

Present: Councillor Gary Hewson (*in the Chair*),
Councillor Ric Metcalfe, Councillor Geoff Ellis, Councillor
Rebecca Longbottom, Councillor Jane Loffhagen,
Councillor Helena Mair, Councillor Laura McWilliams,
Councillor Hilton Spratt and Councillor Pat Vaughan

Apologies for Absence: Councillor Thomas Dyer and Councillor Loraine Woolley

1. Declarations of Interest

No declarations of interest were received.

2. Draft Medium Term Financial Strategy 2020-2025

The Budget Review Group considered the draft Medium Term Financial Strategy 2020-2025 and provisional 2020/21 budget and Council Tax proposals. A copy of the Medium Term Financial Strategy was appended to the report.

Jaclyn Gibson, Chief Finance Officer, presented the report and:

(a) Reported that the main objectives of this meeting were to:

- examine the principles and planning process that underlay the proposed budget 2020/21 and Council Tax, and the Medium Term Financial Strategy 2020-25;
- ensure that at each stage the budget was clear, focused, achievable, realistic and based on sound financial practices;
- ensure that at each stage the budget had clear linkages with corporate plans that formed the Council's Policy Framework, establishing that they were identifiable and designed to support the Council's Vision 2025.

(b) Reported that the Medium Term Financial Strategy 2020-25 had been developed on the following income assumptions:

- Lincoln would be a business rates pool in 2020/21;
- no growth in business rates in 2020/21, reduction of approximately £2 million due to empty properties and demolitions, with growth of 1% in 2021/22 and 2% per annum thereafter;
- 75% business rates retention from 2021/22 with a full reset of the system. An assessment of the impacts had been factored in but full details were not yet clear;
- business rates increase linked to CPI and/or the Uniform Business Rate;
- phasing out of Revenue Support Grant by 2021/22, in line with grant allocations;
- New Homes Bonus assumed last year of allocations in 2020/21 with legacy payments through to 2022/23, with no further funding beyond this point;
- investment returns approximately 1% across the Medium Term Financial Strategy;

- fees and charges average increase of 3.1% in 2020/21, with 3% per annum assumed thereafter.
- (c) Reported that the Medium Term Financial Strategy 2020-25 had been developed on the following expenditure assumptions:
- inflation based on 3% per annum for contractual commitments, based upon RPI, 2% per annum for general inflation, based upon CPI, no inflation on the supplies and services budgets and 2% per annum provision for a staff pay award;
 - staff turnover targets of 1% per annum;
 - capped increased of 1% per annum in 2020/21 to 2022/23 for employer pension contributions, with future increases subject to triennial review.
- (d) Reported the following in respect of Council Tax:
- referendum limits were increased to higher of 2% or £5 for 2020/21;
 - the Medium Term Financial Strategy assumed an increase of 1.9% in 2020/21 and 1.9% per annum thereafter. This was an increase of 7.5p per week for 80% of residents;
 - growth in the Council Tax base of 1.25% per annum with no reduction in Localised Council Tax Support Scheme caseload in 2020/21.

A number of questions or comments had been submitted in advance of the meeting, as follows:

Question

Over the two year period 2020/21 to 2021/22 the Medium Term Financial Strategy showed all risks remaining the same or deteriorating. How could the Council justify using the £1 million business rate windfall monies on the new Vision 2025 programme until it was sure that risk factors, such as the competition to income generators like the Crematorium, would not be forthcoming?

Response

There were a significant number of financial risks that the Council faced from 2021/22 onwards and where possible prudent allowance had been made in the Medium Term Financial Strategy based on the assumptions highlighted above. Until these were known for certain, there would remain an element of risk.

Councillor Ric Metcalfe was of the opinion that using the £1 million to support implementation of the Council's Vision 2025 would be a sensible approach.

Councillor Hilton Spratt made the point that the authority had been in a position of needing to make savings since 2007 and that it was getting more difficult each year. He asked what would happen if interest rates were set at a minus amount, noting that some countries had undertaken such an approach in the past. It was noted that, in such circumstances, all fixed investments already in place would be unaffected, however, for liquid monies the Council would effectively have to pay to retain any monies held in bank accounts.

Councillor Gary Hewson reflected on the risk assessments included as part of the Medium Term Financial Strategy and was concerned that every factor had stayed the same or had deteriorated since the previous year. He highlighted that the

Performance Scrutiny Committee would be closely monitoring this over the coming year. It was reported that this had been due to delays in national reform, which was outside of the authority's control, meaning that the risks had not changed. Officers were hopeful that this time next year there would be more known factors associated with these reforms so that they could be more accurately reflected in the budget and address some of these risks.

Comment

In response to some of these assumptions the level of savings required had to increase. An example of this was the Crematorium and the fact that the Medium Term Financial Strategy stated that through either investment required to maintain market share or due to loss of income to competitors the savings target would need to increase further.

Response

The £1 million business rate income was a one off surplus and could not be used to fund ongoing expenditure or replace ongoing income. The Council needed to strike a balance between maintaining a sustainable financial position as well as investing in its priorities.

Question

Corporate and Corporate Support accounted for 25% of the Council's expenditure but only generated 3% income from fees and charges. In monetary terms, what would the breakdown be on expenditure on the none-income generators on the General Account compared to 2017/18, 2018/19 and quarter three for 2019/20?

Response

Corporate Support Services included all the professional support teams within the Council, such as Human Resources, Financial Services, Property Services, Legal Services, Customer Services, Democratic Services, Insurance Services and Procurement for example. These were internal services supporting other services within the Council and as such did not have the opportunity to generate an income. The Corporate expenditure was in relation to pension contributions, members' allowances, land drainage rates, elections, council tax services and licensing. With the exception of licensing, these were not income generating services therefore only accounting for 3% of fees and charges income. An analysis of all service's income and expenditure budgets for 2018/19, 2019/20 and 2020/21 was circulated at the meeting.

Councillor Ric Metcalfe made the point that the Council had driven down costs enormously over the years, stating that the City Council used to employ 950 people whereas its establishment now equated to approximately 600 people. A lot of this reduction had been through central and support services and he emphasised that without these key central and support services, the Council's frontline services would simply not be able to function.

Councillor Pat Vaughan asked whether the Council received anything back from the Government regarding levies from Drainage Boards. It was noted that, due to the removal of the Revenue Support Grant, the Council no longer received anything back directly in respect of levies from Drainage Boards.

Councillor Gary Hewson referred to non-statutory fees and charges and the overall yield assumed at 3% per annum and asked whether this meant that the Council expected some revenue income to reduce. It was noted that in the majority of cases the Medium Term Financial Strategy was based on income

budgets either in line with a 3% increase or in some cases had forecasted increased levels. Some fees and charges, such as those associated with planning, were statutory and outside of the authority's control.

Question

What were the figures for Council Tax and Business Rates income for 2019/20 compared to 2018/19?

Response

The figures below were noted, however, it was reported that in 2018/19 the Council was in a Business Rate Pilot and retained 60% of income rather than 40%:

	2018/19	2019/20	2020/21
Council Tax	£6,393,490	£6,678,820	£6,915,030
Business Rates	£7,420,960	£5,366,070	£5,755,110

Question

The Medium Term Financial Strategy indicated that savings of £1,250,000 needed to be made by 2022/23 and a programme of reviews were already in progress. What were these savings in expenditure and how did the Council intend to make the savings not yet accounted for in the reviews of £475,000 by 2022/23?

Response

A programme of reviews was currently in progress and would be brought forward for scrutiny and subsequent approval at an appropriate time, which included areas such as asset acquisition, the One Council initiative, supplies and services reductions. A further range of options for consideration were currently under development.

Councillor Pat Vaughan, in respect of business rates, asked whether the County Council still received a share of the actual amount collected. It was noted that a rate level for business rates was set at the beginning of the year and the amount collected would be split between the City Council, County Council and Government. A surplus or deficit would be announced at the end of the year and this would be shared between the City Council, County Council and Government.

Councillor Rebecca Longbottom asked where the assumption in relation to interest rates came from. It was reported that the Council took advice from independent treasury management advisors who provided their latest advice which they sought from a range of projections based upon performance of the country's economy.

RESOLVED

That the Budget Review Group:

- (1) Agrees that at each stage the budget was clear, focused, achievable, realistic and based on sound financial practices and had clear linkages with corporate and other plans that formed the Policy Framework to establish that they are identifiable and designed to improve services in the Council's strategic priority areas.
- (2) Agrees to provide its comments to the Performance Scrutiny Committee and Executive on the draft Medium Term Financial Strategy 2020-25 and 2020/21 budget and Council Tax proposals to the Performance Scrutiny Committee and Executive prior to formal consideration by Council at its meeting on 3 March 2020.

Councillor Hilton Spratt requested that his abstention from voting be noted.