Present: Councillor Ric Metcalfe *(in the Chair)*, Councillor Donald Nannestad, Councillor Chris Burke, Councillor Bob Bushell and Councillor Rosanne Kirk

Apologies for Absence: Councillor Neil Murray

4. Confirmation of Minutes - 10 July 2020

RESOLVED that the minutes of the meeting held on 10 July 2020 be confirmed.
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5. Declarations of Interest

No declarations of interest were received.

6. Change to Order of Business

RESOLVED that the order of business be amended to allow Item Number 7 entitled 'High Street Heritage Action Zone' to be considered as the next agenda item.

7. High Street Heritage Action Zone

Purpose of Report

To seek approval from The Council's Executive for entering into a contract with Historic England to deliver a High Street Heritage Action Zone for Lincoln, including the creation of a High Street Heritage Action Zone Officer post

Decision

That authority be delegated to officers to enter into a contract with Historic England for the implementation of a Heritage Action Zone and to add the High Street Heritage Action Zone Officer post onto the establishment.

Alternative Options Considered and Rejected

Officers had initially secured some internal match funding (£60k from the Sincil Bank revitalisation programme and approximately £90k from in-kind staff resource) and were set to submit a bid to Historic England for the creation of a PSiCA (Partnership Scheme in Conservation Areas) for a total scheme value of circa £300k. This would have meant the council would act as the responsible body for allocating grants of up to 80% to individual shop owners that qualified for historic shop front renovations within the defined area. However, Government then announced the Future High Streets Fund with around £45m of this fund being allocated to Historic England (HE) for them to allocate to heritage led projects across the country. Following this announcement officers met with the Regional Director of Historic England and the council was encouraged to expand this scheme into a High Street Heritage Action Zone (HSHAZ)

Reason for Decision

Whilst there had, and continued to be, a number of successful outcomes delivered in the city centre and Sincil Bank area, for some time the quality of the environment of the lower High Street had been a concern to the Local Planning Authority. Many of the changes that had occurred did not need planning permission, so the council had been largely powerless to intervene. Whilst the vibrancy and diversity of the area was to be applauded and encouraged, there had been a marked deterioration in the appearance of the frontages of many of the shop units in particular, having a negative impact on the character and appearance of the area.

Following the announcement by the Government of the Future High Streets Fund, which allocated around £45m to Historic England (HE) for them to allocate to heritage led projects across the country, officers met with the Regional Director of Historic England and the council was encouraged to expand this scheme into a High Street Heritage Action Zone (HSHAZ) which included all of the PSiCA scheme plus an area expanded to include Sincil Street to the north and further south to Sibthorpe Street (to include St. Mary's Guildhall).

This scheme worked on the same grant funding basis but went beyond shop fronts and could include residential conversions of upper floors, feasibility studies and possible grant towards developing gap sites and some elements of public realm provided they all delivered heritage outcomes.

The City Council would act as the lead partner for the scheme and would Chair the HSHAZ Board however ultimately the Board itself would make the final decision about whether to issue individual grants over a set threshold of £20,000. Any grants below this would be issued under a delegated arrangement to the City Council (Assistant Director – Planning) to qualifying schemes that delivered heritage led regeneration and were within the defined area. The scheme required the appointment of a HAZ Officer as the day to day operational lead and this would be funded from the grant itself.

A range of partners had already agreed to form part of the scheme

The HAZ project replaced the PSiCA within the Remarkable Place strand of Vision 2020 and remained a key project within that strand in Vision 2025. A tight submission deadline at the end of 2019 meant that a concerted effort was required in order to submit a robust bid to Historic England by the end of December, but with the hard work and dedication of the Heritage Team this was achieved. In April 2020 the City Council received the news that its bid was successful, and a formal offer of funding was made of £1.682m. This funding was allocated to the three strands of the programme with approximately £200k for the Cultural and Community Engagement strands including public art, exhibitions and events and approximately £1.4m for physical interventions such as historic shop front reinstatement, public realm and masterplanning for gap sites.

8. A Review of 2019/20 Including the Council's Covid-19 Response

Purpose of Report

To present to Executive a review of 2019/20 including the Council's Covid-19 response and the Quarter 4 Performance summary, which was still subject to Audit by Mazars, the Council's external auditors.

Decision

1. That progress on the challenge of tackling Covid 19 pandemic be noted by relevant Portfolio Holders and further recovery plans be discussed with their Service leaders.

2. That thanks expressed by Executive members to all officers for their truly inspirational response to Covid-19 from top to bottom across the organisation be noted. There had been great leadership from Angela Andrews, Chief Executive, CMT, senior officers supporting CMT, together with officers across all levels of the authority.

Alternative Options Considered and Rejected

None.

Reason for Decision

Regular monitoring of the Council's operational performance formed a key component of the Local Performance Management Framework. However, due to the Covid-19 pandemic, full lockdown in the UK and need for the council, like all other businesses, had to make dramatic changes in order to keep critical services functioning, as well as deliver a community leadership role for our city as this time of crisis. The report therefore covered not only Quarter 4 performance, but also included the council's response to the pandemic and lockdown starting in March 2020, and the services we deployed from then.

The report as detailed at Appendix A followed the following format:

- Introduction from Angela Andrews
- COVID-19 Business Support Service
- COVID-19 Community Support Service
- Helping the Vulnerable, Homeless and Rough Sleepers
- Supported Housing and Lincare Home Support
- Our Key Partners
- Customer Services
- Communications and Social Media
- Revenues and Benefits
- Bereavement Services
- Community Services
- Food Safety Enforcement
- Emergency Housing Repairs
- Support from other Services
- Support for Staff
- Looking Forward
- Q4 Performance

The next performance report would cover Quarters 1 and 2 including information on other services and programmes commissioned in the recovery period.

9. Financial Performance - Outturn 2019/20

Purpose of Report

To present to the Executive the provisional 2019/20 financial outturn position on the Council's revenue and capital budgets, including the General Fund, the Housing Revenue Account, the Housing Repairs Service and Capital Programmes, still subject to Audit by Mazars, the Council's external auditors.

Although the Council was now facing a severe financial challenge as a result of the COVID19 pandemic, which saw the UK enter into a 'lockdown' in late March, the financial impacts were largely not seen until April in the new financial year. This report therefore covered the financial position of the Council for the year 2019/20.

Decision

Executive:

(1) Noted the provisional 2019/20 financial outturn for the general fund, housing revenue account, housing repairs service and capital programmes as set out in sections three to seven of the report and, in particular, the reasons for any variances.

(2) Approved the proposed transfer to general fund earmarked reserves as set out in paragraphs 3.6 and 3.8 of the report.

(3) Approved the financial changes to both the general investment programme and the housing investment programme, as set out in paragraphs 7.4 and 7.10 of the report, that were above the budget variance delegated to the Chief Finance Officer.

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

None.

<u>Reason for Decision</u>

General Fund

For 2019/20 the Council's net General Fund revenue budget was set at £13,655,090, including a planned contribution from balances of £554,410 (resulting in an estimated level of general balances at the year-end of £2,452,134).

The financial performance quarterly monitoring report for the 3rd quarter predicted a shortfall against the revised budget of £222,080. The provisional outturn for 2019/20 now indicated that this shortfall had decreased by £88,258, resulting in an overall budget shortfall of £133,822 (including proposed transfers to/from earmarked reserves, but excluding carry forward requests). This represented a variance against the revised budget of 0.99%.

Full details of the main variances were provided in Appendix B whilst the key variances were summarised below:

- City Hall, Industrial Estates & Lincoln Properties – Increased Income (£167,351)
- Housing Benefit Overpayments – Reduced Income £389,536
- Other Interest – Increased Income (£88,080)

- Car Parking – Increased Income (£90,912)
- Housing Regeneration – Reduced Expenditure/Increased Income (£98,366)
- MRP – Reduced Expenditure (£288,200)
- Direct Revenue Financing – Reduced Expenditure (£230,475)
- External Interest Payable – Reduced Expenditure (£222,139)
- Yarborough LC – Reduced Income - £53,400
- TFS Savings Target – Shortfall in Delivery £201,705

Although there were several significant variances highlighted above the most significant of these was in respect of housing benefit overpayments. Over recent years the level of overpayments had 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 had drastically reduced. This had led to a budget pressure due to reduced income from the reclaiming of the overpayment from the claimant. As part of the 2020/21 budget setting process the MTFS 2020-25 was refreshed and now reflected the impact of this. A number of the other variances also had ongoing implications and had been factored into the MTFS 2020-25, approved in March 2020, other variances though had arisen due one-off factors and were unlikely to be occur again. The impact of COVID19 may though exacerbate some of these variances and close budget monitoring would be crucial in 2020/21.

In addition to those transfers to/from earmarked reserves already budgeted for, there were a number of further contributions to and from existing reserves as detailed within paragraph 3.6 and 3.8 of the report.

In addition to these transfers to/from existing earmarked reserves, it was also proposed that a new reserve be created for the COVID response. Additional resources of £353,654 had been identified, arising from both a change of financing of the capital programme, and a review of the annual MRP charge. These one-off resources would be contributed to the reserve to be used as part of a range of measures to mitigate the increased expenditure and reduced income set to be experienced in 2020/21. Further details of these measures were set out in a separate report on the 2020/21 budget to the Executive.

All of the proposed transfers to/from reserves were reflected in the provisional outturn position.

By approving all of the proposed carry forwards the budget shortfall would increase to £167,562 and result in balances at 31st March 2020 of £2,235,878.

Towards Financial Sustainability Programme

The savings target included in the MTFS for 2019/20 was £4,650,000. Progress against this target, based on the outturn position showed a secured total of £4,448,250. A summary of the provisional outturn position was shown in the table at paragraph 3.12 of the report.

Income from fees and charges represented a significant proportion of income to the Council, with the primary sources being from car parking, development management and building regulations and were monitored regularly by the Corporate Management Team. These discretionary income streams had been severely impacted by COVID19, although the outturn figures for 2019/20 did not reflect this, in some areas income has plummeted from the end of March 2020. A summary of the progress of these key income streams against the approved budget for the financial year was shown in the table at paragraph 3.13 of the report

Housing Revenue Account

For 2019/20 the Council's Housing Revenue Account (HRA) net revenue budget was set at £52,040, resulting in an estimated level of general balances at the year-end of £1,078,609.

The financial performance quarterly monitoring report for the 3rd quarter predicted an underspend of £79,582. The provisional outturn for 2019/20 now indicated an overspend of £71,514. This would result in HRA balances at 31 March 2020 of £1,007,095. The main over and underspends included within the provisional outturn were summarised as follows:

- HRS Surplus – Additional Income (£72,487) (as detailed within section 5 of the report),
- Council Tax– Additional Expenditure £94,286,
- Depreciation – Revaluation of properties – additional expenditure £383,122,
- Loan Charges – Interest on additional borrowing – increased expenditure £71,869,
- Major Repairs Reserve – DRF adjustment to fund additional depreciation and loan charges – (£440,526).

A HRA general balance of £1,007,095 as at 31st March 2020 although lower than assumed in the MTFS, still remained within prudent levels.

Housing Repairs Service

For 2019/20 the Council's Housing Repairs Service (HRS) net revenue budget was set at zero, reflecting its full cost recovery nature.

The financial performance quarterly monitoring report for the 3rd quarter predicted a £117,075 surplus outturn for 2019/20. The provisional outturn for 2019/20 showed a trading surplus of £72,487.

The net trading surplus of £72,487 was the result of several year-end variations in income and expenditure against the approved budget. The main over and underspends included within the provisional outturn were detailed in Appendix F, with the key variances summarised at paragraph 5.2 of the report

The surplus of £72,487 has been repatriated to the HRA, as the major service user and reflected in the HRA outturn within this report.

Earmarked Reserves

The details of all earmarked reserves and their balance as at 31 March 2020 were attached to the report at Appendix G and summarised in paragraph 6.1 of the report.

General Fund Investment Programme

The last quarterly report approved a General Fund Investment Programme for 2019/20 of £12,509,748. Movements in the programme since the approval of the revised budget decreased actual capital expenditure in 2019/20 to £10,056,747. A summary of the changes was detailed at paragraph 7.2 of the report.

Budget re-profiles approved by the Chief Finance Officer during the final quarter were detailed at paragraph 7.3 and Appendix I attached to the report.

New projects/changes requiring the approval of the Executive were detailed at paragraph 7.4 of the report together with changes approved by Executive in respect of Boultham Park Lake Restoration and Greetwell Hollow included within the final quarter as detailed within Appendix I attached to the report.

The overall spending on the General Investment Programme for 2019/20 was £10,056,747, being 80.55% of the revised 2019/20 programme as per the MTFS 2019-24. Although this would appear to be low, the following points should be taken into consideration: -

- Covid-19 has delayed work programmes with slippage moved into the next financial year.
- Disabled Facilities Grant works had been agreed and were expected to occur within 2020/21.

Housing Investment Programme

The last quarterly report approved a Housing Investment Programme for 2019/20 of £14,906,247. Movements in the programme since the approval of the revised budget decreased actual capital expenditure to £11,977,262 in 2019/20.

Changes approved by the Chief Finance Officer in the final quarter were set out in Appendix K of the report and summarised in paragraph 7.9 of the report.

Changes requiring Executive approval were highlighted at paragraph 7.10 of the report and Appendix K of the report.

The overall spending on the Housing Investment Programme for 2019/20 was £11,977,262 which was 80.19% of the revised 2019/20 programme as per MTFS 2019-24.

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

- Due to Covid-19 various scheduled work programmes had slipped or been delayed into 2020/21, with the 2020/21 budget impact still being assessed to be reflected within 2020/21 reports.
- 9 Property acquisitions were ongoing with delegated authority to start as at the 31st March 2020, totalling £1.1m
- £590k had been released into available resources from the 2019/20 HIP programme.
- The budgets for large new build schemes DeWint, Markham House and Rookery Lane had been reprofiled into 2020/21 in line with expected expenditure outflows.

10. Treasury Management Stewardship and Actual Prudential Indicators Report 2019/20 (Outturn)

Purpose of Report

The Council's reporting procedures required it to present the annual Treasury Management stewardship report under regulations issued under the Local Government Act 2003 and covered the treasury management activities and the actual prudential and treasury indicators for 2019/20.

Decision

That the Annual Treasury Management Report for 2019/20 be approved and the actual prudential indicators contained within Appendices A and B be recommended to Council for approval.

Alternative Options Considered and Rejected

None.

Reason for Decision

During 2019/20, the Council complied with its legislative and regulatory requirements. The key prudential indicators for the year, with comparators, could be seen in paragraph two of the report, with full details of transactions in year and performance against the Prudential Indicators included at paragraph four and Appendices A and B of the report.

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

In compliance with the Prudential Code for treasury management reports were scrutinised by Performance Scrutiny Committee and reviewed by the Executive prior to reporting to full Council if required. Member training for the Performance Scrutiny and Audit Committees was undertaken on 21st November 2019 and 20th February 2020 in order to support their roles in scrutinising the treasury management strategy and policies.

The Chief Finance Officer had confirmed that borrowing was only undertaken for a capital purpose and that the statutory borrowing limit and the authorised limit were not breached.

Additional borrowing of £5m was taken in 2019/20.

At 31st March 2020, the principal value of the Council's external debt was £120.153m (£115.354m at 31st March 2019) and that of its investments was £30.5m (£29.2m at 31st March 2019).

The financial year 2019/20 continued the challenging environment of previous years; low investment returns and continuing counterparty risk were the main features.

Key issues of activity during 2019/20 were noted as follows:

- The Council's total debt (including leases and lease-type arrangements) at 31st March 2019 was £120.258m (Appendix A section 4.4) compared with the Capital Financing Requirement of £130.736m (Appendix A section 3.5). This represented an under-borrowing position of £10.478m, which was currently being supported by internal resources. Additional long-term borrowing would be taken in future years to bring levels up to the Capital Financing Requirement, subject to liquidity requirements, if preferential interest rates were available.
- The Council's Investments at the 31st March 2020 were £30.55m (Appendix A section 4.3), which was £1.35m higher than at 31st March 2019. Average investment balances for 2019/20 were £28.833m, which was higher than estimated balances of £24.1m in the Medium Term Financial Strategy 2019-24 due to the timing of borrowing taken. It should be noted that this referred to the principal amounts of investments held, whereas the investment values included in the balance sheet were based on fair value. In most cases, this would simply be equal to the principal invested, unless the investment had been impaired.
- Actual investment interest earned on balances was £240k compared to £125k estimated in the Medium Term Financial Strategy 2019-24 (Appendix A section 10.2).
- The interest rate achieved on investments was 0.84% which was 0.31% above the target average 7-day LIBID rate (for 2019/20 the average was 0.53%).

11. Strategic Risk Register

Purpose of Report

To provide the Executive with a status report for the Council's Strategic Risk Register.

Decision

That the status of the current Strategic Risk Register be noted and that a full register would be presented to this Committee in August 2020.

Alternative Options Considered and Rejected

None.

Reason for Decision

An update of the Strategic Risk Register, developed under the risk management approach of 'risk appetite', was last presented to the Executive in February 2020 and contained ten strategic risks.

Since reporting in February 2020, the COVID19 pandemic had fundamentally affected the environment in which the Council operated and as such the risks that it faced now. Whilst the strategic risks that were previously included in the register remained valid, the level of assessed risk (likelihood and impact), target risk scores and mitigating actions now needed to be reviewed and updated to reflect the new landscape, as well as identifying any new strategic risks.

In light of these circumstances the quarter four strategic risk register for 2019/20, which would ordinarily include an assessment of whether the target risk for the year had been met or not, had not been prepared. Instead this report set out what were now considered to be the strategic risks/opportunities facing the

Council having taken into consideration the impact that the pandemic and lockdown arrangements have had, as well as the path to recovery.

Over the next month these risks would be assessed by the Corporate Leadership Team with appropriate actions plans/mitigating actions developed in order to; avoid, seek, modify, transfer or retain the risks. The outcome of this work would result in a refreshed Strategic Risk Register for 2020/21 which would be performance monitored on a quarterly basis, reported to both the Performance Scrutiny Committee and the Executive.

The ten existing strategic risks that were all still felt to be relevant, although re-framed to reflect the effects of the pandemic and focus of the Council in 2020/21 were outlined at paragraph 3.1 of the report, together with three new risks relating to the impact of the pandemic which had emerged as detailed at paragraph 3.2 of the report.

A full risk register for these thirteen risks, along with any others that may subsequently emerge, would be presented to the Executive in August 2020.