

EXECUTIVE

Tuesday, 28 May 2019

6.00 pm

Committee Room 4, City Hall

Membership: Councillors Ric Metcalfe (Chair), Donald Nannestad (Vice-Chair), Rosanne Kirk, Neil Murray, Chris Burke and Bob Bushell

Officers attending: Angela Andrews, Democratic Services, Kate Ellis, Jaclyn Gibson, Daren Turner, Simon Walters and Carolyn Wheeler

A G E N D A

SECTION A	Page(s)
MINUTES AND EXTRACTS	
1. Confirmation of Minutes - 20 March 2019	3 - 12
2. Declarations of Interest	
Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.	
OUR PEOPLE AND RESOURCES	
3. Q4 2018-2019 Operational Performance Report	13 - 36
4. Financial Performance - Outturn 2018/19	37 - 70
5. Treasury Management Stewardship and Actual Prudential Indicators Report 2018/19 (Outturn)	71 - 94
ECONOMIC GROWTH	
6. City of Lincoln Council Aquisition Policy for Developed Sites, Former Council and Empty Homes	95 - 154
OUR PEOPLE AND RESOURCES	
7. Strategic Risk Register - Quarterly Review	155 - 158
8. Exclusion of the Press and Public	159 - 160

You are asked to resolve that the press and public be excluded from the meeting during the consideration of the following items because it is likely that if members of the press or public were present, there would be disclosure to them of 'exempt information'.

In accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, notice is hereby given of items which will be considered in private, for which either 28 days' notice has been given or approval has been granted by the appropriate person specified in the Regulations. For further details please visit our website at <http://www.lincoln.gov.uk> or contact Democratic Services at City Hall, Beaumont Fee, Lincoln.

These items are being considered in private as they are likely to disclose exempt information, as defined in Schedule 12A of the Local Government Act 1972. No representations have been received in relation to the proposal to consider this item in private.

SECTION B

OUR PEOPLE AND RESOURCES

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|---|---------------------------|------------------|
| 9. Strategic Risk Register - Quarterly Review | [Exempt Para(s) 3] | 161 - 174 |
|---|---------------------------|------------------|
-

REMARKABLE PLACE

- | | | |
|--|---------------------------|------------------|
| 10. New Staffing Structure, Bereavement Services | [Exempt Para(s) 2] | 175 - 182 |
| 11. Management of Change Within the Licensing Team | [Exempt Para(s) 2] | 183 - 198 |
-

QUALITY HOUSING

- | | | |
|---|---------------------------|------------------|
| 12. Management of Change, Housing Strategy Team Restructure | [Exempt Para(s) 2] | 199 - 208 |
|---|---------------------------|------------------|

Present: Councillor Ric Metcalfe (*in the Chair*),
Councillor Donald Nannestad, Councillor Jackie Kirk,
Councillor Rosanne Kirk, Councillor Neil Murray and
Councillor Fay Smith

Apologies for Absence: None.

121. Declarations of Interest

No declarations of interest were received.

122. Exclusion of the Press and Public

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

The items at minute numbers 123 and 124 were considered in private as they were likely to disclose exempt information, as defined in Schedule 12A of the Local Government Act 1972. No representations had been received in relation to the proposal to consider these items in private.

123. Western Growth Corridor Land Appropriations

Purpose of Report

To provide the Executive with an opportunity to consider the appropriation of land between the Council's General Fund and Housing Revenue Account in order to facilitate the proposed Western Growth Corridor and new build housing development.

Decision

That the recommendations contained within the report be approved.

Alternative Options Considered and Rejected

None.

Reason for Decision

The Council's new build housing programme was predicated by land availability in the city.

The appropriation proposal, as set out in the report, would facilitate additional affordable housing in the city and see the sites transfer to the Housing Revenue Account at market value, subject to the payment of any balance. It was a requirement of the grant funding associated with the proposal that the land held for the Western Growth Corridor development was held in the Council's General Fund.

124. Western Growth Corridor Scheme Delivery

Purpose of Report

To provide the Executive with an opportunity to consider the commercially confidential and sensitive elements of the agreements required to enable and demonstrate to the Local Planning Authority that the City of Lincoln Council and the adjacent landowner could and want to proceed with delivery of the Western Growth Corridor, should planning consent be approved.

Decision

That the recommendations contained within the report be approved, subject to incorporation of the revised version of Appendix D.

Alternation Options Considered and Rejected

Other options explored were set out in paragraph 13.1 of the report. Throughout the development of the overall scheme a risk register had been in place and had evolved into a robust document that was reviewed on a regular basis. This document was appended to the report.

Reason for Decision

The report set out progress on the key documents and work required to take the Western Growth Corridor Scheme forward for delivery and to submit an outline planning application for the development. The key landowners document was the Delivery Agreement between the City of Lincoln Council and the adjacent landowners which had been negotiated by officers to meet both the key principles agreed by the Executive on 24 September 2018 and fair commercial terms. It also set out the key parameters for how the landowners would work together to bring forward the development, including governance, viability, procurement and a range of key clauses that protected the Council's interests.

The report also outlined the work that had been undertaken on the Scheme Viability Assessment which demonstrated that so long as the Council did a significant proportion of the development itself or in the form of a joint venture then the scheme was viable to proceed. A review of the Council's land ownership had been undertaken and, now that there was a fixed masterplan, a land equalisation process had been completed. As a result of the Scheme Viability Assessment work, it was proposed that the first 52 units on the Council's land at Skellingthorpe Road be developed by the Council itself for market housing. Sufficient resources, supported by Homes England grant, were available to deliver these new homes with any surpluses being set aside to help fund future phases.

Further details on the following aspects of the scheme, as detailed below, were included in the report which the Strategic Director of Major Development took the Executive through:

- progressing to delivery;
- the Landowner Delivery Agreement, including the key principles for the Delivery Agreement agreed by the Executive on 28 September 2018;
- the Scheme Viability Assessment;

- Council land ownership;
- phase 1a cost and delivery;
- activity and costs up to planning determination;
- timescales, including those subject to planning determination;
- General Fund and Housing Revenue Account considerations.

A revised version of Appendix D to the report was circulated at the meeting, providing updated information and costings as at 20 March 2019.

Discussion ensued on the justification behind the impact on the Housing Revenue Account as a result of the proposals contained within this report and that of the land appropriations as set out in minute number 123 above. The Executive understood and supported the principles behind the land appropriations and the positive impact of the land's market value as a consequence of the infrastructure that would be put in place as part of the proposed Western Growth Corridor development. The contribution from the Housing Revenue Account in this respect was noted and it was acknowledged that later phases of the scheme would consist of affordable housing and a percentage of social housing.

Councillor Ric Metcalfe, Leader of the Council, in recognition of the work that had been done by the officer team given the significant scale, complexity and challenge of this particular development, offered his congratulations to all officers involved and said that this was a demonstration of the Council's ambition.

125. Western Growth Corridor - Planning Application Submission

Purpose of Report

To provide the Executive with feedback on the final element of the development public consultation on the Western Growth Corridor Masterplan and further transport and flood mitigation work and to seek approval to submit the outline planning application for the Western Growth Corridor, based on the proposed Masterplan, with detailed applications for two of the three access junctions into the development.

Decision

- (1) That the feedback from the public consultation be received and support be given to the ongoing work to secure external funding to enable the spine road through the development connecting Skellingthorpe Road with a road bridge over the railway onto Tritton Road as early as possible, subject to planning consent being obtained.
- (2) That the submission of the Western Growth Corridor outline planning application with the two detailed applications for the access junctions at Skellingthorpe Road and Birchwood Avenue and Tritton Road be approved, with the final sign-off on the content of the planning submission being delegated to the Strategic Director of Major Development.

Alternative Options Considered and Rejected

None.

Reason for Decision

This report on the planning application submission in respect of the Western Growth Corridor was the final of three reports on the proposed development, further to minute numbers 123 and 124 above.

The Western Growth Corridor was one of four sustainable urban extensions around Lincoln identified and promoted in the Central Lincolnshire Local Plan for development to meet the area's growth projections up to 2036.

The City Council was a significant landowner, owning approximately 60% of the site included within the proposed Masterplan area, and had been leading on bringing forward development of the area in a viable, sustainable and deliverable way since 2016. The Western Growth Corridor was a key priority within the City Council's Vision 2020, delivered across all of the Council's priorities and objectives and was the single largest development area within the city boundary.

A number of documents, as follows, needed to be agreed in order to progress the Western Growth Corridor to the next phase which would steer and shape delivery of the scheme in terms of financials, timescales and objectives:

- Landowner Delivery Agreement, inclusive of:
 - the Scheme Viability Assessment;
 - the Grants Strategy;
 - the Procurement Strategy;
 - the Design Code;
 - the Infrastructure Phasing Plan;
 - the Housing Delivery Phasing Plan.
- the Scheme Viability Assessment from the Council;
- Phase 1a Costs and Delivery.

The Delivery Agreement was the single key overarching legal document between the Council and Lindum Western Growth Community Ltd, as the other main landholder associated with the scheme, which would underpin delivery of the overall Western Growth Corridor scheme and included the elements highlighted at paragraph 3.3 of the report. The Delivery Agreement had been negotiated with Lindum Western Growth Community Ltd on the basis of the key principles agreed by the Executive on 24 September 2018 which had all been met. These were outlined in paragraph 3.4 of the report.

The Scheme Viability Assessment had been prepared by an external expert development cost consultant. Various versions of this had been developed as the Masterplan for the Western Growth Corridor had evolved to ensure that the scheme could proceed to planning and to act as a basis for the commercial terms within the landowner delivery agreement from the perspective of deliverability and commercial viability. Scheme viability was very complex at this stage and depended upon a range of assumptions and variables ranging from building costs to sales values, rates of sales and timing of infrastructure and Section 106 Agreements. Viability also varied depending upon whether the landowner sold un-serviced land, serviced land and developed parts or all of the land themselves as either residential or commercial. However, the Council's assessment showed that as long as the Council delivered a significant proportion of the development itself or in a form of a joint venture then the scheme was viable to proceed.

A final round of developer led public consultation, primarily providing feedback on the additional transport and flood work commissioned following the 2017 public consultation feedback was open from 1 February 2019 to 18 February 2019. Six consultation events were held between 5 February 2019 and 9 February 2019 at a range of locations in the neighbouring communities. The consultation and associated events were publicised in Your Lincoln, a leaflet was distributed to around 16,000 individual households within those neighbouring communities, along with a range of local and social media supported by local councillors also publicising the consultation. Over 400 people attended the events with 48 completed questionnaires submitted which reflected the individual comments made at the consultation events. The questionnaire was based on the most frequently asked questions from the 2017 consultation, which the events themselves were then aimed at addressing. The analysis of the questionnaire responses sought to capture whether the further work undertaken and the information provided in February had helped to address those questions. The results of this exercise were set out in paragraph 4.5 of the report.

Attendees at the consultation event expressed their concerns about the current experience of congestion on Skellingthorpe Road in particular, both onto the A46 and onto Tritton Road as a result of the railway crossing impact and junction design. The overwhelming request was a main spine road that would link Skellingthorpe Road with a bridge over the railway onto Tritton Road, therefore avoiding the level crossing impact, to be put in as soon as possible. From the majority of attendees it was noted that there appeared to be an understanding that:

- congestion in the area would get worse without the development;
- the solutions proposed by the development itself would provide relief to the current issues;
- economically it would not be possible to put the link in from the start.

The February 2019 consultation itself had not led to any proposed changes to the revised Masterplan that had merged following the previous 2017 consultation, attached to the report at Appendix A. The outline planning application for the overall development was shown in the Masterplan at a high level and had been developed on the basis of a wide range of surveys, investigations and analysis that complied with all the planning guidance and policy requirements along with the feedback from public consultation and statutory consultees. Further analysis and work had been undertaken by a second transport consultant to provide an additional technical appraisal of the transport information in relation to both sustainable forms of transport and vehicle movement.

The detailed design for two of the three access points for the proposed new roundabout at Skellingthorpe Road and Birchwood Avenue and the access onto Tritton Road, with a bridge over the railway into the development, had also been prepared to accompany the outline application for detailed consent. These two access points had been designed to enable them to then be developed further for costing, procurement and delivery as part of the first phase of the development.

The outline planning application also proposed four main phases of development delivery, split into further sub-phases, as outlined in the table at paragraph 5.5 of the report with revised target timescales outlined in paragraph 6, including those aspects which were subject to planning consent.

Councillor Fay Smith welcomed the additional consultation that had been carried out, contrary to a perception that the Council had not consulted with residents regarding this proposed development. She recognised that people wanted to see the link introduced at Skellingthorpe Road with a bridge over the railway onto Tritton Road from the start if not as soon as possible, but appreciated that it was simply unaffordable to do this at such an early stage of the scheme.

Councillor Donald Nannestad reflected on the shortage of affordable housing in the city and was pleased to see that this development sought to deliver 640 additional affordable units. He hoped a lot of these would be social housing. Councillor Nannestad was also pleased to see the inclusion of a leisure village as part of the proposals in order to enhance the health and wellbeing offer in the city. He felt that the site was well placed to accommodate this and that the proposal represented a really good opportunity to enhance provision in Lincoln alongside other improvements that had recently been made.

Councillor Ric Metcalfe, Leader of the Council, thanked the team associated with this report and the previous two items relating to the Western Growth Corridor for the hard work, skill and dedication that had gone into it.

126. Community Leadership Scrutiny Committee - Review of Local Community Impact of Welfare Reform

Purpose of Report

To provide the Executive with a report on the key findings and emerging recommendations following the Community Leadership Scrutiny Committee's review into the local community impact of welfare reform.

Decision

That the Executive endorses the recommendations of the Community Leadership Scrutiny Committee following its review into the local community impact of welfare reform.

Alternative Options Considered and Rejected

None.

Reason for Decision

Councillor Bob Bushell, Chair of the Community Leadership Scrutiny Committee, reported that as part of the Committee's previous review into Inclusive Growth it had agreed to undertake a further review on the local community impact of welfare reform, focussing specifically on Universal Credit and housing.

The Committee met with a range of external representatives to gather necessary evidence as part of the review, from organisations including Citizen's Advice, the Department for Work and Pensions, the Residential Landlord Association and the Member of Parliament for Lincoln's office. The following City Council officers also provided the Committee with evidence as part of the review:

- the Planning Manager;
- the Assistant Director of Health and Environmental Services;
- the Assistant Director of Housing Investment and Strategy;

- the Head of the Revenues and Benefits Shared Service;
- the Strategic Development Project Manager;
- the Tenancy Services Manager.

Over the period of the scrutiny review, taking into account evidence gathered from key witnesses, the following emerging recommendations were identified by the Committee:

- i) That the Council, as part of the refresh of the City Centre Masterplan and associated work already underway, sought to increase the vibrancy of the city centre and undertook a review of empty commercial units, particularly units above shops, to ascertain whether there were any opportunities to convert them to residential use.
- ii) In view of the fact that the Welfare Advice Team, Universal Credit Team, Customer Services Team, Tenancy Services Team and Citizens Advice all currently worked independently to provide support to Universal Credit claimants and customers and in light of the national decision to withdraw funding from local authorities and reallocate this to Citizens Advice, that the Council undertook a comprehensive review of the areas within its service delivery that supported welfare advice to the city's residents.
- iii) That the Council agree to lobby local and regional Department for Work and Pensions representatives to better understand why there continued to be a delay in the payment of Universal Credit payments, which caused significant issues for the Council's tenants as well as tenants in the private rental sector.
- iv) That the Council's Housing Directorate undertook a review of housing allocations and tenant services in order to increase and improve the sustainability of Council tenants.
- v) That the Council reviewed the provision and considered a re-launch of a scheme with the Acts Trust, which had previously been set up under a Service Level Agreement regarding the re-use and distribution of abandoned furniture to Council tenants, and identified any further opportunities to work with other charities or organisations to improve access to free furniture or white goods for those tenants struggling to furnish their homes.
- vi) That recommendations i) to v) above be referred to the relevant Vision 2020 Groups for consideration and addition to the respective work programmes.

Discussion ensued on the implementation of Universal Credit and, whilst it was accepted that support varied across the country, the support provided by the City of Lincoln Council in partnership with the Department for Work and Pensions had been an exemplary and award winning model which the Executive agreed should have been replicated nationwide. Concerns were expressed regarding the Government's decision in October 2018 to contract all Universal Credit support to Citizens Advice nationally without any consultation having taken place. It had been hoped that Citizens Advice would be able to sub-contract Universal Credit support back to the City Council, albeit with less funding, however it was reported that this would not be permissible as part of the new arrangements scheduled to be rolled out on 1 April 2019. This followed a meeting the Chief Executive had

held with Citizens Advice, the Department for Work and Pensions and the Universal Credit Support Team. The Chief Executive indicated that the Council's team would continue to support and help to upskill staff at Lincoln and District Citizens Advice in view of the imminent rollout date.

Councillor Donald Nannestad provided some assurance regarding recommendation iv) above in that he had met with the Strategic Director of Housing Investment to initially consider this review and the areas that it could include to support tenants. In addition, he and the Strategic Director had met with the Housing Appeals Panel following concerns its members had expressed with regard to cases whereby tenants were falling into arrears as a result of delays in their Universal Credit payments. Changes would be made to the Council's processes to prevent people in such circumstances having to attend meetings of the Housing Appeals Panel in the future.

Councillor Ric Metcalfe, Leader of the Council, praised an excellent report and thanked the Community Leadership Scrutiny Committee for its work on this scrutiny review.

127. Absence Management Policy

Purpose of Report

To provide the Executive with an opportunity to consider proposed revisions to the Absence Management Policy.

Decision

That the proposed changes to the Council's Absence Management Policy be approved.

Alternative Options Considered and Rejected

None.

Reason for Decision

A revision to the current Absence Management Policy had been proposed to more effectively manage long term sickness.

In accordance with the Policy, when an employee hit a long term trigger point they would be given a target date to return. In discussions with Unions it was considered by their representatives that this was potentially putting pressure on the employee to return to work earlier than necessary. Taking these concerns into account, it had been proposed to change the policy for long term absence so that this perception of any pressure was removed.

The proposed change to the Policy was therefore that employees would not be given a target date to return to work, but would instead have regular meetings with their manager where the employee's absence would be discussed and monitored. This was set out in further detail at paragraph 4.2 in relation to the different stages associated with long term absence, up to the point of a stage three formal meeting.

A copy of the revised Policy was appended to the report. The proposals had been considered by the City of Lincoln Council Employee Joint Consultative Committee, together with the Council's Service Manager Forum and Assistant Director Group, all of whom were supportive of implementing the proposed change.

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SUBJECT: Q4 2018-2019 OPERATIONAL PERFORMANCE REPORT

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: PAT JUKES, BUSINESS MANAGER – CORPORATE POLICY

1. Purpose of Report

- 1.1 To present Executive a summary of the operational performance position for quarter four of the financial year 2018/19 (January to March 2019)
- 1.2 The report is in the following format:
- Executive Summary – highlighting key points of note
 - Background – recent changes to the report
 - Operational performance overview – issues and successes
 - Appendix A details all measures by individual directorate grouping – with annual and quarterly measures split separately

2. Executive Summary

- 2.1 The report includes four corporate measures:

- Sickness – split by long and short term
- Corporate complaints including Ombudsman rulings
- Employee FTE headcount, vacancies & turnover.
- Staff appraisals completed

In addition, key headlines from operational measures collected and reported by Directorates are summarised below and reported in full in section 4.

Some measures throughout this report are considered 'volumetric' measures e.g. The number of claims... They are needed to set the context of performance, but cannot be changed by the performance of the team – these are marked as 'V'

2.2 Key headlines from performance results:

<ul style="list-style-type: none"> ✓ The number of users logged into the self-service system MyInfo has increased from 9,865 Q4 last year to 10,199 Q4 this year ✓ The average time taken to answer a call in customer services has decreased by 12 secs. compared to Q4 last year at 92 secs. ✓ The business rates collection rate has exceeded its upper target of 99.15% at 99.81% ✓ The ave. days taken to process housing benefit claim changes of circumstances has beaten its 5 day target at 4.12 days ✓ The percentage of invoices paid within 30 days has improved from 95.17% in 2018 	<ul style="list-style-type: none"> ✗ The in-year collection rate for council tax has decreased by 0.41% since Q4 last year, out-turning at 96.76%, although just above the lower target ✗ The level of outstanding customer changes in the Revenues team has increased to 437 in Q4 this year, from 121 in Q4 last year ✗ The percentage of waste that is recycled or composted has increased to 34.94% this year, (Lagged Q3 data) but is still below its lower target of 35% ✗ The time to determine a planning
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<p>to 97.79% this year</p> <ul style="list-style-type: none"> ✓ The total number of users of our health and recreation facilities increased by 29,740 users since Q4 last year to 247,921 this year ✓ % of FH&S controls that should have been completed and have been has improved from 82.1% in Q3 to 96.5% in Q4 ✓ Lincoln premises achieve an average food hygiene rating of 4.69 out of a possible 5. ✓ The percentage of Non-Major and Major Planning Applications determined within the government targets are above their 90% targets at 95.03% and 95.83% respectively ✓ The percentage of planning applications approved is above its target of 97% - outturning at 98% ✓ The number of empty homes brought back into use reached 47 in 2018/19 ✓ The rent collected as a proportion of rent owed has surpassed its target of 96.50%, achieving outturn of 99.24% ✓ The final level of tenant arrears is better than the target of 3.50% with an outturn figure of 2.66% ✓ The percentage of reactive repairs completed within target time is above the target of 97.50% at 98.65% 	<p>application has deteriorated from 59.4 days in Q3 to 68.81 days in Q4</p> <ul style="list-style-type: none"> ✗ The satisfaction of PPASB complainants on how the complaint was handled has decreased from 92.7% in Q3 to 81% in Q4 ✗ The average re-let time in calendar days for all dwellings (incl. major works) is outside its lower target of 28 days with a figure of 30.02 days <p>Following the introduction of full Universal Credit in March 2018, there has as expected been a lengthening of time taken in most aspects of Housing Benefits work.</p> <ul style="list-style-type: none"> ✗ The number of housing benefits and council tax support customers awaiting assessment has increased from 696 last Q4 to 897 this year ✗ The % of risk based quality checks made where the benefit entitlement is correct is below its lower target of 86.50% with a figure of 86.07%
<p>The following indicators are VOLUMETRIC ones (V). This means that they are important to report, as they provide contextual data to support the performance data above. None of these will have a target allocated as it is not true performance—as in the team cannot affect the numbers coming in directly.</p>	
<ul style="list-style-type: none"> ✓ (V) Face to face enquiries at City Hall have decreased in Q4 to 4,731 compared to 9,826 in Q4 last year ✓ (V) New benefit claims has decreased from 7,296 in Q4 last year to 5,252 in Q4 this year – UC has affected the housing benefit claims, but Council Tax support is also reduced 	<p>Due to the introduction of the Homelessness ACT in April 2018, we are seeing increased numbers of applicants, thus helping more people for longer</p> <ul style="list-style-type: none"> ✗ (V) The number of Homelessness applications progressed within the Housing team has increased from Q4 last year by 429, reporting at 708

2.3 Key headlines from the corporate measures:

- ✓ The overall sickness data for Quarter 4 is 3.06 days per FTE (excl. apprentices). This brings the cumulative total of sick days to 10.35 days which is 3.27 days less than last year and is the lowest outturn since 2012/13
- ✓ The total number of formal complaints received for the year is 291 which is a decrease of 70 when compared to the same period last year. The cumulative average time across all directorates to respond to formal complaints was 7.6 days, which is a decrease of 0.3 days from last year.

The total number of FTE employees (excluding apprentices) at the end of quarter three was 564.63, a decrease of 2.99 FTE. During quarter four, there was also an average of 15.22 apprentices.

3. Background

3.1 Regular monitoring of the Council's operational performance is a key component of the Local Performance Management Framework. This report covers key service performance measures identified by Members and CMT as of strategic importance.

4. Main Performance achievements

Please note the icons used in the summary highlight the trend performance of the measure.



The figure is improving
(high is good)



The figure is improving
(low is good)



The figure is worsening
(low is good)



The figure is worsening
(high is good)



The figure is maintaining

The report will predominantly report on improving and declining performance.

4.1 Key performance areas in Chief Executives Directorate

The number of apprentices moving into Education, Employment or Training has achieved its target of 100%	
(V) The number of face to face enquiries at City Hall has decreased again in Q4 to 4,731 compared to 9,826 in Q4 last year	V
The number of users logged into the self-service system MyInfo this quarter has increased from 9,865 Q4 last year to 10,199 Q4 this year	
The average time taken to answer a call in customer services has decreased by 12 seconds compared to Q4 last year, at 92 seconds. However this is below the lower target of 50 seconds	
The in-year collection rate for council tax has decreased by 0.41% since Q4 last year, out-turning at 96.76%, although just above the lower target	
The in year collection rate for business rates has surpassed its upper target of 99.15% with a figure of 99.81%	
The level of outstanding customer changes in the Revenues team has increased to 437 in Q4 this year, from 121 in Q4 last year	
The average days taken to process housing benefit claim changes of circumstances has improved on its target of 5 with a figure of 4.12 days	
The number of housing benefits and council tax support customers awaiting assessment has increased from 696 last Q4 to 897 this year	
The % of risk based quality checks made where the benefit entitlement is correct is below its lower target of 86.50% with a figure of 86.07%	
(V) The number of new benefit claims year to date has decreased again from 7,296 in Q4 last year to 5,252 in Q4 this year	V
The percentage of invoices paid within 30 days has improved from 95.17% last year to 97.79% this year	

4.2 Customer Services

Over the last few quarters, focus has been on the increased length of time taken to answer calls to customer service, but we need to look at the whole picture to understand what changes have been happening within this area over the year.

In terms of the volumetric measurements, we have seen a dramatic drop in the number of face to face visitors to City Hall and a lesser drop in the number of telephone enquiries – both affected by the end of the Travel Concession contract that we were handling for the County Council. At the same time we have seen resident use of MyInfo (our self-service system) soar to over 10,000 users this quarter.

As noted - one of the key measures is how long it takes to answer a call to Customer services - this quarter we have seen that average time decrease by 12 seconds to 92 seconds compared to the same quarter last year. However, the measure still outside its target tolerance of 40 – 50 seconds.

The question raised towards the end of the year was – was the target of 40 seconds response time too ambitious with the current staffing levels and call complexity? To answer that we have reviewed the statistics over time as well as the types and lengths of calls now received

Figure 1 (below) shows the gradual drop in the number of calls taken, alongside the increased time taken to answer these calls. An additional factor can be seen through the addition of the Customer Service resource bars at the bottom, where a drop in the number of available staff more or less covers the same period. However it should also be noted that the team have handled a further 4871 calls this quarter for the Housing Solutions team, which do not feature in these figures (numbers or staffing).

There are also extra factors involved here – During the latter half of Q3 and the beginning of Q4 we introduced a new telephony system, which meant that staff had to train and learn different methodologies – losing some valuable time for a short period.

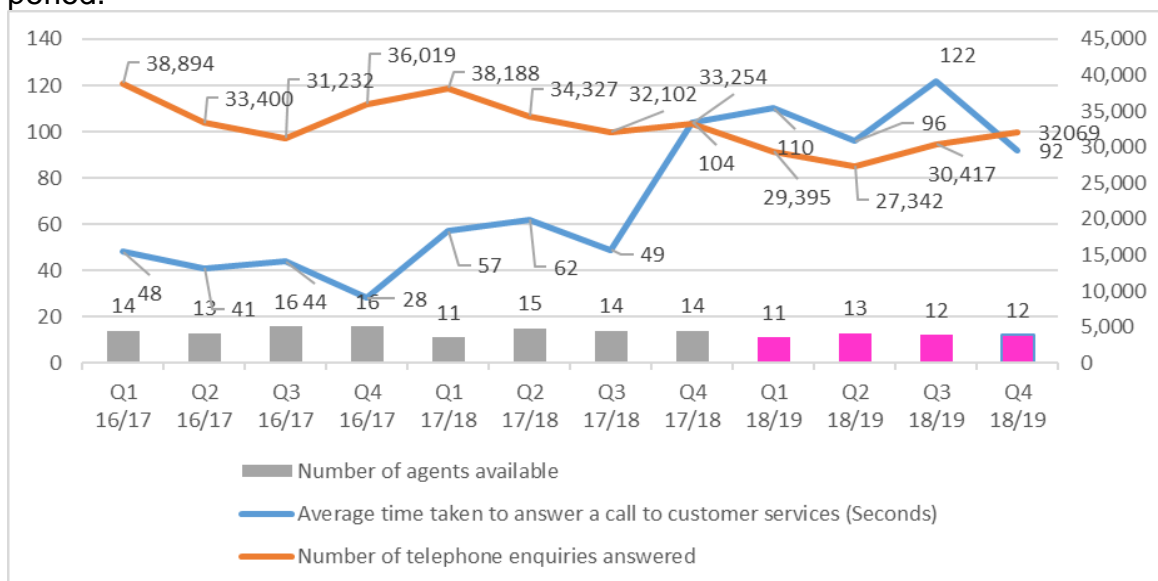


Figure 1 Source : CoLC CS data

More importantly we have identified that the average call times are increasing – see figure 2. Whilst an element of that at the start could be attributed to learning to manage the new telephony, it is believed that the ‘easy calls’ such as green waste renewals, and e-forms availability has meant that the remaining calls are the more complex calls. This is backed up by anecdotal evidence from Customer service team.

2018/19	Average talk time in seconds
Q1	197.2
Q2	190.2
Q3	299.6
Q4	286.7

Figure 2 Source : CoLC CS data

So, going back to the original question – had we set the right target for answering calls. It seems that the answer is it was too low for 2018/19 and will be adjusted to reflect the current situation in 2019/20. This means that we accept that as people move across to electronic contact, those that cannot do so may have either the more complex cases or may be vulnerable and unable to express themselves easily – and thus need more time to do so.

4.3 Revenues Administration

The 2018/19 outturn collection rate for Lincoln Council Tax at 96.76% has dropped below the 97.17% collected last year, but is still within its target boundaries of 96.61% - 97.11%. Whilst decreasing in-year collection by 0.41% compared to the same time last year, the net collectable debit has increased by £2.57m. Also, an additional 501 properties have been added to the tax base in 2018/19.

The 2018/19 collection rate for Lincoln Business Rates has over-achieved its 99.15% target with an outturn of 99.81% which is 0.94% (or £417,915) above that achieved last year. Also, the net collectable debit has increased by £646k, when compared to 2017/18.

This year we have seen a number of impacts that have affected the level of outstanding customer changes throughout the year – which currently stand at 437, significantly higher than the 121 outturn from last year. As well as temporary unforeseen reduction in staffing resources at various points throughout the year, additional workload has been undertaken within the Revenues team compared to last year such as Single Person Discount Review and Student Review. Through the year we have seen an additional 501 properties accepted onto the tax base to maintain and administer.

The outstanding changes figure at 8th March 2019 stood at only 53, and the increase to 437 was due to an influx of documents during the 3 week billing period, this will be managed through quarter one.

4.4 Housing Benefit Administration

The number of Housing Benefit and Council Tax Support claims processed has continued to decrease compared to the same quarter in 2017/18, - in particular Housing Benefit, which is not unexpected due to most new claims now being for Universal Credit instead of Housing Benefit.

Number of new claims processed	Q4 2017/18	Q4 2018/19
Housing Benefits	2920	1403
Council Tax Support	4376	3849

Throughout the year, as expected we have seen a lengthening of time taken in almost all aspects of Housing Benefits work, caused in part by the introduction of full Universal Credit at the beginning of the financial year.

Initially the average time to process new housing benefit claims shot up from just over 24 days to over 30 days, but the team has now brought that back down to 25.82 days which is within the target tolerances.

The average number of days for processing Housing Benefit Changes of Circumstance outturned at 4.12 days, a positive outturn and almost equivalent to the 2017/18 outturn of exactly 4 days.

The biggest issue remains the number of Housing Benefit / Council Tax support customers awaiting assessment which increased significantly from the rollout of Universal Credit Full Service in Lincoln (from March 2018), more than doubling from 696 at the end of last year to almost 1500 at its maximum. However, as the year has progressed, these numbers have been gradually reduced and at year end stand at 897 of which less than half (371) are still waiting for contact from ourselves. For the remaining customers, Benefits Officers have made contact and are now awaiting information from the customer. Allocation of work is continuing to be reviewed and will continue to be monitored daily by management.

The percentage of risk based quality checks where benefit entitlement is correct, has seen a drop compared to last year. Changes introduced to the quality control procedure has increased the number of checks taking place and also now includes Universal Credit assessments being checked. The changes are much more complex, and require more time to be taken to ensure accurate processing. As a result the outturn for 2018/19 stands at 86.07% which is just short of the target boundaries. Training continues to take place and be re-affirmed in respect of Universal Credit –related benefit assessments, so it is expected accuracy will improve going forward.

In summary, the additional workload was expected and planned for as much as possible. The new Universal Credit system has delays built into it which means that we cannot expect to achieve the previous response rates for new customers, but all effort is made to keep the processes running as smoothly as possible.

4.5 Key performance areas in Directorate for Communities and Environment

The total number of users of our health and recreation facilities has increased by 29,740 users since Q4 last year to 247,921 this year	↑
The percentage of waste that is recycled or composted has increased from 33.7% in the same quarter last year to 34.94% this year, (Lagged Q3 data) but is still below its lower target of 35%	↔
The overall percentage utilisation of our car parks is stable at 45%, the same as for Q4 last year however, that is still below the lower target of 60%, but income is significantly up on last year's outturn	↔
The satisfaction of PPASB complainants relating to how the complaint was handled has decreased from 92.7% in Q3 to 81% in Q4 which is below its lower target of 85%	↓
The percentage of FH&S controls that should have been completed and have been has improved from 82.1% in Q3 to 96.5% in Q4	↑
The end to end time to determine a planning application has deteriorated from 59.4 days in Q3 to 68.81 days in Q4	↑
The percentage of Non-Major and Major Planning Applications determined within the government targets are above their 90% targets at 95.03% and 95.83% respectively	↑
The percentage of planning applications approved is above its target of 97% - out-turning at 98%	↑
The number of empty homes brought back into use has reached 47 this year – significantly higher than the 18 achieved last year	↑

4.6 Recreation and Leisure

In comparison to quarter four last year, the total number of users across all of our health and recreation facilities has risen by almost 40,000, reaching an impressive 247,921 as of quarter four outturn this year. We are now seeing regular increases in usage at both leisure centres due to effective marketing between Active Nation and the City of Lincoln Council, promoting the facilities much more.

With the exception of community centres, quarter 4 figures are all up on quarter three, currently standing at:

- Birchwood – 53147
- Yarborough - 176204
- Community Centres – 15,655
- Recreation grounds – 2,915

Community centres are seeing reduced usage compared to last year, as a couple of key users have moved elsewhere. The centres are being promoted and we hope to pick up new users soon.

4.7 Waste & Recycling

Note that the data presented here is as usual lagged and thus refers to quarter three 2018/19.

The percentage of waste recycled or composted has increased from 33.7% in the same quarter last year to 34.94% this quarter. This is just below the lower target of 35%. 16.75% of waste was recycled and 18.19% was composted. We are continuing work with Lincolnshire County Council to encourage recycling, however the lower figure is not unique to Lincoln and reflects the national recycling rates, which are also falling.

4.8 Parking Services

The number of off street parking spaces operated by City of Lincoln Council, stands at 3,621 in quarter four, significantly higher since the opening of the new Central Car Park. Overall utilisation of the car parks has remained at 45%,

Whilst this is below the lower target of 60%, income figures for the car parks in 2018/19 shows a very strong finish in the final quarter with sessional income rising by 15.6%, season tickets by 33.9% and Penalty Charge Notice income by over 100%.

The year end 2018/19 has declared a record achievement in car parking income, which is now achieving in excess of over £5 million pa. This is down primarily to the opening of the Central car park, with other highlights being the return of growth at Tentercroft, higher season ticket sales and improved enforcement activity by staff. Final overall income was returned at £5,049,932 against the previous year of £4,062,947 an increase of £986,985 (plus 24.2%)

4.9 Public Protection and Antisocial Behaviour

The number of service requests has seen an increase, from 587 in quarter four last year to 682 in quarter four this year.

The satisfaction of complainants relating to how the complaint was handled in the Anti-Social Behaviour team has dropped from 92.7% in quarter three to 81% in quarter four, which is a little below the lower target of 85%. The customer survey response rate currently represents between 10 - 20% of all service requests received by the team. The surveys are being undertaken by customer services. 81% still represents a high satisfaction rate for an enforcement service.

4.10 Food Health and Safety

The percentage of premises fully or broadly compliant with Food Health & Safety inspection is on target with a figure of 96.4%. The total number of registered food businesses is 1017. Just 37 of those businesses are considered to be non-compliant of which 17 are new businesses.

There has been a strong team effort to increase the number of official FHS controls completed by year end with a highly successful outturn achieved of 96.5%. The team were fully staffed for the last 2 months of this quarter and a number of unsocial hours were worked to carry out inspections that were due of our evening economy businesses which tend to present the greatest risk to public health. A number of these businesses were food hygiene rated 1 and we are now working closely with these businesses to seek the improvements required.

As can be seen in a later section, Lincoln city is the number one place in the East Midlands for food hygiene standards and joint sixth across the UK according to data released by the Food Safety Agency. Lincoln premises achieve an average food hygiene rating of 4.69 out of a possible 5.

4.11 Development Management

Quarter four saw 220 planning applications submitted, a small increase compared to last quarter. Overall the time taken to determine these applications has decreased from 59.40 days in quarter three to 68.81 in quarter four, this is predominantly because the team has been working on some major applications which take a significant amount of time. In particular Western Growth Corridor is likely to affect the timescales for a while longer.

However the key measures now required centrally are the percentage of non-major and major planning applications determined within the government target (70% in eight weeks and 60% in 13 weeks respectively measured on a two year rolling basis) have maintained well since last quarter, and are still above target of 90%, at 95.03% and 95.93% respectively. The Development Management team prioritises Major Developments and manages the timescales effectively with the applicant to ensure that this level of performance is maintained.

This workload was completed against a background where 98% of planning applications were approved. Four planning appeals were submitted of which just one was allowed, showing the quality of the original decisions.

4.12 Key performance areas in Directorate for Housing and Regeneration

The number of properties not decent as a result of tenants refusal to allow work has increased to 213 from 167 last quarter	↑
The rent collected as a proportion of rent owed has surpassed its target of 96.50%, achieving a full year outturn of 99.24%	↑
The final level of tenant arrears is better than the target of 3.50% with an outturn figure of 2.66%	↓
(V) The number of people on the council housing waiting has increased slightly by 77 in Q4 with 1055 applications now on the list	V

(V) The number of Homelessness applications progressed within the Housing team has increased from Q4 last year by 429, reporting at 708	V
The average re-let time in calendar days for all dwellings (incl. major works) is below its lower target of 28 days with a figure of 30.02 days	↑
The percentage of reactive repairs completed within target time is above the target of 97.50% with a figure of 98.65%	↑

4.13 Rent Collection and arrears

At quarter four the cumulative year-end rent collection has risen to 99.24%, which although slightly less than that achieved last year of 99.68%, is well above the adjusted target set of 96.5%, which was amended due to concern over impacts of Universal Credit.

The end of year tenant arrears as a percentage of the annual rent debit has increased from 2.11% last year to 2.66% this year – a sum of £737,513. However as noted above this still falls beneath the adjusted target of 3.5%.

Overall the effects of Universal Credit have not been as impactful as originally anticipated.

4.14 Housing Solutions (Homelessness and Housing Waiting List)

Due to the Homelessness Reduction Act changes which came into force in April 2018, we must now open a homeless application/case for anyone eligible, threatened with homelessness within 56 days or is already homeless. The revised focus is to prevent homelessness and to help support people to find and secure accommodation. This means the Council has a duty to start working with people who approach for help and advice, at an earlier stage and help should initially be offered regardless of whether the person has a local connection to Lincoln or a priority need for assistance. It is therefore almost certain that homelessness presentations will increase in the first year but the number of cases where homelessness is prevented should also increase. The team has been working to ensure that the service complies with legislation and more work will take place to further develop and enhance the services offered. The team have also introduced changes to the Allocations Policy which means that they can secure accommodation for those households who are statutory homeless, more quickly.

The number of homeless applications received includes everything from triage, advice, under prevention, under relief, successfully prevented and successfully relieved. Outturn for 2018/19 shows that 708 applications have been made, which as expected is significantly higher than the 2017/18 outturn of 279, which was under the old legislation.

The number of people on the housing waiting list has risen to 1055 from 978 last quarter and the team continue to work on ensuring this list is full and accurate.

4.15 Housing Voids

The average re-let time in calendar days for all dwellings (including major works) has increased from last quarter's figure of 28.35 to 30.02 in quarter four. This figure puts the measure two days outside its lower target of 28.

This quarter's figures have been affected once again by the delay in letting our sheltered accommodation and the vast amount of voids in the system at once impacting heavily on repairs.

When comparing ourselves to the latest benchmarking data available (Q3) we are still above median despite our slightly decreased performance against our national peer group (other stock retained councils).

The Q3 2018-19 data in figure 3 shows that we are still above the national average and only very slightly off being in the upper quartile.



Figure 3 Source Housing Management benchmarking data

4.16 Housing Maintenance

The percentage of reactive repairs completed within the target time has seen very strong performance, reaching a figure of 98.65%, above the target of 97.5%. With the new repair task codes implemented, along with making sure the team are identifying the repairs correctly at the first point of contact, it is allowing the team to complete repairs in a more efficient timeframe.

At the same time as seeing this excellent repairs performance we continue to see improvements in both the percentage of repairs fixed first time – moving up from 93.57% to 93.68% and also the appointments kept as a percentage of appointments made has increased from 96.67% to 96.91%.

4.17 OTHER ACHIEVEMENTS DURING THIS QUARTER

4.18 Lincoln's Central Car Park wins the best new car park at the British Parking Awards 2019

The 2019 awards ceremony took place following a gala lunch held in London this March, with the event attracting over 120 entries.

This site-specific award recognises outstanding car park



design and was open to local authority and private car park operators, owners, architects, developers and construction companies. Car parks entered could include multi-storey, underground and surface sites.

The council was also shortlisted in the Parking Team of the Year award and the Front Line Award – but were not winners this year.

4.19 **Visit England awards Lincoln Guildhall the “Best Story Told” Accolade for 2018**

Designed to celebrate excellence within the visitor attraction sector, Visit England’s Accolades showcase those businesses in their quality scheme that go the extra mile to provide a high quality day out, whether through a warm welcome, an engaging story, a delicious lunch or the overall visitor experience. Accolades are given for the following categories: Welcome, Best Told Story, Quality Food & Drink, Hidden Gem and Gold.

City of Lincoln Council has received the award for the **Best Told Story** Accolade 2018.

This is a great success as the Guildhall was the only venue in Lincolnshire to be included across all of the awards.



4.20 **Lincoln ‘To Let’ Board Ban Is Approved**

City of Lincoln Council’s fight against the blight of ‘To Let’ boards has been successful.

In January 2019, government informed the city council that its proposal to ban the display of boards on certain streets in Lincoln has been given consent by the Secretary of State.

The application for the ban came after the council considered the results of several consultations with the public in problem areas, and complaints from residents who were concerned that they were creating an unnecessary eyesore within the historic city. A total of 134 consultation responses were been received by the council, with 85 of those responses calling for a total ban on the boards.

Government has now given the directive to remove the deemed consent for using letting boards in certain areas of the city.



4.21 **City of Lincoln shortlisted for three MJ awards**

The council has been shortlisted for three of its five entries into this year's Municipal Journal awards.



The categories we are finalists in are:

- Innovation in communications – for the Vision 2020 campaign
- Innovation in finance – for our commercialisation programme
- Innovation in property and asset management – for the Transport Hub project

A winner will be announced from the finalists in each category at the awards night on Wednesday 26 June at the Hilton Hotel London, which is an opportunity for the sector to recognise and praise the vital work local government teams continue to undertake every day

4.22 **Lincoln wins £235k funding from the MHCLG**

A successful application was made to the Ministry of Housing, Communities and Local Governments (MHCLG) Controlling Migration Fund. This will see £235k invested to support a number of projects in the Sincil Bank area. This work will include:



Ministry of Housing,
Communities &
Local Government

- Events Programme – £50k will be targeted to deliver events aimed at bringing the community together.
- Community Organising – Employed by Lincoln City Foundation, this post will listen to the views of local residents to deliver community led projects.
- Welcome Packs – A directory of local services and social activities in the neighbourhood.
- Rogue Landlord – This will see the continuation of this project until March 2020.
- Steps – A programme of one to one mentoring to support people to find employment
- Volunteer Development Project Officer – To support organisations to develop volunteering programmes
- Parent Support Worker – To support families navigate their way around public services.

4.23 **Lincoln tops East Midlands food hygiene standards**

Lincoln city is the number one place in the East Midlands for food hygiene standards and joint sixth across the UK according to new data.



The 2019 report was carried out by Hub with data from the Food Safety Agency. The data revealed that the local authority area of Lincoln was the best in the East Midlands with an average food hygiene rating of 4.69 out of a possible 5.

A total of 893 businesses in the Lincoln city area are rated on the Food Standards Agency website (as of April 17, 2019).

- 748 businesses in the local authority area have a five star rating
- 80 businesses were given a rating of four
- 41 have a three star rating
- 13 were given a rating of two
- 11 businesses have a one star rating

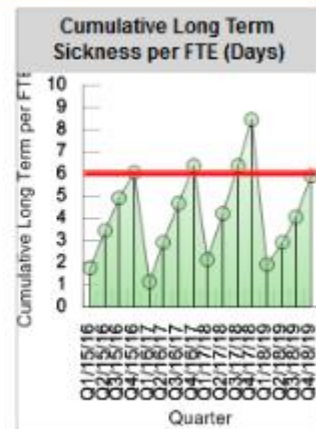
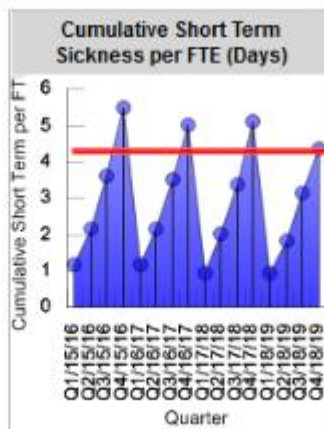
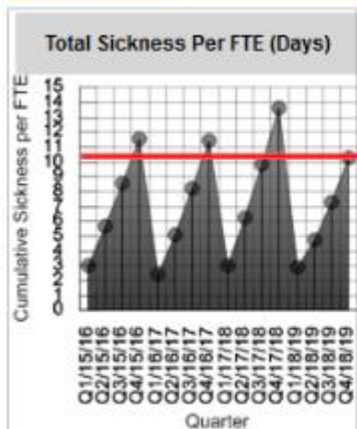
Our Food Health & Safety team are working closely with those business with lower stars

4.24 CORPORATE MEASURES

4.25 Sickness Indicators – Q4 cumulative (Year to date)

In quarter four the average short term sickness total stood at 1.23 days per FTE, and the average long term sickness stood at 1.83 days. The cumulative total sickness per FTE as at the end of March 2019 was 10.35 days (excl. apprentices). This is 3.27 days less per FTE compared to quarter four last year. Notably this is the lowest quarter four outturn since 2012/13, however CMT will continue to place a keen focus on these levels.

	Short Term Sickness	Long Term Sickness	Total Sickness	No. of FTE Employees	Short Term Per FTE	Long Term Per FTE	Total Sickness per FTE
CX (exc.appr's)	904.00	1,339.00	2,243.00	185.09	4.50	6.73	11.23
DCE	484.00	768.00	1,252.00	140.40	3.50	5.61	9.11
DMD	3.00	0.00	3.00	7.31	0.27	0.00	0.27
DHI	1,059.00	1,228.00	2,287.00	228.84	4.94	5.80	10.73
TOTAL	2,450.00	3,335.00	5,785.00	561.64	4.38	5.97	10.35



4.26 Apprentices sickness – Q4 cumulative

During quarter four, the apprentices lost a total of 19 days due to short term sickness, which equates to a total of 1.25 days per FTE. This brings the average YTD to 8.61 days

Cumulative sickness to Q4	Short term days lost	Long term days lost	Total days lost	Average Number of FTE this Q	Short term days lost per FTE	Long term days lost per FTE	Total days lost per FTE
Apprentice sickness	115	16	131	15.22	7.56	1.05	8.61

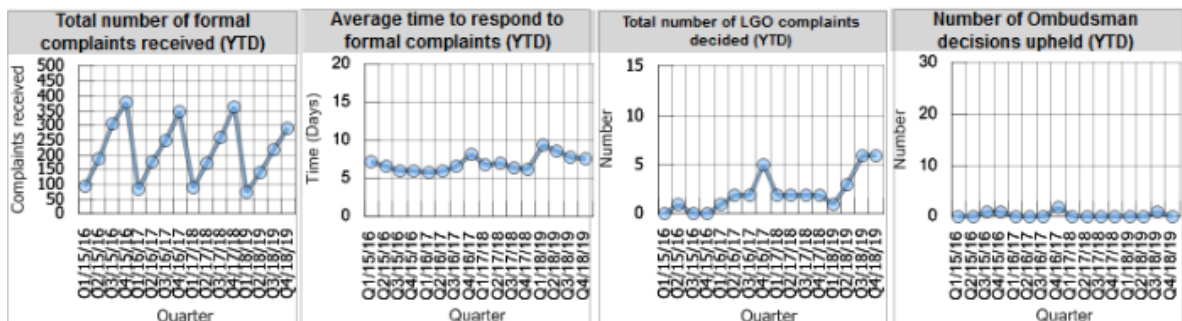
4.27 Corporate Complaints – Q4 cumulative

In quarter four alone there were 71 complaints. The cumulative number of formal complaints received for the year is 291 which is a decrease of 70 when compared to the same period last year. The cumulative average time across all directorates to respond to formal complaints was 7.6 days, which is a decrease of 0.3 days compared to the outturn in 2017/18.

In quarter four we had no LGO complaints raised, but two raised in DCE and DHI Directorates, which have yet to be considered.

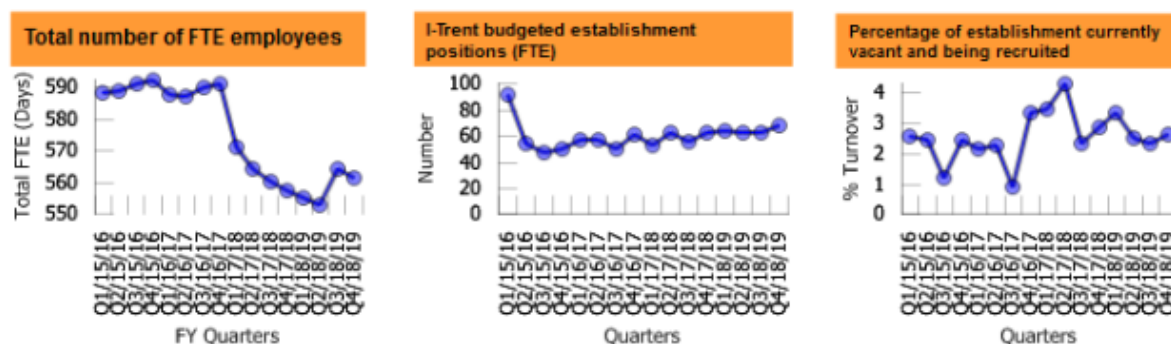
Complaints

	Number of Formal Complaints Received (YTD)	Average time to respond to Formal complaints (Days) (YTD)	LGO complaints decided (YTD)	Number of Ombudsman decisions upheld (YTD)	LHO complaints decided (YTD)
CX	51	7.5	0	0	
DCE	77	9.4	2	2	
DHI	154	6.8	4	1	0
DMD	9	7.4	0	0	
TOTALS	291	7.6	6	3	



4.28 Employees (FTE, vacancies and turnover) for Q4

Number of FTE employees (exc. App.s)	Q4 2017/18	Q1 2018/19	Q2 2018/19	Q3 2018/19	Q4 2018/19
CX - Number of FTE employees	209.08	210.77	210.08	199.10	185.09
DCE - Number of FTE employees	137.59	133.95	133.05	141.77	140.40
DHI - Number of FTE employees	203.63	203.27	202.71	215.84	228.84
DMD - Number of FTE employees	7.62	0.13	7.42	7.92	7.31
TOTAL	557.92	555.41	553.26	564.63	561.64
Average number of apprentices across the period					15.22
	Q4 2017/2018	Q1 2018/19	Q2 2018/19	Q3 2018/19	Q4 2018/19
I-Trent budgeted establishment positions (FTE)			62.69	62.80	69.20
Active vacancies which are being recruited (FTE)	17.00	30.60	29.79	11.00	25.33
	Q4 2017/18	Q1 2018/19	Q2 2018/19	Q3 2018/19	Q4 2018/19
Percentage of staff turnover	2.83%	3.31%	2.50%	2.30%	2.64%



The total number of FTE employees (excluding apprentices) at the end of quarter four was 561.64 with an average of 15.22 apprentices over the period.

In terms of the level of vacancies at quarter three - budgeted establishment unfilled positions (FTE) stood at 69.2. This figure has slightly increased from that reported at quarter three. It should be noted that the Council are actively recruiting 25.33 FTE (30 positions).

The percentage of staff turnover at the end of quarter one was 2.64% (excluding apprentices). In comparison to the previous quarter, this has increased by 0.34%.

Budgeted establishment vacancy positions by Directorate (FTE)

Directorate	i-Trent Budgeted establishment positions (FTE)
CX	21.8
DCE	12
DHI	35
DMD	0.4
OVERALL	69.2

CMT have commissioned a piece of work to repeat that carried out by officers at the request of PSC in Q1 2017/18, in order to understand the current reasons for

the gap between the establishment positions and those we are recruiting to. This will be reviewed by the High Performing Services Board and reported from Q1 2019/20 as part of this report.

4.29 Appraisal Monitoring for 2018/19 – final figures

Directorate	Percentage of appraisals completed
CX	90%
DCE	100%
DHI	92%
DMD	100%
OVERALL	92.0%

5 Strategic Priorities

Let's drive economic growth; Let's reduce inequality; Let's deliver quality housing; Let's enhance our remarkable place – As this report is purely concerned with service performance there are no direct impacts on Strategic Priorities, although the better the performance the more services can contribute towards priorities.

6 Organisational Impacts

6.1 Finance (including whole life costs where applicable) - there are no direct financial implications as a result of this report. Further details on the Council's financial position can be found in the financial performance quarterly report elsewhere on the agenda.

6.2 Legal Implications including Procurement Rules - there are no direct implications

6.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

Any impact of poor performance on individual groups is the responsibility of the relevant service area to consider. This report is simply a summary monitoring tool. However, should implications be seen when considering the data - they will be passed to services for resolution.

6.4 Human Resources - there are no direct implications

6.5 Land, Property and Accommodation - there are no direct implications

6.6 Significant Community Impact - there are no direct implications

6.7 Corporate Health and Safety implications - there are no direct implications

7 Risk Implications

7.1 (i) Options Explored – not applicable

7.2 (ii) Key risks associated with the preferred approach – not applicable

8. Recommendations

8.1 Executive is asked to:

a) Comment on the achievements, issues and any future concerns noted this quarter

b) Relevant portfolio holders to ensure management has a local focus on those highlighted areas showing deteriorating performance

Is this a key decision?

No

Do the exempt information categories apply?

No

Does Rule 15 of the Scrutiny Procedure Rules apply?

No

How many appendices does the report contain?

One – Appendix A: table of relevant quarterly and annual strategic measures

List of Background Papers:

None

Lead Officer:

Nathan Walker, Senior Corporate Performance & Engagement Officer. Telephone (01522) 873315

Lean Area	Measure	Tolerance	Cumulative or Quarterly	High / Low is Good	Trend - Quarterly or Seasonal	Q4/17/18	Q1/18/19	Q2/18/19	Q3/18/19	Q4/18/19	Status	Q4/18/19 (Row Comment)	Under Performing	Target	Last Target Status
Work Based Learning	WBL 5 - Number of apprentices completing on time	10	Cumulative	High is good	Seasonal	100%	100%	100%	100%	100%	Maintaining	3/3 apprentices within quarter 4 achieved their framework on time			
Work Based Learning	WBL 6 - Number of new starters on apprenticeships	5	Cumulative	High is good	Seasonal	5	6	9	12	12	Maintaining	We had 12 new starts within quarter 4 - a combination of progressions and new apprentices			
Work Based Learning	WBL 7 - Number of apprentices moving into Education, Employment or Training	5	Cumulative	High is good	seasonal	75%	100%	100%	100%	100%	Maintaining	3/3 achievers moved in to Education/Employment or Training.	90	100	At target
Work Based Learning	WBL 8 - Number of early leavers	5.00	Cumulative	Low is good	Seasonal	1	0	3	0	1	Maintaining	We had 1 early leaver in Q4			
Work Based Learning	WBL 9 - Employers / supervisors rating the WBL team as good or very good	5.00	Quarterly	High is good	Seasonal	100%	100%	100%	100%	100%	Maintaining	100% of employers rated the WBL team as good or very good in quarter 4			
Customer Services	CS 4 - Number of face to face enquiries	1000	Quarterly	Low is good	Seasonal	9,826	5,550	4,873	4,893	4,731	Improving	Similar to the previous two quarters.			
Customer Services	CS 5 - Number of telephone enquiries answered	3000	Quarterly	Low is good	Seasonal	33,254	29,395	27,342	30,417	32,069	Maintaining	This is slightly lower than the same quarter last year which was 33254 but this included 3433 calls for bus passes which we are no longer taking. The 32069 also does not include 4871 calls for housing solutions which we are assisting with. Taking both of these factors into account we have answered more calls.			
Customer Services	CS 6 - Number of users logged into the self-service system MyInfo this quarter	400	Quarterly	High is good	Seasonal	9,865	7,925	7,298	7,651	10,199	Improving				
Customer Services	CS 8 - Average time taken to answer a call to customer services	10	Quarterly	Low is good	Seasonal	104	110	96	122	92	Improving	This is lower than the same quarter last year and the previous quarter.	50	40	Below Target
Human Resources	HU 4 - Number of grievances	5	Quarterly	Low is good	Quarterly	0	1	2	3	4	Maintaining				
Human Resources	HU 5 - Number of disciplinary sanctions	5	Quarterly	Low is good	Quarterly	0	2	2	5	0	Maintaining				
Accountancy	ACC 8 - Average return on investment portfolio	0.50	Cumulative	High is good	Seasonal	0.67%	0.57%	0.73%	0.74%	0.72%	Maintaining				
Accountancy	ACC 9 - Average interest rate on external borrowing	0.25	Cumulative	Low is good	Seasonal	3.90%	3.90%	3.90%	3.55%	3.42%	Maintaining	The average rate across all borrowing (including existing borrowing and both long and short term borrowing taken during the year) is 3.42%. The rate has reduced due to use of short term borrowing through other LAs.			
Revenues Administration	REV 4 - Council Tax - in year collection rate for Lincoln	0.29	Cumulative	High is good	Seasonal	97.17%	27.09%	52.80%	79.47%	96.76%	Deteriorating	Although collection is down by 0.41% - this only equates to £171,248, yet the net collectable debit has increased by 2.5m. Total net receipt has increased by 6.02%. There has been an additional 501 properties added to the tax base in 2018/19	96.61%	97.11%	On Target
Revenues Administration	REV 5 - Business Rates - in year collection rate for Lincoln	0.4%	Cumulative	High is good	Seasonal	98.87%	35.86%	60.57%	86.23%	99.81%	Maintaining	Collection is above by 0.94%, this equates to £417,915 of the net collectable debit. Total net receipt has increase by 0.15%	98.65%	99.15%	Above Target
Revenues Administration	REV 6 - Level of outstanding customer changes in the Revenues team	100	Quarterly	Low is good	Seasonal	121	659	749	401	437	Deteriorating	501 additional properties within the tax base to maintain and administer. Staffing resources reduced at points throughout the year due to unforeseen circumstances. Outstanding changes figure at 8th March 2019 stood at only 53, and the increase to 437 was due to an influx of documents during the 3 week billing period.			
Housing Benefit Administration	BE 4 - Average (YTD) days to process new housing benefit claims from date received	4.00	Cumulative	Low is good	Quarterly	24.29	30.13	28.16	27.00	25.82	Maintaining		26	24	On Target
Housing Benefit Administration	BE 5 - Average (YTD) days to process housing benefit claim changes of	3	Cumulative	Low is good	Seasonal	4.00	4.72	8.09	8.03	4.12	Maintaining	Numerous 1 day changes due to rent increases and changes in income at the start of the new financial year	6	5	Above target

Lean Area	Measure	Tolerance	Cumulative or Quarterly	High / Low is Good	Trend - Quarterly or Seasonal	Q4/17/18	Q1/18/19	Q2/18/19	Q3/18/19	Q4/18/19	Status	Q4/18/19 (Row Comment)	Under Performing	Target	Last Target Status	
	circumstances from date received															
Housing Benefit Administration	BE 6 - Number of Housing Benefits / Council Tax support customers awaiting assessment	200	Cumulative	Low is good	Seasonal	696	1,312	1,491	1,235	897	Deteriorating	Of the 897 customers 371 are waiting a first contact from us.				
Housing Benefit Administration	BE 7 - Percentage of risk-based quality checks made where Benefit entitlement is correct	3	Cumulative	High is good	Quarterly	92.00%	87.50%	84.00%	86.34%	86.07%	Maintaining	This is lower due to the increase in Quality Checks and also the impact of new legislation - Universal Credit.	86.50%	91.50	Below Target	
Housing Benefit Administration	BE 8 - The number of new benefit claims year to date (Housing Benefits / Council Tax Support)	1000	Cumulative	Low is good	Seasonal	7,296	1,322	2,860	4,058	5,252	Improving	1403 HB and 3849 CTR				

CX Strategic Q4 Annual Measures

Service Area	Full Name	Tolerance	Cumulative or Quarterly	High / Low is Good	Trend - Quarterly or Seasonal	2017/2018	2018/2019	Status	2018/2019 (Row Comment)	Under Performing	Target	Last Target Status
32 Debtors & Creditors	DCT 6 - Percentage of invoices paid within 30 days	2	Quarterly	High is good	Annual	95.17%	97.79%	Improving	Figures are calculated on all invoices & credit notes (not refunds) paid 01/04/2018 to 31/03/2019. Figures are adjusted based on certain assumptions as below: - 1) No invoice collected by supplier from CoLC by Direct Debit classified as late. 2) No credit note taken by CoLC outside of the 30 days classified as late. 3) Assumption that 0.5% of those invoices paid after 30 days were held in dispute at some point, hence paid later after dispute was resolved and not classified as late 4) 1.0% of those invoice paid after 30 days were held back from payment because the overall balance with the supplier was in credit.			
Debtors & Creditors	DCT 9 - Percentage of invoices that have a Purchase Order completed	3	Quarterly	High is good	Annual	41.60	N/A	N/A	DCT9 will not be collected until mid may when other data has been calculated as part of final accounts			

Service Area	Measure	Tolerance	Cumulative or Quarterly	High / Low is Good	Trend - Quarterly or Seasonal	Q4/17/18	Q1/18/19	Q2/18/19	Q3/18/19	Q4/18/19	Status	Q4/18/19 (Row Comment)	Under Performing	Target	Last Target Status
CCTV	CCTV 6 - Total number of incidents handled by CCTV operators	1000	Quarterly	High is good	Quarterly	3,380	3,191	4,068	3,326	3,293	Maintaining				
Recreation Services	RES 17 - Total number of users of our Health & Recreation facilities per quarter	5000	Quarterly	High is good	Seasonal	218,181	244,381	247,762	245,374	247,921	Improving	Quarter 4 figures: Birchwood – 53147 Yarborough - 176204 Community Centres – 15,655 Recreation grounds – 2,915			
Waste & Recycling	WM 5 - Percentage of waste recycled or composted	2.5	Quarterly	High is good	Seasonal	33.70%	27.40%	38.20%	34.70%	34.94%	Maintaining	For quarter 3 (they work 2 quarters behind) % of waste recycled = 16.75% % of waste composted = 18.19% % of waste recycled or composted = 34.94%	35.00%	45.00%	Below Target
Parking Services	PS 6 - Overall percentage utilisation of all car parks (P8)	5	Quarterly	High is good	Seasonal	45.00%	48.00%	45.00%	52.00%	45.00%	Maintaining	Quieter quarter of the year with period after Christmas and colder weather having an impact.	60.00%	70.00%	Below Target
Parking Services	PS 7 - Number of off street charged parking spaces	20	Quarterly	High is good	Seasonal	3,621	3,621	3,621	3,621	3,621	Maintaining				
Allotments	AM 8 - Percentage occupancy of allotment plots	5	Quarterly	High is good	Seasonal	80.10%	84.20%	85.70%	86.80%	84.2%	Maintaining	Staff member responsible for this measure has been off on long term sick so this measure was unable to be collected but will be reported in Q1. Q4 therefore an average for last 12 months supplied.			
Public Protection and Anti-Social Behaviour Team	AB 4 - Number of service requests for Public Protection and ASB	300	Quarterly	Low is good	Seasonal	587	817	904	836	682	Maintaining	This is an increase on Q4 2017/18, overall across 2018/19 the team has seen an increase of service requests of around 8%.			
Public Protection and Anti-Social Behaviour Team	AB 5 - Satisfaction of complainants relating to how the complaint was handled	5	Cumulative	High is good	Quarterly	87.00%	80.00%	80.30%	92.70%	81.00%	Deteriorating	The customer survey response rate currently represents between 10 - 20% of all service requests received by the team. The surveys are being undertaken by customer services. 81% represents a high satisfaction rate for an enforcement service.	85.00%	87.50%	Below Target
Food and Health & Safety Enforcement	FHS 4 - Percentage of premises fully or broadly compliant with Food Health & Safety inspection	3	Quarterly	High is good	Quarterly	98.0%	98.7%	96.8%	97.6%	96.4%	Maintaining	The total number of registered food businesses is 1017. 37 businesses are considered to be non-compliant of which 17 of those are new businesses.	95.00%	97.00%	On Target
Food and Health & Safety Enforcement	FHS 5 - Average time from actual date of inspection to achieving compliance	2.00	Quarterly	Low is good	Quarterly	10.40	9.50	8.30	8.50	8.00	Maintaining	Performance levels being maintained			
Food and Health & Safety Enforcement	FHS 6 - Percentage of official controls that should have been completed and have been in that time period (cumulative data)	4	Quarterly	High is good	Quarterly	94.00%	90.00%	81.60%	82.10%	96.50%	Improving	This has been a team effort to bring this measure to this level of performance from the Q3 position. The team were fully staffed for the last 2 months of this quarter and it required Officers to work a number of unsocial hours to carry out inspections that were due of our evening economy businesses which tend to present the greatest risk to public health and a number of these businesses were food hygiene rated 1 and we are now working closely with these businesses to seek the improvements required.	75.00%	95.00%	Above Target
Development Management (Planning)	DM 11 - End to end time to determine a planning application (Days)	5	Quarterly	Low is good	Quarterly	67.34	57.44	56.25	59.40	68.81	Deteriorating	Some more complex applications have be dealt with in this period which can skew the overall average. This performance level is still quite acceptable and is not a measure that is captured nationally in any case. The submission of WGC will also mean that this figure may not improve over the coming months.			

Service Area	Measure	Tolerance	Cumulative or Quarterly	High / Low is Good	Trend - Quarterly or Seasonal	Q4/17/18	Q1/18/19	Q2/18/19	Q3/18/19	Q4/18/19	Status	Q4/18/19 (Row Comment)	Under Performing	Target	Last Target Status
Development Management (Planning)	DM 13 - Number of live planning applications open	20	Quarterly	Low is good	Quarterly	126	121	117	120	104	Maintaining				
Development Management (Planning)	DM 16 - Percentage of applications approved	5	Quarterly	High is good	Quarterly	96%	93%	93%	97%	98%	Maintaining		85.00%	97.00%	Above Target
Development Management (Planning)	DM 20 - Number of planning appeals allowed	5	Quarterly	Low is good	Quarterly	0	0	2	0	1	Maintaining	1 appeal out of 4 decided was allowed			
Development Management (Planning)	DM 21 - Percentage of Non-Major Planning Applications determined within the government target (70% in 8 weeks) measured on a 2 year rolling basis	10	Quarterly	High is good	Quarterly	95.00%	94.67%	95.05%	94.51%	95.03%	Maintaining		70.00%	90.00%	Above Target
Development Management (Planning)	DM 22 - Percentage of Major Planning Applications determined within the government target (60% in 13 weeks) measured on a 2 year rolling basis	5	Quarterly	High is good	Quarterly	100.00%	100.00%	98.04%	97.96%	95.83%	Maintaining		60.00%	90.00%	Above Target
Development Management (Planning)	DM 8 - Number of applications in the quarter	40	Quarterly	High is good	Quarterly	234	247	229	211	220	Maintaining				

Ⓢ Strategic Annual Measures – Q4 2018

Service Area	Measure	Tolerance	Cumulative or Quarterly	High / Low is Good	2017/2018	2018/2019	RAG Status	Under Performing	Target	Last Target Status
Affordable Housing	AH 8 - The number of eligible sites where the full Affordable Housing requirement was negotiated at or above the current target	5	Quarterly	High is good	Awaiting confirmation that this has been collected in 2018/19 and if this will still be continued to be collected in 2019/20 as part of the new Strategic Measures set.					
Private Housing	PH 4 - Number of empty homes brought back into use	10		High is good	18	47	Improving	25	50	On Target

Service Area	Measure	Unit	Tolerance	Cumulative or Quarterly	High / Low is Good	Trend - Quarterly or Seasonal	Q4/17/18	Q1/18/19	Q2/18/19	Q3/18/19	Q4/18/19	Status	Commentary	Under Performing	Target	Last Target Status
Housing Investment	HI 4 - Percentage of council properties that are not at the 'Decent Homes' standard (excluding refusals)	%	2	Cumulative	Low is good	Seasonal	0.00%	0.94%	0.48%	0.27%	0.21%	Maintaining				
Housing Investment	HI 6 - Number of properties 'not decent' as a result of tenants refusal to allow work (excluding referrals)	Number	30	Quarterly	Low is good	Seasonal	4	174	192	167	213	Deteriorating	These are heating refusals. 208 of which, are boilers. The refusals are due to the tenants not wanting the disturbance of replacing their boiling systems. Now we are working in line with the Lincoln Standard, we are required to now look at these boilers (due to age and efficiency) whereas beforehand these may not have needed investigating.			
Housing Investment	HI 7 - Percentage of dwellings with a valid gas safety certificate	%	2	Cumulative	High is good	Quarterly	99.96%	99.85%	99.93%	99.93%	99.93%	Maintaining				
Control Centre	CC 5 - Percentage of calls answered within 60 seconds	%	1	Quarterly	High is good	Quarterly	98.25%	99.09%	99.16%	99.06%	99.07%	Maintaining				
Rent Collection	RC 3 - Rent collected as a proportion of rent owed	%	5	Cumulative	High is good	Quarterly	99.68%	97.56%	98.19%	99.83%	99.24%	Maintaining	Rent collection for the year is 99.24%, this excludes any arrears or credits brought forward. It was anticipated that the rent collection would take a slight dip due to the impact of Universal Credit full service.	95.00%	96.50%	Above Target
Rent Collection	RC 4 - Current tenant arrears as a percentage of the annual rent debit	%	1	Cumulative	Low is good	Quarterly	2.11%	2.72%	2.95%	2.47%	2.66%	Maintaining	Arrears for the year are 2.66% or £737,513. Although arrears have risen since last year, this was anticipated due to the impact of Universal Credit. The arrears are significantly better than we prediction at the start of the financial year.	5.00%	3.50%	Above Target
Housing Solutions	HS 3 - The number of people currently on the housing waiting list	Number	100	Cumulative	Low is good	Quarterly	1,693	1,692	1,663	978	1,055	Maintaining	Further cleansing has been made to the waiting list.			
Housing Solutions	HS 4 - The number of Homelessness applications progressed within the Housing team	Number	10	Cumulative	Low is good	Seasonal	279	167	368	526	708	Deteriorating	The figure is continues to rise, this figure is taken from the stage of the application at that time. It has significantly increased because of the changes to the Homelessness Reduction Act, in which we now have to open a homeless application/case for anyone who is eligible.			
Housing Voids	HV 7 - Percentage of rent lost through dwelling being vacant	%	0.1	Cumulative	Low is good	Quarterly	0.97%	0.72%	0.70%	0.84%	0.92%	Maintaining	Void loss has increased due to the increase in the average length of void time throughout the year. We have had a significant number of long term void properties which has naturally had a negative effect on void loss.			
Housing Voids	HV 9 - Average re-let time calendar days for all dwellings (including major works)	Days	5	Cumulative	Low is good	Quarterly	26.77	26.42	26.47	28.35	30.02	Maintaining	The void let is disappointing at 30 days YTD; however, if we compare with other authorities, then we are not in a bad position. This quarter's figures have been affected once again by the delay in letting our sheltered accommodation and the vast amount of voids in the system at once impacting heavily on repairs.	28	25	Below target
Housing Maintenance	HM 3 - Percentage of reactive repairs completed within target time	%	2.00	Cumulative	High is good	Quarterly	97.49%	98.00%	99.36%	98.51%	98.65%	Maintaining	Performance remains to be consistent in this area now that the significant changes within the service have now been fully embedded.	95.00%	97.50%	Above Target
Housing Maintenance	HM 4 - Percentage of repairs fixed first time	%	5	Cumulative	High is good	Quarterly	90.21%	93.38%	93.60%	93.57%	93.68%	Maintaining				
Housing Maintenance	HM 5 - Appointments kept as a percentage of appointments made	%	5	Cumulative	High is good	Quarterly	95.85%	96.56%	96.66%	96.67%	96.91%	Maintaining				

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EXECUTIVE

28 MAY 2019

SUBJECT:	FINANCIAL PERFORMANCE – OUTTURN 2018/19
REPORT BY:	CHIEF EXECUTIVE AND TOWN CLERK
LEAD OFFICER:	COLLEEN WARREN, FINANCIAL SERVICES MANAGER

1. Purpose of Report

1.1 To present to Members the provisional 2018/19 financial outturn position on the Council's revenue and capital budgets, including:

- General Fund
- Housing Revenue Account
- Housing Repairs Service
- Capital Programmes

And, to provide a review of the key budget risk assessments.

1.2 This report will provide members with a summary of actual income and expenditure compared to revised budget and how many surpluses have been allocated to reserves.

1.3 Members should note that the financial outturn is still subject to Audit by Mazars, the Council's external auditors.

2. Executive Summary

2.1 This section of the report provides a summary briefing on the financial position of the Council for the financial year 2018/19.

	2018/19		
	Budget £'000	Actual £'000	Variance £'000
Revenue Accounts			
General Fund – Contribution to/(from balances)	288	242	(46)
Housing Revenue Account (HRA) (Surplus)/Deficit in year	0	(4)	(4)
Housing Repairs Service (surplus)/deficit	0	(272)	(272)
Capital Programmes			
General Fund Investment Programme	23,535	13,968	(9,567)
Housing Investment Programme	31,458	24,985	(6,472)

	2018/19		
	Budget £'000	Actual £'000	Variance £'000
Capital Receipts			
General Fund	3,555	3,880	325
HRA	1,719	788	(931)
Reserves & Balances			
General Fund Balances	1,897	1,851	46
HRA Balances	1,023	1,027	4
HRS Balances	89	89	0
General Fund Earmarked Reserves	6,158	6,711	553
HRA Earmarked Reserves	1,366	1,604	238

2.2 The detailed financial position is shown in sections 3-7 and accompanying appendices.

3. General Fund Revenue Account

3.1 For 2018/19 the Council's net General Fund revenue budget was set at £14,276,460, including a planned contribution to balances of £288,360 (resulting in an estimated level of general balances at the year-end of £1,897,724).

3.2 The financial performance quarterly monitoring report for the 3rd quarter predicted a shortfall against the revised budget of £206,302. The provisional outturn for 2018/19 now indicates that this shortfall has decreased by £159,946, resulting in an overall budget shortfall of £46,356 (including proposed transfers to/from earmarked reserves). This represents a variance against the revised budget of 0.33%.

3.3 Full details of the main variances are provided in appendix B whilst the key variances are summarised below:

- Car Parking – Reduced Income £1,015,648
- Housing Benefit Overpayments – Reduced Income £604,533
- Homelessness Bed and Breakfast – Increased Expenditure £101,418
- Borrowing costs – Reduced Expenditure (£270,763)
- Earmarked Reserves - Released Increased Income £(280,220)
- Contingencies Released - Reduced Cost £(175,930)
- Business Rates Section 31 Grants – Increased Income £(385,881)
- Revenues & Benefits New Burdens – Increased Income £(180,207)

- 3.4 Given the scale of the shortfall in car parking income targets, as identified in previous quarterly reports, the implementation of the car parking income generation strategy has been accelerated. This strategy focuses on 5 key strands, as follows:
- Car park improvements – focussing on making our car parks the preferred choice including enhanced ticket machines to improve connectivity and to offer contactless payment and improved security arrangements.
 - Promotion of the City as a destination – focussing on maximising the linkages between visitor numbers into the City and an improving offer in the City with the utilisation of the Council’s parking stock.
 - Maximisation of car parking stock – focussing on ensuring that the Council’s car parks are in the correct location and condition, in line with the Car Parking Strategy, and considering alternative income generation opportunities for some sites.
 - Permit parking – focussing on increasing the number of permit parking arrangements with major employers in the city.
 - Residents parking – focussing on responding to residents’ concerns and encouraging commuters to modal shift or to move into city centre car parks.
- 3.5 Longer term, there is forecasted to be an increase in the demand for City Centre parking through developments such as the Cornhill Quarter, further expansion in the University and direct Lincoln to London trains with consequent increased passenger numbers. These future changes and growth over the next few years are set to increase utilisation of the Council’s car parks, reducing the shortfall against income targets.
- 3.6 This action taken to date has had a positive effect in terms of the forecast shortfalls against the car parking income targets which have improved from a forecasted shortfall of £1.141m at quarter 1 to a provisional outturn of £1.039m. It is anticipated that this positive trend will continue, however reflective of the significant shortfall in achieving the income targets the MTFs 2019-24 has been revised with a significant reduction in income targets to be set in the early years of the MTFs, increasing over time as per paragraph 3.5.
- 3.7 In addition to the shortfall in car parking income the other most significant variance is in respect of housing benefit overpayments. Over recent years the level of overpayments has continued to significantly increase, however more recently with the transition of benefits customers to universal credit and with the use of ‘real time’ information the level of overpayments raised as drastically reduced. This has led to a budget pressure due to reduced income from the reclaiming over the overpayment from the claimant.
- 3.8 The impact of this reduction in overpayments is not isolated to 2018/19 and is set to continue over the period of the MTFs. As this has not been reflected in the MTFs 2019-24 the Corporate Management Team have commissioned a specific piece of work to assess the full implications of the MTFs encompassing the impact of the

reduction in overpayments along with the transition to universal credit and its impact on historic overpayment debt. This work will feed directly into the refresh of the MTFS assumptions and financial planning process.

- 3.9 Although the mitigation strategy for car parking income is being implemented and some positive benefits have been realised in year, officers have also undertaken other appropriate action in order to address the budget shortfall as forecasted in previous quarterly reports. This has included a full review of earmarked reserves, contingencies budgets and balance sheet items, which has released a significant amount of one off resources. This has significantly reduced the forecast budget shortfall of £717,343 identified at quarter 1 to a provisional outturn of £46,356.
- 3.10 The provisional outturn of a £46,356 budget shortfall includes a number of proposed transfers to/from earmarked reserves as set out in paragraphs 3.11 – 3.12 below. Subject to their approval the outturn position will result in a contribution of £242,004 to balances (£288,360 budgeted), with balances as at 31st March 2019 f £1,851,368. Although this is £46,356 lower than assumed in the MTFS balances still remain within prudent levels.

Earmarked Reserves

- 3.11 At quarter three Executive agreed that, subject to outturn, the following contributions to earmarked reserves be actioned: -
- Planning Delivery Fund – Transfer £95,000 grant income received to fund an additional post to support large scale applications in 2019/20,
 - Overachievement of Crematorium income – Transfer £100,000 of surplus income (net of increased cost) to an income equalisation reserve to mitigate against future fluctuations in income levels (subsequently Executive agreed on 11th March 2019 that this additional income would be used for pre-construction activities ahead of proposed major works at the crematorium).
 - Revenues and Benefits Shared Service – Transfer £100,000 of New Burdens funding to a reserve to be utilised in 2019/20, as determined by the Joint Committee.

Following the final outturn being known it is proposed that the £95,000 Planning Delivery Grant and £100,000 crematorium income are transferred into reserves as agreed. However, due to the significant reduction in Housing Benefit overpayments within the Revenues and Benefits area it is proposed that only £45,000 of the New Burdens funding is transferred into the reserve. These transfers to reserves are reflected in the provisional outturn position.

- 3.12 In addition to those transfers to earmarked reserves proposed at quarter 3, and those budgeted for, there are a number of further contributions to and from reserves listed below for approval:

Directorate	Reserve	TO £	FROM £
CX	City Hall Sinking Fund – contribution from Repairs and Maintenance underspend	24,400	
CX	Asset Improvement – contribution towards Committee Microphones		13,350
DCE	Tree Risk Reserve – additional contribution to the Tree Risk Reserve	16,705	
DCE	Tree Risk Reserve – contribution from the reserve for additional work carried out		34,622
DCE	Commons Parking – contribution to reserve for parking income offset by a contribution from the reserve for works carried out	6,260	8,060
CX	Property Searches Reserve – contribution from the reserve to cover the backdating of the VAT implications		32,300
CX	Asset Improvement Reserve – Contribution from reserve for Greetwell Hollow professional fees		3,933
DCE	Parks Improvement Funding – contribution to a new reserve for additional grant funding to improve parks and open spaces	15,451	
DCE	Community Clean Up – contribution to a new reserve for additional grant funding to clean up the high streets	17,256	
DHI	Flexible Homeless Support Grant – transferred to Reserve for use in 19/20	123,011	
DHI	Rough Sleeping Strategy Grant – transferred to reserve for use in 19/20	97,234	
DHI	County Homeless Partnership Grant – transferred to reserve for use in 19/20	31,072	
DHI	County Homeless Funding (Boston) Grant – transferred to reserve for use in 19/20	45,526	
DHI	Controlling Migration Grant – transferred to reserve for use in 19/20	143,181	
DHI	Repossession Prevention Grant – contribution from reserve to help cover the increase in Bed and Breakfast		48,500
DHI	Pocket Parks Plus Scheme – transferred to reserve for use in 19/20	25,500	

These proposed transfers to/from reserves are reflected in the provisional outturn position.

- 3.13 The level of each of the current earmarked reserves, as at 31st March 2019 is attached at Appendix G. The appendix takes account of the contributions to earmarked reserves agreed as part of the revised budget and the drawdown of funding to cover expenditure along with the proposed transfers as set out in paragraphs 3.11 - 3.12.

3.14 In addition to the key variances, mitigating action being taken and earmarked reserves, as set out above, the following other key areas of monitoring of the General Fund Revenue Account set out below.

3.15 **Towards Financial Sustainability Programme** - The savings target included in the MTFs for 2018/19 is £3,850,000. Progress against this target, based on the outturn position shows a secured total £3,828,050. A summary of the provisional outturn position is shown in the following table:

	£
	General Fund
Review/Business Case Approved/Delegated Decision Taken	
Shared Services/Savings/Managing Demand	2,582,890
Commercialisation	833,680
Asset Rationalisation	407,270
Total	3,823,840
MTFS savings target	(3,850,000)
(Under)/ over achievement	(26,160)

3.16 **Fees and Charges Income** – Income from fees and charges represents a significant proportion of income to the Council, with the primary sources being from car parking, development management and building regulations. Due to the importance of these income streams to the Council's financial position and the impact external factors can have on the levels of income receive they are monitored regularly by the Corporate Management Team. A summary of the progress of these key income streams against the approved budget for the financial year is provided below:

	Budget 2018/19	Actual 2018/19	Variance 2018/19
	£'000	£'000	£'000
Car Parks	(6,064)	(5,025)	1,039
Crematorium	(1,317)	(1,472)	(155)
Development Management	(446)	(550)	(104)
Building Control	(199)	(194)	5
Total	(8,026)	(7,241)	785

4. Housing Revenue Account

4.1 For 2018/19 the Council's Housing Revenue Account (HRA) net revenue budget was set at zero, resulting in an estimated level of general balances at the year-end of £1,023,099.

4.2 The financial performance quarterly monitoring report for the 3rd quarter predicted an underspend of £5,000. The provisional outturn for 2018/19 now indicates an underspend of £3,467. This would result in HRA balances at 31 March 2019 of

£1,026,568. The main over and underspends included within the provisional outturn are detailed in Appendix D, while the key variances are summarised below:

- HRS Surplus – Additional Income of (£271,534) (see section 5 for further details);
- Rental Income - Additional Income £(161,055);
- Supervision and Management – Additional Income/Reduced Expenditure (£141,547);
- Repairs & Maintenance – Increased Expenditure £641,287.

4.3 Following outturn, HRA general balances will be £1,026,568, in line with the Medium Term Financial Strategy.

4.4 The level of each of the current earmarked reserves, as at 31st March 2019 is attached at Appendix G. The appendix takes account of the contributions to earmarked reserves agreed as part of the revised budget and the drawdown of funding to cover expenditure.

5. Housing Repairs Service

5.1 For 2018/19 the Council's Housing Repairs Service (HRS) net revenue budget was set at zero, reflecting its full cost recovery nature.

5.2 The financial performance quarterly monitoring report for the 3rd quarter predicted a £146,000 surplus outturn for 2018/19. The provisional outturn for 2018/19 shows a trading surplus of £271,534.

5.3 The net trading surplus of £271,534 is the result of a number of year-end variations in income and expenditure against the approved budget. The fluctuation between the forecast at Quarter 3 and the final outturn is mainly down to the performance of the Voids function. When reporting at Quarter 3, the job costings were incomplete and therefore reflected a much lower recovery position. Full details of the main variances are provided in Appendix F.

5.4 The surplus of £271,534 has been repatriated to the HRA, which is the major service user. This is reflected in the HRA outturn within this report.

6. Earmarked Reserves

6.1 The details of all the earmarked reserves and their balance as at 31st March 2019 are attached in Appendix G. In summary:

	Opening Balance	Increase	Decrease	Closing Balance
	01/04/18			31/03/19
	£'000	£'000	£'000	£'000
General Fund	4,559	4,022	(1,877)	6,704
HRA	1,732	29	(158)	1,604

	Opening Balance	Increase	Decrease	Closing Balance
	01/04/18			31/03/19
	£'000	£'000	£'000	£'000
Capital Resources	22,780	17,288	(27,797)	12,270

7. Capital Programme

7.1 General Investment Programme

7.2 The revised General Fund Investment Programme for 2018/19 as approved in the MTFs 2018-23 amounted to £23,460,862. Movements in the programme since the approval of the revised budget decreased actual capital expenditure in 2018/19 to £13,968,238. A further £175,000 was approved in 18/19 to transfer land from the HRA to General fund, creating additional resources within the HIP. No physical income/receipt or expenditure has been recorded as transfer occurred between council funds. A summary of the changes is shown below:

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Budget MTFs 2018-23	23,460	3,123	500	500	500
Budget changes approved under CFO delegated authority	(9,497)	9,598	0	0	0
Budget changes in Qtr approved by Executive	180	1,671	7,009	2,339	194
Revised Budget	14,143	14,392	7,509	2,839	694

7.3 The Chief Finance Officer has delegated authority to approve financial changes up to an approved limit as set out under Financial Procedure Rules. All changes over the approved limit require approval by the Executive.

The budget re-profiles approved by the Chief Finance Officer during the final quarter are detailed at Appendix I under the heading of "Approved by Chief Finance Officer".

Reprofiles

- Compulsory purchase orders £234,954 re-profiled into 2019/20.
- Disabled Facilities Grant - £467,687 re-profiled into 2019/20.
- Flood Alleviation scheme- £4,775 re-profiled from 2019/20 programme.
- Allotment Capital Improvement Programme - £102,158 re-profiled into 2019/20.
- Artificial Grass Pitches - £276,209 re-profiled into 2019/20.
- Housing Renewal Area - £388,877 re-profiled into 2019/20.
- Boutham Park Masterplan - £84,460 re-profiled into 2019/20.
- New Telephony System - £40,165 re-profiled into 2019/20.
- The Terrace Heat Mitigation Works - £11,418 re-profiled from 2019/20.

- Deacon Road scheme - £6,897,950 re-profiled into 2019/20 due to scheme completing in April 2019.
- Land and Property Acquisition - £193,706 re-profiled into 2019/20
- Lincoln Transport HUB - £845,357 re-profiled into 2019/20.

Other Movements

- Birchwood Leisure Centre - £16,678, reallocated from the Artificial Grass Pitches scheme within 2018/19.
- Memorial Tree - £4,200, additional borrowing within 2018/19 to cover VAT expense which could not be recovered within the scheme.
- Car Park Improvements-Ticket Machines - £69,323 expenditure within 2018/19 funded from the Parking Revenue budget.
- Boutham Park Masterplan - £20,000 additional borrowing to replace an unrealised capital grant within the scheme.
- Bereavement Services Lighting - £192 additional borrowing due to additional expenditure incurred within the scheme.
- CCTV upgrade - £29,184 additional funding in 2018/19 via DRF (£12,500 from service cash limits, and £16,684 from invest to save reserve).
- Planned Capitalised Works – various movements within 2018/19 and re-profiled to/from the 2019/20 central budget to specific projects – refer to Appendix I for a detailed split of movements.

7.4 Changes that have been approved by Executive approval for the final quarter (further details in Appendix I) are:

- **New Website** – new scheme commencing in 2018/19 to replace the current website. Approved at Executive 21/1/19. Funded by Invest to save reserve. £4,800 spent within 18/19, £49,200 to profile into 19/20.
- **New Software Package** – new software package scheme commencing in 2019/20 within Bereavement Services. Approved at Executive 11/3/19. £20,000 funded by the strategic priorities revenue reserve via direct revenue funding.
- **Western Growth Corridor**– Capital expenditure costs to the general fund of £11.3m for phrase 1, with regards to developing the first 52 units within the scheme (Executive 20/3/19), funded by proposed Residential Sales, Homes England grant funding and contributions from the HRA, creating a proposed expected surplus of £3.2m to be held within the General Investment Programme to be reinvested in bringing forward Phase 1b on Tritton Road.
- **Western Growth Corridor**- Transfer of land from the HRA to General fund worth £175k, creating additional resources within the HIP. No physical income/receipt or expenditure recorded as transfer between council funds.

7.5 The table below provides a summary of the provisional outturn position for the General Investment Programme:

	MTFS 2018-23 Budget	Outturn	Variance	Re-profiles (to)/from 2019/20
	£'000	£'000	£'000	£'000
Active Programme				
Communities & Environment	2,423	1,536	887	(940)
General Fund Housing	415	26	389	(389)
Chief Executives Department	19,076	11,856	7,220	(7,276)
Major Developments Directorate	1,393	547	845	(845)
Total Active Schemes	23,306	13,965	9,341	(9,451)
Schemes On Hold/Contingencies	154	3	151	(127)
Total Capital Programme*	23,460	13,968	9,472	(9,578)

* Table above does not include the Land appropriation of £175k which took place during 18/19 creating additional available resources in the HIP.

7.6 The overall spending on the General Investment Programme for 2018/19 was £13,968,238, which is 59.54% of the revised 2018/19 programme as per the MTFS 2018-23.

Although this would appear to be low, the following points should be taken into consideration:-

- Expected budgeted expenditure of £6.9m relating to Deacon Road occurred in April 2019 just after the 18/19 financial year.
- Disabled Facilities Grant works of £467,687 have been agreed and are expected to occur within 2019/20.
- The retention payment and related expenditure of £845,357 with regards to the Lincoln Transport HUB has not yet been paid due to delays on final sign off.

7.7 Housing Investment Programme

7.8 The revised Housing Investment Programme for 2018/19 as approved in the MTFS 2018-23 amounted to £31,457,789. Movements in the programme since the approval of the revised budget decreased actual capital expenditure to £24,985,322 in 2018/19.

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Budget MTFS 2018-23	31,458	12,857	12,747	11,353	12,932
Budget changes approved under CFO delegated authority	0	0	0	0	0
Budget changes for Executive approval at Outturn	(6,472)	5,214	97	(121)	0
Budget changes approved by Executive		8,579	598		
Revised Budget	24,985	26,650	13,442	11,232	12,932

7.9 The Chief Finance Officer has delegated authority to approve financial changes up to an approved limit as set out under Financial Procedure Rules. All changes over the approved limit require approval by the Executive. The changes approved by the Chief Finance Officer for the final quarter are detailed in Appendix K and summarised below:

Reprofiles

- Bathrooms & WC's £11,217, Responsive Capitalised heating replacement £48,716, Kitchen Improvements £7343, Rewiring £4,922, Structural Defects £2,431, Safety Flooring £68,074, rephrased from 19/20 into the 18/19 programme.
- Thermal Comfort Works £88,895, and Re-roofing £31,765 rephrased from 21/22 into the 18/19 programme.
- Adaption works £56,928, Garages £44,037, HRA Assets Shops/Buildings £20,280, Communal TV aerials £31,554, rephrased from 18/19 into the 19/20 programme.
- Environmental new works £96,880 18/19 rephrased into 20/21.
- Rephrasing of new build schemes Westleigh £45,186, Searby Road £62,497, Allotment Site £20,027, Rookery Lane Site £28,237, Lytton Street £6,957, Ingleby Crescent £14,839, Rookery Lane Acquisition £13,379, Queen Elizabeth Road £75,413, Trelawney Crescent £5,897 from 2018/19 into 19/20.
- Rephrasing of the 18/19 new build programme £2,499,065 into 2019/20.
- Lincoln Standard Window replacement £134,606, Door Replacement £404,806, Replacement Door Entry System £25,599 rephased from 18/19 into the 19/20 programme.

Movements

- Central Heating Upgrades £28,877 reallocated to Responsive capitalised heating replacement
- Asbestos Surveys £84,622, reallocated into Asbestos Removals 2018/19.
- Void capitalised works £62,225 reallocated into Exceptional costs 2018/19.
- Reallocations from the unallocated new build programme to Blankney Crescent £7,088, and Westwick Drive £842 within the 2018/19 programme.
- Reallocation from the unallocated land acquisition fund of £3,472 to Lillicrap Court.

The changes requiring approval from the Executive are detailed in Appendix K and summarised below:

- Six property purchases funded from the unallocated new build programme under delegated authority on 20th March 2019 at Turner Street £67,465, Williamson Street £110,210, and Naval Court £680,125 (**Previously approved under delegated authority 22rd March 2019**)
- Reallocations from the unallocated new build programme to Trelawney Crescent £30,259, Marham House £6,589 within the 2018/19 programme.
- Landscaping & Boundaries £182,178 reallocated into CO Detector Installation £40,826, Communal Hardstanding £118,150, Communal Electrics £23,202.
- New Services £19,442 reallocated into Decent homes £11,481 and CO Detector Installation £7,961 in 2018/19.
- The 2018/19 Wall Structure Repairs £6,951, over bath showers £28,003, Asbestos Surveys £51,457, plastering £222,854, Adaption works £28,916, Landscaping & Boundaries £110,623, Void capitalised works £26,555 programmes moved into uncommitted resources.

Changes that have been approved by Executive for the final quarter (further details in Appendix K) are:

- **De Wint new build extra care facility** - Within the £14m capital funding package (Executive 25/2/19), £92,995 funding from the HIP 'Available Resources/New Build programme has been allocated within 2018/19.
- **Western Growth Corridor Scheme** - £1.3m towards enabling works and infrastructure capital expenditure, from 2019/20, 20/21 (Executive 20/3/19), funded from the Land acquisition budget and HIP contingency 2019-24.
- **Western Growth Corridor-** Transfer of land from the HRA to General fund worth £175k, creating additional resources within the HIP. No physical income/receipt or expenditure recorded as transfer between council funds.

7.10 The table below provides a summary of the final outturn position:

	MTFS 2018-23 Budget	Outturn	Variance	Re-profiles (to)/from 2018/19
	£'000	£'000	£'000	£'000
Decent Homes/ Lincoln Standard	7,065	6,378	(687)	373
Health and Safety	600	300	(300)	26
New Build Programme	18,329	15,639	(2,690)	2,690
Land Acquisition Fund	3,015	1,867	(1,148)	1,148
Other Schemes	2,338	775	(1,563)	2,149
Computer Fund	111	26	(86)	86
Total Capital Programme	31,458	24,985	(6,472)	6,472

* Table above does not include the Land appropriation of £175k which took place during 18/19 creating available resources in the HIP

7.11 The overall spending on the Housing Investment Programme for 2018/19 was £24,985,322 which is 79.42% of the revised 2018/19 programme as per MTFS 2018-23.

Although this would appear to be low compared to previous financial years, the following points should be taken into consideration:-

- Due to external factors work programmed on individual flat fire door sets at Shuttleworth House for £739k was only around 30% complete at the end of the financial year.
- The budget included £18.3m for the 2018/19 New Build Programme. £15.6m has been spent on the new build programme including homes at Allenby, Westwick, Ingleby and Lytton Street, further budget has been earmarked for DeWint Extra Care facility which was approved during 2018/19.
- The budget included £3m for Land Acquisitions, of which £1.9m has been spent in 2018/19, the remaining budget of £1.1m has been allocated against the Western Growth Corridor Scheme to fund the HIP contribution towards the scheme.

8. Resource Implications

8.1 The financial implications are contained throughout the report.

8.2 There are no legal implications arising from this report.

8.3 There are no equality and diversity implications as a direct result of this report.

9.0 Risk Implications

9.1 A full financial risk assessment is included in the Medium Financial Strategy 2019-24.

10. Recommendations

The Executive are recommended to:

10.1 Note the provisional 2018/19 financial outturn for the General Fund, Housing Revenue Account, Housing Repairs Service and Capital Programmes as set out in sections 3 – 7, and in particular the reasons for any variances;

10.2 Approve the proposed transfer to General Fund earmarked reserves in paragraphs 3.11 and 3.12;

10.3 Approve the financial changes to both the General Investment Programme and the Housing Investment Programme (paragraphs 7.3 and 7.9) that are above the 10% budget variance delegated to the Chief Finance Officer.

Key Decision No

Key Decision Reference No. N/A

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? Yes

List of Background Papers: Medium Term Financial Strategy 2018-23
Minutes of Strategic Plan Implementation Team.

Lead Officer: Colleen Warren, Financial Services Manager
Telephone 873361.

GENERAL FUND SUMMARY – OUTTURN 2018/19

	Ref	Revised Budget £'000	Actual £'000	Variance £'000
Strategic Development	A	1,869	1,779	(90)
Chief Finance Officer (S.151)	B	489	771	282
Major Developments	C	506	461	(45)
City Solicitor	D	1,489	1,468	(21)
Housing	E	754	715	(39)
Communities and Street Scene	F	1,537	2,781	1,244
Health & Environmental Services	G	2,052	2,029	(23)
Planning	H	791	673	(118)
		9,487	10,627	1,190
Corporate Expenditure	I	1,645	1,640	(5)
TOTAL SERVICE EXPENDITURE		11,132	12,317	1,185
Capital Accounting Adjustment	J	1,864	1,773	(91)
Specific Grants	K	(1,006)	(1,032)	(26)
Contingencies	L	296	0	(296)
Savings Targets	M	(26)	0	26
Earmarked Reserves	N	1,600	1,381	(219)
Insurance Reserve	O	128	(19)	(147)
TOTAL EXPENDITURE		13,988	14,420	432
CONTRIBUTION TO BALANCES		288	242	(46)
NET REQUIREMENT		14,276	14,662	386
Retained Business Rates Income	P	(28,041)	(26,032)	2,009
Tariff	Q	20,620	20,199	(421)
Section 31 Grant	R	0	(1,974)	(1,974)
Levy	S	0	0	0
Revenue Support Grant	T	0	0	0
Council Tax	U	(6,393)	(6,393)	0
Council Tax Surplus	V	(30)	(30)	0
NNDR Deficit	W	(432)	(432)	0
TOTAL RESOURCES		(14,276)	(14,662)	(386)
BALANCES B/F 1ST APRIL (USE OF)/CONTRIBUTION TO BALANCES BALANCES C/F 31ST MARCH 2018				

Please note the above is now shown on an Expenditure Funding Analysis (EFA) basis. This means all charges which are reversed out under statute are now **not** shown in the above figures. Examples of this are depreciation and capital grants. This means the above only includes items which are a call on the general fund balance.

General Fund Forecast Variances - Outturn 2018/19

The variances analysed in the table below exclude any technical adjustments and only cover the true under or over spends. Figures in brackets indicate an under spend of expenditure or additional income.

Ref		£	Reason for variance
	<u>Additional Spending</u>		
G	Christmas Market	74,189	Increased security costs due to required Counter Terrorism measures.
D	Control Centre	60,258	Purchases of new equipment for Aging Lifelines plus increased maintenance costs.
F	Waste	64,820	Overspend on Waste Contract due to increasing property numbers and historic inflationary pressures.
	<u>Reduced Income</u>		
B	Housing Benefits	604,533	Significant reduction in Housing Benefit overpayments raised, due to increased used of Real Time Information and a move to Universal Credit, compared to the budgeted amount which is based on a three year average.
B	City Square & Cornhill	59,061	Underachieved income from Cornhill Kiosk along with empty property business rates
F	Car Parking	1,015,648	The budget for the new Lincoln Car Park Central has underachieved due to it not being fully operational. Income shortfalls have been partly offset by a reduction in expenditure, primarily contractual payments.
E	Homelessness Bed and Breakfast	101,418	Increased demand for Bed and Breakfast accommodation due to the rising number of presentations. In addition the levels of costs to be offset by Housing Benefit has not reached target levels.

Appendix B

Ref		£	Reason for variance
	<u>Reduced Spending</u>		
L/J	Borrowing Costs	(270,763)	Through pro-active management of cash balances, anticipated levels of external borrowing have not been required during the year
L	Pay Contingency	(82,600)	At the time of setting the MTFS the Local Government Pay award was still pending, therefore additional amounts were set aside to fund any increases. This amount is no longer required.
L	Other Contingencies	(93,330)	Release of one off contingencies no longer required.
G	Private Sector Housing	(79,420)	Staff vacancies.
	<u>Additional Income</u>		
B	Industrial Estates	(42,097)	Income overachieved due to rent reviews and voids lower than budgeted.

Appendix B

Ref		£	Reason for variance
N	Income Volatility Reserve	(178,010)	Earmarked reserve previously set aside to mitigate the peaks and troughs in income levels. Reserve to be released.
N	Release of Earmarked Reserves	(102,150)	Following mitigation undertaken, as agreed at quarter 2 a number of earmarked reserves that are no longer required will be released.
I	Release of Balance Sheet Items	(70,170)	A review of the Balance Sheet at 2017/18 outturn has identified amounts set aside which are no longer required.
G	HIMO	(58,841)	Extension of HIMO Licencing regime as set by Central Government.
H	Development Management	(89,996)	Overachievement of income projected in the year due to an increase in larger applications.
B	City Hall	(56,446)	Additional income due to rent inflation and increased service charges.
I	Interest Receivable	(50,637)	Increased investment income due to increased investment returns.
B	Revenues & Benefits	(180,207)	New Burdens funding in relation to work undertaken within existing Revenues and Benefits resources.
P/R	Business Rates	(385,881)	Additional Section 31 grants from reliefs granted in year, subsequent revenue impact is within the Collection Fund.

HOUSING REVENUE ACCOUNT FUND SUMMARY – OUTTURN 2018/19

HRA PROVISIONAL OUTTURN - 2018/19				
		Revised Budget £'000	Outturn £'000	Variance £'000
Gross Rental Income	A	(27,767)	(27,944)	(177)
Charges for Services & Facilities	B	(339)	(399)	16
Contribs towards Expenditure	C	(45)	(98)	(53)
Repairs & Maintenance	D	8,298	(8,939)	641
Supervision & Management:	E	6,693	6,554	(140)
S&M IAS19 Pension Adjustment	F			
Rents, Rates and Other Premises	G	34	137	103
Increase in Bad Debt Provisions	H	290	284	(6)
Contingencies	I	3	0	(256)
Depreciation	J	10,697	6,203	(4,494)
Impairments	K		(1,407)	(1,407)
Debt Management Expenses	L	12	0	(12)
Net Cost of Service		(1,870)	(7,926)	(6,056)
Loan Charges Interest	M	2,352	2,352	0
Investment/Mortgage Interest	N	(31)	(68)	(37)
Net Operating Inc/Exp		451	(5,642)	(6,093)
Capital Accounting Adjustments	O		1,407	1,407
Major Repairs Reserve Adjustment	P	0	4,506	4,506
HRS Repatriation				
- Trading (Surplus) Deficit	Q			
- IAS19 only	R			
Pension Reserve	S			
Transfers to/from reserves	T	(451)	(274)	177
(Surplus)/Deficit in Year	U	0	5,639	6,090
Balances b/f @ 1st April		(1,023)	(1,023)	0
(Increase)/Decrease in Balances		0	(4)	(4)
Balances c/f @ 31st March		(1,023)	(1,027)	(4)

Housing Revenue Account Variances - Outturn 2018/19

The variances analysed in the table below exclude any technical adjustments and only cover the true under or over spends. Figures in brackets indicate an under spend of expenditure or additional income.

Ref		£	Reason for variance
	<u>Increased Spending</u>		
D	Repairs & Maintenance	641,287	Increased spending projected on void properties as a result of the new build programme along with reduced voids capitalised vs budget as higher volume but lower values..
G	Rent, Rates & Premises	102,848	Council tax payable for empty properties including De-Wint Court.
P	Increase in funding to the DRF	4,506,000	Resulting from the reduction in the depreciation calculation. Revenue resources made available to fund DRF.
E	Supervision & Management	92,000	Internal Recharges to capital schemes re capitalisation of new build staff removed from the forecast. Staff are no longer HRA moved to General Fund.
	<u>Increased Income</u>		
Q	HRS Repatriation	(271,534)	HRS Surplus not budgeted, increase as a result of the additional void works and new builds.
A	Gross Rental Income	(161,055)	Net overall income increase due to new builds available ahead of budget schedule.
C	Contribution towards Expenditure	(53,020)	Higher court income offset by higher legal fees in S&M.
	<u>Reduced Spending</u>		
J	Depreciation	(4,494,076)	Revaluation of housing stock resulted in reduced depreciation.
E	Supervision & Management	(232,905)	Supervision and Management vacancies along with Kiers profit share contribution.

HOUSING REPAIRS SERVICE SUMMARY - OUTTURN 2018/19

	Revised Budget £'000	Actual £'000	Variance £'000
Employees	2,801	2,714	(87)
Premises	116	121	4
Transport	495	396	(99)
Materials	1,329	1,347	17
Sub-Contractors	2,228	2,310	81
Supplies & Services	134	213	79
Central Support Costs	338	426	89
Capital Charges	0	0	0
Total Expenditure	7,443	7,527	84
Income	7,443	7,799	(356)
(Surplus)/Deficit	0	(272)	(272)

Housing Repairs Service Variances - Outturn 2018/19

The table below provides a summary of the provisional outturn position.

Ref	£	Reason for Variance
<u>Reduced Income</u>		
Voids Work	(355,702)	Net additional income charged to the HRA.
<u>Reduced Spending</u>		
Employees	(86,870)	Two Vacant Posts held for most of the year.
Transport	(33,286)	Savings on fleet costs (fuel).
Transport	(66,085)	Reclassification of Fleet indirect insurance recharges.
<u>Increased Spending</u>		
Materials	17,457	Higher materials costs due to increase in volume, partly offset by additional income.
Sub-Contractors	81,386	Higher contractor's costs due to increased voids, partly offset by additional income.
Supplies & Services	79,095	Higher equipment costs recharged to the HRA, offset by income.
Central Support Costs	88,505	Reallocation of CSS from within the admin, fleet and Hamilton House areas.

EARMARKED RESERVES – OUTTURN 2018/19

	Opening Balance 01/04/2018 £'000	Increase £'000	Decrease £'000	Closing Balance 31/03/2019 £'000
General Fund				
Unused DRF	221	220	(238)	203
Invest to Save (GF)	307	252	(97)	463
Funding for Strategic Priorities	28	1,347	(156)	1,219
Business Rates Volatility	539	917	0	1,456
Section 106 interest	32	0	0	32
Mayoral car	47	0	0	47
Boston Audit Contract	14	0	0	14
MA Reserve	51	0	(51)	0
Yarborough Leisure Centre	2	0	0	2
Managed Workspace	35	0	(35)	0
Air Quality Initiatives	22	6	(18)	10
Private Sector Stock Condition Survey	63	12	(30)	45
Mercury Abatement	378	94	(58)	414
Christmas Decorations	17	0	(3)	14
Property Searches	36	0	(32)	4
Strategic Growth Reserve	100	14	(100)	14
Strategic Projects - revenue costs	496	0	(193)	303
Tank Memorial	10	0	0	10
IT Reserve	217	100	(317)	0
Revenues & Benefits shared service	163	45	(45)	163
Organisational Development	8	76	0	85
Commons Parking	27	6	(8)	25
Tree Risk Assessment	106	37	(35)	108
Backdated rent review	220	0	0	220
Electric Van replacement	22	4	(16)	11
Sinking Fund City Hall	36	24	0	60
Asset Improvement	72	0	(17)	55
Income Volatility	178	0	(178)	0
Crematorium Volatility Fund	0	100	0	100
Grants & Contributions	787	771	(92)	1,465
Carry Forwards	324	47	(199)	172
	4,559	4,072	(1,921)	6,711
HRA				
Growth Strategy (HRA)	150	0	0	150
HRA Invest to Save	164	0	0	164
Capital fees equalisation	241	0	(5)	236
HRA Repairs Account	611	26	0	637
HRA Survey Works	54	3	0	57
HRA Strategic Priorities	417	0	(153)	265
Stock Retention	22	0	0	22
De Wint Court	73	0	0	73
	1,732	29	(158)	1,604
Total Earmarked Reserves	6,291	4,101	(2,079)	8,315

CAPITAL RESOURCES – OUTTURN 2018/19

	Adj Opening Balance 01/04/2018 £'000	Contributions £'000	Used in Financing £'000	Forecast Balance 31/03/2019 £'000
Capital Grants	385	1,101	(1,004)	482
Capital Receipts	41	3,880	(1,345)	2,575
Capital Receipts (HRA)	5,716	788	(6,504)	0
Capital Receipts (HRA 1-4-1 receipts)	3,576	755	(835)	3,496
Major Repairs Reserve	12,841	10,743	(17,867)	5,717
DRF	221	21	(242)	0
Total Capital Resources	22,780	17,288	(27,797)	12,270

General Investment Programme – Summary of Financial Changes

Project Name	2018/19	2019/20	2020/21	2021/22	2022/23	Comments
	£	£	£	£	£	
2018/19 MTFS Budget as at Q3	23,460,862	3,122,952	500,000	500,000	500,000	
Budget for approval	13,968,238	21,135,373	500,000	500,000	500,000	
Total changes for Q4	(9,492,624)	18,012,421	0	0	0	
Approved by Chief Finance Officer						
Compulsory Purchase Orders (13 Albany Terrace)	(83,700)	83,700				Re-profile to 2019/20
Disabled Facilities Grant	(467,687)	467,687				Re-profile to 2019/20
Transformation of Birchwood Leisure Centre	16,678					Re-allocation from AGP scheme
Bereavement Services Lighting	192					Additional funding to deliver scheme
Memorial Tree	4,200					Additional funding to deliver scheme
Flood alleviation scheme - Hartsholme Park	4,775	(4,775)				Re-profile from 2019/20
Boultham Park Masterplan	(64,460)	84,460				Re-profile to 2019/20
CCTV Upgrade	29,184					Funded from DRF and Invest to Save
Allotment Capital Improvement Programme	(102,158)	102,158				Re-profile to 2019/20

Appendix J

Housing Renewal Area Unallocated	(388,877)	388,877				Re-profile to 2019/20
New Telephony System	(40,165)	40,165				Re-profile to 2019/20
The Terrace Heat Mitigation Works	11,418	(11,418)				Re-profile from 2019/20
Planned Capitalised Works	(104,993)	106,863				Re-allocate and Re-profile from 2019/20
Land and Property Acquisition	(193,706)	193,706				Re-profile to 2019/20
Deacon Road	(6,897,950)	6,897,950				Re-profile to 2019/20
Lincoln Transport HUB	(845,357)	845,357				Re-profile to 2019/20
Compulsory Purchase Orders	(151,254)	151,254				Re-profile to 2019/20
Capital Contingencies	0	(24,392)				Re-allocate and Re-profiled from 2019/20
Car Park Improvements- Ticket Machines	69,323					Funded from DRF
AGPs	(292,887)	276,209				Re-allocate and Re-profile to 2019/20
To be approved by Execs						
Approved by Exec						
New Website (Execs 21/1/19)	4,800	49,200				New Scheme £54k, re-profile to 19/20
New Software (Execs 11/3/19)		20,000				
Western Growth Corridor (Execs 20/3/19)	175,000	1,601,700	7,009,060	2,339,385	194,625	
Total changes in Quarter 4	(9,492,624)	11,268,701	7,009,060	2,339,385	194,625	

Appendix J

General Investment Programme – Summary of Expenditure as at 31st March 2019

Scheme	2018/19 Approved Budget	2018/19 Actual	2018/19 Variance	Spend
	£	£	£	%
DCE - Communities & Environment				
Compulsory Purchase Orders (13 Albany Terrace)	83,700	0	83,700	0.00%
Disabled Facilities Grant	1,162,510	694,823	467,687	59.77%
Transformation of Birchwood Leisure Centre	101,364	118,042	(16,678)	116.45%
Bereavement Services Lighting	24,290	24,482	(192)	100.79%
Memorial Tree	20,000	24,200	(4,200)	121.00%
Verso	25,000	25,000	0	100.00%
AGPs	300,000	7,113	292,887	2.37%
DCE - Community Services				
Flood alleviation scheme - Hartsholme Park	0	4,775	(4,775)	0.00%
Boultham Park Masterplan	134,413	69,953	64,460	52.04%
CCTV Upgrade	7,135	36,319	(29,184)	509.03%
Allotment Capital Improvement Programme	564,224	462,066	102,158	81.89%
Car Park Improvements- Ticket Machines	0	69,323	(69,323)	0.00%
General Fund Housing				
Housing Renewal Area Unallocated	414,545	25,668	388,877	6.19%
Chief Executives Department - Corporate Policy				0.00%
New Telephony System	40,165	0	40,165	0.00%
New Website	0	4,800	(4,800)	0.00%
Chief Executives - Chief Finance Officer				0.00%
The Terrace Heat Mitigation Works	0	11,418	(11,418)	0.00%
Planned Capitalised Works	12,262		12,262	0.00%
Allotments Asbestos Sheds	33,795	0	33,795	0.00%
Broadgate Car Park Works	14,364	14,364	0	100.00%
City Hall Improvement Works	60,000	46,212	13,788	77.02%
20/22 Steep Hill Improvements	8,000	8,000	0	100.00%
Broadgate Lift Refurbishment	258,764	259,002	(238)	100.09%
Guildhall Works	19,180	1,550	17,630	8.08%
Hartsholme Water Mains	109	109	0	99.72%
Fire Stopping Works	27,000	30,145	(3,145)	111.65%

Appendix J

Stamp End Demolition	17,833	12,595	5,238	70.63%
Grandstand CC Stairs Improvements	2,119	0	2,119	0.00%
Hartsolme Park Barrier Improvements	14,000	16,042	(2,042)	114.59%
Greyfriars Roof Improvements	5,000	0	5,000	0.00%
City Hall Stairwell Improvements	5,123	5,122	1	99.98%
City Hall 3rd Floor Fire Works	9,783	4,782	5,001	48.88%
City Hall CP Resurfacing	27,835	27,342	493	98.23%
YLC Surfacing	4,827	5,827	(1,000)	120.72%
YLC Heating/Control Centre/BMS	8,765	8,765	0	100.00%
YLC Pipework/Water Quality	10,000	4,531	5,469	45.31%
YLC New Heating System Phase 1	20,000	20,565	(565)	102.83%
YLC New Heating System Phase 2	14,000	15,497	(1,497)	110.69%
High Bridge Cafe Improvements	5,117	0	5,117	0.00%
Guildhall	11,000	0	11,000	0.00%
Guildhall Boiler Upgrade	6,525	6,525	0	100.00%
Play Area Surfacing Works	15,000	14,825	175	98.83%
Long Leys Road Drainage	20,000	9,562	10,438	47.81%
High Bridge Canopy's	10,000	0	10,000	0.00%
Broadgate Distribution Board/Emergency Lighting	20,000	9,513	10,487	47.57%
Lucy Tower Lifts	20,000	0	20,000	0.00%
YLC Diving Boards	42,550	0	42,550	0.00%
Hartsholme Country Park Play Area Improvements	0	83,992	(83,992)	0.00%
Play Area Improvements	0	9,351	(9,351)	0.00%
CCTV St Benedict	0	3,740	(3,740)	0.00%
Land and Property Acquisition	11,399,195	11,205,489	193,706	98.30%
Deacon Road	6,897,950	0	6,897,950	0.00%
Electric Vehicle Replacement	16,076	16,076	0	100.00%
Major Development Directorate				
Lincoln Transport Hub	1,392,840	547,483	845,357	39.31%
TOTAL BUDGET FOR ACTIVE SCHEMES	23,306,358	13,964,988	9,341,370	59.92%
Schemes Currently Under Review				
Compulsory Purchase Orders	154,504	3,250	151,254	2.10%
Capital Contingencies				0.00%
TOTAL BUDGET FOR SCHEMES UNDER REVIEW	154,504	3,250	151,254	2.10%
TOTAL GENERAL INVESTMENT PROGRAMME	23,460,862	13,968,238	9,492,624	59.54%

* Table above does not include Land appropriation of £175k which took part during 18/19 creating available resources in the HIP

Housing Investment Programme – Summary of Financial Changes

Project Name	Approved Budget MTFS Qtr3	Budget to be Approved	Budget Increase/ (Reduction)	Movements (To)/from Available Resources	Movements Within Financial Year	Reprofile (to) / from future years	Notes
	£	£	£				
Decent Homes							
Bathrooms & WC's	370,001	381,218	11,217	0	0	11,217	19/20
DH Central Heating Upgrades	1,433,837	1,462,714	28,877	0	28,877	0	18/19
Responsive Capitalised Heating Replacements	272,221	194,628	(77,593)	0	(28,877)	(48,716)	18/19
Thermal Comfort Works	102,621	191,516	88,895	0	0	88,895	21/22
Kitchen Improvements	356,267	363,610	7,343	0	0	7,343	19/20
Rewiring	17,425	22,347	4,922	0	0	4,922	19/20
Re-roofing	756,776	788,541	31,765	0	0	31,765	21/22
Lincoln Standard Windows Replacement	600,000	465,394	(134,606)	0	0	(134,606)	19/20
Structural Defects	105,015	107,446	2,431	0	0	2,431	19/20
Wall Structure Repairs	6,951	0	(6,951)	(6,951)	0	0	18/19
Door Replacement	989,774	584,968	(404,806)	0	0	(404,806)	19/20
Decent Homes Decoration Allowance	13,371	24,852	11,481	0	11,481	0	18/19
CO Detector Installation	40,058	88,845	48,787	0	48,787	0	18/19
New services	47,046	27,604	(19,442)	0	(19,442)	0	18/19
Void Capitalised Works	1,282,797	1,194,017	(88,780)	(26,555)	(62,225)	0	18/19
Landscaping and Boundaries	399,159	106,358	(292,801)	(110,623)	(182,178)	0	18/19
<i>Prelim Costs & Exceptionals to be allocated</i>		62,225	62,225	0	62,225	0	18/19
Lincoln Standard							

Appendix K

Over bath showers (10 year programme)	249,136	221,133	(28,003)	(28,003)	0	0	18/19
Safety flooring - Supported Housing	22,623	90,697	68,074	0	0	68,074	19/20
Health & Safety							
Asbestos Removal	117,424	202,046	84,622	0	84,622	0	
Asbestos Surveys	230,583	94,504	(136,079)	(51,457)	(84,622)	0	
Replacement Door Entry Systems	29,000	3,401	(25,599)	0	0	(25,599)	19/20
Plastering (HHSRS)	222,854	0	(222,854)	(222,854)	0	0	
New Build Programme							
New Build Programme	3,558,710	0	(3,558,710)	0	(1,059,645)	(2,499,065)	19/20
New Build Partnership - Waterloo Housing	4,483,680	4,484,522	842	0	842	0	
New Build Partnership - Westleigh	1,502,054	1,456,868	(45,186)	0	0	(45,186)	19/20
New Build Partnership - Lytton Street	700,000	693,042	(6,958)	0	0	(6,958)	19/20
New Build Site - Searby Road	74,767	12,270	(62,497)	0	0	(62,497)	19/20
New Build Site - Allotment Site	20,027	0	(20,027)	0	0	(20,027)	19/20
New Build Site - Rookery Lane	38,769	10,531	(28,238)	0	0	(28,238)	19/20
Blankney Crescent New Build Scheme	0	7,088	7,088	0	7,088	0	18/19
New Build Site - Queen Elizabeth Road	0	64,072	64,072	0	64,072	0	18/19
Ingleby Crescent New Build Scheme	7,198,399	7,183,560	(14,839)	0	0	(14,839)	19/20
Land Acquisition - 93 Rookery Lane	200,000	186,621	(13,379)	0	0	(13,379)	19/20
New Build Capital Salaries	9,439	9,439	0	0	0	0	
New Build - De Wint Court	543,500	636,495	92,995	0	92,995	0	18/19
Buyback – Turner		67,465	67,465	0	67,465	0	18/19
Buyback – Williamson		110,210	110,210	0	110,210	0	18/19
Buyback - Naval Court		680,125	680,125	0	680,125	0	18/19
New Build - Trelawney Crescent		30,259	30,259	0	30,259	0	18/19
New Build - Marham House		6,589	6,589	0	6,589	0	18/19

Land Acquisition							
Land Acquisition Fund	1,070,213	0	(1,070,213)	0	(3,472)	(1,066,741)	18/19,19/20
Land Acquisition - Queen Elizabeth Road	1,695,000	1,619,588	(75,412)	0	0	(75,412)	19/20
Lillicrap Court	115,000	118,472	3,472	0	3,472	0	18/19
Trelawney Crescent	135,000	129,103	(5,897)	0	0	(5,897)	19/20
Other							
Environmental new works	100,054	3,174	(96,880)	0	0	(96,880)	19/20
84 Uffington Avenue	0	335	335	335	0	0	18/19
12 Webster Close	77,745	65,055	(12,690)	(12,690)	0	0	18/19
18 Garfield Close	67,034	50,473	(16,561)	(16,561)	0	0	18/19
2 Gunby Avenue	60,000	3,072	(56,928)	0	0	(56,928)	19/20
Communal Hardstanding Areas	359,989	478,139	118,150	0	118,150	0	18/19
Communal Electrics	139,485	162,687	23,202	0	23,202	0	18/19
Garages	44,598	561	(44,037)	0	0	(44,037)	19/20
HRA Assets - Shops/Buildings	20,280	0	(20,280)	0	0	(20,280)	19/20
CCTV	10,500	10,500	0	0	0	0	
Communal TV Aerials	32,777	1,223	(31,554)	0	0	(31,554)	19/20
Housing Support Services Computer Fund	111,427	25,720	(85,707)	0	0	(85,707)	19/20
Contingency Reserve	1,424,403	0	(1,424,403)	475,359	0	(1,899,762)	18/19, 19/20
Total Programme	31,457,789	24,985,322	(6,472,467)	0	0	(6,472,467)	

Housing Investment Programme – Summary of Expenditure as at 31st March 2019

Project Name	2018/19 Approved	2018/19 Actual	Variance	Spend
	£	£	£	%
<u>Decent Homes</u>				
Bathrooms & WC's	370,001	381,218	11,217	103.03%
DH Central Heating Upgrades	1,433,837	1,462,714	28,877	102.01%
Responsive Capitalised Heating Replacements	272,221	194,628	(77,593)	71.50%
Thermal Comfort Works	102,621	191,516	88,895	186.62%
Kitchen Improvements	356,267	363,610	7,343	102.06%
Rewiring	17,425	22,347	4,922	128.25%
Re-roofing	756,776	788,541	31,765	104.20%
Lincoln Standard Windows Replacement	600,000	465,394	(134,606)	77.57%
Structural Defects	105,015	107,446	2,431	102.31%
Wall Structure Repairs	6,951	0	(6,951)	0.00%
Door Replacement	989,774	584,968	(404,806)	59.10%
Decent Homes Decoration Allowance	13,371	24,852	11,481	185.86%
CO Detector Installation	40,058	88,845	48,787	221.79%
New services	47,046	27,604	(19,442)	58.67%
Void Capitalised Works	1,282,797	1,194,017	(88,780)	93.08%
Landscaping and Boundaries	399,159	106,358	(292,801)	26.65%
Alterations to De Wint Court	0	0	0	0.00%
<i>Prelim Costs & Exceptionals to be allocated</i>		62,225	62,225	0.00%
Decent Homes	6,793,319	6,066,283	(727,036)	
<u>Lincoln Standard</u>				
Over bath showers (10 year programme)	249,136	221,133	(28,003)	88.76%
Safety flooring - Supported Housing	22,623	90,697	68,074	400.91%
Lincoln Standard	271,759	311,830	40,071	
<u>Health & Safety</u>				
Asbestos Removal	117,424	202,046	84,622	172.07%
Asbestos Surveys	230,583	94,504	(136,079)	40.98%
Replacement Door Entry Systems	29,000	3,401	(25,599)	11.73%
Renew stair structure	0	0	0	0.00%
Plastering (HHSRS)	222,854	0	(222,854)	0.00%
Health & Safety	599,861	299,951	(299,910)	

New Build Programme

New Build Programme	3,558,710	0	(3,558,710)	0.00%
New Build Partnership - Waterloo Housing	4,483,680	4,484,522	842	100.02%
New Build Partnership - Westleigh	1,502,054	1,456,868	(45,186)	96.99%
New Build Partnership - Lytton Street	700,000	693,042	(6,958)	99.01%
New Build Site - Searby Road	74,767	12,270	(62,497)	16.41%
New Build Site - Allotment Site	20,027	0	(20,027)	0.00%
New Build Site - Rookery Lane	38,769	10,531	(28,238)	27.16%
Blankney Crescent New Build Scheme	0	7,088	7,088	0.00%
New Build Site - Queen Elizabeth Road	0	64,072	64,072	0.00%
Ingleby Crescent New Build Scheme	7,198,399	7,183,560	(14,839)	99.79%
Land Acquisition - 93 Rookery Lane	200,000	186,621	(13,379)	93.31%
New Build Capital Salaries	9,439	9,439	0	100.00%
New Build - De Wint Court	543,500	636,495	92,995	117.11%
Buyback - Turner		67,465	67,465	0.00%
Buyback - Williamson		110,210	110,210	0.00%
Buyback - Naval Court		680,125	680,125	0.00%
New Build - Trelawney Crescent		30,259	30,259	0.00%
New Build - Marham House		6,589	6,589	0.00%
New Build Programme	18,329,345	15,639,156	(2,690,189)	

Land Acquisition

Land Acquisition Fund	1,070,213	0	(1,070,213)	0.00%
Land Acquisition - Queen Elizabeth Road	1,695,000	1,619,588	(75,412)	95.55%
Lillicrap Court	115,000	118,472	3,472	103.02%
Trelawney Crescent	135,000	129,103	(5,897)	95.63%
Land Acquisition	3,015,213	1,867,163	(1,148,050)	

Other

Environmental new works	100,054	3,174	(96,880)	3.17%
84 Uffington Avenue	0	335	335	0.00%
12 Webster Close	77,745	65,055	(12,690)	83.68%
18 Garfield Close	67,034	50,473	(16,561)	75.29%
2 Gunby Avenue	60,000	3,072	(56,928)	5.12%
Communal Hardstanding Areas	359,989	478,139	118,150	132.82%
Communal Electrics	139,485	162,687	23,202	116.63%
Garages	44,598	561	(44,037)	1.26%
HRA Assets - Shops/Buildings	20,280	0	(20,280)	0.00%
CCTV	10,500	10,500	0	100.00%

Appendix L

Communal TV Aerials	32,777	1,223	(31,554)	3.73%
Other	912,462	775,219	(137,243)	84.96%
 <u>Contingency Schemes</u>				
Contingency Reserve	1,424,403	0	(1,424,403)	0.00%
Contingency Schemes	1,424,403	0	(1,424,403)	
 <u>Other Schemes</u>				
Housing Support Services	111,427	25,720	(85,707)	23.08%
Computer Fund				
Other Schemes	111,427	25,720	(85,707)	
 GRAND TOTALS	 31,457,789	 24,985,322	 (6,472,467)	 79.42%

* Table above does not include Land appropriation of £175k which took part during 18/19 creating available resources in the HIP

SUBJECT:	TREASURY MANAGEMENT STEWARDSHIP AND ACTUAL PRUDENTIAL INDICATORS REPORT 2018/19 (OUTTURN)
REPORT BY:	CHIEF EXECUTIVE AND TOWN CLERK
LEAD OFFICER:	SARAH HARDY – GROUP ACCOUNTANT (TECHNICAL & EXCHEQUER)

1. Purpose of Report

- 1.1 The annual Treasury Management stewardship report is a requirement of the Council's reporting procedures under regulations issued under the Local Government Act 2003. It covers the treasury management activities and the actual prudential and treasury indicators for 2018/19. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2. Executive Summary

- 2.1 During 2018/19 the Council complied with its legislative and regulatory requirements. The key prudential indicators for the year, with comparators, are as follows:

Actual Prudential Indicators	2018/19 £000	2017/18 £000
Actual Capital Expenditure	38,954	39,805
Capital Financing Requirement		
General Fund	61,803	50,977
HRA	58,328	58,503
Total	120,131	109,480
Net borrowing (borrowing less investments)	86,154	65,504
External debt (borrowing)	115,354	81,104
Investments		
• Longer than 1 year*	0	0
• Under 1 year	29,200	15,600
• Total	29,200	15,600

Other prudential and treasury indicators are to be found in section 4.

3. Background

3.1 The prudential system for capital expenditure is now well established. One of the requirements of the Prudential Code is to ensure adequate monitoring of the capital expenditure plans, prudential indicators (PIs) and treasury management response to these plans. This report fulfils that requirement and shows the status of the Prudential Indicators at 31st March 2019. For the 2018/19 financial year the minimum reporting requirements were that members should receive the following reports:

- an annual Treasury Management Strategy in advance of the year (Council 27th February 2018)
- a mid-year Treasury Update report (Executive 26th November 2018)
- an annual report following the year describing the activity compared to the strategy (this report)

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

3.3 In compliance with the Prudential Code treasury management reports are scrutinised by Performance Scrutiny Committee and reviewed by the Executive prior to reporting to full Council if required. Member training for the Performance Scrutiny Committee was undertaken on 22nd November 2018 to support their role in scrutinising the half yearly report. Member training for the Audit Committee on treasury management issues was undertaken during the year on 12th February 2019 in order to support their role in scrutinising the treasury management strategy and policies.

4. Summary of Performance against Treasury Management Strategy 2018/19

4.1 The full details of transactions in the year and performance against the Prudential Indicators are included at Appendices A and B.

4.2

Actual Prudential Indicators	2018/19	2017/18
Actual Capital Expenditure	38,954	39,805
Capital Financing Requirement		
General Fund	61,803	50,977
HRA	58,328	58,503
Total	120,131	109,480
Financing Costs as a proportion of Net Revenue Stream		
General Fund	11.9%	13.7%

HRA	30.1%	45.6%
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4.3 The Chief Finance Officer confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, the Authorised Limit was not breached. Additional borrowing of £34.25m was taken in 2018/19.

At 31st March 2019, the principal value of the Council's external debt was £115.354m (£81.104m at 31st March 2018) and that of its investments was £29.2m (£15.6m at 31st March 2018).

4.4 The small decrease in General Fund Financing costs as a % of net revenue stream in 2018/19, when compared with 2017/18, is due to changes in the revenue budget. The actual financing cost for the General Fund increased from the previous year due to additional borrowing. The decrease in HRA Financing costs results from a change to depreciation charge calculations in the HRA.

4.5 The financial year 2018/19 continued the challenging environment of previous years; low investment returns and continuing counterparty risk were the main features.

4.6 Key issues to note from activity during 2018/19:

- The Council's total debt (including leases and lease-type arrangements) at 31st March 2018 was £115.696m (Appendix A section 4.4) compared with the Capital Financing Requirement of £120.131m (Appendix A section 3.5). This represents an under-borrowing position of £4.435m, which is currently being supported by internal resources. Additional long-term borrowing will be taken in future years to bring levels up to the Capital Financing Requirement, subject to liquidity requirements, if preferential interest rates are available.
- The Council's Investments at the 31st March 2019 were £29.2m (Appendix A section 4.3), which is £13.6m higher than at 31st March 2018. Average investment balances for 2018/19 were £22.344m, which was higher than estimated balances of £14.97m in the Medium Term Financial Strategy 2018-23 due to the timing of borrowing taken. It should be noted that this refers to the principal amounts of investments held, whereas the investment values included in the balance sheet are based on fair value. In most cases, this will simply be equal to the principal invested, unless the investment has been impaired.
- Actual investment interest earned on balances was £143k compared to £77k estimated in the Medium Term Financial Strategy 2018-23 (Appendix A section 10.2).
- The interest rate achieved on investments was 0.77% which was 0.26% above the target average 7-day LIBID rate (for 2018/19 the average was 0.51%).

4.7 Risk Benchmarking

The following reports the outturn position against the security and liquidity benchmarks in the Treasury Management Strategy.

Security

- The Council's actual average security risk for the portfolio as at 31st March 2019 is 0.002%, which compares with the 0.008% for the budgeted portfolio. This gives the estimated default rate on the investment counterparties which comprise the portfolio at 31st March 2019. This equates to a potential financial loss of £584 on the investment portfolio of £29.2m.
- Specified Investments are high security sterling investments (i.e. high credit quality) with a maturity of no more than one year. Non-specified investments are all other investments representing a potentially greater risk; however the risk is still minimal due to the stringent controls over counterparty credit quality contained within the Investment Strategy. The 2018/19 strategy set a maximum limit of 75% of the portfolio to be held in non-specified investments. At 31st March 2018, 100% of the investment portfolio was held in specified investments. The Chief Finance Officer can report that the investment portfolio was maintained within this limit throughout the year.

Liquidity

In respect of this area the Council set liquidity benchmarks to maintain:

- Liquid short term deposits of at least £5 million available with a week's notice.
- Weighted Average Life benchmark was expected to be 0.45 years (164 days).

The actual liquidity indicators at 31st March 2018 were as follows:

- Liquid short term deposits of £19.2 million as at 31st March 2019.
- Weighted Average Life of the investment portfolio was 0.04 years (15 days). This reflects that larger amounts of investments were deposited in short term accounts to deal with cash flow requirements.

The Chief Finance Officer can report that liquidity arrangements were adequate throughout the year.

4.8 Benchmarking

The Council participates in the following benchmarking club:

- The Link Asset Services benchmarking club. Link Asset Services is the Council's treasury management advisors and they offer a benchmarking club for their clients. This is organised on a regional group basis. The group to which City of Lincoln belongs has 9 members within the East Midlands region. Unfortunately, at the date of writing this report, benchmarking comparatives are not yet available.

5. Strategic Priorities

5.1 Through its Treasury Management Strategy the Council seeks to reduce the amount of interest it pays on its external borrowing and maximise the interest it achieves on its investments in order to support the Medium Term Financial Strategy and the delivery of the Council's Vision 2020.

6. Organisational Impacts

6.1 Finance - The financial impacts are contained within the main body of the report and within appendices A and B.

6.2 Legal Implications including Procurement Rules - Section 15 of the Local Government Act 2003 requires local authorities 'to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify'. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 in Regulation 24 require local authorities to have regard to the TM Code of Practice. Investment guidance issued by the Ministry for Housing Communities and Local Government (MHCLG) which came into effect from 1st April 2010 requires investment policy to emphasise security and liquidity over income.

7. Risk Implications

7.1 The Council has the freedom to adopt its own treasury management policies. The CIPFA code of practice, which specifies the format and frequency of reporting, is part of the risk management procedures for treasury.

8. Recommendation

8.1 That Executive reviews the actual prudential indicators contained within appendices A and B and recommends to Council for Approval.

8.2 That Executive notes the annual treasury management report for 2018/19.

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

How many appendices does the report contain? 2

List of Background Papers:

Link Annual Stewardship Reports for 2018/19

Medium Term Financial Strategy 2018-23 and 2019-24
Prudential Indicators 2018/19 – 2020/21 and Treasury
Management Strategy 2018/19 and 2019/20

Lead Officer:

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Annual Report on the Treasury Management Service and Actual Prudential Indicators 2018/19

1. Introduction

1.1 The Council undertakes capital expenditure on long-term assets. These activities can be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

Capital expenditure activity is regulated by the CIPFA Prudential Code, which requires actual outturn to be reported in the following areas: -

- Capital expenditure;
- Capital Financing Requirement;
- Debt;
- Ratio of financing costs to net revenue stream.

The remaining prudential indicators are included to make the annual reporting comprehensive and to comply with the requirements of the Treasury Management Code.

1.2 Part of the Council's treasury activities is to address any borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activities also include managing the Council's cash flows, its previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost, and then optimise performance. This area of activity is regulated by the CIPFA Code of Practice on Treasury Management.

1.3 Wider information on the regulatory requirements is shown in section 11.

2. The Council's Capital Expenditure and Financing 2018/19

2.1 This forms one of the required prudential indicators and shows total capital expenditure for the year and how this was financed.

	2018/19 Actual £'000	2018/19 Revised Estimate £'000	2017/18 Actual £'000
General Fund capital expenditure	13,968	16,867	29,098
HRA capital expenditure	24,985	33,048	10,707
Total capital expenditure	38,953	49,915	39,805
Resourced by:			
Capital receipts	8,192	12,206	4,674
Capital grants & contributions	1,004	1,683	3,016
Direct Revenue Financing	4,956	309	486
Major repairs reserve	13,160	21,835	9,190
Un-financed capital expenditure (additional need to borrow)	11,642	13,882	22,439

2.2 Further details on 2018/19 Capital Expenditure and Financing can be found in the Financial Performance Detailed Outturn 2018/19 report elsewhere on the agenda.

3. The Council's Overall Borrowing Need

3.1 The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position and represents 2018/19 and prior years' net capital expenditure that has not yet been charged to revenue or other resources.

3.2 Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council.

3.3 The General Fund element of the CFR is reduced each year by a statutory revenue charge (called the Minimum Revenue Provision - MRP). The total CFR can also be reduced by:

- the application of additional capital resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP) or depreciation.

3.4 The Council's MRP policy for 2018/19 was approved by Council on 27th February 2018 as part of the Prudential Indicators 2018/19 – 2021/22 and Treasury Management Strategy 2018/19.

- 3.5 The Council's CFR for the year is shown below, and represents a key prudential indicator. The CFR includes leasing schemes which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract. During the year £175k of land appropriations resulted in an appropriation between the General Fund and HRA CFR.

Capital Financing Requirement General Fund	31 March 2019 Actual £'000	31 March 2019 Revised Estimate £'000	31 March 2018 Actual £'000
Opening balance 1 April	50,977	50,977	30,173
Plus un-financed capital expenditure	11,642	13,882	22,439
Finance leases	(342)	(342)	(559)
Less MRP/VRP*	(992)	(787)	(1,076)
CFR appropriation	175	0	0
Closing balance 31 March	61,803	63,730	50,977

Capital Financing Requirement HRA	31 March 2019 Actual £'000	31 March 2019 Revised Estimate £'000	31 March 2018 Actual £'000
Opening balance 1 April	58,503	58,503	58,503
Plus un-financed capital expenditure	0	0	0
Less MRP/VRP*	0	0	0
CFR appropriation	(175)	0	0
Closing balance 31 March	58,328	58,503	58,503

* includes finance lease repayments

4. Treasury Position at 31st March 2019

- 4.1 Whilst the Council's gauge of its underlying need to borrow is the CFR, the Chief Finance Officer and the treasury team manage the Council's actual borrowing position by either:
- borrowing to the CFR,
 - choosing to temporarily utilise some flow funds instead of borrowing (under-borrowing)
 - borrowing for future increases in the CFR (borrowing in advance of need).

4.2 It should be noted that the figures in this report are based on the principal amounts borrowed and invested and so may differ from those in the final accounts by items such as accrued interest (outstanding interest due to be paid and received as at 31st March), or where the carrying amount is based on fair values .

4.3 During 2018/19 the Chief Finance Officer managed the borrowing position to £115.354 million. The treasury position at the 31st March 2019 compared with the previous year was:

	31 March 2019		31 March 2018	
	Principal £'000	Average Rate (full year)	Principal £'000	Average Rate (full year)
Borrowing Position				
Fixed Interest Rate Debt	115,354	3.24%	81,104	4.09%
Variable Interest Rate Debt	0	N/A	0	N/A
Total Debt (borrowing) *	115,354	3.24%	81,104	4.09%
Capital Financing Requirement (borrowing only)	120,131	N/A	109,480	N/A
Over/(under) borrowing	(4,777)	N/A	(27,817)	N/A
Investment Position				
Fixed Interest Investments	10,000	0.88%	9,000	0.74%
Variable Interest Investments	19,200	0.76%	6,600	0.46%
Total Investments **	29,200	0.80%	15,600	0.68%
Net Borrowing Position	86,154		65,504	

* Excludes local Bonds & Mortgages and other long-term liabilities (e.g. finance leases)

** The interest rate given differs from the interest rate given in Paragraph 4.6 of the main report because the rates above are for investments held at 31 March whereas the average rate of investment is for investments held during 2018/19.

4.4 The total debt position also includes other long term liabilities such as finance leases and embedded leases within service contracts. The total debt position at 31st March 2019 was £115.913 million as shown below:

	31 March 2019 Actual £'000	31 March 2019 Revised Estimate £'000	31 March 2018 Actual £'000
Gross borrowing	115,354	95,354	81,104
Other long term liabilities	342	342	559

Total External debt	115,696	95,696	81,663
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4.5 The maturity structure of the debt portfolio was as follows:

	31 March 2019 Actual £'000	31 March 2018 Actual £'000
Under 12 months	20,200	4,311
12 months and within 24 months	9,705	2,000
24 months and within 5 years	5,645	5,000
5 years and within 10 years	7,076	5,897
10 years and above	72,728	63,896
Total	115,354	81,104

4.6 The maturity structure of the investment portfolio was as follows:

	31 March 2019 Actual £'000	31 March 2018 Actual £'000
Longer than 1 year	0	0
Under 1 year	29,200	15,600
Total	29,200	15,600

5. The Strategy for 2018/19

5.1 The Council's overall core borrowing objectives are:

- To reduce the revenue costs of debt in line with the targets set for the Chief Finance Officer by Council (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 Authority 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.

6. Actual Debt Management Activity during 2018/19

6.1 Borrowing

6.1.1 Long term borrowing, totalling £20m, was taken in 2018/19; short term borrowing of £18m was taken in 2018/19; short term borrowing of £3.75m was repaid in 2018/19.

6.1.2 The average rate achieved for borrowing (excluding finance and embedded leases) in 2018/19 was 3.24%, which compares favourably to the target of 4.25% (2018/19 4.09% actual compared to the target of 4.25%). The lower rate is due to more borrowing being taken on a short term basis through other local authorities and a low rate of PWLB borrowing being available during the year.

	31 March 2019 Actual £'000	31 March 2019 Revised Estimate £'000	31 March 2018 Actual £'000
Interest payable on borrowing	3,260	3,221	3,135
- General Fund	908	824	783
- HRA	2,352	2,352	2,352
Interest payable on finance leases	42	93	60
- General Fund	42	93	60
- HRA	0	0	0

6.2 Rescheduling

6.2.1 No rescheduling was undertaken during the year as the differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7. Prudential Indicators and Compliance Issues

7.1 Some of the required prudential indicators provide either an overview or specific limits on treasury activity. These are shown below:

7.2 Net Borrowing and the CFR

- 7.2.1 In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2018/19 plus the expected changes to the CFR over 2019/20 and 2020/21 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2018/19. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2019 Actual £'000	31 March 2019 Revised Estimate £'000	31 March 2018 Actual £'000
Net borrowing position	86,154	80,754	65,504
Capital Financing Requirement	120,131	122,233	109,480

7.3 The Authorised Limit and Operational Boundary

- 7.3.1 The Authorised Limit is the "Affordable Borrowing Limit" required by section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2018/19 the Council has maintained gross borrowing within its Authorised Limit.
- 7.3.2 The Operational Boundary is the expected borrowing position of the Council during the year, and periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached.
- 7.3.3 The table below shows the highest borrowing position reached in the year (including temporary borrowing and other long term liabilities) compared to the Authorised Limit and Operational Boundary.

	2018/19 £'000
Authorised Limit (revised estimate)	135,800
Maximum gross borrowing position during 2018/19	115,913
Operational Boundary (revised estimate)	128,000
Average gross borrowing position during 2018/19	98,788
Minimum gross borrowing position during the year	81,663

7.4 Actual financing costs as a proportion of net revenue stream

- 7.4.1 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.

Financing costs as a proportion of net revenue stream -	2018/19 Actual %	2018/19 Revised Estimate %	2017/18 Actual %
General Fund	11.9%	14.1%	13.7%
HRA	30.1%	46.4%	45.8%

The small decrease in General Fund Financing costs as a % of net revenue stream in 2018/19, when compared with 2017/18, is due changes in the revenue budget. The actual financing cost for the General Fund increased from the previous year due to additional borrowing.

The decrease in HRA Financing costs results from a change to depreciation charge calculations in the HRA.

8. Economic Background for 2018/19

The following commentary on the economic conditions for 2018/19 is provided by Link Asset Services, the Council's treasury management advisers.

- 8.1 UK. After weak economic growth of only 0.1% in quarter one of 2018/19, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing individual country in the G7 in quarter 4.

After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth. Nevertheless, the MPC does have concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate to 3.9 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

As for CPI inflation itself, this has been on a falling trend, reaching 1.8% in January before rising marginally to 1.9% in February. However, in the February Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.

The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.5%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

Brexit. The Conservative minority government has so far, (1.4.19), been unable to muster a majority in the Commons over its Brexit deal. The EU has set a deadline of April 12 for the House of Commons to propose what form of Brexit it would support. If another form of Brexit, other than the current deal, does get a majority by April 12, then it is likely there will need to be a long delay to Brexit to allow time for negotiations with the EU. It appears unlikely that there would be a Commons majority which would support a disorderly Brexit or revoking article 50, (cancelling Brexit). There would also need to be a long delay if there is no majority for any form of Brexit. If that were to happen, then it increases the chances of a general election in 2019; this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the strong rate of growth; this rose from 2.2%, (annualised rate) in quarter 1 to 4.2% in quarter 2, 3.5% in quarter 3 and then back to 2.2% in quarter 4. The annual rate came in at 2.9% for 2018, just below President Trump's aim for 3% growth. The strong growth in employment numbers has fed through to an upturn in wage inflation which hit 3.4% in February, a decade high point. However, CPI inflation overall fell to 1.5% in February, a two and a half year low, and looks to be likely to stay around that number in 2019 i.e. below the Fed's target of 2%. The Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in the upward swing cycle. However, the Fed now appears to be edging towards a change of direction and admitting there may be a need to switch to taking action to cut rates over the next two years. Financial markets are now predicting two cuts of 25 bps by the end of 2020.

EUROZONE. Growth has been weak at 0.4% in quarter 2, 0.2% in quarter 3, 0.2% in quarter 4 and likely to be 0.1- 0.2% in quarter 1 of 2019. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which means that the central banks in the US, UK and EU have all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. However, with its refinancing rate already at 0.0% and the deposit rate at -0.4%, it has probably reached the bottom of cutting rates. At its March meeting it said that it expects to leave interest rates at their present levels "at least through the end of 2019", but that is of little help to boosting growth in the near term. Consequently, it announced a third round of TLTROs; this provides banks with cheap borrowing

every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans.

CHINA. Economic growth 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 - has been struggling to stimulate consistent significant GDP growth and 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.

WORLD GROWTH. Equity markets are currently concerned about the synchronised general weakening of growth in the major economies of the world: they fear there could even be a recession looming up in the US, though this fear is probably overblown. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks.

9. Investment Position

9.1 The Council’s investment policy is governed by MHCLG Guidance, which has been implemented in the Annual Investment Strategy approved by Council on 27th February 2018. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.). The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

9.2 The Council’s longer-term cash balances comprise primarily revenue and capital resources, although these are influenced by cash flow considerations. The Council’s core cash resources comprised as follows, and meet the expectations of the budget.

Balance Sheet Resources - General Fund	31 March 2019 £'000	31 March 2018 £'000
Balances	1,857	1,609
Earmarked reserves	6,705	4,599
Provisions	4,210	3,910
Usable capital receipts	1,166	41
Total	13,938	10,159

Balance Sheet Resources - HRA	31 March 2019 £'000	31 March 2018 £'000
Balances	1,027	1,023
Earmarked reserves	1,604	1,732
Usable capital receipts	3,408	9,204
Total	6,039	11,959
Total General Fund & HRA	19,977	22,118

10. Investments Held by the Council

10.1 The Council does not have the expertise or resources to actively use a wide range of investment products and therefore performance tends to be more stable but lower over the longer term than for professionally managed funds (whose performance may fluctuate more). The Council maintained an average balance of £22.344m and received an average return of 0.77%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.51%. Based on the average investment balance this performance margin of 0.26% in the Council's favour.

10.2 In 2018/19, £143k interest was earned on balances (£110k in 2017/18). This is £66k more than the £77k estimated in the Medium Term Financial Strategy 2018-23. The analysis of this result is shown in the table below.

	MTFS 2018-23 Budget £'000	Outturn 2018/19 £'000
Interest earned - General fund & other commitments	46	68
- HRA	31	75
Total interest earned	77	143
Average balance invested in year	14,967	22,344
Average interest rate achieved	0.51%	0.77%*

* The interest rate given differs from that given in Paragraph 4.3 of the main report because this is an average interest for the year whereas the interest rate given in paragraph 4.3 is a rate for balances at 31 March 2019.

The Economic Background for 2018/19 (see Section 8) sets out the economic conditions during this period, resulting in still falling deposit rates, which impacted adversely on investment returns. Counterparty security remains an issue, shown by little improvement in the credit ratings for the majority of financial institutions. There remained few counterparties available to the Council for investment, however, and there has been virtually no change in yield. Lending to local authorities for longer periods has again given an enhanced return at very low risk.

11. Risk Benchmarking

The regulatory framework also requires the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess

investment performance (i.e. rate achieved compared with the 7-day LIBID). Security and liquidity benchmarks are used to assess the level of risk in the investment portfolio and whether sufficient liquidity is being maintained.

- 11.1 The following reports the current position against the benchmarks originally approved in the 2018/19 Treasury Management Strategy.

Security

- The Council's security risk for the portfolio as at 31st March 2019 is 0.002%, which compares with the 0.008% for the budgeted portfolio. This gives the estimated default rate on the investment counterparties which comprise the portfolio at 31st March 2019. This equates to a potential financial loss of £584 on the investment portfolio of £29.2m.
- Specified Investments are high security sterling investments (i.e. high credit quality) with a maturity of no more than one year. Non-specified investments are all other investments representing a potentially greater risk however the risk is still minimal due to the stringent controls over counterparty credit quality contained within the Investment Strategy. The 2018/19 strategy set a maximum limit of 75% of the portfolio to be held in non-specified investments. At 31st March 2019, 100% of the investment portfolio was held in specified investments. The Chief Finance Officer can report that the investment portfolio was maintained within this limit throughout the year.

Liquidity

In respect of this area the Council set liquidity benchmarks to maintain:

- Liquid short term deposits of at least £5 million available with a week's notice.
- Weighted Average Life benchmark was expected to be 0.45 years (164 days).

The actual liquidity indicators at 31st March 2019 were as follows:

- Liquid short term deposits of £19.2 million as at 31st March 2019.
- Weighted Average Life of the investment portfolio was 0.04 years (15 days).

11.2 Performance Indicators set for 2018/19

- 11.3 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 set 8 local indicators for 2018/19, which aim to add value and assist the understanding of the main prudential indicators. These indicators, detailed in Appendix B, 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 during the year – this will evaluate performance in managing the debt portfolio to release revenue savings.
- The 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

12. Regulatory Framework, Risk and Performance

12.1 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2014/15);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM has issued Investment Guidance to structure and regulate the Council's investment activities;

Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices.

12.1 The Council has complied with all of the above relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

13. The Council is aware of the risks of passive management of the treasury portfolio and, with the support of Capita Asset Services, the Council's advisers, has proactively managed its treasury position over the year. The Council has continued to utilise historically low borrowing costs and has complied with its internal and external procedural requirements. There is little risk of volatility of costs in the current debt portfolio as the interest rates are predominantly fixed, utilising long-term loans.

- 13.1 Shorter-term variable rates and likely future movements in these rates predominantly determine the Council's investment return. These returns can therefore be volatile and, whilst the risk of loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.

Prudential and Treasury Indicators 2018/19

1. PRUDENTIAL INDICATORS	2018/19 Actual	2018/19 Revised	2017/18 Actual
Capital Expenditure	£'000	£'000	£'000
General Fund	13,968	16,867	29,098
HRA	24,985	33,048	10,707
TOTAL	38,953	49,915	39,805
Ratio of financing costs to net revenue stream	%	%	%
General Fund	11.9%	14.1%	13.7%
HRA	30.1%	46.4%	45.6%
Borrowing requirement General Fund	£'000	£'000	£'000
Borrowing requirement at 1 April	50,977	50,977	30,173
Borrowing requirement at 31 March	61,803	63,730	50,977
In-year borrowing requirement	10,826	12,753	20,804
Borrowing requirement HRA	£'000	£'000	£'000
Borrowing requirement at 1 April	58,503	58,503	58,503
Borrowing requirement at 31 March	58,328	58,503	58,503
In-year borrowing requirement	(175)	0	0
Net Debt	£'000	£'000	£'000
General Fund	40,968	29,794	16,316
HRA	45,186	50,960	49,188
Total	86,154	80,754	65,504
CFR	£'000	£'000	£'000
General Fund	61,803	63,730	50,977
HRA	58,328	58,503	58,503
TOTAL	120,131	122,233	109,480
Annual change in Capital Financing Requirement	£'000	£'000	£'000
General Fund	10,826	12,753	20,804
HRA	(175)	0	0
TOTAL	10,651	12,753	20,804

2. TREASURY MANAGEMENT INDICATORS	2018/19 Actual	2018/19 Revised	2017/18 Actual
Authorised Limit for external debt –	£'000	£'000	£'000
Borrowing	115,354	134,000	81,104
Other long term liabilities	342	1,800	559
TOTAL	115,696	135,800	81,663
Operational Boundary for external debt -	£'000	£'000	£'000
Borrowing	115,354	126,400	81,104
Other long term liabilities	342	1,600	559
TOTAL	115,696	128,000	81,663
Actual external debt	£'000	£'000	£'000
General Fund	57,583	37,241	22,991
HRA	58,113	58,113	58,113
TOTAL	115,696	95,354	81,104
Upper limit for fixed interest rate exposure	£m	Target £m	£m
Net principal re fixed rate borrowing / investments	108.1	96.5	77.2
Upper limit for variable rate exposure	£m	Target £m	£m
Net principal re variable rate borrowing / investments	24.2	30	20.7
Upper limit for total principal sums invested for over 1 year (per maturity date)	£'000	£'000	£'000
	Nil	5,000	Nil

Maturity structure of fixed rate borrowing during 2018/19	Actual %	Upper limit %	Lower limit %
Under 12 months	18.14	40	0
12 months and within 24 months	8.41	40	0
24 months and within 5 years	4.89	60	0
5 years and within 10 years	6.13	80	0
10 years and above	63.05	100	10

Local Indicators Treasury Management Indicators

	2018/19 Actual %	2018/19 Revised %	2017/18 Actual %
Debt - Borrowing rate achieved i.e. temporary borrowing (loans of less than 1 year)	Achieved 0.98% Average 0.63% +0.35%	Less than 7 day LIBOR	Achieved 0.71% Average 0.34% +0.37%

The indicator above uses the average of the 7 day LIBOR rate for temporary borrowing however the temporary borrowing taken during the year was for periods on average of 280 days – the average rates for PWLB loans for a up to 1 year were around 1.7%.

	2018/19 Actual %	2018/19 Revised %	2017/18 Actual %
Investment rate achieved	Achieved 0.77% LIBID 0.51% +0.26%	Greater than 7 day LIBID	Achieved 0.67% LIBID 0.22% +0.45%

	2018/19 Actual %	2018/19 Revised %	2017/18 Actual %
Average rate of Interest Paid on Council Debt (%)	3.24%	Less than 4.25%	4.09%

	2018/19 Actual %	2018/19 Revised %	2017/18 Actual %
Interest on Debt as a % of Gross Revenue Expenditure	3.4%	3.1%	3.3%
General Fund	1.34%	1.1%	1.23%
HRA	8.36%	8.0%	8.26%

	2018/19 Actual %	2018/19 Revised %	2017/18 Actual %
Upper limits on fixed interest rate investments	34%	100%	58%

	2018/19 Actual %	2018/19 Revised %	2017/18 Actual %
Upper limits on fixed interest rate debt	100%	100%	100%

	2018/19 Actual %	2018/19 Revised %	2017/18 Actual %
Upper limits on variable interest rate investments	66%	75%	42%

	2018/19 Actual %	2018/19 Revised %	2017/18 Actual %
Upper limits on variable interest rate debt	0%	40%	0%

SUBJECT: CITY OF LINCOLN COUNCIL ACQUISITION POLICY FOR DEVELOPMENT SITES, FORMER COUNCIL AND EMPTY HOMES

DIRECTORATE: DIRECTORATE OF HOUSING AND INVESTMENT

REPORT AUTHOR: KATE BELL, HOUSING STRATEGY OFFICER

1. Purpose of Report

- 1.1 To present the draft City of Lincoln Council Acquisition Policy (See appendix 1 for Acquisition Policy) for development sites, former council and empty homes and the introduction of a grant scheme to enable a transfer of Right to Buy receipts to increase the supply of affordable homes and to bring more empty homes back into use.

2 Background

- 2.1 Under the latest Right to Buy (RtB) regulations owners of former council homes purchased under RTB regulations must, if they wish to re sell their property within ten years of their initial purchase, offer it to their former landlord (the council), or another social landlord. Should the sale take place within the first 5 years of their ownership they must also repay a percentage of the RTB discount they have received on the purchase of the property.
- 2.2 Local Authorities have the ability to reinvest Right to Buy receipts within Retention Agreements (so-called 1-4-1 capital receipt agreements) for a period of 3 years. RtB receipts can used for 30% of the capital costs of purchase and repair of a property or new build on the basis that they provide a one for one replacement for social housing (as defined by section 68 (1)(a) of the Housing and Regeneration Act 2008.)
- 2.3 In recent years there has been an increase in the number of properties sold by the council through Right to Buy as shown in the following table.

Year	Total no of Sales	Projected sales in the Self-financing Agreement	Additional sales which give a useable receipt
17/18	67	21	46
16/17	62	20	42
15/16	53	20	33
14/15	35	19	16
13/14	32	17	15
12/13	24	15	9

- 2.4 As a result of the increase in sales of council homes there will be an additional pressure on the council to spend retained capital receipts for the purposes on RtB replacement. Any underspend of retained capital receipts will have to be returned

to the Secretary of State with interest of 4% above the base rate on a day to day basis compounded with three monthly rests.

- 2.5 It should be noted that following a consultation from the Ministry of Housing, Communities and Local Government on the rules of Right to Buy and use of RtB receipts in August 2018 we are currently awaiting the Government's announcement regarding any amendments made pursuant to section 11(6) of the Local Government Act 2003. Any changes to the Act in relation to use of RtB retained capital receipts agreement will require amendments to this policy.
- 2.6 The council currently has a Selective Buy Back Policy, approved by Executive in June 2014. At this time the policy gave the Director of Housing and Community Services delegated authority, in consultation with the Director of Resources, to consider and approve the terms for purchase of former council properties bought through Right to Buy. The policy gave approval on an individual property by property basis taking into account value, negotiated purchase price, cost of any refurbishment works and ongoing repairing responsibilities and future rental income. In 2018/19 we have purchased 3 former council properties under the Selective Buy Back Policy.
- 2.7 Lincoln's Housing Strategy 2017 – 2022, adopted in February 2017, includes a target to bring 50 empty homes per annum back into use. The Empty Homes Strategy was adopted in March 2018 outlining the council's approach to reduce the number of empty homes. An assessment of all homes empty for over 2 years has been completed and an action plan is in place to bring properties back into use. In 2018 this has resulted in 32 empty homes being successfully brought back into use through council intervention. Despite this the number of empty homes remains high at 430, as of January 2019.
- 2.8 Addressing empty homes is a priority within the Sincil Bank Regeneration Programme due to the impact on the local street scene, antisocial behaviour and the overall feeling of neglect. There are currently 19 properties that have been empty for 4 years or more and this figure is growing year on year. For these reasons Sincil Bank is of strategic priority for the purchase of empty homes. This is supported by the high demand for 1 and 2 bedroom properties in the city centre from householders currently on the housing register.

3 Housing Need and Demand

- 3.1 The council's emerging new homes strategy reviews the evidence of housing need which is broken down to ward area and housing size. For householders currently living in council homes there is a total of 309 that are classed as over crowded highlighting a high demand for 3 and 4 bedroom properties in all areas of the city but particularly in St Giles, Birchwood and Boultham Moor.
- 3.2 The housing register includes 543 householders requiring a council property in Lincoln for the first time. Of these households 47% require a 1 bedroom property and 34% require a 2 bedroom property. The highest demand for 1 bedroom and 2 bedroom properties are in the city centre. However there is also a high demand for 3 and 4 bedroom properties in the city centre.

- 3.3 There are currently 94 households in temporary B&B accommodation, this number fluctuates throughout the year. The CoLC are legally required to find alternative accommodation within 6 weeks in either the private rented sector, affordable rented housing sector or council housing.
- 3.4 Council housing need data is updated on a monthly basis, to ensure that the information accurately reflects the ongoing fluctuations in the number of people on the housing register.
- 3.5 The council's new homes programme will aim to relieve the housing need and meet demand by increasing the supply of new homes to be built in Lincoln. However due to the availability of land there are limits to the extent to which building new homes can meet the demand for homes. As such, alongside the new homes programme, the acquisition of former council homes and bringing empty homes back into use should be part of a package of measures to meet the demand for homes in all areas of the city.

4 Criteria for Acquisition of former council homes

- 4.1 It is proposed that former council properties that are offered back to the council for purchase or are for sale on the open market will be assessed and a business case prepared with a recommendation to either purchase or reject the property. The number of properties purchased per annum will be determined by the amount available in the council's RtB retained capital receipts fund.
- 4.2 The decision to purchase properties will be dependent on a business case and considered on a property by property basis which would be determined by the following factors:
- The decision to purchase individual properties funded by retained capital receipts will be considered alongside any planned or potential purchase of larger sites/properties. Larger sites/properties will be prioritised over individual properties if at any time there is a limit on the availability of the council's retained capital receipts.
 - The purchase price and refurbishment costs (up to £170 000) will be met by 30% RtB receipts and 70% through prudential borrowing or resources within the Housing Investment Programme, whichever is determined most financially prudent at the time of purchase. The non-availability of any RtB receipts will, however, not restrict the purchase of individual properties if there is still a business case to support purchase.
 - The viability of the purchase, refurbishment and borrowing costs will be assessed against rent levels as set out in the council's rent policy to ensure that all purchased properties are self funded.
 - There is a specific housing need for the type, size and location of the property that is being offered, in accordance with the council's housing register.
 - A property is considered of strategic importance, for example individual units within a council owned block or located within the council's defined regeneration area.

- The property is purchased with vacant possession.
- Each party will bear the costs of their own legal and valuation fees.

4.3 The following process for the acquisition of former council homes will be adopted:-

- Properties identified through the Right to Buy Officer will be signposted to the Housing Strategy Team (HST).
- The HST will determine if the property meets a strategic housing need and if so arrange to visit the property to carry out survey for any works needed and prepare a business plan. (see appendix 1 for a template business plan)
- HST to request valuation, to be carried out or commissioned by the Property Services team.
- HST to present business plan, valuation and propose offer price to the Strategic Property Manager for validation.
- Under delegated powers the Director of Housing and Investment, in consultation with the Chief Finance Officer, will review the offer price and approve the purchase.
- Strategic Property Services Manager to negotiate a purchase price with the property owner.
- If the offer price is accepted HST to instruct a solicitor and request a RICS Condition Report or more detailed survey if required depending on the condition of the property.
- HST to liaise with Investment Team/Housing Repairs Team to schedule programme of works.

5. Criteria for acquisition of strategic land sites and private housing.

- 5.1 The council are on occasions approached directly by landowners offering to sell vacant, recently developed housing sites or individual private properties. It is proposed that residential sites offered to the council for sale directly or that become available on the open market are assessed to determine if they meet the council's strategic priorities and a defined local housing.
- 5.2 Due to the financial costs and resources required by the council to purchase land/properties, larger sites will be prioritised over individual properties if resources are limited at any time.
- 5.3 The decision to purchase sites will be dependent on a business case and considered on a site by site basis which would be determined by the following factors:
- The viability of the purchase, new build/refurbishment and borrowing costs will be assessed against rent levels as set out in the council's rent policy to ensure that all development/developed sites/private properties are self-funded.

- The council will undertake land valuations (to be appointed internally or externally depending on the expertise/capacity available at the time) and ground surveys where necessary when considering any purchase of land sites.
- The purchase price and refurbishment costs will, in the first instance, be met by 30% RtB receipts with the balance of 70% through prudential borrowing or resources within the Housing Investment Programme. The non-availability of any RtB receipts will, however, not restrict the purchase of individual properties if there is still a business case to support the purchase.
- Where RtB receipts are used to purchase sites there is a specific housing need in location that is being offered, in accordance with the council's housing register.
- Where a site is purchased with existing housing the properties are sold with vacant possession.
- Each party will bear the costs of their own legal and valuation fees.

5.4 A business case for all sites identified for purchase by the council will need to be presented to Executive for approval unless an urgent decision is required in which case Executive delegations are in place in consultation with the Leader, Deputy Leader, Portfolio Holder of Economic Growth, Chief Finance Officer and City Solicitor.

6. Proposed approach to working with Registered Housing Providers to deliver more affordable homes in Lincoln.

6.1 The use of retained capital receipts can be utilised for RtB replacement of a range of affordable housing products. RtB receipts can be transferred to Registered Housing Providers (RPs) to provide 30% of funding to deliver affordable housing within Lincoln. This option has never been previously been fully explored by the council.

6.2 To increase the number of empty homes brought back into use and further increase the supply of new build affordable housing the council is proposing to introduce an innovative capital grants programme using RtB capital receipts which otherwise would be returned to the Treasury with interest if not spent within 3 years.

6.3 The criteria for the grant scheme will be set out to meet the Government's funding rules and will include the following:-

- The council will require RPs to enter into a nomination agreement active for a period of 60 years from the practical completion date in relation to 100% of all new lettings and 75% of subsequent lettings of the homes delivered
- The grant funding element from the Council, or any other public body, cannot exceed 30% of the total amount invested in the capital delivery of the project.

- Funding from the Right to Buy Replacement Programme Grant Fund cannot be used in combination with funding from Homes England. However a split development site with more than one project could qualify so long as funds from the Council and Homes England are not invested in delivering the same project.
- Payment of grant will be at pre-agreed stages which will form part of the grant agreement with the Council.
- Strict time limits will apply to the delivery of the project and funding claims in accordance with Government funding rules for the RTB funding.
- The RP will be required to submit regular monitoring delivery reports at the end of each quarter relating specifically to:-
 - starts on site;
 - spend on each individual project
 - key programme milestones

6.4 The grant will cover the following heads of expenditure:-

6.4.1 **Acquisition**

- Purchase price of land/site
- Stamp duty land tax on the purchase price of the land/site

6.4.2 **Works**

- Main contract costs (excluding any costs defined as on costs)
- Major site development works (where applicable). These include piling, soil stabilisation, road/sewer construction, major demolition
- Statutory agreements, associated bonds and party wall agreements (including all fees and charges attributed to such works) where applicable.
- Additional costs associated with complying with archaeological works and party wall agreement awards (including fees charges and claims attributable to such works) where applicable
- Unrecoverable VAT on the above (where applicable)

6.4.3 **On costs**

- Legal fees and disbursements
- Net gains losses via interest charges on development period loans
- Building society or other valuation and administration fees
- Fees for building control and planning permission

- Fees and charges associated with compliance with European Union directives, and any requirements relating to energy requirements of dwellings, Eco-homes certification and Housing Quality Indicators.
- In-house or external consultant's fees disbursements and expenses (where the development contract is a design and build contract) see note 1 below
- Insurance premiums including building warranty and building defects liability insurance (except contract insurance included in works cost)
- Contract performance bond premiums
- Borrowing administration charges (including associated legal and valuation fees)

7. Strategic Priorities

7.1 Let's deliver quality housing

Bring empty properties back into use

Deliver and facilitate at least 400 new homes by 2020

8. Organisational Impacts

8.1 Finance (including whole life costs where applicable)

Any purchase of land or properties made by the council can be financed up to 30% of the purchase price and any associated costs e.g. Surveyor fees, legal fees etc. from retained capital RtB receipts, subject to availability. The remaining 70% of costs will be met from prudential borrowing and/or resources within the Housing Investment Programme. Although in the first instance the Council will seek to use available RtB receipts each individual purchase will be assessed and the most appropriate source of finance will be determined on a case by case basis.

8.1.2 All council dwellings are subject to the secure tenant's Right to Buy, even new dwellings and any that may be purchased under an "Acquisition Policy" However, the 'cost floor' rules prevent properties from being sold for less than the investment made in the property. This protection of the council's investment lasts for 15 years. The whole life costs would need to be considered on an individual property by property basis taking into account value, negotiated purchase price, cost of any refurbishment works & ongoing repairing responsibilities and rental income.

8.1.3 All applications for the grant scheme will have to comply with the MHCLG's funding rules and these are set out in the Right to Buy Replacement Programme Grant Fund Assessment Criteria and Scheme requirements (see appendix 1) The applicant will have to set delivery timescales for projects which must be adhered to in order to trigger

grant payments.

8.2 Legal Implications including Procurement Rules

The Council's Legal Services Team will undertake conveyancing work, the cost of which would be contained within existing HRA resources.

8.2.1 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

Increasing the Council's housing portfolio reflecting the local needs and demand (e.g. for larger accommodation, bungalows or property that is or could be readily adapted) would help to provide suitable accommodation for larger families and disabled people with specific needs.

8.3 Land, Property and Accommodation

The Housing Strategy & Investment team would carry out an inspection of any property being considered for purchase to determine any costs that may be incurred to bring the property up to the Lincoln Homes Standard. If the property is considered suitable to buy the Property Services Team would be asked to value and negotiate a purchase price for the property.

9. Risk Implications

9.1 (i) Options Explored

The Acquisition Policy is just one of a range of options the council can use to increase the supply of affordable homes. Such a policy if approved would supplement the new homes programme and partnership working with other social housing providers to provide additional affordable homes in the city.

9.2 (ii) Key risks associated with the preferred approach

As set out in this report all proposals for buyback and acquisition opportunities should be based upon robust business cases that are developed by the relevant technical officers, and external advice if required, with all due diligence processes having been undertaken, ensuring compliance with the financial stewardship duty that the Council

holds to its rent payers.

10 Recommendation

10.1 For Executive to consider and approve the draft City of Lincoln Council Acquisition Policy 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? Yes

How many appendices does the report contain? None or insert number

List of Background Papers: Draft City of Lincoln Council Acquisition Report

Lead Officer: Kate Bell, Housing Strategy Officer
Telephone (01522) 873311



CITY OF
Lincoln
COUNCIL

DRAFT

City of Lincoln

Council

ACQUISITION

POLICY

June 2019

Contents

Section	Page
Introduction	3
Use of capital receipts acquired through Right to Buy	3
Criteria for Acquisition of former council homes	4
Criteria for acquisition of strategic land sites and private housing	5

Appendices

Appendix 1	Business Case and Authorisation to Purchase Land/Property	9
Appendix 2	Right to Buy Replacement Programme Grant Fund Assessment Criteria and Scheme Requirements	10
Appendix 3	City of Lincoln Council Grant Agreement for Right to Buy 1-4-1 Replacement Schemes	15
Appendix 4	Right to Buy Replacement Programme Monitoring Table	50

1. Introduction

The City of Lincoln Council Acquisition Policy applies to the council's acquisition of land, development sites, residential properties, former council and empty homes acquired using Right to Buy receipts to increase the supply of affordable homes and to bring more empty homes back into use.

2. Use of capital receipts acquired through Right to Buy

Under the latest Right to Buy (RTB) regulations owners of former council homes purchased under RTB regulations must, if they wish to re sell their property within ten years of their initial purchase, offer it to their former landlord (the council), or another social landlord. Should the sale take place within the first 5 years of their ownership they must also repay a percentage of the RTB discount they have received on the purchase of the property.

Local Authorities have the ability to reinvest Right to Buy (RtB) receipts within Retention Agreements (so-called 1-4-1 capital receipt agreements) for a period of 3 years. RtB receipts can be used for 30% of the capital costs of purchase and repair of a property or new build on the basis that they provide a one for one replacement for affordable housing (as defined by section 68 (1)(a) of the Housing and Regeneration Act 2008.)

In recent years there has been an increase in the number of properties sold by the council through Right to Buy as shown in the following table.

Year	Total no of Sales	Projected sales in the Self-financing Agreement	Additional sales which give a useable receipt
17/18	67	21	46
16/17	62	20	42
15/16	53	20	33
14/15	35	19	16
13/14	32	17	15
12/13	24	15	9

As a result of the increase in sales of council homes there will be an additional pressure on the council to spend RtB retained capital receipts for the purposes of replacing social housing. Any underspend of retained capital receipts will have to be returned to the Secretary of State with interest of 4% above the base rate on a day to day basis compounded with three monthly rests.

It should be noted that following a consultation from the Ministry of Housing, Communities and Local Government on the rules of Right to Buy and use of receipts in August 2018 we are currently awaiting the Government's announcement regarding any amendments made pursuant to section 11(6) of the Local Government Act 2003. Any changes to the Act in relation to use of RtB retained capital receipts agreement will require amendments to this policy.

3. Criteria for Acquisition of former council homes

It is proposed that former council properties that are offered back to the council for purchase or are for sale on the open market will be assessed and a business case prepared with a recommendation to either purchase or reject the property. We will aim to purchase up to 10 properties per annum from the council's RtB retained capital receipts fund. Properties can be purchased through the Right of Return process or through proactive engagement with local estate agents to identify properties.

The decision to purchase properties will be dependent on a business case and considered on a property by property basis which would be determined by the following factors:

- There is a specific housing need for the type, size and location of the property that is being offered, in accordance with the council's housing register.
- A property is considered of strategic importance, for example individual units within a council owned block or located within the council's defined regeneration area.
- The decision to purchase individual properties funded by retained capital receipts will be considered alongside any planned or potential purchase of larger sites/properties.
- Larger sites/properties will be prioritised over individual properties if at any time there is a limit on the availability of the council's retained capital receipts.
- The purchase price and refurbishment costs will be met by 30% of the RtB receipts and 70% through prudential borrowing or resources within the Housing Investment Programme, whichever is determined most financially prudent at the time of purchase.
- The non-availability of any RtB receipts will, however, not restrict the purchase of individual properties if there is still a business case to support the acquisition.
- The viability of the purchase, refurbishment and borrowing costs will be assessed against rent levels as set out in the council's rent policy to ensure that all purchased properties are self funded and do not exceed the ceiling price.
- The property is purchased with vacant possession.
- Each party will bear the costs of their own legal and valuation fees.

The following process for the acquisition of former council homes will be adopted:-

- Properties identified through the Right to Buy Officer or council's solicitor will be signposted to the Housing Strategy Team (HST).
- The HST will determine, in liaison with Housing Solutions, if the property meets a strategic housing need and if so arrange to visit the property to carry out a survey for any works needed and prepare a business plan. (see appendix 1 for a template business plan)
- HST to request valuation, to be carried out or commissioned by the Property Services team.
- HST to present business plan, valuation and propose offer price to the Strategic Property Manager for validation.
- Under delegated powers the Director of Housing and Investment, in consultation with the Chief Finance Officer, will review the offer price and approve the purchase.

- Strategic Property Services Manager to negotiate a purchase price with the property owner.
- If the offer price is accepted HST to instruct a solicitor and request a RICS Condition Report or more detailed survey if required depending on the condition of the property.
- HST to liaise with Investment Team/Housing Repairs Team to schedule programme of works.
- Acceptance or rejection of the owner's offer to the Council to be communicated to the owner within 8 weeks of the offer being received.
- If an owner's offer is accepted the Council has at least 12 weeks from accepting the offer to complete the purchase (for this 12-week period to start, the owner must serve a notice giving the Council at least 4 weeks' notice that the owner is ready to complete the sale).

4. Criteria for acquisition of strategic land sites and private housing.

The council are on occasions approached directly by landowners/property owners offering to sell vacant, recently developed housing sites or individual private properties. It is proposed that residential sites offered to the council for sale directly or that become available on the open market are assessed to determine if they meet the council's strategic priorities and a defined local housing need.

The decision to purchase sites will be dependent on a business case and considered on a site by site basis which would be determined by the following factors:

- Due to the financial costs and resources required by the council to purchase land/properties, larger sites will be prioritised over individual properties if resources are limited at any time.
- The viability of the purchase, new build/refurbishment and borrowing costs will be assessed against rent levels as set out in the council's rent policy to ensure that all development/developed sites/private properties are self-funded.
- Housing need will be based on the evidence from the latest Strategic Housing Market Assessment.
- The council will undertake land valuations (to be appointed internally or externally depending on the expertise/capacity available at the time) and ground surveys where necessary when considering any purchase of land sites.
- The purchase price and refurbishment costs will, in the first instance, be met by 30% RtB receipts with the balance of 70% through prudential borrowing or resources within the Housing Investment Programme. The non-availability of any RtB receipts will, however, not restrict the purchase of individual properties if there is still a business case to support the purchase.
- Where RtB receipts are used to purchase sites there is a specific housing need in location that is being offered, in accordance with the council's housing register.
- Where a site is purchased with existing housing the properties are sold with vacant possession.
- Each party will bear the costs of their own legal and valuation fees.

A business case for all sites identified for purchase by the council will need to be presented to Executive for approval unless an urgent decision is required in which case Executive delegations are in place to the 'virtual' Asset Management Group.

5. City of Lincoln Council Right to Buy Replacement Grant Scheme.

The use of retained capital receipts can be utilised for RtB replacement of a range of affordable housing products. RtB receipts can be transferred to Registered Housing Providers (RPs) to provide 30% of funding to deliver affordable housing within Lincoln.

To increase the number of empty homes brought back into use and further increase the supply of new build affordable housing the council will introduce a capital grants programme using RtB capital receipts which otherwise would be returned to the Treasury with interest if not spent within 3 years.

5.1 Grant Fund Criteria

The criteria for the grant scheme will be set out to meet the Government's funding rules and will include the following:-

- The council will require RPs to enter into a nomination agreement active for a period of 60 years from the practical completion date in relation to 100% of all new lettings and 75% of subsequent lettings of the homes delivered.
- The grant funding element from the council, or any other public body, cannot exceed 30% of the total amount invested in the capital delivery of the project.
- Funding from the Right to Buy Replacement Programme Grant Fund cannot be used in combination with funding from Homes England. However a split development site with more than one project could qualify so long as funds from the council and Homes England are not invested in delivering the same project.
- Payment of grant will be at pre-agreed stages which will form part of the grant agreement with the council.
- Strict time limits will apply to the delivery of the project and funding claims in accordance with Government funding rules for the RTB funding.
- The RP will be required to submit regular monitoring delivery reports at the end of each quarter relating specifically to:-
 - starts on site;
 - spend on each individual project
 - key programme milestones

The grant will cover the following heads of expenditure:-

Acquisition

- Purchase price of land/site
- Stamp duty land tax on the purchase price of the land/site

Works

- Main contract costs (excluding any costs defined as on costs)
- Major site development works (where applicable). These include piling, soil stabilisation, road/sewer construction, major demolition
- Statutory agreements, associated bonds and party wall agreements (including all fees and charges attributed to such works) where applicable.
- Additional costs associated with complying with archaeological works and party wall agreement awards (including fees charges and claims attributable to such works) where applicable
- Unrecoverable VAT on the above (where applicable)

On costs

- Legal fees and disbursements
- Net gains losses via interest charges on development period loans
- Building society or other valuation and administration fees
- Fees for building control and planning permission
- Fees and charges associated with compliance with European Union directives, and any requirements relating to energy requirements of dwellings, Eco-homes certification and Housing Quality Indicators.
- In-house or external consultant's fees disbursements and expenses (where the development contract is a design and build contract) see note 1 below
- Insurance premiums including building warranty and building defects liability insurance (except contract insurance included in works cost)
- Contract performance bond premiums

Borrowing administration charges (including associated legal and valuation fees)

5.2 Grant Agreement for Right to Buy 1-4-1 Replacement Schemes

The council will assess an application for RTB grant funding based on the Right to Buy Replacement Programme Grant Fund Assessment Criteria and Scheme Requirements set out in full in appendix 2. Subject to the RP meeting the criteria the council will issue a Grant

Agreement for Right to Buy Replacement Schemes to be signed by the RP. A template of the grant agreement can be viewed in appendix 3.

5.3 Monitoring of the Grant fund

Once the grant has been awarded by the council the RP will be responsible for monitoring and reporting on delivery of the scheme to ensure that the RP is meeting the strict time limits that will apply to the delivery of the project and funding claims in accordance with Government RTB funding rules. A template of the monitoring form for the council's right to buy replacement grant scheme is available in appendix 4.



Appendix 1

Business Case and Authorisation to Purchase Land/Property

Land / Property Reference	
Report by	
Date	
Report	
To cover the following:- <ul style="list-style-type: none">• Valuation• Refurbishment required• Evidence Housing Need• Opportunities to improve SAP rating• Anticipated total costs, including works and fees• Proposed Offer Price	
Finance	
141 money allocation - £	
70% match - £	
Recommendation	
[As per the attached policy which gives delegated authority to the DOH and DOR to proceed with purchases of ex council properties]	
To proceed with the purchase of property as follows:	
Portfolio Holder (Sign and Date)	
DHI (Sign and Date)	
AD S&I (Sign and Date)	
Finance (Sign and Date)	
Legal (Sign and Date)	

Appendix 2

Right to Buy Replacement Programme Grant Fund Assessment Criteria and Scheme Requirements

Information for Applicants

Both new build and refurbishment projects are eligible for funding. In compiling your application please take note of the following key points. In many instances these are essential to ensure compliance with Government funding rules. NB delivery timescales for projects are very important and must be adhered to in order to trigger grant payments:

- 1 The Council will require you to enter into a nomination agreement active for a period of 60 years from the Practical Completion Date in relation to 100% of all new lettings and 75% of subsequent lettings of the homes delivered.
- 2 The grant funding element from the Council, or any other public body, cannot exceed 30% of the total amount invested in the capital delivery of the project.
- 3 Funding from the Right to Buy Replacement Programme Grant Fund cannot be used in combination with funding from the Homes England. However a split development site with more than one project could qualify so long as funds from the Council and HE are not invested in delivering the same project.
- 4 Payment of grant will be at pre-agreed stages which will form part of your grant agreement with the Council.
- 5 Funds can be spent on new build property or on the refurbishment of a property. Refurbished property must not be social housing properties at the time of the expenditure. All projects must take place within City of Lincoln Council Boundary.
- 6 Strict time limits will apply to the delivery of the project and funding claims in accordance with Government funding rules for the RTB funding.
- 7 Your organisation will be required to submit regular monitoring delivery reports at the end of each quarter relating specifically to:-
 - starts on site;
 - spend on each individual project
 - key programme milestones
- 8 As a minimum your organisation must agree to provide financial records/accounts and any other records requested relating to each project quarterly unless otherwise agreed. Claims should be supported by evidence of spend having been incurred (for example copy invoices). The Council's external Auditors may need to inspect your organisations financial

accounts relating to the project(s) in order that the Council complies with the Government Capital Receipts Pooling requirements and the subsequent audit requirements.

- 9 Planning application progress: whilst we do not require planning to be submitted progress toward planning application submission/planning approval is important and therefore your application should clearly describe where you are in respect to the planning application process including pre app discussions and any key planning issues.

Eligible expenditure

The amount spent on social housing includes the following:

- a) Development costs associated with the acquisition of dwellings to be used as social housing;
- b) Development costs associated with the acquisition of land for the construction of dwellings to be used as social housing;
- c) Development costs of construction of dwellings to be used as social housing.

Development costs mean the costs relating to the development of social housing in respect to the heads of expenditure set out below:

Heads of expenditure

Acquisition

- Purchase price of land/site
- Stamp duty land tax on the purchase price of the land/site

Works

- Main contract costs (excluding any costs defined as on costs)
- Major site development works (where applicable). These include piling, soil stabilisation, road/sewer construction, major demolition
- Statutory agreements, associated bonds and party wall agreements (including all fees and charges attributed to such works) where applicable.
- Additional costs associated with complying with archaeological works and party wall agreement awards (including fees charges and claims attributable to such works) where applicable
- Unrecoverable VAT on the above (where applicable)

On costs

- Legal fees and disbursements
- Net gains losses via interest charges on development period loans
- Building society or other valuation and administration fees
- Fees for building control and planning permission
- Fees and charges associated with compliance with European Union directives, and any requirements relating to energy requirements of dwellings, Eco-homes certification and Housing Quality Indicators.
- In-house or external consultant's fees disbursements and expenses (where the development contract is a design and build contract) see note 1 below
- Insurance premiums including building warranty and building defects liability insurance (except contract insurance included in works cost)
- Contract performance bond premiums
- Borrowing administration charges (including associated legal and valuation fees)
- An appropriate proportion of the development and administration costs of the Authority or the body in receipt of funding from the Authority
- Irrecoverable VAT on the above

Note 1

Where the development contract is a design and build contract the on-costs are deemed to include the builders design fee element of the contract sum. The amount included by the builder for the design fees should be deducted from the works cost element referred to above, as should other non-works costs that may be submitted by the builder such as fees for building and planning permission, building warranty, defects liability insurance, contract performance bond and energy rating of dwellings.

Note 2

Some items will not qualify as development costs unless the Authority can clearly demonstrate that such costs are properly chargeable to the social housing, i.e. for the sole use of residents or to comply with any statutory obligations that may have been imposed.

Examples of these are:

- Works to roads which do not exclusively serve the social housing
- Landscaping to areas of land which lie outside the boundaries of the land on which the social housing site is located.

- District heating systems
- Trunk sewers and sewage disposal works
- Special refuse treatment buildings
- Public conveniences
- Community halls, club rooms, reception rooms

Note 3

Subject to the above where any cost incurred or to be incurred by the Authority or a body in receipt of funding from the Authority is common to both the development of the social housing and to any other activity, asset or property of the Authority or a body in receipt of funding from the Authority only such part of that cost as is attributable to the development of the social housing may be treated as a cost in which the retained amount may be paid.

Note 4

Approval process - where an application is received for a funding request of under £500k the Chief Financial Officer Director of Housing and Investment will approve and authorise the release of this funding from the Right to Buy Replacement Programme. Approvals for this can take up to one month. Where the funding request is over £500k the decision will have to be approved by the Executive Board. Approvals for this can take up to three months.

Key Assessment criteria

Timescales: Strict timescales apply to spend of RTB funding and therefore delivery within agreed timescales is essential. (The grant agreement will specify dates for drawdown of funding and expenditure).

Value for Money: Your organisation will be expected to demonstrate that all reasonable steps have been taken to ensure best consideration and value for money. A development appraisal may be required if your project is selected at the Expression of Interest stage to go forward to a full application – the level of match funding required – development offer e.g. additional benefits that the project will deliver for the community.

Affordability: The Council has a preference for the properties to be let at a social rent.

Deliverability: Confirmation of funding availability and strength of project partnership and organisational record of delivery will be essential to the award. Other evidence to demonstrate the scheme is deliverable such as land availability/ownership will also be considered. Similarly the planning status of the scheme will be an important consideration for the allocation of grant.

Quality standards: The Council is committed to promoting excellence in respect of design quality, space standards and environmental efficiency. As a minimum all schemes will be expected to meet the Lincoln Standard..

Alignment with Council Priorities: Including Empty Homes Strategy, Housing Strategy affordable housing priorities, housing demand data.

Learning, Training and Employment: Schemes should demonstrate how they will ensure learning and training opportunities and how they will drive standards for apprenticeships and local labour opportunities.

Appendix 3

City of Lincoln Council Grant Agreement for Right to Buy 1-4-1 Replacement Schemes

THIS AGREEMENT is made the day of Two thousand and nineteen

BETWEEN:

- (1) **CITY OF LINCOLN COUNCIL** of City Hall, Beaumont Fee Lincoln LN1 1DD ("**the Council**") and
- (2) [] (**Company No.**) whose registered office is at **ADDRESS** [] ("**the Grant Recipient**")

RECITALS:

- (1) By an agreement dated **12 June 2012 the** Secretary of State for Communities and Local Government has permitted the Council to retain capital receipts the provision of social housing
- (2) The Council has agreed to advance grant funding to the Grant Recipient to facilitate the delivery of new social housing in the Council's administrative area
- (3) The Council will have nomination rights in respect of the social housing constructed by the Grant Recipient
- (4) The Grant Recipient has submitted a bid to the Council for grant funding to assist the Grant Recipient in the acquisition and refurbishment of Properties for social housing
- (5) The grant funding provided under this Agreement is made in compliance with the requirements set out in the European Commission's Decision of 20 December 2011 concerning public service compensation granted for Services of General Economic Interest (2012/21/EU).

PRINCIPAL CLAUSES:

1. Definitions

In this Agreement unless the context otherwise requires:

"Actual Programme Costs" means in respect of the Refurbishment Programme the total amount of Eligible Programme Costs actually incurred by the Grant Recipient in acquiring and developing as such amount is warranted and certified by the Grant Recipient pursuant to the provisions of Schedule 1

"Affordable Rent" means a rent (inclusive of service charges) which does not exceed eighty per centum (80%) of the market rent for an equivalent property of the relevant size and location such rent to be assessed and set in accordance with the requirements of the Rent Standard or such other below market rent to be agreed from time to time by the parties

"Affordable Rent Unit" means a Social Housing Unit let or to be let at an Affordable Rent and not a Social Rent

"Agreed Principles" means the terms set out in Part 1 of Schedule 3

"Agreed Timescale" means:

in respect of the Start on Site Date, 28 days from the acquisition of the first Property in each Phase of the Refurbishment Programme; and

in respect of the Date of Practical Completion, within 6 months of the Start on Site Date of the last Property in each Phase of the Refurbishment Programme

"Consents" means all consents building regulation approvals and other necessary approvals and consents (under statute any lease or otherwise) and all other relevant statutory or regulatory requirements required to enable the Refurbishment Programme to be lawfully carried out and maintained

"Date of Practical Completion " means the date on which the Project Monitor notifies the Grant Recipient (such notification not to be unreasonably withheld or delayed) that they are satisfied acting reasonably that the Phase 1 and/or Phase 2 of the Refurbishment Programme is Practically Complete and has been completed within the Agreed Timescale

"the Refurbishment Programme" means the acquisition and refurbishment in accordance with the Refurbishment Standards of:

- (a) **{}** Properties in Phase 1 of the programme ("Phase 1")
- (b) **{}** Properties in Phase 2 of the programme ("Phase 2") for the purposes of letting the Properties on an assured short hold tenancy or a form of tenancy to be agreed in advance by the Council at an Affordable Rent or such other below market rent to be agreed from time to time by the parties

"Eligible Programme Costs" means those costs incurred by the Grant Recipient in carrying out the Refurbishment Programme as specified in Schedule 6 (calculated using generally acceptable accounting principles)

"Decent Homes Standard" means the standard described in sections 4 and 5 of the Department for Communities and Local Government's publication entitled "A Decent Home: Definition and guidance for implementation June 2006 Update";

"Encumbrance" means any mortgage charge pledge lien or other encumbrance

"Event of Default" means any of the events or circumstances set out in Schedule 4

"the Grant" means the Phase 1 Grant and the Phase 2 Grant totalling the maximum amount of grant payable to the Grant Recipient by the Council in accordance with the provisions of Schedule 1

"the Grant Recipient's Obligations" means the obligations of the Grant Recipient as set out in Schedule 3

"Insolvency Event" means the occurrence of any of the following in relation to the Grant Recipient:

- (a) it is unable or admits an inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties,

commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness

- (b) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities)
- (c) a moratorium is declared in respect of any indebtedness
- (d) any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise)
 - (ii) a composition, compromise, assignment or arrangement with any of its creditors
 - (iii) the appointment of a liquidator, receiver, administrator, compulsory manager or other similar officer
 - (iv) enforcement of any Security over any assets of the Grant Recipient
 - (v) any analogous procedure or step is taken in any jurisdiction other than any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within ten (10) Business Days of commencement or
- (e) any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Grant Recipient which has a Material Adverse Effect in relation to the Programme

"the Key Personnel" means the personnel identified by the Council as being key personnel

"Longstop Date" means 24 months from the date of this Agreement PROVIDED always that the Council may in its absolute discretion (but without any obligation to do so) from time to time extend the Longstop Date by giving notice in writing to the Grant Recipient fixing a revised

Longstop Date and upon the giving of such notice any such revised Longstop Date shall be substituted for the date previously fixed hereunder]

"Material Adverse Effect" means the effect of any event or circumstance which is reasonably likely to be materially adverse to the ability of the Grant Recipient to deliver the Phase 1 and /or Phase 2 of the Refurbishment Programme on the basis agreed under this Agreement within the Agreed Timescales

"the Maximum Sum" means 30% of the Actual Programme Costs or the sum of (WORDS) s (ENUMBERS) whichever is the lesser sum.

"Phase 1 Grant" means £VALUE being the maximum amount of grant payable to the Grant Recipient by the Council during Phase 1 of the Refurbishment Programme in accordance with the provisions of Schedule 1

"Phase 2 Grant" means £VALUE being the maximum amount of grant payable to the Grant Recipient by the Council during Phase 2 of the Refurbishment Programme in accordance with the provisions of Schedule 1

"Potential Event of Default" means an event that with the giving of notice by the Council or lapse of time would become an Event of Default in accordance with Schedule 4

"Practical Completion" means that Phase 1 and /or Phase 2 of the Refurbishment Programme has been completed within the Agreed Timescale in accordance with Refurbishment Standards and the terms of this Agreement such that all the Properties within each Phase are fit for beneficial occupation as Social Housing Units, and Practically Complete shall be construed accordingly

"Properties" means the properties to be acquired by the Grant Recipient for refurbishment as Social Housing Units comprising NUMBER OF UNITS Affordable Rented Units or such other mix of Social Housing as the Council may from time to time agree in writing

"Public Sector Subsidy" means all funding or subsidy in relation to the Refurbishment Programme in money or money's worth (including the Grant) received or receivable by the Grant Recipient from public sector bodies (whether national or local) or bodies in receipt of lottery funds from the National Lottery Distribution Fund pursuant to the National Lotteries Acts 1993 and 1998 and any further funding by the Council provided under this Agreement

"the Project Monitor" means such person as the Council may from time to time notify to the Grant Recipient is to act as Project Monitor

"Refurbishment Standards" means the standards submitted to and agreed by the Council but which if no specific standards are agreed must as a minimum meet the Decent Homes Standard

"Regulator" means the HCA acting through the Regulation Committee established by it pursuant to Part 2 of the HRA 2008 or any similar future authority (including any statutory successor) carrying on substantially the same regulatory or supervisory functions

"Rent Standard" means any standard set by the Regulator (including any associated explanatory notes or guidance from time to time under Section 193 Housing and Regeneration Act 2008 pursuant to any then applicable Direction)

"Rent Standard Guidance" means the document of that name published by the Regulator in March 2012 (including any other guidance issued by the Regulator in relation to that document) as such document and/or associated guidance may be amended, updated or replaced from time to time

"Secure Legal Interest" means the Grant Recipient has in respect of the Properties:

- (a) freehold title registered with title absolute
- (b) leasehold title registered with title absolute where the lease has at least 60 years unexpired duration

"Security" means a mortgage charge pledge lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect (such as a sale or lease and leaseback a blocked account set off or similar arrangement)

"SGEI Decision" means the European Commission's Decision on Services of General Economic Interest dated 20 December 2011 (2012/21/EU)

"SGEI Decision Overpayment" means the extent to which Public Sector Subsidy (including the Grant) exceeds the maximum amount of aid under the SGEI Decision which may be provided without Unlawful State Aid arising

"Social Housing" has the meaning attributed to it in Section 68 of the Housing and Regeneration Act 2008

"Social Housing Unit" means a unit of Social Housing provided by the Grant Recipient that will be made permanently available to be let at an Affordable Rent

"Social Rent" means a rent calculated in accordance with the formula for calculating social rents set out in the Rent Standard Guidance

"Start on Site Date" means the date on which:

- (a) the Grant Recipient has taken possession of the Property and
- (b) the physical Works to the Property has commenced;

"State Aid" means aid granted by a member state of the European Union or through the resources of such a member state which distorts or threatens to distort competition by favouring a particular undertaking, in so far as such aid affects trade between European Union Member States

"Successful Completion" means Completion of the Refurbishment Programme within the Agreed Timescales

"Unlawful State Aid" means State Aid which has been granted in contravention of Article 107(1) Treaty of the Functioning of the European Union and which does not qualify for an exemption pursuant to any of the provisions of the Treaty of the Functioning of the European Union or any of its subsidiary instructions or legislation

"Value Added Tax" means any tax on value (other than Stamp Duty) or turnover (including Value Added Tax as defined by the Value Tax Act 1994) as shall be payable at the rate appropriate at the time of the relevant supply

"Works" means all of the works set out in Schedule 6 to this agreement and the refurbishment works required to bring the Properties up to the Refurbishment Standard such works to be agreed by the Parties in respect of each Property prior to the Start on Site Date

2. Interpretation

- 2.1 References to parties and other persons include their successors and permitted assigns except where the context otherwise requires
- 2.2 References to a clause or schedule are references to a clause of or a schedule to this Agreement unless otherwise provided. Clause and schedule headings are for ease of reference only
- 2.3 References to this or any other agreement or document or statute are references to them in force for the time being and as amended varied supplemented consolidated or re-enacted from time to time and include any schedules and annexes to such agreement or document and in the case of statutes any delegated legislation
- 2.4 In this Agreement "including" shall be construed so as not to limit the generality of any words or expressions in connection with which it is used
- 2.5 The schedules form part of this Agreement
- 2.6 The term 'Refurbishment Programme' include each and every Property therein

2.7 Words importing one gender include all other genders and the singular shall include the plural and vice versa

3. Purpose

3.1 The Council has agreed to make the Grant available to the Grant Recipient to provide the Refurbishment Programme subject to and in accordance with the terms and conditions of this Agreement.

3.2 Each party undertakes to co-operate with the other to facilitate the proper performance of this Agreement and the delivery of the Refurbishment Programme.

Payment of the Grant

4.1 Subject to the provisions of this Agreement the Council shall pay the Grant to the Grant Recipient in accordance with the provisions of Schedule 1

4.2 Unless the Council in its absolute discretion otherwise agrees the Council shall not be liable to pay the Grant or any part of the Grant at any time after the Longstop Date (as the same may be extended) or when:

4.2.1 an Event of Default has occurred and is continuing;

4.2.2 the Council believes acting reasonably that an Event of Default is likely to occur as a result of the relevant payment or is imminent; or

4.2.3 any of the representations and warranties contained in this Agreement would be incorrect in a material respect if it was then to be repeated

4.2.4 the Council believes acting reasonably that the payment of the Grant would be Unlawful State Aid

5. The Grant Recipient's Obligations

The Grant Recipient agrees with the Council that it will observe and perform the Grant Recipient's Obligations throughout the duration of this Agreement

6. Effect of Events of Default

Where an Event of Default has occurred and is continuing and has not been remedied the Council may by notice in writing to the Grant Recipient:

- 6.1 suspend the payment of the Grant for such period as the Council in its absolute discretion may determine;
- 6.2 vary the Maximum Sum in which case the payment of the Grant shall thereafter (subject to the provisions of this Agreement and provided that no other Event of Default has occurred and is continuing) be made in accordance with the variation notified to the Grant Recipient; and
- 6.3 terminate this Agreement whereupon:
 - 6.3.1 the Council shall cease to be under any obligation to provide the Grant to the Grant Recipient under this Agreement;
 - 6.3.2 the Council may require the Grant Recipient to repay the whole or any part of the Grant previously paid to the Grant Recipient where the Grant Recipient has not been liable to pay and has not paid such whole or part of the Grant to a third party and it is irrecoverable and the Grant Recipient agrees that upon receipt of notice requiring repayment they shall repay the sums required within twenty eight days of receipt of such notice;

7. Repayment of the Grant

- 7.1 The Grant Recipient shall, unless the Council acting in its absolute discretion agrees otherwise, repay to the Council any part of the Grant paid to the Grant Recipient as a

result of an administrative error (whether by the Council the Grant Recipient or any other person). Any sums falling to be paid by the Grant Recipient to the Council under this Clause may be deducted from any further payments of any part of the Grant that the Council may be liable to pay to the Grant Recipient

- 7.2 If the Agreement Funding gives rise to an SGEI Decision Overpayment or otherwise constitutes Unlawful State Aid then the Council shall be entitled to recover from the Grant Recipient the amount of such SGEI Decision Overpayment and/or Unlawful State Aid together with such interest as it is required by law to recover and the Grant Recipient must pay such amount(s) within ten (10) Business Days of the Council requesting repayment

8. Notices

Any notice required to be given under this Agreement shall be in writing and shall be served:

- 8.1 as regards a notice to be served on the Council by personal delivery or by sending it by recorded postal delivery to the Council's City Solicitor at City Hall Beaumont Fee Lincoln LN1 1DD; or
- 8.2 as regards a notice to be served on the Grant Recipient by personal delivery or by sending it by recorded postal delivery to the Grant Recipient's Chief Executive at the address given in this Agreement

and shall (where sent by post) be deemed to have been served and received on the second working day following the day of posting and (where delivered personally) be deemed to have been given when received by the person to whom it is addressed

9. Value Added Tax

The payment of the Grant by the Council under this Agreement is believed to be outside the scope of Value Added Tax but if any Value Added Tax shall become chargeable all payment of the Grant or any part of the Grant shall be deemed to be inclusive of Value Added Tax and the Council shall not be obliged to pay any Value Added Tax over and above the amount of the Grant

10. Representations and Warranties

10.1 Without prejudice to any other term of this Agreement, the Grant Recipient:

10.1.1 expressly acknowledges the Agreed Principles and agrees to observe them and to be bound by them;

10.1.2 represents and warrants in the terms set out in Part 2 of Schedule 2` to the Council on the date hereof and on each day during the currency of this Agreement; and

3.1.3 acknowledges and agrees that the Council is relying on such representations and warranties and that each of such warranties and representations shall be separate and independent and, save as expressly provided to the contrary, shall not be limited by reference to any of them or by any other provisions of this Agreement.

11. Publicity

11.1 Subject to clause 11.2 below, the Grant Recipient shall not make or consent to the making of any public statement or announcement or engage in any promotional activity concerning this Agreement or any involvement of the Council concerning the Refurbishment Programme without the Council's prior consent

11.2 The Grant Recipient shall at all times during the carrying out of the Refurbishment Programme maintain on the Properties in a location to be agreed with the Council a sign

of a type and design approved by the Council indicating that the Refurbishment Programme has been funded by the Council

12. Indemnity

The Grant Recipient shall indemnify and keep indemnified the Council from and against all costs expenses actions charges claims damages proceedings and other liabilities sustained or incurred as a direct result of any Event of Default or Potential Event of Default caused by the Grant Recipient

13. General

- 13.1 Nothing in this Agreement shall constitute or create a partnership or joint venture between the Council and the Grant Recipient or constitute the Grant Recipient or its staff as agents of the Council for any purpose whatsoever and the Grant Recipient and its staff shall not in any circumstances hold itself or themselves out as such
- 13.2 Except where any agreement decision or determination to be made by the Council under or in connection with this Agreement is expressly qualified such agreement decision or determination by the Council shall be made by the Council in its sole and absolute discretion
- 13.3 Any consent approval waiver or agreement of the Council or any person acting on behalf of the Council pursuant to this Agreement shall not be deemed to be an acceptance by the Council of the correctness or suitability of the contents of the subject of the approval or consent
- 13.4 This Agreement shall be governed by the laws of England and Wales and the Council and the Grant Recipient irrevocably agree that any legal action or proceedings arising out of or relating to this Agreement may be brought and enforced in the courts of England and Wales and irrevocably submit to each jurisdiction

- 13.5 This Agreement may only be amended in writing duly executed by the Council and the Grant Recipient
- 13.6 If at any time any of the provisions of this Agreement become illegal invalid or unenforceable in any respect under any law or regulation of any jurisdiction in which they are to be performed the legality validity or enforceability of the remaining provisions of this Agreement shall not be in any way affected or impaired as a result and the Council and the Grant Recipient shall in good faith amend this Agreement to reflect as near as may be the spirit and intention behind such unenforceable provision or provisions so that the same may comply with the laws of that jurisdiction
- 13.7 No failure or delay on the part of the Council in exercising any right or power and no course of dealing between the Council and the Grant Recipient shall operate as a waiver nor shall any single or partial exercise of any right or power of the Council prevent any other or further exercise thereof or the exercise of any other right or power of the Council. The rights and remedies of the Council are cumulative and not exclusive of any other rights or remedies which the Council would otherwise have provided that the Council has in each instance acted in good faith
- 13.8 Nothing contained in or done under this Agreement and no consents given by the Council shall prejudice the Council's rights powers or duties and/or obligations in the exercise of its functions or under any statutes bye-laws instruments orders or regulations
- 13.9 Nothing in this Agreement nor in any other document shall impose any obligation or liability on the Council with respect to any actions of or obligations or liabilities assumed or incurred by the Grant Recipient or their agents contractors or employees whether under contract statute or otherwise

- 13.10 Any disputes or differences arising as between the Council and the Grant Recipient as to their respective rights duties or obligations or as to any other matter or thing arising out of or connected with the subject matter of this Agreement (other than as herein provided) shall be referred in accordance with the provisions of the Arbitration Act 1996 or any statutory modification or re-enactment thereof for the time being in force to the determination of a single arbitrator to be agreed upon by the parties or failing agreement within seven days of a written request by one of the parties requesting such agreement then (upon the request of either of the parties) to a person nominated as arbitrator by the President for the time being of the Royal Institution of Chartered Surveyors.
- 13.11 For the avoidance of doubt nothing herein contained or implied shall prejudice or affect the Council's rights powers and obligations in the exercise of its functions as a local authority and the rights powers duties and obligations of the Council under all public and private statutes bye-laws orders and regulations may be as fully and effectually exercised in relation to the Properties and the Refurbishment Programme as if this Agreement had not been executed by them
- 13.12 The Grant Recipient may not assign or sub-contract any part of this Agreement without the consent of the Council (other than pursuant to security) and the Council may only assign or sub-contract it to a body which shall supersede the Council in dealing with the subject matter of this Agreement

14. Security

The Grant Recipient consents to the entry of an agreed notice against the Grant Recipient's title to the Property at the Land Registry

15. Nominations

On the date of this Agreement the Grant Recipient will enter into a nominations agreement in the form attached at Schedule 5.

16. Entire Agreement

This Agreement constitutes the entire understanding and agreement between the Council and the Grant Recipient as to the subject matter of this Agreement and save as expressly referred to or incorporated by reference supersedes all prior negotiations submissions or understanding between the Council and the Grant Recipient with respect to the subject matter

17. Fraud

The Grant Recipient must take all reasonable steps to prevent the risk of fraud to the Council. Where such steps reveal the possibility of fraud affecting the resources of the Council the Grant Recipient shall immediately inform the Council

18. Prevention of Bribery and Corruption

The Council shall be entitled to cancel this Agreement and to recover from the Grant Recipient the amount of any loss resulting from such cancellation if:

- 18.1 the Grant Recipient shall have offered or given or agreed to give to any person any gift or consideration of any kind inducement or reward for doing or forbearing to do or for having done or forborne to do any action in relation to this Agreement or any other agreement with the Council;
- 18.2 the like acts shall have been done by any person employed by the Grant Recipient or acting on its behalf; or
- 18.3 in relation to any agreement with the Council the Grant Recipient or a person employed by them or acting on its behalf shall:



18.3.1 have committed any offence under the Bribery Act 2010; or

18.3.2 have given any fee or reward the receipt of which is an offence under Section 117(2) of the Local Government Act 1972

18.4 In exercising its rights or remedies under this Clause 18 the Council shall act in a reasonable and proportionate manner having regard to such matters as the gravity of and the identity of the person performing the relevant act

IN WITNESS whereof the parties hereto have executed this document as a deed the day and year first hereinbefore written

SCHEDULE 1

Procedures for the payment of the Grant

1 Reporting

- 1.1 Until Practical Completion or such later date as the Council shall require the Grant Recipient will deliver to the Project Monitor a written report ("the Report") each month following the date of this Agreement updating the Council on general progress in relation to the Refurbishment Programme including, but not limited to:
 - 1.1.1 details of Properties selected for acquisition
 - 1.1.2 exchanges of contract and completion of the purchases of selected Properties
 - 1.1.3 details of schedule of works and a detailed breakdown of the estimated cost of the refurbishment works for each Property
 - 1.1.4 expenditure incurred in relation to the Refurbishment Programme :
- 1.2 The Report shall be signed by one of the Key Personnel or such other person as the Council in its absolute discretion may agree
- 1.3 The Council reserves all its rights pursuant to this Agreement in relation to any material changes or anticipated changes to the Refurbishment Programme or any of the schedules to this Agreement that may be disclosed in the Report
- 1.4 The Report shall be in such form as the Council may reasonably require
- 1.5 The Grant Recipient shall deliver to the Project Monitor such information as the Council or the Project Monitor may reasonably require in support of the Report

2 Application for payment

2.1 Application for Payment of the Phase 1 Grant

2.1.1 An Application for Payment of 50% of the Phase 1 Grant shall be submitted to the Project Monitor by the Grant Recipient on the Phase 1 Start on Site Date confirming that the Start on Site Works have commenced. The Council will pay the grant monies within 28 days of the Application for Payment

2.1.2 The Grant Recipient may upon the Date of Practical Completion of the last Phase 1 Property submit a further application for payment in respect of Actual Programme Costs incurred during Phase 1 of the Refurbishment Programme up to a maximum of 50% of the Phase 1 Grant) together with the Report and

2.2 Application for Payment of the Phase 2 Grant

2.2.1 An Application for Payment of 50% of the Phase 2 Grant shall be submitted to the Project Monitor by the Grant Recipient on the Phase 2 Start on Site Date confirming that the Start on Site Works have commenced. Subject to 2.2.3 below the Council will pay the grant monies within [28] days of the Application for Payment

2.2.2 The Grant Recipient may upon the Date of Practical Completion of the last Phase 2 Property submit a further Application for Payment in respect of Actual Programme Costs incurred during Phase 2 of the Refurbishment Programme up to a maximum of 50% of the Phase 2 Grant together with the Report

2.2.3 It is hereby agreed by the Parties that the Council may not be obliged to make a payment of grant funding in respect of a Phase 2 Application for Payment unless all Properties in Phase 1 have achieved Practical Completion within the Agreed Timescale

2.3 The Application for Payment shall be signed by one of the Key Personnel or such other person as the Council (acting reasonably) may agree

2.4 The Application for Payment shall be made in such form as the Council may reasonably require

- 2.5 The Grant Recipient shall keep in one location the documentation required to verify the accuracy of the Application for Payment and shall permit the Council on giving reasonable notice and at reasonable times access to inspect such documentation
- 2.6 The Grant Recipient acknowledges that any delay in delivering the Report the Application for Payment or any information requested by the Council pursuant to this Schedule is likely to delay the payment of the Grant or any part of the Grant to the Grant Recipient
- 2.7 The Grant Recipient will if reasonably required by the Council or the Project Monitor meet with the Council or the Project Monitor in order to review verify and discuss the Report or the Application for Payment
- 2.8 The Grant Recipient will permit the Council and the Project Monitor access to the Property in order to inspect the Properties discuss the Report and/or the Application for Payment and shall if required (on reasonable notice) by the Council or the Project Monitor arrange for the Consultants or any of the Consultants required by the Council or the Project Monitor to be available at such inspection
- 2.9 The Grant Recipient shall deliver to the Council or the Project Monitor such information as the Council or the Project Monitor may reasonably require in support of the Application for Payment

3 Payment of the Grant

- 3.1 Without prejudice to the Council's rights to withhold the payment of the Grant under the terms of this Agreement the Council shall be under no obligation whatsoever to make a payment of the Grant or any part of the Grant until it is completely satisfied that such payment will be in relation to Actual Programme Costs in respect of the Refurbishment Programme

The Council shall pay the Grant to the Grant Recipient in instalments each instalment to be paid within twenty eight days of receipt of the Application for Payment PROVIDED THAT the total aggregate of all the payments made by the Council in respect of the Actual Programme Costs shall not in any event exceed the Maximum Sum

3.3 Unless the Council otherwise agrees the Council shall not be liable to pay the Grant or any part of the Grant:

3.3.1 unless the Application for Payment :

3.3.1.1 are made in the form reasonably required by the Council and are signed by one of the Key Personnel;

3.4.1.1 relate to Actual Programme Costs in relation to which the Grant Recipient has not submitted any other Application for Payment to the Council; and

3.4.1.2 includes to the reasonable satisfaction of the Council evidence that the expenditure to which the Application for Payment have been incurred and that payment is due from the Grant Recipient

3.3.2 if an Event of Default has occurred and is continuing or if the Council believes acting reasonably that an Event of Default is likely to occur as a result of payment pursuant to such Application or is imminent

3.3.3 if any of the representations and warranties contained in this Agreement would be incorrect in a material respect if then repeated by reference to the facts and circumstances then subsisting

3.3.5 if the Council is not satisfied acting reasonably that the relevant Phase of the Refurbishment Programme in relation to which the Application for Payment has been made has been satisfactorily completed

- 3.4 If the Council shall determine that any expenditure previously defrayed and the subject of a prior Application for Payment are not Actual Programme Costs or if at any time the Council has paid more than it is liable to pay under any provision of this Agreement the Council shall be entitled to deduct the amount properly stipulated by the Council as having been overpaid from any further payments of any part of the Grant
- 3.5 The Council is not under an obligation to consider any obligation to make a payment in respect of any Application for Payment made on or after a date which is 28 days prior to the Longstop Date

SCHEDULE 2

Acknowledgments Representations and Warranties

Part 1

Agreed Principles

- 1.1. The Grant is being made available by the Council on the express understanding that it is applied solely for the purposes of funding the Actual Programme Costs in respect of the Refurbishment Programme
- 1.2. The Public Sector Subsidy including the Grant in respect of Refurbishment Programme may not exceed an amount equal to 30% of the Actual Programme Costs incurred by the Grant Recipient in respect of the delivery the Refurbishment Programme;

Part 2

Representations and Warranties

1. The Grant Recipient is duly incorporated under the law of England and Wales and has the corporate power to own its assets and to carry on the business which it conducts or proposes to conduct.
2. The Grant Recipient has the power to enter into and to exercise its rights and perform the Grant Recipient's Obligations under this Agreement
3. The Grant Recipient is not subject and will not become subject to any other obligation, compliance with which will or is likely to, have a Material Adverse Effect in relation to the Refurbishment Programme.
4. The Grant Recipient's obligations under this Agreement constitute legal, valid and binding obligations, enforceable in accordance with its terms.
5. The execution, delivery and performance by The Grant Recipient of this Agreement do not:

- 5.1. insofar as it is aware contravene any applicable law or directive or any judgement, order or decree of any court having jurisdiction over it;
- 5.2. conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which it is a party or any licence or other authorisation to which it is subject or by which it or any of its property is bound; or
- 5.3. contravene or conflict with its memorandum and articles of association or rules (as applicable) from time to time.
6. All Consents required in connection with the execution delivery issue validity or enforceability of this Agreement have been obtained (or will be obtained before or when required) and (where obtained) have not been withdrawn
7. To the best of the Grant Recipient's knowledge, no claim is presently being asserted and no litigation, arbitration or administrative proceeding is presently in progress or, to the best of its knowledge, pending or threatened against it or any of its assets which will or might have a Material Adverse Effect in relation to the Refurbishment Programme.
8. To the best of the Grant Recipient's knowledge, no proceedings or other steps have been taken and not discharged (nor, to the best of its knowledge threatened) for its winding-up or dissolution or for the appointment of a receiver, administrative receiver, administrator, liquidator or similar officer in relation to any of its assets or revenues and without limitation no Insolvency Event has occurred in relation to it.
9. No person having any Security over the Properties or any other assets of the Grant Recipient has enforced or given notice of its intention to enforce such security.
10. It is not aware, after due enquiry, of anything which materially threatens the success or Successful Completion of the intention or purpose of this Agreement.
11. All information documents and accounts submitted by the Grant Recipient to the Council were true and accurate as at the date on which the same were supplied and that no change

has occurred since the date on which such information was supplied which renders the same untrue or misleading in any material respect (save as may have been disclosed or updated or corrected by other information supplied to the Council) and that save as so disclosed updated or corrected there has been no material adverse change in its undertaking assets operations or prospects since such information was provided.

12. The Grant Recipient has disclosed to the Council all information which it reasonably believes would influence the Council in awarding the Grant to it or the amount thereof.
13. The Grant Recipient is not aware after due enquiry of anything which materially threatens the success or Successful Completion of the Refurbishment Programme or makes it unlikely.
14. No Event of Default has occurred and is continuing and save as notified to the Council the Grant Recipient is not aware of any Potential Event of Default.
15. The Grant Recipient has a Secure Legal Interest in the Properties or will have acquired a secure Legal Interest at the date of Application for Payment in respect of any grant monies to be spent on Works at those Properties
16. The representations and warranties contained in this Schedule shall be deemed to be repeated whenever payment of the Grant or any part of the Grant is made with reference to the facts and circumstances then pertaining

1

SCHEDULE 3

The Grant Recipient's Obligations

1 Consents

- 1.1 The Grant Recipient shall not carry out any work without having first obtained all necessary Consents for that work and in particular (but without prejudice to the generality of the foregoing) shall not carry out any work constituting development for which permission is required under the Town and Country Planning Act 1990 without detailed planning consent for that work having been obtained and if requested by the Project Monitor to produce to him such documents or copy documents as the Project Monitor may reasonably require to demonstrate satisfaction of its obligations under this paragraph
- 1.2 At all times throughout the Refurbishment Programme to comply with all Consents
- 1.3 The Grant Recipient shall apply for the Reserved Matters Approval within eight weeks of the Effective Date

2 Procurement

The Grant Recipient shall comply with all applicable Procurement legislation (including the Council's own procedure rules where notified to the Grant Recipient in writing) in connection with the procurement of any part of the Refurbishment Programme and promptly provide to the Council any information which the Council may reasonably require in order to satisfy itself that the Grant Recipient has done so

3 Indemnity

The Grant Recipient shall at all times fully and effectually indemnify the Council from and against any claims made against or losses incurred by the Council in connection with this Agreement including but not limited to any proceedings of any kind that may be suffered by the Council in connection with the payment of the Grant to the Grant Recipient

4 Practical Completion

4.1 The Grant Recipient shall give at least fourteen days' prior written notice to the Council of the date when they anticipate that the Date of Practical Completion of the Refurbishment Programme will occur

4.2 Immediately following the issue by its architect of a certificate of practical completion of the Refurbishment Programme (or any part of the Refurbishment Programme) the Grant Recipient shall furnish a copy thereof to the Council

5 Material alteration of the Refurbishment Programme

Not without the prior written consent of the Council to make any alterations or variations to the Refurbishment Programme

6 Dealings with this Agreement

Not to assign or transfer or otherwise dispose of the benefit of this Agreement other than pursuant to security

7 Notification by the Grant Recipient

The Grant Recipient shall notify the Council in writing:

7.1 as soon as practicable thereafter in the event of any material change in the information on costs (whether actual or estimated) of carrying out the Refurbishment Programme and the Project provided for the appraisal of the Grant or the arising of any event which materially affects the continued accuracy of such information

7.2 as soon as practicable thereafter in the event of any receipt by the Grant Recipient of any other Public Sector Subsidy or the offer of the same in respect of the Refurbishment Programme

7.3 as soon as practicable thereafter of any event which is reasonably likely to materially and adversely affect the carrying out and completion of the Refurbishment Programme

7.4 forthwith on becoming aware of the occurrence of an Event of Default or of a Potential Event of Default

8 Provision of information

The Grant Recipient shall provide the Council with such information as the Council may reasonably require in connection with the Refurbishment Programme or any permitted variations thereto from the Start Date to the date on which the Companies have fulfilled all of their obligations under this Agreement

9 Inspection and audit facilities

The Grant Recipient shall permit the Council or persons authorised by the Council (in each case on giving reasonable notice and at reasonable times) to inspect the Property and to inspect audit and take copies of all reports books accounting records and vouchers relating to the Refurbishment Programme which the Council (acting reasonably) considers relevant and in particular (but without prejudice to the generality of the foregoing and the rights and obligations of either party) to inspect any works before the issue of any certificate of partial or practical completion and the Grant Recipient shall ensure that there is due regard to any observations made by or on behalf of the Council in particular in respect of any items which are considered need to be done or remedied before the relevant certificate is issued Provided always that the Grant Recipient may exercise its professional judgement in a reasonable manner

10 Further assurance

At any time upon the written request of the Council the Grant Recipient shall promptly execute and deliver or procure the execution and delivery of any and all such further instruments and documents as may be reasonably necessary for the purpose of obtaining for the Council the full benefit of this Agreement and of the rights and powers herein granted

11 Good faith

The parties shall at all times act with good faith in their dealings with one another

12 Execution of the Refurbishment Programme

12.1 The Grant Recipient shall as soon as reasonably practicable procure the commencement and thereafter with all due expedition the carrying out and completion of the Refurbishment Programme in a good and workmanlike manner with good quality materials and substances of their respective kinds in accordance with all with the Consents and with due monitoring by the Grant Recipient of progress with a view to achieving Practical Completion within the Agreed Timescales

12.2 Following Practical Completion the Grant Recipient shall take all steps necessary to procure the remedy without delay of all defects in workmanship and materials which may then be found

13 Use of the Grant

The Grant Recipient will apply the Grant only for the carrying out of the Refurbishment Programme

14 No Borrowing etc.

14.1 The Grant Recipient will not without the Council's prior written consent (such consent not to be unreasonably withheld or delayed create or permit to subsist any Encumbrance on any of their interests assets or revenues (including in particular but without prejudice to the generality of the foregoing the Property)

15 Payment of Outgoings

The Grant Recipient shall pay and discharge all costs expenses and other amounts required to procure the due performance of its obligations under this Schedule including all amounts of Value Added Tax payable by the Grant Recipient

16 Meetings

The Grant Recipient shall give to the Project Monitor at least five days' prior written notice (or if this is not practicable as much notice as is possible) of any meeting where the Refurbishment Programme or any item pertaining to the Refurbishment Programme is to be discussed or is likely to be discussed and shall provide him with copies of the agenda for the meeting and copies of any papers to be discussed. A representative of the Council shall be permitted to attend any such meeting and participate in any discussions taking place (but not vote) and the Project Monitor shall be provided with copies of the minutes of all such meetings including any at which the Council is not represented

SCHEDULE 4

Events of Default

1 Insolvency

At any time:

- 1.1 an Insolvency Event has occurred in relation to the Grant Recipient; or
- 1.2 the Grant Recipient ceases to operate

2 Misuse of the Grant

The Grant Recipient applies the Grant other than in respect of the Refurbishment Programme and fails to repay the Grant within 30 days of a demand under paragraph 3.4 of Schedule 1

3 Breach of other obligations

At any time the Grant Recipient fails to perform and observe any obligation owed to the Council under this Agreement or under any deed or document supplemental to this Agreement or creating security pursuant to this Agreement and fails to remedy such failure within 30 days of notice from the Council requiring it to do so

Fraud

At any time the Grant Recipient has acted fraudulently in relation to this Agreement or the Refurbishment Programme

4 Material misrepresentation

At any time any representation or statement made by or on behalf of the Grant Recipient in this Agreement and/or the Grant Recipient's application for the Grant and/or in any document

referred to in or delivered under this Agreement is not true and accurate in any material respect when made or deemed repeated whether deliberately or not

5 Commencement and completion of the Works

The Refurbishment Programme has not been started and completed within the Agreed Timescales or such longer period (if any) as the Council at its absolute discretion may allow

7 Withdrawal etc. of Consents

Any Consent is withdrawn or revoked or expires or is modified or made subject to any condition which in the Council's opinion may materially or adversely affect the Grant Recipient's ability to perform and observe their obligations under this Agreement

8 Breach of Nominations Agreement

The provisions of the Nominations Agreement are not complied with

SCHEDULE 5

Eligible Programme Costs

The costs eligible for Grant funding under the terms of this Agreement are:

- a) the Programme costs associated with the acquisition of the Properties to be used as Social Housing
- b) the programme costs associated with the refurbishment of the Properties to the Refurbishment Standard]in respect of the heads of expenditure set out below

Heads of expenditure

1 Acquisition

1.1 Purchase price of the Properties

1.2 Stamp duty land tax on the purchase price of the Properties

2 Works

2.1 Such works as are notified in writing to and agreed by the Council in respect of each Property prior to the Start on Site Date for that Property

2.2 2.3 Statutory agreements, associated bonds and party wall agreements (including all fees and charges attributed to such works) where applicable.

2.4 Additional costs associated with complying with party wall agreement awards (including fees charges and claims attributable to such works) where applicable

2.5 Unrecoverable VAT on the above (where applicable).

3 On costs

3.1 Legal fees and disbursements

3.2 3.3 Building society or other valuation and administration fees

3.4 Fees for building control and planning permission 3.5 Fees and charges associated with compliance with European Union directives, and any requirements relating to energy requirements of dwellings, Eco-homes certification and Housing Quality Indicators.

3.

3.7 Insurance premiums including building warranty and building defects liability insurance (except contract insurance included in works cost).

3.8 Contract performance bond premiums

3.9 Borrowing administration charges (including associated legal and valuation fees).

3.10 An appropriate proportion of the administration costs of Grant Recipient

3.11 Irrecoverable VAT on the above.



SCHEDULE 6

PROPERTIES

[if addresses of properties known at the date of the agreement]

Executed as a deed by a
director, in the presence of:

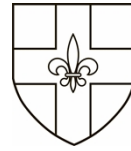
Witness signature:

Witness name:

Witness address:

Witness occupation:

THE COMMON SEAL of **CITY OF LINCOLN COUNCIL**
was hereunto affixed in the presence of:-



Appendix 4

Right to Buy Replacement Programme Monitoring Table

Scheme Reference Number:		Period:	
Name of Organisation:			
Organisational Contact:			
Scheme inc. short description and unit numbers:			
Scheme Commencement Date:			
Development Period:			
Long Stop Date:			

Monitoring Report:

Please outline works completed within the current reporting period and expenditure occurred.
Please outline works to be completed within the next reporting period.
Where you have been unable to meet the terms of the agreement please detail:
<ol style="list-style-type: none"> 1) Reasons for the delay 2) What actions have been undertaken to mitigate this. 3) Upcoming milestones

I confirm that this is an accurate record of the project funded by the Right to Buy Replacement Programme:

Name	
Position	
Signature	
Date	

SUBJECT: STRATEGIC RISK REGISTER - QUARTERLY REVIEW

REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

1.1 To provide the Executive with a status report of the revised Strategic Risk Register as at the end of the fourth quarter 2018/19.

2. Executive Summary

2.1 An update of the Strategic Risk Register, developed under the risk management approach of 'risk appetite', was last presented to the Executive in February 2019 and contained ten strategic risks.

2.2 Since reporting to the Executive in February 2019, the Strategic Risk Register has been reviewed and updated by the relevant Directors and Assistant Directors. This review has identified that there has been both positive and negative movements in the Risk Register.

2.3 The updated Register is contained with Part B of this agenda, it contains ten strategic risks which are listed below, along with details of relevant mitigations.

3. Strategic Risk Register

3.1 The Strategic Risk Register currently contains 10 risks, as follows:

- 1) Failure to engage & influence effectively the Council's strategic partners, council staff and all stakeholders to deliver against e.g. Council's Vision 2020.
- 2) Failure to deliver a sustainable Medium term Financial Strategy (that supports delivery of Vision 2020).
- 3) Failure to deliver the Towards Financial Sustainability Programme whilst ensuring the resilience of the Council.
- 4) Failure to ensure compliance with statutory duties/functions and appropriate governance arrangements are in place,
- 5) Failure to protect the local authority's vision 2020 due to changing structures in local government and impact on size, scale and scope of the Council.

- 6) Unable to meet the emerging changes required in the Council's culture, behaviour and skills to support the delivery of the council's Vision 2020 and the transformational journey to one Council approach.
- 7) Insufficient levels of resilience and capacity exist in order to deliver key strategic projects & services within the Council.
- 8) Decline in the economic prosperity within the City Centre.
- 9) Failure to mitigate against the implications for the Council following the outcome of Brexit.
- 10) Failure to deliver key strategic projects.

3.2 A number of control actions have now been progressed or completed and the key movements are outlined as follows:

- Risk 2. Failure to deliver a sustainable Medium Term Financial Strategy – the MTFs 2019-24 was approved March 2019, based on revised assumptions and with increased savings targets.
- Risk 3. Failure to deliver the Towards Financial Sustainability Programme whilst ensuring the resilience of the Council - Investment Strategy for property acquisition developed approved March 2019. Draft project plans developed and programme mapping complete for Phase 6. Key messages communicated in staff briefings and through presentations to CLT and SMTF. The Transformational Change lead has been appointed and in post, focusing on 'One Council' approach.
- Risk 4. To ensure compliance with statutory duties and appropriate governance arrangements are in place – Although a disaster recovery facility and procedure are in place, in light of aging infrastructure and the development of a new IT Strategy, a review of the ITDR arrangements and consistency with Business Continuity Plans is to be developed.
- Risk 6. Unable to meet the emerging changes required in the Council's culture, behavior and skills to support the delivery of the council's Vision 2020 and the transformational journey to one Council approach – Transformation lead recruited and in post scheduled to support, "One Council" approach. The staff recognition scheme is in progress and first winners have been announced along with an East Midlands Challenge Team put forward for future development opportunities. Award submissions have been put forward to LGC and MJ to promote rising stars and recognize the work of our teams – resulting in 6 finalists nominations.
- Risk 8. Decline in the economic prosperity within the City Centre – the 'working together to support those who are street homeless' conference was delivered in partnership with Compassionate Lincoln in March 2019, bringing together a range of partners from volunteering,

statutory, third and faith sectors. In addition an expression of interest was submitted in March 2019 to the Government's Future High Street Fund and is now awaiting response/feedback.

- Risk 9. Failure to mitigate against the implications for the Council following the outcome of Brexit – A localised Brexit exercise has been undertaken by LRF with partners/organisations in Feb 2019. A working group has been established to understand impacts on residents/governance including current partnerships/contracts pending delay of Brexit vote/Article 50 with an internal action plan/ developed and monitored through the working group. Work also continues in preparation for EU elections on 23 May with additional measures in place.

The above movement in control actions has resulted in two changes to the assessed levels of likelihood and impact of risks identified on the risk register:

- Risk 4 has been increased slightly from Amber: possible/major to Amber: probable/major.
- Risk 9 has decreased from Red: almost certain/major to Amber: probable/major.

Control actions continue to be implemented and risks managed accordingly.

3.3 The levels of assessed risks are summarised as follows:

Risk No.	Risk Rating	Likelihood	Impact
2	Red/High	Probable	Critical
5 & 10	Amber/Medium	Possible	Critical
3, 4, 6, 7 & 9	Amber/Medium	Probable	Major
1 & 8	Amber/Medium	Possible	Major

3.4 The revised Strategic Risk Register is contained within Part B of this agenda.

4. Strategic Priorities

4.1 Sound risk management is one way in which the Council ensures that it discharges its functions in accordance with its expressed priorities, as set out in the Vision 2020, and that it does so in accordance with statutory requirements.

5. Organisational Impacts

5.1 Finance – There are no direct financial implications arising as a result of this report. The Council's Strategic Risk Register contains two specific risks in relation to the Medium Term Financial Strategy and the Towards Financial Sustainability Programme.

5.2 Legal Implications including Procurement Rules – The Council is required under the Accounts and Audit Regulations 2011 to have a sound system of Internal Control which facilitates the effective exercise of the Council’s functions and which includes arrangements for the management of risk. The maintenance of a Strategic Risk Register and the control actions which the Council undertakes are part of the way in which the Council fulfils this duty.

6. Risk Implications

6.1 The Strategic Risk Register contains the key strategic risks to the delivery of the Council’s medium and longer term priorities. A failure to monitor the action that is being taken to manage these risks would undermine the Council’s governance arrangements.

7. Recommendations

7.1 The Executive are asked to note and comment on the Strategic Risk Register as at the end of the fourth quarter 18/19.

[
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
How many appendices does the report contain?	None
List of Background Papers:	N/A

Lead Officer: Jaclyn Gibson, Chief Finance Officer
Telephone 01673 873258

SUBJECT:	EXCLUSION OF THE PRESS & PUBLIC
DIRECTORATE:	CHIEF EXECUTIVE & TOWN CLERK
REPORT AUTHOR:	CAROLYN WHEATER, MONITORING OFFICER

1. Purpose of Report

1.1 To advise members that any agenda items following this report are considered to contain exempt or confidential information for the reasons specified on the front page of the agenda for this meeting.

2. Recommendation

2.1 It is recommended that the press and public be excluded from the meeting at this point as it is likely that if members of the press or public were present there would be disclosure to them of exempt or confidential information.

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