

NORTH LINCOLNSHIRE COUNCIL

CABINET

Financial Position 2020/21

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. To inform Cabinet of the Council's financial performance in 2020/21:
 - 1.1.1. Revenue investment plan of £152.0m, 5% spend below budget.
 - 1.1.2. Capital investment of £28.1m, 64% delivery against plan.
 - 1.1.3. Enhanced financial resilience through £25.4m contribution to reserves.
- 1.2. To update Cabinet on the impact of the outturn on future financial years.
- 1.3. To update Cabinet on the changes to the annual Accounts timetable.
- 1.4. To seek approval for allocation of capital investment previously approved to support the Future High Street Fund match requirement.

2. BACKGROUND INFORMATION

- 2.1 The Council set a revenue and capital budget for 2020/21 in February 2020. The total revenue investment for delivery of its functions and strategic priorities was set at £152.0m and the capital investment limit for 2020/21 at £47.3m although the net effect of additional investment and rephasing reduced this to £43.9m as reported to full council in February 2021.
- 2.2 The table in Appendix 1 provides a summary of the actual use of revenue and capital funding against the planned use in 2020/21.
- 2.3 The council has been able to strengthen its financial resilience and contributed £25.4m to reserves in 2020/21. Appendix 2 provides the reserves account in detail.
- 2.4 The Medium-Term Financial plan approved in February 2021 included the capital programme 2020/24 totalling £127.2m, this is updated to reflect actual investment in 2020/21 as set out at Appendix 3.
- 2.5 By law, the annual accounts must be published in draft by the end of May each year and a final audited version published by the end of July. The Government have recognised the extraordinary circumstances of the COVID 19 pandemic and has again amended this timetable to end of July 2021 for draft accounts and end of September 2021 for publication of the final audited accounts.

3. OUTTURN OVERVIEW 2020/21

3.1 This section provides an overview of the council's financial position for 2020/21. Individual service area financial performance is subject to separate reporting; highlighted here are council-wide themes and Cabinet is asked to note the following information:

- 3.1.1 The council set a revenue investment budget of £152.0m against which there has been a total spend of £143.4m or 5% spend below budget. This has been achieved despite difficult and unprecedented circumstances and has been contributed to by all areas of the Council through a mixture of pro-active cost management initiatives, appropriate use of specific and non-specific government grants and a managed general slow-down in 'normal' core spending while focus has been turned to the response to the Covid-19 pandemic.
- 3.1.2 The overall revenue underspend has been supported by our relatively high level of in-house service delivery in areas such as leisure services. In line with national COVID-19 restrictions regulations these venues were unable to open at certain periods throughout the year. This provided the opportunity and flexibility for facilities and staff to be deployed to support our SHIELD programme to make best use of our resources.
- 3.1.3 The capital programme delivery has been subject to some project delays due to the pandemic with the spend in-year of £28.1m being 64% of the Capital Investment planned budget. A further £16m Investment was rephased to 2021/22 at the year-end for ongoing schemes.
- 3.1.4 Where capital investment has been delayed, the budget has been rephased to 2021/22 and whilst there is no reduction in the overall programme, the change of phasing of the programme has meant a reduction in both interest costs and funding costs totalling £1.6m of revenue saving in-year. See Appendix 3 for more details.
- 3.1.5 Covid-19 related grants totalling £33.7m for the 2020/21 financial year were received by the Council, some intended to fund the Council's additional costs in response to the pandemic as well as income losses suffered through reduced sales, fees & charges. See Appendix 4 for more details.
- 3.1.6 The council also received £61.0m of grants to support Businesses. It had paid out £54.4m of this by the end of 2020/21 with £6.6m carried forward for use in 2021/22. See Appendix 4 for more details.
- 3.1.7 The council set aside £25.4m of reserves in 2020/21, most of this increase was due to grants relating to Covid costs or lost income being provided in advance. In addition, there has been an increase in schools reserves of £4.8m. See Appendix 2 for more detail on council reserves.

4. OUTTURN IMPACT ON FUTURE FINANCIAL YEARS

4.1 The main implications for revenue budgets are the following:

4.1.1 The Council lost around 13% of its budgeted sales, fees & charges and approximately 5% of the expected Council Tax and Business Rates income during the pandemic and although much of this was compensated for through grants these have not continued into 2021/22 although income levels have not fully recovered.

4.1.2 Losses on Council Tax and Business rates during 20/21 will not be recognised in the council's accounts until 21/22 and later years. Government has provided grants to offset most of the council's lost income from 20/21 but the long-term impact on the overall tax yield is not yet clear.

4.1.3 This is the second outturn report that the council has presented in the context of the unprecedented impact of the COVID 19 pandemic. The financial effect on Central Government and the council has been significant. To mitigate the effect on the council the Government had made grants totalling £33.7m available of which the council used £26.7m. This left £7.0m that was carried forward to 2021/22 to manage the future financial uncertainties and provide some financial resilience to the council. In addition to this the government has provided £9.9m to meet the costs of the provision of additional Business Rate Relief in 2020/21. This will be recognised in the council's accounts in 2021/22 and the following two financial years so has been carried forward.

4.1.4 The Government had announced a Fair Funding review and a reset to the Business Rates Retention Scheme would conclude in April 2020. These could impact significantly on the council's finances but have been delayed twice due to the Pandemic. These ongoing uncertainties in funding and demand pressures have been exacerbated by the pandemic and a robust resilience evaluation of the Medium-Term Financial Plan (MTFP) is being progressed to be presented for consideration by Cabinet in September 2021. Although financial resilience has been strengthened by the contribution to the risk and transformation reserve balance, the review of the MTFP will identify how this is likely to be required to smooth the transition to financial sustainability over the next few years.

4.1.5 At this stage, we do not anticipate further pandemic related support funding and so our approach to the pandemic response in mitigating against creating unsustainable legacy demand costs and effective financial management throughout 2020/21 provides the foundations for ongoing financial planning and management being prudently developed on this basis.

4.1.6 The capital programme has been restated at Appendix 3 showing the rephrasing to 2021/22 of spend planned but not achieved in 2020/21. This has been updated to include the Future High Streets Fund investment, a total of £10.7m grant funding secured by allocation of £3.3m match funding.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g., LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

5.1 The only financial implications are those set out in this report.

5.2 The Council aims to present a draft set of accounts to the Audit Committee in July 2021, which is earlier than the revised statutory timeframe, but allows the council's Auditors commence work as soon as possible.

6. OTHER RELEVANT IMPLICATIONS (e.g., CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1 Not applicable.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 Not applicable.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 Not applicable.

9. RECOMMENDATIONS

9.1 Cabinet is asked to:

- a. Note the final revenue investment of the council for 2020/21
- b. Note the final capital investment of the council for 2020/21
- c. Note the council's reserves position for 2020/21
- d. Note the changes to the accounts timetable for 2020/21
- e. Approve the restatement of the capital programme at Appendix 3 which includes the allocation of £3.3m from the Capital Investment Allocation as match funding to support the Future High Street Fund thereby securing £10.7m grant investment for North Lincolnshire.

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Background Papers used in the preparation of this report

Appendix 1: Outturn

Revenue Investment

Priority	Budget £'000	Actuals £'000	Variance £'000
Enabling Resilient and Flourishing Communities	25,370	23,385	(1,985)
Enabling Economic Growth and Renewal	7,237	6,955	(282)
Keeping People Safe & Well	69,807	65,801	(4,006)
Running The Business Well	49,644	48,202	(1,442)
Priority Investment	152,058	144,343	(7,715)
Funding	(152,058)	(153,066)	(1,008)
Total	0	(8,723)	(8,723)

Capital Investment

Priority	Budget £'000	Actual £'000	Variance £'000
Keeping People Safe & Well	1,323	1,320	(3)
Enabling Resilient and Flourishing Communities	7,415	7,417	2
Enabling Economic Growth and Renewal	14,900	14,900	0
Running the Business Well	4,504	4,504	0
Total Investment	28,142	28,141	(1)
Capital Financing			
Borrowing	9,026	8,946	(80)
Capital Receipts	286	286	0
Revenue	153	154	1
Grants & External Contributions	18,677	18,755	78
Total Financing	28,142	28,141	(1)

Appendix 2: Reserves

Reserve	Brought forward £'000	2020-21 Movement in year £'000	Carried forward £'000
General Fund Balance	7,158	0	7,158
Risk & Transformation Reserve	15,959	8,372	24,331
Grants Reserve	8,770	6,231	15,001
NNDR Smoothing Reserve	4,027	8,434	12,461
Public Health Grant	1,212	540	1,752
P.P.E. Reserve	0	697	697
Adult Social Care - Staffing	0	430	430
DSG - De-Delegated Items	286	106	392
Licensing	163	110	273
Safety Camera Partnership	255	0	255
Care Leavers Reserve	0	218	218
Scunthorpe Special Expenses	213	(6)	207
Finance Systems Implementation	0	200	200
S106 Revenue Contributions	201	(107)	94
Organisational Development	0	65	65
Cultural Offer Transformation	0	53	53
ICT SharePoint	0	50	50
Planning Improvements	59	(13)	46
Crematorium Enhancement	23	7	30
Highways-Developer Contribution	0	18	18
Council Reserves	<u>31,168</u>	<u>25,405</u>	<u>56,573</u>
Schools Carry Forward	3,196	3,021	6,217
Dedicated Schools Grant	2,069	1,791	3,860
Schools Reserves	<u>5,265</u>	<u>4,812</u>	<u>10,077</u>
All Reserves	<u>43,591</u>	<u>30,217</u>	<u>73,808</u>

Appendix 3: Capital Investment Plan

a) Capital investment summary agreed at full council February 2021

Table 1 – Programme Summary 2020/24

Proposed Programme	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's	Total £000's
Investment in Priority					
Keeping People Safe and Well	3,044	2,275	156	156	5,631
Enabling Resilient and Flourishing Communities	5,830	7,618	2,233	2,129	17,810
Enabling Economic Growth and Renewal	26,624	29,954	8,412	6,709	71,699
Running the Business Well	8,383	9,413	2,793	2,797	23,386
Total Investment	43,881	49,260	13,594	11,791	118,526
Additional Capital Investment Allocation	0	0	2,825	5,827	8,652
Capital Investment Limit	43,881	49,260	16,419	17,618	127,178
Funding Analysis					
External & Grant Funding	25,942	24,008	9,296	8,618	67,864
Revenue Funding	171	16	0	0	187
Borrowing	16,268	14,736	7,123	9,000	47,127
Capital Receipts	1,500	10,500	0	0	12,000
Total	43,881	49,260	16,419	17,618	127,178

b) Capital investment detail, showing rephasing and additional external grant investment including utilising £3m of the Additional Capital Investment Allocation as match funding to support the Future High Street Fund investment.

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Approved Investment	43,881	49,260	16,419	17,618	127,178
Additional Investment	276	6,398	6,951	3,000	16,625
Rephasing	(16,015)	16,015			0
Proposed Investment	28,142	71,673	23,370	20,618	143,803

Proposed Programme	2021/22 £000's	2022/23 £000's	2023/24 £000's	Total £000's
Investment in Priority				
Keeping People Safe and Well	5,010	166	166	5,342
Enabling Communities to Flourish	23,022	5,654	3,346	32,022
Growing the Economy	30,175	13,828	10,332	54,335
Running the Business	13,226	2,797	2,797	18,820
Total Investment	71,433	22,445	16,641	110,519
Additional Capital Investment Allocation	240	925	3,977	5,142
Capital Investment Limit	71,673	23,370	20,618	115,661
Financing Analysis				
External & Grant Financing	37,899	16,297	11,618	65,814
Revenue Financing	32	0	0	32
Borrowing	22,028	7,073	9,000	38,101
Capital Receipts	11,714	0	0	11,714
Total	71,673	23,370	20,618	115,661

Scheme	2021/22 £000's	2022/23 £000's	2023/24 £000's
Keeping People Safe & Well			
Good Health & Wellbeing:			
Defibrillators	75	0	0
Disability Accessibility Scheme	42	0	0
Our Home Project	273	0	0
Property Resilience Grants	56	0	0
Safe & Sound Grant	93	0	0
Safer Roads Fund	1,578	0	0
School Safety Zones	2	0	0
Telecare Investment	552	156	156
Investing in our Environment:			
Communities In Bloom	66	0	0
Community Energy Projects	100	0	0
Enhancing Home Composting	10	10	10
Green Homes	1,416	0	0
Greening the Queensway	10	0	0
North Lincolnshire Northern Forest	625	0	0
Waters' Edge Decarbonisation	112	0	0
Total Keeping People Safe & Well	5,010	166	166
Enabling Resilient and Flourishing Communities			
Clean & Green Spaces:			
Household Waste - Bins & Boxes	100	100	100
Humberhead Levels Landscape Pt	215	0	0
Litter Binrastructure	25	0	0
Public Convenience Investment	50	0	0
Skip Replacement	64	40	40
Community Fund:			
Burton Sports Centre	66	0	0
Community Capital Grants	989	0	0
Community Equipment	124	129	129
Disabled Facilities Grants	5,133	1,500	1,500
Enhanced & Prosperous Communities Fund	1,053	0	0
Home Assistance/RHHA Loan	385	100	100
Parks and Play Areas	250	0	0
War Memorials	15	0	0
Safer Communities:			
CCTV Camera Upgrades	63	0	0
Learning Disability & Tech	118	0	0
Schools Investment:			
Formula Capital Devolved To Schools	762	377	377
Mainstream Inclusion SEND	9	0	0
Schools Investment Programme	12,169	3,008	700
Thriving Communities:			
Cremator Hearth & Relining	104	0	0
Street Lighting & LED	685	300	300
Vibrant Leisure & Culture:			
Ancholme River Path / Isle Cycleways	451	0	0
Baysgarth Park Footpath	4	0	0
Healey Rd Community Play Area	7	0	0
Leisure Equipment Replacement	111	100	100
Library Self Service	70	0	0
Scunthorpe Library Hub Investment	0	0	0
Total Enabling Resilient and Flourishing Communities	23,022	5,654	3,346
Enabling Economic Growth and Renewal			
Developments & Regeneration:			
Future High Streets Fund	2,619	7,392	4,000
Lincolnshire Lakes Flooding Prevention	348	0	0
Market Investments	230	0	0
Normanby Enterprise Phase 7	49	0	0
Property Trading Account Developments	244	0	0
Infrastructure - better roads & rail and superfast connectivity:			
A18 Melton Ross Railway Bridge	17	0	0
Active Travel Fund	111	0	0
BDUK North Lincs Broadband	1,524	0	0
Flood and Drainage	1,458	700	700
Goxhill Flood Alleviation	676	0	0
Infrastructure Schemes	22,786	5,736	5,632
Town Centre Regeneration	13	0	0
Town Centre Regeneration - Car Parking	100	0	0
Total Enabling Economic Growth and Renewal	30,175	13,828	10,332
Running the Business Well			
Lifecycle Maintenance of Operational Assets:			
Capital Minor Works	548	500	500
Community Buildings Investment - Operational Infrastructure	2,700	0	0
Fleet Asset Management Programme	4,282	1,833	1,833
Organisational Development & Transformation:			
Capital Receipts Flexibility	794	0	0
Community Buildings Investment - Community Hubs	2,762	0	0
Digital & IT Infrastructure	854	440	440
Dragonby Energy Efficiency	111	24	24
Replacement HR/Payroll/Finance system	1,175	0	0
Total Running the Business Well	13,226	2,797	2,797
Capital Investment Allocation			
Additional Capital Investment Allocation	240	925	3,977
Capital Investment Allocation	240	925	3,977
Total Capital Programme	71,673	23,370	20,618

Appendix 4: Covid Grant Funding

Grant	Grant Receipts	Utilised in Year	Unutilised
	£'000	£'000	£'000
Business Support Grant	37,242	37,177	65
Local Restrictions Grant (Closed)	11,011	8,430	2,581
Closed Business Lockdown Pay	7,533	5,628	1,905
Additional Restrictions Support Grant	4,976	2,947	2,029
Local Restrictions Grant (Open with Restrictions)	241	241	0
Grants to Support Business	61,003	54,423	6,580
Covid 19 Emergency Grant	13,200	9,839	3,361
Infection Control Fund	4,433	4,433	0
Contain Outbreak Management Fund	4,332	2,661	1,671
Income Compensation for Sales Fees & Charges	3,480	3,480	0
Hospital Discharge Funding	1,928	1,928	0
Covid-19 Hardship Fund	1,170	957	213
LA Test & Trace Support Grant	855	203	652
ASC Rapid Testing	631	631	0
Covid Winter Grant	547	547	0
Dedicated Home to School Grant	437	384	53
Community Champions	397	164	233
Workforce Capacity Fund	380	380	0
Test & Trace Support (Standard/Discretionary)	340	231	109
Bus Services Support Grant	281	180	101
Business Grant New Burdens	247	0	247
Clinically Extremely Vulnerable	202	80	122
Local Welfare Assistance Fund	197	197	0
Re-Opening High Streets Safely	153	33	120
Test & Trace Support (Admin)	113	113	0
Christmas Support Package	95	95	0
Compliance & Enforcement	88	58	30
Community Testing Programme	69	69	0
Next Steps Accommodation Grant (Short Term)	54	54	0
Emergency Active Travel (Phase 1)	33	33	0
Wellbeing for Education Return	29	0	29
Covid Catch Up - Independent Schools	13	0	13
Rough Sleeping Contingency Fund	7	7	0
Council Funding	33,711	26,757	6,954
Total grant receipts	94,714	81,180	13,534