

EXECUTIVE

Monday, 16 October 2023

6.00 pm

**Committee Room 1, City
Hall, Beaumont Fee, Lincoln,
LN1 1DD**

Membership: Councillors Ric Metcalfe (Chair), Donald Nannestad (Vice-Chair), Sue Burke, Bob Bushell, Rebecca Longbottom and Naomi Tweddle

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

A G E N D A

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2. Declarations of Interest

Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.

OUR PEOPLE AND RESOURCES

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

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

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

SECTION B

OUR PEOPLE AND RESOURCES

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REDUCING INEQUALITY

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| 7. Safer Streets Round 5 Bid Submission & Beyond | [Exempt Para 4] | 93 - 102 |
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Present: Councillor Ric Metcalfe (*in the Chair*),
Councillor Donald Nannestad, Councillor Sue Burke,
Councillor Bob Bushell, Councillor Rebecca Longbottom
and Councillor Naomi Tweddle

Apologies for Absence: None.

36. Confirmation of Minutes - 21 August 2023

RESOLVED that the minutes of the meeting held on 21 August 2023 be confirmed and signed by the Chair as a true record.

37. Declarations of Interest

No declarations of interest were received.

38. Localised Council Tax Support Scheme 2024/25

Purpose of Report

To propose options for consultation on a 2024/25 Council Tax Support scheme, and an accompanying Exceptional Hardship Payments scheme.

Decision

- (1) That the following options for a 2024/25 Council Tax Support scheme be moved forward for public consultation and scrutiny:
 - 'No change' scheme, and/or
 - Banded scheme for all working age customers
- (2) That an Exceptional Hardship Fund of £25,000 or £35,000 in 2024/25 be approved.

Alternative Options Considered and Rejected

As set out in Section 5 of the report to the Executive, two options for a Council Tax Support Scheme would be subject to public consultation and scrutiny:

- Option 1: No change to the current scheme.
- Option 2: Introduction of a 'banded scheme' for all working age customers.

Reasons for the Decision

The Council Tax Support Scheme (CTS), which replaced the national council tax benefit system on 1 April 2014, may be determined by each billing authority, after consultation with precepting authorities, key stakeholders and residents.

As at 30 June 2023, there were 8,458 residents claiming CTS in Lincoln, of whom 2,591 were pensioners protected under the CTS. There was discretion to determine the level of support to the remaining 5,867 working age claimants

(including those classified as 'vulnerable' for CTS purposes) in a local scheme which could change the level of support provided.

Unless a decision by the Council was made to apply scheme changes to vulnerable working-age customers, the localised CTS scheme would historically only be applied to non-vulnerable working age customers. The definition of vulnerable working-age customers was clarified within the officer's report.

The current, 2023/24 scheme contained the following restrictions for working age customers:

- Capital limit £6,000;
- Minimum entitlement of £2 per week;
- Property banding capped at Band B, so that a customer residing in a Band C and above property, would only have their CTS calculated on Band B liability;
- Backdating restricted to one month; and
- Temporary absence from home in line with Housing Benefit regulations.

Based on the current core elements of the existing scheme, caseload increases of 0% and 5% had been modelled, along with Council Tax increases of 1.9% and 2.9%. These were summarised at **Appendix 1** of the officer's report, giving an indication of the potential cost and savings to City of Lincoln Council. Also included was the potential value for non-collection, based on the collection figure currently included in the MTFS (98.75%).

As a billing authority the Council could decide whether or not to amend core elements of its scheme each year. Proposed options for consultation were included in Appendix 1 of the officers report.

For 2024/25, an option was put forward for consideration to make a fundamental change to the way CTS was calculated for working age customers, as detailed at paragraph 5.6 of the officers report

This could be a more streamlined, efficient, and easier to understand scheme based on specified income bands and percentage awards.

Exceptional Hardship Payments (EHP) assisted persons who had applied for CTS and faced 'exceptional hardship' – it was similar to the Discretionary Housing Payment scheme (DHP) for Housing Benefit shortfalls. EHP provided a further financial contribution where an applicant was in receipt of CTS but the level of support being paid by the Council did not meet their full Council Tax liability. The Council was required to provide financial assistance to the most vulnerable residents, who had been disproportionately affected by the changes made in 2023 to the CTS Scheme.

Since April 2013, the Council had agreed to introduce an EHP scheme each year, in order to provide a safety net for customers, in receipt of Council Tax Support who were experiencing difficulty paying their Council Tax. Exceptional Hardship fell within Section 13A(1) of the Local Government Finance Act 1992 and formed part of the CTS Scheme.

The cost of EHP awards was borne solely by City of Lincoln. As at the end of June 2023, a total of £7, 251.29EHP had been awarded for 2023/24. It was proposed that an EHP budget of £25,000 or £35,000 be in place for 2024/25–

the increase being to try and help assist in mitigating the transition to reduced levels of award under a banded scheme, in appropriate cases. If a 'no change' scheme was implemented, it was proposed the EHP provision for 2024/25 remained as 2024/25 – i.e. £25,000.

39. Proposals for the Extension of Existing Public Space Protection Order at Lucy Tower, Broadgate, and Lincoln Central Multi -Storey Carparks

Purpose of Report

To brief the Executive in the process and consideration given to date, to extend an existing Public Space Protection Order at Lucy Tower Multi-Storey Carpark, Broadgate Multi-Storey Carpark and Lincoln Central Multi-Storey Carpark.

To seek the views of the Executive on proposals regarding the extension of the existing Public Space Protection Order (PSPO).

Decision

That the proposal to extend the current PSPO without any variations to the prohibitions or location be approved.

Alternative Options Considered and Rejected

To extend and vary the PSPO to reword the prohibitions and/or change the geographical area.

To not extend the existing PSPO.

Reason for Decision

In October 2014 the Secretary of State enacted new powers from the Anti-Social Behaviour, Crime and Policing Act, relevant to tackling Anti-Social Behaviour. These powers also made changes to some of the relevant existing legislation and the Council was required, within the period of three years, to reconsider its Designated Public Place Orders (DPPOs) and either withdraw or replace them with new Public Space Protection Orders (PSPOs).

PSPO's were flexible and could be applied to a much broader range of issues, with local authorities having the ability to design and implement their own prohibitions or requirements where certain conditions were met. These conditions centred on the impact to the quality of life in the locality, persistence, and whether the impact made the behaviour unreasonable.

In September 2020 Executive approved the implementation of a PSPO covering Lucy Tower, Broadgate and Lincoln Central Multi-Storey Carparks.

A PSPO had a maximum duration of 3 years. It was therefore time to review the order to determine whether it should be subject to extension or variation. As part of the review, the views of both the public and relevant partner agencies had been sought, by way of a public and partner consultation, this consultation had also been published on social media for greater reach.

Feedback from partners including Lincolnshire Police, the CCTV team and from the Car Parking team was that the PSPO remained a useful tool.

It was important to recognise that this PSPO was an effective deterrent, and the feedback suggested that colleagues and partners found it a very useful tool for engaging with individuals and moving individuals on.

Data extracted from CCTV records showed that during the three years prior to the implementation of the PSPO there were 107 reported incidents of drug related ASB in the three car parks. Since the PSPO had been in effect, there has 35 reported incidents of drug related ASB in the three car parks. The data showed a drop in public order incidents but still showed one hundred and fifty incidents across the three car parks during the past three years.

The PSPO gave Police and Council staff the ability to move individuals away from the car parks if they were engaging in any of the prohibited activity noted on the PSPO. The fact that there had still been one hundred and fifty noted public order incident demonstrated that the PSPO was still needed as a useful tool to tackle ongoing issues at the three locations.

40. Repairs Policy Update

RESOLVED that this item be deferred to the next meeting of Executive scheduled for 16 October 2023.

41. Management of Communal Areas Policy

Purpose of Report

To propose the introduction of a Management of Communal Area's Policy.

Decision

That the introduction of the Management of Communal Area's Policy be approved.

Alternative Options Considered and Rejected

None.

Reasons for the Decision

At present the Council did not have a Management of Communal Area's Policy.

The Management of Communal Areas Policy as detailed at Appendix 1 to the officer's report, set out the approach that the City of Lincoln Council (CoLC) would take to manage enclosed communal areas and the areas that immediately surrounded blocks of flats. The policy applied to both tenants of the Council, also leaseholders and anyone that visited or lived with a tenant or leaseholder. The policy also applied to tenants in General Housing properties as well as those in Sheltered Accommodation.

It was noted that the Communal Areas Policy, also included an additional subsection on service delivery and complaints at pages 9/10, not included as part of Appendix 1.

The reasons why a Communal Area's Policy was required were outlined at paragraph 4.1 of the officer's report as follows, to:

- ensure the health and safety of all persons lawfully using communal areas
- ensure that all repairs and maintenance, including cleaning, was carried out on communal areas
- allow communal areas to be used in the best possible way for the benefit of all tenants, leaseholders, staff, and visitors
- explain what measures the Council took to monitor or control communal areas
- ensure all communal areas could be used safely where required in the event of an emergency or evacuation
- give clear advice to residents to maintain safety in across access routes in the event of an emergency

The Council would ask residents to keep internal/enclosed communal areas and the areas immediately surrounding entrances and exits clear of obstruction and/or items that may cause fire to be accelerated. The list of non-permissible items included:

- Potential ignition sources such as storage of cardboard
- Combustible materials such as garden furniture, artificial plants, plastic ornaments
- Electrical items, including battery operated lights
- Prams, buggies and bicycles
- Washing lines, wall mounted or strung wall to wall
- Items which may result in escape routes being narrowed such as, items of furniture, ornaments
- Any items on windowsills including plants
- Mobility Scooters, where a designated storage facility does not exist
- Items left within the communal area for disposal
- Storage of personal items within the communal area

It was considered that a policy would have a number of benefits for all stakeholders including residents, council staff and members of the public. as outlined within the officer's report.

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EXECUTIVE**16 OCTOBER 2023**

**SUBJECT: SETTING THE 2024/25 BUDGET AND MEDIUM-TERM
FINANCIAL STRATEGY 2024/25 – 2028/29**

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 This report updates the Executive on the latest Medium Term Financial Strategy (MTFS) position for the Council, including; the challenges in preparing for the 2024/25 and future years budget, setting out the parameters within which the Council will prepare these budgets, and confirms the Council's approach to development of the budget and MTFS.
- 1.2 Included in the report is an update on the current economic position and developments in national policy, specifically the high level of uncertainty surrounding local government financing and national funding reforms. This, along with the unavoidable and escalating costs pressures, cost of living crisis and rising demand for Council services, will inform the development of the MTFS.

2. Executive Summary

- 2.1 The Council's Vision 2025 and five strategic priorities drive the medium-term financial planning process, with changes in resource allocation determined in accordance with policies and priorities. The MTFS provides the framework for the development of annual budgets in line with the aims of the Council's strategy and priorities.
- 2.2 The refreshed MTFS will include financial projections for the five-year financial planning period through to 2028/29. It will set out the financial parameters within which the Council is required to work and the recommended approach to addressing the financial challenges the Council faces to develop a balanced, sustainable, budget and set Council Tax and Housing Rents for 2024/25.
- 2.3 The refresh of MTFS needs to be seen in the context of significant financial uncertainty for the Council. Exceptional economic factors such as; the continued and sustained impact of rising inflation on the Council's pay bill and the cost of goods and services; rising interest rates increasing the cost of borrowing; and the increasing demand for key services as those more vulnerable in the city look to the Council for support as the cost-of-living crises impacts on households, continue to add significant cost pressures to the Council's budgets.
- 2.4 These pressures are on top of the continued reduction in core government funding over recent years and increased reliance on council tax for income, which creates a particular problem for places like Lincoln, with a predominantly low tax base.

- 2.5 Furthermore, there remains uncertainty around the level of funding for local government beyond the current Spending Review period, with significant reforms to funding mechanisms due to be implemented, along with likely reductions in public sector expenditure post the next General Election.
- 2.6 As a result of these factors, the Council, and local government as a whole, are yet again having to update their medium-term financial strategies in a very uncertain environment. It is a long time since the Council had any certainty during budget setting and 2024/25 looks set to continue this tradition, which makes financial planning, and the subsequent impact on service delivery, in this climate extremely challenging.
- 2.7 Against this backdrop of significant uncertainty and volatility, this report sets out the current financial planning assumptions that will form the basis of the MTFS refresh. However, due to the level of uncertainty it is difficult to make a full, definitive and comprehensive assessment of the ongoing financial impact of these issues. As such, the figures in this report are based upon best estimates and forecasts and will therefore be subject to change as the budget process develops. This medium-term financial planning process is though critical to ensuring that the Council has an understanding of the likely level of available resources and the potential costs of delivering services, identifying budget shortfalls at the earliest opportunity to ensure appropriate action can be taken in advance.
- 2.8 Based on the current financial planning assumptions it is estimated that the Council will need to make reductions in the annual net cost base of the General Fund of c£2m by 2026/27, if it is to remain sustainable in the medium term. The Council has a strong track record of managing it's finances, having delivered annual revenue reductions of over £10m over the last 10 years. But this is a significant amount in comparison to the General Fund budget and with each year the challenge gets much harder.
- 2.9 Now more than ever, careful and prudent financial management will be required to ensure that the Council maintains a robust and sustainable financial position and is able to respond to the impact of volatile external events and increased financial risks that it faces. The MTFS needs to remain flexible, the council's reserves resilient and the sound track record of delivering savings needs to be sustained, whilst ensuring that resources are directed towards Vision 2025.

3. Background

Economic Climate

- 3.1 The most recent major fiscal event was the Spring Budget in March 2023. There were few measures of any major impact on local government. The Chancellor set out policies designed to promote growth and to shore up the public finances. He provided further support to consumers and businesses for energy costs. He committed to the target of halving inflation by December 2023, which would likely entail further rises in interest rates, as has subsequently been the case. Since the Spring Budget the UK economy has continued to face a volatile and uncertain path.

- 3.2 The UK economy grew by 0.1% in quarter 1 and 0.2% in quarter 2 of 2023, and while concerns of a deep recession have largely gone away, there are still concerns over the economy's weak performance and renewed signs of stress. High interest rates, policy uncertainty before a general election and low productivity will likely act as a drag on economic growth, with latest forecasts showing little to no growth in the second half of the year. The latest forecasts are for growth at 0.4% in 2023 and 0.3% in 2024.
- 3.3 In September the Bank of England paused its run of consecutive interest rate rises, the first time in nearly two years. After 14 consecutive increases the rate, currently at 5.25%, is at its highest level for 15 years. While inflation is reducing, there does not yet appear to be any signs of interest rates starting to fall at the moment. With the Bank of England Governor stating that interest rates are close to their peak, but they may still have further to rise. Forecasters do not anticipate the Bank to start contemplating cuts until at least late 2024.
- 3.4 In terms of inflation, CPI fell to 10.5% in December 2022 and 10.1% in January 2023, down from the peak of 11.1% in November 2022 – the highest rate of increase in 41 years. However, in February 2023 CPI rose again to 10.4% and then in March fell back to 10.1%, illustrating the volatility that persists in the economy. Although CPI has dropped by 3.4% to its current rate of 6.7% in August, it remains stubbornly high, with issues including strong pay growth meaning that it is not likely to return to the Government's target rate of 2% until early 2025.
- 3.5 Against this backdrop the Office of Budget Responsibility will be taking the latest economic data into account in its economic and fiscal forecasts to be published alongside the Autumn Statement on 22nd November. While there is some optimism with higher wages pushing up tax income, the higher than budgeted interest rates will have increased the cost of government borrowing although total borrowing is less than expected, creating some potential headroom for new spending pledges ahead of the upcoming general election.

Public Sector and Local Government

Public Sector Expenditure

- 3.6 After a period of one year funding settlements the Autumn Statement 2022 and 2023-2025 Policy Statement on Local Government Finance provided figures in sufficient detail to enable effective resource planning for local authorities for the next two-year period. The Finance Settlement also provided higher than expected grant funding for local government.
- 3.7 However, despite this additional resource, the Autumn Statement in particular revealed that much of the tougher decisions on reducing public sector had been shifted into the next Spending Review period, starting in 2025/26.
- 3.8 That is likely to be after the next general election and the task of making substantial reductions in public expenditure will therefore fall to the incoming government. There is no indication how much of any expenditure reductions will be targeted at local government but given the high level of the national savings requirement from 2025/26 onwards and given spending on the NHS is set to increase by 3% a year

above inflation, and there are commitments on defence and development assistance, there is likely to be real-terms cuts to many other areas. The Office for Budget Responsibility has forecast real-terms cuts of almost 1% per year to other areas of spending given current plans. It would therefore be reasonable to assume that most parts of the public sector will be affected including local government. There is therefore a real risk of a new round of austerity.

- 3.9 Given local government bore the brunt of austerity in the 2010's (having faced a £15 billion real terms reduction to core government funding between 2010 and 2020), and whilst social care may offer some protection in the next Spending Review, it is unlikely local authorities will avoid the severe funding reductions that will be required as part of the wider need for spending restraint.

Local Government Funding

- 3.10 While future reductions in public sector expenditure have been put off until 2025/26, these are not the only items deferred until then. The Fair Funding Review of local government funding and the reset of the business rates baseline are also currently on hold until after the next general election. These are two fundamental reforms to the mechanisms of local government funding, which will have significant impacts on the level of resources for each local authority.
- 3.11 The history of these reforms goes back a number of years; in 2012, before the introduction of business rates retention, the Government promised a reset of accumulated business rates growth in 2020. In 2016, they promised a review of the needs assessment formula which would be used in re-allocating the accumulated growth between councils. In 2018, they published major consultation documents on all this, for implementation in 2020/21. Since then, implementation has been successively delayed primarily due to Covid19 and Brexit.
- 3.12 The Fairer Funding Review is expected to deliver both a new set of formulas for estimating the relative spending needs (the current formulas are based on spending needs from 2013/14) of different local authorities, and a more rational overall funding system that better takes into account spending needs and revenue-raising capacity. The Review should establish new baselines at the start of a reset to the Business Rates Retention scheme. Although previous technical consultations had been published, prior to the pandemic and current economic and cost of living crisis, which indicated a shift in resources from district councils towards statutory social services at county and unitary level, there has been no new consultation on any proposed new formula. Until further consultations are announced there remains significant uncertainty as to the direction and impacts of the Review.
- 3.13 A Business Rates Reset was also set to be introduced alongside the Fair Funding Review. A full business rate baseline reset of accumulated growth is expected to take place, with the intention of better reflecting how much local authorities are actually collecting in business rates. This reset has the effect of wiping out any business rate gains that individual authorities have built since the launch of the current system in 2013/14. This has significant financial implications for the majority of local authorities, for those below their baselines this would be a positive move, but it presents a serious threat to those with high growth above baselines, with a punitive, cliff-edge reset.

- 3.14 In announcing a 2023-2025 Policy Statement on Local Government Finance it was confirmed that these reforms will not be implemented in this Spending Review period, however the government remains committed to improving the local government finance landscape in the next Parliament.
- 3.15 At the earliest, implementation will now not be until 2025/26 or realistically, depending on the timing of the General Election and the appetite of the new government for reform, until perhaps 2026/27, just as the new round of austerity is likely to be impacting.

Local Government Financial Resilience

- 3.16 After a decade of austerity, budget pressures created as a result Covid19 and the current escalation in costs and demands arising from the economic and cost of living crisis, there are an unprecedented number of councils now in financial crisis. Section 114 notices (which give notice that a council cannot balance its budget), or the threat of them, are now becoming a regular occurrence of local authorities reaching the end of the road in terms of their financial position.
- 3.17 Council finances are in a critical state, since 2020, 16 councils have received exceptional financial support from the Government with 7 announced this year and 5 councils have issued at least one S114 notice, in some cases multiple notices have been issued.
- 3.18 While initially the reasons for the S114's were generally due to corporate budget failure and commercial decision making, there are now an increasing number of councils reporting in year overspends and significant budget gaps in future years as a result of inflation and demand outstripping the level of resources available to them.
- 3.19 Recent analysis by the Local Government Association has revealed that councils in England face a funding gap of almost £3billion over the next two years just to keep services standing still. Once increases in estimated core council funding are taken into account, the LGA estimates that councils need a further £2 billion in 2023/24 and £900 million in 2024/25 in order to deliver services at their current levels in each year. These funding gaps assume that all councils will increase their council tax rates in each year by the maximum allowed before a referendum is required.
- 3.20 The Chair of the LGA's Resources Board, said "Inflation, the National Living Wage, energy costs and ongoing increasing demand for services are all adding billions of extra costs onto councils just to keep services standing still. Councils' ability to mitigate these stark pressures are being continuously hampered by one-year funding settlements, one-off funding pots and uncertainty due to repeated delays to funding reforms. The Government needs to come up with a long-term plan to sufficiently fund local services. This must include greater funding certainty for councils through multi-year settlements and more clarity on financial reform so they can plan effectively, balance competing pressures across different service areas and maximise the impact of their spending."

- 3.21 In addition to the recent analysis by the LGA, the Institute for Fiscal Studies (IFS) recently published a report on the level of public funding each local authority area receives. The report found that while NHS funding broadly matched an areas' needs with cash, the local government funding regime has "broken down" and that what deprived areas currently receive from Government and Council Tax barely reflects needs.
- 3.22 With little prospect of any long-term funding reforms until after the general election and the likelihood of further reductions in public sector expenditure, many councils are left in a perilous state and will be faced with little option other than to issue a S114 notice. Whether additional, short-term, resource is announced as part of the Autumn Statement and/or Local Government Finance Settlement remains to be seen, but in most cases this will only bring a temporary reprieve until a longer term, more sustainable funding plan is in place to sufficiently fund local services.

4. Integrating Strategic, Service and Financial Planning

- 4.1 The Council's Vision 2025 and five strategic priorities drive the medium-term financial planning process, with changes in resource allocation determined in accordance with policies and priorities. The MTFS provides the framework for the development of annual budgets in line with the aims of the Council's Vision and priorities.
- 4.2 The MTFS is central to identifying the Council's financial capacity to deliver it's vision and strategic priorities, this requires a balance to be struck between the need to support the delivery of the vision with the need to maintain a sustainable financial position. This balance has become extremely difficult in recent years given the Council's financial position and a need to continue to reduce the net cost base. During the development of the MTFS striking this balance manifests itself in two main ways; it guides decision making in terms of proposals presented in order to achieve any savings targets; and it determines the allocation of resources towards strategic priority areas both in operational service delivery and project implementation.
- 4.3 The current strategic plan, Vision 2025, is supported by annual delivery plans, which set out the specific, new schemes, to be delivered each year to work towards the end goal of the Vision. These include a significant amount of new investment, primarily of a capital nature, aimed at supporting the economic prosperity of the City and which is largely funded through external grants. In addition, through the refocusing of existing resources and allocation of the Vision 2025 earmarked reserve, there are also a number of revenue schemes.
- 4.4 Updated delivery plans for the remaining period of the Vision up to 2025 have been reviewed and re-aligned to ensure they; remain deliverable in light of both the recruitment and retention challenges the council is currently experiencing; reflect current needs of the City's residents and businesses e.g. interventions in response to the cost-of-living crisis and reflect the economic factors on the viability and deliverability of projects. Critically though the delivery plans continue to recognise the need to reduce the Council's net cost base alongside the investment to support the priorities. The revised delivery plans are due to be launched in November 2023.

- 4.5 Despite the challenges posed to the Council's financial position it remains committed to seeking to deliver the schemes included in the delivery plans through to 2025. It will though, as set out further in this report, continually assess both revenue and capital schemes to ensure that they continue to represent value for money, remain affordable and explore opportunities for alternative funding.

5. Development of the Budget and MTFS

- 5.1 As set out throughout this report, councils continue to face escalating costs and rising demand for services. The Council's own financial position is no different to this; inflation, pay awards, construction costs and an increased demand on services driven in part by the cost-of-living crisis, all have a huge impact on the Council's cost base. Together they create a situation of the Council's cost base increasing a greater pace than the funding received from local taxation and Government funding.

- 5.2 These escalating costs are across a number of key areas of which the Council largely has no influence over, these affect both day to day services and capital investment schemes:

- Pay inflation - the proposed pay offer made by the National Employers side, whilst recognising the below inflation pay increases of local government workers in recent years, places a significant additional burden on local authorities. With proposed pay increases of 9.42% for the lowest paid grades this offer far outstrips the assumptions within the current MTFS.
- Contractual commitments - the Council has a number of key service contracts, for front line services e.g. waste collection, housing repairs, that are linked to annual contractual inflationary increases. Despite assumptions made in the current MTFS, with levels of CPI/RPI still at heightened levels and volatility in forecasting, increased costs of service contracts are still anticipated.
- Construction and capital costs – the cost of delivering building and maintenance schemes has escalated due to inflationary pressures borne by contractors as well as labour shortages, material shortages and supply chain issues. In addition, the cost of borrowing to fund capital schemes is also increasingly impacting on the affordability of projects.

- 5.3 In terms of service delivery, the Council is facing growing demands for some of its key services as those more vulnerable in the city look to the council for support as the cost-of-living crisis hits household incomes. Due to Lincoln's specific set of local socio-economic factors this places a greater demand on key services and resource allocation than in most other places.

- 5.4 Whilst assumptions were made in the development of the current MTFS there is a requirement to refresh the MTFS in light of developments over the last 12 months and to address the impact the new and emerging challenges on the overall level of resources available to support the Council's budget, and to roll the strategy on for a further year so that it now incorporates the five years to 2028/29.

- 5.5 The financial assumptions on which to base the MTFS continue to be challenging to estimate with certainty. There continues to be a number of unknowns and key variables, which are currently difficult to predict and subject to constant change. These cover the variables such as inflation, interest rates, impact of continued cost of living pressure on income streams, growing service demands, the lack of certainty on future national funding reforms and the implications for public expenditure arising from the outcome of the next General Election. The tradition of budget setting amidst uncertainty looks set to continue for this refresh of the MTFS.
- 5.6 Against this backdrop of uncertainty, the development of the budget and MTFS, will include the preparation of indicative net base service budgets by the Directorates and Financial Services Team. When reviewing budgets officers will prepare these on an incremental basis and will update in accordance with the assumptions detailed in Appendix A and will highlight cost and demand pressures and potential mitigating actions.
- 5.7 At this stage in the development of the MTFS there are a number of emerging additional service and demand pressures that are likely to impact on future years budgets. Whilst it is the intention that any new service pressures identified which have not already been taken account of in the revised assumptions will, as much as possible need to be managed within existing base budgets, given the scale of some of these pressures these are unlikely to be mitigated in full through this process.
- 5.8 Alongside this the overall level of resources from Council Tax, Business Rates, Housing Rents, Government Grants etc will be estimated in line with the assumptions detailed in Appendix A.

General Fund

- 5.9 As referred to above the preparation of the base budgets and resource levels are based on a range of assumptions for key variables. The key changes to the assumptions (further detail of which are set out in Appendix A) for the General Fund, at this point in time, which will have a financial impact are set out below:

Figures in () equate to a surplus	2024/25 £'000	2025/26 £'000	2026/27 £000	2027/28 £000
Business Rates	(289)	(320)	(124)	(47)
Council Tax	(96)	(96)	(94)	(99)
Contractual Inflation	95	113	115	117
Utility Prices	(118)	(121)	(123)	(126)
Pay Inflation	553	543	553	566
Capital Financing/Treasury Mgmt	(72)	27	(28)	(26)
Service demands/ pressures (Temporary Accommodation)	250	400	400	400
Service demands/pressures (other)	To be determined as part of budget process			
Total Budget Pressures	323	546	699	785

- 5.10 Included in the above is an estimate of service demand/pressures in relation to the cost of the provision of and funding for temporary accommodation. Demand for temporary accommodation continues to increase due to rising cases presenting, this coupled with a shortage in the supply of suitable accommodation, pushes up the use, and cost, of bed and breakfast accommodation. Whilst the Council can reclaim an element of these costs through the housing subsidy system, the amount that can be reclaimed is limited to the local housing allowance (LHA) rate of £91.15 per week, regardless of the cost of the accommodation. LHA rates have been frozen since 2020, and are based on rents from 2018/19, therefore the gap between actual rents and the LHA rates is becoming wider and less reflective each year and leaves the Council in the position of having to 'make up' significant shortfalls between housing benefit subsidy and the cost of temporary accommodation. Combined together, this widening shortfall and increase in demand for temporary accommodation creates an increasing cost pressure for the Council. These demands are not expected to lessen over the period of the MTFS and unless there is a significant increase in appropriate accommodation then the Council will continue to experience this level of cost.
- 5.11 In addition, as set out above, as part of the development of the budget there will be further service demands and pressures that arise. Whilst the intention is to take appropriate mitigating action and contain service pressures within overall budgets, there will inevitably be some impact on the underlying budgets which will increase the overall level of budget pressures.
- 5.12 The total budget pressures set out in para 5.9 assume that the funding reforms to local government are implemented with effect from 2025/26, at which point the Council faces a cliff edge in terms of its funding. There is however now a strong case for this to be delayed i.e. a general election, availability of post revaluation data etc. This would result in additional resources being available to the Council of c£1m-£1.9m through retained business rates and grant funding streams. These potential additional resources have a fundamental impact on the Council's financial position for 2025/26, impacting the above change in assumptions, as follows:

Figures in () equate to a surplus	2024/25 £'000	2025/26 £'000	2026/27 £000	2027/28 £000
Business Rates	(289)	(1,285)	(124)	(47)
Council Tax	(96)	(96)	(94)	(99)
Contractual Inflation	95	113	115	117
Utility Prices	(118)	(121)	(123)	(126)
Pay Inflation	553	543	553	566
Capital Financing/Treasury Mgmt	(72)	27	(28)	(26)
Service demands/ pressures (Temporary Accommodation)	250	400	400	400
Service demands/pressures (other)	To be determined as part of budget process			
Total Budget Implications	323	(419)	699	785

- 5.13 While the change in underlying assumptions above identifies that the General Fund is facing a further budget gap from 2024/25 onwards, the current MTFS was based

on an existing savings target of £1.75m to be delivered by 2026/27. This target of £1.75m was phased over a 3-year period to provide a more manageable position over the two-year period to 2024/25, allowing sufficient capacity and time to deliver a savings programme of this scale. Work commenced during 2023/24 on delivering against these targets, progress as follows:

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Savings Target MTFS 2023-28	500	1,000	1,750	1,750
Savings secured/business case approved	(120)	(122)	(124)	(127)
Savings subject to business case development	(181)	(188)	(192)	(199)
Balance of savings outstanding	199	690	1,433	1,426

In setting these savings targets in the current MTFS it was acknowledged that these were likely to change (positively or negatively) dependent on the timing of the next Spending Review/General Election, with potential for a further delay in the implementation of funding reforms and/or implementation of further public expenditure reductions.

- 5.14 The balance of these outstanding savings are still required to be delivered as part of the revised MTFS and are in addition to the budget pressures set above. Including the balance of outstanding savings will result in the following total budget gaps:

Scenario 1 (assumes funding reforms in 2025/26)

	2024/25 £'000	2025/26 £'000	2026/27 £000	2027/28 £000
Net overall budget pressure/ (surplus)	522	1,236	2,132	2,221

Scenario 2 (assumes funding reforms in 2026/27)

	2024/25 £'000	2025/26 £'000	2026/27 £000	2027/28 £000
Net overall budget pressure/ (surplus)	522	271	2,132	2,221

- 5.15 The lack of clarity around the future level of local government funding and uncertainty about the economic environment, and service/demand pressures, make it hard to be precise about future savings targets and the timing of them. What is certain is that the Council faces a growing financial challenge if it is to remain financially sustainable in the medium term. On the basis of scenario 1 the General Fund will be looking to identify and deliver savings of c£2m by 2026/27.
- 5.16 The timing of the national funding reforms and next Spending Review are critical to the 2025/26 position, the level of savings required in that year, and the overall timing and phasing of what is set to be a challenging savings programme. As there

is a strong case that the funding reforms will be further delayed by one year the MTFS will be developed on the basis of scenario 2, (using the lower end of the range of potential additional resources of between £1m-£1.9m). While, on the basis of the forecast change in assumptions set out above, this reduces the level of savings programme required in the short term, this does not yet take into consideration any service cost/demand pressures that may arise from the budget process.

- 5.17 Due to the number of variables and unknowns, these assumptions and estimates above, will continue to be refined as part of the development of the budget with the final savings targets determined following the announcement of the Local Government Finance Settlement.
- 5.18 In terms of the overall savings target of c£2m, in the absence of additional, ongoing, funding from the Government, the Council is still in a position of having little choice but to face some difficult decisions about the size and scope of the essential services it provides. As set out in the current MTFS, delivering savings targets of this size must be set in the context of the Council having already delivered, over the last decade, annual revenue savings of nearly £10m. This is a significant amount in comparison to the net General Fund budget and with each year the challenge gets much harder.
- 5.19 The key mechanism for delivering the required budget savings is through the Towards Financial Sustainability (TFS) Programme, which seeks to bring net service costs in line with available funding. The programme focuses on both short term and longer-term sustainable options, which includes:
- Seeking opportunities to maximise our use of technology, embracing digital technology to improve service delivery across the organisation and instilling a website first culture, to make the council more efficient,
 - Considering the benefits of increasing Council Tax in line with referendum limits, to protect service provision, whilst ensuring increases are kept at an acceptable level and that support is provided to the most vulnerable.
 - Assessing opportunities to find alternative ways of providing services more efficiently and effectively by working jointly with partner organisations, such as other local councils, the voluntary sector, local businesses.
 - Considering community asset transfer opportunities whereby our physical and natural assets can be transferred to voluntary & community groups and charities, bringing much needed resources to enhance and maintain those assets.
 - Reviewing our financial support to third sector organisations to ensure resources are being effectively utilised for the benefit of our council tax payers.
 - Seeking to generate additional income by reviewing our sales, fees and charges and ensuring that these reflect our increasing operating costs.
 - Seeking to maximise income opportunities from our property investments.
 - Maximise grant funding opportunities and prioritising capital investment in line with our capital strategy to reduce the revenue cost of borrowing. We also continue to review our treasury management and capital financing approaches to maximise benefits.

- Making the best use of our assets, developing multi-agency hubs where possible and ensuring those spaces are low carbon producers and sustainable.
- Continuing to use the Council's influence, and direct investment in the city (such as through; the Town Deal; the Council House New Build Programme; the UK Shared Prosperity Fund and Western Growth Corridor), to create the right conditions for the city's economy to recover and grow, leading to longer term increased revenue streams for the council.

However, not all of these options can be realised in the short term, nor will they deliver the total level of savings required. Ultimately the Council will need to review and revisit its investment priorities, beyond Vision 2025, and will be forced to look closely at the services it provides and may inevitably have to stop or reduce some of these in order to continue to deliver affordable and sustainable budgets.

- 5.20 Alongside the development of the TFS Programme, the Council will continue to lobby the Government and call upon them to increase local government funding in recognition of the unprecedented and unavoidable pressures that local government are facing. The Council will also support sector campaigns/lobbying regarding sustainable funding mechanisms and medium-term financial settlements for local government.

Housing Revenue Account

- 5.21 A key element of the HRA self-financing regime is the Council's 30-year Business Plan. The Council's latest Housing Revenue Account Business Plan, 2016-2046, was approved in February 2016 following a fundamental review of resources, investment requirements and priorities. Since adoption of the Plan, in 2016, a number of issues e.g. Covid19 and the current economic factors have had a fundamental impact on the way the Council delivers its housing and landlord services and the underlying financial assumptions. In addition, the refreshed and repurposed strategic plan, Vision 2025, includes a much greater focus on health outcomes and the environment, with implications for the delivery of housing services. As a result, a fundamental re-write of the 30-year Plan to reflect the current operating and economic environment and to reflect the Council's current aims and ambitions in Vision 2025 has recently been undertaken and a new Business Plan will be presented to the Executive in November.
- 5.22 The revised MTFS for the HRA will be based on the revised financial assumptions (as outlined in Appendix A), along with updated development and investment profiles as set out in the refreshed Business Plan, along with any other emerging service pressures. The main changes to the assumptions for the HRA, at this point in time, which will have a financial impact are set out below, with further details provided in Appendix A:

Figures in () equate to a surplus	2024/25 £'000	2025/26 £'000	2026/27 £000	2027/28 £000
Contractual Inflation	53	54	55	56
Utility Prices	(70)	(70)	(75)	(76)
Pay Inflation	385	386	392	395
Capital Financing/Treasury Management	(538)	(263)	(117)	(93)
Service demands/pressures	To be developed as part of budget process			
Total Budget Pressures/ (Surplus)	(170)	107	255	282

5.23 While the above table sets out the changes in key assumptions, the HRA is also facing a number of service demands and pressures. These are primarily arising due to the ongoing recruitment and retention challenges in the Housing Repairs Service (HRS), which is being felt not just by the council but across the construction industry as a whole. This inability to attract and retain staff results in a greater reliance on the use of sub-contractors to ensure that service demands are met. The cost of using subcontractors is however more expensive than the HRS's own workforce, due to the ongoing impact of Covid19, the current inflationary crisis and a reduced pool of contractors from which to secure services. These additional costs are therefore not fully offset by the vacancy savings achieved by not carrying out the work internally. In addition, the HRA is currently experiencing an increase in the number of repair jobs which is also increasing costs. While work continues to reduce the impact of these issues on the HRA budget, i.e. through recruitment and retention strategies, some costs are rising significantly and are likely to remain at those levels without falling when the current economic pressures subside. Therefore, it is almost certain that additional budget provision will be required in the HRA for the rising cost of maintaining the housing stock, the estimate of this will be further developed as part of the budget process.

5.24 The most critical of the assumption uncertainties for the HRA is the level of housing rent increase to be applied and the potential implementation of a housing rent cap (further details are set out in Appendix A). The current MTFS assumes a rent increase of 5% in 2024/25 (on the basis of CPI at 4% as at September), followed by annual increases of 3%. Dependent on the level of CPI as at September and subject to any rent cap being imposed, the levels of additional rental income over a range of % increases would be as follows:

	2024/25 £'000	2025/26 £'000	2026/27 £000	2027/28 £000
6% rent increase in 2024/25	(322)	(330)	(339)	(347)
6.5% rent increase in 2024/25	(482)	(494)	(507)	(520)
7% rent increase in 2024/25	(643)	(660)	(676)	(694)

5.25 It is important to recognise that the income from housing rents does not just help fund the Housing Revenue Account, it is also required to fund the ongoing capital investment required in the housing stock. Similar to the revenue account, the capital programme faces increasing costs due to inflationary pressures, a reduction in available contractors, limited government funding to support investment such as

environmental priorities and requirements such as carbon reduction measures to homes etc. Acknowledging the cost of living crisis and pressure on household incomes, it is important to maintain a careful balance between the level of housing rent applied against the level of resources required to resource the HRA and the capital investment required in the stock.

- 5.26 Whilst no details of a potential housing cap for 2024/25 have yet been realised, the Council maintains the position that rent decisions should be subject to local determination. Social housing landlords are best placed to make decisions about rent increases, reflecting the unique nature of each council's tenants, homes and financial strategies and housing business plans.
- 5.27 On the basis of the assumptions above, and without making provision for service demand pressures, a minimum rental increase of 6% in 2024/25 would be required in order to maintain a balanced budget in the HRA. Any increase below this level would create a budget gap for the HRA, and one that the Council will need to develop a response too. This will mirror the work being undertaken on the General Fund in reviewing the options to reduce the net cost base of the HRA, primarily though due to the nature of the HRA the reductions will be in the form of reduced contributions to the capital programme, with a consequent impact on the Housing Business Plan.
- 5.28 As per the General Fund, due to the number of variables and unknowns, the assumptions and estimates above, will continue to be refined as part of the development of the budget with the final rent proposal to be determined following as a result of this process.

Investment Programmes and Capital Strategy

- 5.29 The development of the General Investment Programme (GIP) for 2024-29 will focus on the affordability and delivery of schemes in Vision 2025 and essential investment in existing assets to either maintain service delivery or existing income streams. Due to a lack of available capital receipts and the lack of revenue resources to fund prudential borrowing (and the escalating cost of borrowing) it is essential that other sources of funding such as grant allocations and partner contributions continue to be sought.
- 5.30 External grant funding is enabling the delivery of a considerable number of capital schemes for the Council e.g. Lincoln Town Deal Programme, Heritage Lottery Fund for Re-imaging Greyfriars and Green Homes/Sustainable Warmth funding. The most significant of these schemes is the Town Deal Programme, Lincoln Towns Deal Board were successful in securing £19m of funding to support a number of projects to deliver long-term economic growth in the City. The majority of the schemes in this programme will be delivered by external organisations with the Council acting as the Accountable Body, there are however two schemes that the Council will directly deliver. In January 2023 it was announced that the Council had been successful in its bid to secure £20m, through the Levelling Up Fund 2, to bring forward the delivery of a bridge to open the eastern access to the Western Growth Corridor site. This scheme is not yet fully included in the GIP as work continues on the viability and deliverability of the project, this will be subject to separate approval in early 2024.

- 5.31 The development of the Housing Investment Programme (HIP) for 2024-29 will be in accordance with the revised 30-year Housing Business Plan which has recently been produced. The focus over the next 5-years will remain on the two main high level areas of housing strategy and housing investment. In terms of housing strategy, the focus continues to be on maximising the use of 1-4-1 retained right to buy receipts, assessing the use of prudential borrowing (at an escalating cost) and seeking government grant funding for new build schemes or purchase & repair schemes that generate a positive net rental stream. In relation to housing investment the HIP will continue to focus on the allocation of resources to the key elements of decent homes (in line with stock condition surveys), supporting the new Lincoln Standard and improving the energy efficiency of the housing stock.
- 5.32 While the business plan sets out a comprehensive set of goals and objectives for the period 2023 to 2028. These objectives are all due to be delivered within five years and have been costed and will be provided for within the revised MTFS. Most of these changes will be small or medium in nature e.g. delivery of 50 additional homes etc. and will make impactful changes over a shorter period. However, the Business Plan also sets out a number of long-term goals of:
- Improving Core Housing Services
 - Delivering New Homes
 - Regenerating Neighbourhoods and Estates
 - Reducing Carbon Emissions

With the exception of improving core housing services, actions taken to achieve the longer-term goals will require significant resources or operational changes and will take many years to plan and deliver e.g., deliver 1,500 additional homes over 30 years. Work will therefore continue on the development of these actions, with specific schemes brought forward for approval and inclusion in the MTFS at the appropriate time.

- 5.33 With inflationary pressures also affecting the construction costs, as well as the rising cost of borrowing, investment plans must be approached cautiously and allow for flexibility. All schemes across both the GIP and HIP, that have not yet started will be re-evaluated as they come forward for delivery. This will ensure that they still demonstrate value for money and remain affordable. Given the importance of investment in the City, to support the local economy, all opportunities to contain costs and/or seek alternative funding to ensure schemes are delivered will be undertaken.
- 5.34 The culmination of the above processes will result in a set of budget proposals, including revised savings target, that will deliver a balanced budget in line with the Council's strategic priority areas. This will then be subject to public consultation and Member engagement.

Consultation and Engagement

- 5.35 Local authorities have a statutory duty to consult externally on Council Tax setting. For consultation on the 2024/25 budget, proposals are being developed for

consultation and engagement activities designed to gather feedback from residents and stakeholders in a meaningful way. These will take place following Executive in January 2024 and the timetable will allow for members to consider the feedback alongside budget scrutiny.

- 5.36 These engagement activities will provide an opportunity to explain to local residents the breadth of council services provided in the City raising awareness of how public money is spent by the Council. It will also provide information on financial challenges the Council is facing, explaining the proposed budget and seeking views on the proposed increase.
- 5.37 The engagement proposals include a mixture of broad public consultation and targeted activities.
- 5.38 A City wide survey will be available seeking residents views and priorities for spend which will be available to residents, visitors and stakeholders. This will be promoted to encourage responses from across the city and will also include access to the survey via QR codes in key locations.
- 5.39 The Lincoln Citizens Panel is currently under refresh and will form a key part of the budget consultation.
- 5.40 Proposals are also being developed to listen and hear the priorities of residents in Lincoln who maybe under represented or 'hard to reach'. This would include a facilitated workshop with individuals with personal experience of the 9 protected characteristics along with representative agencies, charities or organisations supporting those with lived experience. Representatives from the Council would be involved in the conversations to explain, answer questions and listen to feedback. This workshop would be supported by an external facilitator experienced in working with individuals from a range of backgrounds.
- 5.41 The Council will also engage directly with key stakeholders, including the business community and local partners. Options are also being prepared for targeted engagement with young people living in the City.
- 5.42 Following the success in recent years of the all Member workshops and Budget Scrutiny process a similar process will be followed in early 2024 to ensure that all Members have the opportunity to consider and fully understand the proposed budget, MTFS and council tax recommendations and that a robust scrutiny of the proposals is undertaken.
- 5.43 A financial planning timetable to deliver a balanced and affordable five-year revenue budget strategy and capital programme, in line with Vision 2025, is attached at Appendix B.

6. Strategic Priorities

- 6.1 The Medium-Term Financial Strategy seeks to deliver the key priorities of the Council within the available level of resource, both revenue and capital.

7. Organisational Impacts

7.1 Finance

The financial implications are as set out in the report.

7.2 Legal Implications including Procurement Rules

Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their Council Tax requirements in accordance with the prescribed requirements of that section. This requires consideration of the authority's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from the General Fund to the Collection Fund.

These proposals will eventually be referred to Council so that it can approve the budget and set the Council Tax, which it is required under statute to do so for 2024/25 by 11th March 2024.

7.3 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.

This report provides a summary of the financial planning activities across the Council. As a consequence of the development of the MTFS and budget for 2024/25 there may be an impact on certain council services which will be subject to review through the Towards Financial Sustainability Programme. Where individual projects or reviews are being developed, specific equalities implications will be assessed and relevant impact assessments and/or statutory consultation with service users will be carried out accordingly. As the overarching strategic document, a separate equality impact assessment will not be undertaken for the MTFS 2024-2029.

7.4 Human Resources

There are staffing implications associated with the report, especially in relation to the Financial Services Team, where staff will be significantly involved in the preparation of the budgets and MTFS. This resource has been provided for within the Service Plan of the team.

Specific staffing implications may arise where certain Council services are subject to review through the Towards Financial Sustainability Programme. In such cases the Council's Management of Change Policy will be adhered to.

8. Risk Implications

8.1 There are significant, unprecedented risks to the Council's budget strategy, particularly in the short-term as a result of;

- The cost-of-living crisis giving rise to increased demand for Council services, particularly from those most vulnerable in the City.
- The impact of the cost-of-living crisis and economic climate on income streams as household/business incomes are squeezed.
- The uncertainty regarding the second two years of the current Spending Review period along with the uncertainty as to when the Fair Funding Review and Business Rates Reset will be implemented.
- Government intervention in Social Rents Policy, potentially imposing a cap on the level of annual rent increases and removing the ability for Councils to set rents in light of their local financial circumstances and housing business plans.
- The Government's future fiscal plans, and the overall trajectory for public sector expenditure beyond the next General Election
- The effect of the current economic climate on the Council's escalating costs, with further increases in inflation increasing service contracts, the costs of goods/materials/construction costs, and placing further pressures on pay settlements.
- Impact of variations to forecast interest rates, both in terms of investment returns and also on assumptions made on borrowing costs.
- The tendering of the key frontline services for Grounds Maintenance, Street Cleansing and Waste contracts and the potential increase in current service costs. This is compounded by the timings and cost implications of a range of Government policy initiatives in terms of waste and recycling arising from the Environment Act.
- The capacity and ability to continue to deliver a significant level of savings.

The budget process includes the recognition of these risks in determining the 2024/25 budget and MTFS, but it will be imperative that the Council continues to build upon its record of delivering significant savings and maintains a strong financial management discipline in order to ensure a sustainable financial position.

9. Recommendation

9.1 Executive are asked to;

- a) Note the significant financial challenges and risks that the Council faces, particularly the unplanned, and unavoidable increasing cost pressures.
- b) Note the projected budget parameters for 2024/25 and future years and note the planning assumptions, as set out in Appendix A.
- c) Note the budget, strategic and service planning preparation programme, set out in Appendix B.

Is this a key decision? No

Do the exempt information categories apply? No

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

How many appendices does the report contain? Two

List of Background Papers: None

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KEY BUDGET ASSUMPTIONS MTFS 2024 – 2029

1. The base budget estimates will be prepared on the basis of a number of key assumptions as follows:-

2. **Business Rate Tax Base**

- 2.1 The current Business Rates Retention scheme was introduced by the government in April 2013 and replaced an element of grant funding. The calculation of income to be received through the scheme is critical in determining the amount of resources that the Council will have available to fund local services.

2.2 Surplus position 2022/23

When forecasting the position on the Council's share of the Business Rates Collection Fund balance for 2022/23, a surplus of £0.675m was declared, on the basis of the in-year monitoring position and estimated appeals provisions at that point in time. By the time of closing the 2022/23 accounts the situation had increased the surplus by £0.038m. This increase in the surplus will be released to the General Fund in 2024/25.

2.3 In year position 2023/24

In relation to the business rate base for 2023/24 this was estimated to be £37.636m. Movements in this base are monitored on a monthly basis so that the Council has an early indication of any significant changes. As in previous years, there has been a significant reduction in the level of business rates payable in year primarily due to the Government extending the rate reliefs that were initially given to ratepayers to provide financial support during Covid19. Councils will be compensated through s.31 grant payments for this loss of income.

- 2.4 It should be noted that due to the varying nature of Government rate reliefs awarded since 2020/21, it is extremely difficult to make any meaningful comparisons between each year's collection rate. However, the collection rate as at August 2023 was 51.78%, which is 1.84% lower than at the same point in 2022. It is also evident that there are a higher number and value of businesses currently in arrears than at the same point in 2022. Unless the collection rate improves and arrears levels reduce by the end of the financial year, then it is likely that an increased contribution to the provision of bad debts will be required.

- 2.5 In addition to a loss of business rates payable through reliefs there also continues to be a reduction in rates payable in 2023/24 due to properties claiming empty property rate relief. However, in comparison to the previous year, empty property relief of £1.458m had been awarded as at August, the figure was £2.228m as at August 2022.

- 2.6 Despite the pressures on collection rates, as a result of the reduction in empty property relief and due to prudent assumptions made when setting the 2023/24 budget the levels of income currently forecasted from business rates remains largely in line with budget expectations, with the anticipation of a surplus on the in-year position.
- 2.7 The Council maintains a Business Rates Volatility Reserve to cushion the impact of fluctuations in retained income and collection fund deficits. The estimated available balance on the reserve is £0.916m. This reserve was increased as part of the last MTFS refresh in anticipation of the both the; 2023 revaluation and the uncertainty around future levels of appeals, and; the potential impact of the business rates reset in 2025/26. With no certainty as to the timing of the implementation of the reset, the level of the reserve will need to remain at this higher level.
- 2.8 2024/25 – 2028/29
- As set out in the main body of this report a reset of business rate baselines, along with the Fairer Funding Review, will not now be implemented until 2025/26 at the earliest and potentially pushed back further until 2026/27. These changes, when implemented, will wipe out gains the Council has built up since the launch of the current system in 2013/14 and reset the level of assumed business rates to be collected and the level of underlying spending need of the Council.
- 2.9 The current MTFS was prepared on the basis of this full reset and subsequent loss of gains made from 2025/26. The delay in implementation by at least one further year will result in additional one-off resources in 2025/26. In addition, further gains as a result of the potential extension to pooling arrangements (as set out in the next paragraph) would generate further additional resources in 2025/26.
- 2.10 The Council is currently part of a Business Rates Pool for 2023/24 along with the County Council and the six other Lincolnshire District Councils. The benefit of pooling is that the authorities in the pool can be better off collectively through a reduction in the amount of levy paid to the Government. The arrangements for the current pool are that this retained levy is allocated 40% to the County Council and 60% allocated to the District Council that has generated the business rates growth. The current MTFS assumes that as a result of the business rates reset, that pooling would cease from 2025/26 onwards and no future gains beyond 2024/25 have been forecasted (the MTFS currently assumes a gain of £0.513m in 2024/25). The Government have recently sought proposals for business rate pools for 2024/25, with a deadline for responses of 10th October. Along with the other Lincolnshire Districts and County Council, the Council has undertaken an assessment of the implications of pooling and based on current estimates the Council will express an interest in continuing the current pool arrangements.
- 2.11 The level of outstanding appeals continues to create a high level of uncertainty both in respect of the checks, challenges and appeals from the 2017 ratings list, already lodged with Valuation Office, but also in relation checks, challenges

and appeals following the 2023 revaluation. The Collection Fund is required to fully provide for the expected result of all appeals and using external assessments as to the likely level and value of these appeals. The current provision of outstanding appeals stands at £4.630m, of which the Council's share is £2.315m. In relation to the 2017 list, the last day on which ratepayers were able to initiate the appeal process was 31st March 2023, there should therefore be no further increase in this part of the provision. In addition to the backdated element of these appeals there is also an ongoing impact due to the reduction in the business rates base, which ultimately reduces the level of income to be retained in the future by the Council. The current MTFS assumes a £1.454m p.a. reduction in retained rates due to outstanding appeals. As this was for the new 2023 ratings list, this was based on national assumptions and local experience. This assessment will be reviewed as part of the MTFS development taking into consideration the level of checks, challenges and appeals received during the first year of the new ratings list. This will inform the overall level of resources for 2023/24 onwards.

- 2.12 When introducing a new ratings list, the Government's intention is that it should be revenue neutral within the business rates retention system (but losses to appeals will not be revenue neutral). For Revaluation 2023 (as for 2017) adjustments will be made to each authorities top/tariff amounts in order to offset any gain/loss from the rateable value change locally. For 2023/24 a provisional amount was calculated using 2021/22 data, however the final adjustment, which will be backdated to 2023/24 and used for future years, will be based on 2022/23 data. As a result of this the Council's tariff is set to reduce by £0.073m pa, increasing the resources available to the Council in comparison to the current MTFS assumptions.
- 2.13 In terms of annual business rates increases, these are set nationally by the Government and are usually increased in line with CPI as at September of the preceding year. In recent years the Government have intervened to either cap or freeze the level of annual increases. In these circumstances Councils have been compensated for loss of income up the level of CPI, with there being no consequent financial impact on Council's of the Governments intervention to cap/freeze the annual multiplier increases. The financial impact on Councils does however come from the rate of CPI as at September, as this will determine the increase in it's income levels, either through higher rates payable or through higher compensation. The current MTFS assumes that business rates for 2024/25 will increase by 5.5%, this is in line with the current levels of CPI forecasted, in the region of 5.5% to 6%, by the end of September 2023. Future years assumptions continue to be at 2% p.a. in line with the Government's target rate for inflation.
- 2.14 Beyond 2024/25 it becomes increasingly difficult to accurately estimate the level of business rates resources due to the number of uncertainties and variables around; the timing of the reset; the calculation of baseline need; and the assessment of the business rates baseline. This is in addition to the normal planning variables around the level of appeals; multiplier caps, and levels of growth/decline etc. Based on these changes in underlying assumptions as set out above, the estimated impact to the level of retained business rates is as follows:

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Current MTFS 2023-28	(6,452)	(4,900)	(5,203)	(5,389)
Latest forecast	(6,740)	(5,220)	(5,328)	(5,435)
Change in resources	(289)	(320)	(124)	(47)

Any further delay of the reset and funding reforms, until 2026/27, could result in additional resources of c£0.965m in 2025/26, this assumes that there was no NNDR pool in that year, if pooling were also to be extended this could result in further additional resources of £0.590m in 2025/26.

3. Revenue Support Grant

- 3.1 The Council's Revenue Support Grant (RSG) was set to cease in 2024/25 at the end of the current spending review period. However, in the 2023/24 Finance Settlement a number of grants were rolled into RSG using their existing allocation methodology. For the Council this included the Local Council Tax Support Administration Subsidy grant, which was rolled in at £0.149m, taking total RSG to £0.175m. For 2024/25 the current MTFS assumes that RSG will be increased, in line with CPI, to 5.5% to £0.185m. Beyond 2024/25 it is assumed that only the element in relation to the rolled in grants will remain, at a level of £0.156m p.a. and that the original RSG element will be subsumed into the funding reforms.
- 3.2 Should the implementation of the proposed finance reforms be delayed to 2026/27, then it could be assumed additional RSG of c£0.030m would be receivable in 2025/26.

4. Council Tax

- 4.1 This increased importance of Council Tax, alongside Business Rates, as the principle means of raising revenue makes decisions taken in relation to the levels of Council Tax critical to the delivery of a sustainable MTFS.
- 4.2 Council Tax collection rates suffered as a result of Covid19 and whilst they began to show signs of improvement in early 2022, the current cost-of-living crisis is now having an impact. As at the end of August 2023 the collection rate was 42.23% which is 0.02% above the same point last year, although it is still 2.02% below the same point pre-Covid19. Support continues to be available through the Council's Local Council Tax Support Scheme and Council's Council Tax Hardship Fund. In addition, the Government allocated additional funding of £0.223m through the Council Tax Support Fund, for 2023/24, in order to provide additional support to the most vulnerable households.
- 4.3 Although the in-year collection rate has not yet returned to pre-covid levels, performance on the collection of arrears i.e. prior year balances, remains strong, with an overall reduction in the level of arrears during 2022/23.
- 4.4 The current collection rates assumed in the MTFS are set at 98.75% from 2024/25 onwards, this is an increase from the current rate of 98.25% assumed

for 2023/24. Based on the performance of the both the in year and arrears collection rates it is still considered prudent to increase the overall collection rate by 0.5% back to 98.75%, in line with the current MTFS assumptions. This will however be kept under review.

- 4.5 In calculating the Council Tax base the overall yield is reduced by the estimated numbers of claimants entitled to support under the Council's Local Council Tax Support (LCTS) scheme and the eligibility criteria of the scheme. The more Council Tax support that is awarded the more the taxbase is reduced, limiting the ability to raise Council Tax.
- 4.6 Since the introduction of the scheme in 2013/14 the number of claimants had as at April 2020 decreased by over 20%. However, as a result of Covid19 and the impact on the economy and household's income, caseloads rose sharply in 2020 and 2021. The caseload then plateaued somewhat before beginning to fall and is now below pre-pandemic levels, this is much earlier than had been assumed in the current MTFS. However, with the ongoing cost of living pressures on residents there is the potential that the number of claimants may begin to increase again.
- 4.7 The current MTFS assumes a gradual reduction of 0.5% p.a. in claimant number over the period to 2026/27. Based on the latest caseload numbers and allowing for a caseload increase, due to cost of living pressures, in 2023/24, a reduction of 0.25% p.a. in claimant numbers will now be assumed.
- 4.8 At this stage in the development of the MTFS current entitlements under the LCTS Scheme are being reviewed with public consultation taking place during November/December. Any adjustments to the scheme or indeed to the Council Tax discretions that are applied will be reflected in the final MTFS following consultation and subsequent Executive approval. These are not yet included in the Council Tax modelling below.
- 4.9 The current MTFS assumes an annual increase in the council tax base of 1.25% as a result of new property development. Although housing delivery on the Western Growth Corridor development will soon commence, the majority of the development will be beyond the period of the current MTFS. The revised MTFS will therefore continue to be based on the assumption of growth of 1.25% p.a.
- 4.10 As part of the 2023/24 Finance Settlement the Government announced an increase in the Council Tax Referendum, allowing District Councils to increase Council Tax by the higher of 3% or £5. These Principles will also remain in place for 2024/25. The current MTFS was prepared on the basis of an increase of 2.90% in 2023/24, reverting to 1.90% p.a. from 2024/25 onwards. On the basis of the current financial pressures that the Council is facing, and line with the MTFS objective to maintain and grow the Council Tax base, whilst ensuring rate increases are kept at an acceptable level, the revised MTFS will now be prepared on the basis of a 2.90% increase for 2024/25. This will revert to 1.90% p.a. from 2025/26 onwards.

- 4.11 Based on the assumptions as set out above and using the latest Council Tax base position, estimated Council Tax yields are as follows:

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Current MTFS 2023-28	(7,857)	(8,127)	(8,410)	(8,693)
Latest forecast	(7,953)	(8,224)	(8,504)	(8,793)
Change in resources	(96)	(96)	(94)	(99)

5. Other Government Grants

5.1 New Homes Bonus

Previously Government announced that a Spring 2020 consultation on the future of the New Homes Bonus scheme would be undertaken, stating that 'it is not clear that the NHB in its current form is focused on incentivising homes where they are needed most' and the consultation will 'include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need, and which is aligned with other measures around planning performance'. This consultation has subsequently been delayed a number of times with the latest announcement made as part of the Local Government Finance Policy Statement in 2023, which stated that the Government would set out the future position of New Homes Bonus ahead of the 2024/25 local government finance settlement. The current MTFS does not assume any grant allocations beyond 2023/24 and will continue to be prepared on this basis until further clarity on the future of the grant is given.

5.2 Services Grant

This grant, previously announced as a one-off in 2022/23, remained in the Finance Settlement for 2023/24, with the Council's allocation of £0.154m. The grant is intended to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government. Whilst no allocations for 2024/25 were made as part of the 2023/24 Finance Settlement, the MTFS currently assumes that the grant will remain at the current level for 2024/25 and thereafter. There are no changes to this current assumption.

5.3 Minimum Funding Guarantee

This new grant, announced for 2023/24, was intended to provide a funding floor for all local authorities, so that no local authority will see an increase in core spending power that is lower than 3%. The Council's allocation for 2023/24 was £0.321m. Whilst no allocations for 2024/25 were made as part of the 2023/24 Finance Settlement, the current MTFS assumes a grant allocation at the same level for 2024/25 but does not assume any grant allocation beyond this. There are no changes to this current assumption.

- 5.4 Should the implementation of the proposed finance reforms be delayed to 2026/27, then it could be assumed additional grant of c£0.321m would be receivable in 2025/26.

Housing Benefit Admin Grant

- 5.5 It continues to be difficult to forecast the likely level of future funding in respect of Housing Benefit Admin Grant due to the gradual and delayed roll out of Universal Credit (UC). The Council began roll out of the full service for UC in March 2018, in respect of new UC claims previously eligible for the six separate benefits. All new UC claimants have their housing cost element included in their monthly UC payment which is administered by the DWP, and as a result, they will not make a Housing Benefit claim but can still make a claim for Local Council Tax Support. The next stage requires the migration of all remaining existing claimants to full UC by the end of 2028. There is still much debate and decisions to be made by the Government as to what role local authorities will play in the longer term, but there is a commitment from the DWP to work with authorities until at least all of the working age claimants are transferred.
- 5.6 Although this commitment has been made the DWP have yet to announce a permanent funding model going forward and the Council continues to face the issue of one-year funding announcements, supplemented by New Burdens arrangements.
- 5.7 As there is no clear position on what future grant levels are likely to be, at this stage, the MTFS will be prepared on the basis of the current level of overall core grant funding, which may ultimately be received through a combination of Administration Grant and any New Burdens funding. Once the grant allocations are announced due regard will need to be taken of this in terms of the service planning for the revenues and benefits service.

5.8 Internal Drainage Board Levies Grant

A small number of Councils are required to make payments of Special Levies to Internal Drainage Boards (IDB's) for the specific use of managing the maintenance and operation of drainage, water levels and flood risk, which is required to manage water resources and reduce flood risk to people, businesses, communities and the environment. These Special Levies represent a significant proportion of the Councils' net budget at £1.082m p.a, equating to 14% of the Council Tax Requirement. The annual increase in levies is ordinarily in line with CPI projections, however due to the economic climate and the significant cost increases borne by the IDB's, inflationary increases ranging from 15% to 29% were applied for 2023/24. The Councils have no control over the sum levied.

- 5.9 This issue is unique to a small number of Councils and following a successful campaign of lobbying, Government made a one-off payment to those Councils significantly impacted in 2023/24 in recognition that Drainage Board costs had soared, resulting in increased levies. The Council's allocation for 2023/24 was £0.142m, which was roughly equivalent to the annual increase from the 2022/23 levies to 2023/24 levies.

- 5.10 Whilst this one-off payment from Government to mitigate the in-year impact was welcomed, the Councils are still seeking a longer term, more sustainable, approach to Drainage Board funding from Government that removes the need for Council subsidy. An application to create a Special Interest Group (SIG) through the Local Government Association has now been made and the Councils will continue to lobby to seek a revised approach to the funding mechanism. No grant beyond the 2023/24 allocation is currently included in the MTFS and this will remain the planning assumption.

6. **Extended Producer Responsibility**

- 6.1 Extended Producer Responsibility (EPR) is a scheme to require producers of packaging to pay for the cost of recycling that packaging and the Government's intention was to use the income from the scheme in the local government funding system, which would include reviewing the impact of this income on relative needs and resources of individual authorities. Local authority finances are affected by the policy in the following way:

- Companies above certain thresholds for size and generated packaging waste will have to pay a fee to a Scheme Administrator (yet to be set up but will initially be a public body). The Scheme Administrator will determine the fee schedule.
- The total collected fees (excluding the Scheme Administrator's own administrative fee) will be distributed to local authorities to compensate for net costs of their household and commonly binned waste services, including collection, disposal and recycling. These costs form the basis of the fee mechanism. The policy does not currently address the question of how any funding shortfall arising from non-collection of the fee would be addressed, but the fact that the fee will be applied to large producers makes collection potentially easier.
- Funding will be provided on the basis of the Scheme Administrator's assessment of what a 'net efficient cost' of providing the service is locally. The Scheme Administrator will assess the household and commonly binned packaging waste management costs, volumes and income (for example, through selling waste) by each relevant local authority. It will be able to take into account other factors (for example, frequency of collection, sparsity, types of households, deprivation and others). It will be up to the Scheme Administrator to devise this process and calculation model.
- The Scheme Administrator will have the power to assess the efficiency and effectiveness of local household and commonly binned packaging waste services, including activation of an improvement plan mechanism. Powers will be granted to penalize local authorities to the sum of up to 20% of their assessed 'net efficient costs'.
- This will be an annual process.

6.2 Funding for local authorities was originally intended to start in October 2024, but implementation of the scheme has been delayed, which means that this new income stream will now be introduced in October 2025. The Government has not yet set out how the introduction of this potentially significant funding will affect the wider local government finance system, i.e. importantly whether existing funding would be reduced to reflect that EPR is providing some funding for waste and recycling services, or whether the EPR funding would simply be additional. Earlier estimates suggested that the cost of providing the waste management service for relevant packaging could reach as much as £1 billion and, with this being an existing service, some sort of adjustment to other funds would be more likely than not.

6.3 While DLUCH had committed to provide clarity ahead of the 2024/25 Local Government Finance Settlement, this is now less likely to happen – especially as the Scheme Administrator will have an important part to play in the process and has not yet been set up, pending passage of the draft regulation. Until further details of the scheme are made available it is not possible to assess the implications for the Council. In addition there are a number of additional responsibilities for local authorities arising from the Environment Act which are likely to have interlinkages with any new funding allocated.

7. Inflation

7.1 The cost of inflation affects the price of the goods and services that the Council purchases. Many of the Council's service contracts are index linked to CPI, RPI or other industry standard indices, at a defined date in the year (specific dates vary between contracts). In addition, the general inflationary increase applied within the MTFS is normally maintained in line with CPI projections. As a result of the soaring inflation levels over the last twelve months, the Council has faced escalating costs of goods and services it purchases, whilst this was recognised and provided for in the current MTFS, inflation levels are still high and the Council is still experiencing cost increases.

7.2 CPI currently stands of 6.7% as at August 2023, down from 6.8% in July, but having dropped 3.4% in the past five months. The latest forecasts from the Bank of England are that inflation is expected to fall further to around 5% by the end of 2023 and fall further in 2024, reaching the Bank's 2% target rate by early 2025. It is expecting the rate to be below target in the medium term, with average inflation at 2.00% and 1.90% at two and three years respectively.

7.3 This huge spike in inflation during 2022/23 and 2023/24 has led to soaring costs for the Council's key service contracts, in particular Waste/Recycling, Street Cleansing and Grounds Maintenance. In addition, there are other contractual cost increases arising from existing/retendered contracts as well as significant increases in material and subcontractor costs, which is a particular issue for the HRA. Reflecting on these escalating costs the current MTFS assumes the following levels of inflation:

Inflation Point for contractual increases	CPI
Dec 23	4%
Mar 24	3%
Dec 24	2%
Mar 25	2%
Dec 25	2%
Mar 26	2%
Dec 26	2%
Mar 27	2%

Average Annual Increase	CPI	RPI
2024/25	3%	4%
2025/26	2%	3%
2026/27	2%	3%
2027/28	2%	3%

Whilst the forecasts from 2024 onwards are in line with the Bank of England's forecasts, the December 2023 CPI rate is estimated to be c1% higher than the current MTFS assumption. This will specifically have an impact on the cost of the Waste/Recycling, Street Cleansing and Grounds Maintenance contracts.

7.4 In addition to the inflationary increases already applied in 2023/24 and forecast in the MTFS, the HRA (through the Housing Repairs Service - HRS) is currently experiencing in-year cost increases in excess of the 7.5% applied for 2023/24 on material costs and sub-contractor costs. This will require an adjustment in the base budget for 2024/25.

7.5 The higher levels of CPI inflation forecast for December 2024 along with higher inflation rates on contract costs during 2023/24, will result in an estimated additional cost burden for the General Fund and Housing Revenue Account as follows:

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
General Fund	95	113	115	117
Housing Revenue Account	53	54	55	56

Work will continue as part of the development of the budget, particularly in relation to the inflationary costs in the HRS.

8. Utilities

8.1 The Council currently procures the majority of its gas and electric supplies through a Framework Agreement, which brings with it the benefit of economies of scale. Historically the Council had benefited from significant cost savings with supply costs considerably below the wholesale market prices.

8.2 However, as a result of the sharp spike in energy prices the Council experienced substantial increases, during 2022 and 2023, in the cost of gas

and electric. For gas, costs increased on average increase by 70% in April 2022 and by a further 180% in April 2023. For electricity, costs increased by 100% in October 2022, with a further increase of 15-20% expected from October 2023.

8.3 Beyond these increases, as a result of the downward trend of market prices, supply costs are expected to reduce by c20% for gas from April 2024 and c25-30% for electricity from October 2024.

8.4 On the basis of the latest forecast decrease in costs provided from the framework provider (as set out the above), the reduction costs for both gas and electric could be in the region of:

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
General Fund	(118)	(121)	(123)	(126)
Housing Revenue Account	(70)	(70)	(75)	(76)

Further updates are expected from the Framework provider in October 2023, which will inform the final estimates to be included in the MTFS. Due to the nature of the fluctuating costs, the above savings may not materialise in full.

9. Pay

9.1 In February, the National Employers for local government services put forward a pay offer to increase salaries by at least £1,925 for 2023/24. This equates to a 9.42% pay rise for the lowest-paid workers and a 3.88% increase for staff on higher salaries. This pay offer is applicable to all 'Green Book' and 'Red Book' employees with the exception of Chief Officers and Chief Executive's whose pay offer is an increase of 3.5%.

9.2 This pay offer has however been objected by each of the NJC Trade Unions, with some branches of UNISON and Unite voting to take strike action in support of an improved deal, in ballots carried out over the summer. The GMB is due to ballot members in some areas in September and October. Whilst strike plans are yet to be announced, union heads have said that they were committed to reaching a negotiated settlement.

9.3 The current MTFS assumed a pay increase of 3% for 2023/24 following a flat rate increase of £1,925 in 2022/23 and a further 3% in 2024/25. This then decreases to 2% pa from 2025/26 onwards. The proposed pay award by the National Employers is significantly in excess of these assumptions for 2023/24, with the majority of the council's workforce set to receive pay rises above 5%. Based on the latest pay offer, but still assuming a 3% pay award from 2023/24 and 2% p.a thereafter, the additional costs to the MTFS, over and above the budget assumptions are as follows:

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
General Fund	553	543	553	566
HRA	385	386	392	395

- 9.4 In addition, the Council remains committed to paying its lowest paid workers at the level of the Living Wage, as recommended by the Living Wage Foundation as opposed to the Government's National Living Wage. An assumption of annual increases of 3%, in line with RPI projections, are currently built into the MTFS to reflect this commitment to maintain the Living Wage. The latest increase in the Living Wage Foundation has been announced at 10.1% from January 2023. These additional costs are included in the additional pay costs above. Beyond 2023/4, the annual increases will be assumed to be in line with RPI.

10. Local Government Pension Scheme

- 10.1 The latest triennial revaluation of the Council's Pension Fund took place at 31 March 2022, and the results identified that there has been a significant improvement in the funding position since the last actuarial review from a 83.9% funding level to 92.7%. The improved funding position had a positive outcome on contribution rates, reducing secondary payments considerably. However, the cost of accruing future pensions had increased, particularly given the increase in inflation, and that drove up primary rates from 17.3% of pensionable pay to 23.4%. The increase in the primary contribution rates, for the existing staff establishment, is though offset by the reduction in secondary contribution rates, generating an overall reduction in costs which is reflected in the current MTFS,
- 10.2 A further actuarial review will take place in April 2025, which will inform the employer contributions from 2026/27 onwards. The MTFS will therefore continue to be prepared on this basis of no further increase/decreases in annual contributions rates, until next scheduled actuarial review.

11. Fees and Charges

- 11.1 Fees and charges income budgets are increased by a set percentage per annum based on their total yield. This increase does not preclude individual fees and charges being increased by more or less than this percentage.
- 11.2 As a result of the significant increased service operating costs that the Council experienced during 2022/23, a higher-than-average increase of 5% was applied across all fees and charges. Whilst this was higher than in previous year, it was significantly below the prevailing levels of inflation at that time. From 2024/25 onwards the current MTFS assumes an increase of 3% p.a. in the total yield from fees and charges. This assumption will remain in place for the revised MTFS period.
- 11.3 Although an average increase of 3% will be applied to income budgets, current economic conditions and cost of living pressures are impacting on income

levels in some service areas. An assessment of each service's overall yields will be undertaken as part of the development of the budget to identify any specific pressures of this proposed increase.

12. Investment Interest and Borrowing Costs

- 12.1 As set out in the main body of the report, there has been rapid and significant increases in the Bank of England base rate and future forecasts, in an effort to curb the soaring levels of inflation.
- 12.2 The Council's sensitivity to these changes in interest rates is linked more markedly to investments rather than to the portfolio of borrowing as all borrowing is at fixed interest rates and borrowing costs incurred on any short-term borrowings are minimal. There will however be a revenue impact from future capital schemes where the borrowing requirements have not yet been financed and the viability of these schemes will continue to be assessed as they are developed.
- 12.3 Due to the current high levels of uncertainty surrounding interest rates and the assessing the impact on the council's investment income is extremely difficult, however based on the latest assumptions the latest forecasts in comparison to those assumed in the current MTFS, are as follows:

	2024/25	2025/26	2026/27	2027/28
Revised Average Investment Rate	4.15%	2.63%	2.51%	2.51%
Current MTFS	3.63%	2.69%	2.69%	2.69%
General Fund	£'000	£'000	£'000	£'000
Current MTFS	(170)	(157)	(112)	(104)
Revised interest	(263)	(151)	(140)	(131)
Change in resources	(93)	6	(28)	(26)
HRA	£'000	£'000	£'000	£'000
Current MTFS	(287)	(267)	(209)	(213)
Revised interest	(710)	(415)	(386)	(366)
Change in resources	(423)	(148)	(177)	(153)

- 12.4 As a result of the current high level of interest rates, internal balances are currently being used to fund existing borrowing requirements, reducing the amount of interest that would have been payable on new debt, although this is partially offset by a reduction in interest receivable. However, a new borrowing will still be required over the period of the MTFS and this will be at rates higher than previously budgeted. The latest forecasts for borrowing costs in comparison to those in the MTFS are as follows:

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
General Fund				
Current MTFS 2023-2028	1,537	1,510	1,264	1,221
Latest forecast	1,558	1,531	1,264	1,221
Change in resources	21	21	0	0
HRA				
Current MTFS 2023-2028	2,437	2,377	2,377	2,304
Latest forecast	2,322	2,262	2,437	2,364
Change in resources	(115)	(115)	60	60

Work on assessing the impact on the Council's investments and future borrowing requirements will continue during the development of the budget.

13. Housing Rents

- 13.1 Historically, the Council has historically set rent in line with the Government's Rent Guidelines, to increase rents by CPI + 1% (CPI being as at September each year) for general purpose accommodation and also increase sheltered accommodation and affordable rents, by the same. For 2023/24, with CPI +1 % as at September 2022, this would have resulted in an increase in rents of 11.1%. In response to this the Government announced the introduction of a rent cap of 7% for 2023/24. Mindful of the need to balance the pressures that household incomes were facing, particularly the most vulnerable in our community, but at the same time recognising the economic and financial pressures that the HRA had in delivering services to its customers, the Council applied a lower increase of 6.5% to all rents.
- 13.2 Beyond this the current MTFS assumes a return to increases in line with CPI+1%, based on the following levels of CPI:

2024/25	2025/26	2026/27	2027/28
4%	2%	2%	2%

- 13.3 The applicable date of the CPI increase is as at September each year. Based on the current levels of CPI, 6.7% as at August, and an estimate of between 5.5-6% by the end of September, the maximum allowable rent (under Government Rent Guidelines) could be in the region of 6.5-7%. This would be in line with the rent cap imposed for 2023/24 and may therefore not result in any further caps becoming imposed by Government. As at the time of writing this report, there have been no further announcements from Government on any rent policy for 2024/25. The Government is also committed to reviewing social rent policy beyond 2025, via a separate consultation to be launched this year.
- 13.4 As the current MTFS is based on an increase of 5% for 2024/25, the impact of a potential increase of 6.5% and 7% in 2024/25 has been modelled, along with an option of 6%, as follows:

	2024/25 £'000	2025/26 £'000 CPI 2% + 1%	2026/27 £'000 CPI 2% + 1%	2026/27 £'000 CPI 2% + 1%
6% increase 24/25	(322)	(330)	(339)	(347)
6.5% increase 24/25	(482)	(494)	(507)	(520)
7% increase 24/25	(643)	(660)	(676)	(694)

This forecast is based on rent uplift only and does not model any changes in the assumptions on stock numbers due to RTB sales or acquisitions/new builds. At this stage in the development of the MTFS, the HRA budgets will be modelled on the basis of the three rent scenarios and the exiting MTFS assumptions. Future years increases will remain at the assumption of CPI at 2% p.a.

- 13.5 Included in the Council's housing stock are a number of properties that were partly funded by Homes England grants on the condition that they are to be let on the basis of an affordable rent rather than on social rents. In addition, there are a number of other dwellings that are let on the basis of an affordable rather than social rent. Affordable rents are not subject to Government Rent Restructuring Policies and are let at 80% of market rent levels in the local area. The current MTFS assumes rental increases in line with social rents for its affordable rents and will continue to be developed on this basis.
- 13.6 At the end of 2022/23 rent collection levels were at 99.91%, with overall rent arrears of 3.4% of the net debit. This outturn represented a significant achievement in terms of income collection considering the economic pressures tenants are facing. In monetary terms rent arrears at the end of the year was £1,031,048 compared to £1,042,419 at the end of March 2022, a reduction of £11,371. The in-year collection rate at the end of September 2023 was 97.24% compared to 97.69% at September 2022. Rent collection is closely monitored and Tenancy Services and the Sustainment Team continue to support tenants through DHP's and general advice and guidance. The current MTFS assumes a collection rate of 99% p.a., whilst at this stage this will remain the assumption, this will be considered further as part of the development of the MTFS, dependent on final level of rent increases.
- 14. Level of Revenue Reserves** - The prudent minimum level of reserves for the General Fund has been increased in recent years, in light of the increased level of volatility in funding and the level of the increased risk to which the Council is now exposed, to between £1.5m-£2m. This increase has allowed the Council to cushion the impact inflationary pressures has had on it's finances and will continue to do so in future years, as well as now responding to increased service demands. Whilst the overall level of balances are budgeted to be maintained over the period of the MTFS there are planned use of balances in 2024/25 – 2026/27, with a positive contribution forecasted in 2027/28. In light of the changes in assumptions set out in this report the use of/contribution to balances will be assessed as part of the budget development. However, the overriding principle of maintaining a balance between £1.5m-£2m and seeking to make positive contribution in the medium term will remain. In terms of the HRA it is currently assumed that the optimum level of reserve holdings will be maintained at c£1m.

BUDGET AND FINANCIAL PLANNING TIMETABLE 2024/25

No.	Target Date	Group	Deliverable	Responsible Officer
1.	Member Briefing Sessions			
1.1	22 nd Jan 24	All Members	All member workshop presenting the draft budget proposal for 2023/24 and Medium Term Financial Strategy 2024-2029.	CFO
2.	Base Budget Preparation			
2.1	29 th Sept 23	AD's/ Service Managers	Budget guidance and working papers circulated to Assistant Directors and Service Managers for preparation of base budgets, including notification of Directorate Cash Limits.	Finance Team
2.2	27 th Oct 23	AD's/ Service Managers	Completion of service cash limit budgets by budget managers.	Finance Team
2.3	10 th Nov 23	DMT's	Review of summary cash limit budgets and appropriate revisions made with AD's and DMT's.	Finance Team
2.4	21 st Nov 23	CMT	Review of summary cash limit budgets and consideration of unfunded budget items. Review of funding assumptions of capital programme.	FSM
2.5	28 th Nov 23	CMT	Review of Fees & Charges Schedules for 2024/25	FSM
2.5	8 th Dec 23	Financial Services	Completion of consolidated base budgets and capital programmes.	Finance Team
2.6	19 th Dec 23	CMT	Review of draft budget proposals for 2024/25 and Medium Term Financial Strategy 2024-2029.	CFO
3.	Service Planning Preparation			
3.1	1 st Aug 23	CMT	Corporate priorities reviewed in CMT for year ahead and remainder of Vision 2025 programme, derived from V2025, One Council priorities, service priorities and budget challenge.	CMT
3.2	21 st Aug 23	Portfolio Holders	Key priorities agreed for year ahead and remainder of Vision 2025 programme	CX
3.3	31 st Oct 23	Directorates	Directorates to identify local projects that need to be included without impacting the key corporate ones.	AD's

APPENDIX B

No.	Target Date	Group	Deliverable	Responsible Officer
3.4	31 st Oct 23	Portfolio Holders	Ensure that all PH's have signed up to their own sections in each service plan	Directors and AD's
3.5	31 st Oct 23	DMT's	Draft service plans completed and signed off by Director.	AD's
3.6	Nov 23	CMT	Draft service plans reviewed for cross cutting projects and wider service implications	CMT
3.7	Dec 23	A/Wide or HUB	Service plans agreed in CMT and then published.	Corporate Policy
4.	Consultation and Scrutiny			
4.1	Jan-Feb 24 – <i>dates to be confirmed</i>	General Public Stakeholders	Budget consultation/engagement activities	CFO Corporate Policy
4.2	30 th Jan 24	Audit Committee	Consider and review: <ul style="list-style-type: none"> Prudential Indicators 2024/25-2027/27 Treasury Management Strategy 2024/25 with responses to the Executive 	FSM
4.3	31 st Jan 24	Budget Scrutiny Review Group	Consider and review the draft budget proposal for 2024/25 and Medium Term Financial Strategy 2024-2029, making any recommendations to the Executive.	CFO
4.4	15 th Feb 24	Performance Scrutiny Committee	Performance Scrutiny Committee – Consider response from Budget Review Group and refer to the Executive.	CFO
5.	Committee Approval Process			
5.1	16 th Oct 23	Executive	Consideration of the budget strategy to be adopted for the 2024/25 process, including; <ul style="list-style-type: none"> Update on economy and financial environment, A revision of MTFS assumptions Consultation proposals (both public and with Members) 	CFO
5.2	11 th Dec 23	Portfolio Holders	Assessment of Fees & Charges Schedules for 2024/25	FSM
5.3	2 nd Jan 24	Executive	Approval of Council Tax Base for 2024/25, Council Tax Support Scheme 2024/25 and Estimated	FSM/HSRB

APPENDIX B

No.	Target Date	Group	Deliverable	Responsible Officer
			Collection Fund Balance for 2024/25 for Council Tax.	
5.4	2 nd Jan 24	Portfolio Holders	Assessment of overall capital and revenue budgets	CFO
5.5	15 th Jan 24	Executive	Approval of a draft budget proposal for 2024/25 and Medium Term Financial Strategy 2024-2029 for formal consultation.	CFO
5.6	15 th Jan 24	Executive	Approval of Estimated Collection Fund Balance for 2023/24 for Business Rates.	FSM/HSRB
5.7	15 th Jan 24	Executive	Consideration and recommendation to Council for approval of the Housing Rent Levels for 2024/25.	AD-H
5.8	16 th Jan 24	Council	Approval of Council Tax Base for 2024/25 and Council Tax Support Scheme 2024/25.	FSM/HSRB
5.9	19 th Feb 24	Executive	Approval for referral to Council of: <ul style="list-style-type: none"> • Final budget proposals for 2024/25 • Medium Term Financial Strategy 2024-2029 • Treasury Management Strategy 2024/25 & Prudential Indicators • Council Tax levels for 2024/25 • Fees and Charges levels for 2024/25 	CFO
5.10	19 th Feb 24	Council	Approval of the Housing Rent Levels for 2024/25.	AD-H
5.11	27 th Feb 24	Council	Approval of; <ul style="list-style-type: none"> • Final budget proposals for 2024/25 • Medium Term Financial Strategy 2024-2029 • Treasury Management Strategy 2024/25 & Prudential Indicators • Council Tax levels for 2024/25 • Fees and Charges levels for 2024/25 	CFO

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SUBJECT:	WASTE COLLECTION & STREET CLEANSING SPECIFICATIONS (FOR NEW CONTRACTS FROM 01/09/2026)
DIRECTORATE:	COMMUNITIES AND ENVIRONMENT
REPORT AUTHOR:	CAROLINE BIRD, COMMUNITY SERVICES MANAGER (PROGRAMME)

1. Purpose of Report

- 1.1 To provide an update on the specification for the waste collection and street cleansing contract prior to commencing procurement, with specific reference to comments received in the All-Member workshops.

2. Executive Summary

- 2.1 The Council has two contracts for street scene services: street cleansing and grounds maintenance, and waste collections. Both of these contracts end on 31st August 2026. Work has commenced on procuring new contracts which will commence on 1st September 2026. They will be realigned and packaged as two separate contracts: waste (which includes recycling and other domestic waste streams) and street cleansing, and a separate grounds maintenance contract.
- 2.2 The work involved is extensive, and includes reviewing and updating all the specifications for the full range of works that will be delivered as part of the new contracts.
- 2.3 This has involved consultation with all Members, as well as reviewing the specifications against changes in law, changes in best practice and environmental awareness and 'lessons learned', as well as trying to avoid significant increases in costs.
- 2.4 The waste/cleansing specifications are now drafted, and are extensive. A summary is attached as Appendix A for Committee's information. The summary matches the new specifications to feedback received from Members in the All-Member workshops that took place in late 2022/early 2023. The review has considered and rewritten every requirement within the current specifications. The changes in Appendix A are just those material changes which may be noticeable to service users. Many other changes have been made in the interests of cost control, clarity, ease of navigation, ease of operational use and understanding.
- 2.5 The grounds maintenance specification is still in development, as it is programmed to go out to tender in mid-2024. That specification will be brought before Members in a separate report.
- 2.6 Of special note, this report also draws attention to the fact that the Council will require its contractors to pay their staff in accordance with the Real Living Wage as

a minimum (currently £10.90 per hour). This will relate to both the waste/cleansing and the grounds maintenance contracts.

3. Background

- 3.1 These contracts have been in place since 2006, and although variations have been made since that time, it was necessary and appropriate to carry out a full review of the specifications so that the services the Council delivers from September 2026 reflect the Council's strategic priorities, changes in legislation, and accepted best practice.
- 3.2 All of this is against a background of ever-increasing demand on limited budgets and unpredictable inflation, meaning that strategic priorities and aspirations have to be finely balanced with managing the significant potential for increased costs.
- 3.3 Recognising that specialist vehicles are required, and that the lead-in time for procuring the vehicles necessary is currently two years, there is a need to commence procurement in November 2023.
- 3.4 Waste services include the emptying of wheeled bins/collection of purple sacks from all domestic properties for residual waste, mixed recycling and garden waste. They also include the collection of clinical waste, and bulky waste both charged and free (free for residents on means-tested benefits).
- 3.5 Cleansing services include routine and reactive mechanical sweeping, litter picking, emptying litter and dog bins, removal of abandoned vehicles, graffiti and fly tipping clearances.
- 3.6 These are statutory services, highly visible, and make a difference to our residents and the street scene, day in and day out. It is vital that we specify the works to meet our legal duties and our customers' needs, to reflect the Council's strategic aims (including the environmental agenda), to encourage efficient operations, and all while managing the significant risk of rising costs.
- 3.7 However, specification development is just one element of this significant project. There are a number of work streams, involving officers across the organisation, that are making good progress against a challenging timeline. These include data collection and verification, Terms and Conditions of the contract, ensuring a compliant procurement process, and consultation with all services that interact with these services.
- 3.8 At the start of the consultation programme, All-Member workshops were established. Following the All-Member Workshops, officers committed to presenting a summary of the final specifications to Policy Scrutiny Committee (Appendix C refers) and Executive in autumn 2023.

4. All-Member Workshops

- 4.1 Three 'all Member' workshops were held, on 28th September 2022, 31st October 2022 and 30th January 2023.

- 4.2 Workshop 1 provided Members with background information, and a briefing on the financial challenges and other challenges facing the Council, such as the potential introduction of separate paper and card collections, and food waste collections. It set out the timeline for the following two workshops and the formal decisions that would be required.
- 4.3 The slides from workshop 1 were circulated to all Members after the meeting.
- 4.4 Workshop 2 concentrated on Members' high-level priorities, such as environment, quality, staff terms and conditions, social value, in order to inform development of workshop 3 and wider development work. Members were unanimous in their wish to see 'being greener/environmental issues' as a high priority in service development. There was a clear acceptance of the need to prioritise waste services, with reference to new legislation as mentioned in 4.2 above and the environmental impacts that waste collection arrangements have.
- 4.5 A summary of the outcomes from workshop 2 was shared with all Members after the meeting.
- 4.6 Workshop 3 focussed on specific issues, informed by the strategic discussions at the previous workshop. This gave Members the chance to expand on their vision for those strategic priorities, and to raise any specific operational issues that they would like to see considered.
- 4.7 A summary of the outcomes from workshop 3 was circulated to all Members after the meeting. Members were invited to pass on any other specification – related comments they may have, within the few weeks following the meeting.

5. Specification Development

- 5.1 Over the past 5 months, officers have held an intensive series of focussed workshops, each looking at a specific area of the services, and referencing the current contract arrangements, changes in law, best practice, customer expectations, changes in technology available, 'lessons learned', and importantly, how we could contain costs and maximise our cost control. The outcomes of the All-Member Workshops were considered in these workshops.
- 5.2 Appendix A summarises the resulting material changes to the contracts, referring them to Members' aspirations from the workshops.
- 5.3 Appendix A was reported to Policy Scrutiny Committee on 3rd October 2023. This resulted in one specific change, which was to strengthen the wording on single use plastics relating to the provision of refuse sacks, so as to ensure refuse sacks are not delivered within another bag that can't be used as a refuse sack. The replacement of plastic sacks with alternative compostable materials is already a requirement of the contract at the first viable opportunity.

6. Real Living Wage

- 6.1 The Council is a recognised 'Living Wage Employer', accredited by the Living Wage Foundation. To be accredited, an employer has to have plans in place to pay its

contractors the Real Living Wage when contracts are renewed, as well as to pay its direct employees the Real Living Wage.

- 6.2 It is therefore a requirement of the Council's accreditation that it makes the Real Living Wage payment a requirement of both the waste/cleansing and the grounds maintenance contracts.

7. Strategic Priorities

7.1 Let's drive inclusive economic growth

A clean city is an attractive place for businesses to grow and thrive.

7.2 Let's reduce all kinds of inequality

Our waste collection services are designed to ensure they are accessible to all residents. This includes assisted collections, free of charge bulky item collections for people on means-tested benefits, and free of charge collections of clinical waste.

7.3 Let's enhance our remarkable place

These services contribute significantly to our remarkable place in visual and environmental terms. Some examples are: Street cleansing operations (most notably the daily early morning city centre full cleanse), removing graffiti and fly tips, ensuring litter bins are available for use, ensuring streets are clean after waste collections.

7.4 Let's address the challenge of climate change

Waste services can contribute significantly towards the Council's climate change aspirations, both in terms of the waste materials collected and recycled, and the efficiency of the operations themselves. This is an opportunity to ensure that climate change benefits are maximised, as far as is practicable, in terms of maintaining reliable recycling and composting collections to maximise recycling and minimise contamination, and how they are delivered by use of efficient and clean vehicles.

8. Organisational Impacts

8.1 Finance

As presented in all three All-member workshops, cost management is essential throughout this project given the financial climate and the scale of these services. The development of specifications and terms and conditions has, by necessity, given serious consideration to managing areas of potential cost increases.

The specifying of the Living Wage requirement is likely to have financial implications. It isn't possible to predict the scale of this, although a check of the current recruitment market seems to show that most of the jobs involved are being paid at Living Wage level or above already.

After following the required procurement processes, and a final price being determined, this will need to be factored into the Council's overall medium term

financial plan. It is likely to have significant implications, but these will not be known until tenders have been received and evaluated.

8.2 Legal Implications including Procurement Rules

In so far as it is simply presenting the specification for work, there are no legal or procurement issues relating to this report. Officers from Procurement and Legal services are members of the project board to ensure that the Council is fully legally compliant in all regards.

8.3 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

An Equality Analysis is included at Appendix B. There are no negative impacts as a result of these specification changes.

8.4 Significant Community Impact and/or Environmental Impact

These services are high profile and impact the city's residents directly, and the street scene, routinely. They currently enjoy high satisfaction rates and are generally considered to be reliable and effective.

Environmental impacts have been considered throughout the specification development process, in terms of the services provided, and the way they are provided. This is set out in Appendix A.

By having reliable waste/recycling collection services, the Council makes it easier for Lincoln's residents to recycle and compost their waste, and to minimise residual waste. Appropriate street cleansing arrangements keep the city's streets and relevant land clean, making a better environment for people and for wildlife.

9. Risk Implications

- 9.1 Throughout the specification development process, officers have weighed legal requirements, Members' strategic and operational aims, customer expectations and the need for close cost control. The resulting specifications ensure that the Council is fully legally compliant and will continue to provide reliable services, ensuring an appropriate degree of flexibility, whilst minimising risks of escalating costs. It isn't possible to predict what prices will be submitted by bidders, especially given the current financial climate, but all efforts have been made to avoid unnecessary increases, and to ensure maximum cost control in the resulting contract.

10. Recommendation

10.1 That Members consider the report and confirm the specification.

Is this a key decision?	Yes
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	Three
List of Background Papers:	All Member workshop presentations and reports
Lead Officer:	Caroline Bird, Community Services Manager (Programme) Email address: caroline.bird@lincoln.gov.uk

Waste / Street Cleansing Contract - Summary of Specification Changes

ISSUES RAISED AT MEMBER WORKSHOPS	ACTION TAKEN	ANTICIPATED IMPACT ON COST
<p>Higher priority of waste collection services, given the Environment Act changes, and impact on environment</p> <p>Ensure flexibility to incorporate changes that will increase recycling and other environmental changes</p>	<p>The contract includes a 'flexibility clause' which sets out that the contractor will be expected to have a flexible approach, both in terms of their day-to-day operations and when considering service changes. This makes reference to the Environment Act and the anticipated changes that will bring about, the potential for future Value Engineering and savings, business continuity, winter weather, and any operational changes that would reduce negative environmental impacts.</p> <p>Environment Act changes that we are aware of are included in the specification as 'options' so that as and when they are introduced (whether at the start of the contract or during the contract period) we already have an indicator of costs.</p>	<p>This will reduce the need for additional spend, by moving existing resource wherever possible.</p> <p>It will give a degree of cost control when introducing certain Environment Act service changes.</p>
<p>Making things 'Greener' / environmental / climate change considerations</p>	<p>A specific 'Environment' clause has been included. This sets out the importance of minimising any negative environmental impacts of these services, and maximising opportunities for delivering environmental benefits.</p> <p>For example the Contractor will be:</p>	<p>Environment-friendly improvements can increase costs, or can save money. Any changes would be subject to the Council's agreement if there were financial implications. Decisions would be</p>

	<ul style="list-style-type: none"> - Asked to outline their plans to reduce carbon, with reference to the Council's 2030 carbon neutral plan - Asked to maximise route efficiency - required to consider decarbonisation of their fleet when replacing vehicles - asked to use electric / battery tools and equipment - asked to embrace opportunities to minimise negative environmental impact and to offset environmental impacts <p>The Performance Management Framework will have a focus on environmental performance, including the way the Contractor delivers their services (e.g. fleet used, routine efficiency) and the reliability of the services (encouraging people to recycle and compost, for example).</p> <p>The specification allows for the introduction of on-street recycling litter bins (where people can separate their litter so that the recyclable elements can be recycled) in the future should this become a legal or Member-led requirement.</p> <p>It isn't possible to eradicate single-use plastics from these services at this time. There are currently no realistic alternatives to the purple sacks used by around 1,000 properties for residual waste collections. To minimise this, we are conducting a review, to ensure only properties which have no other option use plastic sacks. The Contractor will be expected to work with us to review the viability of alternative bags, such as compostable material, as and when it becomes available.</p> <p>The bin tags and stickers we use have an element of plastic in them, to make them suitably robust in all weathers. The</p>	made based on affordability at the time.
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	<p>specification asks that they are reused where possible, and that as technology progresses, that recyclable / compostable alternatives are utilised.</p> <p>Individual specification items have been included to encourage more environment-friendly services, e.g. a two-stage approach to contamination:</p> <p>Householders who occasionally present contaminated waste will be asked to remove the contamination and present on their next collection. This is consistent with other Lincolnshire authorities. We will use discretion to assist those who are unable or unwilling to remove the contamination, through a combination of education and enforcement.</p> <p>If a household regularly contaminates their waste, their bin will not be emptied if it is presented contaminated, and contact will be made so that the resident clearly understands the requirements of the service.</p>	<p>This more streamlined and focussed approach to contamination may not bring about obvious cost savings (as contamination is included in overall contractor prices) but may bring about more efficient routing.</p>
Can savings be made on garden waste collections over the winter months?	<p>The Specification has been written to continue providing the current garden waste service, but with options that could be called on, to stop or reduce the service during the winter months.</p>	<p>We will have costed options at the start of the contract which would give an indication of any savings that may arise if we reduced the number of collections.</p> <p>This could give the Council some cost saving options if required at any stage during the contract period.</p>

Can collection routines be redesigned to be more efficient?	There are no planned changes to collection routines at the start of the contract. The specification does encourage the contractor to suggest changes for the Council's consideration, in the interests of efficiency.	No change expected at the start. If a bidder suggested a more efficient solution we would consider it, and it may result in efficiency savings.
Electric vehicles – costs are much higher and capacity smaller. Full business case would need to be considered	We are not specifying electric vehicles at the start of the contract. They are significantly more expensive, with smaller capacity and the technology is currently not proven for the service we would require, particularly with regard to refuse collection vehicles. We have however included a clause which requires the contractor to consider introducing more environment-friendly vehicles whenever any vehicles are being replaced. At that stage, and subject to operational effectiveness and affordability, they would be introduced. This policy is consistent across Lincolnshire. Smaller plant and equipment will be electric-powered from the start of the contract, wherever possible.	By not specifying an all-electric fleet at the start, we avoid the significant increase in costs this would doubtless bring about. By requiring consideration of non-diesel vehicles as vehicles are replaced, we retain the option later on, subject to affordability at the time.
Waste minimisation messages needs to be pushed / generally more education and publicity	The specification includes the use of advertising on the side of the contractor's vehicles. From a Social Value perspective, we have suggested that the Contractors would work alongside the Council to help deliver recycling and waste minimisation messages.	No additional cost Minimal (Contractors will include any costs arising from Social Value activity in their bids but these are expected to be negligible in this case).
Stop remains of waste being left in bins when emptied	This has been clearly specified.	None
Stop bins blocking driveways after being emptied	This has been clearly specified.	None

Help residents get rid of waste they can't currently get rid of (rubbish in front gardens / sheds etc)	We already have a free of charge bulky item service for people on means tested benefits. Since the workshop we have introduced a low cost paid-for bulky item collection service in partnership with WLDC, which will take anything up to and including house clearance waste. This service will become part of the overall contract and is included in the specification.	None
Watercourses that are the Council's duty to clean, need cleaning more routinely	This is specified to ensure that the Contractor plans for responsive cleansing of watercourses which meets our statutory obligations.	There will be a (currently unknown) cost impact. It is not expected to be high in the context of the overall spend on the services.
Improve leaf clearance – both responsive and proactive in tree-lined streets especially	This has been covered in the specification to ensure that leaf-fall and other such detritus is cleaned during routine works, with a suitable additional resource during key periods, and an appropriate responsive service for urgent health and safety matters.	This is not an enhanced service, but is more clearly defined and therefore enforceable. It is not expected to increase costs notably.
Akrill's Passage and other 'problem' areas that may have: Access issues Pigeon mess Need regular power cleaning Regular dumping / littering Smells	A list of 'hotspot' areas has been included in the specification, requiring the Contractor to give due attention to them, to ensure appropriate standards are maintained to ensure EPA compliance. City centre litter bins will receive a routine monthly cleanse under the new specification.	This is not an enhanced service, but instead draws the Contractor's attention to some known problem areas at the start of the contract. This should help them to organise resources more efficiently. This is currently a 'one-off' paid for service (and will remain so for bins in other areas) but the demand in the city centre is such that it is felt to be more efficient to do it this way.

THINGS INCLUDED TO HELP MANAGE COSTS	
Contextual information will be provided so that bidders understand the scope of the work, and the risks. This should mean that their submitted prices are reasonable. (Without contextual information, bidders may apply 'contingency' in their prices to cover unknowns, or assume a higher demand than will actually be the case. This could be significant across the whole contract).	Reduces tendered prices
Alongside this, Contractors will be encouraged to minimise inputs (in the interests of efficiency and being environment-friendly) whilst still delivering our statutory duties. For example, we will draw to their attention there are areas of the city which require far fewer cleansing visits to meet the statutory requirements.	This is contextual information which will reduce the risk of Contractors pricing for more routines than are required in order to meet our duties.
More detailed pricing scheme of rates provided, to ensure we only pay for what we use and therefore increase cost control, e.g. providing dayworks rates by the half hour, not hour.	Officers will have more cost control when ordering works
Although not part of the specification, we will routinely review the Controlled Waste Regulations and the Council's ability to charge certain establishments for waste collections. The specifications as written will still apply and don't obstruct us from doing that in any way.	This may bring about income opportunities, subject to Member decisions
Shopping trolleys – the Clean Neighbourhoods and Environment Act 2005 allows Councils to recharge retailers (trolley owners) for the disposal or return of fly tipped trolleys. We haven't exercised this duty before now but have included the process in the specification. We don't experience a lot of abandoned trolleys on the streets, but this will ensure that the costs of dealing with them is covered, as well as encouraging retailers to ensure trolleys aren't removed from their premises.	Minimal income to offset existing costs
The removal of Zone '2e' (referenced below under 'Environmental Protection Act Code of Practice Zone review') reduces some required proactive cleansing, which was previously prescribed over and above the legal duty. Some Zone 2e streets have been promoted to HIGH intensity zone (and no change in standards is expected as a result). Some will move to MEDIUM intensity zone (more details below).	This should reduce spend on routine cleansing which would be incurred retaining 'zone 2e'.
Throughout the whole process, specifications have been written so as to maximise efficiency, flexibility and cost control, and to avoid unnecessary work.	The purpose of this was to control costs so far as reasonably practicable

THINGS INCLUDED TO HELP INCREASE EFFICIENCY / CUSTOMER SERVICE		
The contractor will be required to put in place 'in-cab technology', integrated with our own IT systems, which will mean that updates from cleansing and collection crews will be reported immediately to their own office and to the Council. Community Services and Customer Services staff will have relevant information much faster, so they can better deal with customer enquiries. Community Services staff will have more accurate and timely updates relating to completed tasks and routines to help with performance management.		<p>The current contracts do not have use of this technology and so this is an extra expense.</p> <p>It is the norm for waste / cleansing contractors to use this technology, and so it's expected that most if not all bidders would use it routinely in any case.</p> <p>The efficiencies brought about can mean cost savings in other areas of the contract.</p>
The fly tipping process has been reviewed and streamlined to be clearer on what the Contractor is expected to do proactively, on what cases should be passed to PPASB, to avoid double-reporting of cases and to make monthly reporting easier.		No impact or modest reduction in demand.
The requirement for the Contractor to resolve access issues has been strengthened. They will be required to have suitable vehicles, e.g. narrow-bodied, appropriate for narrow streets with on-street parking. They will be expected to return to collect waste that was missed due to access problems an unlimited number of times. This includes them working with roadworks contractors, posting notices, and returning each day for up to a week to attempt waste collections.		No impact. This is very similar to the current arrangements but clarified to permit greater enforcement.
The contracts already have 'hours of operation' which will remain largely the same, with the exception of a requirement to avoid the noisiest operations (leaf blowers) before 7.30am. This is in response to complaints from residents of the city centre.		None
OTHER POINTS OF NOTE		
Changes to Housing areas cleansing	Routine sweeping of car parking bays has been removed from the specification	This will deliver a reduction in spend by Housing
Performance Management Framework	We have undertaken a review of the Performance Management Framework, to ensure it remains fit for purpose. This provides	No direct cost implication.

	the structure by which the Contractor's performance is monitored and managed.	
Environmental Protection Act Code of Practice Zone review	<p>The Code of Practice for Litter & Refuse dictates the standards and response times for cleaning streets and relevant land, based on their 'zone' (the use and busy-ness of a street).</p> <p>We have undertaken a city-wide review to ensure that the allocated zones still meet the legal definitions (which have been revised since the current contract began). This has changed the category of many streets in the city, meaning that they are all (other than special circumstances such as the bypass) in the HIGH or MEDIUM zones. This is an increase in priority for many streets. However at the same time, the legal response times have increased (giving us longer to respond to 'Grade drops' – that is accumulations of litter).</p> <p>In addition to these statutory changes, we are removing the 'zone 2e' requirement which we added to the current contract, and realigning with our legal requirements. Zone '2e' was added as it was felt that the legal requirements didn't meet the needs of certain parts of the city at that time (in certain streets such as major routes into the city centre and some 'hotspots'). This zone '2e' was over and above the Code of Practice requirements to ensure a proactive presence in those areas, on a daily basis.</p> <p>Of the old 'zone 2e' streets, around half (in terms of meterage) have moved to HIGH zone, and half have moved to MEDIUM, as a daily proactive clean is no longer considered necessary, for example due to changing use.</p>	The removal of zone 2e and the relaxed response times to grade drops, together with the specified efficient working practices should help mitigate any increased costs.

	<p><u>HIGH zone (e.g. city centre and some other busy areas)</u></p> <p>The specification has been developed such that we don't expect to experience any changes in litter standards in the city centre.</p> <p><u>MEDIUM zone</u></p> <p>The response time set out in law for grade drops has been relaxed (any reported accumulations of litter must be cleared by 6pm the next day) which is a slower response than the current arrangements.</p> <p>However, it is important to note that under the current arrangements, many of these streets (the previous zone 2/3) receive a fortnightly litter pick and monthly sweep, and suffer few grade drops in the middle so the revised CoP standards shouldn't make a significant difference.</p> <p>Note also that 'hotspot' areas have been flagged in the contract as requiring special consideration by the contractor (i.e. they may want to put on proactive cleans to manage grade drop demands).</p> <p>These streets may require more intensive monitoring, certainly at the start of the contract and we can of course move streets between zones if we find it to be necessary.</p> <p>The specification has been developed in such a way as to ensure legal compliance as a minimum and to maintain current standards as far as possible whilst managing costs.</p>	
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Social Value	<p>In accordance with our legal obligations and the Council's Social Value Policy, we have suggested SV options for Contractors to develop in their bids. This includes:</p> <ul style="list-style-type: none"> - Supporting volunteer works - Allowing their own staff to volunteer in the City of Lincoln Council - Purchasing ethically sourced goods - Assessing the environmental impact of their suppliers - Contributing staff time to Council-led environmental promotions 	Contractors will include SV costs in their overall prices, however we have made every attempt to minimise the impact of this, by encouraging them to consider low / no cost activities, and by suggesting low / no cost SV actions that would make a difference.
Lifts, stairs and bridges	There have been a number of developments in the city centre in recent years that incorporate lifts, stairs and bridges. The specification makes clear that they are to be treated the same as the surrounding streets as far as routine cleansing applies, and will also receive a monthly 'deep-clean'.	This will add costs, although not significant in the context of the overall spend. At the moment we are doing this, reactively, and have absorbed the costs in existing budgets.
Side waste	It is likely that, by September 2026, the disposal authority will have banned the use of 'side waste'. This is the recycling waste that householders can present alongside their recycling bin (not residual waste or garden waste) if they need more capacity. We have written the specification to take account of this, but it can be changed if the ban doesn't happen.	

Appendix B - Equality with Human Rights Analysis Toolkit



The Equality Act 2010 and Human Rights Act 1998 require us to consider the impact of our policies and practices in respect of equality and human rights.

We should consider potential impact before any decisions are made or policies or practices are implemented.

SECTION A

Name of policy / project / service	Waste collection / street cleansing services specifications
Background and aims of policy / project / service at outset	<p>This assessment relates to the specifications developed as part of the 'GSW26' project</p> <p>They form part of the waste / cleansing contract that runs from 1/9/2026 and determines how these services are delivered.</p> <p>They were developed following extensive, focussed officer workshops, and have been informed by the outcomes of All-Member workshops, the Council's legal duties and requirements, best practice, officer experience, customer need, and the environmental agenda..</p>
Person(s) responsible for policy or decision, or advising on decision, and also responsible for equality analysis	<p>Caroline Bird, Community Services Manager (Programme).</p> <p>The project has been overseen by the GSW26 Board.</p>
Key people involved <i>i.e. decision-makers, staff implementing it</i>	<p>GSW26 Board, Chaired by Simon Walters.</p> <p>Cllr Bob Bushell Portfolio Holder.</p> <p>Specifications considered by Policy Scrutiny Committee and signed off by Executive.</p> <p>Community Services staff to contract / performance manage the contract.</p> <p>Quarterly Performance Management Board to oversee performance of the contract, chaired by Portfolio Holder.</p>

SECTION B

This is to be completed and reviewed as policy / project / service development progresses

	Is the likely effect positive or negative? (please tick all that apply)			Please describe the effect and evidence that supports this and if appropriate who you have consulted with*	Is action possible to mitigate adverse impacts?	Details of action planned including dates, or why action is not possible
	Positive	Negative	None			
Age 64			✓	The specifications have been designed to ensure that any arrangements previously put in place to help people access our services, such as assisted collections for elderly/disabled/pregnant/temporarily incapacitated people, clinical waste collections, and free of charge bulky waste collections for people on means-tested benefits, remain in place. The specifications ensure fully compliant services are delivered, offering assistance to individuals where appropriate and possible.	Yes/No/ NA	
Disability including carers (see Glossary)			✓	The specifications have been designed to ensure that any arrangements previously put in place to help people access our services such as assisted collections for elderly/disabled/pregnant/temporarily incapacitated people), clinical waste collections, and free of charge bulky waste collections for people on means-tested benefits remain in place. The specifications ensure fully compliant services are delivered, offering assistance to individuals where appropriate and possible.	Yes/No/ NA	
Gender re-assignment			✓	There are no issues that would affect people in this protected characteristic category specifically.	Yes/No/ NA	

Pregnancy and maternity			✓	The specifications have been designed to ensure that any arrangements previously put in place to help people access our services such as assisted collections for elderly/disabled/pregnant/temporarily incapacitated people), clinical waste collections, and free of charge bulky waste collections for people on means-tested benefits remain in place. The specifications ensure fully compliant services are delivered, offering assistance to individuals where appropriate and possible.	Yes/No/NA	
Race			✓	There are no issues that would affect people in this protected characteristic category specifically.	Yes/No/NA	
Religion or belief			✓	There are no issues that would affect people in this protected characteristic category specifically.	Yes/No/NA	
Sex			✓	There are no issues that would affect people in this protected characteristic category specifically.	Yes/No/NA	
Sexual orientation			✓	There are no issues that would affect people in this protected characteristic category specifically.	Yes/No/NA	
Marriage/civil partnership			✓	There are no issues that would affect people in this protected characteristic category specifically.	Yes/No/NA	
Human Rights (see page 8)			✓	There are no Human Rights implications	Yes/No/NA	

**Evidence could include information from consultations; voluntary group feedback; satisfaction and usage data (i.e. complaints, surveys, and service data); and reviews of previous strategies*

Did any information gaps exist?	Y/N/NA	If so what were they and what will you do to fill these?
	NO	

SECTION C

Decision Point - Outcome of Assessment so far:

Based on the information in section B, what is the decision of the responsible officer (please select one option below):


Tick here


- **No equality or human right Impact** (your analysis shows there is no impact) - sign assessment below [☒]
- **No major change required** (your analysis shows no potential for unlawful discrimination, harassment)- sign assessment below [☐]
- **Adverse Impact but continue** (record objective justification for continuing despite the impact)-complete sections below [☐]
- **Adjust the policy** (Change the proposal to mitigate potential effect) -progress below only AFTER changes made [☐]
- **Put Policy on hold** (seek advice from the Policy Unit as adverse effects can't be justified or mitigated) -STOP progress [☐]

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Conclusion of Equality Analysis (describe objective justification for continuing)	There are no equality or human right impacts.
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When and how will you review and measure the impact after implementation?*	Any changes to policy will be subject to a new assessment.
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Checked and approved by responsible officer(s) (Sign and Print Name)		Date	25/8/2023
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Checked and approved by Assistant Director (Sign and Print Name)	 Steven Bird	Date	25/8/23
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17. Waste Collection & Street Cleansing Specifications (For New Contracts From 1/9/2026)

Steve Bird, Assistant Director of Communities and Street Scene introduced the report and made the following key points:

- a. presented a report to provide an update on the specification of the waste collection and street cleansing contract prior to commencing procurement, with specific reference to comments received in the All-Member workshops.
- b. explained that the Council had two contracts for street scene services: street cleansing and grounds maintenance, and waste collections. Both of these contracts would end on 31st August 2026.
- c. further explained that the new contracts would commence on 1st September 2026 and would be realigned and packaged as two separate contracts: waste (which included recycling and other domestic waste streams) and street cleansing, and a separate grounds maintenance contract.
- d. explained that there were specialist vehicles required, and that the lead-in time for procuring the vehicles was currently two years, therefore procurement needed to commence in November 2023.

Caroline Bird, Community Services Manager (Programme) gave a detailed overview of the proposed waste/cleansing contract specifications and covered the following key points:

- a. advised that the Council would require its contractors to pay their staff in accordance with the Real Living Wage as a minimum.
- b. explained that the waste/cleansing specification had been drafted and was summarised at Appendix A of the report.
- c. further explained that the changes in Appendix A were just material changes which may be noticeable to service users. Many other changes had been made in the interests of cost control, clarity, ease of navigation, ease of operational use and understanding.
- d. detailed the issues highlighted at member workshops, actions taken to address these issues and the anticipated impact on cost.
- e. updated that since the publication of this report, the contract had been amended to reflect that side waste collections were unlikely to be allowed by 2026.
- f. invited members questions and comments:

Question: What was side waste?

Response: Side waste was rubbish that had been put at the side of the bins rather than inside of the bins. At the moment recycling was collected from side waste. However, due to the risk of contamination it was unlikely to be allowed to continue by 2026.

Comment: There were issues with collections at narrow roads within Boutham Ward. It would be interesting to see how this would be addressed and written into the contract.

Question: What was the length of the contract?

Response: The contract was for 8 years and 7 months, which would bring it in line with the financial year. There was the option to extend the contract for a further 8 years if both parties were happy to continue.

Question: It was currently expected that separate collections for paper and card would be introduced in the future, and it would be likely to change in future to have other separate collections. How would this affect the contract?

Response: There was a flexibility clause in the contract. The Council and the contractor would be obliged to work together to address any future changes.

Question: Would there be an extra charge for changes or additional collections?

Response: Yes, the contractor would be required to provide costs to ensure value for money. The type of contract meant that the contractor could look to make changes to improve efficiency. If there were fundamental changes to the service, suggested by the contractor, the benefits would be shared between the contractor and the Council.

Question: How would the “in cab” technology work?

Response: A tablet would be integrated into each cab which would instantly report updates from the cleansing and collection crews. This would enable customer services staff to have the relevant information much faster to deal with customer enquiries.

Question: To what extent were the changes to the service driven by costs rather than providing a better service?

Response: The contract would provide best value for money whilst reducing the risk to contractors. We were trying to achieve a balance between value for money and providing a statutory duty. There was no expectation there would be a deterioration in the service provided.

Question: Why had the routine sweeping of car parking bays been removed from the specification?

Response: The sweeping of car parking bays referred to some council housing areas, it was an anomaly in the current contract and a decision was made by the Director of Housing and the Portfolio Holder for Quality Housing to remove this from the specification.

Question: Would there be a smaller charge for garden waste collections if there was a reduction in the service?

Response: This would be a decision to be made by Members through the democratic process.

Question: Should the cleansing of bridges, lifts and stairs be maintained and paid for by Network Rail?

Response: Yes, but their response times were slow and it did not reflect well on the City. The lifts, stairs and bridges would be treated the same as the surrounding streets. It was not a significant part of the contract cost.

Question: What was on-street recycling bins?

Response: It was where litter bins in the street gave recycling options to people disposing of waste while out and about. The Council was not in a position to offer this service yet but it was hoped to introduce the service in the future. It would need to be agreed with Lincolnshire County Council.

Comment: People often did not know what to do if they received a label on their bins for contamination.

Response: It was a balance between discouraging contamination but also not making it too difficult for people to recycle. Some more work on education and enforcement was required.

Question: Would it be possible to move to compostable refuse bags in the future?

Response: The Lincolnshire County Council waste handler had to be able to handle the materials. We were currently waiting for a reply from Lincolnshire County Council regarding the bags. It had been written into the contract that we would like to use alternative bags such as compostable material in the future. The contractor would be expected to work with us to identify alternative bags.

Question: Had any consideration been given to re introducing the Saturday waste service (Civic Amenity Service) where residents could take their waste to a nominated point?

Response: It was not possible to reintroduce this service due to health and safety legislation. There were also issues of businesses taking advantage of the service and an increase in fly tipping at the sites. People would leave their rubbish at the site even if they did not know the collection day.

Question: Some residents did not know what contamination was. What was the communication plan to address this?

Response: With regards to the changes to the contract, a communication plan would be drawn up in due course and would provide plenty of time to advertise any changes. In general terms we were mindful that levels of contamination were high and we would be taking steps to address this. There would be a campaign running up to Christmas.

Question: Currently refuse sacks were provided inside a bag rather than a roll, the bag was not needed, could this be changed?

Response: This would be discussed with the current contractor, and the wording in the new specification would be amended.

RESOLVED that the content of the report be supported and referred to Executive for consideration.

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SUBJECT:	EXCLUSION OF THE PRESS AND 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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