

Public Document Pack

Budget Review Group

3 February 2021

Present: Councillor Gary Hewson (*in the Chair*),
Councillor Thomas Dyer, Councillor Geoff Ellis, Councillor
Jane Loffhagen, Councillor Rebecca Longbottom,
Councillor Helena Mair, Councillor Ric Metcalfe,
Councillor Christopher Reid and Councillor Pat Vaughan

Apologies for Absence: Councillor Laura McWilliams, Councillor Lucinda Preston
and Councillor Loraine Woolley

1. Declarations of Interest

Councillor Pat Vaughan wished it recording that his granddaughter worked in the Council's finance department.

2. Draft Medium Term Financial Strategy 2021-26

The Budget Review Group considered the draft Medium Term Financial Strategy 2021-2026 and provisional 2021/22 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 highlighted that the main objectives of this meeting were to:

- examine the principles and planning process that underlay the proposed budget 2021/22 and Council Tax, and the Medium Term Financial Strategy 2021-26;
- 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.

A number of questions were provided in advance of the meeting which, together with responses provided, were noted as follows:

Question: Given the significant cost savings needed within the Communities and Environment Directorate, the ongoing situation with the Usher Gallery seemed to have disappeared from discussion. What was the Council's current strategy to ensure value for money was achieved for the tax payer?

Response: There were no cost savings needed specific to one Directorate, there was only the corporate target to be achieved. Ongoing discussions were still continuing with the County Council surrounding the future of the Usher Gallery and the collections.

Question: Did the contract signed with Nottingham City Council for the storage of artefacts represent long term value for money? Or were the offers from Lincolnshire County Council better value?

Response: This was a fluid situation and ongoing discussions continued with both Nottingham City Council and Lincolnshire County Council.

Question: Taking into account all the support schemes, what was the total funding the City of Lincoln Council had received from central Government by way of Covid-19 support?

Response: A detailed breakdown of support provided for 2020/21 and 2021/22 was set out as part of the presentation but equated to approximately £6,489,000 and £1,197,000 respectively.

Question: What is the total cost to COLC for the proposed staff pay award, including employer National Insurance and pension contributions?

Response: The Council was currently bound to collective bargaining through the National Joint Councils. There had been no pay claim yet presented for 2021/22. The Council's Medium Term Financial Strategy assumed an increase on the total pay budget but this was not a pay proposal, it was solely a budget provision of potential future pay claims. Details relating to assumed increases ranging from 1.5% up to 2% for each year of the Medium Term Financial Strategy and the total cost of such increases were outlined in the presentation.

Question: If Councillors were to freeze their allowances, including Special Responsibility Allowances, what savings would this equate to for the 2021/22 financial year?

Response: The Members' Allowances budget had been increased by inflation at 1.5% in 2021/22. This was equivalent to £3,720.

Question: How much revenue was generated by hiring the venue out and for tours at the Guildhall for the 2019/20 financial year?

Response: In 2019/20 £200 was received in respect of hire of the Guildhall. In terms of income from tours, these were free of charge unless they were outside of normal working hours or were private tours that interfered with public tours. No income was received in respect of these during 2019/20.

Question: Fixed penalty notices had remained the same for several years. Could the Council increase these?

Response: These fees were not designed to maximise income, their aim was to act as a deterrent. Based on the current economic climate it was felt that the level of the fees set were appropriate to achieve such a purpose.

Question: Does the Council intend to increase its lowest hourly pay rate to £10 an hour, as per the motion at the previous meeting of Full Council?

Response: The Council was currently bound to the outcomes of collective bargaining through the National Joint Councils and this was reflected in its contracts of employment and green book terms and conditions. The Council was committed to maintaining its Living Wage accreditation and would shortly seek Executive approval to implement the latest increase, as announced in November 2020, from £9.30 per hour to £9.50 per hour.

Question: What would be the increased cost to raise the lowest hourly rate to £10?

Response: Based on 2020/21 pay scales there were two pay scales currently earning less than £10 per hour. The cost to increase these all to £10 per hour, and removing any pay differential, would be approximately £33,000.

Question: In the 2018/19 financial year, the City of Lincoln Council spent almost £20,000 on trade union facility time. What was this cost in 2019/20 and 2020/21? How did the Council audit this time? Was there scope to reduce this, as it was understood that this was a voluntary payment?

Response: Each Trade Union representative had an agreed amount of time off for Trade Union activities and duties. The Council's Trade Union policy set out what representatives were entitled to be paid and the duties this covered. The payment, which was not voluntary, must either be the amount they would have earned had they worked during the time off or via their average hourly earnings. In 2018/19 the cost of trade union facility time was £9,165. In 2019/20 this was £10,463 and in 2020/21 the cost of trade union facility time was budgeted to be £10,870.

Question: The car parking strategy was to be refreshed. Was there a timescale?

Response: Car parking patterns in the city centre had changed as a consequence of the pandemic and hence changes in commuter behaviour. The car parking strategy was provisionally scheduled for review later this year, but timing would be critical. It should not be completed too early, otherwise the Council could review the strategy before commuter patterns had truly found their new baseline. Conversely, the Council did not wish to delay this for too long as it could leave parking stock underutilised. Currently, the Council was seeking to review the situation in September 2021 and decide then when would be the best time. The Council would hopefully have a more stable commuter pattern by then, and understand the new peak demand levels created from domestic tourism and other key sectors.

Question: Whilst the budget summary in the report showed a significant reduction within the Communities and Environment Directorate budget over the period of the Medium Term Financial Strategy, no further detail was provided by area. Could a cost summary please be provided for each area within the Communities and Environment Directorate, for example CCTV costs and public toilets, for example, in terms of cost, income and net summary, reflecting that some areas did generate revenue?

Response: The net cost of the Communities and Environment Directorate reduced over the Medium Term Financial Strategy due to two primary reasons, as follows:

- car parking income was forecasted to increase over the period as some of the impacts of Covid19 unwinded;
- the significant cost savings delivered through the Waste and Street Cleansing contract extension increased over the five-year period in addition to the cumulative impact of the change in inflation rate.

A full breakdown was also available.

Question: How financially stable are the City's biggest Business Rate contributors?

Response: Officers were unable to assess the financial stability of the city's biggest business rate contributors. However, the top ten Business Rate payers in the City, after mandatory/discretionary reliefs, were noted as follows:

1. United Lincolnshire Hospitals NHS Trust
2. Tesco
3. Sainsburys
4. William Morrison
5. B&Q Limited
6. Waitrose
7. Siemens Energy
8. City of Lincoln Council (carparks)
9. Marks and Spencers
10. Lincolnshire County Council

Question: To date, including staffing, in the Major Developments Team, what had the City of Lincoln Council spent on the Western Growth Corridor development?

Response: The Medium Term Financial Strategy, as a forward-looking strategy, included the following capital budgets in relation to Western Growth Corridor:

- Capital Expenditure: Phase 1a Infrastructure and Residential Units £10,697,000;
- Capital Receipts: Phase 1a Residential Sales £11,122,000;
- Capital Grants: Local Authority Accelerated Construction £1,724,000.

Question: In the Housing Revenue Account to what extent were tenants billed for damages of their own fault? For example, smashed windows. What income did this provide a year? Were repairs done at cost, or did the Council make a surplus?

Response: The Council had a Rechargeable Repairs Policy, last reviewed in 2017, which identified circumstances where repairs would be recharged to tenants. This included damage caused by the tenant. Repairs were charged on the established schedule or rates for the Housing Repairs Service. In 2019/20 the Council recharged repairs totalling £55,167 and, to date, in 2020/21 repairs of £25,946 had been recharged.

Question: How did the City of Lincoln Council ensure its external grants are being spent efficiently, such as those relating to the Brayford Trust and Dial-a-Ride, for example?

Response: Through the Annual General Meeting the Council nominates elected members to sit as representatives on each of the relevant boards of the bodies that the Council provided grant funding to. In addition, a number of the grants were supported by Service Level Agreements and were subject to the submission of Annual Reports and Business Plans prior to future grants being released.

Question: What were the potential savings following the Housing Revenue Account agreement regarding Kier?

Response: There were currently no savings built into the Medium Term Financial Strategy as a result of the termination of the Kier contract. The investment budgets remained at the same levels in the Housing Improvement Plan and

would be subject to the delivery of individual work packages through new contracts and/or in house resource.

Question: Had an assessment been done on the benefits of providing one hour free parking to help stimulate the high street?

Response: This had been suggested in the past but no detailed modelling had been undertaken on this option. A one-hour free parking initiative would have an impact on the financial position of the Council and so budgetary provision would need to be made. Work would also need to be done to ascertain the extent free parking would have on stimulating the High Street with additional visitors to the city centre. A worst case scenario would be that the price was relatively inelastic, resulting in no noticeable increase in footfall but reduced income for the City Council. This would be true if there were stronger pull factors leading to why people would or would not visit the high street after the pandemic. Resident surveys would be required to ascertain the key influencing factors.

Question: What were the approximate cost increases to hold the 2021 local elections?

Response: The Council was currently estimating an additional, high-level estimate, cost of approximately £50,000 for all three elections, the Council's direct share being one third. It was emphasised, however that this could significantly change in relation to the detailed risk assessments that needed to be undertaken for each process and for each venue used as part of facilitating the elections. On completion of this a more informed estimate could be prepared.

Question: If the Council was to freeze the pay for all staff earning over £30,000 and elected members' allowances, only providing the proposed pay increase to those below £30,000 (full time equivalent), what would be the saving? How much would this cost?

Response: The Council was bound to the outcomes of collective bargaining through the National Joint Councils and this was reflected in the Council's contracts of employment and green book terms and conditions. On the basis of the proposal above the saving against the Medium Term Financial Strategy provision for pay awards in 2021/22 would be approximately £121,000.

Question: When could members see what Vision 2025 consisted of? When were the 'refreshed' annual delivery plans likely to be ready? Were there any first thoughts on major changes?

Response: Vision 2025 was approved by Full Council in March 2020. Work was currently being undertaken to review the Annual Delivery Plans that provided the details of which schemes were being progressed in the forthcoming year. This was work predominately around phasing of schemes and supporting the recovery of the city, rather than fundamental change. Whilst this work was underway it had inevitably been affected by the pandemic and current national lockdowns.

Question: What were the 'core services that matter most'? Or conversely, which core services mattered least?

Response: The Council's key and core services were those that supported delivery of Vision 2025 and the strategic priorities of:

- let's drive inclusive economic growth;
- let's reduce all kinds of inequality;
- let's deliver quality housing;
- let's enhance our remarkable place;
- let's address the challenge of climate change.

Question: What were the levels presently the Council was looking to maintain short term and which income streams did it look to maximise long term? Would these be made clear regards their performance at future meetings of the Council's Performance Scrutiny Committee?

Response: The objective that this referred to was in relation to income from Council Tax and Businesses Rates. Ordinarily the objective was to seek to maximise these income sources, but this had been amended to reflect in the short term that, due to the current economic climate, the Council needed to seek to maintain levels as much as possible and protect them from falling further. Longer term as the economy recovered, the Council would seek to grow these income sources again. Both Council Tax and Business Rates collection rates were monitored through the Performance Scrutiny Committee and would be adjusted for 2021/22. This objective was not solely about collection rates though, it was about long term growth in the city's businesses and housing.

Question: Could you explain please the £5,124,000 retention which was lower than expected and the one-off gain of £428,000? What was the Council expecting and were both figures guaranteed?

Response: The Medium Term Financial Strategy 2020-2025 estimated Business Rates income of £4,696,000 in 2021/22. This had now been revised to £5,124,000, a gain of £428,000. This gain had only arisen due to a delay in the implementation of national reforms to the business rates funding mechanism for local authorities. The impact of this would see a significant reduction in the Council's retained income which it had forecasted would happen in 2021/22, but it was now delayed meaning the Council would not suffer the loss. The total amount of Business Rates forecasted to be collected had significantly reduced due to Covid and had resulted in less income being retained by the Council. The net impact of the two changes resulted in an overall gain for the Council. Business Rate income was not guaranteed and was dependent on actual levels of rates billed and collected including the impacts of awarding reliefs and appeals. Each year the Council was required to calculate the surplus or deficit on its Collection Fund, both for Council Tax and Business Rates, and absorb any gains or losses in the following financial year.

Question: There seemed to be a shortfall for the proposed savings and those expected to be implemented by £1,958,000. If this was correct, where were the rest of the savings expected to come from? Were you able to provide any more details on 'a new programme of proposals'?

Response: The savings target required was £1,750,000 per annum by 2022/23. An initial programme of reviews had been developed and would be brought forward for consideration during the course of the next twelve months. However, this programme was still subject to change as the business cases were developed and staff and public consultation took place. Some examples were the current reviews regarding public conveniences and allotment charges.

Question: Could you explain what One Council means please? Also, could you provide examples related to each of the four themes of 'One Council'?

Response: There was a specific section in Vision 2025 with further details on One Council. One Council had been established from the "Professional, high performing service delivery" theme of Vision 2020. One Council put the customer at the heart of everything the Council did, understanding their needs, wants and preferences. One Council also defined how the Council, as an organisation, would need to work in the future to meet these changing demands. The Council's focus would be on creating a joined-up experience for customers where they felt they were talking to one council rather than multiple departments. There were four themes of One Council, noted as follows:

- Best Use of Assets – work under this theme was around the future use of City Hall and how the Council's changing work patterns may alter its need for physical working space and also the needs of its customers to attend City Hall in person. Further expanding the public sector hub currently included as part of City Hall was provided as an example;
- Technology – work under this theme focused on adapting to a new remote way of working ensuring the Council was visible and accessible to its customers, ensuring that staff had the right tools for the job but also that the Council provided its residents with much easier direct access to council services, such as the use of Zoom/Office 365/Teams to facilitate remote working and access to online services;
- Organisational Development – this programme of work focused specifically on creating a workforce that was flexible and adaptable to the changing environment in which the Council worked, with the Lincoln Charter and virtual training and development cited as examples;
- Create Value Processes – this theme focused on a joined-up experience across all methods of using Council services, ensuring that digital services could become the default choice for customers due to the ease and efficiency they provided, such as repairs online and access to services via the Council's website.

Question: It was very interesting that 'the minimum prudent levels of reserves and balances that the Council should maintain are a matter of judgement.' It was assumed that the levels would be set by central government. So, what criteria had been used to determine these levels in the past? Was the criteria likely to change in the future?

Response: Local authorities should establish reserves including the level of those reserves based on the advice of their Chief Finance Officers. Authorities should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances varied, hence why there were no levels set by Government. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it was exposed. The Council therefore undertook a risk assessment against its key variable budget areas to assess the likelihood of and impact of changes in the budgeted amounts. This overall assessment determined the level of prudent reserves to be maintained.

Question: How was the Council reimbursed by the Government for the monies it paid out to the Internal Drainage Boards, or did it not receive anything back?

Response: The Council did not receive any specific direct funding from central Government for the Internal Drainage Board levies. Account of costs was taken into consideration as part of the Government's assessment of the Council's 'relative needs' and formed part of the calculation of the amount of business rates the Council could retain. This was not a direct reimbursement, it was just a factor in an assessment of need.

Additional questions asked at the meeting, and their respective responses, were noted as follows:

Question: When would the Council know about Lincoln's Town Deal Fund submission? Would it be successful?

Response: The Council had recently been notified that this would form part of the budget and would therefore be notified of the outcome of the Lincoln Town Deal application on 3 March 2021. In terms of the success of the application, the Chief Executive reported that she believed it represented a very strong submission acknowledging, however, that it was part of a competitive process.

Question: Communication and liaison with the public was extremely important and, whilst the Council sought to streamline its services and move to more online solutions, it should be noted that 20% of residents in the city did not have access to the internet. Could reassurance be given that the Council would not be preventing access to services in respect of those people?

Response: One of the rationales behind the One Council approach was to enable people to be more self-sufficient and access services online, which would then free-up officers who could dedicate more support to those who were unable to access online services, facilitating more face-to-face meetings or longer telephone calls to resolve issues. This was at the centre of proposals relating to One Council, so an assurance was given that those people unable to access the internet would not be prevented from accessing the Council's services.

Question: The Council, like other organisations, had changed the way in which it worked as a result of the Covid-19 pandemic and staff had responded stunningly in terms of their flexibility and adaptability particularly in relation to remote working. A concern, however, was that a sense of pride in working for the City Council and belonging that people had as part of working as a team could potentially be lost, with remote working not being the preference of all staff. Would this be considered as part of the Council's review of the way in which it would operate in future?

Response: The Council did have a core staff base that were really proud to work for the authority and enjoyed that sense of belonging. Working from home or working remotely was not everyone's preference and, moving forward, the Council would ensure inclusivity with its staff in order to take into account and accommodate different circumstances.

Question: When were fixed penalty charges last increased? Other fees and charges, such as rent and car parking, were regularly increased whereas fixed penalty charges, acting as deterrents for those activities where people negatively contributed to the city, remained unchanged. If these did not increase in keeping with other fees and charges and the current economic climate, surely the level of deterrent would decrease? This appeared to be counterintuitive.

Response: Fixed penalty notices, covering things such as littering and dog fouling, had not increased at least in the last five years. Further clarity would be provided on the last time they had been increased. The Council did not seek to maximise from such activities and did not rely on this as an income stream, it was solely a deterrent to prevent such instances occurring.

Question: The car parking strategy was scheduled for review in September 2021. Perhaps the proposed increase of car parking fees and charges should be deferred until the review had been undertaken?

Response: The parking strategy would be critical in terms of managing a key income stream for the Council but also considering whether all of the City Council's car parks were all necessary or in the most suitable locations. Maintaining the baseline of car parking income was essential, with any change to that baseline having a direct impact on a large amount of other areas of the Council's business.

Question: Was there any measure of the impact the Council's initiatives had in respect of car parking during the easing of Covid-19 restrictions last year in terms of attracting people back into the city?

Response: Unfortunately there was no accurate measure that could be put in place to assess the impact of the Council's initiatives in this respect.

Question: With regard to the proposed increase in stall fees for the Christmas Market, had any consultation been undertaken with stallholders?

Response: The proposed increase in stall fees was about maintaining a base which, if could not be maintained, would need to be supported from other service budgets. Lots of correspondence had been shared with stallholders but it was unclear whether specific consultation regarding a proposed increase in fees had taken place. Further information relating to this would be provided in due course.

Question: Was there a timescale in place for when savings would come forward?

Response: The programme in place to achieve savings consisted of projects which themselves comprised a business case, options appraisal and the undertaking of a review, some of which would require public consultation. Outcomes and projected deliverability would therefore differ from project to project, so there was no set timescale at this stage with a lot of detail in relation to each project yet to be worked up. The majority of the projects within the programme would only require internal reviews as opposed to public consultation, which would be less time consuming, but it was still too early to place any specific timescales around deliverability.

Question: Taking into account the recent public consultation in respect of public conveniences, could members of the opposition group be briefed prior to such consultations being placed in the public domain?

Response: The Leader of the Council could see no reason why the opposition could not be properly briefed prior to the undertaking of public consultation on any scheme.

Question: In line with the discounts provided to Christmas Market stallholders who demonstrate a commitment to fair trade, could a similar discount be considered in relation to environmentally friendly stallholders for those who were plastic-free, for example?

Response: This suggestion would be taken forward for consideration as part of planning for the Christmas Market.

Question: What support was the Council putting in place for those businesses who were tenants within its managed workspaces?

Response: The Council had been working closely with its tenants at managed workspaces at Greetwell Place and The Terrace, with Council staff having returned to work from there since June in order to provide advice, guidance and support. This core element of staff had been part of the Council's Business Support Cell which had facilitated the payment of government grants to businesses, so they had been able to offer advice on eligibility in that respect as well. Rent reductions had not been offered to tenants but they had been offered payment holidays.

Question: What plans were being put in place to encourage people back to the city centre when restrictions were lifted?

Response: Significant plans had been and would continue to be in place, however, these would continue to change and adapt in response to latest government guidance and, essentially, which areas of the economy opened first as lockdown restrictions were lifted. Members were provided with an assurance that, whatever happened, a range of measures and incentives would be on offer for people in order to attract them back into the city. An important aspect of this would be a focus on the city centre as a place, ensuring that people wanted to visit for its attractiveness and the experience it had to offer. The quality of public spaces, public events and the greening of the city centre all had a role to play in encouraging people to visit.

Question: The Public Works Loans Board had changed its rules regarding the lending of money, with more attractive interest rates on offer. Would the Council have an appetite to invest in the city as part of its Covid-19 recovery?

Response: The Public Works Loan Board and updated prudential code from the Chartered Institute of Public Finance and Accountancy rules had changed the way in which local authorities could utilise borrowing. Debt for yield schemes, for example, where money was borrowed for commercial schemes, such as the Travelodge in Lincoln, would no longer be acceptable with the expectation that capital receipts be used instead. Borrowing to stimulate economic growth or development, however, was acceptable and would form part of the Council's Vision 2025. It was anticipated that this would be an essential part of delivering the objectives of the Town Fund through match-funding.

Question: What was the cost of running public urinals in the uphill area of the city?

Response: This information would be provided in due course.

Question: Was there a strategy to free up space in the City Council's buildings in response to the new way of working demonstrated in response to the Covid-19 pandemic?

Response: The Council's Best Use of Assets pillar of One Council was developing this as it was clear that the Council no longer required the office space it currently occupied in City Hall, for example. Conversations would continue with public sector organisations with a view to building upon the public services hub already in place at City Hall. It was acknowledged, however, that this would be a very tough market with lots of other organisations being in a similar position.

Question: Had any funding been allocated in preparation for potential local government reform or devolution deal proposals?

Response: No specific funding had been set aside for local government reform or devolution deal proposals. A significant amount of work had been undertaken last year in response to potential local government reform and devolution proposals which could be drawn upon in the future if necessary.

Question: In relation to the Council's proposal to move its collections from the Usher Gallery to Nottingham City Council under a one or two year contract, what would the cost be to the Council to release itself from that contract?

Response: There was ongoing daily dialogue on this issue but, at present, no contracts had been signed with Nottingham City Council so no costs in that respect would be incurred as there was no contract in place for the City of Lincoln Council to release itself from.

Question: If someone in the city was granted a scrap metal license, would they only be able to operate within the boundaries of the city?

Response: This information would be provided in due course.

RESOLVED

That the Budget Review Group:

- (1) Agreed 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 were identifiable and designed to improve services in the Council's strategic priority areas.
- (2) Agreed to provide its comments to the Performance Scrutiny Committee and Executive on the draft Medium Term Financial Strategy 2021-26 and 2021/22 budget and Council Tax proposals to the Performance Scrutiny Committee and Executive prior to formal consideration by Council at its meeting on 23 February 2021.

Councillors Thomas Dyer and Christopher Reid requested that their abstentions from voting be noted.

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