



Committee: BUDGET AND PERFORMANCE PANEL

Date: TUESDAY, 17TH DECEMBER 2019

Venue: LANCASTER TOWN HALL

Time: 6.10 P.M.

A G E N D A

1. **Apologies for Absence**

2. **Minutes**

Minutes of the Meeting held on 10th September 2019 (previously circulated).

3. **Items of Urgent Business authorised by the Chair**

4. **Declaration of Interests**

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. **Arts Investments (Pages 3 - 13)**

Report of the Director of Economic Growth and Regeneration.

Note: The Cabinet Member with responsibility has been invited to attend.

6. **Delivering Our Ambitions, Q2 2019-20 (Pages 14 - 29)**

Report of the Director of Corporate Services.

Note: The Cabinet Member with responsibility has been invited to attend.

7. **Reserves Strategy** (Pages 30 - 45)
Report of the Director of Corporate Services.
8. **Treasury Management Mid Year Review 2019-20** (Pages 46 - 64)
Report of the Chief Finance Officer.
9. **Work Programme Report** (Pages 65 - 68)
Report of the Director of Corporate Services.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Keith Budden (Chair), Joanna Young (Vice-Chair), Tim Dant, Roger Dennison, Jason Firth, Mandy King, Jack O'Dwyer-Henry, Katie Whearty and David Whitworth

(ii) Substitute Membership

Councillors Tony Anderson, Tricia Heath, Oliver Robinson, Stewart Scothern and Jason Wood

(iii) Queries regarding this Agenda

Please contact Stephen Metcalfe, Democratic Services - telephone 01524 582073 or email sjmetcalfe@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

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

KIERAN KEANE,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
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Published on Monday, 9th December 2019.

BUDGET & PERFORMANCE

**Arts Investments
17th December 2019**

Report of Director of Economic Growth & Regeneration

PURPOSE OF REPORT
This report is to provide information for Budget and Performance Panel to review the Council's arts Service Level Agreements and their performance.
This report is public.

RECOMMENDATIONS

(1) Budget and Performance Committee notes the contents of this report

1.0 Introduction

1.1 Budget and Performance Panel requested information to consider a review of arts investments via Service Level Agreements (SLA's) for the management and governance of grants from the Council. This report sets out the current level of investment by the Council, the management arrangements in place for monitoring SLA's and a summary of the latest monitoring information.

2.0 Background

1.1 The Council has supported arts and culture in the district in various ways in recent years playing a strong role in terms of support, development, investment, promotion and delivery. As part of this, investments have been made via Service Level agreements to support the activities of a number of arts organisations.

1.2 The Council's current investments are as follows:

Dukes £163,000
Litfest £10,700
More Music £11,900
Ludus Dance £24,800

1.3 Monitoring of all of the Service Level Agreements with the Dukes, Ludus, Litfest and More Music takes place in a number of ways:

- A six monthly health check is undertaken with Litfest, Ludus Dance and More Music that allows for a midyear discussion on progress, any issues that may have arisen and expectations for the remainder of the year.
- A quarterly monitoring meeting is undertaken with The Dukes that allows more regular discussion on information supplied by them as part of a quarterly activity report and financial statement.
- A senior officer is also invited to attend The Dukes Board of Trustees meetings and is

in receipt of Board papers and reports.

- An end of year report is provided by all the above arts organisations that details actual performance and provides an evaluation of activities, programme highlights, new developments, audiences, economic and social impact, partnerships, engagement and a summary of finances.
- End of year draft accounts are provided, followed by end of year audited accounts.

The Council works closely with arts organisations to address any issues that arise as part of the monitoring arrangements in place.

- 1.4 It's worth noting that a framework for the Council's investment and use of resources to support arts and culture has recently been agreed. The Cultural Investment Framework sets out parameters that take account of the Council Plan, which has been widely consulted upon.

2.0 Details

- 2.1 The latest monitoring information is from the 2018/19 end of year activity reports submitted by Litfest, Ludus Dance, More Music and The Dukes. This information includes output targets and actual achievements for such things as number of artists and volunteers engaged, audience and participation numbers, new products or commissions, number of people employed and number of sessions delivered for education, training or taking part. The arts organisations also provide examples of projects and activities undertaken during the year and more general information such as staff changes, business planning, marketing, challenges that have been addressed and lessons learned (see Appendix 1).

- 2.2 Audited accounts have been requested and are normally all available by January following year end the previous April. These will be made available once received. A basic financial summary is provided as part of the end of year report and has been included in this report, however this information has not been verified and will differ from the financial details in audited accounts (see Appendix 2).

- 2.3 Further information is available if Budget and Performance Panel identifies further lines of enquiry.

3.0 Details of Consultation

- 3.1 Regularly meetings take place with these arts organisations of which some are specifically to monitor service level agreements.

4.0 Conclusion

- 4.1 A thorough monitoring process is in place and detailed information is provided by the arts organisations that the Council supports. From this information officers determine if Council's Investment has achieved the aims and objectives set out in the Service Level Agreements.

**CONCLUSION OF IMPACT ASSESSMENT
(including Health & Safety, Equality & Diversity, Human Rights, Community Safety,
Sustainability and Rural Proofing):**

Arts investments contribute directly to economic and social outcomes.

LEGAL IMPLICATIONS

Council arts investments are managed via Service Level Agreements.

FINANCIAL IMPLICATIONS

The Council requires a range of deliverables in respect of its arts investments and these are expected to represent value for money as well as contributing to outcomes that relate to Council priorities.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces

Resource implications relate primarily to officer support. However, the level of support required varies considerably from time to time.

SECTION 151 OFFICER'S COMMENTS

Whilst the Council has a long history of supporting the Arts it is expected that the forth coming Arts Framework document will provide a mechanism for assessing requests for new and continuing financial support against a series of criteria.

Members may wish to consider when noting the report if the targets and outputs reflected in the 2018/19 SLA's remain appropriate and are sufficiently stretching to form the basis of future monitoring.

DEPUTY MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Contact Officer: Richard Hammond
Telephone: 01524 582638
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APPENDIX 1

Targets & Outputs 2018/19

Performance Indicators	Ludus Dance		More Music		Dukes Theatre		Litfest		Totals
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Artists engaged	18	28	75	95	170	212	34	77	412
Volunteers	10	25	55	40	90	191	49	70	326
Others taking part (local)	4,000	5,900	9,000	9,199	16,500	16,916)	60	25	32,040
Others taking part (from outside the area)	800	281	3,000	13,798	1,200	1,880	20	0	15,959
Audience (local)	1,000	1,379	25,000	34,736	65,000	83,925	540	583	120,623
Audience (from outside the area)	500	431	120,000	138,944	35,000	51,273	290	135	190,783
No. of performance days or exhibitions	29	22	200	297	1,100	1,761	20	34	2,114
No. of new products or commissions	5	15	4	5	20	90	20	1	111
No. of people employed in full-time employment	-	-	1	2	19	17	-	-	19
No. of people in part-time employment	10	11	22	23	22	21	1	1	56
Period of employment for artists	89	139	2,000	1,032	2,900	3,194	30	68	4,433
No. of sessions for education, training or taking part	610	679	1,000	1,060	1,800	1,001	7	3	2,743

Summary of Activity from 2018/19 End of Year Reports submitted by the Arts Organisations

Litfest - This year the focus for the Litfest board was to deliver a special festival in March 2019, as the organisation celebrated 40 years. Litfest was one of the first three literature festivals established in the country and we wanted to ensure that we delivered an extra special festival, which was ambitious in covering nearly every weekend in March. The difference between Litfest and other similar festivals is that it is unique in supporting new talent; developing writers and providing platforms for writers to flourish.

There was a mix of well-known writers and opportunities for new talent to showcase their work. For the first time the festival incorporated dance into a unique storytelling performance. Litfest presented 27 events which began on 8th March on International Women's day and ended on 31st March with a joint event presented by Litfest and Ludus Dance. For this element of the festival we had applied for Arts Council funding but unfortunately were not successful. Therefore the event was much more toned down than we would have both liked but it was well received by the audiences. This performance was based on a book which was produced by Litfest several years ago- the Sea Swallow. The performance used virtual technology, dance and storytelling to bring the book alive.

Other events throughout the festival were developed in partnership with Lancaster University. The Translate, Create, Debate event gave local students the chance to learn about creative translation during a workshop with literary translator Sophie Lewis. The event held at the University during the last weekend was one of the highlights when Roger McGough and Little Machine performed. This was presented in partnership with Lancaster Arts and was a first venture into a commercial event for the board.

At the beginning of the year Litfest delivered a digital storytelling project in partnership with local storyteller Jacqueline Harris. This project was performed in a number of locations in the city and in Rossendale and Brigsteer. Storytelling continues to be popular and in the autumn two events were held at The Storey. Both

events attracted good audiences and there is certainly more for Litfest to explore in developing this specific area.

Litfest has welcomed a new person onto the board and that person brings a past knowledge of Litfest with them but also a vast experience as an editor of a large publishing house within the UK. That is going to be very beneficial for the organisation moving forward. We also have 4 more people wishing to become part of the board during the coming year and it is hoped they will again provide additional skills for the board in terms of legal, fundraising and literary knowledge. This is definitely a focus for the board during the coming year and we are currently producing a strategy to cover the next three years.

More Music – More Music welcomed a new Artistic Director Loz Kaye and a new Finance and Operations director Serena Mansfield following the departure of founder Pete Moser and Kerry Duffin. The departure of Pete and the arrival of Loz was timed to coincide with the new ACE NPO and Youth Music funding agreements and the Business Plan 2018-2022. In the process of writing the new plan we examined our current position and acknowledged that our mission and vision remain constant and our impact for the next 4 years will be defined in terms of increased community pride and cohesion.

More Music's focus is on the West End of Morecambe with a year round programme of excellent participatory music-making and community events punctuated by 3 seasonal festivals. At That Spring Thing local people gathered together for an afternoon of community planting music, food and amazing story telling from Emily Hennessey and the Crick Crack Club with their innovative Gods and Monsters show, part of an ACE funded tour. This event is about reclaiming unloved green spaces and reviving them as places that residents can enjoy while developing pride in the neighbourhood and building community cohesion.

The West End Festival has been running since 1995 and this year happened in blazing sunshine on Regent Park and provided excellent entertainment, fun and games for local people. This event is increasingly significant for the community where there are so few opportunities for people to gather and access free, excellent creative activities and entertainment

The 2018 Catch the Wind Festival was bigger and better than ever, additional sponsorship from Morecambe BID enabled us to extend the event down the promenade into the town centre. We were able to bring in additional professional flyers so there was a magnificent display of kites across the length of the sea front. There were workshops and performances in and around the Arndale Centre as well as on the Midland field and around the Platform. There was an estimated attendance of 22k, many visitors were from out of town.

In October we again joined in the national initiative Fun Palace, which aims to bring art and culture to everyone, with a great open day at More Music providing a range of amazing participatory arts, scientific activities and entertainment.

Other regular sessions included the open access Baybeat band (50 people per week) a folk class, an early years music session, 3 sessions for adults with learning disabilities a Chinese orchestra, 6 sessions for young people plus quarterly gigs. There is increasing evidence about the positive impact of engaging in creative activity on health and wellbeing so this programme is a vital connection to the wider community for many participants. We also presented an eclectic programme of excellent music from artists and bands from around the world. We hosted Shore to Shore, a sell-out high profile national theatre tour, which explored the experiences of people of Chinese heritage living in UK. This was featured on national TV and radio and attracted an audience from Leicester, Bradford and Liverpool.

We have continued to provide opportunities for the Polish members of our community. We hosted a St Andrews night family party with music games and dancing, face painting and food. Polska was attended by 120 people and in January we held a zabawa where 80 people brought food and drink to share and danced the night away to Polish DJ Pawel.

More Music's building is a much used community hub; in addition to the work we deliver ourselves we provide a space for ACE counselling services, the baby weighing clinic, community meetings and access to employment training courses.

Other projects and activities include, The Lantern Festival, Contributing to Light Up Lancaster, Morecambe Christmas Lights Switch On, Holocaust Memorial Day, Lancaster District Homeless Action Service song writing and recording project, Lancaster University staff choir, Halton Community Centre weekly singing sessions and, Bay Medical Group team building.

This is a fraction of the work More Music has delivered in the district, which also includes significant involvement with and contribution to LAP, LCEP, CYPMAF, MAC, and the CYP Mental Health Champions Network and the Coastal Communities team.

Dukes Theatre - The Dukes is Lancashire's leading producing theatre and cultural centre. Now established in post our Artistic Director Sarah Punshon continued to make an impact including an expanded artist development summer programme and working on her first promenade production *The Three Musketeers* in Williamson Park. *Peter Pan* our 2018 Christmas show achieved the highest box office sales for The Round at almost £151K, exceeding the previous year by 0.6%. The park show, a partnership with Williamson Park, achieved respectable sales with box office takings of £220K. 2018/19 and it was our highest ever grossing year for cinema ticket sales: £208,142 for film screenings and £68,839 for live-by-satellite screenings. The Dukes started 2018/19 with unrestricted reserves of -£1,344 and restricted reserves of £96,958 (representing predominantly trust and foundation investment in future projects). Unfortunately despite the successes at box office and in income diversification, The Dukes finished 18/19 with a deficit of £40,480, subject to audit, which reduced the restricted reserves to £7,334. Unrestricted reserves will be calculated during the audit. The deficit included two extraordinary items totalling £26K (one-off HR payment and costs associated with our storage move which could not be capitalised) but was also the result of managing a much more complex portfolio of income including multi-year trust and foundation income and of not being able to achieve projected cost savings in overheads in an inefficient and dated building. In response The Dukes has developed a new High Level Business Plan and secured a re-profiling of its grant from Arts Council England. This will enable us to transition to a new, more sustainable business model whilst still retaining core services for local people.

Artistic highlights

Home-grown productions were particularly successful this year:

- *Educating Rita* (co-production with New Vic Theatre, also toured to the Stephen Joseph Theatre in Scarborough:
"another triumph for Lancaster's independent theatre" **** Northern Soul
- *The Three Musketeers*, Sarah's first Play in the Park, was nominated for the UK Theatre Award for Best Show for Children and Young People:
"A witty, imaginative lightness of touch characterises every aspect" ****The Observer
- *The Astonishing Vacuum Cleaner Adventure*, co-produced with One Tenth Human, toured across the North West with the support of Big Imaginations:
"Pitched just right so that everyone could join in! full of fun and wonder" Audience comment
- *Beautiful Thing*, produced by Tobacco Factory Theatres in association with The Dukes Lancaster:
"heart-warming, celebratory, biting funny... a tour de force" **** Reviews Hub
- *Peter Pan*, adapted and directed by Sarah Punshon for her second Dukes Christmas show, surpassed 2017's success with *Aladdin*:
"this is family theatre of the highest quality." ***** Northern Soul
- *Glory* by Nick Ahad, co-produced with Red Ladder, in association with Tamasha Theatre.

“Timely, intelligent and quietly moving, it’s a production that provides plenty of food for thought – about community, identity, ‘left behind’ towns, the refugee crisis – while also making you laugh out loud. Its entertainment with a powerful message that gets you in a headlock, hits you on the funny bone and breaks your heart.” **** Yorkshire Post

Our artist development programme developed extensively in this period, in particular with the involvement of our Ignite Associate Producer, a Sustained-funded fixed-term post focussed on increasing our engagement with BAMER artists and communities. In 18/19 we engaged with 261 individual artists, with 87 of those first-time engagers. Our target was 14% BAMER; in fact 33% identified as BAMER. We also hit our target of 6% of artists identifying as disabled &/or D/deaf.

Kickstart Open Space threw open our doors in August once again, hosting 12 individual artists developing 5 new pieces. We hosted a further six companies for one or two week R&D residencies, including Daniel Bye, Ross McCaffrey, Jen Street, and our Associate Company Junction 8, and showcased 8 extracts of new work at two well-attended Scratch events. We continued to host Associate Company LPM’s weekly accessible dance classes.

Associate Artist Lisa Simpson, quadriplegic choreographer, was supported to develop her first professional piece, *Succession*, which premiered in the Rake in September 2018, alongside a curtain-raiser developed with young Bharatanatyam dancers from Swati Dance Company (Preston) and an integrated piece by Scottish company Indepen-dance. Route 555, a commissioning programme in partnership with Theatre by The Lake (TBTL) and The Brewery, initiated last year, came to fruition with the premiere of Sonya Moorhead’s new piece *Feral* (November 2018) and R&D for *Ladies That Bus*. As part of our BASE programme we offered 6 free masterclasses to local artists: from clowning to marketing via safeguarding and dementia-friendly arts, with experts including internationally-renowned clown teacher John Wright.

Our outreach work is specifically targeted at those most excluded from the arts and included in 2018-19 the Gypsy Roma Traveller community, young people referred by Lancaster CAMHS or Pupil Referral Units and people with experience of street homelessness. *A Life More Ordinary*, our dementia-friendly arts and film programme, provides engagement for people with dementia who are at risk of social exclusion.

This year we began providing free space for several groups organised by local LGBTQ+ support group *Out in the Bay*, including weekly coffee afternoons and monthly trans and family support groups.

Diversity was at the heart of everything we did in 18/19. We increased the diversity of our performers and creative teams: of the 25 professional actors in Dukes produced & co-produced work this year, 11 were BAME, of whom one was registered disabled. Commissioned writers were female or BAME, including British Asian playwright Nick Ahad on *Glory*.

Three inclusive theatre groups presented professionally-supported shows: *Shattering Images*, for young adults with learning difficulties in partnership with Loyne Specialist School; *RedBananaLlama*, for adults with physical and learning disabilities; and *Still Me*, for people living with dementia and their carers.

66% of bookers came from the Lancaster District, with clusters in Morecambe, Lancaster and outlying villages, a similar figure to 2017/18. Based on an independent impact study, in 2015-16 The Dukes had an estimated economic impact of £5.3 million and supports 105 additional jobs. Total press cuttings: c. 644. At an average advertisement value of £200 per mention this equates to £128,800 of coverage. Social media followers - facebook: 9,538, Twitter: 11,073, Instagram: 1,632.

The Dukes has a lead role in Lancaster Arts Partnership - managing the group’s finances and chairing meetings. The Dukes is a key partner for Light Up Lancaster providing financial management, volunteer support, technical services as well as co-chairing the steering group. The Dukes was a key driver in scoping around City of Culture opportunities and learning. The Dukes contributes to Arts Lancashire. We

have a lead role on the management group for Lancaster Business Improvement District as well as attendance at the Events & Marketing sub-group.

For our outreach and engagement activity we have strong partnership working with Age UK Lancashire, Curious Minds, the Gypsy Roma and Traveller Community Attainment Service and Lancaster District Housing Action Service. The Dukes has a three year strategic Cultural Partnership with Lancaster University and Lancaster Arts. In addition we again co-delivered a module in Writing for Performance, with expanded student numbers; the University recruited a new post in Applied Theatre, and we are in consultation on creating at least one new co-delivered module for autumn 2019. We also partnered with Lancaster University, Tamasha Theatre and Freedom Studios on the inaugural Lancaster Playwriting Prize, focussed on BAMER playwrights.

Ludus Dance - As an organisation that develops and champions work for, by and with children and young people (CYP), we see art, culture and heritage as essential elements in contributing to the successful nurturing of well adjusted, resilient and socially conscious members of society. Our work delivers on a range of social, educational and health and wellbeing agendas. We develop our work at a grass roots level to seek out and support talented individuals, opening doors to career paths within the arts. Arts Council England's quality principles form the bedrock of our work with CYP and we actively promote quality and excellence with our partners, peers, staff, participants and audiences.

Via 6 intrinsically linked programme strands (*Youth Dance & Talent Development, Cultural Education & Heritage, Inclusion, Studio Programme, Artist Development and Central Events*) we deliver a range of accessible and inclusive initiatives across Lancaster.

A range of inclusive, creative workshops acting as a first entry point into dance - a balanced programme of activity for local residents with workshops catering for babies/ toddlers and their parents and/or carers (birth-4 years), children (5-15 years) and adults (18+ years). Whether new to dance or a professional, there are clear routes into different kinds of activity. Many of our local studio class attendees have also engaged in some of our project work. Through the studio programme we have also increased our level of support to local artists and enthusiasts wanting to run arts activities from our venue. We have also trialled a number of commercial activities such as children's parties and bespoke wedding dances.

With a nationally recognised youth company, our work in youth dance regionally is second to none. We offer young people the opportunity to develop a wide spectrum of skills leading to either a life in the arts as a participant or as a deliverer/maker/leader. We deal in the development of untapped talent, capitalising on a skilled workforce of strong role models.

In June of 2018 and after running a series of taster sessions in local schools we hosted two days of auditions in our studio, reaching over 60 young people from across the North West. 20 young people were selected to join the company. This year they have performed across the North West and worked with nationally renowned choreographers Vicki Igbokwe and Tom Roden.

For the fourth year running, in the summer of 2018, LYDC was the only youth company selected to represent the North West at the national U Dance festival produced by One Dance UK. This year the festival was held in Ipswich.

Through this strand we have also developed a junior youth dance group, as well as offer regular advanced training through fortnightly BOOST IT workshops in our studio.

Our JOLT initiative within our youth company has supported the professional development of four young undergraduate students, enabling them to learn more about what it is like to work within an organisation and develop local project work.

Strengthening our vision of universal access, no matter background or ability, our inclusion strand seeks individuals that need that little bit of extra guidance in order to achieve. Through inclusion we open up a whole world of possibilities for people, providing them with access to development opportunities.

Through the inclusion strand this year we have developed a number of new projects:

- AMP (Accelerate, Move, Propel) - an initiative to provide opportunities for disabled young people to engage with creative dance. For 2018-19 the HUB was run from the Loyne School in Lancaster
- The FORGE – an initiative to support local BAME artists. This year a Manchester based artist was invited onto the initiative, where he worked with our Artistic Director to develop a solo show exploring masculinity and cultural traditions. Linking with the university, he also ran a discussion group with students interested in men, masculinity and displacement

Recognising that with many of the young people we engage their first experience of arts is at school, we have continued to develop high quality cultural experiences through CPD, curriculum based and extended enrichment activities. In 2018-19 we developed a three tier system of engagement and overhauled our local schools offer. Tier 1 is around advocacy and support, tier 2 ad hoc delivery and tier 3 partnership development.

Schools evaluation highlights:

- 100% of respondents felt that the work we delivered achieved their outcomes
- 100% of respondents would work with us again
- 50% of respondents were new to Ludus Dance
- 100% of respondents rated the quality of our workshop leaders as outstanding/ good

In 2018-19 we successfully secured over 50k of funding to develop an ambitious project exploring the 1918 women's suffrage. Over three districts, including Lancaster, local residents came together to explore the lives of local Lancashire suffragettes/ suffragists. The work culminated in a mass performance event at the Harris Museum, as well as smaller performances from the Lancaster group. On the back of this we were able to take digital dance workshops to local schools, combining 360 degree films (VR) and creative dance.

Crucial to our commitment for excellence is the need to maintain a pipeline of highly skilled and competent artists through a range of professional development opportunities. We cannot rely on local HE institutions and national conservatoires to provide us with a workforce that is fit for purpose on graduation. We have a key role in developing the next generation of arts facilitators, makers and leaders and have done so in a number of ways.

Over the last year we have supported 4 local artists to develop an aspect of their professional practice. They received group and one to one mentoring, as well as a small amount of seed funding to develop an idea.

Through the Garrick Charitable Trust, we were able to host a number of business surgeries for local dance artists.

In 2018-19 we maintained our local professional peer led class offer.

SLAPDASH is a space for local artists to share performance work at an early stage in development. The first SLAPDASH event was run in March, showcasing work from six artists.

In partnership with The Dukes the BIG UP North Dance Theatre Festival showcases some of the most innovative works from youth companies, community groups and schools across the North West. At the festival everyone has the opportunity to perform and take part in a number of workshop activities.

This year 25 groups shared their work on stage to over 250 audience members across two nights. During the day participants took part in dance, digital and visual arts workshops.

Quotes from the participants and company leaders:

“Really nice welcoming environment, which is a nice change to most places we’ve been to.”

“Everyone’s really supportive and it’s not competitive.”

“I enjoyed the 100 ways to hug workshops because I felt really creative and felt it was easier to bond with people.”

“I’ve been doing the festival for 10 years, first with QED and now with my own group Redlocks Creations, supporting Maelstrom Youth and as a volunteer! It’s been an amazing atmosphere this year and I’ve gotten so much out of it, including offers of work from schools after Redlocks performance to teach workshops.”

“I just wanted to say a big thank you for such a fantastic day on Friday. Our dancers absolutely loved the whole experience and haven’t stopped talking about it since. From the workshops to watching other dancers, they have been asking questions constantly and even performed some of the AbouTurn poem to their GCSE class.”

Throughout the year we have piloted a number of events in our studio, including a SpringFWD fundraiser for our work with young people experiencing mental health difficulties and two licensed gig nights (Reggae & SKA) again to raise vital funds for our work and open our venue to a new local audience.

APPENDIX 2**Arts Organisations Basic Income/Expenditure Statement 2018/19**

Organisation	Total Income (£)		Total Expenditure (£)
	Target	Actual	
Ludus Dance	260,950	229,064	258,716
More Music	477,000	666,831	608,207
Dukes Theatre	1,732,490	2,004,928	2,003,719
Lifest	48,000	35,443	37,291
Totals	2,518,440	2,936,266	2,907,933

Note: Ludus Dance and Lifest reported that reserve would be used to balance budgets

Lancaster City Council | Report Cover Sheet

Meeting	Budget & Performance Panel	Date	17 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 Budget & Performance Panel 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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Email	dbates@lancaster.gov.uk
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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	Q2	Projected	Projected
	2019/20	Actual	Outturn	Variance
	£'000	2019/20	2019/20	2019/20
		£'000	£'000	£'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%			
N/A - End of year figures will be reported next quarter																	
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			
N/A - End of year figures will be reported next quarter																	
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															

 <i>Promoting City, Coast & Countryside</i>	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					
	CCTV	32	5	67	(35) 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	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 33	303 (15)	599 33	+1 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 Development Control	48 (431)	15 (137)	48 (422)	0 (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					
	New Homes Bonus	(1,672)	(2,023)	(1,672)	0
	Revenue Funding of Capital	864	0	864	0
Other Items	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:

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 - 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)
	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
Premises Related Exp	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
	Car Allowances	38	12	38	0
	Contract Hire Operating Leases	50	31	50	0
Transport Related Exp	Direct Transport Costs	1,126	543	1,128	(2)
	Public Transport	18	17	21	(3)
	Transport Insurance	84	87	85	(1)
	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
Supplies and Services	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)
	Customer Fees and Charges	(16,063)	(9,484)	(15,762)	(301)
	Government Grants	(31,638)	(16,223)	(31,608)	(30)
Income	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					
Income Account	(14,321)	(6,427)	(14,471)	+150	Increased Income £115K (£120K from Rents Dwellings, £21K (service charges) Flats fewer voids and faster turnaround, -£26K garages due to voids) 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 £			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)

BUDGET AND PERFORMANCE PANEL

**Reserves Strategy
17th December 2019**

Report of Director of Corporate Services

PURPOSE OF REPORT

To provide members with an update on various matters in connection with the Council's Reserves Strategy and associated Action Plan.

This report is public.

OFFICER RECOMMENDATIONS

- (1) That Budget and Performance Panel considers the Cabinet Report dated 1 October 2019 and attached appendices, making any comments and recommendations considered necessary.

1.0 RESERVES STRATEGY

- 1.1 The reports attached at **Appendix 1**, presented to Cabinet on 1 October 2019, provides information in relation to the management of the Council's usable revenue reserves. The aim of strategy is to improve clarity around the use of reserves in meeting Council priorities as well as the responsibilities for approving their use.
- 1.2 Budget and Performance Panel are asked to consider the Cabinet report and attachments in line with their Terms of Reference within the Constitution.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing): As set out in the relevant appendices.

LEGAL IMPLICATIONS

As set out in the relevant appendices.

FINANCIAL IMPLICATIONS

As set out in the relevant appendices.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

As set out in the relevant appendices.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted when preparing this report.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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Director of Corporate Services
Telephone: 01524 582238
E-mail: dbates@lancaster.gov.uk
Ref: N/A

Reserves Strategy

Introduction

1. Reserves are an essential part of good financial management. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for the Council as part of the Medium Term Financial Strategy (MTFS).
2. The Council may choose to fund some of its spending from its reserves, or set aside some of its income to increase reserves for future spending.
3. Lancaster City Council, in common with most local authorities, face significant financial challenges. The unprecedented reduction in government funding from 2010/11 to 2019/20 and continuing uncertainties with respect to funding as well as, rising costs and growing demand for many services are all testing the Councils' financial management and resilience.
4. The introduction of local business rates retention in particular has created additional risks to all Councils' finances and particularly for Lancaster as it is one of a handful of authorities which has a nuclear power station within its area. The Council, therefore, bears a significant risk of a temporary or permanent shut down at the power station which would immediately and significantly reduce funding from business rates. The magnitude of such a financial shock is sufficient that the Council must hold a reserve to provide resilience in the event that this happens.
5. Current and future financial challenges pose significant risks for the Council. The Council will continue to use reserves to balance competing pressures for example:
 - Using reserves to offset funding reductions and protect services – although this can only be a short-term strategy as reserves are a one-off funding resource.
 - Using reserves to provide 'one-off' expenditure to meet corporate priorities.
 - Investing in making changes that reduce the cost of providing services in the longer-term.
 - Increasing reserves to strengthen resilience against future, uncertain cost pressures.

The approach to setting the Reserves Strategy.

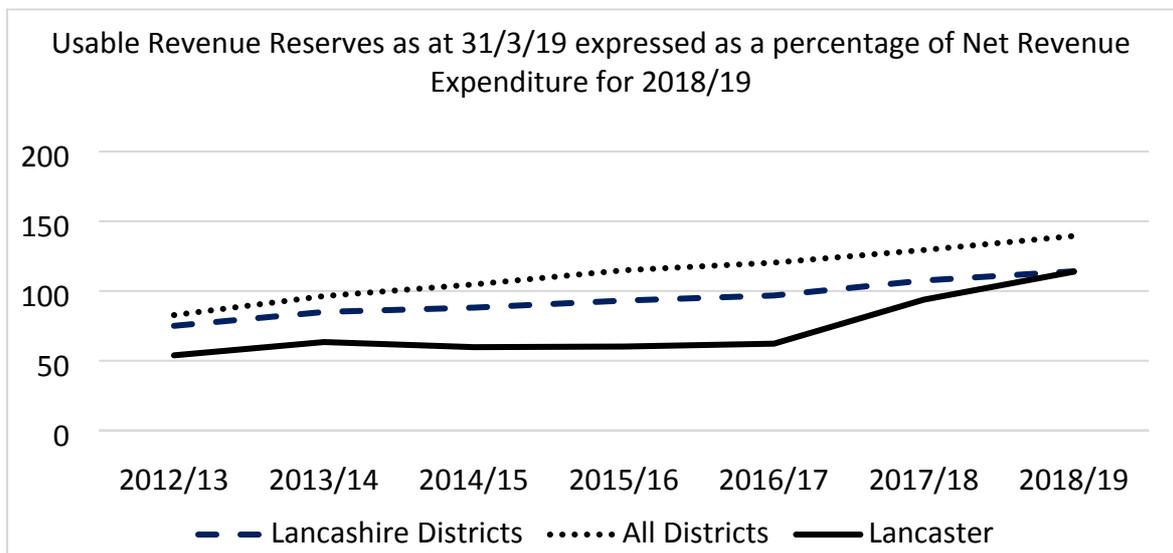
6. The Reserves Strategy covers the following aspects:
 - Information showing the current level of reserves, individually and in aggregate and an assessment of the adequacy of reserve levels.
 - A summary of the financial risks facing the Council, how it will mitigate these risks, and the minimum and maximum level of residual risk for which the council may need to hold funds in its reserves, particularly its General Fund and HRA reserves.
 - Consideration of the forward strategy for reserves needed to support the Medium Term Financial Strategy.
 - Summary of each individual reserve covering its purpose and governance arrangements for its use.
7. Reserves will be monitored throughout the year as part of the quarterly financial monitoring and the level of reserves reported as part of the year-end accounting processes.

Level of reserves and principles to assess adequacy

8. Within the existing statutory and regulatory framework, it is the responsibility of the Chief Financial Officer (at Lancaster this is the Financial Services Manager who is the Section 151 Officer) to advise the Council about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.
9. For clarity, within the legislation the minimum level of any reserve is not quantified. 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. This is an assessment which the Council should make with advice from the Section 151 Officer.
10. At the end of the 2018/19 financial year, Lancaster City Council had levels of usable reserves as set out in the table below.

	2017/18 £000s	2018/19 £000s	Change £000
General Fund Reserve	5,067	5,714	647
Earmarked Revenue Reserves	11,869	14,843	2,974
Usable Capital Receipts	0	0	0
Capital Grants Unapplied	103	103	0
Total General Fund Reserves	17,039	20,566	3,527
HRA balance	2,017	2,235	218
Earmarked HRA Reserves	10,561	10,537	(24)
Total HRA Reserves	12,578	12,772	194

11. The table shows that reserves increased during 2018/19. This was mainly due to an increase in the business rates reserve from the Council's share of retained rates associated with business rates growth in the district. The increase in reserves is a significant boost to the Council's financial resilience.
12. Media focus on reserves has tended to focus on General Fund revenue reserves as it is these which provide the financial resilience to guard against unanticipated increases in expenditure or reductions in income.
13. The graph below shows the level of reserves at Lancaster City Council expressed as a percentage of net revenue expenditure compared with all other district councils.



14. Lancaster City Council has the equivalent of about one year's net revenue expenditure held in usable revenue reserves. In general terms, reserve levels should be adequate to meet any short term unanticipated financial shock.
15. In specific terms, it is important to assess the adequacy of reserves taking account of the financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements. These include:

Budget Assumptions

- Levels of Government funding, council tax and business rates.
- 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 adequacy of the authority's insurance arrangements to cover major unforeseen risks.

General Fund Balance

16. The general fund balance is an un earmarked revenue reserve and as such should be sufficient to cover all unanticipated expenditures or reductions in income that may arise so that the authority has sufficient balances to meet these in the medium term.
17. In calculating the minimum level of General Fund balance, an assessment of the risks that give rise to unanticipated expenditure or loss of income has been made and these are shown in the table below. The analysis shows that in the unlikely event of a 'perfect storm' of risks happening all within the next year then there are sufficient balances to meet all these risks. This would give the Council time to adapt to such risks in the medium term.

Risk	Sympton of risk	Balance required £000
Increased demand for services	3% increase in net revenue expenditure	500
Recession results in reduced fees and charges income	10% reduction in major fees and charges income	657
Recession results in reduced council tax collection rates	3% reduction in collection rate	282
New Homes Bonus Scrapped	Significant reduction in funding income	1,242
Next year's budget savings not achieved	Significant overspend	1,083
Natural disaster such as flood	Additional unanticipated expenditure	500
Uncertainty with respect to Brexit	Additional unanticipated expenditure	500
Aggregate overspend if all above risks were to happen		4,764
General Fund Balance as at 31/03/19		5,704

HRA Balance

18. The HRA balance and earmarked reserves are considered each year in conjunction with the annual budget at update of the 30 year business plan.

Earmarked Reserves

19. The Council holds a number of earmarked reserves, which it has chosen to set aside for one of the following purposes:

- To manage fluctuations in income or funding.
- To provide for some future anticipated expenditure for identified projects, particularly in respect of corporate priorities.
- To provide up-front costs which specifically result in future efficiencies, cost savings or increased income.
- To hold funding from other bodies, mainly Government, for specified purposes.

20. A schedule of earmarked reserves is included at the end of this document with details, for each reserve, of the estimated balance as at 31/03/20 and its purpose. Specific issues arising from a review of earmarked reserves (see para. 21) are detailed in a reserves action plan shown below (para. 22).

21. The Financial Resilience Advisory Group (FRAG) has undertaken a review of usable reserves which has looked at each of the following areas:

- The reasons for holding reserves, ensuring that each reserve has a clear and unambiguous purpose which relates to the Council's operations and priorities.
- The appropriate level of reserves, both collectively and individually, ensuring that there is sufficient to cover future commitments and priorities whilst maintaining good levels of financial resilience.
- Authorisation processes for the use of reserves including the adequacy of reserve bid documents, Cabinet and Portfolio Holder as well as Officer accountabilities and the timing of reserve bids.
- Reporting on the levels of reserves in terms of financial reporting and performance reporting in respect of the effectiveness of reserves use.

22. A reserves action plan is shown below.

Action Point	Action	Deadline	Responsibility
1	Calculate the level of Business Rates Reserve required to support the budget over the medium term should business rates income fall to safety net levels and transfer any surplus funds to the new Corporate Priorities Reserve.	February 2020	S151 Officer
2	Review reserve balances for Canal Quarter, Capital Support, Economic Growth, Welfare Reforms, Morecambe Area Action Plan and Amenity Improvements to ensure that action plans exist for the use of the remaining reserve balance. Where uncommitted reserve balances remain, these should be transferred to the new Corporate Priorities Reserve.	February 2020	S151 Officer
3	Budget Support Reserve to be renamed Corporate Priorities Reserve and change the purpose of this reserve to focus on corporate priorities projects.	October 2019	Cabinet decision
4	The Invest to Save Reserve should be used for all projects which arise from the Funding the Future Strategy (incorporating efficiency reviews, commercialisation and property investment) and any other project which is aimed at delivering efficiencies, reducing costs or increasing income.	October 2019	Cabinet decision

23. Following discussion by the Financial Resilience Advisory Group, the processes set out below have now been incorporated into the reserves use process (subject to Cabinet and Council approval).

Reserves Bid Document

24. All future bids for reserves use will be supported by a bid document (included as appendix two) which sets out in detail the resources required, an action plan and outcomes and measures which reconcile to corporate priorities.

Reserves Bid Authorisation

25. Reserve bids decision limits will be as follows:

- Up to £25k – to be agreed by Portfolio Holder in consultation with relevant Director. Bid should have been pre-approved by Cabinet.
- £25k to £100k – to be agreed by Portfolio Holder in consultation with relevant Director. Individual Cabinet Member Decision to be published. Bid should have been pre-approved by Cabinet.
- Over £100k – to be agreed by Cabinet Meeting.

The pre-approval concept, which should apply to all financial bids is explained overleaf.

Reserves Expenditure Monitoring

26. The monitoring of reserves will be incorporated into the quarterly performance and financial monitoring reporting process.

Pre-Approval

The annual budget framework process will consider revenue, capital and reserves bids in the context of corporate priorities. Where bids are considered at times other than the annual Budget Council it is just as important that these can show that they meet these priorities. This will be achieved if the projects are 'pre-approved' by Cabinet, usually when corporate strategies are considered and approved. Any financial bids made during the financial year (up to £100k in the case of reserves) can be approved by the relevant Portfolio Holder, supported by the relevant bid document, as long as the project has been previously identified and pre-approved in a report to Cabinet.

This will ensure that governance transparency is balanced with speed of decision.

Schedule of Earmarked Reserves

Reserve	Balance 31/03/19	Change in 2019/20	Est. Balance 31/03/20	Purpose of the Reserve	Notes
Business Rates Retention	6,283,353	0	6,283,353	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.	To be reviewed – Action Plan 1.
Planning Income	74,623	14,000	89,023	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).	
Canal Quarter	237,367	(103,500)	133,867	To cover commissioning costs relating to external support and advice for the CCN development.	To be reviewed – Action Plan 2.
Capital Support	262,193	(65,000)	197,193	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).	To be reviewed – Action Plan 2.
Economic Growth	203,530	(109,100)	94,430	To support economic growth activities in the district.	To be reviewed – Action Plan 2.
Elections	108,802	(120,000)	(11,198)	To even out the cost of holding City Council elections every four years.	
Local Plan	23,724	0	23,724	To support the adoption of the Local Plan.	
Morecambe Area Action Plan	27,324	(11,000)	16,324	To support implementation of the MAAP (Cabinet report 11 February 2014).	To be reviewed – Action Plan 2.
Renewals	330,312	(45,100)	285,212	To provide for the renewal (replacement or upgrade) of existing facilities and infrastructure needed for service delivery, such as vehicles, plant and equipment.	
Welfare Reforms	349,018	(25,000)	324,018	To help manage the cost and administration pressures of any welfare reforms (in particular, localisation of council tax support and Universal Credit).	To be reviewed – Action Plan 2.
Amenity Improvements	29,000	0	29,000		To be reviewed – Action Plan 2.

Reserve	Balance 31/03/19	Change in 2019/120	Est. Balance 31/03/20	Purpose of the Reserve	
Budget Support	2,532,077	(692,300)	1,839,777	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.	To be renamed and purpose reviewed – Action Plan 3.
Corporate Property	371,818	0	371,818	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.	
Invest to Save	1,450,387	(139,800)	1,310,587	To help finance any Invest to Save initiatives.	Purpose to be reviewed – Action Plan 4.
Restructure	530,739	0	530,739	To fund the costs associated with early termination of staff (in the interests of efficiency / redundancy) / Pay and Grading Review.	
Revenue Grants Unapplied	693,938	(32,200)	661,738		
Homelessness Support	101,289	6,600	107,889	To hold related government grants or other specific external funding until needed for homelessness prevention measures.	
S106 Commuted Sums – Open Spaces	43,949	(15,600)	28,349	To receive all sums paid to the Council from third parties for the maintenance of open spaces adopted by the City Council.	
S106 Commuted Sums – Affordable Housing	897,363	0	897,363	To receive all sums paid to the Council from third parties in respect of affordable housing schemes.	
S106 Commuted Sums – Highways, Cycle Paths	206,025	10,000	216,025	To receive all sums paid to the Council from third parties other than for affordable housing and grounds maintenance.	
Museums Acquisitions	16,474	0	16,474		
Held in Perpetuity	69,878	0	69,878		
Total	14,843,180	(1,327,600)	13,515,580		

Appendix Two – Reserves Bid Document (project is for illustrative purposes)

Description of Project	<p>Pilot project for ‘proof of concept’ to test agile working.</p> <p>To set up the old telephony room in Lancaster Town Hall as an agile working space.</p> <p>Project will deliver new ICT, furniture, decoration, electrics, lighting in order to test prior to larger whole building project. It will also allow for new policies, procedures and cultural factors to be tested. These include managing by results (as opposed to presence) which allow for working from home.</p>
Amount of Reserve Bid	Circa £36k
Reserve	Budget Support – project will support key corporate project which will address the A Smart and Forward Thinking and Climate Change Emergency priorities
Strategy Link	Smart and Forward Thinking Council
Corporate Project Link	CS14 – Agile Project

Type of Expenditure (and budget code)	Amount	Details
Furniture Costs	£19,500	Quote from Senator
ICT costs	£7,989	8 x Dell Latitude 5290 with travel keyboard and active pen
Redecoration Costs	£5,000 (est)	To make good after lighting and electrical works, including new flooring
Electrical Works	£2,880 + £2,500 (est)	Additional network cabling and power sockets added to pilot room
Lighting Costs	£12,000	New lighting in pilot room, as proposed for many areas of LTH
Total	£49,869	
Income	(£14,000)	Funding From Existing Budgets
Net Expenditure	£35,869	

Action Plan

What	Who	When
Detailed Agile action plan has been produced as part of the project including HR agile policies and intranet page and staff engagement		
Electrics completed	Sarah	September 2019
Lighting completed	Sarah	September 2019
Furniture procurement exercise completed	Sarah	September 2019
Additional agile ICT for pilot users	Joe	September 2019
Decoration completed	Sarah	October 2019
Furniture delivered and installed	Sarah	October 2019
Pilot space opens for use	Claire / Sarah	November 2019
Business Case for whole of LTH completed based on pilot findings	Claire / Sarah / Elaine	February 2020

Outcomes and Impacts arising from Project

Measure	Baseline	Target
---------	----------	--------

Reduced travel from home to office (time spent for each individual)	Survey of those involved to find out their current travel time (to be carried out in Sept/Oct 2019)	20% reduction
Reduced travel from home to office (CO2 reduction)	Calculation based on km travelled to work currently (where using motor vehicle)	20% reduction
Reduced amount of printing and paper	TBD	20% reduction in printing and reduced paper storage (TBC)
Energy Savings	Calculated from average cost per square meter in LTH	Reduced heating and electricity (assuming 2 offices are merged into 1)
Contentment with technology set up	Determined by individuals using sliding scale	More contented
Productivity increased	Determined by individuals using sliding scale	More productive
Staff Wellbeing – reduced stress (through more empowerment)	Determined by individuals using sliding scale	Reduced stress
Contentment with working environment	Determined by individuals using sliding scale	More contented

Has Social Value matrix been completed (attach to bid form)?

YES / NO

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Project Officer Sign Off:

Director Sign Off:

Portfolio Holder Sign Off:

Finance Portfolio Sign Off:

CABINET

1 October 2019

Report of Director of Corporate Services

PURPOSE OF REPORT			
To consider and approve an updated Reserves Strategy and Action Plan.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	20 September 2019		

RECOMMENDATIONS OF COUNCILLOR ANNE WHITEHEAD

- (1) To approve the revised Reserves Strategy and Action Plan set out in Appendices One and Two.
- (2) To recommend that full Council amend the Budget & Policy Framework to incorporate the amendment to the Reserves Strategy.

1.0 Introduction

- 1.1 At a meeting of Cabinet on 6 August 2019, a report on the financial outturn for 2018/19 included recommendations in respect of the management of usable revenue reserves. Cabinet decided to consider this area of work in more detail and requested a white paper for consideration at the first meeting of the Financial Resilience Advisory Group which was held on 12 September 2019.

2.0 Current Position

- 2.1 The meeting of the Financial Resilience Advisory Group reached the following conclusions:
 - Usable revenue reserves have almost trebled over the last two years, mainly as a consequence of business rates growth and whilst it is clear that this increase has boosted the Council's financial resilience, it is important that earmarked reserves particularly have a clear rationale and plan for their future use.

- It was generally held that the Council should improve the clarity around the use of reserves in meeting Council priorities as well as the responsibilities for approving their use. It was also agreed that improved financial and performance monitoring of reserve funded expenditure was required.
- It was agreed that the emerging priorities of the new Cabinet and changes to financial decision levels within the Constitution necessitated a review of the Reserves Strategy. The concept of 'pre-approval' was discussed and this is outlined below.

Pre-Approval

The annual budget framework process will consider revenue, capital and reserves bids in the context of corporate priorities. Where bids are considered at times other than the annual Budget Council it is just as important that these can show that they meet these priorities. This will be achieved if the projects are 'pre-approved' by Cabinet, usually when corporate strategies are considered and approved. Any financial bids made during the financial year (up to £100k in the case of reserves) can be approved by the relevant Portfolio Holder, supported by the relevant bid document, as long as the project has been previously identified and pre-approved in a report to Cabinet.

This will ensure that governance transparency is balanced with speed of decision.

2.2 Specifically, the Financial Resilience Advisory Group recommended the following:

- The Canal Quarter, Capital Support, Economic Growth, Morecambe Area Action Plan, Welfare Reforms and Amenity Improvements should be reviewed to establish whether specific up to date action plans exist for the use of the earmarked resources. Where no plan exists, the reserve should be closed and the balance transferred to the Corporate Priorities reserve (see below).
- The Budget Support Reserve should be renamed Corporate Priorities Reserve to reflect that bids to this reserve should support the achievement of the Council's key priorities.
- The Invest to Save Reserve should be used for all projects which arise from the Funding the Future Strategy (incorporating efficiency reviews, commercialisation and property investment) and any other project which is aimed at delivering efficiencies, reducing costs or increasing income.
- All future bids for reserves use should be supported by a bid document (included as appendix two) which sets out in detail the

resources required, an action plan and outcomes and measures which reconcile to corporate priorities.

- Reserve bids decision limits should be as follows:
 - Up to £25k – to be agreed by Portfolio Holder in consultation with relevant Director. Bid should have been pre-approved by Cabinet.
 - £25k to £100k – to be agreed by Portfolio Holder in consultation with relevant Director. Individual Cabinet Member Decision to be published. Bid should have been pre-approved by Cabinet.
 - Over £100k – to be agreed by Cabinet Meeting.
- As part of the MTFs refresh, the level of Business Rates reserve required to protect the Council from a fall in business rates income should be established. Any surplus funds over and above this level should be transferred to the Corporate Priorities reserve.
- From Quarter Two, the monitoring of reserves will be incorporated into the quarterly performance and financial monitoring reporting process.

2.3 The recommendations set out above have been incorporated into a revised Reserves Strategy and Action Plan which is attached in appendices one and two.

3. Options and Options Analysis (including risk assessment)

Option 1: Adopt the Strategy
<p>Advantages</p> <ul style="list-style-type: none"> • Improved clarity with respect to the use of reserves. • Greater assurance that reserves expenditure fits with corporate priorities and is appropriately authorised and monitored.
<p>Disadvantages</p> <ul style="list-style-type: none"> • None
<p>Risks</p> <ul style="list-style-type: none"> • The agreement of principles for the use of reserves reduces the risk that reserves expenditure is not adequately controlled which in turn might result in reduced financial resilience.
Option 2: Do not adopt the Strategy
<p>Advantages</p> <ul style="list-style-type: none"> • None
<p>Disadvantages</p> <ul style="list-style-type: none"> • Lack of clarity with respect to using reserves and processes for authorisation and monitoring of reserves will remain unclear.
<p>Risks</p> <ul style="list-style-type: none"> • The lack of an updated Reserves Strategy increases the risks that reserves expenditure is not adequately controlled.

4. Officer Preferred Option (and comments)

4.1 The officer preferred option is Option 1. This option is designed to clarify how reserves are managed and utilised in order to balance the delivery of council priorities with securing financial resilience.

5.0 Conclusion

5.1 This report and appendices provide an update to the Council's Reserves Strategy which is part of the budget framework.

5.2 Any decision to amend the budget framework is a function of full Council.

RELATIONSHIP TO POLICY FRAMEWORK	
The Reserves Strategy is part of the budget framework.	
CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing):	
None identified.	
LEGAL IMPLICATIONS	
No specific legal implications.	
FINANCIAL IMPLICATIONS	
The Reserves Strategy aims to ensure that the Council retains sufficient reserves to provide financial resilience whilst providing that reserves are used to deliver corporate priority projects.	
OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:	
None identified.	
SECTION 151 OFFICER'S COMMENTS	
The Section 151 Officer has been consulted when preparing this report.	
DEPUTY MONITORING OFFICER'S COMMENTS	
The Deputy Monitoring Officer has been consulted when preparing this report.	
BACKGROUND PAPERS	Contact Officer: Dan Bates Telephone: 01524 582138 E-mail: dbates@lancaster.gov.uk Ref:

BUDGET AND PERFORMANCE PANEL**Treasury Management Mid-Year Review 2019/20
17 December 2019****Report of Chief Finance Officer****PURPOSE OF REPORT**

To provide members with an update on various matters in connection with the Treasury Management Mid-Year Review 2019/20 and associated revisions to the Council's Prudential Code Indicators.

This report is public

OFFICER RECOMMENDATIONS

- (1) That Budget and Performance Panel considers the Cabinet Report dated 3 December 2019 and attached appendices, making any comments and recommendations considered necessary.

1.0 TREASURY MANAGEMENT MID YEAR-REVIEW

- 1.1 The reports attached at **Appendix 1**, presented to Cabinet on 3 December 2019, provides performance information in relation to the Council's Treasury Management Activities for the period 1st April to 30th September 2019. In addition it provides details of the total impact on the Council's Prudential Indicators of the agreed and potential property investment decisions up to 31st March 2020.
- 1.2 Budget and Performance Panel are asked to consider the Cabinet report and attachments in line with their Terms of Reference within the Constitution relating to the monitoring and review of the council's performance.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing): As set out in the relevant appendices.

LEGAL IMPLICATIONS

As set out in the relevant appendices.

FINANCIAL IMPLICATIONS

As set out in the relevant appendices.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

As set out in the relevant appendices.

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.

BACKGROUND PAPERS

None.

Contact Officer: Paul Thompson
Chief Finance Officer
Telephone: 01524 582603
E-mail: pthompson@lancaster.gov.uk
Ref: N/A

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	3 December 2019
Report of	Chief Finance Officer		
Purpose of Report			
This report seeks Cabinet's 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

This report provides Cabinet with

- 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

That Cabinet

- (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 Council's budget framework

Conclusion of Impact Assessment(s) where applicable

Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety

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.

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

Contact Officer	Paul Thompson
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Email	pathompson@lancaster.gov.uk
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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.

Appendix A

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

r Review 2019/20

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

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

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:

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.

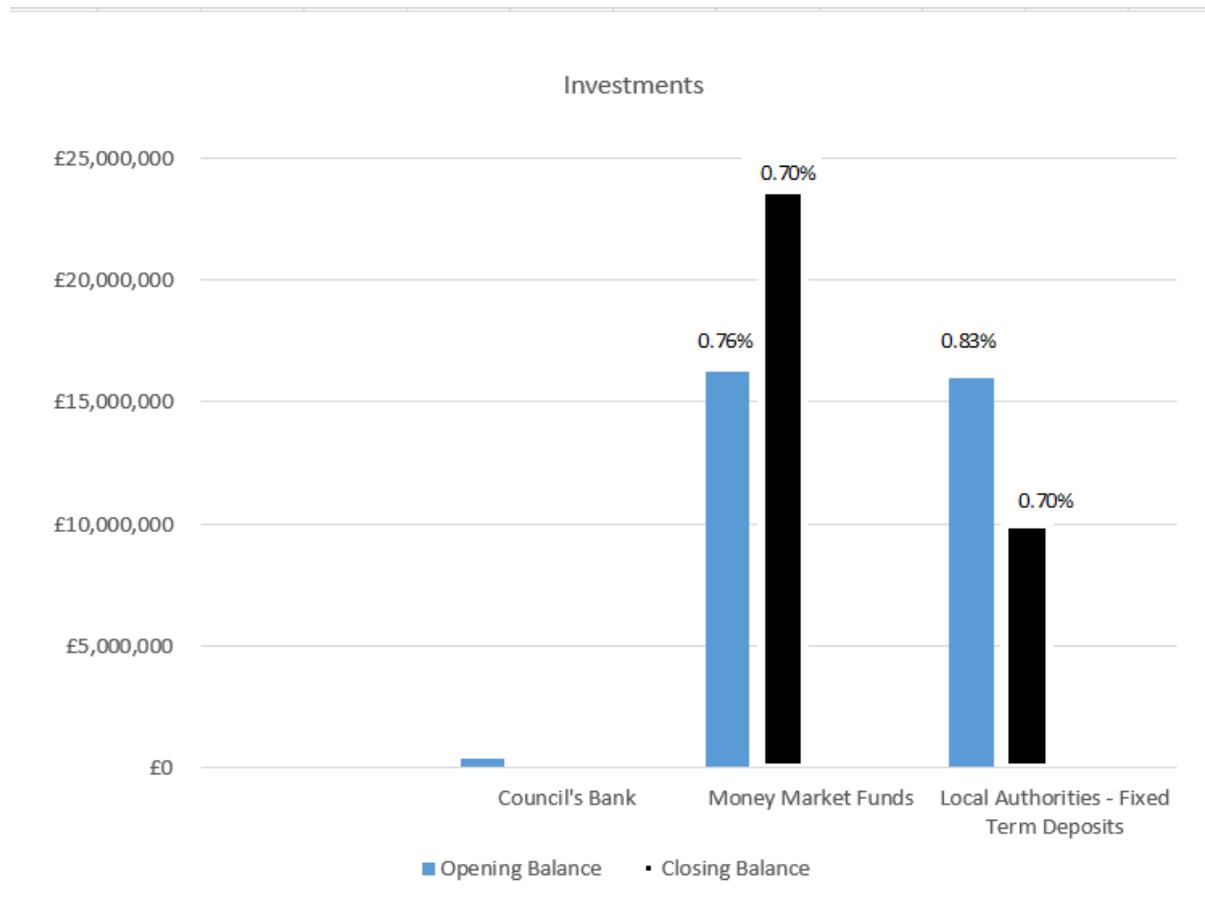
The average level of funds available for investment purposes over the six month period was **£32.9M**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress 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			0	0	0.71%		5,491	
LGIM			4,230,000	6,000,000	0.71%		20,654	
Aberdeen Life Investments			6,000,000	6,000,000	0.73%		22,629	
Goldman Sachs			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 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

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	%	%	%	%
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

BUDGET AND PERFORMANCE PANEL**Work Programme Report****17th December 2019****Report of the Director of Corporate Services****PURPOSE OF REPORT**

To consider the Work Programme report.

This report is public.

RECOMMENDATIONS

- (1) That the Panel considers the Work Programme and any other issues that should be included.**

1.0 Introduction

- 1.1 The Budget and Performance Panel is responsible for setting its own annual Work Programme within the terms of reference, as set out in the Council's Constitution.
- 1.2 Members of the Panel are entitled to give notice to the Chief Executive that they wish an item relevant to the Terms of Reference of the Committee to be included on the agenda for the first available meeting and the meeting will determine whether the issue should be included in its Work Programme based on its relevance as compared to the priorities as set out in the Scrutiny Work Programme.

2.0 Report

- 2.1 At the July meeting of the Panel Members considered items for the forthcoming year. The items agreed at that meeting have been included in the Work Programme appended to this report.
- 2.2 Also at the last meeting it was reported that the Overview and Scrutiny Committee was also considering its Work Programme and that any items referred from the Committee to the Panel would be submitted and considered as part of the Work Programme report. The Committee has requested that the Panel considers and requests that monitoring reports include these issues:
- Staff Turnover;
 - Number of temporary staff.

- 2.3 Appendix A sets out the Panel's current Work Programme.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

DEPUTY MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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BUDGET & PERFORMANCE PANEL - WORK PROGRAMME

Matter for consideration	Detail	Officer responsible/ Cabinet Portfolio Holder/ External	Expected date of meeting
Delivering Our Ambitions	Standard item reported to the Panel.	Councillor Whitehead. Director of Corporate Services/ S151 Officer/Executive Support manager	Quarter 2 – 17 th December 2019 Quarter 3 – 18 th February 2020
Current grant use for city centre arts provision	<p>Referral request from Overview and Scrutiny Committee: The Panel has agreed to consider:</p> <ul style="list-style-type: none"> • To consider a strategic review of arts spend and Service Level Agreements for the management and governance of grants to support arts provision in the district. Documentation to be provided to include the accounts of organisations when available. • To receive and consider the end of year activity report forms on at least an annual basis. <p>Minute 5, 02.07.19 refers.</p>	Director of Economic Growth and Regeneration/Economic Development Manager.	17 th December 2019
Annual Stakeholder's Meeting (held at Morecambe Town Hall)	Arranged as part of the budget consultation process. Other organisations invited to present their budget proposals.	Councillor Whitehead Other organisations invited.	21 st January 2020
Treasury Management Strategy	The Panel's views to be sought regarding the proposed treasury management framework for 2019/2020.	Director of Corporate Services/ S151 Officer.	18 th February 2020

Invitations to Cabinet Members

Cabinet Member(s)	Issue	Expected date of meeting
Relevant Cabinet Member(s) to be invited to attend.	Delivering Our Ambitions.	Quarter 2 – 17 th December 2019 Quarter 3 – 18 th February 2020
Councillor Whitehead and other relevant Cabinet Member(s) to be invited to attend to present Cabinet's budget proposals.	Annual Stakeholder's Meeting.	21 st January 2020

Briefings/Briefing Notes

Matter for Consideration	Detail	Officer Responsible
Procurement Strategy	Councillor Briefing to be provided.	Director of Corporate Services.