

EXECUTIVE

Wednesday, 26 August 2020

5.00 pm

Committee Room 1, City Hall

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

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

VIRTUAL MEETING

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A G E N D A

SECTION A

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MINUTES AND EXTRACTS

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| 1. Confirmation of Minutes -27 July 2020 | 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.

ECONOMIC GROWTH

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| 3. Financial Support for Lincoln Arts Trust Ltd | 13 - 20 |
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OUR PEOPLE AND RESOURCES

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| 4. Strategic Risk Register - Quarterly Review | 21 - 24 |
| 5. Exclusion of the Press and Public | 25 - 26 |

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.

This item is being considered in private as it is 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

ECONOMIC GROWTH

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| 6. Financial Support for Lincoln Arts Trust Ltd | 27 - 34 |
| | [Exempt Para(s) 3] |

OUR PEOPLE AND RESOURCES

- | | |
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| 7. Strategic Risk Register -Quarterly Review | 35 - 48 |
| | [Exempt Para(s) 3] |

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.

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.

Alternative Options Considered and Rejected

None.

Reason for Decision

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 Boutham 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.

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.

SUBJECT:	FINANCIAL SUPPORT FOR LINCOLN ARTS TRUST LTD
DIRECTORATE:	COMMUNITIES AND ENVIRONMENT
REPORT AUTHOR:	SIMON WALTERS, STRATEGIC DIRECTOR, COMMUNITIES AND ENVIRONMENT

1.	Purpose of Report								
1.1	To report on the adverse long-term sustainability of the current business model for Lincoln Drill Hall, especially considering the impact of Covid 19 on that model, and then reflect on the potential for providing any continued grant funding from the City Council moving forward.								
2.	Background								
2.1	The Ruston Hall Trust, as owners of the Drill Hall, have in the past retained the Council to manage the venue on its behalf, under a management agreement dated 17 January 2005. However, Lincoln Arts Trust Ltd (LATL) became the successor body to the Ruston Hall Trust Ltd and in due course undertook the management and ownership of the Drill Hall with effect from 1 October 2010. All staff were transferred to LATL and it now operates as an entirely separate entity. The City Council has no legal interest in the building or operation but has one place reserved on the Board of Trustees. This post is currently vacant.								
2.2	Since that time the City Council has provided grant funding to the LATL in return for defined outcomes as specified in a service level agreement between the Trust and Council. Over the years, this has been subject to a range of re-negotiations and resulting in changes to budget provision. In addition, officers have worked with LATL over the years to explore any and all new income streams and have offered advice on a range of activities including marketing the building, packaging offers, potential alterations to the building, improving the façade of building (within Planning guidelines) to build awareness, and officers have been extensively involved in assisting with the exploration of new business models. As such the council has committed significant officer time to helping the Drill Hall explore a range of opportunities and also marketing their offer.								
2.3	The current Service Level Agreement (SLA) is due to expire on 31 st March 2021. The profile of payments defined in the current SLA have therefore been:								
	<table border="1"> <tr> <td>2017/18</td> <td>£231,189</td> </tr> <tr> <td>2018/19</td> <td>£216,540</td> </tr> <tr> <td>2019/20</td> <td>£201,990</td> </tr> <tr> <td>2020/21</td> <td>£187,590</td> </tr> </table>	2017/18	£231,189	2018/19	£216,540	2019/20	£201,990	2020/21	£187,590
2017/18	£231,189								
2018/19	£216,540								
2019/20	£201,990								
2020/21	£187,590								

3.	Current Position
3.1	Noting that the current SLA is due to end in March 2021, various conversations have been undertaken over an extended period of time, with other providers and industry experts (covered in more detail in the Part B report). This work concluded that the Drill Hall model was unsustainable in its current form and needed to change.
3.2	<p>Recent documentation submitted to the council from LATL confirms the lack of financial viability pre Covid:</p> <p>“With the council funding at the level it is (£187kpa) and sales levels as they were, we were still facing a challenge of fundraising over £130,000 each year. As a guide, in 2019-20 we raised £116k approximately, but that sum included £60,000 from Esmee Fairbairn. It is a really challenging total that will only rise year on year.”</p>
4.	Impact of Covid 19
4.1	<p>The impact of Covid 19 has been felt across all sectors, not least the cultural and arts sector. This sector remains in lockdown currently and many venue operators have been very clear that they cannot commercially operate with social distancing in place. Indeed, even if social distancing were relaxed, it will take time for audiences to recover sufficient confidence to attend performances once more in the volumes required. The Chief Executive of LATL has confirmed that with current social distancing, audience numbers would have to be a maximum of one third capacity.</p> <p>This would either necessitate a further increase in grant funding thereby increasing the financial impact on the City Council OR a new business model adopted by the Trust. An early draft of a proposed new business model was presented to City Council officers by LATL on Friday 7th August 2020, but this model still required the current council grant funding level to be maintained and officer views were that it was an ambitious model unlikely to achieve the income projected, due to the impact of Covid 19 continuing into 2021 and beyond.</p>
4.2	The national picture does look bleak over the months ahead. Many theatres are suggesting that performances may not return until Spring 2021. This is in part to allow time for audience confidence to return, and for social distancing to be further relaxed, but it also is in response to the fact that performances often take months of planning, preparation and rehearsal. So already it's too late to hold performances over the rest of this calendar year. Until very recently government funding was limited to those overall grants available for businesses in the leisure and hospitality sector. No specific sector support had been announced. However, the Arts Council England in June/July did announce an emergency fund but this is limited in size. The LATL made a successful application, but has only received a modest sum of £59,000 and hence this is a very short-term assistance grant.
4.3	<p>This in turn has serious implications for places like Lincoln Drill Hall which rely heavily on the Christmas pantomime season for income to support the programmes over the rest of the year. Indeed, the LATL Chief Executive has confirmed:</p> <p>“We are already clear that in any scenario, there can be no public programme until 2021. Many artists and promoters who were booked for the autumn have either cancelled</p>

	autumn touring or rescheduled their plans into next year. Our annual pantomime cannot go ahead as there simply wouldn't be the volume of audience expected to make it viable.”
	“We have placed the vast majority of staff on Furlough leave since the 1 st April which has allowed the trust in the short term to protect staff jobs. Sales have dropped by 96% since we shut our doors to the public. The uncertainty around when theatres might re-open and how social distancing will affect their ability to operate has been at the forefront of our minds. Any social distancing will make it economically unviable for us to open in the autumn. 2m reduces our capacity to between 50-60 people (later increased to 140 maximum under later govt. guidance).”
4.4	On 17 June 2020 we received correspondence from the Chief Executive of LATL, seeking further clarity in terms of the level of grant funding from the City Council for both the rest of 2020/21 and also for 2021/22. The City Council has paid “up front” half of the grant allocation for this financial year to assist the Trust with their cash flow. This amounted to approx. £94,000. The second instalment could be made at the end of Sept 2020, but if the Drill Hall is considered unviable then there is no requirement to pay it, as there are no guarantees that the SLA could be fulfilled.
5.	The City Council Position
5.1	Although the projections are still being updated, at the time of writing this report the impact of Covid 19 on the General Fund in 20/21 is still estimated to be in the region of £2m. In addition, in future years the City Council will need to make further savings of between £1m - £1.5m pa to ensure a balanced budget.
5.2	This level of saving does not factor in the additional resource request from the Drill Hall to cover either transition costs or the impact of Covid 19. If these were included the savings could be at least £250k pa higher over next two years.
6.	Petition
6.1	<p>A petition has been received entitled ‘Keep funding Lincoln Drill Hall’ which at the time of submission had received 3,052 signatures with 1,194 having addresses in Lincoln. The petition is still ‘live’ so may include additional signatures in the lead up to the meeting. A link to the petition is below:</p> <p>http://chnq.it/9gz6pFLn</p> <p>The Council’s petition scheme sets out that petitions in excess of 900 signatures are entitled to a debate at a meeting of Council. The petition organiser, in the knowledge that the Executive is considering this report, has confirmed her intention to present the petition to the Executive alongside the report as opposed to a separate debate at Council.</p>
7.	Options Available to the City Council
7.1	<p>There appear a limited number of options open now to LATL and to the City Council in particular. The majority of these options come with a large investment requirement.</p> <p>These are:</p>

Option 1: Continue the current level of grant funding into a new SLA. It should be noted however, that the Drill Hall operating model was increasingly unsustainable prior to Covid 19 and will be even less viable moving forward. On this basis Option 1 would still lead LATL to experience severe financial difficulty in a very short period of time and hence could be considered not to be prudent use of public money over the term of a new SLA.

Option 2: Undertake negotiations with another provider in the city regarding a new model of merged delivery and underwrite the entire transition cost. As above, the additional cost to the City Council could be in excess of £250,000. Such costs are beyond the capacity of the council to fund and conversations either directly with other providers or through LATL would indicate very little appetite locally to enter serious negotiations to take on the Drill Hall as a going concern.

Option 3: The City Council removes its grant funding. Executive could take a view on whether the second grant payment by the City Council, due in late September 2020, should be made. Whilst there is no legal requirement for this, it would give the Trust an additional six months to explore any and all opportunities to source additional funding. Indeed the Dept of Culture, Media and Sport has just announced a further emergency fund (Cultural Recovery Fund - round one applications commenced on 10th August 2020) for organisations such as the Drill Hall to source between £50k to £3m to help with re-opening or help become sustainable prior to re-opening. It is possible further funding opportunities could follow from the Arts Council England to enable venues to transform, although this may be a little further away. Whether the Trust are ultimately eligible for either, or both, funds will be for the Trust to consider.

In addition, through the Town Fund initiative (which requires the development of a Town Investment Plan to secure Government funding of up to £25m), outline proposals have been submitted to re-purpose the building. These will be considered over the months ahead alongside all other proposals for the city centre’s revitalisation, and so offers another opportunity for the LATL in partnership with others.

So, by continuing the Council’s grant funding for another six months to the end of the current SLA period, it would give the Trust the best chance of finding a new (funded) operating model be it through external grant funding or through development of new proposals through the Town Fund.

8. Conclusion

8.1 It would seem reasonable to sum up the situation for the LATL as follows:

- Their current business model is unsustainable and has been for some time
- Covid 19 has made the situation far worse for the Drill Hall and will require significant additional funding to continue to operate in its current form.
- There are concerns over the viability of the revised business plan submitted, as the effects of Covid 19 are not fully reflected

	<ul style="list-style-type: none"> There appears little prospect of a merger with any other provider prepared to take the Drill Hall as a going concern. 															
8.2	There seems few options open to LATL. The Chief Executive of the Drill Hall has other national funding options coming on stream currently to which the Trust can apply, but there are no guarantees of success as this funding is a competitive process pitching against other organisations across the country.															
9.	Strategic Priorities															
9.1	<p>Let's drive economic growth</p> <p>Culture and Arts are considered a major contributor to the economic vitality of an area. Lincoln has a number of venues now in the city including Theatre Royal, LCAP and the Engine Shed as well as the Drill Hall. This in part has been the issue with the Drill Hall business model as competition has increased within the city.</p>															
9.2	<p>Finance</p> <p>Currently the MTFs has the following forecast in relation to the Drill Hall Grant:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Budget 2020/2021</th> <th>Budget 2021/2022</th> <th>Budget 2022/2023</th> <th>Budget 2023/2024</th> <th>Budget 2024/2025</th> </tr> <tr> <th>£</th> <th>£</th> <th>£</th> <th>£</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>187,590</td> <td>191,340</td> <td>195,170</td> <td>199,070</td> <td>203,050</td> </tr> </tbody> </table> <p>Should the grant not be paid, this could offer a significant contribution to the ongoing savings target built into the MTFs, and which is set to increase considerably.</p>	Budget 2020/2021	Budget 2021/2022	Budget 2022/2023	Budget 2023/2024	Budget 2024/2025	£	£	£	£	£	187,590	191,340	195,170	199,070	203,050
Budget 2020/2021	Budget 2021/2022	Budget 2022/2023	Budget 2023/2024	Budget 2024/2025												
£	£	£	£	£												
187,590	191,340	195,170	199,070	203,050												
9.3	<p>Legal Implications</p> <p>The SLA between the Council and the LATL states,</p> <p>'The Council will provide revenue support in the form of a grant to LATL for the period until 31 March 2021. The Council reserves the right to renegotiate this Agreement or alter the terms of the grant paid to LATL. In this event the Council would provide not less than two months' notice of any change'.</p> <p>There is no clear right to terminate the SLA, however the SLA can be renegotiated or the terms amended, on at least two months' notice. Therefore the Council could seek to do this and try to avoid the liability of the balance of the grant of 2020/2021, however this may be challenged by the Drill Hall.</p> <p>Equality, Diversity and Human Rights</p>															
9.4	<p>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.</p> <p>It requires that public bodies have due regard to the need to:</p>															

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

The current service level agreement does have a range of programmes aimed at those socially excluded. The terms of the SLA cover:

“LATL will seek to ensure that the Drill Hall will,

- contribute to the Council’s Reducing poverty and disadvantage priority providing access to a wide range of cultural opportunities
- support the Council’s endeavours to meet the needs of vulnerable groups, support people to help themselves and develop their potential, tackle discrimination in all respects and promote diversity and sustainability”

The council has taken into account the following aspects in arriving at the recommendation contained within this report:

- It is recognised that the council’s financial support for the Drill Hall is in part to provide opportunities for diverse audiences;
- Moving forwards if the venue is to survive with reduced audience capacity, and also at least when it re-opens, accommodate reduced confidence of the public to attend events, then it will need to ensure all performances are attractive to as wide an audience as possible;
- Therefore, withdrawal from the SLA is unlikely to have a differential impact on protected characteristics as any ongoing support would simply contribute to keeping the Drill hall afloat rather than enabling a tailored approach to ensure inclusivity for all members of the community
- However, continuing with our current SLA commitment to March 2021 could enable the Drill Hall to keep going in the short term, thus enabling it to have the best chance of survival in the longer term through external grant funding, and thus by implication the best chance for all audiences to benefit
- The council needs to make tough financial decisions and therefore needs to consider overall how best it can continue to support those with protected characteristics – both at this time and over the next few years. Therefore, the City Council will need to focus on the continuance of other council services/support, many of which do have a direct beneficial impact on supporting those with protected characteristics.
- City Council engagement with the other venues in the city will continue through the overarching Lincoln Cultural Arts Partnership, of which the City Council is a core member. This will enable this agenda to be progressed

	through community groups, other venues and other local providers based in communities.
9.5	<p>Human Resources</p> <p>The City Council TUPE transferred staff to LATL some years ago and hence has no liability.</p>
9.6	<p>Land, Property and Accommodation</p> <p>The Drill Hall is owned by the Ruston Hall Trust, itself now a subsidiary of LATL. Should the charity move to liquidate, the building could be transferred to another charity with similar aims and objectives (the current LATL aims and objectives are very wide) or the building disposed of and the capital receipt vested in a charity to deliver those same aims and objectives.</p> <p>No detailed work has been undertaken to understand if there are covenants on the building that could influence future use. The building overall is protected by its Grade 2 listed status.</p>
9.7	<p>Significant Community Impact</p> <p>Whilst there is a community impact in terms of overall provision if the Drill Hall were to close, it is not the only arts and culture venue in the city, with other venues able to cater for a range of audiences.</p> <p>Members will note that the City Council has received a petition of some 3,000 signatures calling on the authority to maintain its funding post March 2021. This will be considered alongside this report.</p>
10.	Risk Implications
10.1	<p>(i) Options Explored</p> <p>As covered in the body of the report</p>
10.2	<p>(ii) Key risks associated with the preferred approach</p> <p>A. If the LATL were to close the Drill Hall and seek disposal to another charity or otherwise mothball the asset, then the City Council would have some control through the planning process in terms of the building's future use. The cultural landscape will turn again in the future and there remains the possibility for other organisations in the city to look afresh at the building as either a theatre venue or maybe an education centre or other provision. Unfortunately, there are no partners currently willing to step in and take the Drill Hall in its current form.</p> <p>B. The renovation of the Drill Hall back in 2003-2005 was funded from a range of grants, some of which provide for clawback over a period of time. Due to the time elapsed since these agreements were put in place, additional work has been commissioned from the County Council (who administer the</p>

	<p>remnants of many of the funds below) to source original documentation and ascertain actual liability. Following an initial scan, those of concern could be:</p> <ul style="list-style-type: none"> • European Regional Development Fund -£978k grant -but asset life is considered to be 20 years and agreement was 2003 so there could be some clawback, reflective of the last few years of asset life • Single Regeneration Budget - £254k grant – but this is only if the asset is disposed of. If LATL went insolvent they would seek to transfer the asset at nil cost (probably) to another charity with similar aims and objectives. Assumption at this stage is there would be no clawback in this case. If sold privately, then presumption at this stage is that clawback would come from proceeds of any charge on building? • Single Pot - £300k - the grant conditions indicate a percentage of proceeds on sale of the asset are repayable in proportion to the grant. So similar scenario to above. <p>In all cases clawback needs to be evaluated within the context of the £200k pa annual grant made to the LATL from the City Council.</p> <p>Should further information on the clawback potential be received prior to the Executive meeting, this will be reported verbally in the meeting.</p>
11.	Recommendation
11.1	It is recommended that considering the lack of financial viability of the Drill Hall (even before Covid 19) and the significant uncertainty now through the medium term in relation to the resilience of arts and culture venues, Members should consider not renewing the Service Level Agreement with LATL when it expires on 31 st March 2021.

Is this a key decision? Yes

Do the exempt information categories apply? Yes

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? zero

List of Background Papers: None

Lead Officer: Simon Walters, Strategic Director
Telephone (01522) 873470

SUBJECT: STRATEGIC RISK REGISTER – QUARTERLY REVIEW

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: 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 first quarter 2020/21.

2. Background

2.1 An interim report on the status of the strategic risks that the Council faces was presented to the Executive in July 2020. At that time, and as a result of the COVID pandemic, rather than provide the full strategic risk register the report only set out the current thirteen strategic risks.

2.2 Since reporting in July 2020 officers have now undertaken a full assessment of those risks in terms of the level of assessed risk (likelihood and impact), target risk scores, control measures in place and mitigating actions required in order to; avoid, seek, modify, transfer or retain the risks.

2.3 The outcome of this work has resulted in a refreshed Strategic Risk Register for 2020/21, which reflects the significant change in circumstances in which the Council is now operating and the different challenges and opportunities it faces. This refreshed register, contained in Part B of the agenda, will be performance monitored on a quarterly basis, reported to both the Performance Scrutiny Committee and the Executive.

3. Strategic Risks

3.1 The Strategic Risk Register currently contains thirteen risk, 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 2025
- 2) Failure to deliver a sustainable Medium Term Financial Strategy (that supports delivery of Vision 2025).
- 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 2025 due to changing structures and relationships 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 2020/2025 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.
- 11) Failure of the Council's key contractors and partners to remain sustainable and continue to deliver value for money
- 12) Failure to work in partnership to sustain support to vulnerable residents post COVID19.
- 13) Failure to put in place safe working practices and social distancing measures to protect officers and service users.

3.2 The assessed level of each of these thirteen risks is as follows:

Risk No.	Risk Rating	Likelihood	Impact
5 & 8.	Red/High	Almost Certain	Critical
2, 3 & 11.	Red/High	Probable	Critical
7.	Red/High	Almost Certain	Major
1, 10 & 12.	Amber/Medium	Probable	Major
4, 6, 9 & 13.	Amber/Medium	Possible	Major

3.3 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 2025, and that it does so in accordance with statutory requirements and within a balanced and sustainable budget and MTFS.

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, the risk registers that support these are also being reviewed in light of the current financial challenges the Council is facing.

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.

5.3 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.

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. Recommendation

7.1 Executive are asked to note and comment on the Council's strategic risks as at the end of the first quarter 2020/21.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? None

List of Background Papers: None

Lead Officer: Jaclyn Gibson, Chief Finance Officer
Telephone (01522) 873258

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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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