LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

COUNCIL MEETING

Wednesday, 28 February 2018 - 6.00 p.m.
Morecambe Town Hall

Susan Parsonage,
Chief Executive,
Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ

LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

Sir/Madam,

You are hereby summoned to attend a meeting of the Lancaster City Council to be held in the Town Hall, Morecambe on Wednesday, 28 February 2018 commencing at 6.00 p.m. for the following purposes:

1. **APOLOGIES FOR ABSENCE**

2. **MINUTES**

   To receive as a correct record the Minutes of the Meeting of the City Council held on 31st January 2018 (previously circulated).

3. **DECLARATIONS OF INTEREST**

   To receive declarations by Members of interests in respect of items on this Agenda.

   Members are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

   Whilst not a legal requirement, in accordance with Council Procedure Rule 9 and in the interests of clarity and transparency, Members should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

   In accordance with Part B Section 2 of the Code Of Conduct, Members are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

4. **ITEMS OF URGENT BUSINESS**

5. **ANNOUNCEMENTS**

   To receive any announcements which may be submitted by the Mayor or Chief Executive.

6. **QUESTIONS FROM THE PUBLIC UNDER COUNCIL PROCEDURE RULE 11**

   To receive questions in accordance with the provisions of Council Procedure Rules 11.1 and 11.3 which require members of the public to give at least 3 days' notice in writing of questions to a Member of Cabinet or Committee Chairman.

7. **PETITIONS AND ADDRESSES**

   To receive any petitions and/or addresses from members of the public which have been notified to the Chief Executive in accordance with the Council's Constitution.

8. **LEADER'S REPORT** (Pages 1 - 3)

To receive the Cabinet Leader's report on proceedings since the last meeting of Council.

REPORTS REFERRED FROM CABINET, COMMITTEES OR OVERVIEW AND SCRUTINY

9. **BUDGET FRAMEWORK 2018 TO 2022** (Pages 4 - 118)

To consider the report of Cabinet.

10. **TREASURY MANAGEMENT STRATEGY 2018/19** (Pages 119 - 153)

To consider the report of Cabinet.

OTHER BUSINESS

11. **COUNCIL TAX 2018/19** (Pages 154 - 159)

To consider the report of the Chief Officer (Resources)

12. **PAY POLICY STATEMENT** (Pages 160 - 166)

To consider the report of the Chief Executive.

13. **APPOINTMENTS TO OUTSIDE BODIES - LANCASTER CANAL REGENERATION PARTNERSHIP** (Pages 167 - 169)

To consider the report of the Chief Executive.

14. **DESIGNATION OF MONITORING OFFICER** (Pages 170 - 172)

To consider the report of the Chief Executive.

15. **QUESTIONS UNDER COUNCIL PROCEDURE RULE 12**

To receive questions in accordance with the provisions of Council Procedure Rules 12.2 and 12.4 which require a Member to give at least 3 working days' notice, in writing, of the question to the Chief Executive.

16. **MINUTES OF CABINET** (Pages 173 - 191)

To receive the Minutes of Meetings of Cabinet held 7th February and 13th February 2018.

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Chief Executive

Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ

Published on Tuesday 20th Feburary 2018.

COUNCIL

Leader's Report

28 February 2018

Report of the Leader of the Council

PURPOSE OF REPORT
To present the Leader's report to Council.
This report is public.

RECOMMENDATIONS

To receive the report of the Leader of Council.

REPORT

1.0 Cabinet

Information on Cabinet matters is provided in the minutes from the Cabinet meeting held on 7 February 2018 and 13 February 2018 later in this agenda.

2.0 Decisions required to be taken urgently

There are no decisions to report since the last Leader's Report on 31 January 2018.

3.0 Leader's Comments

On Wednesday 17 January, members of the Museums Cabinet Liaison Group visited the Maritime Museum. This was the first time that most members had been behind the scenes in the Museum. The aim was to view the spaces that the Council stores its artefacts. It is a magnificent building but it is very cramped and we have some fantastic exhibits that will never be seen by the public. Cabinet has received a report on 'Beyond the Castle' and this building's usage could be entirely different if the archaeological findings come to fruition. The report on the Museums Service and on archaeological opportunities are both very interesting. The Archaeology report is fascinating, both in its historical context and the possibility of significant findings for Lancaster.

On 24 January I attended a lecture by Archbishop John Sentamu at the University of Cumbria. He was opening the new building named after him. It is a lecture theatre with all the latest technology. He spoke well about education and how it changes, and his strength is his ability to be self-deprecating and to introduce humour into his speeches. He and his wife spoke to the Mayor and Mayoress and myself at the reception afterwards and they are both very friendly, very natural people to engage with.

The University Court took place on Saturday 26 January. This will be the last of its kind as the University Council has decided to change the format. They are intending to bring the Court into the public arena with various changes and to improve the links to the City. They will hold public meetings and allow questions to be asked. It was a very good debate at which the Mayor and myself spoke. The speakers were sorry to lose the existing contact, many coming from long distances to attend. We will watch with interest how the new arrangements engage with the public.

The Rt Hon Alan Milburn, Chancellor of Lancaster University, talked about the success of the University's African expansion into Ghana and into Malaysia and China. He said the University is based on the principles of equity and excellence together with diversity. The Times 'University of the Year' needs to have a mission for the future in a time of rapid change.

Roger Liddle, Pro-Chancellor and Chair of the University Council, said that the University needs to widen and modernise their engagement strategy and to have even closer links to Lancaster City Council. Professor Mark Smith, the Vice-Chancellor, spoke of the links being very close and the two bodies working together on projects and having regular meetings. He spoke of 'fruitful ongoing cooperation'. The Health Innovation Campus is to go ahead in December with a September 2019 opening scheduled. He said that 10 years ago there were 4194 students and today 5228. There were 764 staff then and now 985 so the staff / student ratio has fallen. All speakers congratulated students and staff on gaining the University of the Year award and that Lancaster University was a clear winner.

I recently visited University House to give evidence of cooperation and good relations between the City and the University, which contributed to a Certificate of Customer Service excellence.

On 8 February Councillor Hanson and myself spoke to Dr Roger Mitchell from the Morecambe Bay Poverty Truth Commission, which is the local branch of a national organisation. They cover the Morecambe Bay area from Fleetwood to Barrow conducting research on poverty. His post is honorary as he is a volunteer who has retired from Lancaster University. They work with small groups and encourage people to tell their stories. Some third-year undergraduates and post-graduates are also taking part. He came to invite us to the launch at Lancaster Town Hall on 6 July. The NHS is very heavily involved and Dr Andrew Knox from the Clinical Commissioning Group is also part of the team. He gave evidence that there are 31 cases of rickets in Morecambe. They are keen to keep the groups cross-party. Their funding is an issue as unfortunately the County Council have withdrawn the proposed £30,000 grant from the Health and Wellbeing Partnership.

A meeting with the Chamber and the two Business Improvement Districts took place on 6 February. Items for discussion included: Visitor Information Centres, Car Parking, Markets, Digital Lancaster, Commercial Property and Frontierland. Community Gardens and Back Alleys were also discussed. We discussed business need for lettable spaces in the Local Plan and our Property Reviews. They also want the Chief Executive and myself to appeal to the County Council to withdraw their proposed cuts to the two Visitor Information Centres. We met County Council representatives on Friday 16 February when we put the case forward for this, as the City Council is again unable to fund the full amount.

Other Matters

Cabinet minutes for 7 February 2018 and 13 February 2018 are attached at the end of this agenda.

4.0 Key Decisions

The following Key Decisions were taken by Cabinet on 13 February 2018:

(1) Beyond the Castle Archaeological Site
(2) Reshaping the Council's Museum Service
(3) Fees and Charges Review – 2018/19
(4) Budget and Policy Framework Update 2018-2022
(5) Treasury Management Strategy 2018/19

There following Officer Delegated Key Decisions were taken during this period:

(1) Appointment of Constructor Team for Lancaster Lower Lune (Phase 3) Flood Risk Management Scheme (decision called-in)
(2) Renewal of SVP (Soil & Vent Pipe) and RWP (Rain Water Pipe) to High Rise Flat Blocks
(3) Condition Survey Project
(4) Flood Damage Repairs, Halton
(5) Occupational Health Provision

Background Papers

Cabinet agenda and minutes of the meetings held on 7 February 2018 and 13 February 2018.

COUNCIL

Budget Framework 2018 to 2022
28 February 2018

Report of Cabinet

PURPOSE OF REPORT
To present Cabinet's final budget proposals in order that the City Council can complete its budget setting for 2018/19 and update its financial strategy to 2022.
This report is public.

RECOMMENDATIONS:

(1) That the General Fund Revenue Budget of £16.204M for 2018/19 be approved, resulting in a Council Tax Requirement of £9.079M excluding parish precepts, and a Band D basic City Council tax rate of £220.36.

(2) That the Medium Term Financial Strategy (MTFS) be approved as set out at Appendix A, subject to Council agreeing the following:

(a) That the supporting General Fund revenue budget proposals be approved, as summarised at Annexes 1(i) and (ii).

(b) That the Housing Revenue Account budgets and future years' projections be approved, as set out at Annex 3.

(c) That the Policy and Statement on Provisions and Reserves be approved, as set out at Annexes 4 and 5.

(d) That the General Fund Capital Programme be approved, as set out at Annex 6.

(e) That the Council Housing Capital Programme be approved, as set out at Annex 7.

(f) That the budget transfer (virements and carry forwards) limits be approved, as set out at Annex 8.

(3) That Council notes the Section 151 Officer's advice regarding robustness of budget estimates, the adequacy of reserves and balances and the affordability of borrowing.

1 INTRODUCTION

1.1 Following its meeting on 13 February Cabinet has now finalised its budget framework proposals for General Fund, with Council Housing proposals being finalised at the earlier meeting on 16 January. These are all now reflected in the recommendations of this report.

2 STRATEGIC OVERVIEW FROM CABINET

2.1 In strategic terms the main challenge of budget setting is to match priorities and corporate planning objectives against what is affordable financially.

2.2 This year we undertook a strategic review of the Council's existing priorities and services, including performance, as well as looking at options to innovate and modernise. In due course Council will be asked to approve a new Corporate Plan that focuses on four themes over the period 2018 to 2022, namely:

- Clean and Safe Neighbourhoods
- Healthy and Happy Communities
- A Thriving and Prosperous Economy; and
- An Ambitious and Forward-Thinking Council.

As outlined at the last Council meeting, we have developed, prioritised and planned a programme of efficiencies, income generation and invest-to-save proposals. Budget proposals are presented in relation to the above themes.

2.3 Many of the budget proposals focus on income generation and efficiency savings, as the Council needs to balance its budget for the medium term. Cabinet's strategy includes the use of reserves in the next two years, which it is hoped will both help us to achieve progress in our priority areas and lead to increased income to support our priority areas. Notable examples include the business case development for a solar farm, the clearance of land jointly owned by ourselves and Lancashire County Council at Heysham Gateway for industrial use, expansion of the facilities at Williamson Park, and modernising the waste collection service.

2.4 Following the Final Local Government Settlement and a review of business rate income prospects, it is pleasing to note that our prospects have improved, and in turn this should help provide more funds for delivering against our priorities. Nonetheless, there are still many uncertainties to overcome and improvements to our funding outlook are by no means certain. We are not alone in this; many local authorities up and down the country are also similarly affected. Until such time as Government clarifies what its intentions are regarding the future of Local Government finance, we will continue to help protect the longer term viability of services through council tax and other income generation, and this is reflected in our proposed financial strategy.

2.5 In finalising our budget proposals, we have considered the feedback from the last Council meeting and our responses are as follows.

a. **That £20,000 be allocated to distribute to people in need via the Citizens' Advice Bureaux (CABs) and that the funds be administered by way of a voucher system, not cash.**

Council may be aware that Lancashire County Council already operates a crisis support scheme which offers some help with food parcels, heating costs and household items subject to eligibility criteria. There are also several charities and voluntary organisations in the district that provide food parcels and hot meals. Rather than move into providing or duplicating those types of services, Cabinet believes that the Council is better focusing its efforts on providing other forms of support to those most vulnerable, for example through its council tax and benefits systems, its support to CABs and other voluntary organisations, and through its various housing support services, as examples.

b. **That funds be made available for 'secondary parks' such as Scotch Quarry to address infrastructure and litter picking issues. The suggestion was for a £30,000 fund.**

Cabinet appreciates the contribution that the community can make in helping to manage and improve various open spaces. It proposes, during the course of 2018/19, to develop a plan for working with community groups to maximise the impact that any Council funding could have, in support of this idea being considered for the 2019/20 budget.

c. **That Cabinet seeks to reduce the anticipated spend on consultants in 2018/19.**

In order to ensure sufficient capacity and expertise is in place to deliver the Council's objectives, consultancy support of various forms will inevitably be needed. That said, specific monitoring and reporting arrangements will be introduced during next year (as part of the usual quarterly monitoring) to improve the transparency and accountability for interim posts and other consultancy support, and to provide assurance that they provide value for money and meet the Council's requirements. Also, within Cabinet's budget proposals, more information has been included regarding key development proposals such as Williamson Park, Salt Ayre and the Solar Farm – costs for the latter now exclude detailed design as these would only be incurred should the business case stack up, and following further consideration by Members.

2.6 Separately, Cabinet is conscious that a number of reviews from previous years are currently awaiting clarification on wider developments, or they are on hold. These include the outstanding job evaluation (pay and grading) reviews, and it is anticipated that the approach and timing of this will be revisited during 2018/19, as part of a broader piece of work covering organisational development more generally.

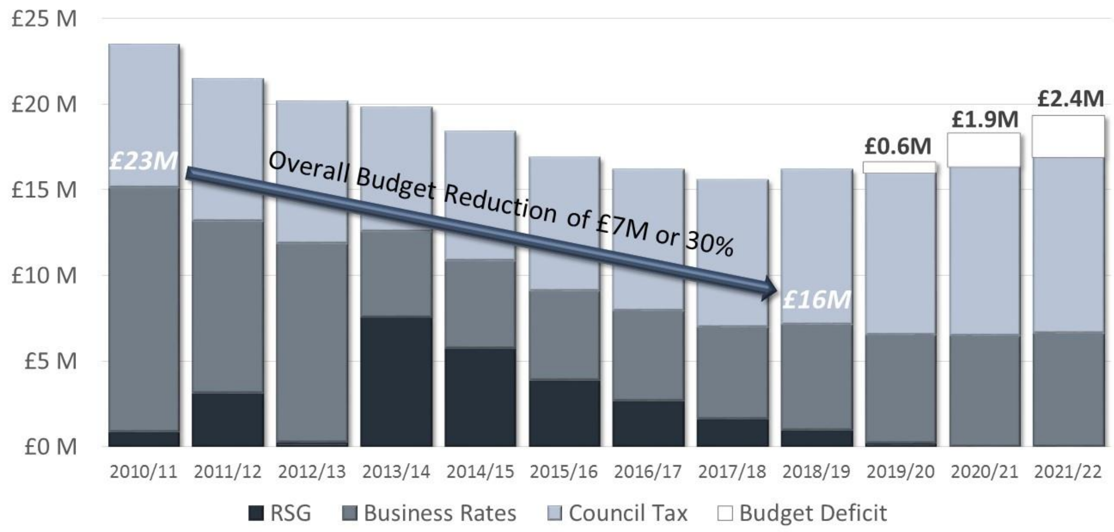
2.7 Council is now presented with Cabinet's full budget proposals for the coming year. The key points and main changes since last Council are outlined in the following sections.

3 **GENERAL FUND**

3.1 **Revenue Budget**

3.1.1 The financial challenges still facing the Council, and the progress made so far, must both be appreciated and these aspects are shown in the following diagram.

The Budget: Past, Present and Future



3.1.2 Since 2010/11, in cash terms the Council has reduced its net spending by around £7M or 30%. In real terms the reductions quoted would be substantially more, taking into account the impact of inflation.

3.1.3 Looking to the future, it is still anticipated that the Council will have to reduce its annual net spending on services by another £2.4M or so by 2022, on top of what it has already saved.

3.1.4 Full details are provided in the updated Medium Term Financial Strategy (MTFS), which is set out in ***Appendix A*** for Council's consideration. This incorporates all of Cabinet's budget proposals. In addition, the detail behind specific General Fund savings and growth is attached at ***Appendix B***.

3.1.5 As was reported in February, the bulk of the MTFS remains much the same, other than reflecting Cabinet's revision to future budget strategy. The key figures and targets set out in the MTFS are replicated overleaf.

Target	2018/19	2019/20	2020/21	2021/22
Target Budget Requirement	£16.204M	£16.015M	£16.376M	£16.941M
Target Council Tax Requirement	£9.079M	£9.487M	£9.910M	10.327M
Target Council Tax Increase (Band D)	£6.39 2.99%	£6.59 2.99%	£6.78 2.99%	£6.99 2.99%
Target Council Tax Rate (Band D)	£220.36	£226.95	£233.73	£240.72
Year on Year Net Savings Requirement (assumes recurring savings achieved)	**-**	**£0.649M**	**£1.293M**	**£0.461M**
Cumulative Net Savings Requirement	**-**	**£0.649M**	**£1.942M**	**£2.403M**

3.1.6 Taking account of the agreed 2.99% increase in Band D council tax and the final Settlement, the resulting General Fund Revenue Budget needs to be set at £16.204M. In simple terms this translates into a 2.3% year on year increase in net spending. This is the first time since 2010/11 that the Council's net budget has increased year on year.

3.1.7 The actual basic Band D City Council tax payable (excluding parish precepts) would be £220.36, which would raise income of £9.079M for City Council services. Increases for other bandings are included in the attached MTFS.

3.1.8 In support, Council is recommended to approve updated revenue proposals as summarised at ***Annexes 1 (i and ii)*** to the MTFS. These take into account the decisions of Cabinet at its meeting on 13 February, subject to call-in.

3.2 **Provisions, Reserves, and Balances**

3.2.1 As a whole, Cabinet's budget proposals are based on Balances reaching £4.668M by 31 March 2018. The s151 Officer advises that the minimum level of General Fund Balances should be retained at no less than £1.5M.

3.2.2 Should the outturn for this year be as expected, the position would mean that the Council has over £3M of surplus Balances available for use over and above the recommended minimum level of £1.5M. Further information is included within the attached MTFS.

3.2.3 A full review of other reserves and provisions has been completed as reflected in the policy and statements at ***Annexes 4 and 5*** to the MTFS. These funds will help progress a number of initiatives in line with the Council's priorities, as well as providing more flexibility to support future planning. The policy is in line with the s151 Officer's further comments and advice, which is included at the end of this report.

3.3 **Capital Programme**

3.3.1 The proposed General Fund investment programme for the period to 2021/22 is included at ***Annex 6*** to the MTFS. This now reflects Cabinet's budget proposals.

3.3.2 The proposed programme retains a strong focus on ensuring that the Council's infrastructure and facilities are fit for purpose, as well as retaining previously approved measures to help promote health and wellbeing, and public realm improvements to help promote economic growth and generate income.

3.3.3 The current year's Revised Programme now stands at £12.146M. During the next four years, a further £21.196M of investment is currently planned, giving a total 5 year programme of £33.342M.

3.3.4 Overall the programme is balanced, allowing for a gross increase of £13.713M in the underlying need to borrow (known as the Capital Financing Requirement or CFR), over the period to 2021/22.

3.3.5 Over the course of the last year, the financing movements are as follows:

Key Changes (Budget Council March 2017 to Feb. 2018)	**Movements in Financing**
	£'000
CFR Increase	+2,161
Increase in Capital Receipts	+711
Use of Earmarked Reserves	+1,116
Reduction in Direct Revenue Financing	(27)
Use of External Grants and Contributions	+4,189
Total Changes	**+8,150**

** *Movement from the original 4-year 2017/18 to 2020/21 programme, to the proposed 5-year for 2017/18 to 2021/22.*

3.3.6 It can be seen that capital receipts forecasts have increased by £711K to reflect recent disposal decisions. This results in assumed total receipts financing of £1.581M over the period to 2020/21. Of this amount, around £1.1M has either already been received, or is linked to the progression of a related scheme proposal (Heysham Gateway), and therefore associated financing risks are fairly low.

3.3.7 In terms of CFR related charges against the revenue budget, over the next four years they are estimated as follows:

	Minimum Revenue Provision	External Interest	Total CFR Related Charges
	£'000	**£'000**	**£'000**
2018/19	1,766	1,093	**2,859**
2019/20	1,915	1,099	**3,014**
2020/21	2,143	1,106	**3,249**
2021/22	2,368	1,112	**3,480**

3.3.8 Much of the CFR increase over the coming years is linked to short-lived assets (vehicle and ICT replacements), as well as longer-term corporate property works. Additional asset management capacity is now in place, and a number of key projects, such as Canal Corridor North, Bailrigg Garden Village, Accommodation and Heysham Gateway, will help clarify the Council's future property strategy. Through future asset management reviews it is anticipated that capital financing costs can be reduced and this too is provided for within the Council's MTFS.

3.3.9 The above capital investment plans link closely with aspects of treasury strategy, included elsewhere on the agenda. Essentially capital investment decisions cannot be divorced from revenue budget setting and the challenge of balancing priorities against affordability applies equally to both. Members will note from the treasury report that the regulatory framework for local authority investment and borrowing is changing, and it is anticipated that updated proposals will be presented to Council during the course of 2018/19, to link with (and inform) Cabinet's mid-year budget and Canal Corridor North (CCN) developments.

4 COUNCIL HOUSING (THE HOUSING REVENUE ACCOUNT)

4.1 Rent Policy and 30-Year Business Plan Impact

4.1.1 The Council has a legal requirement to maintain a separate ring-fenced account for the provision of local authority housing, known as the Housing Revenue Account (HRA). This covers the maintenance and management of the Council's housing stock.

4.1.2 Prior to 2016/17 the HRA was well placed to invest and enhance its service provision significantly, but the Council's opportunities in this area fundamentally reduced as a result of subsequent Government policy changes.

4.1.3 Unfortunately, through the Welfare Reform and Work Act 2016, the Government removed the ability of the Council to determine its own rent policy and these restrictions are expected to last until 2019/20.

4.1.4 On a more positive note, however, more recently Government has clarified to some degree its policy intentions for 2020/21 onwards. From then on – or at least for a five year period – local authorities should be able to revert to increasing general average rents year on year by Consumer Price Index (CPI) inflation plus 1%.

4.1.5 Taking the above points into account, the Council's current rent policy is summarised as follows:

For general properties, average rent of £71.27 applies for 2018/19, representing a 1% year on year reduction.	For sheltered and supported properties, average rent of £66.31 applies for 2018/19, also representing a 1% year on year reduction.
For 2019/20 average rents will reduce by 1% year on year.	
Following relevant properties becoming vacant, they will be re-let at 'formula rent' less the relevant cumulative year on year reduction applicable (i.e. generally -3% for 2018/19 rising to -4% in 2019/20).	
For 2020/21 onwards, it is assumed that council housing rents will increase by 3.2% year on year, subject to annual review of inflation forecasts, and any future determinations that may be issued by Government from time to time.	

4.1.6 The Government restrictions on rent setting to 2019/20 were estimated to cost around £90M over the life of the 30-year business plan. The more recent announcement on relaxing those restrictions means that potentially, the Business Plan could improve by around £60M, giving rise to a surplus of £69M by the end of the 30-year period, albeit recognising the risks regarding long term rent policy. To demonstrate, should Government legislate to allow only CPI increases (with no plusage) from 2025/26 onwards, then the £69M projected surplus would reduce down to somewhere nearer £35M.

4.1.7 This would still be very positive compared with expectations a year ago, but it does highlight the extent to which future rent policy uncertainty drives business and financial planning uncertainties, and the need to keep core assumptions and expectations under review.

4.2 Revenue Budget

4.2.1 Despite the rent policy uncertainties, Cabinet remains committed to improving services to its housing tenants, and it also recognises the ongoing challenges that tenants face in the wake of ongoing welfare and other potential social housing reforms.

4.2.2 Through the business planning process the following needs have been identified:

- Develop and implement a marketing strategy to rebrand council housing to become 'housing of choice';
- Continue with aspirations for new build council housing to meet demand and investigate alternative vehicles for delivery;
- Protect current income and increase going forward through reducing empty home turnover and improvements to the 'end to end' lettings process to generate efficiencies (i.e. lean thinking);
- Continue to improve the effectiveness and efficiency of the Repairs and

Maintenance Service (RMS) through investment in technology to extend mobile working;

- Improve tenancy management and support by increasing capacity in early intervention and prevention to support tenants struggling with maintaining tenancies, debt (impact of Universal Credit) and promote pathways into employment.
- Continue with existing support to community centres, ahead of a wider VCFS review.

4.2.3 Strategies are being developed to address these issues and drawing on this, as set out in ***Appendix C,*** there are a number of income generation and growth areas included in Cabinet's HRA budget proposals:

a) Income Generation:
- Conversion of former scheme manager dwellings
- Conversion of redundant shops
- New build garages at Carnforth

b) Growth
- Increasing income management officer capacity
- Increasing Household Intervention officer capacity
- Extending support to the Marsh Community Centre for one year.

4.2.4 Various other operational measures have been built into the draft budget forecasts. More specifically, Council should note that actions arising from the ongoing review of how council houses are repaired and maintained may well have investment implications going forward, but on the basis that any such needs should be more than offset by the efficiency savings to be generated. The outcome of the review will be reported in the Autumn and it is very important, not least to prevent recurrence of overspendings and improve the service to tenants.

4.2.5 The associated summary of HRA budget proposals is attached at ***Annex 3***.

4.3 **Capital Programme**

4.3.1 The proposed Council Housing capital programme is included at ***Annex 7.***

4.3.2 Future years' programmes are set in line with the HRA Business Plan wherever possible. Drawing on this, the draft programme should enable current housing stock to be maintained to the appropriate standards, meeting the Council's obligations under Decent Homes, and compliance with any other statutory regulations.

4.3.3 In terms of increasing council housing supply, existing schemes are moving forward to a degree, i.e. the two schemes at Carnforth are being progressed to full planning approval, and conversion of other buildings is provided for within Cabinet's budget proposals referred to earlier, but work on all other schemes is still on hold for now.

4.3.4 On that note, Government has recently announced that it intends to bring forward a Green Paper on the future of social housing. At this moment in time there are no details or timetable but this could clearly have an influence on the Council's future strategies to provide more social housing in the district.

4.3.5 Also, based on Government's recent announcement on rent setting from 2020/21, it is more feasible for other options to be explored in terms of how the Council might seek to help increase housing stock, within (or alternatively outside of) the HRA. This needs careful consideration, hence it is likely to be put forward for consideration either as part of the 2018/19 mid-year review or for 2019/20 budget planning. By then, more might be known regarding the Government's intended Green Paper.

4.3.6 Taking account of the above points, the total draft five year programme for 2017/18 onwards now stands at £21.280M, the majority of which will be financed from revenue sources. There is no prudential borrowing requirement.

4.4 **Provisions, Reserves and Balances**

4.4.1 A formal review of the HRA's Balances, Reserves and Provisions has been undertaken, the outcome of which is also reflected in ***Annexes 4 and 5.***

4.4.2 In terms of Balances, after reviewing the Housing Revenue Account and General Fund in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer has advised maintaining the minimum level of HRA Balances at £500K from 01 April 2018 to support the budget forecasts, as part of the overall medium term financial planning for the HRA.

4.4.3 As at 31 March 2018 HRA Balances are forecast to be £1.938M, which is £1.438M above the recommended minimum level.

4.4.4 All other surplus resources are held in the Business Support Reserve. As at 31 March 2018, around £8.3M is expected to be available in this reserve. The first spending priority is still to support existing commitments over the lifetime of the 30-year Business Plan, but Government's recent clarity on rent policy for 2020/21 (at least for five years) should give more flexibility for the service and its future sustainability.

5 **OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)**

5.1 Revenue Budget

Council may adjust its General Fund revenue budget proposals, as long as the overall budget for 2018/19 balances and fits with its approved council tax level. The Chief Officer (Resources), as s151 Officer, continues to advise that wherever possible, emphasis should be on reducing future years' net spending.

Similarly, Council could consider alternative budget proposals for the HRA, but it cannot change rent levels.

5.2 Capital Investment and Programming

For capital, Council may adjust its capital investment and financing proposals taking account of spending commitments and priorities, but its proposals for 2017/18 and 2018/19 must balance.

5.3 Other Budget Framework Matters (Reserves and Provisions / MTFS)

Given known commitments, risks and council tax and housing rent restrictions there is little flexibility in financial terms, but Council could consider different budget strategies to be appraised for future years, or alternative arrangements for approving the use of various reserves, or different virement and/or carry forward limits. On the whole, however, previous arrangements have worked reasonably well and so no other fundamental changes are proposed.

5.4 Section 151 Officer's comments and Advice
Council is required to note this formally in the minutes of the meeting, hence it is reflected in the recommendations

5.5 Depending on the nature of any alternative proposals put forward, Officers may need time to assess the risks and implications. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision-making.

6 CONCLUSION

6.1 This report addresses the actions required to complete the budget setting process for 2018/19, and for updating the Council's associated financial strategy.

RELATIONSHIP TO POLICY FRAMEWORK The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) No additional impact identified – any specific issues have been (or will be) considered as part of the relevant aspect of the policy framework or individual budget proposals, etc. Where appropriate, equality impact assessments have been produced and are available in connection with Cabinet's specific budget proposals.
LEGAL IMPLICATIONS Legal Services have been consulted and are content with the report but will consider further the development and implementation of relevant budget proposals in due course to ensure legal aspects are fully considered.
FINANCIAL IMPLICATIONS As set out in the report.
OTHER RESOURCE IMPLICATIONS **Human Resources / Information Services / Property / Open Spaces:** Various budget proposals have resource implications and these have been taken account of in Cabinet's consideration of budget options as far as possible at this stage. Their implementation would be in accordance with council policies and procedures, as appropriate. Furthermore, it is recognised that additional resource needs may be required and arrangements are in hand to assess and address these.
SECTION 151 OFFICER'S COMMENTS The Local Government Act 2003 placed explicit requirements on the s151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves; this requirement is addressed below. Previous Cabinet reports have already

included some relevant details of this advice, together with the risks and assumptions underpinning the budget process so far.

Provisions, Reserves and Balances

- Specific earmarked reserves and provisions are satisfactory at the levels currently proposed.
- Unallocated minimum balances of £1.5M for General Fund and £0.5M for the Housing Revenue Account are reasonable levels to safeguard the Council's overall financial position, given other measures and safeguards in place, taking a medium to longer term view.

The above advice regarding unallocated balances is dependent upon other provisions and reserves remaining broadly at proposed levels, unless a specific policy change indicates otherwise. It is dependent upon Council not varying substantially the budget proposals as set out.

As a very simple measure, the inherent value of the risks facing the Council by far exceeds the total of all reserves and balances. Whilst it is not the case that all these risks could fall due immediately, Members should appreciate the need for holding balances and reserves more generally, and using them wisely. It is inappropriate to view simply the level of funds held, without considering the reasons as to why those funds might be needed.

Robustness of Estimates

A variety of exercises have been undertaken to establish a robust budget for the forthcoming year. These include:

- producing a base budget, taking account of service commitments, pay and price increases and expected demand / activity levels as appropriate, and the consideration of key assumptions and risks;
- reviewing the Council's services and activities, making provision for expected changes;
- reviewing the Council's MTFS, together with other corporate monitoring information produced during the year;
- undertaking a review of the Council's borrowing needs to support capital investment, in line with the Prudential Code.

These measures ensure that as far as is practical, the estimates and assumptions underpinning the base budget are robust, and the proposed MTFS presents a reasonable approach for the way forward. The Council has recognised the tendency for optimism bias regarding income forecasts particularly and this will be taken account of in the development of future key budget proposals and business cases. Furthermore, arrangements are in hand to assess capacity needs and programming to help ensure successful delivery of key projects. Coupled with sound programming, the Budget Support reserve provides scope to help address any shortfalls in capacity etc.

Affordability of Spending Plans

In addition, the s151 Officer is responsible for ensuring that when setting and revising Prudential Indicators, including borrowing limits, all matters to be taken into account are reported to Council for consideration.

In considering affordability, the fundamental objective is to ensure that the Council's capital investment remains within sustainable limits, having particular regard to the impact on council tax for General Fund and housing rents for Council Housing investment. Affordability is ultimately determined by judgements on what is 'acceptable' - this will be influenced by public, political and national influences.

The factors that have been (and should be) taken into account in considering capital investment plans include the following.

- availability of capital resources, including capital grants, capital receipts, etc
- existing liabilities, service needs, commitments and planned service / priority changes
- options appraisal arrangements (including the extent to which other liabilities may be avoided, through investment decisions)
- revenue consequences of any proposed capital schemes, including interest and debt repayment costs of any borrowing
- future years' revenue budget projections, and the scope to meet borrowing costs
- the likely level of government support for revenue generally

In considering and balancing these factors, the capital proposals to date are based on a substantial net increase in the Council's Capital Financing Requirement (CFR) for General Fund over the period to 2021/22, with the bulk of this relating to service infrastructure and completion of invest to save initiatives (Salt Ayre). The MTFS makes provision for reducing this call through the application of receipts arising from future property rationalisation, thereby helping to manage down CFR related costs. This is an acceptable (and advisable) approach to retain.

DEPUTY MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer reminds Council that the decisions (recommendations 1 and 2) fall within the Local Authorities (Standing Orders) (Amendment) (England) 2014 and Rule 19.7 of the Council Procedure Rules, and accordingly a recorded vote should be taken.

BACKGROUND PAPERS Equality Impact Assessments for budget proposals**.**	**Contact Officer: Nadine Muschamp** **Telephone: 01524 582117** **E-mail:nmuschamp@lancaster.gov.uk**

Appendix A

Medium Term Financial Strategy 2018-2022

February 2018

Contents

1 INTRODUCTION

1.1 The Medium Term Financial Strategy (MTFS) sets out how Lancaster City Council will manage its finances to deliver against its corporate priorities, whilst protecting its financial standing and responding to the many challenges it faces. Essentially, it does this through a rolling process of policy review and financial planning.

1.2 The Council has two main types of finance, these being *revenue* and *capital*. Both are covered by this Strategy:

- The running costs of providing day to day services and associated support are known as *revenue* expenditure. This is funded through government grants, retained business rates, council tax and income from fees and charges for services, which are all forms of *revenue* income.

- Spending on things like buying or improving property, where it will have lasting value, is known as *capital* expenditure or *capital* investment. This is funded in a number of ways:

  - by selling other property, the proceeds of which are known as capital receipts;
  - by receiving capital grants and contributions from external parties;
  - by increasing borrowing need, which spreads the cost over a number of years; or by
  - using revenue income, as this can be used to help pay for capital items too.

1.3 The Council does not have to spend all its money at once. It can save funds up for various purposes and this helps its cash flow. Generally such funds are held as provisions, reserves and other balances.

1.4 The City Council is required to keep its finances for council housing completely separately to those for other services though:

– The **Housing Revenue Account (HRA)** covers council housing services, which in the main are funded from charges for services, in particular housing rents.

– The **General Fund** covers all other services provided by the Council, from arts support through to waste collection. Generally these are funded from a combination of fees and charges, Government grants, retained business rates and council tax.

1.5 Both accounts are covered by this Strategy, although inevitably there is a strong focus on General Fund services and council tax levels. This is because of their impact across the whole of the district and its communities.

2 AIMS AND OBJECTIVES

2.1 The aims and objectives of the Strategy are to:

- protect the Council's financial standing and avoid volatile or unnecessary fluctuations in the provision of council services, by:

  - providing a clear and regularly updated view of the council's future financial prospects;

- setting out the Council's key financial targets and budget constraints within which Members and Officers must operate;
- promoting and progressing the delivery of a financially sustainable and balanced budget for the medium term.

- deliver a balanced, robust budget (for both revenue and capital) each year, which:

  - matches and realigns resources to Council priorities and statutory needs;
  - is based on informed decision-making across all Council policies and activities, underpinned by risk management;
  - takes account of budget consultation with stakeholders.

- help achieve value for money in the use of the Council's resources. This includes:

  - maximising efficiency savings and, where appropriate, increasing income;
  - protecting statutory service obligations and minimising reductions in other front-line services, where possible, and
  - working with services to challenge traditional methods of service provision.

- be transparent about how the Council will manage and plan its finances, together with the implications for service delivery.

3 SPENDING AND INVESTMENT PRIORITIES

3.1 CORPORATE PRIORITIES

3.1.1 The MTFS must both support and inform the Council's vision for the district and the strategic direction as set out in the Corporate Plan. This is so that available resources are matched against agreed priorities and any other supporting needs. Such needs cover many of the day to day services provided by the Council, including statutory responsibilities, and subject to formal adoption by Council, the Council's priories for the coming years will be:

- Clean and Safe Neighbourhoods
- Healthy and Happy Communities
- A Thriving and Prosperous Economy; and
- An Ambitious and Forward-Thinking Council.

3.1.2 As funding becomes scarcer, tensions and pressures can build - over what the Council must do and what it would like to do, if it could afford to.

In short:

- The Corporate Plan sets out the Council's vision for the district and summarises the Council's medium term key priorities, what it aims to deliver and achieve, and its ethos for doing so.

- The MTFS also summarises the same key priorities, aims and objectives, but expresses them in financial terms. It also highlights any imbalance – this being the need to make savings and manage expectations.

3.1.3 The Council fully expects that this imbalance and the need to make savings will continue to grow significantly over the medium term. To address that imbalance, and to provide a financial framework within which to consider major economic regeneration proposals (for Canal Corridor North, specifically), during the course of next year a mid-year review of financial strategy will be completed. To assist with that exercise, there is a need to present clearly within this Strategy the Council's current financial position and planning assumptions, as a baseline for moving forward.

3.2 CAPITAL INVESTMENT PRIORITIES

3.2.1 For capital investment, the following supporting priorities help direct investment over the next four years, subject to the mid-year review:

- Pursuing the Council's draft Economic Regeneration Vision *(Cabinet February 2014);* the full strategy for which is still in development. This covers improvements to the Public Realm and Canal Corridor North developments.

- Delivering schemes that support the Council's focus on energy efficiency and income generation, to be informed by the Energy Renewal Strategy.

- Progressing the priorities within the Lancaster District Housing Strategy and the associated Housing Action Plan. For Council housing, currently this still includes the aim of increasing the provision of one-bedroom accommodation within the district, but subject to financial viability.

- Refurbishment/replacement/rationalisation of existing corporate property or facilities required to deliver services, or to meet other legislative requirements. This represents the greatest investment need for both General Fund and Council Housing services. For example, it includes meeting the 'Lancaster' Standard in the provision of council housing, in line with the 30-Year Business Plan.

- Other new or expansion of existing facilities and other new innovations, where they link clearly with the Corporate Plan and they are either:
  - fully budgeted or self-financing (in revenue and capital terms); or
  - invest to save proposals that require some up front capital investment but would generate cashable ongoing revenue savings. Acceptable payback periods will be determined based on circumstances, having regard to the Prudential Code (see later) and the advice of the s151 Officer.

4 REVENUE BUDGET FORECASTS

4.1 GENERAL FUND SERVICES: NET SPENDING

4.1.1 For many years, local authorities were statute bound to approve a Revenue Budget Requirement for General Fund Services, this being the amount of net spending to be financed from general Government funding and council tax (or looking at it another way, gross spending less income from fees, charges and various other/specific grants).

4.1.2 Recent changes mean that there is no longer a legal requirement or a legal definition for the term, however. Instead, the legal framework now focuses on the lower measure of 'Council Tax Requirement' – or how much income needs to be raised from council tax for that year, in order to balance the budget.

4.1.3 Nonetheless, for now the measure of Net Revenue Budget/Spending has been retained, based on it being the amount to be financed from:

- Revenue Support Grant
- Council Tax (including any related Collection Fund surplus/deficits)
- Retained Business Rate Income (calculated and adjusted as necessary, including any relevant transfers to or from the Business Rates Reserve)

4.1.4 In line with this definition, the Council's current forecasts for net revenue spending for the next four years are summarised below for General Fund services, together with council tax projections for exemplification only (in that they show how much council tax would need to increase by, if the Council achieved no further savings). The figures are also outlined at ***Annex 1***.

	Revenue Budget Projections (allowing for savings & growth)			**Council Tax Projections (for exemplification only)**		
	Net Budget	**Annual Change**	**Latest Net Contributions to or (from) Balances)**	**Average Band D Tax Rate**	**Annual Increase Year on Year**	
	£000	**%**	***£000***		**Band D**	**All Bands**
2017/18	15,839	(4.1)	(57)	£213.97	£5.00	2.39%
2018/19	16,204	+2.3	-	£220.36	£6.39	2.99%
2019/20	16,664	+2.8	-	£242.49	£22.13	10.04%
2020/21	18,318	+9.9	-	£279.53	£37.04	15.28%
2021/22	19,344	+5.6	-	£296.74	£17.21	6.16%

4.1.5 Despite the Council's achievements to date in making savings, the table clearly demonstrates that forecast net spending levels are still unsustainable in council tax terms, as tax increases of over 15% would be needed to 2021/22. The key reasons for this are analysed as follows.

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Net Revenue Budget	**16,204**	**16,664**	**18,318**	**19,344**
Following Year's Movements: (Favourable)/ Adverse:				
Employee Costs: Pay award, increments, restructures	493	365	511	*+65%*
Pension Rate Increase / Deficit Recovery	0	609	61	
Capital Financing (MRP)	128	228	226	*+19%*
New Homes Bonus Grant	(158)	436	200	*+15%*
Investment Interest	(81)	(82)	-	
Other Net Changes (e.g. other net inflation)	78	98	28	*+1%*
Total Net Increase	**+460**	**+1,654**	**+1,026**	***+3,140***
Following Year's Net Revenue Budget	**16,664**	**18,318**	**19,344**	

4.1.6 The table shows that one of the key factors is the impact of increased employee costs from pay awards, increments and pension costs *(accounting for 65% of the total net budget pressures over next 3 years)*. In addition, capital financing costs associated with vehicle renewals, redevelopments and corporate property work contribute to the increase as well as reduced funding from Government in terms of New Homes Bonus grant.

4.2 GENERAL FUND SERVICES: FUNDING PROSPECTS

Settlement Funding and Business Rates

4.2.1 Each year the Council receives funding from Government to help with the provision of services. Funding levels for the forthcoming year/s are announced through the "Local Government Finance Settlement", ahead of councils setting their budgets. Provisional funding information is announced typically in December time, for a period of consultation. The Settlement is then finalised in late January or early February.

4.2.2 There are essentially two main elements to the Settlement Funding Assessment (SFA), these being:

- Revenue Support Grant, which is a fixed amount, and

- Baseline funding from business rates. This is the basic amount of rating income that Government allows an authority to retain. If business rate income in the district grows, authorities can retain more income than the baseline. If income falls, authorities will retain less income than the baseline, although there is a safety net in place, meaning that generally, authorities cannot experience more than a 7.5% reduction in any year.

4.2.3 After allowing for income from other sources, in next year well under half of the Council's net budget for General Fund services will be funded through the Settlement Funding Assessment, with the balance being funded by other general funding streams and council tax. The SFA proportion has been reducing significantly year on year since 2010/11; back then it funded around two thirds (66%) of the net budget.

That is why Government funding prospects can have a dramatic effect on the Council's future financial strategy and service provision.

4.2.4 Back in 2015 Government announced a four-year Settlement, to assist with financial planning. This confirmed funding levels for 2016/17 and provided provisional figures for the following three years up to 2019/20, for those authorities who wished to take up the Government's offer of a multi-year Settlement. The City Council accepted this offer and accordingly its Government funding levels have been confirmed for 2018/19, although there is still the potential for change, depending on national economic factors and future local government responsibilities, etc. That said, funding levels have been affected by other business rating matters, such as the Revaluation.

4.2.5 Looking further ahead, by 2020 Government is still aiming for local authorities to be wholly funded through local taxation, meaning that by around then Revenue Support Grant (RSG) will no longer be provided. This is reflected in the Settlement Funding assumptions, with RSG reducing to nil by 2020/21.

4.2.6 To counter that loss, local authorities should be able to retain either 75% or 100% (the exact amount is still unclear) of business rates but as well as losing RSG they are expected to lose other related grants, whilst gaining new responsibilities – the overriding aim being that the new arrangements should be 'fiscally neutral'.

4.2.7 Developing such a scheme is highly complex, as it will need to take account of the differing spending needs and tax raising capacities of local authorities, to help address fairness and equality. Government is continuing to engage and consult with local authorities on this, through its Fair Funding Review, and more detailed proposals are being worked on in conjunction with the Local Government Association through joint Steering and Working Groups.

4.2.8 In the interim there are other challenges to address, such as monitoring the outcome of the 2017 Business Rates Revaluation – the aim of it being neutral in terms of the impact on local authorities has been reinforced by a reduction in the Council's business rates tariff in 2017/18 and future years. Also the Council still has a disproportionate exposure to rating appeals, particularly in relation to the two Heysham power stations. Government is currently developing measures for consideration that could assist the Council in managing the associated risks, and these should be modelled during the course of next year. Separately, business rate avoidance tactics are still a growing national and local issue.

4.2.9 In recent months it is evident that the operation and forecasting of the existing Business Rates Retention Scheme is growing more complex, and more uncertain. On a more positive note, the Council's current forecasts are improved from those a year ago, although the inherent risks of forecasting in an uncertain environment should be appreciated.

4.2.10 Members will recall (Cabinet 26 June 2017) that following the 2016/17 outturn there was potential additional net income of £4.6M in respect of business rates for that year, and that amount still remains as forecast. As a result, amounts previously held in the Collection Fund Adjustment Account are forecast to be transferred into the Business Rates Retention Reserve. Final confirmation of the amount will now be subject to the 2017/18 closure of accounts exercise, but at this point there is nothing to indicate that the figure could change substantially.

4.2.11 In terms of the revenue budget itself, business rates estimates for 2017/18 and 2018/19 are shown in the following table:

General Fund Impact	2017/18 £M	2018/19 £M
Net Business Rates Income	(22.647)	(24.546)
Tariff Payment to Government	18.298	18.848
Tariff Adjustment	0.291	0.432
Levy Payment to Government	0.458	0.616
Small Business Rate Relief Grant	(1.416)	(1.982)
Net Core Business Rates Income	**(5.016)**	**(6.632)**
Estimated Deficit / (Surplus)	2.786	(2.972)
Renewable Energy Rating Income	(0.939)	(0.928)
Transfer to / (from) Reserve	(2.442)	4.348
Overall Net Business Rates Income	**(5.611)**	**(6.184)**

4.2.12 The following table summarises the estimated 2017/18 surplus on the Collection Fund in relation to business rates, and shows an overall surplus of £7.429M of which the Councils share is £2.972M.

	2017/18 £M
Actual deficit brought forward from 2016/17	1.785
Adjusted by: Recovery of 2016/17 estimated deficit from other precepting authorities (arising from calculations done a year ago)	(6.964)
Net Surplus due to over-recovery	(5.179)
Adj: Estimated increase in deficit from reassessment of provision for appeals	2.844
Adj: Estimated surplus from other in-year transactions	(5.094)
Resulting Estimated Surplus as at 31 January 2018	**(7.429)**
City Council Share – 40%	**(2.972)**

4.2.13 As ever with business rates income forecasting, there are always risks, particularly relating to appeals. Since the 2017 Rating List went live on 01 April 2017 there have only been 2 appeals. This could potentially be due to successful introduction of the Valuation Office Agency’s new “Check, Challenge, Appeal” process, or the fact that Rating Agents are still focusing on clearing outstanding appeals from the 2005 and 2010 lists. Either way it makes it extremely difficult to forecast the level of appeals potentially arising from the new list. Given these circumstances, the Government’s estimate of 4.7% has been used as a default but this could potentially double based on previous local experience.

4.2.14 Another factor that could have impact on the level of forecast growth/additional income in future years is the potential for unplanned outages at the power stations. Such events have occurred in the past and can have a significant adverse impact on income in the year in which they occur. Interestingly, Government have just published a policy development paper on reviewing the local and central lists. This includes a timetable, running to April 2020, for re-designation of "anomalously placed" rateable properties such as power stations. Whilst it is perhaps disappointing that changes may not happen sooner, it is positive that the matter is still under review and during the course of next year, as the methodology develops, the Council should be in a position to model the potential implications.

4.2.15 Attached at ***Annex 2*** is a summary of the current Business Rates forecasts and potential scenarios that could affect them and their impact. From this it can be seen that there is no certainty when forecasting future income and therefore any potential additional growth in income cannot prudently be used to support the revenue budget.

4.2.16 Similar type risks apply too to renewable energy related income, albeit that as yet it is understood that those facilities have not yet been reflected in the updated rating list. This means that income could either increase, or decrease, in due course. More significantly, whilst it is evident that the current renewable energy rating retention arrangements will continue into 2018/19, the scheme is still assumed to continue beyond then. Again, there is risk in this.

4.2.17 Recognising all those uncertainties, the Council's future budget forecasts are based broadly on core retained general business rate income being at baseline, allowing for various adjustments, and with additional income from renewable energy schemes being retained by the Council. Forecast income over and above this will be transferred into the Business Rates Retention Reserve until such time as it can reasonably and prudently be used for other purposes.

Other General Government Funding: New Homes Bonus (NHB)

4.2.18 At present the Council's budget projections are based predominantly on information provided by Government through the Settlement, with the assumption that NHB awards for housing growth up to 2021/22 will continue to flow through to the Council in some form or other. There is still much speculation about the future of NHB, with some feeling that the scheme may cease at some point, most likely when the wider finance reforms are implemented. Also, huge demand and cost pressures still exist in functions such as adult social care and children's services, with the chance that more funds could be diverted away into these areas (as was the case in the 2017/18 Settlement). Whilst this is speculation, inevitably the future forecasting of NHB involves risk.

4.2.19 Taking account of all the above points, the Council's budgeted funding assumptions are summarised as follows:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Revenue Support Grant	(1,605)	(941)	(200)	0	0
Baseline Funding (Business Rates)	(5,357)	(5,518)	(5,641)	(5,765)	(5,892)
Settlement Funding Assessment	**(6,962)**	**(6,459)**	**(5,841)**	**(5,765)**	**(5,892)**
Year on Year Reduction / (Increase)	**£0.940M** **11.9%**	**£0.503M** **7.2%**	**£0.618M** **9.6%**	**£0.076M** **1.3%**	**(£0.127M)** **+2.2%**
Reduction over Review Period					**£2.010M** **25.4%**
Settlement Funding Assessment (from above)	(6,962)	(6,459)	(5,841)	(5,765)	(5,892)
Less: Other Business Rate Net Adjustments (incl. reserve transfers)	685	262	261	268	268
Add: Renewable Energy Rating Income	(939)	(928)	(948)	(969)	(990)
Add: New Homes Bonus	(1,854)	(1,649)	(1,808)	(1,372)	(1,172)
Total General Fund (excluding Council Tax)	**(9,070)**	**(8,774)**	**(8,336)**	**(7,838)**	**(7,786)**
Year on Year Reduction	**£1.391M** **13.3%**	**£0.296M** **3.3%**	**£0.438M** **5.0%**	**£0.498M** **6.0%**	**£0.052M** **0.7%**
Reduction over Review Period					**£2.675M** **25.6%**

4.2.20 Allowing for New Homes Bonus, it can be seen that the Council's general funding is expected to reduce by £2.675M or 25.6% in cash terms over the period since 2016/17.

4.2.21 In terms of sensitivity, a 1% change in total funding for 2018/19 amounts to a little under £88K, which is about a 1% change in council tax.

4.2.22 Finally, Government has retained the concept of 'core spending power'. Essentially this gives an annual comparison of the combined total of general Government funding and assumed income from council tax. Given that the measure includes council tax income, which is forecast to increase, the headline year on year reductions are lower than those shown above. The City Council's figures as produced by Government are as follows, but only up to 2019/20:

Core Spending Power	2017/18 £M	2018/19 £M	2019/20 £M
Settlement Funding Assessment	7.0	6.5	5.8
Assumed Council Tax Income (Allowing for estimated tax base growth and £5 per year tax rate increases)	8.6	9.1	9.5
Assumed New Home Bonus Grant	1.9	1.6	1.8
Total: Core Spending Power	**17.5**	**17.2**	**17.1**
Reduction over the Review Period:			**£0.4M** **2.3%**

4.3 **HOUSING REVENUE ACCOUNT: REVENUE PROSPECTS AND RENT POLICY**

4.3.1 The HRA operates on a ‘self-financing’ basis. This means that its income, predominantly from housing rents, must cover all its day to day spend on services including the costs of maintaining and improving the housing stock. Most of the complexities of the former housing subsidy system have now been removed.

4.3.2 This gives a clearer basis on which to plan and manage the service’s finances, to inform its future direction. HRA planning is currently centred on a 30-year business planning approach, reflecting that the maintenance of its ‘long-lived’ property assets is essential for providing the service.

4.3.3 The 2018/19 budget is the sixth one to be completed since self-financing was introduced. Under this framework, the HRA was well placed to invest and enhance its service provision. The extent to which it can do this is directly influenced by the rent setting policy adopted, but unfortunately the Council’s discretion in this area has fundamentally reduced as a result of Government policy changes.

4.3.4 Through the Welfare Reform and Work Act 2016, the Government removed the flexibility that local authorities previously had in determining their own rent policies. As a consequence, from 2016/17 to 2019/20 most property rents must reduce by 1% year on year, except where properties become vacant and their rents have not yet reached convergence with other social housing providers (i.e. they are below what is referred to as ‘formula rent’). In these circumstances, different rules apply.

4.3.5 On a more positive note, more recently Government has clarified to some degree its policy intentions for 2020/21 onwards. From then on – or at least for a five year period – local authorities should be able to revert to increasing general average rents year on year by Consumer Price Index (CPI) inflation plus 1%.

4.3.6 Rent setting is an executive function and as such it is a matter for Cabinet to decide, albeit it must work within the law. Drawing on all the above points, the following rent policy has been adopted:

For general properties, average rent of £71.27 applies for 2018/19, representing a 1% year on year reduction.	For sheltered and supported properties, average rent of £66.31 applies for 2018/19, also representing a 1% year on year reduction.
For 2019/20 average rents will reduce by 1% per year.	
Following relevant properties becoming vacant, they will be re-let at 'formula rent' less the relevant cumulative year on year reduction applicable (i.e. generally -3% for 2018/19 rising to -4% in 2019/20).	
For 2020/21 onwards, it is assumed that council housing rents will increase by 3.2% year on year, subject to annual review of inflation forecasts, and any future determinations that may be issued by Government from time to time.	

4.3.7 The HRA revenue budget and future years' forecasts are attached at ***Annex 3***.

4.3.8 The Government restrictions on rent setting to 2019/20 were estimated to cost around £90M over the life of the 30-year business plan. The more recent announcement on relaxing those restrictions means that potentially, the Business Plan could improve by around £60M, giving rise to a surplus of £69M by the end of the 30-year period, albeit recognising the risks regarding long term rent policy. To demonstrate, should Government legislate to allow only CPI increases (with no plusage) from 2025/26 onwards, then the £69M projected surplus would reduce down to somewhere nearer £35M.

4.3.9 This would still be very positive compared with expectations a year ago, but it does highlight the extent to which future rent policy uncertainty drives business and financial planning uncertainties, and the need to keep core assumptions and expectations under review.

4.3.10 Furthermore, as reported through quarterly monitoring, the introduction of Universal Credit within the district has also significantly increased the levels of rent arrears and risk levels to rent collection. Whilst the Council has increased its support measures for its tenants, there is likely to be a continuing negative impact on the ability to sustain future years' budgets if income recovery continues to deteriorate.

5 PROVISIONS, RESERVES AND BALANCES

5.1 STATUTORY ADVICE AND POLICY CONTEXT

5.1.1 In accordance with statutory requirements, the Council's Section 151 Officer has advised that Balances should fall no lower than £1.5M for General Fund and £0.5M for the Housing Revenue Account, with this advice reflecting the longer term, not just the shorter term. The Council accepts this advice and this is taken account of in future financial strategy.

5.1.2 The Council has a formal policy setting out its position in terms of provisions, reserves and balances and this is attached at ***Annexes 4 and 5***. The policy is a key element for managing risk, helping to protect the Council's financial standing as well as supporting its medium term financial planning. The key issues for General Fund and HRA are outlined below.

5.2 **GENERAL FUND POSITION**

5.2.1 After covering this year's forecast net overspending, Balances would amount to £4.668M by 31 March 2018. Should the outturn prove in line with this forecast and recognising the risks attached, it would mean that the Council has around £3.1M of surplus Balances available for use over and above the recommended minimum level of £1.5M. Taking account of the Section 151 Officer's advice, planned use of those surplus funds is as follows:

(i) If the Council is able to contribute further to Balances (for example, by achieving greater service expenditure savings and/or increasing its budgeted income) then it will do so.

(ii) The £3.1M of forecast surplus Balances has been left available to help address the more fundamental budget challenges that are expected from 2019/20 onwards. This also gives scope to manage any changes in expected spending, ahead of then.

(iii) Balances help with those challenges, as in due course they may be used to finance up-front costs attached to savings initiatives, or they may be used to cover budget shortfalls, in the lead up to implementing agreed major service reductions, as examples. Whilst they help, in themselves Balances by no means resolve those challenges fully.

5.2.2 General Fund has a number of other earmarked reserves available to support investment priorities, manage key risks and help address the medium term budget deficit. Other than those linked to s106 planning agreements, the most significant ones are:

- **Business Rates Retention**
  As referred to in section 4, this reserve will be used to cover the risks inherent in forecasting future business rate income, and to manage fluctuations between years as a result of surplus or deficits.

- **Invest to Save**
  This reserve is earmarked to help fund schemes that can generate savings in the medium term, informed by corporate planning and sound business cases.

- **Renewals**
  This source of funds helps ensure that the Council's infrastructure, facilities and equipment are fit for purpose going forward.

- **Budget Support**
  This provides resources to help finance capacity and various feasibility/other development work in support of the Council's budget and corporate plan.

- **Restructuring**
  This is to be used in support of the Council's long standing commitment regarding the pay and grading review, as well as costs associated with termination of employment linked to restructuring of services.

5.2.3 As at 31 March 2018 the combined total of General Fund reserves and Balances is forecast to be £15.2M.

5.2.4 On balance the Council's reserves position is considered sound and fits with the aims of this Strategy but nonetheless, the Council still has a large ongoing budget deficit forecast for the medium term, and many uncertainties and risks to manage in the interim.

5.3 HOUSING REVENUE ACCOUNT POSITION

5.3.1 As at 31 March 2018 HRA Balances are forecast to be £1.717M, which is £1.217M above the recommended minimum level of £0.5M.

5.3.2 All other surplus resources are held in the Business Support Reserve. As at 31 March 2018, £8.317M is expected to be available in this reserve and the first spending priority is still to support existing commitments over the lifetime of the 30-year Business Plan, and thereafter to help finance any council housing investment opportunities.

6 CAPITAL INVESTMENT AND FINANCING

6.1 The Council's current asset base is summarised below, based on its audited Balance Sheet. As at the end of last financial year the Council held land and other property of £267M, against which it had £65M borrowing and leasing obligations outstanding. The majority of assets held are integral to providing services and supporting delivery of the Council's objectives.

Summary Consolidated Balance Sheet	**31 March 2016 £'000**	**31 March 2017 £'000**
Intangible Assets	71	305
Tangible Fixed Assets:		
Property, Plant and Equipment	206,028	227,119
Heritage Assets	8,291	8,291
Investment Property	26,036	31,200
Assets Held for Sale	57	57
Total Capital Asset Base	**240,483**	**266,972**

6.2 A key task of the Council's Property Strategy is to keep the authority's General Fund property portfolio under regular review to ensure that its capital base remains fit for purpose, and that any major associated risks or opportunities are identified and managed as appropriate. In turn these matters are reflected in either the Council's capital investment priorities, or its capital receipts forecasts. The review of the Council Housing 30-year Business Plan fulfils a similar function for that service's asset base.

6.3 Based on the last condition surveys, £4M of capital investment is needed over the next two years to improve the condition of the corporate property portfolio for General Fund services. Those condition surveys are current being updated and capital investment needs will be reappraised. The core assumption remains, however, that such investment will be financed mainly through increasing the Council's borrowing need, but on the following condition:

The Council will continue to review its corporate property holdings over the medium term. The primary aim of this review is to reduce corporate property investment needs through the rationalisation of property holdings, with any resulting capital receipts being applied accordingly, rather than being used to support other new investment.

6.4 Accordingly, the Council's programmed capital investment and its current assumed financing for the medium term is summarised below and further details are attached at ***Annexes 6 and 7***.

	General Fund £'000	Council Housing £'000	Total £'000
Total Gross Capital Programme	**33,342**	**21,280**	**54,622**
Financed by:			
Grants and Contributions	15,617	39	15,656
Capital Receipts (from other land & property sales)	1,581	1,900	3,481
Direct Revenue Financing	149	0	149
Use of Reserves (including HRA Major Repairs Reserve)	2,282	19,341	21,623
Net Increase in Underlying Borrowing Need	13,713	0	13,713
Total Financing	**33,342**	**21,280**	**54,622**

6.5 It is evident that the Council Housing programme is reliant on using reserves, and this avoids any increase in HRA borrowing needs. For General Fund investment, the financing is more varied. In particular, the majority of the increase in underlying borrowing need is helping to finance vehicle replacements and corporate property works, mentioned above.

7 FINANCIAL TARGETS AND CONSTRAINTS

7.1 COUNCIL TAX

7.1.1 Lancaster City Council believes that council tax should give good value for local taxpayers. In setting its tax rates, the Council has regard to:

- anticipated levels of pay and price inflation
- Government funding levels
- local referendum thresholds
- the ability to meet its statutory obligations
- its wider vision for the district.

7.1.2 The Council aims to keep its Band D council tax increases to 2.99% for 2018/19 and future years, subject to future thresholds for holding local referendums, which are set by Government. These targets apply to the basic Band D City Council tax rate across the district excluding parish precepts.

7.1.3 For 2018/19, the approved increase equates to £6.39, increasing slightly in future years. Other Bands will experience difference £ increases relative to their Band D equivalence. They are shown in the table below:

Council Tax Band	Band D Equivalent Proportion	2018/19 City Council Tax Rate £	Year on Year Increase £
A	6/9ths	146.91	4.26
B	7/9ths	171.39	4.97
C	8/9ths	195.88	5.68
D	9/9ths	220.36	6.39
E	11/9ths	269.33	7.81
F	13/9ths	318.30	9.23
G	15/9ths	367.27	10.65
H	18/9ths	440.72	12.78

7.1.4 The Council has kept with the difficult decision of increasing the tax rate and targets for future years, as a way of helping to mitigate the impact of Government funding reductions. To some extent, increasing council tax will help protect key services.

7.1.5 As a consequence, the following table sets out the key financial targets that the Council will strive to work within for the next three years.

Target	2018/19	2019/20	2020/21	2021/22
Target Budget Requirement	£16.204M	£16.015M	£16.376M	£16.941M
Target Council Tax Requirement	£9.079M	£9.487M	£9.910M	£10.327M
Target Council Tax Increase (Band D)	£6.39 2.99%	£6.59 2.99%	£6.78 2.99%	£6.99 2.99%
Target Council Tax Rate (Band D)	£220.36	£226.95	£233.73	£240.72
Year on Year Net Savings Requirement (assumes recurring savings achieved)	**-**	**£0.649M**	**£1.293M**	**£0.461M**
Cumulative Net Savings Requirement	**-**	**£0.649M**	**£1.942M**	**£2.403M**

7.1.6 The net savings targets would need to be increased for:
- any additional growth that may be required in future, or
- any further net increases in the base budget, or

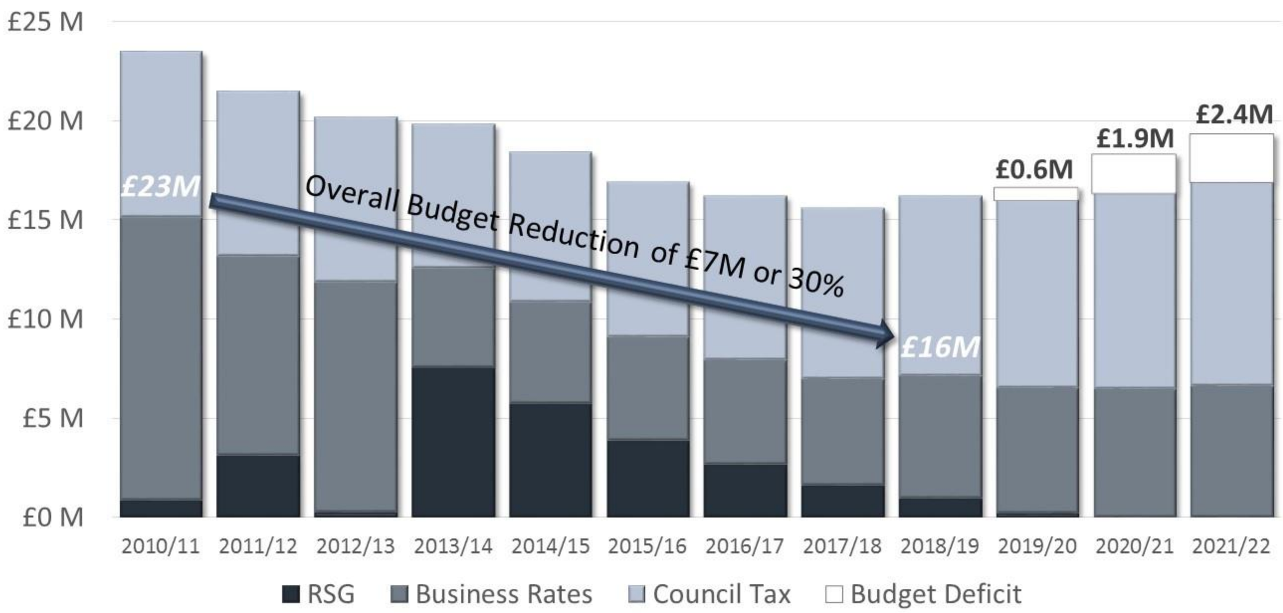
- if council tax targets reduce below 2.99% at Band D.

As a guide for the future, typically a 1% change in council tax now amounts to approximately £88K.

7.1.7 Clearly the savings targets are indicative and they will continue to be monitored and reviewed as referred to later in this Strategy. Unless any potential growth in business rate income can be realised, however, there is little else to indicate that the Council's core funding prospects will improve significantly over the term of this strategy.

7.1.8 Fundamentally, beyond 2020 the Council's financial prospects will hinge upon the operation of the full Business Rates Retention Scheme and the outcome of the Fair Fund Review, the details of which are still under development.

7.1.9 Since 2010/11, in cash terms the Council has reduced its net spending by around £7M or 30%. In real terms the reductions quoted would be substantially more, taking into account the impact of inflation.



7.1.10 In light of the current forecasts and uncertainties, it is considered safe to re-state the following:

Although every effort will continue to be made to deliver savings through efficiencies and innovation, it is expected that future budgets will not be balanced without increasing the charges for some services, as well as reducing the overall range and/or quality of services provided. That is why prioritisation of services is even more important, as is the need to share these expectations with communities.

7.1.11 Through its corporate planning and budgeting, the Council seeks to achieve a financially sustainable budget. Currently it still has a strong financial standing that gives a sound platform on which to plan - as long as it uses the time and other resources available wisely. That is the whole point of this strategy.

7.2 REVENUE BUDGET LIMITS

7.2.1 Council ultimately approves the budget forecasts for future years and any associated use of Balances. Cabinet Members and Officers must then work within this framework, unless any flexibility is agreed by Council.

7.2.2 For the next few years, current figures for General Fund are as follows:

Year	Net Spending Limit (before transfer to Balances) £'000	Forecast Contribution from Balances £'000	Forecast Net Revenue Budget £'000
2017/18	15,896	(57)	15,839
2018/19	16,204	0	16,204
2019/20	16,664	0	16,664
2020/21	18,318	0	18,318
2021/22	19,344	0	19,344

7.2.3 Cabinet has no general flexibility to increase net spending over the amounts shown above (allowing for any authorised use of earmarked reserves), or to increase the use of Balances, or to take on new (unfunded) spending commitments for subsequent years.

7.2.4 For the Housing Revenue Account, Cabinet has no general flexibility to use Balances, or to take on unfunded spending commitments.

7.2.5 Outside of the above constraints, the only exception is if immediate spending is needed in relation to either an emergency threatening life or limb, or major structural damage threatening the fabric of a building *(Financial Regulations s4.3.1.4)*.

7.2.6 Any flexibility within these overall financial constraints is set out within the Council's Financial Regulations and the supporting budget transfer limits (virements and carry forwards) included at ***Annex 8***.

7.3 EXTERNAL GRANTS AND CONTRIBUTIONS

7.3.1 The Council anticipates that generally, external sources of finance will continue to be scarcer than in the past. Nonetheless, it will continue to pursue funding opportunities where:

- they fit clearly with the Council's corporate planning and/or capital investment priorities;

- the funding makes provision for any extra capacity needed to support the workload involved, or the impact can be otherwise managed from existing resources; and

- pursuing such opportunities requires no extra financial support/commitment over and above that already provided for within approved budgets, or included in future budget proposals supported by Cabinet/Council, or alternatively, the funding opportunity may reasonably result in the Council avoiding future costs or liabilities.

7.3.2 Should potential funding opportunities arise, they will be considered as part of the annual budget and planning process where appropriate. If timescales do not fit with this, then the relevant approvals will be gained to pursue the opportunity, as set out in Financial Regulations.

7.3.3 The use of any general, non-specific grants will generally be considered as part of the budget process, in light of overall spending needs and priorities.

7.4 CAPITAL RECEIPTS

7.4.1 From the current year to 2021/22 inclusive, usable capital receipts totalling £3.481M are anticipated, of which £1.581M relates to General Fund property disposals with the remainder relating to Council Housing. The controls regarding their use are set out below:

– Council housing capital receipts may be used either to support capital investment in council housing stock and supporting assets, or to reduce HRA capital financing costs. The use of any additional receipts arising will be considered in context of the 30-year Business Plan.

– For General Fund, all of the budgeted capital receipts will be used to support the capital programme. Any additional capital receipts generated will be used to reduce the Fund’s underlying borrowing need, unless any contractual obligations require otherwise.

7.4.2 In 2016 the Government issued statutory directions that allow the flexible use of new capital receipts, gained from April 2016 to March 2019, to pay for the revenue set up costs of projects that are designed to make revenue savings. Whilst the Council currently has no plans or perceived need to use this flexibility, the position will be kept under review as appropriate. Any future plans to make use of the flexibility would require Council’s consideration, with Government also being notified.

7.5 REVENUE FINANCING FOR CAPITAL INVESTMENT

7.5.1 Revenue financing from reserves will be based on existing earmarked reserve levels (or projections), as long as capital investment proposals match with the approved use of those reserves. Within the HRA, substantial annual contributions will be made to the Major Repairs Reserve, to finance the bulk of in-year capital investment needs.

7.5.2 No other general provision for direct revenue financing will be built into budgets, although specific proposals may be considered in appropriate circumstances, e.g. invest to save schemes.

7.6 CAPITAL INVESTMENT: UNDERLYING BORROWING NEED (ALSO KNOWN AS CAPITAL FINANCING REQUIREMENT OR CFR)

7.6.1 Taking into account current investment needs and availability of other capital resources, in gross terms the Council's basic underlying borrowing need is assumed to increase by £13.7M to 21/22, prior to any further savings being identified from the property review. This increase relates solely to General Fund. The gross increase will be offset by 'repayments', chargeable to revenue over the same period (£9.6M for General Fund, £5.2M for HRA).

7.6.2 The practice will continue by which the Chief Officer (Resources) will assess, under delegated authority and in consultation with other Chief Officers, the most appropriate means of financing for the planned acquisition of new vehicles and equipment. This may give rise to changes in the underlying borrowing need projections.

7.6.3 Further changes to the CFR may be considered in year for invest to save schemes, but only in context of the Prudential Code requirements and where robust, achievable revenue savings can be identified or income generated, which reasonably exceed the ongoing (whole life) costs associated with a new capital proposal and meet any other payback requirements. This scenario would require further specific Cabinet / Council approval as required. Any proposals in connection with Canal Corridor will be considered by Council in due course.

7.6.4 No other prudential borrowing is planned during the medium term, until fuller plans have been adopted for tackling future years' budget deficits over the longer term.

7.6.5 Whether or not any of the underlying borrowing needs will give rise to actual additional long-term borrowing or, alternatively, be financed by utilising the Council's cash balances, is a decision that will be made within the framework of the council's Treasury Management Strategy.

8 THE BUDGET PROCESS

8.1 TIMETABLE AND OVERVIEW

8.1.1 Budget setting is an annual review process, it being a key part of the Council's corporate planning arrangements. The Council must set a budget (or council tax requirement) and the council tax before 11 March each year. The Council's financial year runs from 01 April to 31 March and it has a four-year financial planning horizon.

8.1.2 Throughout the annual review process, elected Members determine the allocation of resources across services and Corporate Plan priorities and the level of council tax to be charged. In conjunction with the Chief Officer (Resources), other Chief Officers are responsible for the more detailed aspects of budget preparation in their areas, including developing service options to assist elected Members' deliberations.

8.1.3 The approved annual budget is therefore a resource plan that, as far as possible, aims to match inputs (e.g. staff, premises, equipment) to planned outputs and objectives, and gives authority to spend. It provides a basis for monitoring and accountability.

8.1.4 Looking forward, the Council's potential investment in Canal Corridor North proposals introduce specific challenges for future budget setting, in context of the Council also having to address its forecast budget deficit. These are:

- Managing and prioritising any increases in the Council's various capital financing and borrowing limits – and always ensuring that any such longer term borrowing is prudent, affordable and sustainable. This is set in context of the tightening of the regulatory framework.

- Managing and prioritising the use of the Council's available reserves and balances – always ensuring that sufficient funds are retained to protect the Council's financial standing.

8.1.5 To address these challenges the following outline budget strategy has been adopted:

- Implement "quick-win" and other resourced measures approved in the 2018/19 budget.

- Establish a programmed approach to help manage the Council's various initiatives (including major budget proposals), focusing and phasing the Council's resources to optimise impact and affordability/delivery.

- Develop understanding of the Council's commercial and capital investment risk appetite in context of its ambition, its financial prospects and the updated regulatory framework, to inform future strategy (through workshops as appropriate).

- Ascertain robust business cases, priority ranking and potential programming for major transformational (invest to save/efficiency) projects as approved in the 2018/19 budget.

- Refine the CCN financial appraisal and associated borrowing limit / reserves and balances impact.

- Review the Council's general financial outlook drawing on outturn as well as forward-looking matters.

- Ascertain future capital investment strategy proposals in light of Council's ambition, financial outlook and risk appetite.

- Develop budget proposals for 2019/20 onwards, including service reductions, as a contingency in the event that income generation and efficiency schemes do not generate sufficient savings. Some external facilitation may be commissioned.

- Review the reserves and balances strategy in light of the above.

- Revisit the MTFS and the budget taking account of all of the above:

    - Make mid-year referrals to Council regarding budget decisions on transformation projects and any service reductions as appropriate.

- Alongside this, Council would take decisions on the progression of CCN.

8.1.6 The longer-term aim is to establish a clearer priority-driven and policy-led approach to budgeting and resource allocation, establishing a firm basis on which to build on in the coming years.

8.2 BUDGET PREPARATION

8.2.1 The Council has taken an incremental approach to budget setting for 2018/19 and the future years' forecasts underpinning this Strategy. Broadly speaking, this means that the current year's budget provides the starting point for next year's. It is based on the assumption that unless any specific decisions are taken to determine otherwise, services and activities will continue at broadly the same level from one year to the next. This does not preclude efficiency or innovation being sought in service delivery, however. Indeed efficiencies, drawing on modernisation and innovation, are the first priority for achieving budget savings and this is reflected later.

8.2.2 The initial "baseline" assessment of the cost of service provision is referred to as the base budget. In the course of the planning process, the base budget for each service area is updated to include:

- an allowance for the estimated level of pay and price inflation from one year to the next. Current budget assumptions are set out at ***Annex 9***;

- adjustments to reflect the transfer of functions in the Council, changes in activity/demand levels for services where appropriate (including demographic pressures), or general efficiencies and cost reductions, as examples. The Council expects the number of households in the district to grow, and in turn this will add cost pressures into the base budget, simply to maintain service levels;

- any previously approved changes to policy or strategy, for example a reduction in budget to reflect withdrawal of a service, or an increase to fund a new initiative or the impact of new legislation.

8.2.3 Estimates of expected Government funding and business rates retention, as well as any remaining ring-fenced specific grants and associated costs, will be revised during the planning and budget setting process.

8.2.4 Similarly the main assumptions underpinning the budget will be identified, assessed and reported, together with the main financial risks facing the Council. This is an important element of the Council's risk management arrangements.

8.2.5 It is anticipated that other budgeting approaches, such as zero-based budgeting, will be incorporated for specific activities if this approach is warranted (for example, in undertaking service reviews and in identifying and appraising different policy or service options).

8.3 BALANCING THE REVENUE BUDGET: SAVINGS AND GROWTH

8.3.1 As the earlier forecasts show, there is still a need to address a considerable funding gap between spending aspirations and the resources available. Consequently, major net budget savings must be achieved over the medium to longer term. There is also the need to accommodate any required growth in services and any legislative changes.

8.3.2 The Council's established means by which it will seek to balance its budget are as follows. During 2018/19 the Council will define its appetite and approach regarding commercialism to inform future strategy.

a. Efficiency Savings (including Minor Service Reductions):
These are regarded as a priority over other forms of making savings in Council expenditure. Primarily the Council will focus on 'cashable' efficiency savings and establishing innovative ways of working as well as using new, more modern technologies. The Council will continue with this approach, to achieve better value for money for the community as a whole. It will consider collaborative working with partners as appropriate. An example includes proposals regarding waste collection management systems.

b. Invest to Save Initiatives:
Various initiatives will be developed for appraisal and prioritisation as appropriate. An example includes the review of the financial viability of the Middleton solar farm.

c. Income Generation
As part of either overall charging policy, commercial developments or various specific service reviews, the Council will identify potential options for increasing income generation, thereby reducing the subsidy for some services – such proposals may also involve investment up-front. An example includes the development proposals regarding Local Authority Trading Companies (LATCs).

d. Major Service Reductions
Notwithstanding the drive for efficiency, savings are expected to be needed from reducing the level or range of services provided to meet future financial targets. Through taking an informed, evidence-based approach in its strategic review, the Council will develop options as may be appropriate for:

- reducing service standards in statutory areas;
- rationalising access to services and facilities (including property holdings); and
- reducing or withdrawing discretionary services and activities, taking account of priorities and need.

e. Redirection of Resources ("Growth")
Any growth in a particular area will only be considered if it meets either of the following conditions:

- it is needed to meet statutory service standards; or

- it is essential to meet a key objective within Corporate Plan proposals, for which there are no alternative providers or sources of funding available ***and*** sufficient progress has been made in establishing and delivering plans for addressing the medium to longer term budget deficit, so as to consider any growth proposal affordable and sustainable in the medium to long term. This applies particularly to any recurring or high cost one-off growth proposals.

Any potential ideas or growth proposals for 2019/20 onwards will be considered at the same time by Cabinet, prior to presenting its budget proposals to Council, to ensure that their respective merits can be compared and prioritised.

It is highlighted that the term 'growth' is something of a misnomer, certainly at a corporate level. In times where funding levels are generally reducing, a service level or activity may grow but only at the expense of (or by charging for) another, through the redirection of resources.

8.4 **BALANCING THE CAPITAL PROGRAMME: THE PRUDENTIAL CODE**

8.4.1 The Prudential Code for Capital Finance in Local Authorities was introduced to support councils in planning for capital investment at a local level. The key objectives of the original code are to ensure, within a clear framework, that:

- the capital investment plans of local authorities are affordable, prudent and sustainable;
- treasury management decisions are taken in accordance with sound professional practice; and
- local strategic planning, asset management planning and proper options appraisal are supported.

8.4.2 The ultimate aim is to help ensure value for money from capital investment. Also, it reinforces openness and accountability in the decision-making surrounding capital spending.

8.4.3 Details of the Council's Prudential Indicators (as required under the Code) are included in the Treasury Management Strategy, which also sets out the framework for managing associated debt.

8.4.4 Updates to both the Prudential and the Treasury Management Codes were issued in late 2017/18, together updates to Government's statutory guidance regarding investments and the revenue costs of borrowing. These will be addressed in presenting updates to the Council's treasury framework and this financial strategy during 2018/19.

8.5 **BUDGET OPTIONS APPRAISAL**

8.5.1 Establishing plans to tackle the medium term budget deficit requires various scenarios and alternatives to be tested.

8.5.2 The appraisal of future budget options will incorporate any appropriate and proportionate impact assessment as necessary and it will consider the relevant workforce, property, ICT, legal and any other resource implications, as well as the timescales for implementation. Optimism bias will be assessed and addressed. It is recognised that major change programmes cannot all be agreed and delivered at the same time and this is reflected within the Council's budget plans.

8.5.3 Options for any additional significant capital investment (over that already identified) and its financing will also be appraised as part of the 2018/19 mid-year review, or future budget processes, in line with priorities as set out earlier and to meet the requirements of the Prudential Code. It is imperative that the investment of capital resources contributes clearly to the achievement of the authority's objectives and supporting activities, and that such investment represents real value for money for people in the district.

8.6 DECISION-MAKING AND TIMING

8.6.1 As the Council still needs to make significant savings in future, and, in any event, it makes sense to implement any true value for money measures as soon as possible, the practice of taking decisions on ***efficiency proposals, income generation initiatives and minor service reductions*** throughout the year will continue. In support, the Council's approach to commercialisation and its Fees and Charges Policy are scheduled for review during 2018/19.

8.6.2 For new ***invest to save*** initiatives, the timing of decisions will depend on the nature of the proposal concerned, and its potential risks and impact on the budget. As a rule of thumb, any minor initiatives may be determined in year, but any major proposals will either be considered alongside each other as part of the mid-year budget review, or be considered later as part of the usual annual budget and planning process, to ensure comparison and prioritisation.

These practices mean that the Council may still see net underspendings arising during the course of the year, in revising the current year's budget and at outturn. Analysis of any underspendings (or overspendings) will continue, to identify any trends and inform future budget setting.

More fundamentally, the aim is to build on the existing savings programme during 2018/19, through a mid-year budget review, for implementation over the medium term.

8.6.3 Regarding ***growth or redirection of resources***, unless there is an unavoidable Council or corporate need, all growth options will be considered either as part of the mid-year budget review, or as part of the usual annual budget process (at Budget Council).

8.6.4 Ultimately, revenue budgets, capital programmes and detailed council tax rates will all be approved by Council at the Budget meeting to be held in late February / early March. Cabinet will set housing rents in advance of this, to ensure that rent notices are issued in a timely manner.

9 MONITORING AND REVIEW

9.1 The Council needs to ensure that its financial planning takes adequate account of the many changes or other issues that inevitably arise during the course of a year, including risk considerations. This will be done in a variety of ways:

- Alongside the strategic review of the Council's corporate planning, this MTFS will be reviewed and updated accordingly as previously mentioned, to ensure it both supports and informs the Council's future direction.

- Any impact from the Council's corporate financial monitoring arrangements will be considered, together with the impact of the previous year's outturn. Corporate financial monitoring will be undertaken and reported quarterly. Where appropriate, this may include a review of the national economic outlook and other key assumptions and risks underpinning the budget.

- A financial assessment is undertaken when any key decisions are to be taken, or when any major policy changes are proposed, and these will be collated for factoring into future projections.

9.2 The outcome of the monitoring and review arrangements will be brought together to avoid a piecemeal approach to reviewing the Strategy. The aim is to report any changes twice yearly (once during autumn 2018 and once to complete the 2019/20 budget process) for referral on to Council, although the exact reporting arrangements will be dependent upon circumstances. The reporting may necessitate changes being proposed to the MTFS framework and the key financial targets contained within it.

10 GOVERNANCE

10.1 Members

The current Portfolio Holder for Finance is Councillor Anne Whitehead.

Cabinet is responsible for formulating and recommending budget proposals and MTFS updates to Council. Cabinet must then operate within the bounds of the approved MTFS.

Full Council is responsible for approving the MTFS and any updates; this is on the basis that it forms part of the council's overall Budget and Policy Framework.

Overview and Scrutiny Committee may commission or undertake work on related issues as part of its Work Programme or take other measures (such as the call-in of decisions) as set out the Constitution.

Budget and Performance Panel is responsible for reviewing and scrutinising the Council's finances and performance.

10.2 Officers

The Chief Officer (Resources), as Section 151 Officer, is responsible for the development, application and interpretation of the MTFS and the Prudential Code, the annual budgeting process to ensure financial balance, and the supporting financial monitoring arrangements. She is also responsible for ensuring the MTFS reflects any joint planning with partners and other stakeholders; all Management Team actively contributes to this process.

As appropriate to their roles, Officers are responsible for working within the MTFS. Other detailed Officer responsibilities and key controls are set out in the Council's Financial Regulations, which reflect statutory requirements as appropriate.

11 PUBLIC ACCESS TO INFORMATION

11.1 As a publicly funded organisation, the Council is committed to being open and transparent on how it spends tax-payers' money. Such openness helps to gain a wider understanding of the many financial pressures and challenges that the organisation faces. The Council demonstrates this openness through various means:

The Annual Budget
Information is published each year in the budget book, which is publicised in various forms to Council Members and Officers.

Spending in Year
During the year, the Council provides information on various payments made to suppliers for goods and services and other matters, in line with the Government's Transparency Code. It also publishes its quarterly financial monitoring reports.

Outturn and other annual reports
After the year end, the Council reports on its actual financial performance and publishes its audited Statement of Accounts.

11.2 As well as informing the public and other stakeholders, the Council uses the results and feedback from this information to inform its financial planning and strategy going forward.

11.3 All information is available through the Council's website (www.lancaster.gov.uk) or alternatively, queries can be sent to finance@lancaster.gov.uk.

General Fund Revenue Budget Projections 2017/18 to 2021/22

For Consideration at Budget Council 28 February 2018

BUDGET PROJECTIONS

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Original Revenue Budget / Forecast	**15,839**	**16,200**	**16,481**	**17,887**	**19,523**
Changes to Budget Projections as at Cabinet 16 January	222	71	455	839	231
Base Budget Changes after Cabinet 16 January					
Additional Govt Grants re Universal Credit/New Burdens		(154)	-	-	-
Reduction in New Homes Bonus Grant	-	-	3	-	-
Car Parking (*Cabinet 13 January - subject to call-in)*	-	(38)	(38)	(38)	(38)
Other net changes across all services	-	(2)	10	-	-
Cabinet Budget Proposals:					
Savings Proposals	-	505	(420)	(433)	(438)
Growth Proposals	-	442	392	81	68
Contributions from Reserves re Budget Proposals	-	(974)	(219)	(18)	(2)
Net Movements from Reserves Review	-	154	-	-	-
Contribution from Unallocated Balances	(222)	-	-	-	-
General Fund Revenue Budget	**15,839**	**16,204**	**16,664**	**18,318**	**19,344**
Core Funding:					
Revenue Support Grant	(1,605)	(941)	(200)	-	-
Net Business Rates Income	(5,611)	(6,184)	(6,328)	(6,466)	(6,614)
Council Tax Requirement	**8,623**	**9,079**	**10,136**	**11,852**	**12,730**
Estimated Council Tax Income - (Based on 2.99% increase from 2018/19 onwards)	**8,623**	**9,079**	**9,487**	**9,910**	**10,327**
Resulting Base Budget Deficit	**0**	**0**	**649**	**1,942**	**2,403**

COUNCIL TAX

Impact on Council Tax	2017/18	2018/19	2019/20	2020/21	2021/22
Tax Base Projections	*40,300*	*41,200*	*41,800*	*42,400*	*42,900*
Band D City Council Tax Rate - MTFS Targets	**£213.97**	**£220.36**	**£226.95**	**£233.73**	**£240.72**
Year on Year Increase (£'s)	*£5.00*	*£6.39*	*£6.59*	*£6.78*	*£6.99*
Year on Year Increase (%)	*2.4%*	*2.99%*	*2.99%*	*2.99%*	*2.99%*
Current Council Tax Projections	**£213.97**	**£220.36**	**£242.49**	**£279.53**	**£296.74**
Year on Year Increase (£'s)	-	*£6.39*	*£22.13*	*£37.04*	*£17.21*
Year on Year Increase (%)	-	*2.99%*	*10.04%*	*15.28%*	*6.16%*

BALANCES

General Fund Unallocated Balance	*£M*
Original Projected Balance as at 31 March 2017	**(4.476)**
2016/17 Actual Underspend	(0.249)
2017/18 Budgeted Contribution	(0.165)
2017/18 Forecast Overspend	+0.222
Projected Balance as at 31 March 2018	**(4.668)**
Less Agreed Minimum Level of Balances	**1.500**
Available Balances	**(3.168)**

Annex 1 (ii)

Summary of Cabinet's Budget Proposals 2018/19 to 2021/22

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
BUDGET DEFICITS PRIOR TO CABINET'S BUDGET PROPOSALS	27	896	2,312	2,775

SAVINGS PROPOSALS (including any up-front development costs)

No.		Capital Investment	Reserves Funding	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
	A THRIVING & PROSPEROUS ECONOMY						
	Key Regeneration & Infrastructure Projects						
1	Heysham Gateway - Site Improvement Works	£1,040M	£320K	320	Savings will be subject to the outcome of further work/business cases, to be reported for consideration in 2018/19.		
	Environmental Sustainability						
2	Solar Farm Design and Business Case Development		£50K	50			
	AMBITIOUS & FORWARD-THINKING COUNCIL						
	Best Use Of Digital & Other Technology						
3	Waste Collection Management Systems (to achieve scheduling efficiencies)		£100K	138			
4	ICT Network Performance Monitoring and Improvement		£30K	30	(6)	(6)	(7)
5	Extension of CCTV to Public Buildings (security savings)	TBC		(17)	(25)	(26)	(26)
	Financial Resilience, Making Best Use of Resources						
6	Extension of Cable Street Car Park	£35K		(9)	(16)	(16)	(16)
7	Extension of Half Moon Bay Car Park	£60K		-	(17)	(17)	(18)
8	Management of St.George's Quay Car Park			(10)	(15)	(16)	(16)
9	Vehicle Fleet Review	£107K		(27)	(11)	(12)	(12)
10	Review of Council Tax Discounts and Exemptions (since approved)			-	(92)	(94)	(96)
11	Room Hire / Events Review			-	(10)	(17)	(17)
12	Registry Office Review			-	(27)	(27)	(27)
13	Other Land & Buildings Review			-	Savings will be subject to the outcome of further work/business cases, to be reported for consideration in 2018/19.		
14	Morecambe Concessions Review			-			
15	Accommodation Review			-			
16	Depot Relocation			-			
17	Williamson Park Facilities Expansion - Design & Business Case Development		£210K	210			
	Designing Organisation to Respond to Needs						
18	Repair and Maintenance of Corporate Property (savings on reactive m'tce)			(82)	(42)	(41)	(43)
19	Rationalisation of Organisational Development Capacity (currently vacant posts)			(77)	(78)	(79)	(80)
20	Bulky Waste Collection - Service and Charging Review			(20)	(20)	(21)	(21)
21	Continuation of Internal Audit Collaboration & Restructure			(26)	(11)	(11)	(9)
22	Revenues & Benefits Shared Service Savings			(45)	(45)	(45)	(45)
23	Extension of Charging for Planning Services			(5)	(5)	(5)	(5)
24	Financial Processes - Efficiency Review			-	Savings will be subject to the outcome of further work/business cases, to be reported for consideration in 2018/19.		
25	Insurance Review			-			
26	Access to Services (including Opening Hours) Review			-			
27	Mail Services Review (reducing need, hybrid mail systems, distribution)			-			
28	Development of Business Cases for Local Authority Trading Companies (LATCs)			-			
	- Salt Ayre		£75K	75			
	- Commercial Waste & other Environmental Services operations			-			
	Sub Total	**£0.202M**	**£785K**	**505**	**(420)**	**(433)**	**(438)**
	Funding From Reserves			**(785)**			
	Net Savings			**(280)**	**(420)**	**(433)**	**(438)**

	2018/19	2019/20	2020/21	2021/22
INDICATIVE NET (SURPLUS) / SAVINGS TO BE IDENTIFIED C/FWD	(253)	476	1,879	2,337

INDICATIVE NET (SURPLUS) / SAVINGS TO BE IDENTIFIED B/FWD			(253)	476	1,879	2,337
		Reserves Funding	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
GROWTH PROPOSALS No.	**A THRIVING & PROSPEROUS ECONOMY**					
	Inclusive Growth, Skills & Economic Development					
	Business and Skills		40	-	-	-
	Marketing		75	-	-	-
	Inclusive Growth		22	12	-	-
29	Community Wealth Building	£31K	23	2	2	2
	Archaeological Site Specialist Consultancy & Funding		25	50	-	-
	Morecambe Area Action Plan		-	50	-	-
	Morecambe Bay Collaborative Projects		25			
30	Museums Development Plan (early recruitment of Museums Manager)	£17K	17	-	-	-
	CLEAN & SAFE NEIGHBOURHOODS					
	Stewardship of Public Space					
31	Improving Public Realm - Cleansing/Enforcement	£153K	58	79	16	-
	AMBITIOUS & FORWARD-THINKING COUNCIL					
	Best Use Of Digital & Other Technology					
32	Legal Case Management System (to help modernisation of service)		20	4	4	4
33	Access to Council meetings - Audio Recording of Meetings		4	4	4	4
	Designing Organisation to Respond to Needs					
34	Commercial & Digital Leadership Capacity (Assistant Chief Executive post)	£180K	71	109	-	-
	Potential Costs re above (pension/redundancy)	£29K	-	29	-	-
35	Review of Council Constitution - modernising governance	£20K	20	-	-	-
36	Improving Learning and Development - through digital approach		17	17	17	18
37	Improving Learning and Development - supporting staffing capacity needs		25	36	38	40
38	Re-investment of Planning Fee Income for Service Improvement (net growth)		-	-	-	-
	Total Growth	**430**	**442**	**392**	**81**	**68**
	Less Funding from Reserves		**(189)**	**(219)**	**(18)**	**(2)**
	Net Cost of Growth		**253**	**173**	**63**	**66**
	REMAINING NET SAVINGS TARGET		**0**	**649**	**1,942**	**2,403**

FOR NOTING: TOTAL FUNDING FROM RESERVES ALLOWED FOR	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Funding for Feasibility Studies/Business Cases	(785)			
Funding for One-Off Growth Proposals	(189)	(219)	(18)	(2)
	(974)	**(219)**	**(18)**	**(2)**
			Cumulative Total	**(1,213)**

In addition to the proposals listed, during 2018/19 other reviews currently on hold (such as Job Evaluation/Pay & Grading) will be revisited.

Annex 2

Business Rates Income Scenarios

	CURRENT FORECASTS			
			75% Rates Retention??	
	2018/19	**2019/20**	**2020/21**	**2021/22**
GENERAL FUND REVENUE BUDGET	£'000	£'000	£'000	£'000
Business Rates Income	(24,546)	(25,086)	(25,637)	(26,202)
Government Tariff	18,848	19,266	19,690	20,123
Government Tariff Adjustment	432	261	268	268
Government Levy re Growth	616	627	641	655
Small Business Rate Relief Grant	(1,982)	(1,845)	(1,888)	(1,923)
Estimated Surplus from Previous Year	(2,972)	0	0	0
Renewable Energy Income	(928)	(948)	(969)	(990)
	(10,532)	**(7,725)**	**(7,895)**	**(8,069)**
Current Budget Funding Assumptions	**(6,184)**	**(6,328)**	**(6,466)**	**(6,614)**
Potential Additional (Income)	**(4,348)**	**(1,397)**	**(1,429)**	**(1,455)**
Potential Total Impact of Various Scenarios (see below)	**4,618**	**1,791**	**1,942**	**2,097**
Potential Shortfall against Current Budget Funding Assumptions Allowing for Safety Net Compensation	**270**	**394**	**513**	**642**

IMPACT ON ABOVE OF POTENTIAL SCENARIOS				
Additional Appeals relating to 2010 listing	2,972			
This could negate the estimated surplus in 2018/19				
Impact of a higher appeals provision	2,700	2,800	2,900	3,000
Currently based on Govt's estimate of 4.7% but average for LCC's 2005 & 2010 listing was 9.6%				
Impact of changes to major hereditaments, e.g. Power Stations	1,000	1,000	1,000	1,000
Less Safety Net Compensation	(2,054)	(2,009)	(1,958)	(1,903)
	4,618	**1,791**	**1,942**	**2,097**

Other Potential Issues:

Potential future changes to the Tariff - impact unknown

NHS Foundation Trust appeal - still not resolved (£1M p.a. potential impact for LCC)

Annex 3

HOUSING REVENUE ACCOUNT BUDGET
For Consideration at Budget Council 28 February 2018

	2017/18 Budget £	2017/18 Revised £	2018/19 Budget £	2019/20 Forecast £	2020/21 Forecast £	2021/22 Forecast £
INCOME						
Rental Income - Council Housing (Gross)	(13,515,300)	(13,331,100)	(13,336,700)	(13,531,700)	(13,747,400)	(14,202,700)
Rental Income - Other (Gross)	(253,100)	(250,700)	(278,000)	(301,200)	(306,000)	(310,900)
Charges for Services & Facilities	(1,487,400)	(1,460,500)	(1,496,600)	(1,532,200)	(1,568,300)	(1,602,300)
Grant Income	(7,700)	(7,700)	(7,700)	(7,700)	(7,700)	(7,700)
Contributions from General Fund	(101,000)	(100,800)	(103,200)	(105,600)	(108,100)	(110,600)
Total Income	**(15,364,500)**	**(15,150,800)**	**(15,222,200)**	**(15,478,400)**	**(15,737,500)**	**(16,234,200)**
EXPENDITURE						
Repairs & Maintenance	4,875,700	5,353,700	5,097,500	5,157,100	5,241,300	5,369,300
Supervision & Management	3,013,800	2,992,400	3,099,100	3,176,400	3,286,700	3,363,800
Rents, Rates, Taxes & Other Charges	200,000	203,600	212,700	230,400	247,800	265,300
Increase in Provision for Bad and Doubtful Debts	159,200	196,600	181,800	183,800	186,100	188,500
Depreciation & Impairment of Fixed Assets	2,082,900	2,765,300	2,601,200	2,601,200	2,587,400	2,587,400
Debt Management Costs	1,100	1,100	1,100	1,100	1,100	1,100
Total Expenditure	**10,332,700**	**11,512,700**	**11,193,400**	**11,350,000**	**11,550,400**	**11,775,400**
NET COST OF HRA SERVICES	**(5,031,800)**	**(3,638,100)**	**(4,028,800)**	**(4,128,400)**	**(4,187,100)**	**(4,458,800)**
Interest Payable & Similar Charges	1,937,100	1,921,400	1,883,700	1,845,900	1,807,800	1,769,500
Amortisation of Premiums & Discounts	0	0	0	0	0	0
Capital Grants and contribution receivable	(21,000)	(22,000)	(2,000)	(15,000)	0	0
Interest & Investment Income	(7,400)	(37,400)	(76,600)	(114,700)	(153,300)	(153,300)
Past Service Pension Cost	152,000	163,000	169,400	177,800	232,400	231,900
Self Financing Debt Repayment	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400
(SURPLUS) OR DEFICIT FOR THE YEAR	**(1,929,700)**	**(571,700)**	**(1,012,900)**	**(1,193,000)**	**(1,258,800)**	**(1,569,300)**
Adjustments to reverse out Notional Charges included above	21,000	22,000	2,000	15,000	0	0
Transfers to/(from) Major Repairs Reserve	1,525,300	775,000	971,100	1,231,100	1,099,100	1,101,100
Transfers to/(from) Earmarked Reserves	17,500	(284,400)	(86,500)	64,000	68,600	67,600
Capital Expenditure funded from Revenue Reserves	200,000	280,000	225,000	120,000	100,000	100,000
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	**(165,900)**	**220,900**	**98,700**	**237,100**	**8,900**	**(300,600)**
SAVINGS PROPOSALS:						
Conversion of Former Scheme Manager Dwellings	0	0	0	(2,700)	(5,600)	(5,800)
Conversion of Redundant Shop	0	0	0	(3,200)	(3,300)	(3,500)
New Build - Garages	0	0	(4,500)	(10,000)	(10,300)	(10,500)
TOTAL SAVINGS	**0**	**0**	**(4,500)**	**(15,900)**	**(19,200)**	**(19,800)**
GROWTH PROPOSALS:						
Income Management Officer	0	0	20,500	28,000	29,500	30,700
Household Intervention Officer	0	0	21,000	29,900	31,600	32,900
Marsh Community Centre Grant	0	0	14,400	0	0	0
TOTAL GROWTH	**0**	**0**	**55,900**	**57,900**	**61,100**	**63,600**
UPDATED TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	**(165,900)**	**220,900**	**150,100**	**279,100**	**50,800**	**(256,800)**
Housing Revenue Account Balance brought forward	(1,825,465)	(1,937,602)	(1,716,702)	(1,566,602)	(1,287,502)	(1,236,702)
HRA BALANCE CARRIED FORWARD	**(1,991,365)**	**(1,716,702)**	**(1,566,602)**	**(1,287,502)**	**(1,236,702)**	**(1,493,502)**

LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

PROVISIONS AND RESERVES POLICY 2018/19

(Including Balances)

1. Legislative/Regulatory Framework

1.1 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 (as amended) require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget / council tax requirement.

1.2 There is also a requirement reinforced by section 114 of the Local Government Finance Act 1988 which requires the Chief Financial Officer to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.

1.3 Furthermore, sections 26 and 27 of the Local Government Act 2003 set out the requirements regarding the determination of minimum levels of controlled reserves (i.e. currently unallocated balances), and actions required should they fall below such minimum levels.

1.4 This policy only relates to useable provisions and reserves relating to the General Fund and Housing Revenue Account. As such the following unusable reserves (and any other Collection Fund items) are excluded:

Collection Fund Adjustment Account	Revaluation Reserve
Pension Reserve	Capital Adjustment Account
Financial Instruments Adjustment Account	Deferred Credits Account
Accumulated Absences Account	

2. Role of the Chief Financial Officer (s151 Officer)

2.1 Within the existing statutory and regulatory framework, it is the responsibility of the Chief Financial Officer (at Lancaster this is the Chief Officer (Resources)) to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use.

2.2 For clarity, within the legislation the minimum level of any reserve is not quantified, and it is not considered appropriate or practical for the Chartered Institute of Public Finance and Accountancy (CIPFA), or other external agencies, to give prescriptive guidance on the minimum, or maximum, level of reserves required either as an absolute amount or a percentage of the budget.

3. Purpose of Reserves and Balances

3.1 Reserves and balances can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of what is commonly referred to as 'general balances';
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of 'general balances';
- A means of building up funds, commonly referred to as earmarked reserves, to meet known or predicted liabilities.

3.2 For each earmarked reserve held by a local authority there should be a clear protocol setting out:

- The reason for/purpose of the reserve;
- How and when the reserve can be used;
- Procedures for the reserve's management and control; and
- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

4. Principles to Assess Adequacy

4.1 Setting the level of reserves and balances is just one of several related decisions in the formulation of the medium term financial strategy and the budget for a particular year. Account should be taken of the key financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:

Budget Assumptions

- The treatment of inflation and interest rates
- Estimates of the level and timing of capital receipts
- The treatment of demand led pressures
- The treatment of planned efficiency savings/gains
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments
- The availability of other funds to deal with major contingencies and the adequacy of provisions

Financial Standing and Management

- The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates, etc.)
- The authority's track record in budget and financial management including the robustness of the medium term financial plans
- The authority's capacity to manage in-year budget pressures
- The strength of the financial information and reporting arrangements
- The authority's virement and end of year procedures in relation to budget under/over spends at authority and departmental level
- The adequacy of the authority's insurance arrangements to cover major unforeseen risks.

4.2 The minimum level of general balances considered appropriate for the Council is reviewed annually as part of the budget process and Medium Term Financial Strategy. The Housing Revenue Account recommended minimum level remains at £500K from 01 April 2018. The General Fund level will remain at £1.5M.

4.3 The Council's external auditors recommend the use of a risk based approach when setting the level of reserves. As far as reasonably practical this approach is used, although for many reserves the balance is being held to meet a specific budgeted need, or alternatively future spending needs can be restricted to tie in with monies available. For others, whilst the risk of financial liabilities arising is acknowledged, it may be impossible to assess accurately (or to quantify) the financial risks involved, and the balances of such reserves are determined initially based on informed judgement. Their future levels will be further reviewed as more information becomes available.

5. Reporting Framework

5.1 The level and utilisation of reserves will be determined formally by Council through this policy, informed by the advice and judgement of the Chief Officer (Resources).

5.2 The Council's annual budget report includes a statement showing the estimated opening general fund balances for the year ahead, the addition to/withdrawal from balances, and the estimated end of year balance. A statement is also included commenting on the adequacy of general balances and provisions in respect of the forthcoming financial year and the authority's medium term financial strategy.

5.3 Similarly, a statement is also included, as part of the budget report, identifying earmarked reserves, the opening balances for the year, planned additions/withdrawals and the estimated closing balances.

5.4 To aid transparency, as part of the Council's quarterly monitoring a statement on the movements of reserves and provisions, including key transactions, will be reported.

6 Provisions & Reserves Protocol : General Fund

Reserve	Purpose	How and When Used	Management and control	Timescale for review
Business Rates Reserve	To support the budget in the event that Business Rates Income does not reach budgeted levels or falls to Safety Net, due to fluctuations in appeals or other reductions in net income, and to hold any unbudgeted (surplus) rating income prior to use.	Any transfers to be determined and reported to Cabinet by Chief Officer (Resources) – with transfers out subject to consultation with the Finance Portfolio Holder.	Resources.	Budget & Outturn, & mid-year MTFS review.
Budget Support	To provide resources to help finance capacity / feasibility / review and other development work in support of the Council's corporate planning and budgeting arrangements, including any transformation or modernisation plans etc.	Key decisions on use are subject to Cabinet approval. Non-key decisions are delegated to the Chief Officer (Resources), in consultation with the Finance Portfolio Holder.	Resources.	Budget & Outturn, & mid-year MTFS review.
Canal Corridor	To cover commissioning costs relating to external support and advice for the CCN development.	Use of the reserve will be in line with the CCN decisions of Council.	Planning & Regeneration / Resources.	Budget & Outturn, & mid-year MTFS review.
Capital Support	To cover contractual liabilities on West End properties and to provide cover for any revenue costs arising through shortfalls in capital financing (i.e. from capital receipts).	Any use to be determined and reported to Cabinet by Chief Officer (Resources).	Resources.	Budget & Outturn, & mid-year MTFS review.
Corporate Property	To provide for feasibility studies, surveys and repair works to municipal buildings and facilities (in particular, for those that cannot be capitalised as part of the current works programme or are not otherwise budgeted for). In addition, to provide cover for any in-year rental shortfalls.	Use of the reserve to be determined and reported to Cabinet by Chief Officer (Resources), in consultation with the Property Portfolio Holder.	Resources.	Quarterly reporting, Budget & Outturn.
Economic Growth	To support economic growth activities in the district.	Use of the reserve will be in line with the decisions of Cabinet. Any remaining available amounts (non-key decisions) will be delegated to the Chief Officer (Resources), in consultation with Cabinet.	Regeneration & Planning / Resources.	Budget & Outturn, & mid-year MTFS review.

Reserve	Purpose	How and When Used	Management and control	Timescale for review
Elections	To even out the cost of holding City Council elections every four years.	Contributions to and from the reserve to be approved by the Chief Officer Governance, in consultation with the Chief Officer (Resources) - generally as part of annual budget process, rather than specifically.	Governance / Resources.	Budget & Outturn.
Homelessness	To hold related government grants or other specific external funding until needed for homelessness prevention measures.	Contributions to or from the reserve to be approved by Chief Officer (Health & Housing), in consultation with Chief Officer (Resources).	Health & Housing / Resources.	Budget & Outturn.
Invest to Save	To help finance any Invest to Save initiatives.	Use linked to capital or revenue schemes that can generate future savings in the medium term. Contributions to or from reserve to be approved by Cabinet.	Resources. Pay back periods must be in accordance with MTFS, and as advised by Chief Officer (Resources).	Budget & Outturn, and mid-year MTFS review.
Local Plan	To support the adoption of the Local Plan.	Use of the reserve to be approved by Chief Officer (Regen & Planning), in consultation with Chief Officer (Resources). The reserve to be closed following adoption.	Regeneration & Planning / Resources.	Budget & Outturn
Morecambe Area Action Plan (MAAP)	To support implementation of the MAAP (Cabinet report 11 February 2014).	Contributions to and from the reserve to be approved by Cabinet (or relevant Portfolio Holder/s for non-key decisions).	Regeneration & Planning / Resources.	Budget & Outturn.
Planning Fee Income	To hold surplus income generated as a result of the Government's 20% increase in planning fee income. To be used to fund additional costs/growth relating to Planning functions (in line with any regulatory guidance).	Contributions to and from the reserve to be approved by the Chief Officer Resources in consultation with the Chief Officer (Regen and Planning), in line with the budget decisions of Council. Any further use to be agreed by Cabinet.	Regeneration & Planning / Resources.	Budget & Outturn.
Renewals (Including Williamson Park, ICT, AONB Vehicle, Car Park Equipment, Courier Vehicle, Parks vehicles & Salt Ayre Leisure Centre renewals)	To provide for the renewal (replacement or upgrade) of existing facilities and infrastructure needed for service delivery, such as vehicles, plant and equipment.	Contributions are made into the reserve on an annual basis as part of the budget, and transferred to revenue or capital as and when renewals are undertaken. Use of the reserve to be agreed by Chief Officer (Resources).	Resources.	Budget & Outturn.

Reserve	Purpose	How and When Used	Management and control	Timescale for review
Restructuring	To fund the costs associated with early termination of staff (in the interests of efficiency / redundancy) / Pay and Grading Review.	Use of this reserve will be subject to the respective approvals of Personnel Committee and/or Cabinet.	Human Resources / Resources.	Budget & Outturn, and mid-year MTFS review.
Open Spaces – Commuted Sums	To receive all sums paid to the Council from third parties for the maintenance of open spaces adopted by the City Council.	Lump sums are credited to the reserve and appropriated either to revenue or capital dependent upon the nature of the agreement.	Environmental Services / Resources/ Planning & Regen. Any use of reserve must be in accordance with specific s106 agreements.	Budget & Outturn.
S106 Commuted Sums – Affordable Housing	To receive all sums paid to the Council from third parties in respect of affordable housing schemes.	Lump sums are credited to the reserve and appropriated either to revenue or capital dependent upon the nature of the agreement and subject to approved policy for use (Cabinet: November 2009).	Regeneration & Planning / Resources. Any use of reserve must be in accordance with specific s106 agreements.	Budget & Outturn.
S106 Commuted Sums – Highways, cycle paths and crossings.	To receive all sums paid to the Council from third parties other than for affordable housing and grounds maintenance.	Lump sums are credited to the reserve and appropriated either to revenue or capital dependent upon the nature of the agreement.	Regeneration & Planning / Resources. Any use of reserve must be in accordance with specific s106 agreements.	Budget & Outturn.
Welfare Reforms	To help manage the cost and administration pressures of any welfare reforms (in particular, localisation of council tax support and Universal Credit).	Contributions to and from the reserve to be determined and reported to Cabinet by Chief Officer (Resources), in consultation with the Finance Portfolio Holder. Contributions to the reserve are based on receipt of relevant specific grants.	Resources.	Budget & Outturn, and mid-year MTFS review.

Reserves held in perpetuity:

Provision	Purpose	How and When Used	Management and control	Timescale for review
Graves Maintenance	This reserve holds monies donated to the City Council by individuals, specifically for the maintenance of graves.	The capital sum must be maintained at the original level of contribution, with interest earned being appropriated to revenue to offset maintenance costs.	Health & Housing / Resources. No changes to its use are permitted.	Outturn.
Marsh Capital	The monies held in this reserve came from the proceeds of land sold at Willow Lane on the Marsh, as set out by the Lancaster Corporation Act 1900. The Act determines that the interest generated on this reserve be applied in perpetuity to the payment to the freemen of the City.	Investment interest generated on the reserve is used to make annual payments to the freemen of the City.	Resources. No changes to its use are permitted.	Outturn.

Provision	Purpose	How and When Used	Management and control	Timescale for review
PROVISIONS				
Bad & Doubtful Debts	This provision is used to write off all General Fund bad debts that have been approved.	The provision is funded by an annual contribution based on assessment of the level of debt outstanding.	Resources.	Budget, Outturn & mid-year MTFS review.
Insurance	The cost of insurance claims, premiums and brokerage are charged to the provision.	Contributions are made to the provision from individual services at a level sufficient to cover the anticipated claims experience and premiums.	Resources.	Budget & Outturn, and mid-year MTFS review.

All provisions will be applied by the Chief Officer (Resources) (or her nominated representative) and reported through to Members, primarily as part of the normal monitoring, budgeting and outturn reporting arrangements.

7 Provisions & Reserves Protocol : Housing Revenue Account

Reserve	Purpose	How and When Used	Management and control	Timescale for review
Capital Reserves				
Business Support Reserve	To provide support to additional business plan commitments and planned investment opportunities.	Use of the reserve to be approved by Cabinet. Contributions to the reserve to be approved annually as part of the budget.	Health & Housing /Resources.	Budget & Outturn.
Major Repairs Reserve (MRR)	Set up following the introduction of Resource Accounting in the HRA. To be credited with the amount of depreciation charged to the HRA and topped up with additional funds required to finance the capital programme in-year.	Use of reserve to be determined and reported by Chief Officer (Resources) (or her nominated representative). Can be applied to capital improvements to HRA housing stock (specifically excluding demolition) and, additionally from 1st April 2004, repayment of HRA debt and credit liabilities (including premia on early repayment of PWLB loans).	Health & Housing /Resources.	Budget & Outturn.

Reserve	Purpose	How and When Used	Management and control	Timescale for review
Revenue Reserves				
Flats – Planned Maintenance	To smooth the costs of major revenue and capital works to flats funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in flats.	Health & Housing /Resources.	Budget & Outturn.
ICT and Systems Improvement	To fund future major IT systems replacement and improvement.	To be applied to future replacements and system/process improvements.	Health & Housing /Resources.	Budget & Outturn.

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
Office Equipment	To fund purchases of minor I T and other office equipment.	Used to fund ad-hoc purchases of major office furnishings resultant from health & safety legislation and risk assessments (desk, chairs, cabinets etc) and minor office equipment items.	Health & Housing /Resources.	Budget & Outturn.
Sheltered Equipment	To fund purchases of equipment for Sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes.	Health & Housing /Resources	Budget & Outturn.
Sheltered – Planned Maintenance	To smooth the costs of major revenue and capital works to flats funded from Service Charges	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	Health & Housing /Resources.	Budget & Outturn.
Sheltered – Support Grant Maintenance	To fund purchases of equipment for Sheltered schemes funded from Service Charges, but classed as Support Costs under County Guidelines.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest.	Health & Housing /Resources.	Budget & Outturn.

Use of all HRA reserves with the exception of the BSR and MRR to be approved by Chief Officer (Health and Housing) in consultation with the Chief Officer (Resources) (or her nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

PROVISIONS				
Bad Debts	This provision is used to write off all Housing Revenue Account bad debts that have been approved.	The provision is funded by an annual contribution based on assessment of the level of debt outstanding.	Resources.	Budget & Outturn.

The Bad Debt provision will be applied by the Chief Officer (Resources) (or her nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

Provisions and Reserves Statement (Including Unallocated Balances)

For Consideration at Budget Council 28 February 2018

GENERAL FUND	31 March 2017 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2018 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2019 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2020 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2021 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2022 £
Unallocated Balances	**(4,725,029)**			57,100	**(4,667,929)**				**(4,667,929)**				**(4,667,929)**				**(4,667,929)**				**(4,667,929)**
Earmarked Reserves:																					
Business Rates Retention	**(381,458)**	(7,107,800)		2,822,900	**(4,666,358)**	(4,347,700)		2,666,300	**(6,347,758)**				**(6,347,758)**				**(6,347,758)**				**(6,347,758)**
Budget Support		(1,000,000)	36,000	314,600	**(649,400)**	(2,666,300)	320,000	834,700	**(2,161,000)**			279,400	**(1,881,600)**			60,400	**(1,821,200)**			46,600	**(1,774,600)**
Canal Corridor		(400,000)		283,000	**(117,000)**			79,000	**(38,000)**			38,000									
Capital Support	**(451,510)**	(81,300)	137,000		**(395,810)**		99,000		**(296,810)**				**(296,810)**				**(296,810)**				**(296,810)**
Corporate Property	**(417,506)**	(99,000)	59,000	63,000	**(394,506)**			15,000	**(379,506)**				**(379,506)**				**(379,506)**				**(379,506)**
Economic Growth		(500,000)	25,000	239,900	**(235,100)**			145,000	**(90,100)**			84,700	**(5,400)**			1,500	**(3,900)**			1,500	**(2,400)**
Elections	**(40,000)**	(40,000)			**(80,000)**	(40,000)			**(120,000)**	(40,000)		160,000		(40,000)			**(40,000)**	(40,000)			**(80,000)**
Homelessness	**(94,475)**	(6,600)			**(101,075)**	(6,600)			**(107,675)**	(10,100)			**(117,775)**	(10,100)			**(127,875)**	(10,100)			**(137,975)**
Invest to Save	**(1,820,257)**			314,300	**(1,505,957)**				**(1,505,957)**				**(1,505,957)**				**(1,505,957)**				**(1,505,957)**
Local Plan	**(150,293)**			94,600	**(55,693)**			55,693													
Morecambe Area Action Plan	**(29,430)**			7,800	**(21,630)**		11,000		**(10,630)**				**(10,630)**				**(10,630)**				**(10,630)**
Planning Fee Income						(61,800)			**(61,800)**	(14,400)			**(76,200)**			31,200	**(45,000)**			39,600	**(5,400)**
Renewals Reserves	**(857,100)**	(479,300)	714,000	243,700	**(378,700)**	(479,300)	282,000	136,400	**(439,600)**	(479,300)	229,000	126,400	**(563,500)**	(479,300)	63,000	29,200	**(950,600)**	(479,300)	60,000	29,200	**(1,340,700)**
Restructure	**(550,125)**	(19,000)		1,300	**(567,825)**				**(567,825)**				**(567,825)**				**(567,825)**				**(567,825)**
S106 Commuted Sums - Open Spaces	**(76,513)**			20,900	**(55,613)**			16,600	**(39,013)**			15,600	**(23,413)**			11,800	**(11,613)**			11,800	**187**
S106 Commuted Sums - Affordable Housing	**(231,500)**				**(231,500)**				**(231,500)**				**(231,500)**				**(231,500)**				**(231,500)**
S106 Commuted Sums - Highways, Cycle Paths etc.	**(332,141)**	(594,100)		8,300	**(917,941)**	(350,000)	254,000	6,700	**(1,007,241)**	(150,000)		154,400	**(1,002,841)**				**(1,002,841)**				**(1,002,841)**
Welfare Reforms	**(265,571)**			172,000	**(93,571)**	(154,100)			**(247,671)**				**(247,671)**				**(247,671)**				**(247,671)**
Reserves Held in Perpetuity:																					
Graves Maintenance	**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**
Marsh Capital	**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**
Total Earmarked Reserves	**(5,767,779)**	(10,327,100)	971,000	4,586,300	**(10,537,579)**	(8,105,800)	966,000	3,955,393	**(13,721,986)**	(693,800)	229,000	858,500	**(13,328,286)**	(529,400)	63,000	134,100	**(13,660,586)**	(529,400)	60,000	128,700	**(14,001,286)**
Total Combined Reserves	**(5,767,779)**				**(15,205,508)**				**(18,389,915)**				**(17,996,215)**				**(18,328,515)**				**(18,669,215)**

Provisions	31 March 2017 £	Transfers In	Spend	Transfers Out	31 March 2018 £
Bad Debts	**(2,365,954)**	(265,000)	210,000		**(2,420,954)**
Legal	**(138,727)**				**(138,727)**
Insurance	**(364,966)**	(412,000)	377,000		**(399,966)**
	(2,869,647)	**(677,000)**	**587,000**		**(2,959,647)**

Annex 5

HOUSING REVENUE ACCOUNT	31 March 2017	From Revenue	To / (From) Capital	To Revenue	31 March 2018	From Revenue	To / (From) Capital	To Revenue	31 March 2019	From Revenue	To / (From) Capital	To Revenue	31 March 2020	From Revenue	To / (From) Capital	To Revenue	31 March 2021	From Revenue	To / (From) Capital	To Revenue	31 March 2022
	£	£	£	£	**£**	£	£	£	**£**	£	£	£	**£**	£	£	£	**£**	£	£	£	**£**
HRA General Balance	**(1,937,602)**			220,900	**(1,716,702)**			150,100	**(1,566,602)**			279,100	**(1,287,502)**			50,800	**(1,236,702)**	(256,800)			**(1,493,502)**
Earmarked Reserves:																					
Business Support	**(8,436,881)**			119,700	**(8,317,181)**		260,000		**(8,057,181)**				**(8,057,181)**				**(8,057,181)**				**(8,057,181)**
Major Repairs		(3,540,300)	3,540,300			(3,572,300)	3,572,300			(3,832,300)	3,832,300			(3,686,500)	3,686,500			(3,688,500)	3,688,500		
Flat - Planned Maintenance	**(667,596)**	(133,000)	200,000	37,500	**(563,096)**	(133,000)	200,000	23,200	**(472,896)**	(133,000)	120,000	23,200	**(462,696)**	(133,000)	100,000	23,200	**(472,496)**	(133,000)	100,000	23,200	**(482,296)**
ICT & Systems Improvements	**(601,942)**	(57,000)		101,800	**(557,142)**	(57,000)		50,300	**(563,842)**	(57,000)			**(620,842)**	(57,000)			**(677,842)**	(57,000)			**(734,842)**
Office Equipment	**(39,009)**				**(39,009)**				**(39,009)**				**(39,009)**				**(39,009)**				**(39,009)**
Sheltered - Equipment	**(303,529)**	(26,000)		14,300	**(315,229)**	(23,500)		56,300	**(282,429)**	(20,600)		49,800	**(253,229)**	(15,400)		44,100	**(224,529)**	(12,700)		34,400	**(202,829)**
Sheltered - Planned Maintenance	**(215,449)**	(51,900)	80,000	25,000	**(162,349)**	(46,800)	25,000	15,500	**(168,649)**	(41,300)		15,500	**(194,449)**	(30,600)		15,500	**(209,549)**	(25,300)		15,500	**(219,349)**
Sheltered Support Grant Maintenance	**(445,075)**	(26,000)			**(471,075)**	(23,500)			**(494,575)**	(20,600)			**(515,175)**	(15,400)			**(530,575)**	(12,700)			**(543,275)**
Total Earmarked Reserves	**(10,709,481)**	(3,834,200)	3,820,300	298,300	**(10,425,081)**	(3,856,100)	4,057,300	145,300	**(10,078,581)**	(4,104,800)	3,952,300	88,500	**(10,142,581)**	(3,937,900)	3,786,500	82,800	**(10,211,181)**	(3,929,200)	3,788,500	73,100	**(10,278,781)**
Total Combined Reserves	**(12,647,083)**				**(12,141,783)**				**(11,645,183)**				**(11,430,083)**				**(11,447,883)**				**(11,772,283)**

Provisions	31 March 2017	Transfers In	Spend	Transfers Out	31 March 2018
	£				**£**
Bad Debts	**(522,138)**	(196,600)	200,000		**(518,738)**

General Fund Capital Programme

For Consideration at Budget Council 28 February 2018

Service / Scheme	2017/18 Gross Budget	2017/18 External Funding	2017/18 Net Programme	2018/19 Gross Budget	2018/19 External Funding	2018/19 Net Programme	2019/20 Gross Budget	2019/20 External Funding	2019/20 Net Programme	2020/21 Gross Budget	2020/21 External Funding	2020/21 Net Programme	2021/22 Gross Budget	2021/22 External Funding	2021/22 Net Programme	5 YEAR PROGRAMME Total Gross Programme	5 YEAR PROGRAMME Total External Funding	5 YEAR PROGRAMME Total Net Programme
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Environmental Services																		
Vehicle Renewals	2,105,000		2,105,000	1,234,000		1,234,000	1,371,000		1,371,000	1,886,000		1,886,000	515,000		515,000	7,111,000		7,111,000
Bins & Boxes Scheduled Buy-Outs	100,000		100,000													100,000		100,000
Car Parks Improvement Programme	110,000		110,000													110,000		110,000
Happy Mount Park - Pathway Replacements							112,000		112,000							112,000		112,000
Bay Cottage Play Area	47,000	(40,000)	7,000													47,000	(40,000)	7,000
CCTV	85,000		85,000													85,000		85,000
Grosvenor Park Play Area	54,000	(54,000)														54,000	(54,000)	
Cable Street Car Park Extension				35,000		35,000										35,000		35,000
Half Moon Bay Car Park Extension				60,000		60,000										60,000		60,000
Vehicle Fleet Review				107,000		107,000										107,000		107,000
Health and Housing																		
Disabled Facilities Grants	1,107,000	(1,107,000)		3,179,000	(3,179,000)		1,607,000	(1,607,000)		1,607,000	(1,607,000)		1,607,000	(1,607,000)		9,107,000	(9,107,000)	
Residual Adactus Top Up Grant	11,000		11,000													11,000		11,000
Heysham School Capital Funding	36,000		36,000													36,000		36,000
Salt Ayre Sports Centre - Redevelopment	1,126,000		1,126,000													1,126,000		1,126,000
Salt Ayre Sports Centre - Additional Enhancements	185,000		185,000													185,000		185,000
Regeneration and Planning																		
Sea & River Defence Works & Studies	4,483,000	(4,483,000)		1,232,000	(1,232,000)		3,000	(3,000)		3,000	(3,000)		3,000	(3,000)		5,724,000	(5,724,000)	
Amenity Improvements (Morecambe Promenade)	10,000		10,000	14,000		14,000										24,000		24,000
Lancaster Square Routes				45,000	(26,000)	19,000										45,000	(26,000)	19,000
Morecambe THI2: A View for Eric	51,000	(39,000)	12,000	525,000	(399,000)	126,000										576,000	(438,000)	138,000
MAAP Improving Morecambe's Main Streets	294,000		294,000	148,000		148,000	300,000		300,000							742,000		742,000
Lancaster District Empty Homes Partnership	60,000		60,000	89,000		89,000										149,000		149,000
Bay Arena Improvements	11,000	(8,000)	3,000													11,000	(8,000)	3,000
Cable Street Christmas Lights				30,000		30,000										30,000		30,000
S106 Highways Works				200,000		200,000										200,000		200,000
Heysham Gateway - Demolition & Removal of Tanks				1,040,000	(220,000)	820,000										1,040,000	(220,000)	820,000
Resources																		
ICT Systems, Infrastructure & Equipment	517,000		517,000	320,000		320,000	143,000		143,000	389,000		389,000	250,000		250,000	1,619,000		1,619,000
Corporate Property Works	1,361,000		1,361,000	2,794,000		2,794,000										4,155,000		4,155,000
Energy Efficiency Works	393,000		393,000	348,000		348,000										741,000		741,000
GENERAL FUND CAPITAL PROGRAMME	12,146,000	(5,731,000)	6,415,000	11,400,000	(5,056,000)	6,344,000	3,536,000	(1,610,000)	1,926,000	3,885,000	(1,610,000)	2,275,000	2,375,000	(1,610,000)	765,000	33,342,000	(15,617,000)	17,725,000

	2017/18	2018/19	2019/20	2020/21	2021/22	5 Year Programme
Financing :						
Capital Receipts	(1,081,000)	(500,000)				(1,581,000)
Direct Revenue Financing	(146,000)	(3,000)				(149,000)
Earmarked Reserves	(827,000)	(954,000)	(378,000)	(63,000)	(60,000)	(2,282,000)
Increase / (Reduction) in Capital Financing Requirement (CFR) (Underlying Change in Borrowing Need)	4,361,000	4,887,000	1,548,000	2,212,000	705,000	13,713,000

Annex 7

Council Housing 5 Year Capital Programme

For Consideration at Budget Council 28 February 2018

	2017/18 Original £000	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	TOTAL £000
EXPENDITURE							
Adaptations	250	350	250	250	250	250	1,350
Energy Efficiency/Boiler Replacement	655	655	635	610	725	570	3,195
Internal Refurbishment	957	820	1,032	957	957	957	4,723
External Refurbishment	475	423	632	411	616	581	2,663
Environmental Improvements	646	508	405	657	590	380	2,540
Re-roofing/Window Renewals	854	810	641	985	315	302	3,053
Rewiring	60	60	86	49	84	54	333
Lift Replacements	-	-	70	-	120	120	310
Fire Precaution Works	180	300	180	180	155	180	995
Housing Renewal and Renovation	-	278	490	230	350	770	2,118
TOTAL EXPENDITURE	**4,077**	**4,204**	**4,421**	**4,329**	**4,162**	**4,164**	**21,280**
FINANCING							
Capital Receipts	(266)	(380)	(380)	(380)	(380)	(380)	(1,900)
Contributions	(21)	(22)	(2)	(15)	0	0	(39)
Earmarked Reserves	(200)	(280)	(485)	(120)	(100)	(100)	(1,085)
Major Repairs Reserve	(3,590)	(3,522)	(3,554)	(3,814)	(3,682)	(3,684)	(18,256)
TOTAL FINANCING	**(4,077)**	**(4,204)**	**(4,421)**	**(4,329)**	**(4,162)**	**(4,164)**	**(21,280)**
SHORTFALL/(SURPLUS)	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Annex 8

Budget Transfers (Virements and Carry Forwards)

2018/19 Limits Budget Council 28 February 2018

1 **Purpose and Scope**

1.1 Budget transfers (virements and carry forwards) enable the Cabinet and Chief Officers to manage budgets with a degree of flexibility within the overall policy framework determined by full Council, to optimise the use of resources and promote good financial management.

1.2 Other detailed operational guidance will be provided to budget holders, but Council approval is required for the basic limits, as proposed below.

2 **Virements**

2.1 The term covers in-year transfers between budget headings.

2.2 The Scheme of virement applies to revenue and capital budgets, and it allows only in-year, non-recurring budget adjustments.

2.3 Virement must not increase the Council's net budget; the first priority for any virements must be to address any expected budget overspendings.

2.4 Chief Officers (or their nominated representatives) may approve virements up to any limit within the specific cost centres in their control (or the equivalent level as set out in the budget book), as long as the virement does not substantially change how the activity is to be delivered, or have adverse impact on performance. For example, high staff turnover in a service area may result in an interim need to buy in additional external support or services. This would require a virement from the salaries budget, into the relevant supplies & services budget, as long as the virement does not increase the overall net cost for the service area.

2.5 With the agreement of the s151 Officer, Chief Officers (or their nominated representatives) may approve virements in budgets under their control, between cost centres (or the equivalent level as set out in the budget book), subject to the following limits:

Delegated limit	**2018/19**
Total virement on any **expenditure** heading in any one financial year must not exceed:	£10,000
Total virement on any **income** heading in any one financial year must not exceed:	£10,000

2.6 Proposed virements above these limits, that otherwise fall within the approved budget and policy framework, must be considered by Cabinet Members (relevant Individual Cabinet Member/s for any virements up to key decision threshold, and full Cabinet for virements above the key decision threshold).

2.7 Virement is not possible where the impact would fall outside of the policy framework.

3 **Treatment of Year-end Balances**

3.1 At the end of each accounting year, actual expenditure or income for the year may well vary from that budgeted, for a number of reasons. For example, a particular project may not have progressed as originally planned, meaning that the budget shows an underspending but only because some expenditure will be incurred later, and will slip into the next year. Alternatively, a budget may show an apparent overspending, but only because a project is ahead of schedule, with costs being incurred earlier than expected.

3.2 The following arrangements are proposed to help manage such situations. Again, these are based on previous practices, drawing on experience and streamlining the decision-making where appropriate. They apply to both revenue and capital budgets.

Overspends

Any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Chief Officer (or their nominated representative) will be automatically carried forward to the following year as part of the closure of accounts process except where the relevant Chief Officer and the s151 Officer agree that it does not make operational sense to do so, or where the overspending is trifling in value.

The s151 Officer will report to Cabinet on overspendings and their treatment as part of year-end reporting. Such reporting will also include the reasons for any overspends occurring and details of any actions taken to prevent the situation recurring, for Cabinet's consideration and endorsement.

Underspends

As part of year-end reporting, Cabinet may approve the carry forward of underspendings on expenditure budgets, as requested by Chief Officers, subject to:

- the carry forward amount being used for the same purpose as budgeted; and
- the total value of any such approved amounts being met within the approved budget framework. (In effect, this means that there should be no bottom-line net overspending arising, as a result of approving carry forward requests.)

Annex 9

2018/19 Budget – Inflation & Other Price Factors

Budget Council 28 February 2018

The preparation of the base budget has been prepared in line with Financial Regulations. In particular this includes:

a) Inclusion of all Council commitments to date;
b) Exclusion of fixed term or one-off items of expenditure or income that "fall out" in each year;
c) Re-pricing of each year's base budget outturn basis using the factors shown below.

Where the authority is tied into differential contractual price increases, the contractual rates will be used. The table below covers all other scenarios. The factors are based on the Bank of England Inflation Report (November 2017), HM Treasury Economic Forecast (November 2017) and consultation with other Council services. It should be noted that for some cost areas there is little or inconsistent information available to inform future price movements and that certain costs, such as fuel, have been subject to significant price volatility in previous years.

	2018/19 %	**2019/20 %**	**2020/21 %**	**2021/22 %**
General Inflation (CPI)	2.6	2.2	2.2	2.2
Pay Award	2.7	3.4	2.0	2.0
Energy	0.0	0.0	9.7	8.8
Water	2.7	2.3	2.5	2.5
Transport	4.2	6	5.7	3.6
Insurance	10.0	10.0	10.0	10.0
Building Repairs	2.6	2.2	2.2	2.2
Business Rates	3.0	2.2	2.2	2.2
Landfill Tax	3.3	3.3	3.3	3.3
Fees & Charges	2.6	2.2	2.2	2.2

Estimated Impact of Pay & Inflation on the General Fund:

	2018/19 £'000	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**
General Inflation (CPI)	174	342	488	642
Pay Award	468	1,060	1,615	2,057
Energy	0	0	60	114
Water	6	11	17	23
Transport	22	57	88	107
Insurance	66	132	197	262
Building Repairs	81	146	216	283
Business Rates	36	76	110	145
Landfill Tax	11	19	26	34
Fees & Charges	(273)	(521)	(772)	(1,021)
TOTAL	**591**	**1,322**	**2,045**	**2,646**

Note that some of the values shown above will cover increases tied into contractual agreements.

In addition to the net impact of inflation the Net Revenue Budget changes year on year for various factors, the key ones are set out below in the following table.

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Net Revenue Budget	**16,204**	**16,664**	**18,318**	**19,344**
Following Year's Budget Pressures:				
Employee Costs:				
Pay award, increments, restructures	493	365	511	*+65%*
Pension Rate Increase / Deficit Recovery	0	609	61	
Capital Financing (MRP)	128	228	226	*+19%*
New Homes Bonus Grant	(158)	436	200	*+15%*
Investment Interest	(81)	(82)	-	*+1%*
Other Net Changes (e.g. other net inflation)	78	98	28	
Total Net Increase	**+460**	**+1,654**	**+1,026**	***+3,140***
Following Year's Net Revenue Budget	**16,664**	**18,318**	**19,344**	

Information on other budget factors is given below:

Pay award
This has been based on the employers pay award offer (05 Dec 2017) for 2018/19 and 2019/20, and a flat rate 2% thereafter.

For 2018/19, the offer weights increases to the lower end of the pay scale, starting at an increase of 9.191% for Spinal Columns Point (SCP) 6 reducing to 3.734% by SCP 19. At point SCP 20 and above the increase is 2%.

For 2019/20 the proposal is to change the actual grade structure, as well as offering increases on a sliding scale from 6% to the lower end of the pay scale reducing to 2% at the upper end.

National Insurance
The current NI is in the range of 0% to 13.8% (average rate being 6.6%) and has been applied to all years.

Superannuation
For 2018/19 to 2019/20 the contribution rate was set to increase to 15.5% following the latest triennial pension fund review, however by paying the full amount due up-front the Council can make significant savings. The resulting pension rate equates to an average of 13.8% over the three years. For 2020/21 onwards it is assumed the rate will revert to 15.5%.

Fees and Charges
Fees and charges increases are grouped into three main categories for the purposes of budgeting for pricing increases, these being Prescribed & Regulated, General, and Cost Recovery.

Prescribed / Regulated Fees & Charges:
This covers fees and charges that are either set by central government or an external agency, or are similarly regulated – as such, the City Council has little or no discretion with regard to actual fee levels and charges, an example being *planning* application fees. The base budgets will be based on known set fee levels, or on expected levels across the three year period.

Fees & Charges linked to Cost Recovery:
These fees and charges will be budgeted for on the basis that the related activity will achieve any pre-determined financial objective for the year, e.g. breaking even by way of recovering the running costs of the service. Examples of these are *Building Regulation fees* (this is also a statutory requirement) and various *Service Charges*.

General:
Other general fees and charges have been linked to the CPI rate of inflation, unless specific decisions have been taken otherwise.

Appendix B

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

1

SERVICE: Regeneration & Planning

PROPOSAL: Heysham Gateway – Demolition & Removal of Tanks

The proposal covers the early demolition and removal of four former final product tanks at Heysham Gateway which are jointly owned by Lancashire County Council in order to produce a 7 acre development site suitable for industrial uses, and

- Further site surveys to complete the area;
- A water catchment study;
- High level drainage design;
- Transport assessment;
- Further ecology work;
- Detailed master planning incorporating the above information.

Undertaking the removal of the tanks in conjunction with the development of the adjacent GVS site (disposal approved by Cabinet in August 2017) will mean that the demolition waste (crushed bricks, concrete, soil etc) can be utilised to raise ground levels on the GVS site. This will save circa £0.5m which represents the total additional cost of removing the demolition of arisings from site and taking them to a treatment facility. Once cleared the site will be suitable for a range of industrial uses and will generate a substantial capital receipt. It is estimated that the site would be worth £700K after completion of the works, and if sold 50% (£350K) would be retained by the City Council. Therefore, future savings could be generated by using the receipt to fund the capital programme, thereby reducing the need for unsupported borrowing - savings still to be quantified.

The additional survey works listed above relate to Phase 2 and will also facilitate gaining maximum benefits from the wider Heysham Gateway area.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☐ Invest to Save ☑

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Demolition & Removal of arisings	900,000			
Savings from reusing arising on site	(500,000)			
10% contingency / engineers fees	40,000			
Less 50% County Council contribution	(220,000)			
Sub Total	**220,000**			
Phase 2 - Drainage & Site Surveys / LRRP costs	100,000			
Total	**320,000**			

TIMESCALE FOR COMPLETION OF FEASIBILITY STUDY FROM BUDGET COUNCIL 28 FEB 2018:
4 Months

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Support from Legal Services the Property Group in terms of the land disposal. Financial Services will also have an involvement from a capital monitoring point of view.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:

The two key potential risks are that the costs exceed £900K and that the site remains unsold once the works are completed.

FINANCE / S151 COMMENTS:

The accounting treatment of costs, in terms of whether they are capital or revenue, is still to be determined.

Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

2

SERVICE: Environmental Services

PROPOSAL: Solar Farm Design & Business Case Development

Plans for a solar farm at Middleton had previously been developed but did not proceed due to it becoming no longer financially viable as a result of the Government reducing the tariffs. Since then the cost of solar panels etc have reduced and other technology has developed (e.g. battery storage). It is now proposed to revisit proposals to see if they are again financially viable.

The plans this time will be to establish the feasibility of -

a) Directly powering Salt Ayre Sports Centre via a solar farm- thus providing renewable energy at a stable price to cover the electricity needs of the centre.
b) Supporting the economic development of the Heysham Gateway area via a scheme for provision of off-grid renewable energy to businesses

Expert technical advice will be required to support Officers to prepare the information that will be required to allow Elected Members to make a decision to proceed beyond the initial feasibility stage. It is estimated that £50,000 be allocated to cover this.
Assuming it was feasible and Elected Members agreed to proceed further costs prior to construction- (eg design, planning application, grid connection, legal fees, procurement) would obviously be incurred

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☑

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)

	2018/19 £	**2019/20 £**	**2020/21 £**	**2021/22 £**
Stage 1- Feasibility	50,000			
Stage 2- Design, planning etc	TBC			
Total	**50,000**			

TIMESCALE FOR COMPLETION OF FEASIBILITY STUDY FROM BUDGET COUNCIL 28 FEB 2018:
Feasibility work will be undertaken in 2018/19.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
External specialised support will be required to undertake the feasibility work.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
That the business case is not eventually viable.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming. The accounting treatment of up-front design costs would be kept under review (in that eventually, some or all costs may be capitalised).

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

3

SERVICE: Environmental Services – Waste & Recycling

PROPOSAL: Waste Collection Management Systems

Household waste and trade waste collection rounds are still planned and routed manually. The majority of logistics companies and many other Councils now use electronic route optimisation software to help ensure routes are planned as efficiently as possible.

Planning the best way to deliver a collection service to 60,000 households will provide efficiencies / capacity which can then be used to a) cover new properties b) further increase our share of the trade waste market. It is also proposed to include technology in each refuse collection vehicle that will link with the route software and replace the current paper systems crews have to deal with. This will increase efficiency, reduce missed bins, improve customer service (e.g. provision of real time information)

Initial efficiencies from the route optimisation could generate additional income of around £30K per annum (not included below). Consideration is also being given to establishing a Local Authority Trading Company (LATC) solely for the Trade Waste function. Establishment of such a company is being looked at in relation to another savings proposal, therefore there would be no additional costs at this stage.

Members should also be aware of the challenges that are faced nationally with regards to the need to reduce the amount of waste produced and the need to move away from plastics etc. County Council (as the waste disposal authority) and Districts are currently looking at the best strategy to address this. Depending on the strategy it is expected that in the medium term this will translate into decisions needing to be taken on how the Council delivers its collection services (which could involve investment).

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☑ Invest to Save ☐

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Software - initial purchase and implementation	108,400			
Additional staffing re implementation	30,000			
On-going annual licence fee		44,300	45,300	46,300
Assumed Efficiency Savings		(44,300)	(45,300)	(46,300)
Total	**138,400**	**0**	**0**	**0**

TIMESCALE FOR DESIGN, TESTING & IMPLEMENTATION FROM BUDGET COUNCIL 28 FEB 2018:
TBC

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
ICT, administrative and supervisor support time required to configure the system. Changes would impact on users, potentially changes to collections, frequency of collections. Initial changes to collections could result in an increase in calls. Long terms reduction in calls as live information will be available to customer services and the operational support team.
Purpose of the software is to look at the most efficient routes whilst coping with the demands of an ever-changing operation. It is unknown at this time but hoped that this will impact on numbers of vehicles potentially producing operational savings.
The software would also be made available to other services within the Council, for instance the re-optimisation of street cleaning and grounds maintenance schedules could be incorporated within its use.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
The key risk is that efficiencies are not generated as a result of the software and that the planned additional crew and vehicle are still required from 2019/20 onwards. Should this be the case then continued use of the software would need to be reviewed in light of the on-going £45K annual licence fee. If it was considered that existing rounds were as efficient as possible and that we had saturated the trade refuse market this option would not have been put forward.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

4

SERVICE: Resources - ICT

PROPOSAL: ICT Network Performance Monitoring & Improvement

Many users will accept slightly poor performance of technology without reporting this to the ICT Service Desk. Over time this can have a significant cumulative adverse impact on performance and ultimately, the services that the Council provides. Software has recently been trialled, to determine how the proactive monitoring of users' experience could improve productivity and reduce the need for related ICT staffing support.

The software showed that efficiency gains could be achieved in several areas which, when combined, would generate efficiencies across all services to the public and businesses.
For example, by monitoring variations in software performance for corporate applications across different areas of the Council, as well as login times and overuse of resources on PCs, the ICT team can pro-actively identify and implement solutions, reducing the need for reactive support.

Furthermore, when responding to Service Desk calls, the ICT team would have more information to hand about the experience the user is getting and so would be able to resolve any problems more quickly and effectively - also supporting the case for reducing staffing support. The proposal is based on one full time equivalent (FTE) post reduction from 2019/20 onwards. In terms of user productivity, it is estimated that saving just one hour per user per year would give an efficiency saving value of £16,000 per year (note though this is not a realisable budget saving).

The proposal would also assist in the rolling hardware refresh by identifying PCs and other devices that need to be replaced (and those that do not), thereby improving value for money and facilitating further budgetary savings (not quantifiable at this stage). It would also allow us to swap underused high performance PCs for overused low performance PCs across the Council.

The proposal would also identify all third party software running on the network, even being accessed from the cloud – thereby facilitating ICT security.

Overall, the proposal seeks to improve and modernise aspects of ICT service support, through the appropriate use of technology.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Experience monitoring software installation	15,000			
Experience monitoring software licences	15,000	15,300	15,700	16,000
Saving in ICT staffing (based on 1 FTE post)		(20,900)	(22,000)	(22,800)
Total	**30,000**	**(5,600)**	**(6,300)**	**(6,800)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 2 Months **IMPLEMENTATION DATE**: May 2018

SCHEME INVESTMENT NEEDED: £30,000 **PAYBACK:** 5 years

CAPITAL/REVENUE:
Revenue.

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
Savings are based on salary plus direct on-costs (circa 28%) for National Insurance and Pension Fund contributions.

BASIS OF COST PROJECTIONS *(If not clear from above):*
Staffing includes salary and 28% overheads to cover National Insurance and Pension Fund contributions.

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
Failure to achieve benefits from system usage (and therefore losing the ability to make staffing savings without having an adverse service impact), to be mitigated through management arrangements.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
No specific support requirements.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

5

SERVICE: Environmental Services

PROPOSAL: Extension of CCTV to Public Buildings

The initial proposal is to extend the public CCTV system to cover White Lund Depot thereby reducing the need to employ external security and therefore producing a net saving, when retendering the security contract.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Savings on security	(17,000)	(25,000)	(26,000)	(26,000)
Total	**(17,000)**	**(25,000)**	**(26,000)**	**(26,000)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 3 Months **IMPLEMENTATION DATE**: June 2018

SCHEME INVESTMENT NEEDED: £TBC **PAYBACK**: TBC

CAPITAL/REVENUE: Upfront capital investment will be required for cameras and access control system.

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
Savings are based on reducing the cost of security services at White Lund Depot.

BASIS OF COST PROJECTIONS *(If not clear from above):*
N/A

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Support from ICT would be required.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
The main risk is that savings cannot be delivered in the anticipated timeframe, and also up-front capital costs have not yet been quantified.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

6

SERVICE: Environmental Services – Public Realm

PROPOSAL: Extension of Cable Street Car Park

To extend Cable Street car park in Lancaster by approx. 12 spaces. This would be achieved by serving notice on Lancashire Fire and Rescue Service (LFRS) to gain possession of a strip of land leased by the Council for staff parking next to the Fire Station. The Fire Station is currently being redeveloped to create a joint Fire and Ambulance Service base.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☑

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Additional Income	(9,000)	(18,000)	(18,000)	(18,000)
Revenue financing (MRP)	0	1,800	1,800	1,800
Total	**(9,000)**	**(16,250)**	**(16,250)**	**(16,250)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 6 Months **IMPLEMENTATION DATE**: Sept 2018

SCHEME INVESTMENT NEEDED: £35,000 **PAYBACK:** 2 Years

CAPITAL/REVENUE: Upfront capital investment, assumed to be funded from unsupported borrowing to be repaid over 20 years – cost shown as revenue financing in above table.

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
Based on generating £1,500 per space p.a. in a full year from existing pay and display income from this car park and existing permit charges.

BASIS OF COST PROJECTIONS *(If not clear from above):*
Initial estimate of £35,000 including additional lighting, lining and signing and contingency due to ground works and conditions.

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
Timing risks for completion of the scheme, but thereafter income risks are considered minimal as this car park is extremely popular and the construction cost includes a contingency sum.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Governance – to assist with preparing an Off Street Parking Places Amendment Order.
Regeneration and Planning – for detailed design, construction documentation, procurement, contract award and supervision.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

7

SERVICE: Environmental Services – Public Realm

PROPOSAL: Extension of Half Moon Bay Car Park

To reconstruct and potentially extend Half Moon Bay car park in Heysham. This popular free car park serves visitors to Half Moon Bay and the Zoo Café. The car park accommodates approximately 30 cars and is not surfaced.
There is also the potential to improve other Council owned car parks e.g. Bull Beck at Caton and Ryelands Park and to include them in the public car parks portfolio. Costed plans are being prepared for improvements and introducing formal management and parking charges.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☑

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Additional Income	0	(20,000)	(20,400)	(20,800)
Revenue financing (MRP)	0	3,000	3,000	3,000
Total	**0**	**(17,000)**	**(17,400)**	**(17,800)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 6 Months **IMPLEMENTATION DATE**: April 2018

SCHEME INVESTMENT NEEDED: £60,000 **PAYBACK:** 4 Years

CAPITAL/REVENUE: Upfront capital investment, assumed to be funded from unsupported borrowing to be repaid over 20 years – cost shown as revenue financing in above table.

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
For Half Moon Bay car park - based on a similarly managed pay and display car park in Heysham Village.

BASIS OF COST PROJECTIONS *(If not clear from above):*
Very approximate at this stage until a detailed design has been prepared and priced.

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
Moderate risk regarding income generation and customer resistance as the car park has provided free parking for many years so income is difficult to forecast. Also, further work is required on the cost of construction.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Regeneration and Planning – for detailed design, construction documentation, procurement, contract award and supervision.
Governance – to assist with preparing an Off Street Parking Places Amendment Order to allow formal management of the car park.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

8

SERVICE: Environmental Services – Public Realm

PROPOSAL: Management of St. George's Quay Car Park

To introduce formal management of St. George's Quay car park in Lancaster.

This car park is owned by the City Council and serves residents and businesses on St. George's Quay. Parking is not controlled and is used by commuters and other users not connected with residents and businesses.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☑

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Additional Income	(10,000)	(15,300)	(15,600)	(15,900)
Total	**(10,000)**	**(15,300)**	**(15,600)**	**(15,900)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 4 Months **IMPLEMENTATION DATE**: July 2018

SCHEME INVESTMENT NEEDED: £7,500 **PAYBACK:** 1 Year

CAPITAL/REVENUE: Upfront revenue investment required - to be met from the car parking equipment reserve.

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
Based on established car parks and schedules of fees and charges.

BASIS OF COST PROJECTIONS *(If not clear from above):*
Installation of car parking equipment to establish formal management and charging arrangements.

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
Low – income based on managing many other car parks and car parking equipment costs are known.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Regeneration & Planning – to carry out further consultation with residents and businesses.
Governance – to assist with preparing an Off Street Parking Places Amendment Order to allow formal management of the car park.
Other administrative and enforcement arrangements would be incorporated into existing operational arrangements and managed within current budgets.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

9

SERVICE: Environmental Services – Business Support

PROPOSAL: Vehicle Fleet Review

The Council currently has a vehicle fleet which consists of 143 vehicles which are further supplemented by hired vehicles. Of the hired vehicles, 6 represent pool cars and 5 are hired seasonally for the grounds maintenance team. The remaining 9 vehicles are on annual hire agreements.
Following a fleet review which took place in 2017, it was found that better use could be made of the vehicle fleet. Of the 9 vehicles on annual hire agreements, 2 could be off-hired (*Salt Ayre & Public Realm), one reduced to seasonal hire (Public Realm) and two purchased outright (Public Realm & RMS) which would provide a more cost effective approach over a six year ownership period.
Additionally, due to the success of the pool car scheme, the proposal is to purchase, outright, five of the six pool cars and replace two with electric variants after a successful trial in October 2017. This capital investment will provide a more cost effective approach for the Council, whilst contributing to a reduction in fuel usage and carbon emissions.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Vehicle R&M/Fuel	(5,100)	(5,100)	(5,100)	(5,100)
Vehicle Hire Costs	(21,500)	(22,000)	(22,500)	(23,000)
Revenue financing (MRP)	0	15,900	15,900	15,900
Total	**(26,600)**	**(11,200)**	**(11,700)**	**(12,200)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 1 Month **IMPLEMENTATION DATE**: April 2018

SCHEME INVESTMENT NEEDED: £107,000 **PAYBACK:** 6 Years

CAPITAL/REVENUE: Upfront capital investment, assumed to be funded from unsupported borrowing to be repaid over 6 years – cost shown as revenue financing in above table.

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
N/A
BASIS OF COST PROJECTIONS *(If not clear from above):*
N/A

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
The main risk is that fuel prices increase and negate that element of any potential saving.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Support would be required from Financial Services.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

10

SERVICE: Resources - Revenues & Benefits

PROPOSAL: Review of Council Tax Discounts and Exemptions

The Council may reduce the various council tax discounts currently applicable to empty homes, in line with the discretionary powers available to local authorities. A specific report on this proposal will be re-submitted to Council on 31 January 2018.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Additional Income (estimated, based on	0	(92,000)	(94,000)	(96,000)
Option 2B in the Council report)				
Total	**0**	**(92,000)**	**(94,000)**	**(96,000)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 1 Month **IMPLEMENTATION DATE**: April 2018

SCHEME INVESTMENT NEEDED: £N/A **PAYBACK:** N/A
CAPITAL/REVENUE: N/A

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
Additional council tax income as a result of reduced discounts; see council report.

BASIS OF COST PROJECTIONS *(If not clear from above):*
N/A

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
See Council report. Collection and recovery risks, council tax inflation.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
No other support requirements.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

11

SERVICE: Resources - Property Group

PROPOSAL: Room Hire/ Events Review

The restructure of Property Group undertaken during 2017 created a new Hospitality Team with the primary aim of increasing the net income generated through room bookings at Lancaster Town Hall and the Storey. With this dedicated resource in place, combined with annual reviews of hire rates, there is the opportunity to generate additional income year on year.

Works are due to start shortly on the Ashton Hall and ancillary facilities in Lancaster Town Hall and this will impact on income generation potential in the short term, as reflected in the proposal.

Once the Team is established during the course of 2018/19, the next stage of development will cover linking the wider corporate offer, with the aim of increasing net income generation further in future years, for the 2019/20 budget process and beyond.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Projected Increase in Income	0	(10,000)	(16,700)	(17,100)
Total	**0**	**(10,000)**	**(16,700)**	**(17,100)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 12 months **IMPLEMENTATION DATE**: April 2019

SCHEME INVESTMENT NEEDED: £N/A **PAYBACK:** N/A
CAPITAL/REVENUE: N/A

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
Based on broad estimate of additional income potential.
BASIS OF COST PROJECTIONS *(If not clear from above):*
N/A

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
1. Following the restructure, recruitment to various hospitality and facilities posts is currently underway, to provide the capacity to attract new bookings and increase demand. Delays have been experienced in establishing the new team (through recruitment for example) and this has had some adverse impact in the current year. This proposal assumes that those difficulties will be overcome for next year.
2. No provision has been made for any other building works, other than those currently planned and budgeted.
3. A general assumption has been made that general demand for events spaces does not decline and the Council's rates remain competitive with the competition.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Support from various services, including marketing and communications.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

12

SERVICE: Resources - Property Group

PROPOSAL: Registry Office Review

Under a historical agreement the Council currently lets 4 Queen Street in Lancaster to the County Council for a nominal sum of £200 pa. Further to the County and the City Council's asset management reviews, discussions are ongoing, seeking to relocate the Registry Office into Lancaster Town Hall at an appropriate point, giving the registry office access to Town Hall facilities and making the Town Hall a more attractive location for wedding receptions. Should this be achieved, then the Queen Street property would be available either for disposal or for re-let at a full market rent – or alternatively, negotiations would be undertaken with the County Council, to secure an ongoing market rental. Final decisions on the detail of the proposal would be submitted to Cabinet for decision during 2018/19.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Increased Rental Income	0	(27,000)	(27,000)	(27,000)
Total	**0**	**(27,000)**	**(27,000)**	**(27,000)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 12 months (est.) **IMPLEMENTATION DATE**: April 2019 (est.)

SCHEME INVESTMENT NEEDED: TBC **PAYBACK:**

CAPITAL/REVENUE: Some capital works required should Registrars relocate to Lancaster Town Hall.

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
Based on current reviews regarding rental potential of the Queen Street property.
BASIS OF COST PROJECTIONS *(If not clear from above):*
N/A – negotiations to be progressed to inform any costs.

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
Risks regarding reaching agreement with the County Council regarding relocation and/or new rental terms. Whilst there is confidence that an annual saving can be achieved, the form (and exact level) of that saving is not yet certain.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Input from Legal, Finance Services, Customer Services etc. would be required.
Timing would need to be considered in context of any other works at LTH.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

13

SERVICE: Resources – Property Group

PROPOSAL: Other Land & Buildings Review

Other opportunities for income generation and savings will arise through the Council's asset management review. For example, the Council holds the following sites within the area covered by the Bailrigg Garden Village proposal. Both of these plots could be sold as part of that development proposal, should it go ahead:

1. Land at Burrow Beck with an alternative use value of c£7M
2. Land adjacent to Scotforth Cemetery with an alternative use value of c£5M

If realised, these capital receipts could be used to reduce the Council's annual borrowing requirement for the capital programme. It is estimated that savings of £475K per annum could be achieved by 2021/22.

Any proposals regarding the sale of such assets would be presented to Cabinet for decision. In terms of the above examples, planning requirements will clearly have a significant bearing on eventual market values.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
None at this stage.				
Total	**0**	**0**	**0**	**0**

TIMESCALE FROM BUDGET COUNCIL 28 FEB 2018:
TBC

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
The main service input will be from Legal, Financial Services, Planning & Regeneration and Property.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
The market values and prospects for sale are not guaranteed; they depend upon progression of the Local Plan and the Garden Village proposals (although the sale of some land could still be achieved subject to wider Local Plan progression, should the Garden Village not proceed).
Regarding any disposal as part of the Garden Village development, the Council, like all other landowners, would be subject to negotiations relating to planning requirements and equalisation agreements, and the implications of these are not yet known.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

14

SERVICE: Environmental Services – Public Realm

PROPOSAL: Morecambe Concessions

The Council currently owns the following properties which are leased out for catering functions:

Clock Tower Café - £3.7K per annum, lease expires September 2017
West End Gardens - £5.8K per annum, lease expires August 2018
Stone Jetty Café - £8.25K per annum, lease expires October 2020
5 x Promenade Ice Cream concession pitches - £10.6K
TOTAL £57.35K per annum

In addition, the Council also leases a concession for catering at Happy Mount Park - £29K per annum, lease expires April 2032.

This proposal is to explore options for bringing the operation in-house at an earlier date than the expiry of the lease, and to also explore the possibility of introducing Council run ice cream vans in Morecambe.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
None at this stage				
Total	**0**	**0**	**0**	**0**

TIMESCALE FROM BUDGET COUNCIL 28 FEB 2018: It is not possible to quantify the timescale at this stage, however planning is based around the lease expiry dates set out above.

In parallel with this work is taking place to establish whether there would be an advantage to delivering this via an LATC.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Input would be required from Financial Services, HR, Legal, ICT, Property Services and Regeneration & Planning.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
If the operations were to be brought in-house, then the main risk going forward would be that the Council generates less net income from the operation than the income it currently receives from the concession.

Officers will draw on the experience of the successful running of the Williamson Park café, however a fully costed business case will be prepared to determine viability before proceeding.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

15

SERVICE: Resources – Property Group

PROPOSAL: Accommodation Review

A review of corporate office accommodation is currently underway and although the outcome has yet to be determined, a likely scenario would be the disposal of at least one of the larger corporate buildings.

In addition, reductions in mileage allowances could result, as well as other efficiencies, as staff would be located across fewer sites – productivity benefits would be achieved.

Ultimately, Cabinet/Member approval would be needed for the disposal of any corporate buildings; a full business case needs to be worked up. Future accommodation requirements need to be driven by expected service needs and take account of other developments in how the Council will work in future, through digital and other transformational developments.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
None identified at this stage (re business case development).				
Total	**0**	**0**	**0**	**0**

TIMESCALE FOR COMPLETION OF REVIEW FOLLOWING BUDGET COUNCIL 28 FEB 2018: TBC

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Input from Legal, ICT, Finance and HR, and all services affected, would be required.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
Lack of buy-in for any proposed rationalisation of accommodation, to be mitigated through producing robust business case and stakeholder engagement (primarily through Cabinet Liaison Group).
Disruption to services may result from the various relocations that would be required.
Property market risks - there would need to be market interest in any buildings to be disposed of, either through leasehold or freehold disposal, to ensure their appropriate future use and to avoid any ongoing liabilities.
Other key risks to be considered through development of business case.
Risk of abortive work and costs, if project does not come to fruition.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

16

SERVICE: Resources – Property Group

PROPOSAL: Depot Relocation

The proposal is to undertake a review of White Lund Depot (WLD) accommodation, with a view to relocating Environmental Services to their preferred location near the Middleton Waste Transfer Station. This would free up WLD for redevelopment or disposal. Rebuild costs could be kept to a minimum by:

- relocating as many office based staff as practically possible into existing corporate buildings, thus limiting the cost of construction to cheaper utility facilities, and
- building on existing City Council land in the Heysham Gateway area thus avoiding the costs of acquisition.

Further operational efficiency savings would be expected, but these cannot yet be quantified.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

BREAKDOWN OF ESTIMATED COSTs/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
None identified at this stage (re business case development).				
Total	**0**	**0**	**0**	**0**

TIMESCALE FOR COMPLETION OF REVIEW FOLLOWING BUDGET COUNCIL 28 FEB 2018: TBC

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:

Input from Environmental Services, Legal, ICT, Finance and HR would be required. Identification of a new depot site can be incorporated in the Heysham Gateway Master Plan. Likewise any consideration of alternative uses for the existing site could feed into a future regeneration strategy for the White Lund Estate led by the Regeneration and Planning Service.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:

One Public Estate (a public sector property initiative) is currently looking into a potential review of Depots countywide with the Highways England. At this stage it appears unlikely that the requirements of each organisation involved will align but there is a very small risk that a wider and more joined up solution could be identified during the course of this project should it gain traction.

Disruption to services may result from any relocation.

Property market risks - there would need to be market interest in any land/buildings to be disposed of, either through leasehold or freehold disposal, to ensure their appropriate future use and to avoid any ongoing liabilities. However, there is known demand for small commercial premises on the White Lind estate and a general shortage of supply.

Other key risks to be considered through development of business case.

Risk of abortive costs and work, if project does not come to fruition.

FINANCE / S151 COMMENTS:

Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

17

SERVICE: Environmental Services – Public Realm

PROPOSAL: Williamson Park Facilities Expansion

Investment in Williamson Park to make the Park a top regional attraction and generate additional income for the Council.

The café has seen increased footfall in each of the last 7 years. The building is failing to meet this demand due to sizing/capacity issues with limited expansion options within the current structure. There is still opportunity to further grow the business. This will be foregone if investment is not made.

An initial feasibility study has been completed in regards to building a new structure on the current site and this would include a café, retail, toilets, education suites, wedding/conference centre – estimated cost £4M. An outdoor unique offer would complement this and the vision would be to include a "Lost Castle" or Treetop trail to increase day visitors (and income) to the facility – estimated cost £1M.

Longer term view of the project is to allow Williamson Park to become self-financing. Currently, the operation is subsidised by over £200K per annum, but it is hoped this development could generate net additional income in excess of £250K per annum.

A fully costed and detailed business case/development plan is required in order for this proposal to be taken forward.

The cost and expected income of a 'Lost Castle' type attraction will be established through a procurement exercise. Once the complete business case is developed it will be presented to Elected Members for decision, during the course of 2018/19

The estimated cost of a building will be established through a design competition. Subject to Elected Member agreement costs would then be incurred in design, planning etc. Based on the expected cost of the building it is estimated fees would be £210,000. In parallel with this officers are working to develop the business case (particularly the expected income streams) based on expected market share for weddings, potential for conferences, expected café spend etc.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☑

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Professional fees for building design	210,000			
Total	**210,000**			

TIMESCALE FOR COMPLETION OF FEASIBILITY STUDY/BUSINESS CASE FROM BUDGET COUNCIL 28 FEB 2018:

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Support required from Financial Services, Property, Planning and HR. Details to be determined.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
The main risk is that the business case does not prove viable.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

18

SERVICE: Resources - Property Group

PROPOSAL: Repair & Maintenance of Corporate Properties

As a direct result of the capital works undertaken over the last 5 years and the resulting improvement in the general condition of council property, budgetary savings are proposed on reactive repairs and maintenance (R&M) from next year onwards.

An 80/20 ratio of planned to reactive maintenance is aimed for going forwards; it is an unrealistic expectation to eliminate reactive maintenance completely. The baseline annual R&M budget for corporate property, covering planned, routine and reactive maintenance, would be in the region of £470K, after adjusting for this savings proposal.

Note that this saving is net of other savings taken in R&M, to support other service developments (e.g. handyman, asset management, review of County collaboration agreement etc). These savings increase beyond 2018/19, hence there is less scope for additional savings in those years.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Repair and Maintenance	(82,300)	(41,500)	(41,300)	(43,300)
Total	**(82,300)**	**(41,500)**	**(41,300)**	**(43,300)**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 1 Month **IMPLEMENTATION DATE**: April 2018

SCHEME INVESTMENT NEEDED: £N/A **PAYBACK:** N/A
CAPITAL/REVENUE: N/A

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
N/A
BASIS OF COST PROJECTIONS *(If not clear from above):*
N/A

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
By definition, reactive spending needs cannot be accurately forecast, and furthermore, Property Group are in the process of commissioning new condition surveys that will set out planned maintenance requirements over the next 5 years and the survey results may identify further pressures. To help manage these risks, funds will be retained in the Corporate Property Reserve (review to be undertaken by the s151 Officer in February).

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
No additional needs identified.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

19

SERVICE: Environmental Services

PROPOSAL: Rationalisation of Organisational Development Capacity

An opportunity has arisen to enable a restructure of the Organisational Development section which would see it merged into the Office of the Chief Executive, and generate savings through natural wastage.

Efficiency Saving ☑ Service Reduction ☑ Income Generation ☐ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Salary Savings	(77,000)	(78,000)	(79,000)	(80,000)
Total	**(77,000)**	**(78,000)**	**(79,000)**	**(80,000)**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: **IMPLEMENTATION DATE**: March 2018

SCHEME INVESTMENT NEEDED: £N/A **PAYBACK:** N/A

CAPITAL/REVENUE: N/A

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
Savings are based on salary plus direct on-costs (circa 28%) for National Insurance and Pension Fund contributions.

BASIS OF COST PROJECTIONS *(If not clear from above):*
N/A

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
Minimal financial risk.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Whilst there is obviously a loss of short term capacity it is expected that the strategic direction being taken to reorganise service delivery in key services (repairs and maintenance, public realm, waste collection, Salt Ayre etc) will result in better, integrated and sustained outcomes without the need for the intensive support that was provided by this team.
The functions relating to performance data monitoring, business intelligence and corporate planning will be undertaken by retaining one post, which will be located in the office of the Chief Executive.

FINANCE / S151 COMMENTS:
Support from HR and Financial Services is currently being given.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

20

SERVICE: Environmental Services – Waste & Recycling

PROPOSAL: Bulky Waste Collection – Service & Charging Review

Bulky Household waste collection scheme costs the Council £74K per annum. The current system has been in operation for over 10 years now and has been copied as an example of best practice. However, this does not mean that there are no other options available. The plan would be to establish what other options may be available - with the aim being to reduce the subsidy provided to the service.

Initial savings and efficiencies of circa £20K are anticipated from a review of the operation and charges.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Income and efficiency savings	(20,000)	(20,000)	(21,000)	(21,000)
Total	**(20,000)**	**(20,000)**	**(21,000)**	**(21,000)**

TIMESCALE FROM BUDGET COUNCIL 28 FEB 2018: There will initially be a review of charges for the service and a drive to delivery efficiencies from the existing arrangement.

Further options for the service from 2019/20 will be developed during 2018/19.

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
N/A

BASIS OF COST PROJECTIONS *(If not clear from above):*
N/A

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
Timing / implementation risk, and resistance to any pricing changes and operational changes – but considered manageable.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Services input and timescales are still to be determined.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

21

SERVICE: Resources - Internal Audit

PROPOSAL: Continuation of Internal Audit Collaboration & Restructure

Continuation of current pilot collaboration with Wyre Borough Council, with some in-house restructuring to ensure that the service is fit for purpose going forward, allowing also for an apprenticeship opportunity (shared with Financial Services). Note that this proposal is subject to consideration by Audit Committee in February 2018.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Cost of Service Agreement (Wyre BC)	20,300	20,700	21,100	21,500
Apprenticeship	6,300	21,500	22,700	23,200
Other Net Staffing Changes	(52,600)	(53,200)	(54,800)	(53,700)
(incl. deletion of vacant manager post)				
Total	**(26,000)**	**(11,000)**	**(11,000)**	**(9,000)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 1 Month **IMPLEMENTATION DATE**: April 2018

SCHEME INVESTMENT NEEDED: N/A **PAYBACK:** N/A
CAPITAL/REVENUE: N/A

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
N/A
BASIS OF COST PROJECTIONS *(If not clear from above):*
Staffing includes salary and 28% overheads to cover National Insurance and Pension Fund contributions.

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
Timing and ability to recruit, pay inflation.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
No significant impact on other services. Consultation with HR is underway.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

22

SERVICE: Resources - Revenues & Benefits

PROPOSAL: Shared Service Savings

The shared service continues to achieve efficiencies year on year, through service transformation and with better use of existing technology. Progression of this agenda will generate £45K in savings for each member authority from 01 April 2018 onwards. This would be achieved primarily through natural turnover.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Reduction in Management Fee	(45,000)	(45,000)	(45,000)	(45,000)
(recharged from Preston City Council, as host authority)				
Total	**(45,000)**	**(45,000)**	**(45,000)**	**(45,000)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 1 Month **IMPLEMENTATION DATE:** April 2018

SCHEME INVESTMENT NEEDED: £N/A **PAYBACK:** N/A
CAPITAL/REVENUE: N/A

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
Primarily through natural turnover / deletion of vacant posts.

BASIS OF COST PROJECTIONS *(If not clear from above):*
N/A

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
The main risk is a reduction in the quality of service and/or performance, where the service fails to deliver desired outcomes. This is considered a low risk and is mitigated through continuous review of staffing resources and ways of working to ensure the service remains fit for purpose.
Realistic targets are set and in terms of resilience, contingency plans are in place to make additional resources available from the partner authority should there be a time of crisis.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Liaison with Financial Services – no other support required. This savings proposal does not impact upon other internal services.

2018 to 2022 BUDGET PROCESS SAVINGS PROPOSAL

23

SERVICE: Regeneration & Planning

PROPOSAL: Extension of Charging for Planning Services

The provision of expert advice on the management of trees is consistent with pre application advice on planning applications. It enables members of the public to pay for consultations with the tree officer to avoid potentially negative decisions on applications to undertake work on protected trees.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	**2019/20 £**	**2020/21 £**	**2021/22 £**
Additional Fee Income	(5,000)	(5,100)	(5,200)	(5,400)
Total	**(5,000)**	**(5,100)**	**(5,200)**	**(5,400)**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 1 month **IMPLEMENTATION DATE**: April 2018

SCHEME INVESTMENT NEEDED: £N/A **PAYBACK:** N/A

CAPITAL/REVENUE: N/A

BASIS OF INCOME PROJECTIONS *(If not clear from above):*
As above – the projections have taken into account realistic fee-setting based upon (limited) other examples throughout the country.

BASIS OF COST PROJECTIONS *(If not clear from above):*
N/A

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
That the scheme will not be popular and that there will be limited, or no demand for this additional service.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Financial Services: In terms of assistance with fees and charges elements.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

24

SERVICE: Resources – Financial Services

PROPOSAL: Financial Processes Review

Building on other efficiency developments in terms of payroll administration and processing, the Repair and Maintenance Service's Development Plan and the recent upgrading of income management and other financial systems, a programme of other transactional process efficiency reviews is being developed, to streamline processes and deliver greater VFM.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
None identified at this stage.				
Total	**0**	**0**	**0**	**0**

TIMESCALE FOR REVIEW FROM BUDGET COUNCIL 28 FEB 2018: TBC

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
The main service input will be from Financial Services, but input will be required from various other services and the results of the review will impact across all council services.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
None at this stage – to be appraised as part of the review.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming. .

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

25

SERVICE: Resources – Financial Services

PROPOSAL: Insurance Review

An initial review of insurance arrangements is currently underway in collaboration with Wyre BC. This will be completed by April 2018, at which stage it is anticipated that options will be determined in order to generate future savings.

At present, the current Insurance Long Term Agreement for insurance cover is not due for re-tender until 2020, therefore it is not envisaged that any significant savings can be achieved in the interim – unless the agreement were to be broken by the insurers.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
None identified at this stage.				
Total	**0**	**0**	**0**	**0**

TIMESCALE FOR REVIEW FROM BUDGET COUNCIL 28 FEB 2018: The initial review will be completed by April 2018.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
The main service input will be from Financial Services. However, it is possible that other key services who have the bulk of insurance claims (Environmental Services & Council Housing) may be required to provide input into the review.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
None at this stage.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

26

SERVICE: Resources – Property Group

PROPOSAL: Access to Services (including Opening Hours) review

This is primarily an access to services issue, but the property implications are being used to highlight it.

Currently the main administrative buildings are serviced to support staff being able to work between the hours of 7.30 am to 7.30pm, in line with HR policy (flexible working hours). Subject to business needs, net savings could be achieved through reducing this bandwidth, allowing for evening meetings. (Currently, as standard the buildings are open to the public between 9am to 5pm).

Also, Christmas opening arrangements could also be reviewed, to consider extending closure (and therefore reduce running costs at what tends to be a very quiet time business-wise). It is understood that this arrangement has been successfully introduced at some other authorities including Wyre and Preston.

As there are significant implications for staff and customers, an initial review would need to be undertaken to determine whether the benefits are sufficient to warrant progression to the next stage. It is recognised that public access needs differ, depending on the service being sought.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☐

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
None identified at this stage.				
Total	**0**	**0**	**0**	**0**

TIMESCALE FOR COMPLETION OF INITIAL REVIEW FOLLOWING BUDGET COUNCIL 28 FEB 2018:
TBC

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Would need to be led from business need / customer HR perspective – it is not primarily about property.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
To be identified as considered as part of any initial review. There are numerous service delivery and staff relations risks, with a variety of views that would need to be managed.

To demonstrate, regarding Christmas closing specifically, it may be seen either as a retrograde step in service delivery, or as a step linked to customer channel shift, reflecting the changing needs of our customers who want to access general services differently, and lower customer demand more generally.

Regarding any change to working hours bandwidth, this may be seen as responding to reflect business need, or as reducing the working benefits and flexibilities afforded to staff.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

27

SERVICE: Resources – Property Group

PROPOSAL: Mail Services Review (reducing need, hybrid mail systems, distribution)

The proposal is to introduce a hybrid mail facility for general mail services across the Council, to generate savings in printing and postage.

Under a Hybrid Mail system, the Council would generate electronic files of documents that require mailing by post. The electronic data would then be transferred securely to an external mail company, to print and post out. This approach already exists in some specific service areas, including Revenues and Benefits for all their mail, and Democratic Services for voting purposes.

The proposal also fits with the digital agenda, which should reduce the need for physical mail delivery in the first place. Mail distribution would also been reviewed. The Council spends well over £100K per year directly on printing, postage and distribution of general mail.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☑

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
None identified at this stage.				
Total	**0**	**0**	**0**	**0**

TIMESCALE FOR COMPLETION OF BUSINESS CASE FOLLOWING BUDGET COUNCIL 28 FEB 2018:
TBC

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Input from all services would be required, with specific input and support from ICT and Democratic Services in terms of the current distribution arrangements (and drawing on the experience of the Revenues and Benefits shared service).

POTENTIAL RISKS INHERENT IN THE PROPOSAL:
The biggest risk is in respect of cultural change. If the transition is not accepted or the project managed effectively then it will fail to achieve the desired outcomes.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any other internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL – SUBJECT TO BUSINESS CASE

28

SERVICE: Environmental Services / Health & Housing

PROPOSAL: Development of Business Cases for Local Authority Trading Companies (LATC's)

The proposal is to develop business cases for the establishment of LATC's in respect of Salt Ayre Leisure Centre and Commercial Waste, and other Environmental Services operations.

The LATC would be wholly owned by the Council and it would be a requirement for it to be entirely consistent with the Council's corporate and strategic objectives. The Council would be the sole member of the LATC and will therefore retain direct control.

However, the LATC would operate at arms length to the Council, and potentially recruit particular skill sets to the board (company limited by guarantee).

There are some potential financial benefits to the Council by creating a LATC which include the ability to generate annual savings against NNDR. This could result in a net gain of circa £115K per annum based on current valuation, although the exact saving would be determined as part of the feasibility work.

In addition, the LATC will be eligible for VAT relief on sporting activities and this position may benefit the Council overall in respect of reclaiming VAT on exempt activities.

Further exploration of the financial implications of setting up a LATC would form part of the proposed feasibility work.

It is estimated it will cost £75K to develop such a proposal in respect of Salt Ayre for the procurement of legal advice and other specialist expertise. It is anticipated that this could then be used to develop proposals for other Environmental Services functions.

The funding will be essential to help develop the business case and plan which complies with Section 95 of the Local Government Act 2003, including advice on:

Local authority powers
Section 95 restrictions
Type of legal entity for the LATC
Key provisions of the LATC
Procurement
Part V of the Local Government and Housing Act 1989 and controlled companies
Governance arrangements and the appointment of directors
Duties and responsibilities of directors and potential liabilities
Managing conflicts of interest
TUPE and pensions
Property issues and HOTs for the lease (if this is the recommended way forward)
Asset transfer issues
The contractual relationship between the parties and HOTs for key documents
Exit arrangements
The tax position of the LATC and any tax mitigation options
The VAT position of the LATC
Analysis of current activities
SWOT analysis
Risk analysis
Three year business plan

The preparation of the business plan and business case is part of the Council's statutory duties. It is critical that the advice provided is by suitably qualified professionals and the Council can rely on the advice.

The breakdown of £75K will be split across the various tasks as listed above and the preferred route would be to appoint one legal specialist who has undertaken work of this nature previously and can supply the necessary expertise. The final figure could be less that £75K depending on the outcome of the procurement exercise.

Efficiency Saving ☑ Service Reduction ☐ Income Generation ☐ Invest to Save ☑

BREAKDOWN OF ESTIMATED COSTS/(SAVINGS)				
	2018/19 £	**2019/20 £**	**2020/21 £**	**2021/22 £**
External Consultancy	75,000			
Total	**75,000**			

TIMESCALE FOR CREATION OF AN LATC FROM BUDGET COUNCIL 28 FEB 2018:
It is anticipated that the business case an LATC for Salt Ayre would be progressed first within a period of six months.
The learning from this would inform the timescale for other LATC's for Environmental Services.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Key services required would be: Legal, Human Resources, Financial Services and Property.

A project team would be required with representation from the above services with input needed for 6 months.

There would be a need to appoint a legal specialist to work with officers to ascertain the basis on which the LATC would be established and similarly specialist leisure knowledge with experience of setting up an LATC.

POTENTIAL RISKS INHERENT IN THE PROPOSAL:

In relation to Salt Ayre Leisure Centre the approach would be to mitigate risks where possible by engaging the services of specialist legal support (UK renowned within the Leisure Sector) and similarly support from a Leisure specialist with specific experience of undertaking such transfers previously.

Whilst it is not possible to set out comprehensively all risks that would might apply to this project within this note by way of example some potential areas are listed below:

Concerns from staff both at SALC and other services about how working within an LATC affects staff. Perceptions of unequal or more favourable treatment of staff transferring to an LATC. This will be addressed through a comprehensive communications plan.

The provision of central services support to the LATC would need review and agreement.

Complex issues around the terms and conditions of pay including pensions. There would need to be a detailed review of the pension implications.

Risk that the Council's de minimis level is breached as a result of the in house operation significantly increasing revenue compared to previous year.

Recruitment of external/community Board members with the right skills may prove difficult. However, this is risk is low as evidence from the recent community pools transfers would suggest there are experienced, knowledgeable individuals resident in the locality.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any other internal service support requirements, and to address programming.

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2018 to 2022 BUDGET PROCESS GROWTH/REDIRECTION PROPOSAL

SERVICE: Regeneration & Planning

PROPOSAL: Economic Development Initiatives

A range of proposals in this area are designed to build on the monies already invested in Economic Development.

Business Skills, Marketing and Inclusive Growth: Newly reintroduced proactive Economic Development activities. The overall ambition of this work is to stimulate economic growth in the district that benefits all. This is focused on increasing business start-ups; growth of local businesses; inward investment; new national and international trading opportunities; skills and improved prospects for local people, recognition of the district as a place for businesses and to live, work and visit.

Investment will be made in a number of activities including business support measures; addressing business space requirements, strategic marketing and promotion of the Place; encouraging skills development and entrepreneurship; external funding; Place improvement projects, local wealth-building initiatives.

Community Wealth-Building: Further details on Community Wealth-Building and Local Procurement can be found in the report to Council on 31 January 2018.

Archaeological site: The Beyond the Castle site has huge potential as a nationally / internationally significant heritage site and visitor attraction. The site needs protection and specialist reports and a planned programme of excavations are required to understand the opportunity further. This project links with the Council's museums service.

Morecambe Area Action Plan: Options to be delivered for alternative redevelopment opportunities for the Platform and Festival market buildings associated alongside the major regeneration stimulated by Project Eric. Outputs might include increased income generation from both buildings and/ or capital receipts.

Morecambe Bay Collaboration: A number of early activities are likely to be undertaken as a result of the joint working agreement between the Council, South Lakes and Barrow. Early provision is made so that these can be supported once identified and agreed.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Business and Skills – rolling programme of activities	40,000			
Marketing	75,000			
Baseline and Monitoring Software	3,300	1,500	1,500	1,500
Commissioning Support for Community Wealth Building	20,000			
Business in the Community	12,000	12,000		
Small Support Measures for Groups	10,000			
Archaeological Site Consultancy	15,000			
Archaeological Site – specialist funding advice	10,000			
Archaeological Site – match funding for HLF		50,000		
Morecambe Area Action Plan development		50,000		
Morecambe Bay Collaborative Projects	25,000			
Total	**210,300**	**113,500**	**1,500**	**1,500**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 1 Month **IMPLEMENTATION DATE:** April 2018

REDIRECTION FROM OTHER BUDGETS – *Where else from within the Services could this proposal be funded from?* None identified.

External funding projects such as Coastal Communities and Heritage Lottery Funding to be bid for where appropriate.

Efficiency savings by reductions in other areas within the economic development function have been rejected in previous budget rounds since 2013. This approach would result in a reduction in other economic development services in order to support these new areas of activity.

Deferment would slow the pace of engaging in proactive activity. Following the Council's earlier investment a number of activities are now underway including: an evidence base for the Economic Strategy; a Vision and Place Narrative; investment in business support services; some Place marketing and promotion of the area at the local and national level; business events and exhibitions. Some staff appointments have now been made with a final key post to follow. As a result of additional resource now available, specific work is underway to identify and address business space requirements.

These proposals cover the costs of the next stage of re-establishing economic development functions and supporting key projects.

PERFORMANCE MEASURES/OUTPUTS *(e.g. what key performance improvements will be achieved / what measurable outputs will be achieved):*
Performance measures will be introduced to measure success in all of these areas. These are likely to include jobs, skills and qualifications, number of new business and community enterprise start-ups, number of new business relocations to the district, levels of inward investment, local expenditure retained and recycled, visitor numbers and spend, increased income for the Council. Associated benefits might also include business rates and council tax generated from increase in business activity and attracting and retaining a skilled workforce.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Continued support from partner agencies such as Lancashire County Council (Economic Development) and Marketing Lancashire. Internal business support from Revenues Service and Property Group developing options for land and buildings. Programme and Project Management requirements within expanded Economic Development Section.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS GROWTH/REDIRECTION PROPOSAL

30

SERVICE: Regeneration & Planning

PROPOSAL: Museums Development Plan

Budget for a Museums Manager (Grade 7) to provide capacity and expertise to assist in the development of the Councils transformation plan and ongoing management of the Museums. These funds are for the period up to 1 October 2018 when the service will transfer back to the Council.
The decision to recruit a Museums Manager was made at Council in September 2018.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Museums Manager (Grade 7)	16,900			
Total	**16,900**			

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 3 Months **IMPLEMENTATION DATE**: June 2018

REDIRECTION FROM OTHER BUDGETS – *Where else from within the Services could this proposal be funded from?*
These are the short term additional costs incurred following Council's decision in September to bring the Museums service back in house. By 1 October 2018 the museums will be transferred from Lancashire County Council to the City Council, which will then have direct control over costs and budgets as no management fee will be required. On this basis, it is anticipated that ongoing costs for the Museums Manager post will be affordable within current overall budgets.
It is important to note that certainty on all costs, operations and required staffing structures will not be possible until the transfer has taken place and a detailed review of the museums service has taken place.

PERFORMANCE MEASURES/OUTPUTS *(e.g. what key performance improvements will be achieved / what measurable outputs will be achieved):*
Transfer of the museums service back to the Council is the key milestone, up to 01 October 2018.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
The Museums manager will initially require support from Legal, ICT, Financial Services and HR.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS GROWTH/REDIRECTION PROPOSAL

31

SERVICE: Environmental Services and Health & Housing

PROPOSAL: Improving Public Realm – Cleaning / Enforcement

2 year transitional project to deliver "Clean and Safe Neighbourhoods" – a project in conjunction with Environmental Services and Health & Housing for the duration of 2 years.
- 1 additional enforcement officer
- 2 additional cleansing staff

The increase in capacity will both:
(1) relieve the current capacity constraint to maximise strong enforcement results and
(2) enable more graduated, education and prevention focussed work with local people in our worst affected residential localities.

In parallel with this work is taking place to transform the way services like cleansing / grounds maintenance are delivered. The aim being to provide a customer focussed, responsive service by involving delivery teams, ward councillors, communities in the redesign of how we do things.

This 2 yr transition will provide additional capacity to demonstrate that the Council is serious about improving the public realm. After 2 years the improvements described above will have been implemented.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Staffing Costs (Enforcement)	21,700	29,900	4,700	
Staffing Costs (Cleansing)	26,500	38,900	10,800	
Vehicle Costs	10,000	10,000		
Total	**58,200**	**78,800**	**15,500**	

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 4 Months **IMPLEMENTATION DATE:** July 2018

REDIRECTION FROM OTHER BUDGETS – *Where else from within the Services could this proposal be funded from?*
Work is taking place to completely overhaul the way public realm service delivery and enforcement takes place. The aim is the make the District as recognisable example of best practice in how public realm services (cleansing, grounds maintenance, parks, enforcement etc) are managed and delivered

This involves - use of technology, community and customer focussed approach, tackling causes rather than symptoms, changing work routines, areas based teams etc.
It is expected this overhaul will take 2 years. After which and improved service with the same levels of budget will be delivered.

It is important that our residents see that the Council is committed to achieving this. This temporary reinforcement will be used to tackle problem areas and provide a real demonstration in intent.

PERFORMANCE MEASURES/OUTPUTS *(e.g. what key performance improvements will be achieved / what measurable outputs will be achieved):*
Improved customer satisfaction, reduction in littering/fly tipping, reduction in anti-social behaviour.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
To be determined but largely agreed within Environmental Services / Health and Housing, with assistance from HR for recruitment.

2018 to 2022 BUDGET PROCESS GROWTH/REDIRECTION PROPOSAL

32

SERVICE: Governance

PROPOSAL: Legal Case Management System

Purchase of a Case Management system for the Legal team to help modernise the service. The team is currently working without a system – they are heavily reliant on paper files and the filing system is outdated and difficult to understand. There is no provision for time recording in the team or for performance or monitoring reports.

A decent case management system, tailored to local government legal work is vital to enable the team to work consistently together as a team and provide a consistent high quality for service to the Council. The system will enable all staff in the team to view all files, to time record, work from template documents etc. This will increase efficiency within the team and will lead to much less reliance on paper files. In time, my aim is for the team to work more or less electronically and to be able to access all files from wherever they are working.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Purchase Cost	16,000			
Annual Maintenance Cost	4,000	4,100	4,200	4,300
Additional Legal Fees – following Review				
Total	**20,000**	**4,100**	**4,200**	**4,300**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 3 Months **IMPLEMENTATION DATE:** June 2018

REDIRECTION FROM OTHER BUDGETS – *Where else from within the Services could this proposal be funded from?*
There is no other provisions within the service.

PERFORMANCE MEASURES/OUTPUTS *(e.g. what key performance improvements will be achieved / what measurable outputs will be achieved):*
A Legal Case Management System will help to streamline work within the team and enable more efficient working. It will enable the team to move towards paperless working. It will enable them to properly cost their time, through being able to time record. This will lead the ability of the team to improve their fee earning capacity and improve income for the team. The system will help monitor performance in the team and enable them to monitor instructions better and the progress of cases.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Some ICT support would be required.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS GROWTH/REDIRECTION PROPOSAL

33

SERVICE: Governance

PROPOSAL: Access to Council Meetings – Audio Recording of Meetings

Proposal to purchase a licence for an audio recording system for Committee meetings. Transparency of decision making is an important requirement of local government. It appears that the Council's ability to record meetings is poor. Some – but not all – meetings are recorded, but the recordings are only stored on the intranet and are difficult to access.

The ability to properly record all our public meetings and publish those recordings is part of the requirement of local government transparency. It will enable the public to better understand the decision-making process. It will also assist councillors and officers when questions or challenges are raised about meetings and decisions.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Audio Recording System	3,900	4,000	4,100	4,200
Recording Equipment	500			
Total	**4,400**	**4,000**	**4,100**	**4,200**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 4 Months **IMPLEMENTATION DATE:** June 2018

REDIRECTION FROM OTHER BUDGETS – *Where else from within the Services could this proposal be funded from?*
There is no provision in the rest of the Service.

PERFORMANCE MEASURES/OUTPUTS *(e.g. what key performance improvements will be achieved / what measurable outputs will be achieved):*
The system will improve transparency of decision making. It will enable the Democratic Services Team to properly record all meetings, not just Council meetings. The system will enable members of the public and other councillors, who are not at a particular meeting, to listen to the whole meeting. The ability of the team to keep verbatim recordings of meetings will enable them to better address questions and challenges about decisions if and when they arise.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Support will be provided from within the existing Democratic Service Team, in addition support will also be required from the Property Group.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any other internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS GROWTH/REDIRECTION PROPOSAL

34

SERVICE: Office of the Chief Executive

PROPOSAL: Commercial & Digital Leadership Capacity

Extend the Assistant Chief Executive post, up to 31 March 2020.

The Assistant Chief Executive came into post on the 31 July 2017 and has made significant headway in developing and promoting a wide range of initiatives, which will help the council in pursuing its commercial agenda, creating efficiencies and generally making the Council more fit for purpose. The role has brought a new impetus, fresh ideas and a different and strategic perspective on how the Council could operate with constructive challenge and encouragement to change.

Some examples of key initiatives involving the Assistant Chief Executive:

- Setting the scene and beginning the process of developing a commercial approach by the Council through presentations and dialogue, research, discussion with colleagues, members and lawyers.
- Helping shape and bring forward existing budget proposals with their sponsors and promoting and overseeing the creation of more wide range of future commercial projects.
- Initiating a series of efficiency reviews starting with a major lean review of the voids process, and facilitating better cross-service working and problem-solving.
- Moving forward, a continuation of the above with further work on development of a range of projects e.g. commercial and digital initiatives.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Staffing Cost	71,000	109,000		
Potential Pension / Redundancy Costs		29,000		
Total	**71,000**	**138,000**	**0**	**0**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: N/A **IMPLEMENTATION DATE:** N/A

REDIRECTION FROM OTHER BUDGETS – *Where else from within the Services could this proposal be funded from?* N/A – no options identified, additional capacity needed.
Note that staffing includes salary and 28% overheads to cover National Insurance and Pension Fund contributions. Costs may accrue on termination of the post, an estimate of which is provided for above.

PERFORMANCE MEASURES/OUTPUTS *(e.g. what key performance improvements will be achieved / what measurable outputs will be achieved):* Development and adoption of Commercial and Digital strategies (reflecting the Council's budget and corporate planning priorities), incorporating key milestones for monitoring of progress and delivery.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Arrangements are underway to identify any internal service support requirements, and to address programming, including that of commercial/digital projects.

2018 to 2022 BUDGET PROCESS GROWTH/REDIRECTION PROPOSAL

35

SERVICE: Governance

PROPOSAL: Review of Constitution

The proposal is to have an external review of the Councils Constitution and provide training to officers and Councillors.

The Constitution has not been comprehensively reviewed for some time. It is inevitable that, after a period of time, a fundamental review is required to make the Constitution understandable, streamlined, modern, and, more importantly, relevant to what the Council hopes to achieve.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
External Fees	20,000			
Total	**20,000**	**0**	**0**	**0**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: TBC **IMPLEMENTATION DATE:** TBC

REDIRECTION FROM OTHER BUDGETS – *Where else from within the Services could this proposal be funded from?*
There is no provision elsewhere in the service

PERFORMANCE MEASURES/OUTPUTS *(e.g. what key performance improvements will be achieved / what measurable outputs will be achieved):*

A review of the Constitution will achieve a more streamlined, easier to understand, document, which is up to date and better supports efficient and effective decision-making. It should be a document that members of the public, councillors and officers, understand. The document should better enable the Council to achieve its aims. The revised document will be up to date in accordance with current legislation and will clearly set out issues, for example: roles and responsibilities, lines of delegation, rules relating to procedure, contract management, procurement, financial responsibility, conduct and standards etc.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
It is anticipated that the review will be carried out with the support of an external provider. Support will be provided internally, predominantly by the Chief Officer, Legal and Governance and the Democratic Services Team.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS GROWTH/REDIRECTION PROPOSAL

36

SERVICE: Health & Housing

PROPOSAL: Improving Learning & Development – through digital approach

The proposal is to move to the next tier of the 'Learning Zone' e-learning system, to provide enhanced functionality and increase the number of licenses to the next band to will cover staff and Councillors. Subject to increasing the license provision there will be license capacity to allow the Councillors to access the Learning Zone functionality and it is intended to develop a dedicated e-learning portal for Councillors. Use of e-learning is more a cost effective method of training delivery than providing 'classroom' based courses, with less impact on service delivery and reduced costs through less working time being lost. Staff can undertake the training at a time that is convenient to them, pausing and/or revisiting as required.

The enhanced functionality within the next tier of Learning Zone provides the Council with an opportunity to make real headway in improving learning and development opportunities and outcomes for Council staff and will go some way to addressing those concerns highlighted in the recent IIP survey. This system can provide a significant degree of assurance to the Council that essential and/or mandatory training has taken place, when it has taken place and when it needs renewing, which is crucial in keeping on top of ever changing staff numbers. With the impending General Data Protection Regulations (GDPR) the Council needs to ensure that it has robust training arrangements in place to cover our responsibilities with regard to this new piece of legislation. New courses embedded in the Learning Zone will provide a base level of training for staff, which will therefore afford the Council a degree of protection that would otherwise not be available.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Learning Zone – Tier 3	16,800	17,100	17,400	17,800
Total	**16,800**	**17,100**	**17,400**	**17,800**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 1 Month **IMPLEMENTATION DATE:** April 2018

REDIRECTION FROM OTHER BUDGETS – The existing corporate training budget is only £36,000 (which equates to £48 per head based on a workforce of 750 staff). The existing budget is insufficient to meet the costs of the Learning Zone.

PERFORMANCE MEASURES/OUTPUTS – Introduction of an E-Learning portal for Councillors. Development of a suite of core training courses for staff thereby providing a level of training not currently present, development of on-boarding for new employees, ability for managers to access information about course completion. All the above will make time spent on L&D activity more efficient and effective.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS GROWTH/REDIRECTION PROPOSAL

37

SERVICE: Health & Housing

PROPOSAL: Improving Learning & Development – supporting staffing capacity needs

The proposal is to re-introduce a post focused on learning and development (L&D) activity within the HR Team.

Over time this has had a significant impact on L&D activity. There is now a clear need to re-introduce a specific provision to ensure that L&D provision is available to support Services in maintaining skills and knowledge, developing in-house talent to address future known corporate priorities and difficulties in recruitment.

One of the main functions of the role will be to undertake all work associated with the new 'Learning Pool' e-learning system, which will form the focus of the Council's L&D activities. The post holder will also be responsible for the development and roll out of a dedicated e-learning portal for Elected Members. Development of the computerised learning resource will ensure that users have easy access to specified courses, thereby keeping their knowledge current, which in an increasingly litigious world is essential. In addition the post holder will work with on the development of a coherent L&D strategy, development of on-boarding activities, implementation of e-appraisal, improving induction activities, ensuring all non-networked staff have access to training and so on.

There would also be future potential options to investigate opportunities for income generation, e.g., by becoming a registered centre for First Aid courses. Proposal is to appoint an L&D co-ordinator. Grading will need to be considered following completion of a Job Description, but is likely to be G4-G5.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Learning & Development Post	25,300	35,600	38,000	39,900
Total	**25,300**	**35,600**	**38,000**	**39,900**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 3 Months **IMPLEMENTATION DATE:** June 2018

REDIRECTION FROM OTHER BUDGETS – There are no other available options to redirect funds from other budgets.

PERFORMANCE MEASURES/OUTPUTS
As outlined above, there will be an identified resource to focus on improving L&D activity.
The post holder will be directly responsible for the outputs related to the implementation of Tier 3 of the Learning Zone.
Increased learning and development activity will therefore be an expected output of this growth bid. An organisation of the size and complexity of the Council needs a resource to focus on L&D development, delivery and performance, to ensure that staff are appropriately trained and developed, so the Council can continue to provide an effective service to the residents of the District, despite the challenges ahead.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

2018 to 2022 BUDGET PROCESS GROWTH/REDIRECTION PROPOSAL

38

SERVICE: Regeneration & Planning

PROPOSAL: Re-investment of Planning Fee Income for Service improvement (net growth)

The funds are intended to be invested in additional capacity as follows:
Increased capacity in Development Management in the Planning Enforcement service area (including Legal services) to meet growing public demand for effective intervention against breaches of planning control.
Partial increased GIS capacity (Planning Policy) to manage increased requirements for the management of geographical data in relation to case management for local plan preparation and monitoring.
Both GIS Officer and Planning Assistant (Planning Policy) posts have proven essential in terms of building and maintaining the evidence base for the local plan. The additional capacity arises from the return of the substantive post holder to the GIS post from maternity leave, but on a part time basis.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Planning Enforcement Officer (Grade 3)	22,900	24,300	25,700	26,800
GIS Officer (Grade 4) saving from Job Share	(9,400)	14,700	16,400	17,800
Planning Assistant (Grade 5)	27,700	35,600	38,000	39,900
Solicitor Post (Grade 6)	30,000	42,000	45,000	47,000
Economic Development Officer (Perm)	0	2,000	39,100	41,100
IDOX software	17,000	17,000	17,000	17,000
Transfers to / (from) Planning Reserve	61,800	14,400	(31,200)	(39,600)
20% additional income	(150,000)	(150,000)	(150,000)	(150,000)
Total	**0**	**0**	**0**	**0**

FOLLOWING BUDGET COUNCIL – 28 FEB 2018
ESTIMATED LEAD-IN: 3 Months **IMPLEMENTATION DATE:** June 2018

REDIRECTION FROM OTHER BUDGETS – *Where else from within the Services could this proposal be funded from?*
No other budgets are available. Like all other local authorities, Lancaster City Council has acknowledged that the income derived from the 20% increase in national planning application fees will be spent entirely on planning functions.

The 20% increase - which became effective as of 17 January 2018 - provides a unique opportunity to utilise this ring-fenced resource to directly improve planning services.

PERFORMANCE MEASURES/OUTPUTS *(e.g. what key performance improvements will be achieved / what measurable outputs will be achieved):*
Delivery of the Planning Enforcement (graduate) post will have a measurable impact in terms of expanding capacity and reducing the increasing workload of the existing 2 Planning Enforcement Officers. That additional capacity will enable the Team to meet locally-set enforcement targets contained in the Council's Planning Enforcement Charter.

The GIS and Planning Assistant posts in the Planning Policy Section will enable timely delivery of the District's Local Plan, in accordance with the timetable set out in the Council's Local Development Scheme.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:
To be confirmed.

FINANCE / S151 COMMENTS:
Arrangements are underway to identify any internal service support requirements, and to address programming.

Appendix C

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: HRA Property Conversion - former scheme managers' houses to sheltered flats

To bring back into use long term empty properties to address housing demand and increase rental income to the HRA.

Conversion into flats of former scheme manager houses at: 14 Altham Walk and 21 Melling House to create 4 flats. The houses are currently empty, due to their positions on the respective schemes. The newly converted flats would be let as sheltered units.

Council housing tenants, resident, and the Council. The benefits are the provision of additional social housing units for both current and future tenants, and residents of the district. In addition these works will bring an increase income to the HRA. There are no perceived detrimental impacts arising from these proposals.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐

OTHER:

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Annual Rental Income (Marginal Impact)	0	(2,700)	(5,600)	(5,800)
Total	**0**	**(2,700)**	**(5,600)**	**(5,800)**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 19 months **IMPLEMENTATION DATE**: October 2019

SCHEME INVESTMENT NEEDED: £150,000 **PAYBACK:** see finance comments below

CAPITAL/REVENUE: Capital - maximum capital cost of converting properties - to be funded from the HRA Business Support Reserve.

BASIS OF INCOME PROJECTIONS: Based on existing comparable rent levels and projected increases.

BASIS OF COST PROJECTIONS: Construction costs based on recent similar projects.

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
The key risk is the lack of take up, although this should be mitigated by existing demand.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: Will be managed through the HRA capital programme by RMS. Input will be required from Resources – finance and property group, Legal, and Planning.

FINANCE / S151 COMMENTS:
The properties to which this request relates are listed as 'general needs' and revenue estimates in respect of gross rental income include the above properties as 'rented'. However, these properties are currently vacant due to their proximity to sheltered accommodation, and following the vacation by the previous scheme managers, a management decision has been taken to not offer these properties for tenancy. The proposal changes the lettings from 'general needs' to 'sheltered' and so it should be noted that the estimated gross rent collectable from the converted properties of £14K per annum would provide a payback period of 11 years. Whilst this seems higher than the normal payback period for capital investment, the proposal should be considered in terms of the 'whole life' cycle of the asset and also taking into account its expected life expectancy (i.e. around 40 years). The proposal would also mitigate any potential future R&M costs associated with a vacant property.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: HRA Property Conversion - Redundant shop unit to flat

To bring back into use long term empty properties to address housing demand and increase rental income to the HRA.
Conversion and development of redundant shop unit at 9 Beech Avenue into a 1 bed flat.
Council housing tenants, resident, and the Council. The benefits are the provision of additional social housing units for both current and future tenants, and residents of the district. In addition these works will bring an increase income to the HRA. There are no perceived detrimental impacts arising from these proposals.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐

OTHER:

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Annual Rental Income	0	(3,200)	(3,300)	(3,500)
Total	**0**	**(3,200)**	**(3,300)**	**(3,500)**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 13 months **IMPLEMENTATION DATE**: April 2019

SCHEME INVESTMENT NEEDED: £65,000 **PAYBACK:** 17 years (see finance comment below)

CAPITAL/REVENUE: Capital - maximum capital cost of converting properties - to be funded from the HRA Business Support Reserve.

BASIS OF INCOME PROJECTIONS: Based on existing comparable rent levels and projected increases.

BASIS OF COST PROJECTIONS: Construction costs based on recent similar projects.

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
The key risk is the lack of take up, although this should be mitigated by existing demand.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: Will be managed through the HRA capital programme by RMS. Input will be required from Resources – finance and property group, Legal, and Planning.

FINANCE / S151 COMMENTS: Whilst the payback period seems very high, due to the current structure, it is not possible for demolition and so the only real operational consideration is to bring the vacant shop back into housing use, resulting in net increased income over the longer term. The proposal should also be considered in terms of the 'whole life' cycle of the asset, taking into account its expected life expectancy (i.e. around 40 years). The proposal would also mitigate any potential future R&M costs associated with a vacant property.

2018 to 2022 BUDGET PROCESS
SAVINGS PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: New Garages

The Council manages just over 400 garages within the HRA. The proposal is to build 18 new garages on an existing garage site at Carnforth.
In January 2017 Cabinet established a rent setting policy for garages within the HRA:
“That for 2017/18, all garage rents be increased by the Consumer Price Index (CPI) plus £1, with an additional CPI + £1 increase in each subsequent year until 2019/20, with CPI increases thereafter.”
Garage rents are outside Government rent controls, and there is potential to increase the number of garages to let within the HRA to meet specific demands. There is an existing demand at Carnforth and this proposal will also contribute to facilitating the potential new build housing proposal.

Efficiency Saving ☐ Service Reduction ☐ Income Generation ☑ Invest to Save ☐
OTHER:

ESTIMATED REVENUE COSTS/(SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Annual Rental Income	(4,500)	(10,000)	(10,300)	(10,500)
Total	**(4,500)**	**(10,000)**	**(10,300)**	**(10,500)**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 7 months **IMPLEMENTATION DATE**: October 2018

SCHEME INVESTMENT NEEDED: £45,000 **PAYBACK:** 5 years

CAPITAL/REVENUE: Capital - based on a cost of £2,500 per Garage = 18 * £2,500. To be funded from HRA Business Support Reserve.

BASIS OF INCOME PROJECTIONS: Based on existing garage levels and projected increases

BASIS OF COST PROJECTIONS: Construction costs based on recent similar projects

POTENTIAL RISKS INHERENT IN FINANCIAL ASSUMPTIONS:
The key risk is the lack of take up, although this should be mitigated by existing demand.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: Will be managed through the HRA capital programme by RMS.

2018 to 2022 BUDGET PROCESS
GROWTH/REDIRECTION PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: Additional Income Management Officer

The introduction of the Income Manager to lead on managing the income management team has highlight further need to increase capacity to improve income collection rates in response to growing casework from the continuing roll out of Universal Credit (UC), and review of the services.

The District is a 'full service' authority for UC, which means that we are one of the first to experience the full online UC service. This has left the Council and tenants on UC exposed to substantial challenges. As a local authority landlord we have always performed strongly around income management, featuring within the top quartile of performance nationally for many years. In the past 12-18 months we have seen an increase in workload, and in the complexity of arrears casework. As of 6/11/17 rent arrears are up by 33% compared to the same period in 2016, and by 84% compare to November 2015. Rent arrears cases (the number of tenants in arrears) have increased from 1,179 in November 2015, to 1,625 in 2016, and 1,819 in 2017.

It is proposed that a further Income Management Officer is appointed to address this increasing case load and provide capacity to undertake more preventative work; providing increased and much needed capacity to provide advice and support to tenants around arrears, benefits, budgeting, and signposting to other services. In addition to this we have reviewed our arrears management processes and our systems and have identified a need to streamline them to provide further capacity to undertake preventative work.

ESTIMATED REVENUE COSTS / (SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Income Management Officer (G3)	16,900	24,300	25,700	26,800
Northgate OHMs Arrears Express	2,400	2,500	2,600	2,700
Northgate OHMs SMS Integration	1,200	1,200	1,200	1,200
Total	**20,500**	**28,000**	**29,500**	**30,700**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 4 months **IMPLEMENTATION DATE:** July 2018

REDIRECTION FROM OTHER BUDGETS: No other alternative budget can be identified

PERFORMANCE MEASURES/OUTPUTS: Will contribute to improving existing KPIs on income management and tenancy sustainment

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: None currently identified

2018 to 2022 BUDGET PROCESS
GROWTH/REDIRECTION PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: Additional Housing Intervention Officer

The introduction of two Household Intervention Officers in to the housing management team has proved invaluable in providing a capability and capacity to provide additional tenancy and household support to encourage tenant independence, improve tenancy sustainment. The Household Intervention Officers have been able to get to grips with a household's issues and work with them utilising a mix of methods that support and challenge, joining up local services to deal with each household's issues as a whole rather than responding to each one independently.

The two officers have dealt with over 60 cases since July 2017 with 36 different types of support provided, 57 cases opened and support offered, 3 only cases being unable to be taken on due cases non engagement. 23 cases closed with satisfactory outcomes. Example include: ensuring rent payments in place (direct debit or managed payment), UC claims established, utility bills managed, benefit applications completed (UC/ PIP), crisis grant application processed, clearance and maintenance of home conditions (hoarders), food bank parcels obtained, furniture and basic home items obtained via charity donations/partnership working, and securing arrears payments in place to sustain tenancy.

What this work has established is that there is a growing casework that need supporting, and that with support changes can be made to individual tenants' lives. Approval is being sought to increase the capacity to undertake this work with the introduction of a further Household Intervention Officer.

ESTIMATED REVENUE COSTS / (SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Household Intervention Officer (G4)	21,000	29,900	31,600	32,900
Total	**21,000**	**29,900**	**31,600**	**32,900**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 4 months **IMPLEMENTATION DATE:** July 2018

REDIRECTION FROM OTHER BUDGETS: No other alternative budget can be identified

PERFORMANCE MEASURES/OUTPUTS: Will contribute to improving existing KPIs on income management and tenancy sustainment

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: None currently identified

2018 to 2022 BUDGET PROCESS
GROWTH/REDIRECTION PROPOSAL

SERVICE: Health & Housing – Council Housing

PROPOSAL: Marsh Community Centre

It is proposed that the Marsh Community Centre funding continues for 2018/19 and that the grant amount of £14.4K (including inflation) is funded from Unallocated Balances with any future support being determined as part of the ongoing Voluntary and Community Faith Sector Commissioning of Service review alongside the Ridge Community Centre.

The Council is looking to continue to support residents in the use of the Community Centre as a community space for local voluntary and community organisations e.g. clubs, activities and meetings.

ESTIMATED REVENUE COSTS / (SAVINGS)

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Community Development Grant	14,400	0	0	0
Total	**14,400**	**0**	**0**	**0**

FOLLOWING BUDGET COUNCIL – 01 MARCH 2018
ESTIMATED LEAD-IN: 1 month **IMPLEMENTATION DATE**: April 2018

REDIRECTION FROM OTHER BUDGETS: No other alternative budget can be identified

PERFORMANCE MEASURES/OUTPUTS: Performance managed through a Service Level Agreement.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS: No additional support or programming requirements.

COUNCIL

Treasury Management Strategy 2018/19
28 February 2018

Report of Cabinet

PURPOSE OF REPORT
This report seeks approval for the Council's treasury management framework for 2018/19 onwards, including all the various elements as required under relevant legislation and the associated Code of Practice.
This report is public.

OFFICER RECOMMENDATIONS:

1) That Council notes the report and approves the Treasury Management Framework and associated Prudential Indicators as set out in Appendices B to D.

1 **INTRODUCTION**

1.1 The Code of Practice on Treasury Management ("the Code") requires that a strategy outlining the expected Treasury activity for the forthcoming 3 years be adopted, but that it be reviewed at least annually. It needs to reflect treasury policy and cover various forecasts and activities, in order to integrate the Council's spending and income plans with decisions about investing and borrowing.

1.2 Over the years, the regulatory and economic environment has changed significantly and this has led the sector to consider more innovative types of investment activity. Reflecting this, Members will be aware that changes are underway regarding the capital and treasury management framework.

1.3 Following consultation, Cipfa have now published updated codes of practice on both Treasury Management and on the Prudential Code for Capital Finance and a very brief outline on the main changes and messages is provided at ***Appendix A.***

1.4 Furthermore the Government has also recently consulted on changes to the statutory guidance on Local Government Investments, and on Minimum Revenue Provision. Revised guidance on both was released on 02 February 2018.

1.5 Given the lateness of the Code updates (and uncertainties and lateness surrounding statutory guidance), Cipfa has recognised that many authorities are unlikely to be able to implement the required changes for the start of the 2018/19 financial year.

1.6 Instead therefore, the Code changes can be implemented during the course of 2018/19 (and this will apply too to the statutory guidance, subject to it being reviewed over the coming weeks). This fits well with the Council's budget strategy; it is already planning to undertake a mid-year review and future capital investment strategy is a fundamental part of that work.

1.7 Responsibilities associated with the Code's requirements are set out at ***Appendix B.*** Those aspects that require consideration by Council are covered in the following sections.

2 TREASURY MANAGEMENT POLICY STATEMENT

2.1 The Code requires the Council to set out a Policy Statement outlining the definition and objectives of its treasury management activities. The Code requires a specific form of words for the Policy Statement; this is unchanged from the current policy and it is set out at ***Appendix C.***

3 TREASURY MANAGEMENT STRATEGY

3.1 The proposed Strategy for 2018/19 to 2021/22 is set out at ***Appendix D.*** The document contains the necessary details to comply with both the Code and Government investment guidance.

3.2 Key elements and assumptions feeding into the Strategy are outlined below. These fit with Cabinet's final budget proposals.

3.3 Borrowing Aspects of the Strategy

3.3.1 Based on the draft budget, for now the physical borrowing position of the Council is projected to remain fairly constant over the next three years, allowing for scheduled repayments. It is also projected that the HRA capital programme will not require any additional borrowing.

3.4 Investment Aspects of the Strategy

3.4.1 Overall, the strategy put forward follows on from 2017/18 in that it is based on the Council having a comparatively low risk appetite with focus on high quality deposits. The 2018/19 strategy continues to use the same investment criteria as approved by Members in 2017/18.

3.4.2 The proposed Investment Strategy continues to provide for investing with other local authorities given that these, in effect, are as secure as investing with the Government but they offer greater returns and from an Officer perspective, it makes sense to keep the benefits of such temporary cash investing/borrowing wholly within the local authority family.

4 MID-YEAR TREASURY MONITORING REPORT

4.1 The Mid-Year Treasury Monitoring Report as at 30 September 2017 was reported to Cabinet on 07 November 2017 and Budget and Performance Panel 14 November. It was then due to be referred on to the December meeting of Council, however due to the amount of business being considered at that meeting its reporting was delayed and therefore it is now included at ***Appendix E***.

5 CONSULTATION

5.1 Officers have liaised with Link Asset Services, the Council's Treasury Advisors, in developing the proposed framework. The framework was considered by Budget and Performance Panel at its meeting on 06 February.

6 CONCLUSION

6.1 The Treasury Management Framework must fit with other aspects of the budget, such as investment interest estimates and underlying prudential borrowing assumptions, feeding into Prudential and Treasury Management Indicators.

6.2 Any alternative proposals or amendments to the proposed Strategy in ***Appendix D*** would have to be considered in light of legislation, professional and economic factors, and importantly, any alternative views regarding the Council's approach to risk.

6.3 The proposed framework is based on the Council continuing to have a comparatively low risk appetite regarding the security and liquidity of investments. It is stressed though that in terms of treasury activity, as with many other functions, there is no risk free approach.

RELATIONSHIP TO POLICY FRAMEWORK

The proposed Treasury Management framework forms part of the Council's budget and policy framework, and fits into the Medium Term Financial Strategy.

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability etc)

No direct implications arising.

FINANCIAL IMPLICATIONS

The Strategy is in support of achieving the borrowing cost and investment interest estimates included in the budget.

OTHER RESOURCE IMPLICATIONS

None directly arising.

SECTION 151 OFFICER'S COMMENTS

This report is in the name of the s151 Officer (as Chief Officer (Resources). Her comments and advice are reflected in the report.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

DEPUTY MONITORING OFFICER'S COMMENTS The Deputy Monitoring Officer has been consulted and has no further comments.	
BACKGROUND PAPERS None**.**	**Contact Officer: Nadine Muschamp** **Telephone: 01524 582117** **E-mail:nmuschamp@lancaster.gov.uk**

Appendix A

Outline of Codes of Practice Key Changes and Messages

The Prudential Code

- The objectives of the Code (primarily affordability, prudence, and sustainability) have been strengthened regarding due diligence, local stewardship and risk, with the requirement for authority's appetite and risk management approach being proportionate to its overall level of resources. If need be, the Prudential Code should provide a framework to demonstrate where this might not be the case, so that an authority can take remedial action.

- The major change relates to the requirement for each authority to determine a capital strategy, setting out a long-term context in which capital expenditure and investment decisions are made. This is to demonstrate that the authority takes proper account of the requirements of the Prudential Code. (Some years ago the previous regulatory requirement regarding a specific capital strategy was abolished, and in effect the (then) provisions were incorporated into the Council's Medium Term Financial Strategy).

- The latitude for local authorities to set the scope and size of their capital plans remains unrestricted, but processes have been strengthened to set out greater consideration of prudence, with sustainability and risk reporting improved through governance procedures.

- The application of Borrowing in Advance of Need is retained. As before, authorities should not borrow in advance purely to profit from the investment of the extra sums borrowed.

- Various changes have been made to Prudential Indicator requirements, but focus remains on the longer term sustainability and risk of capital plans, and avoiding exposing public funds to unnecessary local or unquantified risk. It is reiterated that the revenue implications of capital expenditure plans are properly taken into account in the options appraisal process.

Treasury Management Code of Practice

- The introduction clarifies that the term "investments" used in the definition of treasury management activities also covers other non-financial assets that an organisation holds primarily for financial returns, such as investment property portfolios. It also clarifies that the key principle of control of risk and optimising returns consistent with the organisation's risk appetite should be applied across all investment activities, including more commercially based investments.

- Several changes have been made to Treasury Management Practice requirements, covering various legislation-backed requirements as well as risk management provisions. Required statements include:

  "This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment."

"The organisation will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures."

- A new section has been added covering investments that are "not part of treasury management activity", such as property. Where organisations undertake such investments primarily for financial return, they should be proportional to the level of resources available to the organisation. It should ensure that the same robust procedures for the consideration of risk and return are applied to such investment decisions. They also need to be covered in the authority's capital strategy. A schedule of all investments and liabilities (such as guarantees) is to be maintained.

- Previously the Code stated that overall responsibility for treasury management cannot be devolved, whereas the new Code states that "CIPFA believes that delegation of approval of the detail of the treasury management strategy and ongoing monitoring should be permitted where this facilitates more active discussion of the strategy and performance by those with the most appropriate skills and knowledge. Responsibility at all times, however, remains with full board/council who should have access to the full treasury management strategy, annual report and in year monitoring and the ability to seek clarification/ask questions."

Appendix B

TREASURY MANAGEMENT FRAMEWORK DOCUMENTS AND RESPONSIBILITIES

For Consideration by Council 28 February 2018

DOCUMENT	RESPONSIBILITY
CODE of PRACTICE	To be adopted by Council (as updated 2017).
POLICY STATEMENT	The Code of Practice recommends a specific form of words to be used, to set out the Council's objectives within the Policy Statement for its Treasury Management activities. It is the responsibility of Council to approve this document, and then note it each year thereafter if unchanged. This reflects the revised code November 2011.
TREASURY MANAGEMENT STRATEGY	The Strategy document breaks down the Policy Statement into detailed activities and sets out the objectives and expected market forecasts for the coming year. This also contains all the elements of an Investment Strategy as set out in the Government guidance; it is the responsibility of Council to approve this document, following referral from Cabinet.
TREASURY MANAGEMENT INDICATORS	These are included within the Strategy Statement as part of the framework within which treasury activities will be undertaken. It is the responsibility of Council to approve these limits.
INVESTMENT STRATEGY	The Investment Strategy is included within the Treasury Management Strategy. It states which types of investments the Council may use for the prudent management of its treasury balances during the financial year. Under existing guidance the Secretary of State recommends that the Strategy should be approved by Council.
TREASURY MANAGEMENT PRACTICES .	These are documents that set out the procedures that are in place for the Treasury Management function within the Council. The main principles were approved by Cabinet following initial adoption of the Code of Practice; they include: TMP 1: Risk management TMP 2: Performance measurement. TMP 3: Decision-making and analysis. TMP 4: Approved instruments, methods & techniques. TMP 5: Organisation, clarity and segregation of responsibilities, and dealing arrangements. TMP 6: Reporting requirements & management information requirements. TMP 7: Budgeting, accounting & audit. TMP 8: Cash & cash flow management. TMP 9: Money laundering. TMP 10: Staff training & qualifications. TMP 11: Use of external service providers. TMP 12: Corporate governance. It is the Chief Officer (Resources)' responsibility to maintain detailed working documents and to ensure their compliance with the main principles. The content of the TMPs will be reviewed during 2018/19, in view of the recent changes to the treasury management regulatory framework.
FINANCIAL REGULATIONS	The Financial Regulations must contain four specific clauses. These are substantially unchanged in the 2017 Code; it is the Chief Officer (Resources)' responsibility to ensure their inclusion.

Appendix C

LANCASTER CITY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

For Consideration by Council 28 February 2018

This reflects the revised CIPFA Treasury Management Code of Practice (Code updated in 2017).

1. This organisation defines its treasury management activities as:

   "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Appendix D

Treasury Management Strategy 2018/19 to 2021/22

For Consideration by Council 28 February 2018

1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which means broadly that income to be raised during the year will meet expenditure to be incurred, after allowing for any changes in reserves and balances. Part of the treasury management operation is to ensure that the associated cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting Requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update Members with the progress of the treasury position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

In addition, Members will receive high level update reports for Quarters 1 and 3.

Scrutiny - The above reports are required to be adequately considered and scrutinised before being presented to Council. This is undertaken by Cabinet and the Budget and Performance Panel.

Capital Strategy – In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-10, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following:-

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how the associated risk is managed
- The implications for future financial sustainability

The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

1.3 Treasury Management Strategy for 2018/19

The strategy for 2018/19 covers two main areas:

Capital Issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury Management Issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Government MRP Guidance, the CIPFA Treasury Management Code and Government Investment Guidance.

1.4 Training

The CIPFA Code requires the Chief Officer (Resources) to ensure that Members with responsibility for treasury management receive adequate asssociated training. This especially applies to Members responsibe for scrutiny. A training session will be arranged during 2018 accordingly with further training provided as required. The training needs of treasury management Officers are periodically reviewed.

1.5 Treasury Management Consultants

The Council uses Link Asset Services, as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 CAPITAL PRUDENTIAL INDICATORS 2018/19 – 2021/22

The Council's capital expenditure plans are the key driver of treasury management activity. The plans are reflected in various prudential indicators, as determined under regulation, to assist Members in their overview of such capital expenditure planning.

2.1 Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below provides that summary, showing how the plans are being financed by capital or revenue resources. Any shortfall of resources results in an underlying borrowing or financing need.

Capital expenditure	**2016/17 Actual £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**
General Fund	12.63	12.15	11.40	3.54	3.89	2.38
Housing Revenue Account (HRA)	4.08	4.20	4.42	4.33	4.16	4.16
Total	**16.71**	**16.35**	**15.82**	**7.87**	**8.05**	**6.54**
Financed by:						
Capital receipts	-0.85	-1.46	-0.88	-0.38	-0.38	-0.38
Capital grants	-4.53	-5.75	-5.06	-1.63	-1.61	-1.61
Capital reserves	-4.62	-4.63	-4.99	-4.31	-3.85	-3.84
Revenue	-0.26	-0.15	0.00	0.00	0.00	0.00
Net financing need for the year	**6.45**	**4.36**	**4.89**	**1.55**	**2.21**	**0.71**

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure that is not wholly financed in-year will increase the CFR.

The CFR does not increase indefinitely. This is because the Minimum Revenue Provision (MRP), which is a statutory annual charge to revenue, broadly reduces the borrowing need in line with each asset's life.

The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £38K of leases within the CFR.

£m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Financing Requirement						
CFR – Non Housing	40.62	43.56	46.68	46.32	46.39	44.72
CFR – Housing	41.45	40.41	39.37	38.33	37.29	36.25
Total CFR	**82.07**	**83.98**	**86.06**	**84.65**	**83.68**	**80.97**
Movement in CFR						
Non Housing	5.25	2.95	3.12	-0.37	0.07	-1.66
Housing	-1.07	-1.04	-1.04	-1.04	-1.04	-1.04
Net Movement in CFR	**4.18**	**1.90**	**2.08**	**-1.41**	**-0.97**	**-2.70**

Movement in CFR represented by						
Net financing need for the year (above) re Non Housing	6.45	4.36	4.89	1.55	2.21	0.71
Less MRP/VRP and other financing movements						
Non Housing	-1.20	-1.42	-1.77	-1.92	-2.14	-2.37
Housing	-1.07	-1.04	-1.04	-1.04	-1.04	-1.04
Total	-2.27	-2.46	-2.81	-2.96	-3.18	-3.41
Net Movement in CFR	**4.18**	**1.91**	**2.08**	**-1.41**	**-0.97**	**-2.70**

2.3 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to 'pay off' an element of the accumulated General Fund CFR each year through a revenue charge (the minimum revenue provision - MRP), and it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

Government Regulations require Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision being made. In approving this Strategy, Council approves the following MRP Statement:

For capital expenditure incurred after 01 April 2008, MRP will be based on:

- Asset life method – MRP will be based on the estimated life of each asset created as a result of the related capital expenditure, in accordance with the Regulations (this option must also be applied for any expenditure capitalised under a Capitalisation Direction).

This option provides for a reduction in the borrowing need over the approximate life of the asset concerned.

In line with Government guidance, the MRP in respect of capital expenditure incurred before 01 April 2008 will be charged over a period of 60 years.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

Repayments included in annual finance leases are applied as MRP.

2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments, unless resources are supplemented each year from new sources (e.g. asset sales). The following table provides estimates of the year end balances for each resource and anticipated year end cash flow balances from other day to day activities:

Year End Resources	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Fund balances / reserves	23.99	27.35	30.04	29.43	29.78	30.44
Capital receipts	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.50	0.50	0.50	0.50	0.50	0.50
Total core funds	**24.49**	**27.85**	**30.54**	**29.93**	**30.28**	**30.94**
Working capital*	22.70	22.70	22.70	22.70	22.70	22.70
Under borrowing	-16.82	-19.81	-22.93	-22.56	-22.63	-20.96
Expected investments	**30.37**	**30.74**	**30.31**	**30.06**	**30.34**	**32.67**

*Working capital balances shown are estimated year end; these may be higher mid-year

2.5 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

2.6 Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
General Fund	13.9%	15.8%	17.6%	18.1%	17.7%	18.0%
HRA	21.6%	21.8%	21.5%	20.9%	20.3%	19.4%

The estimates of financing costs include current commitments and the proposals in this budget report.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital stragegy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's treasury portfolio position at 31 March 2016 and forward projections are summarised below. The table shows the actual external debt from treasury management operations, against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
External Debt						
Debt at 1 April	66.29	65.25	64.17	63.13	62.09	61.05
Expected change in Debt	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Other long-term liabilities (OLTL)	0.00	0.00	0.00	0.00	0.00	0.00
Expected change in OLTL	0.00	-0.04	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	**65.25**	**64.17**	**63.13**	**62.09**	**61.05**	**60.01**
The Capital Financing Requirement	**82.07**	**83.98**	**86.06**	**84.65**	**83.68**	**80.97**
Under Borrowing	**-16.82**	**-19.81**	**-22.93**	**-22.56**	**-22.63**	**-20.96**

There are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current year and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Officer (Resources) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources..

Operational boundary	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Debt*	83.98	86.06	84.65	83.68	80.97
Other long term liabilities	0.00	0.00	0.00	0.00	0.00
Total	**83.98**	**86.06**	**84.65**	**83.68**	**80.97**

- *The term debt in this instance is CFR minus the effect of leases*

The Authorised Limit for External Debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. Council is asked to approve the following authorised limit:

Authorised Limit	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Debt	99.00	101.00	100.00	99.00	96.00
Other long term liabilities	1.00	1.00	1.00	1.00	1.00
Total	**100.00**	**102.00**	**101.00**	**100.00**	**97.00**

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit	**2017/18 Estimate £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**	**2021/22 Estimate £m**
HRA debt cap	60.19	60.19	60.19	60.19	60.19
HRA CFR	40.41	39.37	38.33	37.29	36.25
HRA headroom	**19.78**	**20.82**	**21.86**	**22.90**	**23.94**

3.3 Prospects for Interest Rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view.

	Mar-18	**Mar-19**	**Mar-20**	**Mar-21**
Bank rate	0.50%	0.75%	1.00%	1.25%
5yr PWLB rate	1.60%	1.80%	2.10%	2.30%
10yr PWLB rate	2.20%	2.50%	2.70%	3.00%
25yr PWLB rate	2.90%	3.10%	3.40%	3.60%
50yr PWLB rate	2.60%	2.90%	3.20%	3.40%

As expected, the Monetary Policy Committee, (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase the Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The forecast as above includes increases in the Bank rate of 0.25% in November 2018, November 2019 and August 2020.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit.

Investment and borrowing rates

- *Investment returns are likely to remain low during 2018/19 but be on a gently rising trend over the next few years;*

- *Borrowing interest increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank rate increases. Since then borrowing rates have eased back again somewhat. Apart from that there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;*

- *There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.*

3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's provisions,reserves, balances and working capital has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Chief Officer (Resources), under delegated powers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then any long term borrowings would be postponed, and potential rescheduling from fixed rate funding into short term borrowing would be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates* than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would be re-appraised. Most likely, if need be, fixed rate funding would be drawn if interest rates were lower than projected to be in the next few years.

Any decisions will be reported to Cabinet at the next available opportunity.

3.5 Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set at a level which is too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates.
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

	2017/18	2018/19	2019/20	2020/21	2021/2022
Interest rate exposures					
	Upper	**Upper**	**Upper**	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%	30%	30%

Maturity structure of fixed interest rate borrowing 2018/19	£m	
Under 12 months	1.04	1.62%
12 months and within 24 months	1.04	1.62%
24 months and within 5 years	3.12	4.87%
5 years and within 10 years	5.21	8.11%
10 years and within 15 years	5.21	8.11%
15 years and within 25 years	9.37	14.60%
25 years and within 50 years	39.22	61.08%

3.6 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, allowing for authorised increases, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.7 Debt Rescheduling

As short term borrowing rates are expected to be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

* the generation of cash savings and / or discounted cash flow savings;
* helping to fulfil the treasury strategy;
* enhance the balance of the portfolio (amend the maturity profile and / or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

Any rescheduling will be reported to Cabinet at the earliest meeting following any action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy

The Council's investment policy has regard to the Government Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties that also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor cournerparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets.

To this end the Council will engage with its advisors to maintian a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in *Annex B2* under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices, applying the creditworthiness policy set out below.

4.2 Creditworthiness Policy

This Council will apply the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands*:*

- **Yellow (Y)** up to but less than 1 year
- ***Dark pink (Pi1)*** *liquid - Ultra-Short Dated Bond Funds with a credit score of 1.25*
- ***Light pink (Pi2)*** *liquid – Ultra-Short Dated Bond Funds with a credit score of 1.5*
- ***Purple (P)*** *up to but less than 1 year*
- ***Blue (B)*** *up to but less than 1 year (only applies to nationalised or part- nationalised UK Banks)*
- ***Orange (O)*** *up to but less than 1 year*
- ***Red (R)*** *6 months*
- ***Green (G)*** *100 days*
- ***No colour (N/C)*** *not to be used*

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7

	Colour (and long term rating where applicable)	Money Limit	Time Limit
Banks /UK Govt. backed instruments*	yellow	£12m	≤1 year
Banks	purple	£6m	≤1 year
Banks	orange	£6m	≤1 year
Banks – part nationalised	blue	£12m	≤1 year
Banks	red	£6m	≤6 mths
Banks	green	£3m	≤100 days
Banks	No colour	Not to be used	
Limit 3 category – Council's banker (for non-specified investments)	n/a	£500K	1 day
DMADF	AAA	unlimited	≤6 months
Local authorities**	n/a	£12m	≤1 year
	Fund rating	Money and/or % Limit	Time Limit
Money Market Funds CNAV	AAA	£6m	liquid
Money Market Funds LVNAV	AAA	£6m	liquid
Money Market Funds VNAV	AAA	£6m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark pink / AAA	£6m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	Light pink / AAA	£6m	liquid

** the yellow colour category includes UK Government debt, or its equivalent, collateralised deposits where the collateral is UK Government debt –see Annex B2.*

*** Under UK Statute the loans to any Council have priority and first call over the revenues of the authority, which under-writes any concerns over the ability of a local authority to repay its debt. As the UK Government also acts as a lender of last resort, the ranking of UK local authorities is usually considered equivalent to that of the UK Government. As the UK Government has a long term rating of AA+, this is usually applied to local authorities and as such all local authorities have equal rating.*

The creditworthiness service uses a wider array of information other than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria (built in) that the Council use will be a Short Term rating of F1 and a Long Term rating of A- (Fitch, or equivalents). There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use to some limited extent market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

4.3 Country Limits

The Council has determined that it will only use approved counterparties from other countries with a minimum sovereign credit rating of *AAA* **(Fitch)** or equivalent from each of the credit rating agencies. This list will be added to, or deducted from, by Officers should ratings change in accordance with this policy.

4.4 Other Investment Matters

In-house Funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (iup to 12 months).

Investment Returns Expectations: Bank Rate is forecast to stay flat at 0.50% until Quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

4.5 Investment Treasury Indicator and Limit

This determines the total principal funds that can be invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of any investment, and are based on the availability of funds after each year-end. Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 & 365 days					
	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Principal sums invested > 364 & 365 days	Nil	Nil	Nil	Nil	Nil

This takes account of the proposed change in the CIPFA Treasury Code from a 364 day limit to 365 days

ANNEX B1

Treasury Management Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.

- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.

- **Call account** – instant access deposit account.

- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.

- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They currently analyse credit worthiness under four headings (but see changes referred to in the strategy):

  - **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.

  - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.

  - **Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.

  - **Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

  The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO –** The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.

- **EIP –** Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.

- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like

shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.
E.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as 8%/1.45 = 5.5%.
See also PWLB.

- **LIBID** – The London Inter-Bank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time.

- **LIBOR** – The London Inter-Bank Offer Rate, the rate at which banks with surplus funds are offering to lend them to other banks, again published at 11am each day.

- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.

- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.

- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status. As from 21 July 2018 there will be three structural options for existing money market funds – Public Debt Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV)

- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.

- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.

- **Capita Asset Services** – Capita Asset Services are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.

- **Yield** – see Gilts

Members may also wish to make reference to *The Councillor's Guide to Local Government Finance.*

ANNEX B2

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	**Max % of counterparty limit - *Specified**	**Max % of counterparty limit – **Non - Specified**	**Max. maturity period**
DMADF – UK Government	N/A	**100%**	**N/A**	**6 months**
UK Government gilts	UK sovereign rating	100%	**N/A**	1 year
UK Government Treasury blls	UK sovereign rating	100%	**N/A**	1 year
Bonds issued by multilateral development banks	AAA	100%	**N/A**	6 months
Money Market Funds CNAV	AAA	100%	**N/A**	Liquid
Money Market Funds LVNAV	AAA	100%	**N/A**	Liquid
Money Market Funds VNAV	AAA	100%	**N/A**	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	**N/A**	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	**N/A**	Liquid
Local authorities	N/A	100%	**N/A**	1 year
Term deposits with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	100% 100% 100% 100% 100% 100% 0%	20% 20% N/A 20% 20% 20% 0%	Up to 1 year Up to 1 year Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
Certificates of Deposit and corporate bonds with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	20% 20% 20% 20% 0% 0% 0%	0% 0% 0% 0% 0% 0% 0%	Up to 1 year Up to 1 year Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use

***SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the quality criteria as applicable.

****NON-SPECIFIED INVESTMENTS**: These are any investments which do not meet the specified investment criteria. A maximum of up to 20% ** will be held in aggregate in relevant non-specified investments (as at the trade date of investing).

ANNEX B3

Definitions of Specified and Non Specified Investments

See the detailed Investment Strategy included in ***Appendix B***, for the limits to be applied.

1. Specified Investments are defined as follows.

SPECIFIED INVESTMENTS These are investments denominated in sterling of a maturity period of not more than 364 days (or of a longer period where the Council has the right to be repaid within 364 days if it wishes). These are low risk assets with high liquidity where the possibility of loss of principal or investment income is considered negligible. These include investments with: (i) The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity). (ii) Supranational bonds of less than one year's duration. (iii) A local authority, parish council or community council. (iv) An investment scheme that has been awarded a high credit rating by a credit rating agency. (v) A body with high credit quality (such as a bank or building society) as set out in table 4.2 For category (iv) this covers a money market fund AAA rated by Standard and Poor's, Moody's or Fitch rating agencies.

2. Non-specified Investments are defined as:

   All types of investment not meeting the criteria for specified investments. The non-specified investments which may be used by the authority are set out below. Non specified investments not explicitly referred to below are excluded from the Treasury Management Strategy.

Ref	Non Specified Investment Category	Limit
(i)	An investment with a non-UK bank, for a term of less than 1 year and in a product which falls within one of the criteria stated with the table in Annex B2	Annex B2
(ii)	The Council's own banker if it fails to meet the high credit quality criteria attached to other bandings.	Table in 4.2

ANNEX B4

Background information on credit ratings

Credit ratings are an important part of the Authority's investment strategy. The information below summarises some of the key features of credit ratings and why they are important.

What is a Credit Rating?
A credit rating is:

- An independent assessment of an organisation;
- It gauges the likelihood of getting money back on the terms it was invested;
- It is a statement of opinion, not statement of fact;
- They help to measure the risk associated with investing with a counterparty;

Who Provides / Uses Credit Ratings?
There are three main ratings agencies, all of which are used in the Authority's treasury strategy.

- Fitch
- Moody's Investor Services
- Standard & Poor's

The ratings supplied by these agencies are used by a broad range of institutions to help with investment decisions, these include:

- Local Authorities;
- Other non-financial institutional investors;
- Financial institutions;
- Regulators;
- Central Banks;

Rating Criteria
There are many different types of rating supplied by the agencies. The key ones used by the Authority are ratings to indicate the likelihood of getting money back on terms invested. These can be split into two main categories:

- 'Short Term' ratings for time horizons of 12 months or less. These may be considered as the most important for local authorities.

- 'Long Term' ratings for time horizons of over 12 months. These may be considered as less important in the current climate.

In addition, the agencies issue sovereign, individual and support ratings which will also feed into the investment strategy.

Rating Scales (Fitch, Moody's and Standard & Poor's)
The table below shows how some of the higher graded short and long term ratings compare across the agencies; the top line represents the highest grade possible. (There are other ratings that go much lower than those shown below, and ratings for other elements).

Short Term			**Long Term**		
Fitch	Moody's	S&P	Fitch	Moody's	S&P
F1+	P-1	A-1+	AAA	Aaa	AAA
F1	P-1	A-1	AA	Aa2	AA
F2	P-2	A-2	A	A2	A

Appendix E

Treasury Management Update

Quarter Ended 30 September 2017

Report of Chief Officer (Resources)

Treasury Management Update

Quarter Ended 30 September 2017

1. Introduction

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (through the reporting of the Treasury Management Strategy, and annual and midyear reports). This report is in line with best practice in accordance with that Code, to help demonstrate transparency and promote accountability. As such, it is a requirement that this half yearly update be referred onto Council for information.

2. Economic Background (provided by Capita Asset Services)

After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year.

The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that the Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

It, therefore, looks very likely that the MPC will increase the Bank Rate to 0.5% in November or, if not, in February 2018. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in the Bank Rate. As at the start of

October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

3. Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.50%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
50yr PWLB rate	2.70%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

Capita Asset Services undertook its last review of interest rate forecasts on 9 August after the quarterly Bank of England Inflation Report. There was no change in MPC policy at that meeting. However, the MPC meeting of 14 September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate "over the coming months". It is therefore possible that there will be an increase to 0.5% at the November MPC meeting. If that happens, the question will then be as to whether the MPC will stop at just withdrawing the emergency Bank Rate cut of 0.25% in August 2016, after the result of the EU withdrawal referendum, or whether they will embark on a series of further increases in Bank Rate during 2018.

The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

4. Annual Investment Strategy Update

The Treasury Management Strategy (TMS) for 2017/18, which includes the Annual Investment Strategy, was approved by the Council on 01 March 2017. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short to cover cash flow needs, but also if and where appropriate, to seek out value available in periods up to 12 months with highly credit rated financial institutions, using the adopted creditworthiness approach, including minimum sovereign credit ratings and Credit Default Swap (CDS) overlay information.

Officers confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2017.

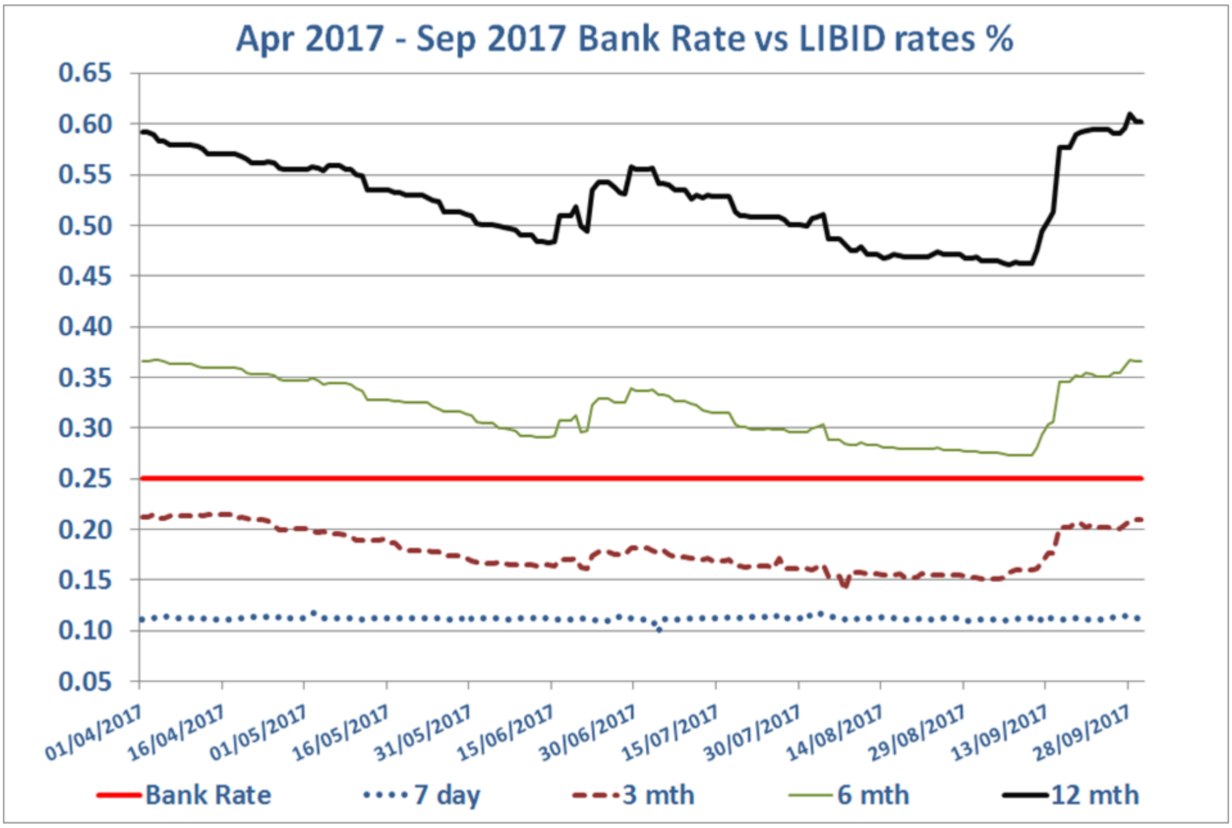
The average level of funds available for investment purposes during the quarter was **£34M**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.

In terms of performance against external benchmarks, the return on investments compared to the 7 day LIBID and bank rates at the end of the period is as follows. This is viewed as reasonable performance, given the need to prioritise security of investments, and liquidity (i.e. making sure that the Council's cashflow meets its needs):

Base Rate	0.25%
7 day LIBID	0.12%
Lancaster City Council investments	0.30%

Investment performance against budget for quarter ended 30 September 2017

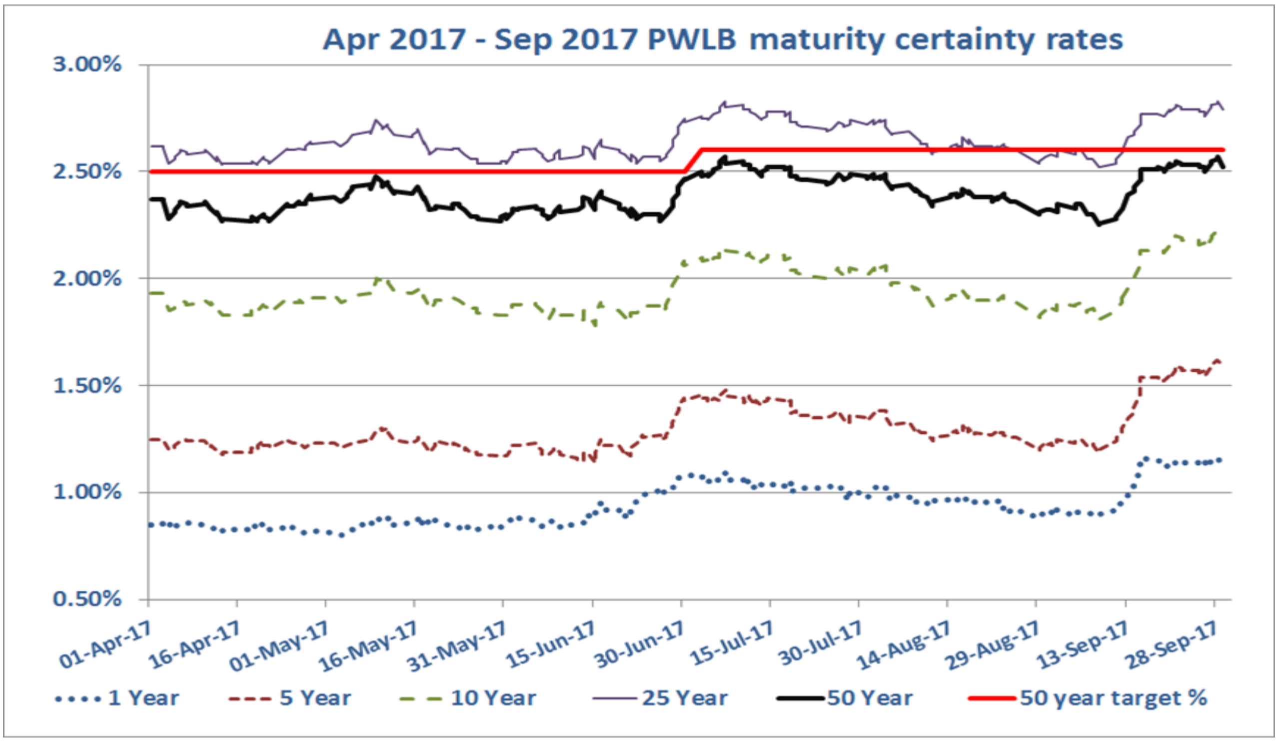
Other Investments	Term	Maturity Date	Opening £	Closing £	Indicative Rate (YTD)	Current Fixed Rate	Interest to Date £
Call Accounts							
Natwest (Cash Manager Plus)			125,321	137,490		0.01%	8
Money Market Funds							
Goldman Sachs			0	0	0.16%		2,243
Insight			0	0	0.14%		635
Blackrock Sterling Govt Liquidity Fund			500,000	4,000,000	0.20%		3,754
LGIM			5,200,000	6,000,000	0.22%		6,353
Ignis			6,000,000	6,000,000	0.24%		7,125
Fixed Term Deposits							
Cambridgeshire County Council	6 months	04/07/2017	12,000,000	0		0.35%	10,932
Leeds City Council	6 months	16/07/2017	5,000,000	0		0.36%	5,277
Guildford Borough Council	364 days	17/07/2018	0	5,000,000		0.53%	5,445
Rugby Borough Council	11 months	29/06/2018	0	1,000,000		0.35%	585
Antrim & Newtown Abbey BC	364 days	06/08/2018	0	3,000,000		0.37%	1,673
Suffolk County Council	6 months	28/02/2018	0	5,000,000		0.30%	1,274
Broxtowe Borough Council	364 days	28/09/2018	0	1,000,000		0.40%	22
Uttlesford District Council	1 week	06/10/2017	0	4,000,000		0.30%	66
Sub-total			**28,825,321**	**35,137,490**			**45,392**
						Budgeted income	**43,450**
							1,942



5. **Borrowing (commentary provided by Capital Asset Services)**

The Council's capital financing requirement (CFR) for 2017/18 is £86.7m. The CFR denotes the Council's underlying need to borrow for capital purposes. Due to the overall financial position there is no new underlying need to borrow for capital purposes (the Capital Financing Requirement – CFR), therefore no new borrowing has been undertaken.

The graph below shows the movement in PWLB certainty rates for the first six months of the year to date.



6. Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

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7. Compliance with Treasury and Prudential Limits

During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy and in compliance with the Council's Treasury Management Practices.

It is a statutory duty for the Council to determine and keep under review its affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) as at 30 September are attached at Annex A. No changes are proposed so the information is only for noting.

8. Risk Management (Key Aspects)

Investment Security:
There is still significant inherent risk generally affecting counterparties (i.e. who investments are placed with). These are considered to be managed effectively through the creditworthiness framework currently applied.

Liquidity:
Liquidity risks are considered to be managed effectively, through cash flow monitoring arrangements and the periods chosen for investment, to help ensure that the Council will have sufficient cash available to meet its payment obligations and deal with the resulting impact on its cash flow.

Interest Risk:
Investment Returns are inevitably low. The Council has risk exposure because all of its borrowings are long-term/fixed, and inevitably its investments are shorter term, meaning that generally they are more affected or influenced by the Bank Rate. There is little that can be done to mitigate this risk at this point.

9. Other Issues

Canal Corridor North
Should the project proceed then it will have significant implications for the Treasury Management Strategy for 2018/19 and beyond. These will be factored into the review of the Strategy currently being undertaken and will also be highlighted in the relevant Canal Corridor North reported to be presented to Members in due course.

Revised CIPFA Codes
The Chartered Institute of Public Finance and Accountancy, (CIPFA), is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November.

A particular focus of this exercise is how to deal with local authority investments which are not treasury type investments such as investing in property in order to generate income for the authority at a much higher level than can be attained by treasury investments. One recommendation is that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the authority have been apportioned between treasury and non-treasury investments. Officers are monitoring developments and will report to members when the new codes have been agreed and issued and on the likely impact on this authority.

Markets in Financial Instruments Directive (MIFID II)

The EU has now set a deadline of 03 January 2018 for the introduction of regulations under MIFID II. These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This will entail increased administration for each institution dealing with this authority and for each type of investment instrument we use. The fact that a significant proportion of the Councils investment portfolio is held in simple term deposits (which are excluded from MIFIDII) will mean that this will have minimal impact on the Authority.

COUNCIL

Council Tax 2018/19
28 February 2018

Report of the Chief Officer (Resources)

PURPOSE OF REPORT

To approve 2018/19 council tax rates for the district.

This report is public.

RECOMMENDATIONS

(1) That it be noted that, under delegated powers in accordance with section 84 of the Local Government Act 2003, the following amounts have been calculated for the year 2018/19, in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) made under section 33(5) of the Local Government Finance Act 1992 (the "Act"):

(a) 41,200.00 being the amount of its council tax base for the whole district [item T in the formula in section 31B of the Act];

(b) 16,969.23 being the amount of its council tax base for the non-parished part of the district; and

(c)

Parish	*Tax Base*	*Parish*	*Tax Base*
Aldcliffe-with-Stodday	145.41	Nether Kellet	268.41
Arkholme-with-Cawood	167.88	Over Kellet	342.71
Bolton-le-Sands	1,682.52	Over Wyresdale	122.27
Borwick	89.04	Overton	348.54
Burrow-with-Burrow	101.95	Priest Hutton	87.81
Cantsfield	55.58	Quernmore	238.06
Carnforth	1,660.31	Roeburndale	21.77
Caton-with-Littledale	1,073.93	Scotforth	144.29
Claughton	55.79	Silverdale	818.62
Cockerham	265.28	Slyne-with-Hest	1,304.36
Ellel	1,021.49	Tatham	213.43
Gressingham	85.74	Thurnham	235.93
Halton-with-Aughton	966.53	Tunstall	63.52
Heaton-with-Oxcliffe	663.97	Warton	863.16
Hornby-with-Farleton	345.08	Wennington	57.13
Ireby and Leck	116.31	Whittington	164.69
Melling-with-Wrayton	144.13	Wray-with-Botton	213.11
Middleton	213.15	Yealand Conyers	111.33
Morecambe Town Council	9,603.95	Yealand Redmayne	153.59

being the amounts of its council tax base for each parish within the district.

(2) That in accordance with section 35 of the Local Government Finance Act 1992, it be noted that there are no expenses to be treated as the City Council's special expenses.

(3) That the following amounts be now calculated by the City Council for the year 2018/19 in accordance with Sections 31 to 36 of the Act, as amended by the Localism Act 2011:

(a) £141,495,753.09 being the aggregate of the amounts which the City Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by parish councils;

(b) £131,798,312.00 being the aggregate of the amounts which the City Council estimates for the items set out in Section 31A(3) of the Act;

(c) £9,697,441.09 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the City Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year. [Item R in the formula in Section 31B of the Act];

(d) £618,541.09 being the aggregate amount of all special items (parish precepts) referred to in Section 34(1) of the Act;

(e) £9,078,900.00 being the council tax requirement for the Council's own purposes for 2018/19 (excluding parish precepts);

(f) £235.37 being the amount at 3(c) above [Item R], all divided by the amount at 1(a) above [Item T], calculated by the City Council, in accordance with section 31B of the Act, as the basic amount of its council tax for the year (including parish precepts);

(g) £220.36 being the amount at 3(f) above less the result given by dividing the amount at 3(d) above by the amount at 1(a) above, calculated by the City Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its district to which no parish precept relates.

(h)

Parish	***Tax Rate £***	***Parish***	***Tax Rate £***
Aldcliffe-with-Stodday	245.12	Nether Kellet	248.30
Arkholme-with-Cawood	240.62	Over Kellet	244.00
Bolton-le-Sands	239.70	Over Wyresdale	232.63
Borwick	231.59	Overton	249.05
Burrow-with-Burrow	235.07	Priest Hutton	243.14
Cantsfield	220.36	Quernmore	238.00
Carnforth	250.76	Roeburndale	220.36
Caton-with-Littledale	250.16	Scotforth	232.28
Claughton	220.36	Silverdale	262.85
Cockerham	249.57	Slyne-with-Hest	266.36
Ellel	248.14	Tatham	243.01
Gressingham	242.87	Thurnham	239.86
Halton-with-Aughton	256.04	Tunstall	298.16
Heaton-with-Oxcliffe	235.89	Warton	242.30
Hornby-with-Farleton	259.98	Wennington	284.36
Ireby and Leck	264.29	Whittington	245.83
Melling-with-Wrayton	289.75	Wray-with-Botton	260.85
Middleton	253.20	Yealand Conyers	244.20
Morecambe Town Council	239.95	Yealand Redmayne	252.91

being the amounts given by adding to the amount at 3(g) above the amounts of the parish precepts relating to dwellings in those parts of the district mentioned above, divided in each case by the relevant amount at 1(c) above, calculated by the City Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of the district to which parish precepts relate.

(i) VALUATION BANDS

Area	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Non Parished Area	146.91	171.39	195.88	220.36	269.33	318.30	367.27	440.72
Aldcliffe-with-Stodday	163.41	190.65	217.88	245.12	299.59	354.06	408.53	490.24
Arkholme-with-Cawood	160.41	187.15	213.88	240.62	294.09	347.56	401.03	481.24
Bolton-le-Sands	159.80	186.43	213.07	239.70	292.97	346.23	399.50	479.40
Borwick	154.39	180.13	205.86	231.59	283.05	334.52	385.98	463.18
Burrow-with-Burrow	156.71	182.83	208.95	235.07	287.31	339.55	391.78	470.14
Cantsfield	146.91	171.39	195.88	220.36	269.33	318.30	367.27	440.72
Carnforth	167.17	195.04	222.90	250.76	306.48	362.21	417.93	501.52
Caton-with-Littledale	166.77	194.57	222.36	250.16	305.75	361.34	416.93	500.32
Claughton	146.91	171.39	195.88	220.36	269.33	318.30	367.27	440.72
Cockerham	166.38	194.11	221.84	249.57	305.03	360.49	415.95	499.14
Ellel	165.43	193.00	220.57	248.14	303.28	358.42	413.57	496.28
Gressingham	161.91	188.90	215.88	242.87	296.84	350.81	404.78	485.74
Halton-with-Aughton	170.69	199.14	227.59	256.04	312.94	369.84	426.73	512.08
Heaton-with-Oxcliffe	157.26	183.47	209.68	235.89	288.31	340.73	393.15	471.78
Hornby-with-Farleton	173.32	202.21	231.09	259.98	317.75	375.53	433.30	519.96
Ireby and Leck	176.19	205.56	234.92	264.29	323.02	381.75	440.48	528.58
Melling-with-Wrayton	193.17	225.36	257.56	289.75	354.14	418.53	482.92	579.50
Middleton	168.80	196.93	225.07	253.20	309.47	365.73	422.00	506.40
Morecambe Town Council	159.97	186.63	213.29	239.95	293.27	346.59	399.92	479.90
Nether Kellet	165.53	193.12	220.71	248.30	303.48	358.66	413.83	496.60
Over Kellet	162.67	189.78	216.89	244.00	298.22	352.44	406.67	488.00
Over Wyresdale	155.09	180.93	206.78	232.63	284.33	336.02	387.72	465.26
Overton	166.03	193.71	221.38	249.05	304.39	359.74	415.08	498.10
Priest Hutton	162.09	189.11	216.12	243.14	297.17	351.20	405.23	486.28
Quernmore	158.67	185.11	211.56	238.00	290.89	343.78	396.67	476.00
Roeburndale	146.91	171.39	195.88	220.36	269.33	318.30	367.27	440.72
Scotforth	154.85	180.66	206.47	232.28	283.90	335.52	387.13	464.56
Silverdale	175.23	204.44	233.64	262.85	321.26	379.67	438.08	525.70
Slyne-with-Hest	177.57	207.17	236.76	266.36	325.55	384.74	443.93	532.72
Tatham	162.01	189.01	216.01	243.01	297.01	351.01	405.02	486.02
Thurnham	159.91	186.56	213.21	239.86	293.16	346.46	399.77	479.72
Tunstall	198.77	231.90	265.03	298.16	364.42	430.68	496.93	596.32
Warton	161.53	188.46	215.38	242.30	296.14	349.99	403.83	484.60
Wennington	189.57	221.17	252.76	284.36	347.55	410.74	473.93	568.72
Whittington	163.89	191.20	218.52	245.83	300.46	355.09	409.72	491.66
Wray-with-Botton	173.90	202.88	231.87	260.85	318.82	376.78	434.75	521.70
Yealand Conyers	162.80	189.93	217.07	244.20	298.47	352.73	407.00	488.40
Yealand Redmayne	168.61	196.71	224.81	252.91	309.11	365.31	421.52	505.82

being the amounts given by multiplying the relevant amounts at 3(g) or 3(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the City Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(4) That it be noted that for the year 2018/19 the Lancashire County Council, the Police and Crime Commissioner for Lancashire and the Lancashire Fire Authority have issued precepts to the City Council in accordance with Section 40 of the Act, for each category of the dwellings in the Council's area as indicated in the following table.

Valuation Band	***Lancashire County Council £***	***Police & Crime Commissioner for Lancashire £***	***Lancashire Fire Authority £***
A	863.28	118.30	44.97
B	1,007.16	138.02	52.47
C	1,151.04	157.73	59.96
D	1,294.92	177.45	67.46
E	1,582.68	216.88	82.45
F	1,870.44	256.32	97.44
G	2,158.20	295.75	112.43
H	2,589.84	354.90	134.92

(5) That having calculated the aggregate in each case of the amounts at 3(i) and 4 above, the City Council, in accordance with Sections 30 and 36 of the Act, hereby sets the aggregate amounts shown in the tables below as the amounts of council tax for 2018/19 for each part of its area for each of the categories of dwellings.

Area	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Non Parished Area	1,173.46	1,369.04	1,564.61	1,760.19	2,151.34	2,542.50	2,933.65	3,520.38
Aldcliffe-with-Stodday	1,189.96	1,388.30	1,586.61	1,784.95	2,181.60	2,578.26	2,974.91	3,569.90
Arkholme-with-Cawood	1,186.96	1,384.80	1,582.61	1,780.45	2,176.10	2,571.76	2,967.41	3,560.90
Bolton-le-Sands	1,186.35	1,384.08	1,581.80	1,779.53	2,174.98	2,570.43	2,965.88	3,559.06
Borwick	1,180.94	1,377.78	1,574.59	1,771.42	2,165.06	2,558.72	2,952.36	3,542.84
Burrow-with-Burrow	1,183.26	1,380.48	1,577.68	1,774.90	2,169.32	2,563.75	2,958.16	3,549.80
Cantsfield	1,173.46	1,369.04	1,564.61	1,760.19	2,151.34	2,542.50	2,933.65	3,520.38
Carnforth	1,193.72	1,392.69	1,591.63	1,790.59	2,188.49	2,586.41	2,984.31	3,581.18
Caton-with-Littledale	1,193.32	1,392.22	1,591.09	1,789.99	2,187.76	2,585.54	2,983.31	3,579.98
Claughton	1,173.46	1,369.04	1,564.61	1,760.19	2,151.34	2,542.50	2,933.65	3,520.38
Cockerham	1,192.93	1,391.76	1,590.57	1,789.40	2,187.04	2,584.69	2,982.33	3,578.80
Ellel	1,191.98	1,390.65	1,589.30	1,787.97	2,185.29	2,582.62	2,979.95	3,575.94
Gressingham	1,188.46	1,386.55	1,584.61	1,782.70	2,178.85	2,575.01	2,971.16	3,565.40
Halton-with-Aughton	1,197.24	1,396.79	1,596.32	1,795.87	2,194.95	2,594.04	2,993.11	3,591.74
Heaton-with-Oxcliffe	1,183.81	1,381.12	1,578.41	1,775.72	2,170.32	2,564.93	2,959.53	3,551.44
Hornby-with-Farleton	1,199.87	1,399.86	1,599.82	1,799.81	2,199.76	2,599.73	2,999.68	3,599.62
Ireby and Leck	1,202.74	1,403.21	1,603.65	1,804.12	2,205.03	2,605.95	3,006.86	3,608.24
Melling-with-Wrayton	1,219.72	1,423.01	1,626.29	1,829.58	2,236.15	2,642.73	3,049.30	3,659.16
Middleton	1,195.35	1,394.58	1,593.80	1,793.03	2,191.48	2,589.93	2,988.38	3,586.06
Morecambe Town Council	1,186.52	1,384.28	1,582.02	1,779.78	2,175.28	2,570.79	2,966.30	3,559.56
Nether Kellet	1,192.08	1,390.77	1,589.44	1,788.13	2,185.49	2,582.86	2,980.21	3,576.26
Over Kellet	1,189.22	1,387.43	1,585.62	1,783.83	2,180.23	2,576.64	2,973.05	3,567.66
Over Wyresdale	1,181.64	1,378.58	1,575.51	1,772.46	2,166.34	2,560.22	2,954.10	3,544.92
Overton	1,192.58	1,391.36	1,590.11	1,788.88	2,186.40	2,583.94	2,981.46	3,577.76
Priest Hutton	1,188.64	1,386.76	1,584.85	1,782.97	2,179.18	2,575.40	2,971.61	3,565.94
Quernmore	1,185.22	1,382.76	1,580.29	1,777.83	2,172.90	2,567.98	2,963.05	3,555.66
Roeburndale	1,173.46	1,369.04	1,564.61	1,760.19	2,151.34	2,542.50	2,933.65	3,520.38
Scotforth	1,181.40	1,378.31	1,575.20	1,772.11	2,165.91	2,559.72	2,953.51	3,544.22
Silverdale	1,201.78	1,402.09	1,602.37	1,802.68	2,203.27	2,603.87	3,004.46	3,605.36
Slyne-with-Hest	1,204.12	1,404.82	1,605.49	1,806.19	2,207.56	2,608.94	3,010.31	3,612.38
Tatham	1,188.56	1,386.66	1,584.74	1,782.84	2,179.02	2,575.21	2,971.40	3,565.68
Thurnham	1,186.46	1,384.21	1,581.94	1,779.69	2,175.17	2,570.66	2,966.15	3,559.38
Tunstall	1,225.32	1,429.55	1,633.76	1,837.99	2,246.43	2,654.88	3,063.31	3,675.98
Warton	1,188.08	1,386.11	1,584.11	1,782.13	2,178.15	2,574.19	2,970.21	3,564.26
Wennington	1,216.12	1,418.82	1,621.49	1,824.19	2,229.56	2,634.94	3,040.31	3,648.38
Whittington	1,190.44	1,388.85	1,587.25	1,785.66	2,182.47	2,579.29	2,976.10	3,571.32
Wray-with-Botton	1,200.45	1,400.53	1,600.60	1,800.68	2,200.83	2,600.98	3,001.13	3,601.36
Yealand Conyers	1,189.35	1,387.58	1,585.80	1,784.03	2,180.48	2,576.93	2,973.38	3,568.06
Yealand Redmayne	1,195.16	1,394.36	1,593.54	1,792.74	2,191.12	2,589.51	2,987.90	3,585.48

(6) That it be determined that the City Council's basic amount of council tax for 2018/19 is not excessive, when compared with the principles approved under Section 52ZB of the Local Government Finance Act 1992 (as amended by the Localism Act 2011), and therefore the City Council is not required to hold a local referendum.

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

No new issues directly arising.

FINANCIAL IMPLICATIONS

The report is in accordance with the 2018/19 tax base and council tax requirements.

Annual council tax increases are shown below, excluding parish precepts. The amounts in £ terms relate to Band D properties, but the % changes apply to all Bands:

	2017/18	**2018/19**	**Increase**	
	£	**£**	**£**	**%**
Lancashire County Council	1,221.74	1,294.92	73.18	5.99
Lancashire Police & Crime	165.45	177.45	12.00	7.25
Lancashire Fire Authority	65.50	67.46	1.96	2.99
Lancaster City Council	213.97	220.36	6.39	2.99
	1,666.66	1,760.19	93.53	5.61(overall)

Separately, regarding parishes, the average Band D charge ranges from £0 to £77.80, resulting in year on year changes of between -9% and +33%. The average parish tax rate is £27.58. Some parishes have very small tax bases, and therefore if they decide on specific spending plans they can result in comparatively large tax rates. It should be noted that parish councils currently fall outside of the local referendum thresholds.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has finalised this report, which is in her name (as Chief Officer (Resources)).

LEGAL IMPLICATIONS

Legal Services have been consulted and have no observations to make on this report.

DEPUTY MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer would remind Council that the decision on this item is one to which the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2004 and Rule 19.7 of the Council Procedure Rules apply, and accordingly there must be a recorded vote.

BACKGROUND PAPERS
Precept notices 2018/19

Contact Officer: Nadine Muschamp
Telephone: 01524 582117
E-mail: nmuschamp@lancaster.gov.uk
Ref:

COUNCIL

Pay Policy Statement 2018 - 2019

28 February 2018

Report of the Chief Executive

PURPOSE OF REPORT
To enable the Council to approve its Pay Policy Statement for 2018 - 2019, as required by the Localism Act 2011.
This report is public

RECOMMENDATIONS

(1) That Council approve for publication the Pay Policy Statement for 2018 – 2019.

1.0 Introduction

1.1 Section 38 of the Localism Act 2011 places a requirement on local authorities to publish a Pay Policy Statement by the 31st March in each year. The Statement must be approved by resolution of Council, and this function may not be delegated. The Statement must set out the Council's arrangements relating to:

- the remuneration of its Chief Officers;
- the remuneration of its lowest-paid employees, and
- the relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

1.2 Chief Officers within this Council have been defined as the Chief Executive, the Assistant Chief Executive and the five Chief Officers. However, the definition in the Localism Act 2011 is wide enough to cover those reporting directly to these officers, and this is covered within the Pay Policy Statement. The Pay Policy Statement should be read in conjunction with the Arrangements for other aspects of Chief Officer Remuneration and Lancaster City Council's Pay and Grading Structure 1 April 2018, which are appended to the report.

1.3 The draft Pay Policy Statement has been prepared in accordance with the requirements of the Localism Act 2011, and having regard to the guidance issued by the Department for Communities and Local Government (DCLG) under Section 40 of the Act.

1.4 Members will recall that the Council's last Pay Policy Statement was approved on the 1st March 2017. That document has now been updated for 2018/19, and has been drafted in accordance with guidance issued by the DCLG. There is provision in the Act for the Council, if required, to amend the document by resolution during the year to which it relates.

1.5 During the course of the year, if the authority makes any determination relating to the remuneration or any other terms and conditions of a Chief Officer, it must comply with its Pay Policy Statement.

2.0 Proposal Details

2.1 Council is requested to approve the Pay Policy Statement for 2018-19.

3.0 Details of Consultation

3.1 There has been no consultation, but in preparing the Statement, regard has been had to government guidance and to advice given by North West Employers.

4.0 Options and Options Analysis (including risk assessment)

4.1 In order to comply with the Localism Act 2011, it is necessary for Council to approve a Pay Policy Statement. The attached draft document has been prepared by officers in order to comply with the statutory requirements.

5.0 Conclusion

5.1 Council is asked to approve the Pay Policy Statement.

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)
None directly arising from this report.

LEGAL IMPLICATIONS

There are no legal implications.

FINANCIAL IMPLICATIONS
The Council's budget is based on its pay policy. Any proposed changes in pay policy, that have budgetary implications, would need to be considered by Council following referral from Personnel Committee (as part of it considering pay policy update proposals). In particular, the Council still has on hold consideration of various pay and grading reviews, the progress of which will need to be considered and addressed as part of wider organisational developments.

OTHER RESOURCE IMPLICATIONS
Open Spaces, ICT, Property: None

Human Resources,

The Pay Policy Statement 2018 - 2019 has been prepared by the HR Manager.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has contributed to this report.

DEPUTY MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS None	**Contact Officer:** Dave Rigby **Telephone:** 01524 582180 **E-mail:** darigby@lancaster.gov.uk **Ref:**

Lancaster City Council

Pay Policy Statement 2018-19

1. Introduction and Purpose

1.1 In accordance with the requirements of Section 38 of the Localism Act 2011, this Pay Policy statement has been produced to reflect the Council's approach to pay policy for the year 2018/19.

1.2 This statement sets out the Council's policies in relation to the remuneration of our Chief Officers and all other employees. It also clarifies the relationship between Chief Officer remuneration and the remuneration of our lowest paid employees.

1.3 The purpose of this statement is to demonstrate transparency with regards to setting the pay of Council employees.

2. Setting Terms and Conditions

2.1 The Council's Chief Officers, including the Chief Executive, are employed under the nationally agreed JNC terms and conditions. All other employees are employed under the nationally agreed NJC terms and conditions.

2.2 Pay increases relating to cost of living are agreed nationally by the NJC and JNC negotiating bodies.

3. Definitions of Chief Officers within Lancaster City Council

3.1 Chief Officers within this Council are currently defined as the Chief Executive, the Assistant Chief Executive and the five Chief Officers, namely:

- Chief Officer (Legal and Governance (Monitoring Officer))
- Chief Officer (Resources (Section 151 Officer))
- Chief Officer (Environment)
- Chief Officer (Health and Housing)
- Chief Officer (Regeneration and Planning)

3.2 In addition to the above, the Council has a number of posts which may fall into the wider external definition of Chief Officer posts, although they are not designated as such within this Council. These other posts are as follows

- Business Support Manager
- Commercial Centre Manager
- Council housing Building Programme Manager
- Democratic Services Manager
- Economic Development Manager
- Financial Services Manager
- HR Manager
- ICT Manager
- Internal Audit Manager (**under review)
- Planning Manager
- Principal Housing Manager
- Private Sector Housing Manager
- Public Protection Group Manager
- Operations Manager
- Regeneration Manager
- Repairs and Maintenance Manager
- Safety Manager
- Senior Property Officer
- Senior Solicitor
- Sports and Leisure Manager
- Waste & Recycling Manager

3.3 All of the posts named at 3.2 above fall into a pay grade which currently has a maximum pay point below £50,000. The terms of service for these posts are governed by the National Joint Council for Local Government National Agreement on Terms and Conditions of Service (the NJC Green Book).

4. Remuneration of the Chief Executive and Assistant Chief Executive

4.1 The post of Chief Executive (which also acts as Head of Paid Service) is paid on a fixed salary of £111,334 as at 1 April 2018 (subject to the national pay award being agreed). The post holder also acts as the Returning Officer for which additional fees are payable in relation to specific election based activities.

4.2 The Assistant Chief Executive is currently paid on a fixed salary of £84,150 as at 1 April 2018 (subject to the national pay award being agreed).

5. Remuneration of other Chief Officers

5.1 The Council has established a salary structure for the 5 Chief Officers spanning 4 agreed pay points, ranging from £65,658 up to £68,141. Staff within the Chief Officer posts normally receive an annual increment within the defined range until the post holder reaches the top of the grade. All existing Chief Officers are paid at the top of this scale.

6. Policy on Other Aspects of Chief Officer Remuneration

6.1 Aside from ‘pay’ there are other aspects of Chief Officer Remuneration which are outlined below:

6.1.1 **Travel and other expenses**: reimbursed through normal Council policies and procedures in the same way for all staff.

6.1.2 **Bonuses**: The terms of employment do not provide for the payment of any bonuses.

6.1.3 **Performance Related Pay**: The terms of employment do not provide for performance-related pay.

6.1.4 **Honoraria**: Honoraria payments do not apply to Chief Officer posts.

6.1.5 **Severance arrangements (for Chief Officers ceasing to hold office)**:

The Council’s normal policies in relation to redundancy and early retirement apply to these posts, in line with relevant regulations. Arrangements are the same for all employees of the Council.

Any payments falling outside the provisions above or the relevant periods of notice within the contract of employment shall be subject to formal decision made by Personnel Committee.

6.2 There are no provisions for any other increases or additions to Chief Officer remuneration, other than as outlined in this policy.

7. Returning Officer Fees

7.1 Fees for Returning Officers and other electoral duties are identified and paid separately for local government elections, elections to the UK Parliament and EU Parliament and other electoral processes such as referenda. As these relate to performance and delivery of specific election duties as and when they arise, they are distinct from the process for the determination of pay for Chief Officers.

8 Other Chief Officer Conditions of Service

8.1 The other terms and conditions of service are set out in the relevant conditions of service handbooks, as follows:

Chief Executive: The Joint Negotiating Committee for Local Authority Chief Executives – Conditions of Service

All other Chief Officers: The Joint Negotiating Committee for Chief Officers in Local Authorities – Conditions of Service

9. Pension Contributions

9.1 For all employees, including Chief Officers, where employees have exercised their right to be a member of the Local Government Pension Scheme, the Council will make contributions to the Pension Fund in line with the Employer contribution rates determined by the Actuary.

10. Recruitment of Chief Officers

10.1 The Council's policy and procedures in relation to the recruitment of Chief Officers is set out within the Council's Constitution.

10.2 When recruiting for all posts, the Council will take full and proper account of all provisions of employment legislation and its own agreed policies.

10.3 The remuneration offered to any newly appointed Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment. New appointments for staff up to and including Chief Officers are normally made at the minimum of the grade for the post, although this can be varied if necessary to ensure the best candidate can be appointed.

10.4 Where the Council is unable to recruit Chief Officers, or there is a need for interim support to provide cover for a substantive Chief Officer post, the Council will, where necessary, consider engaging individuals under a 'contract for service' (rather than them being direct employees of the Council). These will be sourced through a relevant procurement process, under relevant Officer delegations, ensuring the Council is able to demonstrate the maximum value for money from securing the service.

11. Approval of Salary Packages in Excess of £100K

11.1 Before any offer of appointment is made, the Council will ensure that salary packages in excess of £100,000 will be considered by full Council. This salary package will be defined as base salary, bonuses, fees, routinely payable allowances and any benefits in kind which are due under the contract.

12. Re- Employment of Former Chief Officers

12.1 The Council currently has no specific policy with regard to the re-employment (or engagement through a contract for services) of former Chief Officers who were in receipt of redundancy or other severance payments. In general terms, any employee who is dismissed on redundancy grounds may be considered for re-employment to posts within the Council, subject to the arrangements within the Council's Early Termination of Employment Policy.

13. Publication and Access to Information regarding Chief Officer Remuneration

13.1 Upon approval by Council, the Pay Policy Statement will be published on the Council's website. In addition, relevant information will be reported in the Council's annual Statement of Accounts.

14. Payment of Lower Paid Employees within the Council

14.1 The Council uses the NJC negotiated pay spine (i.e. a nationally agreed and defined list of salary points) as the basis for its local pay structure, which determines the salaries for the large majority of its workforce.

14.2 The Council operates a Job Evaluation Scheme to determine the pay grade for posts below Chief Officer level, and uses the Greater London Provincial Councils (GLPC) scheme.

14.3 The Council ensures that all staff (aside from Apprentices) are paid at least the 'Real Living Wage' rate. Spinal Column Point (SCP) 10 automatically defaults to the Living Wage on 01 April each year and the Council uses this to define its 'lowest paid' employees.

14.4 Where the Council experiences a difficulty in recruiting or retaining staff to a particular post, a temporary market supplement may be applied to the salary grade in accordance with the Council's Market Supplement Policy.

14.5 The Council employs Apprentices who are not considered within the definition of 'lowest paid employees'. They are paid under the separate Apprentice Pay Rates, the highest of which equates to the real Living Wage rate.

14.6 The Council does not have a policy on maintaining a specific pay ratio between its Chief Officers and its lowest paid staff, although it is conscious of the need to ensure that Chief Officer salaries are not excessive.

14.7 The pay levels from 1 April 2018 within the Council define the multiple between the median full time equivalent earnings and:

- the Chief Executive as 1:5.28
- the 5 Chief Officers as 1:3.2

14.8 The pay levels from 1 April 2018 within the Council define the multiple between the lowest earnings and

- the Chief Executive as 1:6.6
- the 5 Chief Officers as 1:4

15. Pension Contributions

15.1 Where employees have exercised their right to join the Local Government Pension Scheme, the Council agrees to contribute to the Scheme at rates set by Actuaries.

16. Payments on Termination

16.1 The Council's approach to statutory and discretionary payments on termination of employment of Chief Officers, prior to retirement, is set out within its policy statement and in accordance with:

- Local Government (Early Termination of Employment Discretionary Compensation) (England and Wales) Regulations 2006.
- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.
- Local Government Pension Scheme (Admin) Regulations 2008 (regulation 66).
- The Local Government Pension Scheme Regulations 2013.
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

17. **Changes to Pay Policy**

17.1 Should any amendments be required to this policy during the year, then matters will be reported to the Personnel Committee for consideration, for subsequent referral to Council.

18. Accountability and Decision Making

18.1 In accordance with the Constitution of the Council, the Personnel Committee is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

COUNCIL

Appointments to Outside Bodies – Lancaster Canal Regeneration Partnership

28 February 2018
Report of the Chief Executive

PURPOSE OF REPORT
To consider appointing to the Lancaster Canal Regeneration Partnership.
This report is public

RECOMMENDATION

(1) That Members note the request to make an appointment to the Lancaster Canal Regeneration Partnership

(2) That Council decides the basis of any such appointment and that, if the basis is to be nominations and voting at Council, nominations are sought at this meeting and an appointment made until the next City Council Elections

1.0 Introduction

1.1 The Chief Executive has received a request from the Lancaster Canal Regeneration Partnership (LCRP) Project Manager to appoint a Councillor to the LCRP to attend quarterly executive meetings.

2.0 The LCRP

2.1 The LCRP is a dedicated partnership of local authorities and charities committed to celebrating, promoting and delivering the regeneration of Lancaster Canal and its communities. The members (Canal and River Trust, South Lakeland District Council, Cumbria County Council, Lancashire County Council, Kendal Town Council, Lancaster Canal Trust and Inland Waterways Association) are committed to regenerating the Lancaster Canal for the benefit of many local communities. The Partnership's current focus is the creation of a Towpath Trail, connecting Lancaster to Kendal via a multi-use route way which will be fully accessible and interpreted at key heritage points.

3.0 Background

3.1 Some background information about the requirements has been provided below to assist Members:

The LCRP Executive meet every quarter. The Partnership is really keen to involve Lancaster in Lancaster Canal's Bicentenary celebrations in 2019 and feel that Councillor representation could hugely support this and many other possible projects.

4.0 Dates and Times of Meetings

4.1 All meetings take place at Greenlands Farm Village from 9.45 (for a 10am start) until 12pm at the latest. The schedule of meetings for 2018/19 is, 17 April, 10 July, 9 October 2018 and 8 January 2019.

5.0 Proposal

5.1 Councillors are asked to consider appointing to the LCRP and to consider the basis of any such appointment; whether this should be by virtue of position, for example the relevant Cabinet Member, or by nomination and voting at Council. If the latter, then nominations can be sought and a member appointed at this meeting.

6.0 Conclusion

6.1 Council is asked to consider making an appointment to LCRP having regard to the information in this report.

CONCLUSION OF IMPACT ASSESSMENT **(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)** None directly arising from this report.
LEGAL IMPLICATIONS None directly arising from this report.
FINANCIAL IMPLICATIONS Members of outside bodies are entitled to travel expenses. Costs resulting from any appointment should be minimal and would be met from existing democratic representation budgets.
OTHER RESOURCE IMPLICATIONS **Human Resources:** None **Information Services:** None **Property:** None **Open Spaces:** None
SECTION 151 OFFICER'S COMMENTS The s151 Officer has been consulted and has no further comments.

DEPUTY MONITORING OFFICER'S COMMENTS The Deputy Monitoring Officer has drafted this report.	
BACKGROUND PAPERS None	**Contact Officer:** Debbie Chambers **Telephone:** 01524 582057 **E-mail:** dchambers@lancaster.gov.uk **Ref:**

COUNCIL

Designation of Monitoring Officer
28 February 2018

Report of the Chief Executive

PURPOSE OF REPORT
To enable the Council to designate an officer to be Monitoring Officer with effect from 1st March 2018.
This report is public

RECOMMENDATIONS

(1) That the Interim Head of Legal and Democratic Services, David Brown, be designated as the Council's Monitoring Officer with effect from 1 March 2018.

1.0 Introduction

1.1 The Council has a duty under Section 5(1) of the Local Government and Housing Act 1989 to designate one of its officers as the Monitoring Officer. The Monitoring Officer may not be the Head of Paid Service or the Section 151 Officer.

1.2 Section 5(7) provides for the duties of the Monitoring Officer to be performed by that officer personally or, where he/she is unable to act owing to absence or illness, personally by such member of his/her staff as he/she has for the time being nominated as their deputy.

1.3 The Monitoring Officer has a duty under Section 5(4) of the Act to report to Council if it appears that any proposal, decision or omission by the Council constitutes, has given rise to, or is likely to give rise to a contravention of the law or maladministration.

1.4 Under the Localism Act 2011, the Monitoring Officer has statutory duties in respect of the registration of Members' interests.

1.5 Further, the Council's Constitution provides for the Monitoring Officer to support the work of the Standards Committee, to maintain the Constitution, to ensure that agendas and decisions are published, to advise whether Cabinet decisions fall within the budget and policy framework, and to provide advice to all councillors.

1.6 Following the departure of the Chief Officer – Legal and Governance during February 2018, the Democratic Services Manager has been temporarily undertaking the duties of Monitoring Officer.

2.0 Proposal Details

2.1 It is proposed therefore that Mr David Brown be designated as the Monitoring Officer from 1st March 2018. As Interim Head of Legal and Democratic Services, Mr Brown is not an employee of Lancaster City Council, but there is legal authority from the High Court that this is not a bar to appointment.

2.2 Whilst there is no statutory requirement for the Monitoring Officer to be legally qualified, Mr Brown has been legally qualified for over 20 years and has been employed in senior legal roles in the public sector for more than 17 years, most recently as Head of Legal Services and then the Attorney General for the Falkland Islands Government.

3.0 Conclusion

3.1 Council is asked to approve this designation.

CONCLUSION OF IMPACT ASSESSMENT **(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)** No impact
LEGAL IMPLICATIONS Nothing further to add. The statutory requirements are set out fully in the report.
FINANCIAL IMPLICATIONS Arrangements are in hand for Personnel Committee to consider arrangements regarding recruitment to the Chief Officer (Legal & Governance)/ Monitoring Officer role in the coming weeks, but clearly in the interim there is a need for the Council to ensure it has sufficient senior legal / Monitoring Officer capacity and the costs for this will be managed through turnover savings. Subject to the future decisions of Personnel Committee and the length of interim cover needed, the budgetary position will be reviewed at that time, as part of reporting to the Committee.
OTHER RESOURCE IMPLICATIONS **Human Resources:** There are no HR implications **Information Services:** No implications **Property:** No implications **Open Spaces:**

No implications

SECTION 151 OFFICER'S COMMENTS
The s151 Officer has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has been contacted and has no comments to make on the contents of the report

BACKGROUND PAPERS None	**Contact Officer:** Susan Parsonage **Telephone:** 01524 582011 **E-mail:** sparsonage@lancaster.gov.uk **Ref:**

CABINET

7.25 P.M. **7TH FEBRUARY 2018**

PRESENT:- Councillors Eileen Blamire (Chairman), Janice Hanson (Vice-Chairman), Darren Clifford, Brendan Hughes, James Leyshon and Anne Whitehead

Apologies for Absence:-

Councillors Margaret Pattison and Andrew Warriner

Officers in attendance:-

Andrew Dobson	Chief Officer (Regeneration and Planning)
David Lawson	Regeneration Manager
Stephen Metcalfe	Principal Democratic Support Officer, Democratic Services

67 DECLARATIONS OF INTEREST

No declarations were made at this point.

68 APPOINTMENT OF CONSTRUCTOR TEAM FOR LANCASTER LOWER LUNE (PHASE 3) FLOOD RISK MANAGEMENT SCHEME OFFICER DELEGATED DECISION

A referral from the Overview and Scrutiny Committee was considered by Cabinet following the Overview and Scrutiny call-in meeting held prior to Cabinet in relation to the Appointment of Constructor Team for Lancaster Lower Lune (Phase 3) Flood Risk Management Scheme Officer Delegated Decision.

The recommendations were: -

(1) That the parent company guarantee be written into the contract.

(2) That future reports on major contracts (over £100,000) include brief consideration of the governance and financial strength of contracting companies.

(3) That the constitutional review pay specific attention to updating the contract procedure rules.

The recommendations were moved by Councillor Brendan Hughes and seconded by Councillor Janice Hanson.

Members then voted as follows.

Resolved unanimously: -

(1) That the parent company guarantee be written into the contract.

(2) That future reports on major contracts (over £100,000) include brief consideration

of the governance and financial strength of contracting companies.

(3) That the constitutional review pay specific attention to updating the contract procedure rules.

Officers responsible for effecting the decision:

Chief Executive.
Chief Officer (Legal and Governance).
Chief Officer (Regeneration and Planning).
Chief Officer (Resources).
Regeneration Manager.

Reasons for making the decision:

The decision meets the requirements of the City Council's Constitutional requirements with regard to the Call-in process. It also enables the issues raised to be dealt with by officers and the Constitution to be updated as required.

Chairman

(The meeting ended at 7.27 p.m.)

Any queries regarding these Minutes, please contact
Stephen Metcalfe, Democratic Services - telephone (01524) 582073 or email
sjmetcalfe@lancaster.gov.uk

MINUTES PUBLISHED ON , 20th February 2018.

EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES: IMMEDIATE IMPLEMENTATION.

CABINET

6.00 P.M. **13TH FEBRUARY 2018**

PRESENT:- Councillors Eileen Blamire (Chairman), Janice Hanson (Vice-Chairman), Darren Clifford, Brendan Hughes, James Leyshon, Margaret Pattison, Andrew Warriner and Anne Whitehead

Officers in attendance:-

Susan Parsonage	Chief Executive
Kieran Keane	Assistant Chief Executive
Nadine Muschamp	Chief Officer (Resources) and Section 151 Officer
Mark Davies	Chief Officer (Environment)
Suzanne Lodge	Chief Officer (Health and Housing)
Anne Marie Harrison	Economic Development Manager
David Lawson	Regeneration Manager
Liz Bateson	Principal Democratic Support Officer

69 MINUTES

The minutes of the meeting held on Tuesday 16th January 2018 were approved as a correct record.

70 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

The Chairman advised that there were no items of urgent business.

71 DECLARATIONS OF INTEREST

No declarations were made at this point.

72 PUBLIC SPEAKING

Members were advised that there had been a request to speak at the meeting from a member of the public in accordance with Cabinet's agreed procedure, as set out in Cabinet Procedure Rule 2.7, with regard to the Overview and Scrutiny Report (Minute 73 refers). Paul Gardner addressed Cabinet in his capacity as the Chair of Trustees of Citizens Advice North Lancashire. Helen Greatorex, Chief Officer, Citizens Advice North Lancashire was also in attendance.

73 REPORT FROM OVERVIEW & SCRUTINY COMMITTEE

(Cabinet Member with Special Responsibility Councillor Pattison)

Councillor Ashworth, as Chairman of the Overview and Scrutiny Committee, presented a referral report from the Overview and Scrutiny Committee with regard to the Voluntary, Community and Faith Sector task group report. Cabinet were advised that the Committee had rejected the task group report and that whilst there were no plans to reconstitute the task group, the Overview & Scrutiny Committee would work with the Budget & Performance Panel to ensure the additional work identified by the Committee during their consideration of the task group report would be undertaken.

The options, options analysis, including risk assessment were set out in the report as follows:

The options available to Cabinet are:-

1. To accept the recommendations of Overview and Scrutiny.

2. Not to accept the recommendations of Overview and Scrutiny.

3. To make alternative proposals to those recommended by Overview and Scrutiny.

The Overview and Scrutiny Committee preferred option was to accept recommendation (2), as set out in the report**:** **"***That Cabinet be recommended to retain the current status quo regarding voluntary community and faith sector commissioning grant funding for 2018/19."*

Councillor Pattison proposed, seconded by Councillor Hughes:-

"(1) That Cabinet retains the current status quo regarding voluntary community and faith sector commissioning grant funding for 2018/19.

(2) That officers be requested to explore the possibility of introducing a local lottery to help support Voluntary Community Faith Sector funding in the future.

(3) That the following comments be forwarded to the Overview & Scrutiny Committee:

- That the Overview & Scrutiny Committee consider conflicts of interest when appointing task group members (particularly the chairman)
- That the Overview & Scrutiny Committee considers the inclusion of the following items when progressing the work on the voluntary community and faith sector commissioning framework:
  - *a. Description of the current procedure of the Council for allocating grants*
  - *b. How much officer time is devoted to the allocation and management of grants each year?*
  - *c. What are the Council's priority areas for allocating grants and should these change?*
  - *d. How do organisations apply for grants, and how easy is it for new ones to apply?*
  - *e. What does the Council require of organisations receiving grants (e.g. reports, outcomes) and does this need to change?*
  - *f. Evidence from stakeholders or service providers."*

Councillors then voted:-

Resolved unanimously:

(1) That Cabinet retains the current status quo regarding voluntary community and faith sector commissioning grant funding for 2018/19.

(2) That officers be requested to explore the possibility of introducing a local lottery to help support support Voluntary Community Faith Sector funding in the future.

(3) That the following comments be forwarded to the Overview & Scrutiny Committee:
- That the Overview & Scrutiny Committee consider conflicts of interest when appointing task group members (particularly the chairman)
- That the Overview & Scrutiny Committee considers the inclusion of the following items when progressing the work on the voluntary community and faith sector commissioning framework:
  a. *Description of the current procedure of the Council for allocating grants*
  b. *How much officer time is devoted to the allocation and management of grants each year?*
  c. *What are the Council's priority areas for allocating grants and should these change?*
  d. *How do organisations apply for grants, and how easy is it for new ones to apply?*
  e. *What does the Council require of organisations receiving grants (e.g. reports, outcomes) and does this need to change?*
  f. *Evidence from stakeholders or service providers.*

Officers responsible for effecting the decision:

Chief Officer (Environment)
Chief Officer (Health & Housing)
Interim Head of Legal & Democratic Services

Reasons for making the decision:

The recommendations will assist the City Council in meeting the Corporate Plan priorities for Community Leadership and Health and Wellbeing and enables the Overview and Scrutiny Committee to report to Cabinet within the next financial year after having considered more evidence-based options for the future.

74 BEYOND THE CASTLE ARCHAEOLOGICAL SITE

(Cabinet Member with Special Responsibility Councillor Clifford)

Cabinet received a report from the Chief Officer (Regeneration & Planning) to note the initial recent archaeological findings and their potential national significance and consider the recommendations for future work that offers a comprehensive strategic direction for managing future work across the site.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

	Option 1: Do Nothing	Option 2: Continue piecemeal / ad hoc approach	Option 3: Take forward a comprehensive approach (PREFERRED OPTION)

Advantages	With no archaeological investigations or further works there are no additional demands for council resources.	Limited demand on staff resources.	Provides the best conditions to discover and record Lancaster's Roman archaeological history. Maximises potential for economic benefits, including visitor numbers and spend. Significant discoveries would contribute to the museums service and the uniqueness of the local collections. Sets formal framework for future project work that will meet funder's requirements and best practice in archaeology. Developing and implementing a comprehensive management plan for the site will enable a proactive approach that plans costed works and in the long term provides better quality service that is more cost effective. The council can meet its responsibilities by taking a leadership role in ensuring appropriate management and development of the site. Potential new income generation opportunities from special exhibitions, workshops and seminars, merchandising and catering.
Disadvantages	The opportunity to discover and tell Lancaster's Roman story and raise Lancaster's profile, is not taken. Tourism, museums and wider economic benefits not delivered. Some work on the site is still required but is unlikely to attract significant external funding.	Agenda for future work is reactive with the potential for the agenda to be set by others without the benefit of expert advice or an agreed strategy. Lacks scale to secure significant funding, leading to a reduced and poorer quality evidence base. Missed opportunities to capitalise on developing plans for the museums service.	Current staff resources required to coordinate approach at this early stage. Some financial implications for the council, but also external funding opportunities.

Risks	Site has some condition issues that present a risk to the archaeological record and Scheduled Ancient Monument. There is currently limited protection of the site, which constrains the ability to ensure the site is investigated / excavated appropriately. Implicit to the *do nothing approach* is an acceptance of a reactive approach to maintenance that could prove more costly over the long term. Potential reputational damage to the Council in terms of its responsibilities for the site. Intellectual property rights relating to the understanding of the site may not be limited to the Council and its agreed partners.	Absence of comprehensive management plan likely to lead to a reactive approach that could be more costly and fail to protect heritage assets in the short term. Potential reputational damage to the Council in terms of its responsibilities for the site.	Resource/ space requirements for finds, archives and to provide suitable working and visitor areas are not currently available. This can be addressed by emerging options for the museums in the next year or so. External funding is not guaranteed. Liaison with funders will help to gauge interest and support. The Roman story may turn out to be less significant than expected. This seems unlikely but the process of revealing the heritage of the site will be of huge interest to experts and amateur archaeologists in any event.

The officer preferred option is Option 3 (Take forward a comprehensive approach) as it ensures that the City Council is able to guide the future archaeological investigations within a robust framework that provides the greatest chance of securing external funding necessary. The actions are all linked to the successful achievement of discovering Lancaster's Roman story and the significant benefits it could bring to the city, subject to the quality and significance of the finds and there being a viable and affordable business case.

Option 1 (Do nothing) fails to acknowledge and capitalise on the potential offered by the new understanding of Lancaster's Roman history. With discoveries likely to be of national significance this would seem to be a missed opportunity. It may avoid further cost pressures, however.

Option 2 (Continue piecemeal approach) may provide limited benefits, but will ultimately yield a fragmented archaeological story due to the small scale of investigation over a protracted period.

This project is at an important point and the actions set out in Option 3 provide a comprehensive programme to successfully maximise this heritage opportunity. This approach recognises the likely national significance of the site, as well as its importance to Lancaster. The scale of archaeological potential has the ability to put Lancaster ‘on the map’ as a significant Roman heritage site offering new possibilities as a heritage destination, public space and place of discovery. Telling Lancaster’s Roman archaeology story through further excavation, interpretation and display can be an essential ingredient in the city’s offer for visitors and for local communities, bringing with it significant economic benefits. A strategic partnership with expert advisors, including Universities, is likely to arise from this work with the potential to benefit Lancaster well into the future.

Councillor Clifford proposed, seconded by Councillor Leyshon:-

“That the recommendations, as set out in the report, be approved.”

Councillors then voted:-

Resolved unanimously:

That, subject to the resolutions of Budget Council:

(1) The Council works with Historic England to establish appropriate protection of the site, including a possible extension of the Scheduled Ancient Monument (SAM).

(2) A formal academic report is commissioned to capture archaeological understanding of the site, to date, and to provide a basis upon which future development of the site can be established.

(3) An active Site Management Plan is developed to provide ongoing care of the site along with prioritised recommendations for urgent remedial repairs, noting that its implementation may require additional funding in future years.

(4) An expert project board is established for the site that will set out a five year archaeological research framework and can assist in developing academic, heritage, scientific research and funding partnerships.

(5) Early work is undertaken to develop a medium term funding strategy for the five year research framework.

(6) Cabinet notes potential requirements for space, preferably adjacent to the archaeological site, for visitor, museum, education and commercial services.

Officer responsible for effecting the decision:

Economic Development Manager

Reasons for making the decision:

The decision is consistent with the following outcome of the Corporate Plan 2016-2020, Sustainable Economic Growth: “*The attractiveness and offer of the district as a place to visit or invest in will be improved. Enhance Lancaster’s urban centre through investment* *in the built environment, heritage assets and the public realm."* The decision also recognises the importance of the visitor economy to the district and the work this report will take forward has the potential to make a strong contribution to Lancaster's history and its narrative.

75 RESHAPING THE COUNCIL'S MUSEUMS SERVICE

(Cabinet Member with Special Responsibility Councillor Clifford)

Cabinet received a report from the Chief Officer (Regeneration & Planning) which provided the final independent consultants report and requested that Cabinet noted its suggestions for the future direction for the City Council's museums service and considered some early actions to underpin successful future management and development.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

Options relating to this report are limited as all recommendations are effectively proposing the means by which earlier decisions can be implemented effectively. Recommendations in relation to the potential Collections Centre and how it might inform the wider museums review will be considered in more detail in a later report.

In terms of risk it should be noted that there are risks associated with the transfer of the service back to the council. However, recommendations in this report are designed to mitigate these risks.

The work undertaken to date has been informative and it is clear that the City Council's museums have the potential for a greater impact, increased presence and profile and, at the same time, to be more sustainable in financial terms. By agreeing to take the museums service in-house the council has already made a strong commitment to repositioning the offer.

The independent AP&P report presents a series of significant operational and financial implications and considerations which cannot be fully determined at this stage. In the immediate short term, however, the City Council has to deliver the effective re-integration of the museums service into its establishment and this, in itself will be complex in legal, financial and management terms.

At this stage, Cabinet is therefore asked to agree that officers focus on the successful transfer of the Museums Service back to the City Council and recruitment of a specialist manager to play a key role in management and development of the service. This will be undertaken alongside the development of a HLF Resilient Heritage funding bid and more detailed consideration of options for a potential new Collections Centre and identification of a preferred site.

Councillor Clifford proposed, seconded by Councillor Hanson:-

"That the recommendations, as set out in the report, be approved."

Councillors then voted:-

Resolved unanimously:

(1) That Cabinet reviews and notes the independent consultant report "Reshaping of Lancaster District's Museums Offer – Report of Findings and Recommendations (Aitken, Prince and Pearce)" at Appendix A to the report.

(2) That Cabinet notes the initial focus of work over the next 6 months is the successful transfer of the museums service back to the Council and recruitment of a specialist manager to play a key role in management and development of the service.

(3) That specialist funding support and match funding of up to £37,500 are provided to enable the development, submission and acceptance of a Resilient Heritage funding bid, from the remaining previously approved Budget Support Reserve allocation for the Museums Review, and subject to appropriate due diligence being undertaken.

(4) That delegated authority be given to the Chief Officer (Resources) to update the General Fund Revenue Budget to reflect the additional expenditure and associated Resilient Heritage funding, if successful, subject to remaining budget neutral for the Council.

(5) That a preferred site option for a purpose-built Collections Centre is prepared (to inform the wider Museums Review), for consideration as part of a future report and in order to feed into the relevant annual budget process.

(6) That a further report is provided for Cabinet towards the end of 2018 when the museums service has transferred back to the Council.

Officers responsible for effecting the decision:

Chief Officer (Resources)
Economic Development Manager

Reasons for making the decision:

The decision is consistent with the Council's Corporate Priorities of Sustainable Economic Growth and Community Leadership, contributing to the attractiveness and offer of the district, as a place to visit or invest in; rationalising the Council's property portfolio to deliver better value for money; and improving efficiency and effectiveness through re-shaping services.

76 FEES AND CHARGES REVIEW - 2018/19

(Cabinet Members with Special Responsibility Councillors Whitehead & Leyshon)

Cabinet received a joint report from the Chief Officer (Resources) and Chief Officer (Environment) to consider the annual review of fees and charges for 2018/19.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

The attached policy remains substantively unchanged and it is considered that it remains fit for purpose (at least in the short term) and it adequately covers Cabinet's budget proposals. As such, no options are presented and Cabinet is simply requested to endorse the policy, with a review being undertaken next year.

Options regarding car parking charges are covered in Appendix C to the report.

Options Appraisal

Advantages	Disadvantages	Risks
Option 1A		
This option freezes the most popular parking tariff of 1 hour that accounts for nearly 40% of overall parking transactions	This option includes increasing the popular 2 hour tariff by 10p which was lasted increased in 2014/15.	Increasing the popular 2 hour tariff affects a large proportion of customers and could encourage customers to only stay for 1 hour.
The 1 hour parking tariff often provides a guide or perception of the overall level of charging and maintaining this tariff at its current level for as long as possible is beneficial By not increasing the 1 hour tariff and limiting the 2 hour increase to 10p differential charging is maintained in Lancaster with on-street parking charges as agreed with the County Council	This option includes increasing the 4 hour tariff by 20p rather than by 10p This option includes increasing the over 3 hour long stay (all day) charge in Morecambe by 20p This option includes increasing 3 tariffs that were also increased in 2017/18.	Increasing the Full Day charge at Williamson Park again could reduce the number of visitors to the Park or further displace onto the surrounding streets.
Option 1B		
This option avoids the need to increase the second most popular 2 hour tariff This option reduces the 4 hour short stay increase to 10p rather than 20p This option reduces the number of tariffs to be increased again as well as in	This option affects the most popular 1 hour parking tariff that accounts for nearly 40% of total transactions. This option would result in the differential charge with on-street parking charges in Lancaster not being maintained if County do not increase their 1 hour charge	Increasing the most popular tariff is likely to have a detrimental effect on usage and could encourage shoppers and visitors to go elsewhere

2017/18 to 2 rather than 3	This option includes increasing 2 tariffs that were increased in 2017/18	
Option 1C This option makes the largest contribution to car parking revenue and combines the increases outlined in Options 1A and 1B	This option affects a large proportion of customers including the most popular 1 and 2 hour parking tariffs and other selected tariffs This option would also result in the differential charge with on-street parking charges in Lancaster not being maintained if County do not increase their 1 hour charge	Increasing both of the most popular tariffs and other selected tariffs is likely to carry the greatest risk of there being a detrimental effect on usage and shoppers and visitors going elsewhere
Option 2A Introducing evening parking charges on Pedder Street car park would allow the charges to be trialled and the impacts monitored This could lead to the justification of wider evening charging in Morecambe	Introducing evening parking charges on one car park would result in just one area of Morecambe being affected by the charges and none of the other car parks This would remove one of the evening parking options for residents who live between two town centre resident parking schemes increasing the demand for unrestricted on street parking spaces	Introducing evening parking charges on Pedder Street car park could result in customers transferring to the other main town centre car parks
Option 2B Introducing evening parking charges on selected car parks in Morecambe would generate additional income and would be consistent with Lancaster's car parking charges.	Introducing evening parking charges on selected car parks would effectively lead to a two tier charging system if other car parks remained free of charge overnight.	Introducing evening car parking charges could lead to greater demand for unrestricted on-street car parking spaces and reduce the provision for residents who do not live in a residents parking zone.

		Introducing evening car parking charges could have a detrimental effect on Morecambe's night time economy
Option 2C Introducing evening parking charges on all main car parks in Morecambe would lead to a fairer charging regime and would generate further additional income	Introducing evening parking charges on all main car parks would be unpopular	Introducing evening car parking charges on all main car parks could lead to even greater demand for unrestricted on-street car parking spaces and reduce the provision for residents who do not live in a residents parking zone. Introducing evening parking charges on all main car parks could lead to a wider detrimental effect on Morecambe's night time economy
Option 3A This option maintains the traditional free parking arrangements leading up to Christmas and encourages shoppers to shop locally. The cost of this option is already included in the 2018/19 Draft Budget.	This option indirectly affects the total income that could potentially be generated from parking and also potentially increases the need for price increases from other tariffs.	
Option 3B This option removes the traditional free parking at Christmas and potentially has a positive impact on the budget position and also potentially reduces the need to increase other tariffs.	This option would remove the long standing concession of providing free parking leading up to Christmas	The option could encourage shoppers to shop elsewhere and have a negative impact on city and town centre viability at Christmas
Option 4 Car Park permits charges have not been increased	The increase could result in less permit	Potentially less income if sales reduce by more

since 2014/15 and 3% is a relatively small increase in 4 years. This increase still represents good value compared with daily long stay parking charges.	sales	than 3%.
<u>Option 5</u>		
This option provides formal management of the car park and will give priority to residents and businesses. This option prevents the long-term parking of vehicles and commuter parking.	Charges will be introduced to offset the cost of enforcement and other operational costs.	Drivers receiving Penalty Charge Notices (PCNs) could feel aggrieved due to confusion over the types of parking spaces.
<u>Option 6</u>		
This option provides designated parking as agreed during negotiations with the Lancashire Fire and Rescue Service. This option will provide an element of guaranteed income from the designated spaces.	This option could lead to enforcement issues between designated and pay and display spaces.	None
<u>Option 7</u>		
This option allows formal enforcement of the car park and provides appropriate arrangements for unauthorised parking. This option protects the parking spaces giving priority to Pool Car parking.	None	None

Councillor Whitehead proposed that Cabinet should vote on the general fees first. Councillor Hughes advised the meeting of a revision to the Bulky Waste proposals with a sliding scale of charges as follows: I item for £20, 2 items for £25, 3 or 4 items for £30 with a charge of £8 for each additional item.

Councillor Whitehead proposed, seconded by Councillor Hughes:-

"That Cabinet endorses the Fees and Charges Policy as set out at Appendix A to the report and that with regard to Bulky Waste proposals the following sliding scale of charges be applied: I item for £20, 2 items for £25, 3 or 4 items for £30 with a charge of £8 for each additional item."

Cabinet Members then voted.

Resolved:

(7 Members (Councillors Blamire, Clifford, Hughes, Leyshon, Pattison, Warriner & Whitehead) voted in favour, and 1 Member (Councillor Hanson) abstained.)

(1) That Cabinet endorses the Fees and Charges Policy as set out at Appendix A to the report and that with regard to Bulky Waste proposals the following sliding scale of charges be applied: I item for £20, 2 items for £25, 3 or 4 items for £30 with a charge of £8 for each additional item.

Cabinet then considered car parking charges. Councillor Leyshon moved, seconded by Whitehead:

"That the following options be approved:

- Off Street Parking charges, option 1C be approved, with the daily charge for Williamson Park increasing to £2.00.
- Evening Parking charges in Morecambe – Trial in Pedder Street & Billy Hill car parks only
- Retain Free Christmas parking on the Sundays and Thursday evenings prior to Christmas
- Increase car parking permits by 3%
- Introduce formal management and parking charges on St George's Quay car park
- Incorporate 7 designated car parking spaces for Lancashire Fire & Rescue Service in Cable Street
- Reintroduce formal enforcement of Friars Passage car park for pool cars.
- Instruct officers to work up over the coming year the viability of transferable tickets and pay on exit parking charges in selective car parks.
- That the Off Street Parking places Order is amended at the earliest opportunity to implement the changes outlined in Options 5, 6 & 7."

Councillors then voted:-

Resolved unanimously:

(2) That the following options be approved:

- Option 1 - Off Street Parking charges - option 1C be approved, with the daily charge for Williamson Park car park increasing to £2.00.
- Option 2 - Evening Parking charges in Morecambe – Trial in Pedder Street & Billy Hill car parks only
- Option 3 - Retain free Christmas parking on the Sundays and Thursday evenings prior to Christmas
- Option 4 - Increase car parking permits by 3%
- Option 5 - Introduce formal management and parking charges on St George's

Quay car park as outlined in Table C of the car parking report (Appendix C)

- Option 6 - Incorporate 7 designated car parking spaces in Cable Street when the car park is extended, subject to being approved as part of Cabinet's budget proposals included elsewhere on the agenda.
- Option 7 - Reintroduce formal enforcement of Friars Passage car park for pool cars.
- Option 8 – that officers be instructed to work up over the coming year the viability of transferable tickets and pay on exit parking charges in selective car parks.
- That the Off Street Parking places Order is amended at the earliest opportunity to implement the changes outlined in Options 5, 6 & 7.

Officers responsible for effecting the decision:

Chief Officer (Resources)
Chief Officer (Environment)

Reasons for making the decision:

Fees and charges form an integral part of the budget setting process, which in turn relates to the Council's priorities. Under the Medium Term Financial Strategy (MTFS), income generation is a specific initiative for helping to balance the budget. The proposed increases are considered to be fair and reasonable.

77 BUDGET AND POLICY FRAMEWORK UPDATE 2018 TO 2022 - GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME

(Cabinet Member with Special Responsibility Councillor Whitehead)

Cabinet received a report from the Chief Officer (Resources) to inform Cabinet of the latest General Fund budget and council tax position so it can make recommendations back to Council in order to complete the budget setting process.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

Cabinet is now requested to finalise its preferred revenue budget and capital programme proposals for referral on to Council, using the latest information as set out in this report.

Revenue Budget
Cabinet may adjust its revenue budget proposals, as long as the overall budget for 2018/19 balances and fits with the proposed council tax level. The Chief Officer (Resources), as s151 Officer, continues to advise that wherever possible, emphasis should be on reducing future years' net spending.

Capital Programme
Cabinet may adjust its capital investment and financing proposals to reflect spending commitments and priorities but overall its proposals for 2017/18 and 2018/19 must balance. Whilst there is no legal requirement to have a programme balanced over the full 5-year period, it is considered good practice to do so – or at least have clear plans in place to manage the financing position over that time.

In deciding its final proposals, Cabinet is asked also to take into account the relevant basic principles of the Prudential Code (as being updated), which include:

- *that the capital investment plans of local authorities are affordable, prudent and sustainable, and*
- *that local strategic planning, asset management planning and proper options appraisal are supported.*

<u>Other Budget Framework Matters (Reserves and Provisions / MTFS)</u>
Given known commitments, risks and approved council tax targets there is limited flexibility in financial terms, but depending on priorities Cabinet may consider putting forward alternatives for various reserves, or different approaches for addressing the medium term budget deficit through the MTFS.

Proposals to be put forward by Cabinet should fit with any external constraints and the budgetary framework already approved. The recommendations as set out meet these requirements; the detailed supporting budget proposals are then a matter for Members.

Councillor Whitehead proposed, seconded by Councillor Clifford:-

"That the recommendations, as set out in the report, be approved."

Councillors then voted:-

Resolved unanimously:

(1) That Cabinet determines its response to the feedback from Council (as set out in section 8 of the report) as part of finalising its budget proposals prior to the Budget Council agenda being published.

(2) That Cabinet endorses the review of Provisions, Reserves and Balances undertaken by the s151 Officer, and notes her advice regarding the minimum level of Balances being maintained at £1.5M, subject to annual review.

(3) That subject to any changes arising from the above, and any further budget amendments arising in or agreed by Cabinet after this meeting, Cabinet be recommended to approve for referral on to Budget Council:

- the 2018/19 General Fund Net Revenue Budget and resulting Council Tax Requirement excluding parish precepts (current position at Appendix A to the report);

- its supporting budget proposals (current summary of proposals at Appendix B to the report);

- the resulting position on provisions and reserves (current position at Appendix D to the report); and

- the resulting Capital Programme (current position at Appendix E to the report).

(4) That the Finance Portfolio Holder be given delegated authority to update the Medium Term Financial Strategy accordingly, for referral on to Budget Council.

Officer responsible for effecting the decision:

Chief Officer (Resources)

Reasons for making the decision:

The decision enables Cabinet to make recommendations back to Council in order to complete the budget setting process for 2018/19.

78 TREASURY MANAGEMENT STRATEGY 2018/19

(Cabinet Member with Special Responsibility Councillor Whitehead)

Cabinet received a report from the Chief Officer (Resources) which set out the 2018/19 Treasury Management Framework for Cabinet's approval and referral on to Council.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

Cabinet may put forward alternative proposals or amendments to the proposed Strategy in Appendix B to the report, but these would have to be considered in light of legislative, professional and economic factors, and importantly, any alternative views regarding the Council's risk appetite. As such no further options analysis is available at this time.

Furthermore, the Strategy must fit with other aspects of Cabinet's budget proposals, such as investment interest estimates and underlying prudential borrowing assumptions, feeding into Prudential and Treasury Management Indicators. There are no options available regarding other components of the overall framework, as covered in Appendices C and D to the report.

The officer preferred option is to approve the framework as attached to the report, allowing for any amendments being made under delegated authority prior to referral to Council. This is based on the Council continuing to have a comparatively low risk appetite regarding the security and liquidity of investments particularly, but recognising that some flexibility should help improve returns, whilst still effectively mitigating risk. It is stressed that in terms of treasury activity, there is no risk free approach. It is felt, however, that the measures set out above provide a fit for purpose framework within which to work, pending any update during the course of next year.

Councillor Whitehead proposed, seconded by Councillor Clifford:-

"That the recommendation, as set out in the report, be approved."

Councillors then voted:-

Resolved unanimously:

(1) That the Finance Portfolio Holder be given delegated authority to agree the Treasury Management Framework, as updated for Cabinet's final budget proposals, for referral on to Council.

Officers responsible for effecting the decision:

Chief Officer (Resources)

Reasons for making the decision:

The proposed Treasury Management framework forms part of the Council's Budget and Policy framework, and fits into the Medium Term Financial Strategy.

79 CORPORATE FINANCIAL MONITORING 2017/18 - QUARTER 3

(Cabinet Member with Special Responsibility Councillor Whitehead)

Cabinet received a report from the Chief Officer (Resources) which provided an overview of the Council's financial position for Quarter 3 of the 2017/18 monitoring cycle and the supporting actions underway.

As the report was primarily for noting and comments, no options were provided.

Resolved unanimously:

(1) That the report and supporting actions set out therein, be noted.

....
Chairman

(The meeting ended at 7.15 p.m.)

Any queries regarding these Minutes, please contact
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ebateson@lancaster.gov.uk

MINUTES PUBLISHED ON TUESDAY 20TH FEBRUARY 2018.

EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES: WEDNESDAY 28TH FEBRUARY, 2018.