

Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	County Council
Date:	17 September 2021
Subject:	Review of Financial Performance 2020/21

Summary:

This report:

- describes the Council's financial performance in 2020/21 and sets out the Executive's recommendations on budget carry forward arising from the underspends of £28.746m on Council budgets and £13.976m on Schools budgets, and seeks approval for those proposals not set out under Financial Regulations; and
- sets out performance against Prudential and Financial Indicators for 2020/21.
- describes how the Support to Businesses reserve has been used to support local businesses and includes a recommendation about the unused balance in the reserve.

Recommendation(s):

The County Council is recommended to:

1. Note the carry forward set out in paragraphs 1.16 to 1.18 of the report, which are made in line with Financial Regulations.
2. Approve the use of underspend in excess of 1% referred to in paragraph 1.20 to 1.24 as follows:
 - a. The transfer to reserves for "non-business as usual" activity described in paragraph 1.20.
 - b. The creation of and transfer of £0.300m to a new earmarked reserve for Council Elections described in paragraph 1.21 and approval for underspends on election budgets to be transferred automatically to the said reserve in future years.
 - c. The transfer of £2.200m to the Financial Volatility earmarked reserve as described in paragraph 1.23.
 - d. The creation of and transfer of £2.304m to a new Coronavirus Recovery Reserve described in paragraph 1.24.

3. Note the transfers to and from reserves carried out in 2020/21 and note the position of Earmarked Reserves as at 31 March 2021 as shown in Table F of this report.
4. Note the position of the General Reserves as set out in paragraph 1.28 and Table G.
5. Note the financial performance in 2020/21 as set out in Table H.
6. Approve the transfer of the remaining £1.8m in the Support to Businesses Reserve to the Financial Volatility Reserve as described in paragraph 1.25.

1. Background

1.1 We set our spending plans for 2020/21 in the context of continuing uncertainty about longer term government funding, growing cost pressures from demand led services such as adult and children's social care, and the Council's responsibility to pay the National Living Wage. In developing our financial plan for the year we considered all areas of current spending, levels of income and council tax to set a balanced budget. The budget proposals included an increase in council tax level of 3.50% (1.50% general increase, plus 2.00% for Adult Social Care).

1.2 The budget for 2020/21 was set before the coronavirus pandemic had taken hold in the UK, and the pandemic has not only had a material impact on our activities over the past year, it has also impacted on our financial performance during the year. This is because significant sums of money have been paid to us by the government in the form of various coronavirus grants, and significant amounts have consequently been paid out. Our 2020/21 expenditure due to the pandemic has been funded by the government during the year and therefore has had no impact on the local council tax payer.

Financial Performance

2020/21 Revenue Spending and Funding

1.3 We spent £1,044.840m providing public services. This equated to £1,382 for every person in Lincolnshire.

1.4 When compared to the budget set:

- Total service revenue spending excluding Schools, was underspent by £15.510m or 3.5%
- There was an underspend of £12.811m on Other Budgets (a number of corporate budgets including capital financing, treasury management and contingency) or 16.5%
- The Council received £0.425m or 0.1% more general funding income than originally budgeted for.

1.5 This gives the Council (excluding Schools) a total underspend against the revenue budget of £28.746m.

1.6 In addition there was an underspend relating to Schools of £13.976m. This amount will be carried forward for Schools to use in 2021/22.

1.7 Table A provides a summary breakdown of the Council's 2020/21 net revenue expenditure.

Table A – Net Revenue Expenditure Final Outturn 2020/21

	Revised Net Revenue Budget £m	Net Expenditure £m	Year End Variance £m	Actual Variance %
SERVICE DELIVERY				
Children's Social Care	79.870	78.414	(1.456)	(1.8)
Children's Education	43.447	43.767	0.320	0.7
Children's Services	123.317	122.181	(1.136)	(0.9)
Adult Frailty & Long Term Conditions	122.500	118.948	(3.552)	(2.9)
Adult Specialities	81.149	79.374	(1.775)	(2.2)
Public Health and Community Wellbeing	23.783	20.188	(3.595)	(15.1)
Public Health Grant Income	(33.546)	(33.546)	0.000	0.0
Better Care Funding	(50.019)	(50.019)	0.000	(0.0)
Adult Care and Community Wellbeing	143.866	134.945	(8.921)	(6.2)
Communities	47.278	46.032	(1.246)	(2.6)
Lincolnshire Local Enterprise Partnership	0.343	0.263	(0.081)	(23.5)
Growth	5.067	5.013	(0.054)	(1.1)
Highways	23.898	24.014	0.116	0.5
Place	76.587	75.322	(1.265)	(1.7)
Fire & Rescue	22.628	22.543	(0.086)	(0.4)
Emergency Planning	0.451	0.433	(0.018)	(4.0)
Fire and Rescue and Emergency Planning	23.079	22.976	(0.103)	(0.4)
Human Resources and Organisational Support	14.603	13.856	(0.746)	(5.1)
Finance	6.836	6.800	(0.036)	(0.5)
Legal and Governance Services	2.488	1.900	(0.588)	(23.6)
Public Protection	4.199	4.457	0.257	6.1
Resources	28.126	27.013	(1.113)	(4.0)
Property	10.147	9.182	(0.964)	(9.5)
Information Management Technology	14.706	14.914	0.208	1.4
Transformation	7.332	6.942	(0.390)	(5.3)
Commercial	9.034	7.529	(1.505)	(16.7)
Commercial	41.219	38.568	(2.651)	(6.4)
Corporate Services	3.100	2.779	(0.321)	(10.4)
Corporate Services	3.100	2.779	(0.321)	(10.4)
TOTAL SERVICE DELIVERY	439.295	423.785	(15.510)	(3.5)
OTHER BUDGETS				
Contingency	1.227	0.000	(1.227)	(100.0)
Capital Financing Charges	56.924	48.277	(8.647)	(15.2)
Other	19.519	16.582	(2.937)	(15.0)
TOTAL OTHER BUDGETS	77.671	64.860	(12.811)	(16.5)
TOTAL NET EXPENDITURE (EXC SCHOOLS)	516.966	488.644	(28.322)	(5.5)
MOVEMENT OF RESERVES				
Transfer to/from Earmarked Reserves	7.952	37.206	29.254	367.9
Contribution to/from School Reserves	(9.794)	3.674	13.467	(137.5)
Contribution to Development Fund	(3.043)	(3.043)	0.000	0.0
Transfer to/from General Reserves	0.150	0.150	0.000	0.0
TOTAL MOVEMENT OF RESERVES	(4.735)	37.986	42.722	(902.2)
MET FROM:				
Business Rates local Retention	(123.990)	(124.359)	(0.369)	0.3
Revenue Support Grant	(20.467)	(20.467)	0.000	0.0
Other Non Specific Grants	(60.452)	(60.508)	(0.056)	0.1
County Precept	(315.574)	(315.574)	0.000	(0.0)
TOTAL MET FROM	(520.482)	(520.907)	(0.425)	0.1
TOTAL (EXCLUDING SCHOOLS)	(3.517)	(32.263)	(28.746)	
SCHOOL BUDGETS				
Schools Block	143.575	129.567	(14.008)	(9.8)
High Needs Block	77.679	78.583	0.904	1.2
Central School Services Block	3.193	2.834	(0.359)	(11.2)
Early Years Block	43.125	41.951	(1.175)	(2.7)
Dedicated Schools Grant	(256.757)	(256.538)	0.219	(0.1)
Schools Budget (Other Funding)	(2.563)	(2.120)	0.442	(17.3)
TOTAL SCHOOLS BUDGETS	8.252	(5.724)	(13.976)	(169.4)
TOTAL (INCLUDING SCHOOLS)	4.735	(37.986)	(42.722)	

2020/21 Capital Spending and Funding

1.8 The Council spent £168.174m on the County's major assets, in particular on road schemes and schools. The net capital spend was £52.235m, which was £59.534m less than planned.

1.9 Table B provides a summary breakdown of the Councils 2020/21 capital expenditure.

Table B – Capital Expenditure Final Outturn 2020/21

	Gross Programme			Net Programme		
	Actuals £m	Revised Budget £m	Gross Outturn Variance £m	Actuals £m	Revised Budget £m	Net Outturn Variance £m
Adult Care & Community Wellbeing	7.006	8.406	-1.400	0.030	0.030	0.000
Children's Services	23.874	24.090	-0.216	11.896	12.136	-0.240
Place	123.174	156.952	-33.778	34.516	80.487	-45.971
Fire and Rescue	3.731	4.605	-0.874	3.731	4.605	-0.874
Commercial	10.389	18.805	-8.416	3.379	11.795	-8.416
Resources	0.000	0.107	-0.107	0.000	0.107	-0.107
Other Budgets	0.000	3.926	-3.926	-1.317	2.609	-3.926
Total	168.174	216.891	-48.717	52.235	111.769	-59.534

1.10 The capital programme comprises a series of schemes/projects which often span a number of years. Hence over/underspends cannot always be related to time periods such as a single financial year.

1.11 The gross capital expenditure of £168.174m is funded from a number of different sources as set out in Table C below. The majority of expenditure is funded from Government grants and borrowing.

Table C- Capital Financing 2020/21

	£m
Revenue Contributions	7.751
Use of Reserves	4.080
Grants and Contributions	125.340
Capital Receipts	2.690
Borrowing	28.313
Total	168.174

1.12 The Council sets a voluntary limit on its total borrowing to ensure that it remains prudent and affordable over the longer term. This target is to ensure that the annual minimum revenue provision (MRP) charge plus interest on loans amount to no more than 10% of the Council's annual income. The MRP charge is the amount set aside by the Council each year as a provision to repay debt over the period when the assets purchased and built provide a benefit to the communities of Lincolnshire. The total cost of these capital financing charges for 2020/21 amounted to 4.98% of total income.

Prudential indicators

1.13 The Local Government Act 2003 gave authorities freedom to borrow what they need to fund their capital programmes. The Act requires Local Authorities to comply with CIPFA's Prudential Code for Capital Finance in Local Authorities. The Code provides a framework to ensure that Local Authorities' capital programmes are affordable, prudent and sustainable and that treasury management decisions are taken to support this.

1.14 In complying with the Code, the indicators for 2020/21 were approved by the Council on 21 February 2020 along with the budget and council tax for that year. In accordance with the Code, the Executive Director has monitored the actual performance against the targets set and there have been no issues of concern to be reported to members. Table D provides a detailed comparison of the actual position compared with that estimated for 2020/21.

Table D – Prudential Indicators Actual Compared to Estimated 2020/21

	2020/21		2020/21
Original Estimate	£000	Actuals	£000
Prudence Indicators:			
1) Capital Expenditure & Financing			
Net Capital Expenditure	137,923	Actual Net Capital Expenditure (Excl Sch RCCO & Leasing)	52,235
2) Capital Financing Requirement			
Capital Financing Requirement 31/3/2021	749,599	Actual Capital Financing Requirement 31/3/2021	624,299
Capital Financing Requirement Estimate at 31/3/2023	822,627	Capital Financing Requirement Estimate 31/3/2023	697,327
3) Gross Borrowing and the Capital Financing Requirement			
Gross External Borrowing	628,398	Actual Gross External Borrowing	488,365
Headroom Over CFR at 31/3/2023	194,229	Actual Headroom Over CFR at 31/3/2023	208,962
4) External Debt			
Authorised Limit for External Debt		Actual external debt at 31/3/2021	
Borrowing	715,305	Long Term LCC	487,186
Other Long Term Liabilities	11,488	Long Term Schools	756
Total Authorised Limit	726,793	Salix	423
		Temporary(Home Office)	0
Operational Boundary for External Debt		Borrowing	
Borrowing	700,305	Other Long Term Liabilities (Credit Arrangements)	8,688
Other Long Term Liabilities	9,488	Total Debt	497,053
Total Operational Boundary	709,793		
Affordability Indicators:			
5) Financing Costs & Net Revenue Stream			
Estimated Ratio of Financing Costs To Net Revenue Stream	5.60%	Actual Ratio of Financing Costs To Net Revenue Stream	4.88%
Estimated Ratio of MRP & Interest Costs To Net Revenue Stream	5.78%	Actual Ratio MRP & Interest Costs To Net Revenue Stream	4.98%
Proportionality Indicators			
6) Limit for Maximum Usable Reserves at Risk from Potential Loss of Investments			
Estimated Proportion of Usable Reserves at Risk from Potential Loss of Investments -Limit 10%	1.43%	Actual Proportion of Usable Reserves at Risk from Potential Loss of Investments	0.48%
7) Income from Non Treasury Investments & Net Service Expenditure			
Estimated Proportion of Non-Treasury Investment Income to Net Service Expenditure -Limit 3%	0.46%	Actual Proportion of Non-Treasury Investment Income to Net Service Expenditure	0.50%
Treasury Indicators:			
8) Interest Rate Exposures (Variable)			
Upper limit for variable interest rate exposures		Actual variable interest rate exposure at 31 March 2021	
Borrowing	30%	Borrowing	0%
Investments	100%	Investments	44%
9) Total Principal Sums Invested			
Upper limit for total principal sums invested for over 365 days (per maturity date). Treasury and Non Treasury Investments.	40,000	Actual principal sums invested > 365 Day. Treasury and Non Treasury Investments.	6,419
10) Maturity Structure of borrowing			
Upper Limit for maturity structure of borrowing		Actual maturity structure of borrowing at 31 March 2021	
Under 12 months	25%	Under 12 months	2.30%
12 months and within 24 months	25%	12 months and within 24 months	1.80%
24 months and within 5 years	50%	24 months and within 5 years	5.20%
5 years and within 10 years	75%	5 years and within 10 years	12.20%
10 years and above	100%	10 years and above	78.50%
11) Borrowing in Advance of Need			
Estimated borrowing in advance of need limit equal to 25% of the expected increase in CFR over 3 year budget period	18,257	Actual borrowing taken in advance of need in 2020/21	0

Carry Forward of Over and Underspends

1.15 The Council's policy for the carry forward of over and underspends is set out in Financial Regulations, this is:

1.16 All under and overspends on service revenue budgets of up to 1% will be carried forward without exception. In 2020/21, this was a net underspend totalling £4.899m.

1.17 All under and overspends on the dedicated schools budget will be carried forward. In 2020/21 this net underspend totalled £13.976m, which included an underspend of £0.508m on Schools Sickness Insurance (see paragraph 1.20(e) below).

1.18 In addition to the carry forward of up to 1% of budget under and overspends, there are a number of transfers to reserves for "business as usual" items totalling £0.237m:

- a) Civil Parking Enforcement and Permitting income is ring-fenced for spending on specific works defined by legislation. This budget underspent by £0.088m in the year.
- b) Strategic Commissioning and Procurement which provides services to partner organisations has operated at a surplus of £0.148m in 2020/21 and the net surplus will be transferred to an earmarked reserve pending future decisions about its use.
- c) Interest on Lincoln Cultural Quarter of £0.001m.

1.19 All of the transfers to reserves set out in paragraphs 1.16 to 1.18 and are for noting as being in accordance with Financial Regulations.

1.20 The amount of underspend remaining after taking account of the 1% carry forward of service underspends and the "business as usual" transfers is £23.610m. The Council is required to consider the use of underspends above the level of 1% and outside of the "business as usual" transfers to reserves and there are five further requests for transfers to existing earmarked reserves, totalling £19.314m (£18.806m for items a to d which relate to non-Schools) and £0.508m (for item e which relates to Schools):

- a) The budget for flood and water risk management underspent by £0.045m in the year and it is proposed that this sum be added to the Flood and Water Risk Management reserve.
- b) A surplus of £0.114m was achieved in 2020/21 from the purchase by employees of additional annual leave. It is proposed that this sum is transferred to the Purchase of Employee Leave earmarked reserve. This will help to support staff wellbeing.
- c) Capital Financing Charges underspent by £8.647m in the year and it is proposed that this sum be transferred to the existing Capital Financing Charges earmarked

reserve which will be used in the future to smooth out fluctuations in charges as a result of capital programme volatility.

- d) An increase to the Development Fund of £10.000m for use on Highways initiatives.
- e) Schools Sickness Insurance Scheme had a surplus of £0.508m in the year and it is proposed that this be transferred to the Schools Sickness Insurance earmarked reserve.

1.21 It is proposed that a new earmarked reserve be created from a specific underspend in the revenue budget. The budget for four-yearly County Council elections has now been spread evenly over a four year budget cycle. Each year there is a revenue budget of £0.300m and in years when no elections take place and there is consequently no expenditure against the budget, it is proposed that the resulting underspend will be transferred to a new Elections earmarked reserve. In the years when an election takes place, the balance on the reserve will be drawn down to supplement the annual budget. It is proposed that the underspend of £0.300m is transferred to a new reserve set up for this purpose.

1.22 After the above allocations, which are in line with the Council's Financial Strategy, there is £4.504m still to be allocated.

1.23 The Financial Volatility earmarked reserve has been created from underspends in previous financial years and exists primarily to support the revenue budget in a planned way in any year where there is a budget deficit over the medium term period. During 2020/21 the sum of £12.200m was drawn down from the Financial Volatility reserve in order to create a new Support for Businesses earmarked reserve of £12.000m and to increase the sum in the Flood and Water Risk Management earmarked reserve by £0.200m. These reductions in the Financial Volatility earmarked reserve were to support particular areas of concern at the time, namely the impact of the pandemic on businesses in Lincolnshire and the need to provide further support for flood management. It is proposed that £2.200m of the 2020/21 underspend is transferred to the Financial Volatility earmarked reserve to restore some of this funding.

1.24 Although the situation has improved since the end of the 2020/21 financial year, the coronavirus pandemic is not yet over. The government has announced £15.159m of emergency support to cover Covid-19 costs in 2021/22 and the extension of the sales fees and charges grant to cover loss of income due to Covid-19 for the first quarter of 2021/22. We have also carried forward £2.072m of unspent emergency grant to 2021/22. Beyond this there is no guarantee of any further government support for the impacts of the pandemic, but our costs and losses are still continuing and the easing of Covid-19 restrictions by the government will not lead to an immediate return to normality for all services. It would therefore be prudent to allocate the remaining underspend from the Council's budget to a new revenue earmarked reserve for Coronavirus Recovery and it is proposed that the sum of £2.304m be allocated in this way to a new reserve set up for this purpose.

1.25 As mentioned above, in February 2021 the Council approved the setting up of a £12m Support to Businesses reserve funded by the Financial Volatility Reserve. The Council has used this funding to support a range of businesses. The Business Recovery fund has paid out £2.71million to 358 businesses. A further 33 businesses have been awarded £1.6million in funding through the Invest for Future fund allowing business expansion and increased productivity, creating 112 jobs. Aligned to this were funds to enhance digitisation and supporting our important rural economy. 398 digital applications were approved receiving just over £1.7million and 65 rural projects have benefited of grant awards totalling £1million to date. The Support to Businesses schemes are in the final stages and there is currently £1.8m unallocated. It is proposed to transfer this amount back to the Financial Volatility Reserve.

1.26 The current balance in the Financial Volatility earmarked reserve is £40.483m before any top-up from the 2020/21 underspend. This reserve is not required to balance the budget in 2021/22, but it may be required to support the budget in the years beyond as the medium term financial plan shows budget deficits in each of the next two years. Work on updating the medium term financial plan as part of the next budget setting process is currently underway.

TABLE E – Proposals for Treatment of the Council's Underspend

	£m
Council Underspend for 2020/21 (excluding Schools)	28.746
Service Net Underspends up to 1% Carried Forward:	
- Adult Care and Community Wellbeing	2.167
- Children's Services	1.136
- Place	0.766
- Fire & Rescue and Emergency Planning	0.103
- Commercial	0.408
- Resources	0.288
- Corporate Services	0.031
	4.899
Business As Usual Items, for ringfenced items (para 1.18):	
- Civil Parking Enforcement & Permitting	0.088
- Strategic Commissioning & procurement surplus	0.148
- Interest Lincoln Cultural Quarter	0.001
	0.237
Proposed Transfers to Existing Earmarked Reserves (para 1.20):	
- Flood & Water Risk Management	0.045
- Purchase of Employee Leave	0.114
- Development Fund (Highways)	10.000
- Capital Financing Charges	8.647
	18.806
Proposed Transfers to New Earmarked Reserves (para 1.21):	
- Elections	0.300
	0.300
Balance Remaining for Consideration	4.504
Proposals for Balance Remaining (para 1.23):	
- Replenish Financial Volatility Reserve	2.200
- Create new Coronavirus Recovery Reserve	2.304
	4.504

1.27 TABLE F over the page shows the new balances on reserves following approval of the transfers detailed in paragraphs 1.20 to 1.26 above. The table also shows a variety of other transfers to or from other earmarked reserves reflecting actual expenditure and income in 2020/21.

TABLE F – Transfers To and From Reserves

	Restated Balance at 01 April 2020	Additions in Year	Used in Year	Balance at 31 March 2021	Transfer from Earmarked Reserves - Pre-Council confirmation	Balance following Council Approval
	£m	£m	£m	£m	£m	£m
Balances from dedicated schools budget	14.137	0.670	(2.929)	11.878	0.000	11.878
Balances for schools under a scheme of delegation	10.671	15.227	(11.661)	14.237	0.000	14.237
Total Schools	24.808	15.897	(14.590)	26.115	0.000	26.115
Other Earmarked Reserves:						
Earmarked Reserves - Pre Council Confirmation	15.141	29.254	(15.141)	29.254	(29.254)	0.000
Insurance	5.737	1.038	0.000	6.775	0.000	6.775
Schools Sickness Insurance	0.685	0.000	0.000	0.685	0.508	1.193
Shared Services (Legal and Procurement)	1.823	0.828	(0.013)	2.638	0.148	2.786
Financial Volatility	52.683	0.000	(12.200)	40.483	4.000	44.483
CSSC Transformation Including BW Rebuild and Development	3.384	0.000	(0.636)	2.748	0.000	2.748
Energy from Waste Lifecycles	5.038	1.286	(0.552)	5.772	0.000	5.772
Development Fund	10.182	9.966	(5.696)	14.452	10.000	24.452
Business Rates Volatility Reserve	6.152	0.000	0.000	6.152	0.000	6.152
Support to Businesses	0.000	12.000	(0.689)	11.311	(1.800)	9.511
Civil Parking Enforcement	0.000	0.194	0.000	0.194	0.088	0.282
Lincoln Cultural Quarter	0.175	0.000	0.000	0.175	0.001	0.176
Flood and Water Risk Management	0.160	0.286	(0.151)	0.295	0.045	0.340
Purchase of Employee Leave Scheme Reserve	0.144	0.048	0.000	0.192	0.114	0.306
Capital Financing Charges Reserve	0.000	5.150	0.000	5.150	8.647	13.797
Elections	0.000	0.000	0.000	0.000	0.300	0.300
Coronavirus Recovery	0.000	0.000	0.000	0.000	2.304	2.304
Other Service Earmarked Reserves	4.672	0.826	(1.044)	3.454	4.899	8.353
Earmarked Reserves	105.976	60.876	(36.122)	129.730	0.000	129.730
Revenue Grants and Contributions	88.545	39.723	(27.753)	101.515	0.000	101.515
Total	219.329	116.496	(78.465)	257.360	0.000	257.360

The Schools underspend of £13.467m is included within the £15.227m additions on the 'Balances for Schools under a scheme of Delegation' line.

General Reserve

1.28 It is our policy on general reserves that these will be maintained within a range of 2.5% to 3.5% of the annual budget requirement. When setting the budget for 2020/21 we planned to increase the balance in our General Reserve by £0.150m. After considering the updated budget requirement for 2021/22 and the proposals on the carry forward of over and underspends, there is no requirement to adjust the General Reserve at this year end. The General Reserve at 31 March 2021 stands at £16.200m or 3.2% of the budget requirement.

TABLE G – General Reserves

	Balance at 31 March 2021 £m
General Reserves	
Opening Balance 01 April 2020	-16.050
Contribution to Reserves in Year	-0.150
Proposed Contribution to/use of Reserves	0.000
Balance 31 March 2021	-16.200
Balance as a percentage of 2021/22 Net Budget	3.2%

Key Financial Performance Measures: Financial Health and Performance

1.29 The Council has identified a number of key indicators to monitor its financial health and performance. The Council's actual performance against these key indicators for 2020/21 is shown in Table H below.

TABLE H – Key Financial Performance Measures: Financial Health and Performance

REF	PERFORMANCE INDICATOR	MEDIUM TERM TARGET	2020/21 Estimate	2020/21 Actual
1	Council tax compared with other counties	In lowest quartile of all English county councils (out of 26 county councils)	Yes	Yes
2	Government grants	Lobby for annual increases in general government grants to be above the county average	Yes	Yes
3	Minimum Revenue Provision and Interest	MRP and Interest repayments not to exceed 10% of net income	5.61%	4.98%
4	Accounting	Unqualified external audit opinion	Yes	Yes
5	General Reserves	Maintained within the range of 2.5% to 3.5% of the annual budget requirement net of Dedicated Schools Grant	Within range 2.5% - 3.5%	3.20%
6	Internal control	None of the processes audited receive a "low assurance" opinion from internal audit	Yes	No *
7	Expenditure - prompt payment	At least 90% of undisputed invoices paid within 30 days	90%	97%
8	Treasury management	Risk adjusted return comparison	Weighted Benchmark 0.074%	0.522%

* One Internal Audit report in the year was issued with a "Low Assurance" opinion

Financial Resilience

1.30 The impact of this financial performance on the Council's resilience has been assessed and it has been concluded that our financial resilience remains strong. The direct impact of the Covid-19 pandemic is ongoing and this will require careful monitoring and managing to ensure any impact is minimised.

1.31 Both General and Earmarked reserves are maintained at a prudent level. There is also the Financial Volatility Reserve that can be called upon to support the Council's budgetary position should it be required.

1.32 The Council has strengthened its' financial resilience by: continued monitoring of the financial position, undertaking work to address issues as they arise; continued reporting of the Covid-19 impacts to Government alongside working with the Society of County Treasurers to ensure that the Government understands the particular issues faced by County Councils; refreshing and updating the Medium Term Financial Plan and Strategy; focusing on transformation work to reduce cost pressures and create budget savings.

2. Conclusion

2.1 The proposed treatment of under and over spending outlined in the report are considered appropriate and prudent for supporting future budgets.

2.2 The prudential indicators comply with the CIPFA Prudential Code of Capital Finance in Local Authorities and the Council's actual performance is within the targets set by the Council in February 2020.

2.3 The Council remains in good financial health and remains resilient to the challenges expected in the medium term.

3. Legal Comments:

Recommendation 1 is compliant with the Council's Financial Regulations.

With regard to recommendation 2, the Council's Financial Regulations provide that the use of all underspending on service budgets in excess of 1% will be considered by the Executive and decided by the full Council. The means of funding all overspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.

Recommendations 3, 4 and 5 enable the Council to monitor performance against the Council's approved budget. Under Section 3 of the Local Government Act 2003 the Authority must determine and keep under review how much money it can afford to borrow. Reporting on the Prudential Indicators assists the Council in discharging this function.

Recommendation 6 is within the remit of the full Council.

The recommendations are lawful in accordance with the Constitution and the Policy Framework and within the remit of the full Council.

4. Resource Comments:

Accepting the recommendations in this report provides the Council with a sound financial base from which to manage the challenges of recovering from the Covid-19 pandemic and preparing for a change in the local government funding regime, which remains an uncertain future outcome for this Council.

5. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

n/a

c) Scrutiny Comments

n/a

d) Risks and Impact Analysis

n/a

6. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Executive Report - Review of Financial Performance 2020/21 - 6 July 2021	Agenda for Executive on Tuesday, 6th July, 2021, 10.30 am (moderngov.co.uk)

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