



LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

COUNCIL MEETING

**Wednesday, 15 December 2021 -
6.00 p.m.
Morecambe Town Hall**

Lancaster City Council welcomes members of the public to attend meetings in normal circumstances. However, space is very limited, and we are observing social distancing because of the threat of COVID transmission. Please consider watching remotely rather than attending in person. There is a link [HERE](#) to access the meeting if you have Microsoft Teams on your device.

Kieran Keane,
Chief Executive,
Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ



LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Sir/Madam,

You are hereby summoned to attend a meeting of the Lancaster City Council to be held in the Town Hall, Morecambe on Wednesday, 15 December 2021 commencing at 6.00 p.m. for the following purposes:

1. **APOLOGIES FOR ABSENCE**

2. **MINUTES**

To receive as a correct record the Minutes of the Meeting of the City Council held on 10 November 2021 (previously circulated).

3. **DECLARATIONS OF INTEREST**

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

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

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

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

4. **ITEMS OF URGENT BUSINESS**

5. **ANNOUNCEMENTS**

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

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

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

7. **PETITIONS AND ADDRESSES**

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

8. **LEADER'S REPORT** (Pages 4 - 7)

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

REPORTS REFERRED FROM CABINET, COMMITTEES OR OVERVIEW AND SCRUTINY

9. **PLAN 2030: PRIORITIES AND OUTCOMES** (Pages 8 - 15)

Report of Cabinet.

10. **LOCALISED COUNCIL TAX SUPPORT SCHEME (2022/23)** (Pages 16 - 27)

Report of Cabinet (published on 10 December 2021).

OTHER BUSINESS

11. **MEDIUM TERM FINANCIAL STRATEGY 21/22 - 25/26** (Pages 28 - 40)

Report of Chief Finance Officer (published on 10 December 2021).

12. **ALLOCATION OF SEATS TO POLITICAL GROUPS** (Pages 41 - 45)

Report of the Head of Democratic Services.

13. **TREASURY MANAGEMENT MID TERM REVIEW 2021/22** (Pages 46 - 61)

Report of Chief Finance Officer (published on 10 December 2021).

14. **APPOINTMENTS AND CHANGES TO COMMITTEE MEMBERSHIP**

Group Administrators to report any changes to Committee Membership.

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

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



.....
Chief Executive

Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ

Published on 7 December 2021.



Leader's Report

15 December 2021

Report of the Leader of the Council

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

RECOMMENDATIONS

To receive the report of the Leader of Council.

REPORT

1.0 Cabinet

The minutes of the 26 October Cabinet will be considered at this meeting.

2.0 Decisions required to be taken urgently

No urgent Cabinet decisions have been taken in this period.

3.0 Leader's Comments

Since the last report we have had a particular emphasis on Covid, with extra work from City Council officers alongside NHS staff to promote vaccination and more recently the response to Omicron as a new variant. Our Covid figures continue to be quite high but in line with national figures: at county level the Lancashire Resilience Forum has stepped up its work on this aspect and held briefings for all leaders and county councillors.

There have been a number of by-elections since the last Full Council and we welcome four new councillors to our number: Cllr Askari, Cllr Blaikie, Cllr Hunter, and Cllr Taylor. I hope they feel comfortable in this new arena and supported as they take up their new responsibilities.

3.1 COP26/Environment

Lancaster City Council was a signatory to the Glasgow Declaration, an international commitment to tackle the climate emergency through integrated food policies. I welcomed attendees to the Real Northern Farming Conference held at the beginning of December online and in the Ashton Hall as it continued the work to transform the food systems locally and in the region. Thanks go to officers for continued involvement with the Food Partnership and for getting the Ashton Hall back into operation for public events.

Work has begun on creating a wide-reaching stakeholder partnership to further our work on reaching net zero in 2030 and building up the community engagement and wealth we will need to reach this objective as a district.

We have had a number of discussions with county as our direct partner in caring for the state of highways including our pavements. The portfolio holder for planning is taking our County Highways portfolio holder on a cycle ride round Lancaster so he can experience at first hand a number of our concerns. The Civic Society expressed its own concern for the infrastructure of Lancaster district through a press release and some very useful photographs. We are meeting with county officers and members in order to ensure we get a suitable investment in our infrastructure as well as a more integrated timetable for when we can expect the yearly maintenance cycle to take place

3.2 Cabinet

Cabinet has continued to work as reported last month on working through and establishing priorities for the next budget and discussing these and our financial situation with officers. We have had a briefing on the way social value has become part of our procurement process and also considered in detail both the development of housing on Mainway and the Skerton site and how it might be financed.

3.3 County

Establishing a basis for the “county deal” has continued to be the main focus. Leaders from district, county and unitaries have undertaken a series of discussion in order to reach a way of working that suits all parties. By the time of this Full Council, we should have more details of how this might be presented to all members and be considered at a Full council meeting.

3.4 Wider Community Matters

Remembrance Day services and events were well attended this year which brought a welcome feeling of normality and community togetherness. It was good to see Canon Leah Vasey-Saunders leading the service in Lancaster. In Morecambe Cllr Clifford stepped in to support because of a last-minute illness of one of the organisers.

The City Council has signed a Memorandum of Understanding with Lancaster University to formalise a growing research partnership. This offers the city the interest and expertise of students and researchers whilst the university gains placements and opportunities for doing “real” research that can have direct effect on the district.

The Community Conversations team has held a meeting to review with community members the last programme and discover the gaps – we found a big one – young people and we hope to put that right in our next programme along with developing this engagement work. The Community Safety Partnership has been working on the Public Space Protection Orders being placed or replaced on areas where street drinking and antisocial behaviour have proved a challenge over the last two years.

3.5 HS2

We had asked the minister for HS2 for a meeting regarding the possible loss of direct service to Lancaster as a result of HS2. In response to our letter, we have had assurance that the HS2 plan does include direct service. However, our previous meeting with HS2 Ltd which involved looking in detail at the availability of services out of London leaves us with continued concern. We will continue to be raising awareness of the situation and all members are asked to support the work to retain our direct services as it goes forward.

3.6 Awards & Events

Both Lancaster and Morecambe BIDs showcased the excellence of our many businesses in their yearly events. I was lucky enough to be a judge on Lancaster awards and to attend the Morecambe dinner. The Morecambe event was a very enthusiastic evening which celebrated the life of Ken Allen but sadly heard the news of Cedric Robinson’s death too. Cedric was an Honorary Freeman and a fantastic character who will be much missed. I was also invited to be a judge of the annual LGIU awards for councillors and made a virtual presentation with many thanks to Cllr Thornberry who helped me do it. Light Up Lancaster was back this year with a great launch event and many people out to enjoy the installations all round the city. There was an impressive programme of events in Lancaster during the UN 16 days of Activism on Violence against Women and Girls, and I joined with many other women and some supporting men in the Reclaim the Night march around Lancaster. The Dukes Theatre put on a thought-provoking play “Belle and Mary” which gave a new view on how strong a part domestic abuse played in the Ruxton murders. A number of councillors supported this production – I hope many more will enjoy the Christmas production with their families.

3.7 Storm Arwen

Finally, Storm Arwen had a devastating effect on some of our biggest trees. I extend congratulations and thanks to the Council teams which went out immediately to clear debris from roads and paths to keep us safe.

4.0 Decisions

The following decisions were scheduled to be considered by Cabinet on 7 December 2021:

1. Public Space Protection Orders (note Call-in has been waived on this item)
2. Plan 2030 Priorities & Outcomes
3. Delivering our Priorities
4. Investing in the Future
5. Localised Council Tax Support Scheme
6. MTFS Update
7. Lancaster High Streets Heritage Action Zone – The Grand Theatre and public realm improvements
8. Proposal to purchase land adjacent to Mainway
9. Mayor’s transport and other Civic Matters

No Officer Delegated Key Decision has been taken since the last Leader’s report.

The following Individual Cabinet Member Decisions were taken since the last Leader’s report:

| | | |
|--------|--|-----------------------------|
| ICMD11 | Glasgow Climate Declaration Decision Notice | Cllr Caroline Jackson |
| ICMD12 | City Council Response To The Aldcliffe With Stodday Neighbourhood Plan | Councillor Gina Dowding |
| ICMD13 | Memorandum Of Understanding With Lancaster University | Councillor Caroline Jackson |

Background Papers

Cabinet agenda 26 October 2021

COUNCIL

**Plan 2030
Wednesday 15 December 2021**

Report of Cabinet

PURPOSE OF REPORT

To agree the Council's strategic priorities, for the purpose of informing budget decisions for 2022-23 and future years, and developing a comprehensive strategic plan in consultation with stakeholders.

This report is public.

RECOMMENDATIONS

- (1) That Council adopt the 'Core' Plan 2030 set out in Appendix A as the basis for further development of its Policy Framework including budget decisions for 2022-23 and future years.**

1.0 Introduction

- 1.1 Council agreed its strategic priorities in January 2020, with the intention of developing these into a comprehensive strategic plan alongside partners, communities and stakeholders.
- 1.2 The advent of the Covid-19 pandemic and its impact on the totality of the Council's priorities and activities meant that the strategic plan development was paused in spring 2020.
- 1.3 Cabinet has subsequently reviewed its priorities, and developed a refreshed framework of 'Priorities', 'Strategy' and 'Outcomes' that will provide a structure for budget and prioritisation decisions going forward.
- 1.4 This again represents a 'Core' strategic plan, which will be further developed alongside local stakeholders into a comprehensive medium-term plan and programme of activities.

2.0 Proposal Details

- 2.1 Council is asked to adopt the 'Core' Plan 2030 priorities, strategy and outcomes set out in Appendix B. If adopted, these would form the basis of the Council's Policy Framework, with further development to follow in creating a detailed strategy alongside local stakeholders.

3.0 Details of Consultation

- 3.1 The consultation activity undertaken in developing the January 2020 version of the Council's Priorities is documented in the report to Council of 29 January 2020. Subsequent activity during summer 2021 has focused on Cabinet's refinement of these Priorities, and therefore builds on the consultation undertaken at that time.
- 3.2 Adopting the 'Core' Plan would provide a platform for further development of a comprehensive plan, including a substantial degree of engagement, consultation, and partnership.
- 3.3 A member briefing took place on 28 October 2021, giving all members opportunity to discuss the proposed approach and content of the 'Core' Plan.

4.0 Options and Options Analysis (including risk assessment)

| | Option 1: Agree the refreshed 'Core' Plan 2030 | Option 2: Do not agree the refreshed 'Core' Plan 2030 |
|---------------|---|--|
| Advantages | The council will have a refreshed set of clear priorities, agreed by Cabinet, to inform its strategic decision-making. | No specific advantages as the current Policy Framework will be unchanged, based on content which does not reflect Cabinet's current priorities. |
| Disadvantages | The Policy Framework priorities will remain at an outline 'Core' level of detail during the time taken to consult and develop a comprehensive strategic plan. | A lack of clear alignment between Cabinet's identified priorities and Full Council would impact the council's ability to prioritise and make strategic decisions. |
| Risks | Adopting priorities at outline level could cause some ambiguity while consultation and development is ongoing; this option carries minimal risk in comparison to failing to agree new priorities. | As stated above, failing to agree new priorities would have a considerable negative impact on decision-making, as the Policy Framework would not reflect Cabinet's strategic priorities. |

5.0 Officer Preferred Option (and comments)

- 5.1 The officer recommended option is Option 1, agreeing the proposed new priorities and enabling further consultative strategy development in line with Cabinet's aims.

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

The further development and delivery of Plan 2030 will enable a wide variety of projects and activities, the impact of which will be assessed individually. The adoption of the 'Core' Plan 2030 as proposed in this report does not have an impact in and of itself.

LEGAL IMPLICATIONS

No legal implications arising directly from this report.

FINANCIAL IMPLICATIONS

No financial implications arising directly from this report.

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

No other resource implications arising directly from this report; the development of a comprehensive strategic plan will be integrated into the work programme of teams and services across the organisation.

SECTION 151 OFFICER'S COMMENTS

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

MONITORING OFFICER'S COMMENTS

By law the Council must have a Policy Framework. The Council Plan forms part of that Policy Framework and is to be decided by Full Council.

BACKGROUND PAPERS

Appendix A: Cabinet Report 7 December 2021

Appendix B: 'Core' Plan 2030

Contact Officer: Chief Executive
Telephone: 01524 582011
Email: chiefexecutive@lancaster.gov.uk

Lancaster City Council | Report Cover Sheet

| | | | |
|--|------------------------------------|-----------------------|------------------------|
| Meeting | Cabinet | Date | 7 December 2021 |
| Report | Plan 2030: Priorities and Outcomes | | |
| Report of | Chief Executive | | |
| Purpose of Report | | | |
| To provide an update on Cabinet's strategic planning activity, and refer the 'Core' Plan 2030 content to Council for adoption as part of its Policy Framework. | | | |
| Key Decision (Y/N) | Y | Date of Notice | 11 October 2021 |
| | | Exempt (Y/N) | N |

Report Summary

The report describes the strategic planning activity undertaken so far- building on activity from January 2020 which was interrupted by the Covid-19 pandemic- and sets out the proposed context and structure for the development and delivery of a comprehensive strategic plan for the Lancaster district.

Recommendations of Councillor Caroline Jackson

- (1) That Cabinet refer the 'Core' Strategic Plan to Council, to consider adopting as the basis for its Policy Framework.
- (2) That subject to the adoption of the 'Core' Plan by Council, Cabinet agree to pursue the development of a comprehensive Plan alongside local partners, stakeholders and communities.

Relationship to Policy Framework

The 'Core' Plan 2030 content, if adopted, would supersede the Priorities agreed by Council in January 2020. The high-level 'Core' Plan would form the heart of the Council's Policy Framework, informing its strategic and financial decision-making.

Further development activity would then be undertaken to develop a comprehensive Plan, which would be recommended to Council for adoption into the Policy Framework.

Conclusion of Impact Assessment(s) where applicable

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

Whilst the adoption of a strategic plan would have a substantial impact on many of the Council's future activities, the content of the 'Core' Plan itself at this stage does not have a direct impact in itself.

Details of Consultation

The consultation activity undertaken in developing the January 2020 version of the Council's Priorities is documented in the report to Council of 29 January 2020. Subsequent activity during summer 2021 has focused on Cabinet's refinement of these Priorities, and therefore builds on the consultation undertaken at that time.

| | |
|--|--|
| <p>Adopting the 'Core' Plan would provide a platform for further development of a comprehensive plan, including a substantial degree of engagement, consultation, and partnership.</p> <p>A member briefing took place on 28 October 2021, giving all members opportunity to discuss the proposed approach and content of the 'Core' Plan.</p> | |
| Legal Implications | |
| No legal implications arising directly from this report. | |
| Financial Implications | |
| No financial implications arising directly from this report. | |
| Other Resource or Risk Implications | |
| No additional implications arising directly from this report. | |
| Section 151 Officer's Comments | |
| The Section 151 Officer has been consulted and has no further comments. | |
| Monitoring Officer's Comments | |
| By law the Council must have a Policy Framework. The Council Plan forms part of that Policy Framework and is to be decided by Full Council. | |
| Contact Officer | Kieran Keane, Chief Executive |
| Tel | 01524 582501 |
| Email | chiefexecutive@lancaster.gov.uk |
| Links to Background Papers | |
| <p>Report of Cabinet, referred to Council 29 January 2020 and Appendix</p> <p>Appendix A: Plan 2030 Priorities and Outcomes</p> | |

1.0 Introduction

- 1.1 On 29 January 2020, the Council agreed its strategic priorities in outline form, on the basis that further activity would follow to develop these into a comprehensive strategic plan.
- 1.2 This activity was put on hiatus while the Council diverted its resources toward supporting local residents and businesses through the Covid-19 pandemic. During summer 2021, Cabinet resumed its consideration of strategic planning activity, in order to put in place a vision of the Council's goals up to 2030 and a plan for achieving these. The working title for this planning activity is '*Plan 2030*'.

2.0 Wider Strategic Development

- 2.1 Plan 2030 is considered to be a key pillar for achieving the Council's strategic goals, but it is recognised that a written Plan in and of itself will not guarantee the delivery of ambitious strategic goals for the local environment, economy, communities and the Council.

2.2 The Plan should be viewed in the context of a number of wider strategic development activities that will support the delivery of wide-ranging local transformation, including:

- **Partnership:** convening and enabling the structures and relationships that will enable all those - across public, private and community sectors - with an interest in the success of the Lancaster district to contribute to shared goals
- **Policy:** facilitating conversations across the district to develop considered, achievable and practical policies and action plans to support the achievement of strategic priorities

3.0 Plan 2030 Structure

3.1 These activities will be underpinned by a structured Plan, the content of which will shape the overall direction of the Council's activities- and where appropriate those of its partners- via a strategic partnership approach.

3.2 The proposed elements of the Plan are described below:

- **Vision:** a summarising statement setting out the scope of the Council's ambition for the district
- **Priorities:** statements covering the Council's key aims for the district's environment, economy, communities and the Council itself
- **Strategy:** the overall strategic approach to delivering the Priorities
- **Principles:** the ways in which all the Council's activities will be shaped by specific ideas and ways of working
- **Outcomes:** the tangible elements of change that will be seen and experienced across the district in achieving the Priorities
- **Indicators & Measures:** the measures by which success will be evaluated in achieving the Priorities and Outcomes
- **Activities & Projects:** the work which will be undertaken, by the Council and its partners, to deliver the Priorities and Outcomes
- **Sustainable Development Goals:** the ways in which the Priorities and Outcomes contribute to each of the UN Sustainable Development Goals, reflecting the Council's commitment to achieving these locally

4.0 'Core' Plan 2030

4.1 Whilst Cabinet has so far shaped the Plan 2030 development activity, its intention is to take an inclusive approach to developing further stages of the Plan.

4.2 As shown at Appendix A, Cabinet has developed the Priorities, Strategy, Outcomes, and Principles, which collectively are described as the 'Core' Plan 2030. The content at Appendix A could be described as an evolution of the

Priorities adopted by the Council in January 2020, rather than a wholesale review.

- 4.3 At this point it is recommended that Cabinet refer the ‘Core’ Plan to Council for adoption as the heart of the Council’s Policy Framework, as a platform for further development work into a comprehensive Plan.

5.0 Options and Analysis

| | Option 1: Refer the ‘Core’ Plan 2030 to Council for adoption. | Option 2: Take no action. |
|----------------------|--|---|
| Advantages | An up-to-date articulation of the Council’s priorities will have been considered by the Council, with opportunity for valuable comment and feedback. If adopted, subsequent strategic and financial decisions will be based on the most up-to-date ideas of Cabinet. | No specific advantages are identified for this option; if no action is taken, the Policy Framework would continue to be represented by the Priorities agreed in January 2020. |
| Disadvantages | No specific disadvantages are identified for this option. | The update of January 2020 committed to further development of the priorities and plan; taking no action at this time, after a hiatus due to the pandemic, would inhibit the Council’s ability to act on its latest perspectives and learning in partnership with others. |
| Risks | There is a slight risk that a further update of the Council’s priorities could result in a lack of clarity between different versions and updates; to be mitigated by clear and widespread communication around the update. | The development and delivery of strategic priorities would be compromised by this option. |

6.0 Officer Preferred Option

- 6.1 The recommended option is to proceed with referring the ‘Core’ Plan to Council (Option 1), and subsequently developing a comprehensive strategic plan.

| Priorities | A Sustainable District | An Inclusive and Prosperous Local Economy | Healthy and Happy Communities | A Co-operative, Kind and Responsible Council |
|------------|--|---|--|---|
| Strategy | Climate Emergency <i>taking action to meet the challenges of the climate emergency</i> | Community Wealth-Building <i>building a sustainable and just local economy that benefits people and organisations</i> | Increasing Wellbeing, Reducing Inequality <i>empowering and supporting healthy ways of living, and tackling the causes of inequality</i> | Community Engagement, Power and Resilience <i>drawing on the wealth of skills and knowledge in the community, and working in partnership</i> |
| Outcomes | net zero carbon by 2030 while supporting other individuals, <u>businesses</u> and organisations across the district to reach the same goal (Carbon Zero) | supporting the development of new skills and improved prospects for our residents within an environmentally sustainable local economy (Sustainable Skills) | supporting wellbeing and ensuring local communities are active, engaged, <u>involved</u> and connected (Community Engagement) | listening to our communities and treating everyone with equal respect, being friendly, honest, and empathetic (Listening and Empathy) |
| | moving towards zero residual waste to landfill and incineration (Reduced Waste) | advocating for fair employment and just labour markets that increase prosperity and reduce income inequality (Fair Work) | tackling discrimination and reducing inequality (Reducing Inequality) | working in partnership with residents, local organisations, anchor institutions and partners recognising the strengths and skills in our community to build a powerful force working for our district (Partnership) |
| | increasing the amount of sustainable energy produced in the district and decreasing the district's energy use (Sustainable Energy) | supporting new and existing enterprises in sustainable innovation and the strengthening of local supply networks (Sustainable Innovation) | focused on early-intervention approaches and involving our communities in service design and delivery (Early Intervention) | investing in developing the strengths and skills of our staff and councillors (Investing In Our Skills) |
| | transitioning to an accessible and inclusive low-carbon and active transport system (Low Carbon and Active Transport) | using our land, property, <u>finance</u> and procurement to benefit local communities and encouraging residents, businesses, organisations and anchor institutions to do the same (Social Use of Resources) | (re)developing housing to ensure people of all incomes are comfortable, <u>warm</u> and able to maintain their independence (Access to Quality Housing) | focused on serving and enabling our residents, local <u>organisations</u> and district (Enabling) |
| | supporting our communities to be resilient to flooding and adapt to the wider effects of climate change (Climate Resilience) | securing investment and regeneration across our district (Investment and Regeneration) | improving access to and involvement in arts, culture, <u>leisure</u> and recreation, supporting our thriving arts, culture and heritage sector (Access to Culture and Leisure) | embracing innovative ways of working to improve service delivery and the operations of the council (Innovative Public Services) |
| | increasing the biodiversity of our district (Biodiversity) | Promoting business ownership models that empower the local workforce, such as co-operatives, social <u>enterprises</u> and community ownership (Inclusive Ownership) | keeping our district's neighbourhoods, parks, <u>beaches</u> and open space clean, well-maintained and safe (Quality Public Spaces) | providing value for money and ensuring that we are financially resilient and sustainable (Value for Money) |

COUNCIL**Localised Council Tax Support Scheme 2022/23****15 December 2021****Report of Cabinet****PURPOSE OF REPORT**

To seek a decision from Council on retaining the existing Localised Council Tax Support (LCTS) scheme in its present format for application in 2022/23.

This report is public.

RECOMMENDATIONS OF CABINET

- (1) That Option (1), the retention of the existing Localised Council Tax Support (LCTS) scheme for 2022/23, subject to minor consequential amendments to match changes in Housing Benefit rules, be approved.**
- (2) That in the event that Option 1 is approved, that the S151 Officer be authorised to finalise and publish the Council's approved Scheme for 2022/23 and make all other necessary arrangements for its implementation in the next financial year.**

1.0 Introduction

- 1.1 Cabinet considered the report of the Head of the Shared Service for Revenues and Benefits (attached) at its meeting on 7th December 2021. The report set out the background and overview to the Council's current scheme and presented and analysed the options of retaining the current scheme or making changes.

2.0 Proposal

- 2.1 Cabinet resolved:

That Cabinet supports Option (1), the retention of the existing Localised Council Tax Support (LCTS) scheme, subject to minor consequential amendments to match changes in Housing Benefit rules and that the associated options included at Appendix A to the report, be presented to Full Council for its deliberation and approval.

3.0 Conclusion

- 3.1 Council is asked to approve the retention of the existing Localised Council Tax Support (LCTS) scheme for 2022/23.

RELATIONSHIP TO POLICY FRAMEWORK

As shown on the Cabinet report attached.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

As shown on the Cabinet report attached.

FINANCIAL IMPLICATIONS

The current forecast assumes the continuation of the existing LCTS scheme, which is based on a 100% support scheme. As such, retaining the existing scheme will have no impact on the Council's financial forecast.

Other comments are as shown on the Cabinet report attached.

SECTION 151 OFFICER'S COMMENTS

As shown on the Cabinet report attached.

LEGAL IMPLICATIONS

As shown on the Cabinet report attached.

MONITORING OFFICER'S COMMENTS

As shown on the Cabinet report attached.

BACKGROUND PAPERS

Contact Officer:
Adrian Robinson
Head of Shared Service
Telephone: 01772 906023
E-mail:
a.robinson@preston.gov.uk

Lancaster City Council | Report Cover Sheet

| | | | |
|--|--|-----------------------|------------------------------|
| Meeting | Cabinet | Date | 07.12.21 |
| Title | Localised Council Tax Support Scheme (2022/23) | | |
| Report of | Head of Shared Service | | |
| Purpose of the Report | | | |
| To enable Cabinet, to consider the existing Localised Council Tax Support (“LCTS”) Scheme and the options available, ahead of formal consideration and approval by Council for application in 2022/23. | | | |
| | | | |
| Key Decision (Y/N) | N | Date of Notice | Exempt (Y/N) N |

| |
|--|
| Report Summary |
| Cabinet’s views are sought as to whether to retain the existing Localised Council Tax Support Scheme for 2022/23 (Option 1) subject to future consequential minor amendments following changes in housing benefit rules; or whether to amend it to reduce entitlement. (Option 2). |

| | |
|---|--------------------------|
| Recommendations of Councillor Whitehead | |
| (1) That Cabinet considers the Localised Council Tax Support Scheme for 2022/23 and the associated options included at Appendix A to be presented to Full Council for their deliberation and approval. | |
| Relationship to Policy Framework | |
| The LCTS scheme is developed in support of ambitions within the Council Plan regarding “Healthy and Happy Communities” to optimise access for those that need it most, together with welfare benefits and related support. | |
| Conclusion of Impact Assessment(s), where applicable | |
| Climate | Wellbeing & Social Value |
| Digital | Health & Safety |
| Equality | Community Safety |
| The ambition is to continue with a LCTS scheme for the Council, which supports the objective of simplicity, but protects the most vulnerable residents in the district. The Council must continue to ensure that it has due regard to equality in making its local scheme, including how it will minimise disadvantage. | |
| The Equality and Human Rights Impact Assessment has been reviewed and can be found as part of Appendix B . | |

Details of Consultation

Members have indicated a preference to retain the existing LCTS scheme in its present format, subject to the scheme principles listed in **Appendix A**. As such, legally there is no need to consult on changes to the scheme at this stage. However, should “Option 2” be the preferred option of the Council, alternative scheme options will need to be developed for consideration by Council early next year, following a swift consultation exercise.

Under Option 1, the Council will write to major precepting authorities setting out the principles of the scheme for 2022/23, acknowledging the fact that they will share the financial cost and risk of any changes made. Their preference has always been for a cost neutral scheme that limits the financial pressure on their budgets as an alternative to cutting essential services.

Legal Implications

The Local Government Finance Act 1992 (as amended) provides that the Council, as the billing authority, must consider whether to revise its LCTS scheme, or replace it with another scheme by 11th March every year. However, it is beneficial for the Council to determine the principles of its LCTS scheme early, in order to build estimates into its Tax Base calculations.

Before a Council can determine to revise or replace its LCTS scheme it must consult any major precepting authority which has the power to issue a precept to it and such other persons as it considers are likely to have an interest in the operation of the scheme. However, these consultation rules do not apply if the Council approves the recommendation to “retain” its existing LCTS scheme.

Likewise, if Council is not proposing to change the existing LCTS scheme then technically there is no requirement to seek approval from full Council. However, it is considered good practice for Council to ratify the existing scheme, given the annual upratings in April each year to adjust benefits and personal allowances, and any other consequential amendments.

Financial Implications

Currently the LCTS scheme is estimated to cost £11.2M in total each year, the cost being affected by council tax rates and claimant caseload, as well as the decisions of Council. Due to Covid-19 the cost of the scheme has increased in recent times, albeit temporarily. This cost is broken down between working age claimants (£7m) and elderly claimants (£4.2m) with any decision disproportionately only affecting working age claimants.

Of this cost for working age claimants (£7m), approximately £835k falls to the City Council, with the remainder being covered predominantly by the other major precepting authorities (County, Fire, Police) and a small element being met by Parish and Town Councils.

Since the introduction of the LCTS scheme, the Government has rolled the Council Tax Support Grant into mainstream Government funding thereby making it impossible to separately identify.

Should Council approve Option 2 and reduce support levels there would be related savings to the Council and major preceptors (County, Fire, Police), subject to level of reduction. Any impact on parishes would be negligible. A cut of 10% in the level of support for working age claimants would equate to savings of £83k, whereas a 20% cut in support levels would equate to £166k in savings for the Council.

Other Resource or Risk Implications

There are no major resource implications arising from this report, although changing the scheme may result in additional costs in the short term in terms of consultation, preparing scheme options etc.

| | |
|--|---------------------------|
| Section 151 Officer's Comments | |
| <p>As Members will be aware the Council is currently facing a significant budget deficit in 2021/22 and beyond, and as a result there is pressure to reduce costs where possible. As noted within the report Lancaster City Council is one of only a few Councils which provides 100% support for working age claimants, at an annual cost to the Council of approximately £835k per annum, and so is an area where changes to the scheme could provide a level of savings to reduce the deficit.</p> <p>However, should Members wish to revise the scheme to achieve a degree of savings it should be balanced against the points raised at para 3.3, as well as the Council's stated Priorities.</p> | |
| Monitoring Officer's Comments | |
| The Monitoring Officer has been consulted and has no further comments. | |
| Contact Officer | Adrian Robinson |
| Tel | 01772 906023 |
| Email | a.robinson@preston.gov.uk |
| Links to Background Papers | |
| | |

1.0 Background

- 1.1 Following the abolition of the national Council Tax Benefit (CTB) system back in 2013, each billing authority now has a legal duty to adopt a Localised Council Tax Support (LCTS) scheme.
- 1.2 Each authority is also under a legal obligation to consider, for each year, whether to revise its scheme or to replace it with another scheme. The history of the Council's arrangements is summarised below:
- The first local scheme was adopted in January 2013 for implementation in 2013/14. The Council chose not to reduce support levels at that time, unlike most other local authorities.
 - In reviewing its scheme since then, Council has decided to retain basic council tax support levels, meaning that working age claimants on low incomes may still be awarded support to cover up to 100% of their council tax bills.
 - The Council has applied other comparatively minor changes over the years, on the basis that entitlement criteria for LCTS should generally remain in line with other key benefits, most notably Housing Benefit (HB) and Universal Credit (UC).
- 1.3 If a Council does wish to alter its scheme, it must approve any changes by 11 March, otherwise the existing scheme will continue to apply. There is currently no provision for changing a scheme in-year.

2.0 Overview of the Council's current scheme

- 2.1 As laid down by Government, there are three general principles that all Local Council

Tax Support (LCTS) schemes must follow:

- pensioners should be fully protected;
- vulnerable groups should be protected as far as possible, as determined locally; and
- local schemes should support the positive work incentives being introduced through Universal Credit for working age people.

2.2 The Council's existing scheme meets these principles, giving protection for certain groups and helping to support work incentives. It provides additional protection for vulnerable people through other income disregards, premiums and allowances. It also provides for annual uplifts associated with inflation, etc.

2.3 Under current legislation, pensioners are protected from any locally driven scheme changes, and so any Council decisions impact only on working age claimants.

2.4 As Council has so far maintained general support levels, this means that if entitled, a claimant would receive 100% support to cover their council tax bill. Of the 326 schemes in operation nationally, currently the Council is one of approx. 36 authorities that still provides full levels of Council Tax Support for working age claimants, depending on their circumstances. Lancaster remains the only Lancashire authority to provide 100% support but in recent discussions at the Lancashire Revenues Manager Group it is suggested that a number of the other 13 authorities are re-thinking their LCTS scheme for April 22, with a view to adopting the Lancaster model of 100% support.

2.5 A hardship fund of £40k is built into the LCTS scheme to protect those suffering exceptional hardship. This initiative is financially supported by a contribution from the major precepting authorities, although given that general support levels are maintained, demand against this continues to be minimal.

2.6 The Department for Work and Pensions (DWP) operates a "full" Universal Credit (UC) service in this district, and the Council's existing LCTS scheme accommodates this development. The Council's current LCTS scheme principles are set out in **Appendix A** to this report.

2.7 This report sets out a recommendation that the LCTS scheme for 2022/23 be 'retained' in its present form, subject to minor consequential amendments to accommodate the annual uprating of similar applicable amounts in the Housing Benefit Scheme.

3.0 Options and Options Analysis (including risk assessment)

3.1 The challenge for the Council is to adopt a scheme that fits with its ambitions and priorities and is considered fair, deliverable and affordable, given statutory obligations and competing pressures for resources. Council is presented with two basic options:

3.2 Option 1:

Retain the existing Localised Council Tax Support (LCTS) scheme, subject to minor consequential amendments to match changes in Housing Benefit rules.

- The existing scheme is considered soundly structured and works well, and offers maximum support for low income families, who may otherwise find themselves in mounting debt.
- The current forecast assumes the continuation of the existing LCTS system and as such, maintaining current levels of support would normally have no impact on the Council's financial forecast. However, costs have increased in recent years with increased take-up due to Covid-19, although 2021/22 has seen a slow but steady decline in the number of residents receiving LCTS, which should reduce costs if the trend continues in the longer term.
- Retaining existing policy principles of keeping various positive entitlement provisions for LCTS in line with other key welfare benefits promotes equality.

3.3 Option 2:

Make changes to the existing Localised Council Tax Support (LCTS) Scheme to reduce benefit entitlement for working age claimants.

- Currently 10,779 residents claim LCTS in the Lancaster district, reducing over the years from a high of 12,202 in April 2014. As pensioners make up 35.5% (3,821) of claimants, it means any cut in the level of support provided falls on the remaining 64.5% (6,958) of working age people on low incomes, reducing in numbers from (7,253) in the previous year.
- A reduction in the levels of support provided could arguably provide claimants with further incentives to work, reducing their reliance on benefits, although the jobs market is particularly uncertain at this difficult time.
- This option will have greater adverse financial impact on working age households, but would help protect other Council services by requiring less savings to be made by them.
- If levels of support are reduced, the Council would be tasked with the difficulty of collecting this debt from the more vulnerable members of our society, increasing workloads and costs associated with council tax recovery.
- Additional costs associated with developing new scheme options, consultation exercise, legal changes to scheme etc.

4.0 Conclusion

- 4.1 The Council's existing LCTS scheme works well in terms of providing support, but at a cost, particularly for the County Council. To date the Council has attached a high priority to maintaining council tax support levels available to working age claimants (pensioners being unaffected by Council's decision).
- 4.2 Adoption of a particular option should be informed by Council's views regarding the relative priority of LCTS, compared with other services and activities in support of future corporate priorities.

APPENDIX A

Lancaster City Council

Summary Principles of the Council Tax Support Scheme

The Council Tax Support Scheme is based upon the following principles and will:

1. be calculated as a means tested discount, defined primarily by the terms of the former Council Tax Benefit (CTB) Scheme;
2. match/reflect as appropriate specific wider welfare reforms introduced by the Government, such as those that impact upon housing benefits and/or universal credit;
3. protect pensioners (a Government requirement);
4. help protect the most vulnerable members of society as far as possible, as determined locally;
5. retain a local arrangement for war pensions to be disregarded in full;
6. support positive work incentives that are built in to benefit those who find work;
7. include a hardship fund to help claimants who suffer exceptional hardship as a result of council tax support changes; and
8. not include a second adult rebate reduction for working age claimants.

Class of persons:

The scheme sets out rules for working age claimants. Regulations prescribe a scheme for claimants of state pension credit age and prescribe certain classes of persons who are not eligible to claim council tax support.

Eligibility for council tax support is determined by reference to means testing i.e. the income and capital of the claimant and any partner; and by the income and number of non-dependants in the household.

Eligibility for council tax support is defined by the terms of this scheme. The scheme sets out how council tax support is claimed, calculated and paid, except where amendments are required by statute under the Local Government Finance Act 2012 and/or accompanying legislation.

Class of reductions:

The scheme aligns with the basic principle of the need to create work incentives.

The scheme is based on the system of making deductions from the eligible council tax for each non-dependant person in the household. The categories of non-dependency are set

out in the scheme. Income brackets may be altered in line with the general up-rating arrangements in the scheme, usually adjusted annually to include personal allowances. Changes will be reflected in the scheme, as considered appropriate, to reflect the Government's ongoing welfare benefits reforms, such as those affecting housing benefit and universal credit as examples.

Applications:

An application will be required for all new claims. An appropriate means of application will be decided by the authority and may be revised as required. A review process may be implemented by the local authority for new and existing awards. Awards may be reviewed in a time period to be determined by the authority and failure of the claimant to fulfil any request during a review of their award may result in the termination of that award.

General administration of the scheme:

Apart from where statutorily required, advice of any award granted, removed or revised will be by an adjustment to the council tax bill and the bill itself will be the formal notification. The authority reserves the right to include additional notifications.

Changes in Circumstances:

Matters relating to the duty for a claimant to notify the Local Authority of a change in circumstances shall generally replicate those that applied to the former CTB Scheme.

Appeals process:

Claimants will submit any appeals to the Council in the first instance for a reconsideration of a relevant decision. Once notified of the outcome of this review, the claimant will have a period of two months from the date of the notification to submit an appeal to the Valuation Tribunal.

Backdating:

Council Tax Support can be backdated, providing continuous good cause is shown for the delay in claiming.

Up-rating:

Following commencement of the scheme, with effect from 1st April each year any figures set out in the scheme may be up-rated by the consumer price index, retail price index or other rate of inflation set out in the preceding September, or by another rate determined with reference to provisions made for Housing Benefit and Universal Credit, or as decided by the authority.

Other Matters:

The scheme may be amended to take into account any circumstances subsequently identified, whether through government statute, or other means.



Lancaster City Council's Equality Impact Assessment
Localised Council Tax Support Scheme 2022/23

Section 1: Details:

| | |
|--|--|
| Service | Revenues & Benefits Shared Service Resources |
| Title and brief description (if required) | Localised Council Tax Support Scheme (22/23) |
| New or existing | Existing |
| Author/officer lead | Lead – Head of Shared Service / Benefits Manager |
| Date | 26 th November 2021 |

Does this affect staff, customers or other members of the public?

Yes

Section 2: Summary:

What is the purpose, aims and objectives?

The Local Government Finance Act 1992 as amended, sets out measures requiring all billing authorities to introduce and maintain a LCTS scheme for each financial year.

The main aims of the LCTS scheme are to ensure fairness and consistency, and to help reduce confusion for claimants.

Who is intended to benefit and how?

Under any scheme, support for pensioners must remain at existing levels, and the scheme must be delivered through a national framework of criteria and allowances.

For working age claimants, Councils can choose, through the design of their scheme, whether to alter support entitlements in some way.

Policies and procedures are structured to ensure that all customers receive the correct amount of support and that every claim is considered on its own merits and in accordance with legislation and Government guidance.

Section 3: Assessing impact

| Is there any potential or evidence that this will or could: | | |
|--|-----|----|
| • Affect people from any protected group differently to others? | Yes | |
| • Discriminate unlawfully against any protected group? | | No |
| • Affect the relations between protected groups and others? | | No |
| • Encourage protected groups to participate in activities if participation is disproportionately low (won't always be applicable)? | | No |
| • Prevent the Council from achieving the aims of its' Equality and Diversity Policy? | | No |

| | |
|---|--|
| We hold household and income details of current Localised Council Tax Support recipients and we have access to wider population statistics and can assess equality monitoring data available as part of the survey. | |
| Age including older and younger people and children | Positive re: pensioners - as they are protected from any changes, as directed by Government. The scheme impacts upon working age claimants only. |
| Disability | Disabled customers are not adversely affected by the LCTS scheme and are not disadvantaged in comparison to other groups. |
| Faith, religion or belief | Neutral. |
| Gender including marriage, pregnancy and maternity | No specific evidence. We do not anticipate this scheme will have a particular equality impact on this protected group. |
| Gender reassignment | We do not anticipate this scheme will have a particular equality impact on this protected group. |
| Race | Potentially but if so, very marginally – BME populations seem to be over- represented in unemployment figures and so this may feed through into LCTS claims and entitlement. |
| Sexual orientation (Including Civic Partnerships) | No specific evidence. We do not anticipate this scheme will have a particular equality impact on this protected group. |
| Rural communities | No specific evidence. We do not anticipate this scheme will have a particular equality impact on this protected group. |
| People on low incomes | The scheme relates predominantly to this group, but numbers affected by the specific proposals are expected to be very low. |

Section 4: Next steps:

Do you need any more information/evidence eg statistics, consultation? If so, how do you plan to address this?

No further evidence required.

The proposal is to retain the existing scheme, which works well and offers 100% support.

How have you taken/will you take the potential impact and evidence into account?

This Equality Impact Assessment forms part of the Council report to be presented to Members at full Council in December 2021.

How do you plan to monitor the impact and effectiveness of this change or decision?

Applications to the Discretionary Hardship fund will be analysed to establish if any group is suffering extreme detriment under the retained LCTS scheme to enable action to be taken.

The Council has a Hardship Fund, available to assist vulnerable customers, experiencing difficulty in meeting their Council Tax liability.

COUNCIL

**Medium Term Financial Strategy 2021-22 - 2025-2026
15 December 2021**

Report of Cabinet

| | | | | |
|--|----------|-------------------------|----------|-------------------------------------|
| PURPOSE OF REPORT | | | | |
| To provide an update on the Council’s Medium Term Financial Strategy forecasts for 2021/22 to 2025/26 to help inform the development of corporate planning and its approach to balancing the budget. | | | | |
| Key Decision | N | Non-Key Decision | Y | Referral from Cabinet Member |
| Date of notice of forthcoming key decision | | | | |
| This report is Public | | | | |

RECOMMENDATION OF CABINET

That Council notes:

- (1) The draft future years estimates as set out in the report as the latest information available, accepting that this is an interim position.
- (2) Notes the Council Tax Base for 2022/23 as set out in paragraph 3.12

1.0 INTRODUCTION

- 1.1 This report provides an update on the Council’s general budgetary position for current and future years. Given that at the time of writing, the Local Government Settlement has not been announced, and other budgetary work is not yet scheduled for completion, the report is an interim update only primarily for information.
- 1.2 This report sets out:
 - An updated budget gap analysis taking account of the latest funding outlook and other information on expenditure and income pressures.
 - A summary of the budget framework strategy
- 1.3 Cabinet considered this report in the name of the Chief Finance Officer at its meeting 7 December.

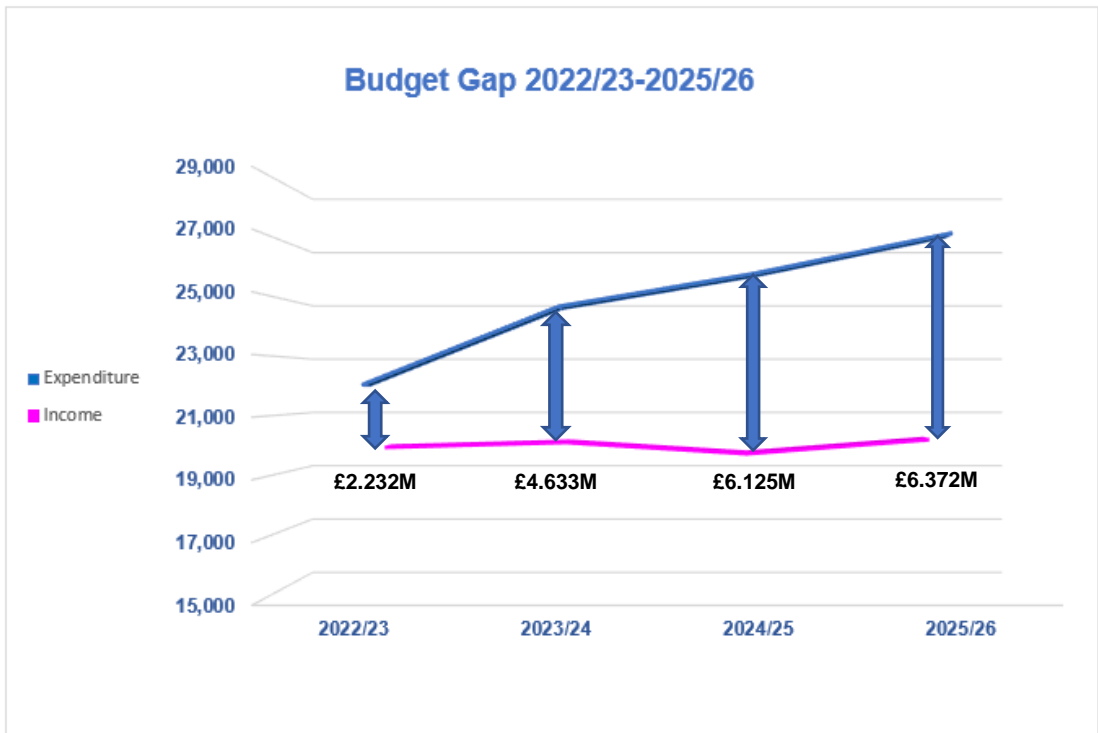
2.0 UPDATED BUDGET GAP ANALYSIS

2.1 Officers have been working with budget holders and Executive Management Team to update the Council's Medium Term Financial position. The review considered latest available information around government funding, other income streams as well as forecast expenditure levels incorporating known budget pressures and aims to provide a baseline position.

2.2 It should be noted that this forecast is subject to change when more up to date information becomes available and does not reflect the ongoing work being done by Cabinet and Executive Management Team to develop savings and growth proposal, nor does it reflect the revenue impact of any revisions to the capital programme. It sets a baseline position without any further interventions in the Budget setting process. The interventions and actions being planned include:

- A short term range of savings and growth (invest to save) actions aiming to significantly reduce the 22/23 budget gap, to be brought forward in the upcoming Budget and Policy Framework;
- A mid-term Outcomes-Based Resourcing project to realign our expenditure with core duties and priorities; and
- A comprehensive review of our employment base, debt financing, asset base and related policies and processes.

The current budget gap for the next four years is summarised in the graph below. The graph below assumes no intervention but it does highlight the scale of the challenge facing the Council, the reasons for which are outlined in the report.



3.0 GOVERNMENT FUNDING PROSPECTS

3.1 Members will be aware that Local Government funding has changed significantly over recent years. Significant reductions in central funding have taken place and Revenue Support Grant which accounted for more than half of Lancaster City Council's funding in 2010/11 was £202k in 2021/22 the final year in which it was due.

3.2 As a result the Council is now almost entirely reliant on Council Tax and Business Rates with a small amount of income from some assets and services to fund net expenditure and it is therefore important to provide regular estimates of these key funding streams.

Comprehensive Spending Review

3.3 Government announced the outcome of its Spending Review on 25 November 2021. It has, however, abandoned its long-term Comprehensive Spending Review (CSR) due to the economic uncertainty caused by the Covid-19 pandemic and is expected to restrict funding to a one-year settlement in 2022/23.

3.4 The decision to limit this year's Spending Review to a single year, rather than the usual three or four, could be considered a sensible one. The uncertainties created by COVID-19 are too great to provide a realistic set of spending plans for the next three or four years as inevitably they will need to be revisited.

3.5 However, setting budgets for only one year significantly reduces the level of certainty needed to plan effectively and efficiently, and arguably adds to the large degree of uncertainty already hanging over both the public sector and the wider economy.

3.6 The Spending Review itself only provides useful headline messages regarding Local Government's funding prospects over the next few years but it does not provide information at individual authority level. The level of detail required for Council's to finalise their budgets will not be available until the announcement of the Local Government Finance Settlement, but at the time of writing this report it is not yet known exactly when this is due.

3.7 A further update will be produced for all Members once the Settlement has been announced and its impact assessed. This will be reported into January's Cabinet and Council meetings.

Local Government Finance Settlement

3.8 Given that the Settlement announcement is imminent, and the current level of uncertainty, there is little benefit to be gained from spending significant time on modelling different funding scenarios; real information is needed at this stage in the process.

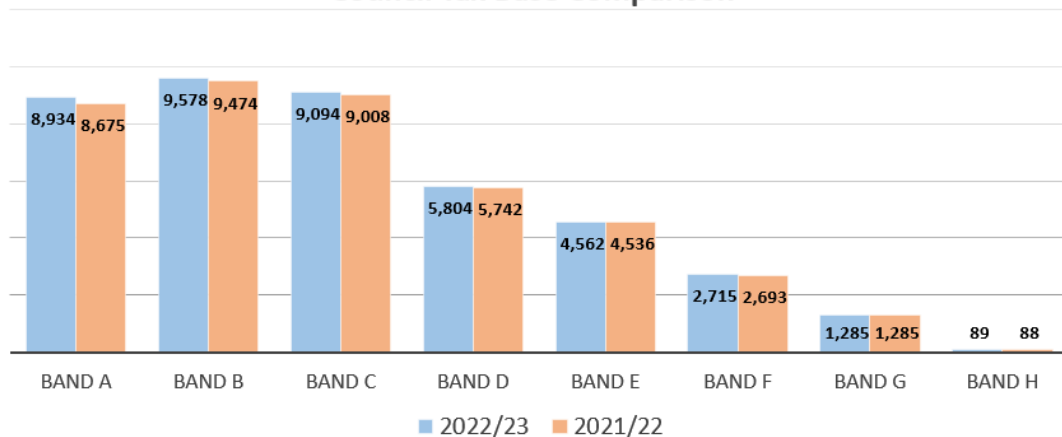
3.9 Nonetheless, some preliminary high-level work has been done to update the budget scenarios, in order that we do not to lose sight of the potential risks and the challenge created by the underlying position.

3.10 This has taken the updated budget position and reflected several assumptions such as general inflation, the Local Government Pay Award and prospects for retained business rates and council tax yield.

Council Tax

- 3.11 Council tax is the Council’s primary source of funding and is calculated by multiplying the tax base, the number of eligible residential properties (expressed in band D equivalents), by the level of the district council precept which is determined each year.
- 3.12 The tax base for 2022/23 has been calculated as 42,060 Band D equivalent properties after allowing for a collection rate of 98.68%, the same as in previous years. There has been a reduction in the numbers of void and exempt properties together with a reduction in both the numbers of accounts eligible for discounts and the Council Tax Reduction Scheme. There is also expected to be an increase in new properties for 2022/23 though this is smaller than that seen in 2021/22. From 2023/24 1% growth in the Tax base has been used for forecasting.

Council Tax Base Comparison



- 3.13 Government’s referendum criteria which limits increases in the Council’s element of Council Tax to 2% or £5, whichever is greater. For the purposes of forecasting, it has been assumed that the Council will increase council tax by £5, the maximum allowed, in each of the next three years.
- 3.14 The table below sets out Council Tax forecasts for the next four years including a sensitivity analysis showing the potential impact on council tax yield of different scenarios:

| | Actual 2021/22 | Forecast 2022/23 | Forecast 2023/24 | Forecast 2024/25 | Forecast 2025/26 |
|---|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Council Tax Band D (£5 increase) | £236.95 | £241.95 | £246.95 | £251.95 | £256.95 |
| Tax base (1% growth from 2023/24) | 41,500 | 42,060 | 42,481 | 42,905 | 43,334 |
| Council Tax Income | £9,833,425 | £10,176,417 | £10,490,584 | £10,810,017 | £11,134,790 |
| Previous MTFS | | £10,091,000 | £10,403,000 | £10,719,000 | £11,043,773 |
| Difference Increase/(Decrease) | | £85,417 | £87,584 | £91,017 | £91,017 |
| Scenario 1 – no increase In Council tax over period Of MTFS | | (£124,883) | (£337,222) | (£552,564) | (£775,673) |
| Scenario 2 – 1% drop in council tax collection rate | | (£17,654) | (£18,669) | (£18,471) | (£21,761) |
| Scenario 3 – 1.5% increase in tax base growth | | £85,417 | £139,518 | £198,312 | £257,205 |

Business Rates

- 3.15 Business rates is now a fundamental part of the local government finance settlement and, along with Council Tax, accounts for the majority of local government financing. Members will appreciate that despite intervention of central government through various grant funding streams and reliefs the full effects of the pandemic on businesses are not as yet entirely evident. This, along with a number of other significant uncertainties set out below make forecasting and planning extremely difficult.
- 3.16 We are one of only a small number of Councils with a nuclear power station within its boundary. The rateable value of the Heysham1 and Heysham 2 nuclear reactors accounts for over 30% of the Council's total rateable value. Although the retained business rates scheme does have a safety net mechanism in place to ensure that an authority's income does not drop below more than a set percentage of its index linked spending baseline, the Council is vulnerable to swings in income levels relating to the power station' operations.
- 3.17 The previous MTFS budgeted at a prudent baseline position as we were at height of pandemic and the impact on local business was unclear. Current information has highlighted a small amount of growth (c£400k) based on monitoring, this is now factored into the forecast for 2022/23 & 2023/24 and we will continue to monitor the position during December & January.
- 3.18 It was expected that at some point as part of government funding reviews there would be a business rates growth reset effectively removing all growth from the system by setting the business rates baseline to equal actual rates levels. To date this has not taken place and it has been assumed that this would take place in 2023/24 at the earliest. As only a small amount of growth has been modelled for 2022/23 and 2023/24 the impact of any potential reset is mitigated though it has been modelled

as part of the sensitivity analysis. Heysham 1 reactor is expected to be decommissioned at some point during 2024 although the exact timing of this is not yet clear. This will have the effect of triggering a safety net payment from Central Government and so growth would only be relevant were it to be significant enough to generate rating income above the baseline.

3.19 The table below provides Business Rates forecasts for the next four years incorporating a number of assumptions and sensitivity analysis. Current forecast assumptions are:

- Income to remain in line with business rates monitoring during 2021/22 together with a 2% uplift to baseline and tariff in respect of inflation.
- Heysham 1 reactor to be decommissioned in 2024/25

| | 2022/23 £ | 2023/24 £ | 2024/25 £ | 2025/26 £ |
|--|------------------|------------------|------------------|------------------|
| Retained Business Rates | 6,288,826 | 6,414,602 | - | - |
| Safety Net Payment | - | - | 5,631,304 | 5,743,931 |
| Renewable Energy Disregard Income | 3,011,788 | 3,071,707 | 3,133,141 | 3,195,803 |
| Sub Total | 9,300,614 | 9,486,309 | 8,764,445 | 8,939,734 |
| Impact of business rates element of Collection Fund forecast outturn for 2021/22 | 323,980 | | | |
| Exceptional Deficit declared January 2021 (eligible for spreading) | (443,193) | (443,193) | | |
| Transfer from Business Rates Retention Reserve | 443,193 | 443,193 | | |
| Net Impact on General Fund | 9,624,594 | 9,486,309 | 8,764,445 | 8,939,734 |
| Previous MTFS | 8,835,800 | 8,924,000 | 9,013,300 | 9,188,589 |
| Difference: Increase/(Decrease) | 788,794 | 562,309 | (248,855) | (248,855) |
| Scenario 1: baseline & tariff frozen for a second year | 1,071,246 | 734,371 | (217,523) | (216,897) |
| Scenario 2: Heysham 1 decommissioned in 2023/24 Rather than 2024/25 | 788,794 | (331,407) | (248,855) | (248,855) |
| Scenario 3: Baseline reset at 22/23 levels in 23/24 | 788,794 | 116,234 | (248,855) | (248,855) |
| Scenario 4: 1% rates income growth from 23/24 onward | 788,794 | 695,870 | (248,855) | (248,855) |

3.20 Monitoring will continue during November and January which may impact these forecasts. The forecasts remain a best estimate and are dependent on the final local government finance settlement

New Homes Bonus

- 3.21 New Homes Bonus is a reward grant which is calculated from Council Taxbase figures. As previously reported, the previous years rewards element of the grant is being phased out and no longer applies from 2022/23 onwards. There is a risk that the Government will seek to further reduce the grant in future years which would increase the budget gap at the Council.
- 3.22 The current forecast of levels of New Homes Bonus is set out in the table below. This may be impacted by the finance settlement and the latest data in respect of affordable housing supply in the district which is due to be refreshed in December 2021

| | 2021/22 £ | 2022/23 £ | 2023/24 £ | 2024/25 £ | 2024/25 £ |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Annual Reward | 234,100 | 281,200 | 281,000 | 281,000 | 281,000 |
| Previous Years Rewards | 635,300 | 274,200 | - | - | - |
| Total | 869,400 | 555,400 | 281,000 | 281,000 | 281,000 |
| Previous MTFS | 869,400 | 504,300 | 230,000 | 230,000 | 230,000 |
| Difference Increase/(Decrease) | - | 51,100 | 51,000 | 51,000 | 51,000 |

4.0 MEDIUM TERM FINANCIAL STRATEGY – CURRENT PROSPECTS TO 2025/26

- 4.1 Officers have undertaken a detailed review of the current and future years budgets that were reported to Council on 24 February 2021. This review included incorporating approved and known changes together with comprehensive salary and inflation reviews. In addition, the Council's General Fund capital programme is currently under review in order to reduce the number of schemes funded through unsupported borrowing. This will lessen the charges to revenue for Minimum Revenue Provision and loan interest. Headline details of the budget changes are provided in the following paragraphs and are reflected in the General Fund Revenue Budget Projections 2021/22-2025/26 table at paragraph 4.3.

Operational Changes

- 4.2 Operational changes included in the base budget for 2022/23 currently amount to an increase in expenditure of £1.032M. The Council budgets for inflation across a number of areas such as gas, electricity, water, insurance, building costs etc as well as general price inflation and seeks the appropriate indices from a number of sources. The impact of inflation increases expenditure by a further £0.086M with further adjustments made to include the potential reimbursement of national insurance contributions and increase in New Homes Bonus. A summary of these changes is given in the table below:

Base Budget Changes

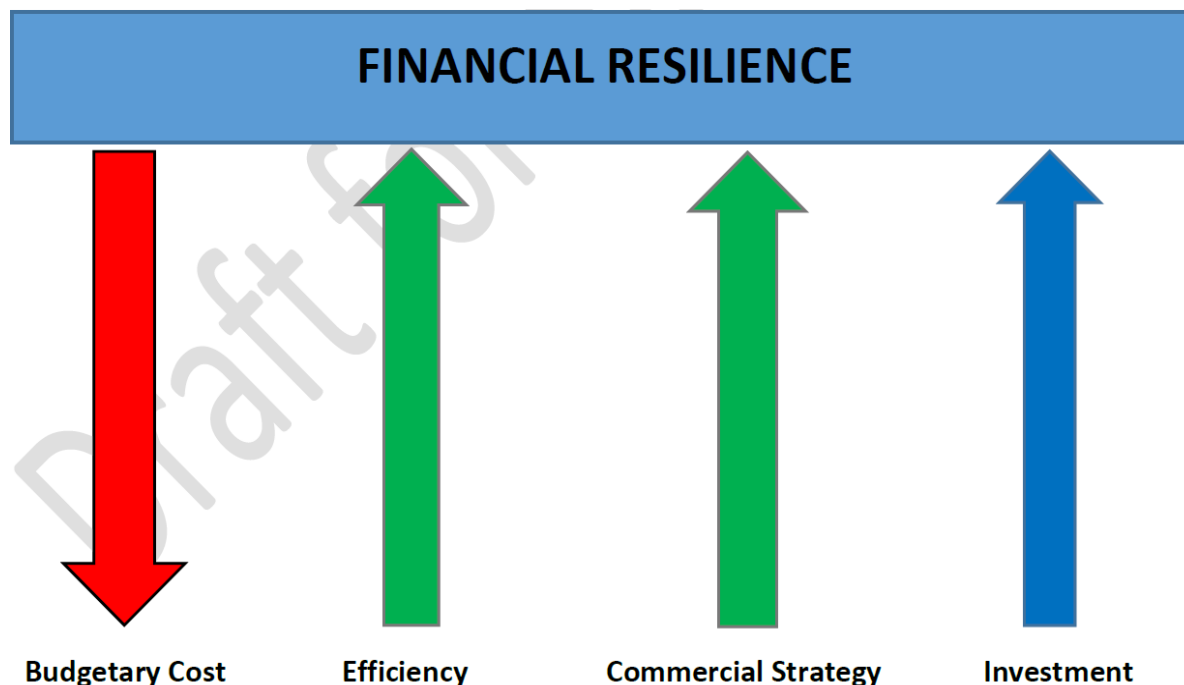
| Operational Changes | £M |
|---|--------------|
| Salaries | 0.428 |
| Additional cost pressures | 0.401 |
| Net Reduction in Income | 0.203 |
| Sub Total | 1.032 |
| Impact of Inflation | 0.086 |
| Settlement Estimate - reimbursement of increase in National Insurance contributions | (0.144) |
| Potential Increase in New Home Bonus | (0.051) |
| Total | 0.923 |

4.3 General Fund Revenue Budget Projections

| General Fund Revenue Budget Projections 2021/22 to 2025/26 | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| For Consideration by Cabinet 7 December 2022 | | | | | |
| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue Budget/Forecast as at 24 February 2021 | 17,774 | 21,110 | 23,550 | 24,311 | 24,311 |
| Base Budget Changes | | | | | |
| Operational Changes | | 1,032 | 1,131 | 1,309 | 1,567 |
| Settlement Estimates | | (144) | (151) | (154) | (159) |
| New Homes Bonus | | (51) | (51) | (51) | (51) |
| Inflationary Impact | | 86 | 131 | 194 | 777 |
| Latest Budgetary Position | 17,774 | 22,033 | 24,610 | 25,609 | 26,445 |
| Outcomes Based Resourcing Proposals: | | | | | |
| Savings Proposals | 0 | 0 | 0 | 0 | 0 |
| Redirection Proposals | 0 | 0 | 0 | 0 | 0 |
| Additional Resource Requirements | 0 | 0 | 0 | 0 | 0 |
| Revenue Implication of New Capital Schemes | 0 | 0 | 0 | 0 | 0 |
| Contribution (to)/from Reserves | 319 | 0 | 0 | 0 | 0 |
| General Fund Revenue Budget | 18,093 | 22,033 | 24,610 | 25,609 | 26,445 |
| Core Funding: | | | | | |
| Revenue Support Grant | (204) | - | - | - | - |
| Net Business Rates Income | (7,737) | (9,625) | (9,486) | (8,674) | (8,939) |
| Council Tax Requirement | 10,152 | 12,408 | 15,124 | 16,935 | 17,506 |
| Estimated Council Tax Income - (Increases based on £5 for 2021/22 then max allowable) | 9,833 | 10,176 | 10,491 | 10,810 | 11,134 |
| Resulting Base Budget (Surplus)/Deficit | 319 | 2,232 | 4,633 | 6,125 | 6,372 |
| <i>Original MTFS Savings Requirement</i> | <i>0</i> | <i>2,183</i> | <i>4,223</i> | <i>4,668</i> | <i>N/A</i> |
| <i>Change</i> | <i>+319</i> | <i>+49</i> | <i>+410</i> | <i>+1,457</i> | <i>N/A</i> |

5.0 REALISING THE FUNDING THE FUTURE STRATEGY

5.1 In December 2018 Council adopted its Funding the Future Strategy (FtF) “a strategy for building financial resilience”. The strategy consists of 4 elements or pillars which were intended to be taken together to address the underlying structural deficit.



5.2 Each element complemented the others and in combination were designed to lead to financial resilience.

Investing for a Return, or to Reduce Costs

5.3 In January 2019 Council approved a Property Investment Strategy which set out requirements and governance arrangements for the purchase of assets to deliver a positive contribution to the Council’s budget. In November 2020, however, HM Treasury revised the rules governing the Council’s access to PWLB borrowing to fund the acquisition of assets primarily for yield. Prior to this announcement the Council purchased assets totalling c£14M which are now delivering approximately £1M positive contribution to the Council’s revenue budget.

5.4 CIPFA has recently sought views on a number of proposals which continue to further restrict the ability of Councils to undertake what it views as speculative investments using public funds. Recent proposals may make it a statutory requirement to set aside each year an amount to repay debt, known as Minimum Revenue Provision (MRP) on commercial assets.

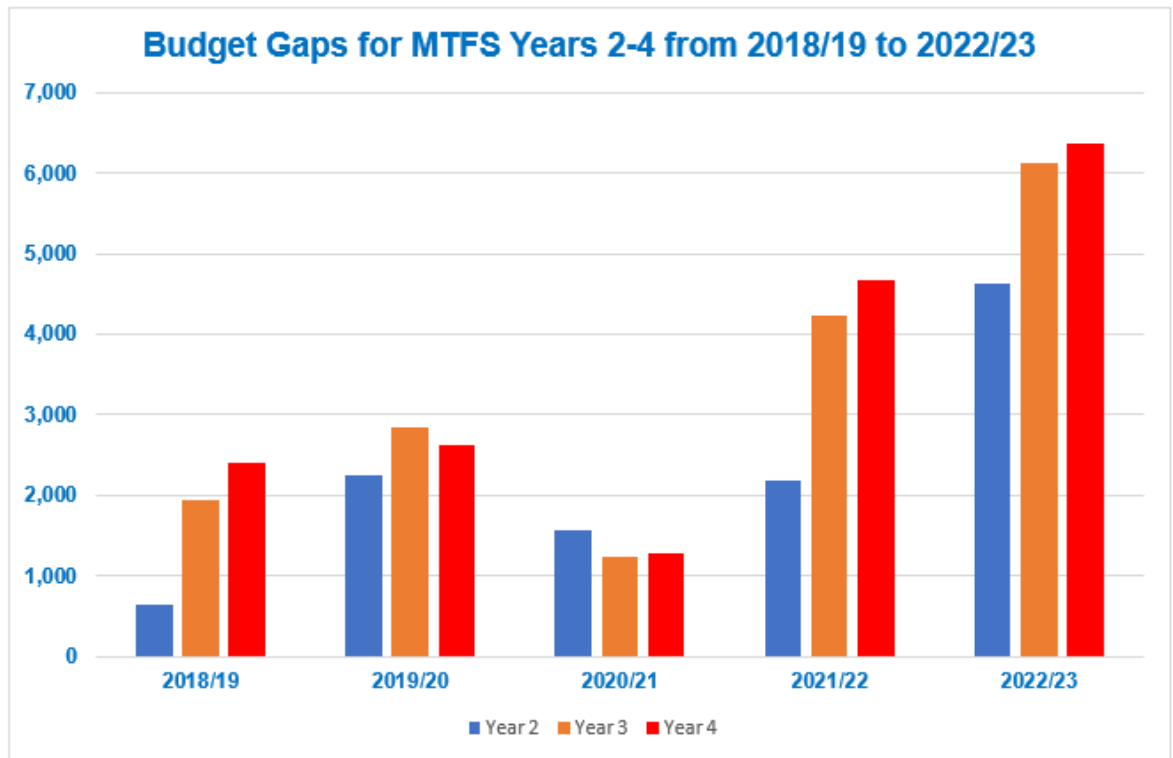
5.5 Members can be assured that the s151 Officer and the finance team have already adopted an approach that has ensured that this Council is already fully compliant with the potential changes and will not see any adverse impact.

Commercial Strategy

- 5.6 This pillar sets out to improve internally delivered services and establish new delivery models such as:
- Contracts and partnerships with other public bodies, for example, shared service arrangements.
 - Contracts and joint ventures with the private sector e.g. joint ventures, outsourcing, public-private partnerships.
 - New public sector and non-public entities e.g. joint commissioning boards and companies limited by shares or guarantees.
- 5.7 The Council recently extended its joint operation of Revenues and Benefits with Preston City Council and currently operates a shared Corporate Fraud Team with Fylde and Preston City Council's. In order to deliver ICT leadership and technical capacity it recently entered into a sharing agreement with Blackpool Borough Council, and to ensure there is an Internal Audit function it recently contracted with Mersey Internal Audit Agency.
- 5.8 In March 2021 the Council established More Homes for the Bay its first Local Authority Trading Company (LATCo) which, as a separate legal entity, is afforded several strategic freedoms and options not currently available to the Council.
- 5.9 Currently the Council is developing a business case which will frame the LATCo's activities, its administrative and financing arrangements. These decisions require consideration and approval by its Directors, the Shareholder Committee. Once the business plan has been agreed financial modelling can start to be undertaken to assess the value of the operation to the Council.

Pursuit of Efficiency with Vigour

- 5.10 In order to improve the efficiency of operations a programme of "Lean Reviews" were intended to re-engineer activities in order to reduce costs and improve productivity. The most recent activity in this area has been the P2P project which has delivered significant operational and process savings both within Exchequer Services and out at service. The next phase is due for rollout before the end of the financial year, with the final phase concluded in 2022/23. Other areas where re-engineering has yielded efficiencies include Human Resources and Void Management. It still remains the intention that all key service processes will be subject to review over a three year period.
- 5.11 Outcomes Based Resourcing
This initiative originally committed to in 2018 has been delayed and had been due to commence early in the 2021/22 financial year having been set back by the Covid 19 pandemic.
- 5.12 Its intention is to ensure that funds are allocated according to a set of predefined outcomes, or priorities using a zero-based approach rather than applying incremental uplifts to an existing set of services each year. This effectively ensures that funds are directed toward the Council's key ambitions and statutory functions and away from areas which contribute less or not at all against the predetermined objectives. Given that investment opportunities are now limited this pillar of the strategy has grown in importance and will be required to appropriately target resources to key services whilst shrinking the budget gap.
- 5.13 Despite the work to date to realise the funding the future strategy the budget gap has widened as the following table shows. The impact of having to remove material levels of investment income and reduce some of the income stretch targets that had been budgeted during 2020/21 in light of the pandemic can clearly be seen below.



6.0 PROVISIONS, RESERVES AND BALANCES

6.1 A Council's 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. Councils generally hold two types of reserves, "Unallocated" to meet short term unexpected cost pressures or income reductions and "Earmarked". These can be held to provide for some future anticipated expenditure for identified projects, particularly in respect of corporate priorities, address specific risks such as business rates, provide up-front costs which specifically result in future efficiencies, cost savings or increased income, or to hold funding from other bodies, mainly Government, for specified purposes.

6.2 By their nature reserves are finite and within the existing statutory and regulatory framework, it is the responsibility of the s151 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.

6.3 The 2020/21 provisional outturn has seen the Councils level of reserves increase and whilst the General Fund unallocated reserve is currently healthy if the current level of budget gaps remain it will be required to fund them, whilst still leaving a current minimum required level of £3.5M. Whilst the required level of individual reserves is assessed annually the overall impact is illustrated in the tables below

| | 31 March 2021 £ | 31 March 2022 £ | 31 March 2023 £ | 31 March 2024 £ | 31 March 2025 £ | 31 March 2026 £ |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Unallocated Balances | (7,808,400) | (5,222,400) | (4,538,400) | (3,500,000) | (3,500,000) | (3,500,000) |
| Earmarked Reserves: | | | | | | |
| To Support Revenue & Capital Expenditure | (6,676,200) | (1,065,100) | (765,000) | | | |
| Total ring-fenced/held against risk | (18,961,000) | (12,345,200) | (11,644,000) | (9,781,600) | (6,153,400) | (680,200) |
| Total Earmarked Reserves | (25,637,200) | (13,410,300) | (12,409,000) | (9,781,600) | (6,153,400) | (680,200) |
| Total Combined Reserves | (33,445,600) | (18,632,700) | (16,947,400) | (13,281,600) | (9,653,400) | (4,180,200) |



6.4 The Council has plans to use £6.7M of its reserves to support feasibility work in respect of regeneration projects and housing, to finance some capital projects, to deliver the culture strategy and provide support to businesses and the vulnerable through the Covid 19 pandemic. A review is currently on going into all the planned allocations from Council reserves.

7.0 BALANCING THE BUDGET TO 2025/26

7.1 It must be reiterated that the current forecasts do not include any interventions by Cabinet, or Executive Management Team, however they highlight potential cumulative budget deficits over the next 4 years and so balancing the budget both in the short and the medium term will be a tough task.

7.2 The Council's FtF strategy advocates a balanced and systematic approach based on sound principles around increased income streams, commercialisation, pursuing efficiency with vigour and cost management. As outlined previously in this report progress has been made to realise this strategy, income streams have been derived from investments made prior to November 2020, a number of efficiencies have been

delivered, although there remain further aspects of this agenda to explore. Utilisation of the strategic freedoms presented by the creation of LATCo's are expected to deliver returns through using our assets to best advantage, but these aspirations are more likely to be realised over the medium to longer term horizons.

- 7.3 A number of workshops have been held between Executive Management Team and Cabinet to explore savings and redirection proposals, ensuring that underlying cost pressures are mitigated as far as possible and that growth in service is limited to that which is strictly necessary. The Council's capital programme is being reviewed a revised governance structure developed to reduce the revenue impact of MRP and interest charges whilst facilitating delivery of the Council's priorities. To support the level of Council reserves a comprehensive review is underway.
- 7.4 It is now imperative that a thorough and detailed review of our cost base is undertaken through application of OBR, or other similar budget principles. This will have a particularly important part to play in driving down budget gaps from 2023/24 and beyond and in realising financial sustainability. The application of OBR across the Council will be a significant piece of work and will inevitably require an objective and sensitive approach and work is currently underway to engage external expertise to commence this work within the current financial year.
- 7.5 Progress against all of these areas will be reported to Members together with any implications of the Local Government Settlement as part of January update.

8.0 OPTIONS AND OPTIONS ANALYSIS

- 8.1 As the report is for consideration no alternative options are put forward

| |
|----------------|
| COUNCIL |
|----------------|

**Allocation of Seats to Political Groups
15 December 2021
Report of the Head of Democratic Services**

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|--|
| PURPOSE OF REPORT |
| To advise Council of the calculations relating to the allocation of seats in accordance with the Local Government and Housing Act 1989 following a change to the political composition of the Council. |
| This report is public. |

RECOMMENDATIONS

- 1) **That in accordance with Section 15 of the Local Government and Housing Act, 1989 and Part 4 of the Local Government (Committees and Political Groups) Regulations, 1990, the City Council approves the calculations and allocation of seats set out in this report, including the adjustments set out in the table in 2.2 and paragraph 4.1.**

1.0 Introduction

1.1 A calculation of political composition is undertaken at each annual Council meeting to determine the political balance on the Council's committees. This was done at the Council meeting on 17 May 2021 on the full council number of 60 Councillors. It is a requirement that re-calculations are made as and when the political make-up of the Council changes.

1.2 By-elections were held in late November and early December for four vacant seats and the result of those by-elections is shown below for each ward.

University and Scotforth Rural – Councillor Fabiha Askari, Labour

Carnforth and Millhead – Councillor Luke Taylor, Labour

Upper Lune Valley – Councillor Ross Horner, Liberal Democrat

Bare – Councillor Gerry Blaikie, Liberal Democrat.

In addition to these changes, Councillor Jake Goodwin resigned from the Independent Group in June 2021 and that recalculation was left until the by-elections had been held. This report therefore recalculates political balance on the current composition of 59 Councillors who are now aligned to a political grouping. One City Councillor is a non-aligned independent and is not included in the calculation

2.0 Change in Composition of the Council

2.1 The make-up of the Council is now:

| | |
|----------------------------------|----|
| Labour | 16 |
| Conservatives | 11 |
| Green | 10 |
| Morecambe Bay Independents (MBI) | 9 |
| Independent Group | 5 |
| Eco-Socialist Independents | 4 |
| Liberal Democrats | 4 |
| Non-aligned Independent | 1 |
| | 60 |

- 2.2 The calculation was last undertaken on 17 May 2021. The table below shows the changes required across all 78 committee seats based upon the revised political composition of the Council.

| | May 2021 | December 2021 | Change |
|---------------------------|-------------|---------------|--------|
| Labour | 18 | 21.1525 = 21 | +3 |
| Conservatives | 17 | 14.5424 = 15 | -2 |
| Green | 13 | 13.2203 = 13 | |
| MBI | 12 | 11.8983 = 12 | |
| Independent Group | 9 | 6.6102 = 7 | -2 |
| Eco-Socialist Inde | 6 | 5.2881 = 5 | -1 |
| Liberal Democrats | 3 | 5.2881 = 5 | +2 |
| | (78) | (78) | |

- 2.3 The figures for May 2021 were based upon a pro rata share of 78 seats across 60 Councillors using roundings. The figures for December are based on a pro rata share of 78 seats across 59 councillors using roundings (there is one non-aligned Councillor not included in the groups calculation).

3.0 Political Balance on Committees

- 3.1 If political balance was calculated separately on each committee the figure would be as set out below for each size of committee:-

3.2 15 Member Committee (Planning Regulatory)

| | | |
|----------------------------|--------|-----|
| Labour | 4.0678 | (4) |
| Conservative | 2.7966 | (3) |
| Green | 2.5424 | (3) |
| MBI | 2.2881 | (2) |
| Independent Group | 1.2712 | (1) |
| Eco-Socialist Independents | 1.0169 | (1) |
| Liberal Democrats | 1.0169 | (1) |

10 Member Committee (Licensing)

| | | |
|----------------------------|--------|-----------------------------------|
| Labour | 2.7119 | (3) |
| Conservative | 1.8644 | (2) |
| Green | 1.6949 | (2) |
| MBI | 1.5254 | (1) Rounded down, lowest residual |
| Independent Group | 0.8475 | (1) |
| Eco-Socialist Independents | 0.6780 | (.5) |
| Liberal Democrats | 0.6780 | (.5) |

9 Member Committees x 2 (Overview and Scrutiny, Budget and Performance)

| | | |
|----------------------------|--------|-----------------------------------|
| Labour | 2.4407 | (2) |
| Conservative | 1.6780 | (2) |
| Green | 1.5254 | (1) Rounded down, lowest residual |
| MBI | 1.3729 | (1) |
| Independent Group | 0.7627 | (1) |
| Eco-Socialist Independents | 0.6102 | (1) |
| Liberal Democrats | 0.6102 | (1) |

7 Member Committees x 5 (Personnel, Audit, CBC, Appeals, Standards)

| | | |
|----------------------------|--------|------|
| Labour | 1.8983 | (2) |
| Conservative | 1.3051 | (1) |
| Green | 1.1864 | (1) |
| MBI | 1.0678 | (1) |
| Independent Group | 0.5932 | (1) |
| Eco-Socialist Independents | 0.4746 | (.5) |
| Liberal Democrats | 0.4746 | (.5) |

3.3 Using these calculations would give an overall total out of the 78 seats of:-

| | |
|----------------------------|-----------|
| Labour | 21 |
| Conservative | 14 |
| Green | 12 |
| MBI | 10 |
| Independent Group | 9 |
| Eco-Socialist Independents | 6 |
| Liberal Democrats | 6 |
| | <u>78</u> |

3.4 However, the calculation of the 78 committee places on all standing committees **must** be undertaken using rules A-E, set out in s. 15(5) of the Local Government and Housing Act 1989. Those rules are explained in **Appendix A** and the aggregate calculation is as shown on the table at 2.2 under the column “Dec 2021”. The necessary adjustments are shown in the highlighted right-hand column of that same table.

4.0 Chief Executive Recruitment Committee

4.1 The Chief Executive Recruitment Committee is a nine-member body, calculated on political balance.

| | | |
|----------------------------|--------|-----------------------------------|
| Labour | 2.4407 | (2) |
| Conservative | 1.6780 | (2) |
| Green | 1.5254 | (1) Rounded down, lowest residual |
| MBI | 1.3729 | (1) |
| Independent Group | 0.7627 | (1) |
| Eco-Socialist Independents | 0.6102 | (1) |
| Liberal Democrats | 0.6102 | (1) |

Currently the Committee comprises 2 Labour, 2 Conservative, 2 Green, 1 MBI, 1 Independent Group, 1 Eco-Socialist and no Liberal Democrats. This needs to be adjusted to give one seat to a Liberal Democrat and this seat should come from the Green group.

5.0 Conclusion

5.1 Members are requested to agree the new calculation so that the appropriate adjustments can be made following a change to the political composition of the Council.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

There are no direct implications as a result of this report.

FINANCIAL IMPLICATIONS

There are no financial implications as a direct result of this report.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no comments

LEGAL IMPLICATIONS

This report has been prepared in accordance with the provisions of Section 15 of the Local Government and Housing Act, 1989 and Part 4 of the Local Government (Committees and Political Groups) Regulations 1990.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments

BACKGROUND PAPERS

Contact Officer: Debbie Chambers
Telephone: 01524 582057
E-mail: dchambers@lancaster.gov.uk

THE RULES

The main rules are set out in s. 15(5) LGHA, and they are to be applied sequentially. So Rule B cannot override Rule A; Rule C cannot override Rules A and B; and Rule D cannot override Rules A, B or C. An additional rule is set out in s. 16.

Rule A: all the seats on a committee or sub-committee may not be allocated to members of the same political Group. Note that this does not require that each political Group needs to be represented on each committee or sub-committee.

Rule B: where a majority of the members of Council are members of the same political Group, a majority of the seats on each committee and sub-committee must be allocated to that political Group. So, where there is a majority Group, it must be allocated a minimum of 2 seats on each committee or sub-committee of 3 members, 3 seats on each committee or sub-committee of 4 members, and so on. This means that, where a political Group enjoys a narrow majority on Council, that majority Group will be allocated significantly more seats than would result from simple proportionality. Incidentally, the combination of Rules A and B reinforce the point that the minimum size of a committee or sub-committee ought to be 3.

Rule C: deals with the aggregate of seats on all committees, taken together. [It does not apply to sub-committees, joint committees or outside bodies (see later)]. It provides that, subject to Rules A and B, the relationship between the total number of committee seats allocated to each Group and the total number of seats on all committees must, as near as possible, be the same as the relationship between the number of members of the Group as a proportion of the total number of members of Council. This is subject to Rules A and B.

Rule D: Having worked out how many committee seats are to be allocated to each political Group, Rule D then determines which committees those seats relate to. Rule D now says that, taking each committee separately, the seats on that committee must be allocated as close to proportionately as possible, without offending Rules A, B or C

There is also a "**Rule E**", inserted into s.16 by reg. 16(3), which provides that, where appointments to seats are to be made other than in accordance with Rules A to D (i.e. to seats which are not allocated to a political Group) then the Council or the committee must appoint members to those seats who are not members of a political Group. The exact wording is:

"(2A) Where appointments fall to be made to seats on a body to which section 15 applies otherwise than in accordance with a determination under that section, it shall be the duty of the authority or the committee, as the case may be, so to exercise their power to make appointments as to secure that the persons appointed to those seats are not members of any political Group."



**Treasury Management Mid-Year Review 2021/22
15 December 2021**

Report of the Chief Finance Officer

| | | | |
|--|--|-------------------------|-------------------------------------|
| PURPOSE OF REPORT | | | |
| This report seeks Council's consideration of various matters in connection with the Treasury Management Mid-Year Review 2021/22. | | | |
| Key Decision | | Non-Key Decision | Referral from Cabinet Member |
| Date of notice of forthcoming key decision | | | |
| This report is Public | | | |

RECOMMENDATIONS

That Council:

- (1) Consider the various matters in connection with the Treasury Management Mid-Year Review 2021/22.**

1.0 INTRODUCTION

1.1 The Council's Treasury Management Activities are regulated the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued under the Local Government Act 2003

1.2 During 2021/22 the minimum reporting requirements are that the Full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 24 February 2021)
- A mid-year (minimum) treasury update report (This report).
- An annual review following the end of the year describing the activity compared to the strategy

1.3 In addition, Members will receive treasury management update reports on which are presented to Cabinet and Budget and Performance Panel.

2.0 BACKGROUND

- 2.1 The Mid-Year Review (Appendix A) sets out the performance of treasury operations for the first six months of the 2021/22 financial year in terms of long- and short-term borrowing, investment activities and relevant borrowing limits and prudential indicators.
- 2.2 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.

3.0 SUMMARY DETAILS

Investments

- 3.1 The average level of funds available for investment purposes over the six-month period was £38.3M (2020/21 £41.0M). 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.
- 3.2 The Council's investments returned an average rate 0.02% on deposit generating c£4.6K of interest against a profiled budget of c£20K.

Borrowing

- 3.3 The Capital Financing Requirement (CFR) measures the Council's underlining need to borrow for capital purpose, i.e. its borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.
- 3.4 The Council's capital financing requirement (CFR) for 2021/22 was forecast as £134.88M with the current forecast CFR at quarter 2 is, however, £105.13M as much of the expenditure funded by unsupported borrowing, most notably that in the Development Pool, is expected to slip.
- 3.5 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 £60.04M. It intended to utilise £33.09M of cash flow funds in lieu of borrowing and with current forecasts estimating new borrowing of £12M later in the financial year. This will be considered when the need arises and will be in consultation with the Council's external advisors.
- 3.6 The capital programme is being kept under regular review due to the effects of COVID-19, the shortage of materials and labour and delays to schemes within the Development Pool. Therefore, our borrowing strategy will be reviewed and then revised in order to achieve optimum value and risk exposure in the long-term.

Changes to Prudential Indicators

- 3.7 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.

- 3.8 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 | 2021/22 | |
|---------------------------------------|---------------------------------|----------------------------------|
| | Original Estimate £m | Quarter 2 Position £m |
| Communities and Environment | 10.08 | 11.54 |
| Economic Growth and Regeneration | 2.54 | 4.05 |
| Corporate Services | 0.14 | 0.14 |
| Development Pool | 50.15 | 0.76 |
| Total for General Fund | 62.91 | 16.49 |
| Council Housing (HRA) | 4.78 | 4.78 |
| Total Capital Expenditure | 67.69 | 21.27 |

- 3.9 Capital Expenditure by service is in line with figures provided with the published Q2 monitoring (Delivering our Priorities Q2). The reduction in capital expenditure reflects programmes predominately within the Development Pool not being delivered.
- 3.10 This table shows the changes in the financing of the capital programmes, and the level of borrowing required.

| Capital Expenditure | 2021/22 | |
|----------------------------------|---------------------------------|----------------------------------|
| | Original Estimate £m | Quarter 2 Position £m |
| Total capital expenditure | 67.69 | 21.27 |
| Financed by: | | |
| Capital receipts | 0.64 | 0.64 |
| Capital grants | 19.57 | 7.17 |
| Reserves | 5.25 | 4.39 |
| Revenue | 0.00 | 0.00 |
| Total Financing | 25.46 | 12.20 |
| Borrowing Requirement | 42.23 | 9.07 |

- 3.11 The table shows that the capital financing requirement (CFR) is £29.75M lower than the original estimate due to the 2021/22 than the original estimate due to schemes within the Development Pool not being delivered as originally forecast.

| Capital Financing Requirement | 2021/22 | |
|--|---------------------------------|----------------------------------|
| | Original Estimate £m | Quarter 2 Position £m |
| General Fund | 98.69 | 68.94 |
| HRA | 36.19 | 36.19 |
| Total Capital Financing Requirement | 134.88 | 105.13 |
| Net movement in CFR | 39.01 | -29.75 |

- 3.12 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.
- 3.13 The table below shows compliance with this control as the Council's external borrowing £60.04M compared to its CFR £105.13M

| External Debt v Borrowing Need (CFR) | 2021/22 | |
|--|---------------------------------|----------------------------------|
| | Original Estimate £m | Quarter 2 Position £m |
| External Debt | 102.09 | 61.08 |
| Other long term liabilities | -1.04 | -1.04 |
| Expected Change in Other long term liabilities | 0.00 | 0.00 |
| Total Debt | 101.05 | 60.04 |
| Compared to current : | | |
| Capital Financing Requirement | 134.88 | 105.13 |
| Operational Boundary:- | | |
| Debt | 95.87 | 105.13 |
| Authorised Limit:- | | |
| Debt | 112.00 | 112.00 |

4.0 CONSULTATION

- 4.1 In accordance with regulations the Treasury Management Mid Year Review 2021/22 has been presented to Cabinet and Budget & Performance Panel.
- 4.2 Consultation has been undertaken with the Council's external Treasury Management Advisors.

5.0 OPTIONS AND OPTIONS ANALYSIS

5.1 As the report is for consideration and noting of performance by Council no alternative options are put forward, but Council could make supplementary recommendations regarding any matters arising.

6.0 CONCLUSION

6.1 Consideration of Treasury Management Mid-Year Review by Full Council will ensure the Council complies with CIPFA's Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

| | |
|---|--|
| <p>RELATIONSHIP TO POLICY FRAMEWORK</p> <p>Treasury Management forms part of the Councils budget framework. Effective Treasury Management and use of the Councils' resources is fundamental to the delivery of its priorities and outcomes</p> | |
| <p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)</p> <p>There are no immediate implications for consideration.</p> | |
| <p>LEGAL IMPLICATIONS</p> <p>There are no legal implications stemming from this report.</p> | |
| <p>FINANCIAL IMPLICATIONS</p> <p>As this report is for consideration and the noting of performance there are no immediate financial considerations arising.</p> | |
| <p>OTHER RESOURCE IMPLICATIONS</p> <p>There are no additional resource or risk implications</p> | |
| <p>SECTION 151 OFFICER'S COMMENTS</p> <p>The s151 Officer has written this report in his role as Chief Finance Officer.</p> | |
| <p>MONITORING OFFICER'S COMMENTS</p> <p>Monitoring Officer has been consulted and has no further comments</p> | |
| <p>BACKGROUND PAPERS</p> | <p>Contact Officer: Paul Thompson Chief Finance Officer Telephone: 01524 582603 E-mail: pthompson@lancaster.gov.uk</p> |

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

Mid-Year Review 2021/22

Report of Chief Finance Officer

Presented to Council 15 December 2021

1. Background

Capital Strategy

In December 2017 CIPFA (Chartered Institute of Public Finance and Accountancy) issued revised Prudential and Treasury Management codes. As from 2020/21, all local authorities will be required to prepare a Capital Strategy which is intended 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 24 February 2021.

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 restructured 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 2021/22 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 2021/22
- A review of the Council's borrowing strategy for 2021/22
- A review of any debt rescheduling undertaken during 2021/22
- A review of compliance with Treasury and Prudential Limits for 2021/22

3. Economics update (provided by Link Asset Services)

MPC meeting 24.9.21

- *The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.*
- *There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, the MPC had been prepared to look through a temporary spike in inflation.*

- *So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement; this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.*
- *Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.*
- *The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -*
 - *Placing the focus on raising Bank Rate as "the active instrument in most circumstances".*
 - *Raising Bank Rate to 0.50% before starting on reducing its holdings.*
 - *Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.*
 - *Once Bank Rate had risen to at least 1%, it would start selling its holdings.*

4. Interest Rate Forecast

The Council's treasury advisor, Link Asset Services, provided the following forecast on 29 September 2021:

| Link Group Interest Rate View | | 29.9.21 | | | | | | | | | |
|-------------------------------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--|
| | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | |
| BANK RATE | 0.10 | 0.10 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.75 | |
| 3 month ave earnings | 0.10 | 0.10 | 0.20 | 0.20 | 0.30 | 0.40 | 0.50 | 0.50 | 0.60 | 0.70 | |
| 6 month ave earnings | 0.20 | 0.20 | 0.30 | 0.30 | 0.40 | 0.50 | 0.60 | 0.60 | 0.70 | 0.80 | |
| 12 month ave earnings | 0.30 | 0.40 | 0.50 | 0.50 | 0.50 | 0.60 | 0.70 | 0.80 | 0.90 | 1.00 | |
| 5 yr PWLB | 1.40 | 1.40 | 1.50 | 1.50 | 1.60 | 1.60 | 1.60 | 1.70 | 1.70 | 1.70 | |
| 10 yr PWLB | 1.80 | 1.80 | 1.90 | 1.90 | 2.00 | 2.00 | 2.00 | 2.10 | 2.10 | 2.10 | |
| 25 yr PWLB | 2.20 | 2.20 | 2.30 | 2.30 | 2.40 | 2.40 | 2.40 | 2.50 | 2.50 | 2.60 | |
| 50 yr PWLB | 2.00 | 2.00 | 2.10 | 2.20 | 2.20 | 2.20 | 2.20 | 2.30 | 2.30 | 2.40 | |

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24.

5. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy (TMS) for 2021/22, which includes the Annual Investment Strategy was approved by the Council on 24 February 2021. 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

In accordance with the CIPFA Treasury Management Code of Practice the Council's investment priorities are set out as being:

- Security of capital
- Liquidity
- Yield

The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by forecasts in section 4, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short-term money market investment rates have only risen weakly since Bank Rate was cut to 0.10 in March 2020. Given this environment and the fact that Bank Rate may only rise marginally, or not at all, before the second half of 2023, investment returns are expected to remain low.

The average level of funds available for investment purposes over the six month period was **£38.3M**. 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.

Investment Counterparty criteria

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

Approved Limits

The fact that the authority is currently holding a significant amount of funds due to be repaid to central government and the unpredictability of the amount and date of receipt of funding and income compensation payments arising from the Covid-19 pandemic, has created pressure on the investment headroom available within the approved Treasury Management Strategy. Many other authorities are in a similar position making it very difficult to source a counter party to lend to as markets are flooded with cash. This is also exacerbated by expenditure on the Capital Programme running significantly behind that anticipated. This has resulted in the £1m limit of funds held overnight in the Council's current account very occasionally being breached. In most instances the breach was less than £150k rising to £516k at maximum. Action has now been taken to re-commence deposits with the UK Debt Management Office, Debt Management Account Deposit Facility in the case of such emergencies.

7. Borrowing

The Council's capital financing requirement (CFR) for 2021/22 was forecast as £134.88M as set out at **Annex A**. The current forecast CFR at quarter 2 is, however, £105.13M as much of the expenditure funded by unsupported borrowing, most notably that in the Development Pool, is expected to slip. 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 £61.04M. It intended to utilise £33.09M of cash flow funds in lieu of borrowing and take out new borrowing of £12M later in the financial year.

The capital programme is being kept under regular review due to the effects of coronavirus and the shortage of materials and labour. Therefore, our borrowing strategy will be reviewed and then revised in order to achieve optimum value and risk exposure in the long-term.

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. With the exception of the circumstances outlined in paragraph 6, during the half year ended 30th September 2021, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2021 and no difficulties are envisaged for the current or future years in complying with these indicators.

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.

PRUDENTIAL INDICATORS - MID YEAR REVIEW**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 | 2021/22 | |
|---------------------------------------|---------------------------------|----------------------------------|
| | Original Estimate £m | Quarter 2 Position £m |
| Communities and Environment | 10.08 | 11.54 |
| Economic Growth and Regeneration | 2.54 | 4.05 |
| Corporate Services | 0.14 | 0.14 |
| Development Pool | 50.15 | 0.76 |
| Total for General Fund | 62.91 | 16.49 |
| Council Housing (HRA) | 4.78 | 4.78 |
| Total Capital Expenditure | 67.69 | 21.27 |

Changes to the Financing of the Capital Programmes

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

| Capital Expenditure | 2021/22 | |
|----------------------------------|---------------------------------|----------------------------------|
| | Original Estimate £m | Quarter 2 Position £m |
| Total capital expenditure | 67.69 | 21.27 |
| Financed by: | | |
| Capital receipts | 0.64 | 0.64 |
| Capital grants | 19.57 | 7.17 |
| Reserves | 5.25 | 4.39 |
| Revenue | 0.00 | 0.00 |
| Total Financing | 25.46 | 12.20 |
| Borrowing Requirement | 42.23 | 9.07 |

Changes to the Capital Financing Requirement

The following table shows that the capital financing requirement (CFR) is £29.75M lower than the original estimate due to schemes in the Development Pool section of the capital programme not being delivered in year as spending officers anticipated.

| Capital Financing Requirement | 2021/22 | |
|--|-------------------------|--------------------------|
| | Original Estimate £m | Quarter 2 Position £m |
| General Fund | 98.69 | 68.94 |
| HRA | 36.19 | 36.19 |
| Total Capital Financing Requirement | 134.88 | 105.13 |
| Net movement in CFR | 39.01 | -29.75 |

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.

| External Debt v Borrowing Need (CFR) | 2021/22 | |
|--|-------------------------|--------------------------|
| | Original Estimate £m | Quarter 2 Position £m |
| External Debt | 102.09 | 61.08 |
| Other long term liabilities | -1.04 | -1.04 |
| Expected Change in Other long term liabilities | 0.00 | 0.00 |
| Total Debt | 101.05 | 60.04 |
| Compared to current : | | |
| Capital Financing Requirement | 134.88 | 105.13 |
| Operational Boundary:- | | |
| Debt | 95.87 | 105.13 |
| Authorised Limit:- | | |
| Debt | 112.00 | 112.00 |

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.