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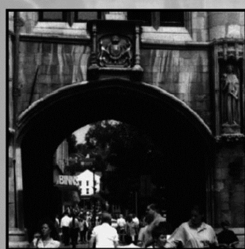
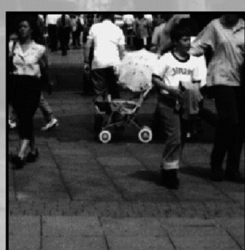
CITY OF
Lincoln
COUNCIL

Council Summons





For the meeting to be held on
Tuesday, 27 February 2018

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CITY OF LINCOLN COUNCIL

Sir/Madam,

You are hereby summoned to attend the meeting of the COUNCIL of the City of Lincoln to be held at The Guildhall on Tuesday, 27 February 2018 at 6.30 pm.

Angela Andrews

Chief Executive and Town Clerk

Angela Andrews

A G E N D A

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In accordance with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, a recorded vote is required for this item.

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Present:	Councillor Chris Burke *(in the Chair)*, Councillor Biff Bean, Councillor Yvonne Bodger, Councillor Kathleen Brothwell, Councillor Sue Burke, Councillor Bob Bushell, Councillor Thomas Dyer, Councillor Geoff Ellis, Councillor Paul Gowen, Councillor Jim Hanrahan, Councillor Gary Hewson, Councillor Ronald Hills, Councillor Andy Kerry, Councillor Jackie Kirk, Councillor Rosanne Kirk, Councillor Jane Loffhagen, Councillor Helena Mair, Councillor Liz Maxwell, Councillor Ric Metcalfe, Councillor Neil Murray, Councillor Donald Nannestad, Councillor Lucinda Preston, Councillor Fay Smith, Councillor Tony Speakman, Councillor Edmund Strengiel, Councillor Ralph Toofany, Councillor Naomi Tweddle, Councillor Pat Vaughan, Councillor Keith Weaver, Councillor Peter West and Councillor Loraine Woolley
Apologies for Absence:	Councillor Gill Clayton-Hewson and Councillor Adrianna McNulty

34. Mayoral Announcements

The Mayor encouraged members to look at his Facebook account to find out about the civic engagements he had attended since the last meeting, reporting that all of his engagements were advertised via social media.

35. Confirmation of Minutes - 5 December 2017

RESOLVED that the minutes of the meeting held on 5 December 2017 be confirmed.

36. Declarations of Interest

No declarations of interest were received.

37. Receive Any Questions under Council Procedure Rule 11 from Members of the Public and Provide Answers thereon

No questions from members of the public were received.

38. Receive Any Questions under Council Procedure Rule 12 from Members and Provide Answers thereon

Councillor Ron Hills, Leader of the Opposition, asked the following question to the Portfolio Holder for Recreational Services and Health in relation to Hartsholme Park:

“Can I thank the Portfolio Holder for at last facilitating the repairs to the water supply to the park buildings on behalf of the park users and staff. Now this has been achieved can he give us any idea when further repairs and necessary maintenance will be carried out on the buildings, or will they be allowed to continue to decay into dereliction?”

Councillor Donald Nannestad, Portfolio Holder for Recreational Services and Health, responded to the question and referred to the Council's Vision 2020 included within which was a masterplan for Hartsholme Park. He stated that the Council undertook routine maintenance to the park buildings but acknowledged that some of the vacant buildings were in need of a full refurbishment. He reported that capital funds would be required to carry out the works and an end use identified, which was in line with wider park aspirations, adding that it would be necessary to source external funding to carry out refurbishments as there were no budgets available within existing resources. He cited the Heritage Lottery Fund as a potential external funding source, which had been used as part of the improvements that were in the process of being finalised at Boultham Park. It would be necessary to allow the work at Boultham Park to be completed prior to submitting any new bid to the Heritage Lottery Fund for improvements to Hartsholme Park.

Councillor Ron Hills as a supplemental question, asked:

"Are you going to allow it to further decay?"

Councillor Nannestad reiterated the points he had made to the original question. He recognised that work needed to be undertaken to improve the Park and associated buildings but emphasised that a significant amount of money would be required to make this happen.

39. Receive Reports under Council Procedure Rule 2 (vi) from Members
(a) Chair of the Audit Committee

The Mayor invited Councillor Tony Speakman to present his report as the Chair of the Audit Committee. The Mayor took this opportunity to thank Councillor Speakman on behalf of the Council for the work he had undertaken as Chair of the Committee, acknowledging that this would be Councillor Speakman's final report to Council in this capacity following his decision not to stand at the City Council elections in May 2018.

Councillor Speakman presented Council with a report on the work of the Audit Committee.

It was noted that the Committee, in completing its work programme and providing challenge where required, had:

- increased public confidence in the Council's governance arrangements;
- reinforced the importance and independence of internal and external audit and other review processes that reported to the Audit Committee;
- assisting in the co-ordination of assurance with internal audit and, in doing so, made management more accountable;
- provided additional assurance through a process of independent and objective review and raised awareness of the need for internal control;
- helped ensure the timely interpretation of audit recommendations.

A lot of work had been undertaken to ensure the Council's compliance with the European General Data Protection Regulation, which would come into force in May 2018 and significantly increased the level of fines for breaches. Councillor Speakman was confident that the Council would be compliant by 31 May 2018, as required.

Councillor Speakman was pleased to report that the 2016/17 final accounts were presented for audit by the required statutory date and were free from material error, with the External Auditor issuing an unqualified opinion on the Council's 2016/17 financial statements in September 2017. It was noted, however, that a number of material audit differences had been identified which were corrected by management. These were due to unprecedented resourcing pressures within the Council's finance team in the months prior to the audit, which all members of the Council were aware of. Arrangements had since been put in place to ensure that robust arrangements were in place for 2017/18 and the 2017/18 year end, which would be monitored by the Audit Committee.

Councillor Speakman outlined his thanks to Councillor Geoff Ellis as Vice-Chairman of the Committee, Jane Nelist as the Committee's independent member and all members of the Committee for their contributions throughout the year. He also placed on record his thanks to Jaclyn Gibson (Chief Finance Officer), Rob Baxter (Acting Chief Finance Officer), John Scott (Audit Manager) and his Internal Audit team, Becky Scott (Legal and Democratic Services Manager) and all officers that had provided reports, training and guidance to the Audit Committee.

Councillor Ron Hills, Leader of the Opposition, placed on record his thanks on behalf of the Audit Committee to Councillor Speakman for his work as Chair of the Committee, adding that he would be missed.

Council noted the report.

(b) <u>Portfolio Holder for Social Inclusion and Community Cohesion</u>

Councillor Rosie Kirk, Portfolio Holder for Social Inclusion and Community Cohesion, presented Council with a report on the work of her portfolio.

The report provided updates on the following key activities undertaken during the past year:

- neighbourhood working;
- community cohesion:
  - work with the Mosque and different faiths;
  - students and integration into the community, including international students;
  - integrating people from different backgrounds;
  - hate crime;
  - promoting community cohesion through the media, including social media;
- social inclusion:
  - anti-poverty performance outcomes;
  - Lincoln Against Poverty Conference 2017;
  - Lincoln Against Poverty activity in 2017;
  - Lincoln Money;
- adult learning;
- safeguarding children and adults at risk;
- domestic abuse;
- older people;
- community centres;
- young people;

- asylum seekers and refugees.

Councillor Kirk reported that the Council had been successful in developing good relationships with various groups and organisations across the city and thanked the Council's officers for their assistance with this.

A question was raised regarding reference to 'mate crime' in the report and whether this should have read 'hate crime'. It was noted that the term 'mate crime' in the context of the report was correct.

Council noted the updated.

40. To Consider the Following Recommendations of the Executive and Committees of the Council

(a) Proposed Amendment to the Constitution - Financial Procedure Rules

This item was deferred to the next meeting of Council scheduled to be held on 27 February 2018.

(b) Council Tax Base 2018/19

It was proposed by Councillor Ric Metcalfe, Leader of the Council, and seconded by Councillor Donald Nannestad, Deputy Leader of the Council.

RESOLVED that Council:

(a) Notes that there are no special items as defined in Section 35 of the Local Government Finance Act 1992 (as amended) applicable to any part or parts of the City of Lincoln local authority area.

(b) Approves the Chief Finance Officer's calculation of the council tax base for the financial year commencing 1 April 2018 and ending 31 March 2019, as set out in Appendix B of the report.

(c) Approves, in accordance with the Chief Finance Officer's calculation, and pursuant to the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended), that the council tax base for the 2018/19 financial year is 23,943.

(c) Localised Council Tax Support - 2018/19

It was proposed by Councillor Ric Metcalfe, Leader of the Council, and seconded by Councillor Donald Nannestad, Deputy Leader of the Council.

RESOLVED that the Council Tax Support Scheme for 2018/19, incorporating protection for vulnerable households and an exceptional hardship fund of £20,000, be approved.

(d) Pay Policy Statement 2018-19

It was proposed by Councillor Ric Metcalfe, Leader of the Council, and seconded by Councillor Donald Nannestad, Deputy Leader of the Council, that the Pay Policy Statement for 2018-19 be approved, subject to the removal of the following sentence:

“The Council will be implementing the latest living wage increase of £8.75 in April 2018”.

This was to reflect the fact that a decision on this matter had not yet been taken.

RESOLVED that the Pay Policy Statement 2018-19 be approved, subject to the deletion of the sentence outlined above.

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COUNCIL **27 FEBRUARY 2018**

REPORT TO COUNCIL BY COUNCILLOR PETE WEST, PORTFOLIO HOLDER FOR HOUSING

Thank you for the opportunity to present this annual report.

It is inevitable, but all matters relating to housing have been overshadowed by the horrific pictures of the Grenfell Towers fire and the tragic consequences. The ramifications from this will, I predict, last for many years and must include, at the very least, changes to the fire safety regulations as a whole but particularly as they relate to high rise buildings and their refurbishment.

Turning to the domestic field and initially the public sector.

There have been changes to the management structure with the appointment of Andrew McNeil as Assistant Director – Investment and Strategy. Andrew started at the beginning of the year and we hope it will be a long and fruitful relationship. This appointment will allow more focus on the delivery of our longer term programme.

Unfortunately, this appointment has been offset by the resignation, for personal reasons, of Karen Talbot. Thus we have to restart the search to fill the AD – Housing Management position. On a personal level I am very sorry to see Karen go, she has always been very supportive and helpful.

One of Karen’s very successful pieces of work was to review and revamp our whole ASB procedures and then guide the Department through an assessment to achieve accreditation for the service. This came following a significant failure only two years previous.

On our programme to deliver more good quality housing we have made some real progress. In co-operation with Waterloo Housing alone we are in the process of delivering some 139 Council properties and 71 for the Housing Association across various site within the City. This rapid progress has been helped by the HA’s ability to access some grant funding which would not be available to us. I have specifically mentioned Waterloo since their involvement is biggest but they are not the only ones we are engaged with on similar schemes.

The next major project is an ambitious scheme dubbed Queen Elizabeth Road but actually on the land to the rear of the Views on Ermine East. This is a scheme to deliver some 300+ properties of various types and tenures over a period of 4-5 years. This is very exciting but does present some challenges and is currently with the Planning Department for consideration.

On the other strand of our delivery methodology - the private housing company - the progress has been much slower but at long last there is some movement. The delay has been caused by the need to carry out due diligence on the legal and financial model proposed.

As previously reported, there has been a full viability assessment carried out at De Wint Court and it has been decided that it is no longer fit for purpose in the modern era. It was decided that to reconfigure the existing building was not viable and thus the decision was taken to demolish it. Since the building is now empty that will go ahead. The future proposal is to redevelop the site to include the Council's first Extra Care Facility, this will be a multi-million pound investment and may be done with some support from the County Council.

Following extensive consultations with the residents at the various sheltered units, work is ongoing to devise a scheme which is more responsive but tailored to their individual needs. It might also be a model which could be spread more widely across other groups with similar needs. One integral arm of any such scheme is likely to be our Emergency Call Centre. A further piece of good news on that front is that a consortium led by East Lindsey have been awarded the County contract for supporting people in their homes and as part of that it is proposed our call centre will be utilised. Turning to the more prosaic issue of performance figures - and there are plenty for this area – with the figures quoted being to the end of December.

A very challenging target of 2.15% was set for current tenant arrears. As is always the case there has been a significant drop in the arrears during December from 2.65% to 2.22%. It is thus anticipated that the year-end figure will not be too far from target. For tenants who suffer the bed-room tax the figure is somewhat higher at 3.07% but the rate is showing a general decline. The next major challenge is, of course, the effect full implementation of Universal Credit will have on these figures.

The re-let time for all voids during the month was 21.7 days with a year to date figure of 27.2 days against a target of 25 days. The figures excluding major works were 19.6 days and 21.5 days against a target of 20 days. We did have a problem in the early part of the year, partially due to issues with our then asbestos contractor, but the team have worked exceptionally hard to regain the position and November saw some of the best figures ever achieved - 18 days for all voids.

The repairs service continues to work well. All emergency repairs (some 750) and the reactive repairs (2390) were above target at 98.9% against the target of 97.5% with a running total for the year at 97.0%. The average time to taken for all reactive repairs in December was 5.4 days against a 8 day target and the right first time figure has exceeded the target of 90% for the last two months.

The number of homelessness applications is slightly down this month at 15 – this is perhaps to be expected – with a yearly total of 183. The numbers do seem to remain fairly stable except for the blip in September. The acceptance rate was significantly down this month at 45.8% but the figure for the year still runs at 72.7%. There were no cases in Bed and Breakfast during December and the average stay remains at3.6 weeks against a target of 4 weeks for a family. Equally there were no cases in temporary accommodation and again the figure remains at 9.6 weeks against the 12 week target.

As mentioned previously, we achieved accreditation for our ASB system during the year. The figures continue to show that positive improvement with the percentage of cases resolved at over 99%, the time to resolve cases being within 62 days despite this month’s figure being above target and the percentage of cases being risk assessed being over target.

Allocations is, perhaps, the one area of some concern, there have been some staffing issues - even I have lost my ‘go to’ person. People have stepped up and done a valiant job but it still leaves that big gap and the loss of experience. Efforts are being taken to address this but getting appropriate experienced replacements is not always easy. In the short term the need to change some elements of the letting policy and the imminent introduction of new IT system will not help the position. The figure indicate there are 1653 live applications and the first time acceptance of offers is down to 75% for the year but the level of refusal due to the area or property not being suitable is surprising. The real difficulty is the registration of applications where only just over 25% are registered within the 10 day target and this is a good month and not typical of the year.

On the private sector front, we have seen the retirement of Alan Jones. He has been the mainstay of that department for many years and his experience will be sorely missed. Hannah Cann has taken over and she has a hard act to follow but will surely do that.

The Article 4 Directive for HIMOs is through its self-registered stage and is now well into the implementation stage were all non-registered properties require planning permission. This has been handled well and efficiently despite some minor hiccups.
Our Landlord Accreditation scheme is up and running but despite it being in its early stage the initial uptake has exceeded our expectations. We do realise that this is only likely to attract the better landlords to partake in the scheme.

At the other end of the spectrum, the Rogue Landlord initiative is now staffed up and will gather pace. As at the end of October there have been over 600 addresses visited and some 273 inspections – this is slightly down on expectations but may now be stepped up. The delay has been caused by the need to prepare paper for prosecutions. To date there has been 1 very successful prosecution with all the attendant publicity and there are others within the system.

We are also trialling a scheme with Gelders which could speed up the delivery of items required under Disabled Facilities Grants. There are still some teething issues but new are working together to overcome these. Even as I write this, we have received notification that we can use an underspend from the Better Care Fund to fit central heating systems for vulnerable persons within the private sector.

As most will know, this will be my last report and I thank members for their forbearance. Equally I would like to take this opportunity to thank all Officers, past and present, for their support and advice during my stewardship of this position.

Pete West
Portfolio Holder for Housing

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COUNCIL **27 FEBRUARY 2018**

SUBJECT:	**MEDIUM TERM FINANCIAL STRATEGY 2018 - 2023**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**ROBERT BAXTER, INTERIM CHIEF FINANCE OFFICER**

1. Purpose of Report

1.1 To recommend approval of the Medium Term Financial Strategy for the period 2018-2023 and the budget for 2018/19.

2. Executive Summary

2.1 The Council approved the Medium Term Financial Strategy (MTFS) 2017-2022 in March 2017. This was based upon the financial context in which the Council was operating in at that time and upon a number of key assumptions which were volatile and subject to significant change. Based upon these assumptions the MTFS highlighted a requirement to deliver a challenging savings target of £4m by 2018/19.

2.2 The context in which this new strategy is set reflects the changing economic environment arising as a result of the outcome of the EU Referendum and the subsequent impacts this has had on Government policy and its fiscal strategy. Alongside this the Government remains committed to its devolution revolution with a fundamental shift in the mechanisms for funding local government.

2.3 The MTFS has now been updated to reflect these latest developments in the financial and policy context in which the Council operates along with further changes in resources, cost pressures and efficiencies. Based on this the requirement to deliver a savings target, has been increased by £0.250m from 2020/21 to £4.25m pa thereafter.

2.4 The Council has already made considerable progress towards its target savings and has delivered a track record of strong financial discipline. Planning ahead, securing savings in advance, re-investing in more efficient ways of working and adopting a more commercial approach whilst making careful use of reserves to meet funding gaps is an approach that has served the Council well.

2.5 This successful financial planning has enabled the protection of core services for the people of Lincoln while at the same time allowing for resources to be redirected in support of its strategic priories and Vision 2020.

2.6 The MTFS must therefore continue with the managed, comprehensive approach that has served it well in the past in order to deliver a budget and forward projection that is sustainable over the medium to longer term and supports the aspirations of its Vision 2020.

2.7 Prior to submission of the MTFS 2018-2023, the budget and council tax proposal has been subject to public consultation and member scrutiny.

3. Background

3.1 The MTFS sets out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's Vision 2020 and strategic priorities.

3.2 The MTFS integrates revenue allocations, savings targets and capital investment and provides the budget for the next financial year and indicative budgets for the remaining period covered by the strategy.

3.3 The MTFS seeks to achieve a number of specific objectives;

- Ensure the Council maintains a sound and sustainable financial base, delivering a balanced budget over the life of the MTFS,

- Maximise income levels, including growing the Council Tax and Business Rates tax base, whilst ensuring that Council Tax rate increases are kept at an acceptable level;

- Continue to manage down the Council's recurrent cost base, in line with reductions in overall resources by ensuring the provision of efficient, effective and economic services which demonstrate value for money.

- Ensure the Council maintains robust, but not excessive, levels of reserves and balances to address any future risks and unforeseen events without jeopardising key services and the delivery of outcomes;

- Ensure the Council's limited resources are directed towards its Vision 2020 and strategic priorities, redirecting where necessary to allow for improvement and investment;

3.4 In recent years the budget setting process has been characterised by the most significant cuts to grant funding for local authorities in a generation, which has taken place against the backdrop of one of the biggest fiscal consolidations of the post-war period. In response to these reductions the Council has undergone a significant review of its services which has led to a reduction in its annual expenditure of £7.5m, between 2008 and 2017.

3.5 Despite the reductions in funding incurred to date the Spending Review 2015, Autumn Statement 2016 and subsequent Local Government Finance Settlements have confirmed that funding reductions for local government will continue until at least 2019/20 with a reduction in the national Settlement Funding Assessment over this period of £6.6bn, equivalent to 32%. The multi-year Settlement heralded a new era for the funding of Local Government with the phasing out of the Revenue Support Grant (RSG) in 2019/20, paving the way for the devolution of business rates under a revised Business Rates Retention (BRR) scheme.

3.6 The current BRR Scheme was designed to provide incentives for local growth and create financial opportunities, however at the same time it has also transferred a significant amount of financial risk and uncertainty to local authorities. This creates a greater degree of uncertainty over the budget planning parameters for the Council than has been experienced previously. The volatility of this BRR scheme and the profound impacts that this can have on the Council's financial position have become ever more apparent over the last few years.

3.7 As part of the Local Government Finance Settlement the Secretary of State announced that local business rates retention would move from 50% to 75% in 2020/21, not the 100% as previously announced.

3.8 This level of risk and uncertainty is set to continue and increase further in the future as the Council moves towards this new era of greater self-sufficiency with the reduction of RSG and a reliance on local taxes and income streams to maintain its financial position. This new methodology for funding local government is inextricably linked to the performance of the national and local economy. Given the experience to date of the current BRR scheme, a move to 75% devolution of the business rates will no doubt bring further financial challenges.

3.9 Therefore In order to ensure that the Council maintains a robust and sustainable financial position and is able to respond to the impact of volatile external events and increased financial risks that it faces, the MTFS needs to remain flexible, the council's reserves resilient and the sound track record of delivering savings and generating new income streams needs to be sustained, whilst ensuring that resources are directed towards its strategic priorities.

4. The General Fund

4.1 The Council's spending requirement, after capital charges and contributions to/from reserves are taken into account, for 2018/19 amounts to £14.276m which is £3.841m (36.8%) higher than the current year's budget. The provisional forecast spending requirements for the remaining four years of the MTFS are, £11.761m for 2019/20, £11.443m for 2020/21, £11.901m for 2021/22 and £12.376m for 2022/23.

4.2 The following paragraphs outline the key elements and assumptions on which the General Fund Revenue estimates have been prepared.

4.3 **Local Government Finance Settlement**

The Local Government Finance Settlement for 2017/18 represents the sixth year in which the BRR scheme is the principle form of local government funding, other than council tax income. The Council still continues to receive an element of Revenue Support Grant to top up business rate income, but this is set to dramatically reduce over the period to 2019/20 with the introduction of 75% BRR set to come into effect from 2020/21.

4.4 The Settlement forms the third year of a four year fixed settlement that was offered to local authorities in 2016/17. The offer of a fixed settlement for some, not all, elements of government funding was made on the basis that any council that wished to take up the offer would be required to have an efficiency plan in place in order to do so. Nationally 97% of Council's accepted this offer, the Council being one of them.

4.5 Lincoln applied to be a pilot for 100% BRR in 2018/19, as the Lincolnshire Business Rates Pool, and has been confirmed as one of the ten successful applications, in addition to the London Boroughs previously announced as part of the Autumn Budget 2017. The key points from the pilot governance arrangements are set out below:

- Revenue Support Grant (RSG) is rolled into the Baseline Funding level (the amount of funding received if business rates are collected at the target level).

- The Council will receive 60% of business rates, with 40% going to Lincolnshire County Council (LCC). (under 50% retention the funding splits were 50% central government, 40% Lincoln City Council, 10% LCC)

- Providing there are sufficient resources no authority shall receive less than if it was operating under the current 50% scheme.

- In the highly unlikely event that the pilot makes an overall net loss, or the pilot has outstanding liabilities, this will be pro rata'd across all authorities, taking into account resource levels, had the pilot not been in operation.

4.6 The calculation of income to be received through the BRR systems is therefore critical in determining the amount of resources that the Council will have available to fund local services. The Council has undertaken an assessment of the amount of business rates that it expects to collect during 2018/19 based on the principles of the 100% Business Rates Retention Pilot. Based on this assessment and after allowing for the allocation to the County Council, the Council estimates that it will retain £7.421m of the £43m of business rates generated within the City.

4.7 The additional resource set to be achieved from being in the pilot in 2018/19 is circa £1.5m. An element of this additional resource will be set aside to fund the forecast reduction in business rates when the BRR system in reset in 2020/21, with the balance going towards economic regeneration – as per the Lincolnshire Business Rates Pilot Business Case.

4.8 Forecast business rates in the MTFS 2018-23 are based on the most recent available estimates of Lincoln's business rates base.

4.9 The RSG element of the Settlement confirms the allocations previously announced as part of the multi-year settlement. This shows a dramatic reduction in the level of grant received, with a reduction of 99.1% over the period from £2.585m in 2015/16 to £0.022m in 2019/20. Beyond 2019/20 it is assumed that there will be no further RSG payable by the Government and that the principles forms of funding will be from local taxes.

4.10 The Settlement also provided grant allocations for the New Homes Bonus (NHB), for 2018/19 the Council will receive £1.006m a significant allocation in relation to it's over funding streams. Following a consultation on NHB launched in December 2014 the Government announced as part of the Local Government Finance Settlement it's response to the consultation, the key points being:

- To reduce the number of years for which payments are made from six to five for both existing and future payments in 2017/18 and to four years from 2018/19.

- The introduction of a national baseline of 0.4% for 2017/18 below which allocations will not be made.

- Potential to withhold NHB from 2018/19 for those local authorities that are not planning effectively, making positive decisions on planning applications and delivering housing growth.

The implications of the revised NHB scheme have an unfavourable impact on district councils, particularly those with low taxbases and have seen the Council's forecast allocations significantly reduce, with an anticipated reduction in future grant levels to £0.617m by 2022/23.

Council Tax

4.11 The Localism Act 2011 introduced a power for residents to approve or veto excessive council tax increases. This means that any local authority setting an excessive increase as set by the Secretary of State would trigger a referendum of all registered electors in their area. The Government have stated, at the time of announcing the Settlement that councils have the ability to increase their core Council Tax requirement by an additional 1% in 2018/19 and 2019/20, this is in addition to the current 2% allowable before triggering a referendum – bringing the core principle in line with inflation at 3%.

4.12 In view of this and taking into consideration the Council's need to protect its financial position from further decline and maximise its local income streams, the MTFS for consideration proposes a 2.95% rise in Council Tax for 2018/19 and 2019/20, and then 1.9% in each of the subsequent three years. An increase of 2.95% in 2018/19 equates to an additional 10p per week for a Band A property and 15p per week for a Band D property (80% of properties fall within Band A and B).

Spending Plans

4.13 The MTFS is central to identifying the Council's financial capacity to deliver its vision and strategic priorities. The Council's Vision 2020 was supported by a three year programme containing a range of projects that will meet each of the strategic priorities. In the absence of any new Government funding and in the context of the savings targets underpinning the MTFS, the resources to finance these projects were made available by allowing the redirection of resources to the priority areas as well as seeking external financial support through grants and contributions.

4.14 The following other key assumptions have been used in formulating the draft General Fund revenue estimates for 2018/19 – 2022/23 as follows:

- Increases in the Business Rate Taxbase of 1.0% p.a. in 2018/19 and 2019/20 and 2% p.a. from 2020/21.

- Increases in the Council Taxbase of 1.25% pa.
- Council tax increases of 2.95% p.a. for 2018/19 and 2019/20 and then 1.9% thereafter.
- New Homes Bonus income of £1.006m in 2018/19, £0.867m in 2019/20, £0.789m in 2020/21, £0.538m in 2021/22 and £0.617m in 2022/23.
- Non-Statutory fees and charges overall yield assumed at 3% pa.
- An increase in employer pension contribution rates capped at 1% pa for the entirety of the MTFS.
- A provision for pay awards of 2% pa.
- A provision for inflation of 3.2% pa for contractual commitments (RPI based) for the entirety of the MTFS.
- A provision for 2.2% pa for general inflationary increases (CPI based) for 2018/19 and then 2% thereafter.
- Average interest rates on investments have been assumed at 0.52% in 2018/19, 0.61% in 2019/20, 0.76% in 2020/21, 0.90% in 2021/22 and 0.93% in 2022/23.
- Staff turnover targets of 1% pa

Towards Financial Sustainability

4.15 The Council have already taken a proactive response to the reduction in resources it has faced and has in recent years undergone a significant number of fundamental reviews of its services leading to a reduction in its annual expenditure in excess of £7.5m, a significant amount in comparison to its net expenditure budget. Despite this success, the Council must continue to reduce its levels of expenditure or identify additional resources if it is to achieve the current savings targets assumed in the MTFS and to remain sustainable.

4.16 The Towards Financial Sustainability (TFS) programme is and continues to be the vital element in ensuring that the Council maintains a sustainable financial position and delivers the required reductions in the net budget. In order to refocus and maintain momentum the TFS programme has been re-aligned and there are now three agreed strands to achieve savings. These are:

- Commercialisation – optimisation of usage and commercial returns of the City's property and land portfolio

- Asset Rationalisation – generation of new income streams, and commercial trading opportunities

- Shared Services/ savings – ensure the provision of professional, high performing services

As part of developing the MTFS 2018-23, due to changes in key assumptions it has been necessary to increase the savings targets by £250k pa from 2020/21, to ensure that balances remain at the prudent minimum of between £1.5m-£2m. In addition to allow for a smoother transition from the 2017/18 target of £3.5m, the 2018/19 and 2019/20 years of the programme have been re-phased to £3.850m and £4.150m (previously both years were £4m).

Based on the delivery of the current TFS Programme savings secured to date the Council is in a position to over achieve the level of savings required in 2017/18. However beyond 2017/18 the programme does not deliver the size of savings required leaving a gap of £0.102m in 2018/19. The overall emphasis on delivering the savings targets must therefore remain strong to achieve the savings targets from 2018/19 and beyond and provide financial capacity to respond to the financial risks the Council faces.

Robustness and Adequacy of the Budget and Reserves – General Fund

4.17 In presenting the budget to the Council, the Executive must take account of the advice of the Council's Chief Finance Officer in relation to the robustness and adequacy of the budget and reserves.

4.18 The level of earmarked reserves is shown in Appendix 6, which shows the estimated closing balances at the end of each of the next five financial years. These reserves will only be used for the specific purposes for which they were set up. Having reviewed these earmarked reserves the Chief Finance Officer has concluded that they are adequate to fund the planned expenditure identified by the Council.

4.19 As a result of the increased level of financial risk faced by the Council and the threat this poses to the Council's financial position the prudent minimum level of general reserves remains at an increased level. Based on an assessment of the estimated exposure, likelihood and possible mitigation of the financial risks that the Council faces it is deemed prudent to hold general reserves around £1.5m-£2m. Over the MTFS general reserves are maintained in line with this prudent minimum and show an estimated balance of £1.521m by the end of 2022/23.

5. The Housing Revenue Account

5.1 The Council's Housing Revenue Account Business Plan 2016-2046 was approved in February 2016 following a fundamental review of resources, investment requirements and priorities. The Business Plan reflects the impact of government policy changes (including annual rent reductions), the results of stock condition surveys and financial assumptions at the time. This MTFS 2018-23 is based on the approved Business Plan, updated for revised financial assumptions reflecting current market conditions and expectations, subsequent government policy changes, updated development and investment profiles and other emerging service factors.

5.2 **Repairs and maintenance**

Repairs and maintenance is an essential part of the asset management of the Council's housing stock. Significant improvements have been made in the efficiency of the Housing Repairs Services (HRS), costs continue to be driven down through procurement activity and there is continued capital investment in existing and new housing stock.

5.3 **Financing the capital programme**

Under HRA self-financing the primary source of funding for capital investment in the Council's housing stock is from the revenue account through asset depreciation charges. Based on the current Housing Investment Programme (HIP), the need for £60.1m of revenue support is anticipated over the MTFS period.

5.4 In November 2016 (effective from 2016/17) the DCLG revised the valuation adjustment factor for social housing in the East Midland's (from 34% to 42%). This has increased the value of the housing stock in the Council's Balance Sheet and as a result the annual depreciation charge has increased. Within the HRA depreciation charges are allocated directly into the capital programme, whereas revenue contributions are additional contributions to the capital programme at the discretion of the Council to reflect the investment and funding needs of the capital programme.

5.5 The result of the change in the discount adjustment factor has been to reduce flexibility with the HRA to adjust planned DRF contributions to reflect the demands of both the capital and revenue programme. It, therefore has become increasingly imperative that there is robust budget management of the HRA and opportunities to achieve efficiencies and maintain/maximise income streams are actively pursued. This will be critical if the Council wishes to release resources in the revised business plan to undertake further investment to facilitate the delivery of new housing provision in the City, whilst ensuring that the HRA has the flexibility to be able to respond to any in year budget pressures that may arise.

5.6 **Housing Rents**

The HRA Business Plan 2016-2046 incorporates the government's requirement for a 1% p.a. rent reduction between 2018/19 and 2019/20 (including the long term impact of the reduction in the base) and assumes that from 2020/21 rents will revert back to the previous Guidance on Rents for Social Housing and increase by CPI+1%. The MTFS 2018-23 has been prepared on this basis. The MTFS 2018-23 also allows for rentals for supported accommodation to reduce by 1% p.a. to 2019/20 and revert back to CPI+1 from 2020/21 in-line with dwelling rents.

5.7 Rental income levels within the MTFS 2018-23 are based on a rephasing of the delivery profile for the new build programme to reflect the planned agreements with housing associations (enabling access to HCA grants) for the delivery of additional HRA properties. Although this has resulted in a shortfall in budgeted rents in 2017/18, this is recouped over the later years in the MTFS as rental units are delivered. In addition rental income at affordable rents (compared to social rents) has been included within the HRA in-line with the anticipated housing association delivery, resulting in additional income over the existing MTFS period.

5.8 Rental income budgets in current MTFS 2017-22 are based on an estimate of 35 Right to Buy (RTB) sales per year. However, experience in 2017/18 and expectations for subsequent years has increased the estimate of RTB's to 50 per year. The MTFS 2018-23 is based on 50 RTB's per year which has reduced rental income budgets by £546k over the existing MTFs period.

5.9 In line with guidance, housing rents for 2018/19 are based on 1% reduction, this will result in a reduction of an average weekly rent for all accommodation from £69.13 in 2017/18 to £68.44 per week for 2018/19 equating to an average decrease of £0.69 per property per week. Any rents on properties that are currently below "formula rent" are able to increase these to the formula level before applying the 1% reduction.

5.10 The following other key assumptions have been used in formulating the HRA estimates for 2018/19 – 2022/23 as follows:

- Assumptions for price inflation, interest rates, pay awards, vacancy savings and employer pension contributions are as per the General Fund
- Housing Rents decreases of 1% pa until 2019/20, followed by an increase of CPI + 1% in 2020/21 onwards.
- Average Garage Rents increase of 3% pa, bringing the average rent to £7.80 per week in 2018/19
- Housing voids assumed at 1.0% pa.

Robustness and Adequacy of the Budget and Reserves – HRA

5.11 In presenting the budget to the Council, the Executive must take account of the advice of the Council's Chief Finance Officer in relation to the robustness and adequacy of the budget and reserves.

5.12 The level of earmarked reserves is shown in Appendix 6, which shows the estimated closing balances at the end of each of the next five financial years. These reserves will only be used for the specific purposes for which they were set up. The Chief Finance Officer has reviewed the level and purpose of the reserves as part of the budget setting process and has concluded that these are adequate to fund the planned expenditure identified by the Council.

5.13 The prudent level of general reserves on the Housing Revenue Account is considered to be £1m - £1.5m. Over the MTFS they are maintained in line with this prudent minimum and show an estimated balance of £1.176 at the end of 2022/23.

6. The General Investment Programme

6.1 The General Investment Programme (GIP) for the period 2018/19 – 2022/23 is included within the MTFS at Appendix 2. The total allocated capital programme over the next five years is £16.2m of which £14.2m is estimated to be spent in 2018/19.

6.2 The GIP includes the delivery of key capital schemes identified to support the delivery of Vision 2020, schemes identified as required investment in order to deliver revenue savings as part of the Towards Financial Sustainability Programme, schemes resulting from joint working with partners, schemes and ongoing capital schemes, particularly the investment required in the property portfolio.

6.3 In addition to the approved schemes which form the GIP there are a number of key strategic schemes which have not yet been formally approved due to the stage of their development, i.e. the scheme is currently still at the design stage, or is still subject to final funding agreements etc. and as such do either not appear in the current GIP or are included but not at the full scheme costs. These schemes include the Western Growth Corridor and Housing Company. Each scheme will be submitted separately for approval and inclusion in the GIP once the relevant stage in their development has been reached.

7. The Housing Investment Programme

7.1 The Housing Investment Programme (HIP) for the period 2018/19 – 2022/23 is included within the MTFS at Appendix 4. The total allocated capital programme over the next five years is £76.7m of which £25.8m is estimated to be spent in 2018/19.

7.2 The 5 years HIP is based on the HRA 30 year business plan, updated to reflect revised spending and funding profiles of approved schemes as detailed schemes are developed. The key elements of the HIP include maintenance of Decent Homes and implementation of the Lincoln Standard, essential health and safety requirements and delivery of the council house new build programme (including a land acquisition fund). The new build programme has been updated to reflect the anticipated agreements with housing associations to deliver new homes in the HRA.

7.3 Future spending plans for the HIP are expected to include capital investment in major redevelopment at De Wint Court and the Western Growth Corridor development, however these are not included in the MTFS at this stage.

7.4 As set out in paragraph 5.3 above the primary sources of financing for the HIP is from depreciation, with financing of £59.5m over the 5-year period. In addition further resources are available from capital receipts (including Right-to-Buy receipts) and direct revenue financing (DRF). There is currently no additional borrowing required within the HIP.

8. Consultation and Scrutiny

8.1 Budget consultation has been undertaken online which consisted of the draft MTFS, proposed budget and council tax recommendation being publicised on the Council's website together with the opportunity for the public to comment.

8.2 In terms of member budget scrutiny an all member workshop was undertaken during January 2018 to ensure that as large a number of members as possible had the opportunity to fully understand the financial position of the Council. This was followed in February by a Budget Review Group who focused on the detail of the draft MTFS, proposed budget and Council Tax recommendation.

8.3 The minutes of the Budget Review Group are attached at Appendix B, there were no specific recommendations made by the Group.

8.4 It should be noted that the consultation and scrutiny undertaken did not take into consideration any specific proposals that are part of the Council's Towards Financial Sustainability Programme. As part of the development of these specific schemes the appropriate consultation will be undertaken with those customers, employees, trade unions, voluntary organisations', local businesses and partners who are likely to be impacted upon by the proposals. As any individual proposals are presented to the Executive/Council for decision they will include the outcomes of the specific consultation exercises and appropriate scrutiny committee considerations.

9. Strategic Priorities

9.1 The MTFS underpins this policy and financial planning framework and set out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's Vision 2020 and strategic priorities.

10. Organisational Impacts

10.1 Finance - There are no direct financial implications arising from the approval of the MTFS 2018-2023. The strategy provides information on the Council's spending, income and key financial challenges.

10.2 Legal Implications including Procurement Rules - Local authorities must decide, prior to the 11th March, each year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the council tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for services; and

- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

10.3 Local government legislation requires an authority's Chief Finance Officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions.

10.4 Land, property and accommodation - Specific implications for the deployment and management of the Council's assets are included within the Capital Strategy and Asset Management Plan which support the achievement of the objectives of the MTFS.

11. Equality Implications

11.1 This report provides a summary of the financial planning activities across the Council. As a consequence of the approval of the MTFS and budget for 2018/19 there may be an impact on certain council services which will be subject to review. Planning work undertaken to develop the Towards Financial Sustainability Programme and strands and investment in the Vision 2020 and strategic priorities, set out above, involves taking an overview of the potential cumulative impact. This is further expanded and built upon as the specific reviews and projects are developed and so detailed equalities implications will be assessed at the individual service level.

12. Risk Implications

12.1 The Council has a very proactive approach to managing risk and there are effective arrangements for financial control already in place. That said, there is always a risk that the Council will become liable for expenditure that it has not budgeted for or face a reduction in resource available, the impact of which must be mitigated by holding reserves. Due to the significant change in core funding mechanisms for local authorities the level of volatility and risk to which the Council is exposed has increased significantly, the MTFS therefore needs to remain flexible and the council's reserves resilient.

12.2 The financial risks, Appendix 5 of the MTFS, have been identified and an assessment of the estimated exposure, likelihood and possible mitigation has been made in the context of the Council's overall approach to risk management and internal financial controls. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

13. Recommendation

13.1 That Council considers the Chief Finance Officer's statement on the robustness of the budget and the adequacy of reserves as detailed in paragraphs 4.17 – 4.19 and 5.11 – 5.13 of this report.

13.2 That Council approve:

- The Medium Term Financial Strategy 2018-2023, and;
- The Capital Strategy 2018-2023

Including the following specific elements:

- A council tax Increase of 2.95% for 2018/19.
- A housing rent decrease of 1% for 2018/19.
- The Council is member of the Lincolnshire Business Rates Pilot for 100% Business Rates Retention in 2018/19
- The General Fund Revenue Forecast 2018/19-2022/23 as shown in Appendix 1 and the main basis on which this budget has been calculated (as set out in paragraph 4).
- The General Investment Programme 2018/19-2022/23 as shown in Appendix 2, and the main basis on which the programme has been calculated (as set out in paragraph 6).
- The Housing Revenue Account Forecast 2018/19-2022/23 as shown in Appendix 3 and the main basis on which this budget has been calculated (as set out in paragraph 5).
- The Housing Investment Programme 2018/19-2022/23 as shown in Appendix 4, and the main basis on which the programme has been calculated (as set out in paragraph 7).

Is this a Key Decision?	No
Do the Exempt Information Categories Apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	Two

List of Background Papers:	Medium Term Financial Strategy 2017-22 – Executive 27th February 2017 Setting the 2018/19 Budget and Medium Term Financial Strategy 2018-23 – Executive 30th October 2017
Lead Officer:	Robert Baxter Interim Chief Finance Officer Telephone: 01522 873361

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Medium Term Financial Strategy

2018/19 - 2022/23

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Foreword

Welcome to this latest version of the City Council's Medium Term Financial Strategy covering the period 2018-2023.

This Strategy sets out how the Council will use its financial resources to underpin its Vision 2020 and the strategic priorities that it holds for the City. It is the Council's commitment to use the financial resources it employs over the coming years to make a positive difference to the city and its residents.

Since 2010 the Council, alongside the majority of other local authorities, has experienced unprecedented financial challenges in various forms and have had to adapt to;

- The impact of severe, unprecedented, central government funding reductions, the distribution of which has not been uniform across the different types of authority with some being significantly more affected than others, this Council being one of those suffering a greater proportionate loss.

- The local impacts of the economic crisis affecting jobs, housing and business growth, which has in turn created pressure on the generation of local income streams.

- The national impacts of the economic crisis on the financial markets and subsequent low returns on investments.

- The local impacts of the economic crisis creating a rising demand, and increased cost pressures, for council services from customers who rely on the safety net provided by local government.

- The impact of the vote to leave the EU and the consequent impact on the economic and political landscapes.

During this same period the basis on which local government is funded has undergone radical reform, heralding a new era where local government is funded from local taxes with limited reliance on Central Government. This new methodology for funding local government is inextricably linked to the performance of the local economy via Business Rates, New Homes Bonus funding arrangements, Council Tax and Local Council Tax Reduction schemes and Housing Revenue Account Self-Financing.

Each change to the funding mechanisms brings new elements of uncertainty and volatility, with further fundamental and radical changes through the devolution of Business Rates and further responsibilities as a consequence, set to come from 2020. It does however present opportunities for local authorities with the freedom from and removal of reliance on Central Government and a key stake in the financial prosperity of its local economy.

In response to this environment the Council has delivered a track record of strong financial discipline. Planning ahead, securing savings in advance, re-investing in more efficient ways of working, adopting a more commercial approach, prioritising resources for economic development measures, whilst making careful use of reserves to meet funding gaps and mitigate risks, is an approach that has served the Council well.

In the years since the onset of austerity measures and profound funding reductions, the Council has delivered savings in excess of £7.5m, a significant reduction in comparison to the overall net expenditure budget, with further savings of £0.102m to be delivered to achieve its current target, by 2018/19. That is not to say though that the Council will not continue to have to navigate a difficult financial path in the forthcoming years in order to deliver a sustainable financial position. In the environment in which it operates, financial planning is becoming increasingly complex, requiring multiple variables to be balanced in an environment of rising uncertainty. The MTFS will be kept under constant review and will need to adapt in response to new risks and opportunities.

The Council's successful financial management to date has enabled the protection of core services for the people of Lincoln while at the same time allowing the redirection of resources to the priority areas in the Council's Vision 2020.

This vision is supported by a three year programme of activity, resourced through the MTFS, that seeks to not only deal with the most pressing issues in the city, but also how the Council will work, with others, to embrace and maximise Lincoln's economy through schemes such as, the Transport Hub and New Council House Building Programme.

This investment in growth and the local economy alongside the Council's financial sustainability programme, forms the foundations of the Council's approach to financial planning over the medium term, seeking to enhance its financial resilience and to continue to focus its resources towards achieving its aspirations in its Vision 2020.

Robert Baxter, CPFA
Interim Chief Finance Officer

Section 1 – Introduction

The purpose of the MTFS is to set out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities. The Council has four clear strategic priorities and in order to achieve those priorities the Council must have a clear and robust financial strategy which focuses on the long term financial sustainability of the organisation

The MTFS draws on a review of the local economic landscape, and the impacts of the wider national economic and political landscape. It looks ahead over the coming five financial years to identify the resource likely to be required by the Council to finance its priorities and meet the financial consequences of the demand for council services. It also looks ahead to determine the resources likely to be available to the Council over the same period. This plays a critical role in ensuring that the Council "lives within its means" in developing its key plans and strategies, and enables decisions to be made about its finances ensuring it maintains a sustainable budget.

The MTFS integrates revenue allocations, savings targets, reserves and capital investment and provides indicative budgets and future Council Tax and Housing Rent levels for the period covered by the plan. This approach has been in place for a number of years now and is an essential part of the budget setting process.

Although the Strategy is set against a medium-term time frame, to fit with the Council's corporate planning framework, in principle it will exist for longer as it provides the overall direction and parameters for financial management at the Council.

Inevitably the Council's plans will need to evolve and develop in response to new financial opportunities and risks and new policy directions during the period of the Strategy and the dynamic nature of local government funding. Therefore, the Strategy will be reviewed on a regular basis and at least annually.

The MTFS is underpinned by a sound finance system, coupled with a solid internal control framework, sufficiently flexible to allow the organisation to respond to changing demands over time and opportunities that arise.

Objectives

The MTFS seeks to achieve a number of specific objectives;

- Ensure the Council maintains a sound and sustainable financial base, delivering a balanced budget over the life of the MTFS,
- Maximise income levels, including growing the Council Tax and Business Rates tax base, whilst ensuring that Council Tax rate increases are kept an acceptable level;
- Continue to manage down the Council's recurrent cost base, in line with reductions in overall resources by ensuring the provision of efficient, effective and economic services which demonstrate value for money.

- Ensure the Council maintains robust, but not excessive, levels of reserves and balances to address any future risks and unforeseen events without jeopardising key services and the delivery of outcomes;

- Ensure the Council's limited resources are directed towards its Vision 2020 and strategic priorities, redirecting where necessary to allow for improvement and investment;

Policy and Financial Planning Framework

The Council's Strategic Plan (Vision 2020) is the thread that links the Council's integrated policy and financial planning framework. It is underpinned by the MTFS, which aims to ensure that all financial resources are directed towards delivery of the Vision 2020, and flows through to the Council's other key plans and strategies, service planning and individual staff performance appraisals. This ensures that the Council's vision and strategic priorities drive the activity and allocation of resources of the Council.

The Vision 2020 promotes a clear view of the Council's strategic focus and in particular its key priorities. These priorities are a commitment by the Council to use the resources it employs over the coming years to a make a positive difference to the city and its residents.

The Council's new Vision 2020 was launched in early 2017 and sets out the Council's vision for the future of the city, new strategic priorities and core values. This three year programme seeks to not only deal with the most pressing issues in the city, but also details how the Council will work, with others, to further grow Lincoln's economy.

Section 2 – Context

In order to set the framework for the Council's approach to policy and financial planning it is important to understand the overall national policy context, and economic conditions as well as the policy and delivery priorities for the Council over the MTFS period.

Economic Climate

Forecast UK growth is set to slow to 1.5% in 2017 and 1.4% in 2018. This reflects slower consumer spending growth, offset by some rise in UK exports and public investment. But risks to growth are weighted to the downside due to Brexit.

Looking beyond Brexit, the key challenge for the government is to boost UK productivity growth, which has been the second slowest in the G7 on average since 2010. This will require increased public and private investment in housing, transport infrastructure, skills and innovation, as well as measures to support growth across all regions of the UK.

The latest Consumer Price Index (CPI) forecasts are that it is likely to reduce from 3% in December 2017 to 1.8% in 2018 and then remain at 2% 2019 onwards, back in line with the Government's target rate of 2%.

Retail Price Index (RPI) stood at 4.1% in December 2017. This is set to reduce to 3.1% in 2018 and remain around that level thereafter.

On the 2 November 2017 the Monetary Policy Committee (MPC) voted to remove the post EU referendum emergency monetary stimulus implemented in August 2016 by reversing the cut in the Bank Rate at that time from 0.5% to 0.25%. The MPC gave forward guidance that they expected to increase the Bank Rate only twice more in the next three years to reach 1.0% by 2020. This relaxed rate of increase is in line with previous statements that the Bank Rate would only go up very gradually and to a limited extent.

National Priorities

Since 2010 the key driver for government policy has been securing the recovery of the economy through the deficit reduction programme, primarily focussing on public spending control. As a result of the reductions made during the 2010 Spending Review period, the Spending Review 2015 saw the focus shift towards rebuilding the economy, with an expected return to a national surplus by 2020, with a healthy economy that had started to pay down its debt. Key to this was the continuation of the deficit reduction programme with significant reductions in public sector expenditure required.

Autumn Budget 2017

The Chancellor of the Exchequer presented his first Autumn budget, in the new annual tax policy cycle, to the House of Commons on the 22 November 2017.

The announcements relevant to local government are summarised below.

Business Rates

The Government announced a number of changes to business rates. The main changes are:

- From April 2018, CPI will be used to uprate the multiplier for business rates, rather than RPI, bringing forward the change already announced from April 2020;

- The business rates valuation cycle will switch from five years to three years following the next revaluation. This should mean that, following the planned 2022 revaluation, the next will be 2025;

- There will be a one year extension to the £1,000 discount to business rates bills for pubs with a rateable value of less that £100,000 in 2018/19.

Council Tax

The Chancellor announced that, from April 2018, local authorities will be given the power to increase the council tax empty homes premium from 50% to 100%.

Housing

The Government announced that it wishes to increase the numbers of new homes built to 300,000 per annum by the middle of the 2020s. A wide breadth of measures were announced to support this objective including:

- Housing Investment: the government will provide £1.1bn for a new Land Assembly Fund; a further £2.7bn to the competitively allocated Housing Infrastructure Fund (HIF) and a further £630m through the Northern Powerhouse Investment Fund (NPIF) to accelerate the building of homes on small, stalled sites, by funding on-site infrastructure and land remediation.

- Housing Revenue Account: the government announced that it will lift HRA borrowing caps for councils in areas of high affordability pressure, enabling more council home to be built. Local authorities will be invited to bid for increases in their caps from 2019/20, up to a total of £1bn by the end of 2021/22. The government will monitor how authorities respond to the opportunity and consider whether any further action is needed.

- Community Infrastructure Levy (CIL): DCLG will launch a consultation with detailed proposals on reforms to the CIL.

Whilst there were no further reductions for departmental resource plans announced, the continuation of significant reductions in public sector expenditure remains. Local government will still experience deeper cuts than the rest of the public sector, through until 2019/20, at the same time as preparing itself for the implementation of radical changes to its funding mechanisms.

Local Government Funding

A key theme within the Spending Review 2015 was the Government's commitment to a devolution revolution, transforming local government by enabling it to be self-sufficient by the end of the Parliament and paving the way for 100% business rate retention, giving local authorities the power to cut business rates to boost growth and empowering elected city-wide mayors.

This is a radical change to the funding mechanisms of local government and heralds a new era where local government is funded from local taxes with limited reliance on Central Government. This new methodology for funding local government is inextricably linked to the performance of the local economy via Business Rates, New Homes Bonus funding arrangements and Local Council Tax Reduction schemes.

The scale of reductions in guaranteed, central funding has required local authorities to focus on more local self-sufficiency through other forms of local income generation, such as;

- Maximisation of Council Tax rate increases, within prescribed referendum limits.
- Maximisation of fees and charges increases.
- Widening the scope of fees and charges by introducing charges for services not previously charged for.
- Increasing trading activities to generate surpluses for reinvestment, including the establishment of trading companies
- Look at ways of entering the market, commercialising existing services and seeking opportunities to 'sell' goods and services externally.
- Economic development measures to increase funding through tax collected, e.g Council Tax and Business Rates with the additional benefit of NHB.

Business Rates

Before the 2017 election, the Local Government Finance Bill 2016 was prepared with the aim of introducing primary legislation to enact the move from the 50% business rates retention (BRR) scheme to 100% BRR. However the Bill was not included in the Queen's speech following the election so will not become an Act. As such, any move to 100% BRR scheme would not currently happen under primary legislation changes, but there is the possibility of introducing some of the previously planned changes through secondary legislation.

There are currently five authorities piloting 100% BRR in 2017/18, all of which have been introduced without change to primary legislation. The government invited further authorities to apply to pilot 100% BRR in 2018/19, this will be for one year only, to test aspects of what a final 100% BRR scheme may look like that are not currently being tested in the existing pilots. This suggested that government was still intent on introducing a 100% BRR scheme, and the 2018/19 pilot prospectus does state that "the current pilots, and a new wave in 2018/19, will help explore options, with local government, for the design of future local government finance reforms"

However as part of the Local Government Finance Settlement, the Secretary of State announced that local business rates retention would move from 50% to 75% in 2020/21, not the 100% as previously announced.

Lincoln applied to be a pilot for 100% BRR in 2018/19, as the Lincolnshire Business Rates Pool, and has been confirmed as one of the ten successful applications, in addition to the London Boroughs previously announced as part of the Autumn Budget 2017.

Whilst the initial offer for the new pilot areas was for one year only, it remains to be seen if pilot status will be allowed to continue for 2019/20. Although a change back to 50% would potentially mean that we would move from 50% in 2017/18, to 100% in 2018/19, back to 50% in 2019/20 and then to 75% in 2020/21. Therefore, allowing us to remain at 100% for 2019/20, whilst having a cost attached for DCLG/HMT (in terms of government losing a share of any growth), would seem a more sensible/stable approach.

The Secretary of State also confirmed that a reset of the business rates retention system will also take place in 2020/21. This will see NNDR baselines adjusted to better reflect how much local authorities are actually collecting in business rates (currently based on amounts collected 2010/11 – 2011/12)

The Government has established a steering group and a number of working groups, chaired jointly by DCLG and the LGA, to develop reforms with the view of implementing these in 2020-21 alongside greater business rates retention.

Local Priorities

Lincoln is a cathedral city, and is one of the oldest cities in Britain, with a population of around 97,800 (0.8% increase on the previous year). Lincoln is one of seven Districts in Lincolnshire and, being an urban area located within a predominantly rural county, faces both unique challenges and opportunities.

Although the population of Lincoln is around 97,800, the city actually serves a significantly higher 'Greater Lincoln' population of approximately 195,200 (the economic zone around Lincoln where residents have close links with the city either through work, education, shopping or recreational use). Almost twice as many people visit the city during the daytime as live here, boosting the local economy but also putting immense pressure on local services and infrastructure.

In the last ten years Lincoln has seen a significant increase in the number of people who live here at 9.4%, with a larger proportionate increase than England as a whole. Lincoln has also had a bigger increase proportionately than many cities and towns in England that are considered characteristically similar.

There continues to be an increase in the number of residents aged 20-29, influenced by the expanding universities. There are well over 15,000 students at the University of Lincoln and Bishop Grosseteste University. Lincoln has a higher than average proportion of its population aged in their 20's. This age group accounts for 21% of the city's total population, compared to only 13% nationally.

Like many places, Lincoln is made up of areas of relative affluence, and relative deprivation. The Indices of Multiple Deprivation tells us that 10 areas of the city (from a total of 57) are amongst the 10% most deprived nationally. This is an increase from 7 areas in 2010 and 5 areas in 2007. Within these 10 areas of Lincoln there are an estimated 16,000 residents (16.5% of the total population of Lincoln)

In terms of the economy, the city faces a number of challenges. One of these is Lincoln's child poverty rate which is above the county, regional, and national rate. Fuel poverty rates are above the regional and national average.

Overall, approximately 15% of council tax payers receive Housing Benefit and/or Council Tax support. Only around 0.4% of properties fall within council tax bands G and H, and 79% fall within the lowest bands A or B, currently paying £3.93 or less per week. This low Council Tax base has a significant limiting impact on the Council's ability to raise revenue via the Council Tax and creates a higher dependency on other sources of income.

Both male and female life expectancies are in line with national averages with male life expectancy decreasing a little to 77.6 years while female life expectancy reduced slightly to 82 years. Early deaths due to heart disease and cancer had been reducing but rates have seen an increase and Lincoln still ranks high amongst our nearest neighbours.

There are approximately 44,600 households in the city – the City Council is landlord to approximately 7,700 of these, with more than one thousand more belonging to Registered Social Landlords. Despite the fact that housing is generally more affordable in Lincoln than elsewhere, there is still substantial demand for social housing of different types.

These factors place significant demands on key services and resource allocation and are a key driver in the development of the Council's vision for the future of the city and its strategic priorities.

In 2016 an extensive exercise to develop a new strategic plan was undertaken, now branded as Vision 2020. This three year programme is the product of work both internally and externally, with working groups, surveys and focus groups with the public, and through consultation with partners, business and other organisations with a stake in the city. The development of the Vision 2020 has been informed by evidence from the Lincoln City Profile and the Poverty Profile to ensure that the Council's visions and aspirations for the City are not just for the next three years, but look ahead for up to 30 years.

The accumulation of this work saw the launch at the beginning of 2017 of the Council's Vision 2020 setting out the new, overarching vision for 2020 and beyond, strategic priorities and the Council's core values.

The Council's new vision for 2020 is;

"Together, let's deliver Lincoln's ambitious future"

Underpinning this vision are four strategic priorities, each with a number of supporting aspirations. The aspirations are in turn supported by groups of projects that will be delivered throughout the three year programme. Not all the aspirations will be progressed at the same speed or even at the same time. Instead, they provide a holistic overview of where effort needs to be placed over time. The aspirations are shown below:

- Let's drive economic growth
    - Let's build a strong, viable and prosperous future for Lincoln
    - Let's attract investment
    - Let's help businesses prosper
    - Let's create a culture of innovation
    - Let's make things happen
- Let's reduce inequality
    - Let's ensure the best quality of life for people living in Lincoln
    - Let's help people succeed
    - Let's help people feel safe and welcome in their communities
    - Let's provide help to the most vulnerable in our city
    - Let's empower people
- Let's deliver quality housing
    - Let's provide housing which meets the varied needs of our residents
    - Let's improve housing conditions for all
    - Let's work together to help the homeless in Lincoln
    - Let's help people have a sense of belonging
    - Let's build thriving communities
- Let's enhance our remarkable place
    - Let's provide interesting, exciting and vibrant places to enjoy
    - Let's preserve the unique character of our city
    - Let's deliver a rich and varied cultural experience
    - Let's show the world what Lincoln has to offer
    - Let's cherish and enhance our natural environment

These four strategic priorities will be supported by a strand called 'professional, high performing service delivery', which is supported by the following programmes of work:

- Creating a skilled and adaptable workforce
- Ensuring efficient, high quality services
- Providing high performing services
- Delivering the Towards Financial Sustainability programme

Additionally a new set of core values have been developed which sum up the Council's culture, and what can be expected from its services and policies. They should also be present in the way its officers and member deal with others, its residents, and its partners. The core values are:

- Let's be approachable
- Let's be innovative
- Let's be trusted to deliver

Section 3 – Revenue (General Fund)

Spending Plans

The MTFS is central to identifying the Council's financial capacity to deliver its vision and strategic priorities, this requires a balance to be struck between the need to support the delivery of the vision with the need to maintain a sustainable financial position. Striking the correct balance between these two requirements becomes ever more difficult in the challenging financial context in which the Council operates. This is compounded by steep Government funding reductions and a new methodology for funding local authorities which is fraught with uncertainty and volatility.

The Council's Vision 2020 is supported by a three year programme containing a range of projects that will meet each of the new strategic priorities. In the absence of any new Government funding and in the context of the savings targets underpinning the MTFS, the resources to finance these projects and have been made possible by allowing the redirection of resources to the priority areas as well as seeking external financial support in the form of grants and contributions.

Full details of the projects supporting the strategic priorities are including within the Vision 2020.

Spending Pressures

A high level review of the financial pressures facing the Council over the planning period of the MTFS has been undertaken. This information has been drawn from experience in previous years, the advice of Directors and Assistant Directors, the current economic climate and other local and national issues that are likely to influence the financial outcomes.

Inflation – Pay and Prices

The budget estimate for 2018/19 includes a pay increase in line with the two year pay award which was put forward to unions in December 2017 which is for 2% per year for 2018/19 and 2019/20 with higher rises for staff on the lowest pay scales. With regards to increases after 2019/20 it is assumed a 2% rise will apply in 2020/21 – 2022/23.

Automatic inflationary increases of budgets are not provided for all goods and services, instead individual inflation rates have been applied for specific items of expenditure, all remaining areas of expenditure are maintained at the previous year's levels, which is in effect a real terms reduction in spending power. The following rates of inflation have been assumed over the period of the MTFS

	2018/19 % per year	2019/20 % per year	2020/21 % per year	2021/22 % per year	2022/23 % per year
Pay	2.0%	2.0%	2.0%	2.0%	2.0%
General	2.2%	2.0%	2.0%	2.0%	2.0%
Contractual Commitments	3.2%	3.2%	3.2%	3.2%	3.2%
Non domestic rate	2.2%	2.0%	2.0%	2.0%	2.0%

These rates have been based on the Bank of England's target rate of inflation of 2% and a forecast of RPI, at the time of revising the MTFS assumptions, of 3.2% for 2018/19 onwards. A number of the Council's contractual commitments are linked to the RPI at a defined date in the year, primarily December and March; any movement in RPI by these dates will result in an inflationary pressure for the Council. Every 0.5% increase in RPI will equate to approximately an additional £24k pa, this will have a cumulative impact.

Employer's Pension Fund Contributions

The latest triennial revaluation of the Council's Pension Fund took place at 31 March 2016, and the results identified that there has been a slight improvement in the funding position since the last actuarial review from a 67% funding level to 70%.

Since the previous valuation of the fund at 31 March 2013 a number of events have taken place which have had an effect on the estimated cost of the fund, key impacts are as follows –

Assets - the performance of the funds' investments has been more than the expected return over the three year period to 31 March 2016. This has had a positive effect on the past service position of the fund.

Liabilities – the decrease of the gilt yield has served to increase the value of the funds liabilities having a negative effect on the fund.

Pre retirement experience – a decrease in early leavers and an increase in ill health retirements has had a negative effect on the fund whilst salary increases which were less than expected have had a positive effect on the valuation of the fund.

Post retirement experience – a decrease in pension increases has had a positive effect on the valuation of the fund, however this has been partially offset by an increase in pensioner longevity.

Having assessed the events that have affected the fund since the previous valuation, the actuary has formulated an approach to the 2016 valuation which incorporates this information into its long term assumptions for the fund.

Although the overall funding position has improved slightly, the employer contribution rates are still required to increase in order to improve the funding position further. For employers such as local authorities the Actuary, because of the guaranteed nature of their funding, is able to recommend a stabilisation overlay mechanism whereby the employer's current contribution rate is capped at an affordable level. Without out this in place the Council would be facing significantly higher contribution rates in order to increase the funding position.

This stabilisation approach has allowed the annual increase in the contribution rate to be capped at 1% p.a. over the period 2017/18 to 2019/20.

A further actuarial review will take place in April 2019, which will inform the employer contributions from 2020/21 onwards.

Net Interest Receipts

Net interest receipts incorporate the cost of financing the capital programme (via internal and external borrowing) and interest paid and earned on revenue balances during the year.

Historically investment income, which is heavily dependent on how the Council uses its reserves and the prevailing interest rates, was an important source of income for supporting the Council's service expenditure. However, as a result of the ongoing economic difficulties in both the domestic market and the Eurozone, the Council has seen a significant reduction in the interest rates offered on new investments. The prevailing risk in the financial markets has reduced the credit ratings of many institutions so there are also fewer counterparties available for investment purposes, and investments are being kept short and liquid to reduce the overall risk of the investment portfolio. The total interest income received has been falling since 2008 and the average interest rate achieved is barely above base rate.

Interest rates are forecast to remain at low levels until late 2018 and then the expectation is for a very slow recovery in the money markets. This is reflected in investment income forecasts in the MTFS.

Borrowing costs incurred on any short-term borrowings are minimal as they are only undertaken to bridge temporary cash flow shortfalls. The Council's portfolio of long-term borrowings currently includes 2 loans that are due to be repaid during the coming five financial years. The council has one short term loan which matures in 2018. All other loans mature after 2022/23 and are fixed rate loans. Six of these loans have lender options to vary their terms at six monthly intervals.

The sensitivity of the General Fund to changes in interest rates is linked more markedly to investments rather than to the portfolio of borrowing as all borrowing is at fixed interest rates. As an indication, a change in interest rates of +/- 0.5% would have an estimated combined impact of approximately £28k on the General Fund and £30k on the HRA in 2018/19.

Average interest rates on investments assumed within the MTFS are as follows:

	2018/19 %	**2019/20 %**	**2020/21 %**	**2021/22 %**	**2022/23 %**
Interest Rate	0.52%	0.61%	0.76%	0.90%	0.93%

Based on the current forecasts for interest payable on new borrowing (averaging around 2.7%) and receivable on investments (averaging around 0.5%), and the estimated level of balances available for investment, it is currently anticipated that new borrowing will be taken to fund the borrowing requirement for the General Fund Investment Programme over the 5 year strategy. Internal balances will be used to fund the existing borrowing requirement where it remains financially advantageous to do so, reducing the amount of interest that would have been payable on new debt, partially offset by a reduction in interest receivable (due to reduced balances available for investments).

Repairs and Maintenance

The Council's Asset Management Plan identifies the need for significant investment to ensure that its assets are properly maintained and safe for use. Additional resources have been allocated in previous Strategic Plans/MTFS and although these have tackled the most urgent issues arising in those years there still remains a considerable amount of work to be undertaken in the medium to longer term and this does place an increased pressure on responsive day to day repairs and maintenance budgets.

A structured approach to corporate property maintenance is being taken with the prioritisation of the urgent, essential and desirable works and consideration of the overall resources available. Alongside this the Council is undertaking a review programme of all assets which has the potential to dispose/transfer assets with significant repair liabilities.

Resources

Revenue Support Grant/National Non-Domestic Rates

The Local Government Finance Settlement for 2018/19 sets out the distribution of centrally allocated resources for local authorities and provides authorities with a combination of grant allocations and their baseline figures within the BRR scheme. The Settlement forms the third year of a four year fixed settlement that was offered to local authorities in 2016/17. This offer was made on the basis that any council that wished to take up the offer would be required to have an efficiency plan in place in order to do so. Nationally 97% of Council's accepted this offer.

Although the third year of the Settlement period has confirmed the RSG allocations that were previously announced there were still changes in the overall settlement and level of local government resources that were announced. These related to the increase in the referendum limit to 3% on Council Tax (2018/19 and 2019/20), NNDR Revaluation and assumptions around future, locally generated income.

Core Spending Power

The Core Spending Power calculation includes:

- Settlement Funding Assessment (comprising NNDR Baseline funding level and Revenue Support Grant)
- Estimated Council Tax income,
- Improved Better Care Fund,
- New Homes Bonus,

- Transitional Grant
- Adult Social Care Support Grant
- Rural Services Delivery Grant.

The table below shows the national changes to Core Spending Power between 2015/16 and 2019/20 (the Settlement period). Overall, spending power will increase by £0.9bn from £44.7bn to £45.6bn, an overall increase for the period 2015/16 to 2019/20 of 2.1%, effectively a cash freeze settlement for local government. However within this, the Settlement Funding Assessment (SFA) will reduce by £6.6bn (32%) and NHB by £0.3bn (25%), which is largely offset by the governments estimate of council tax increasing by £6bn (27.3%).

When the Settlement was announced in 2015 the overall change in core spending Power over the 4 year period was forecasted to be a reduction of 0.4%. This has improved to an increase of 2.1% due to inflation being higher than forecast and the consequent increase in NNDR income and more optimistic assumptions used around council taxbase and rate.

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£bn	**£bn**	**£bn**	**£bn**	**£bn**
Settlement Funding Assessment	21.415	18.767	16.807	15.849	14.773
Council Tax	22.036	23.247	24.666	26.600	28.047
Improved Better Care Fund	0	0	1.115	1.499	1.837
New Homes Bonus	1.200	1.485	1.252	0.948	0.900
Transition Grant	0	0.150	0.150	0	0
Rural Services Delivery Grant	0.016	0.081	0.065	0.081	0.065
Adult Social Care Support Grant	0	0	241	150	0
Core Spending Power	**44.666**	**43.729**	**44.296**	**45.127**	**45.623**
Change %		**-2.1%**	**1.3%**	**1.9%**	**1.1%**
Cumulative change %		**-2.1%**	**-0.8%**	**1.0%**	**2.1%**

Although the national level of Core Spending Power is forecast to increase by 2.1% the variation between individual authorities and types of authority is significant. Shire Districts, including Lincoln have experienced the worst reductions in core spending power, with the average reduction being 11.7%, due to changes in the distribution of RSG (as set further out below) and due to the top slicing of NHB to redirect towards social care pressures. Lincoln's position is as set out in the table below, this shows a total change in core spending power of 16.7% over the four year period to 2019/20.

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£m	**£m**	**£m**	**£m**	**£m**
SFA	6.0	5.188	4.543	4.197	3.773
Council Tax;	5.6	5.916	6.145	6.447	6.764
Other grants	2.1	2.285	1.708	1.090	0.980

Core Spending Power	**13.8**	**13.389**	**12.396**	**11.734**	**11.517**
Change over the period (£m)					**-2.3**
Change over the period (%)					**-16.7%**

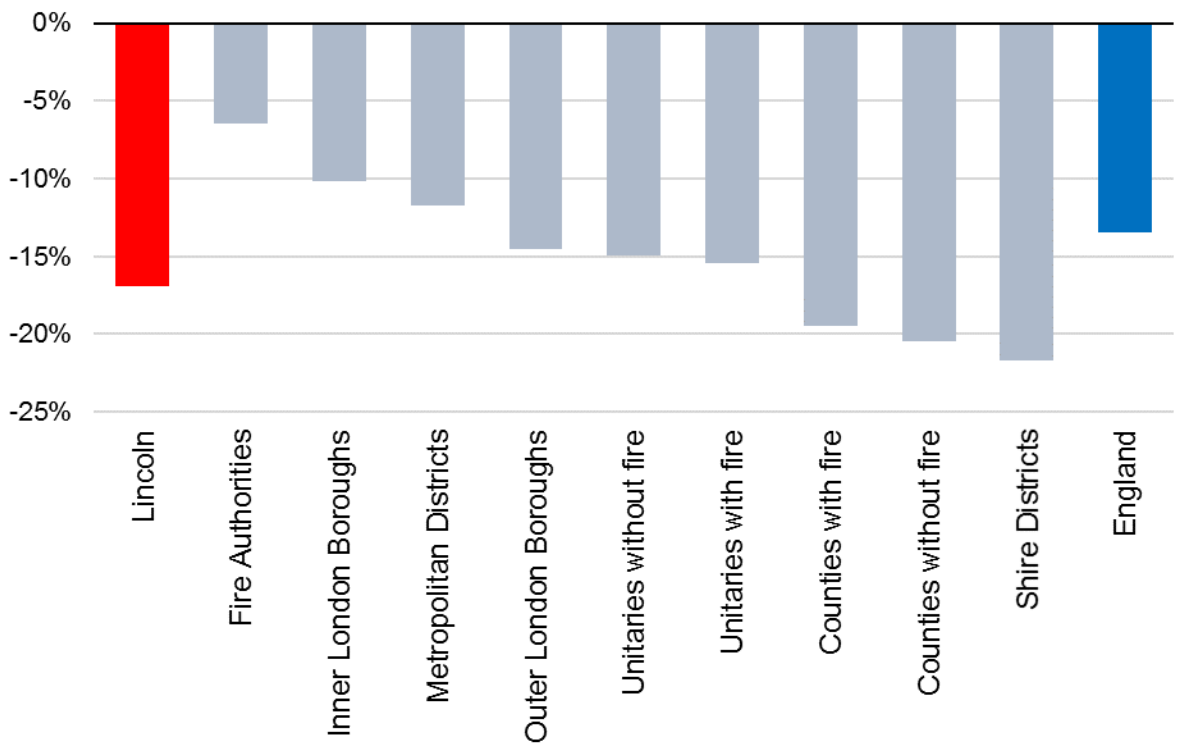
Settlement Funding Assessment

The variation in the spread of funding reductions is as a result of new funding distribution methodology for RSG that was introduced in 2016/17. Previously changes to RSG had been carried out by comparing the current year's RSG allocation to the previous year. The new approach now takes into account two different aspects;

- individual authorities' council tax raising ability – those authorities with a greater proportion of their core funding coming from Council Tax receive less RSG,
- the type of services provided - this favoured upper tier authorities, with significantly larger funding reductions for district councils.

As the graph below shows the cumulative change in SFA for Shire Districts has been the worst affected, as compared to other authority types (note this graph only covers the remaining three years of the settlement period).

Cumulative change between 2017/18 and 2019/20



As set out above the SFA comprises of NNDR Baseline funding level and Revenue Support Grant. For the Council this is broken down as follows:

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£m	**£m**	**£m**	**£m**	**£m**
RSG	2.585	1.698	0.981	0.000*	0.022
Baseline BR Funding Level	3.463	3.491	3.562	4.197	3.750
SFA	6.048	5.188	4.543	4.197	3.772
Change over the period (£m)					**-2.276**
Change over the period (%)					**-37.6%**

* added to Baseline BR Funding level as part of 100% business rates pilot in 2018/19

Revenue Support Grant

In terms of the Council's RSG element of the SFA, the figures announced in the Finance Settlement confirm those announced in 2015, with a reduction of 99.1% over the period from £2.585m in 2015/16 to £0.022m in 2019/20, as shown in the table below.

	2015/16 adjusted £m	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
RSG	2.585	1.698	0.981	0.528*	0.022
Change %		-34.3%	-42.2%	-46.2%	-95.8%
Cumulative change %		-34.3%	-62.1%	-79.6%	-99.1%

* added to Baseline BR Funding level as part of 100% business rates pilot in 2018/19 but shown here for comparison purposes.

The MTFS will be based on these levels of RSG. Beyond the settlement period, i.e. 2020/21 it will assume that there will be no further RSG payable by the Government.

Business Rates Retention

Lincoln successfully applied to be a pilot for 100% Business Rates Retention in 2018/19, as the Lincolnshire Business Rates Pool.

The key points from the pilot governance arrangements are set out below:

- Revenue Support Grant (RSG) is rolled into the Baseline Funding level (the amount of funding received if business rates are collected at the target level).
- The Council will receive 60% of business rates, with 40% going to Lincolnshire County Council (LCC). (under 50% retention the funding splits were 50% central government, 40% Lincoln City Council, 10% LCC)
- Providing there are sufficient resources no authority shall receive less than if it was operating under the current 50% scheme.

- In the highly unlikely event that the pilot makes an overall net loss, or the pilot has outstanding liabilities, this will be pro rata'd across all authorities, taking into account resource levels, had the pilot not been in operation.

Whilst the initial offer for the pilot is for one year only, it remains to be seen whether pilot status will be allowed to continue for 2019/20. Although a change back to 50% would potentially mean that we would move from 50% in 2017/18, to 100% in 2018/19, back to 50% in 2019/20 and then 75% in 2020/21. Therefore allowing us to remain at 100% for 2019/20, whilst having a cost attached for DCLG/ HMT (in terms of losing a share of any growth), would seem a more sensible/ stable approach. However for the purposes of the MTFS it has been assumed that the pilot will be in place for 2018/19 only.

The Council has undertaken an assessment of the amount of business rates that it expects to collect during 2018/19 and based on the principles of the 100% Business Rates Retention Pilot its estimate of the level of NDR to be retained is set out in the table below. Forecasts over the remaining period of the MTFS have also been made taking into consideration estimated growth in the local economy. These future year forecasts assume that the current system of 50% retention of business rates remains in place for 2019/20. Beyond this it is assumed that 75% retention will be in place, as per the announcement in the Local Government Finance Settlement. An adjustment has been made from 2020/21 onwards to remove the gains that are currently received from pooling as this element of the scheme will cease to exist in a 75% retained system.

Income Forecast	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Forecast retained NDR Income	7,421	5,059	4,537	4,760	4,993

The level of outstanding unsettled appeals lodged with the Valuation office continues to create a high level of uncertainty. The Collection Fund is required to fully provide for the expected result of all appeals. The current assessment is that the Collection Fund will be required to set aside an additional £1.3m in 2018/19 to top up the current provision. There is no definitive date as to when the Valuation Office will have settled all outstanding appeals. This backlog in the appeals process creates uncertainty for the Council as well as tying up resources in provisions which ultimately may not be required. In addition to the backdated element of these appeals there is also an ongoing impact due to the reduction in the business rates base, which ultimately reduces the level of income to be retained in the future by the Council, an estimate of this impact has been assumed in the BRR forecasts set out above.

Beyond 2017/18 the Council has estimated that growth in its annual level of NDR collected will be 1% pa in 2018/19 and 2019/20, increasing to 2% pa from 2020/21 onwards.

The Secretary of State confirmed in the Local Government Finance Settlement that a reset of the BRR system will take place in 2020/21. This will see NNDR baselines adjusted to better reflect how much local authorities are actually collecting in business rates. It is still uncertain how DCLG will determine the new baselines i.e. what data and which years are chosen and how much growth since 2013/14 is taken (full versus a partial reset).

For the Council this could potentially mean that all the growth built up since 2013/14 is taken away at the reset. The impact of this would see a reduction in forecast retained NDR income of circa £1.3m pa from 2020/21. Because of the uncertainties around whether it will be a full or partial reset, the MTFS has been prepared on the basis that the Council will retain 25% of growth on reset and it is assumed that a further 10% growth will be generated on the revised baseline from 2020/21 onwards.

The additional resource set to be achieved from being in the pilot in 2018/19 is circa £1.5m. An element of this additional resource will be set aside to fund the forecast reduction in business rates when the BRR system in reset in 2020/21, with the balance going towards economic regeneration – as per the Lincolnshire Business Rates Pilot Business Case.

As set out in the National Priorities section above, there are a number of key and dramatic changes to Business Rates due in the forthcoming years, including, the devolution of business rates. This will have the potential to significantly affect the level of business rates retained by the Council, whilst assumptions have been made in the MTFS regarding the potential impacts the actual impact remains a high risk to the future sustainability of the MTFS.

Council Tax

The Localism Act 2011 introduced a power for residents to approve or veto excessive council tax increases. This means that any local authority setting an excessive increase as set by the Secretary of State would trigger a referendum of all registered electors in their area. The Government have stated, at the time of announcing the Settlement that councils have the ability to increase their core Council Tax requirement by an additional 1% in 2018/19 and 2019/20, this is in addition to the current 2% allowable before triggering a referendum – bringing the core principle in line with inflation at 3%.

In light of the financial position of the Council and mindful of the increased referendum thresholds to be applied for 2018/19 and 2019/20, the MTFS assumes the following indicative council tax increases and subsequent overall yields:

	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
% Increase	2.95%	2.95%	1.90%	1.90%	1.89%
Council Tax Base	23,943	24,297	24,655	25,018	25,385
Council Tax Yield	£6.393m	£6.679m	£6.907m	£7.141m	£7.383m
Band D	£267.03	£274.91	£280.13	£285.44	£290.84
Band D £ Increase	£7.65	£7.88	£5.22	£5.31	£5.40

For 2018/19 the Council Tax amount for a Band D property (excluding County Council and Police Authority precepts) is £267.03, a 2.95%/£7.65 increase from 2017/18.

Following implementation of the localised council tax support scheme in April 2013 (which changed support from being a benefit to a council tax discount) the council tax base is now directly affected by the number of council tax support claimants. The more council tax support that is awarded the more the taxbase is reduced, therefore limiting the ability to raise council tax. The MTFS has been prepared on a reduction to the tax base of 4,424 relating to the council tax support scheme in 2018/19 and assumes reductions in working age claimants in 2019/20 of 4% with a stable claimant count beyond that point. The council tax base in the table above reflects the reduction for the council tax support scheme.

Specific Grants

In addition to the Revenue Support Grant further categories of specific grant are available to authorities and are allocated according to mechanisms separate from RSG. Although these are specific grants they are not ring fenced for a specific purpose, this provides the Council the flexibility to consider how to best use the resources available to it.

The most significant of these specific grants for the Council is the New Homes Bonus which rewards local authorities based on the levels of new homes being built, particularly affordable homes, and empty properties returned into use. This grant is top sliced from the overall national level of funding for local government which has creates a direct incentive, alongside the Business Rates Retention system, for local authorities to promote growth and development or else risk a reduction in resources.

Following a consultation on NHB launched in December 2014 the Government announced as part of the Local Government Finance Settlement it's response to the consultation, the key points being:

- To reduce the number of years for which payments are made from six to five for both existing and future payments in 2017/18 and to four years from 2018/19.

- The introduction of a national baseline of 0.4% for 2017/18 below which allocations will not be made.

- Potential to withhold NHB from 2018/19 for those local authorities that are not planning effectively, making positive decisions on planning applications and delivering housing growth.

The outcomes of this consultation confirm a significant reduction in the overall level of NHB with a redirection of resources towards adult social care pressures.

The grant allocation for NHB in 2018/19 has been announced as £1.006m. Using assumptions around future housing growth the estimated grant allocations from 2019/20 onwards are shown in the table below.

The table below also sets out the other specific grants that the council forecasts to receive.

Grant Name	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
New Homes Bonus	1,006	867	789	538	617
Housing Benefit & Council Tax Benefit Administration (provisional)	536	536	536	536	536
Housing Benefits New Burdens	28	29	29	29	29
TOTAL	**1,570**	**1,432**	**1,354**	**1,103**	**1,182**

Provision for Debt Repayment (MRP)

MRP is a statutory charge to the Council's revenue account to make provision for the repayment of the outstanding capital debt liabilities. The Council is required by law to set aside an amount for this provision which it considers to be prudent. Statutory Guidance which accompanies the Regulations provides options for the calculation of MRP and gives Council's significant discretion in determining the level of MRP. The Guidance states that 'the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant'.

Fees and Charges

The fees and charges levied by the Council are an important source of income and the MTFS assumes that the Council will raise over £10.8m from fees and charges in 2018/19.

The mean average overall increase in the non-statutory fees and charges is 3.4%, however this includes some fees that have been increased by higher and lower percentages.

Bridging the Gap

The Council has a successful track record in delivering savings and has to date, since the onset of austerity measures in 2008, delivered £7.5m of annual revenue savings. The Council's approach has centred on planning ahead, securing savings in advance, re-investing in more efficient ways of working and adopting a more commercial approach whilst making careful use of reserves to meet funding gaps, it's an approach that has served the Council well. Although inevitably there has had to be some withdrawal of services the Council has tried to keep this to a minimum and has sought to protect its core services that matter most.

As part of developing the MTFS 2018-23, due to changes in key assumptions it has been necessary to increase the savings targets by £250k pa from 2020/21, to ensure that balances remain at the prudent minimum of between £1.5m-£2m. In addition to allow for a smoother transition from the 2017/18 target of £3.5m, the 2018/19 and 2019/20 years of the programme have been re-phased to £3.850m and £4.150m (previously both years were £4m).

Despite this success the Council must continue to reduce its levels of expenditure or identify additional resources if it is to achieve the revised savings targets assumed in the MTFS and to remain sustainable.

The Towards Financial Sustainability (TFS) programme is and continues to be the vital element in ensuring that the Council maintains a sustainable financial position and delivers the required reductions in the net budget. In order to refocus and maintain momentum the TFS programme has been re-aligned and there are now three agreed strands to achieve savings. These are:

- Commercialisation – optimisation of usage and commercial returns of the City's property and land portfolio

- Asset Rationalisation – generation of new income streams, and commercial trading opportunities

- Shared Services/ savings – ensure the provision of professional, high performing services

Alongside this programme the Council continues to seek ways to maximise its tax bases through economic development measures which enhance the economic prosperity of the City, such as the significant investment in the Lincoln Transport Hub and its new Council House Building Programme. Although not directly contributing towards the TFS savings targets these measures allow future assumptions of growth in the Council's resources to be factored into the revenue forecasts.

This new approach by the council focuses its efforts on sustainability for the future.

Progress, at February 2018, in delivering the target savings from the current TFS programme is set out in the table below:

	2018/19 £'000	2019/20 £,000	2020/21 £'000	2021/22 £'000	2022/23 £'000
MTFS savings target *	**3,850**	**4,150**	**4,250**	**4,250**	**4,250**
Secured	(3,748)	(3,945)	(3,980)	(3,999)	(4,006)
Savings still required in MTFS	**102**	**205**	**270**	**251**	**244**
Still subject to approval or review/Business Case	(15)	(15)	(14)	(14)	(14)
Savings still to be identified	**87**	**190**	**256**	**237**	**230**

* Savings target as per MTFS 2013-18, prior to this targets of £4m had already been achieved.

The delivery of the current strategy and programme will leave the Council in a position to over achieve the current savings targets for 2017/18. Nevertheless the overall emphasis on delivering the revised savings targets must remain strong to achieve the targets from 2018/19 and beyond.

Revenue Forecast

Based on the preceding financial objectives, underlying principles, national and local priorities, savings targets, spending pressures and resources assumptions, Appendix 1 provides a summary five-year General Fund revenue budget for the Council.

Risks to the Revenue Budget

The Council has adopted a corporate approach to risk management, and financial risk management is integrated into the Council's overall management and decision-making processes.

A number of key high-level risks have been identified which could have a positive impact that could yield additional resources, but conversely some risks may have a negative impact and result in a reduction of resources. These key risks are action planned and continually reviewed as the MTFS develops. The main areas they cover are:

- Fluctuations in the Business Rates Taxbase
- Future changes to the retained Business Rates system
- Future levels of Central Government funding.
- Delivery of challenging savings targets
- Impact of current economic climate on both demand for services and income streams
- Changes to other key external funding sources,
- Changes to other key assumptions within the MTFS
- Financial and budget management issues

Appendix 5 details the risk action plans for the internal and external risks. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

Section 4 – General Fund Investment Programme

The Council's approach to determining and funding its investment programmes is set out in the Capital Strategy, Appendix 7, which explains the Council's financial framework for capital investment in support of its strategic priorities. The General Fund Investment Programme (GIP) covers all aspects of capital expenditure within the Council, with the exception of the Council's housing stock, and includes external capital investment that assists in achievement of the Council's Strategic Priorities.

Capital Spending Plans

The capital spending plans for the next five years include the delivery of key capital schemes identified to support the delivery of Vision 2020, schemes identified as requiring investment in order to deliver revenue savings as part of the Towards Financial Sustainability Programme, schemes resulting from joint working with partners, and ongoing capital schemes, particularly the investment required in the property portfolio.

In addition to the approved schemes which form the GIP there are a number of key strategic schemes which have not yet been formally approved due to the stage of their development, i.e. the scheme is currently still at the design stage, or is still subject to final funding agreements etc. and as such do not appear in the current GIP. These schemes include the Western Growth Corridor and the Wholly Owned Housing Company. Each scheme will be submitted separately for approval and inclusion in the GIP once the relevant stage in their development has been reached.

The GIP 2018/19 – 2022/23 is included in Appendix 2.

The revenue implications of all capital schemes, including the corresponding reduction in investment income as a result of the application of capital resources, additional revenue running costs of any new assets and the cost of any prudential borrowing have been taken account of and included within the MTFS.

Spending Pressures

The Council's corporate property portfolio comprises over 116 operational properties and 80 investment properties with a combined asset value of £66.5 million.

The Council's current Asset Management Plan identifies the need for significant investment to ensure that its assets are properly maintained and safe for use. Additional resources have been allocated in previous Strategic Plans/MTFS, including works to income earning assets such as multi story car parks and City Hall. Although these have tackled the most urgent issues arising in those years there still remains a considerable legacy of outstanding investment required in the council's assets.

Allocation of the annual planned capitalised works budget (£200k p.a.) to specific assets will be determined by the structured approach being undertaken and will also be influenced by the outcomes of the review programme of all assets as part of the Towards Financial Sustainability Programme. Outcomes of this review being the potential disposal/transfer of specific assets which may in turn relieve the Council on the ongoing repair liability.

Resources

The resources necessary to fund the Council's GIP are fully identified in the GIP Summary 2018-23 (Appendix 2).

The GIP has traditionally been predominantly reliant on the generation of capital receipts to fund the investment required to deliver the programme. In the long term, this is not sustainable and other sources of funding are regularly sought to fund capital expenditure.

As a result of government funding cuts, fewer external grants and contributions are available and those that are, are usually designated for specific schemes. Whilst the additional resources that external funding brings are clearly beneficial to local people, there is the danger that schemes funded may not be the Council's highest priorities and the Council must consider carefully whether it has the capacity, within its reduced resources, available to support such schemes. Additionally, following government funding cuts and the continued impact of the current economic climate, the increased pressure on the Council's revenue budget will result in a reduced ability to contribute significant amounts of revenue to support directly financed capital expenditure.

The MTFS and Capital Strategy must continue to both identify the priorities for external funding sources and actively pursue other funding solutions, such as prudential borrowing, and minimise the need for asset disposal and revenue contributions.

Capital Receipts

As part of the Towards Financial Sustainability Programme the Council is continuing to undertake a review of all of its land and property assets aimed at achieving the following:-

- a reduction in revenue costs,
- increased rental income,
- capital receipts,
- reduced repairs liabilities
- use of the assets for the Council's growth plans.

The GIP relies on capital receipts in the earlier years of the MTFS to fund part of the ongoing programme. The Council continues to take a number of mitigating actions to address the challenge of meeting targets for generation of capital receipts. These include;

- The MTFS 2018-23 has utilised £600k of available capital receipts to reduce the capital financing requirement in the GIP between 2018/19 and 2021/22.

- The capital receipts targets are reviewed annually to assess whether it is more cost effective to replace them with prudential borrowing (either in total or on a temporary basis in lieu of receipts). It may be beneficial to replace capital receipt targets with borrowing if annual borrowing costs are less than rental income lost on asset sales.

- Any capital receipts realised over the MTFS above capital receipt targets will be considered for use under the following options:-

    1. reduction in level of assumed prudential borrowing
    2. investment in existing assets
    3. investment in new income generating assets
    4. reduction of future years capital receipts targets
    5. use for other strategic priorities
    6. used for income generating investments

Prudential Borrowing

The basic principle of the Prudential System is that local authorities are free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Council will need to meet the whole of the capital financing costs associated with any level of extra borrowing through its revenue account. For every £1m of prudential borrowing undertaken by the Council for investment in long life assets, the annual revenue consequence arising is c£55k.

The MTFS includes an unsupported prudential borrowing requirement of £13.816m over the period 2018/19-2022/23.

The use of prudential borrowing will be as a funding mechanism for some key projects (following a full financial assessment) and may be used as a short-term measure to fund capital expenditure prior to a capital receipt being received, or to replace capital receipts funding (although likely at reduced levels) over the longer term. In such cases, the revenue costs of borrowing will be met from the contingency for the loss of income on asset sales or from savings within the General Fund. The cost effectiveness of prudential borrowing as an alternative to capital receipts is closely monitored.

Further details about the Council's borrowing requirements and the Prudential Indicators can be found in the Council's Treasury Management Strategy.

Capital Grants

The Council receives a number of external capital grants from a variety of sources which are either secured via a bidding process or are automatically allocated through government departments for specific purposes. Generally those capital schemes that are funded by these sources can only be progressed subject to the funding being secured.

Over the 5 year planning period of the MTFS £1.72m is expected to be received from external capital grants, which is largely for Disabled Facilities Grants (DFGs) (£1.5m) and the remainder (£0.22m) is for the Boultham Park restoration project, Telephony system and a skate park.

Projected Capital Resources

Resources to fund the General Investment Programme 2018/19-2022/23 are estimated to be approximately £16.209m, as follows:

	£'000
Capital Grants	1,870
Capital Receipts	350
Direct Revenue Financing	173
Prudential borrowing	13,816
TOTAL	**16,209**

General Fund Investment Programme Forecast

Based on the spending requirements and resource assumptions, Appendix 2 provides a summary five-year GIP for the Council.

Risks to the General Investment Programme

The Council has adopted a corporate approach to risk management and financial risk management is integrated into the Council's overall management and decision-making processes.

A number of key high-level risks have been identified which could have a positive impact but conversely some risks may have a negative impact and result in a reduction of resources. These key risks are action planned and continually reviewed as the MTFS develops. The main areas they cover are:

- Achievement of capital receipts targets
- Loss of anticipated external resources
- Increased project costs
- Unplanned emergency maintenance to Council's corporate properties

Appendix 5 details the risk action plans for the internal and external risks. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

Section 5 – Housing Revenue Account (HRA)

The Housing Revenue Account shows all expenditure and income relating to the Council's responsibilities as landlord of dwellings and associated property. It is a 'ring-fenced' account within the Council's General Fund.

Housing Revenue Account Business Planning

HRA Self-financing was implemented from 1 April 2012 following a one-off settlement to the Treasury, in order to 'buy out' of the old subsidy system. The new system incentivised landlords to manage their assets well and yield efficiency savings. It was anticipated that there would be greater certainty about future income as councils were no longer subject to annual funding decisions by Central Government, enabling them to develop long-term plans, and to retain income for reinvestment. Council landlords were to have greater flexibility to manage their stock in the way that best suits local need with more opportunity for tenants to have a real say in setting priorities looking to the longer term.

Self-financing, however, also significantly increased risks from Central Government to local authorities, meaning that the Council:

- now bears the responsibility for the long term security and viability of council housing in Lincoln.
- has to fund all activity related to council housing, from the income generated from rents, through to long term business planning.
- is more exposed to changes in interest rates, high inflation and the financial impact of falling stock numbers
- still needs to factor in the impact of changes in government policy e.g. the impacts of the welfare reform on income recovery.

This places a greater emphasis on the need for long-term planning for the management, maintenance and investment in the housing service and housing stock.

The financial risks from self-financing were further increased by the Government in its Summer 2015 Budget when they significantly reduced the freedoms and flexibilities offered by the HRA self-financing system (while still retaining the same level of risks). A change in social rent policy removed the rent setting decision making away from local authorities with a 1% p.a. reduction in rents required over the next 4 years. This brought both significant costs to the HRA through loss of budgeted income and reduced the opportunities for investment and improvement for housing tenants.

The HRA Business Plan

A key element of the self-financing regime is for the Council to construct a 30 year Business Plan for the HRA. The Council's latest Housing Revenue Account Business Plan 2016-2046, was approved in February 2016 following a fundamental review of resources, investment requirements and priorities. The Business Plan reflects the impact of government policy changes, the results of stock condition surveys and financial assumptions at the time. The Business plan sets out:

- the long term plans for the Council's housing stock
- the finances to deliver plans
- how the Council will manage the income from its stock, demand for housing and stock condition
- identifies resources for building new council dwellings.

Spending Plans

Spending plans included within the MTFS support the delivery of the Councils' strategic priorities and Vision 2020.

Spending Pressures

A high level review of the financial pressures facing the Council over the period of the MTFS has been undertaken. This information has been drawn from experience in previous years, the advice of Directors and Assistant Directors, the current economic climate and other local and national issues that are likely to influence the financial outcomes. The HRA faces a number of spending pressures, in line with the General Fund, primarily being pay and price inflation and additional pension costs, as well as a number of others specific to its service delivery.

Repairs and Maintenance

Repairs and maintenance is an essential part of the asset management of the Council's housing stock. Historically the repairs account has been under pressure to resource the required level of expenditure which, when benchmarked against other local authorities, has shown the cost of the Council's responsive repairs service to be relatively high.

Significant improvements have been made in the efficiency of the Housing Repairs Services (HRS), costs continue to be driven down through procurement activity and there is continued capital investment in existing and new housing stock. The combined impact of these is expected to be a reduction in the costs of repairs over the MTFS period.

Funding the Capital Programme

Under the HRA self-financing system the primary source of funding for capital investment in the Council's housing stock will be from the revenue account through asset depreciation charges and direct revenue financing (DRF), via the Major Repairs Reserve.

In the absence of supported borrowing allocations from the Government, the imposition of a debt cap and the limited availability of external funding, there is a reliance on the HRA to support the capital programme to the value of £60.1m over the 5-year MTFS period.

The HRA Business Plan identified significant capital investment in the housing stock and in the council house new build programme. Over the 5-year MTFS period this equates to £20.6m towards new builds, £40.2m investment in existing stock and a £1.5m land acquisition fund.

In November 2016 the DCLG announced a revision to the existing use-social housing discount adjustment factor for the East Midlands from 34% to 42%. As a direct result the value of the housing stock in the Council's Balance Sheet has increased and as a result the annual depreciation charge has increased. Within the HRA depreciation charges are allocated directly into the capital programme through the Major Repairs Reserve, whereas DRF contributions are additional contributions to the capital programme at the discretion of the Council to reflect the investment and funding needs of the capital programme. The result of the change in the discount adjustment factor has been to reduce flexibility within the HRA to adjust planned DRF contributions to reflect the demands of both the capital and revenue programme.

Revenue contributions to the capital programme currently assumed in the MTFS of £53.6m are the result of depreciation charges on council dwellings.

Interest payable

Upon rescheduling current borrowing it is anticipated that interest payable will decrease as rates available are more favourable than at the point that current borrowing was undertaken. This has been built into the MTFS.

Resources

Rents

The MTFS 2018/19 - 2022/23 incorporates the government's requirement for a 1% p.a. rent reduction between 2016/17 and 2019/20 (including the long term impact of the reduction in the base) and assumes that from 2020/21 rents will revert back to the previous Guidance on Rents for Social Housing and increase by CPI+1%. The MTFS 2018-23 has been prepared on this basis.

Rental income levels within the MTFS 2018-23 are based on a rephasing of the delivery profile for the new build programme to reflect the planned agreements with housing associations (enabling access to HCA grants) for the delivery of additional HRA properties. Although this has resulted in a shortfall in budgeted rents in 2017/18, this is recouped over the later years in the MTFS as rental units are delivered. In addition rental income at affordable rents (compared to social rents) has been included within the HRA in-line with the anticipated housing association delivery, resulting in additional income over the existing MTFS period.

Rental income budgets in current MTFS 2017-22 are based on an estimate of 35 Right to Buy (RTB) sales per year. However, experience in 2017/18 and expectations for subsequent years have increased the estimate of RTB's to 50 per year. The MTFS 2018-23 is based on 50 RTB's per year which has reduced rental income budgets by £546k over the existing MTFs period.

The Council proposes to set the rents for 2018/19 in line with the requirement to reduce rents by 1% for general purpose accommodation and also reduce sheltered accommodation by 1%. The average 52 week rent will be £68.81 per week for general purpose accommodation and £69.97 per week for sheltered accommodation. The table below shows the impact that the changes will have on tenants (general purpose accommodation).

	Impact on Tenancies	
	No.	%
Rent decrease between £0.01 and £0.59	467	6.1
Rent decrease between £0.60 and £0.69	3692	48.23
Rent decrease between £0.70 and £0.79	2706	35.35
Rent decrease between £0.80 and £0.99	789	10.31
Rent decrease is equal or greater than £1.00	1	0.01
TOTAL – as of 15 January 2018	**7655**	**100%**

Interest receivable

The HRA receives investment interest on the balances it holds (HRA balances are made up of General Balances, earmarked reserves and the Major Repairs Reserve). The MTFS 2018-23 includes interest income into the HRA based on the level of HRA balances assumed in the MTFS 2018-23.

Releasing Resources

The HRA Business plan 2016-46 identifies revenue resources to be released to support priority capital investment in council house new build, the Lincoln Standard and a land acquisition fund. At the current time there are no proposals for any further release of resources however, the Council will continue to seek to drive out inefficiencies in its operating costs and look to sustain/maximise its income streams. The strategy that the Council will continue to pursue will concentrate on the following key strands:

- Generation of new income streams and commercial opportunities, whilst ensuring that fair and appropriate charging regimes for services are implemented.
- Driving greater value from procurement and commissioning activity.
- Redesigning and modernising services to improve customer experience, maximise efficiencies and continue to make the business fit for purpose.

Housing Revenue Account Forecast

Appendix 3 provides a summary five-year Housing Revenue Account for the Council.

Risks to the Housing Revenue Account Budget

The Council has adopted a corporate approach to risk management and financial risk management which is integrated into the Council's overall management and decision-making processes.

A number of key high-level risks have been identified which could have a positive impact that could yield additional resources, but conversely some risks may have a negative impact and result in a reduction of resources. These key risks are action planned and continually reviewed as the MTFS develops. The main areas they cover are:

- Risk of further government announcements limiting the flexibilities and freedoms offered by the HRA Self -Financing regime (including imposition of a levy for the sale high value voids)
- Changes to key assumptions within the MTFS e.g. inflation, interest rates etc.
- Efficient delivery of housing repairs
- Ability to release further revenue resources for investment and improvements
- The impacts of the Welfare Reform Act
- Financial and budget management issues
- Delivery of the Housing Association deals and receipt of anticipated additional income streams.

Appendix 5 details the risk action plans for the internal and external risks. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

Section 6 - Housing Investment Programme

The Housing Investment Programme (HIP) covers all aspects of capital expenditure relating to the Council's landlord function. The Council's approach to determining and funding its investment programmes is set out in the Capital Strategy, Appendix 7, which explains the Council's financial framework for capital investment in support of its strategic priorities. The Capital Strategy for the HIP reflects the self-financing housing regime and details the 5 year capital programme.

Capital Spending Plans

The 5-year HIP has been drawn up to ensure that the Council meets its legal obligations as a landlord. The Council has already invested significant resources over recent years to achieve the Decent Homes Standard and now seeks to maintain an enhanced Lincoln Standard.

The 5-year housing programme comprises the following main areas of work:

- Maintenance of the Decent Homes and the Lincoln Standard

- Health & Safety Requirements – covers the work to meet statutory requirements, which are outside the Lincoln Programme, and includes communal lighting, asbestos removal and plastering

- New Build Programme remaining elements of the programme to deliver 458 new council dwellings within the HRA

- Land acquisition fund - land acquisition fund of which part if anticipated to be sold to partners to enhance the overall new build delivery numbers

The current HIP does not include capital investment in major redevelopment in Western Growth Corridor. City of Lincoln Council own a significant proportion of the land within the development area. The HRA will likely need to identify a level of resource within the HIP to support any potential development costs.

Resources

The resources necessary to fund the Council's HIP are provided by the following:

Major Repairs Reserve

The Major Repairs Reserve (MRR) is the main source of capital funding and the mechanism by which timing differences between resources becoming available and being applied are managed. The MRR may be used to fund capital expenditure and to repay existing debt. Depreciation is a real charge on the HRA and is paid into the MRR from the Housing Revenue Account to fund capital expenditure. The total support to the capital programme over the 5-year MTFS period through depreciation is £53.6m.

Revenue Contributions

The MTFS 18/19-22/23 includes £365k of direct revenue contributions over the five year period.

Capital Receipts

Housing capital receipts fall within the Governments pooling regime. Under these arrangements capital receipts from Right-to-Buy (RTB) sales are pooled until a pre-set limit for government share of the income generated has been achieved. Non-RTB sales primarily are excluded from the pooling arrangement and are now retained in full by the Council for use as the Council sees fit. Once the target for the government share of the RTB receipts has been reached, the Council may retain 100% of the receipts from any additional Right-to-Buy sales. These are subject to a formal retention agreement between the Council and the DCLG and must be used for replacement of the council housing sold, within an agreed timeframe.

The proceeds of dwelling sales under the Right-to-Buy scheme provide a regular source of capital receipts with the number of sales increasing in recent years. The MTFS 2017-22 assumes 50 sales per year from 2018/19 to 2022/23. However, this is a difficult area to predict accurately as it is affected by external factors, such as interest rates, property prices and Government initiatives aimed at further stimulating Right-to-Buy sales.

Prudential Borrowing

The Prudential Code allows the Council to take borrowing if it can demonstrate that such borrowing is affordable, sustainable and prudent in its Prudential Indicators (detailed in the Treasury Management Strategy). However, under the self-financing housing regime, the Government limits the amount of debt that can be supported from the HRA in each local authority. The figure is based on the self-financing valuation, this being the final debt settlement which for the Council is £66m. This restricts the HRA in its ability to maximise the opportunities provided by the Prudential Code.

The Capital Financing Requirement (CFR) is forecast to be £58.5m across the MTFS with no additional borrowing requirement included in the MTFS and no allowance made for the repayment of existing debt. This gives £7.5m of borrowing headroom to support the capital programme across the MTFS.

Projected Capital Resources

Resources to finance the proposed £76.695m Housing Investment Programme 2018/19 – 2022/23, are currently estimated to be as follows:

	£000
Major Repairs Reserve (depreciation)	59,472
Major Repairs Reserve (DRF)	2,977
Capital Receipts (inc RTBs)	14,246
TOTAL	**76,695**

Housing Investment Programme Forecast

Based on the spending requirements and resource assumptions, Appendix 4 provides a summary five-year HIP for the Council.

Risks to the Housing Investment Programme

The Council has adopted a corporate approach to risk management and financial risk management is integrated into the Council's overall management and decision-making processes.

A number of key high-level risks have been identified which could have a positive impact but conversely some risks may have a negative impact and result in a reduction of resources. These key risks are action planned and continually reviewed as the MTFS develops. The main areas they cover are:

- Generation of sufficient revenue surpluses to resource required investment
- Achievement of capital receipts (including Right to Buy sales) targets, impacted on by the economic climate
- Future building costs
- Interest rate increases impacting on future borrowing costs

Appendix 5 details the risk action plans for the internal and external risks. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

Section 7 – Reserves and Balances

The minimum prudent levels of reserves and balances that the Council should maintain are a matter of judgement. It is the Council's safety net for unforeseen circumstances and must last the lifetime of the Council unless contributions are made from future years' revenue budgets. CIPFA guidance does not set a statutory minimum level but it is up to local authorities themselves, taking into account all the relevant local circumstances, to make a professional judgement on what the appropriate level of reserves and balances should be.

Some reserves and balances are essential for the prudent management of the Council's financial affairs. These will provide a working balance to cushion the impact of uneven cash flow, a contingency for the impact of unexpected events or emergencies and allow the creation of earmarked reserves to meet known liabilities. The consequences of not keeping a minimum level of reserves can be serious and is therefore one of the considerations taken into account when setting the MTFS.

The Council has a very proactive approach to managing risk and there are effective arrangements for financial control already in place. However, as a result of the changes to the core system of local government funding introduced in April 2013, which saw a move from an absolute funding level to one which is very sensitive to changes in the level of local business rates, the level of volatility and risk to the Council significantly increased to unprecedented levels, and will increase further as the Government implements its commitment to implementing 75% retained business rates by the end of the current parliament. Given the threat that this poses to the Council's financial position, and has already been experienced, and given the forthcoming changes as local government moves to a new era of self-sufficiency, the prudent minimum level of general reserves is now held at a level greater than previously.

The financial risks, in Appendix 5, have been identified and an assessment of the estimated exposure, likelihood and possible mitigation has been made in the context of the Council's overall approach to risk management and internal financial controls. This information has been used to determine the optimum level of reserve holdings needed to meet the requirements of a working balance and contingency. The conclusion of this risk assessment is that it is deemed prudent that General Fund reserves are maintained at around £1.5m - £2m, and that Housing Revenue Account reserves are maintained at around £1m - £1.5m, over the period of the MTFS.

The general reserves at the end of each year for 2018/19 to 2022/23 are summarised in the table below.

	2018/19 £000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
General Fund	1,898	1,972	1,623	1,523	1,521
Housing Revenue Account	1,023	1,049	1,141	1,224	1,176

The overall levels of General Fund and Housing Revenue Account balances in 2022/23 are in line with the prudently assessed minimum level of balances.

Earmarked reserves are sums specifically held to enable funds to be built up to meet known or predicted liabilities. A review of reserves and balances has been undertaken as part of the budget process and a schedule presenting the estimated closing balances at the end of each of the next five financial years is contained within Appendix 6.

The levels of reserves and balances recommended within this strategy are believed to be sufficient to meet all of the Council's obligations and have been based on a detailed risk assessment.

GENERAL FUND BUDGET SUMMARY 2018/19 - 2022/23

	2018/19 Original £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
Chief Executive & Town Clerk	3,501,240	3,087,740	3,120,230	3,131,530	3,361,920
Communities & Environmental Services	4,267,050	4,031,110	3,970,320	3,887,580	3,941,460
Major Developments	417,910	427,230	437,350	445,190	468,340
Housing & Regeneration	619,870	628,570	633,010	636,210	638,730
Corporate	1,673,410	1,819,850	1,848,610	1,876,620	1,911,540
	10,479,480	**9,994,500**	**10,009,520**	**9,977,130**	**10,321,990**
Capital Accounting Adjustment	1,857,870	2,403,960	2,562,160	2,423,980	2,577,420
Base Requirement	**12,337,350**	**12,398,460**	**12,571,680**	**12,401,110**	**12,899,410**
Specific Grants	(1,005,910)	(867,450)	(789,220)	(538,000)	(617,050)
Contingencies	405,840	354,320	362,160	373,050	371,540
Savings Targets	(102,280)	(205,050)	(269,730)	(250,560)	(244,370)
Transfers to / (from) earmarked reserves	2,224,900	(125,080)	(214,930)	(118,810)	(169,010)
Transfers to / (from) insurance reserve	128,200	131,370	133,070	134,330	136,670
Total Budget	**13,988,100**	**11,686,570**	**11,793,030**	**12,001,120**	**12,377,190**
Use of Balances	**288,360**	**74,540**	**(349,600)**	**(100,060)**	**(1,300)**
Net Requirement	**14,276,460**	**11,761,110**	**11,443,430**	**11,901,060**	**12,375,890**
Business Rates	7,420,960	5,059,320	4,536,820	4,759,990	4,992,920
Business Rates Surplus	432,200	0	0	0	0
Revenue Support Grant	0	22,360	0	0	0
Council Tax	6,393,490	6,679,430	6,906,610	7,141,070	7,382,970
Council Tax Surplus	29,810	0	0	0	0
Total Resources	**14,276,460**	**11,761,110**	**11,443,430**	**11,901,060**	**12,375,890**
Balances b/f @ 1st April	**1,609,364**	**1,897,724**	**1,972,264**	**1,622,664**	**1,522,604**
Increase/(Decrease) in Balances	288,360	74,540	(349,600)	(100,060)	(1,300)
Balances c/f @ 31st March	**1,897,724**	**1,972,264**	**1,622,664**	**1,522,604**	**1,521,304**

GENERAL INVESTMENT PROGRAMME - 2018/19 to 2022/23

	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
Expenditure Programme					
Chief Executives	12,178,480	200,000	200,000	200,000	200,000
DCE – Communities & Environment	994,720	300,000	300,000	300,000	300,000
DCE – Community Services	443,290	0	0	0	0
Schemes Under Review	592,350	0	0	0	0
Total Programme Expenditure	**14,208,840**	**500,000**	**500,000**	**500,000**	**500,000**
Capital Funding					
Contributions from Revenue					
Opening balance	172,740	0	0	0	0
Received in year	0	0	0	0	0
Used in financing	(172,740)	0	0	0	0
Closing balance	0	0	0	0	0
Capital receipts					
Opening balance	738,660	3,793,660	3,643,660	3,493,660	3,343,660
Received in year	3,555,000	0	0	0	0
Used in financing	(350,000)	0	0	0	0
Used to reduce the CFR	(150,000)	(150,000)	(150,000)	(150,000)	0
Closing balance	3,793,660	3,643,660	3,493,660	3,343,660	3,343,660
Grants & contributions					
Opening balance	158,420	8,420	8,420	8,420	8,420
Received in year	520,350	300,000	300,000	300,000	300,000
Used in financing	(670,350)	(300,000)	(300,000)	(300,000)	(300,000)
Closing balance	8,420	8,420	8,420	8,420	8,420
Unsupported borrowing					
Opening balance	0	0	0	0	0
Received in year	13,015,750	200,000	200,000	200,000	200,000
Used in financing	(13,015,750)	(200,000)	(200,000)	(200,000)	(200,000)
Closing balance	0	0	0	0	0
Total Capital Funding	**(14,208,840)**	**(500,000)**	**(500,000)**	**(500,000)**	**(500,000)**
Available Resources c/f	**3,802,080**	**3,652,080**	**3,502,080**	**3,352,080**	**3,352,080**

HOUSING REVENUE ACCOUNT SUMMARY 2018/19 - 2022/23

	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
Income					
Gross Rental Income					
- Dwellings rents	(27,117,150)	(27,370,480)	(28,175,620)	(28,839,410)	(29,519,040)
- Non-Dwelling rents	(593,440)	(686,390)	(700,680)	(715,400)	(736,870)
Charges for Services & Facilities	(383,490)	(390,010)	(401,700)	(413,770)	(426,200)
Contributions towards Expenditure	(44,660)	(46,000)	(47,380)	(48,800)	(50,260)
Total Income	**(28,138,740)**	**(28,492,880)**	**(29,325,380)**	**(30,017,380)**	**(30,732,370)**
Expenditure					
Repairs Account Expenditure	8,297,950	8,759,720	8,957,980	9,107,540	9,358,890
Supervision & Management:	6,517,120	6,699,820	6,775,210	6,850,630	6,940,720
Contingencies	(10,250)	15,220	14,190	13,120	11,720
Rents, Rates and Other Premises	34,330	34,500	34,670	34,840	35,010
Insurance Claims Contingency	252,990	265,620	278,890	292,820	298,680
Depreciation of Fixed Assets	10,697,330	10,634,810	10,624,310	10,605,890	10,605,890
Debt Management Expenses	11,920	11,920	11,920	11,920	11,920
Increase in Bad Debt Provisions	289,960	287,760	297,120	304,880	311,880
Total Expenditure	**26,091,350**	**26,709,370**	**26,994,290**	**27,221,640**	**27,574,710**
Net cost of service	**(2,047,390)**	**(1,783,510)**	**(2,331,090)**	**(2,795,740)**	**(3,157,660)**
Loan Charges Interest	2,351,960	2,351,960	2,332,000	2,310,470	2,310,180
- Investment Interest	(31,240)	(32,100)	(37,590)	(49,240)	(58,940)
(Surplus)/deficit on HRA for the year	**273,330**	**536,350**	**(36,680)**	**(534,510)**	**(906,420)**
DRF used for Financing	0	0	0	500,00	1,000,000
Contribs to/(from) Reserves:					
- HRA Strategic growth					
- Insurance Reserve	(252,510)	(515,130)	(28,390)	(42,310)	(48,680)
- PI Survey	3,000	(6,000)	3,000	(6,000)	3,000
- Capital Fees Equalisation	(23,820)	(41,540)	(30,040)	0	0
(Surplus)/deficit in year	**0**	**(26,320)**	**(92,110)**	**(82,820)**	**47,900**
Balance b/f at 1 April	(1,023,099)	(1,023,099)	(1,049,419)	(1,141,529)	(1,224,349)
Balance c/f at 31 March	**(1,023,099)**	**(1,049,419)**	**(1,141,529)**	**(1,224,349)**	**(1,176,449)**

HOUSING INVESTMENT PROGRAMME (HIP)-2018/19 - 2022/23

	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
Capital Programme					
Decent Homes	7,486,220	6,083,890	7,021,880	10,041,980	9,545,850
Health & Safety	701,190	677,040	708,520	782,800	843,890
New build programme	13,559,120	5,571,370	1,518,500	0	0
Land Acquisition Fund	1,520,210	0	0	0	0
Lincoln Standard	1,038,700	1,027,070	952,330	842,060	926,270
Other schemes	1,499,270	1,169,870	1,184,950	970,810	1,021,610
Total Programme Expenditure	**25,804,710**	**14,529,240**	**11,386,180**	**12,637,650**	**12,337,620**
Capital funding					
Major Repairs Reserve					
Opening balance	8,548,750	0	0	239,820	0
Depreciation received in year	10,710,210	10,710,210	10,710,210	10,710,210	10,710,210
Depreciation used in financing	(16,631,090)	(10,710,210)	(10,486,180)	(10,934,240)	(10,710,210)
DRF received in year	0	0	0	0	365,000
DRF used in financing	(2,612,080)	0	0	0	(365,000)
Closing balance	0	0	224,030	0	0
Capital receipts					
Opening balance	7,334,250	2,523,520	439,910	1,259,940	1,308,140
RTB's received in year	819,230	819,630	820,030	820,030	820,030
Used in financing	(5,661,540)	(2,919,030)	0	(803,410)	(362,410)
Closing balance	2,491,940	392,540	1,212,570	1,229,190	1,686,810
1-4-1 Receipts					
Opening balance	0	0	0	0	0
1-4-1's received in year	900,000	900,000	900,000	900,000	900,000
Used in financing	(900,000)	(900,000)	(900,000)	(900,000)	(900,000)
Closing balance	0	0	0	0	0
Grants & contributions					
Opening balance	0	0	0	0	0
Grants & contributions received in year	0	0	0	0	0
Used in financing	0	0	0	0	0
Closing balance	0	0	0	0	0
Borrowing					
Opening balance	0	0	0	0	0
Borrowing taken in year	0	0	0	0	0
Used in financing	0	0	0	0	0
Closing balance	0	0	0	0	0
Total Capital funding	**(25,804,710)**	**(14,529,240)**	**(11,386,180)**	**(12,637,650)**	**(12,337,620)**
Available resources c/fwd	**2,491,940**	**392,540**	**1,436,600**	**1,229,190**	**1,686,810**

Appendix 5

BUDGET RISK ASSESSMENT

No.	Budget Item	Risk	2018/19	2019/20	Containment
			Risk score	Risk Score	
1	Business Rates Base	Reduction and/or fluctuations in income against budget variation in: – Growth compared to forecasts – Changes in the NNDR base – Changes in rateable values (e.g. appeals, economic downturn, changes in use, 2017 revaluations) – Collection rates Ongoing impact on the NNDR base of successful appeals - Estimates of appeals provision higher/lower than actually required – Changes nationally to the valuation assessments of certain property/infrastructure (e.g. gas pipelines) – Introduction of 75% retained Business Rates from 2020/21. – Reset of the Business Rates Retention system from 2020/21	**Total Score: 12** Likelihood: 3 Impact: 4	**Total Score: 12** Likelihood: 3 Impact: 4	• In year monitoring of the NNDR base, Collection Fund, collection rates, growth assumptions and rateable value appeals. • Produce monthly collection rate statements – monitored via the Revenues and Benefits Operational Board, and Revenues and Benefits Management Team. Also report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee if targets are not being met, increased recovery action or further initiatives to increase collection • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • A Business Rate Volatility Reserve is maintained to provide a degree of protection from fluctuations in Business Rate Income • Quarterly monitoring of the Lincs NNDR Pool by Lincs Finance Officers • Independent specialist assessment made of the required level of NNDR appeals provision • Specialist advice sought to assist in budgeting assumptions and assessment of implications of changes to the funding system • Discussions taking place nationally around a national pool for appeals provisions to remove the volatility experienced by individual councils. The Council will closely watch developments.

No.	Budget Item	Risk	2018/19	2019/20	Containment
2	Capital Expenditure	• Slippage in the project • Increased project costs • Failure of contractor i.e. contractor goes into liquidation • Demand for improvement grants • Sunk costs of aborted schemes • Achieving levels of projected costs in the HRA Business plan	**Total Score: 12** Likelihood: 3 Impact: 4	**Total Score: 12** Likelihood: 3 Impact: 4	• Regular budget monitoring and reporting to Capital Programme Board and Housing Delivery Group • Ensure correct project management procedures followed (Lincoln Model) • Quarterly budget monitoring and reporting to Performance Scrutiny and the Executive • Financial procedure rules are followed, including financially vetting of all contractors • Use of collaborative contracts/framework agreements where possible e.g. EMPA • Support from Procurement engaged at an early stage • Carry out post implementation reviews • Ensure risk assessments completed for all significant schemes before commencing • Value engineering used to contain project costs

Appendix 5

No.	Budget Item	Risk	2018/19	2019/20	Containment
3	Income from Fees & Charges/ Rents: • Car Parking • Crematorium / Cemeteries • Development Control • Building Control • Land Charges • Control Centre • Lincoln Properties • Industrial Estates	Reduction in the usage of the service/activity levels in the current economic climate and in response to actions undertaken by competitors. Impact of regeneration and development schemes in the City (e.g. Transport Hub) Increasing reliance on income within the MTFS	**Total Score: 12** Likelihood: 4 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Car parking strategy focussing on overall strategy for car parking provision. • Produce regular monitoring statements for major income sources which are reported to Performance Scrutiny and Executive committees quarterly • Identify reasons for any income reductions and take corrective action where possible • Application of Corporate Fees and Charges Policy to ensure correct charging policies are applied and the impacts are assessed • Report quarterly to Corporate Management Team, the Executive and Performance Scrutiny Committee on forecast for key income streams • Ongoing negotiations with developers on mitigation measures against the impacts of developments on the Council's income • Delegated powers to portfolio holder to make responsive changes to fees and charges

Appendix 5

No.	Budget Item	Risk	2018/19	2019/20	Containment
4	Housing Rents and Property Voids	Government policy changes (e.g. 1% rent reduction, impacting on income projections Delays or non-delivery of the Housing Association deals and associated income at affordable rent levels. More Council House disposals than anticipated and/or slower than anticipated progress on the council house new build programme Void properties exceeding the allowance included in the budget (1% p.a.) CPI inflation less than budgeted rate (from 2020/21)– reducing rental income Impact of welfare reforms on rent collection – covered in risk no. 15	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 12** Likelihood: 4 Impact: 3	• Produce regular budget monitoring reports • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Directorate ongoing monitoring is a performance indicator • Monthly monitoring of RPI and CPI index changes • Make use of expert forecasts of future RPI and CPI trends and the impact on housing rents • 30 year Business Plan to undergo a refresh. • Monthly Housing Delivery Group meeting of cross directorate officers monitoring progress of New Build programme and capital & revenue funding

No.	Budget Item	Risk	2018/19	2019/20	Containment
5	External Funding of Capital Programme	Loss of anticipated external resource to support the capital programme Including ○ Changes to the allocation of grant funding for Disabled Facilities Grants (DFG) from the City Council to County Council, while the City Council retains statutory duty to provide services.	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Ensure grant conditions are complied with throughout scheme • Seek alternative funding sources • Produce regular grant monitoring statements • Regular budget monitoring and reporting to Capital Programme Board • Ongoing discussions with the County Council to ensure the provision of DFG's meet the Council's funding requirements.
6	Revenue Savings Targets	The required savings targets are not achieved nor required efficiencies delivered	**Total Score: 2** Likelihood: 2 Impact: 1	**Total Score: 12** Likelihood: 3 Impact: 4	• The Council's strategy focuses on a three strand approach to realise the required savings in the revenue budgets with the primary focus on maximising income streams, and asset maximisation. • Report monthly to Programme Team and Programme Board (CMT) and quarterly to Executive and Performance Scrutiny Committee
7	Loss of income from partners	Key partners end existing agreements with the Council	**Total Score: 4** Likelihood: 2 Impact: 2	**Total Score: 9** Likelihood: 3 Impact: 3	• Ongoing discussions and negotiations with key partners by senior officers and members

Appendix 5

No.	Budget Item	Risk	2018/19	2019/20	Containment
8	Council Tax Base & Council Tax Support Scheme	In year variations to budget not containable within Collection Fund balances Costs to Council increased due to: – Actual CT base different to estimate – Collection rates/bad debt provisions – Increase in benefit caseload – Referendum rate of CT increases below budgeted rate	**Total Score: 6** Likelihood: 3 Impact: 2	**Total Score: 9** Likelihood: 3 Impact: 3	• Monthly monitoring of the Collection Fund - collection rates, CT discount caseload, council tax base. • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Produce quarterly collection rate statements – monitored via the Revenues and Benefits Operational Board, and Revenues and Benefits Management Team. Also report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee if targets are not being met, increased recovery action or further initiatives to increase collection • The proposed 2018/19 and 2019/20 Council Tax is below revised referendum limit of 3%. Future increases are below 2% in years 2020/21 to 2022/23. • Annual increases in Council Tax considered alongside national expected increases

Appendix 5

No.	Budget Item	Risk	2018/19	2019/20	Containment
9	Demand for services	Impact of Government policy changes to the tax and welfare systems and the implications of unprecedented reductions in public sector expenditure increases the demand for key Council Services (e.g. benefits, housing, homelessness) The increase in property numbers and development of the City Centre results in additional cost pressures within the Services that have not been built into the budget Increasing demands for housing tenant support as other providers withdraw services	**Total Score: 6** Likelihood: 2 Impact: 3	**Total Score: 6** Likelihood: 2 Impact: 3	• Identification and drawdown of additional funding made available from Government and others to support additional demand • Lean systems approach taken to identify efficiencies in service delivery (e.g. benefits service) • Collaboration and joint working arrangement opportunities identified with local partners to help meet additional service demands • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee
10	HRA Repairs and Maintenance Costs	Assumed reductions in repairs and maintenance costs as a result of continued investment in the Council Housing Stock do not materialise The Housing Repairs Service (HRS) does not continue to modernise and achieve efficiencies	**Total Score: 6** Likelihood: 2 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Council housing capital investment is carried out • Produce regular budget monitoring reports and HRA revenue and capital budgets reported and monitored together • Report quarterly to Departmental Management Team, Corporate Management Team, Executive and Performance Scrutiny Committee • Results of recent stock condition surveys informing future maintenance requirements

No.	Budget Item	Risk	2018/19	2019/20	Containment
11	Repairs & Maintenance on Corporate Properties	Unplanned emergency maintenance is required on the Council's Corporate Properties Impact of works on income and service delivery	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Stock condition surveys for all corporate properties have been undertaken – essential being progressed • Comprehensive asset management planning in place (including identifying assets with large repairs and maintenance liabilities for disposal) • Produce regular budget monitoring reports – report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Properties with large maintenance liabilities are reviewed for potential disposal • Major Transport Hub scheme allows for full midlife refurb on newly created assets
12	Sundry Debtors and Housing Benefit Overpayments	The Council's existing Bad Debt provision proves insufficient to meet any increase in the value of debts written off Impact of Welfare Reform Act (see risk no. 15)	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Follow established debt recovery and write off procedures • Monitor age debt profile of debts against bad debt provision

No.	Budget Item	Risk	2018/19	2019/20	Containment
13	Capital Financing - Long Term Borrowing	Balances unavailable for internal borrowing External borrowing costs above interest rates in MTFS	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Continue to monitor the cost effectiveness of issuing internal balances instead of taking external borrowing • Actively monitor the achievement of the capital receipts target and potential additional borrowing requirement • Actively monitor the cost effectiveness of asset disposals compared to Prudential Borrowing • Ongoing monitoring of cashflows from Business rates • Regular review of current and future predicted borrowing rates to inform timing of borrowing decisions • Actively monitoring the cash flow on a daily basis
14	Government Grants (including RSG and New Homes Bonus)	Cash reductions in Government Grant which are in excess of the levels assumed in the MTFS The Council is unable to sustain sufficient levels of growth and future levels of Formula Grant are reduced Amount and timing of receipt of some grants not as assumed in the MTFS	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 12** Likelihood: 3 Impact: 4	• Regular review and reporting of new home figures • The Council will seek to realise the benefits of the financial incentives available • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Regular review of grant figures and distribution mechanisms. • Lobby through national groups, respond to national consultations • Work with Association of Lincolnshire Finance Officers and the Society of District Treasures • Work with external funding specialists to identify and assess the impact of proposed funding changes (e.g. New Homes Bonus)

No.	Budget Item	Risk	2018/19	2019/20	Containment
15	Universal Credit and Welfare Reforms	Impact of Universal Credit and welfare reforms on rent and council tax collection rates	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 12** Likelihood: 3 Impact: 4	• Respond to all Government consultations • Fully assess Government policies for financial impacts • An allowance for the impact of welfare reform built into collection rates and bad debt provision in the MTFS • The impact of the spare room subsidy on rent collection rates is closely monitored and reported to the Housing Service Management Team and quarterly to Corporate Management team, the Executive and Performance Scrutiny Committee
16	Capital Funding	Shortfall in the actual amount of Capital Receipts (i.e. Council House Sales, other HRA assets, GF assets) against the targets set within the HIP & GIP Revenue contributions are not sustainable in the revenue accounts of the HRA or General Fund Increase in borrowing costs (covered in separate risk – see no.13 & no. 20) Reductions in grant funding (covered in separate risk – see no. 5)	**Total Score: 3** Likelihood: 2 Impact: 1	**Total Score: 9** Likelihood: 3 Impact: 3	• Undertake regular monitoring of the capital receipts position • Regular reports submitted to the Asset Management Group • Capital Receipts targets incorporated in the Asset Management Plan & Capital Strategy • Property Section fully informed of current targets within the GIP & HIP • Asset Review Group monitoring of capital receipts target and evaluation of potential asset sales • Review of the most cost effective funding options (e.g. capital receipts compared to prudential borrowing) • Monitor and report on the revenue and capital budgets together to ensure both capital and revenue impacts are identified • HRA Business plan includes allowance for full funding of capital requirements over 30 years, including revenue contributions. Full refresh of the plan undertaken at least annually.

Appendix 5

No.	Budget Item	Risk	2018/19	2019/20	Containment
17	Housing Benefits/Subsidy	Increase in payments that do not attract 100% subsidy i.e. overpayments and local authority errors Failure to comply with complex legislative requirements Lack of audit trail to substantiate grant claim Backlog of work Pressures from customer demands and complex enquiries due to welfare changes	**Total Score: 3** Likelihood: 2 Impact: 1	**Total Score: 9** Likelihood: 3 Impact: 3	• Regular monitoring of claims being processed • Undertake staff training and sample accuracy checks • Ensure system back ups are carried out and historic information is recoverable • Implementation of new systems, processes and structures following Lean Systems Intervention

Appendix 5

No.	Budget Item	Risk	2018/19	2019/20	Containment
18	General Budget Assumptions	CPI and RPI inflation exceed rates assumed in the budget Actual establishment exceeds 99% Increase in employer pension contribution rates following triennial valuation in 2019	**Total Score: 3** Likelihood: 2 Impact: 1	**Total Score: 9** Likelihood: 3 Impact: 3	• Set prudent but realistic projections based on analysis of economic commentators and Bank of England predictions • Monthly monitoring of RPI and CPI index changes • Make use of expert forecasts of future RPI and CPI trends • Produce regular budget monitoring reports – report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Set a prudent but realistic estimate in line with Government announcements • Monitor significant changes in economic indicators • Monitor the pension fund position through discussions with Lincolnshire County Council and Lincolnshire Finance Officers • Report any changes to Members as soon as officers become aware • Pension Fund Stabilisation Approach adopted

No.	Budget Item	Risk	2018/19	2019/20	Containment
19	Cashflow Management (Investments and short term borrowing)	Available cash flow surpluses less than anticipated and/or interest rates lower than forecast Reduction in cash flow results in deficits and/or rising interest rates Impact of localisation of Business Rate income on cash balances	**Total Score: 3** Likelihood: 3 Impact: 1	**Total Score: 6** Likelihood: 3 Impact: 2	• Monitor the average interest rate being achieved against the budget target and the level of balances available for investment • Actively monitoring the cash flow on a daily basis • Ongoing monitoring of cashflows from Business rates • Quarterly monitoring of Collection Fund forecast balances • Take account of economic analysts and Bank of England predictions and advice from Treasury Management Consultants • Hold regular Treasury Management meetings • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee

Appendix 6

GENERAL FUND EARMARKED RESERVES FORECAST 2017/18 to 2022/23

Description	Forecast Balance 31.03.18	Forecast Balance 31.03.19	Forecast Balance 31.03.20	Forecast Balance 31.03.21	Forecast Balance 31.03.22	Forecast Balance 31.03.23
	£	£	£	£	£	£
Business Rates Volatility	538,780	1,456,140	1,401,070	1,284,240	1,098,100	838,790
Strategic Projects - revenue costs	496,120	303,090	303,090	183,090	183,090	183,090
Grants & Contributions	428,300	384,140	339,330	293,870	247,740	200,920
Invest to Save (GF)	419,810	556,850	572,420	587,470	602,920	603,490
Mercury Abatement	377,750	413,560	371,290	317,170	264,890	214,440
Backdated Rent Review	220,000	220,000	220,000	220,000	220,000	220,000
IT Reserve	217,370	265,680	330,460	394,950	459,140	559,140
Tree Risk Assessment	116,420	136,420	156,420	176,420	196,420	216,420
Revenues & Benefits shared service	112,770	67,550	22,330	22,330	22,330	22,330
Carry Forwards	104,100	104,100	104,100	104,100	104,100	104,100
Asset Improvement	89,650	89,650	89,650	89,650	89,650	89,650
Funding for Strategic Priorities	71,110	1,397,960	1,397,960	1,397,960	1,397,960	1,397,960
Private Sector Stock Condition Survey	63,460	75,460	27,460	39,460	51,460	63,460
MA Reserve	51,320	51,320	51,320	51,320	51,320	51,320
Mayoral car	47,100	47,100	47,100	47,100	47,100	47,100
Property Searches	36,450	36,450	36,450	36,450	36,450	36,450
Managed Workspace	35,000	35,000	35,000	35,000	35,000	35,000
County Wide Broadband Initiative	34,000	34,000	34,000	34,000	34,000	34,000
Christmas Market	25,000	25,000	25,000	25,000	25,000	25,000
Electric Van replacement	22,150	26,580	31,010	35,440	39,870	44,300
Air Quality Initiatives	22,040	27,550	33,060	38,570	44,080	49,590
Christmas Decorations	17,240	17,240	17,240	17,240	17,240	17,240
Section 106 interest	13,980	13,980	13,980	13,980	13,980	13,980
Boston Audit Contract	13,800	13,800	13,800	13,800	13,800	13,800
Commons Parking	13,580	13,580	13,580	13,580	13,580	13,580
Tank Memorial	10,000	10,000	10,000	10,000	10,000	10,000
Organisational Development	8,460	8,460	8,460	8,460	8,460	8,460
Yarbrough Leisure Centre	1,670	1,670	1,670	1,670	1,670	1,670
Unused DRF	690	690	690	690	690	690
Sinking Fund - MSCP & Bus station midlife refurb	0	0	0	0	44,160	89,210
TOTAL GENERAL FUND	**3,608,120**	**5,833,020**	**5,707,940**	**5,493,010**	**5,374,200**	**5,205,180**

Appendix 6

HOUSING REVENUE ACCOUNT EARMARKED RESERVES FORECAST 2018/19 to 2022/23

Description	Forecast Balance 31.03.18	Forecast Balance 31.03.19	Forecast Balance 31.03.20	Forecast Balance 31.03.21	Forecast Balance 31.03.22	Forecast Balance 31.03.23
	£	£	£	£	£	£
Repairs Account	512,060	512,060	512,060	512,060	512,060	512,060
Capital Fees Equalisation Reserve	327,240	303,420	261,880	231,840	231,840	231,840
Strategic Priority Reserve	240,000	240,000	240,000	240,000	240,000	240,000
Invest to Save (HRA)	163,560	163,560	163,560	163,560	163,560	163,560
De Wint Court Reserve	73,480	73,480	73,480	73,480	73,480	73,480
PI Survey	48,220	51,220	45,220	48,220	42,220	45,220
Stock Condition Survey (HRA)	22,340	22,340	22,340	22,340	22,340	22,340
TOTAL HOUSING REVENUE ACCOUNT	**1,386,900**	**1,366,080**	**1,318,540**	**1,291,500**	**1,285,500**	**1,288,500**

Capital Strategy – 2018/19 to 2022/23

Introduction

This Capital Strategy details how the Council deploys and will subsequently manage its capital resources thereby explaining the Council's financial framework for capital investment in support of its strategic priorities and Vision 2020. The strategy sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to the risk and reward and impact on the achievement of priority outcomes. The Capital Strategy links to and supports the Strategic Plan and the Asset Management Plan.

This strategy covers all aspects of the Council's capital expenditure, resourced both directly by the Council and where resources have been attracted through external funding opportunities.

The Council's capital programme consists of two elements:

- The General Investment Programme (GIP) with a budget for 2018-23 of £16.209m

- The Housing Investment Programme (HIP) with a budget for 2018-23 of £76.695m

Details of both are shown in Appendices 2 and 4 of the MTFS respectively

Both are accounted for separately, but the schemes making up the two programmes are subject to the same scrutiny and monitoring arrangements to ensure their effective delivery.

Purpose and Objectives

The overall purpose of the Capital Strategy is to ensure that all capital investment undertaken is in accordance with the Council's strategic priorities and Vision 2020.

This Capital Strategy seeks to achieve a number of specific objectives:

- Ensure that capital expenditure supports a defined priority of the Council

- Ensure that the Capital Programme is realistic, affordable and well managed to avoid project over-runs and expensive claims beyond the budgeted scheme value, demonstrates stewardship, prudence and sustainability

- Rationalise asset holdings using disposal as a source of financing where appropriate and invest appropriately in invest to save schemes

- Ensure that any on-going revenue cost implications are understood and accounted for and wherever possible, capital investment is focussed on areas that yield on-going revenue savings.

Policy and Financial Planning Framework

The Council's capital programme and its subsequent revenue implications form part of the MTFS and as such, is one of a suite of plans and strategies that sit within the Council's Policy and Financial Planning Framework. Linkages with other key strategies and plans are identified below:

Asset Management Plan

The Capital Strategy and the Asset Management Plan run alongside each other and have a number of key linkages. These include capital receipts and asset disposal programmes, maintaining, improving and deploying the Council's buildings to support delivery of services and potential loss of income from asset sales.

The MTFS includes capital receipts targets (capital monies received from the sale of council land and property) for both the General Investment Programme and the Housing Investment Programme, which are then incorporated into the Asset Management Plan. The Property Services Team keeps under review the need for asset disposal and acquisition to meet strategic priorities and this is monitored by the Asset Management Group (a sub-group of the Executive). All proposed property disposals are reported to and agreed by the AMG or the Executive.

Housing Business Plan

Under the self-financing housing system the Business Plan provided the overall vision for the HRA and housing stock over a 30 year period. This includes the continued retention of the housing stock, ensuring it is maintained to the Lincoln Standard, identification of tenants' priorities for regeneration/redevelopment, and investment in new builds. The Housing Investment Programme represents the detailed delivery of the HRA Business Plan over the next 5 years. Further borrowing for investment in the HRA is not anticipated – there is a debt cap of £66.017m imposed following the introduction of the self-financing regime with current levels of borrowing at £58.113m.

Financing the Capital Programmes

The resources necessary to fund the Council's Investment Programmes come from a variety of sources:

- Capital Receipts – from the sale of Council assets
- Use of Council's own resources – depreciation, contributions from revenue and use of reserves
- Capital Grants and Contributions
- Prudential Borrowing – borrowing that is affordable, sustainable and prudent and in accordance with approved limits as detailed in the Treasury Management Strategy

The Council's capital programme is projected for a five-year period and is approved by full Council each year. It is monitored throughout the year by the Capital Programme Board, the Housing Delivery Group, Performance Scrutiny Committee and the Executive. The Capital Programme Board and the Executive have varying levels of authority to approve changes to the programme during the year. A distinction is made between the General Fund schemes (GIP) and Housing Revenue Account schemes (HIP), although both are subject to the same degree of scrutiny and approval mechanisms.

Capital Prioritisation

In an environment of financial constraints and competing pressures on the Council it is important that the Council adheres to its methodology for prioritising potential projects and schemes. The methodology is based on both corporate and service based priorities. As well as considering capital costs and funding, attention is also focussed on the revenue implications of any capital expenditure to ensure the Council will not inherit a legacy of increased revenue costs. Therefore, only whole life costs are considered when evaluating potential capital projects including the costs of MRP and borrowing costs.

The process for gaining approval for a capital project is as follows. A project brief is submitted to the Programme Board i.e. the Capital Programme Board for evaluation against an agreed set of criteria, including how well the proposal meets the strategic priorities and budget priorities, whether partnership working and external resources are available and the operational feasibility. If outline approval is granted by the Capital Programme Board, the project brief is submitted to the Corporate Management Team (CMT) and then Executive for approval. This is as detailed in the Lincoln Project Management Model, which provides the approved guidance for the initiation, approval and management of all projects.

Knowledge and Skills

The Council's Capital Strategy is reviewed annually and compiled by the Chief Finance Officer, an experienced and qualified accountant. External advice is available from the Council's Treasury Management advisors (Link Asset Services) who offer a range of services in relation to borrowing advice, leasing and capital investment options. Additional specialist tax advice in respect of tax implications for property transactions is available from external suppliers of this service. The council has an in-house legal team and additional specialist legal support is available from external sources.

Conclusion

The Council's Capital Strategy is a 'live' document, which provides a framework for the deployment and management of capital resources across the organisation in accordance with corporate priorities. It is, therefore, the framework for capital investment across the Council. The Strategy will be reviewed annually, to ensure it is kept up to date and is relevant and effective.

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **GUILDHALL (excl LEASE OR TENDER) , CITY HALL & COMMITTEE ADMIN (CX)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
GUILDHALL				
ROOM HIRE:				
Guildhall Room Hire Fee	125.00	130.00	**200.00**	
CITY HALL				
ROOM HIRE:				
Charities & organisations with Council representation (per half day)				
- City Hall (Large Committee rooms, 1 and 2)	30.00	31.00	**32.00**	**inc VAT**
- City Hall (Small Committee rooms, 3 and 4)	20.00	21.00	**22.00**	**inc VAT**
Lincs non-profit making organisations (per half day)				
- City Hall (Large Committee rooms, 1 and 2)	50.00	52.00	**54.00**	**inc VAT**
- City Hall (Small Committee rooms, 3 and 4)	30.00	31.00	**32.00**	**inc VAT**
Other users including Government and Court use (per half day)				
- City Hall (Large Committee rooms, 1 and 2)	120.00	124.00	**128.00**	**inc VAT**
- City Hall (Small Committee rooms, 3 and 4)	80.00	83.00	**85.50**	**inc VAT**
Supplement for evening use	10%	20%	**20%**	
Drinks (per delegate per half day)		2.00	**2.00**	**inc VAT**
Cancellation Fee			**10.00**	
COMMITTEE SERVICES				
- Inspecting lists of background papers relating to committee reports	3.00	3.10	**3.20**	**inc VAT**
- Supplying a copy of or extract from a document (excluding site plans or planning decision notices) (plus postage)	7.00	7.20	**7.40**	**inc VAT**
- Council Summons (per year) (Incl postage & packing)	175.00	180.30	**185.60**	

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **REPRESENTATION OF PEOPLES ACT (CX)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
ELECTORAL SERVICES				
STATUTORY:				
Public Sales				
- Sale of Electoral Register per 1000 names, or part (plus postage & packing)				
Paper copy				
- initial fee	10.00	10.00	**10.00**	
- per 1000 names, or part	5.00	5.00	**5.00**	
Disk				
- initial fee	20.00	20.00	**20.00**	
- per 1000 names, or part	1.50	1.50	**1.50**	
Labels				
- per 1000 names, or part (plus stationery)	25.00	25.00	**25.00**	
- Inspection of Parliamentary Election Candidate's Expenses	1.50	1.50	**1.50**	
- Copies of Candidate's Expenses (per side)	0.15	0.15	**0.15**	
NON-STATUTORY:				
- Index to Register of Electors	19.00	19.60	**20.20**	
- Confirmation of name on Register of Electors	27.00	27.80	**28.60**	
- Postage & Packing of Register of Electors	20.00	20.60	**21.20**	
- Hire of Ballot Boxes	8.00	8.20	**8.50**	**inc VAT**

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LICENSING (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	**CURRENT 2017/18 £**	**PROPOSED 2018/19 £**

Please Note on All Licensing Fees and Charges for any Cheques that bounce there will be a £10.00 Charge Incurred

HACKNEY CARRIAGES

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
- Vehicle Licence/Renewal (one year)	131.00	140.00	**133.00**
- Plates Deposit (refundable)	13.00	13.00	**13.00**
- Replacement Plate(s)	16.00	16.00	**16.00**
-Test Certificate admin fee	11.00	11.00	**15.00**
- Change of Vehicle/HV/Reg	51.00	52.00	**60.00**
-Change of Owner (Previously in above)	36.00	36.00	**43.00**
- Driver Licence (one year)	106.00	128.00	**130.00**
- Driver Licence (three year)	268.00	267.00	**208.00**
- Drivers Knowledge Test	28.00	28.00	**37.00**
-DBS check (enhanced)	44.00	44.00	**44.00**
-DBS check (standard)	26.00	26.00	**26.00**
-DVLA Check	6.00	6.00	**6.00**
- Badge Deposit (refundable)	6.00	6.00	**6.00**
- Badge Replacement (previously in above)	8.00	8.00	**8.00**

PRIVATE HIRE

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
- Vehicle Licence/Renewal (one year)	100.00	102.00	**95.00**
- Plates Deposit (refundable)	13.00	13.00	**13.00**
- Replacement Plate(s)	16.00	16.00	**16.00**
-Test Certificate admin fee	11.00	11.00	**15.00**
- Change of Vehicle/Operator/HV/Reg	51.00	52.00	**60.00**
-Change of Owner (Previously in above)	36.00	36.00	**43.00**
- Driver Licence (one year)	78.00	81.00	**79.00**
- Driver Licence (three year)	168.00	162.00	**157.00**
- Drivers Knowledge Test	28.00	28.00	**37.00**
-DBS check (enhanced)	44.00	44.00	**44.00**
-DBS check (standard)	26.00	26.00	**26.00**
-DVLA Check	6.00	6.00	**6.00**
- Badge Deposit (refundable)	6.00	6.00	**6.00**
- Badge Replacement (previously in above)	8.00	8.00	**8.00**
- Operators Licence (five years) 10 Vehicles or More	845.00	828.00	**836.00**
- Operators Licence (five years) less than 10 Vehicles	311.00	301.00	**261.00**

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LICENSING (DCE)**

NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
LICENCES AND CERTIFICATES			
Riding Establishment	68.00	68.00	**75.00**
Dangerous Wild Animals	373.00	362.00	**390.00**
Dangerous Wild Animals Renewal	127.00	126.00	**139.00**
Animal Boarding Establishment	68.00	68.00	**75.00**
Breeding of Dogs/Renewal	68.00	68.00	**75.00**
Horse Registration Fee	49.00	49.00	**53.00**
Sex Establishment	548.00	548.00	**-**
Sex Establishment New Licence Application Fee			**422.00**
Sex Establishment New Licence Issue Fee			**160.00**
Sex Establishment Renewal	302.00	302.00	**-**
Sex Establishment Renewal Application Fee			**171.00**
Sex Establishment Renewal Issue Fee			**150.00**
Sex Establishment Transfer Applications	305.00	305.00	**-**
Sex Establishment Transfer Application Fee			**294.00**
Sex Establishment Transfer Issue Fee			**150.00**
Sex Establishment Variation	305.00	305.00	**315.00**
STREET TRADING			
Street Trading Consent - Initial Applicaction			
- Initial Administration Fee	266.00	274.00	**272.00**
- Initial Annual Consent Fee	10.00	20.00	**22.00**
Renewal Consent Fee			
- Renewable Annual Administation Fee	19.00	19.00	**21.00**
- Renewable Annual Consent Fee	10.00	20.00	**22.00**

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LICENSING (DCE)**

NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
LICENCES AND CERTIFICATES			
Scrap Metal Dealers & Motor Salvage Operators			
New Application	776.00	822.00	**924.00**
Site Renewal		687.70	**777.00**
Additional Site	432.00	432.00	**-**
Collectors Licence	180.00	180.00	**203.00**
Variations			
- Add New Site Manager (Existing within LA area)	10.50	10.50	**10.50**
- Add New Site Manager (Not Existing within LA area	69.00	69.00	**69.00**
- Remove Site Manager (Existing within LA area)	10.50	10.50	**10.50**
- Duplicate Licence	10.50	10.50	**10.50**
- Change of Trading Name	10.50	10.50	**10.50**
Remove a Site			
- Refund In Year 1**	263.00	227.20	**252.00**
- Refund In Year 2**	119.00	101.00	**113.00**
- In Year 3	10.50	15.00	**15.00**
Add a Site			
- In Year 1	442.00	442.00	**417.00**
- In Year 2	299.00	299.00	**278.00**
- In Year 3	155.00	155.00	**140.00**
Collectors Licence to Site Licence			
- In Year 1	615.00	619.00	**702.00**
- In Year 2	507.00	532.00	**606.00**
- In Year 3	399.00	444.00	**509.00**
Site Licence to Collectors Licence			
- Refund In Year 1**	255.00	48.60	**49.00**
- Refund In Year 2**	111.00	78.00	**90.00**
- In Year 3	10.50	78.00	**203.00**
Surrender Collectors Licence			
- Refund In Year 1**			**85.00**
- Refund In Year 2**			**43.00**
- In Year 3**			**-**

**** This is a Refund**

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LICENSING (DCE)**

NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
LICENCES AND CERTIFICATES			
Premises Licence - Grant/Variation (Not change of name/address or premises supervisor)			
- NDRV £0 - £4,300	100.00	100.00	**100.00**
- NDRV £4,301 - £33,000	190.00	190.00	**190.00**
- NDRV £33,001 - £87,000	315.00	315.00	**315.00**
- NDRV £87,001 - £125,000	450.00	450.00	**450.00**
- NDRV £125,001 and over	635.00	635.00	**635.00**
Premises Licence - Annual			
- NDRV £0 - £4,300	70.00	70.00	**70.00**
- NDRV £4,301 - £33,000	180.00	180.00	**180.00**
- NDRV £33,001 - £87,000	295.00	295.00	**295.00**
- NDRV £87,001 - £125,000	320.00	320.00	**320.00**
- NDRV £125,001 and over	350.00	350.00	**350.00**
Premises Licence - Variation Fee in Transition			
- NDRV £0 - £4,300	20.00	20.00	**20.00**
- NDRV £4,301 - £33,000	60.00	60.00	**60.00**
- NDRV £33,001 - £87,000	80.00	80.00	**80.00**
- NDRV £87,001 - £125,000	100.00	100.00	**100.00**
- NDRV £125,001 and over	120.00	120.00	**120.00**
For premises used exclusively or primarily in the business of selling alcohol for consumption on the premises and within bands D & E - the following multiplier applies - Band D x 2, Band E x 3			
Premises Licence - Grant/Variation (Not change of name/address or premises supervisor)			
- NDRV £87,001 - £125,000	900.00	900.00	**900.00**
- NDRV £125,001 and over	1,905.00	1,905.00	**1,905.00**
Premises Licence - Annual			
- NDRV £87,001 - £125,000	640.00	640.00	**640.00**
- NDRV £125,001 and over	1,050.00	1,050.00	**1,050.00**
Club Premises Certificates -Grant/Variation (Not change of name, alteration of club rules or registered address)			
- NDRV £0 - £4,300	100.00	100.00	**100.00**
- NDRV £4,301 - £33,000	190.00	190.00	**190.00**
- NDRV £33,001 - £87,000	315.00	315.00	**315.00**
- NDRV £87,001 - £125,000	450.00	450.00	**450.00**
- NDRV £125,001 and over	635.00	635.00	**635.00**
Club Premises Certificates - Annual			
- NDRV £0 - £4,300	70.00	70.00	**70.00**
- NDRV £4,301 - £33,000	180.00	180.00	**180.00**
- NDRV £33,001 - £87,000	295.00	295.00	**295.00**
- NDRV £87,001 - £125,000	320.00	320.00	**320.00**
- NDRV £125,001 and over	350.00	350.00	**350.00**

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LICENSING (DCE)**

NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
LICENCES AND CERTIFICATES			
Copy of Licence/Certificate/Notice or Summary on theft or loss of:			
- Premises Licence or Summary	10.50	10.50	**10.50**
- Club Premises Certificate or Summary	10.50	10.50	**10.50**
- Personal Licence	10.50	10.50	**10.50**
- Temporary Events Notice	10.50	10.50	**10.50**
Change of name or address			
- Holder of Premises Licence	10.50	10.50	**10.50**
- Personal Licence	10.50	10.50	**10.50**
Change of name or alteration to club rules	10.50	10.50	**10.50**
Change of relevant registered address of club	10.50	10.50	**10.50**
Vary specific individual as premises supervisor	23.00	23.00	**23.00**
Transfer Premises Licence	23.00	23.00	**23.00**
Interim Authority Notice	23.00	23.00	**23.00**
Provisional Statement	315.00	315.00	**315.00**
Temporary Events Notice	21.00	21.00	**21.00**
Personal Licences			
- Grant/Renewal	37.00	37.00	**37.00**
Minor Variation of a Premises Licence/Club Premises Certificate	89.00	89.00	**89.00**
Notification of Interest			**21.00**

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LICENSING (DCE)**

NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
GAMBLING ACT - PERMIT FEES			
FEC Gaming Machine -			
- Application Fee	300.00	300.00	**300.00**
- Renwal Fee	300.00	300.00	**300.00**
Prize Gaming -			
- Application Fee	300.00	300.00	**300.00**
- Renewal Fee	300.00	300.00	**300.00**
Alcohol Licences Premises - Notification of less than 2 Machines			
- Application Fee	50.00	50.00	**50.00**
Alcohol Licences Premises - More than 2 Machines			
- Application Fee	150.00	150.00	**150.00**
- Annual Fee	50.00	50.00	**50.00**
- Transitional Application Fee	100.00	100.00	**100.00**
Club Gaming Permit -			
- Application Fee	200.00	200.00	**200.00**
- Annual Fee	50.00	50.00	**50.00**
- Renewal Fee	200.00	200.00	**200.00**
- Transitional Application Fee	100.00	100.00	**100.00**
Club Gaming Machine Permit -			
- Application Fee	200.00	200.00	**200.00**
- Annual Fee	50.00	50.00	**50.00**
- Renewal Fee	200.00	200.00	**200.00**
- Transitional Application Fee	100.00	100.00	**100.00**
Club Fast-track for Gaming Permit or Gaming Machine Permit -			
- Application Fee	100.00	100.00	**100.00**
- Annual Fee	50.00	50.00	**50.00**
- Renewal Fee	100.00	100.00	**100.00**
- Transitional Application Fee			
Small Society Lottery Registration -			
- Application Fee	40.00	40.00	**40.00**
- Annual Fee	20.00	20.00	**20.00**

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LICENSING (DCE)**

NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
GAMBLING ACT - PERMIT FEES cont.			
FEC Permits -			
- Change of Name	25.00	25.00	**25.00**
- Copy of Permit	15.00	15.00	**15.00**
Prize Gaming Permits -			
- Change of Name	25.00	25.00	**25.00**
- Copy of Permit	15.00	15.00	**15.00**
Alcohol Licences Premises - Notification of More than 2 Machines -			
- Change of Name	25.00	25.00	**25.00**
- Copy of permit	15.00	15.00	**15.00**
- Variation	100.00	100.00	**100.00**
- Transfer	25.00	25.00	**25.00**
Club Gaming Permit -			
- Copy of Permit	15.00	15.00	**15.00**
- Variation	100.00	100.00	**100.00**
Club Gaming Machine Permit			
- Copy of Permit	15.00	15.00	**15.00**
- Variation	100.00	100.00	**100.00**

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LICENSING (DCE)**

NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
GAMBLING ACT - APPLICATION FEES			
Classes of Premises Licence -			
Regional Casino Premises Licence -			
- Application Fee in respect of Provisional statement premises	8,000.00	8,000.00	**8,000.00**
- Fee in respect of other premises	15,000.00	15,000.00	**15,000.00**
- Annual Fee	15,000.00	15,000.00	**15,000.00**
- Application to vary licence	7,500.00	7,500.00	**7,500.00**
- Application to transfer a licence	6,500.00	6,500.00	**6,500.00**
- Application for reinstatement of a licence	6,500.00	6,500.00	**6,500.00**
- Application for provisional statement	15,000.00	15,000.00	**15,000.00**
Large Casino Premises Licence -			
- Application Fee in respect of Provisional statement premises	5,000.00	5,000.00	**5,000.00**
- Fee in respect of other premises	10,000.00	10,000.00	**10,000.00**
- Annual Fee	10,000.00	10,000.00	**10,000.00**
- Application to vary licence	5,000.00	5,000.00	**5,000.00**
- Application to transfer a licence	2,150.00	2,150.00	**2,150.00**
- Application for reinstatement of a licence	2,150.00	2,150.00	**2,150.00**
- Application for provisional statement	10,000.00	10,000.00	**10,000.00**
Small Casino Premises Licence -			
- Application Fee in respect of Provisional statement premises	3,000.00	3,000.00	**3,000.00**
- Fee in respect of other premises	8,000.00	8,000.00	**8,000.00**
- Annual Fee	5,000.00	5,000.00	**5,000.00**
- Application to vary licence	4,000.00	4,000.00	**4,000.00**
- Application to transfer a licence	1,800.00	1,800.00	**1,800.00**
- Application for reinstatement of a licence	1,800.00	1,800.00	**1,800.00**
- Application for provisional statement	8,000.00	8,000.00	**8,000.00**
Converted Casino premises licence -			
- Annual Fee	3,000.00	3,000.00	**3,000.00**
- Application to vary licence	2,000.00	2,000.00	**2,000.00**
- Application to transfer a licence	1,350.00	1,350.00	**1,350.00**
- Application for reinstatement of a licence	1,350.00	1,350.00	**1,350.00**

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LICENSING (DCE)**

NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
GAMBLING ACT - APPLICATION FEES			
Bingo Premises Licence -			
- Application Fee in respect of Provisional statement premises	1,200.00	1,200.00	**1,200.00**
- Fee in respect of other premises	3,500.00	3,500.00	**3,500.00**
- Annual Fee	1,000.00	1,000.00	**1,000.00**
- Application to vary licence	1,750.00	1,750.00	**1,750.00**
- Application to transfer a licence	1,200.00	1,200.00	**1,200.00**
- Application for reinstatement of a licence	1,200.00	1,200.00	**1,200.00**
- Application for provisional statement	3,500.00	3,500.00	**3,500.00**
Adult Gaming centre Premises Licence -			
- Application Fee in respect of Provisional statement premises	1,200.00	1,200.00	**1,200.00**
- Fee in respect of other premises	2,000.00	2,000.00	**2,000.00**
- Annual Fee	1,000.00	1,000.00	**1,000.00**
- Application to vary licence	1,000.00	1,000.00	**1,000.00**
- Application to transfer a licence	1,200.00	1,200.00	**1,200.00**
- Application for reinstatement of a licence	1,200.00	1,200.00	**1,200.00**
- Application for provisional statement	2,000.00	2,000.00	**2,000.00**
Betting premises (track) Licence -			
- Application Fee in respect of Provisional statement premises	950.00	950.00	**950.00**
- Fee in respect of other premises	2,500.00	2,500.00	**2,500.00**
- Annual Fee	1,000.00	1,000.00	**1,000.00**
- Application to vary licence	1,250.00	1,250.00	**1,250.00**
- Application to transfer a licence	950.00	950.00	**950.00**
- Application for reinstatement of a licence	950.00	950.00	**950.00**
- Application for provisional statement	2,500.00	2,500.00	**2,500.00**
Family Entertainment centre premises licence:			
- Application Fee in respect of Provisional statement premises	950.00	950.00	**950.00**
- Fee in respect of other premises	2,000.00	2,000.00	**2,000.00**
- Annual Fee	750.00	750.00	**750.00**
- Application to vary licence	1,000.00	1,000.00	**1,000.00**
- Application to transfer a licence	950.00	950.00	**950.00**
- Application for reinstatement of a licence	950.00	950.00	**950.00**
- Application for provisional statement	2,000.00	2,000.00	**2,000.00**

CORPORATE ISSUES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LICENSING (DCE)**

NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
GAMBLING ACT - APPLICATION FEES			
Betting premises (other) Licence			
- Application Fee in respect of Provisional statement premises	1,200.00	1,200.00	**1,200.00**
- Fee in respect of other premises	3,000.00	3,000.00	**3,000.00**
- Annual Fee	600.00	600.00	**600.00**
- Application to vary licence	1,500.00	1,500.00	**1,500.00**
- Application to transfer a licence	1,200.00	1,200.00	**1,200.00**
- Application for reinstatement of a licence	1,200.00	1,200.00	**1,200.00**
- Application for provisional statement	3,000.00	3,000.00	**3,000.00**
Change of Circumstance fee	50.00	50.00	**50.00**
Copy of Licence Fee	25.00	25.00	**25.00**

ENVIRONMENT- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CEMETERIES (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
INTERMENTS				
Child up to sixteen years	No Charge	No Charge	**No Charge**	
Person over sixteen years	1,020.00	1,050.00	**1,080.00**	
Preparation for Exhumation	1,890.00	1,950.00	**2,010.00**	
Grave Purchase (50 Year Lease)**	990.00	1,020.00	**1,050.00**	
Grave Purchase (Baby)	250.00	260.00	**270.00**	
Interments of cremated remains:				
- From Lincoln Crematorium*	65.00	70.00	**75.00**	
- From Other Crematorium*	95.00	100.00	**105.00**	
Preparation for Exhumation of Ashes	250.00	260.00	**270.00**	
Cremation Plot Purchase	250.00	260.00	**270.00**	
Body Parts/blocks/slides*	61.00	65.00	**70.00**	

50% Discount for City of Lincoln Residents (Excluding those marked with *)
**Fee is non-transferable to anyone other than the purchasee/designated person.
If the intention is to transfer onto a non-city resident then charge will be doubled.

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
MONUMENTS, GRAVE STONES, TABLETS & INSCRIPTIONS				
Flat shape				
- upto 4"x7'6"x3'6" (max)	284.00	-	**-**	**inc VAT**
Headstone				
- without base, to 2'0" (max)	88.00	-	**-**	**inc VAT**
- upto 2'6" high	88.00	-	**-**	**inc VAT**
- 2'6" upto 4'0" high (max)	152.00	-	**-**	**inc VAT**
Book or scroll				
- upto 2'6" high (max)	88.00	-	**-**	**inc VAT**
A vase				
- upto 18" high (max)	48.00	-	**-**	**inc VAT**
- with desk or tablet	88.00	-	**-**	**inc VAT**
A cross				
- upto 2'6" high	88.00	-	**-**	**inc VAT**
- 2'6" upto 4'0" high (max)	152.00	-	**-**	**inc VAT**
Kerb Stones				
- enclosing space 9'0"x4'0"	284.00	-	**-**	**inc VAT**
Any other monument				
- upto 4'0" high (max)	152.00	-	**-**	**inc VAT**
For each inscription on any of above memorials :				
- each 150 letters, or part	48.00	-	**-**	**inc VAT**
Monumental Mason Headstone		100.00	**105.00**	**inc VAT**
MISCELLANEOUS				
Levelling and re-turfing of graves	45.00	46.00	**47.00**	**inc VAT**
Burial records search fee where appropriate	6.00	6.00	**6.00**	**inc VAT**

ENVIRONMENT- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LONG LEYS ROAD CEMETERY (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	**CURRENT 2017/18 £**	**PROPOSED 2018/19 £**
INTERMENTS			
Child up to sixteen years	No Charge	No Charge	**No Charge**
Person over sixteen years			
- Resident	660.00	680.00	**700.00**
- Non-resident	1,320.00	1,360.00	**1,400.00**
Interments of cremated remains			
- From Lincoln Crematorium *	85.00	90.00	**95.00**
- From Other Crematorium *	105.00	110.00	**115.00**
PURCHASE OF GRAVE PLOT			
Grave Purchase (50 Year Lease) **			
- Resident	560.00	580.00	**600.00**
- Non-resident	1,120.00	1,160.00	**1,200.00**
Grave Purchase (Baby)			
- Resident	135.00	140.00	**145.00**
- Non-resident	270.00	280.00	**290.00**
Cremation Plot Purchase			
- Resident	135.00	140.00	**145.00**
- Non-resident	270.00	280.00	**290.00**

50% Discount for City of Lincoln Residents (Excluding those marked with *)
** Fee is non-transferable to anyone other than the purchasee/designated person.
If the intention is to transfer onto a non-city resident then the 50% discount will not apply.

ENVIRONMENT- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CREMATORIUM (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
CREMATION FEES				
Body Parts/Slides/Blocks	71.00	73.00	**75.00**	
Child up to sixteen years	No Charge	No Charge	**No Charge**	
Person over sixteen years	670.00	690.00	**720.00**	
(Fee inclusive of Urn, Medical Refs Fee & Cremation Certificate)				
Charge for non-city residents :				
Person over sixteen years	670.00	690.00	**710.00**	
(Fee inclusive of Urn, Medical Refs Fee & Cremation Certificate)				
Service Extension (20 min period)	160.00	165.00	**170.00**	
MEMORIALS AND INSCRIPTIONS				
Book of Remembrance				
2 Lines	75.00	80.00	**85.00**	**inc VAT**
5 Lines	105.00	110.00	**115.00**	**inc VAT**
8 Lines	135.00	140.00	**145.00**	**inc VAT**
Minature Books				
2 Lines	85.00	90.00	**95.00**	**inc VAT**
5 Lines	95.00	100.00	**105.00**	**inc VAT**
8 lines	110.00	115.00	**120.00**	**inc VAT**
Remembrance cards				
2 Lines	50.00	55.00	**60.00**	**inc VAT**
5 Lines	60.00	65.00	**70.00**	**inc VAT**
8 Lines	75.00	80.00	**85.00**	**inc VAT**
Additional lines to existing books and cards per line	15.00	16.00	**17.00**	**inc VAT**
MISCELLANEOUS CHARGES				
- Caskets	45.00	48.00	**50.00**	
- Extract from Register of Cremations	12.00	12.00	**12.00**	
Memorial Service (when space available)	320.00	330.00	**340.00**	
DEPOSIT OF ASHES				
- Temporary deposit of ashes per month after one month	12.00	13.00	**14.00**	
- For burying of ashes in Garden of Remembrance where cremation carried out at other crematorium	80.00	85.00	**90.00**	**inc VAT**

ENVIRONMENT- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CREMATORIUM (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
MEMORIAL GARDEN				
Wall Tablet (10 year lease)	204.17	210.00	**216.67**	**plus VAT**
Bench Tablet (10 year lease)	291.67	300.00	**308.33**	**plus VAT**
Kerb Tablet (10 year lease)	316.66	325.00	**333.33**	**plus VAT**
Vault Tablet (20 year lease)	716.67	738.00	**750.00**	**plus VAT**
Designer images on plaques - from	95.83	100.00	**104.17**	**plus VAT**
Ceramic Photo Plaques				
4cm x 3cm	91.67	95.00	**100.00**	**plus VAT**
7cm x 5cm	133.33	137.00	**141.67**	**plus VAT**

ENVIRONMENT- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **BREAVEMENT SERVICES (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
BREAVEMENT SERVICES			
Witnessed burial in the Garden of Remembrance	30.00	30.00	**30.00**
Direct Cremation Service	550.00	550.00	**566.00**
Change of fees for a memorial permit to make it a clear price	100.00	100.00	**105.00**
WESLEY SYSTEM			
Audio recording supplied on CD - 1st Copy	50.00	50.00	**52.00**
Audio recording supplied on CD - subsequent copies	25.00	25.00	**26.00**
Video recording supplied on DVD - 1st copy	50.00	50.00	**52.00**
Video recording supplied on DVD - subsequent copies	25.00	25.00	**26.00**
VISUAL TRIBUTES			
Visual tribute - 1 photograph	20.00	20.00	**22.00**
Visual tribute - 2-5 photographs	30.00	30.00	**32.00**
Visual tribute - 6-10 photographs	40.00	40.00	**42.00**
Visual tribute – 10+ photographs subsequent per photograph)	2.50	2.50	**2.50**
Video tribute - up to 2 minutes	30.00	30.00	**32.00**
Video tribute - over 2 minutes to 5 minutes	40.00	40.00	**42.00**
DVD containing the tribute - 1st copy	30.00	30.00	**32.00**
DVD containing the tribute - subsequent copies	25.00	25.00	**25.95**
Tribute embedded into video of the service	70.00	70.00	**72.00**
WEBCASTING			
Webcasting of Service	50.00	50.00	**52.00**
DVD containing webcast	-	-	**-**

ENVIRONMENT- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **OTHER PUBLIC HEALTH, PUBLIC HEALTH INSPECTION & SALVAGE OPERATORS (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
LICENCES, CERTIFICATES AND AUTHORISATIONS			
Food Certificates			
- Condemned food	68.00	39.10	**40.30**
(No charge for single items)			
- Consignments for Export	61.00	62.80	**64.70**
Authorisations *- Prescribed Processes (All subject to notification by DEFRA) :			
- Application Fees			
- Standard	1,579.00	1,579.00	**1,579.00**
- Additional Fee for Operating without a Permit	1,137.00	1,137.00	**1,137.00**
- PVRI, SWOB's and Dry Cleaners	148.00	148.00	**148.00**
- PVR Combinded I & II	246.00	246.00	**246.00**
- VR & other Reduced Fee Activities	346.00	346.00	**346.00**
- RFA Additional Fee for no Permit	68.00	68.00	**68.00**
- Mobile Plant **	1,579.00	1,579.00	**1,579.00**
- for 3rd to 7th Applications	943.00	943.00	**943.00**
- for 8th & Subsequent Applications	477.00	477.00	**477.00**
Where an Application for any of the above is for a combined Part B and Waste Application add extra £297 to Amount shown			
- Subsistence charges			
- Standard - Low	739.00	739.00	**739.00**
- Standard - Med	1,111.00	1,111.00	**1,111.00**
- Standard - High	1,672.00	1,672.00	**1,672.00**
- PVRI, SWOB's and Dry Cleaners Low	76.00	76.00	**76.00**
- PVRI, SWOB's and Dry Cleaners Med	151.00	151.00	**151.00**
- PVRI, SWOB's and Dry Cleaners High	227.00	227.00	**227.00**
- PVR I & II Combined Low	108.00	108.00	**108.00**
- PVR I & II Combined Med	216.00	216.00	**216.00**
- PVR I & II Combined High	326.00	326.00	**326.00**
- VRs & other Reduced Fees Low	218.00	218.00	**218.00**
- VRs & other Reduced Fees Med	349.00	349.00	**349.00**
- VRs & other Reduced Fees High	524.00	524.00	**524.00**
- Mobile Plants for 1st & 2nd Permits Low **	618.00	618.00	**618.00**
- Mobile Plants for 1st & 2nd Permits Med **	989.00	989.00	**989.00**
- Mobile Plants for 1st & 2nd Permits High **	1,484.00	1,484.00	**1,484.00**
- For the 3rd to 7th Permits Low	368.00	368.00	**368.00**
- For the 3rd to 7th Permits Med	590.00	590.00	**590.00**
- For the 3rd to 7th Permits High	884.00	884.00	**884.00**
- For the 8th and Susequent Permits Low	189.00	189.00	**189.00**
- For the 8th and Susequent Permits Med	302.00	302.00	**302.00**
- For the 8th and Susequent Permits High	453.00	453.00	**453.00**
- Late Payment Fee	50.00	50.00	**50.00**

** Not using simplified Permits
The Additional amounts in brackets must be charged where permit is for combined Part B and Waste Installation.
Where a Part B Installation is subject to reporting under the E-PRTR Regulation, add £99 extra to the Amounts Shown

ENVIRONMENT- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **OTHER PUBLIC HEALTH, PUBLIC HEALTH INSPECTION & SALVAGE OPERATORS (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
LICENCES, CERTIFICATES AND AUTHORISATIONS			
- Transfer & Surrender			
- Standard Process Transfer	162.00	162.00	**162.00**
- Standard Process Partial Transfer	476.00	476.00	**476.00**
- New Operator - Low risk Fee	75.00	75.00	**75.00**
- Reduced Fee Activities Partial Transfer	45.00	45.00	**45.00**
- Temporary Transfer for Mobiles			
- First Transfer	51.00	51.00	**51.00**
- Repeat following Enforcement or Warning	51.00	51.00	**51.00**
- Substantial Change			
- Standard Process	1,005.00	1,005.00	**1,005.00**
- Standard Process where result in a new PPC Activity	1,579.00	1,579.00	**1,579.00**
- Reduced Fee Activities	98.00	98.00	**98.00**
Pet Shop - Non Reptile Stockists	104.00	107.00	**89.20**
Pet Shop - Reptile Stockists	292.80	302.00	**310.00**
Local Government Misc Provisions- Skin Piercers			
- Premises	146.50	150.90	**155.40**
- Persons	28.10	28.90	**29.80**
Public Conveniences			
- Castle Hill	0.20	0.20	**0.20**
- Tentercroft Street	0.20	0.20	**0.20**
- Westgate	0.20	0.20	**0.20**

ENVIRONMENT- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **PEST CONTROL, DOG WARDEN, PUBLIC HEALTH INSPECTION (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
Dogs :				
- Penalty for Strays *(Set by EPA & charged on 2nd continuing offence.)	25.00	25.00	**25.00**	
- Housing of Strays (Kennel fee per day) (Cost + Handling Charge)	11.00	11.30	**11.60**	**inc VAT**
- Acceptance of, for Destruction	79.00	81.00	**81.00**	
OTHER				
Provision of Information				
- Photograph (Each additional photo £1.30)	12.40	12.80	**13.20**	**inc VAT**
- Documents	11.20	11.50	**11.90**	**inc VAT**
- Factual Statement & Report of Investigations	123.80	127.50	**131.30**	**inc VAT**
- Food Safety Act Register (25 entries or part)	4.40	4.50	**4.60**	**inc VAT**
- Information on Former Use of Land (Charge per hour, or part thereof)	75.30	77.60	**79.90**	**plus VAT**
- Provision of Information - Outstanding Notices Administration Charge	37.70	38.80	**40.00**	
- Default Works (incl Intruder Alarm Disconnection)	Cost + 10%	Cost + 10%	**Cost + 10%**	
Safer Food Better Business Management System	6.00	6.00	**6.20**	
Safer Food Better Business Daily Diary	4.00	4.00	**4.10**	
Re-inspection of Food Business			**150.00**	**plus VAT**
Clearance of Private Sewers & Drains (charge per visit)	55.20	57.00	**58.70**	**inc VAT**
- Graffitti Busting per hour	38.60	39.80	**41.00**	**plus VAT**

*** Concessions apply to OAP's and persons in receipt of benefit :**
- Retired persons over 65 years of age or,
- individuals over 60, in receipt of state retirement pension or widows pension or,
- persons in receipt of a means tested benefit

ENVIRONMENT- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **COMMUNITY SERVICES (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
ENFORCEMENT OFFICER				
Fixed Penalty Notices				
- Littering*	75.00	75.00	**75.00**	
- Dog Fouling	50.00	50.00	**50.00**	
- Breach of Community Protection*	75.00	75.00	**75.00**	
- Breach of a Public Space Protection Order*	75.00	75.00	**75.00**	
- Breach of S46 Notice (Presentation of Waste)*	75.00	75.00	**75.00**	
*** Discount of £25 given if paid within 10 days of receiving the fine**				
GREEN WASTE				
Green Waste Bin Collection				
- Annual Fee	30.00	33.00	**36.00**	
- Additional Bin	12.00	15.00	**15.00**	
- Delivery Fee	12.00	15.00	**15.00**	
DEVELOPER BIN CHARGES				
Charges per bin				
- 140 Litre Bin			**22.00**	**plus VAT**
- 240 Litre Bin			**26.00**	**plus VAT**
- Communal Bin (Usually 660l or 1100l)			**149.00**	**plus VAT**
- Delivery Charge			**10.00**	**plus VAT**
Admin Charge			**10% of total charge**	

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HOUSING- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **HOUSING ADVANCES (DHR), HIMOs, GARAGES & SUPPORTED HOUSING**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
HOUSING ADVANCES				
- Second mortgage enquiry fee	92.70	95.50	**98.40**	**inc VAT**
- Transfer of mortgage fee	138.00	142.10	**146.40**	
- Business rate enquiry fee	30.00	30.90	**31.80**	
- Council Tax enquiry fee	23.70	24.40	**25.10**	
- Right to Buy leaseholders repair loan	180.00	185.40	**191.00**	
HOUSES IN MULTIPLE OCCUPATION				
Premises Licence Fee				
- Basic (up to 5 Bedrooms)	459.00	479.00	**590.00**	
- 6 to 10 Bedrooms	Basic + 10%	Basic + 10%	**Basic + 10%**	
- 11 to 15 Bedrooms	Basic + 20%	Basic + 20%	**Basic + 20%**	
- 16 to 20 Bedrooms	Basic + 30%	Basic + 30%	**Basic + 30%**	
- For every 5, or part thereof, over 20	Additional 10%	Additional 10%	**Additional 10%**	
Variation to Licence	10% of Basic	10% of Basic	**10% of Basic**	
Multiple Application Discount	10% of Basic	10% of Basic	**10% of Basic**	
Trusted Landlord Scheme Discount			**10% of Basic**	
GARAGES				
Garage transfer fees	19.50	20.10	**20.70**	**inc VAT**
Garage sites	69.00	71.10	**73.20**	**inc VAT**
Garage access fees	69.00	71.10	**73.20**	**inc VAT**
SUPPORTED HOUSING				
Community Alarms Service	134.00	150.00	**150.00**	

HOUSING- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **HOUSING REVENUE ACCOUNT & WORKS CMS (DHR)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
SHELTERED ACCOMMODATION				
Service charges, per rent week (50 weeks) - residents :				
- 1 person flat				
Derek Miller Ct	7.75	8.00	**8.25**	
St.Botolphs	7.75	8.00	**8.25**	
- 2 person flat				
Derek Miller Ct	11.10	11.40	**11.75**	
St.Botolphs	11.10	11.40	**11.75**	
- Electricity				
Derek Miller Court (only)	3.90	4.00	**-**	
Service charges, per rent week (50 weeks) - wardens :				
- 2 bed accommodation	7.85	9.10	**9.40**	
- 3 bed accommodation				
Lenton Green	10.80	11.10	**11.40**	
Others	10.60	10.90	**11.20**	
Concessionery TV Licences	7.50	7.70	**7.90**	
MISCELLANEOUS				
Additional keys for door entry	12.40	12.80	**13.20**	**inc VAT**
Building Society enquiry fees	74.00	76.20	**78.50**	**inc VAT**
OTHER				
Hire of Equipment:				
- Portable Pedestrian Barriers (per barrier-per event (min 5)	7.00	-	**-**	**plus VAT**
- Bunting per box	15.00	-	**-**	**inc VAT**
Erection of street banners	211.00	-	**-**	**inc VAT**

LEISURE, SPORT & CULTURE- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **ALLOTMENTS (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
ALLOTMENTS			**FOR LEASES STARTING IN 2017/18**	
Standard rent for allotment				
51 to 100 sq yards	28.20	29.10	30.00	
101 to 150 sq yards	29.80	30.70	31.60	
151 to 200 sq yards	31.50	32.50	33.50	
201 to 250 sq yards	33.20	34.20	35.20	
251 to 300 sq yards	34.80	35.80	36.90	
301 to 350 sq tards	36.40	37.50	38.60	
351 to 400 sq yards	38.20	39.40	40.60	
401 to 450 sq yards	39.80	41.00	42.20	
451 to 500 sq yards	41.40	42.60	43.90	
501 to 550 sq yards	43.10	44.40	45.70	
551 to 600 sq yards	44.70	46.00	47.40	
601 to 650 sq yards	46.40	47.80	49.20	
651 to 700 sq yards	48.20	49.70	51.20	
701 to 750 sq yards	49.80	51.30	52.80	
751 to 800 sq yards	51.30	52.80	54.40	
801 to 850 sq yards	53.10	54.70	56.30	
851 to 900 sq yards	54.80	56.40	58.10	
901to 950 sq yards	56.40	58.10	59.80	
951 to 1000 sq yards	58.00	59.70	61.50	
Water supply to allotment				
- minimum charge	18.00	18.50	19.10	
Garage site				
- Rents and access charge	38.20	39.40	40.60	**inc. VAT**
Discounts				
6 - 10 allotments	10%	10%	**10%**	
11+ allotments	20%	20%	**20%**	
Unemployed	50%	50%	**50%**	
Pensioners	50%	50%	**50%**	

CONDITIONS

***Concessions apply to OAP's and persons on Benefit**
- **Retired persons over 65 years of age or,**
- **individuals over 60, in receipt of state retirement pension or widows pension or,**
- **persons in receipt of a means tested benefit**

LEISURE, SPORT & CULTURE- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **HARTSHOLME COUNTRY PARK (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
HARTSHOLME COUNTRY PARK				
- Overnight stay, incl use of showers (per night)				
Standard non-electric price for a pitch in the tent only area (apart from backpack tent).				
- High Season *****	16.00	16.50	**17.00**	**inc VAT**
- Low Season	14.00	14.50	**15.00**	**inc VAT**
Electric included in pitch price for all other pitches				
Four berth caravan, motorhome or tent and car				
- High Season *****	19.00	19.00	**18.87**	**inc VAT**
- Low Season	16.60	17.00	**17.50**	**inc VAT**
Overflow Camping	10.00	10.00	**10.00**	**inc VAT**
Camping Pod Single Night	35.00	40.00	**40.00**	**inc VAT**
Camping Pod 2 nights or more	30.00	35.00	**35.00**	**inc VAT**
Camping Pod Christmas Market	50.00	50.00	**50.00**	**inc VAT**
Non-refundable deposit - (included within price)				
Bank Holiday Weekends only				
Single night	10.00	10.00	**10.00**	**inc VAT**
Two or more nights	25.00	20.00	**25.00**	**inc VAT**
Backpack Tent	10.00	10.00	**11.00**	**inc VAT**
Full Awning	3.00	3.00	**3.00**	**inc VAT**
Additional Adult	3.00	3.00	**3.00**	**inc VAT**
Additional Car parking	3.00	3.00	**3.00**	**inc VAT**
- Christmas Market period, per pitch *				
Non-refundable deposit - (included within price)				
Two - four nights	47.00	25.00	**30.00**	**inc VAT**
Five nights	85.00	50.00	**67.50**	**inc VAT**
With electric hook-up				
Single night Thur/Fri/Sat	30.00	30.00	**30.00**	**inc VAT**
Five nights	134.00	135.00	**135.00**	**inc VAT**
Single night Wed/Sun	25.50	25.50	**25.50**	**inc VAT**

*** High Season Period:**
Includes all Weekends, Bank Holidays, and LCC School Holidays.
Deposits required.

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
- Ranger Guided Visit				
Per Person	2.50	2.50	**2.50**	**inc VAT**
Group of 30	70.00	75.00	**80.00**	**inc VAT**
(Including Worksheets & Teaching Room)				
- Meeting Room	7.00	10.00	**10.00**	**inc VAT**
- Wild Adventures	3.50	3.50	**3.50**	**inc VAT**
(Rangers Club per activity)				
- Wreath Making			**15.00**	**inc VAT**
- Willow Weaving			**20.00**	**inc VAT**

LEISURE, SPORT & CULTURE- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **COMMUNITY CENTRES (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
BUD ROBINSON C.C.				
Room Hire (per hour)				
- Main Hall				
Commercial	21.30	21.30	**21.90**	
Standard	17.10	17.10	**17.60**	
Supported	8.65	8.65	**8.90**	
- Large Meeting Room				
Commercial	21.30	21.30	**19.30**	
Standard	14.30	14.30	**14.70**	
Supported	8.65	8.65	**8.65**	
- Small Meeting Room				
Commercial	9.50	9.50	**9.80**	
Standard	6.00	6.00	**6.20**	
Supported	3.60	3.60	**3.70**	
Surcharge after 11pm	100%	100%	**100%**	
Projector/Screen Hire				
- Per Hour			**5.00**	
- Per day			**25.00**	
Service Charge (Caretaker fee)			**Cost**	**plus VAT**
Surcharge after 11pm (Caretaker fee)			**Cost**	**plus VAT**
Call out recharges			**Cost**	**plus VAT**
Additional Cleaning			**Cost**	**plus VAT**
Other Charges				
Activities (per hour)				
- Table Tennis, per table	3.60	3.60	**3.70**	**inc VAT**
- Carpet Bowls, per carpet	5.05	5.05	**5.20**	**inc VAT**
Hire of Equipment				
- Table Tennis Bat (£2 dep)	2.05	2.05	**-**	
- Carpet Bowls (per hour) £2 deposit	2.05	2.05	**-**	
- Booking Fee**	5.00	5.00	**5.20**	
- Amendment Fee	3.00	3.00	**3.10**	
- PRS	Cost + 50%	Cost + 50%	**Cost + 50%**	
Sale of Equipment	Cost + 35%	Cost + 35%	**-**	

*Service charge will be levied for all bookings who opt not to key hold
** Not applicable to sports bookings which includes table tennis and bowls

LEISURE, SPORT & CULTURE- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **COMMUNITY CENTRES (DCE) cont.**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
ALL OTHER CENTRES				
Room Hire (per hour)				
- Main Hall/Weighing Room				
Commercial	17.80	17.80	**18.70**	
Standard	14.20	14.20	**14.90**	
Supported	7.10	7.10	**7.45**	
- Small Meeting Rooms				
Commercial	9.50	9.50	**9.80**	
Standard	6.00	6.00	**6.20**	
Supported	3.60	3.60	**3.70**	
- Large Meeting Rooms				
Commercial	17.80	17.80	**18.30**	
Standard	11.95	11.95	**12.30**	
Supported	7.10	7.10	**7.30**	
Surcharge after 11pm	100%	100%	**100%**	
Projector/Screen Hire				
- Per Hour			**5.00**	
- Per day			**25.00**	
Service Charge (Caretaker fee)			**Cost**	**plus VAT**
Surcharge after 11pm (Caretaker fee)			**Cost**	**plus VAT**
Call out recharges			**Cost**	**plus VAT**
Additional Cleaning			**Cost**	**plus VAT**
Other Charges				
Activities (per hour)				
- Badminton per court	8.25	8.25	**8.50**	**inc VAT**
- Table Tennis per table	3.60	3.60	**3.70**	**inc VAT**
- Carpet Bowls per carpet	5.05	5.05	**5.20**	**inc VAT**
Hire of Equipment				
- Racquet (£2 dep)	2.05	2.05	**-**	
- Table Tennis Bat (£2 dep)	2.05	2.05	**-**	
- Booking Fee**	5.00	5.00	**5.20**	
- Amendment Fee	3.00	3.00	**3.10**	
- PRS	Cost + 50%	Cost + 50%	**Cost + 50%**	
Sale of Equipment	Cost + 35%	Cost + 35%	**-**	

*Service charge will be levied for all bookings who opt not to key hold
** Not applicable to sports bookings which includes table tennis and bowls

LEISURE, SPORT & CULTURE- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **COMMONS & RECREATION GROUNDS**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
COMMONS (DHR)				
- Jockey Room (per function)	51.50	53.10	**-**	
- Assisted Access onto the Commons in connection with a specific event.	47.60	49.00	**-**	
- Impounding of Horses on City Commons	Contract Price + 15%		**Contract Price + 15%**	**plus VAT**
RECREATION GROUNDS (DCE)				
- Bowls (per person, per hour)				
Adult	2.25	2.30	**-**	**inc VAT**
Concession*	1.15	-	**-**	**inc VAT**
Additional half hour	50% of Hourly Rate		**-**	
Matches (per rink used)	9.30	9.60	**-**	**inc VAT**
W.Comm/B.Park b.c.	1,668.60	1,718.70	**-**	**inc VAT**
Extra usage	141.10	145.30	**-**	**inc VAT**
- Cricket, pitch and accommodation				
Weekend match				
Adult teams	31.40	32.30	**33.30**	**inc VAT**
Youth teams	18.00	18.50	**19.10**	**inc VAT**
Weekday match (evening)				
Adult teams	21.20	21.80	**22.50**	**inc VAT**
Youth teams	15.10	15.60	**16.10**	**inc VAT**
- Putting (per round)				
Adult	1.60	1.70	**-**	
- Rounders (Per pitch Per match)	11.00	11.00	**Cost**	**plus VAT**
- Tennis Court (per hour)*				
Adult	5.10	5.30	**-**	
Additional half hour	50% of Hourly Rate		**50% of Hourly Rate**	

*** Tennis Courts at West Common are free**

LEISURE, SPORT & CULTURE- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **RECREATION GROUNDS (DCE) cont.**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
RECREATION GROUNDS				
- Football (per pitch)				
Per game with attended changing facilities				
Adult teams	49.50	51.00	**52.50**	**inc VAT**
Youth teams	24.80	25.50	**26.30**	**inc VAT**
Junior Pitches (10-14 Years)	20.40	21.00	**21.60**	**inc VAT**
Mini Pitches (up to 10yr olds)	12.50	12.90	**13.30**	**inc VAT**
Per game for keyholders or limited changing facilities (Skellingthorpe Rd and King George's Field)				
Adult teams	38.00	39.10	**40.30**	**inc VAT**
Youth teams	19.10	19.70	**20.30**	**inc VAT**
Junior Pitches (10-14 Years)	15.70	16.20	**16.70**	**inc VAT**
Per season (16 Bookings**) with attended changing facilities				
Adult teams	356.40	367.10	**378.10**	
Youth teams	169.90	175.00	**180.25**	
Junior Pitches (10-14 Years)	127.30	131.10	**135.00**	
Mini Pitches (up to 10yr olds)	90.10	92.80	**95.60**	
Per season (16 Bookings*) with attended changing facilities (Skellingthorpe Rd and King George's Field)				
Adult teams	274.20	282.40	**290.90**	
Youth teams	130.80	134.70	**138.70**	
Junior Pitches (10-14 Years)	98.20	101.20	**104.20**	
Mini Pitches (up to 10yr olds)	59.50	59.50	**61.30**	
Additional Cleaning			**Cost**	**plus VAT**
- Grass training fees with no attendant or changing facilities (per group, per hour)				
Adult teams	10.90	11.20	**11.50**	**inc VAT**
Youth teams	6.60	6.80	**7.00**	**inc VAT**
- Adults 5-A-Side Area (per hour)				
Football, Netball, Basketball	11.00	11.30	**-**	**inc VAT**
Floodlights	3.70	3.80	**-**	**inc VAT**
- Youth/Off Peak 5-A-Side Areas (per hour)				
Football, Netball, Basketball	7.60	7.80	**-**	**inc VAT**
Floodlights	3.70	3.80	**-**	**inc VAT**
- Tennis Equipment				
Tennis Racquet Hire per session	2.10	2.20	**-**	
Deposit per Raquet	2.20	2.30	**-**	
Tennis Balls for sale	Cost + 50%	Cost + 50%		

***Assuming Block booking applies (If block booking does not apply VAT will be added)**

LEISURE, SPORT & CULTURE- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CREATIVE INDUSTRIES MANAGED WORKSPACE (THE TERRACE)**

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
Conference / Meeting Room				
Tenants (Inc Post Box Holders) - **SEE FOOTNOTE BELOW**				
Per Hour	15.00	15.00	**15.00**	**excl VAT**
Per ½ Day	45.00	45.00	**45.00**	**excl VAT**
Per Day	80.00	80.00	**80.00**	**excl VAT**
Non Tenants				
Per Hour	30.00	30.00	**30.00**	**excl VAT**
Per ½ Day	90.00	90.00	**90.00**	**excl VAT**
Per Day	160.00	160.00	**160.00**	**excl VAT**
Projector/Lap Top available at additional cost of £5 per hour or £25 per day				
Faxing (Per Page)				
Inward / Outward	0.45	0.45	**0.45**	**excl VAT**
Overseas	0.90	0.90	**0.90**	**excl VAT**
- Laminating				
A4 (Per Sheet)	1.30	1.30	**1.30**	**excl VAT**
A3 (Per Sheet)	2.15	2.15	**2.15**	**excl VAT**
Photocopying (Per Sheet)				
A4 Paper	0.08	0.08	**0.08**	**excl VAT**
A3 Paper	0.13	0.13	**0.13**	**excl VAT**
A4 Paper - Coloured	0.42	0.42	**0.42**	**excl VAT**
A3 Paper - Coloured	0.83	0.83	**0.83**	**excl VAT**
Bulk Copying (50+)				
Own Paper	0.04	0.04	**0.04**	**excl VAT**
Telephone Answering Service				
Monthly Rate	14.50	20.00	**20.00**	**excl VAT**
Price is based on a calendar month and is exclusive to VAT.				
- Virtual Mailbox				
Annual	285.00	295.00	**295.00**	**excl VAT**
Replacement keys				
Unit Key				
Security Access Key	11.00	11.50	**11.50**	**excl VAT**

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PARKING SERVICES - FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CAR PARKS (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	**CURRENT 2017/18 £**	**PROPOSED 2018/19 £**	
- Lucy Tower Street				
1 hour	1.60	1.60	**1.60**	**inc VAT**
2 hours	2.80	3.00	**3.20**	**inc VAT**
3 hours	4.50	4.50	**4.50**	**inc VAT**
4 hours	5.00	5.50	**6.00**	**inc VAT**
Over 4 hours and up to 8am next day	7.50	7.80	**8.00**	**inc VAT**
Evening Charge	3.00	3.20	**3.50**	**inc VAT**
- City Hall (Season Tickets Prohibited)				
1 hour	1.60	1.60	**1.60**	**inc VAT**
2 hours	2.80	3.00	**3.20**	**inc VAT**
3 hours	4.50	4.50	**4.50**	**inc VAT**
4 hours	5.00	5.50	**6.00**	**inc VAT**
Over 4 hours and up to 8am next day	7.50	7.80	**8.00**	**inc VAT**
Evening Charge	2.60	2.80	**3.00**	**inc VAT**
- Motherby Lane (Season Tickets Prohibited)				
1 hour	1.60	1.60	**1.60**	**inc VAT**
2 hours	2.80	3.00	**3.20**	**inc VAT**
3 hours	4.50	4.50	**4.50**	**inc VAT**
4 hours	5.00	5.50	**6.00**	**inc VAT**
Over 4 hours and up to 8am next day	7.50	7.80	**8.00**	**inc VAT**
Evening Charge	2.60	2.80	**3.00**	**inc VAT**
- Flaxengate				
1 hour	1.60	1.60	**1.60**	**inc VAT**
2 hours	2.80	3.00	**3.20**	**inc VAT**
3 hours	4.50	4.50	**4.50**	**inc VAT**
4 hours	5.00	5.50	**6.00**	**inc VAT**
Over 4 hours and up to 8am next day	7.50	7.80	**8.00**	**inc VAT**
Evening Charge	2.60	2.80	**3.00**	**inc VAT**
- Tentercroft Street				
1 hour	1.60	1.60	**1.60**	**inc VAT**
2 hours	2.80	3.00	**3.20**	**inc VAT**
3 hours	4.50	4.50	**4.50**	**inc VAT**
4 hours	5.00	5.50	**6.00**	**inc VAT**
Over 4 hours and up to 8am next day	7.50	7.80	**8.00**	**inc VAT**
Lorries/Coaches	8.50	-	**-**	**inc VAT**
Evening Charge	2.60	2.80	**3.00**	**inc VAT**
- Lincoln Central Car Park				
1 hour		1.60	**1.60**	**inc VAT**
2 hours		3.00	**3.20**	**inc VAT**
3 hours		4.50	**4.50**	**inc VAT**
4 hours		5.50	**6.00**	**inc VAT**
Over 4 hours and up to 8am next day		7.80	**8.00**	**inc VAT**
Evening Charge		3.20	**3.50**	**inc VAT**

PARKING SERVICES - FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CAR PARKS (DCE) cont.**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	**CURRENT 2017/18 £**	**PROPOSED 2018/19 £**	
- Castle (Season Tickets Prohibited)				
1 hour	1.60	1.60	**1.60**	**inc VAT**
2 hours	2.60	2.80	**2.80**	**inc VAT**
3 hours	4.50	4.50	**4.50**	**inc VAT**
4 hours	5.50	5.60	**5.80**	**inc VAT**
Over 4 hours and up to 8am next day	7.50	8.00	**8.50**	**inc VAT**
Evening Charge	2.60	2.60	**2.80**	**inc VAT**
- Westgate (Season Tickets Prohibited)				
1 hour	1.60	1.60	**1.60**	**inc VAT**
2 hours	2.60	2.60	**2.80**	**inc VAT**
3 hours	4.50	4.50	**4.50**	**inc VAT**
4 hours	5.50	5.50	**5.80**	**inc VAT**
Over 4 hours and up to 8am next day	7.50	7.50	**8.50**	**inc VAT**
Evening Charge	2.60	2.60	**2.80**	**inc VAT**
- The Lawn Complex				
1 hour	1.60	1.60	**1.60**	**inc VAT**
2 hours	2.60	2.80	**2.80**	**inc VAT**
3 hours	4.50	4.50	**4.50**	**inc VAT**
4 hours	5.50	5.60	**5.80**	**inc VAT**
Over 4 hours and up to 8am next day	7.50	8.00	**8.50**	**inc VAT**
Evening Charge	2.60	2.60	**2.80**	**inc VAT**
- Langworthgate				
1 hour	1.60	1.60	**1.60**	**inc VAT**
2 hours	2.60	2.80	**2.80**	**inc VAT**
3 hours	4.50	4.50	**4.50**	**inc VAT**
4 hours	5.50	5.60	**5.80**	**inc VAT**
Over 4 hours and up to 8am next day	7.50	8.00	**8.50**	**inc VAT**
Evening Charge	2.60	2.60	**2.80**	**inc VAT**
- St Pauls (Season Tickets Prohibited)				
1 hour	1.60	1.60	**1.60**	**inc VAT**
2 hours	2.60	2.80	**2.80**	**inc VAT**
3 hours	4.50	4.50	**4.50**	**inc VAT**
Evening Charge	2.60	2.60	**2.80**	**inc VAT**
- Broadgate				
1 hour	1.00	1.20	**1.30**	**inc VAT**
2 hours	2.00	2.20	**2.40**	**inc VAT**
3 hours	3.00	3.50	**3.60**	**inc VAT**
Over 4 hours and up to 8am next day	4.50	5.00	**5.00**	**inc VAT**
Evening Charge	2.50	2.00	**2.50**	**inc VAT**
- Chaplin Street				
1 hour	1.00	1.20	**1.30**	**inc VAT**
2 hours	2.00	2.20	**2.40**	**inc VAT**
3 hours	3.00	3.50	**3.60**	**inc VAT**
Over 4 hours and up to 8am next day	4.50	5.00	**5.00**	**inc VAT**
Evening Charge	2.50	2.00	**2.50**	**inc VAT**
- Rosemary Lane (Season Tickets Prohibited)				
1 hour	1.00	1.20	**1.30**	**inc VAT**
2 hours	2.00	2.20	**2.40**	**inc VAT**
3 hours	3.00	3.50	**3.60**	**inc VAT**
Over 4 hours and up to 8am next day	4.50	5.00	**5.00**	**inc VAT**
Evening Charge	2.50	2.00	**2.50**	**inc VAT**
- Weekend/Bank Holiday				
(new rates for Saturday / Sunday and Bank Holidays at Broadgate, Rosemary Lane, County Offices, Lincoln College & Waterside North Car Parks)				
Up to 2 Hours	2.20	2.20	**2.40**	**inc VAT**
24 hours	3.00	3.00	**3.30**	**inc VAT**
Evening Charge	2.50	2.50	**2.50**	**inc VAT**

PARKING SERVICES - FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CAR PARKS (DCE) cont.**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
OTHER				
- Car Park Evening Permit	80.00	85.00	**90.00**	**inc VAT**
- 7 Day Scratch Cards	39.00	40.00	**41.50**	**inc VAT**
- Evening Scratch Card (All sites)	15.00	15.00	**20.00**	**inc VAT**
- Hampton/Hermit Street Compound	125.00	128.80	**135.00**	**inc VAT**
- Motorcycle parking where available	2.20	2.20	**2.20**	**inc VAT**

Additional Information:

Display of eligible Blue Badges will allow the following extra time:

1 hour paid	**1 extra hour**	**(2 hours parking)**
2 hours paid	**2 extra hours**	**(4 hours parking)**
3 hours paid	**3 extra hours**	**(6 hours parking)**
4 hours paid	**All Day**	
24 hours paid	**To end of day o**	

Special Offer Tariffs

SAVVY SHOPPER
(Applicable to Tentercroft Street Car Park) £2.50 after 3pm for 3 hours parking, plus free evenings to 8am

SCHOOL'S OUT
(Rosemary Lane Only) £2.80 all day during the months of July and August

PARKING SERVICES - FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CAR PARKS (DCE) cont.**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
OTHER				
- Season Tickets and Excess Charge Notices				
Annual (Valid for Broadgate, Lawn, King/Chaplin St/Langworthgate)				
Monday to Sunday	875.50	901.80	**928.90**	**inc VAT**
Monthly (Valid for Broadgate, Lawn, King/Chaplin St, Langworthgate)				
Monday to Sunday	74.00	76.20	**78.50**	**inc VAT**
Annual Premium Rate (Tentercroft St/Lucy Tower/Lincoln Central - max of 60 Annual/Monthly issued)				
Monday to Sunday	1,112.00	1,145.40	**1,179.80**	**inc VAT**
Monthly Premium Rate (Tentercroft St/Lucy Tower/Lincoln Central - max of 60 Annual/Monthly issued)				
Monday to Sunday	96.00	98.90	**101.90**	**inc VAT**
Lucy Tower St Long Stay Corporate User				
City Council staff (60 max)	806.00	830.20	**855.10**	**inc VAT**
County Council staff (40 max)	806.00	830.20	**855.10**	**inc VAT**
The Lawn (not inter-changeable with Broadgate etc)				
Monday to Sunday	660.00	679.80	**-**	**inc VAT**
Corporate User, 100+ tickets	(Monday to Sunday)			
Broadgate, King St/Chaplin St, Langworthgate and City Council staff				
	660.00	679.80	**700.20**	**inc VAT**
Admin Charge on Refunds	15.00	15.00	**15.00**	**inc VAT**
Replacement of Lost/Stolen Tkts	10.00	10.00	**10.00**	**inc VAT**
- Higher rate PCN contravention	70.00	70.00	**70.00**	**inc VAT**
- Higher rate PCN contravention - Discount	35.00	35.00	**35.00**	**inc VAT**
- Lower rate PCN contravention	50.00	50.00	**50.00**	**inc VAT**
- Lower rate PCN contravention - Discount	25.00	25.00	**25.00**	**inc VAT**

Discount only applies if PCN is paid within 14 days

SPECIAL OFFER
Part time staff, special offer via Lincoln BIG/Lincoln College - Bulk Scratch cards at pro rata season ticket rate

PARKING SERVICES - FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **BUS STATION, RESIDENTS PARKING (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
CITY BUS STATION				
- Departure Fees :				
Notified timetable departures				
Departures over 100,000	0.56	0.57	**0.74**	**inc VAT**
Departures under 100,000	0.56	0.59	**0.74**	**inc VAT**
- Layover Bay Per Bay Per Quarter :	860.00	860.00	**981.30**	**inc VAT**
RESIDENTS PARKING SCHEMES				
- Private Residents				
1st permit	26.00	26.00	**26.00**	*
2nd permits	52.00	52.00	**52.00**	*
3rd permits			**60.00**	
- Houses in Multiple Occupation (HIMO)				
max. of 3 per dwelling (each)	52.00	52.00	**52.00**	*
- Residents Parking Concessions #				
permit (each)	No Charge	No Charge	No Charge	
- Business Permits				
max. of 1 per business (only issued to businesses in the residents parking zones with no off-street parking)	52.00	52.00	**52.00**	*
- Daily Visitor Permits				
per 10	17.00	17.00	**17.00**	*
- Replacement Permits				
Change of vehicle registration	5.00	5.00	**5.00**	*
Damaged or lost	5.00	5.00	**5.00**	*
- Emissions Permit				
Low Emissions 1st Permit	13.00	13.00	**13.00**	
Low Emissions Subsequent Permit	26.00	26.00	**26.00**	
- Administration Charge on Refunds	5.00	5.00	**5.00**	

*** There is a £5.00 Admin Charge on Permits that are Issued in Reception and not by Post**

Concessions apply to :
- **persons in receipt of income support / pension credit, JSA & ESA**
- **blue badge holders**

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PLANNING SERVICES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **TOWN PLANNING & CONSERVATION (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
Research and Supply of Information/Questions and Answers (per item)	40.00	41.20	**42.00**	**inc VAT**
Copies of Approvals, Permissions and associated documents (per item)	-	-	**-**	**inc VAT**
Copies of Approvals, Permissions and associated documents (per item and not electronic)				
Microfiche	12.50	12.50	**12.50**	**inc VAT**
Standard Copy	4.50	4.50	**4.50**	**plus VAT**
Visit to site to check buildings erected in accordance with Permission				
- minimum charge	84.50	87.05	**90.00**	**inc VAT**
- or per property	23.70	24.40	**25.00**	**inc VAT**
Checking compliance with planning permission and/or legal agreement				
- minimum charge			**68.50**	**inc VAT**
- or per property			**17.50**	**inc VAT**
Advertisements erected in accordance with Advertisement Consent	43.30	44.60	**46.00**	**inc VAT**
Supply of Technical Information/Site visit reports	Cost+25%	Cost+25%	**Cost+25%**	**inc VAT**
Photocopies (per A4 sheet)	1.80	1.85	**1.90**	
Copies of Plans				
A4	1.80	1.85	**1.90**	
A3	3.50	3.60	**3.70**	
A2	9.00	9.30	**9.60**	
A1	9.00	9.30	**9.60**	
A0	9.00	9.30	**9.60**	
Document & Advice notes	Cost+25%	Cost+25%	**Cost+25%**	

Planning App fees are incorporated within a schedule provided by Central Government in accordance with the Town & Country Planning (Fees for Applications & Deemed Applications) (Amendment) Regulations 1993

PLANNING SERVICES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **PRE-APPLICATION PLANNING ADVICE (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £		
Development -					
Householder development including alterations, extensions and outbuildings	75.00	77.30	**80.00**		**inc VAT**
Non residential changes of use including siting of caravans for sites under 1ha or buildings of 1,000 sq M or above (gross)	155.00	159.70	**165.00**		**inc VAT**
Non residential changes of use including siting of caravans for sites of 1ha or above or buildings of 1,000 sq M or above (gross)	310.00	319.30	**329.00**		**inc VAT**
Development of 1-9 Dwellings including changes of use to residential					
- First Dwelling	185.00	190.60	**196.00**		**inc VAT**
- Additional Dwelling	125.00	128.80	**133.00**		**inc VAT**
Development of 10-49 Dwellings including changes of use to residential					
- Tenth Dwelling	1,236.00	1,273.10	**1,310.00**		**inc VAT**
- Additional Dwelling	62.00	63.90	**66.00**		**inc VAT**
Development of 50 or more dwellings *****	3,710.00	3,821.30	**3,936.00**	*	**inc VAT**
Non-residential development where no floor space is created	75.00	77.30	**80.00**		**inc VAT**
Non-residential development up to 499sq. M floor area, or 0.5 ha site area	155.00	159.70	**165.00**		**inc VAT**
Non-residential development between 500sq. M and 999sq. M floor area, or between 0.51 ha and 1.0 ha					
- 500 Sq. M or 0.51 ha	185.00	190.60	**196.00**		**inc VAT**
- Additional 100 Sq. M or 0.1 ha	125.00	128.80	**133.00**		**inc VAT**
Non-residential development between 1000sq. M and 4,999sq. M floor area, or between 1.1 ha and 2.0 ha					
- 1000 Sq. M or 1.11 ha	805.00	829.20	**854.00**		**inc VAT**
- Additional 100 Sq. M or 0.1 ha	62.00	63.90	**66.00**		**inc VAT**
Non-residential development of 5,000sq. M or more, or 2.1 ha or more **	3,275.00	3,373.30	**3,475.00**	**	**inc VAT**

PLANNING SERVICES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **PRE-APPLICATION PLANNING ADVICE CONT. (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
Development (cont) -				
- Variation or removal of condition	75.00	77.30	**80.00**	**inc VAT**
- Advertisments	75.00	77.30	**80.00**	**inc VAT**
- Conservation Area Consent	75.00	77.30	**80.00**	**inc VAT**
- Non-householder listed building consent	155.00	159.70	**165.00**	**inc VAT**
- Hazardous Substances	155.00	159.70	**165.00**	**inc VAT**
- Demolition of buildings			**127.20**	**inc VAT**
- Search and Copies of Documents			**63.60**	**inc VAT**

*** Minimum Fee of £3600 (inc VAT) with additional fee subject to negotiation dependant on complexity of proposal**
**** Minimum Fee of £1650 with additional fee subject to negotiation dependant on complexity of proposal**

PLANNING SERVICES- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **LAND CHARGES , STREET NAMING AND NUMBERING (DCE)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
Local Authority Land Charges				
- Standard Search Fees				
LLC1 only	13.00	13.00	**16.00**	
Con.29R	99.60	99.60	**105.00**	**inc VAT**
- Con. 29R individual questions				
Planning - questions 3.1, 3.5, 3.9, 3.10 & 3.11 (p/q)	2.40	2.50	**2.70**	**inc VAT**
Environmental Health - question 3.7	4.20	4.30	**4.50**	**inc VAT**
Environmental Health - question 3.12	2.40	2.50	**2.70**	**inc VAT**
Housing - question 3.7	4.20	4.30	**4.50**	**inc VAT**
Building Control - question 1.1	12.00	12.30	**12.80**	**inc VAT**
Building Control - question 3.3	3.00	3.10	**3.30**	**inc VAT**
Building Control - question 3.7	4.20	4.30	**4.50**	**inc VAT**
Building Control - question 3.8	3.00	3.10	**3.30**	**inc VAT**
- Part II enquiries	19.20	19.60	**20.30**	**inc VAT**
- Solicitors own enquiries	19.20	19.60	**20.30**	**inc VAT**
- Extra parcel of land	19.20	19.60	**20.30**	**inc VAT**
- Personal Search (Statutory)				

These fees were excluding VAT last year however new guidelines from HMRC have been issued which means VAT must be charged on all except LLC1 fees, therefore the fees above (excluding LLC1 only) will now be subject to VAT at 20%.

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £	
Street Naming and Numbering				
Issue/Change of House Name		10.00	**12.00**	
- New Build 1-10 Plots/Flats		50.00	**-**	
- New Build 11-50 Plots/Flats		75.00	**-**	
- New Build 51-100 Plots/Flats		100.00	**-**	
- New Build over100 Plots/Flats		150.00	**-**	
- Application Fee			**40.00**	
- Per Plot			**10.00**	

REGENERATION & TOURISM- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CENTRAL MARKET , CORNHILL AND CITY SQUARE**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
CENTRAL MARKET			
Daily Lettings	22.00	22.70	**23.40**
TEMPORARY MARKETS :			
- Charitable organisations	No Charge	No Charge	**No Charge**
- Professional traders (per stall)	5.00	10.00	**10.30**
PROMOTIONS :			
- Advertising on Council Assets	Dependant on Size, Location etc.		**Price on Application**
MARKET LICENSE CHARGES			
Commercial Food			
-Per Stall		15.00	**15.50**
- Per Table / Car Boot		7.50	**7.70**
Commercial Retail Goods			
-Per Stall		10.00	**10.30**
- Per Table / Car Boot		5.00	**5.20**
Craft items/home made goods			
-Per Stall		5.00	**5.20**
- Per Table / Car Boot		2.50	**2.60**
Second Hand Goods			
-Per Stall		5.00	**5.20**
- Per Table / Car Boot		2.50	**2.60**
Charitable/fundraising Markets			
-Per Stall		0.50	**0.50**
- Per Table / Car Boot		0.25	**0.30**
School			
-Per Stall		-	**-**
- Per Table / Car Boot		-	**-**
Car Boot			
- Per Table / Car Boot		2.00	**2.10**

Per Stall (up to 8 m^2
Per Table/Car boot (up to 2 m^2)

REGENERATION & TOURISM- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CHRISTMAS MARKET**

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19
COACH FEES			
Up to 15 Seats			
All Day		Use Park & Ride	**Use Park & Ride**
Departure during 16:00 - 18:00			
16-30 Seats - Early Bird Advanc	62.00	64.00	**65.90**
16-30 Seats - Advanced	64.00	66.00	**68.00**
16-30 Seats - On the day	128.00	132.00	**136.00**
31-45 Seats - Early Bird Advanc	83.00	85.00	**87.60**
31-45 Seats - Advanced	86.00	87.00	**87.00**
31-45 Seats - On the day	170.00	175.00	**180.30**
45+ Seats - Early Bird Advance	103.00	106.00	**109.20**
45+ Seats - Advanced	106.00	109.00	**112.30**
45+ Seats - On the day	212.00	218.00	**224.50**
Departure outside of 16:00 - 18:00			
16-30 Seats - Early Bird Advanc	47.00	48.00	**49.40**
16-30 Seats - Advanced	49.00	50.00	**51.50**
16-30 Seats - On the day	128.00	132.00	**136.00**
31-45 Seats - Early Bird Advanc	67.00	69.00	**71.10**
31-45 Seats - Advanced	69.00	71.00	**73.10**
31-45 Seats - On the day	169.00	175.00	**180.30**
45+ Seats - Early Bird Advance	88.00	91.00	**93.70**
45+ Seats - Advanced	91.00	94.00	**96.80**
45+ Seats - On the day	212.00	218.00	**224.50**

Loyalty increased booking discount
There will be a discount of 50% on the first additional coach a customer brings above those they brought to the 2016 event if they are an existing customer and book before
30th November 2017.

Early Bird Advanced Booking Discount
This is only available if booked before **30th September** 2017.

Advance Booking
Advance bookings would continue to be accepted up until midnight on the 30th November.

Coaches that make a booking from the **30th November** will be charged at the full rate - the same as on the day coaches.

Christmas Market Dates: Thursday 6th - Sunday 9th December 2017.

All dates shown in green are provisional

REGENERATION & TOURISM- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CHRISTMAS MARKET**

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19
STALL HOLDER INCOME			
Stall Income			
Castle Square	1,510.00	1,664.00	**1,713.90**
Food Court	-	-	**-**
Castle Grounds	1,646.00	1,814.00	**1,868.40**
The Lawn (Outdoor)	1,234.00	1,360.00	**1,400.80**
Christmas Bazaar	1,302.00	1,434.00	**1,477.00**
Christmas Pantry	1,302.00	1,434.00	**1,477.00**
Westgate (Outdoor)	1,234.00	1,360.00	**1,400.80**
Westgate Marquees	1,302.00	1,434.00	**1,477.00**
Perfect Presents	1,510.00	1,664.00	**1,713.90**
Eastgate	-	-	**-**
Additional Sq Metre	188.00	207.00	**213.20**
Corner Plot Premium	Plus 25% of Stall Rent		**Plus 25%**
Backup Storage Spaces			
Per Sq Metre	78.00	86.00	**88.60**
Additional Socket Outlets			
13 AMP Socket	78.00	86.00	**88.60**
16 AMP Socket	78.00	86.00	**88.60**
32 AMP Socket	117.00	129.00	**132.90**
Surcharge on Food Traders			
Catering 1	Plus 50% of Stall Fee		**Plus 50%**
Catering 2	Plus 100% of Stall Fee		**Plus 100%**
Alcohol Levy Band 1			
(Baileys in Hot Chocolate/Charit	300.00	330.00	**339.90**
Alcohol Levy Band 2			
(Hard Alcohol)	600.00	661.00	**680.80**
Discounts (Only taken off basic stall fee)			
Charity Discount (%)	50%	50%	**50%**
Non UK Stallholders	200.00	200.00	**206.00**
Craft/Fairtrade Discount	100.00	100.00	**103.00**
Local Traders - Within Lincoln B	200.00	200.00	**206.00**
Local Traders - Within Lincolnsh	150.00	150.00	**154.50**
Stall Holder Vehicle Parking at Designated Areas			
Per Vehicle	127.00	140.00	**144.20**

REGENERATION & TOURISM- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **CHRISTMAS MARKET**

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19
PARK AND RIDE			
Pre Booking Online	12.00	12.00	**12.00**
None Pre Booked			
Thursday	13.00	13.00	**13.00**
Friday	13.00	14.00	**14.00**
Saturday	15.00	15.00	**15.00**
Sunday	14.00	14.00	**14.00**
Mini Bus	25.00	25.00	**25.00**

SOCIAL INCLUSION- FEES AND CHARGES WEF 01/04/2018 - 31/03/2019

SERVICE : **HOUSING BENEFIT (CX)**
NOT SUBJECT TO VAT UNLESS STATED IN END COLUMN

	PREVIOUS 2016/17 £	CURRENT 2017/18 £	PROPOSED 2018/19 £
OTHER			
- Housing Benefit Landlord Enquiry per year	144.00	149.00	**153.50**

Public Document Pack

Budget Review Group (7 February 2018)

Present: Councillor Gary Hewson (Chair), Councillor Tony Speakman (Vice-Chair), Councillor Kathleen Brothwell, Councillor Bob Bushell, Councillor Thomas Dyer, Councillor Ronald Hills, Councillor Jackie Kirk and Councillor Jane Loffhagen (substitute)

Councillor Ric Metcalfe was also in attendance

Apologies for Absence: Councillor Paul Gowen and Councillor Jim Hanrahan

1. Declarations of Interest

No declarations of interest were received.

2. Draft Medium Term Financial Strategy 2018-23

The Council's Chief Finance Officer:

(a) Presented the main objectives of the Budget Review Group, which were to examine the principles and planning process that underlie the proposed budget 2018/19, council tax and the Medium Term Financial Strategy 2018-23, with the aim of establishing at each stage that the budget:

- was clear, focused achievable, realistic and based on sound financial practices;
- had clear linkages with corporate plans that formed the Council's Policy Framework, establishing that they were identifiable and designed to support the Council's Vision 2020.

(b) Explained the income assumptions associated with the Medium Term Financial Strategy, which were noted as follows:

- Lincoln would be part of the 100% business rates retention pilot in 2018/19;
- growth of 1% per annum for 2019/20, increasing to 2% per annum from 2020/21 in business rates, although there would be an overall reduction in resources due to a business rates baseline reset in 2020/21;
- business rates increases being linked to the Consumer Price Index and uniform business rate;
- 75% devolution of business rates not yet being factored into the Medium Term Financial Strategy;
- phasing out of the Revenue Support Grant by 2020/21, in line with grant allocations;
- New Homes Bonus estimated on the basis of the new scheme, with national baseline growth assuming approximately 300 Band A and Band B new homes per year;

- investment returns being below 1% across the Medium Term Financial Strategy;
- fees and charges maintaining an average increase of 3.4% in 2018/19, with a 3% increase assumed thereafter.

(c) Explained the expenditure assumptions associated with the Medium Term Financial Strategy, which were noted as follows:

- 3.2% inflation for contractual commitments, based on the Retail Price Index;
- 2.2% for general inflation, based on the Consumer Price Index, in 2018/19, and 2% per annum thereafter;
- no inflation being applied on supplies and services budgets;
- 2% per annum provision for the staff pay award;
- A staff turnover assumption of 1% per annum;
- a capped increase of 1% per annum in 2018/19 to 2019/20 for employer pension contributions.

(d) Explained the following proposals in relation to council tax:

- the Government had increased the referendum limit to 3% for 2018/19 and 2019/20;
- the Medium Term Financial Strategy assumed an increase of 2.95% in 2018/19 and 2019/20, with a 1.9% increase thereafter. This was the equivalent of 10p per week for 80% of the city's residents;
- growth in the council tax base of 1.25% per annum with a 4% reduction in Localised Council Tax Support Scheme caseload in 2019/20.

The following points were raised following questions and answers during the Chief Finance Officer's presentation:

- actual receipt of business rates would continue to take place on a phased basis. The pilot included all of Lincolnshire's District Councils, Lincolnshire County Council and North Lincolnshire Council. The City Council's retention of business rates would therefore be shared with the County Council, with the City Council receiving 60% of the business rates collected in Lincoln and the County Council receiving 40%;
- the devolution of business rates to 100% still required Parliamentary approval but this had not been included in the Queen's speech following the Parliamentary General Election, hence the Secretary of State's announcement in the local government finance settlement of the move to 75% retention, which did not require Parliamentary approval;
- current assumptions in relation to interest rates were based on advice received by the Council's Treasury Management Advisors, taking into account the Council's investments and the current market;

- the expected yield from the asset rationalisation project associated with car parks was 5.5% and would show as property income in the Medium Term Financial Strategy.

The Chief Finance Officer presented answers to a number of questions that had been asked by members in advance of the meeting, as follows:

Question
"Are there any large capital projects (including Western Growth Corridor) which may lead to increased revenue expenditure in 2018/19 and subsequent years?"

Answer
All new capital projects would go through a rigorous review process via the Council's Strategic Plan Implementation Group to enable them to be added to the capital programme. This review would include a financial assessment which identified both the capital funding but also any revenue implications, both in the interim and ongoing over the life of the new asset. This would be signed off by the Chief Finance Officer prior to Executive approval.

A question was raised as to whether any lessons had been learnt with regard to the new bus station. It was acknowledged that the new bus station was not a like-for-like facility both in terms of its exact site or specification to that of the previous bus station, so should have been considered as a new scheme and have been assessed accordingly.

Further to asking whether the Chief Finance Officer was confident that the Strategic Plan Implementation Group would pick up everything that it needed to, the Chief Finance Officer confirmed that he was confident, unless any assumptions considerably changed.

A further question was asked in relation to significant projects such as the Western Growth Corridor, as it was not clear where expenditure in relation to the scheme appeared in the budget and Medium Term Financial Strategy. The Chief Finance Officer confirmed that this expenditure would be set out in the revenue budget but reminded members that no capital funding had yet been committed to the Western Growth Corridor, which would go through the review process highlighted above at the relevant time should a capital scheme go ahead.

Question
"What is the expected change in revenues from 2017/18 to 2018/19?"

Answer
Changes in retained business rates, revenue support grant and council tax for 2017/18, 2018/19 and the percentage change were outlined in the presentation by the Chief Finance Officer. The total was noted as being £12,814,970 in 2018/19 compared to £11,627,100 in 2017/18.

Question
"Please outline a financial statement of the Council's dependencies on Lincolnshire County Council for the authority's functions."

Answer

- Disabled Facilities Grant of £300,000 via the Better Care Fund;
- concessionary fares administration totalling £63,000;
- Bud Robinson Community Centre via a Surestart Agreement, totalling £24,000;
- Property rentals of £11,000.

Question
"Please outline the total revenue expenditure for the general fund per year, analysed by cost element."

Answer
The total revenue expenditure for the general fund per year, for the length of the Medium Term Financial Strategy, analysed by employees, premises, transport, supplies and services, support services and capital charges were set out in the presentation by the Chief Finance Officer.

A question was raised as to why there was a significant drop under the service and supplies heading from 2018/19, which totalled £7,399,580, compared to £5,711,550 in 2019/20 and similar amounts for subsequent years. It was noted that reserve entries were included within these figures and the amount of 2018/19 included £1 million for the business rates retention pilot. £600,000 of this would be used as part of the business rates baseline reset in 2020/21, with the remaining £400,000 being retained.

Question
"Please outline the total revenue expenditure for the housing revenue account per year, analysed by cost element".

Answer
The total revenue expenditure for the housing revenue account per year, for the length of the Medium Term Financial Strategy, analysed by employees, premises, transport, supplies and services, third party payments, transfer payments, support services and capital charges were outlined in the presentation by the Chief Finance Officer.

In questioning the repairs service account and any underspends associated with this as a result of increased efficiencies, clarification was sought as to whether this element was captured within the Medium Term Financial Strategy.
It was noted that the Medium Term Financial Strategy, in respect of the repairs service, was based on the current basis of delivery and that no object reductions had been included, other than those based on the assumptions and inflation levels as highlighted above.

Question
"Please outline the cost of senior management, including Directors and Assistant Directors, as a percentage of total revenue expenditure."

Answer
This information was provided by the Chief Finance Officer as part of his presentation for each year of the Medium Term Financial Strategy, both in respect of the general fund and the housing revenue account.

Question
“Please outline the full time equivalent establishment numbers by year by Directorate.”

Answer
A full breakdown for each Directorate for each year of the Medium Term Financial Strategy was provided as part of the Chief Finance Officer’s presentation.

A question was raised as to when vacancies would be filled and where funding was being held for vacant posts. It was noted that it was the intention to fill vacant posts, with the majority of vacant posts classed as ‘holding vacancies’ being held pending restructures. The vacancies currently on the establishment were within the Council’s 1% turnover assumption and it was emphasised that there would always be vacancies on the Council’s establishment, with a range of explanations as to why they were there or why they were being held.

Question
“Please outline the vacancy percentage applied in the Medium Term Financial Strategy by year.”

Answer
The vacancy percentage over the length of the Medium Term Financial Strategy for each year was set out in the Chief Finance Officer’s presentation, based on the 1% turnover assumption. He agreed to circulate the actual turnover percentage to all members of the Budget Review Group for the previous year.

Question
“Please explain the basis for showing expenditure without central support services.”

Answer
The Chief Finance Officer circulated a handout from the Chartered Institute of Public Finance and Accountancy which set out frequently asked questions regarding the reporting of corporate expenditure in the Council’s Comprehensive Income and Expenditure Statement. Question two of the handout clarified how ‘internal recharges’ for corporate expenditure should be treated.

The financial monitoring reports, accounts or Medium Term Financial Strategy, as per the Chartered Institute of Public Finance and Accountancy, were not required to include specific costs relating to recharges for indirect costs and associated overheads for central support services such as caretaking services, human resources and legal services, for example. A member expressed his concern about the integrity of the figures in this respect, particularly if wishing to calculate potential savings from a specific service area. It was noted that the Government still required a full breakdown of all expenditure, so the Council’s finance team undertook this as part of the Council’s return to Government. The Chief Finance Officer therefore gave an assurance that the Council did have a full understanding of all expenditure for all service areas, including central support services, but that this did not appear in the ledger as per the requirements of the Charted Institute of Public Finance and Accountancy.

The following points were noted as a result of any additional questions:

- the Towards Financial Sustainability Programme had been re-aligned and its three strands were:
  - commercialisation;
  - asset rationalisation;
  - shared services and savings.
- the £153,000 savings target for 2018/19 was expected to be achieved through asset rationalisation, investing in income generating assets and receiving a return for the Council;
- fees and charges for littering and dog fouling had not been increased due to these being statutorily set;
- the business rate retention pilot included a condition that, if the pilot made an overall net loss or had outstanding liabilities, this would be covered by all authorities in the pilot on a pro-rata basis. All modelling undertaken had showed that there would not be a loss and the pilot had a ‘no detriment’ clause which meant that all members would not receive less than would have been received under 50% retention.

RESOLVED that the draft Medium Term Financial Strategy 2018-23, 2018/19 budget and council tax proposals be noted and that the comments of this Group be referred to the Performance Scrutiny Committee and Executive prior to referral of the final budget proposals to the Council on 27 February 2018.

Item No. 7b

COUNCIL **27 FEBRUARY 2018**

SUBJECT:	**COUNCIL TAX 2018-19**
DIRECTORATE:	**CHIEF EXECUTIVE & TOWN CLERK**
LEAD OFFICER:	**ROBERT BAXTER, INTERIM CHIEF FINANCE OFFICER**

1. Purpose of Report

1.1 In light of the report on the Medium Term Financial Strategy, which appears elsewhere on this agenda, this report will set out the City Council's council tax requirement and, together with the requirements of the County Council and the Police & Crime Commissioner Lincolnshire, will allow Members to consider the overall levels of Council Tax for 2018/19.

2. City Council Requirement 2018/19

2.1 The net General Fund Budget requirement as set out in the Medium Term Financial Strategy report totals £14,276,460 which includes a contribution to balances of £288,360.

2.2 For 2018/19 a Council Tax increase of 2.95% has been applied.

2.3 The Council Tax requirement for 2018/19 is £6,393,490.

2.4 By reference to the Band D level, the 2018/19 Council Tax would rise by £7.65 to £267.03 per annum. The range of Council Taxes will be:

Band	**2017/18 Council Tax** £	**2018/19 Council Tax** £
A	172.92	178.02
B	201.74	207.69
C	230.56	237.36
D	**259.38**	**267.03**
E	317.02	326.37
F	374.66	385.71
G	432.30	445.05
H	518.76	534.06

3. Requirements of the Police & Crime Commissioner and the County Council

3.1 The County Council agreed their 2018/19 Council Tax requirements on the 23rd February 2018 and the Police & Crime Commissioner Lincolnshire agreed its increase on the 15th February. The County Council have agreed to a 4.95% increase, whereas the Police & Crime Commissioner have agreed an increase of 5.83%.

At Band D Council Tax level these are as follows: -

	£
Police & Crime Commissioner	217.44
Lincolnshire County Council	1,231.47

4. Total Council Tax 2018/19

4.1 The council tax requirements for all the authorities for 2018/19 is summarised as follows:

	£	% share
City of Lincoln Council	267.03	15.6%
Police & Crime Commissioner Lincolnshire	217.44	12.7%
Lincolnshire County Council	1,231.47	71.7%
Total Band D Charge	1,715.94	100%

This represents an overall increase of 4.74% for 18/19.

5. Organisational Impacts

5.1 Local authorities must decide, prior to the 11th March, each year how much they are going to raise from Council Tax.

5.2 The Local Government Finance Act 1992 sets out the legislative powers for each billing authority to levy and collect Council Tax which shall be payable in respect of dwellings situated in its area.

6. Formal Council Tax Recommendation 2018/19

6.1 That Council approve:

1. Acceptance of the 8th January 2018 Executive Committee recommendation that the Council Tax Base for 2018/19, as calculated in accordance with the Local Authorities (Calculation of Council tax Base) (England) Regulations 2012, to be 23,943.

2. That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992:

a) £106,585,210 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

b) £100,191,720 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

c) £6,393,490 being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31A (4) of the Act).

d)	£267.03	being the amount at 2(c) above (Item R), all divided by Item T (1 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
e)	£0	being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act
f)	£267.03	being the amount at 2c) above less the amount at 2e) above, all divided by the amount at 1 above, calculated by the Council in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year

g) **City of Lincoln Council**

A	**B**	**C**	**D**
£178.02	£207.69	£237.36	£267.03
E	**F**	**G**	**H**
£326.37	£385.71	£445.05	£534.06

being the amounts given by multiplying the amount at 2f) above by the number which, in proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular band divided by the number which in proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken for the year in respect of categories of dwellings listed in different bands.

3. That it be noted that for the year 2018/19 Lincolnshire County Council have stated the following amounts in precepts issued to the Council, in accordance with the dwelling bandings shown below:

Lincolnshire County Council

A	**B**	**C**	**D**
£820.98	£957.81	£1,094.64	£1,231.47
E	**F**	**G**	**H**
£1,505.13	£1,778.79	£2,052.45	£2,462.94

4. That it be noted that for the year 2018/19 Police & Crime Commissioner Lincolnshire have stated the following amounts in precepts issued to the Council, in accordance with the dwelling bandings shown below:

Police & Crime Commissioner Lincolnshire

A	**B**	**C**	**D**
£144.96	£169.12	£193.28	£217.44
E	**F**	**G**	**H**
£265.76	£314.08	£362.40	£434.88

5. That having calculated the aggregate in each case of the amounts at 2g, 3 and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following as the amounts of Council Tax for the year 2018/19 in accordance with the dwelling bandings shown below:

Total Council Tax Charge 2018/19

A	**B**	**C**	**D**
£1,143.96	£1,334.62	£1,525.28	£1,715.94
E	**F**	**G**	**H**
£2,097.26	£2,478.58	£2,859.90	£3,431.88

Key Decision	No
Do the Exempt Information Categories Apply	No
Call In and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
Does the report contain Appendices?	No
List of Background Papers:	None.
Lead Officer:	Robert Baxter, Interim Chief Finance Officer Telephone 873361

Item No. 7c

COUNCIL **27 FEBRUARY 2018**

SUBJECT:	**PRUDENTIAL INDICATORS 2017/18 – 2020/21AND TREASURY MANAGEMENT STRATEGY 2018/19**
DIRECTORATE:	**CHIEF EXECUTIVE'S DIRECTORATE**
REPORT AUTHOR:	**SARAH HARDY, GROUP ACCOUNTANT (TECHNICAL AND EXCHEQUER)**

1. Purpose of Report

1.1 The purpose of the report is to consider approving the adoption of the 15 statutory prudential indicators and 8 local indicators for the period 2017/18 to 2020/21 together with the 2018/19 Treasury Management Strategy alongside the Medium Term Financial Strategy 2018-23.

2. Executive Summary

2.1 The table below summarises the key prudential indicators which have been incorporated into the 2018/19 strategy. The projected capital expenditure will determine the capital financing or borrowing requirement, which will in turn determine the actual level of external borrowing taken and hence, cash balances available for investment. The figures are based on the final Medium Term Financial Strategy therefore the figures in this report are different to those presented to Audit Committee as those figures were based on the draft MTFS.

Key Prudential Indicators	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
Capital Expenditure*				
• General Fund	31,419	14,209	500	500
• HRA	15,204	25,805	14,529	11,386
• Total	**46,623**	**40,014**	**15,029**	**11,886**
Capital Financing Requirement				
• Non HRA	53,327	65,464	64,536	62,537
• HRA	58,503	58,503	58,503	58,503
• Total	**111,830**	**123,967**	**123,039**	**121,040**
Net Borrowing	**65,703**	**85,503**	**79,103**	**80,248**
External debt (borrowing only)	**81,661**	**100,445**	**100,208**	**99,247**
Investments**				
• Longer than one year	0	0	0	0
• Under one year	15,400	14,600	21,000	19,000
• Total	**15,400**	**14,600**	**21,000**	**19,000**

* Based on MTFS 2018-23.

2.2 The methodology employed for selecting investment counterparties is a multi-stage formula based creditworthiness methodology provided by the Council's treasury management advisors, Link Asset Services. The aim of the investment strategy is to generate a list of highly creditworthy counterparties, allowing the Council to maintain a diversified portfolio of investments which safeguards the cash balances whilst generating a reasonable rate of return. The Link methodology, which incorporates credit ratings, credit outlooks and watches and overlays credit default swaps as a measure of market risk, fully meets the aim of the strategy.

2.3 The Strategy for 2018/19 has been prepared taking into account changes in the Prudential Code and Treasury Management Code.

3. Background

3.1 This report covers the operation of the Council's prudential indicators, its treasury function and its likely activities for the forthcoming year. It incorporates four key Council reporting requirements:

- **Prudential and Treasury Indicators** – the reporting of the statutory prudential indicators together with local indicators, in accordance with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities and the CIPFA Treasury Management Code of Practice.
- **Minimum Revenue Provision (MRP) Statement** – the reporting of the MRP policy which sets out how the Council will pay for capital assets through revenue each year (as required by regulation under the Local Government 2003)
- **Treasury Management Strategy –** which sets out how the Council's treasury activity will support capital decisions, the day-to-day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the **Authorised Limit**, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Authorised Borrowing Limit required by s3 of the Local Government Act 2003 and is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code.
- **Investment Strategy –** this is included within the Treasury Management Strategy and sets out the criteria for choosing investment counterparties and limiting exposure to the risk of loss. It is reported annually (in accordance with Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance).

4. Treasury Management Requirements 2018/19

4.1 The Capital Prudential Indicators 2017/18 – 2020/21

4.1.1 The Council's capital expenditure plans are one of the key drivers of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and to produce prudential indicators. The Prudential Code requires the Council to approve as a minimum the statutory indicators and limits. This report revises the indicators for 2017/18 and details them for 2018/19 to 2020/21. An explanation and calculation of each Prudential Indicator is provided in **Appendix 1** and the key messages summarised in section 4.1.3.

4.1.2 **Capital Expenditure and Financing**

The Council's capital expenditure plans (as detailed in the MTFS 2018-23) are summarised below. Capital expenditure can be paid for immediately (by resources such as capital receipts, capital grants or revenue resources) but if these resources are insufficient, any residual capital expenditure will form a borrowing need. This can be supported by government grant for the repayment of debt (very limited support available) or can be unsupported (prudential borrowing) where the Council needs to identify the resources to finance and repay debt through its own budget.

Indicators 1&2	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Capital Expenditure				
General Fund	31,419	14,209	500	500
HRA (including New Build)	15,204	25,805	14,529	11,386
Total Expenditure	**46,623**	**40,014**	**15,029**	**11,886**
Financed by:				
Capital receipts	5,483	6,912	3,819	900
Capital grants & contributions	3,284	670	300	300
Depreciation (HRA only)	12,857	16,631	10,710	10,486
Revenue/Reserve Contributions	361	2,785	0	0
Borrowing need	**24,638**	**13,016**	**200**	**200**

4.1.3 **The Council's Borrowing Need - the Capital Financing Requirement (CFR)**

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either capital or revenue resources. It is essentially a measure of the Council's underlying borrowing need. Based on the capital expenditure plans in paragraph 4.1.2 the CFR for 2017/18 to 2020/21 is projected to be:

Indicators 3&4	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Capital Financing Requirement				
General Fund	53,327	65,464	64,536	62,537
HRA	58,503	58,503	58,503	58,503
Total CFR @ 31 March	111,830	123,967	123,039	121,040
Net movement in CFR	**23,154**	**12,137**	**(929)**	**(1,998)**
Actual debt (borrowing & other liabilities)	**81,661**	**100,445**	**100,208**	**99,247**

Net borrowing need for the year	24,638	13,016	200	200
Return of LAMS deposit	(1,000)	0	0	0
Minimum Revenue Provision (MRP)	(334)	(1,028)	(1,279)	(1,493)
Repayment of GENF borrowing				(855)
Application of Capital Receipts to reduce CFR	(150)	(150)	(150)	(150)
Movement in CFR	**23,154**	**12,137**	**(929)**	**(1,998)**

The CFR also includes any other long term liabilities (e.g. finance and embedded leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility, so the Council is not required to separately borrow for them. The Council has £0.559m of such leases within the CFR in 2017/18 reducing to £0.105m by the end of 2019/20. The CFR does not yet include any allowance for the planned replacement of the majority of the vehicle fleet under leasing. If following a full financing options appraisal the most cost effective funding method is identified as either borrowing or finance lease then the CFR will be increased to reflect a borrowing requirement for the replacement fleet.

4.1.4 **Limits on Borrowing –** In order to ensure that borrowing decisions are based on consideration of affordability, prudence and sustainability and that treasury management decisions are taken in accordance with good professional practice, in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to City of Lincoln Council, the Prudential Code requires that Council's set limits on borrowing activity.

Limiting Borrowing for Capital Purposes - the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future.

Operational Boundary for External Debt – boundary based on the expected maximum external debt during the course of the year

Authorised Limit for External Debt - represents the limit beyond which external debt is prohibited. It represents the level of debt, which while not desired, could be afforded in the short term, but is unsustainable in the long term. This limit needs to be set or revised by full Council.

The level of the proposed operational and authorised limits is based on an assessment of the level of borrowing required to meet the Capital Financing Requirement (CFR) and also an allowance for temporary borrowing for working capital and also in lieu of other capital financing sources (e.g. capital receipts). Financial modelling has been carried out for both and the affordability and sustainability of the potential borrowing requirement has been assessed and can be contained within the MTFS 2018-23. This is reflected in the table below and in the Prudential Indicators 7 and 8 tables in Appendix 1.

Indicator 7	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Authorised limit				
Borrowing	122,000	134,000	133,000	131,000
Other long term liabilities	2,500	1,800	1,300	800
Total Authorised limit	**124,500**	**135,800**	**134,300**	**131,800**

4.2 Minimum Revenue Provision (MRP) Policy

4.2.1 The Council is required to pay off an element of the accumulated General Fund borrowing each year (the CFR) through a revenue charge - the Minimum Revenue Provision (MRP), and is also allowed to undertake additional voluntary payments (VRP). No revenue charge is currently required for the HRA. However, under self-financing, the HRA is now required to charge depreciation on its assets, which has been built into the revenue charges in the HRA 30 year Business Plan.

The Department of Homes, Communities and Local Government have issued statutory guidance on the options available for making prudent provision for the repayment of debt. The Council must have regard to this guidance. The guidance is not prescriptive and makes it clear that councils can follow an alternative approach, provided they still make a prudent provision. The broad aim of a 'prudent provision' is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits to service delivery.

Guidance issued by the Secretary of State requires that before the start of each financial year the Council prepares a statement of its policy on making MRP in respect of the forthcoming financial year and submits it to Full Council for approval. There are no changes proposed to the MRP policy for 2018/19.

The MRP policy statement is set out in **Appendix 2.**

4.3 The Treasury Management Strategy 2018/19

4.3.1 Treasury Management is an important part of the overall financial management of the Council's affairs. The treasury management service performs the borrowing and investment activities of the Council and effectively manages the associated risks. Its activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). The Treasury Management Policy and Practices and the annual Treasury Management Strategy provides the operational rules and limits by which day to day treasury management decisions are made.

4.3.2 The Treasury Management Strategy for 2018/19 is attached at **Appendix 3**. The strategy outlines expected treasury activity for the coming year and expected prudential indicators relating the treasury management for the next three years. The key principals in the strategy are summarised below.

- **Debt and Investment Projections (Treasury Management Strategy section 2)** – based on the budgeted borrowing requirements, estimated balances and cash flow, year-end debt and investment projections are:

	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
External Debt				
Debt at 31 March (including other long term liabilities)	81,661	100,445	100,208	99,247
Investments				
Total Investments at 31 March	15,400	14,600	21,000	19,000

- **Expected Movement in Interest Rates (Treasury Management Strategy section 3)** - short term interest rates are not expected to rise until 2019/20 and then will rise slowly in future years. Long term rates for external borrowing are not expected to rise until December 2018 and then only marginally. After this they will continue to rise very slowly in future years.

- **Borrowing & Debt Strategy (Treasury Management Strategy section 4)** - The main aims are:
    - To reduce the revenue costs of debt
    - To manage the Council's debt maturity profile
    - To effect funding at the cheapest cost commensurate with future risk.
    - To forecast average future interest rates and borrow accordingly
    - To proactively reschedule debt in order to take advantage of potential savings as interest rates change.
    - To manage the day-to-day cash flow of the Authority in order to, where possible, negate the need for short-term borrowing.

- **Investment Strategy (Treasury Management Strategy section 5)** - The Council's investment strategy primary objectives are safeguarding the repayment of the principal and interest of its investments on time, then ensuring adequate liquidity, with investment return being the final objective.

The current investment climate continues to present one over-riding risk consideration, that of counterparty security risk. In order to fully consider counterparty risk factors when selecting investment counterparties, the Council employs the multi-stage formula based creditworthiness methodology provided by the Council's treasury management advisors, Link Asset Services. This methodology, developed by Link, uses credit ratings as the core criteria but also incorporates other market information on a mathematical basis. The methodology is continuously reviewed and changes are made in response to changes made by the credit rating agencies. There haven't been any major changes made to the credit rating methodology since last year's change when any reference to the implied levels of sovereign support (which were phased out last year) were taken out. The current methodology is explained in detail in the Council's Investment Strategy 2018/19 in **Section 5** of **Appendix 3**.

The aim of the investment strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk (i.e. placing a large proportion of investments with a small number of counterparties). The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use are listed in **Appendix 3** under the specified and non-specified investments categories. Counterparty limits will be as shown in **Appendix 3**. Examples of institutions which currently fall under the various colour coded categories are as follows:

- Blue (part-government owned - 1 year)
- Orange (1 year
- Green (100 days
- Yellow (5 years) – Local Authorities.

Sole reliance will not be placed on the use of this external service. In addition, officers will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

The criteria to be used to select investment counterparties are set out in Appendix 3. These include:-

- Maintenance of a counterparty list with approved credit ratings and time and principal limits
- Regular monitoring of counterparties with the help of the Council's treasury management advisors
- Limits on the amounts on non-specified investments (e.g. over 1 year investments)
- Limits on non-UK counterparties

Risk Benchmarking – The revised CIPFA Code and the MHCLG Investment Guidance adopted 2nd March 2010 introduced the consideration and approval of security and liquidity benchmarks. The Investment Strategy for 2018/19 includes the following benchmarks for liquidity and security:-

Liquidity – The Council's bank overdraft limit is nil. The Council will seek to maintain liquid short-term deposits of at least £5,000,000 available with a week's notice. The weighted average life (WAL) of investments is expected to be 0.45years.

Security – the Council's expected security risk benchmark from its budgeted investment strategy is 0.008% historic risk of default when compared to the whole portfolio. This means that the risk amounts to approximately £0.001m on the expected investment portfolio of £14.6 million.

- **Treasury Limits on Activity (Treasury Management Strategy section 6)** – This section includes statutory and local indicators covering treasury management activity. These include limits on fixed and variable interest rate exposure, maturity structure of debt and performance targets for interest rates on new investments and loans.

- **Breakdown of Investment Categories (Treasury Management Strategy section 7)** – covers authorised posts for treasury management activities

  The need to limit the risk to the Council of loss from counterparty failure results in a restricted range of counterparties available for investment.

4.4 Treasury Management Practices

The Council adopted the CIPFA Code of Practice on Treasury Management (which was revised December 2017) on 2nd March 2010. At this time the Treasury Management Policy Statement was also adopted. The Treasury Management Policy and Practices (TMP's) are updated annually to reflect the Treasury Management Strategy approved by Council and to reflect any changes in staffing structures or working practices of the treasury function.

5. Organisational Impacts

5.1 Finance

Financial implications are contained in the main body of the report.

5.2 Legal Implications

The Treasury Management Strategy and Prudential Indicators meet the requirements under legislation and code of practice.

6. Risk Implications

The risk implications are contained within the body of the report.

7. Recommendations

7.1 That Council:

7.2 Approve the prudential indicators detailed in section 4.1 and appendix 1 of the report.

7.3 Approve the Treasury Management Strategy (including the treasury management prudential indicators and the Investment Strategy) set out section 4.3 and appendix 3 of the report.

Is this a key decision?	Yes
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No

How many appendices does the report contain?	3
List of Background Papers:	Medium Term Financial Strategy 2018-23 CIPFA Code of Practice CIPFA Prudential Code Treasury Management Practices
Lead Officer:	Sarah Hardy, Group Accountant (Technical and Exchequer) Telephone (01522) 873839

Prudential Indicators 2017/18 – 2020/21

1.0 Introduction

1.1 The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and to produce prudential indicators. The Code sets out a framework for self-regulation of capital spending, in effect allowing councils to invest in capital projects without any limit as long as they are affordable, prudent and sustainable. The Prudential Code operates by the provision of prudential indicators, which highlight particular aspects of the capital expenditure planning. This report revises the indicators for 2017/18 and details them for 2018/19-2020/21. Each indicator either summarises the expected capital activity or introduces limits upon the activity, and reflects the outcomes of the Council's underlying capital appraisal systems.

1.2 The Prudential Code requires the Executive and full Council to approve as a minimum the 15 statutory indicators. The Chief Finance Officer has added 8 local indicators that are believed to add value and assist understanding of the main indicators.

1.3 The purpose of the indicators is to provide a framework for capital expenditure decision-making. It highlights, through the prudential indicators, the level of capital expenditure, the impact on borrowing and investment levels and the overall controls in place to ensure the activity remains affordable, prudent and sustainable.

1.4 Within this overall capital expenditure framework there is a clear impact on the Council's treasury management activity, either through increased borrowing levels or the investment of surplus balances. As a consequence the treasury management strategy for 2018/19 (see Appendix 3) includes the expected treasury management activity, together with the 5 specific Prudential indicators and 8 local indicators, which relate to treasury management.

1.5 The 15 statutory prudential indicators can be categorised under the following four headings:

- Capital Expenditure and External Debt (numbers 1, 2, 3, 4, 5, 7, 8)
- Prudence (number 6)
- Affordability (numbers 9,10)
- Treasury Management limits (numbers 11, 12, 13, 14, 15)

(The numbers above relate to the reference given to each indicator).

1.6 The paragraphs 2 to 4 below detail the 10 statutory indicators under the headings of Capital Expenditure/External Debt, Prudence and Affordability. The remaining 5 statutory and 8 local indicators relating to the treasury management strategy are set out in appendix 3.

2.0 Capital Expenditure Prudential Indicators

2.1 The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. This expenditure can be paid for immediately (by resources such as capital receipts, capital grants etc.), but if resources are insufficient any residual expenditure will form a borrowing need.

2.2 A certain level of capital expenditure may be supported by government grant; any decisions by Council to spend above this level will be unsupported and will need to be paid for from the Council's own resources. This unsupported capital expenditure needs to have regard to:

- Service objectives e.g. strategic planning
- Stewardship of assets e.g. asset management planning
- Value for money
- Prudence and sustainability e.g. implications for external borrowing and whole life costing
- Affordability
- Practicality e.g. achievability of plan

The revenue consequences of capital expenditure, particularly the unsupported expenditure, will need to be paid for from the Council's own resources.

The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been required.

2.3 The key risks to the plans are that some estimates for sources of funding, such as capital receipts, may be subject to change over this timescale. For instance, anticipated asset sales may be postponed due to the impact of the recession on the property market.

2.4 The summary capital expenditure and financing projections are shown in the table below.

Indicators 1&2	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Capital Expenditure				
General Fund	31,419	14,209	500	500
HRA (including New Build)	15,204	25,805	14,529	11,386
Total Expenditure	**46,623**	**40,014**	**15,029**	**11,886**
Financed by:				
Capital receipts	5,483	6,912	3,819	900
Capital grants & contributions	3,284	670	300	300
Depreciation (HRA only)	12,857	16,631	10,710	10,486
Revenue/Reserve Contributions	361	2,785	0	0
Borrowing need	**24,638**	**13,016**	**200**	**200**

3.0 External Debt and Prudence Prudential Indicators

3.1 **Borrowing Need** - The Council's Capital Financing Requirement (CFR) represents the Council's borrowing need. The CFR is simply the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR.

3.2 The CFR also includes any other long term liabilities (e.g. finance and embedded leases) brought on to the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, they are purely accounting adjustments and include a borrowing facility, so the Council is not required to separately borrow for them. The Council has £0.559m of such leases within the CFR in 2017/18 reducing to £0.105m by the end of 2019/20. The CFR does not yet include any allowance for the planned replacement of the majority of the vehicle fleet under leasing arrangements.

3.3 Capital Financing Requirement projections are detailed below:

Indicators 3&4	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Capital Financing Requirement				
General Fund	53,327	65,464	64,536	62,537
HRA	58,503	58,503	58,503	58,503
Total CFR @ 31 March	111,830	123,967	123,039	121,040
Net movement in CFR	**23,154**	**12,137**	**(929)**	**(1,998)**
Actual debt (borrowing & other liabilities)	**81,661**	**100,445**	**100,208**	**99,247**
Net borrowing need for the year	24,638	13,016	200	200
Return of LAMS deposit	(1,000)	0	0	0
Minimum Revenue Provision (MRP)	(334)	(729)	(979)	(1,193)
Repayment of GENF borrowing				(855)
Application of Capital Receipts to reduce CFR	(150)	(150)	(150)	(150)
Movement in CFR	**23,154**	**12,137**	**(929)**	**(1,998)**

* MRP = Minimum Revenue Provision – Statutory requirement to annually fund the repayment of General Fund borrowing.

3.4 **Estimates of External Debt** - The expected impact of the capital expenditure decisions on the Council's net debt position is shown below:

Indicator 5	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
External Debt				
Gross Borrowing	81,103	100,103	100,103	99,247
Other Long Term Liabilities*	559	342	105	(0)
Total Debt at 31 March	**81,661**	**100,445**	**100,208**	**99,247**

*Other Long Term liabilities include finance leases

3.5 The expected movement in the CFR over the next three years is dependent on the level of capital borrowing taken during the budget cycle. Such borrowing is the capital expenditure freedom allowed under the Prudential Code i.e. prudential borrowing which allows the freedom to enter into projects such as spend to save schemes, or decisions to allocate additional resources from revenue to capital to enable service enhancements (subject to affordability).

3.6 There are two limiting factors on the Council's ability to undertake prudential borrowing:

1. Whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs. Can the Council afford the implications of the capital expenditure?
2. The Government may use a long stop control to ensure that either the total of all the Councils' plans do not jeopardise national economic policies, or in the event of an assessment by Central Government that local plans are unaffordable at a council, it may implement a specific control to limit its capital expenditure plans. No such control has been implemented during 2017/18.

3.7 **Limits to Borrowing Activity -** Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well-defined limits.

3.8 For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and next two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.

Indicator 6	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
Gross Borrowing	81,103	100,103	100,103	99,248
Investments	15,400	14,600	21,000	19,000
Net Borrowing	65,703	85,503	79,103	80,248
CFR	111,830	123,967	123,039	121,040
Net Borrowing is below CFR	46,127	38,464	43,936	40,792

The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.9 A further two key prudential indicators control or anticipate the overall level of borrowing, these are:

- **The Authorised Limit for External Debt** – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt, which while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.
- **The Operational Boundary for External Debt** – This indicator is based on the expected maximum external debt during the course of one year; it is not a limit and actual borrowing could vary around the boundary for short times during the year.

The level of the proposed operational and authorised limits is based on an assessment of the level of borrowing required to meet the Capital Financing Requirement (CFR) and also an allowance for temporary borrowing for working capital and also in lieu of other capital financing sources (e.g. capital receipts). The limits proposed for the 2018/19 Treasury Management Strategy also allow for the borrowing requirement associated with the Lincoln Transport Hub scheme and the purchase of Broadgate Carpark. The affordability and sustainability of the borrowing requirement for both have been assessed and can be contained within the MTFS 2018-23. The operational and authorised limits for 2018/19 have been set to allow these.

Indicator 7	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Authorised limit				
Borrowing	122,000	134,000	133,000	131,000
Other long term liabilities	2,500	1,800	1,300	800
Total Authorised limit	**124,500**	**135,800**	**134,300**	**131,800**

Indicator 8	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Operational Boundary				
Borrowing	115,000	126,400	125,900	124,300
Other long term liabilities*	2,000	1,600	1,100	700
Total Operational Boundary	**117,000**	**128,000**	**127,000**	**125,000**

*Other Long Term liabilities include finance leases

3.10 **Borrowing in advance of need** – The Council has some flexibility to borrow funds this year for use in future years. The Chief Finance Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Chief Finance Officer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 75% of the expected increase in borrowing need (CFR) over the three year planning period; and
- Would not look to borrow more than 36 months in advance of need

3.11 Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

4.0 Affordability Prudential Indicators

4.1 The 8 statutory indicators above cover the overall capital and control of borrowing, but in addition, within this framework, there are further indicators that assess the affordability of the capital investment plans. These indicators provide an indication of the impact of the capital investment plans on the Council's overall finances and these are shown below:

4.2 **Actual and Estimates of the Ratio of Financing Costs to Net Revenue Stream (Indicators 9 & 10)** – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget. The General Fund financing costs increase across the MTFS period. This reflects the need to borrow to support the capital programme.

The HRA financing costs decrease very marginally year on year. As there is no planned borrowing to fund the capital programme this has no impact on the financing costs over the four year period.

Neither the General Fund nor the HRA indicators include the effect of replacing some of the finance leases for vehicles replaced in 2015/16 and 2016/17 yet. This may increase the interest charges if finance leasing or borrowing if it is the most cost effective method of financing.

Indicators 9 & 10	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
General Fund	12.6%	13.3%	20.1%	21.8%
HRA	45.3%	44.1%	43.1%	42.5%

4.3 **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator has been discontinued following an update to the code in December 2017.

4.4 **Estimates of the incremental impact of capital investment decisions on Housing Rent Levels** – This indicator has been discontinued following an update to the code in December 2017.

Minimum Revenue Provision (MRP) Policy

1.0 The Council is required to pay off an element of the accumulated General Fund borrowing each year through a revenue charge (the Minimum Revenue Provision), and is also allowed to undertake additional voluntary payments (VRP).

1.1 MHCLG Regulations have been issued which require full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided so long as there is a prudent provision.

1.2 Members are recommended to approve the following MRP Statement:

For capital expenditure incurred:

(A) Before 1st April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

Existing practice - MRP will follow the existing practice outline in former MHCLG Regulations, but on a 2% straight-line basis, i.e. provision for the full repayment of debt over 50 years;

(B) From 1st April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be:

Asset Life Method – MRP will be based on the estimated life of the assets on either a straight line or annuity basis (as deemed most appropriate for capital expenditure being financed through borrowing). Asset life is deemed to begin once the asset becomes operational. MRP will commence from the financial year following the one in which the asset becomes operational.

MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.

(C) The Council will set aside £750k of capital receipts to the Capital Adjustment Account instead of applying these receipts to new expenditure in order to reduce the total debt liability (this will be £150k per annum over the period 2017/18 to 2021/22). The Council will reduce the MRP provision for the year by the same amount.

(D) Expenditure in respect of land purchases will increase the Capital Financing Requirement (CFR) by the borrowing required to fund the purchase which will be repaid by the future sale of the asset. Once the asset is sold and the funds are realised they will be classed as a capital receipt and will be off-set against the CFR which will reduce accordingly. As the funds will be returned in full there is no need to set aside prudent provision to repay the debt liability so no MRP will be applied in respect of this type of purchase.

Treasury Management Strategy 2018/19

1.0 Introduction

1.1 Treasury Management is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. The 12 prudential indicators in Appendix 1 cover the affordability and impact of capital expenditure decisions and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992. There are 5 specific statutory treasury management prudential indicators and 8 local indicators.

1.2 The treasury management service performs the borrowing and investment activities of the Council and effectively manages the associated risks. Its activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management - Revised December 2017). The adoption of the Code is one of the 12 statutory Prudential Indicators. This Council adopted the Code of Practice on Treasury Management on 2nd March 2010. As a result of adopting the Code, the Council also adopted a Treasury Management Policy Statement on 2nd March 2010.

1.3 The policy requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming year and includes prudential indicators relating specifically to Treasury Management for the next three years. Further reports are produced; a mid-year monitoring report and a year-end report on actual activity for the year (Annual Treasury Management Stewardship Report). In addition, Treasury Management Practice (TMPs) documents are also maintained by the Chief Finance Officer. The TMPs have been reviewed and updated to reflect any changes in the Treasury Management Strategy and reviewed by Audit Committee.

1.4 A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. This strategy covers:

- The Council's debt and investment projections;
- The expected movement in interest rates;
- The Council's borrowing strategy;
- The Council's investment strategy;
- Treasury Management prudential indicators and limits on activity;
- Local Treasury issues

2.0 Debt and Investment Projections 2017/18 – 2020/21

2.1 The borrowing requirement comprises the expected movement in the Capital Financing Requirement (CFR) and any maturing debt that will need to be re-financed. The table below shows the anticipated effect on the treasury position over the current and next three years based on the current capital programme. The expected maximum debt position during each year represents the Operational Boundary prudential indicator (for borrowing only) and so may be different from the year-end position. It also highlights the expected change in investment balances.

	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
External Debt				
Debt at 1 April	75,353	81,103	100,103	100,103
Expected change in debt	5,750	19,000	0	(855)
Debt at 31 March	**81,103**	**100,103**	**100,103**	**99,248**
Operational Boundary (debt only)	117,000	128,000	127,000	125,000
Investments				
Total Investments at 31 March	15,400	14,600	21,000	19,000
Investment change	(8,000)	(800)	6,400	(2,000)

Expected borrowing has been profiled to take out loans before current low borrowing interest rates are forecast to rise.

2.2 The related impact of the above movements on the revenue budgets are:

	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
Revenue Budgets				
Total interest payable on borrowing	3,140	3,330	3,627	3,551
Related HRA charge	2,352	2,352	2,352	2,332
Net General Fund interest payable	788	978	1,275	1,219
Total investment income	113	77	132	149
Related HRA income share	31	31	32	38
Related to other commitments	19	17	17	17
Net General Fund income	63	29	83	94

3.0 Prospects for Interest Rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates.

The following table gives the Link central view and paragraph 3.1 give Link's view on economic prospects.

Annual Average %	Bank Rate	PWLB Rates*		
		5 year	25 year	50 year
March 2018	0.50	1.60	2.90	2.60
March 2019	0.75	1.80	3.10	2.90
March 2020	1.00	2.10	3.40	3.20
March 2021	1.25	2.30	3.60	3.40

* Borrowing Rates

3.1 **Economic Growth (Link's view)**

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure.

The **Monetary Policy Committee, (MPC), meeting of 14th September 2017** surprised financial markets and forecasters by warning that the Bank Rate would need to rise soon. At the 2nd November meeting the MPC increased the Bank Rate by 0.25% to 0.50% and gave forward guidance that they expected to increase rates only twice more in the next three years to reach 1% by 2020.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The Bank of England have indicated that it expects CPI inflation to peak at just under 3% in 2017 before falling back to near its target rate is two years' time.

While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is difficult to be confident about how the next two to three years will actually turn out.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

EZ. Economic growth in the Eurozone (EZ), has been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of Quantitative Easing (QE). However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

<u>Asia.</u> Economic growth in China has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

4.0 The Council's Borrowing and Debt Strategy 2018/19

4.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high and will be maintained for the borrowing.

4.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances as follows.

4.3 If it was felt that there was a significant risk of a sharp fall in long term rates e.g. due to a marked increase of risks around a relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

4.4 If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap.

4.5 The Council's overall core borrowing objectives will remain uniform and follow a similar pattern to previous years as follows:

- To reduce the revenue costs of debt in line with the targets set for the Chief Finance officer (see local indicators).
- To manage the Council's debt maturity profile, leaving no one future year with a high level of repayments that might cause problems in re-borrowing.
- To effect funding at the cheapest cost commensurate with future risk.
- To forecast average future interest rates and borrow accordingly i.e. short term/variable when rates are 'high', long term/fixed when rates are 'low'.
- To monitor and review the level of variable rate loans in order to take greater advantage of interest rate movements.
- To proactively reschedule debt in order to take advantage of potential savings as interest rates change. Each rescheduling exercise will be considered in terms of the effect of premiums and discounts on the General Fund and the Housing Revenue Account.
- To manage the day-to-day cash flow of the Council in order to, where possible, negate the need for short-term borrowing. However, short-term

borrowing will be incurred, if it is deemed prudent to take advantage of good investment rates.

4.7 There is unsupported borrowing in the General Fund Investment Programme (GIP) as detailed in the MTFS. The Council expects to take out loans for the General Fund before current low borrowing interest rates are forecast to rise significantly, and it will continue to use internal balances whilst interest rates on investments remain low. Officers are continually evaluating the cost effectiveness of borrowing as opposed to selling capital assets. Proposals are presented to Members when borrowing becomes more cost effective.

4.8 There are currently no plans to borrow for the HRA planned new build programme during the next MTFS period, starting in 2018/19. It is planned to fund the programme using alternative sources of funding.

4.9 The strategy allows for additional borrowing in line with the expected movement in the Capital Financing Requirement (CFR), should it become necessary for cash flow requirements. The Council will consider PWLB loans, Market loans, the Municipal Bond Agency and other financial institutions, if attractive rates are offered. In addition, should schemes be identified that benefit the Council's strategic aims and be deemed cost effective, i.e. Invest to Save schemes where the income streams more than pay for the borrowing costs, unsupported borrowing will be considered.

5.0 The Council's Investment Strategy 2018/19

5.1 The Council's investment strategy's primary objectives are safeguarding the repayment of the principal and interest of its investments on time, ensuring adequate liquidity, with the investment return being the final objective.

The intention of the strategy is to provide security of investment and minimisation of risk.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

In line with this aim, the Council will ensure:

- It maintains a policy covering the types of specified and unspecified investments it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the paragraphs below.

    - **Specified Investments** – these are high security investments (i.e. high credit quality) and high liquidity investments in sterling with a maturity of no more than one year.
    - **Non-specified Investments** – investments that do not fall into the category of Specified Investments, representing a potential greater risk (e.g. over one year).

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

5.2 **Risk benchmarking**

Yield benchmarks are widely used to assess investment performance. Discrete security and liquidity benchmarks are also requirements to Treasury Management reporting, although the application of these is more subjective in nature. Additional background in the approach taken is shown at the end of this appendix.

5.3 These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

5.4 **Security**

The Council's expected security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.008% historic risk of default when compared to the whole portfolio.

5.5 **Liquidity**

In respect of this area the Council seeks to maintain:

- Bank overdraft - £nil.
- Liquid short term deposits of at least £5 million available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.45 years.

5.6 **Yield**

Local measure of yield benchmark employed is:

- Investments – return above the 7 day LIBID rate

5.7 **Investment Counterparty Selection Criteria**

The primary principle governing the Council's investment criteria is the security of its investments although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

It has sufficient liquidity in its investments. For the purpose it will set out procedures for determining the maximum periods for which funds may be prudently committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

5.8 The Chief Finance Officer will maintain a counterparty list in compliance with the criteria set out in the table contained within this appendix and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which chooses Specified and Non-Specified investments as they provide an overall pool of counterparties considered high quality which the Council may use rather than defining what its investments are.

5.9 Following the Comprehensive Spending Review on the Council's grant funding settlement and the ongoing financial pressures, the identification of savings and income generation are critical to the delivery of the Medium Term Financial Strategy. Treasury Management is an important area for further income generation and therefore, the main theme of the Council's investment strategy must continue to be to maximise interest from investments, after ensuring adequate security and liquidity. The Investment Strategy 2018-19 seeks to achieve this objective by establishing a pool of counterparties available for investment whilst still containing overall risk within acceptable levels.

5.10 The Council uses Link Asset Services' creditworthiness service. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard and Poor's.

In accordance with the guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

As with previous practice, ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings. This is fully integrated into the creditworthiness methodology provided by Capita Asset Services. The result is a colour coding system, which shows the varying degrees of suggested creditworthiness.

Alongside the credit ratings other information sources are used and include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process with regard to the suitability of potential investment counterparties.

The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

Yellow	5 years
Purple	2 years
Blue	1 year (only applies to part-government owned UK banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

The Link Asset Services creditworthiness service uses a wider array of information than primary ratings alone and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

5.11 Typically, the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

The credit ratings specified above are defined as follows:-

F1 (short term rating) – Highest credit quality

A- (long term rating) – High credit quality, denoting a very strong bank

5.12 All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies through its use of Link's creditworthiness service.

- If a downgrade results in the counterparty no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's counterparty list.

Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

5.13 **Country and sector considerations**

Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state. In addition:

- No more than 50% will be placed with any non-UK country at any time (see below).
- Group limits have been set to ensure that the Council is not exposed to

excessive risk due to concentration of investments within any one institution or group. These are detailed in the Investment Counterparty Limits table contained within this appendix.

Although the strategy sets a limit for investment in non-UK countries at no more than 50%, the Council has been operating a tighter operational strategy in the light of the Eurozone difficulties and has not been investing outside the UK. This operational restriction will continue until the problems in the Eurozone economy have been sufficiently resolved.

5.14 In the normal course of the Council's cash flow operations it is expected that both Specified and Non-specified investments will be used for the control of liquidity as both categories allow for short-term investments. The Chief Finance Officer will strive to keep investments within the Non-specified category to a prudent level (having regard to security and liquidity before yield). To these ends the Council will maintain a maximum of 75% of investments in Non-specified investments.

5.15 The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. The investment in longer-term instruments is also limited by the prudential indicator 16 shown in paragraph 6.3, which gives the maximum amount to be invested over 1 year, as well as the limits on the amounts that can be placed with the categories within the non-specified range of investments (see above paragraph 5.14).

5.16 Expectations on shorter-term interest rates, on which investment decisions are based, reflect the fact that an increase in the current 0.50% Bank Rate is unlikely until December 2018. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

5.17 There is a clear operational difficulty arising from the ongoing economic conditions. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security

5.18 The criteria for choosing counterparties set out above provide a sound approach to investment in the current difficult market circumstances.

5.19 Sensitivity to Interest Rate Movements

The Council's Statement of Accounts is required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 0.5% increase/decrease in the average interest rates for investments for next year. That element of the debt and investment portfolios, which are of a longer term, fixed interest rate nature, will not be affected by interest rate changes. There will be no effect on borrowing costs as all the Council's existing debt is fixed rate and the additional borrowing planned will also be fixed rate and has been included within the budget figures in this report at the forecast rate for 2018/19.

£000	2018/19 Estimated + 0.5%	2018/19 Estimated - 0.5%*
Revenue Budgets		
Investment income	76,869	0
Related HRA Income	30,795	0
Net General Fund/Other Income	46,073	0

*The average interest rates on investment are 0.5% so if interest rates fell by this amount they would be zero which would result in no interest being earned

6.0 Treasury Management Limits on Activity

6.1 There are four further treasury activity limits, which were previously prudential indicators. The purpose of these is to contain the activity of the treasury function within certain limits, thereby managing the risk and reducing the impact of an adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunity to reduce costs. The indicators are:

- **Upper limit on variable rate exposure** – this identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- **Upper limit on fixed rate exposure** – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- **Maturity structures of borrowing** – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing at the same time and are required for upper and lower limits.
- **Total principal sums invested for periods longer than 1 year** – These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

6.2 In addition the Chief Finance Officer has set eight additional local indicators. The aim of these indicators is to increase the understanding of the treasury management indicators.

6.3 The 4 treasury limits above together with the adoption of the Code of Practice indicators are shown below:

Indicator 11	2018/19 Target £m	2019/20 Target £m	2020/21 Target £m
Upper Limit on variable interest rate exposure	40.0	39.3	39

Indicator 12	2018/19 Target £m	2019/20 Target £m	2020/21 Target £m
Upper Limit on fixed interest rate exposure	96.5	93.1	92.7

Indicator 13	2018/19		2019/20		2020/21	
Maturity Structure of fixed borrowing	**Lower**	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Under 12 months	0%	40%	0%	40%	0%	40%
12 months to 2 years	0%	40%	0%	40%	0%	40%
2 years to 5 years	0%	60%	0%	60%	0%	60%
5 years to 10 years	0%	80%	0%	80%	0%	80%
10 years and above	10%	100%	10%	100%	10%	100%

Indicator 14	2018/19 £m	2019/20 £m	2020/21 £m
Maximum principal sums invested for longer than 1 year	5	5	5

Indicator 15
CIPFA Code of Practice for Treasury Management in the Public Services (Revised December 2017) adopted by Council on 2nd March 2010.

6.4 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury management function over the year. The Chief Finance Officer has therefore set 8 local indicators, which are believed to add value and assist the understanding of the main prudential indicators. These indicators are:

- Debt – Borrowing rate achieved against average 7 day LIBOR.
- Investments – Investment rate achieved against average 7 day LIBID.
- Average rate of interest paid on the Councils Debt – this will evaluate performance in managing the debt portfolio to release revenue savings.
- Amount of interest on debt as a percentage of gross revenue expenditure.
- Limit on fixed interest rate investments
- Limit on fixed interest rate debt
- Limit on variable rate investments
- Limit on variable rate debt

6.5 The 8 indicators are shown below:

	2018/19 Target	2019/20 Target	2020/21 Target
Debt - Borrowing rate achieved i.e. temporary borrowing (loans of less than 1 year)	Less than 7 day LIBOR	Less than 7 day LIBOR	Less than 7 day LIBOR

	2018/19 Target	2019/20 Target	2020/21 Target
Investment rate achieved	Greater than 7 day LIBID	Greater than 7 day LIBID	Greater than 7 day LIBID

	2018/19 Target	2019/20 Target	2020/21 Target
Average rate of Interest Paid on Council Debt (%)	4.25%	4.25%	4.25%

	2018/19 Target	2019/20 Target	2020/21 Target
Interest on Debt as a % of Gross Revenue Expenditure	3.5%	3.8%	3.6%

	2018/19 Target	2019/20 Target	2020/21 Target
Upper Limit on fixed interest rate Investments	100%	100%	100%

	2018/19 Target	2019/20 Target	2020/21 Target
Upper Limit on fixed interest rate debt	100%	100%	100%

	2018/19 Target	2019/20 Target	2020/21 Target
Upper Limit on variable interest rate investments	75%	75%	75%

	2018/19 Target	2019/20 Target	2020/21 Target
Upper Limit on variable interest rate debt	40%	40%	40%

6.6 **Treasury Management Advisers**

The Council uses Link Asset Services as its treasury management consultants. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt rescheduling advice surrounding the existing portfolio;
- Credit ratings/market information service comprising the three main credit rating agencies.

Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

6.7 **Member and Officer Training**

The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers.

This Council has addressed this important issue by:

- Member Training – Our treasury management advisers provided training to the Audit Committee and Budget Review Scrutiny Group prior to the consideration of this year's strategy and review of the Draft MTFS 2018-23. They also provided training to the Performance Scrutiny Committee to support their consideration of the mid-year report. The training needs will be regularly reviewed and updated as necessary in 2018/19.
- Staff Training – training needs for staff engaged in treasury management are addressed through the appraisal process. Training is provided both by the Council's treasury management advisers, other external providers and internally. In addition, the Council encourages staff engaged in treasury to undertake a professional accountancy qualification and ensures that the day-to-day trading is overseen by a professionally qualified accountant following the CIPFA Code of Practice.

7.0 Breakdown of Investment Categories with Maximum Amounts and Periods

The Chief Finance Officer, in accordance with TMP 1 (1) within the Council's Code of Practice, is authorised to invest funds surplus to immediate requirements with the following types of institutions subject to the minimum ratings produced by the three credit rating agencies Fitch, Moody's and Standard & Poor's. The Link Asset Services creditworthiness service is applied to determine a list of suitable counterparties available for investment. The minimum ratings applied by Link Asset Services in compiling their recommended counterparty list are set out in section 5.11 of the investment strategy.

All counterparty ratings are updated on a regular basis on the advice of the Council's Treasury Consultants. Notifications of rating changes are received as they happen.

Investment Counterparty Limits

Institution	Minimum credit criteria/colour band	Maximum limit per group or institution £ million	Maximum maturity period
SPECIFIED INVESTMENTS			
UK Bank *1	Orange/Blue Red Green	£5 million	1 year 6 months 100 days
Non-UK Banks*1 Sovereign rating AA	Orange Red Green	£5 million	1 year 6 months 100 days
Building Society*2	Orange Red Green	£5 million	1 year 6 months 100 days
Money Market Fund*3	Yellow	£5 million	Liquid
UK Government*4	Yellow	unlimited	6 months
UK Local Authority*4	Yellow	£2 million	1 year
NON-SPECIFIED INVESTMENTS			
UK Bank*1	Purple	£5 million	2 years
Non-UK Banks*1 Sovereign rating AA	Purple	£3 million	2 years
Building Society*2	Purple Yellow	£2 million	2 years 5 years
UK Local Authority*4	Yellow	£2 million	5 years
Lincoln Credit Union	N/A	£10K	N/A
Council's own bank*5 (operational cash limit in addition to the investment group limit)	N/A	£500K	Overnight

***1**Where the term 'Bank' is used, this denotes a UK or European Bank authorised to accept deposits through a bank account incorporated within the UK banking sector. The maximum amount indicated is the 'Group total' and covers the total amount that can be invested when spread over any number of subsidiaries within that group.

***2** Where the term Building Society is used, this denotes a UK Building Society.

***3** Money market funds are mutual funds that invest in short-term high quality debt instruments. The assets are actively managed within very specific guidelines to offer safety of principal, liquidity and competitive returns. Although money funds are regarded as short-term investments the rating agencies use a classification system based on long-term debt ratings.

***4** The UK Government (i.e. HM Treasury and its Executive Agency, the Debt Management Office) and Local Authorities, although not rated as such, are classified as having the equivalent of the highest possible credit rating.

***5**This limit covers normal treasury management activities but excludes any deposits received after money market trading has closed. It allows up to £500K of operational cash to be held in the Council's main bank account in addition to the group investment limit for the bank, if the bank is included on the Council's counterparty list.

Approved Investment Instruments

In addition to determining the rating and limits of authorised counterparties TMP 4 "Approved instruments, methods and techniques" within the Council's Code of Practice requires the Council to define the instruments that the Authority will use in undertaking its Treasury Management activities. In accordance with this, and the investment regime issued as part of the prudential capital finance system, the Instruments that the Chief Finance Officer will consider investing surplus funds in are shown below:

Instruments of Specified Investments *1

1. Gilt-edged securities issued by the United Kingdom Debt Management Office (UK DMO), an Executive Agency of HM Treasury.
2. Treasury Bills issued by the UK DMO.
3. Deposits with the Debt Management Office Debt Management Account Deposit Facility (DMADF).
4. Deposits with a Local Authority, Parish Council or Community Council.
5. Deposits with Banks and Building Societies (Including opening Business Accounts).
6. Certificates of deposit issued by Banks and Building societies.
7. Pooled investment vehicles (e.g. money market funds)

***1** To be defined as a Specified Investment the above instruments will have these features common to all:

- Be denominated in Sterling,
- Of not more than 1 year maturity,
- Of longer than 1 year maturity but the Council has the right to be repaid within 12 months,
- For instruments numbered 5 to 7 these must be with institutions of high credit quality.

Instruments of Non-Specified Investments *2

1. Deposits with Banks, Building Societies and their subsidiaries.
2. The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.
3. Certificates of deposit issued by Banks and Building Societies.

***2** To be defined as a Non-Specified Investment the above instruments will have these features common to all:

- Denominated in Sterling,
- Of more than 1 year maturity,
- Of less than 1 year maturity with an institution that does not meet the basic security requirements under Specified Investments e.g. a deposit with a non-credit rated Bank or Building Society

Security, Liquidity and Yield benchmarking

Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service

A requirement for Treasury Management reporting is the consideration and approval of security and liquidity benchmarks.

These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury Report.

Yield – These benchmarks are widely used to assess investment performance. Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate

Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. Benchmarks for the cash type investments are set out below and these will form the basis of reporting in this area. In other investment categories appropriate benchmarks will be used where available.

Liquidity – This is defined as "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank overdraft - nil
- Liquid short term deposits of at least £5m available with a week's notice.

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – a shorter WAL would generally embody less risk. In this respect the proposed benchmark to be used is:

- WAL benchmark is expected to be 0.45 years.
- Security of the investments – In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poor's). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy.

The Council's expected security risk benchmark from its budgeted investment strategy is:

- 0.008% historic risk of default when compared to the whole portfolio which equates to a potential loss of £1,168 on an investment portfolio of £14.6m. In addition that the security benchmark for each individual year is:

	1 year	2 year	3 year	4 year	5 year
Maximum	0.30%	0.30%	0.30%	0.30%	0.30%

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Investment Annual Report. As this data is collated, trends and analysis will be collected and reported

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EXECUTIVE **26 FEBRUARY 2018**

SUBJECT:	**PRUDENTIAL INDICATORS 2017/18 – 2020/21 AND TREASURY MANAGEMENT STRATEGY 2018/19**
DIRECTORATE:	**CHIEF EXECUTIVE'S DIRECTORATE**
REPORT AUTHOR:	**SARAH HARDY, GROUP ACCOUNTANT (TECHNICAL AND EXCHEQUER)**

1. Purpose of Report

1.1 The purpose of the report is for Executive to review and recommend to Council for approval the adoption of the 15 statutory prudential indicators and 8 local indicators for the period 2017/18 to 2020/21 together with the 2018/19 Treasury Management Strategy alongside the Medium Term Financial Strategy 2018-23, prior to their reporting to Council for final approval.

2. Executive Summary

2.1 The table below summarises the key prudential indicators which have been incorporated into the 2018/19 strategy. The projected capital expenditure will determine the capital financing or borrowing requirement, which will in turn determine the actual level of external borrowing taken and hence, cash balances available for investment. The figures are based on the final Medium Term Financial Strategy therefore the figures in this report are different to those presented to Audit Committee as those figures were based on the draft MTFS.

Key Prudential Indicators	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
Capital Expenditure*				
• General Fund	31,419	14,209	500	500
• HRA	15,204	25,805	14,529	11,386
• Total	**46,623**	**40,014**	**15,029**	**11,886**
Capital Financing Requirement				
• Non HRA	53,327	65,464	64,536	62,537
• HRA	58,503	58,503	58,503	58,503
• Total	**111,830**	**123,967**	**123,039**	**121,040**
Net Borrowing	**65,703**	**85,503**	**79,103**	**80,248**
External debt (borrowing only)	**81,661**	**100,445**	**100,208**	**99,247**
Investments**				
• Longer than one year	0	0	0	0
• Under one year	15,400	14,600	21,000	19,000
• Total	**15,400**	**14,600**	**21,000**	**19,000**

* Based on MTFS 2018-23.

2.2 The methodology employed for selecting investment counterparties is a multi-stage formula based creditworthiness methodology provided by the Council's treasury management advisors, Link Asset Services. The aim of the investment strategy is to generate a list of highly creditworthy counterparties, allowing the Council to maintain a diversified portfolio of investments which safeguards the cash balances whilst generating a reasonable rate of return. The Link methodology, which incorporates credit ratings, credit outlooks and watches and overlays credit default swaps as a measure of market risk, fully meets the aim of the strategy.

2.3 The Strategy for 2018/19 has been prepared taking into account changes in the Prudential Code and Treasury Management Code.

3. Background

3.1 This report covers the operation of the Council's prudential indicators, its treasury function and its likely activities for the forthcoming year. It incorporates four key Council reporting requirements:

- **Prudential and Treasury Indicators** – the reporting of the statutory prudential indicators together with local indicators, in accordance with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities and the CIPFA Treasury Management Code of Practice.
- **Minimum Revenue Provision (MRP) Statement** – the reporting of the MRP policy which sets out how the Council will pay for capital assets through revenue each year (as required by regulation under the Local Government 2003)
- **Treasury Management Strategy –** which sets out how the Council's treasury activity will support capital decisions, the day-to-day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the **Authorised Limit**, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Authorised Borrowing Limit required by s3 of the Local Government Act 2003 and is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code.
- **Investment Strategy –** this is included within the Treasury Management Strategy and sets out the criteria for choosing investment counterparties and limiting exposure to the risk of loss. It is reported annually (in accordance with Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance).

4. Treasury Management Requirements 2018/19

4.1 The Capital Prudential Indicators 2017/18 – 2020/21

4.1.1 The Council's capital expenditure plans are one of the key drivers of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and to produce prudential indicators.

The Prudential Code requires the Council to approve as a minimum the statutory indicators and limits. This report revises the indicators for 2017/18 and details them for 2018/19 to 2020/21. An explanation and calculation of each Prudential Indicator is provided in **Appendix 1** and the key messages summarised in section 4.1.3.

4.1.2 Capital Expenditure and Financing

The Council's capital expenditure plans (as detailed in the MTFS 2018-23) are summarised below. Capital expenditure can be paid for immediately (by resources such as capital receipts, capital grants or revenue resources) but if these resources are insufficient, any residual capital expenditure will form a borrowing need. This can be supported by government grant for the repayment of debt (very limited support available) or can be unsupported (prudential borrowing) where the Council needs to identify the resources to finance and repay debt through its own budget.

Indicators 1&2	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Capital Expenditure				
General Fund	31,419	14,209	500	500
HRA (including New Build)	15,204	25,805	14,529	11,386
Total Expenditure	**46,623**	**40,014**	**15,029**	**11,886**
Financed by:				
Capital receipts	5,483	6,912	3,819	900
Capital grants & contributions	3,284	670	300	300
Depreciation (HRA only)	12,857	16,631	10,710	10,486
Revenue/Reserve Contributions	361	2,785	0	0
Borrowing need	**24,638**	**13,016**	**200**	**200**

4.1.3 The Council's Borrowing Need - the Capital Financing Requirement (CFR)

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either capital or revenue resources. It is essentially a measure of the Council's underlying borrowing need. Based on the capital expenditure plans in paragraph 4.1.2 the CFR for 2017/18 to 2020/21 is projected to be:

Indicators 3&4	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Capital Financing Requirement				
General Fund	53,327	65,464	64,536	62,537
HRA	58,503	58,503	58,503	58,503
Total CFR @ 31 March	111,830	123,967	123,039	121,040
Net movement in CFR	**23,154**	**12,137**	**(929)**	**(1,998)**
Actual debt (borrowing & other liabilities)	**81,661**	**100,445**	**100,208**	**99,247**

Net borrowing need for the year	24,638	13,016	200	200
Return of LAMS deposit	(1,000)	0	0	0
Minimum Revenue Provision (MRP)	(334)	(1,028)	(1,279)	(1,493)
Repayment of GENF borrowing				(855)
Application of Capital Receipts to reduce CFR	(150)	(150)	(150)	(150)
Movement in CFR	**23,154**	**12,137**	**(929)**	**(1,998)**

The CFR also includes any other long term liabilities (e.g. finance and embedded leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility, so the Council is not required to separately borrow for them. The Council has £0.559m of such leases within the CFR in 2017/18 reducing to £0.105m by the end of 2019/20. The CFR does not yet include any allowance for the planned replacement of the majority of the vehicle fleet under leasing. If following a full financing options appraisal the most cost effective funding method is identified as either borrowing or finance lease then the CFR will be increased to reflect a borrowing requirement for the replacement fleet.

4.1.4 **Limits on Borrowing –** In order to ensure that borrowing decisions are based on consideration of affordability, prudence and sustainability and that treasury management decisions are taken in accordance with good professional practice, in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to City of Lincoln Council, the Prudential Code requires that Council's set limits on borrowing activity.

Limiting Borrowing for Capital Purposes - the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future.

Operational Boundary for External Debt – boundary based on the expected maximum external debt during the course of the year

Authorised Limit for External Debt - represents the limit beyond which external debt is prohibited. It represents the level of debt, which while not desired, could be afforded in the short term, but is unsustainable in the long term. This limit needs to be set or revised by full Council.

The level of the proposed operational and authorised limits is based on an assessment of the level of borrowing required to meet the Capital Financing Requirement (CFR) and also an allowance for temporary borrowing for working capital and also in lieu of other capital financing sources (e.g. capital receipts). Financial modelling has been carried out for both and the affordability and sustainability of the potential borrowing requirement has been assessed and can be contained within the MTFS 2018-23. This is reflected in the table below and in the Prudential Indicators 7 and 8 tables in Appendix 1.

Indicator 7	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
Authorised limit				
Borrowing	122,000	134,000	133,000	131,000
Other long term liabilities	2,500	1,800	1,300	800
Total Authorised limit	**124,500**	**135,800**	**134,300**	**131,800**

4.2 Minimum Revenue Provision (MRP) Policy

4.2.1 The Council is required to pay off an element of the accumulated General Fund borrowing each year (the CFR) through a revenue charge - the Minimum Revenue Provision (MRP), and is also allowed to undertake additional voluntary payments (VRP). No revenue charge is currently required for the HRA. However, under self-financing, the HRA is now required to charge depreciation on its assets, which has been built into the revenue charges in the HRA 30 year Business Plan.

The Department of Homes, Communities and Local Government have issued statutory guidance on the options available for making prudent provision for the repayment of debt. The Council must have regard to this guidance. The guidance is not prescriptive and makes it clear that councils can follow an alternative approach, provided they still make a prudent provision. The broad aim of a 'prudent provision' is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits to service delivery.

Guidance issued by the Secretary of State requires that before the start of each financial year the Council prepares a statement of its policy on making MRP in respect of the forthcoming financial year and submits it to Full Council for approval. There are no changes proposed to the MRP policy for 2018/19.

The MRP policy statement is set out in **Appendix 2.**

4.3 The Treasury Management Strategy 2018/19

4.3.1 Treasury Management is an important part of the overall financial management of the Council's affairs. The treasury management service performs the borrowing and investment activities of the Council and effectively manages the associated risks. Its activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). The Treasury Management Policy and Practices and the annual Treasury Management Strategy provides the operational rules and limits by which day to day treasury management decisions are made.

4.3.2 The Treasury Management Strategy for 2018/19 is attached at **Appendix 3**. The strategy outlines expected treasury activity for the coming year and expected prudential indicators relating the treasury management for the next three years. The key principals in the strategy are summarised below.

- **Debt and Investment Projections (Treasury Management Strategy section 2)** – based on the budgeted borrowing requirements, estimated balances and cash flow, year-end debt and investment projections are:

	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
External Debt				
Debt at 31 March (including other long term liabilities)	81,661	100,445	100,208	99,247
Investments				
Total Investments at 31 March	15,400	14,600	21,000	19,000

- **Expected Movement in Interest Rates (Treasury Management Strategy section 3)** - short term interest rates are not expected to rise until 2019/20 and then will rise slowly in future years. Long term rates for external borrowing are not expected to rise until December 2018 and then only marginally. After this they will continue to rise very slowly in future years.

- **Borrowing & Debt Strategy (Treasury Management Strategy section 4)** - The main aims are:
    - To reduce the revenue costs of debt
    - To manage the Council's debt maturity profile
    - To effect funding at the cheapest cost commensurate with future risk.
    - To forecast average future interest rates and borrow accordingly
    - To proactively reschedule debt in order to take advantage of potential savings as interest rates change.
    - To manage the day-to-day cash flow of the Authority in order to, where possible, negate the need for short-term borrowing.

- **Investment Strategy (Treasury Management Strategy section 5)** - The Council's investment strategy primary objectives are safeguarding the repayment of the principal and interest of its investments on time, then ensuring adequate liquidity, with investment return being the final objective.

  The current investment climate continues to present one over-riding risk consideration, that of counterparty security risk. In order to fully consider counterparty risk factors when selecting investment counterparties, the Council employs the multi-stage formula based creditworthiness methodology provided by the Council's treasury management advisors, Link Asset Services. This methodology, developed by Link, uses credit ratings as the core criteria but also incorporates other market information on a mathematical basis. The methodology is continuously reviewed and changes are made in response to changes made by the credit rating agencies. There haven't been any major changes made to the credit rating methodology since last year's change when any reference to the implied levels of sovereign support (which were phased out last year) were taken out. The current methodology is explained in detail in the Council's Investment Strategy 2018/19 in **Section 5** of **Appendix 3**.

The aim of the investment strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk (i.e. placing a large proportion of investments with a small number of counterparties). The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use are listed in **Appendix 3** under the specified and non-specified investments categories. Counterparty limits will be as shown in **Appendix 3**. Examples of institutions which currently fall under the various colour coded categories are as follows:

- Blue (part-government owned - 1 year)
- Orange (1 year
- Green (100 days
- Yellow (5 years) – Local Authorities.

Sole reliance will not be placed on the use of this external service. In addition, officers will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

The criteria to be used to select investment counterparties are set out in Appendix 3. These include:-

- Maintenance of a counterparty list with approved credit ratings and time and principal limits
- Regular monitoring of counterparties with the help of the Council's treasury management advisors
- Limits on the amounts on non-specified investments (e.g. over 1 year investments)
- Limits on non-UK counterparties

Risk Benchmarking – The revised CIPFA Code and the MHCLG Investment Guidance adopted 2nd March 2010 introduced the consideration and approval of security and liquidity benchmarks. The Investment Strategy for 2018/19 includes the following benchmarks for liquidity and security:-

Liquidity – The Council's bank overdraft limit is nil. The Council will seek to maintain liquid short-term deposits of at least £5,000,000 available with a week's notice. The weighted average life (WAL) of investments is expected to be 0.45years.

Security – the Council's expected security risk benchmark from its budgeted investment strategy is 0.008% historic risk of default when compared to the whole portfolio. This means that the risk amounts to approximately £0.001m on the expected investment portfolio of £14.6 million.

- **Treasury Limits on Activity (Treasury Management Strategy section 6)** – This section includes statutory and local indicators covering treasury management activity. These include limits on fixed and variable interest rate exposure, maturity structure of debt and performance targets for interest rates on new investments and loans.

- **Breakdown of Investment Categories (Treasury Management Strategy section 7)** – covers authorised posts for treasury management activities

  The need to limit the risk to the Council of loss from counterparty failure results in a restricted range of counterparties available for investment.

4.4 Treasury Management Practices

The Council adopted the CIPFA Code of Practice on Treasury Management (which was revised December 2017) on 2nd March 2010. At this time the Treasury Management Policy Statement was also adopted. The Treasury Management Policy and Practices (TMP's) are updated annually to reflect the Treasury Management Strategy approved by Council and to reflect any changes in staffing structures or working practices of the treasury function.

5. Organisational Impacts

5.1 Finance

Financial implications are contained in the main body of the report.

5.2 Legal Implications

The Treasury Management Strategy and Prudential Indicators meet the requirements under legislation and code of practice.

6. Risk Implications

The risk implications are contained within the body of the report.

7. Recommendations

7.1 The Executive are recommended to:

7.2 Recommend for approval by the Council the prudential indicators detailed in section 4.1 and appendix 1 of the report.

7.3 Recommend for approval by the Council the Treasury Management Strategy (including the treasury management prudential indicators and the Investment Strategy) set out section 4.3 and appendix 3 of the report.

Is this a key decision?	Yes
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No

How many appendices does the report contain?	3
List of Background Papers:	Medium Term Financial Strategy 2018-23 CIPFA Code of Practice CIPFA Prudential Code Treasury Management Practices
Lead Officer:	Sarah Hardy, Group Accountant (Technical and Exchequer) Telephone (01522) 873839

Prudential Indicators 2017/18 – 2020/21

1.0 Introduction

1.1 The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and to produce prudential indicators. The Code sets out a framework for self-regulation of capital spending, in effect allowing councils to invest in capital projects without any limit as long as they are affordable, prudent and sustainable. The Prudential Code operates by the provision of prudential indicators, which highlight particular aspects of the capital expenditure planning. This report revises the indicators for 2017/18 and details them for 2018/19-2020/21. Each indicator either summarises the expected capital activity or introduces limits upon the activity, and reflects the outcomes of the Council's underlying capital appraisal systems.

1.2 The Prudential Code requires the Executive and full Council to approve as a minimum the 15 statutory indicators. The Chief Finance Officer has added 8 local indicators that are believed to add value and assist understanding of the main indicators.

1.3 The purpose of the indicators is to provide a framework for capital expenditure decision-making. It highlights, through the prudential indicators, the level of capital expenditure, the impact on borrowing and investment levels and the overall controls in place to ensure the activity remains affordable, prudent and sustainable.

1.4 Within this overall capital expenditure framework there is a clear impact on the Council's treasury management activity, either through increased borrowing levels or the investment of surplus balances. As a consequence the treasury management strategy for 2018/19 (see Appendix 3) includes the expected treasury management activity, together with the 5 specific Prudential indicators and 8 local indicators, which relate to treasury management.

1.5 The 15 statutory prudential indicators can be categorised under the following four headings:

- Capital Expenditure and External Debt (numbers 1, 2, 3, 4, 5, 7, 8)
- Prudence (number 6)
- Affordability (numbers 9,10)
- Treasury Management limits (numbers 11, 12, 13, 14, 15)

(The numbers above relate to the reference given to each indicator).

1.6 The paragraphs 2 to 4 below detail the 10 statutory indicators under the headings of Capital Expenditure/External Debt, Prudence and Affordability. The remaining 5 statutory and 8 local indicators relating to the treasury management strategy are set out in appendix 3.

2.0 Capital Expenditure Prudential Indicators

2.1 The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. This expenditure can be paid for immediately (by resources such as capital receipts, capital grants etc.), but if resources are insufficient any residual expenditure will form a borrowing need.

2.2 A certain level of capital expenditure may be supported by government grant; any decisions by Council to spend above this level will be unsupported and will need to be paid for from the Council's own resources. This unsupported capital expenditure needs to have regard to:

- Service objectives e.g. strategic planning
- Stewardship of assets e.g. asset management planning
- Value for money
- Prudence and sustainability e.g. implications for external borrowing and whole life costing
- Affordability
- Practicality e.g. achievability of plan

The revenue consequences of capital expenditure, particularly the unsupported expenditure, will need to be paid for from the Council's own resources.

The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been required.

2.3 The key risks to the plans are that some estimates for sources of funding, such as capital receipts, may be subject to change over this timescale. For instance, anticipated asset sales may be postponed due to the impact of the recession on the property market.

2.4 The summary capital expenditure and financing projections are shown in the table below.

Indicators 1&2	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Capital Expenditure				
General Fund	31,419	14,209	500	500
HRA (including New Build)	15,204	25,805	14,529	11,386
Total Expenditure	**46,623**	**40,014**	**15,029**	**11,886**
Financed by:				
Capital receipts	5,483	6,912	3,819	900
Capital grants & contributions	3,284	670	300	300
Depreciation (HRA only)	12,857	16,631	10,710	10,486
Revenue/Reserve Contributions	361	2,785	0	0
Borrowing need	**24,638**	**13,016**	**200**	**200**

3.0 External Debt and Prudence Prudential Indicators

3.1 **Borrowing Need** - The Council's Capital Financing Requirement (CFR) represents the Council's borrowing need. The CFR is simply the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR.

3.2 The CFR also includes any other long term liabilities (e.g. finance and embedded leases) brought on to the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, they are purely accounting adjustments and include a borrowing facility, so the Council is not required to separately borrow for them. The Council has £0.559m of such leases within the CFR in 2017/18 reducing to £0.105m by the end of 2019/20. The CFR does not yet include any allowance for the planned replacement of the majority of the vehicle fleet under leasing arrangements.

3.3 Capital Financing Requirement projections are detailed below:

Indicators 3&4	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Capital Financing Requirement				
General Fund	53,327	65,464	64,536	62,537
HRA	58,503	58,503	58,503	58,503
Total CFR @ 31 March	111,830	123,967	123,039	121,040
Net movement in CFR	**23,154**	**12,137**	**(929)**	**(1,998)**
Actual debt (borrowing & other liabilities)	**81,661**	**100,445**	**100,208**	**99,247**
Net borrowing need for the year	24,638	13,016	200	200
Return of LAMS deposit	(1,000)	0	0	0
Minimum Revenue Provision (MRP)	(334)	(729)	(979)	(1,193)
Repayment of GENF borrowing				(855)
Application of Capital Receipts to reduce CFR	(150)	(150)	(150)	(150)
Movement in CFR	**23,154**	**12,137**	**(929)**	**(1,998)**

* MRP = Minimum Revenue Provision – Statutory requirement to annually fund the repayment of General Fund borrowing.

3.4 **Estimates of External Debt** - The expected impact of the capital expenditure decisions on the Council's net debt position is shown below:

Indicator 5	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
External Debt				
Gross Borrowing	81,103	100,103	100,103	99,247
Other Long Term Liabilities*	559	342	105	(0)
Total Debt at 31 March	**81,661**	**100,445**	**100,208**	**99,247**

*Other Long Term liabilities include finance leases

3.5 The expected movement in the CFR over the next three years is dependent on the level of capital borrowing taken during the budget cycle. Such borrowing is the capital expenditure freedom allowed under the Prudential Code i.e. prudential borrowing which allows the freedom to enter into projects such as spend to save schemes, or decisions to allocate additional resources from revenue to capital to enable service enhancements (subject to affordability).

3.6 There are two limiting factors on the Council's ability to undertake prudential borrowing:

1. Whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs. Can the Council afford the implications of the capital expenditure?
2. The Government may use a long stop control to ensure that either the total of all the Councils' plans do not jeopardise national economic policies, or in the event of an assessment by Central Government that local plans are unaffordable at a council, it may implement a specific control to limit its capital expenditure plans. No such control has been implemented during 2017/18.

3.7 **Limits to Borrowing Activity -** Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well-defined limits.

3.8 For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and next two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.

Indicator 6	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
Gross Borrowing	81,103	100,103	100,103	99,248
Investments	15,400	14,600	21,000	19,000
Net Borrowing	65,703	85,503	79,103	80,248
CFR	111,830	123,967	123,039	121,040
Net Borrowing is below CFR	46,127	38,464	43,936	40,792

The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.9 A further two key prudential indicators control or anticipate the overall level of borrowing, these are:

- **The Authorised Limit for External Debt** – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt, which while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.
- **The Operational Boundary for External Debt** – This indicator is based on the expected maximum external debt during the course of one year; it is not a limit and actual borrowing could vary around the boundary for short times during the year.

The level of the proposed operational and authorised limits is based on an assessment of the level of borrowing required to meet the Capital Financing Requirement (CFR) and also an allowance for temporary borrowing for working capital and also in lieu of other capital financing sources (e.g. capital receipts). The limits proposed for the 2018/19 Treasury Management Strategy also allow for the borrowing requirement associated with the Lincoln Transport Hub scheme and the purchase of Broadgate Carpark. The affordability and sustainability of the borrowing requirement for both have been assessed and can be contained within the MTFS 2018-23. The operational and authorised limits for 2018/19 have been set to allow these.

Indicator 7	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Authorised limit				
Borrowing	122,000	134,000	133,000	131,000
Other long term liabilities	2,500	1,800	1,300	800
Total Authorised limit	**124,500**	**135,800**	**134,300**	**131,800**

Indicator 8	**2017/18 Revised £'000**	**2018/19 Estimated £'000**	**2019/20 Estimated £'000**	**2020/21 Estimated £'000**
Operational Boundary				
Borrowing	115,000	126,400	125,900	124,300
Other long term liabilities*	2,000	1,600	1,100	700
Total Operational Boundary	**117,000**	**128,000**	**127,000**	**125,000**

*Other Long Term liabilities include finance leases

3.10 **Borrowing in advance of need** – The Council has some flexibility to borrow funds this year for use in future years. The Chief Finance Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Chief Finance Officer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 75% of the expected increase in borrowing need (CFR) over the three year planning period; and
- Would not look to borrow more than 36 months in advance of need

3.11 Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

4.0 Affordability Prudential Indicators

4.1 The 8 statutory indicators above cover the overall capital and control of borrowing, but in addition, within this framework, there are further indicators that assess the affordability of the capital investment plans. These indicators provide an indication of the impact of the capital investment plans on the Council's overall finances and these are shown below:

4.2 **Actual and Estimates of the Ratio of Financing Costs to Net Revenue Stream (Indicators 9 & 10)** – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget. The General Fund financing costs increase across the MTFS period. This reflects the need to borrow to support the capital programme.

The HRA financing costs decrease very marginally year on year. As there is no planned borrowing to fund the capital programme this has no impact on the financing costs over the four year period.

Neither the General Fund nor the HRA indicators include the effect of replacing some of the finance leases for vehicles replaced in 2015/16 and 2016/17 yet. This may increase the interest charges if finance leasing or borrowing if it is the most cost effective method of financing.

Indicators 9 & 10	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
General Fund	12.6%	13.3%	20.1%	21.8%
HRA	45.3%	44.1%	43.1%	42.5%

4.3 **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator has been discontinued following an update to the code in December 2017.

4.4 **Estimates of the incremental impact of capital investment decisions on Housing Rent Levels** – This indicator has been discontinued following an update to the code in December 2017.

Minimum Revenue Provision (MRP) Policy

1.0 The Council is required to pay off an element of the accumulated General Fund borrowing each year through a revenue charge (the Minimum Revenue Provision), and is also allowed to undertake additional voluntary payments (VRP).

1.1 MHCLG Regulations have been issued which require full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided so long as there is a prudent provision.

1.2 Members are recommended to approve the following MRP Statement:

For capital expenditure incurred:

(A) Before 1st April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

Existing practice - MRP will follow the existing practice outline in former MHCLG Regulations, but on a 2% straight-line basis, i.e. provision for the full repayment of debt over 50 years;

(B) From 1st April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be:

Asset Life Method – MRP will be based on the estimated life of the assets on either a straight line or annuity basis (as deemed most appropriate for capital expenditure being financed through borrowing). Asset life is deemed to begin once the asset becomes operational. MRP will commence from the financial year following the one in which the asset becomes operational.

MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.

(C) The Council will set aside £750k of capital receipts to the Capital Adjustment Account instead of applying these receipts to new expenditure in order to reduce the total debt liability (this will be £150k per annum over the period 2017/18 to 2021/22). The Council will reduce the MRP provision for the year by the same amount.

(D) Expenditure in respect of land purchases will increase the Capital Financing Requirement (CFR) by the borrowing required to fund the purchase which will be repaid by the future sale of the asset. Once the asset is sold and the funds are realised they will be classed as a capital receipt and will be off-set against the CFR which will reduce accordingly. As the funds will be returned in full there is no need to set aside prudent provision to repay the debt liability so no MRP will be applied in respect of this type of purchase.

Treasury Management Strategy 2018/19

1.0 Introduction

1.1 Treasury Management is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. The 12 prudential indicators in Appendix 1 cover the affordability and impact of capital expenditure decisions and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992. There are 5 specific statutory treasury management prudential indicators and 8 local indicators.

1.2 The treasury management service performs the borrowing and investment activities of the Council and effectively manages the associated risks. Its activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management - Revised December 2017). The adoption of the Code is one of the 12 statutory Prudential Indicators. This Council adopted the Code of Practice on Treasury Management on 2nd March 2010. As a result of adopting the Code, the Council also adopted a Treasury Management Policy Statement on 2nd March 2010.

1.3 The policy requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming year and includes prudential indicators relating specifically to Treasury Management for the next three years. Further reports are produced; a mid-year monitoring report and a year-end report on actual activity for the year (Annual Treasury Management Stewardship Report). In addition, Treasury Management Practice (TMPs) documents are also maintained by the Chief Finance Officer. The TMPs have been reviewed and updated to reflect any changes in the Treasury Management Strategy and reviewed by Audit Committee.

1.4 A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. This strategy covers:

- The Council's debt and investment projections;
- The expected movement in interest rates;
- The Council's borrowing strategy;
- The Council's investment strategy;
- Treasury Management prudential indicators and limits on activity;
- Local Treasury issues

2.0 Debt and Investment Projections 2017/18 – 2020/21

2.1 The borrowing requirement comprises the expected movement in the Capital Financing Requirement (CFR) and any maturing debt that will need to be re-financed. The table below shows the anticipated effect on the treasury position over the current and next three years based on the current capital programme. The expected maximum debt position during each year represents the Operational Boundary prudential indicator (for borrowing only) and so may be different from the year-end position. It also highlights the expected change in investment balances.

	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
External Debt				
Debt at 1 April	75,353	81,103	100,103	100,103
Expected change in debt	5,750	19,000	0	(855)
Debt at 31 March	**81,103**	**100,103**	**100,103**	**99,248**
Operational Boundary (debt only)	117,000	128,000	127,000	125,000
Investments				
Total Investments at 31 March	15,400	14,600	21,000	19,000
Investment change	(8,000)	(800)	6,400	(2,000)

Expected borrowing has been profiled to take out loans before current low borrowing interest rates are forecast to rise.

2.2 The related impact of the above movements on the revenue budgets are:

	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
Revenue Budgets				
Total interest payable on borrowing	3,140	3,330	3,627	3,551
Related HRA charge	2,352	2,352	2,352	2,332
Net General Fund interest payable	788	978	1,275	1,219
Total investment income	113	77	132	149
Related HRA income share	31	31	32	38
Related to other commitments	19	17	17	17
Net General Fund income	63	29	83	94

3.0 Prospects for Interest Rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates.

The following table gives the Link central view and paragraph 3.1 give Link's view on economic prospects.

Annual Average %	Bank Rate	PWLB Rates*		
		5 year	25 year	50 year
March 2018	0.50	1.60	2.90	2.60
March 2019	0.75	1.80	3.10	2.90
March 2020	1.00	2.10	3.40	3.20
March 2021	1.25	2.30	3.60	3.40

* Borrowing Rates

3.1 **Economic Growth (Link's view)**

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure.

The **Monetary Policy Committee, (MPC), meeting of 14th September 2017** surprised financial markets and forecasters by warning that the Bank Rate would need to rise soon. At the 2nd November meeting the MPC increased the Bank Rate by 0.25% to 0.50% and gave forward guidance that they expected to increase rates only twice more in the next three years to reach 1% by 2020.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The Bank of England have indicated that it expects CPI inflation to peak at just under 3% in 2017 before falling back to near its target rate is two years' time.

While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is difficult to be confident about how the next two to three years will actually turn out.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

EZ. Economic growth in the Eurozone (EZ), has been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of Quantitative Easing (QE). However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

Asia. Economic growth in China has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

4.0 The Council's Borrowing and Debt Strategy 2018/19

4.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high and will be maintained for the borrowing.

4.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances as follows.

4.3 If it was felt that there was a significant risk of a sharp fall in long term rates e.g. due to a marked increase of risks around a relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

4.4 If it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap.

4.5 The Council's overall core borrowing objectives will remain uniform and follow a similar pattern to previous years as follows:

- To reduce the revenue costs of debt in line with the targets set for the Chief Finance officer (see local indicators).
- To manage the Council's debt maturity profile, leaving no one future year with a high level of repayments that might cause problems in re-borrowing.
- To effect funding at the cheapest cost commensurate with future risk.
- To forecast average future interest rates and borrow accordingly i.e. short term/variable when rates are 'high', long term/fixed when rates are 'low'.
- To monitor and review the level of variable rate loans in order to take greater advantage of interest rate movements.
- To proactively reschedule debt in order to take advantage of potential savings as interest rates change. Each rescheduling exercise will be considered in terms of the effect of premiums and discounts on the General Fund and the Housing Revenue Account.
- To manage the day-to-day cash flow of the Council in order to, where possible, negate the need for short-term borrowing. However, short-term

borrowing will be incurred, if it is deemed prudent to take advantage of good investment rates.

4.7 There is unsupported borrowing in the General Fund Investment Programme (GIP) as detailed in the MTFS. The Council expects to take out loans for the General Fund before current low borrowing interest rates are forecast to rise significantly, and it will continue to use internal balances whilst interest rates on investments remain low. Officers are continually evaluating the cost effectiveness of borrowing as opposed to selling capital assets. Proposals are presented to Members when borrowing becomes more cost effective.

4.8 There are currently no plans to borrow for the HRA planned new build programme during the next MTFS period, starting in 2018/19. It is planned to fund the programme using alternative sources of funding.

4.9 The strategy allows for additional borrowing in line with the expected movement in the Capital Financing Requirement (CFR), should it become necessary for cash flow requirements. The Council will consider PWLB loans, Market loans, the Municipal Bond Agency and other financial institutions, if attractive rates are offered. In addition, should schemes be identified that benefit the Council's strategic aims and be deemed cost effective, i.e. Invest to Save schemes where the income streams more than pay for the borrowing costs, unsupported borrowing will be considered.

5.0 The Council's Investment Strategy 2018/19

5.1 The Council's investment strategy's primary objectives are safeguarding the repayment of the principal and interest of its investments on time, ensuring adequate liquidity, with the investment return being the final objective.

The intention of the strategy is to provide security of investment and minimisation of risk.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

In line with this aim, the Council will ensure:

- It maintains a policy covering the types of specified and unspecified investments it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the paragraphs below.

  - **Specified Investments** – these are high security investments (i.e. high credit quality) and high liquidity investments in sterling with a maturity of no more than one year.
  - **Non-specified Investments** – investments that do not fall into the category of Specified Investments, representing a potential greater risk (e.g. over one year).

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

5.2 **Risk benchmarking**

Yield benchmarks are widely used to assess investment performance. Discrete security and liquidity benchmarks are also requirements to Treasury Management reporting, although the application of these is more subjective in nature. Additional background in the approach taken is shown at the end of this appendix.

5.3 These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

5.4 **Security**

The Council's expected security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.008% historic risk of default when compared to the whole portfolio.

5.5 **Liquidity**

In respect of this area the Council seeks to maintain:

- Bank overdraft - £nil.
- Liquid short term deposits of at least £5 million available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.45 years.

5.6 **Yield**

Local measure of yield benchmark employed is:

- Investments – return above the 7 day LIBID rate

5.7 **Investment Counterparty Selection Criteria**

The primary principle governing the Council's investment criteria is the security of its investments although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

It has sufficient liquidity in its investments. For the purpose it will set out procedures for determining the maximum periods for which funds may be prudently committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

5.8 The Chief Finance Officer will maintain a counterparty list in compliance with the criteria set out in the table contained within this appendix and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which chooses Specified and Non-Specified investments as they provide an overall pool of counterparties considered high quality which the Council may use rather than defining what its investments are.

5.9 Following the Comprehensive Spending Review on the Council's grant funding settlement and the ongoing financial pressures, the identification of savings and income generation are critical to the delivery of the Medium Term Financial Strategy. Treasury Management is an important area for further income generation and therefore, the main theme of the Council's investment strategy must continue to be to maximise interest from investments, after ensuring adequate security and liquidity. The Investment Strategy 2018-19 seeks to achieve this objective by establishing a pool of counterparties available for investment whilst still containing overall risk within acceptable levels.

5.10 The Council uses Link Asset Services' creditworthiness service. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard and Poor's.

In accordance with the guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

As with previous practice, ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings. This is fully integrated into the creditworthiness methodology provided by Capita Asset Services. The result is a colour coding system, which shows the varying degrees of suggested creditworthiness.

Alongside the credit ratings other information sources are used and include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process with regard to the suitability of potential investment counterparties.

The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

Yellow	5 years
Purple	2 years
Blue	1 year (only applies to part-government owned UK banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

The Link Asset Services creditworthiness service uses a wider array of information than primary ratings alone and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

5.11 Typically, the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

The credit ratings specified above are defined as follows:-

F1 (short term rating) – Highest credit quality

A- (long term rating) – High credit quality, denoting a very strong bank

5.12 All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies through its use of Link's creditworthiness service.

- If a downgrade results in the counterparty no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's counterparty list.

Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

5.13 **Country and sector considerations**

Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state. In addition:

- No more than 50% will be placed with any non-UK country at any time (see below).
- Group limits have been set to ensure that the Council is not exposed to

excessive risk due to concentration of investments within any one institution or group. These are detailed in the Investment Counterparty Limits table contained within this appendix.

Although the strategy sets a limit for investment in non-UK countries at no more than 50%, the Council has been operating a tighter operational strategy in the light of the Eurozone difficulties and has not been investing outside the UK. This operational restriction will continue until the problems in the Eurozone economy have been sufficiently resolved.

5.14 In the normal course of the Council's cash flow operations it is expected that both Specified and Non-specified investments will be used for the control of liquidity as both categories allow for short-term investments. The Chief Finance Officer will strive to keep investments within the Non-specified category to a prudent level (having regard to security and liquidity before yield). To these ends the Council will maintain a maximum of 75% of investments in Non-specified investments.

5.15 The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. The investment in longer-term instruments is also limited by the prudential indicator 16 shown in paragraph 6.3, which gives the maximum amount to be invested over 1 year, as well as the limits on the amounts that can be placed with the categories within the non-specified range of investments (see above paragraph 5.14).

5.16 Expectations on shorter-term interest rates, on which investment decisions are based, reflect the fact that an increase in the current 0.50% Bank Rate is unlikely until December 2018. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.

5.17 There is a clear operational difficulty arising from the ongoing economic conditions. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security

5.18 The criteria for choosing counterparties set out above provide a sound approach to investment in the current difficult market circumstances.

5.19 Sensitivity to Interest Rate Movements

The Council's Statement of Accounts is required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 0.5% increase/decrease in the average interest rates for investments for next year. That element of the debt and investment portfolios, which are of a longer term, fixed interest rate nature, will not be affected by interest rate changes. There will be no effect on borrowing costs as all the Council's existing debt is fixed rate and the additional borrowing planned will also be fixed rate and has been included within the budget figures in this report at the forecast rate for 2018/19.

£000	2018/19 Estimated + 0.5%	2018/19 Estimated - 0.5%*
Revenue Budgets		
Investment income	76,869	0
Related HRA Income	30,795	0
Net General Fund/Other Income	46,073	0

*The average interest rates on investment are 0.5% so if interest rates fell by this amount they would be zero which would result in no interest being earned

6.0 Treasury Management Limits on Activity

6.1 There are four further treasury activity limits, which were previously prudential indicators. The purpose of these is to contain the activity of the treasury function within certain limits, thereby managing the risk and reducing the impact of an adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunity to reduce costs. The indicators are:

- **Upper limit on variable rate exposure** – this identifies a maximum limit for variable interest rates based upon the debt position net of investments.

- **Upper limit on fixed rate exposure** – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

- **Maturity structures of borrowing** – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing at the same time and are required for upper and lower limits.

- **Total principal sums invested for periods longer than 1 year** – These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

6.2 In addition the Chief Finance Officer has set eight additional local indicators. The aim of these indicators is to increase the understanding of the treasury management indicators.

6.3 The 4 treasury limits above together with the adoption of the Code of Practice indicators are shown below:

Indicator 11	2018/19 Target £m	2019/20 Target £m	2020/21 Target £m
Upper Limit on variable interest rate exposure	40.0	39.3	39

Indicator 12	2018/19 Target £m	2019/20 Target £m	2020/21 Target £m
Upper Limit on fixed interest rate exposure	96.5	93.1	92.7

Indicator 13	2018/19		2019/20		2020/21	
Maturity Structure of fixed borrowing	**Lower**	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Under 12 months	0%	40%	0%	40%	0%	40%
12 months to 2 years	0%	40%	0%	40%	0%	40%
2 years to 5 years	0%	60%	0%	60%	0%	60%
5 years to 10 years	0%	80%	0%	80%	0%	80%
10 years and above	10%	100%	10%	100%	10%	100%

Indicator 14	2018/19 £m	2019/20 £m	2020/21 £m
Maximum principal sums invested for longer than 1 year	5	5	5

Indicator 15
CIPFA Code of Practice for Treasury Management in the Public Services (Revised December 2017) adopted by Council on 2nd March 2010.

6.4 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury management function over the year. The Chief Finance Officer has therefore set 8 local indicators, which are believed to add value and assist the understanding of the main prudential indicators. These indicators are:

- Debt – Borrowing rate achieved against average 7 day LIBOR.
- Investments – Investment rate achieved against average 7 day LIBID.
- Average rate of interest paid on the Councils Debt – this will evaluate performance in managing the debt portfolio to release revenue savings.
- Amount of interest on debt as a percentage of gross revenue expenditure.
- Limit on fixed interest rate investments
- Limit on fixed interest rate debt
- Limit on variable rate investments
- Limit on variable rate debt

6.5 The 8 indicators are shown below:

	2018/19 Target	2019/20 Target	2020/21 Target
Debt - Borrowing rate achieved i.e. temporary borrowing (loans of less than 1 year)	Less than 7 day LIBOR	Less than 7 day LIBOR	Less than 7 day LIBOR

	2018/19 Target	2019/20 Target	2020/21 Target
Investment rate achieved	Greater than 7 day LIBID	Greater than 7 day LIBID	Greater than 7 day LIBID

	2018/19 Target	2019/20 Target	2020/21 Target
Average rate of Interest Paid on Council Debt (%)	4.25%	4.25%	4.25%

	2018/19 Target	2019/20 Target	2020/21 Target
Interest on Debt as a % of Gross Revenue Expenditure	3.5%	3.8%	3.6%

	2018/19 Target	2019/20 Target	2020/21 Target
Upper Limit on fixed interest rate Investments	100%	100%	100%

	2018/19 Target	2019/20 Target	2020/21 Target
Upper Limit on fixed interest rate debt	100%	100%	100%

	2018/19 Target	2019/20 Target	2020/21 Target
Upper Limit on variable interest rate investments	75%	75%	75%

	2018/19 Target	2019/20 Target	2020/21 Target
Upper Limit on variable interest rate debt	40%	40%	40%

6.6 Treasury Management Advisers

The Council uses Link Asset Services as its treasury management consultants. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt rescheduling advice surrounding the existing portfolio;
- Credit ratings/market information service comprising the three main credit rating agencies.

Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

6.7 Member and Officer Training

The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers.

This Council has addressed this important issue by:

- Member Training – Our treasury management advisers provided training to the Audit Committee and Budget Review Scrutiny Group prior to the consideration of this year's strategy and review of the Draft MTFS 2018-23. They also provided training to the Performance Scrutiny Committee to support their consideration of the mid-year report. The training needs will be regularly reviewed and updated as necessary in 2018/19.
- Staff Training – training needs for staff engaged in treasury management are addressed through the appraisal process. Training is provided both by the Council's treasury management advisers, other external providers and internally. In addition, the Council encourages staff engaged in treasury to undertake a professional accountancy qualification and ensures that the day-to-day trading is overseen by a professionally qualified accountant following the CIPFA Code of Practice.

7.0 Breakdown of Investment Categories with Maximum Amounts and Periods

The Chief Finance Officer, in accordance with TMP 1 (1) within the Council's Code of Practice, is authorised to invest funds surplus to immediate requirements with the following types of institutions subject to the minimum ratings produced by the three credit rating agencies Fitch, Moody's and Standard & Poor's. The Link Asset Services creditworthiness service is applied to determine a list of suitable counterparties available for investment. The minimum ratings applied by Link Asset Services in compiling their recommended counterparty list are set out in section 5.11 of the investment strategy.

All counterparty ratings are updated on a regular basis on the advice of the Council's Treasury Consultants. Notifications of rating changes are received as they happen.

Investment Counterparty Limits

Institution	Minimum credit criteria/colour band	Maximum limit per group or institution £ million	Maximum maturity period
SPECIFIED INVESTMENTS			
UK Bank *1	Orange/Blue Red Green	£5 million	1 year 6 months 100 days
Non-UK Banks*1 Sovereign rating AA	Orange Red Green	£5 million	1 year 6 months 100 days
Building Society*2	Orange Red Green	£5 million	1 year 6 months 100 days
Money Market Fund*3	Yellow	£5 million	Liquid
UK Government*4	Yellow	unlimited	6 months
UK Local Authority*4	Yellow	£2 million	1 year
NON-SPECIFIED INVESTMENTS			
UK Bank*1	Purple	£5 million	2 years
Non-UK Banks*1 Sovereign rating AA	Purple	£3 million	2 years
Building Society*2	Purple Yellow	£2 million	2 years 5 years
UK Local Authority*4	Yellow	£2 million	5 years
Lincoln Credit Union	N/A	£10K	N/A
Council's own bank*5 (operational cash limit in addition to the investment group limit)	N/A	£500K	Overnight

***1**Where the term 'Bank' is used, this denotes a UK or European Bank authorised to accept deposits through a bank account incorporated within the UK banking sector. The maximum amount indicated is the 'Group total' and covers the total amount that can be invested when spread over any number of subsidiaries within that group.

*2 Where the term Building Society is used, this denotes a UK Building Society.

*3 Money market funds are mutual funds that invest in short-term high quality debt instruments. The assets are actively managed within very specific guidelines to offer safety of principal, liquidity and competitive returns. Although money funds are regarded as short-term investments the rating agencies use a classification system based on long-term debt ratings.

***4** The UK Government (i.e. HM Treasury and its Executive Agency, the Debt Management Office) and Local Authorities, although not rated as such, are classified as having the equivalent of the highest possible credit rating.

***5**This limit covers normal treasury management activities but excludes any deposits received after money market trading has closed. It allows up to £500K of operational cash to be held in the Council's main bank account in addition to the group investment limit for the bank, if the bank is included on the Council's counterparty list.

Approved Investment Instruments

In addition to determining the rating and limits of authorised counterparties TMP 4 “Approved instruments, methods and techniques” within the Council’s Code of Practice requires the Council to define the instruments that the Authority will use in undertaking its Treasury Management activities. In accordance with this, and the investment regime issued as part of the prudential capital finance system, the Instruments that the Chief Finance Officer will consider investing surplus funds in are shown below:

Instruments of Specified Investments *1

1. Gilt-edged securities issued by the United Kingdom Debt Management Office (UK DMO), an Executive Agency of HM Treasury.
2. Treasury Bills issued by the UK DMO.
3. Deposits with the Debt Management Office Debt Management Account Deposit Facility (DMADF).
4. Deposits with a Local Authority, Parish Council or Community Council.
5. Deposits with Banks and Building Societies (Including opening Business Accounts).
6. Certificates of deposit issued by Banks and Building societies.
7. Pooled investment vehicles (e.g. money market funds)

***1** To be defined as a Specified Investment the above instruments will have these features common to all:

- Be denominated in Sterling,
- Of not more than 1 year maturity,
- Of longer than 1 year maturity but the Council has the right to be repaid within 12 months,
- For instruments numbered 5 to 7 these must be with institutions of high credit quality.

Instruments of Non-Specified Investments *2

1. Deposits with Banks, Building Societies and their subsidiaries.
2. The Council’s own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.
3. Certificates of deposit issued by Banks and Building Societies.

***2** To be defined as a Non-Specified Investment the above instruments will have these features common to all:

- Denominated in Sterling,
- Of more than 1 year maturity,
- Of less than 1 year maturity with an institution that does not meet the basic security requirements under Specified Investments e.g. a deposit with a non-credit rated Bank or Building Society

Security, Liquidity and Yield benchmarking

Benchmarking and Monitoring Security, Liquidity and Yield in the Investment Service

A requirement for Treasury Management reporting is the consideration and approval of security and liquidity benchmarks.

These benchmarks are targets and so may be breached from time to time. Any breach will be reported, with supporting reasons in the Annual Treasury Report.

Yield – These benchmarks are widely used to assess investment performance. Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate

Security and liquidity benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. Benchmarks for the cash type investments are set out below and these will form the basis of reporting in this area. In other investment categories appropriate benchmarks will be used where available.

Liquidity – This is defined as "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:

- Bank overdraft - nil
- Liquid short term deposits of at least £5m available with a week's notice.

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – a shorter WAL would generally embody less risk. In this respect the proposed benchmark to be used is:

- WAL benchmark is expected to be 0.45 years.
- Security of the investments – In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poor's). Whilst this approach embodies security considerations, benchmarking levels of risk is more problematic. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy.

The Council's expected security risk benchmark from its budgeted investment strategy is:

- 0.008% historic risk of default when compared to the whole portfolio which equates to a potential loss of £1,168 on an investment portfolio of £14.6m. In addition that the security benchmark for each individual year is:

	1 year	2 year	3 year	4 year	5 year
Maximum	0.30%	0.30%	0.30%	0.30%	0.30%

These benchmarks are embodied in the criteria for selecting cash investment counterparties and these will be monitored and reported to Members in the Investment Annual Report. As this data is collated, trends and analysis will be collected and reported

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Item No. 7d

COUNCIL **27 FEBRUARY 2018**

SUBJECT:	**COUNCIL HOUSE AND GARAGE RENTS 2018/19**
DIRECTORATE:	**HOUSING AND REGENERATION**
REPORT AUTHOR:	**FRANCES JELLY – HOUSING BUSINESS SUPPORT MANAGER**

1. Purpose of Report

1.1 To seek members approval of the revised rents for council housing accommodation in 2018/19. The proposed change is in accordance with national Government direction and continues with a reduction of 1% on all council housing accommodation (inclusive of general needs and supported housing)

1.2 To seek members approval for an increase of 3% on Council garage rents for 2018/19 in line with other fees and charges revisions by the Council.

2. Executive Summary

2.1 The Welfare Reform and Work Act 2016, determined that all social and affordable rents be reduced by 1% year on year between 2016 to financial year 2019/20. For the City of Lincoln Council this will result in a further reduction of an average weekly net rent (over 52 weeks) from £69.13 in 2017/18 to £68.44 per week for 2018/19, equating to an average loss of income per property of £0.69 per week over 52 weeks.

3. Background

3.1 Members will be aware that the financing for council housing was changed in April 2012 – the ‘Self-financing Regime’ was introduced under which local authorities were required to buy themselves out of the national housing subsidy regime in return for the keeping of future rental income at local level. The valuation of the housing stock and the Council’s Housing Revenue Account (HRA) Business Plan was based on rental income rising in line with the Government’s rent convergence policy and rent guidelines in place at that time.

3.2 This was then changed by the Government in the 2013 Spending Round, when the Chancellor announced that; "*from 2015-16 social rents will rise by a lower amount than previously expected, CPI plus one per cent each year for ten years*." Shortly after, a letter was sent to housing providers proposing to cut short the policy of converging council and housing association rents. Social landlords whose average rents had not yet reached rent target levels were concerned about the implications given that the change in policy came only 18 months after the ‘buy-out’ payment to Government.

3.3 Currently 63.78% of all City of Lincoln council tenants are in receipt of either full or partial housing benefit / Universal Credit and will not gain from lower rent levels.

Cutting rents in the short term will benefit the remaining tenants but as a long-term strategy it won't serve either group i.e. income is needed to maintain the current stock and invest in new housing.

4. Main Body of Report

4.1 In July 2015 the Government announced that Social Housing rents would be reduced by 1% a year from 2016 for four years. Although this has a beneficial effect for those individual tenants not in receipt of benefit the policy raises concerns in a number of ways:

a) The self-financing payment to government in 2012 of £25m was meant to be based on a long-term perspective being taken on each local Housing Revenue Account. The national rent policy has changed twice since 2012.
b) The Council's 2012 investment plans were based upon projections of rental income in line with that national policy
c) Reducing rents in the long term could mean less, lower investment in current properties and pressure to reduce housing staff numbers

4.2 In September 2016, the Secretary of State for Work and Pensions, made a statement in Parliament and announced a proposed new funding model for Supported Housing to pay housing benefit up to Local Housing Allowance rates but with fixed additions which would continue to recognise the higher costs of providing this type of housing. Government has since deferred this policy change for supported housing until 2019/20.

4.3 Councils will be able to continue to increase rents on those housing properties that are currently below the 'formula rent' (or convergence amount) on re-letting to new tenants before applying the one percent rent reduction. For the City of Lincoln Council at the date of this report, 851 properties (that are 10 pence or more below target rent) were not at formula rent and thus when these properties become available for re-letting the rent can be increased to the formula amount. For example if, for a specific property, the current rent is £70.00 per week and the formula rent is £72.00 per week, the new tenant would be charged £71.28 rather than £68.44

4.4 On 4 October 2017, DCLG announced that "increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020." This return to inflation-linked rent setting has been welcomed within the sector. However it is estimated that the four year rent reduction process will have removed £10.5m funding from the City's current Housing Revenue Account Business plan.

4.5 The restriction on house rents contained within the Welfare Reform and Work Act 2016 does not apply to garage rents. It is proposed that garage rents increase by 3% in line with the Authority's general fees and charges increase. At the date of this report we currently have 1,141 garages, and of this number, 223 are currently void which equates to 19.5%.

4.6 Work is ongoing to both increase garage lettings and appraise low demand site for their redevelopment potential.

5. Strategic Priorities

5.1 <u>Let's reduce inequality</u>

The Government policy is primarily about reducing the welfare benefits bill but it does help those just above benefit thresholds. Council house rents remain significantly lower than the rent levels in the private rented sector in the City.

5.2 <u>Let's deliver quality housing</u>

Reducing rents reduces resources available to the Council to maintain current homes and build additional homes

6. Organisational Impacts

6.1 Finance

Council housing rents 2018/19

The impact of this change will be a decrease to the current average 52 week rent for all accommodation from £69.13 per week to £68.44 per week – an average decrease of £0.69 per week.
Changes in individual rents will vary according to the level of actual current rent as illustrated in **Appendix 1.**

Council garage rents 2018/19
The Welfare Reform and Work Bill rental decrease does not apply to garages.

An increase in garage rents of 3% is proposed in line with the Authority's Fees and Charges increase. This would bring the charge to £7.61 for 2018/19 (based on a 52 week charge period), an increase of £0.23 per week. Research has shown that the garage rents in Lincoln are mid-range when compared to similar locations in the East Midlands.

7. Risk Implications

7.1 A key element of preparing for self-financing was for the Council to write and implement a 30 year HRA Business Plan. The basis of the Business planning process had originally been predicated on the assumption that the Council would continue to increase rents in line with the Government's amended self-financing determination of CPI + 1%.

The effect of the 1% rent reduction, the reduced income and potential investment in the current and potentially new stock and the impact on the HRA Business plan (2016 – 2046) has been reviewed as part of the Medium Term Financial Strategy (MTFS) 2018-23 which appears elsewhere on the agenda.

8. Recommendation

8.1 Agree the basis of rent calculation for changes to individual Council house rents as set out in paragraph 6 of this report, which represents a decrease in the average 52 week net rent in 2018/19 of 1% (£0.69 p/w) for housing rents. This is in accordance with Government policy

8.2 Increase Council garage rents for 2018/19 in accordance with the proposal in paragraph 6.1 above by 3%.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	1
List of Background Papers:	Guidance on Rents for Social Housing, May 2014, from Communities and Local Government Welfare Reform and Work Act 2016
Lead Officer:	Frances Jelly Housing Business Support Manager Telephone (01522) 873229

APPENDIX 1

IMPACT OF DECREASES ON ALL TENANTS – APRIL 2018
(Based on a 52 week rent year)

	Impact on Tenancies	
	No.	**%**
Rent decrease between £0.01 and £0.59	467	6.1
Rent decrease between £0.60 and £0.69	3692	48.23
Rent decrease between £0.70 and £0.79	2706	35.35
Rent decrease between £0.80 and £0.99	789	10.31
Rent decrease is equal or greater than £1.00	1	0.01
TOTAL – as of 15 January 2018	**7655**	**100%**

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Item No. 8

COUNCIL **27 FEBRUARY 2018**

SUBJECT:	**ANNUAL TIMETABLE OF MEETINGS 2018-19**
DIRECTORATE:	**CHIEF EXECUTIVE & TOWN CLERK**
LEAD OFFICER:	**GRAHAM WATTS, PRINCIPAL DEMOCRATIC OFFICER**

1. Matter for Council

1.1 That the Annual Timetable of Meetings for the next municipal year be approved.

Lead Officer: Graham Watts, Principal Democratic Officer
Telephone 873439

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TIMETABLE 2018 - 2019

Mon	Tue	Wed	Thu	Fri
	1 May	2	3	4
			ELECTION DAY	
May 7	8	9	10	11
Early May Bank Holiday		5:30pm PROVISIONAL Planning Committee Training, Member Development		
May 14	15	16	17	18
	11:00am Annual Meeting, Council		5:30 pm PROVISONAL Licensing Committee Training, Member Development	
May 21	22	23	24	25
		5:30 pm PROVISIONAL Planning Committee	6:00 pm PROVISIONAL Quarterly Report Performance Scrutiny Committee	
May 28	29	30	31	June 1
Spring Bank Holiday	6:00 pm PROVISIONAL Quarterly Reports, Executive		10:00 am PROVISIONAL Housing Appeals Panel 5:30 pm PROVISIONAL Hackney Carriage and Private Hire Licensing Sub-Committee	
June 4	5	6	7	8
	1:30 pm PROVISIONAL City of Lincoln Council and Employee Joint Consultative (Health, Safety and Welfare) Committee 2:00pm PROVISIONAL City of Lincoln Council and Employee Joint Consultative Committee		5:30 pm PROVISIONAL Audit Committee Training, Member Development	
June 11	12	13	14	15
	2:00 pm PROVISIONAL Shared Revenues and Benefits Joint Committee 6:00 pm PROVISIONAL Community Leadership Scrutiny Committee	4:00 pm PROVISIONAL Joint meeting between the CoLC and Lincolnshire Chamber of Commerce 5:30 pm PROVISIONAL Licensing Committee	6.00 pm PROVISIONAL Audit Committee	
June 18	19	20	21	22
10:00am PROVISIONAL AGM, Central Lincolnshire Joint Strategic Planning Committee 6:00 pm PROVISIONAL Housing Scrutiny Sub-Committee	6:00 pm PROVISIONAL Policy Scrutiny Committee	5:30 pm PROVISIONAL Planning Committee	10:00 am PROVISIONAL Housing Appeals Panel 6:00pm PROVISIONAL Political Group Meetings	

TIMETABLE 2018 - 2019

Mon	Tue	Wed	Thu	Fri
June 25	26	27	28	29
10:00 am PROVISIONAL Central Lincolnshire Joint Strategic Planning Committee 6:00 pm PROVISIONAL Commons Advisory Panel	6:30 pm PROVISIONAL Council		6:00 pm PROVISONAL Historic Environment Advisory Panel	
July 2	3	4	5	6
6:00pm PROVISIONAL Ethics and Engagement Committee	6:00 pm PROVISIONAL Community Leadership Scrutiny Committee		5:30 pm PROVSIONAL Hackney Carriage and Private Hire Licensing Sub – Committee	
July 9	10	11	12	13
		5:30 pm PROVISIONAL Member Development	10:00 am PROVISIONAL Housing Appeals Panel 6:00 pm PROVISIONAL Performance Scrutiny Committee	
July 16	17	18	19	20
	6:00 pm PROVISIONAL Audit Committee	5:00 pm PROVISIONAL Planning Committee		
July 23	24	25	26	27
6:00 pm PROVISIONAL Executive	6:30 pm PROVISIONAL Council	6:00 pm PROVISIONAL Crime and Disorder Committee, Select Scrutiny Committee	4:30 pm PROVISIONAL Asset Management Group	
July 30	31	August 1	2	3
		5:30 PROVISIONAL Member Development	10:00 am PROVISIONAL Housing Appeals Panel 5:30 PROVISIONAL Hackney Carriage and Private Licensing Sub-Committee	
August 6	7	8	9	10
	1:30 PROVISIONAL – City of Lincoln Council and Employee Joint Consultative (Health, Safety and Welfare) Committee 2:00pm – PROVISIONAL City of Lincoln Council and Employee Joint Consultative Committee	5:30 PROVISIONAL Licensing Committee	6:00 pm PROVISIONAL Political Group Meetings	
August 13	14	15	16	17
6:00 pm PROVISIONAL Housing Scrutiny Sub-Committee		5:30 pm PROVISIONAL Planning Committee	6:00 pm PROVISIONAL Quarterly Reports, Performance Scrutiny Committee	

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Mon	Tue	Wed	Thu	Fri
August 20	21	22	23	24
6:00 pm PROVISIONAL Quarterly Reports, Executive	6:00pm PROVISIONAL Policy Scrutiny Committee		10:00 am PROVISIONAL Housing Appeals Panel	
August 27	28	29	30	31
Bank Holiday	6:00 pm PROVISIONAL Community Leadership Scrutiny Committee	6:00 pm PROVISIONAL Quarterly Reports, Executive		
September 3	4	5	6	7
	2:00 pm PROVISIONAL Shared Revenues and Benefits Joint Committee	5:30 pm PROVISIONAL Member Development	5:30 pm PROVISIONAL Hackney Carriage and Private Hire Licensing Sub-Committee	
September 10	11	12	13	14
		5:30 pm PROVISIONAL Planning Committee	10:00 am PROVISIONAL Housing Appeals Panel	
September 17	18	19	20	21
6:00 pm PROVISIONAL Commons Advisory Panel	6:00 pm PROVISIONAL Audit Committee	5:30 pm PROVISIONAL Equality and Diversity	4:00 pm PROVISIONAL Joint Meeting between CoLC and Lincolnshire Chamber of Commerce 6:00 PROVISIONAL Political group meetings	
September 24	25	26	27	28
10:00 am PROVISIONAL Central Lincolnshire Joint Strategic Planning Committee 6:00 pm PROVISIONAL Executive	6:30 pm PROVISIONAL Council	5:30 pm PROVISIONAL Member Development		
October 1	2	3	4	5
6:00 pm PROVISIONAL Ethics and Engagement Committee		5:30 pm PROVISIONAL Licensing Committee	10:00 am PROVISIONAL Housing Appeals Panel 6:00 pm PROVISIONAL Performance Scrutiny Committee	
October 8	9	10	11	12
	1:30 pm PROVISIONAL City of Lincoln Council and Employee Joint Consultative (Health, Safety and Welfare) Committee 2:00 pm PROVISIONAL City of Lincoln Council and Employee Joint Consultative Committee 6:00 pm PROVISIONAL Policy Scrutiny Committee	5:30 pm PROVISIONAL Planning Committee	5:30 pm PROVISIONAL Hackney Carriage and Private Hire Licensing Sub-Committee	

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Mon	Tue	Wed	Thu	Fri
October 15	16	17	18	19
			6:00 pm PROVISIONAL Historic Environment Advisory Panel	
October 22	23	24	25	26
			10:00 am PROVISIONAL Housing Appeals Panel 4:30 pm PROVISIONAL Asset Management Group	
October 29	30	31	November 1	2
6:00 pm PROVISIONAL Executive		5:30 pm PROVISIONAL Member Development	5:30 pm PROVISIONAL Hackney Carriage and Private Hire Licensing Sub – Committee	
November 5	6	7	8	9
6:00 pm PROVISIONAL Housing Scrutiny Sub – Committee	6:00 pm PROVISIONAL Community Leadership Scrutiny Committee	5:30 PROVISIONAL Planning Committee		
November 12	13	14	15	16
			10:00 am PROVISIONAL Housing Appeals Panel	
November 19	20	21	22	23
		5:30 pm PROVISIONAL Licensing Committee	6:00 pm PROVISIONAL Quarterly Reports, Performance Scrutiny Committee	
November 26	27	28	29	30
6:00 pm PROVISIONAL Quarterly Reports, Executive	2:00 pm PROVISIONAL Shared Revenues and Benefits Joint Committee 6:00 pm PROVISIONAL Policy Scrutiny Committee	5:30 pm PROVISIONAL Hackney Carriage and Private Hire Licensing Sub-Committee	6:00 pm PROVISIONAL Political Group Meetings	
December 3	4	5	6	7
	1:30 pm PROVISIONAL City of Lincoln Council and Employee Joint Consultative (Health, Safety and Welfare) Committee 2:00 pm PROVISIONAL City of Lincoln Council and Employee Joint Consultative Committee 6:30 pm PROVISIONAL Council	5:30 pm PROVISIONAL Planning Committee	10:00 am PROVISIONAL Housing Appeals Panel	

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Mon	Tue	Wed	Thu	Fri
December 10	11	12	13	14
6:00 pm PROVISIONAL Commons Advisory Panel	4:00pm PROVISIONAL Joint meeting between CoLC and Lincolnshire Chamber of Commerce	5:30 pm PROVISIONAL Member Development		
December 17	18	19	20	21
6:00 pm PROVISIONAL Executive	6:00 pm PROVISIONAL Audit Committee		10 am PROVISIONAL Housing Appeals Panel	
December 24	25	26	27	28
	Christmas Day	Boxing Day		
December 31	1 January 2019	2	3	4
	New Year's Day	5:30 pm PROVISIONAL Planning	5:30 PROVISIONAL Hackney Carriage and Private Hire Licensing Sub-Committee	
January 7	8	9	10	11
6:00 pm PROVISIONAL Executive	6:00 pm PROVISIONAL Community Leadership Scrutiny Committee	5:30 pm PROVISIONAL Member Development	10:00 PROVISIONAL Housing Appeals Panel 6:00 pm PROVISIONAL Historic Environment Advisory Panel	
January 14	15	16	17	18
10:00 am PROVISIONAL Central Lincolnshire Joint Strategic Planning Committee 6:00 pm PROVISIONAL Ethics and Engagement Committee	6:00 pm PROVISIONAL Policy Scrutiny Committee		6:00 pm PROVISIONAL Political Group Meetings	
January 21	22	23	24	25
10:00 am PROVISIONAL Central Lincolnshire Joint Strategic Planning Committee 6:00 pm PROVISIONAL Executive	1:30 pm PROVISIONAL City of Lincoln Council and Employee Joint Consultative (Health, Safety and Welfare) Committee 2:00 pm PROVISIONAL City of Lincoln Council and Employee Joint Consultative Committee 6:30 pm PROVISIONAL Council	5:30 pm PROVISIONAL Licensing Committee	4:30 pm PROVISIONAL Asset Management Group 6:00 pm PROVISIONAL Performance Scrutiny Committee	

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January 28	29	30	31	February 1
6:00 pm PROVISIONAL Housing Scrutiny Sub-Committee		5:30 pm PROVISIONAL Planning Committee	5:30 pm PROVISIONAL Hackney Carriage and Private Hire Licensing Sub – Committee	
Mon	**Tue**	**Wed**	**Thu**	**Fri**
February 4	5	6	7	8
		5:30 pm PROVISIONAL Budget Review group	10 :00 am PROVISIONAL Housing Appeals Panel	
February 11	12	13	14	15
	6:00 pm PROVISIONAL Audit Committee	5:30 pm PROVISIONAL Member Development		
February 18	19	20	21	22
	2:00 pm PROVISIONAL Shared Revenues and Benefits Joint Committee	6:00 pm PROVISIONAL Political Group Meetings	6:00 pm PROVISIONAL Quarterly Reports, Performance Scrutiny Committee	
February 25	26	27	28	March 1
6:00 pm PROVISIONAL Quarterly Reports, Executive	6:30 pm PROVISIONAL Council	5:30 pm PROVISIONAL Planning Committee	10:00 am PROVISIONAL Housing Appeals Panel 5:30 pm PROVISIONAL Hackney Carriage and Private Hire Licensing Sub-Committee	
March 4	5	6	7	8
6:00 pm PROVISIONAL Ethics and Engagement Committee	6:00 pm PROVISIONAL Community Leadership Scrutiny Committee	5:30 pm PROVISIONAL Equality and Diversity Group		
March 11	12	13	14	15
6:00 pm PROVISIONAL Commons Advisory Panel		5:30 pm PROVISIONAL Member Development		
March 18	19	20	21	22
10:00 am PROVISIONAL Central Lincolnshire Joint Strategic Planning Committee 6:00 pm PROVISIONAL Housing Scrutiny Sub-Committee	1:30 pm PROVISIONAL City of Lincoln Council and Employee Joint Consultative (Health, Safety and Welfare) Committee 2:00 pm PROVISIONAL City of Lincoln Council and Employee Joint Consultative Committee 6:00 pm PROVISIONAL Policy Scrutiny Committee	5:30 pm PROVISIONAL Licensing Committee	10:00 pm PROVISIONAL Housing Appeals Panel 5:30 pm PROVISIONAL Hackney Carriage and Private Hire Licensing Sub-Committee	

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March 25	26	27	28	29
10:00 am PROVISIONAL Central Lincolnshire Joint Strategic Planning Committee 6:00 pm PROVISIONAL Executive	5:00 pm PROVISIONAL Audit Committee	5:30 pm PROVISIONAL Planning Committee	6:00 pm PROVISIONAL Performance Scrutiny Committee	
Mon	**Tue**	**Wed**	**Thu**	**Fri**
April 1	2	3	4	5
			6:00 pm PROVISIONAL Political Group Meetings	
April 8	9	10	11	12
	6:30 pm PROVISIONAL Council		10:00 am PROVISIONAL Housing Appeals panel 6:00pm PROVISIONAL Historic Environment Advisory Panel	
April 15	16	17	18	19
6:00 pm PROVISIONAL Executive			5:30 pm PROVISIONAL Hackney Carriage and Private Hire Licensing Sub-Committee	Good Friday
April 22	23	24	25	26
Easter Monday		5:30 pm PROVISIONAL Planning committee	4:30 pm PROVISIONAL Asset Management Group	
April 29	30	May 1	2	3
			Election Day	
May 6	7	8	9	10
Early May Bank Holiday	10:00 am PROVISIONAL New Member Inductions Day One , Member Development	10:00 am PROVISIONAL New member inductions Day Two, Member Development	10:00 am PROVISIONAL Housing Appeals Panel	
May 13	14	15	16	17
	11:00 am PROVISIONAL Annual Meeting, Council	5:30 PROVISIONAL Planning Committee Training, Member Development		
May 20	21	22	23	24
5:30 pm PROVISIONAL Licensing Committee Training, Member Development		5:30pm PROVISIONAL Planning Committee	6:00 pm PROVISIONAL Quarterly Reports, Performance Scrutiny Committee	
May 27	28	29	30	31
Late May Bank Holiday	6.00 pm PROVISIONAL Quarterly Reports, Executive			

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June 3	4	5	6	7
	2:00 pm PROVISIONAL Shared Revenues and Benefits Joint Committee			