APPENDIX A

Medium Term Financial Strategy

2018/19 - 2022/23

Contents

Page No

Foreword

Welcome to this latest version of the City Council's Medium Term Financial Strategy covering the period 2018-2023.

This Strategy sets out how the Council will use its financial resources to underpin its Vision 2020 and the strategic priorities that it holds for the City. 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.

Since 2010 the Council, alongside the majority of other local authorities, has experienced unprecedented financial challenges in various forms and have had to adapt to;

- The impact of severe, unprecedented, central government funding reductions, the distribution of which has not been uniform across the different types of authority with some being significantly more affected than others, this Council being one of those suffering a greater proportionate loss.

- The local impacts of the economic crisis affecting jobs, housing and business growth, which has in turn created pressure on the generation of local income streams.

- The national impacts of the economic crisis on the financial markets and subsequent low returns on investments.

- The local impacts of the economic crisis creating a rising demand, and increased cost pressures, for council services from customers who rely on the safety net provided by local government.

- The impact of the vote to leave the EU and the consequent impact on the economic and political landscapes.

During this same period the basis on which local government is funded has undergone radical reform, heralding a new era where local government is funded from local taxes with limited reliance on Central Government. This new methodology for funding local government is inextricably linked to the performance of the local economy via Business Rates, New Homes Bonus funding arrangements, Council Tax and Local Council Tax Reduction schemes and Housing Revenue Account Self-Financing.

Each change to the funding mechanisms brings new elements of uncertainty and volatility, with further fundamental and radical changes through the devolution of Business Rates and further responsibilities as a consequence, set to come from 2020. It does however present opportunities for local authorities with the freedom from and removal of reliance on Central Government and a key stake in the financial prosperity of its local economy.

In response to this environment the Council has delivered a track record of strong financial discipline. Planning ahead, securing savings in advance, re-investing in more efficient ways of working, adopting a more commercial approach, prioritising resources for economic development measures, whilst making careful use of reserves to meet funding gaps and mitigate risks, is an approach that has served the Council well.

In the years since the onset of austerity measures and profound funding reductions, the Council has delivered savings in excess of £7.5m, a significant reduction in comparison to the overall net expenditure budget, with further savings of £0.102m to be delivered to achieve its current target, by 2018/19. That is not to say though that the Council will not continue to have to navigate a difficult financial path in the forthcoming years in order to deliver a sustainable financial position. In the environment in which it operates, financial planning is becoming increasingly complex, requiring multiple variables to be balanced in an environment of rising uncertainty. The MTFS will be kept under constant review and will need to adapt in response to new risks and opportunities.

The Council's successful financial management to date has enabled the protection of core services for the people of Lincoln while at the same time allowing the redirection of resources to the priority areas in the Council's Vision 2020.

This vision is supported by a three year programme of activity, resourced through the MTFS, that seeks to not only deal with the most pressing issues in the city, but also how the Council will work, with others, to embrace and maximise Lincoln's economy through schemes such as, the Transport Hub and New Council House Building Programme.

This investment in growth and the local economy alongside the Council's financial sustainability programme, forms the foundations of the Council's approach to financial planning over the medium term, seeking to enhance its financial resilience and to continue to focus its resources towards achieving its aspirations in its Vision 2020.

Robert Baxter, CPFA
Interim 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 has four 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 the Council "lives within its means" in developing its key plans and strategies, and enables decisions to be made about its finances ensuring it maintains a sustainable budget.

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 during the period of the Strategy and the dynamic nature of local government funding. 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

The MTFS seeks to achieve a number of specific objectives;

- Ensure the Council maintains a sound and sustainable financial base, delivering a balanced budget over the life of the MTFS,

- Maximise income levels, including growing the Council Tax and Business Rates tax base, whilst ensuring that Council Tax rate increases are kept an acceptable level;

- Continue to manage down the Council's recurrent cost base, in line with reductions in overall resources by ensuring the provision of efficient, effective and economic services which demonstrate value for money.

- Ensure the Council maintains robust, but not excessive, levels of reserves and balances to address any future risks and unforeseen events without jeopardising key services and the delivery of outcomes;

- Ensure the Council's limited resources are directed towards its Vision 2020 and strategic priorities, redirecting where necessary to allow for improvement and investment;

Policy and Financial Planning Framework

The Council's Strategic Plan (Vision 2020) 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 2020, 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 2020 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.

The Council's new Vision 2020 was launched in early 2017 and sets out the Council's vision for the future of the city, new strategic priorities and core values. This three year programme seeks to not only deal with the most pressing issues in the city, but also details how the Council will work, with others, to further grow Lincoln's economy.

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

Forecast UK growth is set to slow to 1.5% in 2017 and 1.4% in 2018. This reflects slower consumer spending growth, offset by some rise in UK exports and public investment. But risks to growth are weighted to the downside due to Brexit.

Looking beyond Brexit, the key challenge for the government is to boost UK productivity growth, which has been the second slowest in the G7 on average since 2010. This will require increased public and private investment in housing, transport infrastructure, skills and innovation, as well as measures to support growth across all regions of the UK.

The latest Consumer Price Index (CPI) forecasts are that it is likely to reduce from 3% in December 2017 to 1.8% in 2018 and then remain at 2% 2019 onwards, back in line with the Government's target rate of 2%.

Retail Price Index (RPI) stood at 4.1% in December 2017. This is set to reduce to 3.1% in 2018 and remain around that level thereafter.

On the 2 November 2017 the Monetary Policy Committee (MPC) voted to remove the post EU referendum emergency monetary stimulus implemented in August 2016 by reversing the cut in the Bank Rate at that time from 0.5% to 0.25%. The MPC gave forward guidance that they expected to increase the Bank Rate only twice more in the next three years to reach 1.0% by 2020. This relaxed rate of increase is in line with previous statements that the Bank Rate would only go up very gradually and to a limited extent.

National Priorities

Since 2010 the key driver for government policy has been securing the recovery of the economy through the deficit reduction programme, primarily focussing on public spending control. As a result of the reductions made during the 2010 Spending Review period, the Spending Review 2015 saw the focus shift towards rebuilding the economy, with an expected return to a national surplus by 2020, with a healthy economy that had started to pay down its debt. Key to this was the continuation of the deficit reduction programme with significant reductions in public sector expenditure required.

Autumn Budget 2017

The Chancellor of the Exchequer presented his first Autumn budget, in the new annual tax policy cycle, to the House of Commons on the 22 November 2017.

The announcements relevant to local government are summarised below.

Business Rates

The Government announced a number of changes to business rates. The main changes are:

- From April 2018, CPI will be used to uprate the multiplier for business rates, rather than RPI, bringing forward the change already announced from April 2020;

- The business rates valuation cycle will switch from five years to three years following the next revaluation. This should mean that, following the planned 2022 revaluation, the next will be 2025;

- There will be a one year extension to the £1,000 discount to business rates bills for pubs with a rateable value of less that £100,000 in 2018/19.

Council Tax

The Chancellor announced that, from April 2018, local authorities will be given the power to increase the council tax empty homes premium from 50% to 100%.

Housing

The Government announced that it wishes to increase the numbers of new homes built to 300,000 per annum by the middle of the 2020s. A wide breadth of measures were announced to support this objective including:

- Housing Investment: the government will provide £1.1bn for a new Land Assembly Fund; a further £2.7bn to the competitively allocated Housing Infrastructure Fund (HIF) and a further £630m through the Northern Powerhouse Investment Fund (NPIF) to accelerate the building of homes on small, stalled sites, by funding on-site infrastructure and land remediation.

- Housing Revenue Account: the government announced that it will lift HRA borrowing caps for councils in areas of high affordability pressure, enabling more council home to be built. Local authorities will be invited to bid for increases in their caps from 2019/20, up to a total of £1bn by the end of 2021/22. The government will monitor how authorities respond to the opportunity and consider whether any further action is needed.

- Community Infrastructure Levy (CIL): DCLG will launch a consultation with detailed proposals on reforms to the CIL.

Whilst there were no further reductions for departmental resource plans announced, the continuation of significant reductions in public sector expenditure remains. Local government will still experience deeper cuts than the rest of the public sector, through until 2019/20, at the same time as preparing itself for the implementation of radical changes to its funding mechanisms.

Local Government Funding

A key theme within the Spending Review 2015 was the Government's commitment to a devolution revolution, transforming local government by enabling it to be self-sufficient by the end of the Parliament and paving the way for 100% business rate retention, giving local authorities the power to cut business rates to boost growth and empowering elected city-wide mayors.

This is a radical change to the funding mechanisms of local government and heralds a new era where local government is funded from local taxes with limited reliance on Central Government. This new methodology for funding local government is inextricably linked to the performance of the local economy via Business Rates, New Homes Bonus funding arrangements and Local Council Tax Reduction schemes.

The scale of reductions in guaranteed, central funding has required local authorities to focus on more local self-sufficiency through other forms of local income generation, such as;

- Maximisation of Council Tax rate increases, within prescribed referendum limits.
- Maximisation of fees and charges increases.
- Widening the scope of fees and charges by introducing charges for services not previously charged for.
- Increasing trading activities to generate surpluses for reinvestment, including the establishment of trading companies
- Look at ways of entering the market, commercialising existing services and seeking opportunities to 'sell' goods and services externally.
- Economic development measures to increase funding through tax collected, e.g Council Tax and Business Rates with the additional benefit of NHB.

Business Rates

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. However the Bill was not included in the Queen's speech following the election so will not become an Act. As such, any move to 100% BRR scheme would not currently happen under primary legislation changes, but there is the possibility of introducing some of the previously planned changes through secondary legislation.

There are currently five authorities piloting 100% BRR in 2017/18, all of which have been introduced without change to primary legislation. The government invited further authorities to apply to pilot 100% BRR in 2018/19, this will be for one year only, to test aspects of what a final 100% BRR scheme may look like that are not currently being tested in the existing pilots. This suggested that government was still intent on introducing a 100% BRR scheme, and the 2018/19 pilot prospectus does state that "the current pilots, and a new wave in 2018/19, will help explore options, with local government, for the design of future local government finance reforms"

However as part of the Local Government Finance Settlement, the Secretary of State announced that local business rates retention would move from 50% to 75% in 2020/21, not the 100% as previously announced.

Lincoln applied to be a pilot for 100% BRR in 2018/19, as the Lincolnshire Business Rates Pool, and has been confirmed as one of the ten successful applications, in addition to the London Boroughs previously announced as part of the Autumn Budget 2017.

Whilst the initial offer for the new pilot areas was for one year only, it remains to be seen if pilot status will be allowed to continue for 2019/20. Although a change back to 50% would potentially mean that we would move from 50% in 2017/18, to 100% in 2018/19, back to 50% in 2019/20 and then to 75% in 2020/21. Therefore, allowing us to remain at 100% for 2019/20, whilst having a cost attached for DCLG/HMT (in terms of government losing a share of any growth), would seem a more sensible/stable approach.

The Secretary of State also confirmed that a reset of the business rates retention system will also take place in 2020/21. This will see NNDR baselines adjusted to better reflect how much local authorities are actually collecting in business rates (currently based on amounts collected 2010/11 – 2011/12)

The Government has established a steering group and a number of working groups, chaired jointly by DCLG and the LGA, to develop reforms with the view of implementing these in 2020-21 alongside greater business rates retention.

Local Priorities

Lincoln is a cathedral city, and is one of the oldest cities in Britain, with a population of around 97,800 (0.8% 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 97,800, the city actually serves a significantly higher 'Greater Lincoln' population of approximately 195,200 (the economic zone around Lincoln where residents have close links with the city either through work, education, shopping or recreational use). 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 9.4%, with a larger proportionate increase than England 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 15,000 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 21% of the city's total population, compared to only 13% nationally.

Like many places, Lincoln is made up of areas of relative affluence, and relative deprivation. The Indices of Multiple Deprivation tells us that 10 areas of the city (from a total of 57) are amongst the 10% most deprived nationally. This is an increase from 7 areas in 2010 and 5 areas in 2007. Within these 10 areas of Lincoln there are an estimated 16,000 residents (16.5% of the total population of Lincoln)

In terms of the economy, the city faces a number of challenges. One of these is Lincoln's child poverty rate which is above the county, regional, and national rate. Fuel poverty rates are above the regional and national average.

Overall, approximately 15% 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 79% fall within the lowest bands A or B, currently paying £3.93 or less per week. This low Council Tax base 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.

Both male and female life expectancies are in line with national averages with male life expectancy decreasing a little to 77.6 years while female life expectancy reduced slightly to 82 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.

There are approximately 44,600 households in the city – the City Council is landlord to approximately 7,700 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.

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 and its strategic priorities.

In 2016 an extensive exercise to develop a new strategic plan was undertaken, now branded as Vision 2020. This three year programme is the product of work both internally and externally, with working groups, surveys and focus groups with the public, and through consultation with partners, business and other organisations with a stake in the city. The development of the Vision 2020 has been informed by evidence from the Lincoln City Profile and the Poverty Profile to ensure that the Council's visions and aspirations for the City are not just for the next three years, but look ahead for up to 30 years.

The accumulation of this work saw the launch at the beginning of 2017 of the Council's Vision 2020 setting out the new, overarching vision for 2020 and beyond, strategic priorities and the Council's core values.

The Council's new vision for 2020 is;

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

Underpinning this vision are four strategic priorities, each with a number of supporting aspirations. The aspirations are in turn supported by groups of projects that will be delivered throughout the three year programme. Not all the aspirations will be progressed at the same speed or even at the same time. Instead, they provide a holistic overview of where effort needs to be placed over time. The aspirations are shown below:

- Let's drive economic growth

    - Let's build a strong, viable and prosperous future for Lincoln
    - Let's attract investment
    - Let's help businesses prosper
    - Let's create a culture of innovation
    - Let's make things happen

- Let's reduce inequality

    - Let's ensure the best quality of life for people living in Lincoln
    - Let's help people succeed
    - Let's help people feel safe and welcome in their communities
    - Let's provide help to the most vulnerable in our city
    - Let's empower people

- Let's deliver quality housing

    - Let's provide housing which meets the varied needs of our residents
    - Let's improve housing conditions for all
    - Let's work together to help the homeless in Lincoln
    - Let's help people have a sense of belonging
    - Let's build thriving communities

- Let's enhance our remarkable place

    - Let's provide interesting, exciting and vibrant places to enjoy
    - Let's preserve the unique character of our city
    - Let's deliver a rich and varied cultural experience
    - Let's show the world what Lincoln has to offer
    - Let's cherish and enhance our natural environment

These four strategic priorities will be supported by a strand called 'professional, high performing service delivery', which is supported by the following programmes of work:

- Creating a skilled and adaptable workforce
- Ensuring efficient, high quality services
- Providing high performing services
- Delivering the Towards Financial Sustainability programme

Additionally a new set of core values have been developed 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

Section 3 – Revenue (General Fund)

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. Striking the correct balance between these two requirements becomes ever more difficult in the challenging financial context in which the Council operates. This is compounded by steep Government funding reductions and a new methodology for funding local authorities which is fraught with uncertainty and volatility.

The Council's Vision 2020 is supported by a three year programme containing a range of projects that will meet each of the new strategic priorities. In the absence of any new Government funding and in the context of the savings targets underpinning the MTFS, the resources to finance these projects and have been made possible by allowing the redirection of resources to the priority areas as well as seeking external financial support in the form of grants and contributions.

Full details of the projects supporting the strategic priorities are including within the Vision 2020.

Spending Pressures

A high level review of the financial pressures facing the Council over the planning 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

The budget estimate for 2018/19 includes a pay increase in line with the two year pay award which was put forward to unions in December 2017 which is for 2% per year for 2018/19 and 2019/20 with higher rises for staff on the lowest pay scales. With regards to increases after 2019/20 it is assumed a 2% rise will apply in 2020/21 – 2022/23.

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

	2018/19 % per year	2019/20 % per year	2020/21 % per year	2021/22 % per year	2022/23 % per year
Pay	2.0%	2.0%	2.0%	2.0%	2.0%
General	2.2%	2.0%	2.0%	2.0%	2.0%
Contractual Commitments	3.2%	3.2%	3.2%	3.2%	3.2%
Non domestic rate	2.2%	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 3.2% for 2018/19 onwards. A number of the Council's contractual commitments are linked to the RPI at a defined date in the year, primarily December and March; any movement in RPI by these dates will result in an inflationary pressure for the Council. Every 0.5% increase in RPI will equate to approximately an additional £24k pa, this will have a cumulative impact.

Employer's Pension Fund Contributions

The latest triennial revaluation of the Council's Pension Fund took place at 31 March 2016, and the results identified that there has been a slight improvement in the funding position since the last actuarial review from a 67% funding level to 70%.

Since the previous valuation of the fund at 31 March 2013 a number of events have taken place which have had an effect on the estimated cost of the fund, key impacts are as follows –

Assets - the performance of the funds' investments has been more than the expected return over the three year period to 31 March 2016. This has had a positive effect on the past service position of the fund.

Liabilities – the decrease of the gilt yield has served to increase the value of the funds liabilities having a negative effect on the fund.

Pre retirement experience – a decrease in early leavers and an increase in ill health retirements has had a negative effect on the fund whilst salary increases which were less than expected have had a positive effect on the valuation of the fund.

Post retirement experience – a decrease in pension increases has had a positive effect on the valuation of the fund, however this has been partially offset by an increase in pensioner longevity.

Having assessed the events that have affected the fund since the previous valuation, the actuary has formulated an approach to the 2016 valuation which incorporates this information into its long term assumptions for the fund.

Although the overall funding position has improved slightly, the employer contribution rates are still required to increase in order to improve the funding position further. 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 2017/18 to 2019/20.

A further actuarial review will take place in April 2019, which will inform the employer contributions from 2020/21 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 has been falling since 2008 and the average interest rate achieved is barely above base rate.

Interest rates are forecast to remain at low levels until late 2018 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 as they are only undertaken to bridge temporary cash flow shortfalls. The Council's portfolio of long-term borrowings currently includes 2 loans that are due to be repaid during the coming five financial years. The council has one short term loan which matures in 2018. All other loans mature after 2022/23 and are fixed rate loans. Six of these loans have lender options to vary their terms at six monthly intervals.

The sensitivity of the General Fund 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 £28k on the General Fund and £30k on the HRA in 2018/19.

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

	2018/19 %	**2019/20 %**	**2020/21 %**	**2021/22 %**	**2022/23 %**
Interest Rate	0.52%	0.61%	0.76%	0.90%	0.93%

Based on the current forecasts for interest payable on new borrowing (averaging around 2.7%) and receivable on investments (averaging around 0.5%), 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 Investment Programme 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).

Repairs and Maintenance

The Council's Asset Management Plan identifies the need for significant investment to ensure that its assets are properly maintained and safe for use. Additional resources have been allocated in previous Strategic Plans/MTFS and although these have tackled the most urgent issues arising in those years there still remains a considerable amount of work to be undertaken in the medium to longer term and this does place an increased pressure on responsive day to day repairs and maintenance budgets.

A structured approach to corporate property maintenance is being taken with the prioritisation of the urgent, essential and desirable works and consideration of the overall resources available. Alongside this the Council is undertaking a review programme of all assets which has the potential to dispose/transfer assets with significant repair liabilities.

Resources

Revenue Support Grant/National Non-Domestic Rates

The Local Government Finance Settlement for 2018/19 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. The Settlement forms the third year of a four year fixed settlement that was offered to local authorities in 2016/17. This offer was made on the basis that any council that wished to take up the offer would be required to have an efficiency plan in place in order to do so. Nationally 97% of Council's accepted this offer.

Although the third year of the Settlement period has confirmed the RSG allocations that were previously announced there were still changes in the overall settlement and level of local government resources that were announced. These related to the increase in the referendum limit to 3% on Council Tax (2018/19 and 2019/20), NNDR Revaluation and assumptions around future, locally generated income.

Core Spending Power

The Core Spending Power calculation includes:

- Settlement Funding Assessment (comprising NNDR Baseline funding level and Revenue Support Grant)
- Estimated Council Tax income,
- Improved Better Care Fund,
- New Homes Bonus,

- Transitional Grant
- Adult Social Care Support Grant
- Rural Services Delivery Grant.

The table below shows the national changes to Core Spending Power between 2015/16 and 2019/20 (the Settlement period). Overall, spending power will increase by £0.9bn from £44.7bn to £45.6bn, an overall increase for the period 2015/16 to 2019/20 of 2.1%, effectively a cash freeze settlement for local government. However within this, the Settlement Funding Assessment (SFA) will reduce by £6.6bn (32%) and NHB by £0.3bn (25%), which is largely offset by the governments estimate of council tax increasing by £6bn (27.3%).

When the Settlement was announced in 2015 the overall change in core spending Power over the 4 year period was forecasted to be a reduction of 0.4%. This has improved to an increase of 2.1% due to inflation being higher than forecast and the consequent increase in NNDR income and more optimistic assumptions used around council taxbase and rate.

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£bn	**£bn**	**£bn**	**£bn**	**£bn**
Settlement Funding Assessment	21.415	18.767	16.807	15.849	14.773
Council Tax	22.036	23.247	24.666	26.600	28.047
Improved Better Care Fund	0	0	1.115	1.499	1.837
New Homes Bonus	1.200	1.485	1.252	0.948	0.900
Transition Grant	0	0.150	0.150	0	0
Rural Services Delivery Grant	0.016	0.081	0.065	0.081	0.065
Adult Social Care Support Grant	0	0	241	150	0
Core Spending Power	**44.666**	**43.729**	**44.296**	**45.127**	**45.623**
Change %		**-2.1%**	**1.3%**	**1.9%**	**1.1%**
Cumulative change %		**-2.1%**	**-0.8%**	**1.0%**	**2.1%**

Although the national level of Core Spending Power is forecast to increase by 2.1% the variation between individual authorities and types of authority is significant. Shire Districts, including Lincoln have experienced the worst reductions in core spending power, with the average reduction being 11.7%, due to changes in the distribution of RSG (as set further out below) and due to the top slicing of NHB to redirect towards social care pressures. Lincoln's position is as set out in the table below, this shows a total change in core spending power of 16.7% over the four year period to 2019/20.

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£m	**£m**	**£m**	**£m**	**£m**
SFA	6.0	5.188	4.543	4.197	3.773
Council Tax;	5.6	5.916	6.145	6.447	6.764
Other grants	2.1	2.285	1.708	1.090	0.980

Core Spending Power	**13.8**	**13.389**	**12.396**	**11.734**	**11.517**
Change over the period (£m)					**-2.3**
Change over the period (%)					**-16.7%**

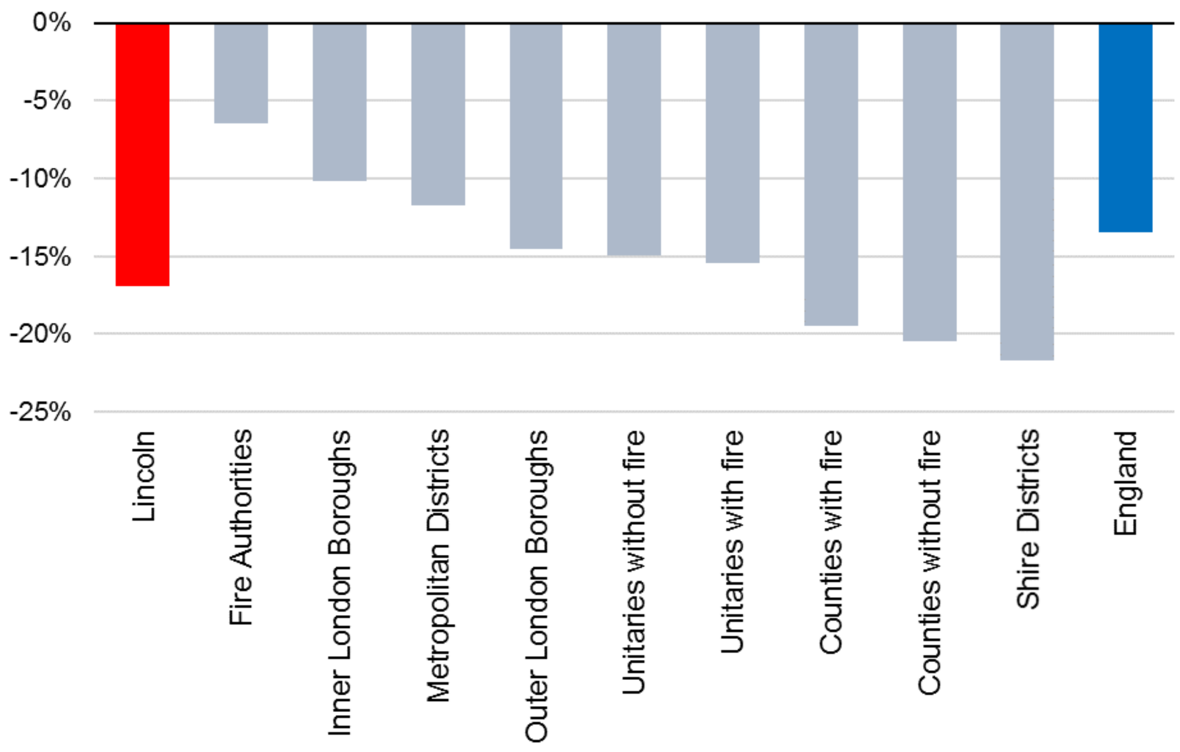
Settlement Funding Assessment

The variation in the spread of funding reductions is as a result of new funding distribution methodology for RSG that was introduced in 2016/17. Previously changes to RSG had been carried out by comparing the current year's RSG allocation to the previous year. The new approach now takes into account two different aspects;

- individual authorities' council tax raising ability – those authorities with a greater proportion of their core funding coming from Council Tax receive less RSG,
- the type of services provided - this favoured upper tier authorities, with significantly larger funding reductions for district councils.

As the graph below shows the cumulative change in SFA for Shire Districts has been the worst affected, as compared to other authority types (note this graph only covers the remaining three years of the settlement period).

Cumulative change between 2017/18 and 2019/20



As set out above the SFA 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
	£m	**£m**	**£m**	**£m**	**£m**
RSG	2.585	1.698	0.981	0.000*	0.022
Baseline BR Funding Level	3.463	3.491	3.562	4.197	3.750
SFA	6.048	5.188	4.543	4.197	3.772
Change over the period (£m)					**-2.276**
Change over the period (%)					**-37.6%**

* 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, the figures announced in the Finance Settlement confirm those announced in 2015, with a reduction of 99.1% over the period from £2.585m in 2015/16 to £0.022m in 2019/20, as shown in the table below.

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

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

The MTFS will be based on these levels of RSG. Beyond the settlement period, i.e. 2020/21 it will assume that there will be no further RSG payable by the Government.

Business Rates Retention

Lincoln successfully applied to be a pilot for 100% Business Rates Retention in 2018/19, as the Lincolnshire Business Rates Pool.

The key points from the pilot governance arrangements are set out below:

- Revenue Support Grant (RSG) is rolled into the Baseline Funding level (the amount of funding received if business rates are collected at the target level).
- The Council will receive 60% of business rates, with 40% going to Lincolnshire County Council (LCC). (under 50% retention the funding splits were 50% central government, 40% Lincoln City Council, 10% LCC)
- Providing there are sufficient resources no authority shall receive less than if it was operating under the current 50% scheme.

- In the highly unlikely event that the pilot makes an overall net loss, or the pilot has outstanding liabilities, this will be pro rata'd across all authorities, taking into account resource levels, had the pilot not been in operation.

Whilst the initial offer for the pilot is for one year only, it remains to be seen whether pilot status will be allowed to continue for 2019/20. Although a change back to 50% would potentially mean that we would move from 50% in 2017/18, to 100% in 2018/19, back to 50% in 2019/20 and then 75% in 2020/21. Therefore allowing us to remain at 100% for 2019/20, whilst having a cost attached for DCLG/ HMT (in terms of losing a share of any growth), would seem a more sensible/ stable approach. However for the purposes of the MTFS it has been assumed that the pilot will be in place for 2018/19 only.

The Council has undertaken an assessment of the amount of business rates that it expects to collect during 2018/19 and based on the principles of the 100% Business Rates Retention Pilot its estimate of the level of NDR to be retained is set out in the table below. Forecasts over the remaining period of the MTFS have also been made taking into consideration estimated growth in the local economy. These future year forecasts assume that the current system of 50% retention of business rates remains in place for 2019/20. Beyond this it is assumed that 75% retention will be in place, as per the announcement in the Local Government Finance Settlement. An adjustment has been made from 2020/21 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.

Income Forecast	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Forecast retained NDR Income	7,421	5,059	4,537	4,760	4,993

The level of outstanding unsettled appeals lodged with the Valuation office continues to create a high level of uncertainty. The Collection Fund is required to fully provide for the expected result of all appeals. The current assessment is that the Collection Fund will be required to set aside an additional £1.3m in 2018/19 to top up the current provision. There is no definitive date as to when the Valuation Office will have settled all outstanding appeals. This backlog in the appeals process creates uncertainty for the Council as well as tying up resources in provisions which ultimately may not be required. 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, an estimate of this impact has been assumed in the BRR forecasts set out above.

Beyond 2017/18 the Council has estimated that growth in its annual level of NDR collected will be 1% pa in 2018/19 and 2019/20, increasing to 2% pa from 2020/21 onwards.

The Secretary of State confirmed in the Local Government Finance Settlement that a reset of the BRR system will take place in 2020/21. This will see NNDR baselines adjusted to better reflect how much local authorities are actually collecting in business rates. It is still uncertain how DCLG will determine the new baselines i.e. what data and which years are chosen and how much growth since 2013/14 is taken (full versus a partial reset).

For the Council this could potentially mean that all the growth built up since 2013/14 is taken away at the reset. The impact of this would see a reduction in forecast retained NDR income of circa £1.3m pa from 2020/21. Because of the uncertainties around whether it will be a full or partial reset, the MTFS has been prepared on the basis that the Council will retain 25% of growth on reset and it is assumed that a further 10% growth will be generated on the revised baseline from 2020/21 onwards.

The additional resource set to be achieved from being in the pilot in 2018/19 is circa £1.5m. An element of this additional resource will be set aside to fund the forecast reduction in business rates when the BRR system in reset in 2020/21, with the balance going towards economic regeneration – as per the Lincolnshire Business Rates Pilot Business Case.

As set out in the National Priorities section above, there are a number of key and dramatic changes to Business Rates due in the forthcoming years, including, the devolution of business rates. This 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 future sustainability of the MTFS.

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 have stated, at the time of announcing the Settlement that councils have the ability to increase their core Council Tax requirement by an additional 1% in 2018/19 and 2019/20, this is in addition to the current 2% allowable before triggering a referendum – bringing the core principle in line with inflation at 3%.

In light of the financial position of the Council and mindful of the increased referendum thresholds to be applied for 2018/19 and 2019/20, the MTFS assumes the following indicative council tax increases and subsequent overall yields:

	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
% Increase	2.95%	2.95%	1.90%	1.90%	1.89%
Council Tax Base	23,943	24,297	24,655	25,018	25,385
Council Tax Yield	£6.393m	£6.679m	£6.907m	£7.141m	£7.383m
Band D	£267.03	£274.91	£280.13	£285.44	£290.84
Band D £ Increase	£7.65	£7.88	£5.22	£5.31	£5.40

For 2018/19 the Council Tax amount for a Band D property (excluding County Council and Police Authority precepts) is £267.03, a 2.95%/£7.65 increase from 2017/18.

Following implementation of the localised council tax support scheme 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. The MTFS has been prepared on a reduction to the tax base of 4,424 relating to the council tax support scheme in 2018/19 and assumes reductions in working age claimants in 2019/20 of 4% with a stable claimant count beyond that point. The council tax base in the table above reflects the reduction for the council tax support scheme.

Specific Grants

In addition to the Revenue Support Grant further categories of specific grant are available to authorities and are allocated according to mechanisms separate from RSG. Although these are specific grants they are not ring fenced for a specific purpose, this provides the Council the flexibility to consider how to best use the resources available to it.

The most significant of these specific grants for the Council is the New Homes Bonus which 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 has creates a direct incentive, alongside the Business Rates Retention system, for local authorities to promote growth and development or else risk a reduction in resources.

Following a consultation on NHB launched in December 2014 the Government announced as part of the Local Government Finance Settlement it's response to the consultation, the key points being:

- To reduce the number of years for which payments are made from six to five for both existing and future payments in 2017/18 and to four years from 2018/19.

- The introduction of a national baseline of 0.4% for 2017/18 below which allocations will not be made.

- Potential to withhold NHB from 2018/19 for those local authorities that are not planning effectively, making positive decisions on planning applications and delivering housing growth.

The outcomes of this consultation confirm a significant reduction in the overall level of NHB with a redirection of resources towards adult social care pressures.

The grant allocation for NHB in 2018/19 has been announced as £1.006m. Using assumptions around future housing growth the estimated grant allocations from 2019/20 onwards are shown in the table below.

The table below also sets out the other specific grants that the council forecasts to receive.

Grant Name	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
New Homes Bonus	1,006	867	789	538	617
Housing Benefit & Council Tax Benefit Administration (provisional)	536	536	536	536	536
Housing Benefits New Burdens	28	29	29	29	29
TOTAL	**1,570**	**1,432**	**1,354**	**1,103**	**1,182**

Provision for Debt Repayment (MRP)

MRP is a statutory charge to the Council's revenue account to make provision for the repayment of the outstanding capital debt liabilities. The Council is required by law to set aside an amount for this provision which it considers to be prudent. Statutory Guidance which accompanies the Regulations provides options for the calculation of MRP and gives Council's significant discretion in determining the level of MRP. The Guidance states that 'the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant'.

Fees and Charges

The fees and charges levied by the Council are an important source of income and the MTFS assumes that the Council will raise over £10.8m from fees and charges in 2018/19.

The mean average overall increase in the non-statutory fees and charges is 3.4%, however this includes some fees that have been increased by higher and lower percentages.

Bridging the Gap

The Council has a successful track record in delivering savings and has to date, since the onset of austerity measures in 2008, delivered £7.5m of annual revenue savings. The Council's approach has centred on planning ahead, securing savings in advance, re-investing in more efficient ways of working and adopting a more commercial approach whilst making careful use of reserves to meet funding gaps, it's an approach that has served the Council well. Although 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.

As part of developing the MTFS 2018-23, due to changes in key assumptions it has been necessary to increase the savings targets by £250k pa from 2020/21, to ensure that balances remain at the prudent minimum of between £1.5m-£2m. In addition to allow for a smoother transition from the 2017/18 target of £3.5m, the 2018/19 and 2019/20 years of the programme have been re-phased to £3.850m and £4.150m (previously both years were £4m).

Despite this success the Council must continue to reduce its levels of expenditure or identify additional resources if it is to achieve the revised savings targets assumed in the MTFS and to remain sustainable.

The Towards Financial Sustainability (TFS) programme is and continues to be the vital element in ensuring that the Council maintains a sustainable financial position and delivers the required reductions in the net budget. In order to refocus and maintain momentum the TFS programme has been re-aligned and there are now three agreed strands to achieve savings. These are:

- Commercialisation – optimisation of usage and commercial returns of the City's property and land portfolio

- Asset Rationalisation – generation of new income streams, and commercial trading opportunities

- Shared Services/ savings – ensure the provision of professional, high performing services

Alongside this programme the Council continues to seek ways to maximise its tax bases through economic development measures which enhance the economic prosperity of the City, such as the significant investment in the Lincoln Transport Hub and its new Council House Building Programme. Although not directly contributing towards the TFS savings targets these measures allow future assumptions of growth in the Council's resources to be factored into the revenue forecasts.

This new approach by the council focuses its efforts on sustainability for the future.

Progress, at February 2018, in delivering the target savings from the current TFS programme is set out in the table below:

	2018/19 £'000	2019/20 £,000	2020/21 £'000	2021/22 £'000	2022/23 £'000
MTFS savings target *	**3,850**	**4,150**	**4,250**	**4,250**	**4,250**
Secured	(3,748)	(3,945)	(3,980)	(3,999)	(4,006)
Savings still required in MTFS	**102**	**205**	**270**	**251**	**244**
Still subject to approval or review/Business Case	(15)	(15)	(14)	(14)	(14)
Savings still to be identified	**87**	**190**	**256**	**237**	**230**

* Savings target as per MTFS 2013-18, prior to this targets of £4m had already been achieved.

The delivery of the current strategy and programme will leave the Council in a position to over achieve the current savings targets for 2017/18. Nevertheless the overall emphasis on delivering the revised savings targets must remain strong to achieve the targets from 2018/19 and beyond.

Revenue Forecast

Based on the preceding financial objectives, underlying principles, national and local priorities, savings targets, spending pressures 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 the Business Rates Taxbase
- Future changes to the retained Business Rates system
- Future levels of Central Government funding.
- Delivery of challenging savings targets
- Impact of current economic climate on both demand for services and income streams
- Changes to other key external funding sources,
- Changes to other key assumptions within the MTFS
- Financial and budget management issues

Appendix 5 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 Fund Investment Programme

The Council’s approach to determining and funding its investment programmes is set out in the Capital Strategy, Appendix 7, 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 capital schemes identified to support the delivery of Vision 2020, schemes identified as requiring investment in order to deliver revenue savings as part of the Towards Financial Sustainability Programme, schemes resulting from joint working with partners, and ongoing capital schemes, particularly the investment required in the property portfolio.

In addition to the approved schemes which form the GIP there are a number of key strategic schemes which have not yet been formally approved due to the stage of their development, i.e. the scheme is currently still at the design stage, or is still subject to final funding agreements etc. and as such do not appear in the current GIP. These schemes include the Western Growth Corridor and the Wholly Owned Housing Company. Each scheme will be submitted separately for approval and inclusion in the GIP once the relevant stage in their development has been reached.

The GIP 2018/19 – 2022/23 is included in Appendix 2.

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 over 116 operational properties and 80 investment properties with a combined asset value of £66.5 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 been allocated in previous Strategic Plans/MTFS, including works to income earning assets such as multi story car parks and City Hall. 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 specific assets will be determined by the structured approach being undertaken and will also be influenced by the outcomes of the review programme of all assets as part of the Towards Financial Sustainability Programme. Outcomes of this review being the potential disposal/transfer of specific assets which may in turn relieve the Council on the ongoing repair liability.

Resources

The resources necessary to fund the Council's GIP are fully identified in the GIP Summary 2018-23 (Appendix 2).

The GIP has traditionally been predominantly reliant on the generation of capital receipts to fund the investment required to deliver the programme. In the long term, this is not sustainable and other sources of funding are regularly sought to fund capital expenditure.

As a result of government funding cuts, fewer external grants and contributions are available and those that are, are usually designated for specific schemes. 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 whether it has the capacity, within its reduced resources, available to support such schemes. Additionally, following government funding cuts and the continued impact of the current economic climate, the increased pressure on the Council's revenue budget will result in a reduced ability to contribute significant amounts of revenue to support directly financed capital expenditure.

The MTFS and Capital Strategy must continue to both identify the priorities for external funding sources and actively pursue other funding solutions, such as prudential borrowing, and minimise the need for asset disposal and revenue contributions.

Capital Receipts

As part of the Towards Financial Sustainability Programme the Council is continuing to undertake a review of all of its land and property assets aimed at achieving the following:-

- a reduction in revenue costs,
- increased rental income,
- capital receipts,
- reduced repairs liabilities
- use of the assets for the Council's growth plans.

The GIP relies on capital receipts in the earlier years of the MTFS to fund part of the ongoing programme. The Council continues to take a number of mitigating actions to address the challenge of meeting targets for generation of capital receipts. These include;

- The MTFS 2018-23 has utilised £600k of available capital receipts to reduce the capital financing requirement in the GIP between 2018/19 and 2021/22.

- The capital receipts targets are reviewed annually to assess whether it is more cost effective to replace them with prudential borrowing (either in total or on a temporary basis in lieu of receipts). It may be beneficial to replace capital receipt targets with borrowing if annual borrowing costs are less than rental income lost on asset sales.

- Any capital receipts realised over the MTFS above capital receipt targets will be considered for use under the following options:-

    1. reduction in level of assumed prudential borrowing
    2. investment in existing assets
    3. investment in new income generating assets
    4. reduction of future years capital receipts targets
    5. use for other strategic priorities
    6. used for income generating investments

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 £13.816m over the period 2018/19-2022/23.

The use of prudential borrowing will be as a funding mechanism for some key projects (following a full financial assessment) and may be used as a short-term measure to fund capital expenditure prior to a capital receipt being received, or to replace capital receipts funding (although likely at reduced levels) over the longer term. In such cases, the revenue costs of borrowing will be met from the contingency for the loss of income on asset sales or from savings within the General Fund. The cost effectiveness of prudential borrowing as an alternative to capital receipts is closely monitored.

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 £1.72m is expected to be received from external capital grants, which is largely for Disabled Facilities Grants (DFGs) (£1.5m) and the remainder (£0.22m) is for the Boultham Park restoration project, Telephony system and a skate park.

Projected Capital Resources

Resources to fund the General Investment Programme 2018/19-2022/23 are estimated to be approximately £16.209m, as follows:

	£'000
Capital Grants	1,870
Capital Receipts	350
Direct Revenue Financing	173
Prudential borrowing	13,816
TOTAL	**16,209**

General Fund 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:

- Achievement of capital receipts targets
- Loss of anticipated external resources
- Increased project costs
- Unplanned emergency maintenance to Council's corporate properties

Appendix 5 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

HRA Self-financing was implemented from 1 April 2012 following a one-off settlement to the Treasury, in order to 'buy out' of the old subsidy system. The new system incentivised landlords to manage their assets well and yield efficiency savings. 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 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. 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.

The financial risks from self-financing were further increased by the Government in its Summer 2015 Budget when they significantly reduced the freedoms and flexibilities offered by the HRA self-financing system (while still retaining the same level of risks). A change in social rent policy removed the rent setting decision making away from local authorities with a 1% p.a. reduction in rents required over the next 4 years. This brought both significant costs to the HRA through loss of budgeted income and reduced the opportunities for investment and improvement for housing tenants.

The HRA Business Plan

A key element of the self-financing regime is for the Council to construct a 30 year Business Plan for the HRA. 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 reflects 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 building new council dwellings.

Spending Plans

Spending plans included within the MTFS support the delivery of the Councils' strategic priorities and Vision 2020.

Spending Pressures

A high level review of the financial pressures facing 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 faces a number of spending pressures, in line with the General Fund, primarily being pay and price inflation and additional pension costs, as well as a number of others specific to its service delivery.

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 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.

In the absence of supported borrowing allocations from the Government, the imposition of a debt cap and the limited availability of external funding, there is a reliance on the HRA to support the capital programme to the value of £60.1m over the 5-year MTFS period.

The HRA Business Plan identified significant capital investment in the housing stock and in the council house new build programme. Over the 5-year MTFS period this equates to £20.6m towards new builds, £40.2m investment in existing stock and a £1.5m land acquisition fund.

In November 2016 the DCLG announced a revision to the existing use-social housing discount adjustment factor for the East Midlands from 34% to 42%. As a direct result the value of the housing stock in the Council's Balance Sheet has increased and as a result the annual depreciation charge has increased. Within the HRA depreciation charges are allocated directly into the capital programme through the Major Repairs Reserve, whereas DRF contributions are additional contributions to the capital programme at the discretion of the Council to reflect the investment and funding needs of the capital programme. The result of the change in the discount adjustment factor has been to reduce flexibility within the HRA to adjust planned DRF contributions to reflect the demands of both the capital and revenue programme.

Revenue contributions to the capital programme currently assumed in the MTFS of £53.6m are the result of depreciation charges on council dwellings.

Interest payable

Upon rescheduling current borrowing it is anticipated that interest payable will decrease as rates available are more favourable than at the point that current borrowing was undertaken. This has been built into the MTFS.

Resources

Rents

The MTFS 2018/19 - 2022/23 incorporates the government's requirement for a 1% p.a. rent reduction between 2016/17 and 2019/20 (including the long term impact of the reduction in the base) and assumes that from 2020/21 rents will revert back to the previous Guidance on Rents for Social Housing and increase by CPI+1%. The MTFS 2018-23 has been prepared on this basis.

Rental income levels within the MTFS 2018-23 are based on a rephasing of the delivery profile for the new build programme to reflect the planned agreements with housing associations (enabling access to HCA grants) for the delivery of additional HRA properties. Although this has resulted in a shortfall in budgeted rents in 2017/18, this is recouped over the later years in the MTFS as rental units are delivered. In addition rental income at affordable rents (compared to social rents) has been included within the HRA in-line with the anticipated housing association delivery, resulting in additional income over the existing MTFS period.

Rental income budgets in current MTFS 2017-22 are based on an estimate of 35 Right to Buy (RTB) sales per year. However, experience in 2017/18 and expectations for subsequent years have increased the estimate of RTB's to 50 per year. The MTFS 2018-23 is based on 50 RTB's per year which has reduced rental income budgets by £546k over the existing MTFs period.

The Council proposes to set the rents for 2018/19 in line with the requirement to reduce rents by 1% for general purpose accommodation and also reduce sheltered accommodation by 1%. The average 52 week rent will be £68.81 per week for general purpose accommodation and £69.97 per week for sheltered accommodation. The table below shows the impact that the changes will have on tenants (general purpose accommodation).

	Impact on Tenancies	
	No.	%
Rent decrease between £0.01 and £0.59	467	6.1
Rent decrease between £0.60 and £0.69	3692	48.23
Rent decrease between £0.70 and £0.79	2706	35.35
Rent decrease between £0.80 and £0.99	789	10.31
Rent decrease is equal or greater than £1.00	1	0.01
TOTAL – as of 15 January 2018	**7655**	**100%**

Interest receivable

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 2018-23 includes interest income into the HRA based on the level of HRA balances assumed in the MTFS 2018-23.

Releasing Resources

The HRA Business plan 2016-46 identifies revenue resources to be released to support priority capital investment in council house new build, the Lincoln Standard and a land acquisition fund. At the current time there are no proposals for any further release of resources however, the Council will continue to seek to drive out inefficiencies in its operating costs and look to sustain/maximise its income streams. The strategy that the Council will continue to pursue will concentrate on the following key strands:

- Generation of new income streams and commercial opportunities, whilst ensuring that fair and appropriate charging regimes for services are implemented.
- Driving greater value from procurement and commissioning activity.
- Redesigning and modernising services to improve customer experience, maximise efficiencies and continue to make the business fit for purpose.

Housing Revenue Account Forecast

Appendix 3 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 (including imposition of a levy for the sale high value voids)
- Changes to key assumptions within the MTFS e.g. inflation, interest rates etc.
- Efficient delivery of housing repairs
- Ability to release further revenue resources for investment and improvements
- The impacts of the Welfare Reform Act
- Financial and budget management issues
- Delivery of the Housing Association deals and receipt of anticipated additional income streams.

Appendix 5 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 - Housing Investment Programme

The Housing Investment Programme (HIP) covers all aspects of capital expenditure relating to the Council's landlord function. The Council's approach to determining and funding its investment programmes is set out in the Capital Strategy, Appendix 7, which explains the Council's financial framework for capital investment in support of its strategic priorities. The Capital Strategy for the HIP reflects the self-financing housing regime 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.

The 5-year housing programme comprises the following main areas of work:

- Maintenance of the Decent Homes and the Lincoln Standard
- Health & Safety Requirements – covers the work to meet statutory requirements, which are outside the Lincoln Programme, and includes communal lighting, asbestos removal and plastering
- New Build Programme remaining elements of the programme to deliver 458 new council dwellings within the HRA
- Land acquisition fund - land acquisition fund of which part if anticipated to be sold to partners to enhance the overall new build delivery numbers

The current HIP does not include capital investment in major redevelopment in Western Growth Corridor. City of Lincoln Council own a significant proportion of the land within the development area. The HRA will likely need to identify a level of resource within the HIP to support any potential development costs.

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 support to the capital programme over the 5-year MTFS period through depreciation is £53.6m.

Revenue Contributions

The MTFS 18/19-22/23 includes £365k of direct revenue contributions over the five year period.

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. 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. 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 DCLG and must be used for replacement of the council housing sold, within an agreed timeframe.

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 2017-22 assumes 50 sales per year from 2018/19 to 2022/23. 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.

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). However, under the self-financing housing regime, the Government limits the amount of debt that can be supported from the HRA in each local authority. The figure is based on the self-financing valuation, this being the final debt settlement which for the Council is £66m. This restricts the HRA in its ability to maximise the opportunities provided by the Prudential Code.

The Capital Financing Requirement (CFR) is forecast to be £58.5m across the MTFS with no additional borrowing requirement included in the MTFS and no allowance made for the repayment of existing debt. This gives £7.5m of borrowing headroom to support the capital programme across the MTFS.

Projected Capital Resources

Resources to finance the proposed £76.695m Housing Investment Programme 2018/19 – 2022/23, are currently estimated to be as follows:

	£000
Major Repairs Reserve (depreciation)	59,472
Major Repairs Reserve (DRF)	2,977
Capital Receipts (inc RTBs)	14,246
TOTAL	**76,695**

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, impacted on by the economic climate
- Future building costs
- Interest rate increases impacting on future borrowing costs

Appendix 5 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

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. CIPFA guidance does not set a statutory minimum level but it is up to 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.

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 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 Council has a very proactive approach to managing risk and there are effective arrangements for financial control already in place. However, as a result of the changes to the core system of local government funding introduced in April 2013, which saw a move from an absolute funding level to one which is very sensitive to changes in the level of local business rates, the level of volatility and risk to the Council significantly increased to unprecedented levels, and will increase further as the Government implements its commitment to implementing 75% retained business rates by the end of the current parliament. Given the threat that this poses to the Council's financial position, and has already been experienced, and given the forthcoming changes as local government moves to a new era of self-sufficiency, the prudent minimum level of general reserves is now held at a level greater than previously.

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 are maintained at around £1.5m - £2m, and that Housing Revenue Account reserves are maintained at around £1m - £1.5m, over the period of the MTFS.

The general reserves at the end of each year for 2018/19 to 2022/23 are summarised in the table below.

	2018/19 £000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
General Fund	1,898	1,972	1,623	1,523	1,521
Housing Revenue Account	1,023	1,049	1,141	1,224	1,176

The overall levels of General Fund and Housing Revenue Account balances in 2022/23 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.

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 2018/19 - 2022/23

	2018/19 Original £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
Chief Executive & Town Clerk	3,501,240	3,087,740	3,120,230	3,131,530	3,361,920
Communities & Environmental Services	4,267,050	4,031,110	3,970,320	3,887,580	3,941,460
Major Developments	417,910	427,230	437,350	445,190	468,340
Housing & Regeneration	619,870	628,570	633,010	636,210	638,730
Corporate	1,673,410	1,819,850	1,848,610	1,876,620	1,911,540
	10,479,480	**9,994,500**	**10,009,520**	**9,977,130**	**10,321,990**
Capital Accounting Adjustment	1,857,870	2,403,960	2,562,160	2,423,980	2,577,420
Base Requirement	**12,337,350**	**12,398,460**	**12,571,680**	**12,401,110**	**12,899,410**
Specific Grants	(1,005,910)	(867,450)	(789,220)	(538,000)	(617,050)
Contingencies	405,840	354,320	362,160	373,050	371,540
Savings Targets	(102,280)	(205,050)	(269,730)	(250,560)	(244,370)
Transfers to / (from) earmarked reserves	2,224,900	(125,080)	(214,930)	(118,810)	(169,010)
Transfers to / (from) insurance reserve	128,200	131,370	133,070	134,330	136,670
Total Budget	**13,988,100**	**11,686,570**	**11,793,030**	**12,001,120**	**12,377,190**
Use of Balances	**288,360**	**74,540**	**(349,600)**	**(100,060)**	**(1,300)**
Net Requirement	**14,276,460**	**11,761,110**	**11,443,430**	**11,901,060**	**12,375,890**
Business Rates	7,420,960	5,059,320	4,536,820	4,759,990	4,992,920
Business Rates Surplus	432,200	0	0	0	0
Revenue Support Grant	0	22,360	0	0	0
Council Tax	6,393,490	6,679,430	6,906,610	7,141,070	7,382,970
Council Tax Surplus	29,810	0	0	0	0
Total Resources	**14,276,460**	**11,761,110**	**11,443,430**	**11,901,060**	**12,375,890**
Balances b/f @ 1st April	**1,609,364**	**1,897,724**	**1,972,264**	**1,622,664**	**1,522,604**
Increase/(Decrease) in Balances	288,360	74,540	(349,600)	(100,060)	(1,300)
Balances c/f @ 31st March	**1,897,724**	**1,972,264**	**1,622,664**	**1,522,604**	**1,521,304**

GENERAL INVESTMENT PROGRAMME - 2018/19 to 2022/23

	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
Expenditure Programme					
Chief Executives	12,178,480	200,000	200,000	200,000	200,000
DCE – Communities & Environment	994,720	300,000	300,000	300,000	300,000
DCE – Community Services	443,290	0	0	0	0
Schemes Under Review	592,350	0	0	0	0
Total Programme Expenditure	**14,208,840**	**500,000**	**500,000**	**500,000**	**500,000**
Capital Funding					
Contributions from Revenue					
Opening balance	172,740	0	0	0	0
Received in year	0	0	0	0	0
Used in financing	(172,740)	0	0	0	0
Closing balance	0	0	0	0	0
Capital receipts					
Opening balance	738,660	3,793,660	3,643,660	3,493,660	3,343,660
Received in year	3,555,000	0	0	0	0
Used in financing	(350,000)	0	0	0	0
Used to reduce the CFR	(150,000)	(150,000)	(150,000)	(150,000)	0
Closing balance	3,793,660	3,643,660	3,493,660	3,343,660	3,343,660
Grants & contributions					
Opening balance	158,420	8,420	8,420	8,420	8,420
Received in year	520,350	300,000	300,000	300,000	300,000
Used in financing	(670,350)	(300,000)	(300,000)	(300,000)	(300,000)
Closing balance	8,420	8,420	8,420	8,420	8,420
Unsupported borrowing					
Opening balance	0	0	0	0	0
Received in year	13,015,750	200,000	200,000	200,000	200,000
Used in financing	(13,015,750)	(200,000)	(200,000)	(200,000)	(200,000)
Closing balance	0	0	0	0	0
Total Capital Funding	**(14,208,840)**	**(500,000)**	**(500,000)**	**(500,000)**	**(500,000)**
Available Resources c/f	**3,802,080**	**3,652,080**	**3,502,080**	**3,352,080**	**3,352,080**

HOUSING REVENUE ACCOUNT SUMMARY 2018/19 - 2022/23

	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
Income					
Gross Rental Income					
- Dwellings rents	(27,117,150)	(27,370,480)	(28,175,620)	(28,839,410)	(29,519,040)
- Non-Dwelling rents	(593,440)	(686,390)	(700,680)	(715,400)	(736,870)
Charges for Services & Facilities	(383,490)	(390,010)	(401,700)	(413,770)	(426,200)
Contributions towards Expenditure	(44,660)	(46,000)	(47,380)	(48,800)	(50,260)
Total Income	**(28,138,740)**	**(28,492,880)**	**(29,325,380)**	**(30,017,380)**	**(30,732,370)**
Expenditure					
Repairs Account Expenditure	8,297,950	8,759,720	8,957,980	9,107,540	9,358,890
Supervision & Management:	6,517,120	6,699,820	6,775,210	6,850,630	6,940,720
Contingencies	(10,250)	15,220	14,190	13,120	11,720
Rents, Rates and Other Premises	34,330	34,500	34,670	34,840	35,010
Insurance Claims Contingency	252,990	265,620	278,890	292,820	298,680
Depreciation of Fixed Assets	10,697,330	10,634,810	10,624,310	10,605,890	10,605,890
Debt Management Expenses	11,920	11,920	11,920	11,920	11,920
Increase in Bad Debt Provisions	289,960	287,760	297,120	304,880	311,880
Total Expenditure	**26,091,350**	**26,709,370**	**26,994,290**	**27,221,640**	**27,574,710**
Net cost of service	**(2,047,390)**	**(1,783,510)**	**(2,331,090)**	**(2,795,740)**	**(3,157,660)**
Loan Charges Interest	2,351,960	2,351,960	2,332,000	2,310,470	2,310,180
- Investment Interest	(31,240)	(32,100)	(37,590)	(49,240)	(58,940)
(Surplus)/deficit on HRA for the year	**273,330**	**536,350**	**(36,680)**	**(534,510)**	**(906,420)**
DRF used for Financing	0	0	0	500,00	1,000,000
Contribs to/(from) Reserves:					
- HRA Strategic growth					
- Insurance Reserve	(252,510)	(515,130)	(28,390)	(42,310)	(48,680)
- PI Survey	3,000	(6,000)	3,000	(6,000)	3,000
- Capital Fees Equalisation	(23,820)	(41,540)	(30,040)	0	0
(Surplus)/deficit in year	**0**	**(26,320)**	**(92,110)**	**(82,820)**	**47,900**
Balance b/f at 1 April	(1,023,099)	(1,023,099)	(1,049,419)	(1,141,529)	(1,224,349)
Balance c/f at 31 March	**(1,023,099)**	**(1,049,419)**	**(1,141,529)**	**(1,224,349)**	**(1,176,449)**

HOUSING INVESTMENT PROGRAMME (HIP)-2018/19 - 2022/23

	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
Capital Programme					
Decent Homes	7,486,220	6,083,890	7,021,880	10,041,980	9,545,850
Health & Safety	701,190	677,040	708,520	782,800	843,890
New build programme	13,559,120	5,571,370	1,518,500	0	0
Land Acquisition Fund	1,520,210	0	0	0	0
Lincoln Standard	1,038,700	1,027,070	952,330	842,060	926,270
Other schemes	1,499,270	1,169,870	1,184,950	970,810	1,021,610
Total Programme Expenditure	**25,804,710**	**14,529,240**	**11,386,180**	**12,637,650**	**12,337,620**
Capital funding					
Major Repairs Reserve					
Opening balance	8,548,750	0	0	239,820	0
Depreciation received in year	10,710,210	10,710,210	10,710,210	10,710,210	10,710,210
Depreciation used in financing	(16,631,090)	(10,710,210)	(10,486,180)	(10,934,240)	(10,710,210)
DRF received in year	0	0	0	0	365,000
DRF used in financing	(2,612,080)	0	0	0	(365,000)
Closing balance	0	0	224,030	0	0
Capital receipts					
Opening balance	7,334,250	2,523,520	439,910	1,259,940	1,308,140
RTB's received in year	819,230	819,630	820,030	820,030	820,030
Used in financing	(5,661,540)	(2,919,030)	0	(803,410)	(362,410)
Closing balance	2,491,940	392,540	1,212,570	1,229,190	1,686,810
1-4-1 Receipts					
Opening balance	0	0	0	0	0
1-4-1's received in year	900,000	900,000	900,000	900,000	900,000
Used in financing	(900,000)	(900,000)	(900,000)	(900,000)	(900,000)
Closing balance	0	0	0	0	0
Grants & contributions					
Opening balance	0	0	0	0	0
Grants & contributions received in year	0	0	0	0	0
Used in financing	0	0	0	0	0
Closing balance	0	0	0	0	0
Borrowing					
Opening balance	0	0	0	0	0
Borrowing taken in year	0	0	0	0	0
Used in financing	0	0	0	0	0
Closing balance	0	0	0	0	0
Total Capital funding	**(25,804,710)**	**(14,529,240)**	**(11,386,180)**	**(12,637,650)**	**(12,337,620)**
Available resources c/fwd	**2,491,940**	**392,540**	**1,436,600**	**1,229,190**	**1,686,810**

Appendix 5

BUDGET RISK ASSESSMENT

No.	Budget Item	Risk	2018/19 Risk score	2019/20 Risk Score	Containment
1	Business Rates Base	Reduction and/or fluctuations in income against budget variation in: – Growth compared to forecasts – Changes in the NNDR base – Changes in rateable values (e.g. appeals, economic downturn, changes in use, 2017 revaluations) – 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 (e.g. gas pipelines) – Introduction of 75% retained Business Rates from 2020/21. – Reset of the Business Rates Retention system from 2020/21	**Total Score: 12** Likelihood: 3 Impact: 4	**Total Score: 12** Likelihood: 3 Impact: 4	• 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 • Discussions taking place nationally around a national pool for appeals provisions to remove the volatility experienced by individual councils. The Council will closely watch developments.

Appendix 5

No.	Budget Item	Risk	2018/19	2019/20	Containment
2	Capital Expenditure	• Slippage in the project • Increased project costs • 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: 12** Likelihood: 3 Impact: 4	**Total Score: 12** Likelihood: 3 Impact: 4	• 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

Appendix 5

No.	Budget Item	Risk	2018/19	2019/20	Containment
3	Income from Fees & Charges/ Rents: • Car Parking • Crematorium / Cemeteries • Development Control • Building Control • Land Charges • Control Centre • Lincoln Properties • Industrial Estates	Reduction in the usage of the service/activity levels in the current economic climate and in response to actions undertaken by competitors. Impact of regeneration and development schemes in the City (e.g. Transport Hub) Increasing reliance on income within the MTFS	**Total Score: 12** Likelihood: 4 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Car parking strategy focussing on overall strategy for car parking provision. • Produce regular monitoring statements for major income sources which are reported to Performance Scrutiny and Executive committees quarterly • 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 Corporate Management Team, the Executive and Performance Scrutiny Committee on forecast for key income streams • Ongoing negotiations with developers on mitigation measures against the impacts of developments on the Council's income • Delegated powers to portfolio holder to make responsive changes to fees and charges

No.	Budget Item	Risk	2018/19	2019/20	Containment
4	Housing Rents and Property Voids	Government policy changes (e.g. 1% rent reduction, impacting on income projections Delays or non-delivery of the Housing Association deals and associated income at affordable rent levels. 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.) CPI inflation less than budgeted rate (from 2020/21)– reducing rental income Impact of welfare reforms on rent collection – covered in risk no. 15	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 12** Likelihood: 4 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. • Monthly Housing Delivery Group meeting of cross directorate officers monitoring progress of New Build programme and capital & revenue funding

Appendix 5

No.	Budget Item	Risk	2018/19	2019/20	Containment
5	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.	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Ensure grant conditions are complied with throughout scheme • Seek alternative funding sources • 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.
6	Revenue Savings Targets	The required savings targets are not achieved nor required efficiencies delivered	**Total Score: 2** Likelihood: 2 Impact: 1	**Total Score: 12** Likelihood: 3 Impact: 4	• The Council's strategy focuses on a three strand approach to realise the required savings in the revenue budgets with the primary focus on maximising income streams, and asset maximisation. • Report monthly to Programme Team and Programme Board (CMT) and quarterly to Executive and Performance Scrutiny Committee
7	Loss of income from partners	Key partners end existing agreements with the Council	**Total Score: 4** Likelihood: 2 Impact: 2	**Total Score: 9** Likelihood: 3 Impact: 3	• Ongoing discussions and negotiations with key partners by senior officers and members

Appendix 5

No.	Budget Item	Risk	2018/19	2019/20	Containment
8	Council Tax Base & Council Tax Support Scheme	In year variations to budget not containable within Collection Fund balances Costs to Council increased due to: – Actual CT base different to estimate – Collection rates/bad debt provisions – Increase in benefit caseload – Referendum rate of CT increases below budgeted rate	**Total Score: 6** Likelihood: 3 Impact: 2	**Total Score: 9** Likelihood: 3 Impact: 3	• 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 2018/19 and 2019/20 Council Tax is below revised referendum limit of 3%. Future increases are below 2% in years 2020/21 to 2022/23. • Annual increases in Council Tax considered alongside national expected increases

No.	Budget Item	Risk	2018/19	2019/20	Containment
9	Demand for services	Impact of Government policy changes to the tax and welfare systems and the implications of unprecedented reductions in public sector expenditure increases the demand for key Council Services (e.g. benefits, housing, homelessness) 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: 6** Likelihood: 2 Impact: 3	**Total Score: 6** Likelihood: 2 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 • Report quarterly to Corporate Management Team, Executive and Performance Scrutiny Committee
10	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: 2 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• 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

No.	Budget Item	Risk	2018/19	2019/20	Containment
11	Repairs & Maintenance on Corporate Properties	Unplanned emergency maintenance is required on the Council's Corporate Properties Impact of works on income and service delivery	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Stock condition surveys for all corporate properties have been undertaken – essential being progressed • 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 • Major Transport Hub scheme allows for full midlife refurb on newly created assets
12	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 Impact of Welfare Reform Act (see risk no. 15)	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 9** Likelihood: 3 Impact: 3	• Follow established debt recovery and write off procedures • Monitor age debt profile of debts against bad debt provision

No.	Budget Item	Risk	2018/19	2019/20	Containment
13	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 issuing 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 Business rates • Regular review of current and future predicted borrowing rates to inform timing of borrowing decisions • Actively monitoring the cash flow on a daily basis
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 Formula Grant are reduced Amount and timing of receipt of some grants not as assumed in the MTFS	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 12** Likelihood: 3 Impact: 4	• 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)

No.	Budget Item	Risk	2018/19	2019/20	Containment
15	Universal Credit and Welfare Reforms	Impact of Universal Credit and welfare reforms on rent and council tax collection rates	**Total Score: 9** Likelihood: 3 Impact: 3	**Total Score: 12** Likelihood: 3 Impact: 4	• Respond to all Government consultations • Fully assess Government policies for financial impacts • An allowance for the impact of welfare reform built into collection rates and bad debt provision in the MTFS • The impact of the spare room subsidy on rent collection rates is closely monitored and reported to the Housing Service Management Team and quarterly to Corporate Management team, the Executive and Performance Scrutiny Committee
16	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.13 & no. 20) Reductions in grant funding (covered in separate risk – see no. 5)	**Total Score: 3** Likelihood: 2 Impact: 1	**Total Score: 9** Likelihood: 3 Impact: 3	• Undertake regular monitoring of the capital receipts position • Regular reports submitted to the Asset Management Group • Capital Receipts targets incorporated in the Asset Management Plan & Capital Strategy • Property Section fully informed of current targets within the GIP & HIP • Asset Review Group monitoring of capital receipts target and evaluation of potential asset sales • 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. Full refresh of the plan undertaken at least annually.

No.	Budget Item	Risk	2018/19	2019/20	Containment
17	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: 3** Likelihood: 2 Impact: 1	**Total Score: 9** Likelihood: 3 Impact: 3	• 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

Appendix 5

No.	Budget Item	Risk	2018/19	2019/20	Containment
18	General Budget Assumptions	CPI and RPI inflation exceed rates assumed in the budget Actual establishment exceeds 99% Increase in employer pension contribution rates following triennial valuation in 2019	**Total Score: 3** Likelihood: 2 Impact: 1	**Total Score: 9** Likelihood: 3 Impact: 3	• 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

No.	Budget Item	Risk	2018/19	2019/20	Containment
19	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 localisation of Business Rate income on cash balances	**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

Appendix 6

GENERAL FUND EARMARKED RESERVES FORECAST 2017/18 to 2022/23

Description	Forecast Balance 31.03.18	Forecast Balance 31.03.19	Forecast Balance 31.03.20	Forecast Balance 31.03.21	Forecast Balance 31.03.22	Forecast Balance 31.03.23
	£	£	£	£	£	£
Business Rates Volatility	538,780	1,456,140	1,401,070	1,284,240	1,098,100	838,790
Strategic Projects - revenue costs	496,120	303,090	303,090	183,090	183,090	183,090
Grants & Contributions	428,300	384,140	339,330	293,870	247,740	200,920
Invest to Save (GF)	419,810	556,850	572,420	587,470	602,920	603,490
Mercury Abatement	377,750	413,560	371,290	317,170	264,890	214,440
Backdated Rent Review	220,000	220,000	220,000	220,000	220,000	220,000
IT Reserve	217,370	265,680	330,460	394,950	459,140	559,140
Tree Risk Assessment	116,420	136,420	156,420	176,420	196,420	216,420
Revenues & Benefits shared service	112,770	67,550	22,330	22,330	22,330	22,330
Carry Forwards	104,100	104,100	104,100	104,100	104,100	104,100
Asset Improvement	89,650	89,650	89,650	89,650	89,650	89,650
Funding for Strategic Priorities	71,110	1,397,960	1,397,960	1,397,960	1,397,960	1,397,960
Private Sector Stock Condition Survey	63,460	75,460	27,460	39,460	51,460	63,460
MA Reserve	51,320	51,320	51,320	51,320	51,320	51,320
Mayoral car	47,100	47,100	47,100	47,100	47,100	47,100
Property Searches	36,450	36,450	36,450	36,450	36,450	36,450
Managed Workspace	35,000	35,000	35,000	35,000	35,000	35,000
County Wide Broadband Initiative	34,000	34,000	34,000	34,000	34,000	34,000
Christmas Market	25,000	25,000	25,000	25,000	25,000	25,000
Electric Van replacement	22,150	26,580	31,010	35,440	39,870	44,300
Air Quality Initiatives	22,040	27,550	33,060	38,570	44,080	49,590
Christmas Decorations	17,240	17,240	17,240	17,240	17,240	17,240
Section 106 interest	13,980	13,980	13,980	13,980	13,980	13,980
Boston Audit Contract	13,800	13,800	13,800	13,800	13,800	13,800
Commons Parking	13,580	13,580	13,580	13,580	13,580	13,580
Tank Memorial	10,000	10,000	10,000	10,000	10,000	10,000
Organisational Development	8,460	8,460	8,460	8,460	8,460	8,460
Yarbrough Leisure Centre	1,670	1,670	1,670	1,670	1,670	1,670
Unused DRF	690	690	690	690	690	690
Sinking Fund - MSCP & Bus station midlife refurb	0	0	0	0	44,160	89,210
TOTAL GENERAL FUND	**3,608,120**	**5,833,020**	**5,707,940**	**5,493,010**	**5,374,200**	**5,205,180**

Appendix 6

HOUSING REVENUE ACCOUNT EARMARKED RESERVES FORECAST 2018/19 to 2022/23

Description	**Forecast Balance 31.03.18**	**Forecast Balance 31.03.19**	**Forecast Balance 31.03.20**	**Forecast Balance 31.03.21**	**Forecast Balance 31.03.22**	**Forecast Balance 31.03.23**
	£	**£**	**£**	**£**	**£**	**£**
Repairs Account	512,060	512,060	512,060	512,060	512,060	512,060
Capital Fees Equalisation Reserve	327,240	303,420	261,880	231,840	231,840	231,840
Strategic Priority Reserve	240,000	240,000	240,000	240,000	240,000	240,000
Invest to Save (HRA)	163,560	163,560	163,560	163,560	163,560	163,560
De Wint Court Reserve	73,480	73,480	73,480	73,480	73,480	73,480
PI Survey	48,220	51,220	45,220	48,220	42,220	45,220
Stock Condition Survey (HRA)	22,340	22,340	22,340	22,340	22,340	22,340
TOTAL HOUSING REVENUE ACCOUNT	**1,386,900**	**1,366,080**	**1,318,540**	**1,291,500**	**1,285,500**	**1,288,500**

Capital Strategy – 2018/19 to 2022/23

Introduction

This Capital Strategy details how the Council deploys and will subsequently manage its capital resources thereby explaining the Council's financial framework for capital investment in support of its strategic priorities and Vision 2020. The strategy sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to the risk and reward and impact on the achievement of priority outcomes. The Capital Strategy links to and supports the Strategic Plan and the Asset Management Plan.

This strategy covers all aspects of the Council's capital expenditure, resourced both directly by the Council and where resources have been attracted through external funding opportunities.

The Council's capital programme consists of two elements:

- The General Investment Programme (GIP) with a budget for 2018-23 of £16.209m

- The Housing Investment Programme (HIP) with a budget for 2018-23 of £76.695m

Details of both are shown in Appendices 2 and 4 of the MTFS respectively

Both are accounted for separately, but the schemes making up the two programmes are subject to the same scrutiny and monitoring arrangements to ensure their effective delivery.

Purpose and Objectives

The overall purpose of the Capital Strategy is to ensure that all capital investment undertaken is in accordance with the Council's strategic priorities and Vision 2020.

This Capital Strategy seeks to achieve a number of specific objectives:

- Ensure that capital expenditure supports a defined priority of the Council

- Ensure that the Capital Programme is realistic, affordable and well managed to avoid project over-runs and expensive claims beyond the budgeted scheme value, demonstrates stewardship, prudence and sustainability

- Rationalise asset holdings using disposal as a source of financing where appropriate and invest appropriately in invest to save schemes

- Ensure that any on-going revenue cost implications are understood and accounted for and wherever possible, capital investment is focussed on areas that yield on-going revenue savings.

Policy and Financial Planning Framework

The Council's capital programme and its subsequent revenue implications form part of the MTFS and as such, is one of a suite of plans and strategies that sit within the Council's Policy and Financial Planning Framework. Linkages with other key strategies and plans are identified below:

Asset Management Plan

The Capital Strategy and the Asset Management Plan run alongside each other and have a number of key linkages. These include capital receipts and asset disposal programmes, maintaining, improving and deploying the Council's buildings to support delivery of services and potential loss of income from asset sales.

The MTFS includes capital receipts targets (capital monies received from the sale of council land and property) for both the General Investment Programme and the Housing Investment Programme, which are then incorporated into the Asset Management Plan. The Property Services Team keeps under review the need for asset disposal and acquisition to meet strategic priorities and this is monitored by the Asset Management Group (a sub-group of the Executive). All proposed property disposals are reported to and agreed by the AMG or the Executive.

Housing Business Plan

Under the self-financing housing system the Business Plan provided the overall vision for the HRA and housing stock over a 30 year period. This includes the continued retention of the housing stock, ensuring it is maintained to the Lincoln Standard, identification of tenants' priorities for regeneration/redevelopment, and investment in new builds. The Housing Investment Programme represents the detailed delivery of the HRA Business Plan over the next 5 years. Further borrowing for investment in the HRA is not anticipated – there is a debt cap of £66.017m imposed following the introduction of the self-financing regime with current levels of borrowing at £58.113m.

Financing the Capital Programmes

The resources necessary to fund the Council's Investment Programmes come from a variety of sources:

- Capital Receipts – from the sale of Council assets
- Use of Council's own resources – depreciation, contributions from revenue and use of reserves
- Capital Grants and Contributions
- Prudential Borrowing – borrowing that is affordable, sustainable and prudent and in accordance with approved limits as detailed in the Treasury Management Strategy

The Council's capital programme is projected for a five-year period and is approved by full Council each year. It is monitored throughout the year by the Capital Programme Board, the Housing Delivery Group, Performance Scrutiny Committee and the Executive. The Capital Programme Board and the Executive have varying levels of authority to approve changes to the programme during the year. A distinction is made between the General Fund schemes (GIP) and Housing Revenue Account schemes (HIP), although both are subject to the same degree of scrutiny and approval mechanisms.

Capital Prioritisation

In an environment of financial constraints and competing pressures on the Council it is important that the Council adheres to its methodology for prioritising potential projects and schemes. The methodology is based on both corporate and service based priorities. As well as considering capital costs and funding, attention is also focussed on the revenue implications of any capital expenditure to ensure the Council will not inherit a legacy of increased revenue costs. Therefore, only whole life costs are considered when evaluating potential capital projects including the costs of MRP and borrowing costs.

The process for gaining approval for a capital project is as follows. A project brief is submitted to the Programme Board i.e. the Capital Programme Board for evaluation against an agreed set of criteria, including how well the proposal meets the strategic priorities and budget priorities, whether partnership working and external resources are available and the operational feasibility. If outline approval is granted by the Capital Programme Board, the project brief is submitted to the Corporate Management Team (CMT) and then Executive for approval. This is as detailed in the Lincoln Project Management Model, which provides the approved guidance for the initiation, approval and management of all projects.

Knowledge and Skills

The Council's Capital Strategy is reviewed annually and compiled by the Chief Finance Officer, an experienced and qualified accountant. External advice is available from the Council's Treasury Management advisors (Link Asset Services) who offer a range of services in relation to borrowing advice, leasing and capital investment options. Additional specialist tax advice in respect of tax implications for property transactions is available from external suppliers of this service. The council has an in-house legal team and additional specialist legal support is available from external sources.

Conclusion

The Council's Capital Strategy is a 'live' document, which provides a framework for the deployment and management of capital resources across the organisation in accordance with corporate priorities. It is, therefore, the framework for capital investment across the Council. The Strategy will be reviewed annually, to ensure it is kept up to date and is relevant and effective.