**Present:** Councillor Ric Metcalfe *(in the Chair)*, Councillor Chris Burke, Councillor Sue Burke, Councillor Bob Bushell and Councillor Neil Murray

**Apologies for Absence:** Councillor Donald Nannestad

## 46. Confirmation of Minutes - 25 October 2021

RESOLVED that the minutes of the meeting held on 25 October 2021 be confirmed.

## 47. Declarations of Interest

No declarations of interest were received.

## 48. Local Transport Plan 5 Consultation Draft

Purpose of Report

To receive an updated on Lincolnshire County Council's Local Transport Plan (LTP5) Consultation Draft, as detailed at Appendix A of the report, and to recommend a response on behalf of the Council.

Decision

1. That broad support for the Draft Local Transport Plan be endorsed.

2. That authority be delegated to the Director of Major Developments and Assistant Director of Planning for detailed comments to be made on the Draft Local Transport Plan prior to the submission deadline of 1 December 2021.

Alternative Options Considered and Rejected

Making no response or objection to the LTP would jeopardise the Council's ability to shape and influence the development of the LTP which would be detrimental to future transport plans for Lincoln.

Reasons for the Decision

On 20 October 2021, Lincolnshire County Council had released the LTP 5 for public consultation with a closing date for responses due by Wednesday 1 December 2021. The LTP was produced every ten years by the County Council covering the short, medium, and longer-term time horizons for transport and highways for the whole county.

This LTP had been produced under a period of rapid change in the transport sector. With the key driver being the mitigation of climate change coupled with the impact of Covid-19. Changes in technology, lifestyles, working patterns and environmental concerns meant that the LTP needed to reflect these concerns and how transport could address these issues over the short, medium, and long term.

Since the last LTP (4) was produced in 2013, significant changes had taken place in relation to local transport. The Government's announcement to ban the sale of both new petrol and diesel cars by 2030, and the steps in tackling climate change with the commitment to be net-zero carbon by 2050, would have a significant bearing on what happened to transport during the time-scale of this next LTP. Growth in the form of new housing (Central Lincolnshire Draft Local Plan anticipated the need for 29,000 new homes up to 2040) and new employment provision (15,000 new jobs across Central Lincolnshire) would increase the pressure on the existing transport infrastructure.

A number of transport-focused schemes had been completed locally since the last LTP, most notably the completion of the Lincoln Eastern Bypass and the new Lincoln Central bus station. Improvements to rail services (including frequency to London) and funding to support active travel (cycling and walking) had assisted in encouraging people to use sustainable modes of transport but clearly there was a lot more to be done.

The impact caused by the Covid-19 pandemic on transport and movement had been genuinely seismic and in the introduction to the LTP it stated '*it seems likely that flexible working from home will remain to some extent for many people, and so there will likely be changes to commuting times going forward. Access to education will return to something approaching normal, but access to health and shopping activities have altered in ways that seem irreversible, at least in part. Travelling less and for different reasons will require reassessment of transport programmes, with a likely growth in leisure travel expected*'.

The Draft LTP was framed under the challenges outlined above and set out the current context in which the document had been prepared as follows:

'*Lincolnshire's fifth Local Transport Plan has been produced under highly unusual circumstances – a period of rapid change and upheaval that is presenting us with significant challenges but also exciting opportunities. To be ready for the future we need to clearly identify the challenges we face, so we can respond to them intelligently, effectively and flexibly. But we also need to take advantage of changes in technologies and lifestyles, influenced by factors including the recent pandemic and growing environmental awareness. By doing so we can create a better, more sustainable transport system that will contribute to the health, prosperity and wellbeing of everyone in Lincolnshire'.*

The full detailed structure of the Draft LTP was outlined within paragraph 4 of the report.

## 49. Operational Performance Report Q2 2021/22

Purpose of Report

To provide the Executive with an outturn summary of the operational performance position for quarter two, financial year 2021/22, from July 2021 to September 2021, with data in support found at Appendices A - C to the report.

**Decision**

That the achievements and issues identified within the report for quarter two of 2021/22 be noted.

Alternative Options Considered and Rejected

None.

Reason for Decision

There were 18 quarterly measures with RED (below target) statuses, all of which had been worsened as a direct or indirect result of the Covid-19 pandemic.

There were 15 quarterly measures with GREEN (above target) statuses, with the remaining 14 being within their acceptable boundaries.

It was noted that the Council was still operating within unprecedented circumstances and in addition to the normal review of service performance. The report contained additional contextual background notes to support understanding of the level of disruption that the Council was still facing.

The City of Lincoln Council, like all other local authorities, had to make dramatic changes as a result of the three national lockdowns resulting from the Covid-19 pandemic, not only to ensure that the Council kept its critical services functioning, but also to deliver a community leadership role for the city in a time of crisis.

Whilst formal performance reporting had been limited in the first half of 2020/21, the Council restarted reporting in quarter four and it was now able to report performance figures for its key services and had resumed its usual performance reporting format. Therefore, this report presented the performance of service areas and directorates against its agreed performance measures and targets, as well as corporate performance measures.

## 50. Strategic Risk Register - Quarterly Review

Purpose of Report

To receive a status report of the revised Strategic Risk Register as at the end of the second quarter 2021/22.

**Decision**

That the Council's strategic risks as at the end of the second quarter for 2021/22 be noted.

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 received in August 2021 and had contained thirteen strategic risks.

Since reporting in August, the Strategic Risk Register had been refreshed and updated by the Corporate Leadership Team. The Strategic Risk Register reflected the significant change in circumstances in which the Council had been operating since the onset of Covid-19 and the different challenges and opportunities it now faced. This review had identified that there had been some positive movements in the register.

The Strategic Risk Register contained thirteen 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 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 deliver key strategic projects.

10) Failure of the Council's key contractors and partners to remain sustainable and continue to deliver value for money.

11) Failure to put in place safe working practices and social distancing measures to protect officers and service users.

12) Failure to protect the vulnerable in relation to the Council's PREVENT and safeguarding duties.

13) Failure to mitigate against the risk of a successful cyber-attack against the council.

A number of control actions had now been progressed or completed with the key movements outlined at paragraph 3.2 of the report.

Movement in control actions had resulted in a change to the assessed levels of likelihood and impact of two risks identified on the risk register:

- Risk 11 had been decreased from Amber: Hardly Ever/Major to Green Hardly Ever/Minor – as this was now a green risk it would be monitored for 6 months and then removed from the SRR.

- Risk 12 had decreased from Red: Probable/Critical to Amber: Possible/Critical.

The assessed level of each of these thirteen risks was as follows:

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

Control actions continued to be implemented and risks managed accordingly.

Effective risk management was one way in which the Council ensured that it discharged its functions in accordance with its expressed priorities, as set out in Vision 2025, and that it did so in accordance with statutory requirements and within a balanced and sustainable budget and Medium-Term Financial Strategy.

## 51. Financial Performance - Quarterly Monitoring

Purpose of Report

To present the second quarter's performance (up to 30 September 2021) on the Council's General Fund, Housing Revenue Account, Housing Repairs Service and Capital Programmes, and to seek approval for changes to both the revenue and capital programmes.

**Decision**

1. That the financial performance for the period 1 April 2021 to 30 September 2021 and the projected outturns for 2021/22 be noted.

2. That the underlying impact of the pressures and underspends identified in paragraphs 3.3 (and Appendix B), 4.3 (and Appendix D), and 5.2 (and Appendix F) be noted.

3. That the proposed contributions from earmarked reserves, as set out in paragraph 3.6 and paragraphs 4.9 and 4.10 of the report be approved.

4. That the changes to the General Investment Programme and the Housing Investment Programme, as detailed in paragraphs 7.4, 7.10 and 7.11 of the report be approved.

5. That the changes to the General Investment Programme, as detailed in paragraph 7.4 of the report, be approved.

Alternative Options Considered and Rejected

None.

Reason for Decision

Following the unprecedented impact of Covid-19 on the Council's finances in 2020/21, budgets for 2021/22 had been revised as part of the Medium Term Financial Strategy (MTFS) 2021-26, based on a number of assumptions around the speed and extent of the national and local recoveries particularly in relation to income budgets. Whilst in many cases these assumptions had reflected the actual position to date, there were still some areas where the rate of recovery was impacting adversely on the Council's finances.

In addition, the impact of Covid-19 was still being felt throughout the authority in relation to service delivery both in terms of backlogs of outstanding work, but also due to the current economic operating conditions in terms of supply chain issues, escalating costs and availability of labour. Whilst these issues were being addressed, they were likely to continue into the medium term and impact on the Council's finances. Furthermore, the imposition of any new national restrictions over the winter period would adversely affect the forecast outturns provided within this report. Close monitoring of the position and implementation of mitigating actions over quarters 3-4 would be key to ensuring the Council maintained a balanced budget position for 2021/22.

Updates were reported as follows:

*General Fund Revenue Account*

For 2021/22 the Council's net General Fund revenue budget was set at £978,410 including a planned contribution from balances of £477,240 (resulting in an estimated level of general balances at the year-end of £2,193,359, after allowing for the 2020/21 outturn position).

The General Fund Summary was currently projecting a forecast overspend of £46,366 (Appendix A provided a forecast General Fund Summary), resulting in general balance at the year-end of £2,146,993.

There were a number of forecast year-end variations in income and expenditure against the approved budget; as detailed at paragraphs 3.3- 3.4 of the report, with the main variances provided in Appendix B to the report.

Although the forecast outturn for the General Fund was a deficit of £46,366 at this stage, the forecast outturn remained difficult to predict due to volatility, and uncertainty, particularly around the imposition of any future national restrictions over the winter period.

Included in the forecast outturn overspend of £46,366 were proposed additional contributions to/from earmarked reserves as detailed at paragraph 3.6 of the report, with further details of the General Fund earmarked reserves set out in paragraph 6 and Appendix G of the report.

*Towards Financial Sustainability Programme*

The savings target included in the MTFS for 2021/22 was £850,000. Progress against this target, based on quarter 2 performance had shown that secured savings totalled £514,400, with a summary of the specific reviews that had contributed to this target shown at Appendix N of the report.

*Housing Revenue Account*

For 2021/22 the Council's Housing Revenue Account (HRA) net revenue budget was set at a £14,910 use of balances, resulting in an estimated level of general balances at the year-end of £1,059,743, after allowing for the 2020/21 outturn position.

The HRA was currently projecting an in-year variance of a £156,480 overspend, which would decrease the General Balances to £918,173 at the end of 2021/22.

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

The financial pressures that the HRA was facing, and the HRS (set out further in the report), was a direct result of the ongoing impacts of Covid19 and the current economic position in the UK.

The largest variance for HRA was the current forecast underspend on Repairs and Maintenance. This was due to the ongoing impact of Covid-19 affecting the ability to carry out repairs, the current reduction in charges from HRS (detailed in section 5 of the report) and the lack of tradespeople to carry out the repairs required. HRA and HRS were working hard to address these issues and so this underspend may be reduced over the remainder of the year. In part this was offset by a large overspend forecasted by HRS due to a reduction in rechargeable works and inability to recover the overhead costs of HRS (details of which were contained within section 5.2 of the report).

In addition, there was a forecast reduction in dwelling rental income of £317,163, due to increased voids, a reduction in leasing income and lost rents from RTB sales. Void properties were currently on the increase due to a lack of labour force in the HRS and as a result of the designated Voids contractor having entered into administration at short notice leaving the service without a key resource to respond to growing void numbers.

Void numbers had increased due to a backlog created over the last 18 months as national restrictions were imposed. This had then been compounded by a high level of tenancies having ended as a result of; people now seeking to move post pandemic, an unprecedented number of deaths in Council properties and people leaving due to other more restrictive reasons, such as being detained in prison by the courts. In addition, as a result of the successful bids for the Next Steps and Rough Sleeping Accommodation Programmes, the HRA had acquired a number of units of move-on accommodation across the City to alleviate the pressure on temporary accommodation and negate the use of bed and breakfast facilities. Whilst this had been successful and consequently saved the general fund huge costs, the pressure had fallen on Housing Repairs Service (HRS) to bring these units up to letting standards before they could be occupied. This had added to the numbers being managed through the void process. At budget setting, voids were budgeted at 1% of the current housing stock, however, currently voids were closer to 1.7% of the current housing stock. Should this percentage be maintained throughout the rest of the year there was a potential for a further overspend of approximately £50,000.

This was further compounded by a loss of income from the termination of one of our main contractors resulting in a loss of income of approximately £280,000 from the admin recharge.

Included in the forecast underspend of £153,634 were proposed additional contributions to/from earmarked reserves as detailed at paragraph 4.9-4.10 of the report, with further details of the HRA earmarked reserves set out in paragraph 6 and Appendix G of the report.

*Housing Repairs Service*

For 2021/22 the Council's Housing Repairs Service net revenue budget was set at zero, reflecting its full cost recovery nature.

At quarter 2 HRS was forecasting a deficit of £811,418 in 2021/22 as detailed within the forecast HRS summary at Appendix E, with full details of the main variances provided in Appendix F of the report.

The main contributory factor for this deficit was the ongoing impact of Covid-19. The loss of one of the main sub-contractors locally (due to administration) and the inability to recruit to the workforce (The HRS currently had a 20% vacancy rate) was causing problems with repairs scheduling and void turnarounds. Repairs numbers were down at a time of high demand, as a result lower recharges were being made to the HRA due to less work being carried out by the Council's workforce.

Although the reduction in staffing costs offset the reduction in income recharged to the HRA, the overhead cost of the repairs service, which was ordinarily charged in addition to the service hourly rate was not being recovered due to the reduction in internal jobs, this was creating the majority of the forecast overspend. In addition, in order to try and fill the productivity gap, local sub-contractors were being utilised however, they were struggling with the same labour shortages. Any contracts awarded to help alleviate the system were now at hugely inflated prices which reflected the sector as a whole. This use of more expensive subcontractors had increased costs, which at this stage were not reflected in the service hourly rate and therefore also contributed to the forecast overspend.

The forecast overspend reflected the national position in relation the construction industry. A significant number of companies were going into liquidation for many reasons. This was putting huge pressure on those remaining in the sector, contract prices were increasing significantly reflecting increasing material and labour costs. Qualified and skilled labour was becoming increasingly hard to recruit. Locally, as evidenced in recruitment, the Council was not immune from this environment and HRS were in a difficult "trading position".

In response to the financial and service delivery challenges that the HRA/HRS were facing the Housing Management Team had instigated a range of measures aimed at combating the areas and issues that the Council had some control or influence over as detailed at paragraph 5.5 of the report.

It was noted that consequential costs in the HRA were also greatly reduced (as noted earlier in the report) and therefore the financial picture for the directorate was not as unhealthy as the HRS position alone implied. Surpluses from HRS had been repatriated to the HRA over the last few years and as such healthy reserves remained within the HRA. These reserves were increased at the end of last financial year to allow for HRS to catch up with any back log of repairs that had built up due to Covi19 restrictions.

Details of earmarked reserves and their forecast balance as of 31 March 2022 were outlined at paragraphs 6.1 and Appendix G of the report.

*General Fund Investment Programme*

The revised General Investment Programme for 2021/22 amounted to £17.451m following Quarter 1 report. At quarter 2 the programme had been increased by £2.947m to £20.398m.

Included in the budget changes for approval were Town's Funds schemes considered by the Town's Fund Board. The Town's Fund was considered by Executive in February 2021 and external schemes would be added to the general investment programme following delegated approval by the Chief Finance Officer and the Town's Fund Investment Board. Schemes that were to be delivered directly by the Council, but with funding through the Town's Fund would still require separate Executive approval of the scheme prior to inclusion in the GIP. The changes related to the Town's Fund reflected in the second quarter were detailed at paragraph 7.3 of the report.

Financial changes delegated to the Chief Finance Officer for the second quarter 2021/2022, together with those requiring Executive approval were detailed at paragraphs 7.3-7.4 of the report.

The overall spending on the General Investment Programme for the second quarter of 2021/2022 was £3.111m, which was 15% of the 2021/22 programme and 15% of the active programme, as detailed further at Appendix J of the report.

Although this was low percentage of expenditure at this stage of the financial year, further expenditure was expected on Disabled Facilities Grants, Boultham Park Lake, the Crematorium, HAZ Schemes, Towns Fund schemes and various capitalised maintenance schemes.

*Housing Investment Programme*

The Housing Investment Programme for 2021/22 following the Quarter 1 report amounted to £29.047m. This had been further adjusted to £30.248m during the second quarter of 2021/22.

Financial changes delegated to the Chief Finance Officer for the second quarter 2021/2022, together with those requiring Executive approval were detailed at paragraphs 7.9-7.11 of the report.

Expenditure against the HIP budget to the second quarter was £5.339m, which was 17.65% of the revised programme. A further £0.96m had been spent as at the end of October 2021, as detailed further at Appendix L of the report.

Although this was a lower percentage than would be expected at this stage of the financial year, works had been constrained by the ongoing issues arising during the Covid-19 pandemic and the availability of contractors to carry out works to properties following the cessation of the planned maintenance contract.

## 52. Treasury Management and Prudential Code Update Report - Half Year Ended 30th September 2021

Purpose of Report

To report the Council's treasury management activity and the actual prudential indicators for the period 1 April 2021 to 30 September 2021, in accordance with the requirements of the Prudential Code.

**Decision**

That the Prudential and Local Indicators and the actual performance against the Treasury Management Strategy 2021/22 for the half-year ended 30 September 2021 be noted.

Alternative Options Considered and Rejected

None.

Reason for Decision

It was noted that the Council held £46million of investments at 30 September 2021, with the full investment profile set out at Appendix A of the report. Of this investment portfolio, 100% was held in low risk specified investments, the requirement for the year being a minimum of 25% of the portfolio to be specified investments. During the 6 months to 30 September on average 96% of the portfolio was held in low risk specified investments and an average of 4% of the portfolio was held in non-specified investments with other local authorities.

The report highlighted changes to the key prudential indicators, setting out an overview of the current status of the authority's capital expenditure plans and provided further information in relation to the Council's Investment Strategy 2021/22 to 2023/24.

## 53. Setting the 2021/22 Budget and Medium-Term Financial Strategy 2022/23 – 2026/27

Purpose of Report

To update the Executive on the latest Medium Term Financial Strategy (MTFS) position for the Council, including the challenges in preparing for the 2022/23 and future years budget, setting out the parameters within which the Council would prepare these budgets and confirm the Council's approach to development of the budget and Medium Term Financial Strategy.

The report included an update on the current economic position and developments in national policy, specifically the high level of uncertainty surrounding local government financing and reforms. This, along with the ongoing implications of the Covid-19 pandemic on demand for Council's services, escalating cost pressures and reductions in income, would inform the development of the MTFS.

**Decision**

1. That the significant financial challenges and risks that the Council faced, particularly the lack of clarity surrounding future funding reforms be noted.

2. That the projected budget parameters for 2022/23 and future years and the planning assumptions, as set out in Appendix A of the report be noted.

3. That the budget, strategic and service planning preparation programme, set out in Appendix B of the report be noted.

Alternative Options Considered and Rejected

None.

Reason for Decision

The Council's Vision 2025 and five strategic priorities drove the medium-term financial planning process, with changes in resource allocation determined in accordance with policies and priorities. The Medium Term Financial Strategy provided the framework for the development of annual budgets in line with the aims of the Council's strategy and priorities.

In March 2021, Council agreed the budget for 2021/22 and Medium Term Financial Strategy 2021-2026, which recognised that there was a funding gap forecast in 2021/22 and across the remaining years of the Strategy. The MTFS was refreshed annually and rolled forward one year.

The refreshed Medium Term Financial Strategy would include financial projections for the five-year financial planning period through to 2026/27. It would set out the financial parameters within which the Council was required to work and the recommended approach to addressing the financial challenges the Council faced to develop a balanced, sustainable budget and set at Council Tax for 2022/23.

The refresh of MTFS needed to be seen in the context of significant inherent uncertainty for the Council, with the ongoing impact of the Covid-19 pandemic on income and expenditure assumptions, and a lack of any form of clarity on future funding settlements from government. It was a long time since the Council had any certainty during budget setting and 2022/23 looked set to continue this tradition, which made financial planning in this climate extremely challenging.

The Covid-19 pandemic continued to cast a shadow on the Council's finances with budget pressures arising from demand for services, the availability of goods and services, escalating costs and ongoing, permanent, reductions in income.

Alongside these service pressures, the Council continued to face a lack of clear direction over whether and when each of the planned local government finance reforms would be implemented. These reforms, together, had the ability to fundamentally alter the course of the MTFS. Providing certainty on these issues would make a significant difference to the Council's financial planning and therefore the services it delivered.

Against this backdrop of significant uncertainty this report set out the financial planning assumptions that would form the basis of the MTFS refresh. This medium-term financial planning was critical to ensuring that the Council had an understanding of the likely level of available resources and the potential costs of delivering services and identifying budget shortfalls at the earliest opportunity.

The current MTFS 2021-2026 had set out the need for continued reductions to be made in the net cost base of the General Fund. Based on what was currently known, or could be reasonably assumed, at this stage in the development of the MTFS there was no current need to alter the trajectory of the savings target.

This report did however highlight a short-term one-off gain in resources as a direct result of delays in implementation of funding reforms. This did not however alter the underlying financial position of the Council, there remained a requirement to deliver the significant level of reductions in the net cost base if the Council was to remain sustainable in the medium term. The Council's overriding financial strategy should continue to be, to drive down its net cost base to ensure it maintained a sustainable financial position.

Now more than ever, careful financial management was required to ensure that the Council was able to carefully balance the reductions required in the net cost base, ensuring it remained in a sustainable financial position, whilst driving forward its Vision 2025.

## 54. 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 of Schedule 12A of the Local Government Act 1972.

## 55. Strategic Risk Register Quarterly Review

Purpose of Report

To provide the Executive with an update of the revised Strategic Risk Register as at the end of the second quarter 2021/22.

**Decision**

That the content of the Strategic Risk Register be noted.

Alternative Options Considered and Rejected

None.

Reason for Decision

As set out at Minute 50 above.