



Committee: CABINET

Date: TUESDAY, 3 DECEMBER 2019

Venue: LANCASTER TOWN HALL

Time: 6.00 P.M.

A G E N D A

1. **Apologies**

2. **Minutes**

To receive as a correct record the minutes of Cabinet held on Tuesday, 5 November 2019 (previously circulated).

3. **Items of Urgent Business Authorised by the Leader**

To consider any such items authorised by the Leader and to consider where in the agenda the item(s) are to be considered.

4. **Declarations of Interest**

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

Councillors 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, Councillors 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, Councillors 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.

5. **Public Speaking**

To consider any such requests received in accordance with the approved procedure.

Reports from Overview and Scrutiny

None

Reports

6. **Delivering Our Ambitions, Q2 2019-20** (Pages 4 - 19)
(Cabinet Member with Special Responsibility Councillor Whitehead)

Report of Director of Corporate Services

7. **Treasury Management Mid Year Review 2019-20** (Pages 20 - 34)
(Cabinet Member with Special Responsibility Councillor Whitehead)

Report of Chief Finance Officer

8. **Exclusion of the Press and Public**

This is to give further notice in accordance with Part 2, paragraph 5 (4) and 5 (5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 of the intention to take the following item in private.

Cabinet is recommended to pass the following recommendation in relation to the following item:-

“That, in accordance with Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item(s) of business, on the grounds that they could involve the possible disclosure of exempt information as defined in paragraph 3 of Schedule 12A of that Act.”

Members are reminded that, whilst the following item(s) have been marked as exempt, it is for Cabinet itself to decide whether or not to consider each of them in private or in public. In making the decision, Members should consider the relevant paragraph of Schedule 12A of the Local Government Act 1972, and also whether the public interest in maintaining the exemption outweighs the public interest in disclosing the information. In considering their discretion Members should also be mindful of the advice of Council Officers.

9. **Sale of Cable/Wood St Car park, Lancaster** (Pages 35 - 39)
(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Report of Interim Regeneration Manager, Economic Growth & Regeneration

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Erica Lewis (Chair), Kevin Frea (Vice-Chair), Dave Brookes, Tim Hamilton-Cox, Janice Hanson, Caroline Jackson, Jean Parr, John Reynolds, Alistair Sinclair and Anne Whitehead

(ii) Queries regarding this Agenda

Please contact Liz Bateson, Democratic Services - telephone (01524) 582047 or email ebateson@lancaster.gov.uk.

(iii) Apologies

Please contact Democratic Support, telephone 582170, or alternatively email democraticsupport@lancaster.gov.uk.

KIERAN KEANE,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER, LA1 1PJ

Published on Monday, 25 November , 2019.

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	3 December 2019		
Title	Delivering Our Ambitions Quarter 2 2019/20				
Report of	Director of Corporate Services				
Purpose of Report					
To provide members with an update on performance, projects and resources during the second quarter of 2019-20 (July-September 2019).					
Key Decision (Y/N)	N	Date of Notice	N/A	Exempt (Y/N)	N

Report Summary
The appendices to this report provide information on performance, projects and resources.

Recommendations of Councillor Anne Whitehead
(1) That Cabinet consider the update on performance, projects and resources for quarter 2 2019-20.

Relationship to Policy Framework	
Performance, project and resource monitoring provides a link between the Council Plan and operational achievement, by providing regular updates on the impact of operational initiatives against strategic aims.	
Conclusion of Impact Assessment(s) where applicable	
Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety
The content of this report has no impact in itself.	
Details of Consultation	
No specific consultation around this report.	
Legal Implications	
No legal implications directly arising from this report.	
Financial Implications	
No financial implications directly arising from this report.	
Other Resource or Risk Implications	
No other implications directly arising from this report.	
Section 151 Officer's Comments	

The Section 151 Officer contributed to this report in his role as Financial Services Manager.

Monitoring Officer's Comments

The Monitoring Officer has been consulted and has no further comments.

Contact Officer	Dan Bates, Director of Corporate Services
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Links to Background Papers

Appendix A: Performance Scorecard
 Appendix B: Project Updates
 Appendix C: General Fund Service Analysis
 Appendix D: General Fund Subjective Analysis
 Appendix E: HRA Service Analysis
 Appendix F: General Fund Capital Projects
 Appendix G: HRA Capital Projects
 Appendix H: Reserves Projected Outturn

1.0 Introduction

1.1 The appendices to this report provide information on the council's progress against its priorities, via updates on performance, projects and resources.

2.0 Performance Scorecard

- 1.1 Appendix A contains an update on performance against key success measures.
- 1.2 As Cabinet and the council's priorities continue to develop, success measures will be updated accordingly to align with the priorities.

3.0 Project Updates

3.1 Project monitoring is included at appendix B. The corporate reporting of performance and projects will use a 'Red', 'Amber' or 'Green' status to show each projects progress. For any project not reporting a 'Green' status, brief notes of why this is the case will be included on the report.

4.0 Financial Monitoring

- 4.1 All portfolios are required to examine their revenue budgets regularly and reports are submitted to Cabinet and Budget & Performance Panel for review. In order to enable Portfolio Holders to meet this requirement Financial Services continually reviews and refreshes how it presents the Council's Corporate Monitoring information. Portfolio holder budget packs have been developed and distributed early November to enable discussions with their relevant budget holders. Further detailed appendices in relation to the Council's Housing Revenue Account (HRA), its Capital Projects and Reserves have been provided this quarter.
- 4.2 In an attempt to aid understanding Members should note that where **projected**

variances values are presented with brackets () this reflects a negative, or adverse movement from the budgeted position. Conversely, projected variances accompanied with a + sign represents a positive, or favourable movement from the budgeted position.

The following financial appendices accompany this report

Appendix C: General Fund Service Analysis

Appendix D: General Fund Subjective Analysis

Appendix E: HRA Service Analysis

Appendix F: General Fund Capital Projects

Appendix G: HRA Capital Projects

Appendix H: Reserves Projected Outturn

4.3 General Fund Summary Position

4.4 As at the end of Quarter 2 (Q2) September 2019 we are currently projecting a year end overspend against budget of **£252K** (Q1 £165K). This amount equates to approximately **1.64%** of the Council's approved Net Revenue Budget of **£15.397M**. Officers are working to address this, however should an overspent position remain at the year-end it would be met from the Council's unallocated reserves.

4.5 A summary of the Q2 revenue position for the main service accounts of the Council is set out in table 1 below.

Table 1 Quarter 2 Financial Monitoring – Service Analysis

Service	Budget 2019/20 £'000	Q2 Actual 2019/20 £'000	Projected Outturn 2019/20 £'000	Projected Variance 2019/20 £'000
Communities and Environment	5,670	269	5,315	+355
Economic Growth and Regeneration	4,748	2,566	5,043	(295)
Corporate Services	5,992	176	6,171	(180)
Central Services	1,385	892	1,269	+116
Other Items	(572)	(1,890)	(324)	(248)
Net Recharges to Housing Revenue Account	(1,097)	0	(1,097)	0
RMS Capital Charges (now Housing Revenue Account)	(114)	0	(114)	0
Other Financing	(75)	0	(75)	0
Total	15,937	2,013	16,188	(252)

4.6 Communities and Environment account for roughly half of the Council's salaries paid to employees. Staff turnover savings of £230K are contributing to the corporate target of £518K. However, this has been supplemented by the use of agency in some areas and within housing the staff savings are linked to externally funded schemes. Levels of car parking income are approximately £100K above budget and the Council has seen an increase of £65K in Disabled Facilities Grant income.

4.7 Other significant variances include increases in cost for works in default

(£86K) and the Local Plan (£148K). Increases in locum costs, reduced search fee income (£48K) and court costs recovery (£96K).

- 4.8 Centrally, the loss of a capital receipt due to finance the capital programme has increased the Council's Minimum Revenue Provision (£64K). However, contributions from reserves to fund the Deputy Chief Executive and Interim Head of Legal Services posts (£144K & £25K) are no longer required.
- 4.9 Appendix C: General Fund Service Analysis (Q2) covers this information in more detail and provides summary explanations for variances +/- £30K.
- 4.10 A summary of the revenue position analysed across the Councils subjective headings is set out in table 2 below.

Table 2 Quarter 2 Financial Monitoring – Subjective Analysis

Subjective	Budget 2019/20 £'000	Q2 Actual 2019/20 £'000	Projected Outturn 2019/20 £'000	Projected Variance 2019/20 £'000
Employees	22,616	9,881	21,926	690
Premises Related Exp	6,026	4,398	6,127	(101)
Transport Related Exp	1,321	690	1,327	(6)
Supplies and Services	13,392	8,037	13,998	(606)
Transfer Payments	28,027	9,384	27,667	+360
Support Services	146	(21)	146	0
Capital Charges	17	0	17	0
Capital Financing Costs	2,946	0	2,946	0
Appropriations	186	1	426	(240)
Income	(55,310)	(30,357)	(54,961)	(349)
Capital Financing Inc	(2,144)	0	(2,144)	0
Sub Total	17,223	2,013	17,475	(252)
Net Recharges to Housing Revenue Account	(1,097)	0	(1,097)	0
RMS Capital Charges (now Housing Revenue Account)	(114)	0	(114)	0
Budget Correction (reversed within core funding)	(75)	0	(75)	0
Sub Total	(1,286)	0	(1,286)	0
Grand Total	15,937	2,013	16,189	(252)

- 4.11 Appendix D: General Fund Subjective Analysis covers this information in more detail
- 4.12 Housing Revenue Account Summary Position
- 4.13 As at the end of Q2 we are currently projecting a year end underspend against budget of **£0.199M**. A summary of the Q2 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 2 Financial Monitoring – HRA Service Analysis

	Budget 2019/20 £'000	Q2 Actual 2019/20 £'000	Projected Outturn 2019/20 £'000	Projected Variance 2019/20 £'000
Policy & Management	1,294	562	1,251	+43
Repairs & Maintenance	4,870	2,342	4,854	+16
Welfare Services	(161)	(167)	(162)	+1
Special Services	147	141	164	(17)
Miscellaneous Expenses	554	82	548	+6
Capital Charges	5,674	0	5,674	0
Appropriations	847	0	847	0
Gain/Loss on Asset Sales	0	0	0	0
Sub Total	13,225	2,960	13,176	+49
Income Account	(14,322)	(6,427)	(14,471)	+150
Total	(1,097)	(3,467)	(1,295)	199
Net Recharges to General Fund	1,097	0	1,097	0
Housing Revenue Account Budget	0	(3,467)	(199)	199

- 4.14 The underspend is predominantly due to increased rental and service charge income resulting from the work undertaken by officers to address void numbers and turnaround times. In addition, proactive income management (and support) has led to a reduction in legal action providing savings in legal and court costs.
- 4.15 Appendix E: Housing Revenue Account Service Analysis covers this information in more detail and provides summary explanations for variances +/- £30K.
- 4.16 Capital Projects (General Fund & HRA)
- 4.17 At Q2 we are currently projecting a year end slippage against budget of **£3.495M** (General Fund **£3.120M** and HRA **£0.375M**). Summary details for both the General Fund and HRA are set out in table 4 below.

Table 4 Quarter 2 Financial Monitoring – Capital Projects

	Budget 2019/20 £	Q2 Actual 2019/20 £'000	Projected Outturn 2019/20 £'000	Projected Variance 2019/20 £'000
Communities and Environment	2,093	(187)	796	+1,297
Economic Growth and Regeneration	4,214	171	2,391	+1,823
Corporate Services	286	22	286	0
Central Services	0	0	0	0
Total General Fund	6,593	6	3,473	3,120
Total Housing Revenue Account	4,758	1,115	4,383	375
Grand Total	11,351	1,121	7,856	3,495

- 4.18 Appendix F General Fund Capital Projects and Appendix G HRA Capital Projects provide further information and summary commentary.
- 4.19 Reserves

- 4.20 We are currently projecting the Council's combined level of usable reserves to increase to **£18.918M** against the budgeted balance of **£17.964M**. Table 5 Quarter 2 Financial Monitoring – Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 5 Quarter 2 Financial Monitoring - Reserves

	Actual Opening Balance on Reserves 1 April 2019	Budgeted Revenues Contributions (to and from	Budgeted Capital Contributions from Reserves	Budgeted Closing Balance on Reserves 31 March 2020	Projected Outturn Revenue Contributions	Projected Outturn Capital Contributions	Projected Outturn Balance on Reserves 31 March 2020
	£			£			£
Unallocated Balances	(5,713,800)			(5,713,800)			(5,713,800)
Total Earmarked Reserves	(14,843,300)	1,482,900	1,110,000	(12,250,400)	1,150,600	489,000	(13,203,700)
Total Combined Reserves	(20,557,100)			(17,964,200)			(18,917,500)

- 4.21 General Fund Unallocated Balances are forecast to remain unchanged from the budgeted position of **£5.714M**. The Council's Earmarked Reserves are showing a projected balance of **£13.204M**, an overall increase against budget (**£12.250M**) of **£0.611M**. This is a result of less current projections showing a reduction in budgeted contributions to Revenue and Capital expenditure.
- 4.22 Appendix H: Reserves Projected Outturn provides further detailed analysis.
- 4.23 The use of the Council's reserves to manage fluctuations in expenditure and income will be key to the delivery of the Council's stated priorities and outcomes over the next 4 years and will be kept under review by Officers and Members.
- 4.24 The 2019/20 revenue budget for business rates income assumes a 'worst case' scenario in which Heysham Power Station enters a maintenance period and significantly reduces the Council's rates retention and our forecast is based on this worst case scenario. However, if this does not transpire, the income from business rates will be significantly higher than budgeted and this surplus will be transferred to the business rates reserve at the year end

Performance Information		Quarter 2				Quarter 3		Quarter 4		End of Year 2018/19		High Low Neutral	Year 2019/20				Trend
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		Target	Actual	Target	Actual	
Reference Code	Indicator	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
A Thriving and Prosperous Economy																	
A1.1	Percentage of minor planning applications determined within 8 weeks or agreed time (Speed of Decision)	70%	98%	70%	94.67%	70%	98.48%	70%	98.87%	High is Good	70%	100%	70%	89%			
Green: 65 applications determined between 1 July and 30 September, 58 of which were determined within time or within the agreed timeframe.																	
A1.2	Percentage of other planning applications determined within 8 weeks or agreed time (Speed of Decision)	70%	100%	70%	94.25%	70%	98.77%	70%	98.39%	High is Good	70%	99.44%	70%	97.50%			
Green: 200 applications determined between 1 July and 30 September, 195 of which were determined within time or within the agreed timeframe.																	
A1.3	Percentage of major planning applications determined within 13 weeks or agreed time (Speed of Decision)	60%	100%	60%	100%	60%	100%	60%	100%	High is Good	60%	100%	60%	90%			
Green: 10 applications determined between 1 July and 30 September, 9 of which were determined within time or within the agreed timeframe.																	
A1.4	Number of empty properties brought back into use	15	20	15	13	15	15	60	60	High is Good	15	15	15	12			
Green: Reinstatement of empty homes is not fully within the council's control, with an inevitable variability from one quarter to another. It is anticipated that the target will be achieved across 2019-20.																	
Clean, Green and Safe Neighbourhoods																	
A2.1	Number of fly tipping reports actioned within 5 days	125	315	125	207	125	192	500	1,103	High is Good	125	249	125	194			
Green: 194 Fly Tipping cases were closed down on the LAGAN system within 5 working days, out of a total of 595 cases. This equates to 32.6%.																	
A2.2	Percentage of household waste recycled (Quarter Behind)	45%	38.30%	45%	39%	45%	33.2%	N/A - End of year figures will be reported next quarter		High is Good	45%	34.30%	45.00%	37.70%			
A2.3	Kilogrammes of residual waste per household (Quarter Behind)	87.17	88.3	87.17	81	87.17	80	N/A - End of year figures will be reported next quarter		Low is Good	87.17	97.56	87.17	86.1			
A2.5	Diesel Consumption - Council Vehicle Fleet (Litres)	121,728	117,762	121,728	117,001	121,728	113,490	486,912	467,892.5	Low is Good	121,728	117,004.0	121,728.0	118,659.0			
A2.6	Cost/M2 spent on energy across corporate buildings (Quarter Behind)	Baseline	£3.65	Baseline	£3.35	Baseline	£5.62	Baseline	£17.33	Low is Good	Baseline	£4.37	Baseline	£4.52			
Baseline: Change in buildings included in this measure have affected the figure, but a move to a more accurate and timely billing system will provide quality data going forward.																	

Performance Information		Quarter 2		Quarter 3		Quarter 4		End of Year 2018/19		High Low Neutral	Quarter 1		Quarter 2		Trend
Reference Code	Indicator	Target	Actual	Target	Actual	Target	Actual	Target	Actual		Target	Actual	Target	Actual	
A2.7	Amount of energy usage in council buildings (Gas/KWH) (Quarter Behind)	Baseline	1,250,679	Baseline	682,533	Baseline	1,764,381	Baseline	5,902,551	Low is Good	Baseline	2,401,663	Baseline	1,447,865	
Baseline: Change in buildings included in this measure have affected the figure, but a move to a more accurate and timely billing system will provide quality data going forward.															

A2.8	Amount of energy usage in council buildings (Electricity/KWH) (Quarter Behind)	Baseline	527,235	Baseline	566,849	Baseline	616,911	Baseline	2,406,226	Low is Good	Baseline	645,832	Baseline	675,503	
Baseline: Change in buildings included in this measure have affected the figure, but a move to a more accurate and timely billing system will provide quality data going forward.															

A2.4	Total number of subscriptions to the Garden Waste Scheme	24,000	22,594	24,000	23,265	24,000	17,132	24000	17,132	High is Good	24,000	21,879	24,000	22,339	
Amber															

Healthy and Happy Communities

A3.1	Number of people statutorily homeless	25	10	25	12	25	5	100	41	Low is Good	25	4	25	5	
Green															

A3.2	Number of Disabled Facilities Grants completed	50	83	50	78	50	104	200	387	High is Good	50	97	50	88	
Green															

A3.3	Number of properties improved	25	24	25	38	25	42	100	122	High is Good	50	133	50	61	
Green: This figure includes 34 category 1 hazards resolved.															


A3.4	Percentage of premises scoring 4 or higher on the food hygiene rating scheme	90%	87.80%	90%	90.70%	90.00%	91.00%	90.00%	91.00%	High is Good	90%	90.00%	90.00%	90.30%	
Green: Too early to draw conclusions from the slight drop in Q2. Number of 4 or 5 rated premises has grown, but so has the total number of rated premises.															

A3.5	Percentage of high risk food hygiene inspections completed	100%	86%	100%	75%	100%	93.3%	100%	93.30%	High is Good	100%	83%	100%	93%	
Amber: 1 Inspection missed during the quarter, will be completed during Q3															

A3.6	Total number of admissions to Salt Ayre Leisure Centre	180,000	220,521	230,000	193,561	197,740	224,089	737,740	848,792	High is Good	185,000	209,041	184,435	249,041	
Green															

A3.7	Time taken to re-let council houses (Days)	38	27.92	38	25.68	38	23.07	38	23.07	Low is Good	38	19.15	38.00	26.39	
Green: Due to the reduction of void times our 'void loss' has also reduced significantly, currently 0.94% of the current rent debit raised – equivalent to just £34,855 rent lost compared to £41,729 at the same point in 2018/19.															

Performance Information		Quarter 2		Quarter 3		Quarter 4		End of Year 2018/19		High Neutral Low	Quarter 1		Quarter 2		Trend
Reference Code	Indicator	Target	Actual	Target	Actual	Target	Actual	Target	Actual		Target	Actual	Target	Actual	
A Smart and Forward - Thinking Council															
A4.2	Average number of days of sickness absence per full time employee	1.75	1.78	1.75	2.2	1.8	1.9	7.0	7.6	Low is Good	1.75	1.74	1.75	2.10	
Red: Absence increased in July but has since decreased in August and again in September															
A4.3	Occupancy rates for all commercial properties (including estate shops)	100%	95.30%	100%	96.60%	100%	95.60%	100%	95.60%	High is Good	100%	95.80%	100%	90.60%	
Amber: The total level of occupancy has gone down by 5.2% due in the main to a property on St George's Quay becoming vacant. The accommodation is being actively marketed. Over 90% occupation still represents a good level of occupation.															
A4.4	Average time taken to process new Housing Benefit and Council Tax claims (Days)	23	48	23	40	23	32.76	23	32.76	Low is Good	23	14.3	23	11.71	
Green: Revised measurement this time around concentrating on Housing Benefit processing. Performance is ahead of target															

 Promoting City, Coast & Countryside	Corporate Projects Update – Q2 2019 and monthly updates for October	Key															
	* Reporting Frequency: M = Monthly, Q = Quarterly, S = Semi-annually, A = Annually	<table border="1"> <tr> <td>R</td> <td>Red – The project is unlikely to meet its agreed plan, costs or benefits unless immediate remedial action is taken</td> <td>C</td> <td>Complete</td> </tr> <tr> <td>A</td> <td>Amber – The project is at risk of failing to meet its agreed plan, costs or benefits unless action is taken</td> <td>N</td> <td>Not Started</td> </tr> <tr> <td>G</td> <td>Green – The project is on track to meet its agreed plan, costs or benefits</td> <td>H</td> <td>On hold</td> </tr> <tr> <td>X</td> <td>No data available</td> <td></td> <td></td> </tr> </table>	R	Red – The project is unlikely to meet its agreed plan, costs or benefits unless immediate remedial action is taken	C	Complete	A	Amber – The project is at risk of failing to meet its agreed plan, costs or benefits unless action is taken	N	Not Started	G	Green – The project is on track to meet its agreed plan, costs or benefits	H	On hold	X	No data available	
R	Red – The project is unlikely to meet its agreed plan, costs or benefits unless immediate remedial action is taken	C	Complete														
A	Amber – The project is at risk of failing to meet its agreed plan, costs or benefits unless action is taken	N	Not Started														
G	Green – The project is on track to meet its agreed plan, costs or benefits	H	On hold														
X	No data available																

Appendix B

A Thriving and Prosperous Economy

Ref. No.	Project Name	*	Date of update	Status
CE03	Williamson Park Adventure Playground	Q	15/10/19	G
CE04	Williamson Park - Event and Conference Venue	Q	15/10/19	R
CE07	LATCo = Commercial Waste		N/A	N
EGR09	Investment and Regeneration Strategy	M		H
EGR13	Heysham Gateway - Site Improvement Works	Q	3/10/19	G
EGR19	Eden Project North	Q	4/10/19	G
EGR24	Property Investment Strategy			C
EGR26	Future High Street Funding	M	8/11/19	A
EGR28	Heritage Action Project (New project)	Q	N/A	N

Clean, Green and Safe Neighbourhoods

Ref. No.	Project Name	*	Date of update	Status
EGR01	Canal Quarter phase 1	M	31/10/19	A
CE02	District wide car parking strategy	S		H
CE11	Climate Change / Zero Carbon Plus	Q	8/10/19	G
EGR14	Solar Farms	M	8/10/19	G
EGR21	Museums Service Transfer		7/11/19	C
EGR23	VIC Review (Move to City Museum)	Q	30/9/19	G
CE12	White Lund (New Project)	Q	N/A	N

Comments and Issues (further details available by clicking the hyperlinks above)

EGR01 – In order to get this project back on target, progression is needed on: The Council's strategy on Canal Quarter based land and property assets; The approach to third art land owners; Integrating an approach with key arts partners and other cultural partners. Purdah has also caused a delay in the public consultations process.

CE04 – Reporting as red. This project has yet to be started due to officer capacity. Discussions are being had around resources and potential external assistance.

CE05 – On hold, pending a note to Exec Team outlining financial position for future years.

EGR05 – Reporting as amber. Positive decisions on the Local Plan and County Council Housing Infrastructure Fund application are needed to assure a successful outcome with a deliverable robust masterplan.

EGR09 – on hold, pending direction from elected members.

CS18 – Reporting as amber. The action plan is now in place with agreed timescales for competition. The Risk Management Policy and Strategy is currently being drafted ready for the Executive Team and Audit Committee approval in October / November.

EGR26 – Work is progressing based on some assumptions, which need to be agreed in order to progress to the Treasury Green Book five business case model.

CS29 – Reporting as amber. As the quick wins have been achieved the project is in danger of running into apathy, with reluctance to change evident at some services. To maximise the financial and time savings of the project all 3rd party systems need to be fully integrated. The original plan was to achieve full integration by early 2020/21. The lack of engagement from some services puts this at risk unless corrective action is taken.

Healthy and Happy Communities

Ref. No.	Project Name	*	Date of update	Status
CE01	Council Housing New Build	S	14/6/19	A
CE05	LATCo = Salt Ayre Leisure Centre	M	31/10/19	A
EGR05	Bailrigg Garden Village Masterplanning	Q	8/10/19	A
CE06	LATCo = Housing Company	S	N/A	N
EGR27	Lune Flood Protection, Caton Road	M	5/11/19	G

A Smart and Forward-Thinking Council

Ref. No.	Project Name	*	Date of update	Status
CS01	People and Values (incorporating: Grading / Pay Review, Our Values, Values Based Competency Framework and Employee Engagement)	Q	3/10/19	G
CS12	High Capacity Fibre Cable Network Provision	Q	4/10/19	G
CS14	Agile working	Q	4/10/19	G
CS17	Digital Strategy - completion, adoption and implementation	M	2/10/19	G
CS18	Risk Management Strategy / Overhaul and Implementation	Q	25/9/19	A
CS29	Procure to Pay (P2P)	M	5/11/19	A
CS31	Social Value, including procurement strategy	Q	9/10/19	G
CS33	Outcomes Based Budgeting	Q	9/10/19	G

QUARTER 2 FINANCIAL REVENUE MONITORING - GENERAL FUND SERVICE ANALYSIS 2019/20

	Budget 2019/20 £'000	Q2 Actual 2019/20 £'000	Projected Outturn 2019/20 £'000	Projected Variance 2019/20 £'000	Commentary for variances +/- £30K
Communities and Environment					
					The Council's Vodafone contract ended 30th June 2019. An increased renewal quote has been received however further negotiations regarding the level of quote are taking place alongside the exploration of alternative delivery models
Business Support					
CCTV	32	5	67	(35)	
Corporate Safety	65	26	65	0	
Service Support	417	325	462	(45)	Budget amendments relate to Solar Farm feasibility funded by reserve and the transfer of a post from Customer Involvement & Leisure. The variance largely relates to salaries and their place within the restructure
White Lund Depot Vehicle Maintenance	(14) (37)	5 75	(41) (26)	+27 (11)	
Customer Involvement & Leisure					
Customer Services Leisure	600	303	599	+1	
Leisure	33	(15)	33	0	
Salt Ayre	387	262	406	(19)	
Public Protection					
Environmental Health	1,127	468	1,096	+31	Salary Savings £8K. Increased income Animal Licensing £10K due to backdated 18/19 fee adjustment following review, additional income from Food Safety Safer Food Direct £5K, additional Unbugged income £7K
Emergency Planning	61	30	61	0	
Housing Standards	100	(370)	102	(2)	
Licensing	(86)	(22)	(69)	(17)	
Safety	67	(48)	43	+24	
Housing Services					
GF Housing	(26)	(19)	(26)	0	
Home Improvement Agency	(84)	(411)	(156)	+72	Increase in DFG income £65K due to larger Grant allocation and increase in completed grants.
Housing Options	286	(604)	253	+33	Salary Savings £22K from Housing Options Posts. £7K increase in Benefits reclaims that offsets Homelessness B&B
Strategic Housing	317	91	273	+44	Salary Savings £45K from vacant Housing Manager post to be utilised for restructure
Public Realm					
Cemeteries	191	167	189	+2	
Grounds Maintenance	(262)	(156)	(305)	+43	Agency services amounting to £35K have been used to supplement staff turnover in areas such as Grounds Maintenance
Household Waste Collection	2,004	600	1,972	+32	Delays to route optimisation project resulting in one-off savings - potential additional cost in 2020/21
Markets	(141)	(66)	(139)	(2)	
Parking	(1,973)	(754)	(2,110)	+137	Car parking income projected to be £100K above budgeted figure and will be built into future base budgets
Parks	1,171	677	1,172	(1)	
Public Conveniences	163	119	159	+4	
Public Realm Highways	71	18	71	0	
Street Cleaning	1,232	628	1,201	+31	The impact of salary savings plus internal ad-hoc jobs resulting in £20K additional income offset by £10K additional costs
Trade Waste	(486)	(1,123)	(497)	+11	
Williamson Park	455	58	460	(5)	
	5,670	269	5,315	+355	
Economic Growth and Regeneration					
Planning & Place					
Building Control	112	73	198	(86)	Works in default costs relating to property in Carnforth, Clarence Street Morecambe and others. Cost may be recovered (outside of current year)
Conservation & Environment	48	15	48	0	
Development Control	(431)	(137)	(422)	(9)	
Local Plan	561	337	709	(148)	Net balance of Local Plan costs after reducing for reserve balance of £23K (now nil). Evidence gathering and examination costs slipped from last year (budget)
Economic Development					
AONB	22	(76)	20	+2	
Economic Development	777	154	775	+2	
Marketing & Comms	253	120	253	0	
Grants	216	89	216	0	
The Platform	80	(50)	74	+6	
Tourism & Events	490	215	487	+3	
Museums	553	297	554	(1)	
Property, Investment and Regeneration					
Highways	0	0	0	0	
Regeneration	756	852	807	(51)	Additional agency costs offset by salary savings within the service
Sea Defence & Land Drainage	435	142	429	+6	
Property	920	550	929	(9)	
Building Cleaning	(44)	(15)	(34)	(10)	
	4,748	2,566	5,043	(295)	
Corporate Services					
Corporate Accounts					
Central Expenses	1,044	(813)	1,044	0	
Democratic					
Democratic	1,040	531	1,042	(2)	
Finance					
Finance	1,136	502	1,167	(31)	Additional Civica software costs for financial systems partially offset by staff savings
HR					
HR	564	322	569	(5)	
ICT					
ICT	1,285	922	1,302	(17)	
Internal Audit					
Internal Audit	179	75	160	+19	
Legal					
Legal	386	265	434	(48)	Net Locum costs/hardware and software costs/reduction in Search Fees
Revenues & Benefits					
Revenues & Benefits	357	(1,628)	453	(96)	Reduction in Legal Costs Recovered partially offset by additional one-off Housing Benefit Administration Grants
	5,991	176	6,171	(180)	
Central Services					
Chief Executive					
Executive Team	1,040	447	924	+116	£14K up front costs incurred for postponed Chief Executive post recruitment. £10K agreed subscription to Key Cities. £3K Stipend payment to Lancaster University.
Grants to other bodies	345	445	345	0	
	1,385	892	1,269	+116	
Other Items					
Other Items					
New Homes Bonus	(1,672)	(2,023)	(1,672)	0	
Revenue Funding of Capital	864	0	864	0	
Minimum Revenue Provision	1,535	0	1,599	(64)	A capital receipt related to the sale of land at Heysham Gateway due to finance the capital programme fell through at the end of 2018/19
Interest Payable	1,100	0	1,100	0	
Interest Receivable	(187)	(84)	(178)	(9)	
Notional Charges	0	216	0	0	
Contributions to Reserves	(95)	1	(95)	0	
Contributions from Reserves	(2,117)	0	(1,942)	(175)	The following budgeted contributions from reserves will not be made: £25k for interim head of legal services. £144k for Deputy Chief Executive post. £7k for improving public realm as a related post in Environmental Health is currently vacant.
	(572)	(1,890)	(324)	(248)	
Net Recharges to Housing Revenue Account	(1,097)	0	(1,097)	0	
RMS Capital Charges (now Housing Revenue Account)	(114)	0	(114)	0	
Budget Correction (reversed within core funding)	(75)	0	(75)	0	
General Fund Revenue Budget	15,936	2,013	16,188	(252)	
Core Funding :					
Revenue Support Grant	(200)	(104)	(200)	0	
Net Business Rates Income	(6,341)	7,960	(6,341)	0	
Council Tax Requirement	9,395	9,869	9,647	(252)	

Notes:

- Income is expressed as a negative figure in brackets
- Expenditure is expressed as a positive figure
- Projected Variances are expressed as negative () for adverse and positive + for favourable

QUARTER 2 FINANCIAL REVENUE MONITORING - GENERAL FUND SUBJECTIVE ANALYSIS

		Budget 2019/20 £'000	Q2 Actual 2019/20 £'000	Projected Outturn 2019/20 £'000	Projected Variance 2019/20 £'000
Employees	Direct Employee Expenses	22,192	8,856	21,049	+1,143
	Indirect Employee Expenses	424	1,025	877	(453)
Premises Related Exp	Cleaning and Domestic Supplies	419	196	415	+4
	Energy Costs	674	267	682	(8)
	Fixtures and Fittings	1	0	1	0
	Grounds Maintenance Costs	1,843	1,175	1,843	0
	Operational Bldgs Allocation	104	34	104	0
	Premises Insurance	141	879	140	+1
	Rates	1,243	1,269	1,243	0
	Rents	84	69	84	0
	Repair and Maintenance	1,066	382	1,174	(108)
	Water Services	330	127	320	+10
Transport Related Exp	Car Allowances	38	12	38	0
	Contract Hire Operating Leases	50	31	50	0
	Direct Transport Costs	1,126	543	1,128	(2)
	Public Transport	18	17	21	(3)
	Transport Insurance	84	87	85	(1)
Supplies and Services	Catering	55	30	63	(8)
	Clothing Uniform and Laundry	80	36	81	(1)
	Communications and Computing	1,394	1,197	1,467	(73)
	Contribution to Provisions	200	0	200	0
	Equip Furniture and Materials	1,919	822	2,076	(157)
	Expenses	576	284	601	(25)
	General Office Supplies	319	192	322	(3)
	Grants and Subscriptions	1,544	940	1,553	(9)
	Miscellaneous Expenses	1,476	1,144	1,581	(105)
Services	5,829	3,392	6,054	(225)	
Transfer Payments	Housing Benefit	28,027	9,384	27,667	+360
Support Services	Recharges Exp	146	(21)	146	0
Capital Charges	Amortisation of Def Chgs	0	0	0	0
	Depreciation	17	0	17	0
Capital Financing Costs	Interest Payments	2,946	0	2,946	0
Appropriations	Appropriations	186	1	426	(240)
Income	Customer Fees and Charges	(16,063)	(9,484)	(15,762)	(301)
	Government Grants	(31,638)	(16,223)	(31,608)	(30)
	Interest	(283)	(104)	(274)	(9)
	Other Grants and Contributions	(1,617)	(916)	(1,650)	+33
	Recharges Inc	(5,709)	(3,630)	(5,667)	(42)
Capital Financing Inc	Capital Related Income	(2,145)	0	(2,145)	0
	Net Recharges to Housing Revenue Account	(1,097)	0	(1,097)	0
	RMS Capital Charges (now Housing Revenue Account)	(114)	0	(114)	0
	Budget Correction (reversed within core funding)	(75)	0	(75)	0
GRAND TOTAL		15,810	2,013	16,060	(252)

Notes:

1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative () for adverse and positive + for favourable

QUARTER 2 FINANCIAL REVENUE MONITORING - HRA SERVICE ANALYSIS 2019/20

	Budget 2019/20 £'000	Q2 Actual 2019/20 £'000	Projected Outturn 2019/20 £'000	Projected Variance 2019/20 £'000	Commentary for variances +/- £30K
Communities and Environment					
Policy & Management	1,294	562	1,251	+43	Salary savings due to vacant posts for Head of Housing and Systems Implementation Project Manager
Repairs & Maintenance	4,870	2,342	4,854	+16	
Welfare Services	(161)	(167)	(162)	+1	
Special Services	147	141	164	(17)	
Miscellaneous Expenses	554	82	548	+6	
Housing Revenue Account					Increased Income £115K (£120K from Rents Dwellings, £21K (service charges) Flats fewer voids and faster turnaround, -£26K garages due to voids)
Income Account	(14,321)	(6,427)	(14,471)	+150	Supplies & Services fall in Legal & Court costs £35K , proactive Income Management (and support) reduction in recourse to legal action
Capital Charges	5,674	0	5,674	0	
Appropriations	847	0	847	0	
Gain/Loss on Asset Sales	0	0	0	0	
Gain/Loss on Asset Sales(Move)	0	0	0	0	
	(1,096)	(3,467)	(1,295)	+199	
Net Recharges to General Fund	1,097	0	1,097	0	
Housing Revenue Account Budget	1	(3,467)	(198)	199	

Notes:

1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative () for adverse and positive + for favourable

QUARTER 2 FINANCIAL GENERAL FUND CAPITAL PROJECTS - SERVICE ANALYSIS 2019/20

	Budget 2019/20 £	Q2 Actual 2019/20 £'000	Projected Outturn 2019/20 £'000	Projected Variance 2019/20 £'000	Commentary Variances +/- £100K
Communities and Environment					
	360	0	360	0	
Business Support	1,389	27	94	+1,295	All vehicles to be received this financial year have been ordered. A large number of RMS vehicles due to be replaced are requested to be slipped into 2020/21 pending the exploration of replacement with electric equivalents
	75	0	73	+2	
Customer Involvement & Leisure	2	50	2	0	
	0	(33)	0	0	
Public Protection	0	0	0	0	
Housing Services	0	(280)	0	0	
	21	58	21	0	
	4	1	4	0	
Public Realm	0	(10)	0	0	
	70	0	70	0	
	60	0	60	0	
	112	0	112	0	
	2,093	(187)	796	+1,297	
Economic Growth and Regeneration					
Planning & Development	174	0	174	0	
Economic Development	70	0	70	0	
	358	1	0	+358	Project unlikely to start this financial year.
	0	0	0	0	
	24	0	24	0	
	550	0	260	+290	Canal Quarter - budget for two land purchases, one of which is underway and the other in the first stages of negotiation. Unsure if both will be completed in current year, assumed not but will know more for Qtr3
	0	(2)	0	0	
	16	117	16	0	
	0	1	0	0	
	0	(25)	0	0	
	109	0	19	+90	
	311	0	311	0	
	0	0	0	0	
	0	(7)	(7)	+7	
	142	0	40	+102	Boiler replacement project; would like to start in January 2020 but length of programme means it will span over in to the next financial year. It is also feasible that a January start may not be achievable which would mean this budget would require a request to slip in to 2020/21.
	77	0	82	(5)	
	5	(20)	5	0	
	485	1	1	+484	Budget was in place for LTH Phase 3; however, this was suspended in favour of looking at a larger project that encompassed the entirety of LTH rather than just sections. The business case for this larger project is being worked up at present but the remaining budget will not be spent in year.
Property, Investment and Regeneration	40	44	40	0	
	622	0	622	0	
	0	0	0	0	
	132	0	126	+6	
	122	0	0	+122	Work is required at Palatine Hall but there is no planned project at present. A request for slippage in to 2020/21 would be required. The refurbishment project was intended to be carried out this year but Capital Strategy Group requested that we look in to the option of demolition rather than refurbishment of one building and then repurposing the space. Planning have indicated that the existing space or something similar will be required to fit with the local plan. The project needs to be re-costed and packaged up to go back to Capital Strategy Group. This project will not take place this year and a request for slippage to 2020/21 will be required.
	125	0	0	+125	Another payment due from this budget for electrical works in Dalton Square. Budget originally intended for monument repairs but may be included in a wider scheme for Dalton Square to be considered by Capital Strategy Group.
	250	44	80	+170	
	82	0	0	+82	
	32	26	30	+2	
	0	(6)	0	0	
	0	0	0	0	
	487	(1)	487	0	
	0	4	0	0	
	0	4	0	0	
	0	(10)	10	(10)	
	0	0	0	0	
	1	0	1	0	
	4,214	171	2,391	+1,823	
Corporate Services					
Corporate Accounts	0	0	0	0	
Democratic	0	0	0	0	
Finance	0	0	0	0	
HR	0	(40)	0	0	
ICT	19	(23)	19	0	
	82	47	82	0	
	185	38	185	0	
Internal Audit	0	0	0	0	
Legal	0	0	0	0	
Revenues & Benefits	0	0	0	0	
	286	22	286	0	
Central Services					
Chief Executive	0	0	0	0	
	0	0	0	0	
GRAND TOTAL	6,593	6	3,473	3,120	

Notes:

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- Expenditure is expressed as a positive figure
- Projected Variances are expressed as negative () for adverse and positive + for favourable

HRA Capital Projects 2019/20

	2019/20 Budget	2019/20 P6 Actual	2019/20 Projected Outturn	2019/20 Variance (Working v Projected)	Commentary Variances +/- £100K
	£	£	£	£	
EXPENDITURE					
Adaptations	250,000	87,036	290,000	40,000	
Energy Efficiency / Boiler Replacement	650,000	228,770	650,000	0	
Environmental Improvements	615,000	37,281	335,000	-280,000	Reduction in works required/budget due to Mainway communal areas not being upgraded until Mainway future feasibility of works known.
External Refurbishment	237,000	11,472	237,000	0	
Fire Precaution Works	180,000	6,009	180,000	0	
Housing Renewal & Renovation	442,000	184,788	410,932	-31,068	
Kitchen / Bathroom Refurbishment	958,000	288,550	854,000	-104,000	Original price based on the expected work required. Full inspection identified a reduced number of properties requiring a full plaster knock off. Also, the number of properties is down by about 20 due to being unable to back fill operatives from day2day due to a greater focus on performance on that side of the department.
Lift Replacement	0	-294	0	0	
Re-roofing / Window Renewals	1,378,000	271,328	1,378,000	0	
Rewiring	48,000	0	48,000	0	
TOTAL EXPENDITURE	4,758,000	1,114,940	4,382,932	-375,068	

Q2 Reserves Projected Outturn

		Updated for impact of outturn and in-year approvals						
		Actual Opening Balance on Reserves at 1.4.19	Budgeted Revenues Contributions (to) and from Reserves	Budgeted Capital Contributions from Reserves	Budgeted Closing Balance on Reserves	Projected Outturn Revenue Contributions	Projected Outturn Capital Contributions	Projected Outturn Balance on Reserves
		31 March 2019 £				31 March 2020 £		
Unallocated Balances		(5,713,800)			(5,713,800)			(5,713,800)
Earmarked Reserves:								
To manage fluctuations in income or funding:								
Business Rates Retention		(6,283,400)			(6,283,400)			(6,283,400)
Planning Fee Income		(74,600)	(14,400)		(89,000)	(14,400)		(89,000)
To provide for some future anticipated expenditure for identified projects:								
Canal Quarter		(237,400)	217,400		(20,000)	147,000		(90,400)
Capital Support		(262,200)		77,000	(185,200)		5,000	(257,200)
Economic Growth		(203,500)	329,100	25,000	150,600	539,300		335,800
Elections		(108,800)	108,800			108,800		
Local Plan		(23,700)	23,700					(23,700)
Morecambe Area Action Plan		(27,300)		11,000	(16,300)			(27,300)
Renewals Reserves		(330,400)	(356,900)	582,000	(105,300)	(419,800)	393,000	(357,200)
Welfare Reforms		(349,000)	25,000		(324,000)	25,000		(324,000)
Museums Acquisitions		(16,500)	(3,000)		(19,500)	(3,000)		(19,500)
Amenity Improvements		(29,000)			(29,000)			(29,000)
To provide up-front costs which specifically result in future efficiencies, cost savings or increased income:								
Budget Support		(2,532,100)	1,135,600	204,000	(1,192,500)	750,100		(1,782,000)
Corporate Property		(371,800)	36,600		(335,200)	36,600		(335,200)
Invest to Save		(1,450,400)	139,800		(1,310,600)	139,800		(1,310,600)
Restructure		(530,700)			(530,700)			(530,700)
To hold funding from other bodies, mainly Government, for specified purposes:								
Revenue Grants Unapplied		(693,900)	32,200		(661,700)	32,200		(661,700)
Homelessness Support		(101,300)	(6,600)		(107,900)	(6,600)		(107,900)
S106 Commuted Sums - Open Spaces		(44,000)	15,600		(28,400)	15,600		(28,400)
S106 Commuted Sums - Affordable Housing		(897,400)			(897,400)			(897,400)
S106 Commuted Sums - Highways, Cycle Paths etc.		(206,000)	(200,000)	211,000	(195,000)	(200,000)	91,000	(315,000)
Reserves Held in Perpetuity:								
Graves Maintenance		(22,200)			(22,200)			(22,200)
Marsh Capital		(47,700)			(47,700)			(47,700)
Total Earmarked Reserves		(14,843,300)	1,482,900	1,110,000	(12,250,400)	1,150,600	489,000	(13,203,700)
Total Combined Reserves		(20,557,100)			(17,964,200)			(18,917,500)

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	3 December 2019
Title	Treasury Management Mid Year Review 2019-20		
Report of	Chief Finance Officer		
Purpose of Report			
This report seeks Cabinets consideration of various matters in connection with the Treasury Management Mid-Year Review 2019/20 and associated revisions to the Council's Prudential Code Indicators.			
Key Decision (Y/N)	N	Date of Notice	Exempt (Y/N) N

Report Summary
<p>This report provides Cabinet with</p> <ul style="list-style-type: none"> • Performance information in relation to the Council's Treasury Management Activities for the period 1st April to 30th September 2019 (Appendix A). • Details of the total impact on the Prudential Indicators of agreed and likely property investment decisions up to 31st March 2020.

Recommendations of Councillors
<p>That Cabinet</p> <ol style="list-style-type: none"> (1) Consider the various matters in connection with the Treasury Management Mid-Year Review 2019/20 and associated revisions to the Council's Prudential Indicators. (2) Recommend that Full Council approves the acquisitions and associated funding into the Council's capital programme in accordance with the Council's Budget and Policy Framework. (3) Recommend that Full Council approves the revisions to the Council's Capital Financing Requirement (CFR), the Operational and Authorised limits for External Debt and the Ratio of Borrowing Cost to Net Revenue Stream as set out in the report and Appendix A.

Relationship to Policy Framework	
Treasury Management forms part of the Councils budget framework	
Conclusion of Impact Assessment(s) where applicable	
Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety
<p>A Thriving & Prosperous Economy: Economic Prosperity is a high level Corporate Priority for the City Council; whilst the acquisition of an investment does not give an immediate opportunity to generate short term wealth building, the medium term control of land and redevelopment does.</p>	

Clean Green & Safe Neighbourhoods: As the freeholder of an estate the ability to provide renewable energy sources (solar power), can be delivered as part of the asset management strategy, however this can only be undertaken with the tenants consent or once a lease has been determined. The Council cannot force a tenant to change the terms of their lease.

A Smart & Forward Thinking Council: This is the first investment acquisition by the Council, helping to deliver the ambition to be smart, forward thinking and commercially astute. The Property Investment Strategy is one the four pillars of the Funding the Future Strategy which aims to provide financial stability.

Details of Consultation

No specific external consultation has been undertaken.

Legal Implications

None directly arising from this report

Financial Implications

The Council's Capital Financing Requirement will increase by £14.86m as will it's Operational Boundary for External Debt. The Authorised Limit for External Debt will increase to £117m.

The Council currently maintains an under-borrowed position and there is scope to purchase the initial investment, using existing internal balances (internal borrowing) with no additional external borrowing being incurred. There is also currently scope to further extend the amount of internal borrowing to fund the level of potential further investment proposed. This is the most cost effective approach in the current economic climate but this will, as always, be subject to ongoing monitoring.

Other Resource or Risk Implications

There are no additional resource or risk implications

Section 151 Officer's Comments

The s151 Officer has written this report in his role as Chief Finance Officer

Monitoring Officer's Comments

The Monitoring Officer has been consulted and has no further comments

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Links to Background Papers

1.0 Introduction

1.1 The Mid-Year Review (Appendix A) sets out the performance of treasury operations for the first six months of the 2019/20 financial year in terms of long and short term borrowing, investment activities and relevant borrowing limits and prudential indicators. Under CIPFA's Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) it is a requirement that an information report on these matters be presented to Cabinet and full Council.

1.2 The report also contains a number of revisions to the Council's Prudential Code Indicators to reflect Cabinet's agreed property investment acquisition. In addition it seeks to incorporate additional flexibility to facilitate further potential property investment acquisitions up to 31st March 2020. The Code requires Council to formally approve these revisions.

2.0 Prudential Indicators

2.1 In compliance with the Prudential Framework the Council sets an annual Treasury Management Strategy including key indicators, determined under regulation, to assist Members in assessing the affordability of borrowing and in determining that it is prudent and sustainable.

2.2 The tables below show the impact of the potential investments on the capital financing requirement, the ratio of borrowing costs to net revenue stream and its operational and authorised limits for external debt.

Capital Financing Requirement (underlying need to borrow)

2.3 This represents the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources.

	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Current	85.82	87.15	84.48	82.43
Proposed	100.68	101.72	98.76	96.41
Change related to commercial activities/non-financial investments	14.86	14.57	14.28	13.98

Ratio of Financing Costs to Net Revenue Stream

2.4 This shows the cost of capital against the net revenue stream and is the main indicator of affordability.

	2019/20 %	2020/21 %	2021/22 %	2022/23 %
Current (General Fund)	16.80	16.60	17.40	16.90
Proposed (General Fund)	16.80	19.70	20.16	19.61
Change related to commercial activities/non-financial investments	0.00	3.10	2.76	2.71

The Operational Boundary

2.5 This is the limit beyond which external debt is not normally expected to exceed

	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Current	85.82	87.15	84.48	82.43
Proposed	100.68	101.72	98.76	96.41
Change related to commercial activities/non-financial investments	14.86	14.57	14.28	13.98

The Authorised Limit for External Debt

2.6 This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set, or revised by the full Council.

	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M
Current approved	102.00	103.00	100.00	98.00
Proposed	117.00	118.00	115.00	112.00
Change related to commercial activities/non-financial investments	15.00	15.00	15.00	14.00

4.0 Options and Options Analysis (including risk assessment)

<p>Option 1: Cabinet considers the report and passes to Full Council for approval of the revisions to the Prudential Code indicators.</p>
<p>Advantages: Should Cabinet forward on to Full Council for consideration and approval of the revisions to the Prudential Code indicators is given, the Council will be able to proceed with the purchase of the investment opportunities and associated net revenues.</p>
<p>Disadvantages: None</p>
<p>Risks: Council does not approve the revisions and the purchases are therefore unable to proceed resulting in the loss of important additional revenue contributions.</p>
<p>Option 2: Cabinet does not consider the report, or pass to Full Council for approval of the revisions to the Prudential Code indicators.</p>
<p>Advantages: None</p>
<p>Disadvantages: Should Cabinet not forward the report on to Full Council for approval, the purchases may stall until a point when Council is able to approve the Treasury Management Strategy and associated indicators, or fail all together resulting in the delay or loss of the associated revenue streams.</p>
<p>Risks: Council does not approve the revisions, the investment and revenue generating opportunities are lost</p>

3. Officer Preferred Option (and comments)

3.1 The officer preferred option is Option 1.

3.2 The Code requires Full Council to approve any revisions to the Council's Prudential Code Indicators. The Indicators have been revised to allow sufficient flexibility to enable the Council to proceed with its agreed initial purchased, but also allow for those which may occur before 31st March 2020.

The acquisition of commercial investment opportunities and the revenues streams for a central pillar in the Councils Funding the Future Strategy and plays a significant role in addressing the budget deficit over the next 4 years.

**Treasury Management Strategy Statement and Annual
Investment Strategy**

Mid-Year Review 2019/20

Report of Chief Finance Officer

1. Background

Capital Strategy

In December 2017 CIPFA (Chartered Institute of Public Finance and Accountancy) issued revised Prudential and Treasury Management codes. As from 2019/20, all local authorities will be required to prepare a Capital Strategy which is intend to provide:

- 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

A report setting out our Capital Strategy was taken to Council on 27 February 2019.

Treasury Management

The Council operates a balanced budget, which broadly means that cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management services 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 the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and, on occasion, any debt previously drawn may be restructure to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

“the management of the local authority's borrowing, 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. Introduction

This report has been written in accordance with the requirements of CIPFA's Code of Practice for Treasury Management.

The primary requirements of the Code are as follows:

- (i) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- (ii) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

- (iii) Receipt by full council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a Mid-year Review Report and an Annual Report, covering activities during the previous year.
- (iv) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- (v) Delegation by the council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Budget and Performance Panel.

This mid-year report covers the following:

An economic update for the first part of the 2019/20 financial year

A review of the Treasury Management Strategy Statement and Annual Investment Strategy

- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators
- A review of the Council's investment portfolio for 2019/20
- A review of the Council's borrowing strategy for 2019/20
- A review of any debt rescheduling undertaken during 2019/20
- A review of compliance with Treasury and Prudential Limits for 2019/20
-

3. Economic Background (provided by Link Asset Services)

This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, so far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. There has been a delay in the date for Brexit to 31 January 2020 and a general election has been called for 12 December. In such circumstances, any interest rate forecasts are subject to material change as the situation evolves

The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. This mirrored investor confidence around the world which is now expecting a significant downturn or possibly even a recession in some developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit.

As for inflation itself, CPI has been hovering around the Bank of England's target of 2% during 2019, (July 2.1%), and is likely to shift only a little upwards over the rest of 2019/20. It does not therefore pose any immediate concern to the MPC at the current time.

In the political arena, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the

expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

4. Interest Rate Forecast

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its last meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.*
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also to the downside.*

5. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy (TMS) for 2019/20, which includes the Annual Investment Strategy, was approved by the Council on 27 February 2019. There are no policy changes to the TMS; the details in this report update the position in light of the updated economic position and budgetary changes already approved.

6. Investment Portfolio

The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. As shown by forecasts in section 4, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.75% Bank Rate. Given this risk environment and the fact that increases in the Bank Rate are likely to be gradual and

unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

Officers confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2019.

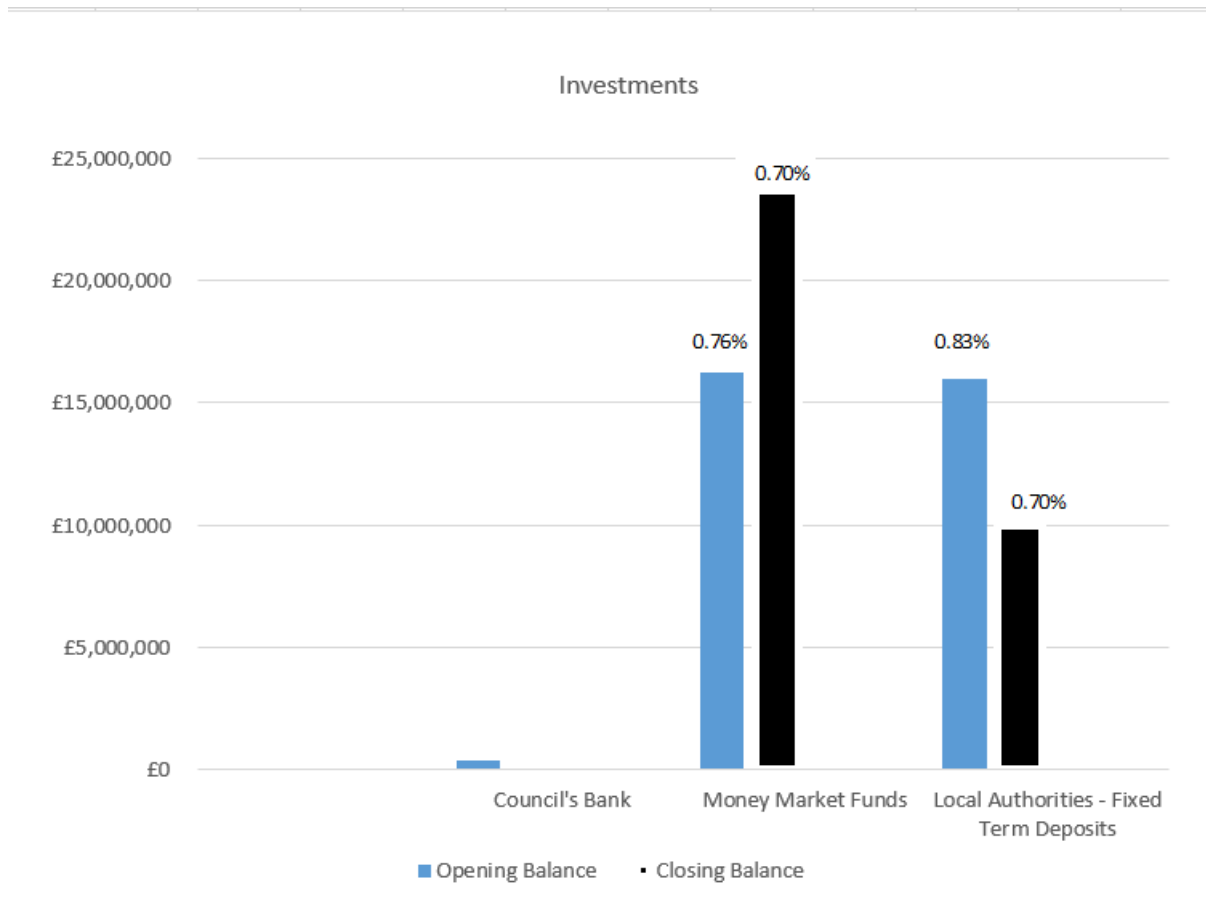
The average level of funds available for investment purposes over the six month period was **£32.9M**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress 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	0.75%
7 day LIBID	0.57%
Lancaster City Council investments	0.74%

Investment Balances – quarter ended 30 September 2019

At the start of the year investments totalled £32m rising to £34m by 30 September. Fixed term investments with local authorities fell to £10m whilst Money Market Fund balances increased to £24m.



Other Investments	Term	Maturity Date	Opening 1.4.19 £	Closing 30.9.19 £	Indicative Rate (YTD)	Current Fixed Rate	Interest to Date £
Call Accounts							
Natwest (Cash Manager Plus)			385,684	97,162		0.01%	262
Money Market Funds							
Blackrock Sterling Liquidity First Fund			6,000,000	5,650,000	0.68%		20,285
Blackrock Sterling Government Liquidity Fund			0	0	0.62%		1,900
Insight LGIM			0	0	0.71%		5,491
Aberdeen Life Investments			4,230,000	6,000,000	0.71%		20,654
Goldman Sachs			6,000,000	6,000,000	0.73%		22,629
			0	6,000,000	0.68%		8,343
Fixed Term Deposits							
Thurrock Council	92 days	07/05/2019	5,000,000	0		0.90%	4,438
Thurrock Council	184 days	07/11/2019	0	5,000,000		0.85%	17,117
North Ayrshire Council	89 days	21/05/2019	5,000,000	0		0.90%	6,164
Barking & Dagenham Council	92 days	28/05/2019	5,000,000	0		0.90%	7,454
Barking & Dagenham Council	92 days	28/08/2019	0	0		0.78%	9,403
Barking & Dagenham Council	123 days	27/01/2020	0	5,000,000		0.78%	534
Northamptonshire County Council	363 days	01/04/2019	1,000,000	0		0.70%	19
Glasgow City Council	31 days	01/08/2019	0	0		0.80%	3,397
Sub-total			32,615,684	33,747,162			128,090
Budgeted income							130,150
							(2,060)

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMS is meeting the requirement of the treasury management function.

7. Borrowing

The Council's capital financing requirement (CFR) for 2019/20 was £85.82m as set out at **Annex A**. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council currently has borrowings of £62.13m and has utilised £23.67m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

Members are currently being asked to approve the acquisition of an investment property for a commercial return. In order to facilitate this, and to build in sufficient flexibility to make further potential acquisitions during this financial year, the Capital Financing Requirement, Operational Boundary and Authorised limit for external debt have been increased as set out in **Annex A**.

8. Debt Rescheduling

Debt rescheduling opportunities have been limited in the current economic climate 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.

9. 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 mid-year position in respect of the Council's approved Treasury and Prudential Indicators (affordability limits) which include the impact of the recommended investments appended **at Annex A**.

10. Other Issues

Changes in risk appetite

The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or to other types of investment instruments this change in risk appetite and policy should be brought to members' attention in treasury management update reports. There are no such changes to report.

ANNEX A

PRUDENTIAL INDICATORS - MID YEAR REVIEW

There details in this annex update relevant prudential indicators to reflect the impact of the recommended investments

Prudential Indicator for Capital Expenditure

This table shows the current estimates for the General Fund and Housing Revenue Account capital programmes, compared to the original estimates

Capital Expenditure by Service	2019/20	
	Original Estimate £m	Quarter 2 Position £m
Communities and Environment	4.38	4.88
Economic Growth and Regeneration	2.14	2.05
Corporate Services	0.23	0.31
Development Pool	2.45	2.45
Total for General Fund	9.20	9.69
Council Housing (HRA)	4.77	4.77
Commercial activities/non-financial investments	0.00	14.86
Total Capital Expenditure	13.97	29.32

Changes to the Financing of the Capital Programmes

This table shows the changes in the financing of the capital programmes, and the level of borrowing required.

Capital Expenditure	2019/20	
	Original Estimate £m	Quarter 2 Position £m
Total capital expenditure	13.97	29.32
Financed by:		
Capital receipts	0.49	0.59
Capital grants	2.44	1.12
Capital reserves	5.13	7.22
Revenue	0.00	0.00
Total Financing	8.06	8.93
Borrowing Requirement	5.91	20.39

Changes to the Capital Financing Requirement

The following table shows the changes in the financing of the capital programmes, and the level of borrowing required. The latter is recommended to increase by £14.86m.

Capital Financing Requirement	2019/20	
	Original Estimate £m	Quarter 2 Position £m
General Fund	47.49	47.53
HRA	38.31	38.29
Commercial activities/non-financial investments	0.00	14.86
Total Capital Financing Requirement	85.80	100.68
Net movement in CFR	3.30	14.86

Limits to Borrowing Activity

A key control over treasury management activity is to ensure that over the medium term, net borrowing (borrowings less investments) will only be for capital purposes. Gross external borrowing should not, except in the short term, exceed the total capital financing requirement.

The tables below shows that extra debt is being taken on so formal changes are being recommended to the original approved indicators as set out below.

External Debt v Borrowing Need (CFR)	2019/20	
	Original Estimate £m	Quarter 2 Position £m
External Debt	63.17	63.17
Other long term liabilities	-1.04	-1.04
Total Debt	62.13	62.13
Compared to current approved:		
Capital Financing Requirement	85.80	100.68
Operational Boundary:-		
Debt	85.80	85.82
Commercial activities/non-financial investments	0.00	14.86
Authorised Limit:-		
Debt	102.00	102.00
Commercial activities/non-financial investments	0.00	15.00

Definitions:**Operational Boundary**

The limit beyond which external debt is not normally expected to exceed is known as the operational boundary.

Authorised Limit for External Debt

A further prudential indicator controls the overall level of borrowing. This is the authorised limit which represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, whilst not desired, could be afforded in the short term, but it is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements.

Affordability

The indicator below shows the proportion of financing costs to net revenue stream

Ratio of Financing Costs to Net Revenue Stream	2019/20		2020/21	2021/22
	Original Estimate	Quarter 2 Position	Estimate	Estimate
	%	%	%	%
General Fund	17.7	16.8	16.6	17.4
HRA	21.5	20.9	20.3	19.5
Commercial activities/non-financial investments	0.00	0.00	3.1	2.8

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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