Public Document Pack

Please note that the following documents were published separately from the main agenda for this meeting of the Executive to be held on Monday, 5th June 2023 at 6.00 pm in Committee Rooms 1 and 2, City Hall, Beaumont Fee, Lincoln, LN1 1DD.

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Present: Councillor Ric Metcalfe *(in the Chair)*, Councillor Donald Nannestad, Councillor Sue Burke, Councillor Bob Bushell and Councillor Rebecca Longbottom

Apologies for Absence: Councillor Naomi Tweddle

1. Confirmation of Minutes - 11 April 2023

RESOLVED that the minutes of the meeting held on 11 April 2023 be confirmed.

2. Declarations of Interest

No declarations of interest were received.

3. Quarter 4 2022-23 Operational Performance Report

Purpose of the Report

To present an outturn summary of the Council's operational performance in quarter four of 2022/23.

Decision

1. That the achievements and challenges identified in the quarter 4 2022/23 operational performance report be noted.

2. It be confirmed that the format of the performance report continued to meet requirements.

Alternative Options Considered and Rejected

None were considered.

Reasons for the Decision

Regular monitoring of the council's performance was a key component of the Local Performance Management Framework. This report covered the key strategic performance measures identified by members and CMT as of strategic importance.

The outturn summary report detailed performance against a total of 77 measures across the directorates Chief Executive's, Communities and Environment and Housing and Investment. 18 measures were recorded as volumetric (untargeted).

In total, of the 58 performance measures monitored against targets, 17 were below target; 14 were within target boundaries; 27 were meeting or had exceeded the higher target, and 1 measure was recorded as data not available for this quarter.

Out of the 58 measures monitored against targets during the quarter, 41 (70.7%) were within or exceeding the targets set.

The performance measures under each directorate predominantly linked directly into One Vision 2025 strategic priorities.

The Quarter 4 2022/23 Operational Performance Report at Appendix A itemised by directorate those targeted measures with performance above or below target at the end of the fourth quarter of 2022/23 and the reasonings behind the performance outturns. A count of the performance measures outturn status for each directorate at quarter four 2022/23 was also detailed within page 4 of Appendix A

In addition to the directorate performance measures, the report also detailed the performance outturns for corporate performance measures. These measures focussed on the areas of sickness, complaints (including Ombudsman rulings), resources, health & wellbeing, and compliments.

A full list of all performance measure outturns and supporting performance commentary was provided at Appendix B. Within this supporting appendix, in addition to those measures performing above/below target, Appendix B also contained –

- Those performance measures performing within target boundary at the end of the quarter (acceptable performance)
- The outturns for all performance measures recorded as volumetric (untargeted)

The report had been considered by the Performance Scrutiny Committee at its meeting on 25 May 2023.

4. Financial Performance Outturn 2022/23

Purpose of Report

To present the provisional 2022/23 financial outturn position on the Council's revenue and capital budgets, including General Fund, Housing Revenue Account, Housing Repairs Service and Capital Programmes.

This report provided the Executive with a summary of actual income and expenditure compared to revised budget and how any surpluses had been allocated to reserves.

Executive should note that the financial outturn was still subject to Audit by Mazars, the Council's external auditors.

Decision

1. That the provisional 2022/23 financial outturn for the General Fund, Housing Revenue Account (HRA), Housing Repairs Service and Capital Programmes as set out in sections 3-7 of the officer's report, and in particular the reasons for any variances, be noted.

2. That the proposed transfer to General Fund and HRA earmarked reserves as detailed in paragraphs 3.6 and 4.6 of the officer's report be noted.

3. That the General Fund carry forward requests as detailed in paragraph 3.7 of the officer's report be approved.

4. That the financial changes to the General Investment Programme and Housing Investment Programme as approved by the Chief Finance Officer detailed in paragraphs, 7.3, and 7.10 of the officer's report be noted.

5. That the financial changes to the General Investment Programme and the Housing Investment Programme that were above the limit delegated to the Chief Finance Officer, as detailed in paragraphs 7.4 and 7.11 of the officer's report, be approved.

<u>Alternative Options Considered and Rejected</u>

None.

<u>Reason for Decision</u>

The Council approved a balanced budget earlier this year, however, much had changed since that point. Spiralling inflation, soaring energy prices and nationally agreed pay agreements had added significant cost pressures to the Council's budget. These were in the main part caused by national issues, beyond the Council's control, and were impacting all Councils. In addition, the current cost of living crisis was creating rising demands for the Council's services by those who relied on the safety net provided by local government. These unforeseen and unavoidable pressures had seriously impacted the assumptions that underpinned the budget and MTFS. As a result of these pressures, when reporting the forecast position at the end of the first two quarters of the year, the General Fund, Housing Revenue Account and Housing Repairs Service all forecasted significant cost pressures.

In response to this forecast position, the Council began developing a range of mitigation actions as part of a financial recovery programme in order to ensure it retained a sustainable financial position in 2022/23 and also in the medium-term (the impact of these inflationary pressures were not isolated to 2022/23 and had permanently increased the cost base of the Council).

Included within these actions was a review of the Council's Borrowing, Investment and Minimum Revenue Provision (MRP) strategies. This review had resulted in a change to the MRP Policy, which had released significant savings in the medium term, whilst still maintaining a prudent provision. The net saving in 2022/23 was £789,989.

As a result of this proposed reduction in capital financing costs, along with other actions taken during the year, including an in-year increase in some fees and charges and temporary recruitment measures, the General Fund was forecasting a significantly improved position for 2022/23 at the end of Quarter 3, with an estimated budget shortfall of £39,548. The forecast position on both the Housing Revenue Account and Housing Repairs Service had also improved at the end of Quarter 3.

During the last quarter of 2022/23, the position on the General Fund, Housing Revenue Account and Housing Repairs Service had improved further (primarily as a result of additional income received in the quarter) with budget surpluses achieved across all three funds at the end of the financial year.

Despite this positive outturn position the Council continued to face escalating cost pressures, above those already factored into the MTFS. Strong financial discipline and delivery of the significant savings targets underpinning the MTFS would remain critical in ensuring the Council maintained a sustainable financial position in the medium term.

A summary of the financial position of the Council for the financial year 2022/23 was outlined at paragraph 2.8 of the officer's report, together with the detailed financial position shown in sections 3-7 and accompanying appendices to the officer's report.

Updates were reported as follows:

General Fund Revenue Account

For 2022/23 the Council's net General Fund revenue budget was set at £8,907,490 including a planned contribution to balances of £60,700 (resulting in an estimated level of general balances at the year-end of £2,262,761).

The financial performance quarterly monitoring report for the 3rd quarter predicted an overspend against the revised budget of £39,548 (before carry forward requests). The provisional outturn for 2022/23 now indicated an improvement of £196,636, resulting in an overall budget underspend of £157,088 (including additional transfers to earmarked reserves and carry forward requests). This represented a variance against the revised budget of 7%.

There were a significant number of provisional year-end variations in income and expenditure against the approved budget; key variations were detailed at paragraphs 3.3- 3.5 of the report, with the main variances provided at Appendix B to the report.

Earmarked Reserves

The provisional outturn of a £157,088 budget underspend included a number of additional transfers to earmarked reserves in addition to those transfers to/from earmarked reserves already approved and budgeted for. These further contributions to earmarked reserves were detailed at paragraph 3.6 of the officer's report.

Financial Procedure Rules allowed Assistant Directors to carry forward any budget provision not utilised during the financial year, subject to their Directorate as a whole not being overspent. Following confirmation of the final cash limited outturn for each Directorate in 2022/23, a list of requests (which would be transferred from the surplus to earmarked reserves for drawdown in future years) totalled £186,270, as detailed at paragraph 3.7 of the officer's report:

All of the proposed carry forward requests were reflected in the provisional outturn of £157,088 budget underspend.

Further details of HRA Earmarked Reserves were set out at Appendix G of the officer's report.

Towards Financial Sustainability Programme

The savings target included in the MTFS for 2022/23 was £1,050,000. Progress against this target, based on the provisional outturn performance showed that secured savings totalled £996,400. This resulted in an under-achievement of the target in 2022/23 by £53,600. Despite this under-achievement, the General Fund had out-turned in an overall positive position. A summary of the specific reviews that had contributed to this target were shown in Appendix K.

Housing Revenue Account

For 2022/23 the Council's Housing Revenue Account (HRA) net revenue budget was set at a £38,670 contribution to balances, resulting in an estimated level of general balances at the year-end of £1,063,872.

The financial performance quarterly monitoring report for the 3rd quarter predicted an underspend of £961. The provisional outturn for 2022/23 now indicated an improvement of £119,614, resulting in an overall budget underspend of £120,575 (including additional transfers to/from earmarked reserves). This would result in HRA balances as at 31st March 2023 of £1,184,447.

There were a significant number of forecast year-end variations in income and expenditure against the approved budget, as outlined at paragraph 4.3 - 4.5 of the officer's report, with full details of the main variances provided at Appendix D of the report.

The provisional outturn of a £120,575 budget underspend included four additional transfers to earmarked reserves, in addition to those transfers to/from earmarked reserves already approved and budgeted for as detailed at paragraph 4.6 of the officer's report.

The level of each of the current earmarked reserves, as at 31st March 2023 attached at Appendix G, took account of the contributions to earmarked reserves agreed as part of the revised budget and the drawdown of funding to cover expenditure, together with the additional transfers set out in para. 4.6 of the officer's report.

Housing Repairs Service

For 2022/23 the Council's Housing Repairs Service net revenue budget was set at zero, reflecting its full cost recovery nature.

The outturn for 2022/23 showed a trading deficit of £221,845, a movement of £198,439. The movement was as a result of the delay in billing of void jobs as highlighted at Quarter 3, which made forecasting the outturn position difficult

The net trading deficit of £221,845 was the result of several year-end variations in income and expenditure against the approved budget. The main over and underspends included within the provisional outturn were detailed in Appendix F, while the key variances were summarised at paragraph 5.3 of the officer's report.

The main contributory factor for this deficit was the ongoing recruitment and retention issues, which were being felt across the industry, this resulted in a reliance on the use of sub-contractors. The cost of subcontractors was more expensive than the HRS's own workforce, due to the ongoing impact of Covid19, the current inflationary crisis and a reduced pool of contractors from which to secure services. These additional costs were therefore not fully offset by the vacancy and material savings achieved by not carrying out the work internally. These increased costs were further compounded by increased demands resulting from the higher level of voids currently being experienced, although this was partially offset by a reduction in responsive repairs works being requested.

As the increased subcontractor costs were not reflected in the service hourly rate and overhead recovery was not recouped on sub-contractors, this resulted in an under recovery of full costs from the HRA. Despite this, the overall level of rechargeable income was overachieved due to the volume of voids works being undertaken (of both a capital and revenue nature), albeit at a higher cost, compensating for a reduction in responsive repairs works.

The forecast deficit also included the impact of the nationally agreed pay award implemented in December, which was significantly over and above the assumptions included within the MTFS, and the impact of increased inflation on utilities as a result of the escalating cost of gas and electricity supplies as outlined in both the General Fund and HRA variances.

The deficit of £221,845 had been recharged to the HRA, as the major service user and reflected in the HRA outturn within the officer’s report.

Earmarked Reserves

Details of HRA Earmarked Reserves were set out at Appendix G of the officer’s report.

General Fund Investment Programme

The last quarterly report approved a General Fund Investment Programme for 2022/23 of £17,860,202. Movements in the programme since revised budget approval decreased actual capital expenditure in 2022/23 to £10,817,844. A summary of the budget changes was detailed at paragraph 7.2 of the officer’s report.

The financial changes delegated to the Chief Finance Officer for approval for the third quarter 2022/2023 were detailed at paragraph 7.3 of the officer’s report.

The one financial change over the approved limit requiring approval by the Executive. was detailed at paragraph 7.4 of the officer’s report.

New projects added in quarter 4 had already received Executive approval as detailed at paragraph 7.5 of the report

A summary of the provisional outturn position for the General Investment Programme as at 31 March 2023 was shown at paragraph 7.6 of the officer’s report.

Overall spending on the General Investment Programme, excluding externally delivered schemes, for 2022/23 was £8,602,314, which was 57.6% (including externally delivered schemes overall with spending of £10,817,967, which was 60.57%) of the revised 2022/23 programme as per the MTFS 2023-28.

Housing Investment Programme

The last quarterly report approved a Housing Investment Programme for 2022/23 of £20,498,524. Movements in the programme since approval of the revised budget decreased actual capital expenditure to £12,647,269 in 2022/23.

The financial changes delegated to the Chief Finance Officer for approval for the final quarter 2022/2023 were detailed in Appendix J, being primarily reprofiles of budgets between financial years.

The financial changes over the approved limit requiring Executive approval for the final quarter 2022/2023; were detailed at paragraphs 7.10 - 7.11 of the officer's report.

The overall expenditure on the Housing Investment Programme for 2022/23 was £12,647,269, which was 61.7% of the revised 2022/23 programme as per the MTFS 2023-28.

The main reason for the underspend on the programme against the MTFS was due to delays in appointed contractors for the schemes. The majority of these budgets had been re-profiled into future years for when the contractors were appointed.

The new build programme budgets were also largely underspent in the year, as a result of the development of schemes not yet at delivery stage as well as lower than budgeted acquisitions for buy backs for the housing stock. These underspends had been re-profiled into future years to accommodate these underspends

5. Strategic Risk Register Quarterly Review

Purpose of Report

To provide a status report on the revised Strategic Risk Register as at the end of the fourth quarter 2022/23.

Decision

That the Council's strategic risks, as at the end of quarter 4 2022/23, be noted.

Alternative Options Considered and Rejected

As detailed in the report.

Reasons for the Decision

An update of the Strategic Risk Register developed under the risk management approach of 'risk appetite', was last presented Members in February 2023 and contained twelve strategic risks.

Since reporting to Members in February, the Strategic Risk Register had been refreshed and updated by the Risk Owners and Corporate Management Team and had identified that there had been some positive movement in the Risk Register along with the addition of a new, emerging risk.

The mitigations and control actions for each risk were detailed in the officer's report.

The updated Register was considered within Part B of this agenda, it contained thirteen strategic risks.

6. Treasury Management Stewardship and Actual Prudential Indicators Report 2022/23 (Outturn)

Purpose of Report

To consider the annual Treasury Management stewardship report, a requirement of the Council's reporting procedures under regulations issued under the Local Government Act 2003. The report covered the treasury management activities and the actual prudential and treasury indicators for 2022/23.

The report met the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

Decision

(1) That the actual prudential indicators, as contained within Appendices A and B to the report, be approved.

(2) That the annual Treasury Management report for 2022/23 be approved.

Alternative Options Considered and Rejected

None.

Reasons for the Decision

The Chief Finance Officer had confirmed that borrowing had only been undertaken for a capital purpose and that the statutory borrowing limit, (the Authorised Limit) had not been breached.

Recent changes in the regulatory environment placed a much greater onus on members for the review and scrutiny of treasury management policy and activities. This report was important in that respect, as it provided details of the outturn position for treasury activities and highlighted compliance with the Council's policies previously approved by members.

The decrease in General Fund Financing costs as a % of net revenue stream in 2022/23, when compared with 2021/22, was due to a change in MRP policy, resulting in a reduction in MRP charges and a reduction in borrowing due to higher interest rates. There had been a minimal increase in HRA ratio of financing costs against rental income resulting from higher levels of depreciation and a decrease in rental income.

The financial year 2022/23 continued the challenging environment of previous years; the effect of the Covid 19 pandemic, the increase in inflation, the cost of living crisis, the challenge of pro-active investment of surplus cash for the first time in over a decade, and continuing counterparty risk were the main features.

Key Issues to Note from Activity during 2022/23:

- The Council's total debt (including leases and lease-type arrangements) at 31st March 2023 was £121.962m (Appendix A section 4.4) compared with the Capital Financing Requirement of £146.103m (Appendix A section 3.5). This represented an under-borrowing position of £24.141m, which was currently being supported by internal resources. Additional long-term borrowing would be taken in future years to bring levels up to the Capital Financing Requirement, subject to liquidity requirements, if preferential interest rates were available.
- The Council's Investments at the 31st March 2023 were £49.85m (Appendix A section 4.3), which was £13.165m lower than at 31st March 2022. Average investment balances for 2022/23 were £55.6m, which was higher than estimated balances of £30m in the Medium Term Financial Strategy 2022-27 due to high balances being made available through government grants. It should be noted that this referred to the principal amounts of investments held, whereas the investment values included in the balance sheet were based on fair value. In most cases, this would simply be equal to the principal invested, unless the investment had been impaired.
- Actual investment interest earned on balances was £1.167m compared to £126k estimated in the Medium Term Financial Strategy 2022-27 (Appendix A section 10.2).
- The interest rate achieved on investments was 2.10% (for 2021/22 the average was 0.19%).

7. Memorandum of Understanding with Central Lincolnshire Joint Strategic Planning Committee

Purpose of Report

A review of the Central Lincolnshire Joint Strategic Planning Committee's Memorandum of Understanding (MOU) with Central Lincolnshire authorities including the City Council had recently taken place. Executive was asked to consider the revisions and additional provisions that had been made and approved by the Central Lincolnshire Joint Strategic Planning Committee and approve the changes.

Decision

That the new Memorandum of Understanding shown in Appendix 1 of the officer's report, made between the Central Lincolnshire Joint Strategic Planning Committee and Partner Authorities, including the City of Lincoln be approved and the Assistant Director of Planning be authorised to sign the MOU on behalf of the City of Lincoln Council.

Alternative Options Considered and Rejected

As detailed in the report.

Reasons for the Decision

The Central Lincolnshire Memorandum of Intent dated back to June 2009 when the Central Lincolnshire Joint Strategic Planning Committee was first formed. Given the significant amount of time elapsed since that time, a review had found that the Memorandum of Intent needed updating as it contained a number of outdated references which needed amending particularly to be in line with current planning legislation and terminology.

There was provision within the Central Lincolnshire Joint Strategic Planning Committee Order 2009 for the Central Lincolnshire Joint Strategic Planning Committee (CLJSPC) to create its own standing orders, for the regulation of its proceedings and to meet the needs of the Committee. The Central Lincolnshire Joint Strategic Planning Committee last reviewed its Standing Orders in 2010, shortly after its inauguration.

It was good practice to carry out a periodic review to take account of changes in law or any other practical considerations, to ensure the Standing Orders remained fit for purpose and relevant to governance the needs of the Joint Committee.

As well as the Standing Orders, officers had reviewed the Central Lincolnshire Authorities' Memorandum of Intent to ensure that this too remained fit for purpose.

8. Exclusion of the Press and Public

RESOLVED that the press and public be excluded from the meeting during consideration of the following items of business because it was likely that if members of the public were present there would be a disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

These items were considered in private as they were likely to disclose exempt information, as defined in Schedule 12A of the Local Government Act 1972. No representations had been received in relation to the proposal to consider these items in private.

9. Write Outs of Irrecoverable Non Domestic Rates, Sundry Debtors, Former Tenant Arrears, Council Tax and Overpayment of Housing Benefit

Purpose of Report

As detailed in the exempt report to the Executive.

Decision

That the recommendation to the Executive, as set out in the exempt report, be approved.

Alternative Options Considered and Rejected

As detailed in the exempt report to the Executive.

Reasons for the Decision

As detailed in the exempt report to the Executive.

10. Strategic Risk Register Quarterly Review

Purpose of Report

To receive the revised Strategic Risk Register as at the end of quarter 4 2022/23.

Decision

That the Council's strategic risks, as at the end of quarter 4 2022/23, be noted.

Alternative Options Considered and Rejected

None were considered. The Strategic Risk Register contained the key strategic risks to the delivery of the Council's medium and longer term priorities. A failure to monitor the action that was being taken to manage those risks would undermine the Council's governance arrangements.

Reasons for the Decision

The reasons for the decision were set out at Minute 5 above.

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