

SUBJECT: FINANCIAL PERFORMANCE – QUARTERLY MONITORING

REPORT BY: CHIEF EXECUTIVE & TOWN CLERK

LEAD OFFICER: LAURA SHIPLEY, FINANCIAL SERVICES MANAGER

1. Purpose of Report

1.1. To present to the Executive the second quarter's performance (up to 30th September), 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. While there are still a number of variables, which are subject to a level of uncertainty, based on the latest set of assumptions as at the end of the second quarter (up to 30th September) the forecast financial position of the Council for 2023/24 is:

Revenue Accounts	2023/24		
	Budget £'000	Forecast @ Q2 £'000	Variance @ Q2 £'000
General Fund – Contribution (to)/from balances	191	73	(118)
Housing Revenue Account – Contribution (to)/from balances	59	30	(29)
Housing Repairs Service – (surplus)/deficit	0	761	761*

*any HRS variance is repatriated to the HRA and as such included within the HRA balances above

Capital Programmes	2023/24		
	Budget following Q1 Report £'000	Revised Budget @ Q2 £'000	Movement @ Q2 £'000
General Investment Programme	24,688	24,784	96
Housing Investment Programme	17,969	16,862	(1,107)

Balances	2023/24		
	Budgeted Balance @ 31/03/24 £'000	Forecast Balance @ 31/03/24 £'000	Forecast Movement £'000
General Fund Balances	(2,229)	(2,346)	(118)
Housing Revenue Account Balances	(1,126)	(1,155)	(29)
Housing Repairs Service Balances	0	0	0

Reserves	2023/24		
	Opening Balance @ 01/04/23 £'000	Forecast Balance @ 31/03/24 £'000	Forecast Movement £'000
General Fund Earmarked Reserves	(7,040)	(7,050)	(10)
HRA Earmarked Reserves	(3,510)	(3,400)	110

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

3. General Fund Revenue Account

- 3.1. For 2023/24 the Council's net General Fund revenue budget was set at £14,402,660 including a planned contribution from balances of £191,110 resulting in an estimated level of general balances at the year-end of £2,228,739 (after allowing for the 2022/23 outturn position).
- 3.2. The General Fund Summary is currently projecting a forecast underspend of £117,659 (Appendix A provides a forecast General Fund Summary), resulting in general balance at the year-end of £2,346,398. This position maintains balances above the prudent minimum of c.£1.5-£2m.
- 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:

General Fund	Forecast
Forecast year-end key variances:	£'000
National pay award settlement	535
Reduction in Housing Benefits overpayments, increased non-recoverable temporary accommodation costs & reduction in claims attracting 100% subsidy	227
Building Regulations & Development Control income pressures	270
Less:	
Release of Inflation Volatility reserve	(233)
Interest on Investments	(448)
Additional funding for Land Drainage Levies	(142)
Net other variances	(327)
Overall forecast budget deficit/(surplus)	(118)

3.4. The key variances are predominately driven by the ongoing impact of high levels of inflation and the impact of external economic factors, which far exceed the assumptions underpinning the MTFS.

3.5. The main variances, both positive and negative cover:

- Pay award inflation pressure - the 2023/24 pay offer, made by the National Employers for Local Government Services earlier this year, has now been accepted by the Trade Unions. The award, which will now be paid in December, reflects the higher of either, a flat rate increase of £1,925, or 3.5-3.8% to all employees, equivalent to a 9.4% increase for the lowest paid members of staff and with the majority of officers set to receive pay rises above 5%.
- Investment income – as a result of the rising Bank of England Base Rate, which has further increased to 5.25%, the level of interest earned on the Council's cash balances has increased significantly. At present there has been a limited consequential impact on the cost of borrowing as all debt is at fixed rates and no new borrowing has been undertaken.
- Unrecoverable Housing Benefit - increased demand for temporary accommodation, coupled with a shortage in suitable accommodation, has increased the use of bed and breakfasts. Regardless of the actual cost of the accommodation the amount that can be reclaimed through the housing subsidy process is limited to the local housing allowance rate of £91.15 per week, this rate has been frozen for a number of years, increasing the cost borne by the Council. In addition, there has also been a shift in other costs from those which attract 100% subsidy to those which attract lower levels of subsidy.
- Reduced fees and charges income – 2023/24 continues to see a reduction in income from planning applications, land charges and building control linked to pressures in the construction and housing market as the ongoing economic climate and cost-of-living crisis continue to impact on development within the city.

- Release of inflation volatility reserve – in order to partially mitigate the budget pressure created by the proposed national pay award, half of the inflation volatility reserve will be released.

3.6. Whilst the level of uncertainty around inflation pressures is significantly reduced this year due to actions taken in the latest MTFS, there still remains uncertainty in terms of service demands and income forecasts. At quarter two, the potential for further variances during the year remains high, and as such the final outturn position for the year is still subject to further change. At this stage though there are no further mitigations recommended, however, as always, there will continue to be a need for strong budgetary control in this financial year to ensure expenditure and income remain balanced within the budget.

3.7. **Earmarked Reserves**

Further details of the General Fund Earmarked Reserves are set out in paragraph 6 and Appendix G.

3.8. **Towards Financial Sustainability Programme**

The savings target included in the MTFS for 2023/24 was £185,210.

Progress against this target, based on quarter 2 performance, shows that secured savings total £115,510 for the General Fund, with a further £69,700 identified, which will achieve the in year target in full.

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

4. **Housing Revenue Account**

4.1. For 2023/24 the Council's Housing Revenue Account (HRA) net revenue budget was set with a planned contribution from balances of £58,930, resulting in an estimated level of general balances at the year-end of £1,125,517, after allowing for the 2022/23 outturn position.

4.2. The HRA is currently projecting a forecast underspend of £28,999, which would result in HRA balances of £1,154,516 as at the end of 2023/24, Appendix C of this report provides a forecast Housing Revenue Account Summary. This position maintains balances above the prudent minimum of c.£1m.

4.3. Although the forecast position is an underspend there are a number of significant variations in income and expenditure. Full details of the main variances are provided in the Appendix D, while the table below sets out the key variances:

Housing Revenue Account	Forecast
Forecast year-end key variances:	£'000
National pay award settlement	209
Less:	
Increased Investment Interest	(857)
Additional Rental Income	(196)
<u>HRS Recharges:</u>	
Housing Repairs Service Overall Deficit Repatriation	761
Net Other Variances	54
Overall forecast deficit/(surplus)	(29)

- 4.4. In line with the General Fund, many of the key variances are predominately driven by the continuing high levels of inflation and the impact of external economic factors, which far exceed the assumptions underpinning the MTFS. In addition, the HRA and HRS continue to experience a number of other variances due to demand pressures and the ongoing recruitment and retention challenges.
- 4.5. The main variances, both positive and negative, cover:
- Pay award inflation pressure - the 2023/24 pay offer, made by the National Employers for Local Government Services earlier this year, has now been accepted by the Trade Unions. The award, which will now be paid in December, reflects the higher of either, a flat rate increase of £1,925, or 3.5-3.8% to all employees, equivalent to a 9.4% increase for the lowest paid members of staff and with the majority of officers set to receive pay rises above 5%.
 - Investment income – as a result of the rising Bank of England Base Rate, which has further increased to 5.25%, the level of interest earned on the HRA's cash balances has increased significantly. At present there has been limited consequent impact on the cost of borrowing as all debt is at fixed rates and no new borrowing has been undertaken.
 - Rental income – income levels are higher than anticipated due to a higher than budgeted opening Housing stock at the start of the financial year, coupled with higher than expected occupancy, and rent levels, at the new Rookery Lane development.
 - Housing Repairs Services (HRS) – the service is currently reporting a forecast deficit, which is consequentially repatriated to the HRA, as a result of the issues set out in Section 5 below.
- 4.6. As outlined throughout this report, there still remains a number of variables in the forecast assumptions, and as such the final outturn position for the year is still subject to further change. At this stage no additional mitigations, other than those currently being implemented in response to the issues faced by the HRS and in

response to void levels, are recommended. Strong budgetary control should continue to be a focus in this financial year to ensure expenditure and income remain balanced within budget.

4.7. 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 2023/24 the Council's Housing Repairs Service net revenue budget was set at zero, reflecting its full cost recovery nature.

5.2. At Quarter 2 the HRS are forecasting a deficit of £761,406 in 2023/24, Appendix E provides a forecast HRS Summary. Full details of the main variances are provided within Appendix F of this report, while the key variances are summarised below:

Housing Repairs Service Forecast year-end key variances:	Forecast £'000
Increased use of sub-contractors and increases in sub-contractor prices	1,260
Increase in materials usage and price	142
National proposed pay award settlement	125
Less:	
Staff vacancies due to recruitment and retention challenges	(644)
Increased income for HRS Jobs	(127)
Net other variances	5
Overall forecast deficit/(surplus)	761

5.3. The main contributory factor to the deficit is the ongoing recruitment and retention challenges, 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.

5.4. As the increased subcontractor costs are not reflected in the service hourly rate and overhead recovery is not recouped on sub-contractors this results in an under recovery of full costs from the HRA.

5.5. Whilst last year high vacancy levels, and the use of sub-contractors rather than the Council's own workforce, resulted in an underspend on materials for the Council, this year higher than anticipated inflation levels, an industry wide issue, and an

expected increase in repairs jobs has resulted an overspend on materials further compounding the HRS forecast position.

- 5.6. The forecast deficit also includes the impact of the proposed national pay award, which is significantly over and above the assumptions included within the MTFS as outlined in both the General Fund and HRA variances. Whilst the pay award has now been accepted for Green Book employees the Red Book contract, which affects the majority of the HRS workforce, is yet to be agreed. The proposed pay award is currently forecast to be in line with the agreed Green Book award, however until an agreement is made there remains a risk that this could be subject to change.
- 5.7. It should be noted that due to the interconnection of the HRS and HRA the consequential costs in the HRA are ordinarily reduced, and therefore offset any repatriated deficit. However due to the increased usage of more expensive sub-contractors and materials, and an increased volume of works, this is not the case this financial year, as detailed above, and there is a significant additional cost for repairs and maintenance of the housing stock that is being incurred by the HRA. This additional cost is currently being offset against the overall HRA position as set out in section 4 above.

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.
- 6.2. The details of all the earmarked reserves and their forecast balance as at 31st March 2024 are attached in Appendix G, with further details in the MTFS 2023-2028. In summary:

Earmarked Reserves	Opening Balance 01/04/23 £'000	Increase £'000	Decrease £'000	Closing Balance 31/03/24 £'000
General Fund	7,040	2,054	(2,044)	7,050
Housing Revenue Account	3,510	71	(181)	3,400

7. Capital Programme

7.1. General Investment Programme

- 7.2. The revised General Investment Programme for 2023/24 amounted to £24.688m following the quarter 1 report. At quarter 2 the programme has increased by £0.096m to £24.784m, as shown below:

General Investment Programme	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Budget following Q1 report	24,688	10,463	6,236	1,052	1,052
Budget changes for approval – Quarter 2	96	0	0	0	0
Revised Budget	24,784	10,463	6,236	1,052	1,052

7.3. All changes over the approved limit require approval by the Executive. There are no changes requiring Executive approval for the second quarter.

7.4. All new projects are subject to Executive approval. The following schemes have been added to the GIP, and require approval by the Executive:

Approved by the Executive / Delegated Portfolio Holder	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Lincoln Central Car Park Lifts (new scheme funded from existing planned maintenance budget)	150	0	0	0	0
Total Schemes requiring approval by the Executive	150	0	0	0	0

7.5. The Chief Finance Officer has delegated authority to approve financial changes up to an approved limit as set out under Financial Procedure Rules. The following changes were approved during Quarter 2:

GIP Movements Approved by the Chief Finance Officer:	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Crematorium Curtains	19	0	0	0	0
Green Homes Grant (increase to Grant b/f)	13	0	0	0	0
Home Upgrade Grant (extra grant received to cover costs after grant was repaid)	9	0	0	0	0
Better Care Fund (additional grant received)	74	0	0	0	0
Planned Capitalised Work contribution to Lincoln Central Lifts, and Crematorium Curtains	(169)	0	0	0	0
Total GIP Movements Approved by the CFO	(54)	0	0	0	0

Total GIP Delegated Approvals and Approvals by/for Executive	96	0	0	0	0
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- 7.6. The table below provides a summary of the projected outturn position for the General Investment Programme:

General Investment Programme - Projected Outturn	2023/24			
	Budget following Q1 Report	Revised Budget Q2	Forecast Outturn	Variance
	£'000	£'000	£'000	£'000
Active Programme				
Housing and Investment	298	298	298	0
Communities and Environment	2,997	3,071	3,071	0
Chief Executive	1,896	1,896	1,896	0
Major Developments	13,873	13,895	13,895	0
Total Active Schemes	19,064	19,160	19,160	0
Schemes on Hold/Contingencies	308	308	308	0
Externally Delivered Town Deal Schemes	5,316	5,316	5,316	0
Total Capital Programme	24,688	24,784	24,784	0

- 7.7. The overall spending on the General Investment Programme active schemes (excluding externally delivered schemes), for the second quarter of 23/24 is £4.4m, which is 22.6% of the budget. 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 the next 6 months on Better Care Fund (DFG's), Western Growth Corridor, Greyfriars, Central Market, and Town's Deal Schemes.

7.8. Housing Investment Programme

- 7.9. The revised Housing Investment Programme for 2023/24 amounted to £17.969m following the Quarter 1 position. At quarter 2 the programme has been decreased by £1.107m to £16.862m, as shown below:

Housing Investment Programme	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Revised Budget at Q1	17,969	19,568	18,957	13,472	13,743
Budget changes for approval – Quarter 2	(1,107)	(393)	(3,442)	817	565
Revised Budget	16,862	19,175	15,515	14,289	14,307

- 7.10. All changes over the approved limit require approval by the Executive. There have been a number of changes made to the HIP as part of the ongoing work on the 30-year business plan and will align the budgets to reflect planned acquisitions and scheduled works on the existing housing stock for the length of the MTFs. The following changes, reflected in the business plan, require Executive approval for Quarter 2:

Changes requiring Executive Approval:	2023/24* £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Replacement Door Entry Systems	150	0	0	0	0
Environmental works	(311)	0	0	0	0
Void Capitalised Works	0	(400)	(400)	(400)	(400)
Fire Doors	0	953	(35)	213	(40)
Fire Compartment works	0	195	5	4	4
New Build Programme (141 eligible)	0	(1,009)	(2,072)	600	600
New Build Programme (Borrowing for 141 eligible)	0	(673)	(1,381)	400	400
Total changes requiring Executive Approval	(161)	(934)	(3,883)	817	564

* 2023/24 changes not reflected in the Housing Business Plan.

- 7.11. All new projects are subject to Executive approval. There has been one new project, to be funded from the Major Repairs Reserve, requiring approval:

Changes Approved at Executive:	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Eco Welfare Unit	24	0	0	0	0
Total changes approved by Executive	24	0	0	0	0

- 7.12. The Chief Finance Officer has delegated authority to approve financial changes up to an approved limit as set out under Financial Procedure Rules. The following changes were approved during Quarter 2:

Changes approved by the Chief Finance Officer:	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Bathrooms & WC's	(100)	100	0	0	0
Door replacements	(882)	441	441	0	0
New services	20	0	0	0	0
Over bath showers (10 year programme)	(20)	0	0	0	0
Communal TV Aerials	(30)	0	0	0	0
Thurlby Crescent	41	0	0	0	0
Total Changes Approved by the Chief Finance Officer	(971)	541	441	0	0

Total HIP Delegated Approvals and Approvals by/for Executive	(1,108)	(393)	(3,442)	817	564
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- 7.13. The table below provides a summary of the projected outturn position for the Housing Investment Programme:

Housing Investment Programme - Projected Outturn	2023/24			
	Budget	Revised Budget Q2	Forecast Outturn	Variance
	£'000	£'000	£'000	£'000
Decent Homes / Lincoln Standard	8,469	7,487	7,487	0
Health and Safety	523	673	673	0
Contingent Major Repairs / Works	0	0	0	0
New Build Programme	7,235	7,235	7,235	0
Other Schemes	1,237	962	962	0
Computer Fund / IT Schemes	506	506	506	0
Total Capital Programme	17,970	16,862	16,862	0

- 7.14. The overall expenditure on the Housing Investment Programme at the end of Q2 was £4.205m, which is 24.94% of the 2023/24 revised programme. This is detailed further at Appendix J.

A further £0.649m has been spent as at the end of October 2023, although this is still a low percentage of expenditure 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. In addition, schemes such as Hermit Street and Western Growth Corridor have only recently commenced, and a number of the LAHF acquisitions are currently in progress but not yet complete.

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 in this report allow the Council to maintain a balanced budget position in 2023/24 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, both the General Fund and HRA are forecasted to maintain balanced budget positions 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 the level of balances in 2023/24 are estimated to be maintained, or above, these ranges. The close monitoring of the Council's overall financial position will remain critical over the course of this financial year, and 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 2023/24 the Council is set to face ongoing pressures as a result of increasing baseline costs due to the ongoing inflation impacts and escalating service demands and income pressures arising from the cost-of-living crisis. The Council will continue to face further financial challenges as it responds to these issues as well as ensuring that it delivers the ongoing reductions in the net cost base that are assumed within the MTFS 2023-28.

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 the report, there are no direct equality, diversity, or human rights implications.

10. Risk Implications

A full financial risk assessment is included in the MTFS, this is continually reviewed in light of changes in the underlying financial assumptions. There are currently a significant number of critical risk factors to the budget and MTFS, further details will be provided within the new MTFS 2024-29.

11. Recommendations

Executive are recommended to:

- 11.1. Note the financial performance for the period 1st April to 30th September 2023, and projected outturns for 2023/24.

- 11.2. Assess the underlying impact of the pressures and underspends identified in paragraphs 3.3 (and Appendix B), 4.3 (and Appendix D), and 5.2 (and Appendix F).
- 11.3. Review the changes to the General Investment Programme and Housing Investment Programme as approved by the Chief Finance Officer as detailed in paragraphs 7.5 and 7.12.
- 11.4. Approve the changes to the General Investment programme and the Housing Investment programme as detailed in paragraphs 7.4, 7.10 and 7.11.

Key Decision	Yes
Key Decision Reference No.	N/A
Do the exempt information categories apply?	No
Call in and Urgency: Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
Does the report contain appendices?	Yes
List of Background Papers:	Medium Term Financial Strategy 2023-2028
Lead Officer:	Laura Shipley, Financial Services Manager Laura.shipley@lincoln.gov.uk

GENERAL FUND SUMMARY – AS AT 30 SEPTEMBER 2023

Service Area	Ref	Revised Budget £'000	Projected Outturn £'000	Variance £'000
Strategic Development	A	2,194	2,150	(44)
Chief Finance Officer (S151)	B	(252)	(642)	(390)
City Solicitor	C	1,891	1,933	42
Revenues & Benefits	D	520	709	189
Housing	E	(6)	46	52
Director of Major Developments	F	779	779	0
Communities and Street Scene	G	8,329	8,325	(3)
Health and Environmental Services	H	1,272	1,061	(211)
Planning	I	(2,960)	(2,748)	212
		11,767	11,614	(153)
Corporate Expenditure	J	1,287	1,141	(146)
TOTAL SERVICE EXPENDITURE		13,054	12,755	(299)
Capital Accounting Adjustment	K	2,210	2,409	199
Specific Grants	L	(700)	(700)	0
Contingencies	M	(102)	526	627
Savings Targets	N	(70)	(70)	0
Earmarked Reserves	O	654	10	(645)
Insurance Reserve	P	(453)	(453)	0
TOTAL EXPENDITURE		14,594	14,476	(118)
CONTRIBUTION FROM BALANCES		(191)	(73)	118
NET REQUIREMENT		14,403	14,403	0
Retained Business Rates Income	Q	6,125	6,125	0
Collection Fund Surplus/(Deficit)	R	546	546	0
Revenue Support Grant	S	175	175	0
Council Tax	T	7,556	7,556	0
TOTAL RESOURCES		14,403	14,403	0

General Fund Forecast Variances – Quarter 2

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		£	
	<u>Increased Expenditure</u>		
B	Property Services	74,950	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, overtime or 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.
C	Legal Services	106,290	
E	Control Centre	48,950	
E	Control Centre	49,210	Increase in annual maintenance contract, telephony and IT costs.
E	Homeless Bed & Breakfast	35,000	Forecast increase in B&B expenditure as a result of rising demand on service due to cost of living crisis, offset by additional grant income below.
G	Waste	61,720	Additional contract management (£34k) and inflation (£28k) pressures over and above the MTFS assumptions, offset by reduced expenditure on Street Cleansing contract below (net pressure £2.5k).
G	Garden Waste	6,740	Additional costs for outsourced printing costs
H	Car Parks	170,120	Additional card payment fees due to a system upgrade (£45k), additional maintenance works required at Lucy Tower & Broadgate (£34k), additional utilities pressures over and above MTFS assumptions (£28k), deep clean at Central (£11k) & various other cost pressures relating to overtime, additional charges due to increase in pay by phone transaction, increased security costs (£52k), wholly offset by increased income below (net car parking surplus £1.8k).
M	Pay Award	534,920	Impact of National Employers pay award over and above budget assumptions.
M	Annual Vacancy Savings Target	88,835	YTD Vacancy savings target, offset by savings in service areas.

Reduced Income

Ref		£	
D	Housing Benefits	95,000	Un-recoverable housing benefit costs, including increased B&B costs as a result of disparity between Local Housing Allowance rates and rising demand and costs of accommodation.
D	Housing Benefits	55,000	Forecast reduction in housing benefits income as a result of change in subsidy allocation.
D	Housing Benefits	77,200	Reduction in overpayments funded through housing subsidy due to overall reduction in overpayments raised and improved collection of arrears (£50k), plus a funding allocation shortfall (£27.2k).
F	Central Market	40,060	Additional legal costs and website fees.
H	Crematorium	50,120	Reduced income as a result of lower than budgeted cremation levels, offset by savings on utilities and business rate costs.
H	Yarborough Leisure Centre	50,000	Anticipated contribution to support Utility inflation pressures at YLC.
I	Building Regulations	50,000	Anticipated reduction in income as a result of current economic conditions.
I	Land Charges	29,570	Anticipated reduction in income as a result of current economic conditions.
I	Development Control	190,000	Anticipated reduction in income as a result of current economic conditions.

Reduced Expenditure

A	Corporate Policy	(77,010)	Vacancy savings pending recruitment, offset against Corporate vacancy savings target.
D	Revenues & Benefits Shared Service	(61,100)	Vacancy savings pending recruitment, offset against Corporate vacancy savings target.
F	DMD Director	(35,320)	Vacancy savings pending recruitment, offset against Corporate vacancy savings target.
G	Street Cleansing	(59,270)	Reduction in contracted charges in relation to car parks (£40k) and other minor underspends, offsets waste contract overspends above (net pressure £2.5k).
H	Housing Regeneration	(92,200)	Vacancy savings pending recruitment, offset against Corporate vacancy savings target.
H	Crematorium	(116,740)	Forecast underspend on utilities and business rates as a result of transitional discounts.

Ref		£	
I	Development Control	(51,790)	Vacancy savings offset against corporate vacancy savings target.
N	Earmarked Reserves	(233,100)	Release half of Inflation Volatility reserve to offset increased expenditure as a result of proposed pay award.
N	Earmarked Reserves	(100,000)	Release of CX Capacity reserve to offset increased expenditure as a result of proposed vacancy pressures above.

Increased Income

E	Housing Solutions Management	(25,000)	New Burdens grant income relating to staff time attributable to work on the Ukrainian Resettlement.
E	Homeless Bed & Breakfast	(35,000)	Additional grant expenditure offsetting B&B pressures outlined above.
B	Lincoln Properties	(60,910)	Tenant profit share as agreed in arrangements related to CVA agreed during Covid-19 pandemic.
B	Other Interest	(447,520)	Increased investment income as a result of higher interest rates and additional dividend income.
H	Community Centres	(48,990)	Increased income levels, predominantly driven by NHS Contract at the Grandstand (£29.2k).
I	Car Parks	(172,040)	Increase in season ticket income & forecast increase in pay and display income (net car parking surplus £1.8k).
J	Land Drainage Levies	(141,930)	Additional government grant received to offset the increased cost of Internal Drainage Board Levies.

HOUSING REVENUE ACCOUNT FUND SUMMARY – AS AT 30 SEPTEMBER 2023

	Ref	Revised Budget £'000	Projected Outturn £'000	Variance £'000
Gross Rental Income	A	(32,643)	(32,836)	(192)
Charges for Services & Facilities	B	(554)	(660)	(106)
Contribution towards Expenditure	C	(50)	(20)	30
Repairs Account – Income	D1	0	(68)	(68)
Supervision & Management – General	D2	(664)	(683)	(19)
Supervision & Management – Special	D3	(66)	(78)	(11)
Repairs & Maintenance	E	10,834	10,685	(149)
Supervision & Management – General	F1	6,924	7,241	317
Supervision & Management – Special	F2	1,991	2,088	97
Rents, Rates and Other Premises	G	846	891	45
Increase in Bad Debt Provisions	H	250	250	0
Insurance Claims Contingency	I	174	330	156
Contingencies	J	114	362	248
Depreciation	K	7,750	7,750	0
Impairments	L	0	0	0
Debt Management Expenses	M	16	16	0
HRS Trading (Surplus) / Deficit	N	0	761	761
Net Cost of Service	O	(5,080)	(3,971)	1,109
Loan Charges Interest	P	2,356	2,356	0
Investment/Mortgage Interest	Q	(308)	(1,165)	(857)
Net Operating Inc/Exp	R	(3,032)	(2,780)	252
Major Repairs Reserve Adjustment	T	3,000	3,000	0
Transfers to/from reserves	U	91	(190)	(281)
(Surplus)/Deficit in Year	V	59	30	(29)

Housing Revenue Account Variances – Quarter 2

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>			
C	Court Costs	30,000	Reduction in recovered income from court costs as less cases in year than anticipated.
<u>Increased Income</u>			
Q	Investment Interest	(856,700)	Increased investment income as a result of higher interest rates.
U	Transfers to/(from) Reserves	(280,970)	Contributions from reserves to offset expenditure outlined below (further detail in appendix G).
A	Gross Rental Income	(196,210)	Additional rental income as a result of reduced voids and higher rent levels at Rookery Lane development, plus higher than budgeted opening housing stock levels.
D1	Repairs Account	(67,860)	Additional income from rechargeable void works.
<u>Reduced Expenditure</u>			
E	Repairs & Maintenance - HRS	(299,710)	Reduced HRS expenditure on Responsive Repairs, Voids and Cleansing offset by increases on Aids & Adaptations below (net overspend £13.1k).
F	Supervision & Management	(274,040)	Reduced expenditure on Employee Costs due to staff vacancies, offset by agency costs below.
E	Repairs & Maintenance	(125,960)	Underspend on Repairs Account expenditure predominantly due to skip recharges and cyclical repair/replacement works.
E	Repairs & Maintenance – Asbestos	(36,480)	Net reduction on Asbestos Removals (£21k o/s) & Asbestos Surveys (£58k u/s)
<u>Increased Expenditure</u>			

Ref		£	Reason for variance
N	HRS Surplus/Deficit	761,410	Estimated HRS deficit position (refer to HRS variances – Appendix F).
F1	Supervision & Management – General	348,110	Increased expenditure due to consultancy costs on HRA Business Plan schemes (£106k), void work & garden/hedge/tree work costs (£62k) caretakers tipping (£45k), additional training requirements (£25k), housing needs survey (£25k), partially offset by increased call on reserves.
F1	Supervision & Management – General	345,290	Cost of agency staff to cover staff vacancies within Supervision & Management, partially offset by Vacancy savings above.
E	Repairs & Maintenance - HRS	312,760	Increased HRS expenditure on Aids & Adaptations largely offset by reduced cost on Responsive Repairs above.
J	Contingencies	208,550	Impact of proposed National Employers pay award over and above budgeted assumptions.
I	Insurance Claims Contingency	156,000	Anticipated increase in disrepair claims, offset by increased call on Insurance reserve.
J	Contingencies	39,790	Release of vacancy factor (offset by savings in service areas).

HOUSING REPAIRS SERVICE SUMMARY – AS AT 30 SEPTEMBER 2023

	Revised Budget	Forecast Outturn	Variance
	£'000	£'000	£'000
Employees	3,852	3,333	(519)
Premises	171	205	34
Transport	432	385	(47)
Materials	1,519	1,661	142
Sub-Contractors	2,154	3,414	1,260
Supplies & Services	333	352	19
Central Support Charges	586	586	0
Capital Charges	0	0	0
Total Expenditure	9,047	9,936	889
Income	(9,047)	(9,175)	(127)
(Surplus)/Deficit	0	761	761

Housing Repairs Service Variances – Quarter 2

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	(644,360)	Vacancies within the Operative staff.
Fleet Charges	(46,920)	Reduction in lease costs due to delay in receiving new vehicles from supplier.
<u>Increased Expenditure</u>		
Employee Costs	125,230	Impact of nationally proposed pay award above budgeted assumptions.
Sub-Contractors	1,258,870	Increased use of sub-contractors to meet demand and cover vacancies within the operative team.
Direct Materials	141,870	Increased usage and rising material prices following end of fixed-term contract prices.
<u>Increased Income</u>		
Income	(127,300)	Increased income as a result of increase in number of jobs.

EARMARKED RESERVES – Q2 MONITORING 2023/24

	Revised Opening Balance	In Year Increase	In Year Decrease	Forecast Closing Balance
	01/04/2023 £'000	£'000	£'000	31/03/2024 £'000
General Fund				
Budget Carry Forwards	483	27	(158)	352
Grants & Contributions	1,447	192	(224)	1,415
Active Nation Bond	180	-	-	180
AGP Sinking Fund	52	50	-	102
Air Quality Initiatives	22	-	-	22
Birchwood Leisure Centre	86	20	-	106
Business Rates Volatility	434	1,163	(681)	916
Christmas Decorations	14	-	-	14
City Hall Improvement Works	50	-	-	50
City Hall Sinking Fund	60	-	-	60
Commons Parking	13	9	-	22
Corporate Maintenance	100	-	-	100
Corporate Training	60	-	-	60
Council Tax Hardship Fund	-	-	-	-
Covid19 Recovery	1,047	-	-	1,047
Covid19 Response	354	-	-	354
CX Capacity	100	-	(100)	-
Electric Van replacement	27	4	-	31
HiMO CPN Appeals	169	-	(65)	104
Income Volatility Reserve	320	-	-	320
Inflation Volatility Reserve	466	-	(233)	233
Invest to Save (GF)	37	400	(88)	349
IT Reserve	284	109	-	393
Lincoln Lottery	9	-	-	9
Mayoral Car	7	-	-	7
MSCP & Bus Station Sinking Fund	149	46	-	195
Private Sector Stock Condition Survey	51	-	(48)	3
Professional Trainee Scheme	90	-	-	90
Revenue & Benefits Community Fund	25	-	-	25
Section 106 Interest	32	-	-	32
Staff Wellbeing	28	-	-	28
Tank Memorial	10	-	-	10
Tree Risk Assessment	102	-	(39)	63
Unused DRF	199	-	(199)	-
Vision 2025	533	34	(209)	359
	7,040	2,054	(2,044)	7,050

HRA

Capital Fees Equalisation	110	-	-	110
De Wint Court	73	-	-	73
De Wint Court Sinking Fund	10	19	-	29
Disrepairs Management	300	-	-	300
Housing Business Plan	177	-	(142)	35
Housing Repairs Service	137	-	-	137
HRA IT	135	35	-	170
HRA Repairs Account	1,351	-	-	1,351
Housing Strategic Priority	764	-	-	764
Invest to Save (HRA)	416	-	(39)	377
RSAP/NSAP Sinking Fund	9	9	-	18
Strategic Growth Reserve	5	-	-	5
Tenant Satisfaction Survey	23	8	-	31

3,510	71	(181)	3,400
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Total Earmarked Reserves

10,550	2,125	(2,225)	10,450
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CAPITAL RESOURCES – Q2 MONITORING 2023/24

	Opening balance	Contributions	Used in financing	Forecast balance 31/03/24
	£'000	£'000	£'000	£'000
Capital Grants/Contributions General Fund	1,432	19,596	(18,490)	2,538
Capital Grants/Contributions HRA	0	727	(727)	0
Capital receipts General Fund	13	1,650	0	1,663
Capital receipts HRA	2,660	750	(1,000)	2,410
Capital receipts 1-4-1	4,274	0	(1,004)	3,270
Major Repairs Reserve	12,432	7,750	(7,601)	12,581
GENF DRF	164	1	(165)	0
HRA DRF	10,200	3,000	(5,240)	7,960
Total Capital Resources	31,175	33,474	(34,227)	30,422

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 23/24.

General Investment Programme – Summary of Expenditure as at 30th September 2023

GENERAL INVESTMENT PROGRAMME	Budget 2023/24 - Reported at Q1	Q2 Budget Increase / Decrease	2023/24 Revised Budget	2023/24 Total Spend	2023/24 % Spend to Revised Budget
<u>Housing and Investment</u>					
Housing Renewal Area Unallocated	298,152		298,152	0	0.00%
Housing and Investment Total	298,152		298,152	0	0.00%
<u>DCE - Community and Environment</u>					
Better Care Fund (was Disabled Facilities Grant)	2,284,012	74,344	2,358,356	172,286	7.31%
DCE - Community and Environment Total	2,284,012	74,344	2,358,356	172,286	7.31%
<u>DCE - Community Services</u>					
Boultham Park Lake Restoration	8,658		8,658	-2,401	-27.73%
Flood Alleviation Scheme - Hartsholme Park	4,530		4,530	-3,140	-69.32%
Hope Wood	35,553		35,553	1,015	2.85%
Traveller deterrent	6,200		6,200	0	0.00%
DCE - Community Services Total	54,941		54,941	-4,526	-8.24%
<u>DCE - Planning</u>					
Car Parking Software	34,850		34,850	9,975	28.62%
HAZ - Shopfronts on a Framework	107,330		107,330	0	0.00%
St Mary le Wigford (HAZ)	10,000		10,000	4,355	43.55%
St Mary's Guildhall (HAZ)	67,000		67,000	2,406	3.59%
Windmill View	439,339		439,339	435,009	99.01%
DCE - Planning Total	658,519		658,519	451,744	68.60%
<u>Chief Executive Corporate Policy</u>					
New Telephony System	8,758		8,758	0	0.00%
Chief Executive Corporate Policy Total	8,758		8,758	0	0.00%

GENERAL INVESTMENT PROGRAMME	Budget 2023/24 - Reported at Q1	Q2 Budget Increase / Decrease	2023/24 Revised Budget	2023/24 Total Spend	2023/24 % Spend to Revised Budget
<u>Chief Executive Chief Finance Officer</u>					
Allotments Asbestos Sheds	33,795		33,795	0	0.00%
City Hall Lightning Protection	6,104		6,104	0	0.00%
Crematorium Curtains	0	19,410	19,410	0	0.00%
Greyfriars - Phase 2 Delivery	1,232,410		1,232,410	51,562	4.18%
Greyfriars Roof Improvements	4,050		4,050	0	0.00%
Guildhall Works	17,630		17,630	0	0.00%
High Bridge Café	50,000		50,000	0	0.00%
Lincoln Central Lifts	0	150,000	150,000	0	0.00%
Planned Capitalised Works	542,806	-169,410	373,396	3,941	1.06%
Chief Executive Chief Finance Officer Total	1,886,795	0	1,886,795	55,502	2.94%
<u>Major Developments</u>					
Central Markets	2,000		2,000	0	0.00%
Central Markets (All Funding Streams)	3,604,271		3,604,271	2,140,243	59.38%
Electric Vehicle Charge Points - Phase 2	237,000		237,000	0	0.00%
HUG - Home Upgrade Grant	6,641	8,601	15,242	15,242	100.00%
LAD 3 - Green Homes Grant Local Authority Delivery Scheme BEIS	1,723,455	12,838	1,736,293	387,407	22.31%
Lincoln Transport HUB	0		0	-56,196	
TD Tentercroft Street	290,000		290,000	0	0.00%
The Terrace Heat Mitigation Works	246,547		246,547	0	0.00%
Towns Deal Programme Management	75,260		75,260	9,342	12.41%
UKSPF (Shared Prosperity Fund)	122,801		122,801	0	0.00%
WGC Housing Delivery	2,034,010		2,034,010	54,181	2.66%
WGC Phase 1b Bridges	3,662,840		3,662,840	326,822	8.92%
WGC Shared Infrastructure	1,868,599		1,868,599	851,515	45.57%
Major Developments Total	13,873,424	21,439	13,894,863	3,728,557	26.83%

GENERAL INVESTMENT PROGRAMME	Budget 2023/24 - Reported at Q1	Q2 Budget Increase / Decrease	2023/24 Revised Budget	2023/24 Total Spend	2023/24 % Spend to Revised Budget
TOTAL ACTIVE SCHEMES	19,064,601	95,783	19,160,384	4,403,563	22.98%
<u>Schemes Currently Under Review</u>					
Compulsory Purchase Orders	151,254	82,227	233,481	0	0.00%
Compulsory Purchase Orders	82,227	-82,227	0	0	0.00%
IT Reserve	74,334		74,334	0	0.00%
Schemes Currently Under Review Total	307,815	0	307,815	0	0.00%
TOTAL CAPITAL PROGRAMME EXCLUDING EXTERNALLY DELIVERED SCHEMES	19,372,416	95,783	19,468,199	4,403,563	22.62%
<u>Externally Delivered Town's Deal Schemes</u>					
TD Barbican Production & Maker Hub	1,700,000		1,700,000	0	0.00%
TD Hospitality & Events & Tourism Institute	209,954		209,954	209,954	100.00%
TD Lincoln City FC and Foundation	814,122		814,122	487,000	59.82%
TD Lincoln Connected	462,108		462,108	91,861	19.88%
TD LSIP	420,000		420,000	0	0.00%
TD Sincil Bank	1,457,952		1,457,952	0	0.00%
TD Wigford Way	251,500		251,500	0	0.00%
Externally Delivered Town's Deal Schemes Total	5,315,636		5,315,636	788,815	14.84%
Grand Total	24,688,052	95,783	24,783,835	5,192,378	20.95%

Housing Investment Programme – Summary of Expenditure as at 30th September 2023

<u>HOUSING INVESTMENT PROGRAMME</u>	Budget 2023/24 - Reported at Q1	Q2 Budget Increase / Decrease	2023/24 Revised Budget	2023/24 Total Spend	2023/24 % Spend to Revised Budget
<u>Contingency Schemes</u>					
Contingency Reserve	0	0	0	0	0
Contingency Schemes Total	0	0	0	0	0
<u>Decent Homes</u>					
Bathrooms & WC's	400,000	(100,000)	300,000	0	0.00%
DH Central Heating Upgrades	2,253,948	0	2,253,948	1,187,257	52.67%
Door Replacement	1,782,491	(882,491)	900,000	331,523	36.84%
Fire Compartment works	10,000	0	10,000	0	0.00%
Fire Doors	120,919	0	120,919	0	0.00%
Kitchen Improvements	1,100,000	0	1,100,000	3,006	0.27%
Lincoln Standard Windows Replacement	789,732	0	789,732	363,913	46.08%
New services	55,000	20,000	75,000	10,552	14.07%
Re-roofing	20,000	0	20,000	0	0.00%
Rewiring	50,000	0	50,000	0	0.00%
Structural Defects	85,448	0	85,448	0	0.00%
Thermal Comfort Works	181,250	0	181,250	988	0.54%
Void Capitalised Works	1,570,320	0	1,570,320	374,757	23.86%
Decent Homes Total	8,419,108	(962,491)	7,456,617	2,271,996	30.47%
<u>Health and Safety</u>					
Asbestos Removal	190,000	0	190,000	(40)	(0.02%)
Asbestos Surveys	129,000	0	129,000	22,283	17.27%
Fire Alarms	0	0	0	0	0.00%

<u>HOUSING INVESTMENT PROGRAMME</u>	Budget 2023/24 - Reported at Q1	Q2 Budget Increase / Decrease	2023/24 Revised Budget	2023/24 Total Spend	2023/24 % Spend to Revised Budget
Renew stair structure	40,000	0	40,000	0	0.00%
Replacement Door Entry Systems	163,757	150,000	313,757	164,872	52.55%
Health and Safety Total	522,757	150,000	672,757	187,114	27.81%
<u>IT/Infrastructure</u>					
Housing Support Services Computer Fund	319,743	0	319,743	250,514	78.35%
Infrastructure Upgrade	166,383	0	166,383	0	0.00%
Operation Rose	10,903	0	10,903	0	0.00%
Telephony	8,758	0	8,758	0	0.00%
IT/Infrastructure Total	505,786	0	505,786	250,514	49.53%
<u>Lincoln Standard</u>					
Over bath showers (10 year programme)	50,000	(20,000)	30,000	0	0.00%
Lincoln Standard Total	50,000	(20,000)	30,000	0	0.00%
<u>Other Current Developments</u>					
CCTV	0	0	0	0	0.00%
Communal Electrics	119,063	0	119,063	9,786	8.22%
Communal TV Aerials	40,000	(30,000)	10,000	1,284	12.84%
Environmental works	710,827	(310,827)	400,000	764	0.19%
Garages	50,000	0	50,000	0	0.00%
Eco Welfare Unit	0	24,324	24,324	7,330	30.14%
Hiab and Mule	122,330	0	122,330	0	0.00%
HRA Buildings	115,805	0	115,805	0	0.00%
Landscaping & Boundaries	0	0	0	0	0.00%
Thurlby Crescent	78,583	41,418	120,000	2,250	1.88%
Other Current Developments Total	1,236,608	(275,086)	961,522	21,414	2.23%
HOUSING INVESTMENT TOTAL	10,734,259	(1,107,577)	9,626,683	2,731,038	28.37%

<u>HOUSING INVESTMENT PROGRAMME</u>	Budget 2023/24 - Reported at Q1	Q2 Budget Increase / Decrease	2023/24 Revised Budget	2023/24 Total Spend	2023/24 % Spend to Revised Budget
<u>HOUSING STRATEGY AND INVESTMENT</u>					
<u>New Build Programme</u>					
Property Acquisitions	1,940,628	83,650	2,024,278	1,170,061	57.80%
Hermit Street Regeneration	8,003	0	8,003	19,561	244.42%
New Build Capital Salaries	46,032	0	46,032	0	0.00%
New Build- De Wint Court	0	0	0	24,549	0.00%
New Build Programme	587,014	(83,650)	503,364	0	0.00%
New Build Programme (141 eligible)	0	0	0	0	0.00%
New Build Programme (Borrowing for 141 eligible)	0	0	0	0	0.00%
New Build Site – Hermit Street	1,968,464	0	1,968,464	134,935	6.85%
New Build Site - Queen Elizabeth Road	0	0	0	0	0.00%
New Build Site - Rookery Lane	40,804	0	40,804	123,768	303.32%
New Build Site - Searby Road	0	0	0	0	0.00%
Western Growth Corridor	2,644,051	0	2,644,051	0	0.00%
New Build Programme Total	7,234,996	0	7,234,996	1,474,194	20.38%
HOUSING STRATEGY AND INVESTMENT TOTAL	7,234,996	0	7,234,996	1,474,194	20.38%
TOTAL HOUSING INVESTMENT PROGRAMME	17,969,255	(1,107,577)	16,861,678	4,205,032	24.94%

TFS Phase7 programme: progress at Q2 - 2023/2024

Service	Summary of project	Dir.	Total savings in 2023/24	GF savings in 2023/24	HRA savings in 2023/24	Comments
			£000's	£000's	£000's	
ACTIONS COMPLETED AS OF END Q2 2023/24						
Major Developments	Capitalisation of salaries for WGC	DMD	56	56	-	Exec 20/02/23
Waste/Street Cleansing	Waste/Street Cleansing Standards	DCE	60	60	-	Complete
TOTAL			116	116	-	