APPENDIX A

Medium Term Financial Strategy

2021/22 - 2025/26

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Foreword

Welcome to this latest version of the City Council's Medium Term Financial Strategy covering the period 2021-2026.

The City of Lincoln Council is a high-performing and innovative organisation, focussed on providing quality services and delivering outcomes that matter. It's Vision 2025 is an ambitious strategic plan that is helping to transform both the Council and the City through it's five strategic priorities.

This Strategy sets out how the Council will use it's financial resources to underpin it's Vision 2025 and strategic priorities. It is the Council's commitment to use the financial resources it employs over the coming years to make a positive difference to the city and its residents.

The development of this latest strategy needs to be seen in the context of significant inherent uncertainty for the Council against the backdrop of the long term, and in many cases unknown impact of the Covid19 pandemic on income and expenditure assumptions, and a lack of any form of clarity of future funding settlements from government.

The Covid19 pandemic has fundamentally affected the way in which the Council works and will have long term and societal impacts. Elements of this change which relate directly to the response phase will, in time, revert largely back to normal. However, an event of this magnitude undoubtedly means the Council will need to consider closely how its business and services should operate in the future.

As a result of the pandemic the Council is facing an unprecedented financial detriment. The measures introduced nationally to combat the virus have had direct and indirect negative impacts on the Council's finances which will need to be managed over future years. The Government has pumped billions of pounds into the economy to support the response phase of the pandemic and to protect jobs and services. In the medium-term the levels of additional borrowing and the budget deficit will need to be managed down at the same time as meeting ongoing needs to invest in recovery to achieve the growth required to repay the deficit. The Government's national strategy to address this challenge is not yet known, nor what it will mean for local government funding more generally. Furthermore, there remains potential longstanding impacts on the Council's local income sources if behaviour, working practices and spending patterns in the city continue to change.

The financial implications are challenging to estimate with certainty, there continues to be a number of unknowns; from how long, and to what extent restrictions will continue; to what measures will remain to combat the spread of the virus; and to what recovery will look like, such as how customers/residents/businesses will behave over time.

The financial challenges created by the impact of Covid19, coming on top of a decade of austerity in local government, cannot be underestimated.

Although there is a significant level of uncertainty about future funding, based on what is currently known, or can be reasonably assumed, the Council will need to make further reductions in the net cost base of the General Fund of £1.75m by 2023/24.

This is a significant target for the Council to achieve, particularly in light of the annual revenue reductions of £9m that have been delivered over the past decade. This level of savings has been achieved by re-investing in more efficient ways of working; adopting a more commercial approach; and prioritising resources for economic development measures, whilst making careful use of reserves to meet funding gaps.

However; it is becoming much more difficult to find additional efficiency savings and some being considered need to be delivered as part of longer-term transformational changes to the organisation, the Council is taking a more prudent approach to commercial ventures; and it cannot deliver the benefits from economic development measures in the short term. The Council is left with little option but to revert to a more traditional cost cutting measures approach in order to deliver the scale of reductions required within the short lead in time, as well as using reserves in the short term. The Council will ultimately have to make some difficult decisions over the next 12 months as it prioritises which services it can afford to continue to deliver. It will also require the use of the Council's earmarked reserves as a short-term response.

Although closing a gap of this size is a huge challenge it is not unprecedented, and the Council should have the confidence that it has a track record of delivering strong financial discipline and that it can rise to the challenge once again.

In this current exceptionally uncertain period and funding position the Council's overriding financial strategy therefore continues to be, to drive down it's net cost base to ensure it maintains a sound and sustainable financial position. The key mechanism for carrying out this strategy is through the Towards Financial Sustainability Programme which seeks to bring service costs in line with available funding and, alongside this over the medium term, using the Council's influence and direct investment through its capital programmes to create the right conditions for the City's economy to recover and once again grow.

The Council's successful financial planning to date has enabled the protection of core services for the people of Lincoln, whilst at the same time allowing for significant investment in the City, and its economy, and delivery of the Council's Vision. The Council will continue to adopt this approach, carefully balancing the allocation of resources to Vision 2025, whilst ensuring it maintains a sustainable financial position and delivers the required reductions in its net cost base.

Jaclyn Gibson, FCCA
Chief Finance Officer

Section 1 – Introduction

The purpose of the MTFS is to 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. The Council currently has five clear strategic priorities, and in order to achieve those priorities the Council must have a clear and robust financial strategy which focuses on the long term financial sustainability of the organisation.

The MTFS draws on a review of the local economic landscape, and the impacts of the wider national economic and political landscape. It looks ahead over the coming five financial years to identify the resource likely to be required by the Council to finance its priorities and meet the financial consequences of the demand for council services. It also looks ahead to determine the resources likely to be available to the Council over the same period. This plays a critical role in ensuring that as the Council develops its key plans and strategies it has a sound understanding of the organisations longer term financial sustainability which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints.

The MTFS integrates revenue allocations, savings targets, reserves and capital investment and provides indicative budgets and future Council Tax and Housing Rent levels for the period covered by the plan. This approach has been in place for a number of years now and is an essential part of the budget setting process.

Although the Strategy is set against a medium-term time frame, to fit with the Council's corporate planning framework, in principle it will exist for longer as it provides the overall direction and parameters for financial management at the Council.

Inevitably the Council's plans will need to evolve and develop in response to new financial opportunities and risks and new policy directions, this has never been more evident than in the current climate. Therefore, the Strategy will be reviewed on a regular basis and at least annually.

The MTFS is underpinned by a sound finance system, coupled with a solid internal control framework, sufficiently flexible to allow the organisation to respond to changing demands over time and opportunities that arise.

Objectives

In light of the unprecedent impact of Covid19 on the Council's finances the existing objectives of the MTFS have been reviewed to ensure they remain relevant. This review has highlighted the key overriding objective to be;

- To continue to drive down the net cost base, in line with available resources, to ensure the Council maintains a sound and sustainable financial base, delivering a balanced budget over the life of the MTFS;

The further objectives that the MTFS seeks to achieve are as follows:

- To ensure the Council uses its reserves and balances carefully, seeking to maintain robust levels and replenishing where necessary, to address any future risks and unforeseen events without jeopardising key services and the delivery of outcomes;

- To ensure that the Council's limited resources are directed towards its Vision and strategic priorities, redirecting where necessary to allow for improvement and investment.

- To seek to maximise income levels, including maintaining in the short term and growing over the medium term, the Council Tax and Business Rates tax bases, whilst ensuring that Council Tax rate increases are kept an acceptable level;

- To ensure the Council provides efficient, effective and economic services which demonstrate value for money.

Policy and Financial Planning Framework

The Council's Strategic Plan, Vision 2025 is the thread that links the Council's integrated policy and financial planning framework. It is underpinned by the MTFS, which aims to ensure that all financial resources are directed towards delivery of the vision and flows through to the Council's other key plans and strategies, service planning and individual staff performance appraisals. This ensures that the Council's vision and strategic priorities drive the activity and allocation of resources of the Council.

The Vision 2025 promotes a clear view of the Council's strategic focus and in particular its key priorities. These priorities are a commitment by the Council to use the resources it employs over the coming years to a make a positive difference to the city and its residents.

Section 2 – Context

In order to set the framework for the Council's approach to policy and financial planning it is important to understand the overall national policy context, and economic conditions as well as the policy and delivery priorities for the Council over the MTFS period.

Economic Climate

Covid19 has had an unprecedented impact on the economy locally, nationally and internationally. In August it was confirmed that the UK economy had entered an official recession for the first time in 11 years. GDP fell by 2.2% in the first quarter of 2020, as the economy began to feel the effects of lockdown and then suffered its biggest slump on record during the second quarter with GDP shrinking 20.4%, as the lockdown brought many areas of the economy to a complete standstill. As lockdown restrictions eased from June onwards, the official technical recession (the deepest recession on record) ended with very strong growth in June and July. But, the economy's bounce back from the pandemic shutdowns slowed from August through to October with a lower than expected figure for growth, raising fears about the recovery petering as the factors that supported the pick-up begin to fade. Latest predictions from analysts are that the coming months were likely to see growth slackening further because of new tier restrictions, more consumer caution and the end of the furlough. It is inevitable that the growth experienced in the third quarter will go into reverse during the last three months of 2020 with forecasters predicting that it may take to between 2021 and 2024 for the economy to return to pre-crisis levels.

As a result of the economic crisis and due to the billions of pounds pumped into the economy to support the response phase of the pandemic and to protect jobs and services, public sector borrowing is now at a level not experienced since the 1950's, following the end of WWII. Under normal circumstances Government would face the unpalatable choice of dealing with the deficit directly through a new round of austerity measures or through tax rises in order to 'balance the books'. However, due to the historically low cost of government debt, in a world of low interest rates public debt has a limited fiscal cost, neither of these approaches have had to be adopted in the short term. This provides the opportunity to avoid, for now, the need for any fiscal tightening and to maintain a higher level of public expenditure, supporting the economy. This position can though only be maintained in the short term, and whilst interest rates remain low.

In usual circumstances if the economy is not growing strongly enough, the Bank of England would consider lowering interest rates to encourage firms to invest and savers to spend. However, interest rates are already close to zero after two emergency rate cuts in March, firstly from 0.75% to 0.25%, followed swiftly by a further cut to 0.10%, the lowest rate in the Bank's 325-year history. Discussions have taken place around the use of negative interest rates to further stimulate the economy with the Bank recently writing to all UK banks asking them how ready they are if interest rates were cut to zero or turned negative. The Bank has also signaled that it had no intention of raising interest rates until "significant progress" had been made in getting inflation back to the Bank's 2% target.

As at December 2020, the rate of CPI is currently at a low of 0.8%, having increased from a 5-year low of 0.2% in July. The Bank said it did not expect inflation to return to target levels for another two years.

Whilst Covid19 has had an immediate impact on the UK economy, Brexit, the end of transition period in December 2020 and agreement of a new trade deal, has continued to dominant the economy's future outlook during 2020. With the UK and EU having now reached a trade agreement, avoiding the threat of a no deal Brexit, the years of extreme uncertainty on both sides have ended. However, economists have warned that the costs of Brexit are still large and will hamper the UK economy in the years to come. Whilst the uncertainty has been removed, that has caused UK firms to delay investment and hiring, the 'certainty dividend' it will receive from this may not be large enough to account for the additional costs of leaving the EU. In the long-term economists expect the UK to be richer than it would have been under a hard Brexit but substantially poorer than if it hadn't left the EU at all.

With certainty over Brexit now achieved, once the path of the economy's recovery from Covid19 has been firmly established, addressing the UK's structural deficit and putting the public debt-to-GDP ratio on a downward path will be critical. The Government's national strategy to address this challenge is not yet known but this will undoubtedly impact on plans for borrowing, taxes, and public expenditure, including Local Government. This threat along with the impact on other indicators highlighted throughout this strategy make financial forecasting beyond 2021/22 very difficult.

National Priorities

Covid19 has fundamentally impacted on the UK economy and on the political agenda of the Government. The Spending Review 2020 set out the key priorities of the Government to be; responding to the pandemic; investing in the UK's recovery and delivering on its promises to invest in key public services. A key part of the Government investment strategy is to continue its commitment to level up opportunity across all of the UK regions.

Spending Review 2020

On 24th November 2020 the Chancellor announced details of the Spending Review 2020. Originally intended to be a multi-year settlement the Review only set out the detailed resource departmental expenditure limits for 2021/22. This showed a substantial additional funding for public services to support the response to Covid19 and a continued increase in day-to-day departmental spending. The review also set out a significant level of capital investment for 2021/22 supported by a new National Infrastructure Strategy.

The review contained the following significant points effecting Local Authorities:

- In relation to national pay bargaining public sector pay increases are paused for one year except for NHS staff and public sector employees on low pay. Those employees on less than £24k per annum will receive a pay increase of £250.

- Core spending power i.e. the Governments assessment of increased income to Local Authorities is reported to have increased by 4.5% (£2.2 bn). This increase is largely due to the ability of social care authorities to increase their council tax bills by up to 5 percent.

- Revenue Support grant will continue for a further year and will increase in line with inflation.

- The referendum threshold for increases in Council Tax will be 2% in 2021/22. District Council have in the past few years been able to increase Council Tax by up to 2% or £5 whichever is the higher. For district councils the referendum level is exceeded if Council Tax is to be increased by 2% or more and more than £5.00 on a Band D property – i.e. an increase of more than 2% is permitted as long as it does not exceed £5.00 on a Band D property.

- Social care authorities will be able to charge an adult social care precept of up to 3%

- £300 million of new grant funding for adult and children's social care, in addition to the £1bn announced at SR19 that is being maintained in 2021/22

- Maintaining the existing New Homes Bonus scheme for a further year with no new legacy payments. The scheme will be changed in 2022/23 subject to a consultation although no further details are given.

- There will be £16m to support modernisation of local authorities' cyber security systems.

- £0.8bn of funding for tax revenue losses; this is intended to cover 75% of irrecoverable loss of council tax and business rates revenues in 2020/21 that would otherwise need to be funded through local authority budgets in 2021/22 and later years (i.e. collection fund deficits being dispersed).

- Extending the existing Covid19 sales, fees and charges reimbursement scheme for a further three months until the end of June 2021

- £1.55bn to meet additional expenditure pressures as a result of Covid19

- £670m of un-ringfenced grant funding to enable Councils to continue to reduce Council Tax bills for those least able to pay, including households affected by Covid19.

- £254m for rough sleepers and those at risk of homelessness during Covid19

- Business rates multiplier for 2021/22 will not be increased and there is no update on Business Rates Funding Reform, which is still listed as 'delayed', with no revised implementation date proposed. There is confirmation that there will not be a reset in 2021/22, as expected, given the lack of data to allow baselines to be set, which are reflective of the impact of the pandemic.

- Announced the outcome of the consultation on reforms to the Public Works Loan Board, intended to prevent the trend of Local Authorities taking on debt to buy assets primarily for income, and lowered the interest rate on PWLB lending by 100bps.

- A £4bn levelling up fund, which will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery.

Beyond 2021/22 the Review assumes a path of annual increases in departmental expenditure limits of 2.1% in real terms, in line with the assumption at Budget 2020. In terms of capital expenditure this has been kept at the same levels as set out at Budget 2020.

With no further details of the expenditure plans beyond 2021/22 available, the annual real terms increase of 2.1% is unlikely to applied uniformly to all departments, Local Government has no future certainty of funding levels. As set out above the Governments fiscal respond to the current economic crisis will be key in determining how future resources are allocated to Local Government. With the NHS, defence and school budgets expected to be protected, non-protected areas, including Local Government, could face significant pressures on their resources if the approach mirrors the austerity policies of the previous decade

Spending Review 2021

With the Spending Review 2020 concentrating on departmental budgets for 2021/22 a full multi-year Spending Review is due to be carried out in 2021. This is set to encompass a full departmental spending review setting out the departmental allocations across government including setting the quantum of funding for local government and will take into account the impact of the Brexit trade agreements and impact of Covid19 on the economy, and will set out the Government's fiscal response. The time period to be covered by the review is unknown but is expected to be up to 3-4 years.

The Institute for Fiscal Studies (IFS) independently reviewed the future funding outlook for councils prior to the Spending Review 20, including 'business as usual' pressures, cost impacts of the pandemic that might be permanent and the potential long-term impact of the economic changes on local income, such as local taxes, sales, fees and charges. The IFS's upper estimates of all the pressures councils were facing as well as challenges of recovering self-raised income suggest that the funding gap could end up being as high as £9.8 billion by 2023/24. These pre-existing pressures and new legacy impacts of the pandemic bring significant risks to councils' financial stability which needs to be addressed through additional national funding. Work continues through a range of organisations to continue to make the case ahead of the next Spending Review for further, substantial, financial support to ensure the financial resilience of Local Authorities is not undermined.

Other Reforms

Whilst the Spending Review will set the overall quantum for local government funding the specific allocation of funding to individual authorities is affected by a number of mechanisms. Prior to the outbreak of Covid19 the Government had intended on making a number of significant reforms these mechanisms, which will have significant impacts on the level of funding each Local Authority. These reforms had previously been delayed by one year from 2020/21 due to the impact of Brexit. These reforms are:

- The Fairer Funding Review
- Business Rates System Reset and introduction of 75% Rates Retention

Due to the impact of Covid these reforms have now been further delayed, however no specific date for implementation has been announced, creating a further extended period of uncertainty for local authorities. Updates on each of these key reforms are set out in the following paragraphs.

Fairer Funding Review

The Fairer Funding Review will create a new formula for the distribution of resources across local authorities by establishing new baselines at the start of the 75% Business Rates Retention scheme. The Review was expected to be completed last year alongside a multi-year Spending Review, to revise the formula for calculating how government funding is split between local authorities. The review was set to focus on three key elements;

- Determining Need – assessing the relative needs of local authorities determined by a combination of specific cost drivers

- Determining Resources (deducted from need) – assessing each authority's ability to raise resources locally

- Transition (to the new baselines – providing protection for those authorities facing severe funding reductions as a result of changes in their baseline needs.

Although previous technical consultations had been published, which indicated a shift in resources from district councils towards statutory social services a county and unitary level, there had been no consultation on the proposed new formula.

However, in releasing funding to support local authorities with Covid19 expenditure pressures in 2020/21 the MHCLG decided to use a new formula based on elements of the Fair Funding Review, perhaps indicating the possible outcomes of the review.

It is likely too that the Review will now also take into consideration any new policy decisions on what the focus of local government funding should be in light of any revised Government priorities following the pandemic.

Business Rates Retention Reform

Before the 2017 election, the Local Government Finance Bill 2016 was prepared with the aim of introducing primary legislation to enact the move from the 50% business rates retention (BRR) scheme to 100% BRR. Subsequently, as part of the Local Government Finance Settlement 2018/19 government announced that local business rate retention would move forward from 50% to 75% in 2020/21 rather than

100% as previously announced. The government has stated though that it is still committed to a long-term aspiration of 100% retention of business rates.

At the point of introduction of a 75% retention scheme a full business rate baseline reset will also take place, to better reflect how much Local Authorities are actually collecting in business rates. This reset has the effect of wiping out any business rate gains that individual authorities have built since the launch of the current system in 2013/14. Until the onset of the current pandemic it had been assumed that at a national level the total gains would be redistributed through the system of baseline need so it was likely that the Council would receive an element of this. The impact of Covid19 across the country is now likely to have wiped out many of the gains local authorities had been experiencing and now leave little for redistribution.

Alongside the publication of the fairer funding review in December 2018 the government published the consultation paper “Sharing risk and reward, managing volatility and setting up the reformed system”. This was the first consultation on 75% retention and reset, and included proposals to update the balance of risk and reward and to mitigate volatility in income and simplify the system, this allowed local authorities to assess to some degree how the future system would work and the likely financial implications. Although there is an established technical steering group and a number of sub-groups that provide information and expert advice on the setting up and implementation of the new system, the work of these groups has been disrupted by the pandemic and as such no further technical papers or consultation documents have been recently issued.

As well as significant uncertainties around Government policy in terms of the Fairer Funding Review and Business Rates Retention there are also potentially other major reforms with Green Papers on Social Care and White Papers on Devolution and Recovery and possible Planning reform due in the forthcoming year. However one such White Paper, with implications for Local Authorities, that was released during 2020 was the Social Housing White Paper.

Social Housing White Paper

The Government’s Social Housing White Paper was announced in November 2020 and set out a ‘new deal’ for social housing residents. Overall, there are seven themes all linked by one common thread – that the safety, wellbeing and opinions of social housing residents is paramount, and it’s down to landlords to demonstrate engagement and performance to their residents. The seven themes are:

- Be safe in your home
- To know how your landlord is performing
- To have your complaints dealt with promptly and fairly
- To be treated with respect, backed by a strong consumer regulator for tenants
- To have your voice heard by your landlord
- To have a good quality home and neighbourhood to live in
- To be supported to take your first steps towards ownership

The White Paper sets out wide ranging and compulsory changes to how social housing organisations operate, which includes Local Authorities.

The impact to the social housing sector cannot be underestimated. Not only are operational activities and performance measures under increased scrutiny by The Regulator, there are new requirements for resident engagement and complaints and a pledge to review the Decent Homes Standard.

Local Priorities

City Profile

Lincoln is a cathedral city, and is one of the oldest cities in Britain, with a population of around 99,299 (1% increase on the previous year). Lincoln is one of seven Districts in Lincolnshire and, being an urban area located within a predominantly rural county, faces both unique challenges and opportunities.

Although the population of Lincoln is around 99,299, almost twice as many people visit the city during the daytime as live here, boosting the local economy but also putting immense pressure on local services and infrastructure.

In the last ten years Lincoln has seen a significant increase in the number of people who live here at 9.3% from 2010 to 2020, with a larger proportionate increase than England (8.1%) as a whole. Lincoln has also had a bigger increase proportionately than many cities and towns in England that are considered characteristically similar.

There continues to be an increase in the number of residents aged 20-29, influenced by the expanding universities. There are well over 18,000 students at the University of Lincoln and Bishop Grosseteste University. Lincoln has a higher than average proportion of its population aged in their 20's. This age group accounts for 20.8% of the city's total population, compared to only 13.1% nationally.

In terms of the economy, the City faces a number of challenges. Before the pandemic the City's business base had been growing consistently for some years. Through the pandemic the Council has worked hard to mitigate business failure and unemployment rates, distributing grants to businesses, working with partners across the City to support the High Street, through direct investment in the City and progression of the Towns Fund bid as well as other measures. Nevertheless, lockdowns and ongoing restrictions have had a major impact on the local economy with many businesses forced to close or make staff redundant.

The number of Local Council Tax Support claimants had reduced year on year since April 2013, reducing from 11,018 in April 2013 to 8,524 in April 2020. However, as a direct result of the pandemic claimant numbers as at the end of November 2020 had increased by 5.3% with working age claimants increasing by 9%. Overall, approximately 19.33% of council tax payers receive Housing Benefit and/or Council Tax support. Only around 0.4% of properties fall within council tax bands G and H, and 80% fall within the lowest bands A or B. This low Council Tax base, compounded by the increased cost of the LCTS scheme, has a significant limiting impact on the Council's ability to raise revenue via the Council Tax and creates a higher dependency on other sources of income.

Like many places, Lincoln is made up of areas of relative affluence, and relative deprivation. The Indices of Multiple Deprivation 2019 shows Lincoln as 68th of 317 Local Authorities. The three domains that Lincoln has scored higher in the rankings are in crime, housing and living environment. These are all in the lowest (9.3%) weighting. Health remains Lincolns worst domain ranking.

Both male and female life expectancies are in line with national averages with male life expectancy decreasing a little to 76.9 years while female life expectancy reduced slightly to 80.6 years. Early deaths due to heart disease and cancer had been reducing but rates have seen an increase and Lincoln still ranks high amongst our nearest neighbours.

In addition Lincoln's child poverty rate is above the county, regional, and national rate and fuel poverty rates are above the regional and national average.

There are approximately 44,600 households in the city – the City Council is landlord to approximately 7,800 of these, with more than one thousand more belonging to Registered Social Landlords. Despite the fact that housing is generally more affordable in Lincoln than elsewhere, there is still substantial demand for social housing of different types.

The impact of Covid19 has been felt, and will continue to be felt hardest, by the most vulnerable members of the City. Those who are most economically disadvantaged have experienced the pandemic differently as it interlinks with existing health inequalities and social conditions and increases that existing adversity: financial difficulties, unemployment, loneliness, social isolation, have been intensified by the pandemic.

These factors place significant demands on key services and resource allocation and are a key driver in the development of the Council's Vision for the future of the City, its strategic priorities and it's response to the recovery of the City and it's economy following the Covid19 pandemic.

Vision 2025

Following the successful completion of the three-year strategic plan 'Vision 2020' in late 2019, a new five-year strategic plan 'Vision 2025' was developed and adopted by Executive on 24th February 2020, although due to the onset of the pandemic was not fully launched. It sets out the Council's vision for the future of the City, strategic priorities and core values.

The Council's current vision for 2025 is;

"Together, let's deliver Lincoln's ambitious future"

Underpinning this vision are five strategic priorities, each with a number of supporting aspirations. The aspirations are in turn supported by groups of projects that have been delivered by the Council and it's partners throughout the five year programme. The five current strategic priorities are:

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

These five strategic priorities will be supported in Vision 2025 by a programme called One Council, which replaces the Professional High Performing Service Delivery section in Vision 2020. One Council is made up of the following pillars:

- Organisational development
- Best use of assets
- Technology
- Create value processes

It aims to put the customer at the heart of everything the Council does, understanding their needs, wants and preferences. One Council will also define how the Council will need to work in the future to meet those changing demands and to work in an effective and efficient way.

Additionally, the vision includes a set of core values which sum up the Council's culture, and what can be expected from its services and policies. They should also be present in the way its officers and member deal with others, its residents, and its partners. The core values are:

- Let's be approachable
- Let's be innovative
- Let's be trusted to deliver

The development of Vision 2025, prior to the Covid19 pandemic, provided the priorities and aspirations as well as a high-level view of how these would be achieved. It included a mix of exciting, high profile projects to shape the future of the city, with a range of other projects in keeping with the financial and officer capacity available at that time. The detail of what needed to be done each year to work towards the end goal was to be delivered through a specific Annual Delivery Plan for each year, in which individual projects would be agreed for each priority.

The year one Annual Delivery Plan was in the process of gaining approval when in March 2020 Covid-9 arrived and severely impacted the council's ability to delivery anything more than critical services and respond to the impacts of the pandemic. As the year moved on there was some ability to restart work on key projects without affecting services, but much of the other planned project work ceased.

The annual delivery plans that support the overall Vision are now currently in the process of being refreshed to reflect the impact the pandemic has had on the Council, the City and it's residents and business, to ensure that the correct priority areas are focussed upon. A key element of this will be officer resource to support the delivery of the increased savings programme, whilst also ensuring that resource is available to maximise external funding opportunities to bring forward new development to support the City and its economy.

The Annual Delivery Plan for year 2, 2020/21, is currently being developed, but due to the financial and resource effects of the Covid-19 impact, it is not possible to completely pick up were the Council was. The new plan has been developed with the following key assumptions in order of priority:

- Remobilisation of critical and then other services
- Agreed savings projects to be progressed
- Key legacy projects (already underway) to be completed
- Key One Council projects that will kick start new ways of working
- Necessary new projects that do not affect the ability of achieving the first four criteria and contribute towards key goals
- All other projects to be delayed for consideration in Year 3-5 Annual Delivery Plans

Section 3 – Revenue (General Fund)

Impacts of Covid19

COVID19 has taken its toll on the financial resilience of the Council as income streams have plummeted and there has been a requirement to incur costs to ensure services are being provided throughout this difficult period and to respond to consequences of the pandemic.

The cumulative impact of these challenges has resulted in significant shortfalls, assessed as at the end of December 2020 to be c£7m, on the General Fund.

In response to calls from the sector the Government have allocated a total of £4.6bn of general purpose grant funding to support local authorities to cover expenditure related pressures and announced an income compensation scheme to recompense councils for approx. 75p in every £1 of lost sales, fees and charges income. To date the Council has received funding support of £1.877m for COVID19 related pressures and is forecasting to receive c£3.048m through the income compensation scheme along with further specific grant support of c£0.4m.

Despite this financial support package announced by the Government the General Fund could not absorb the level of budget shortfalls without having to take some measures to reduce some areas of expenditure. Decisive action was therefore taken by the Council to; undertaken a budget review; access the Coronavirus Job Retention Scheme; review revenue funding of the capital programme; and allocate earmarked reserves. This allowed the Council to be able to continue to deliver its critical services in 2020/21 and to ensure its balances remain at an adequate level to provide resilience for future years.

The impacts of Covid19 are not though simply restricted to the 2020/21 but will have a significant impact over the period of the MTFS and possibly beyond.

The impact of Covid19 increases the risks and uncertainty associated with the level of government funding available from 2022/23 onwards; effects demand for services; increases business rate appeals; increases cost pressures; detrimentally impacts on Council Tax and Business Rate bases and reduces income receivable from sales, fees and charges. A summary of high-level financial pressures that are set to arise in future years include:

- **Ongoing increased service demand –** it is likely that there will be a number of service demands and cost pressures that will arise as a result of the economic impact that Covid19 has had, based on increased experience following the last recession, there is likely to be:
  - An increase in homelessness cases and demands on the Housing Solutions Team in both the short and long term.
  - An increase in demand for Council Housing
  - A longer term impact on the Council's pension fund contributions.
  - An increase in demands on the Customer Services Team and Welfare Advice Team as more customers rely on the Council's Services in the longer term.

- An increase in arrears and a requirement to set aside further contributions to bad debt provisions.

It is the threat to the Council's income streams, through local sources (Council Tax, Business Rates, Fees & Charges) that poses the most significant risk to the MTFS. The Council's reliance on local income streams has increased significantly in recent years as Government funding has reduced through austerity measures and new funding mechanisms have been introduced resulting in the Council having to be more self-sufficient and secure its own funding sources. Prior to the implement of new funding mechanisms in 2013 less than 20% of the Council's funding sources were subject to any level of volatility, for 2020/21 90% is now subject to volatility and emphasises the financial risk that the Council faces from its income streams.

- **Ongoing reductions in discretionary income levels** – although many of the discretionary income areas will bounce back in the medium term there are some income areas that are unlikely to ever return to their pre-Covid levels. This will be as a result in a change in people's habits and preferences as well as the way businesses operate. The largest of these reductions will be in carparking income which is set to drop permanently.

- **Impacts on local taxation** - in 2020/21 there will be no direct budgetary implications of any reductions in Council Tax or Business Rates bases due to the operation of the Collection Fund with pre-set precepts which must be distributed to the General Fund and major preceptors (LCC, PCC and Government).

  But from 2021/22 there will be a budgetary implication for both Council Tax and Business Rates. A significant deficit on the Collection Fund has been declared, ordinarily these deficits would be required to be charged to the General Fund in the 2021/22, however MHCLG implemented new regulations to allow these deficits to be spread over a three-year period.

  In addition to the distribution of the deficit there is also forecast to be ongoing reductions in the Council Tax and Business Rates bases, reducing resources from 2021/22 onwards.

- **Future financial settlement and funding mechanisms -** there is a significant amount of uncertainty around future reforms of local government funding as well as the impact of the current economic outlook on future public expenditure levels and ultimately local government finance settlements.

As set out further in this section the Local Government Finance Settlement announced a number of specific funding packages to support Local Authorities with the financial pressures they face in 2021/22. However, this financial support does not address all of the challenges the Council faces in 2021/22 and does not provide any additional resources in future years. The MTFS therefore forecasts a significant, ongoing, financial detriment to its income streams, which will need to be addressed through ongoing reductions in its net cost base.

Spending Plans

The MTFS is central to identifying the Council's financial capacity to deliver its vision and strategic priorities, this requires a balance to be struck between the need to support the delivery of the vision with the need to maintain a sustainable financial position. This balance has become extremely difficult given the impact of Covid19 on the Council's financial position and a need to continue to reduce it's net cost base.

The Year 2 Annual Delivery Plan of Vision 2025 recognises the need to reduce the Council's net cost base and prioritises this, alongside remobilisation of services, and completion of legacy schemes, ahead of further new investment. The majority of new investment that is included in the Delivery Plan for 2021/22 is primarily of a capital nature, aimed at supporting the recovery of the City, with little or no revenue implications. With the exception of key One Council projects required to kick start new ways of working all other schemes are delayed until years 3-5 of the Vision.

For these future years the General Fund has retained a specific earmarked reserve of £0.772m for further revenue investment.

Spending Assumptions

A review of the financial planning assumptions the Council over the period of the MTFS has been undertaken, this information has been drawn from experience in previous years, the advice of Directors and Assistant Directors, the current economic climate and other local and national issues that are likely to influence the financial outcomes.

Inflation – Pay and Prices

Automatic inflationary increases of budgets are not provided for all goods and services, instead individual inflation rates have been applied for specific items of expenditure, all remaining areas of expenditure are maintained at the previous year's levels, which is in effect a real terms reduction in spending power. The following rates of inflation have been assumed over the period of the MTFS:

	2021/22 % per year	**2022/23 % per year**	**2023/24 % per year**	**2024/25 % per year**	**2025/26 % per year**
Pay	1.5%	1.5%	2.0%	2.0%	2.0%
General	2.0%	2.0%	2.0%	2.0%	2.0%
RPI linked Contractual Commitments	3.0%	3.0%	3.0%	3.0%	3.0%
Non domestic rates	0%	2.0%	2.0%	2.0%	2.0%

These rates have been based on the Bank of England's target rate of inflation of 2% and a forecast of RPI, at the time of revising the MTFS assumptions, of 3.0% for 2021/22 onwards. A number of the Council's contractual commitments are linked to the CPI or RPI at a defined date in the year, primarily December and March; any movement in these indices by these dates will result in either an inflationary pressure for budget saving for the Council.

Employer's Pension Fund Contributions

The latest triennial revaluation of the Council's Pension Fund took place at 31 March 2019, and the results identified that there has been a significant improvement in the funding position since the last actuarial review from a 69% funding level to 84%.

Although the overall funding position has improved, the employer contribution rates are still required to increase in order to improve the funding position further. The Lincolnshire Pension Fund's overall Funding Level has improved to 93% due, in the main, to excellent investment results during the period, although this level of investment performance is unlikely to be sustainable over the longer term. The Fund's prudent assumption for future investment remains unchanged from the 2016 valuation, however the economic outlook on the whole is slightly more pessimistic than 3 years ago. For employers such as local authorities the Actuary, because of the guaranteed nature of their funding, is able to recommend a stabilisation overlay mechanism whereby the employer's current contribution rate is capped at an affordable level. Without out this in place the Council would be facing significantly higher contribution rates in order to increase the funding position.

This stabilisation approach has allowed the annual increase in the contribution rate to be capped at 1% p.a. over the period 2020/21 to 2022/23.

A further actuarial review will take place in April 2022, which will inform the employer contributions from 2023/24 onwards.

Net Interest Receipts

Net interest receipts incorporate the cost of financing the capital programme (via internal and external borrowing) and interest paid and earned on revenue balances during the year.

Historically investment income, which is heavily dependent on how the Council uses its reserves and the prevailing interest rates, was an important source of income for supporting the Council's service expenditure. However, as a result of the ongoing economic difficulties in both the domestic market and the Eurozone, the Council has seen a significant reduction in the interest rates offered on new investments. The prevailing risk in the financial markets has reduced the credit ratings of many institutions so there are also fewer counterparties available for investment purposes, and investments are being kept short and liquid to reduce the overall risk of the investment portfolio. The total interest income received significantly fallen over the last decade and the average interest rate achieved is barely above base rate.

Interest rates are forecast to remain at low levels until late 2022 and then the expectation is for a very slow recovery in the money markets. This is reflected in investment income forecasts in the MTFS.

Borrowing costs incurred on any short-term borrowings are minimal and the Council's portfolio of long-term borrowings currently includes 4 loans that are due to be repaid during the coming five financial years. The council has short term loans which mature in 2021 and 2022. All other loans mature after 2024/25 and are fixed rate loans. Six of these loans have lender options to vary their terms at six monthly intervals.

Sensitivity to changes in interest rates is linked more markedly to investments rather than to the portfolio of borrowing as all borrowing is at fixed interest rates. As an indication, a change in interest rates of +/- 0.5% would have an estimated combined impact of approximately £35k.

Average interest rates on investments assumed within the MTFS are as follows:

	2021/22 %	**2022/23 %**	**2023/24 %**	**2024/25 %**	**2025/26 %**
Interest Rate	0.18	0.18	0.25	0.25	0.25

Based on the current forecasts for interest payable on new borrowing (averaging around 2%) and receivable on investments (averaging around 0.18%), and the estimated level of balances available for investment, it is currently anticipated that new borrowing will be taken to fund the borrowing requirement for the General Fund over the 5 year strategy. Internal balances will be used to fund the existing borrowing requirement where it remains financially advantageous to do so, reducing the amount of interest that would have been payable on new debt, partially offset by a reduction in interest receivable (due to reduced balances available for investments).

Resource Assumptions

Settlement Funding Assessment: Revenue Support Grant/National Non-Domestic Rates

The Local Government Finance Settlement for 2021/22 sets out the distribution of centrally allocated resources for local authorities and provides authorities with a combination of grant allocations and their baseline figures within the BRR scheme.

With the 2021/22 figures being for a single year only and the deferral on the Fairer Funding Review, New Homes Bonus reform and the Business Rates Reset for a further year, the 2021/22 settlement is similar to the 2020/21 settlement. The majority of the headlines for this settlement are also similar to 2020/21, albeit with the added policy and funding announcements around Covid19.

The Settlement is based upon the funding levels announced in the Spending Review with individual authority allocations based on Spending Review 2015 and subsequent funding allocations.

Core Spending Power

The Core Spending Power calculation includes the main sources of Government funding for local authorities, in addition it also includes local resources in the form of assumed levels of Council Tax income.

The table below shows the national changes to Core Spending Power between 2015/16 and 2021/22 and the breakdown across the various funding sources. Overall, spending power will increase by £2.258bn from £48.999bn to £51.257bn, an overall increase for the period 2015/16 to 2021/22 of 14.8%. However within this, the Settlement Funding Assessment (SFA) will reduce by £6.440bn (30%) and NHB by £0.578bn (48%), which is largely offset by the governments estimate of council tax increasing by £9.156bn (41%).

England	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£bn	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**	**£bn**
Settlement Funding Assessment	21.250	18.602	16.633	15.574	14.560	14.797	14.810
Under-indexing business rates multiplier	0.165	0.165	0.175	0.275	0.400	0.500	0.650
Council Tax	22.036	23.247	24.666	26.332	27.768	29.227	31.192
Improved Better Care Fund	0	0	1.115	1.499	1.837	2.077	2.077
New Homes Bonus	1.200	1.485	1.252	0.947	0.918	0.907	0.622
Transition Grant	0	0.150	0.150	0	0	0	0
Rural Services Delivery Grant	0.016	0.081	0.065	0.081	0.081	0.081	0.085
Lower Tier Services Grant	0	0	0	0	0	0	0.111
Adult Social Care Support Grant	0	0	0.241	0.150	0	0	0
Winter Pressures Grant	0	0	0	0.240	0.240	0	0
Social Care Support Grant	0	0	0	0	0.410	1.410	1.710
Core Spending Power	**44.667**	**43.730**	**44.296**	**45.098**	**46.213**	**48.999**	**51.257**
Change %		**-2.1%**	**1.3%**	**1.8%**	**2.5%**	**6.0%**	**4.6%**
Cumulative change %		**-2.1%**	**-0.8%**	**1.0%**	**3.5%**	**9.7%**	**14.8%**

Although the national level of Core Spending Power is forecast to increase by 4.6% the variation between individual authorities and types of authority is significant. The calculation also contains assumptions around council taxbase changes and increased which may not be reflected in local projections.

Shire Districts, including Lincoln have experienced the worst reductions in core spending power, due to changes in the distribution of RSG and due to the top slicing of NHB to redirect towards social care pressures and the allocation of other specific grants towards upper tier or rural authorities. Lincoln's position is as set out in the table below, this shows a total reduction in core spending power of 15.2% over the six year period to 2021/22, with a 0% increase for 2021/22.

Lincoln	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
SFA	6.048	5.188	4.543	4.197	3.775	3.837	3.837
Council Tax;	5.637	5.916	6.145	6.393	6.679	6.915	7.160
Other grants	2.120	2.335	1.709	1.090	0.843	0.924	0.678

Core Spending Power	**13.804**	**13.439**	**12.396**	**11.680**	**11.297**	**11.676**	**11.676**
Change over the period (£m)							**-2.104**
Change (%)							**0%**
Cumulative Change (%)							**-15.2%**

Settlement Funding Assessment

The SFA for each authority comprises of NNDR Baseline funding level and Revenue Support Grant. For the Council this is broken down as follows:

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
RSG	2.585	1.698	0.981	0.000*	0.022	0.023	0.023
Baseline BR Funding Level	3.463	3.491	3.562	4.197	3.753	3.814	3.814
SFA	**6.048**	**5.188**	**4.543**	**4.197**	**3.775**	**3.837**	**3.837**
Change over the period (£m)							**-2.211**
Change over the period (%)							**-36.6%**

* added to Baseline BR Funding level as part of 100% business rates pilot in 2018/19

Revenue Support Grant

In terms of the Council's RSG element of the SFA, as a result of the delay in the implementation of the new 75% BRR scheme, the figures announced in the Finance Settlement are at the same level as the 2020/21 allocations uplifted by 0.5% in line with CPI inflation. Over the 6-year period from 2015/16, the Council's allocation has reduced by 99.1% from £2.585m in 2015/16 to £0.023m in 2021/22, as shown in the table below.

	2015/16 £m	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
RSG	2.585	1.698	0.981	0.528*	0.022	0.023	0.023
Change %		-34.3%	-42.2%	-46.2%	-95.8%	1.63%	0.55%
Cumulative change %		-34.3%	-62.1%	-79.6%	-99.1%	-99.1%	-99.1%

* added to Baseline BR Funding level as part of 100% business rates pilot in 2018/19 but shown here for comparison purposes.

Beyond 2021/22 it is assumed that there will be no further RSG payable by the Government.

Business Rates Retention

The Council has undertaken an assessment of the amount of business rates that it expects to collect during 2021/22 and based on the principles of the current 50% Business Rates Retention scheme it's estimate of the level of NDR to be retained is set out in the table below.

The level of outstanding appeals continues to create a high level of uncertainty both in respect of the outstanding appeals from the 2010 and 2015 ratings lists already lodged with Valuation Office, but also in relation to appeal to the 2017 list that are submitted under the new Check, Challenge Appeal process. The Collection Fund is required to fully provide for the expected result of all appeals and using external assessments as to the likely level and value of these appeals. The current provision of outstanding appeals stands at £5.687m, of which the Council's share is £2.275m. Compounding this further is an increase in businesses submitting business rates appeals on the basis of a material change in circumstances arising from Covid19, this requires additional provisions to be set aside at a cost reducing the level of business rates retained by the Council and increasing the provision for appeals.

In addition to the backdated element of these appeals there is also an ongoing impact due to the reduction in the business rates base, which ultimately reduces the level of income to be retained in the future by the Council. As indicated above the number of appeals lodged citing a material change in circumstances as a result of Covid19 has been significant. This will have a further detrimental impact on the business rate base, this impact has been assumed at £2m p.a.in the BRR forecasts set out below.

For 2021/22 the Council along with the County Council, who are a top up authority, and five other Lincolnshire District Councils have received designation to act as a BRR pool. The governance arrangements for the pool allow for the allocation of any retained levy to be allocated 40% to the County Council and 60% allocated to the District Council that has generated the business rates growth. The estimated benefit of this to the Council is £418k in 2021/22.

An adjustment has however been made from 2022/23 onwards to remove the gains that are currently received from pooling as this element of the scheme will cease to exist in a 75% retained system.

Beyond 2021/22 forecasting the level of Business Rates income to be retained is extremely challenging due to the introduction of the new 75% retention schemes and full reset of the Business Rates baselines, with many of the parameters still unclear and the timing of its introduction still not set. These changes, when implemented, will wipe out gains the Council has built up since the launch of the current system in 2013/14. Until the onset of the current pandemic it had been assumed that at a national level the total gains would be redistributed through the system of baseline need so it was likely that the Council would receive an element of this. The impact of Covid19 across the country is now likely to have wiped out many of the gains Local Authorities had been experiencing and now leave little for redistribution, these further reduces the future level of resource the Council can expect to receive.

The MTFS therefore assumes a continuation of the existing 50% scheme, and BR pool in 2021/22 and then from 2022/23 has been developed on the basis of a 75%

retention scheme, a full reset of the system and with only a small element of assumed redistribution of the total national gain. These forecasts will continue to be assessed as further information regarding the design and implementation of the scheme is made available.

Based on the assumptions as set out above the level of retained business rates assumed in the MTFS is as follows:

Income Forecast	2021/22 £m	2022/23 £m	2023/24 £m	2024/15 £m	2025/26 £m
Forecast retained Income	5.142	4.140	4.539	4.966	5.396

As set out throughout this MTFS, there are a number of key and dramatic changes to Business Rates due in the forthcoming years. These will have the potential to significantly affect the level of business rates retained by the Council, whilst assumptions have been made in the MTFS regarding the potential impacts the actual impact remains a high risk to the Council's future financial sustainability.

Council Tax

The Localism Act 2011 introduced a power for residents to approve or veto excessive council tax increases. This means that any local authority setting an excessive increase as set by the Secretary of State would trigger a referendum of all registered electors in their area. The Government confirmed in the Local Government Finance Settlement that there will continue to be differential limits that will trigger the need for a referendum. There will be a referendum limit of up to 2% for all authorities except Shire Districts and Mayoral Combined Authorities. For District Councils, as in previous years, there will be additional flexibility with increases of less than 2% or up to and including £5 (whichever is higher).

In light of the financial position of the Council and in accordance with the referendum thresholds to be applied for 2021/21, the MTFS assumes the following indicative council tax increases and subsequent overall yields:

	2021/22	2022/23	2023/24	2024/25	2025/26
% Increase	1.9%	1.9%	1.9%	1.9%	1.9%
Council Tax Base	24,372	25,129	25,593	26.059	26.483
Council Tax Yield	£6.956m	£7.307m	£7.583m	£7.868m	£8.149m
Band D	£285.39	£290.79	£296.28	£301.95	£307.71
Band D £ Increase	£5.31	£5.40	£5.49	£5.67	£5.76

For 2021/22 the Council Tax amount for a Band D property (excluding County Council and Police Authority precepts) is £285.39, a 1.9%/£5.31 increase from 2020/21.

Following implementation of the localised council tax support scheme (LCTS) in April 2013 (which changed support from being a benefit to a council tax discount) the council tax base is now directly affected by the number of council tax support claimants. The more council tax support that is awarded the more the taxbase is reduced, therefore limiting the ability to raise council tax.

Since the introduction of the scheme in 2013 the number of claimants had as at April 2020 decreased by over 20%. However, between April 2020 and the end of November 2020 caseload had increased by 5.3%, with working age claimants increasing by 9%. This increase has been bought about due to the impact of Covid19 on household incomes. Although it is difficult to assess with any certainty what further increases in claimant numbers may be, due to the number of unknowns around economic recovery, current tier restrictions, etc, it can be reasonably assumed that there will be a further increase in claimants over the reminder of the financial year and that this level of increased claimant numbers will persist during 2021/22 before gradually reducing over the period of the MTFS.

The MTFS has been prepared on the basis of a further increase in working age claimant numbers of 3% for 2021/22, with a gradual reduction of 2% p.a. over the period of the MTFS. The council tax base in the table above reflects these estimated changes in caseload.

Recognising the reduction in Council Tax income as a result of increased LCTS claimant numbers, the Local Government Finance Settlement announced £670m of grant funding to broadly meet the additional costs in 2021/22. This funding is un-ringfenced and can be used to provide other support to vulnerable households as well as offsetting the loss in Council Tax income. The Council's allocation for 2021/22 is £0.200m and will be used to offset the loss in Council Tax income.

New Homes Bonus

The New Homes Bonus grant was introduced in 2011/12 and rewards local authorities based on the levels of new homes being built, particularly affordable homes, and empty properties returned into use. This grant is top sliced from the overall national level of funding for local government which creates a direct incentive for local authorities to promote growth and development or else risk a reduction in resources.

Previously been announced that a Spring 2020 consultation on the future of the scheme would be undertaken, stating that 'it is not clear that the New Homes Bonus in its current form is focused on incentivising homes where they are needed most' and the consultation will 'include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need, and which is aligned with other measures around planning performance'. Although this consultation did not take place the Settlement announced stated 'we will soon be inviting views on how we can reform the scheme from 2022/23 to ensure it is focussed where homes are needed the most'.

Due to the delay in the implementation of the reform of the scheme a further years allocation for 2021/22 has been announced, similar to the 2020/21 allocations there will be no future legacy payments attached to the allocation.

The MTFS is based on the allocations announced in the as follows:

2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
213	50	0	0	0

Lower Tier Services Grant

Included in the Finance Settlement was the announcement of a new (one off) Lower Tier Services grant of £111m for 2021/22. This is an unringfenced grant and the Council's allocation is £266,061.

Covid19 Support

During 2020/21 the Government have provided Local Authorities with unringfenced Covid19 grant allocations of £4.553bn to contribute towards additional costs incurred, this is in addition to a number of specific grants for specific purposes e.g. compliance and enforcement. The Council received allocations of £1.877m in 2020/21.

Recognising that Local Authorities will continue to face additional costs in 2021/22 the Local Government Finance Settlement announced a further £1.55bn of unringfenced grant in 2021/22. The Council's allocation is £0.640m. Although unringfenced the announcement stated that whilst recognising that Local Authorities are best placed to determine local priorities, it is expected that the funding will be focussed on a similar set of priority pressures as previously set out for 2020/21 unringfenced funding. These are: adult social care, children's services, public health services, household waste services, shielding the clinically extremely vulnerable, homelessness and rough sleeping, domestic abuse, managing excess deaths, support for re-opening the country and, in addition, the additional costs associated with the local elections in May 2021. This funding should be used in planning to cover any Covid related costs for the priority pressures above and any further Covid costs in 2021/22. Councils should plan on the basis of not receiving any additional funding for the above pressures.

Fees and Charges

The fees and charges levied by the Council are an important source of income, however as a result of Covid19 many sources of fees and charges have plummeted, and whilst some have begun to recover, others are still detrimentally impacted and are unlikely to return to their pre-Covid levels in the short term, and in some cases are likely to be permanently eroded. This will be as a result of changes in people's habits and preferences as well as the way business operate.

As part of the normal, annual, budget cycle fees and charges income budgets are increased by 3% per annum for their total yield. This increase of 3% does not preclude individual fees and charges being increased by more or less than 3%. Due to the impact of Covid on these income sources each area of fees and charges income has be assessed to model the likely impact of Covid on overall yield levels and the level of increase that can be sustained for each individual fee and charge.

This assessment has identified a reduction income levels of £2.420m from the levels previously assumed for 2021/22 to those levels now assumed to be achievable, the biggest reduction being in car parking. This is a total reduction in income of c21% and has had a significant impact on the MTFS. Although many sources of fees and charges are expected to bounce back to their pre-covid levels it is the car parking income that poses the greatest financial risk to the Council's MTFS. Whilst initial assumptions have been made over the 5-year period, at this stage there is a significant level of uncertainty has to how these income sources will perform.

In response to the financial pressures Local Authorities face from fees and charges losses the Government announced an income compensation scheme in 2020/21 to provide reimbursement, after a 5% deductible and offset of expenditure savings, of 75% of irrecoverable income. The Local Government Finance Settlement announced an extension of the scheme until June 2021, i.e. covering the first quarter of 2021/22. This announcement confirmed that the scheme in 2021/22 will compare losses during quarter 1 to the 2020/21 budgeted levels, based on this the MTFS assume compensation in 2021/22 of £0.357m.

The MTFS now assumes that the Council will raise £9.193m from fees and charges in 2021/22. The mean average overall increase in the non-statutory fees and charges is 2.3%, however this includes some fees that have been increased by higher and lower percentages.

Bridging the Gap

The previous MTFS 2020-25 was included a savings target of £0.5m in 2020/21, increasing to £0.850m in 2021/22 and £1.250m p.a. rom 2022/23 onwards. Despite the onset of the pandemic the Council has still been able to make significant progress towards these targets, achieving the target for 2020/21 and over 80% of the ongoing target, as set out below:

	2021/22 £'000	2021/22 £'000	2022/23 £'000	2023/23 £'000	2024/25 £'000
Savings required as per MTFS 2020-25	500	850	1,250	1,250	1,250
Savings delivered in 2020/21	(559)	(758)	(897)	(997)	(1,005)
Balance of savings to be achieved	**(59)**	**92**	**353**	**253**	**245**

However, as a result of the financial impacts of the Covid19 pandemic on the Council, it is once again, faced with a significant budget gap to address. Although the this MTFS highlights all of the uncertainties in terms of financial planning the Council must continue to focus on measures to drive down it's net cost base to ensure it maintains a sound and sustainable financial position.

On the basis of the revised financial planning assumptions assumed in this MTFS, further savings targets are required, as set out below:

2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
850	1,350	1,750	1,750	1,750

These revised targets incorporate the balance of savings required from the existing programme along with the impact of the revised financial planning assumptions.

The key mechanism for delivering the required budget savings is through the Towards Financial Sustainability (TFS) Programme, which seeks to bring net service costs in line with available funding. Over the last decade, through it's TFS Programme and precursor programmes, the Council has delivered annual savings in excess of £9m, a significant amount in comparison to its overall net budget.

This level of savings has been achieved by re-investing in more efficient ways of working; adopting a more commercial approach; and prioritising resources for economic development measures, whilst making careful use of reserves to meet funding gaps. However; it is becoming much more difficult to find additional efficiency savings and some being considered need to be delivered as part of longer-term transformational changes to the organisation, the Council is taking a more prudent approach to commercial ventures; and it cannot deliver the benefits from economic development measures in the short term. It is left with little option but to revert to a more traditional cost cutting measures approach in order to deliver the scale of reductions required within the short lead in time.

Work has now commenced on developing a new programme of proposals. Every possible effort is being made to find the least painful solutions and minimise the impact on jobs and services, but it will simply not be possible to achieve the level of savings required through the more forward thinking of ambitious approaches previously adopted. Inevitably there has had to be some withdrawal of services the Council has tried to keep this to a minimum and has sought to protect its core services that matter most.

The focus of the TFS programme will now be on two key strands:

- "One Council" – One Council also defines how the Council, as an organisation, will need to work in the future to meet changing demands. Through four themes of, organisational development, technology, creating value processes and better use of resources, cross organisational programmes of work will exploring common to all issues and how these can best be combined to a deliver a 'one organisational' approach more efficiently and cost effectively.

- Service Withdrawal/Reduction - withdraw from some services or reduce the level of service provided for those services not deemed to be of sufficient priority or any longer affordable.

Individual, specific proposals will be presented to the Executive in due course for consideration.

Alongside this programme the Council still believes that the longer-term approach to finding efficiencies to close the funding gap is fundamentally through economic growth and investment. This is evermore critical in light of the crippling effect Covid19 has had on the local economy. As part of the recovery of the City from Covid19 the Council, through Vision 2025, will continues to seek ways to maximise its tax bases by creating the right conditions for the economy to recover and grow, to increase Business Rates income and to encourage housebuilding to meet growing demand, generating additional Council Tax. As well as continuing to support these the Council will also seek through direct intervention, such as through; its Council House New Build Programme; Towns Fund submission; and HAZ scheme, to enhance the economic prosperity of the City. Although not directly contributing towards the TFS savings targets in the short term these measures allow future assumptions of growth in the Council's resources to be factored into the revenue forecasts and work towards the Council's objective of being financially sustainable.

Closing a projected budget gap of this size is a challenge for the Council, but this is not unprecedented, and the Council has confidence that it has a track record of delivering strong financial discipline and that it can continue to rise to the challenge.

Revenue Forecast

Based on the preceding financial objectives, underlying principles, national and local priorities, savings targets, spending and resources assumptions, Appendix 1 provides a summary five-year General Fund revenue budget for the Council.

Risks to the Revenue Budget

The Council has adopted a corporate approach to risk management, and financial risk management is integrated into the Council's overall management and decision-making processes.

A number of key high-level risks have been identified which could have a positive impact that could yield additional resources, but conversely some risks may have a negative impact and result in a reduction of resources. These key risks are action planned and continually reviewed as the MTFS develops. The main areas they cover are:

- Fluctuations in fees and charges income and commercial income, particularly due to the legacy impacts of Covid19
- Fluctuations in the Business Rates Taxbase, particularly due to the legacy impacts of Covid19
- Implementation of revised BRR Scheme including full reset
- Future levels of Central Government funding e.g Fair Funding Review, New Homes Bonus etc.
- Implications of Brexit on national and local economies
- Implications of national government policies on the economy
- Delivery of challenging savings targets
- Impact of economic climate on demand for services
- Changes to other key assumptions within the MTFS
- Financial and budget management issues

Appendix 3 details the risk action plans for the internal and external risks. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

Section 4 – General Investment Programme

The Council's approach to determining and funding its investment programmes is set out in its Capital Strategy, which explains the Council's financial framework for capital investment in support of its strategic priorities. The General Fund Investment Programme (GIP) covers all aspects of capital expenditure within the Council, with the exception of the Council's housing stock, and includes external capital investment that assists in achievement of the Council's Strategic Priorities.

Capital Spending Plans

The capital spending plans for the next five years include the delivery of key legacy from Vision 2020 (some of which were delayed due to Covid19), new schemes from Vision 2025, with a focus on supporting the recovery of the City or key One Council projects, and investment in existing assets to either maintain service delivery or existing income streams.

Total planned expenditure over the 5-year programme is estimated to be £17.501m of which there are the following key schemes:

- Western Growth Corridor Phase 1a - £9.7m
- Crematorium Investment - £2.5m
- Heritage Action Zone - £1.3m
- Disabled Facilities Grants - £1.5m
- Planned asset maintenance - £1m

In addition, the Council is awaiting the outcome of its Lincoln Town Investment Plan submission, which if approved will have significant implications for the GIP. The Plan has the potential to secure £24.75m of funding to support proposals to deliver long-term economic growth in the City, of which £7.22m would be delivered directly by the Council.

Further schemes in support of the Vision 2025 are currently delayed until year 3-5 of the Vision and will be included in the GIP at the relevant stage in their development e.g. grant funding secure, design stage completed etc.

The revenue implications of all capital schemes, including the corresponding reduction in investment income as a result of the application of capital resources, additional revenue running costs of any new assets and the cost of any prudential borrowing have been taken account of and included within the MTFS.

Spending Pressures

The Council's corporate property portfolio comprises operational properties and investment properties with a combined asset value of £130 million.

The Council's current Asset Management Plan identifies the need for significant investment to ensure that its assets are properly maintained and safe for use. Additional resources have previously been allocated, including works to income earning assets such as multi story car parks, City Hall and Leisure Centres with further resource allocated for investment in the Crematorium. Although these have tackled the most urgent issues arising in those years there still remains a considerable legacy of outstanding investment required in the council's assets.

Allocation of the annual planned capitalised works budget (£200k p.a.) to maintain specific assets will be determined by the structured approach being undertaken and will also be influenced by the outcomes of the continual review programme of all assets as part of the Best Use of Assets pillar of the One Council programme. Outcomes of this include the potential re-configuration of operational assets which as a result of changes in working practices following Covid19 are no longer required on such a scale; as well as the potential disposal/transfer of specific assets which may in turn relieve the Council on the ongoing repair liability.

Resources

Although historically the GIP has been reliant on the generation of capital receipts to fund the investment required to deliver the programme in the long term the use of capital receipts is not sustainable. In addition, due to revenue pressures the use of direct revenue financing of the capital programme is also not a sustainable, and other sources of funding are regularly sought to fund capital expenditure.

Due to revisions in the Public Works Loan Board (PWLB) lending terms, Local Authorities can now longer borrow from the PWLB with the intention to buy assets for yield. Authorities will still be able to access the PWLB for spending to improve or maintain existing properties and the Council will in the absence of capital receipts consider prudential borrowing for this purpose, particularly if additional income can be generated. The use of long-term prudential borrowing to fund other key projects, given the additional revenue costs this creates and the current financial challenges the General Fund is facing, will only be considered in exceptional circumstances.

Due to an ongoing lack of capital receipts and the lack of revenue resources to fund prudential borrowing it is essential that other sources of funding such as grant allocations and partner contributions continue to be sought. External grant funding has in recent years is enabling the delivery of a considerable number of capital schemes for the Council e.g. Local Authority Accelerated Construction funding for Western Growth Corridor, Heritage Lottery Fund for Re-imaging Greyfriars and English Heritage for the High Street Health Action Zone. The Council will continue to seek further external grant funding to support the delivery of its Vision and priorities and has recently submitted Lincoln's Town Investment Plan and is currently developing further Heritage Lottery Fund schemes and seeking funding for further phases of the Western Growth Corridor development. The Council is mindful though that whilst the additional resources that external funding brings are clearly beneficial to local people, there is the danger that schemes funded may not be the Council's highest priorities and the Council must consider carefully how to allocate its capacity, within its reduced resources, to support such schemes. Furthermore, the Council needs to carefully consider whether it is able to meet the outputs and outcomes required from external grant support.

Capital Receipts

As part of the Best Use of Assets pillar of the One Council programme and as sound asset management practice the Council continually reviews its land and property assets in order to:-

- reduce revenue costs,
- increase rental income,
- generate capital receipts,
- reduce repairs liabilities
- use assets to support the Council's growth plans.

The GIP assumes a capital receipt from a current land disposal in 2021/22, although this is earmarked it has not yet been allocated for use in financing the programme, this receipt and any further receipts from asset disposals will be prioritised for allocation to schemes in accordance with the Capital Strategy.

Further capital receipts are forecasted in 2021/22 and 2022/23 from land/property disposals as part of the development of Western Growth Corridor Phase 1a. These receipts, assumed at £3.374m, will be retained within the scheme to contribute towards the upfront capital costs of further phases of the development.

Prudential Borrowing

The basic principle of the Prudential System is that local authorities are free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Council will need to meet the whole of the capital financing costs associated with any level of extra borrowing through its revenue account. For every £1m of prudential borrowing undertaken by the Council for investment in long life assets, the annual revenue consequence arising is c£55k.

The MTFS includes an unsupported prudential borrowing requirement of £9.7m over the period 2021/22-2025/26. This includes £4.59m temporary borrowing relating to Western Growth Corridor Phase 1a and £2m borrowing for the crematorium.

The use of long-term prudential borrowing will only be used as a funding mechanism for key projects (following a full financial assessment) in exceptional circumstances. It may however be used as a short-term measure to fund capital expenditure prior to a capital receipt being received.

Further details about the Council's borrowing requirements and the Prudential Indicators can be found in the Council's Treasury Management Strategy.

Capital Grants

The Council receives a number of external capital grants from a variety of sources which are either secured via a bidding process or are automatically allocated through government departments for specific purposes. Generally, those capital schemes that are funded by these sources can only be progressed subject to the funding being secured.

Over the 5 year planning period of the MTFS £4.4m is expected to be received from external capital grants, which is largely for Disabled Facilities Grant £1.5m, Western Growth Corridor Phase 1a £1.4m and for Heritage Action Zone projects of £1.3m. Subject to approval of the Lincoln Town Investment Plan the level of external funding could sustainably increase.

Projected Capital Resources

Resources to fund the General Investment Programme 2021/22-2025/26 are estimated to be approximately £17.501m, as follows:

	£'000
Capital Grants	4,656
Capital Receipts	3,019
Direct Revenue Financing	145
Prudential borrowing	9,681
TOTAL	**17,501**

General Investment Programme Forecast

Based on the spending requirements and resource assumptions, Appendix 2 provides a summary five-year GIP for the Council.

Risks to the General Investment Programme

The Council has adopted a corporate approach to risk management and financial risk management is integrated into the Council's overall management and decision-making processes.

A number of key high-level risks have been identified which could have a positive impact but conversely some risks may have a negative impact and result in a reduction of resources. These key risks are action planned and continually reviewed as the MTFS develops. The main areas they cover are:

- Loss of anticipated external resources
- Inability to secure further external funding.
- Increased project costs (including increased costs arising from Brexit).
- Unplanned emergency maintenance to Council's corporate properties

Appendix 5 of the MTFS details the risk action plans for the internal and external risks. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

Section 5 – Housing Revenue Account (HRA)

The Housing Revenue Account shows all expenditure and income relating to the Council's responsibilities as landlord of dwellings and associated property. It is a 'ring-fenced' account within the Council's General Fund.

Housing Revenue Account Business Planning

The current HRA Self-financing system has been in place since 2012 and incentivises social housing landlords to manage their assets well and yield efficiency savings. As part of this system it was anticipated that there would be greater certainty about future income as councils were no longer subject to annual funding decisions by Central Government, enabling them to develop long-term plans, and to retain income for reinvestment. Council landlords were to have greater flexibility to manage their stock in the way that best suits local need with more opportunity for tenants to have a real say in setting priorities looking to the longer term.

Self-financing, however, also passed significantly increased risks from Central Government to local authorities, meaning that the Council:

- now bears the responsibility for the long term security and viability of council housing in Lincoln.
- has to fund all activity related to council housing, from the income generated from rents, through to long term business planning.
- is more exposed to changes in interest rates, high inflation and the financial impact of falling stock numbers
- still needs to factor in the impact of changes in government policy e.g. Government Rent Policy and the impacts of the welfare reform on income recovery.

This places a greater emphasis on the need for long-term planning for the management, maintenance and investment in the housing service and housing stock.

Impacts of Covid19

Similar to the General Fund, Covid19 has taken its toll on the financial resilience of the Housing Revenue Account as income streams are under threat and there has been a requirement to incur costs to ensure services are being provided throughout this difficult period and to respond to consequences of the pandemic.

The cumulative impact of these challenges has resulted in shortfalls, assessed as at the end of December 2020 to be c£0.535m, on the Housing Revenue Account.

Although the Government have allocated additional grant and income compensation schemes covering General Fund income and expenditure, there has been no financial support provided to Housing Revenue Accounts. The Council has therefore had to take decisive action to; undertake a budget review; access the Coronavirus Job Retention Scheme; and allocate earmarked reserves. This has allowed the Housing Revenue Account to be able to continue to deliver its critical services in

2020/21 and to ensure its balances remain at an adequate level to provide resilience for future years.

The impacts of Covid19 are not though simply restricted to the 2020/21 and will have implications over the period of the MTFS although to a lesser degree.

Spending Plans

The HRA Business Plan

A key element of the self-financing regime is the Council's 30 year Business Plan. The Council's latest Housing Revenue Account Business Plan 2016-2046, was approved in February 2016 following a fundamental review of resources, investment requirements and priorities. The Business Plan reflected the impact of government policy changes, the results of stock condition surveys and financial assumptions at the time. The Business plan sets out:

- the long term plans for the Council's housing stock
- the finances to deliver plans
- how the Council will manage the income from its stock, demand for housing and stock condition
- identifies resources for its initial Council House New Build Programme.

The current Business Plan was scheduled for review during 2020, following completion of refreshed stock condition surveys, agreement of a Lincoln housing specification, refresh of the Lincoln standard to reflect low carbon/climate change and to ensure the priority schemes emerging from Vision 2025 were fully reflected. However due to the impact of Covid19 on officer resources this refresh has now been delayed until 2021. This review will now also need to take into consideration the implications arising from the Social Housing White Paper published in November 2020.

Spending Assumptions

A review of the financial planning assumptions the Council over the period of the MTFS has been undertaken, this information has been drawn from experience in previous years, the advice of Directors and Assistant Directors, the current economic climate and other local and national issues that are likely to influence the financial outcomes. The HRA includes a number of assumptions in line with the General Fund, primarily inflation, pension contributions and interest rate forecasts. Set out below are expenditure and income assumptions specific to the HRA.

Repairs and Maintenance

Repairs and maintenance is an essential part of the asset management of the Council's housing stock. Historically the repairs account has been under pressure to resource the required level of expenditure which, when benchmarked against other local authorities, has shown the cost of the Council's responsive repairs service to be relatively high.

Significant improvements have been made in the efficiency of the Housing Repairs Services (HRS), costs continue to be driven down through the implementation of improved processes, investment in IT and procurement activity, and there is continued capital investment in existing and new housing stock. The combined impact of these is expected to be a reduction in the costs of repairs over the MTFS period.

Funding the Capital Programme

Under the HRA self-financing system the primary source of funding for capital investment in the Council's housing stock will be from the revenue account through asset depreciation charges and direct revenue financing (DRF), via the Major Repairs Reserve. However, this has been lessened to some extent by the removal of the HRA borrowing cap.

There is a reliance on the HRA to support the capital programme to the value of £54.795m over the 5-year MTFS period through depreciation and direct revenue financing.

Resource Assumptions

Rents

The MTFS has been prepared on the basis of annual rent increases from 2021/22 of CPI+1%. This is in line with the Government's announcement in October 2017, followed by a consultation paper in September 2018, that from April 2020 social rents will increase by CPI+1% for 5 years. The approach from 2025 remains uncertain but there is an expectation that social rent increase will remain.

Included in the Council's housing stock are a number of properties that were partly funded by HCA grants on the condition that they are to be let on the basis of an affordable rent rather than on social rents. In addition, there are a number of other dwellings that are let on the basis of an affordable rather than social rent, including the assumed delivery of a number of new homes, including 70, 1 and 2 bedroom units at De Wint and 10 Next Steps Accommodation Programme properties. Affordable rents are not subject to Government Rent Restructuring Policies and are let at 80% of market rent levels in the local area. The MTFS assumes rental increases in line with social rents for its affordable rents.

Additionally, the MTFS 2021-26 assumes 20 Buy Back properties over the next year, again included at affordable rent levels.

The Council proposes to set the rent levels for 2021/22 in line with the requirement to increase rents by CPI + 1% for general purpose accommodation and also increase sheltered accommodation and affordable rents by the same. The average 52 week rent will be £70.84 per week for general purpose accommodation, £69.87 per week for sheltered accommodation, and £109.43 for affordable rents.

The table below sets out the impact of rent increases on all tenants, inclusive of all rent types;

Average rent increase per property by number of bedrooms per week as 17/12/2020	
No. of beds	Increase per week
1 & bedsits	0.94
2	2.06
3	2.18
4	2.25
5	2.29
6+	2.43

Covid19 will undoubtedly affect the level of arrears as household incomes reduce and the effects of the Government response measures unwind. In order to provide early assistance, the Council undertook a number of positive actions to help keep rent arrears in a positive position. However, as the impact of these measures had already been applied and as the financial impacts in the economy have begun to take effect the level of rent arrears has increased. As at the end of January 2021 rent arrears were £231k higher than the same point last year. It is further estimated that the level of arrears will increase to around £1.2m-£1.5m by the end of March 2021 (from £0.825m at March 2020), this will require an increase in bad debts provision in 2020/21. The non-collection rate from 2021/22 onwards has though been maintained at 1%.

Net Interest Receipts

The HRA receives investment interest on the balances it holds (HRA balances are made up of General Balances, earmarked reserves and the Major Repairs Reserve). The MTFS 2021-26 includes interest income into the HRA based on the level of HRA balances assumed in the MTFS 2021-26. The HRA is sensitive to changes in interest rates linked to its investments, as an indication a change in interest rates of +/- 0.5% would have an estimated combined impact of approximately £18k.

Although the HRA is not sensitive to changes in interest rates linked to its portfolio of borrowing, as all borrowing is at fixed interest rates, it does face a pressure of increased borrowing costs due to new borrowing being taken in support of investment in its new build programme. Although new build schemes bring additional income to resource the cost of borrowing there is a timing risk of when the specific borrowing is taken, particularly when internal balances are used in the short term, against the assumptions used for the initial assessment of the scheme.

Releasing Resources

The HRA Business plan 2016-46 identified revenue resources to be released to support priority capital investment in council house new build and the Lincoln Standard. Although there is no specific savings target in the HRA the Council will continue to pursue the strands of its Towards Financial Sustainability Programme, where there are financial benefits for the HRA, releasing further resources for re-investment, it will also continue to ensure it’s costs are contained so that expenditure levels do not put pressure on the required revenue contributions to the capital programme.

Housing Revenue Account Forecast

Appendix 2 provides a summary five-year Housing Revenue Account for the Council.

Risks to the Housing Revenue Account Budget

The Council has adopted a corporate approach to risk management and financial risk management which is integrated into the Council’s overall management and decision-making processes.

A number of key high-level risks have been identified which could have a positive impact that could yield additional resources, but conversely some risks may have a negative impact and result in a reduction of resources. These key risks are action planned and continually reviewed as the MTFS develops. The main areas they cover are:

- Risk of further government announcements limiting the flexibilities and freedoms offered by the HRA Self -Financing regime particularly housing rent levels
- Delivery of new build programme and associated rental streams
- Longer term impact of Covid19 on housing rent arrears.
- Implications for service delivery arising from the Social Housing White Paper.
- Changes to key assumptions within the MTFS e.g. interest rates.
- Financial and budget management issues.

Appendix 3 details the risk action plans for the internal and external risks. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

Section 6 – The Housing Investment Programme

The Housing Investment Programme (HIP) covers all aspects of capital expenditure relating to the Council's landlord function. The Capital Strategy for the HIP reflects the 30-year Business Plan and details the 5-year capital programme.

Capital Spending Plans

The 5-year HIP has been drawn up to ensure that the Council meets its legal obligations as a landlord. The Council has already invested significant resources over recent years to achieve the Decent Homes Standard and now seeks to maintain an enhanced Lincoln Standard.

In terms of housing strategy, the focus continues to be on maximising the use of 1-4-1 retained right to buy receipts, assessing the use of prudential borrowing and seeking government grant funding for new build schemes or purchase & repair schemes that generate a rental stream. In relation to housing investment the HIP will continue to focus on the allocation of resources to the key elements of decent homes and supporting the Lincoln Standard.

The 5-year housing programme amounts to £71.751m and comprises the following main areas of work:

- Maintenance of the Decent Homes and the Lincoln Standard, £44.317m

- New Build Programme including use of retained 1-4-1 right to buy receipts, £17.17m (this is not yet allocated to specific schemes and will be dependent on approval of individual schemes) and the re-development of De Wint Court to an extra care sheltered housing scheme

As set out in the Section 5 above the 30-year HRA Business Plan is due to be refreshed during 2021, in light of updated development and investment profiles, Vision 2025 priorities, updated assumptions and the Social Housing White paper which pledges to review the Decent Homes Standard.

Resources

The resources necessary to fund the Council's HIP are provided by the following:

Major Repairs Reserve

The Major Repairs Reserve (MRR) is the main source of capital funding and the mechanism by which timing differences between resources becoming available and being applied are managed. The MRR may be used to fund capital expenditure and to repay existing debt. Depreciation is a real charge on the HRA and is paid into the MRR from the Housing Revenue Account to fund capital expenditure. The total charge to the revenue account over the 5-year MTFS period through depreciation is £33.75m.

Revenue Contributions

The 5-year MTFS includes contributions of £21.045m of direct revenue finance over the five year period of which £21.703m is planned to be utilised.

Grants and Contributions

The 5-year MTFS includes grants and contributions of £2.2m (from Homes England and Lincolnshire County Council) received over the five-year period, all of which is planned to be utilised.

Capital Receipts

Housing capital receipts fall within the Governments pooling regime. Under these arrangements capital receipts from Right-to-Buy (RTB) sales are pooled until a pre-set limit for government share of the income generated has been achieved. Once the target for the government share of the RTB receipts has been reached, the Council may retain 100% of the receipts from any additional Right-to-Buy sales. These are subject to a formal retention agreement between the Council and the MHCLG and must be used for replacement of the council housing sold, within an agreed timeframe.

In August 2018, alongside publication of the Social Housing Green Paper, the Government published a consultation on options for reforming the restrictions on the use of RTB sales to make it easier for councils to replace properties. Although the Social Housing White Paper was published in November 2020 there was no further reference to any planned reforms.

The proceeds of dwelling sales under the Right-to-Buy scheme provide a regular source of capital receipts with the number of sales increasing in recent years. The MTFS assumes 50 sales per year. However, this is a difficult area to predict accurately as it is affected by external factors, such as interest rates, property prices and Government initiatives aimed at further stimulating Right-to-Buy sales. Receipts of £3.4m are assumed over the MTFS period.

Non-RTB sales primarily are excluded from the pooling arrangement and are now retained in full by the Council for use as the Council sees fit.

Prudential Borrowing

The Prudential Code allows the Council to take borrowing if it can demonstrate that such borrowing is affordable, sustainable and prudent in its Prudential Indicators (detailed in the Treasury Management Strategy). Although the revision to PWLB lending terms prohibits borrowing from it to finance assets for yield it does still allow access to the PWLB for land release, housing delivery, or subsidising affordable housing. This follows on from the removal of the housing borrowing cap in 2018 and continues to allow significant opportunities for the Council to invest in new house building programmes and the potential redevelopment of areas of existing housing stock. This increased flexibility will be considered as part of the Business Plan refresh.

The Capital Financing Requirement (CFR) is forecast to rise to £72m by the final year of the MTFS with additional borrowing included in the MTFS and no allowance made for the repayment of existing debt. Actual borrowing utilised will be £5.2m to fund the new build programme alongside 1:4:1 receipts and borrowing taken during the MTFS period will be £5.2m.

Projected Capital Resources

Resources to finance the proposed £71.751m Housing Investment Programme 2021/22 – 2025/26, are currently estimated to be as follows:

	£000
Major Repairs Reserve (depreciation)	38,558
Direct Revenue Financing	21,703
Grants and Contributions	2,205
Capital Receipts (inc RTBs)	4,077
Borrowing	5,208
TOTAL	**71,751**

Housing Investment Programme Forecast

Based on the spending requirements and resource assumptions, Appendix 4 provides a summary five-year HIP for the Council.

Risks to the Housing Investment Programme

The Council has adopted a corporate approach to risk management and financial risk management is integrated into the Council's overall management and decision-making processes.

A number of key high-level risks have been identified which could have a positive impact but conversely some risks may have a negative impact and result in a reduction of resources. These key risks are action planned and continually reviewed as the MTFS develops. The main areas they cover are:

- Generation of sufficient revenue surpluses to resource required investment
- Achievement of capital receipts (including Right to Buy sales) targets
- Future building costs (including increased costs arising from Brexit).
- Condition of existing stock
- Interest rate increases impacting on future borrowing costs
- Implications from the change in delivery of the housing planned maintenance service
- Implications of the Social Housing White Paper, specifically the revision of the Decent Homes Standards

Appendix 5 of the MTFS details the risk action plans for the internal and external risks. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

Section 7 – Reserves and Balances

Some reserves and balances are essential for the prudent management of the Council's financial affairs. These will provide a working balance to cushion the impact of uneven cash flow, a contingency for the impact of unexpected events or emergencies (as experienced with Covid19) and allow the creation of earmarked reserves to meet known liabilities. The consequences of not keeping a minimum level of reserves can be serious and is therefore one of the considerations taken into account when setting the MTFS.

The minimum prudent levels of reserves and balances that the Council should maintain are a matter of judgement. It is the Council's safety net for unforeseen circumstances and must last the lifetime of the Council unless contributions are made from future years' revenue budgets. It is currently for local authorities themselves, taking into account all the relevant local circumstances, to make a professional judgement on what the appropriate level of reserves and balances should be.

However, in response to some of the financial management issues that have arisen in local authorities in recent years, CIPFA have developed a Financial Resilience Index. This index is a comparative analytical tool designed to support good financial management and shows the Council's position on a range of measures associated with financial risks, including the Council's reserves position. There are currently three measures specifically related to reserves as follows:

	2015/16	2016/17	2017/18	2018/19
Reserves Sustainability	n/a	n/a	23.47	100
Level of Reserves	83.97%	79.31%	65.28%	73.59%
Change in Reserves	n/a	n/a	-11.33%	-2.48%

Whilst full data is not available through the index it does highlight areas of potential financial risk, this is demonstrated in 2017/18 when there was a 11.33% reduction in the level of reserves, reducing in turn the reserves sustainability factor. However, this use of reserves was planned and provided for in the MTFS as the Council used its earmarked reserves to cushion the revenue impacts during the building of the transport hub, as well as a planned use of unallocated reserves whilst savings were delivered through the TFS Programme.

Data for 2019/20 has not yet been published due to a delay in the completion of many local authorities, including this Council's, audit opinions. Once available the data will be reviewed, particularly in light of the Council's intentions to use reserves and balances as a short term measure to support the General Fund.

The Council has always maintained a very proactive approach to managing risk and there are effective arrangements for financial control already in place. However, as a result of the significant changes to local government funding, which saw a shift towards self –sufficiency and dependence on local funding sources, levels of volatility and risk have significantly increased. Given the threat that this posed to the Council's financial position the prudent minimum level of general reserves was increased to a level greater than previously held.

This increase in level of reserves has allowed the Council to be able to cushion the impact that Covid19 has had on its finances and will continue to so in future years. Whilst the overall level of balances will still be maintained over the period of the MTFS there are planned uses of balances in the General Fund of £0.477m in 2021/22, £0.110m in 2022/23, £0.373m in 2023/24 and £0.041m in 2024/25. This use of balances, along with the application of specific earmarked reserves will provide the Council the opportunity to deliver ongoing reductions in its net cost base, which will by the end of the MTFS period leave the General Fund in the position of making a positive contribution of £0.546m to balances. The careful use of balances, along with earmarked reserves, in the supporting the General Fund is seen as a short-term measure only to ensure a balanced budget position is maintained whilst savings are delivered, it is not foreseen as a long term solution.

The financial risks, in Appendix 5, have been identified and an assessment of the estimated exposure, likelihood and possible mitigation has been made in the context of the Council's overall approach to risk management and internal financial controls. This information has been used to determine the optimum level of reserve holdings needed to meet the requirements of a working balance and contingency. The conclusion of this risk assessment is that it is deemed prudent that General Fund reserves should be maintained at around £1.5m - £2m, and that Housing Revenue Account reserves should maintained at around £1m - £1.5m, over the period of the MTFS.

The general reserves at the end of each year for 2021/22 to 2025/26 are summarised in the table below.

	2021/22 £'000	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**
General Fund	2,045	1,935	1,562	1,521	2,067
Housing Revenue Account	936	971	1,280	1,621	2,610

The overall levels of General Fund and Housing Revenue Account balances in 2025/26 are in line with the prudently assessed minimum level of balances.

Earmarked reserves are sums specifically held to enable funds to be built up to meet known or predicted liabilities. A review of reserves and balances has been undertaken as part of the budget process and a schedule presenting the estimated closing balances at the end of each of the next five financial years is contained within Appendix 6. This includes the application of a number of specific reserves to support the General Fund during 2022/23 and 2023/34 whilst the ongoing reductions in the net cost base are delivered. The specific reserves being utilised to support the General Fund are: the insurance reserve, the Covid response reserve, the Covid recovery reserve and the income volatility reserve.

The levels of reserves and balances recommended within this strategy are believed to be sufficient to meet all of the Council's obligations and have been based on a detailed risk assessment.

Appendix 1

GENERAL FUND BUDGET SUMMARY 2021/22 - 2025/26

	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £	2025/26 Estimate £
Chief Executive & Town Clerk	3,253,0050	3,293,630	3,355,030	3,468,710	3,521,540
Communities & Environmental Services	6,105,720	5,171,480	4,620,860	4,394,420	4,444,380
Major Developments	447,530	469,520	476,880	483,920	490,960
Housing & Regeneration	818,890	737,680	752,370	762,380	771,030
Corporate	2,008,980	2,158,050	2,169,060	2,180,460	2,191,470
	12,634,170	**11,830,360**	**11,374,200**	**11,289,890**	**11,419,380**
Capital Accounting Adjustment	3,062,930	3,288,810	3,303,810	3,298,460	3,145,560
Base Requirement	**15,697,100**	**15,119,170**	**14,678,010**	**14,588,350**	**14,564,940**
Specific Grants	(1,319,870)	(50,250)	0	0	0
Contingencies	25,730	(173,370)	(176,580)	(179,550)	(181,910)
Savings Targets	(850,000)	(1,350,000)	(1,750,000)	(1,750,000)	(1,750,000)
Transfers to/(from) earmarked reserves	(11,619,060)	(2,033,200)	(799,830)	202,440	351,770
Transfers to/(from) insurance reserve	(478,250)	(480,520)	17,120	14,690	14,700
Total Budget	**1,455,650**	**11,031,830**	**11,968,720**	**12,875,930**	**12,999,500**
Use of Balances	(477,240)	(109,520)	(372,990)	(41,240)	545,530
NET REQUIREMENT	**978,410**	**10,922,310**	**11,595,730**	**12,834,690**	**13,545,030**
Business Rates	5,142,530	4,140,620	4,538,860	4,966,310	5,395,920
Business Rates Surplus	(11,066,100)	(481,140)	(481,140)	0	0
Revenue Support Grant	22,840	0	0	0	0
Council Tax Surplus	(76,490)	(44,600)	(44,590)	0	0
Council Tax	6,955,630	7,307,430	7,582,600	7,868,380	8,149,110
Total Resources	**978,410**	**10,922,310**	**11,595,730**	**12,834,690**	**13,545,030**
Balances b/f @ 1st April	**2,522,218**	**2,044,978**	**1,935,458**	**1,562,468**	**1,521,228**
Increase/(Decrease) in Balances	(477,240)	(109,520)	(372,990)	(41,240)	545,530
Balances c/f @ 31st March	**2,044,978**	**1,935,458**	**1,562,468**	**1,521,228**	**2,066,758**

HOUSING REVENUE ACCOUNT SUMMARY 2021/22 - 2025/26

	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £	2025/26 Estimate £
Income					
Gross Rental Income					
- Dwellings rents	(28,980,310)	(30,077,030)	(30,840,370)	(31,564,330)	(32,301,700)
- Non-Dwelling rents	(650,370)	(662,700)	(675,400)	(688,490)	(707,660)
Charges for Services & Facilities	(311,540)	(320,800)	(330,340)	(340,170)	(350,250)
Contributions towards Expenditure	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Total Income	**(29,992,220)**	**(31,110,530)**	**(31,896,110)**	**(32,642,990)**	**(33,409,610)**
Expenditure					
Repairs Account Expenditure	9,090,660	9,260,580	9,427,620	9,581,580	9,581,580
Supervision & Management:	7,339,460	7,466,580	7,606,910	7,730,480	7,852,470
Contingencies	55,880	54,830	52,680	50,520	48,320
Rents, Rates and Other Premises	98,170	98,400	98,640	98,880	99,150
Insurance Claims Contingency	62,760	264,630	66,570	68,570	70,630
Depreciation of Fixed Assets	6,750,000	6,750,000	6,750,000	6,750,000	6,750,000
Debt Management Expenses	11,920	11,920	11,920	11,920	11,920
Increase in Bad Debt Provisions	304,880	311,880	318,880	318,880	318,880
Total Expenditure	**23,713,730**	**24,218,820**	**24,333,220**	**24,610,830**	**24,732,950**
Net cost of service	**(6,278,490)**	**(6,891,710)**	**(7,562,890)**	**(8,032,160)**	**(8,676,660)**
Loan Charges Interest	2,669,050	2,750,340	2,793,900	2,855,800	2,855,800
- Investment Interest	(20,350)	(9,290)	(5,000)	(5,490)	(5,490)
- Mortgages Interest	0	0	0	0	0
Surplus on HRA for the year	**(3,629,790)**	**(4,150,660)**	**(4,773,990)**	**(5,181,850)**	**(5,826,350)**
DRF used for Financing	3,514,370	3,931,420	4,281,530	4,658,620	4,658,620
Contribs to/(from) Reserves:					
- Insurance Reserve	187,240	185,370	183,430	181,430	179,370
- Capital Fees Equalisation	0	0	0	0	
- Strategic Priority Reserve	(56,910)	0	0	0	
(Surplus)/deficit in year	**14,910**	**(33,870)**	**(309,030)**	**(341,800)**	**(988,360)**
Balance b/f at 1 April	(951,569)	(936,659)	(970,529)	(1,279,559)	(1,621,359)
Balance c/f at 31 March	**(936,659)**	**(970,529)**	**(1,279,559)**	**(1,621,359)**	**(2,609,719)**

GENERAL INVESTMENT PROGRAMME - 2021/22 to 2025/26

	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £	2025/26 Estimate £
Expenditure Programme					
Chief Executives	787,025	208,033	208,033	200,000	200,000
Directorate of Communities and Environmental Services	3,535,224	757,468	740,000	300,000	300,000
Directorate of Major Developments	9,515,778	194,625		0	0
Directorate of Housing	320,137	0	0	0	0
Schemes Under Review	234,954	0	0	0	0
Total Programme Expenditure	**14,393,118**	**1,160,126**	**948,033**	**500,000**	**500,000**
Capital Funding					
Contributions from Revenue					
Opening balance	149,340	20,149	12,116	4,083	4,083
Received in year	0	0	0	0	0
Used in financing	(129,191)	(8,033)	(8,033)	0	0
Closing balance	**20,149**	**12,116**	**4,083**	**4,083**	**4,083**
Capital receipts					
Opening balance	635,297	1,650,000	4,873,979	4,873,979	4,873,979
Received in year	7,210,800	5,560,800	0	0	0
Used in financing	(2,824,682)	(194,625)	0	0	0
Used to repay temporary borrowing	(3,221,415)	(2,142,196)	0	0	0
Used to reduce the CFR	(150,000)	0	0	0	0
Closing balance	**1,650,000**	**4,873,979**	**4,873,979**	**4,873,979**	**4,873,979**
Grants & contributions					
Opening balance	256,705	0	(0)	(0)	(0)
Received in year	2,339,332	720,000	740,000	300,000	300,000
Used in financing	(2,596,037)	(720,000)	(740,000)	(300,000)	(300,000)
Closing balance	**0**	**0**	**0**	**0**	**0**
Unsupported borrowing					
Opening balance	0	0	0	0	0
Received in year	8,843,208	237,468	200,000	200,000	200,000
Used in financing	(8,843,208)	(237,468)	(200,000)	(200,000)	(200,000)
Closing balance	0	0	0	0	0
Total Capital Funding	(14,393,118)	(1,160,126)	(948,033)	(500,000)	(500,000)
Available Resources c/f	**1,670,149**	**4,886,095**	**4,878,062**	**4,878,062**	**4,878,062**

Appendix 4

HOUSING INVESTMENT PROGRAMME - 2021/22 - 2025/26

	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £	2025/26 Estimate £
Capital Programme					
Decent Homes	7,810,555	8,441,039	8,656,831	8,815,200	9,255,960
Health & Safety	408,588	452,771	458,990	427,310	448,675
New build programme	12,261,843	4,100,458	712,699	46,953	47,892
Land Acquisition	94,689				
Lincoln Standard	250,000	225,000	275,000	286,450	300,773
Other schemes	1,388,172	1,489,404	1,817,306	975,992	1,024,791
Contingent capitalised repairs	277,158	250,000	250,000	250,000	250,000
Total Programme Expenditure	**22,491,005**	**14,958,672**	**12,170,826**	**10,801,905**	**11,328,091**
Capital funding					
Major Repairs Reserve					
Opening balance	11,150,922	5,005,716	5,328,921	4,902,324	5,555,993
Depreciation received in year	6,750,000	6,750,000	6,750,000	6,750,000	6,750,000
Depreciation used in financing	(9,138,556)	(7,941,039)	(7,156,831)	(7,565,200)	(6,755,960)
DRF received in year	3,514,370	3,931,420	4,281,530	4,658,620	4,658,620
DRF used in financing	(7,271,020)	(2,417,175)	(4,301,296)	(3,189,751)	(4,524,239)
Closing balance	5,005,716	5,328,921	4,902,324	5,555,993	5,684,413
Capital receipts					
Opening balance	557,194	4,159	154,159	391,460	1,094,507
Received in year	500,000	650,000	750,000	750,000	750,000
Used in financing	(1,053,035)	(500,000)	(512,699)	(46,953)	(47,892)
Closing balance	4,159	154,159	391,460	1,094,507	1,796,615
1-4-1 receipts					
Opening balance	1,915,952	1,430,137	200,000	0	0
Used in financing	(485,815)	(1,230,137)	(200,000)	0	0
Closing balance	1,430,137	200,000	0	0	0
Grants & contributions					
Opening balance	0	0	0	0	0
Grants & contributions received in year	2,205,000	0	0	0	0
Used in financing	(2,205,000)	0	0	0	0
Closing balance	0	0	0	0	0
Borrowing					
Opening balance	6,700	19,120	3,799	3,799	3,799
Borrowing taken in year	2,350,000	2,850,000	0	0	0
Used in financing	(2,337,580)	(2,870,321)	0	0	0
Closing balance	19,120	3,799	3,799	3,799	3,799
Total Capital funding	(22,491,006)	(14,958,672)	(12,170,826)	(10,801,905)	(11,328,091)
Available Resources c/f	**6,459,132**	**5,686,880**	**5,297,584**	**6,654,299**	**7,484,828**

Appendix 5

BUDGET RISK ASSESSMENT

No.	Budget Item	Risk	2021/22	2022/23 - 2025/26	Containment
			Risk score	**Risk Score**	
1	Business Rates Base	Reduction and/or fluctuations in income against budget variation in: – Recovery/growth compared to forecasts – Changes in the NNDR base – Changes in rateable values (e.g. appeals, economic downturn, changes in use, material change in circumstances) – Collection rates – Ongoing impact on the NNDR base of successful appeals - Estimates of appeals provision higher/lower than actually required – Changes nationally to the valuation assessments of certain property/infrastructure – Introduction of 75% retained Business Rates and reform of the system – Reset of the Business Rates Retention system from 2022/23	**Total Score: 12** Likelihood: 4 Impact: 3	**Total Score: 12** Likelihood: 4 Impact: 3	• In year monitoring of the NNDR base, Collection Fund, collection rates, growth assumptions and rateable value appeals. • Produce monthly collection rate statements – monitored via the Revenues and Benefits Operational Board, and Revenues and Benefits Management Team. Also report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee if targets are not being met, increased recovery action or further initiatives to increase collection • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • A Business Rate Volatility Reserve is maintained to provide a degree of protection from fluctuations in Business Rate Income • Quarterly monitoring of the Lincs NNDR Pool by Lincs Finance Officers • Independent specialist assessment made of the required level of NNDR appeals provision • Specialist advice sought to assist in budgeting assumptions and assessment of implications of changes to the funding system • Delivery of key schemes in Vision 2025 to support recovery of the High Street, City and the economy, including direct investment by the Council.

2	Fairer Funding Review	Assessment of relative need and relative resources results in a baseline need below current level. Transitional arrangements are not sufficient to mitigate impacts. Impact of Government's strategy to address UK debt, impacting on Spending Review 2021.	**Total Score: 2** Likelihood: 1 Impact: 1	**Total Score: 12** Likelihood: 4 Impact: 3	• Assessment of Government consultations with responses where appropriate • Lobby through national groups, respond to national consultations • Work with Association of Lincolnshire Finance Officers and the Society of District Treasures • Work with external funding specialists to identify and assess the impact of proposed funding changes (e.g. New Homes Bonus)
3	Capital Expenditure	Slippage in the project, Increased project costs including labour and material costs post Brexit. Inflationary impacts. Failure of contractor i.e. contractor goes into liquidation. Demand for improvement grants. Sunk costs of aborted schemes Achieving levels of projected costs in the HRA Business plan	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Regular budget monitoring and reporting to Capital Programme Board and Housing Delivery Group • Ensure correct project management procedures followed (Lincoln Model) • Quarterly budget monitoring and reporting to Performance Scrutiny and the Executive • Financial procedure rules are followed, including financially vetting of all contractors • Use of collaborative contracts/framework agreements where possible e.g. EMPA • Support from Procurement engaged at an early stage • Carry out post implementation reviews • Ensure risk assessments completed for all significant schemes before commencing • Value engineering used to contain project costs • Cost estimates obtained ahead of procurement exercises.

4	Income from Fees & Charges/ Rents: • Car Parking • Crematorium / Cemeteries • Development Control • Building Control • Land Charges • Control Centre • Lincoln Properties • Industrial Estates • Xmas Market	Reduction in the usage of the service/activity levels due to ongoing Covid restrictions and public confidence. Over optimistic income targets Increasing reliance on income within the MTFS New competitors entering the market (e.g. Crematorium). Fees and Charges levels reduces demand Changes in treatment of VAT status of individual fees and charges. Impact of wider policy changes on demand for services e.g. Lincoln Transport Strategy impact on car usage	**Total Score: 12** Likelihood: 4 Impact: 3	**Total Score: 12** Likelihood: 4 Impact: 3	• Car Parking Strategy to be refreshed. • Produce regular monitoring statements for major income sources which are reported monthly to Corporate Management Team. • Identify reasons for any income reductions and take corrective action where possible • Application of Corporate Fees and Charges Policy to ensure correct charging policies are applied and the impacts are assessed • Report quarterly to the Executive and Performance Scrutiny Committee on forecast for key income streams • Specific projects/business plans in progress to sustain income streams. • Assess impact of new competitors in the marked (e.g. new crematoria). • Delegated powers to portfolio holder to make responsive changes to fees and charges • Rebase income budgets to reflect current trends • Active void management • Watching brief on CIPFA Committee/HMRC discussions • Maximise Government SFC Income Compensation Scheme

5	Capital Financing - Long Term Borrowing	Balances unavailable for internal borrowing External borrowing costs above interest rates in MTFS	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Continue to monitor the cost effectiveness of utilising internal balances instead of taking external borrowing • Actively monitor the achievement of the capital receipts target and potential additional borrowing requirement • Actively monitor the cost effectiveness of asset disposals compared to Prudential Borrowing • Ongoing monitoring of cashflows from major sources of income • Regular review of current and future predicted borrowing rates to inform timing of borrowing decisions • Actively monitoring the cash flow on a daily basis.
6	Repairs & Maintenance on Corporate Properties	Unplanned emergency maintenance is required on the Council's Corporate Properties Increase in demands to meet statutory requirements and to minimise risks of adverse claims. Impact of works on income and service delivery.	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Updated stock condition surveys for all corporate properties to undertaken • Comprehensive asset management planning in place (including identifying assets with large repairs and maintenance liabilities for disposal) • Produce regular budget monitoring reports – report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Properties with large maintenance liabilities are reviewed for potential disposal • New capital schemes allow for whole life costing. • Responsible Officer system in place.

7	Revenue Savings Targets	The required savings targets are not achieved nor required efficiencies delivered	**Total Score: 8** Likelihood: 2 Impact: 4	**Total Score: 12** Likelihood: 3 Impact: 4	• TFS7 programme developed with timescales agreed. • The Council's strategy focuses on a two key strands approach to realise the required savings in the revenue budgets with the primary focus on service withdraawl and 'one council'. • TFS7 delivery is a priority in Vision 2025 year 2 Annual Delivery Plan • Report monthly to Programme Team and Programme Board (CMT) and quarterly to Executive and Performance Scrutiny Committee
8	General Budget Assumptions	CPI and RPI inflation exceed rates assumed in the budget Actual establishment exceeds 99% Implications from Brexit or no on economy and general budget assumptions. Implications from Government Policy in response to Covid19 legacy.	**Total Score: 6** Likelihood: 3 Impact: 2	**Total Score: 8** Likelihood: 4 Impact: 2	• Set prudent but realistic projections based on analysis of economic commentators and Bank of England predictions • Monthly monitoring of RPI and CPI index changes • Make use of expert forecasts of future RPI and CPI trends • Produce regular budget monitoring reports – report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Set a prudent but realistic estimate in line with Government announcements • Monitor significant changes in economic indicators • Monitor the pension fund position through discussions with Lincolnshire County Council and Lincolnshire Finance Officers • Report any changes to Members as soon as officers become aware • Pension Fund Stabilisation Approach adopted

9	HRA Repairs and Maintenance Costs	Assumed reductions in repairs and maintenance costs as a result of continued investment in the Council Housing Stock do not materialise The Housing Repairs Service (HRS) does not continue to modernise and achieve efficiencies	**Total Score: 6** Likelihood: 3 Impact: 2	**Total Score: 6** Likelihood: 3 Impact: 2	• Council housing capital investment is carried out • Produce regular budget monitoring reports and HRA revenue and capital budgets reported and monitored together • Report quarterly to Departmental Management Team, Corporate Management Team, Executive and Performance Scrutiny Committee • Results of recent stock condition surveys informing future maintenance requirements
10	Demand for services	Impact of Covid19 legacy on service demands, e.g. homelessness, revenues and benefits, customer services, council housing etc Impact of Brexit on status of EU nationals and ability to access services. Impact of Social Housing White Paper on requirements of housing function The increase in property numbers and development of the City Centre results in additional cost pressures within the Services that have not been built into the budget Increasing demands for housing tenant support as other providers withdraw services	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Identification and drawdown of additional funding made available from Government and others to support additional demand • Lean systems approach taken to identify efficiencies in service delivery (e.g. benefits service) • Collaboration and joint working arrangement opportunities identified with local partners to help meet additional service demands • Consistent monitoring of service demands. • Assessment of White Paper impacts to be undertaken. • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee

11	Housing Rents and Property Voids	Increased arrears due to impact of Covid19 on household incomes More Council House disposals than anticipated and/or slower than anticipated progress on the council house new build programme Void properties exceeding the allowance included in the budget (1% p.a.), particualry due to impacts of Covid19 on turnaround times. CPI inflation less than budgeted rate (from 2022/22)– reducing rental income Impact of future interventions by Govt to alter Social Rent Policy.	**Total Score: 9** Likelihood: 9 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Produce regular budget monitoring reports • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Directorate ongoing monitoring is a performance indicator • Monthly monitoring of RPI and CPI index changes • Make use of expert forecasts of future RPI and CPI trends and the impact on housing rents • 30 year Business Plan to undergo a refresh. • Continual monitoring of arrears and void positions. • Housing Rents Hardship Fund established. • Monthly New Homes Board meeting of cross directorate officers monitoring progress of New Build programme and capital & revenue funding

12	Capital Funding	Shortfall in the actual amount of Capital Receipts (i.e. Council House Sales, other HRA assets, GF assets) against the targets set within the HIP & GIP Revenue contributions are not sustainable in the revenue accounts of the HRA or General Fund Increase in borrowing costs (covered in separate risk – see no.5 & no. 13) Reductions in grant funding (covered in separate risk – see no. 15).	**Total Score: 6** Likelihood: 2 Impact: 3	**Total Score: 6** Likelihood: 2 Impact: 3	• Undertake regular monitoring of the capital receipts position • Capital Receipts targets incorporated in the Asset Management Plan & Capital Strategy • Property Section fully informed of current targets within the GIP & HIP • Review of the most cost effective funding options (e.g. capital receipts compared to prudential borrowing) • Monitor and report on the revenue and capital budgets together to ensure both capital and revenue impacts are identified • HRA Business plan includes allowance for full funding of capital requirements over 30 years, including revenue contributions.
13	Cashflow Management (Investments and short term borrowing)	Available cash flow surpluses less than anticipated and/or interest rates lower than forecast Reduction in cash flow results in deficits and/or rising interest rates Impact of major sources of income not being received when expected.	**Total Score: 3** **Likelihood: 3** **Impact: 1**	**Total Score: 6** Likelihood: 3 Impact: 2	• Monitor the average interest rate being achieved against the budget target and the level of balances available for investment • Actively monitoring the cash flow on a daily basis • Ongoing monitoring of cashflows from Business rates • Quarterly monitoring of Collection Fund forecast balances • Take account of economic analysts and Bank of England predictions and advice from Treasury Management Consultants • Hold regular Treasury Management meetings • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee

14	Government Grants (including RSG and New Homes Bonus)	Cash reductions in Government Grant which are in excess of the levels assumed in the MTFS The Council is unable to sustain sufficient levels of growth and future levels of funding are reduced Amount and timing of receipt of some grants not as assumed in the MTFS	**Total Score: 2** Likelihood: 1 Impact: 1	**Total Score: 3** Likelihood: 3 Impact: 1	• Regular review and reporting of new home figures • The Council will seek to realise the benefits of the financial incentives available • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Regular review of grant figures and distribution mechanisms. • Lobby through national groups, respond to national consultations • Work with Association of Lincolnshire Finance Officers and the Society of District Treasures • Work with external funding specialists to identify and assess the impact of proposed funding changes (e.g. New Homes Bonus) • Budget assumptions assume no further new funding beyond 2021/22

15	External Funding of Capital Programme	Loss of anticipated external resource to support the capital programme Including ◦ Changes to the allocation of grant funding for Disabled Facilities Grants (DFG) from the City Council to County Council, while the City Council retains statutory duty to provide services. Inability to attract/gain further external grant funding/partner contributions to deliver schemes included in Vision 2025 e.g. Towns Fund	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 12** Likelihood: 3 Impact: 4	• Ensure grant conditions are complied with throughout scheme • Continue to seek alternative funding sources and make appropriate grant applications. • Continue to work with partner organisations to secure additional funding opportunities. • Produce regular grant monitoring statements • Regular budget monitoring and reporting to Capital Programme Board • Ongoing discussions with the County Council to ensure the provision of DFG's meet the Council's funding requirements. • New schemes not approved until external funding secured.

16	Council Tax Base & Council Tax Support Scheme	In year variations to budget not containable within Collection Fund balances Costs to Council increased due to (including impact of Covid19): – Actual CT base different to estimate – Collection rates/bad debt provisions – Increase in LCTS caseload or reduction not as anticipated. – Referendum rate of CT increases below budgeted rate	**Total Score: 4** Likelihood: 2 Impact: 2	**Total Score: 6** Likelihood: 3 Impact: 2	• Monthly monitoring of the Collection Fund - collection rates, CT discount caseload, council tax base. • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee • Produce quarterly collection rate statements – monitored via the Revenues and Benefits Operational Board, and Revenues and Benefits Management Team. Also report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee if targets are not being met, increased recovery action or further initiatives to increase collection • The proposed 2021/22 Council Tax is below referendum limit of 2%. Future increases are below 2% in years 2022/23 to 2025/26. • Annual increases in Council Tax considered alongside national expected increases • Additional Govt financial support provided in 2021/22 to offset increase in LCTS costs and fund 75% of irrecoverable Collection Fund losses.
17	Sundry Debtors and Housing Benefit Overpayments	The Council's existing Bad Debt provision proves insufficient to meet any increase in the value of debts written off.	**Total Score: 4** Likelihood: 2 Impact: 2	**Total Score: 4** Likelihood: 2 Impact: 2	• Follow established debt recovery and write off procedures • Monitor age debt profile of debts against bad debt provision • DWP Consultancy support engaged for Housing Overpayments – positive impacts on reducing outstanding debt and increasing in-period collection

18	Housing Benefits/Subsidy	Increase in payments that do not attract 100% subsidy i.e. overpayments and local authority errors Failure to comply with complex legislative requirements Lack of audit trail to substantiate grant claim Backlog of work Pressures from customer demands and complex enquiries due to welfare changes	**Total Score: 4** Likelihood: 2 Impact: 2	**Total Score: 4** Likelihood: 2 Impact: 2	• Regular monitoring of claims being processed • Undertake staff training and sample accuracy checks • Ensure system back ups are carried out and historic information is recoverable • Implementation of new systems, processes and structures following Lean Systems Intervention
19	Loss of income from partners	Key partners end existing agreements with the Council	**Total Score: 4** Likelihood: 2 Impact: 2	**Total Score: 4** Likelihood: 2 Impact: 2	• Ongoing discussions and negotiations with key partners by senior officers and members
20	Housing Investment Requirements	Implications arising from Social Housing White Paper including additional investment requirements and pledge to revise Decent Homes Standard. Implications arising from change in planned maintenance contractor.	**Total Score: 4** Likelihood: 2 Impact: 2	**Total Score: 9** Likelihood: 3 Impact: 3	• Assessment of White Paper implications • Refresh of HRA Business Plan in 2021 • Project team established to manage insourcing of planned maintenance programme. • Use of collaborative contracts/framework agreements where possible e.g. EMPA • Ensure risk assessments completed for all significant schemes before commencing • Value engineering used to contain project costs • Cost estimates obtained ahead of procurement exercises.

Appendix 5

Appendix 6

GENERAL FUND EARMARKED RESERVES FORECAST 2020/21 – 2025/26

Description	Balance @ 31.03.21	Balance @ 31.03.22	Balance @ 31.03.23	Balance @ 31.03.24	Balance @ 31.03.25	Balance @ 31.03.26
Carry Forwards	159,254	110,254	110,254	110,254	110,254	110,254
Air Quality Initiatives	10,570	16,080	21,590	27,100	32,610	38,120
Active Nation Bond	83,000	83,000	83,000	83,000	83,000	83,000
Birchwood Leisure Centre	25,970	25,970	25,970	25,970	25,970	25,970
Business Rates Volatility	13,645,877	1,979,775	998,636	517,496	617,496	867,496
Christmas Decorations	13,870	13,870	13,870	13,870	13,870	13,870
City Hall Sinking Fund	60,460	60,460	60,460	60,460	60,460	60,460
Commons Parking	27,302	27,302	27,302	27,302	27,302	27,302
Corporate Training	45,300	45,300	45,300	45,300	45,300	45,300
Covid-19 Recovery	1,047,237	1,047,237	0	0	0	0
Covid-19 Response	353,654	353,654	353,654	0	0	0
DRF Unused	145,250	16,060	8,030	0	0	0
Electric Van replacement	19,364	23,794	28,224	32,654	37,084	41,514
Funding for Strategic Priorities V2020	173,740	89,240	14,240	14,240	14,240	14,240
Grants & Contributions	846,817	775,467	702,517	654,757	606,277	556,950
Invest to Save	459,582	475,032	475,612	475,612	475,612	475,612
IT Reserve	123,940	152,430	216,020	278,880	340,990	402,340
Mayoral car	27,099	27,099	27,099	27,099	27,099	27,099
Mercury Abatement	317,171	0	0	0	0	0
MSCP & Bus Station Sinking Fund	60,000	104,160	149,210	195,160	242,030	289,840
Private Sector Stock Condition Survey	27,460	39,460	51,460	3,460	15,460	27,460
Section 106 interest	31,795	31,795	31,795	31,795	31,795	31,795
Strategic Growth Reserve (WGC)	56,580	56,580	56,580	56,580	56,580	56,580
Tank Memorial	10,000	10,000	10,000	10,000	10,000	10,000
Tree Risk Assessment	125,930	145,930	165,930	185,930	205,930	225,930
Vision 2025	204,200	772,410	772,410	772,410	772,410	772,410
Western Growth Corridor Planning	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL GENERAL FUND	**18,201,421**	**6,582,358**	**4,549,162**	**3,749,328**	**3,951,768**	**4,303,541**

Appendix 6

HOUSING REVENUE ACCOUNT EARMARKED RESERVES FORECAST 2020/21 to 2025/26

Description	**Forecast Balance 31.03.21 £**	**Forecast Balance 31.03.22 £**	**Forecast Balance 31.03.23 £**	**Forecast Balance 31.03.24 £**	**Forecast Balance 31.03.25 £**	**Forecast Balance 31.03.26 £**
Capital Fees Equalisation	110,030	110,030	110,030	110,030	110,030	110,030
De Wint Court Reserve	73,480	73,480	73,480	73,480	73,480	73,480
Housing Business Plan	76,559	76,559	76,559	76,559	76,559	76,559
Housing Repairs Service	125,710	125,710	125,710	125,710	125,710	125,710
HRA Repairs Account	500,000	500,000	500,000	500,000	500,000	500,000
HRA Strategic Priority Reserve	250,967	194,057	194,057	194,057	194,057	194,057
HRA Invest to Save	132,546	132,546	132,546	132,546	132,546	132,546
Strategic Growth Reserve (WGC)	100,590	100,590	100,590	100,590	100,590	100,590
TOTAL HOUSING REVENUE ACCOUNT	**1,369,886**	**1,312,976**	**1,312,976**	**1,312,976**	**1,312,976**	**1,312,976**