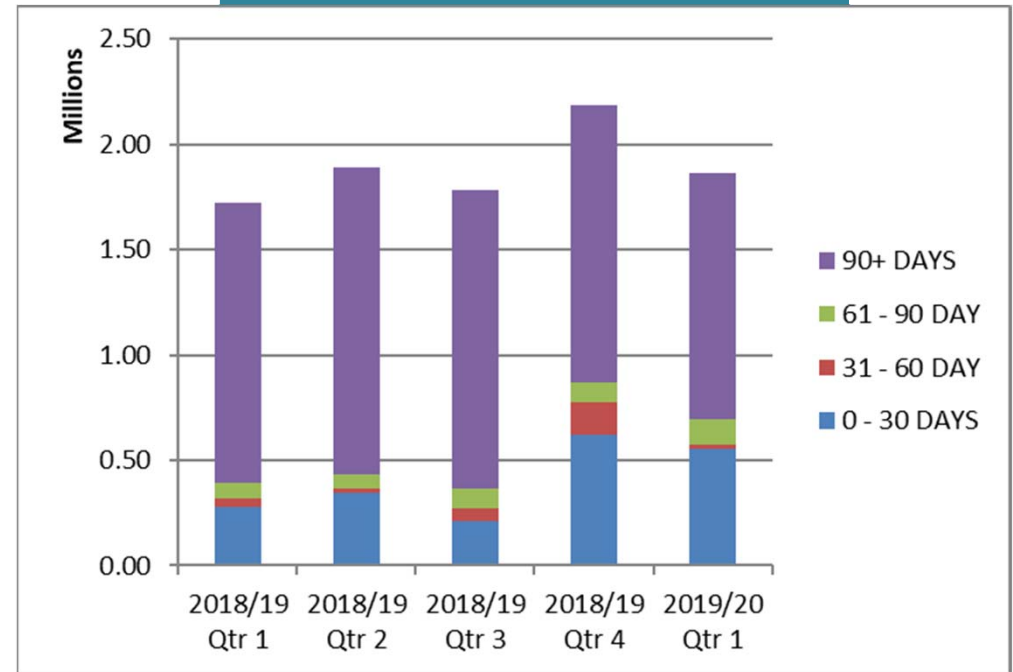


Direction of Travel

Council Managed Sundry Debts



Engie Managed Sundry Debts



Overall aged debt has decreased since Qtr. 4 2018/19 by £1.2M (Council decrease £0.9M, Engie decrease £0.3M). There were a number of high value invoices raised to academies in Qtr. 4 2018/19.

When comparing Qtr. 1 2019/20 to Qtr. 1 2018/19 aged debt has increased by £0.3M. (Council £0.16M, Engie £0.13M). Aged debt over 90 days has decreased by £0.3M, whilst aged debt 0-30 days increased by £0.6M, an element of which is not yet due. However, there were more high value invoices (over £10k) raised in Qtr. 1 19/20 compared to 18/19.

Of the top 10 overall council managed aged debts over 90 days, 8 are waiting further information from service departments, 1 is in dispute and 1 is waiting for write off as customer is in liquidation.

Of the top 10 Engie debtors 90 days and over 5 are currently being reviewed by Engie to advise 3 are with court enforcement and 2 awaiting further information from the service area.

Capital Programme

Annex 1

SCHEME	2019/20 Revised Capital Programme £000's	Q1 Funding Changes	Q1 Slippage Requests	2019/20 Revised Capital Programme £000's	2020/21 Revised Capital Programme £000's	2021/22 Revised Capital Programme £000's
Childrens Services						
Schools - Devolved Formula Cap Grant	266	(34)		232	90	90
Schools - Backlog Maintenance	539	(110)		429	500	500
Schools - Basic Need Sufficiency of Places	690	(155)		535	705	0
Childcare Management	215			215	0	0
SEND special prov fund	0			0	166	0
Replacement Childrens home	268			268	0	0
Looked After Children	688			688	0	0
Staying Close		17		17		
Lincs2 Portal	18			18	0	0
Adult Services						
Disabled Facilities Grants	3,698		(810)	2,888	2,725	2,725
Housing Assistance Grants and Loans	1,086		(505)	581	350	155
Community Housing	203		(33)	170	33	0
Social Care - BCF	635			635	0	0
Environment						
Fleet Replacement Programme	3,672		(234)	3,438	2,625	0
Litter Bin and Recycling Review	113			113	0	0
Litter Bin and Recycling Replacement and Upgrade	397			397	0	0
Enhancement of Bereavement services		521		521	811	679
Willing/Peaksfield Flood Alleviation	386		(286)	100	286	0
Household Recycling Scheme	950			950	0	0
Resources						
Backlog Maintenance	802			802	750	750
Capital Investment	89	45		134	419	3,381
Digital Strategy Delivery/Imp Civica/Edrms	272		(16)	256	117	10
Heritage Asset at risk	82			82	0	0
Shared Services						
ICT Framework	2			2	0	0
Systems Investment	200			200	682	0
IT Transformation Programme		98		98	130	98
ICT refresh	522			522	567	771

Annex 1

SCHEME	2019/20 Revised Capital Programme £000's	Q1 Funding Changes	Q1 Slippage Requests	2019/20 Revised Capital Programme £000's	2020/21 Revised Capital Programme £000's	2021/22 Revised Capital Programme £000's
Public Health						
Immingham Pool/Clee LC/Gy - Sport England	10			10	0	0
Scartho Rd/Barratts Rec site	40	(40)		0	0	0
Drug & Alcohol Recovery	120			120	0	0
Playing Pitch Reprovision	2,456	97	(2,553)	0	2,708	2,000
Economy and Growth						
Local Transport Plan Schemes	3,568	(360)		3,208	3,000	0
Freeman Street Regeneration	7			7	0	0
Cleethorpes HLF Townscape Heritage	673		(330)	343	2,063	0
GLLEP Junction Improvement	2,061	1,122	(1,536)	1,647	2,439	0
Cartergate Office Development	222			222	0	0
SHIIP scheme	21,412		(9,718)	11,694	12,121	767
CATCH offshore	52		0	52	0	0
Supported Housing Scheme	1,833		(183)	1,650	183	0
Immingham lock flood def gates	1,799	(1,399)	350	750	1,940	0
Coastal Communities	2,424	23		2,447	422	0
Smart Energy for business	4,942			4,942	1,612	0
A180 - South Humber Link Road	2,419			2,419	0	0
PSiCA (Partnership in Conservation Area)	400		(200)	200	250	450
Town Deal Investment	6,999	(3,500)		3,499	2,250	0
Riverhead Square	3,764		(2,488)	1,276	2,488	0
Sea Road Regeneration	750		(48)	702	2,103	2,645
Europarc Food Enterprise Zone	16	895		911	855	
Stallingborough AEMU		513		513	1,537	
Controlling Rogue Landlords	48	11		59	0	0
Europarc Fez	0			0	0	0
A18 Laceby to Ludborough	2,649		(2,214)	435	2,214	0
Corporate and Democratic						
The Knoll	43			43	0	0
Capital Receipt Flexibility	500			500	500	500
TOTAL CAPITAL PROGRAMME	75,000	(2,256)	(20,804)	51,940	49,641	15,521