

SUBJECT:	FINANCIAL PERFORMANCE – QUARTERLY MONITORING
REPORT BY:	CHIEF EXECUTIVE & TOWN CLERK
LEAD OFFICER:	JACLYN GIBSON, CHIEF FINANCE OFFICER

1. Purpose of Report

1.1 To present to PSC the first quarter's performance (up to 30th June), on the Council's:

- General Fund
- Housing Revenue Account
- Housing Repairs Service
- Capital Programmes

And to seek approval for changes to the capital programmes.

1.2 Financial Procedure Rules require members to receive, on a quarterly basis, a report prepared jointly by the Chief Finance Officer and Corporate Management Team commenting on financial performance to date. This report is designed to meet this requirement.

2. Executive Summary

2.1 This report covers the General Fund Revenue, Housing Revenue Account budgets and Investment Programmes for the current financial year.

2.2 The Council approved a balanced budget earlier this year, but much has changed since that point. Critically, inflation has risen to the highest level in forty years, driven in part by the effects of Covid19, global supply chain disruptions, Brexit and the war in Ukraine. The consequence of this spiralling inflation on pay, contractual and energy costs has resulted in growing financial pressures for the Council, with the General Fund forecasting a significant financial shortfall for 2022/23 and with cost pressures also in the Housing Revenue Account and Housing Repairs Service.

2.3 As a result, the Council will need to consider a range of mitigation actions if it is to retain a sustainable financial position in 2022/23. Alongside this the Council will focus on lobbying Central Government for funding to support councils through these inflationary pressures, and for long-term sustainable funding settlements for local government.

2.4 As in recent years, there will continue to be a need for strong budgetary control in this financial year to balance expenditure and income within budget.

2.5 The impact of these new financial pressures the Council is facing cannot be underestimated and are not solely related to 2022/23. These inflationary increases will permanently increase the cost base of the Council and will have implications for the Medium-Term Financial Strategy and, in the absence of additional financial support from Central Government, will have implications for the range and level of services that the Council can continue to provide. A further report setting out the financial impact beyond 2022/23 will be presented to the Executive in October.

2.6 Whilst there are a significant number of planning variables which are subject to unprecedented levels of uncertainty, based on the latest set of assumptions as at the end of the first quarter (up to 30th June) the forecast financial position of the Council for 2022/23 is:

	2022/23		
	Budget £'000	Forecast @ Q1 £'000	Variance @ Q1 £'000
Revenue Accounts			
General Fund – Contribution (to)/from balances	(61)	974	1,035
Housing Revenue Account (HRA) – Contribution (to)/from balances	(39)	122	161
Housing Repairs Service	0	551	551

Capital Programmes	Budget following outturn report £'000	Revised Budget @ Q1 £'000	Movement @ Q1 £'000
General Investment Programme	30,913	32,342	1,429
Housing Investment Programme	23,167	23,247	80

Reserves & Balances	Balance @ 01/04/22 £'000	Forecast Balance @ 31/03/23 £'000	Variance @ Q1 £'000
General Fund Balances	(2,731)	(1,696)	1,035

HRA Balances	(1,064)	(903)	161
HRS Balances	0	0	0
General Fund Earmarked Reserves	(12,668)	(7,106)	5,562
HRA Earmarked Reserves	(2,876)	(2,709)	167

2.7 The detailed financial position is shown in sections 3-7 and accompanying appendices.

3. General Fund Revenue Account

3.1 For 2022/23 the Council's net General Fund revenue budget was set at £8,907,490 including a planned contribution to balances of £60,700 (resulting in an estimated level of general balances at the year-end of £2,731,299 after allowing for the 2021/22 outturn position).

3.2 The General Fund Summary is currently projecting a forecast overspend of £1,035,343 (appendix A provides a forecast General Fund Summary), resulting in general balance at the year-end of £1,695,956.

3.3 There are a number of forecast year-end variations in income and expenditure against the approved budget, full details of the main variances are provided in Appendix B while the table below sets out the key variances:

	Forecast £'000
Potential pay award settlement	585
Release of inflation reserve	(150)
Contractual inflation increases	97
Energy inflation increases	197
Impact of YLC pool closure	319
Net other variances	(13)
Overall forecast budget shortfall/(surplus)	1,035

3.4 These key variances are predominately driven by the rapidly escalating levels of inflation and the impact of external economic factors, which far exceed the assumptions underpinning the MTFS. The key variances cover;

- contractual services for key front line service provision, which are linked to annual CPI/RPI price increases at set points in the year. The most significant of these contracts is in relation to waste and street cleansing. These two contracts are linked to inflation as at the previous September and have therefore seen increases of 5.4% for 2022/23.
- escalating costs of gas and electric supplies (although this is in part mitigated by reduced usage levels due to flexible working). Whilst

the Council procures the majority of its energy supplies through a framework agreement, allowing it to benefit from economies of scale, it is still subject to the impacts of fluctuations in wholesale prices. Gas prices for 2022/23 have increased by c70% since April 2022 and electricity prices are estimated to increase between 80-100% from October 2022.

- pay inflation and the latest pay offer made by the National Employers for Local Government Services. This offer of a flat rate increase of £1,925 to all employees, equivalent to a 10.5% increase for the lowest paid members of staff, is currently being considered by the Unions.

Whilst the contractual cost increases are known with certainty, the outcome of the pay settlement and electricity cost increases are, as yet, unknown and subject to potential change during 2022/23.

- 3.5 In addition, other service costs and income are subject to fluctuation during the year as the cost-of-living crisis and external economic factor impacts both directly and indirectly on households and businesses. This could lead to; an increased demand for council services, as the more vulnerable in the City look to the Council for support; and a reduction in both income for services and collection rates as household and business incomes become under pressure.
- 3.6 Despite the high level of uncertainty, it is clear that the General Fund is facing a significant financial shortfall for 2022/23. In response to this a range of options and mitigations are currently being explored and developed. These will focus on both short-term measures to ensure a balanced budget can be maintained for 2022/23, as well as looking at more medium-term options to ensure the Council's ongoing financial sustainability. These mitigations will not be without impacts on services in terms of both performance levels and the range of services the Council can continue to provide. They also bring with them their own financial risks e.g. the depletion of reserves and increased exposure, etc. An update on these options will be presented to the Executive in due course.
- 3.7 Alongside the development of these options, a key strand will be to lobby Central Government for additional financial support for Local Government and to support sector campaigns/lobbying regarding sustainable funding mechanisms and medium-term financial settlements for Local Government. After a decade of austerity cuts and after cushioning the impacts of Covid19 on the Council's finances, in the absence of additional financial support from Central Government, the Council will be forced to look closely at the range and level of services it can continue to provide.

3.8 **Earmarked Reserves**

Details of the General Fund earmarked reserves are set out in paragraph 6 and Appendix G.

3.9 Towards Financial Sustainability Programme

The savings target included in the MTFs for 2022/23 was £1,050,000. Total savings secured and brought forward from last financial year are £716,410 leaving an in-year target of £333,590. Progress against this target, based on quarter 1 performance shows that secured savings total £20,180. As part of the development of options to mitigate the forecast budget shortfall, it may be necessary to increase the level of savings required in year. This will form part of a future report to the Executive.

A summary of the specific reviews that have contributed to this target are shown in Appendix K.

4. Housing Revenue Account

4.1 For 2022/23 the Council's Housing Revenue Account (HRA) net revenue budget was set at a £38,670 use of balances, resulting in an estimated level of general balances at the year-end of £1,063,872, after allowing for the 2021/22 outturn position.

4.2 The HRA is currently projecting a forecast overspend of £161,365 (appendix C provides a forecast Housing Revenue Account Summary), which would decrease the General Balances to £902,507 at the end of 2022/23.

4.3 There are a number of forecast year-end variations in income and expenditure against the approved budget, full details of the main variances are provided in Appendix D while the table below sets out the key variances:

	Forecast £'000
Reduced Repairs and Maintenance expenditure	(787)
Gas Servicing of Central Heating reduction	(129)
Increased Affordable Rental Income	(89)
HRS Deficit forecast	551
Skip charges from HRS	143
Potential pay award settlement	388
Energy inflation increases	85
Net other variances	(1)
Overall forecast deficit	161

4.4 The HRA is currently forecasting an overspend at the end of the financial year. However, the largest variance for the HRA is the current forecast underspend on Repairs and Maintenance. This is as a direct result of the issues that are currently being experienced in the Housing Repairs Services (HRS), as set out in Section 5 below. This has led to a significant reduction in the level of repairs that are being undertaken and a consequent reduction in expenditure recharged to the HRA. This is in part offset by the large forecast deficit by HRS, as seen in the repatriation variance above, due to

a reduction in rechargeable works. The HRA and HRS are working hard to address these issues, continuing to implement a range of previously agreed actions. This may result in this underspend being reduced over the remainder of the year.

In addition, other major variances are as a direct result of the inflationary pressures that the Council is facing, which the HRA is also impacted by. These include; an estimate of pay inflation, over and above the assumptions included within the MTFs, based on the latest pay offer made by the National Employers, alongside an increase in inflation on utilities as a result of the escalating cost of gas and electricity supplies (although this is in part mitigated by reduced usage levels due to flexible working).

4.5 At this stage no additional mitigations, other than those currently being implemented in response to the issues faced by the HRS, are recommended. Strong budgetary control also remains a focus in this financial year to ensure expenditure and income are balanced within budget.

4.6 HRA Earmarked Reserves

Details of the HRA earmarked reserves are set out in paragraph 6 and Appendix G.

5. Housing Repairs Service

5.1 For 2022/23 the Council's Housing Repairs Service net revenue budget was set at zero, reflecting its full cost recovery nature.

5.2 At quarter 1 HRS are forecasting a deficit of £550,765 in 2022/23 (Appendix E provides a forecast HRS Summary). Full details of the main variances provided in appendix F, while the key variances are summarised below:

	£'000
Reduction of jobs carried out by own workforce, resulting in reduced income	308
Reduction in material costs due to less jobs being carried out by own workforce, resulting in reduced expenditure	(265)
Staff vacancies currently unable to recruit to, resulting in reduced expenditure (net of proposed pay offer).	(224)
Increased use of sub-contractors (due to level of vacancies) and increases in sub-contractor prices, resulting in additional expenditure	688
Net other variances	44
Overall Budget Shortfall/(Surplus)	551

5.3 The main contributory factor for this deficit is still the ongoing impact of Covid19 and the inability to recruit to the workforce, and the resulting increased use of sub-contractors. The cost of subcontractors is more

expensive that 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 and material savings achieved by not carrying out the work internally. Furthermore, the increased subcontractor costs are not reflected in the service hourly rate and result in an under recovery of costs from the HRA, coupled with a reduction in jobs being carried out and the ability to recoup overhead costs.

The forecast deficit also includes an estimate of pay inflation, over and above the assumptions included within the MTFS, based on the latest pay offer made by the National Employers, alongside an increase in inflation on utilities as a result of the escalating cost of gas and electricity supplies.

5.4 It should be noted that due to the interconnection of the HRS and HRA, the consequential costs in the HRA are also greatly reduced (as noted earlier in the report) and therefore financial picture for the directorate is not unhealthy.

6. Earmarked Reserves

6.1 The Council holds a number of earmarked revenue reserves over both the General Fund and HRA. These reserves are sums set aside for specific purposes and to mitigate against potential future known or predicted liabilities. Key reserves include; income volatility, business rates volatility, IT investment fund, asset sinking funds for future refurbishment etc. A number of these reserves are budgeted for use over the period of the MTFS. The details of all the earmarked reserves and their forecast balance as at 31st March 2022 are attached in Appendix G, with further details in the MTFS 2022-2027. In summary:

	Opening Balance	Increase	Decrease	Closing Balance
	01/04/22			31/03/22
	£'000	£'000	£'000	£'000
General Fund	12,668	464	(6,025)	7,106
HRA	2,876	-	(167)	2,709

7. Capital Programme

7.1 General Investment Programme

7.2 The original General Investment Programme for 2022/23 in the MTFS 2022-27 amounted to £19.407m which was increased to £30.913m following quarter 4 approvals and year end re-profiles from 2021/22. At quarter 1 the programme has been increased by £1.429m to £32.342m, as shown below:

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000

Revised budget Outturn Report	30,913	5,216	1,343	609	500
Budget changes for approval	1,429	(13)	0	0	0
Revised Budget	32,342	5,203	1,343	609	500

7.3 All changes over the approved limit require approval by the Executive. The following changes require Executive approval for the first quarter:

	2022/23
	£'000
Disabled Facilities Grants – additional grant monies received	552

7.4 All new projects are subject to Executive approval. The following schemes have been added to the GIP, having been considered recently by the Executive or by delegated Portfolio Holder approval.

	2022/23
	£'000
Windmill View wall works (Executive 25/07/22)	250
Yarborough Leisure Centre Ceiling works (Portfolio Holder Decision 23/05/22)	614

In addition, the Chief Finance Officer has delegated authority to approve the re-profiling of amounts. The following movements were approved during quarter 1.

	2022/23
	£'000
Whittons Park – reprofile of budget from 23/24	23
St Mary Le Wigford (HAZ) – re-profile of budget to 23/24	(10)

Total delegated approvals and approvals by/for Executive	1,429
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7.5 The table below provides a summary of the projected outturn position for the General Investment Programme:

	2022-23 Budget following Outturn report	Revised Budget	Forecast Outturn	Variance
	£'000	£'000	£'000	£'000
Active Programme				

Housing & Investment	338	338	338	0
Communities & Environment	2,778	3,343	3,343	0
Chief Executive	993	1,857	1,857	0
Major Developments	20,033	20,033	20,033	0
Total Active Schemes				
Schemes on Hold/Contingencies	316	316	316	0
Externally Delivered Town's Deal Schemes	6,455	6,455	6,455	0
Total Capital Programme	30,913	32,342	32,342	0

7.6 The overall spending on the General Investment Programme for the first quarter of 22/23 is £1.68m, which is 2.65% of the 2022/23 active programme (excluding externally delivered schemes). This is detailed further at Appendix I.

Although this is a low percentage of expenditure at this stage of the financial year, further expenditure is expected in quarter 2 on Disabled Facilities Grants, Town's Deal Schemes and various capitalised maintenance schemes. At 31st July, a further £0.27m has been spent on the active programme.

7.7 Housing Investment Programme

7.8 The original Housing Investment Programme for 2022/23 in the MTFS 2022-27 amounted to £21.72m. This was increased to £23.17m following approvals and year end re-profiles as part of the 2021/22 outturn. This has been further adjusted to £23.25m during the first quarter of 2022/23. A summary of the changes is shown below:

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Revised budget following 21/22 Outturn Report	23,167	12,433	14,116	10,832	11,450
Budget changes to be approved during Q1	80	0	0	0	0
Revised Budget	23,247	12,433	14,116	10,832	11,450

7.9 The Chief Finance Officer has delegated authority to approve financial changes up to an approved limit as set out under Financial Procedure Rules. There were no changes approved by the Chief Finance Officer during this quarter.

7.10 All changes over the approved limit require approval by the Executive. The following changes require Executive approval for the first quarter:

Project Name	2022/23 Budget following Outturn	Budget increase/ (decrease)	Budget to be Approved	Reprofile to/(from) future years
	£'000	£'000	£'000	£'000
Decent Homes				
*Kitchen Improvements	765	265)	500	0
*Rewiring	42	(17)	25	0
*Structural Defects	10	15	25	0
*Moved to/from contingency reserve				
Contingency Schemes				
**Contingency Reserve	420	124	544	0
**Movements to/from contingency reserve includes Hiab and Mule below				
Housing New Build				
Unallocated New Build budget	3,532	(250)	3,282	0
De Wint Court	582	250	832	0
New Build 70% match funding	1,186	(225)	960	0
New Build 141 Eligible	791	(150)	640	0
Property Acquisitions	245	375	620	0

7.11 All new projects are subject to Executive approval. The following schemes have been added to the HIP, having been considered recently by the Executive.

	2022/23
Other	£'000
Hiab and Mule – purchase of vehicles (Executive 25/07/22)	143

Note – the contingency reserve has been reduced by £143k

The following new scheme requires Executive approval for the first quarter:

	2022/23
Other	£'000
Thurlby Crescent – disabled adaptation approved by the Housing Appeals Panel on 19 April 2022. This scheme is to be financed through the Major Repairs Reserve.	80

	22/23 Budget following Outturn	Total budget increase/ (decrease) in Q1	Revised 22/23 Budget	Reprofiles to/from future years
	£'000	£'000	£'000	£'000
Total budget movements approved/to be approved by Executive	23,167	80	23,247	0

7.12 The table below provides a summary of the 2022/23 projected outturn position:

	2022/23 Budget Following Outturn	Revised Budget	Forecast Outturn	Variance
	£'000	£'000	£'000	£'000
Decent Homes/ Lincoln Standard	7,046	6,779	6,779	0
Health and Safety	787	787	787	0
Contingent Major Repairs/ Works	419	544	544	0
New Build Programme	12,040	12,040	12,040	0
Other Schemes	1,874	2,097	2,097	0
Computer Fund/IT schemes	1,000	1,000	1,000	0
Total Capital Programme	23,167	23,247	23,247	0

7.13 Expenditure against the HIP budget to the first quarter was £1.37m, which is 5.88% of the revised programme. A further £0.67m has been spent as at the end of July 2022. The expenditure is detailed further at Appendix L.

Although this is a lower percentage than would be expected at this stage of the financial year, works have been constrained by the availability of contractors and materials however new contracts are in place and spend is expected to increase in future periods.

8. Strategic Priorities

8.1 The MTFs underpins this policy and financial planning framework and set out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities. Vision 2025 identifies the Council's strategic priorities, setting the vision and direction for the council and the city for the next five years. The proposals, and mitigations, in this report allow the Council to maintain a balanced budget position in 2022/23 in order that we can continue to deliver services in support of Vision 2025.

9. Resource Implications

9.1 The financial implications are contained throughout the report.

Under the Local Government Act 2003 the Chief Finance Officer (S151 Officer) is required to give Council an opinion on the robustness of the budget estimates and the adequacy of reserves. Although there remains some uncertainty around the latest budget estimates based on the information to date on income and expenditure it is evident that without a number of measures being taken the Council is facing a significant budget shortfall in 2022/23. Mitigations are currently being developed to ensure a balanced budget position can be maintained in the current financial year.

General Balances, on both the General Fund and HRA, are the only resource not ear-marked to a particular future need. The prudent minimum level of balance that should be maintained on the General Fund is between £1.5m-£2m and £1m-£1.5m on the HRA. Based on the latest forecasts of income and expenditure additional measures and mitigations will need to be applied to ensure that the level of balances in 2022/23 is maintained within these ranges. The close monitoring of these measures and of the Council's overall financial position will remain critical over the course of this financial year. As ever strong budgetary control will be required.

Although the primary focus of this report has been to set out the financial variances being faced in the current financial year, beyond 2022/23 the Council faces, continued, significant financial challenges. Ongoing reductions in resources, increased service costs arising from both inflation and demand for services will require ongoing reductions in the net cost base if the Council is to live within a significantly reduced resources envelope. The MTFS 2022-2027 approved by Full Council in March 2022 sets out the financial challenges the Council faces, and a further report on the likely trajectory for the MTFS 2023-2027 will be presented to the Executive in early Autumn.

9.2 Legal Implications including Procurement Rules

There are no legal implications arising from this report.

9.3 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

Due to the nature of this report there are no direct equality, diversity, or human rights implications.

10. Risk Implications

- 10.1 A full financial risk assessment is included in the Medium Financial Strategy 2022-27.

11. Recommendations

PSC are recommended to:

- 11.1 Note the financial performance for the period 1st April to 30th June 2022, and the projected outturns for 2022/23.
- 11.2 Note the underlying impact of the pressures and underspends identified in paragraphs 3.2 (and appendix B), 4.2 (and appendix D), and 5.2 (and appendix F).
- 11.3 Review the changes made by the Chief Finance Officer and the Executive to the General Investment Programme and Housing Investment, as detailed in paragraphs 7.3, 7.4, 7.10 and 7.11.
- 11.4 Consider any specific recommendations to be referred to Executive relating to the contents of this report.

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? Eleven

List of Background Papers: MTFS 2022-2027

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GENERAL FUND SUMMARY - AS AT 30 JUNE 2022

Service Area	Ref	Revised Budget £'000	Projected Outturn £'000	Variance £'000
Strategic Development	A	1,908	1,827	(81)
Chief Finance Officer (S. 151)	B	(546)	(575)	(29)
City Solicitor	C	1,575	1,669	94
Housing	D	366	357	(10)
Growth & Regeneration	E	0	0	0
Director of Major Developments	F	3,842	3,845	3
Communities and Street Scene	G	7,349	7,398	50
Health & Environmental Services	H	466	794	327
Planning	I	(2,436)	(2,428)	8
		12,525	12,887	362
Corporate Expenditure	J	2,114	2,117	3
TOTAL SERVICE EXPENDITURE		14,639	15,003	365
Capital Accounting Adjustment	K	7,929	7,929	0
Specific Grants	L	(8,131)	(8,131)	0
Contingencies	M	83	754	671
Savings Targets	N	(152)	(152)	0
Earmarked Reserves	O	(5,562)	(5,562)	0
Insurance Reserve	P	40	40	0
TOTAL EXPENDITURE		8,847	9,882	1,035
CONTRIBUTION FROM BALANCES		61	(975)	(1,035)
NET REQUIREMENT		8,907	8,907	0
Retained Business Rates Income	Q	5,573	5,573	0
<i>Tariff</i>	R	0	0	0
<i>Section 31 grant</i>	S	0	0	0
<i>Levy</i>	T	0	0	0
Collection Fund surplus/ (deficit)	U	(4,050)	(4,050)	0
Revenue Support Grant	V	24	24	0
Council Tax	W	7,360	7,360	0
TOTAL RESOURCES		8,907	8,907	0

General Fund Forecast Variances - Quarter 1

Many items of income and expenditure are demand led and difficult to predict. Consequently, judgement has been applied in order to provide the most realistic indication of the financial position at the year-end. Figures in brackets indicate an underspend of expenditure or additional income.

Ref		£	Reason for variance
	<u>Additional Expenditure</u>		
B	Property Services	34,470	Local Government as a whole is experiencing a recruitment and retention crisis, this is being felt within a number of service areas in the Council. In these instances, and where it is not possible to absorb/stop the work of the vacant posts, agency staff have been procured or work has been externalised. This has resulted in cost pressures due to a higher cost of 'buying in' services.
B	Financial Services	78,800	
C	Legal Services	43,290	
C	Municipal Elections	46,840	Increased staffing costs and additional room hire charges as a result of increased Covid prevention requirements.
F	Waste	41,130	Inflationary increase on contract prices over and above MTFs assumptions.
F	Street Cleansing	56,390	Inflationary increase on contract prices over and above MTFs assumptions.
G	Public Protection	35,000	Agency costs to cover maternity leave.
G	Yarborough Leisure Centre	319,250	Additional costs incurred due to pool closure
L	Pay Award	585,000	Potential pay award settlement based on the latest pay offer made by National Employers.
L	Energy Inflation	196,860	Anticipated utility price increases, partially offset by reduced usage due to hybrid working.
L	Annual Vacancy Savings Target	38,705	Quarter 1 vacancy savings target, offset by savings in service areas.
M	Savings Targets	161,700	TFS Savings for Policy/BDIT, Workbased Learning and Business Support Team reviews offset by savings below – subject to approval.
	<u>Reduced Income</u>		
B	Housing Benefits	65,530	Reduction in overpayments funded through housing subsidy due to overall reduction in overpayments raised and improved collection of arrears, plus a funding allocation shortfall.

Ref		£	Reason for variance
C	CX Workbased Learning	40,910	Reduced income through national scheme due to lower apprenticeship numbers since Covid19 (offset by reduced expenditure on CoLC Apprentices below).
<u>Reduced Expenditure</u>			
A	Business Development & IT Manager	(87,980)	Vacancy savings prior to adjustment for agreed TFS target (subject to approval).
A	CX Corporate Policy	(35,910)	Vacancy savings prior to adjustment for agreed TFS target (subject to approval).
B	CX Management	(48,050)	Vacancy savings offset against corporate vacancy savings target.
C	CoLC Apprentices	(121,700)	Underspend, prior to adjustment for agreed TFS target, as a result of a reduced number of Apprentices due to ongoing impact of Covid19.
D	Community Leadership & Sustainability	(34,786)	Vacancy savings & underspend on specialist services expenditure
E	The Terrace	(38,940)	Vacancy savings prior to adjustment for agreed TFS target (subject to approval).
G	Housing Regeneration	(29,840)	Salary savings due to staff working reduced hours
G	Crematorium	(30,390)	Net reduction in cost of utilities, partially offset by underachievement of income
N	Earmarked Reserves	(150,000)	Release of Inflation Volatility reserve to offset increased expenditure as a result of anticipated pay award and energy price increases.
<u>Additional Income</u>			
B	Council Tax Rebate Scheme	(59,670)	New Burdens funding to compensate for work associated with administering the CT Energy Rebates (partially offset by IT costs, postage and staff overtime).
B	Lincoln Properties	(40,520)	Increased rental income following in year rent reviews plus low level of void properties
B	Other Interest	(58,655)	Increased investment income as a result of higher interest rates and additional dividend income.

Appendix C

HOUSING REVENUE ACCOUNT FUND SUMMARY - AS AT 30 JUNE 2022

	Ref	Revised Budget	Forecast Outturn	Variance
		£'000	£'000	£'000
Gross Rental Income	A	(30,433)	(30,483)	(50)
Charges for Services & Facilities	B	(648)	(635)	13
Contribution towards Expenditure	C	(50)	(50)	0
Repairs Account – Income	D1	0	(5)	(5)
Supervision & Management – General	D2	(659)	(634)	25
Supervision & Management – Special	D3	0	(75)	(75)
Repairs & Maintenance	E	10,022	9,390	(644)
Supervision & Management - General	F1	6,805	6,767	(38)
Supervision & Management – Special	F2	1,532	1,686	154
Rents, Rates and Other Premises	G	486	514	28
Increase in Bad Debt Provisions	H	250	250	0
Insurance Claims Contingency	I	169	169	0
Contingencies	J	(35)	438	473
Depreciation	K	7,450	7,450	0
Impairments	L	0	0	0
Debt Management Expenses	M	15	15	0
HRS Trading (Surplus) / Deficit	N	0	551	551
Net Cost of Service	O	(5,096)	(4,739)	357
Loan Charges Interest	P	2,580	2,580	0
Investment/Mortgage Interest	Q	(66)	(107)	(41)
Net Operating Inc/Exp	R	(2,583)	(2,267)	316
Major Repairs Reserve Adjustment	T	2,559	2,476	(83)
Transfers to/from reserves	U	(15)	(86)	(71)
(Surplus)/Deficit in Year	V	(39)	123	161

Housing Revenue Account Variances - Quarter 1

Many items of income and expenditure are demand led and difficult to predict. Consequently, judgement has been applied in order to provide the most realistic indication of the financial position at the year-end. Figures in brackets indicate an underspend of expenditure or additional income.

Ref		£	Reason for variance
<u>Reduced Income</u>			
A	Gross Rental Income	60,265	Reduction to Social Rental income predominantly due to a lower than budgeted Housing Stock level at start of financial year.
A	Supervision & Management-General	50,000	Reduced Admin Fee income due to procurement slippage on new contractors.
A	Gross Rental Income	43,730	Non-Dwelling rental income reduced due to increase in garage voids.
A	Gross Rental Income	24,644	Reduction in DeWint Service Charge income due to delay in tenancy start dates.
<u>Increased Income</u>			
A	Gross Rental Income	(89,069)	Increase in Affordable rental income as affordable housing stock levels higher than budgeted at start of financial year.
Q	Investment Interest	(41,265)	Increased investment income as a result of higher interest rates
D3	Supervision & Management – Special	(40,000)	Additional income from recoverable Garden Voids works.
<u>Reduced Expenditure</u>			
E	Repairs & Maintenance	(787,325)	Reduced HRS expenditure predominantly on Voids and Responsive Repairs.
E	Repairs & Maintenance	(129,840)	Underspend on Gas Servicing of Central Heating.
F1	Supervision & Management– General	(125,220)	Reduced expenditure on Employee Costs due to staff vacancies.
F1	Supervision & Management– General	(34,110)	Reduced expenditure on Printing, Postage and Professional Training.
F2	Supervision & Management – Special	(27,730)	Reduced expenditure on Employee Costs due to staff vacancies.

Ref	<u>Increased Expenditure</u>	£	Reason for variance
N	HRS Surplus/Deficit	550,765	Estimated deficit position for HRS (refer to HRS vacancies).
E	Repairs & Maintenance	143,383	Unattributable skip charges from HRS.
E	Repairs & Maintenance	100,000	HRA share of HRS quoted jobs.
F1	Supervision & Management – General	90,041	Void work costs & overtime costs within Tenancy Services.
J	Contingencies – Pay award	387,890	Potential pay award settlement based on the latest pay offer made by National Employers.
J	Contingencies – Energy price inflation	85,100	Anticipated utility price increases, partially offset by reduced usage due to hybrid working.
F2	Supervision & Management – Special	61,477	Overtime costs in Caretaking & Cleaning, Security Services costs at De Wint Court, CCTV monitoring costs in Shuttleworth House Energy.

HOUSING REPAIRS SERVICE SUMMARY - AS AT 30 JUNE 2022

	Revised Budget	Forecast Outturn	Variance
	£'000	£'000	£'000
Employees	3,403	3,178	(224)
Premises	118	136	18
Transport	418	362	(56)
Materials	1,415	1,150	(265)
Sub-Contractors	2,044	2,731	688
Supplies & Services	307	389	82
Central Support Charges	579	579	0
Capital Charges	0	0	0
Total Expenditure	8,283	8,526	243
Income	(8,283)	(7,975)	308
(Surplus)/Deficit	0	551	551

Housing Repairs Service Variances - Quarter 1

Many items of income and expenditure are demand led and difficult to predict. Consequently, judgement has been applied in order to provide the most realistic indication of the financial position at the year-end. Figures in brackets indicate an underspend of expenditure or additional income.

	£	Reason for Variance
<u>Reduced Expenditure</u>		
Employee Costs	(402,706)	Vacancies within the Operative staff, unable to recruit too.
Fleet Charges	(55,803)	Reduction in lease costs due to delay in receiving new vehicles from supplier.
Direct Materials	(265,375)	Reduced levels of materials spend, due to use of sub-contractors instead of own workforce due to vacancies
<u>Increased Expenditure</u>		
Employee Costs	178,580	Potential pay award settlement based on the latest pay offer made by National Employers.
Sub-Contractors	687,865	Increased use of sub-contractors to cover vacancies within the operative team
Supplies & Services	82,352	Increased skip and equipment hire costs
Supplies & Services	11,280	Anticipated utility inflation price increases.
<u>Reduced Income</u>		
Income	308,112	Reduction in income due to reduction of jobs carried out by CoLC operatives. Also, an increased cost of sub-contractors that goes above the schedule of rates pricings.

EARMARKED RESERVES – Q1 MONITORING 2022/23

	Revised Opening Balance	Budgeted Contribution	Actuals Q1	Forecast Q2-4	Forecast Balance
	01/04/2022				31/03/2023
	£'000	£'000	£'000	£'000	£'000
General Fund					
Budget Carry Forwards	667	-	-	(116)	551
Grants & Contributions	1,932	(73)	-	23	1,882
Active Nation Bond	380	-	-	(200)	180
AGP Sinking Fund	52	50	-	-	102
Air Quality Initiatives	16	6	-	-	22
Asset Improvement	-	-	-	-	-
Birchwood Leisure Centre	66	-	-	20	86
Business Rates Volatility	5,566	(4,770)	-	-	795
Christmas Decorations	14	-	-	-	14
City Hall Sinking Fund	60	-	-	-	60
Commons Parking	1	-	-	9	10
Corporate Training	60	-	-	-	60
Council Tax Hardship Fund	213	-	-	-	213
Covid19 Recovery	1,047	-	-	-	1,047
Covid19 Response	354	-	-	-	354
DRF Unused	204	(202)	-	-	2
Electric Van replacement	24	4	-	-	28
Funding for Strategic Priorities	89	(89)	-	-	-
Income Volatility Reserve	320	-	-	-	320
Inflation Volatility Reserve	150	-	-	(150)	-
Invest to Save (GF)	100	1	-	-	101
IT Reserve	219	65	-	(3)	281
Lincoln Lottery	9	-	-	-	9
Mayoral Car	27	-	-	-	27
Mercury Abatement	-	-	-	-	-
MSCP & Bus Station Sinking Fund	104	45	-	-	149
Private Sector Stock Condition Survey	39	12	-	-	51
Revenues & Benefits Community Fund	25	-	-	-	25
Revenues & Benefits Share Service	-	-	-	-	-
Section 106 Interest	32	-	-	-	32
Strategic Growth Reserve	5	-	-	-	5
Strategic Projects – Revenue Costs	-	-	-	-	-
Tank Memorial	10	-	-	-	10
Tree Risk Assessment	84	17	-	(56)	44
Vision 2025	701	(31)	-	(121)	549
WGC Planning	49	-	-	-	49

Appendix G

	12,668	(4,967)	-	(595)	7,106
HRA					
Capital Fees Equalisation	110	-	-	-	110
De Wint Court	73	-	-	-	73
Disrepairs Management	300	-	-	-	300
Housing Business Plan	77	-	-	-	77
Housing Repairs Service	126	-	-	-	126
HRA IT	-	-	-	-	-
HRA Repairs Account	1,351	-	-	-	1,351
Housing Strategic Priority	582	(15)	-	(44)	523
Invest to Save (HRA)	253	(81)	-	(27)	145
Strategic Growth Reserve	5	-	-	-	5
	2,876	(96)	-	(71)	2,709
Total Earmarked Reserves	15,544	(5,063)	-	(666)	9,815

CAPITAL RESOURCES – Q1 MONITORING 2022/23

	Opening balance	Contributions	Used in financing	Forecast balance 31/03/23
	£'000	£'000	£'000	£'000
Capital Grants/Contributions	1,823	19,161	(20,984)	0
Capital receipts General Fund	30	7,211	(5,755)	1,486
Capital receipts HRA	2,900	750	(2,562)	1,088
Capital receipts 1-41	2,778	0	(906)	1,872
Major Repairs Reserve	11,768	7,450	(11,214)	8,004
HRA DRF	8,319	2,559	(4,374)	6,504
Total Capital Resources	27,618	37,131	(45,795)	18,954

As the contributions for 1:4:1 receipts depend upon levels of RTB sales, no budget is set for these receipts. Currently the HIP has schemes planned to facilitate use of all 1:4:1 receipts with no repayment required in 22/23.

General Investment Programme – Summary of Expenditure as at 30th June 2022

GENERAL INVESTMENT PROGRAMME	Budget 2022/23 - Reported at Outturn Mar 22	2022/23 - Q1 Budget Increase / Decrease	2022/23 - Q1 Budget Reprofiles	2022/23 Revised Budget	2022/23 REVISED Total Spend to Date	2022/23 % Spend
<u>Housing and Investment</u>						
Housing Renewal Area Unallocated	338,152	-	-	338,152	-	0.00%
Housing and Investment Total	338,152	-	-	338,152	-	0.00%
<u>DCE - Community and Environment</u>						
Artificial Grass Pitches (AGP)	88,307	-	-	88,307	-	0.00%
Crem - remodelling	130,607	-	-	130,607	-	0.00%
Disabled Facilities Grant	1,529,382	551,990	-	2,081,372	92,883	4.46%
Whittons Park	55,699	-	22,413	78,112	78,018	99.88%
DCE - Community and Environment Total	1,803,996	551,990	22,413	2,378,399	170,901	7.19%
<u>DCE - Community Services</u>						
Boultham Park Lake Restoration	16,938	-	-	16,938	1,500	8.86%
Boultham Park Masterplan	22,026	-	-	22,026	-	0.00%
Flood Alleviation Scheme - Hartsholme Park	318,641	-	-	318,641	114	0.04%
Traveller deterrent	27,501	-	-	27,501	-	0.00%
DCE - Community Services Total	385,106	-	-	385,106	1,614	0.42%
<u>DCE - Planning</u>						
Heritage Action Zone	190,253	-	-	190,253	-	0.00%
St Mary le Wigford (HAZ)	50,000	-	10,000	40,000	-	0.00%
St Mary's Guildhall (HAZ)	348,444	-	-	348,444	45,587	13.08%
DCE - Planning Total	588,697	-	10,000	578,697	45,587	7.88%
<u>Chief Executive Corporate Policy</u>						
New Telephony System	82,850	-	-	82,850	-	0.00%
Chief Executive Corporate Policy Total	82,850	-	-	82,850	-	0.00%
<u>Chief Executive Chief Finance Officer</u>						
40 Michaelgate Structural works	2,283	-	-	2,283	-	0.00%
Allotments Asbestos Sheds	33,795	-	-	33,795	-	0.00%
Canwick Rd Cemetery Railings	9,500	-	-	9,500	-	0.00%
City Hall Lightning Protection	6,104	-	-	6,104	-	0.00%
Grandstand Terracing Improvements	3,275	-	-	3,275	-	0.00%

GENERAL INVESTMENT PROGRAMME	Budget 2022/23 - Reported at Outturn Mar 22	2022/23 - Q1 Budget Increase / Decrease	2022/23 - Q1 Budget Reprofiles	2022/23 Revised Budget	2022/23 REVISED Total Spend to Date	2022/23 % Spend
Greyfriars	56,210	-	-	56,210	3,550	6.32%
Greyfriars Roof Improvements	4,050	-	-	4,050	-	0.00%
Guildhall Walkway/ Access Improvements.	11,959	-	-	11,959	-	0.00%
Guildhall Works	17,630	-	-	17,630	-	0.00%
High Bridge Café	50,000	-	-	50,000	-	0.00%
Long Leys Road Drainage	3,275	-	-	3,275	-	0.00%
Monks Abbey Bowls Pavilions External Timber/ Fascia Board Improvements	2,195	-	-	2,195	-	0.00%
Planned Capitalised Works	280,033	-	-	280,033	-	0.00%
Play Area Surfacing Works	5,133	-	-	5,133	-	0.00%
Stamp End Demolition	138,200	-	-	138,200	-	0.00%
The Terrace Heat Mitigation Works	246,547	-	-	246,547	-	0.00%
Windmill View	-	250,000	-	250,000	-	0.00%
Yarborough Pool Ceiling Refurbishment	-	614,300	-	614,300	-	0.00%
YLC Diving Boards	39,825	-	-	39,825	-	0.00%
Chief Executive Chief Finance Officer Total	910,014	864,300	-	1,774,314	3,550	0.20%
Major Developments						
Central Markets	2,000	-	-	2,000	-	0.00%
Central Markets (All Funding Streams)	6,984,196	-	-	6,984,196	280,997	4.02%
Home Upgrade Grant	104,500	-	-	104,500	-	0.00%
LAD 2 - Green Homes Grant Local Authority Delivery Scheme	460,356	-	-	460,356	166,247	36.11%
LAD 3 - Green Homes Grant Local Authority Delivery Scheme	2,203,194	-	-	2,203,194	6,000	0.27%
LAD 3 Top Up BEIS	440,000	-	-	440,000	-	0.00%
TD Tentercroft Street	290,000	-	-	290,000	-	0.00%
Towns Deal Programme Management	80,455	-	-	80,455	3,960	4.92%
WGC COLC	500,000	-	-	500,000	-	0.00%
WGC Housing Delivery	6,766,212	-	-	6,766,212	-	0.00%
WGC Pre-planning	42,179	-	-	42,179	-	0.00%
WGC Shared Infrastructure	2,160,227	-	-	2,160,227	-	0.00%
Major Developments Total	20,033,320	-	-	20,033,320	457,204	2.28%
TOTAL ACTIVE SCHEMES	24,142,134	1,416,290	12,413	25,570,837	678,856	2.65%

GENERAL INVESTMENT PROGRAMME	Budget 2022/23 - Reported at Outturn Mar 22	2022/23 - Q1 Budget Increase / Decrease	2022/23 - Q1 Budget Reprofiles	2022/23 Revised Budget	2022/23 REVISED Total Spend to Date	2022/23 % Spend
<u>Schemes Currently Under Review</u>						
Capital Contingencies	8,170	-	-	8,170	-	0.00%
Compulsory Purchase Orders	151,254	-	-	151,254	-	0.00%
Compulsory Purchase Orders	82,227	-	-	82,227	-	0.00%
IT Reserve	74,334	-	-	74,334	-	0.00%
Schemes Currently Under Review Total	315,985	-	-	315,985	-	0.00%
TOTAL CAPITAL PROGRAMME EXCLUDING EXTERNALLY DELIVERED SCHEMES	24,458,118	1,416,290	12,413	25,886,821	678,856	2.62%
<u>Externally Delivered Town's Deal Schemes</u>						
TD Barbican Production & Maker Hub	1,600,000	-	-	1,600,000	-	0.00%
TD Drill Hall	1,000,000	-	-	1,000,000	1,000,000	100.00%
TD Greyfriars	313,200	-	-	313,200	-	0.00%
TD Hospitality & Events & Tourism Institute	1,120,000	-	-	1,120,000	-	0.00%
TD Lincoln City FC and Foundation	800,000	-	-	800,000	-	0.00%
TD Lincoln Connected	433,977	-	-	433,977	-	0.00%
TD Sincil Bank	781,089	-	-	781,089	-	0.00%
TD Store of Stories	155,000	-	-	155,000	-	0.00%
TD Wigford Way	251,500	-	-	251,500	-	0.00%
Externally Delivered Town's Deal Schemes Total	6,454,766	-	-	6,454,766	1,000,000	15.49%
GRAND TOTAL	30,912,884	1,416,290	12,413	32,341,587	1,678,856	5.19%

Housing Investment Programme – Summary of Expenditure as at 30th June 2022

	Budget 2022/23 - Reported at Outturn Mar 22	2022/23 - Q1 Budget Increase / Decrease	2022/23 Revised Budget	2022/23 REVISED Total Spend to Date	2022/23 % Spend
Housing Investment Programme					
Housing Investment					
<u>Contingency Schemes</u>					
Contingency Reserve	419,967	124,153	544,120	-	0.00%
Contingency Schemes Total	419,967	124,153	544,120	-	0.00%
<u>Decent Homes</u>					
Bathrooms & WC's	263,742	-	263,742	-	0.00%
DH Central Heating Upgrades	2,318,818	-	2,318,818	303,919	13.11%
Door Replacement	1,350,000	-	1,350,000	1,769	0.13%
Fire Compartment works	5,000	-	5,000	-	0.00%
Fire Doors	95,049	-	95,049	-	0.00%
Kitchen Improvements	764,999	-264,999	500,000	-	0.00%
Lincoln Standard Windows Replacement	500,000	-	500,000	-	0.00%
New services	37,895	-	37,895	-	0.00%
Re-roofing	60,000	-	60,000	-	0.00%
Rewiring	42,154	-17,154	25,000	-	0.00%
Structural Defects	10,000	15,000	25,000	-	0.00%
Thermal Comfort Works	10,000	-	10,000	-	0.00%
Void Capitalised Works	1,508,422	-	1,508,422	19,005	1.26%
Decent Homes Total	6,966,079	-267,153	6,698,926	324,693	4.85%
<u>Health and Safety</u>					
Asbestos Removal	291,164	-	291,164	270	0.09%
Asbestos Surveys	255,645	-	255,645	12,989	5.08%
Fire Alarms	30,000	-	30,000	-	0.00%
Renew stair structure	10,000	-	10,000	-	0.00%
Replacement Door Entry Systems	200,083	-	200,083	13,243	6.62%
Health and Safety Total	786,892	-	786,892	26,502	3.37%

Appendix J

	Budget 2022/23 - Reported at Outturn Mar 22	2022/23 - Q1 Budget Increase / Decrease	2022/23 Revised Budget	2022/23 REVISED Total Spend to Date	2022/23 % Spend
Housing Investment Programme					
<u>IT/Infrastructure</u>					
Housing Support Services Computer Fund	737,085	-	737,085	33,000	4.48%
Infrastructure Upgrade	166,383	-	166,383	-	0.00%
Operation Rose	13,573	-	13,573	-	0.00%
Telephony	82,850	-	82,850	-	0.00%
IT/Infrastructure Total	999,891	-	999,891	33,000	3.30%
<u>Lincoln Standard</u>					
Over bath showers (10 year programme)	79,798	-	79,798	-	0.00%
Lincoln Standard Total	79,798	-	79,798	-	0.00%
<u>Other Current Developments</u>					
CCTV	46,685	-	46,685	-	0.00%
Communal Electrics	100,000	-	100,000	-	0.00%
Communal TV Aerials	59,832	-	59,832	-	0.00%
Environmental works	1,490,044	-	1,490,044	-	0.00%
Garages	70,000	-	70,000	1,940	2.77%
Hiab and Mule	-	143,000	143,000	-	0.00%
HRA Buildings	107,729	-	107,729	-	0.00%
Landscaping & Boundaries	-	-	-	-	0.00%
Thurlby Crescent	-	80,000	80,000	-	0.00%
Other Current Developments Total	1,874,290	223,000	2,097,290	1,940	0.09%
Housing Investment Total	11,126,917	80,000	11,206,917	386,136	3.45%

	Budget 2022/23 - Reported at Outturn Mar 22	2022/23 - Q1 Budget Increase / Decrease	2022/23 Revised Budget	2022/23 REVISED Total Spend to Date	2022/23 % Spend
Housing Investment Programme					
Housing Strategy and Investment					
<u>New build programme</u>					
Property Acquisitions	244,776	375,700	620,476	297,309	47.92%
Hermit Street Regeneration	150,000	-	150,000	84	0.06%
New Build Capital Salaries	44,332	-	44,332	-	0.00%
New Build- De Wint Court	582,366	250,000	832,366	95,784	11.51%
New Build Programme	3,532,165	-250,000	3,282,165	-	0.00%
New Build Programme (141 eligible)	790,547	-150,280	640,267	-	0.00%
New Build Programme (Borrowing for 141 eligible)	1,185,820	-225,420	960,400	-	0.00%
New Build Site - Queen Elizabeth Road	26,761	-	26,761	-	0.00%
New Build Site - Rookery Lane	4,160,800	-	4,160,800	732,997	17.62%
New Build Site - Searby Road	62,497	-	62,497	-	0.00%
Western Growth Corridor	1,259,766	-	1,259,766	-	0.00%
New build programme Total	12,039,830	-	12,039,830	1,126,174	9.35%
Housing Strategy and Investment Total	12,039,830	-	12,039,830	1,126,174	9.35%
Grand Total	23,166,747	80,000	23,246,747	1,512,309	6.51%

TFS Phase7 programme: progress at Q1 - 2022/2023

Service	Summary of project	Dir.	Total savings in 2022/23	GF savings in 2022/23	HRA savings in 2022/23	Comments
			£000's	£000's	£000's	
ACTIONS COMPLETED AS OF END Q1 2022/23						
Savings secured – b'fwd from 21/22			779	716	63	Complete
Community Services	Transfer maintenance of lighting to Cathedral	DCE	20	20	-	Complete
TOTAL			799	736	63	