LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Committee: **CABINET**

Date: **TUESDAY, 8 FEBRUARY 2022**

Venue: **MORECAMBE TOWN HALL**

Time: **6.00 P.M.**

A G E N D A

1. Apologies

2. Minutes

   To receive as a correct record the minutes of Cabinet held on Tuesday, 18 January 2022 (previously circulated).

3. Items of Urgent Business Authorised by the Leader

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

4. Declarations of Interest

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

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

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

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

5. Public Speaking

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

   Reports from Overview and Scrutiny

   None

   Reports

6. Hackney Carriage Fare Review 2022 (Pages 4 - 11)

(Cabinet Member with Special Responsibility Councillor Brookes)

Report of Director for Communities & the Environment

7. Car Parking Fees & Charges (Pages 12 - 22)

(Cabinet Member with Special Responsibility Councillor Dowding)

Report of Director for Communities & the Environment

8. Budget & Policy Framework Update 2022/23 (Pages 23 - 44)

(Cabinet Member with Special Responsibility Councillor Whitehead)

Report of Chief Financial Officer (report published on 3 February 2022)

9. Capital Programme & Capital Strategy 2022-23 to 2025-26 - (including Investing in the Future) (Pages 45 - 72)

(Cabinet Member with Special Responsibility Councillor Whitehead)

Report of Chief Financial Officer (report published on 7 February 2022)

10. Treasury Management Strategy 2022-23 (Pages 73 - 102)

(Cabinet Member with Special Responsibility Councillor Whitehead)

Report of Chief Officer Finance (report published on 3 February 2022)

11. Medium Term Financial Strategy Update 2022/23 - 2025/26 (Pages 103 - 117)

(Cabinet Member with Special Responsibility Councillor Whitehead)

Report of Chief Officer Finance (report published on 7 February 2022)

12. Housing Revenue Account and Capital Programme (Pages 118 - 163)

(Cabinet Member with Special Responsibility Councillor Matthews)

Report of Director for Communities & the Environment

13. Bailrigg Garden Village - Vision Masterplan (Pages 164 - 197)

(Cabinet Member with Special Responsibility Councillor Dowding)

Report of Director for Economic Growth & Regeneration (report published on 4 February 2022)

14. Exclusion of the Press and Public

This is to give further notice in accordance with Part 2, paragraph 5 (4) and 5 (5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 of the intention to take the following items in private if it becomes necessary to refer to the exempt appendices.

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

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

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

15. Mainway Project Report (Pages 198 - 218)

(Cabinet Member with Special Responsibility Councillor Matthews)

Report of Director for Communities & the Environment

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Caroline Jackson (Chair), Kevin Frea (Vice-Chair), Dave Brookes, Gina Dowding, Tim Hamilton-Cox, Tricia Heath, Erica Lewis, Cary Matthews, Sandra Thornberry and Anne Whitehead

(ii) Queries regarding this Agenda

Please contact Liz Bateson, Democratic Services - email ebateson@lancaster.gov.uk.

(iii) Apologies

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

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

Published on Monday 31 January, 2022.

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	8 February 2022
Title	**Hackney Carriage Fare Review 2022**		
Report of	**Director for Communities and the Environment**		

Purpose of Report:
Cabinet members are asked to approve the recommendation from Licensing Committee to set a new Hackney Carriage Fare Tariff.

Key Decision (Y/N)	N	Date of Notice		Exempt(Y/N)	N

Report Summary

There has been no fare increase to the tariff used to calculate hackney carriage fares since 2019, when 20p was added to the flag fall. In the absence of any alternative mechanism, it is most appropriate to apply a similar process by way of uplift to flag fall and waiting time.

Should the tariff be approved, it is intended that RPI will be used as the default method to calculate increases annually and every 3 years a full review of the tariff be undertaken by the taxi working party. The adjusted tariff will be reported to Licensing Committee before making final recommendations to Cabinet.

The Licensing Committee is not the decision-making body so must refer this to Cabinet for their approval.

Recommendations of Licensing Committee

1. To apply uplift to flag fall across 3 tariffs by the suggested 50p and apply 10p uplift to waiting charges.

2. Approve the Licensing Manager to advertise the adjusted table of fares as required by Section 65 of the Local Government (Miscellaneous Provisions) Act 1976.

Relationship to Policy Framework

This method of reviewing fares was first adopted by this Council in February 2014 when the proposal to use the RPI model was reported to Licensing Regulatory Committee.

Conclusion of Impact Assessment(s) where applicable	
Climate	**Wellbeing & Social Value**
Digital	**Health & Safety**
Equality	**Community Safety**

Details of Consultation

Pursuant to Section 65 of the Local Government (Miscellaneous Provisions) Act 1976, the advertising requirements are as follows:

1. Putting a notice in the local paper
2. Notice must specify a date, not less than 14 days from the date that the notice is published to allow for objections and is the date, if no objections are made, that the revised fare will come into force.
3. If objections are made, and not withdrawn the Council must consider those objections and the fares then will come into effect (modified or unmodified) within 2 months of the original date.

Legal Implications

Legal have been consulted and have no comments to add.

Financial Implications

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

Other Resource or Risk Implications

There are no other resource or risk implications arising as a result of this report.

Section 151 Officer's Comments

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

Monitoring Officer's Comments

The Monitoring Officer has been consulted and has no further comments

Contact Officer	Jennifer Curtis
Tel	01524 582732
Email	jcurtis@lancaster.gov.uk

Links to Background Papers

Licensing Committee Thursday 6 January 2022

1.0 Report

1.1 Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 makes provision for the Council to fix the rates of fares within the district for time, distance and all other charges in connection with the hire of a hackney carriage. The table of fares is attached to the inside of a hackney carriage; this allows members of the public to view all charges when hiring a vehicle

1.2 The current table of fares is attached at **Appendix 1**.

1.3 The setting of fares is an Executive function as it is not one that is listed in the Local Authorities (Function and Responsibilities) (England) Regulations 2000 and therefore falls to the Cabinet to make the decision. In its capacity as an advisory Committee to Cabinet, the Licensing Committee are required to refer any decision to Cabinet for approval.

2.0 Historic Methodology

2.1 The current method of setting hackney carriage fares is to annually apply retail price index (RPI) and ballot drivers of hackney carriages on a potential increase, asking for a Yes/No response to the proposed tariff change. Assuming that a positive response is received from the ballet to adopt the revised fare charges, the statutory requirement for advertisement and consultation is then followed before an updated table of fares is published, coming into effect on a specified date.

2.2 This method of reviewing fares was first adopted by this Council in February 2014 when the proposal to use the RPI model was reported to Licensing Regulatory Committee. The main reason for proposing this model for reviewing fares was that no other suitable mechanism could be found that all parties could agree on.

2.3 At a meeting of the Licensing Regulatory Committee on 1st June 2017, it was resolved that a review be undertaken of the mechanism for applying annual fare increases, comparing the approaches taken elsewhere at similar authorities, and the outcome be reported to the appropriate Committee. Initial results from the research were reported to a meeting of the Committee on 3rd August 2017.

2.4 Agreement to set up a Taxi working group comprising of Elected Members, Licensing Officers and taxi trade representatives was made at a meeting of Licensing Regulatory Committee on the 22nd March 2018. One of the priorities for the group was to consider the matter of finding an appropriate mechanism for annually reviewing fare tariffs.

2.5 The Licensing Manager consulted the trade through the taxi working group and more widely, through the trade newsletter to establish if an alternative methodology for setting fares is available; as well as researching other Licensing Authorities and observing their methodology. No standard methods have been identified across Authorities, either regionally or nationally.

2.6 Feedback from the trade received through the taxi working group was that applying RPI (RPI) was not a true reflection of the costs associated with setting up and maintaining a business as a hackney carriage proprietor.

2.7 At a meeting of the taxi working group on the 5th March 2019 the Licensing Manager highlighted the need for a fare review and asked representatives for suggestions, it was suggested by a member of the trade that a 20p increase on the initial flag fall would be most appropriate. The passenger fees associated with the carriage of luggage, soiling charge and additional passenger charges were also considered by members of the taxi working party. It was agreed such charges were reasonable and proportionate and no amendments were required.

2.8 It was agreed at a further meeting of the Licensing Committee on August 29th, 2019, and subsequently approved by Cabinet to apply 20p increase to flag fall. This increase came into effect on 1st November 2019.

3.0 Current Position

3.1 There has been no fare review or uplift in hackney carriages fares since 2019 when a 20p increase on flag fall was approved. It would be fair at this time, to review all fares associated with the tariff, including flag fall, waiting times, soiling charge and booking fees.

3.2 No appropriate methodology has been identified with feedback from the trade highlighting frustrations at current fees and charges associated with being a licensed driver. It was suggested that applying RPI is not representative of the cost of running a licensed vehicle, rising fuel and insurance costs are also a relevant factor for consideration.

3.3 The pandemic has brought about many challenges for the licensed trade, with many choosing not to renew licenses and seek alternative employment. The licensing service are working with internal and external partners to support the trade and encourage new applicants into the profession through funding. It is therefore important the fares represent the living wage locally. In addition, any uplift would need to be balanced in terms of public expectation, anything too great would face criticism and potentially result in less work for the hackney carriage trade.

4.0 Options and Options Analysis (including risk assessment)

4.1 Officers have calculated average 1-, 5- and 10-mile journeys using a variety of uplift options, including increasing rolling charges. (A rolling charge is a charge that is applied for distance travelled, eg, for every 330yards 20p is applied to the fare) By increasing the rolling charges by a marginal amount (10p) over these distances creates a significant raise in fare costs between 20-30% for the travelling public, this option is therefore not proposed.

4.2 It is thought more appropriate to increase waiting times, by increasing this to 20p per 40 seconds or uncompleted part thereof. There is no suggestion that the maximum soiling charge (£75.00) need adjustment, as it is comparable with neighbouring authorities and would reflect the cost of a valet/time spent off the road through a soiling incident. The additional passenger and luggage costs should remain at 20p, respectfully.

Option 1: Maintain current table of fares approved in 2019.
Advantages: Public are aware of expected fares when hiring a hackney carriage.
Disadvantages: The current table of fares does not represent rising fuel and insurance costs
Risks: Drivers may decide to leave the trade, if they decide that the profit is marginal.

Option 2: Apply retail price index (RPI) to current flag fall.
Advantages: This seems to be a general approach across County and Country, although not a common approach to all.
Disadvantages: Allows for a minimal increase.
Risks: Drivers may decide to leave the trade, if they decide that the profit is marginal.
Option 3: Apply uplift to flagfall across 3 tariffs. Suggested 50p and apply 10p uplift to waiting charges
Advantages: Trade receives an uplift, proportionate to current climate
Disadvantages: The increase is not supported by an agreed or common methodology that reflects the cost of owning and operating a hackney carriage in the district.
Risks: Decrease in business for hackney carriages due to fare adjustments.
Option 4: Deregulate fare setting
Advantages: Allows licensed trade to calculate their own fares, they may be best placed to calculate costs.
Disadvantages: Licensing Authority has no control on charges passed to the public. May create confusion as fares could vary across the trade
Risks: Lack of public confidence in use of Hackney Carriages due to unknown charges. Varying charges between proprietors creating confusion

4. Officer Preferred Option (and comments)

4.1 The officer preferred option is Option 3:

Apply uplift to flag fall across 3 tariffs, suggested 50p and apply 10p uplift to waiting charges.

5.2 Applying the tariff increase as proposed in option 3, would seem appropriate so as to help ensure that hackney carriage proprietors receive a reasonable increase in fare income. The increase reflects necessary and proportionate adjustments, given that there has been no increases in fares since 2019 and the increase was marginal, based on the annual RPI.

5.3 Any concerns from members of the public or licensed trade would be addressed through the consultation process by placing a notice in the local press proposing the revised tariff.

5.4 An amended table of fares that reflects Option 3 is attached at **Appendix 2**.

Hackney carriage number -

HACKNEY CARRIAGE TABLE OF FARES

(with effect from 01/11/2019)

Tariff 1

For hirings commenced between 07:01hrs and 23:59hrs	
If the distance does not exceed 660 yards for the whole distance:	**£2.80**
For each of the subsequent 310 yards or uncompleted part thereof:	**30p**
Waiting Time: For each period of **40 seconds** or uncompleted part thereof	**10p**

Tariff 2

For hirings commenced between: midnight and 07:00hrs For hirings commenced between: 19:00hrs and midnight on the 24th December For hirings commenced between: 19:00hrs and midnight on the 31st December For hirings commencing on any Bank Holiday or Public Holiday	
If the distance does not exceed 660 yards for the whole distance:	**£4.00**
For each subsequent 220 yards or uncompleted part thereof:	**30p**
Waiting time: For each period of **40 seconds** or uncompleted part thereof	**10p**

Tariff 3

For hirings commenced between: 00:01hrs 25th December and 07:00 27th December For hirings commenced between 00.01 1st January and 07.00 2nd January	
If the distance does not exceed 880 yards for the whole distance:	**£5.20**
For each subsequent 220 yards or uncompleted part thereof:	**40p**
Waiting time: For each period of 40 seconds or uncompleted part thereof	**10p**

Additional Charges

For each passenger in excess of one (for the purpose two children aged 11 or under to count as one passenger for the whole distance)	**20p**
For each perambulator or article of luggage carried outside the passenger compartment of the vehicle	**20p**
SOILING CHARGE: A charge may be requested if the passenger(s) soils the vehicle.	**Maximum Charge: £75.00**

The driver may ask **if agreed by the customer**, an agreed amount in advance of the journey.
The driver if paid, must give a receipt for this. The amount must be proportionate to the metered fare.

A booking fee up to a maximum of £4.00 maybe charged where:

a) The Hackney carriage is booked in advance; and

b)

I. The Customer shall be told the cost of the booking fee at the time that the booking is taken and the amount recorded in the booking log; and

II. The customer shall be told that the booking fee is in addition to the fare for the journey; and

c) The hiring involves a separate journey of at least one mile, starting from the taxi rank or the operator's premises, to the pick-up point.

Any complaints regarding the vehicle and / or driver must be made in writing to:

Lancaster City Council - Licensing Section
Morecambe Town Hall, Marine Road East, LA4 5AF
E-mail: licensing@lancaster.gov.uk
Telephone: 01524 582033

Please try to note; the vehicle registration, plate number, driver name and number in all communications with

HACKNEY CARRIAGE TABLE OF FARES
Applicable from 12 noon 1st XXXX 2022

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

Tariff 1

For hirings commenced between 07.01 and 23.59	
If the distance does not exceed 660 yards for the whole distance:	**£3.30**
For each of the subsequent 310 yards or uncompleted part thereof:	**30p**
Waiting Time: For each period of 40 seconds or uncompleted part thereof	**20p**

Tariff 2

For hirings commenced between midnight and 07.00 For hirings commenced between 19.00 and midnight on the 24th December For hirings commenced between 19.00 and midnight on the 31st December For hirings commencing on any Bank Holiday or Public Holiday	
If the distance does not exceed 660 yards for the whole distance:	**£4.50**
For each subsequent 220 yards or uncompleted part thereof:	**30p**
Waiting time: For each period of 40 seconds or uncompleted part thereof	**20p**

Tariff 3

For hirings commenced between 00.01 25th December and 07.00 27th December For hirings commenced between 00.01 1st January and 07.00 2nd January	
If the distance does not exceed 880 yards for the whole distance:	**£5.70**
For each subsequent 220 yards or uncompleted part thereof:	**40p**
Waiting time: For each period of 40 seconds or uncompleted part thereof	**20p**

For each passenger in excess of one [for the purpose two children aged 11 or under to count as one passenger for the whole distance]	**20p**
For each perambulator or article of luggage carried outside the passenger compartment of the vehicle	**20p**
Soiling Charge: A charge may be requested if the passenger[s] soils the vehicle.	**This will not exceed £75.00**

The driver may at his/her discretion require the payment of an agreed amount in advance of the journey. The amount will be set against the metered fare. A receipt will be given.

A booking fee up to a maximum of £4.00 may be charged where:

(a) The Hackney carriage is booked in advance; and
(b) (i) The Customer shall be told the cost of the booking fee at the time that the booking is taken and the amount recorded in the booking log; and
(ii) The customer shall be told that the booking fee is in addition to the fare for the journey; and
(c) The hiring involves a separate journey of at least one mile, starting from the taxi rank or the operator's premises, to the pick up point.

Any complaints regarding the vehicle and/or driver should be addressed to the Licensing, Public Protection, Morecambe Town Hall, Marine Road, Morecambe, LA4 5AF. **Telephone [01524] 582033. Email licensing@lancaster.gov.uk**

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	8th Feb 2022
Title	Car Parking - Fees and charges		
Report of	Director for Communities and Environment		

Purpose of Report

Effectively managed car parking makes a significant strategic contribution to the wider climate change mitigation, transport management, regeneration and public realm objectives for the District.
Much work has taken place to review the Council's wider parking policies and the charging structure that underpins them. This report sets out options arising from this review. The options have been modelled so that they can be presented to Council as part of the wider budget proposals.

Key Decision (Y/N)	Y	Date of Notice	10 January 2022	Exempt (Y/N)	N

Report Summary

The report sets out the principals and rationale of the review. And details the likely implications of the proposals.

Recommendations of Councillors

(1) A number of options for parking tariffs have been modelled. The option most consistent with the Council's priorities as set out on the report is Option 2. Therefore the recommendation is this option is included in Cabinet's budget proposals.

(2) That Subject to Council approval these tariffs are adopted from April 1, 2022

Relationship to Policy Framework

Effectively managed car parking makes a significant strategic contribution to a number of agreed Council outcomes including –

Strategy- Climate Emergency. Outcomes- net zero by 2030, transition to an accessible and low carbon transport system.

Strategy- Community Engagement, Power and Resilience. Outcomes- innovative public services, providing value for money

Conclusion of Impact Assessment(s) where applicable

Climate- as outlined in the report	**Wellbeing & Social Value- as outlined in the report**
Digital- the report outlines how technology will be used to improve the service	**Health & Safety- The change in tariffs does not impact on any H&S criteria negatively.**

Equality- The change in tariffs has no impact on any Equality Act criteria.	**Community Safety- the report outlines how ongoing maintenance of car parks includes provision of lighting and CCTV which in turn contribute positively to community safety**

Details of Consultation

The proposals outlined in the report have been developed from best practice in other areas, feedback from car park users and consultation with key stakeholders including Lancaster BID, Morecambe BID and the Chamber of Commerce.

Legal Implications

If the proposed changes are endorsed, then a new Lancaster City Council Off-street Parking Places Order would be created with the aid of the legal team.

Financial Implications

The draft revenue budget includes the following amounts in respect of car parking :-

	2022/23 Estimate £'K	**2023/24 Estimate £'K**	**2024/25 Estimate £'K**	**2025/26 Estimate £'K**
Expenditure				
Employees	110	115	119	121
Premises Related	845	784	794	807
Supplies & Services	333	343	349	356
Capital Charges (Notional)	116	116	116	116
Income				
Pay & Display	(3,208)	(3,274)	(3,333)	(3,392)
Permits	(186)	(190)	(194)	(197)
PCN (Fines)	(159)	(159)	(159)	(159)
Other Income	(26)	(26)	(26)	(26)
NET INCOME	**(2,175)**	**(2,291)**	**(2,334)**	**(2,374)**

Note that the above budgets are based on 2018/19 usage figures (1.328M ticket sales and last available full year data pre-pandemic) and include inflationary uplifts in line with the Council's existing policy on fees and charges. It is proposed that permits are increased in line with current arrangements.

As part of the budget and policy framework report being considered elsewhere on this agenda, the financial impact of this review has been included and the revenue impact is outlined as follows:-

	2022/23 Estimate £'K	**2023/24 Estimate £'K**	**2024/25 Estimate £'K**	**2025/26 Estimate £'K**
Pay & Display Additional Income	495	430	371	371

The proposed changes to the fees and charges have been extensively modelled and include a proportion of sensitivity.

Should Option 2 from this report not be adopted then that will create further budgetary pressure which may impact negatively on core council services.

It is expected that Option 4 would not achieve any budgetary objectives and that Options 1 and 3 would require further consideration to minimise the financial burden.

Option 3 details an across-the-board 10p increase which would achieve additional net income of £111K and when applying a 10% sensitivity allowance would fall significantly short of the £597K required contribution towards the structural deficit going forward and that issue would still need to be addressed.

Option 1 would help towards mitigating the impact and based on 1.328M ticket sales an across-the-board 50p increase would achieve additional net income of £553K which when allowing for a 10% sensitivity allowance and inflation would not meet the reported contribution by an estimated £99K.

As the proposed charges are significantly rounded and generate substantial additional income for the Council, it is suggested that they are fixed for a 3-year period subject to a favourable monitoring position in 2022/23 which can be reviewed as part of the 2023/24 budget setting process.

Further resources are required to implement these changes such as software changes to the payment machines, software alterations to the RingGo service, software alterations to the back-office reporting/finance systems and per car park signage. These are estimated at £12K and can be managed from within existing resources.

Other Resource or Risk Implications

As detailed in the financial implications above, the recommendations represent a new charging mechanism for off-street car parking and as such place significant financial risk for the Council. Failure to achieve projections will create additional burden on the general fund and the structural deficit going forward.

Section 151 Officer's Comments

Like most local authorities, the Council is facing on significant on-going financial pressures, which have been further exacerbated by impact of the COVID-19 pandemic. Although recent Government proposals may lessen this pressure to some degree, the Council can expect reductions in both our income and on our levels of reserves.

The amended fees and charges proposal represents an opportunity to add considerable economic benefits for the council.

Monitoring Officer's Comments

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

Contact Officer	Michael Hall
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Email	mhall@lancaster.gov.uk
Links to Background Papers	

1.0 Introduction

1.1 Effectively managed car parking makes a significant strategic contribution to the wider climate change mitigation, transport management, regeneration and public realm objectives for the District.

1.2 Lancaster City Council owns an extensive portfolio of off -street car parks, throughout the District. (On street parking remains the responsibility of Lancashire County Council as the highway Authority).

1.3 There is a considerable direct cost to providing car parks including maintenance of the car parks, provision of lighting, CCTV, payment devices, enforcement of parking and more recently the introduction of charging points for electric vehicles, as well as refurbishment the car parking stock.

1.4 There are also considerable indirect costs to off street car parking eg value of alternative uses of the land, wider environmental impacts and the consequential transport related network impacts that are mitigated by an appropriate supply of car parking.

1.5 The costs of the above are met by charging those who use the car parks. Therefore an effective pricing policy is vital to ensuring that the wider strategic and operational aims are met.

1.6 Parking fees and charges are reviewed annually to ensure the Council meets its transportation and budget commitments.

1.7 It is important to highlight that this tariff review is just one part of an on going process regarding the wider movement strategy that will take into account spatial elements. This includes any discussions with County Council, as the highways authority, around disabled car parking provision.

2.0 Background

2.1 Parking fees and charges have remained the same since April 2018 and are attached at Appendix A. A review of car parking policy and the charges that underpin it has since taken place. The review follows analysis of how all our car parks are used (eg dwell times, times of use, income generated, seasonal usage, type of use).

2.2 The review has taken account of wider contextual issues including-

- Changing travel habits of people due to awareness of the impact on vehicular emissions on the environment.
- The Council’s declaration of a climate emergency in 2019 and subsequent plans to become net carbon zero by 2030.
- COVID and it’s impact on people’s working, shopping and leisure activities.
- Recent and planned development of the District.
- User expectations of car parking.
- Visitor numbers to key destinations in the District.
- Contribution to wider transport planning (eg County led transport masterplan).
- The condition, type and future maintenance needs of our car parking stock.

2.3 Potential developments like Eden and Canal Quarter will have a significant impact with regards to future car parking strategy and provision. The broader strategy for this will be developed as part of the wider transport plans for these projects.

2.4 However it is clear that in the short / mid-term improvements can be will in turn contribute to wider Council objectives.

3.0 Proposal

3.1 The proposal outlined has been developed in a way that will -

1) Support the Council's aims and objectives on climate change
2) Improve the experience for customers
3) Support transport planning for the future
4) Contribute to improving the wider public realm / place

3.2 The main objectives in developing this proposal are that car parking should -

1) Support the Council's aims and objectives on climate change-

- Encourages people to consider the mode of transport they choose accepting that many people will choose a car, in which case the direct and indirect costs of providing car parking need to be covered by the user.
- Contribute to wider transport initiatives that will help reduce CO2 emissions. Examples include-
  - Additional electric vehicle charge points
  - Cycle parking provision enhancement
  - Car club bays
  - Pool car bays
  - Revised signage scheme to emphasise place/attractions and get drivers directly to car parks
  - VMS to allow capacity monitoring and reduced circulating around the gyratory system
  - Emissions based tariffs
  - ANPR charging and enforcement (when regulatory permission has been granted by central government)

2) Improve the experience for customers and support stakeholders

- Provision of a tariff with a short duration of 30 mins to allow very quick access to shops, businesses, and offices.
- Make the pricing structure easy to understand.
- Alignment of overnight parking charges and public holiday charges in Lancaster and Morecambe, which are currently inconsistent and cause confusion.
- Removal of the short & long stay car park distinction in Lancaster.
- Introduce a maximum stay in some well used Morecambe car parks to ensure a turnover of spaces.

- Investment in car parks. For example: Touch free parking payments, electric vehicle charge points, better cycle parking provision, repair & renewal plans, and multi-occupancy vehicle strategies

3) Support transport planning for the future

- Support the increased usage of the park and ride facility at Junction 34.
- Work in collaboration with stakeholders, such as the two Business Improvement Districts, to develop innovative parking ideas.
- Explore and discuss extending car parking charges to other currently uncharged council car parks, i.e. Half Moon Bay, Bull Beck car park, Ryelands Park and others.
- Work with Lancashire County Council on joint areas of service delivery including introducing further restrictions and charges in Morecambe on-street. A comprehensive restriction on the parking of motorhomes on Marine Road is envisioned.
- Deploy sufficient enforcement assets to ensure compliance with parking restrictions is fair, professional, and effective.

4) Contribute to improving the Public Realm / Place

- Work closely with the Planning and Regeneration teams on the development of parking within the district's larger schemes, e.g. Eden, Future High Streets Fund, and the Canal Quarter
- Work with festivals and events teams to ensure smooth delivery of all events
- Develop a refurbishment programme for all car parks to enhance the quality of the parking experience, to include CCTV, fencing, lighting, signage, and surfacing.
- Undertake landscaping management, cleansing and waste removal to a high standard across the car parking portfolio and undertake repairs and renewal of car parks, as necessary.

The current tariff bands across the district offer over 47 individual tariffs, which increases to 58 including permit classes. There is also disparity with regards to bank holiday and evening tariffs across the district. Whilst our district offers different demographic, it still has the most complicated structure in the County.

Lancashire District Tariffs – including permits

District	No of Tariffs
Burnley	16
Chorley	7
Flyde	22
Hyndburn	2
Pendle	1
Preston	25
Ribble Valley	12
Lancaster	**58**

The authorities current tariff bands can be found in Appendix A. To help deliver the above the council is proposing to alter the car parking charges from 1st April 2022. A number of different options have been modelled. The option that best supports the above is a simplification of the current tariffs. A summary of the new charges are as follows:

Tariff Band	Charge
Lancaster	
30 mins	£1.00
1 hr	£2.00
3 hrs	£4.00
9 hrs	£9.00
24 hrs	£12.00
Morecambe (3hr Max Stay)	
Pedder Street, West View, Library & Marine 1	
1 hr	£2.00
2 hrs	£3.00
3 hrs	£4.00
Morecambe (Other)	
30 mins	£1.00
2 hrs	£2.00
4 hrs	£4.00
24 hrs	£8.00
Morecambe (Heysham)	
2 hrs	£2.00
24 hrs	£3.00
Morecambe (Back Brighton)	
24 hrs	£2.00

Due to the user demographic at St George's Quay and Williamson Park, these sites will remain unchanged as part of this tariff review.

Permits

All public permit classes to be increased by 3.3% in line with other fees and charges across the council.

Alternative Proposals

Other proposals have been modelled as part of the tariff review, which included retaining the current tariff structure and undertaking sensitivity testing on incremental rises. Whilst incremental rises of 10 pence and 50 pence on all tariffs were modelled, it was felt that these would not contribute to the longer term structural deficit, as set out in option 1.

These alternative proposals would also be more restrictive in contributing to the Council's wider ambitions around climate change, improving the customer experience, sustainable transport and improving the public realm.

A summary of the alternative proposals are outlined below:

	2022/23 Estimate £'K	**2022/23 Estimate £'K**
Proposed Increased	**10p**	**50p**
Inflation Included (within draft budget)	102	102
Additional Income Requirement	495	495
Budgetary Requirement	**597**	**597**
1.328M * Proposed Increase	133	664
less VAT	(22)	(111)
Net Receipts	**111**	**553**
10% Sensitivity Allowance	(11)	(55)
Expected Income	**100**	**498**
Budgetary Shortfall	**(497)**	**(99)**

4.0 Options and Options Analysis (including risk assessment)

Option 1: Retention of current complex tariff structure with 50p per tariff band incremental increase
Advantages: A larger increase in pricing could assist in achieving the structural deficit
Disadvantages: The Council retains a complex tariff structure which doesn't work towards addressing Council ambitions as outlined within this report. The tariff structure would become further complicated and unclear for users with potential regeneration development such as Eden and Canal Quarter as outlined within the report. Reputational risk with business community and users feeling this is not an attractive alternative.
Risks: None.
Option 2: The terms of the proposed parking fees & charges amendments is endorsed.
Advantages: Creates additional revenue to meet budget aspirations and provides a shift towards climate change modes of transport aspirations.
Disadvantages: None.
Risks: The signage and software changes exceed budget estimates. Revenue budget expectations are not met due to a combination of macroeconomic or externalised factors.
Option 3: Support retention of current complex tariff structure with 10p per tariff band incremental increase
Advantages: No advantages identified.
Disadvantages: The Council retains a complex tariff structure which doesn't work towards addressing Council ambitions or structural deficit. The tariff structure would become further complicated and unclear for users with potential regeneration development such as Eden and Canal Quarter as outlined within the report.
Risks: None.

Option 4: The terms of the proposed parking fees & charges amendments are not agreed.
Advantages: No advantages identified.
Disadvantages: A financial budget gap may become apparent which may result in a reduction of council services.
Risks: None.

4. Officer Preferred Option (and comments)

4.1 The officer preferred option is Option 2.

APPENDIX A

LANCASTER CITY COUNCIL OFF STREET CAR PARKING - CURRENT PRICING STRUCTURE

Tariff Band	Charge	Applies to:
Lancaster short stay		
1 hr	£1.50	Cable St, Charterhouse, Lucy Street, Moor Mills 1,2 & 3, Nelson St, Spring Garden, St Nic's, Wood St
2 hrs	£2.50	
3 hrs	£3.00	
4 hrs	£3.80	
10 hrs	£9.00	
24 hrs	£11.50	
Overnight	£1.50	
Lancaster Long Stay		
1 hr	£1.50	Auction Mart, Dallas Road, Edward Street, Lodge Street, USLG
3 hrs	£2.50	
5 hrs	£4.20	
10 hrs	£8.00	
24 hrs	£9.00	
Overnight	£1.50	
Coaches	£3.50	
Williamson Park		
1 hr	£1.00	Quernmore Road, Wyresdale Road
24 hrs	£2.00	
Overnight	£1.50	
Morecambe Short Stay		
1 hr	£1.50	Bay Arena, Library, Marine Road 3, Marine Road 4
2 hrs	£2.50	
3 hrs	£3.00	
4 hrs	£3.80	
10 hrs	£9.00	
1 hr	£1.50	Billy Hill, Pedder Street
2 hrs	£2.50	
3 hrs	£3.00	
4 hrs	£3.80	
10 hrs	£9.00	
24 hrs	£11.50	
Overnight	£1.50	
1 hr	£1.50	Marine 1
2 hrs	£2.50	
2 Hrs Max Stay		
Morecambe Long Stay		
1 hr	£1.30	Festival/Old Station
3 hrs	£2.50	
10 hrs	£3.40	
1 hr	£1.30	Bus Station, Goods Yard, Marine 5 (from 10am till 6pm), Marine 6 (from 10am till 6pm), Railway Station, Telephone Exchange, Town Hall, West View
3 hrs	£2.50	
10 hrs	£3.40	
4 hrs	£1.00	Battery Breakwater, Coastal Road, Heysham Village
10 Hrs	£1.40	
Coaches (Heysham only)	£3.00	
24 hrs	£1.00	Back Brighton
Coaches	£1.00	

Notes: Charges apply: -
Lancaster - 24/7, excluding bank holidays
Morecambe - 7 days: 0800 -1800 including bank holidays

Agenda Item 8

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	**Date**	08 February 2022
Report of	Chief Finance Officer		
Purpose of Report			
This report sets out the latest position in respect of the budget and policy framework and Cabinet's proposed general fund revenue budget for 2022/23			

Key Decision (Y/N)	**Y**	**Date of Notice**	**10/01/22**	**Exempt (Y/N)**	**N**

Report Summary

The report provides Cabinet with information on the Council's latest General Fund Revenue budget proposals for 2022/23, the resulting Council Tax requirement and the Section 151 Officer's statement on the adequacy of reserves.

The report seeks Cabinet's approval and recommendations to Full Council.

Recommendations of Councillor Anne Whitehead

1. That Cabinet recommends the following for approval to Budget Council:

   - The 2022/23 General Fund Net Revenue Budget and resulting Council Tax Requirement excluding parish precepts (Appendix A) and supporting budget proposals (Appendix B).

   - The Section 151 Officer's statement on the adequacy of reserves and advice that the minimum level of balances remains at £3.5M, subject to annual review.

   - the resulting position on reserves (Appendix C).

   - the updated position on budget transfers (Appendix D)

2. That the Finance Portfolio Holder be given delegated authority to finalise the General Fund Revenue budget 2022/23 as updated for Cabinet's final budget proposals, and outcomes of the Final Local Government Settlement for referral on to Council.

Relationship to Policy Framework	
The budget should represent, in financial terms what the Council is seeking to achieve through its Policy Framework.	
Conclusion of Impact Assessment(s) where applicable	
Climate	**Wellbeing & Social Value**

Digital	Health & Safety
Equality	**Community Safety**

The budget incorporates measures to make progress in addressing the climate emergency and digital improvements as well as activities to address wellbeing, health and community safety. The budget framework in general sets out a financial plan for achieving the Council's corporate priorities which incorporate the above cross cutting themes. Equalities impact assessments are undertaken for the relevant activities which are reflected in the budget.

Details of Consultation

Revenue Budget Proposals
Cabinet's initial budget proposals were presented at the Council meeting 26 January 2022 and the meeting of Budget and Performance Panel 02 February 2022

Legal Implications

Legal Services have been consulted and have no further comments.

Financial Implications

As set out in the report and supporting Appendices

Other Resource or Risk Implications

No other implications directly arising from this report.

Section 151 Officer's Comments

Robustness of Estimates and Adequacy of Council's Reserves
The Local Government Act 2003 places explicit requirements on the Section 151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves. A summary of the Section 151 Officer's advice to date is provided below for information, but it should be noted that some of this is provisional until Cabinet's final budget proposals are confirmed.

At Budget Council, Members will be recommended to note formally the advice of the s151 Officer.

Provisions, Reserves and Balances
Specific earmarked reserves and provisions are satisfactory at the levels currently proposed.

Unallocated balances of £3.5M for General Fund are reasonable levels to safeguard the Council's overall financial position, given other measures and safeguards proposed. This level assessment remains unchanged from 2021/22 and reflects the uncertainty with respect to the on-going COVID -19 pandemic, Brexit and also reflects the sensitivity of some of the underlying savings and income levels within the budget.

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

- producing a base budget, taking account of service commitments, pay and price increases and expected demand/ activity levels as appropriate, and the consideration of key assumptions and risks such as levels of future Government funding for the pandemic and other areas.

- reviewing the Council's services and activities, making provision for expected changes;

- reviewing the Council's MTFS, together with other corporate monitoring information produced during the year;

- undertaking a review of the Council's borrowing needs to support capital investment, in line with the Prudential Code.

These measures ensure that, as far as is practical, the estimates and assumptions underpinning the base budget are robust.

Affordability of Spending Plans
In addition, the Section 151 Officer is responsible for ensuring that when setting and revising Prudential Indicators, including borrowing limits, all matters to be taken into account are reported to Council for consideration as part of the Treasury Management Framework.

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

The factors that have been taken into account in considering capital investment plans include the following.

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

In considering and balancing these factors, the capital proposals to date are based on levels of "prudential borrowing" or CFR over the period to 2025/26. The bulk of this relates to schemes to support delivery of the Council's key Strategic Priorities and Outcomes such as Climate Emergency, Economic Prosperity and Regeneration and Housing as outlined in the Capital Programme.

Like all Councils, Lancaster City faces increased financial pressures and uncertainty because of the impact of COVID-19 and Brexit. Over several years, the Council has managed to build up a level of reserves and will benefit from the significant green energy disregard, both of which offers a degree of protection from volatilities.

An underlying structural budget deficit was identified several years ago and although this deficit has increased, current spending plans are sustainable in the short term through the prudent allocation of funding from reserves.

However, in the medium term based on current projections they are not sustainable, and it is of the utmost importance that Members and Officers work together to support the Council's Funding the Future Strategy. Outcomes Based Resourcing is a core priority for all Officers in the coming financial year, and it will be expected to deliver significant inroads into the deficit.

Monitoring Officer's Comments

The Monitoring Officer has been consulted and has no comments on this report.

Contact Officer	Paul Thompson Chief Finance Officer/ s151 Officer
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Links to Background Papers

Cabinet Papers
07 December 2021
Agenda for Cabinet on Tuesday, 7th December 2021, 6.00 p.m. - Lancaster City Council

18 January 2022
Agenda for Cabinet on Tuesday, 18th January 2022, 6.00 p.m. - Lancaster City Council

Council Papers
15 December 2021
Agenda for Council on Wednesday, 15th December 2021, 6.00 p.m. (lancaster.gov.uk)

26 January 2022
Agenda for Council on Wednesday, 26th January 2022, 6.00 p.m. - Lancaster City Council

Budget & Performance Panel
02 February 2022
Agenda for Budget and Performance Panel on Wednesday, 2nd February 2022, 6.00 p.m. - Lancaster City Council

1.0 INTRODUCTION

1.1 Under the Constitution, Cabinet has responsibility for developing corporate planning proposals and a balanced budget for Council's consideration.

1.2 The Council meeting on 26 January 2022 considered Cabinet's proposed revenue budget for 2022/23 and approved a City Council Tax increase of £5 together with a year-on-year target of the maximum allowable under the Government's local referendum thresholds for future years.

1.3 The report seeks delegated authority for the Finance Portfolio Holder be given delegated authority to finalise the General Fund Revenue budget 2022/23, as updated for Cabinet's final budget proposals, and outcomes of the Final Local Government Settlement for referral on to Council 23 February 2022.

2.0 STRATEGIC & OPERATIONAL CONTEXT

2.1 The 2022/23 Budget has once again been set against the backdrop of significant change, which puts significant pressure on the ability to forecast. There is continued evidence of

- accelerated pace of change in funding regimes, formula and budget and accounting requirements of central government

- fewer system-wide reviews, and a much greater number of issue specific consultations, reviews and changes some of which are resulting in in-year changes, and even retrospective changes to previously agreed budgetary forecasting and funding distribution formula

- a wide range of single initiative funding opportunities emerging both as a result of the pandemic and more generally which need to be established within capacity including consideration of appropriate dispersal and income accounting, governance and delivery practices

- External factors such as the pandemic and EU Exit which fundamentally alter both the priorities for and use of Council resources and change the context under-pinning our income from council tax and business rates as well as fees and charges.

- The impact of COVID -19 on the wider economy and the rise in both pay and general inflation

3.0 REVENUE BUDGET 2022/23

3.1 The General Fund Revenue Budget for 2022/23, summarised in table 1 below, is included at ***Appendix A*** with more detailed budget proposals in ***Appendix B***. The proposed budget is balanced, in line with statutory requirements, contributes to the Council's reserves and takes account of the final local government finance settlement which was approved by Parliament on 8 February 2022.

Table 1: Revenue Budget 2022/23

2022/23 Revenue Budget & Council Tax Requirement	**£M**	**Note**
Net Revenue Budget for 2022/23 per MTFS	21.110	
Changes made outside of the annual budget process	1.545	
Additional Resource Requirements	0.690	Appendices A & B
Income Generation Proposals	(0.840)	Appendices A & B
Savings Proposals	(0.180)	Appendices A & B
Revenue Impact of Capital Programme Review	(1.505)	
Contribution to Reserves	0.434	
General Fund Revenue Budget	21.254	
Funded by		
Revenue Support Grant	(0.212)	
Additional Grants	(0.760)	
Retained Business Rates	(10.106)	
	(11.078)	
Council Tax Requirement	10.176	£5 Council Tax increase Council 26 January 2022

Budget Principles and Assumptions

3.2 Within the revenue budget there are several principles and key assumptions underpinning the proposed revenue strategy. These are:

i. Annually, a balanced revenue budget will be set with expenditure limited to the amount of available resources;
ii. No long-term use of balances to meet recurring baseline expenditure.
iii. Resources will be targeted to deliver Corporate ambitions and value for money. Any additional investment and spending decisions will be made to reflect Council priorities and strategic commitments.

3.3 Table 2 below, lists the major assumptions that have been made for the 2022/23 budget.

Table 2 Major Assumptions 2022/23

Assumptions	**2022/23**
Council Tax base growth	1.34%
Council Tax inflation	£5
Business Rates Multiplier	Frozen
Inflation – Pay	2% 515,100
Inflation – Premises Related	Various 128,900
Inflation – Insurance	10% 60,800
Inflation – General Index	3.3% 216,400
Inflation – Fees & Charges	3.3% (401,400)

Operational Changes

3.4 Operational changes included in the base budget for 2022/23 currently amount to an increase in expenditure of £1.478M. The Council budgets for inflation across a number of areas such as gas, electricity, water, insurance, building costs etc as well as general pay and price inflation and seeks the appropriate indices from a number of sources. The impact of inflation increases expenditure by a further £0.067M. A summary of operational changes is given in the table 3 below:

Table 3 Operational Changes 2022/23

Operational Changes 2022/23	**£M**
Salaries	0.515
Additional cost pressures	0.430
Slipped expenditure	0.095
Other minor changes	0.038
Pension Fund Top Up	0.400
Sub Total	1.478
Impact of Inflation	0.067
Total	**1.545**

Pay & Prices Increases

3.5 A 2% pay award allowance has been included in 2022/23 and 2% across the remaining years. The assumption of 2% considers that employees on lower salaries are expected to receive an increase. It should be noted that pay awards in Local Government are covered by collective bargaining between employers and trade unions and are not subject to direct control from Central Government. However, it is reasonable to assume that Local Government will mirror what happens in the rest of the public sector.

3.6 Prices inflation has been included on selected non-pay items as set out in table 2

Pension Fund Top Up Payment

3.7 The pension fund is subject to a triennial actuarial valuation, the most recent of which was undertaken by Mercers LLP during 2019, on behalf of Lancashire County Council, the pension fund administrator. As a result of the triennial valuation Council elected to prepay its pension's deficit recovery and future service costs in April 2020 for the period 2020/21 to 2022/23. Due to an underestimation in pensionable pay the Council has been asked to consider making additional payments to the pension fund.

Additional Resource Requirements

3.8 Additional resource requirements have been highlighted through budget process Some key requirements are set out below and within ***Appendix B:***

- Building Control £0.105M
- LATCO Development Manager £0.023M
- Programme Manager £0.058M
- Integrated EDMS system £0.045M

Savings and Income Generation Proposals

3.9 The budget savings or income growth identified in ***Appendix B*** for 2022/23 relate to several areas where actions are being undertaken by the Council. Some of the key areas are:

- Car Parking Tariff Review £0.495M
- Salt Ayre Income £0.209M

3.10 It should be noted that the potential income of £0.495M relating to the Council's car parking tariff review is subject to a separate report and agreement and at this time may be at risk.

Revenue Impact of Capital Programme Review

3.11 Cabinet and Executive Management Team have reviewed in detail the Council's existing capital programme and have repositioned and reprofiled a number of capital schemes in line with their revised Capital Investment Strategy (Investing in the Future) to lessen the revenue impact of capital projects through Minimum Revenue Provision (MRP) and interest cost savings.

4.0 COUNCIL TAX & BUSINESS RATES

Council Tax

4.1 Legislation requires that separate estimates be made for any Collection Fund surpluses or deficits on the Collection Fund relating to the Council Tax and Business Rates.

4.2 For Council Tax, it is confirmed that the Collection Fund is expected to generate a surplus for the year bringing the overall fund position back into surplus.

4.3 The Council Tax increase of £5 agreed by Council on 26 January 2022 means that the City element of Council Tax for a band D property will be £241.95.

Business Rates

4.4 The Council is required to submit its annual business rates return to the Government by the end of January in which it estimates business rates income for 2022/23 and the estimated deficit / surplus as at the end of 2021/22.

4.5 The estimated deficit for 2021/22 is £12.517M as shown in Table 4 below and the City Council's share of this is £5.007M

4.6 The table below shows that of the City Council's share of the £5.007M deficit £4.564M will be recognised during 2022/23 and it is estimated that £4.367M of this will be offset by Section 31 grant leaving a charge against the General Fund of £0.197M. An amount of £0.443M relating to the 2020/21 deficit will be recognised in 2023/24 in accordance with Central Government regulations and budgetary provision for this has been made.

Table 4: Business Rates

	2021/22 £M
Actual deficit brought forward (from collection fund statement)	27.381
NDR Collection Fund income for 2021/22	-83.543
NDR Collection Fund expenditure for 2021/22	68.679
Estimated Deficit for 2021/22 as at 31 January 2022	12.517
City Council Share of the deficit at 40%	5.007
Less: adjustment for amount eligible for spreading	-0.443
City Council Share of the deficit to be recognised in 2022/23	4.564
Share of deficit to be offset by S31 additional grant reliefs in respect of retail discount & nursery discount & Covid Additional Funding Relief	-4.367
Charge against the General Fund in 2022/23	0.197
City Council Share of the deficit to be recognised during 2023/24	0.443

4.7 Similar to previous years the position is a particularly complex one in light of the COVID-19 pandemic. As a result of the pandemic Central Government has again amended and extended the reliefs that could be given to ratepayers. Councils are being compensated for this through payments of Section 31 grant so that this element of the deficit will not impact on local authority budgets.

4.8 The on-going impact of the pandemic and the restrictions placed on business means that business rates continue to be an area of significant uncertainty in respect of predicting income for the reasons set out in the following paragraphs:

4.9 Appeals by businesses against their Rateable Value (RV). The Valuation Office allows business to appeal against their RV via the check and challenge process. Councils make provision against future levels of appeals; however, the timing and value of potential appeals remains unclear.

4.10 Members will be aware of the recent announcements regarding the decommissioning plans for the Heysham 1 and Heysham 2 nuclear reactors. This announcement will have a significant impact across the district as a whole but will inevitably have a significant impact on the Council's finances, as currently the rateable value of the reactors accounts for over 30% of the Council's total rateable value. Central Government operates a "safety net" system to protect those Councils which see their year-on-year business rate income fall by more than 7.5 per cent. Given the Council's exposure it is expected that it will inevitably fall into a safety net scenario and will need to rely on the Business Rates Retention Reserve to smooth operational shortfalls in the short term.

4.11 The Council receives a 'disregard' for renewable energy hereditaments which means that 100% of the business rates for these properties is retained by the authority. It is estimated that in 2022/23, this will be worth £3.012M. Whilst it is evident that this 100% disregard will continue into 2022/23, there is a risk that the Government will discontinue this advantageous arrangement at some point in the future.

5.0 PROVISIONS, RESERVES & BALANCES

5.1 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and balances.

Provisions

5.2 The bad debt and insurance provisions have been reviewed and are considered adequate at this time.

Reserves & Balances

5.3 Reserve levels and use of reserves are an important part of the budget framework. It is important that the Council maintains a healthy level of reserves in order to maintain financial resilience but balances this with the careful use of those reserves, usually on 'one-off' items in order to support corporate priority projects.

Annual Assessment of Reserves Levels

5.4 The Section 151 Officer's annual review of the adequacy of reserve balances is a statutory requirement. Although usable revenue reserve levels have increased in the last two years, continuing uncertainties with respect to COVID-19, BREXIT, Local Government Funding and the outcomes of the Council's OBR process remain. **Taking this additional risk into account, the Section 151 Officer's advice is that the minimum level of balances held in the General Fund should remain at £3.5M.**

5.5 The Section 151 Officer's latest advice on the adequacy of balances is based on the following observations:

- The General Fund Balance at 31/03/21 was £7.808M, with net in year allocations of £2.267M. Latest revenue budget monitoring forecasts a slight underspend of £0.073M in 2021/22. The proposed 2022/23 budget will not require of funding from unallocated reserves leaving a forecast balance of £5.648M at 31/03/22. Allowing for the s151 Officers recommended minimum level of £3.500M this provides for £2.149M of available balances.

- The Council's MTFS suggests a structural budget gap in 2023/24 onwards of approximately £2.165M raising to £3.997M. If this is not closed, then balances will be required to make up the difference.

- There is continuing uncertainty with respect to COVID-19 and BREXIT and how this will impact, directly or indirectly, Council finances.

- Business rates retention volatility remains a risk to the Council in particularly the recent announcements in regard to the decommissioning of the Heysham nuclear reactors. This is managed via the Business Rates Retention Reserve therefore, should not impact directly on the General Fund balance.

- The MTFS provides forecasts on funding and on net expenditure and sensitivities associated with these forecasts. The Treasury Management Strategy documents collectively provide assurance with respect to the affordability, sustainability and prudence of capital expenditure.

5.6 In calculating the minimum level of General Fund balance, an assessment of the risks that give rise to unanticipated expenditure or loss of income has been made and these are shown in Table 2 below.

Table 2: Risk Assessment

Risk	Symptom of Risk	Balance Required £M
Increased demand for services	3% increase in net revenue expenditure	0.650
Recession results in additional uncompensated reduction in fees and charges income than budget	5% reduction in major fees and charges income	0.900
Recession results in additional reduction in Council Tax collection rates than budget	3% reduction in collection rate	0.300
Next years budget savings not achieved	50% under achievement	0.090
Natural disaster such as flood	Additional unexpected expenditure	0.500
Additional uncertainty with respect to Brexit/ COVID	Additional unexpected expenditure	1.000
Aggregate overspend if all of the above risks were to happen		**3.440**
Estimated General Fund Balance as at 31/03/23		**5.648**

5.7 The analysis shows that, in the unlikely event of a 'Perfect Storm' of risks happening all within the next year, there are sufficient balances to meet all these risks in the short term which would give the Council time to adapt in the longer term.

5.8 The minimum level of balances will be kept under review as part of the MTFS and reported to Cabinet on a regular basis.

Planned use of reserves and estimated reserve balances over the medium term

5.9 The estimated combined reserves balances are shown in ***Appendix C*** and are summarised in table 5 below

Table 5: Estimated Combined Level of Reserves

	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M
Balance brought forward	(33.445)	(19.829)	(19.138)	(17.598)	(17.484)
Impact of 2022/23 budget decisions	0.000	(0.434)	0.743	0.316	0.216
Impact of previous decisions, Covid & outturn	13.616	1.125	0.797	-0.202	0
Balance carried forward	**(19.829)**	**(19.138)**	**(17.598)**	**(17.484)**	**(17.268)**

5.10 The above analysis reflects allocated use of reserves which are subject to the completion and authorisation of a reserves bid template to ensure the effective use of resources to meet corporate priorities. If no bid is made or the bid is rejected, then allocations will not be used.

5.11 It should also be noted that the above analysis does not currently reflect the impact of the forecast structural budget deficits which, if unaddressed, will require significant contributions from reserves. Indicative estimates are provided within the Medium Term Financial Strategy.

Governance Arrangements on the Use of Reserves

5.12 The Council's Reserves Strategy sets out arrangements for the approval of reserves expenditure which include:

- a requirement to complete a bid document setting out how reserves expenditure will deliver corporate priorities with a clear costing statement and schedule of outcome measures

- a process to ensure that all use of reserves are approved by Cabinet either as part of the annual budget or via consideration of bids during the year, usually as part of strategy or project approval Cabinet report

- decision limits to ensure that Cabinet approval of reserves bids is delegated appropriately.

6.0 OPTIONS & OPTIONS ANALYSIS

Revenue Budget

6.1 Council may adjust its revenue budget proposals, so long as the overall budget for 2022/23 balances and fits with the proposed Council Tax level.

6.2 Other Budget Framework Matters (Reserves and Provisions)

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

6.3 Section 151 Officer's Comments and Advice

Council is required to note this formally in the minutes of the meeting, hence it is reflected in the recommendations

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

7.0 OFFICER PREFERRED OPTION (AND COMMENTS)

Revenue Budget 2022/23 and Reserves Position

7.1 To agree the recommendations as presented as the proposals to be put forward by Cabinet should fit with any external constraints and the budgetary framework already approved. The recommendations as set out meet these requirements; the detailed supporting budget proposals are then a matter for Members.

8.0 CONCLUSION

8.1 This report addresses the actions required to complete the budget setting process for 2022/23, and for updating the Council's associated financial strategy.

APPENDICES

Appendix A: General Fund Revenue Budget 2022-23 to 2025-26
Appendix B: Savings and Budget Proposals 2022-23 to 2025-26
Appendix C: Reserves Summary
Appendix D: Budget Transfers Virements & Carry Forwards

Appendix A

General Fund Revenue Budget Projections 2022/23 to 2025/26

For Consideration by Cabinet 8 February 2022

BUDGET PROJECTIONS

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Revenue Budget/Forecast as at 24 February 2021	**21,110**	**23,550**	**24,400**	**24,400**
Base Budget Changes				
Operational Changes	1,478	1,243	1,454	1,586
Additional Inflationary Pressure	67	117	179	791
Latest Budgetary Position	**22,655**	**24,910**	**26,033**	**26,777**
Outcomes Based Resourcing Proposals:				
Savings Proposals	(180)	(212)	(222)	(230)
Additional Resource Requirements	690	842	803	806
Income Generation Proposals	(840)	(1,112)	(1,068)	(1,074)
Revenue Impact of Capital Programme Review	(1,505)	(1,742)	(1,751)	(1,297)
Contribution to/(from) Collection Fund Reserves	400	(743)	(316)	(216)
Contribution to/(from) Unallocated Reserve	34			
General Fund Revenue Budget	**21,254**	**21,943**	**23,479**	**24,766**
Core Funding:				
Revenue Support Grant	(212)			
Additional New Homes Bonus	(42)	(42)	(42)	(42)
Supplementary Government Grants	(652)	(652)	(652)	(652)
Prior Year Council Tax Surplus	(66)			
Net Business Rates Income	(10,106)	(8,593)	(8,764)	(8,940)
Council Tax Requirement	**10,176**	**12,656**	**14,021**	**15,132**
Estimated Council Tax Income - (Increases based on £5 for 2022/23 then max allowable)	**10,176**	**10,491**	**10,810**	**11,135**
Resulting Base Budget (Surplus)/Deficit	**0**	**2,165**	**3,211**	**3,997**
Original MTFS Savings Requirement	***2,183***	***4,223***	***4,668***	***N/A***
Change	***(2,183)***	***(2,058)***	***(1,457)***	***N/A***

BALANCES

General Fund Unallocated Balance	*£M*
Balance as at 31 March 2021	**(7.808)**
2021/22 In Year allocations	**+2.267**
2021/22 Forecast (Under)/Overspend	(0.073)
Projected Balance as at 31 March 2022	(5.614)
2022/23 Forecast Budgeted Contribution	(0.034)
Projected Balance as at 31 March 2023	**(5.648)**
Less Recomended Minimum Level of Balances	**3.500**
Available Balances	**(2.148)**

Saving and Budget Proposals 2022/23 to 2025/26

SAVINGS PROPOSALS

	Upfront Investment	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Central Services					
Chief Executive					
Delete vacant Head of Policy & Strategy		71	74	77	80
Communities & the Environment					
Public Protection					
Community Safey Partnership		16	16	17	17
ASB Contribution to Police		12	12	12	12
Domestic Abuse Contribution		4	4	4	4
Public Realm					
Marketgate (toilets)		21	21	21	21
Corporate Services					
Democratic Services					
Staffing Changes (succession planning)		-	13	13	13
Legal Services					
Staffing Changes (succession planning)		15	30	30	30
Economic Growth & Regeneration					
Economic Development					
Remove FHS staff costs		41	42	43	43
Planning & Place					
Additional Pre-Application Service Offers		-	-	5	10
Net Savings		**180**	**212**	**222**	**230**

INCOME GENERATION PROPOSALS

	Upfront Investment	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Communities & the Environment					
Customer Involvment & Leisure					
Salt Ayre Leisure Centre		209	484	483	482
Public Protection					
Street Trading Consent		-	20	20	20
Pest Control/Unbugged		9	15	20	22
Public Realm					
Car Parking charging at new sites		20	20	20	20
Car Parking Tariff Review		495	430	371	371
Revisit delivery of Morecambe Concessions		10	30	30	30
Williamson Park Events Income		70	75	80	80
Economic Growth & Regeneration					
Economic Development					
Commercial ticketed events (estimated)		10	20	25	30
Planning & Place					
Building Control		5	6	7	7
Property, Investment & Regeneration					
Assembly Rooms Rent		12	12	12	12
Net Income Generation		**840**	**1,112**	**1,068**	**1,074**

ADDITIONAL RESOURCE REQUIREMENTS

	Upfront Investment	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Central Services					
Chief Executive					
Partnerships & Innovation Coordinator (shared costs)		(20)	(20)	(20)	(20)
Executive Support Apprentice		(7)	(18)	(22)	(25)
Communities & the Environment					
Housing Services					
LATCo Development Manager		(23)	(92)	(94)	(95)
Public Protection					
New EHO Post (Apprentice/Student)		(10)	(23)	(23)	(23)
Public Realm					
LESS Contribution (Food Futures)		(13)	(13)	(13)	(13)
Recycling (Wheelie Bin Pilot in Heysham)		(25)	(25)	-	-
Bin Sensor Technology	(62)	(36)	(36)	(36)	(36)
District Wide Tree Survey/Strategy		(75)	-	-	-
Open Spaces (ad-hoc Councillor requests)		-	(50)	(50)	(50)
Additional Public Realm Capacity		(32)	(66)	(70)	(72)
Williamson Park Business Development Officer		(32)	(33)	(34)	(35)
Williamson Park Events		(30)	(30)	(30)	(30)
Corporate Services					
Financial Services					
Internal Audit Manager (offset by Wyre savings)		-	(32)	(34)	(36)
Project Accountant(s) to cover larger projects		(12)	(47)	(50)	(52)
CIVICA Financials Contract		-	(15)	(15)	(15)
Human Resources & Organisational Development					
Programme Manager (position made permanent)		(58)	(59)	(60)	(62)
Working Well		(25)	-	-	-
Economic Growth & Regeneration					
Economic Development					
Museums staff Job Evaluation (folowing TUPE transfer)		(14)	(15)	(16)	(16)
Critical maintenance and security for architectural site		(10)	(10)	(10)	(10)
Planning & Place					
Building Control (post-external contract)		(105)	(95)	(75)	(65)
Voice-recognition software		(6)	(6)	(6)	(6)
Integrated EDMS system		(45)	(45)	(45)	(45)
Amenity Improvements Programme		(12)	(12)	-	-
Property, Investment & Regeneration					
Project due diligence (contribution to new reserve)		(100)	(100)	(100)	(100)
Net Cost of Growth		**(690)**	**(842)**	**(803)**	**(806)**

Reserves Statement (Including Unallocated Balances)

	31 March 2021 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2022 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2023 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2024 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2025 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2026 £
Unallocated Balances	**(7,808,400)**	(73,000)		2,267,000	**(5,614,400)**	(34,000)			**(5,648,400)**				**(5,648,400)**				**(5,648,400)**				**(5,648,400)**
Earmarked Reserves:																					
Corporate Priorities	**(2,478,200)**			1,462,100	**(1,016,100)**	(491,300)	600,000	516,900	**(390,500)**	(943,400)	360,000	504,100	**(469,800)**		240,000	210,000	**(19,800)**				**(19,800)**
Capital Support	**(73,000)**				**(73,000)**		73,000														
Corporate Property	**(338,500)**			75,000	**(263,500)**				**(263,500)**				**(263,500)**				**(263,500)**				**(263,500)**
Covid 19 Support Reserve	**(1,813,000)**			1,808,900	**(4,100)**				**(4,100)**				**(4,100)**				**(4,100)**				**(4,100)**
Economic Growth	**(188,500)**	(96,500)		166,500	**(118,500)**	(96,500)		96,500	**(118,500)**	(96,500)		96,500	**(118,500)**				**(118,500)**				**(118,500)**
Investment Property Maint	**(9,400)**				**(9,400)**				**(9,400)**				**(9,400)**				**(9,400)**				**(9,400)**
Invest to Save	**(1,233,500)**	(92,200)		1,222,100	**(103,600)**	(148,200)		200,000	**(51,800)**	(250,000)		239,000	**(62,800)**				**(62,800)**				**(62,800)**
Morecambe Area Action Plan	**(27,300)**			25,100	**(2,200)**				**(2,200)**				**(2,200)**				**(2,200)**				**(2,200)**
Museums Acquisitions	**(24,300)**	(4,500)			**(28,800)**	(4,500)			**(33,300)**	(4,500)			**(37,800)**	(4,500)			**(42,300)**				**(42,300)**
Planning Fee Income	**(39,400)**				**(39,400)**				**(39,400)**				**(39,400)**				**(39,400)**				**(39,400)**
Restructure	**(451,100)**			262,500	**(188,600)**			31,700	**(156,900)**			17,800	**(139,100)**				**(139,100)**				**(139,100)**
To Support Revenue & Capital Expenditure	**(6,676,200)**	**(193,200)**		**5,022,200**	**(1,847,200)**	**(740,500)**	**673,000**	**845,100**	**(1,069,600)**	**(1,294,400)**	**360,000**	**857,400**	**(1,146,600)**	**(4,500)**	**240,000**	**210,000**	**(701,100)**				**(701,100)**
Renewals Reserves	**(602,200)**	(491,800)	218,000	187,100	**(688,900)**	(491,800)	174,000	38,700	**(968,000)**	(491,800)	124,000	36,200	**(1,299,600)**	(491,800)	38,000	44,200	**(1,709,200)**				**(1,709,200)**
General Renewals	**(315,700)**	(295,800)	61,000	57,900	**(492,600)**	(295,800)	24,000	10,000	**(754,400)**	(295,800)		10,000	**(1,040,200)**	(295,800)		10,000	**(1,326,000)**				**(1,326,000)**
Salt Ayre Leisure Centre	**(25,900)**	(150,000)	157,000		**(18,900)**	(150,000)	150,000		**(18,900)**	(150,000)	124,000		**(44,900)**	(150,000)	38,000		**(156,900)**				**(156,900)**
Williamson Park	**(62,000)**	(18,000)		18,000	**(62,000)**	(18,000)		12,500	**(67,500)**	(18,000)		10,000	**(75,500)**	(18,000)		18,000	**(75,500)**				**(75,500)**
Car Parks	**(123,200)**	(12,000)		97,000	**(38,200)**	(12,000)		12,000	**(38,200)**	(12,000)		12,000	**(38,200)**	(12,000)		12,000	**(38,200)**				**(38,200)**
Happy Mount Park	**(23,100)**	(14,000)		14,200	**(22,900)**	(14,000)		4,200	**(32,700)**	(14,000)		4,200	**(42,500)**	(14,000)		4,200	**(52,300)**				**(52,300)**
Arnside & Silverdale AONB	**(52,300)**	(2,000)			**(54,300)**	(2,000)			**(56,300)**	(2,000)			**(58,300)**	(2,000)			**(60,300)**				**(60,300)**
Elections	**(40,000)**	(40,000)			**(80,000)**	(40,000)			**(120,000)**	(40,000)		160,000		(40,000)			**(40,000)**				**(40,000)**
Homelessness Support	**(110,800)**	(6,600)			**(117,400)**	(6,600)			**(124,000)**	(6,600)			**(130,600)**				**(130,600)**				**(130,600)**
Business Rates Retention	**(8,300,700)**	(886,400)		96,500	**(9,090,600)**	(400,000)		729,000	**(8,761,600)**			2,033,100	**(6,728,500)**			316,600	**(6,411,900)**			216,600	**(6,195,300)**
Revenue Grants Unapplied	**(8,497,600)**			7,592,500	**(905,100)**			39,000	**(866,100)**			1,800	**(864,300)**			1,500	**(862,800)**				**(862,800)**
S106 Commuted Sums - Open Spaces	**(16,600)**			11,800	**(4,800)**			4,700	**(100)**				**(100)**				**(100)**				**(100)**
S106 Commuted Sums - Affordable Housing	**(192,800)**		107,000		**(85,800)**		100,000		**14,200**				**14,200**				**14,200**				**14,200**
S106 Commuted Sums - Highways, Cycle Paths etc.	**(776,500)**	(200,000)		5,700	**(970,800)**	(200,000)			**(1,170,800)**	(200,000)			**(1,370,800)**	(200,000)			**(1,570,800)**				**(1,570,800)**
Welfare Reforms	**(324,900)**				**(324,900)**				**(324,900)**				**(324,900)**				**(324,900)**				**(324,900)**
Amenity Improvements	**(29,000)**				**(29,000)**				**(29,000)**				**(29,000)**				**(29,000)**				**(29,000)**
Reserves Held in Perpetuity:																					
Graves Maintenance	**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**
Marsh Capital	**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**
Total ring-fenced/held against risk	**(18,961,000)**	**(1,624,800)**	**325,000**	**7,893,600**	**(12,367,200)**	**(1,138,400)**	**274,000**	**811,400**	**(12,420,200)**	**(738,400)**	**124,000**	**2,231,100**	**(10,803,500)**	**(731,800)**	**38,000**	**362,300**	**(11,135,000)**			**216,600**	**(10,918,400)**
Total Earmarked Reserves	**(25,637,200)**	**(1,818,000)**	**325,000**	**12,915,800**	**(14,214,400)**	**(1,878,900)**	**947,000**	**1,656,500**	**(13,489,800)**	**(2,032,800)**	**484,000**	**3,088,500**	**(11,950,100)**	**(736,300)**	**278,000**	**572,300**	**(11,836,100)**			**216,600**	**(11,619,500)**

Total Combined Reserves	**(33,445,600)**				**(19,828,800)**				**(19,138,200)**				**(17,598,500)**				**(17,484,500)**				**(17,267,900)**

APPENDIX D

Budget Transfers (Virements, Carry Forwards & Reserves) 2022/23 Limits

Cabinet 08 February 2022

1 **Purpose and Scope**

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

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

2 **Virements**

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

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

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

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

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

Delegated limit	**2022/23**
Total virement on any **expenditure** heading in any one financial year must not exceed:	£10,000
Total virement on any **income** heading in any one financial year must not exceed:	£10,000

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

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

3 Treatment of Year-end Balances

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

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

Overspends

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

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

Underspends

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

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

4.0 Reserves

4.1 All bids for reserves use will be supported by a bid document which sets out in detail the resources required, an action plan and outcomes and measures which reconcile to corporate priorities. All bid documents should be approved, in the first instance, by the Section 151 Officer and Finance Portfolio Holder in addition to the authorisation limits set out in paragraph below.

Reserves Bid Authorisation

4.2 Reserve bids decision limits will be as follows:

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

4.3 All reserve bids should also be approved and signed off by the Section 151 Officer and the Finance Portfolio Holder.

Reserves Expenditure Monitoring

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

Schedule of Earmarked Reserves

Reserve	**Purpose of the Reserve**
Business Rates Retention	To support the budget in the event that Business Rates Income does not reach budgeted levels or falls to Safety Net, due to fluctuations in appeals or other reductions in net income, and to hold any unbudgeted (surplus) rating income prior to use.
Planning Income	To hold surplus income generated as a result of the Government's 20% increase in planning fee income. To be used to fund additional costs/growth relating to Planning functions (in line with any regulatory guidance).
Capital Support	To provide cover for any revenue costs arising through shortfalls in capital financing (i.e. from capital receipts).
Economic Growth	To support economic growth activities in the district.
Elections	To even out the cost of holding City Council elections every four years.
Local Plan	To support the adoption of the Local Plan.
Morecambe Area Action Plan	To support implementation of the MAAP
Renewals	To provide for the renewal (replacement or upgrade) of existing facilities and infrastructure needed for service delivery, such as vehicles, plant, and equipment.
Welfare Reforms	To help manage the cost and administration pressures of any welfare reforms (in particular, localisation of council tax support and Universal Credit).
Amenity Improvements	To provide public realm amenity improvements.
Corporate Priorities (previously Budget Support)	To provide resources to help finance capacity / feasibility / review and other development work in support of the Council's corporate priorities as adopted by Council in January 2020.
Corporate Property	To provide for feasibility studies, surveys and repair works to municipal buildings and facilities (in particular, for those that cannot be capitalised as part of the current works programme or are not otherwise budgeted for). In addition, to provide cover for any in-year rental shortfalls.
Invest to Save	To help finance any Invest to Save initiatives.
Restructure	To fund the costs associated with early termination of staff (in the interests of efficiency / redundancy) / Pay and Grading Review.
Revenue Grants Unapplied	Grants, usually for Government, which are provided for an expressed purpose.
Homelessness Support	To hold related government grants or other specific external funding until needed for homelessness prevention measures.

Reserve	Purpose of the Reserve
S106 Commuted Sums	Three separate reserves to receive all sums paid to the Council from third parties for the maintenance of (1) open spaces adopted by the City Council (2) affordable housing schemes (3) other amenities such as cycle paths.
Museums Acquisitions	To acquire exhibition pieces for the City's museums.
Held in Perpetuity	Two small reserves that have a specific purpose which are administered by the Council. These are Graves Maintenance and Marsh Capital

APPENDIX D

Reserves Bid Document

Description of Project	
Amount of Reserve Bid	
Reserve	
Strategy Link	
Corporate Project Link	

Type of Expenditure (and budget code)	Amount	Details
Total		
Income		
Net Expenditure		

Action Plan

What	Who	When

Outcomes and Impacts arising from Project

Measure	Baseline	Target

Has Social Value matrix been completed (attach to bid form)?	YES / NO
For Invest to Save projects has the financial yield return schedule been completed (attach to bid form)	YES / NO

APPENDIX D

Project Officer Sign Off:

Director Sign Off:
Section 151 Officer Sign Off:

Portfolio Holder Sign Off:
Finance Portfolio Sign Off:

Cabinet Minute (if app):

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	**Date**	8 February 2022
Report	Capital Programme 2022/23 to 2025/26 & Capital Strategy (Investing in the Future)		
Report of	Chief Finance Officer		

Purpose of Report

To present Cabinet's final budget proposals in order that the Council can approve a General Fund Capital Programme for 2022/23 to 2024/25 and a Capital Strategy 2022/23 as required by regulation

Key Decision (Y/N)	**N**	**Date of Notice**		**Exempt (Y/N)**	**N**

Report Summary

Capital investment, via the Council's reserves or borrowing, plays a key role in strategic projects and initiatives for the success of the Lancaster district, as well as transforming and optimising the Council's services to its residents.

The proposed Capital Programme and supporting Strategy, entitled *'Investing in the Future'* and contained at Appendix B, sets out the relevant context and a proposed framework to support the Council's approach to capital investment over the medium term.

The programme and strategy aligns capital investment to the Council's four overall priorities, and proposes a consistent 'lifecycle' for the development and delivery of capital investment activities, including the transparent, accountable democratic decision process. The strategy also sets out the proposed approach to risk management as well as the monitoring and evaluation of capital projects.

Cabinet originally considered the strategy at its meeting of 7 December 2021. It was suggested that further reference be made regarding the potential for investment to create social value through culture and heritage assets. The updated draft included at Appendix B contains additional content in section 1.1 and Investment Streams 2 and 3 to reflect this.

The strategy was considered by Budget & Performance Panel at its meeting of 14 December 2021. The Panel noted the report and draft strategy without suggesting further amendments.

Recommendations of Councillor Anne Whitehead

1. That Cabinet recommends the following for approval to Budget Council 23 February 2020:
   - the updated Capital Programme covering financial years 2022/23 to 2025/26
   - the Capital Strategy (Investing in the Future) 2022/23
2. That the Finance Portfolio Holder be given delegated authority to finalise the Capital Programme and associated Capital Strategy, as updated for Cabinet's final budget proposals, and outcomes of the Final Local Government Settlement

Relationship to Policy Framework	
The Council's revenue and capital budgets should represent, in financial terms what the Council is seeking to achieve through its Policy Framework. The proposed capital programme and supporting strategy is part of the Council's budget and policy framework, and fits into the Medium Term Financial Strategy	
Conclusion of Impact Assessment(s) where applicable	
Climate	**Wellbeing & Social Value**
Digital	**Health & Safety**
Equality	**Community Safety**
No direct impact arising from this report.	
Details of Consultation	
In line with the Council's Constitution (Part 3 Section 5 – Budget & Policy Framework), the draft Strategy was considered by Budget & Performance Panel at its meeting of 14 December 2021. The Panel noted the report with no suggested amendments.	
Legal Implications	
The Council has the legal power to acquire, use and dispose of land principally under the Local Government Act 1972 and other Acts which give the Council powers to acquire land for a particular purpose. In accordance with section 120(1), Local Government Act 1972, the Council has the power to acquire any land where it is for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area. If the Council decides to dispose of land, there is a legal requirement to obtain best value (with very limited exceptions). Depending on the nature of the particular type of property concerned, there may be other statutory requirements or procedures to be undertaken before any acquisition, appropriation or disposal of land.	
Financial Implications	
There are no financial implications arising directly from this report. However, the proposed levels and areas of capital investments will require borrowing and other associated costs. Financial due diligence and assessment will ensure that all the appropriate costs are considered for each proposal.	
Other Resource or Risk Implications	
None directly arising from this report.	
Section 151 Officer's Comments	
The s151 Officer has contributed to the writing of this report and Appendices.	
Monitoring Officer's Comments	
Capital and Investment Strategies form part of the Budget Framework and their adoption is a function of Full Council.	

Contact Officer	Paul Thompson
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Links to Background Papers	
Cabinet: Report & Minutes of 7 December 2021 Appendix A: Capital Programme 2022/23 to 2025/26 Appendix B: Investing in the Future Capital Investment Strategy Appendix C: Capital Assurance Group (CAG) Terms of Reference Budget & Performance Panel: Report & Minutes of 14 December 2021	

General Fund Capital Programme

Cabinet 8 February 2022

Service / Scheme	2021/22			2022/23			2023/24			2024/25			2025/26			5 YEAR TOTAL		
	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Total Gross Programme	Total External Funding	Total Net Programme
	£	£	£	£	£	£		£	£	£	£	£	£	£	£	£	£	£
Communities and Environment																		
Vehicle Renewals	2,503,000		2,503,000	2,012,000		2,012,000	194,000		194,000	2,253,000		2,253,000	1,423,000		1,423,000	8,385,000	0	8,385,000
Fleet Growth & changed fleet specifications	0		0	180,000		180,000	0		0	0		0	0		0	180,000	0	180,000
Electrification of Vehicles	0		0	508,000		508,000	186,000		186,000	2,454,000		2,454,000	1,423,000		1,423,000	4,571,000	0	4,571,000
2 x Electric Refuse Vehicles	400,000		400,000	0		0	0		0	0		0	0		0	400,000	0	400,000
Electronic Vehicle Charging Points - Phase 2	58,000	(30,000)	28,000	0		0	0		0	0		0	0		0	58,000	(30,000)	28,000
SALC optimised solar farm, air sourced heating pumps & glazing efficiency	4,828,000	(4,828,000)	0	0		0	0		0	0		0	0		0	4,828,000	(4,828,000)	0
One Million Trees	33,000		33,000	30,000		30,000	30,000		30,000	0		0	0		0	93,000	0	93,000
Happy Mount Park Pathway Replacements	13,000		13,000	0		0	0		0	0		0	0		0	13,000	0	13,000
Far Moor Playing Fields s106 Scheme	56,000	(21,000)	35,000	37,000		37,000	0		0	0		0	0		0	93,000	(21,000)	72,000
Disabled Facilities Grants	1,870,000	(1,870,000)	0	3,667,000	(3,667,000)	0	2,144,000	(2,144,000)	0	2,144,000	(2,144,000)	0	0		0	9,825,000	(9,825,000)	0
Next Steps Accommodation Programme	750,000		750,000	0		0	0		0	0		0	0		0	750,000	0	750,000
Half Moon Bay Car Park Extension	30,000		30,000	30,000		30,000	0		0	0		0	0		0	60,000	0	60,000
Salt Ayre Asset Management Plan	1,436,000		1,436,000	549,000		549,000	124,000		124,000	38,000		38,000	53,000		53,000	2,200,000	0	2,200,000
Customer Contact System	91,000		91,000	0		0	0		0	0		0	0		0	91,000	0	91,000
Mellishaw Park	0		0	600,000		600,000	360,000		360,000	240,000		240,000	0		0	1,200,000	0	1,200,000
Roof Mounted Solar Array - City Labs	33,000		33,000	0		0	0		0	0		0	0		0	33,000	0	33,000
Vehicle Maintenance Unit Brake Rollers	36,000		36,000	0		0	0		0	0		0	0		0	36,000	0	36,000
Economic Growth and Regeneration																		
Sea & River Defence Works	910,000	(722,000)	188,000	725,000	(725,000)	0	0		0	0		0	0		0	1,635,000	(1,447,000)	188,000
Morecambe Regeneration	3,165,000		3,165,000	0		0	0		0	0		0	0		0	3,165,000	0	3,165,000
Lancaster Heritage Action Zone	174,000	(174,000)	0	2,356,000	(1,383,000)	973,000	777,000	(136,000)	641,000	0		0	0		0	3,307,000	(1,693,000)	1,614,000
Canal Quarter Site Acquisition	110,000		110,000	40,000		40,000	0		0	0		0	0		0	150,000	0	150,000
Edward Street Coach House Area Improvement	0		0	84,000		84,000	0		0	0		0	0		0	84,000	0	84,000
Bailrigg Garden Village - Contribution	0		0	0		0	0		0	306,000		306,000	306,000		306,000	612,000	0	612,000
1 Lodge Street Urgent Structural Repairs	150,000		150,000	340,000		340,000	0		0	0		0	0		0	490,000	0	490,000
Coastal Revival Fund - Morecambe Co-Op Building	11,000	(11,000)	0	0		0	0		0	0		0	0		0	11,000	(11,000)	0
Morecambe Co-Op Building Renovation	50,000		50,000	375,000		375,000	0		0	0		0	0		0	425,000	0	425,000
Lancaster Square Routes	0		0	21,000	(16,000)	5,000	0		0	0		0	0		0	21,000	(16,000)	5,000
Lancaster District Empty Homes Partnership	0		0	73,000		73,000	0		0	0		0	0		0	73,000	0	73,000
S106 Highways Works	70,000		70,000	0		0	0		0	0		0	0		0	70,000	0	70,000
Lancaster City Museum Boiler	179,000	(100,000)	79,000	0		0	0		0	0		0	0		0	179,000	(100,000)	79,000
Palatine Recreation Ground Pavillion	138,000		138,000	0		0	0		0	0		0	0		0	138,000	0	138,000
Lawson's Bridge S106 Scheme	2,000		2,000	63,000		63,000	0		0	0		0	0		0	65,000	0	65,000
Engineers Electric Vehicle	15,000		15,000	0		0	0		0	0		0	0		0	15,000	0	15,000
Cable Street Christmas Lights	0		0	24,000		24,000	0		0	0		0	0		0	24,000	0	24,000

Appendix D

General Fund Capital Programme

Cabinet 8 February 2022

	2021/22			2022/23			2023/24			2024/25			2025/26			5 YEAR TOTAL		
Service / Scheme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Total Gross Programme	Total External Funding	Total Net Programme
Corporate Services																		
ICT Systems, Infrastructure & Equipment	105,000		105,000	370,000		370,000	160,000		160,000	150,000		150,000	130,000		130,000	915,000	0	915,000
ICT Laptop Replacement & e-campus screens	0		0	120,000		120,000	30,000		30,000	0		0	0		0	150,000	0	150,000
ICT Telephony	40,000		40,000	0		0	0		0	0		0	0		0	40,000	0	40,000
Schemes Under Development																		
Canal Quarter	0		0	1,000,000		1,000,000	1,000,000		1,000,000	2,000,000		2,000,000	1,500,000		1,500,000	5,500,000	0	5,500,000
Bailrigg Garden Village - Project Development/Acquisitions	0		0	650,000		650,000	200,000		200,000	550,000		550,000	0		0	1,400,000	0	1,400,000
			0			0			0			0			0			
GENERAL FUND CAPITAL PROGRAMME	17,256,000	(7,756,000)	9,500,000	13,854,000	(5,791,000)	8,063,000	5,205,000	(2,280,000)	2,925,000	10,135,000	(2,144,000)	7,991,000	4,835,000	0	4,835,000	51,285,000	(17,971,000)	33,314,000

Financing :						
Capital Receipts	0	0	0	0	0	0
Direct Revenue Financing	(300,000)	0	0	0	0	(300,000)
Earmarked Reserves	(325,000)	(947,000)	(484,000)	(278,000)	0	(2,034,000)
Increase / (Reduction) in Capital Financing Requirement (CFR) (Underlying Change in Borrowing Need)	8,875,000	7,116,000	2,441,000	7,713,000	4,835,000	30,980,000

Lancaster City Council

Investing in the Future: Our Capital Investment Strategy 2022-26

This document represents the Councils Capital Strategy as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requirements.

To be reviewed and approved annually by Council

Contents

1. Introduction

1.1. Investing in the Future

The Council's goals for the success of the Lancaster district's people and environment are achieved through a broad range of different activities, characterised as:

- **Services:** Regular ongoing activities such as Planning, Council Housing, Public Realm, and Public Protection. These services are generally funded by continuous **'Revenue'** funding through the Council's regular funding streams such as Council Tax and Business Rates.
- **Projects:** One-off development activities in areas such as Regeneration, Housing, Carbon Zero or Culture & Heritage initiatives, which may complement or transform an existing service, or create new assets or capacity (such as land, property or cultural & social assets) for the district. Projects generally require a one-off **'Capital'** funding allocation, often over a number of years. Capital funding will be sourced from external contributions and grants, bids, or joint arrangements with partners where possible. In some cases, capital funding may require use of the Council's reserves, or borrowing from an external source.
- **Asset Maintenance and Renewal:** Where there is a known, long term need to regularly invest in an asset (e.g. regular vehicle fleet, planned reroofing, refurbishment cycles, ICT, or leisure equipment renewals etc) then these are presented initially as a project proposal, and then continue to make use of capital funding over a number of years. These may need periodic review or adjustment, and borrowing may be incurred to fund them. Because they either purchase, or add value to our assets, they are generally a capital funding allocation.

Capital investment funded through unsupported borrowing also has an impact on the Council's revenue budget, through the requirement of a **'Minimum Revenue Provision' (MRP)** to provide for repayments against borrowed funds.

This strategy for the period 2022-26 sets out a framework for how the Council wishes to invest in the future of the Lancaster district through ambitious, prudent use of capital funding, known as the Council's **'Capital Programme'**.

The strategy will be approved by Council each year at budget setting time, and any material changes will be presented to Council prior to implementation.

1.2. Sustainable, Strategic Investment

Capital expenditure must be carried out in a way that aligns with the Council's future financial sustainability; whilst also contributing to strategic aspirations around the district's environment, economy and communities, as expressed in the Council's strategic priorities, summarised below.

A range of investment proposals will be developed, contributing to each of the four priorities, as part of the Council's corporate planning activity. This will ensure that the Council can respond to all opportunities for external investment and grant funding with viable, innovative and impactful schemes that are ready for implementation.

Priorities	A Sustainable District	An Inclusive and Prosperous Local Economy	Healthy and Happy Communities	A Co-operative, Kind and Responsible Council
Strategy	**Climate Emergency |** *taking action to meet the challenges of the climate emergency*	**Community Wealth-Building |** *building a sustainable and just local economy that benefits people and organisations*	**Increasing Wellbeing, Reducing Inequality |** *empowering and supporting healthy ways of living, and tackling the causes of inequality*	**Community Engagement, Power and Resilience |** *drawing on the wealth of skills and knowledge in the community, and working in partnership*
Outcomes	net zero carbon by 2030 while supporting other individuals, businesses 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, involved 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, finance 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, warm and able to maintain their independence **(Access to Quality Housing)**	focused on serving and enabling our residents, local organisations 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, leisure 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 enterprises and community ownership **(Inclusive Ownership)**	keeping our district's neighbourhoods, parks, beaches 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)**

The Capital Investment Strategy is designed to support overall strategic goals by providing clear guidance and a route by which projects and activities can be proposed, developed and ultimately delivered through the prioritisation and allocation of capital funds. This strategy will therefore be strongly linked with the Council's wider framework of strategy and policy, including its:

- Medium Term Financial Strategy
- Asset Management Strategy
- Homes Strategy
- Climate Emergency and Carbon Zero initiatives
- Regeneration and Economic Development activity

1.3. Investment Models

The strategy recognises that there are various ways in which the Council can use capital funding to achieve strategic goals. These may include shared investment with partners of good financial and reputational standing.

Another route is for the Council to establish Local Authority Trading Companies (LATCos), which are entirely separate commercial entities able to independently access capital funding as part of their operations. The LATCo model also has the potential to create established, long-term income streams including commercial income.

A LATCo is subject to its own governance and decision-making, as a wholly separate entity from the Council. This strategy does not set out the terms on which a LATCo may invest to generate a commercial return. However, it does recognise that the LATCo model may contribute to the achievement of the Council's wider investment goals. As Lancaster's existing LATCos are wholly owned by the Council, they are Assets of the Council, and we may choose to invest in them in order to grow their Asset value.

1.4. Housing Provision and the Housing Revenue Account

The Council operates a separate funding stream for the provision of local authority housing, known as the Housing Revenue Account (HRA). It is a legal requirement for HRA funding to be ring-fenced for the sole purpose of housing provision.

Maintaining and developing the Council's housing provision requires a substantial HRA capital programme, which is largely funded by housing revenue. The HRA capital programme is delivered in line with the Council's HRA Business Plan, and determined via the Council's budget-setting process, with HRA matters considered separately from General Fund activities.

Where HRA investments may contribute to the Council's overall social, environmental and place-making ambitions, decision-making will recognise the statutory HRA ring-fencing requirements.

1.5. Aims of the Strategy

Maintaining a focus on the outcomes described in the Council's strategic priorities (summarised above), the Capital Investment Strategy seeks to:

- Define the process for proposing, developing and delivering projects which require capital funding, including the acquisition of land and property.
- Provide a systematic structure for considering the risks, benefits and outcomes associated with capital investment.
- Articulate the relevant governance, financial, and monitoring requirements to support capital investment proposals.
- Support opportunities for investment through LATCos and co-investment with partner organisations.

2. The Strategy: Four Investment Streams

Investing in the future via the Council's Capital Programme, or LATCo capital activity, will be achieved through four core Investment Streams. These will provide a structure within which the balance of the Capital Programme can be maintained in order to deliver against the widest range of strategic objectives.

For each Stream, financial returns and impacts on the Council's budget or LATCo will be considered alongside a balanced scorecard which captures quantifiable measures in respect of broad economic, environmental, and social returns as defined by the Council's strategic Priorities and Outcomes. Where there is a negative financial return or an overall cost to the Council, this will be acknowledged as a growth impact on the revenue budget.

The four Streams, set out below, correspond to each of the Council's Strategic Priorities in turn.

1) A Sustainable District

This includes schemes developed to deliver demonstrable reduction to carbon emissions in line with the Council's goal of reaching net carbon zero by 2030, as well as other priority outcomes for climate change and the environment. Schemes may include, but are not limited to:

- Installation of solar panels,
- Investment in larger scale solar energy facilities,
- Decarbonising heat and improving thermal efficiency,
- Supporting agile working to reduce our carbon footprint,
- The increased electrification of our vehicle fleet,
- Climate resilience,
- Resource efficiency.

2) An Inclusive and Prosperous Local Economy

This includes schemes developed to provide regeneration benefits that meet the council's inclusive and prosperous local economy priority.

Schemes of this kind will assist the Council's lead role in place-making, regeneration and economic development activity, and the improvement of the district's town centres to improve economic performance and encourage future private sector investment. Investment in supporting the district's rich creative and heritage assets will also benefit local businesses and residents both economically and culturally.

The Council may use its own assets, such as public land and buildings, to achieve long-term socio-economic development in the district. This may also include the acquisition of land or property or other assets such as communications infrastructure. Any proposals to acquire land or property must be considered in accordance with the Prudential Framework as set out in the Council's Treasury Management Strategy.

LATCo investment may be utilised to deliver a financial return from long-term rental income, business rates and council tax growth to underpin the investment / borrowing and to allow for additional mitigation of risk, whilst also delivering regeneration and placemaking objectives. Council land and property may be transferred to a LATCo to facilitate scheme delivery and to enable the LATCo to be signatory to planning agreements.

The Council or LATCo may enter joint arrangements with commercial partners to share risks and rewards and to ensure that the council can benefit from relevant expertise and experience.

3) Healthy and Happy Communities

The Council's capital investments have the potential to generate significant social returns in the District by increasing wellbeing and improving access to local culture, heritage and leisure. Costs associated with these investments will be balanced against the achievement of the Council's wider goals for the wellbeing of its communities. Initiatives may include:

- Loans to third parties
- Investing in Social Capital
- Re-use of council assets
- Provision of additional, or enhanced housing outside or within the Housing Revenue Account (HRA)

Schemes developed to deliver improved housing in the district to the terms of the council's Homes Strategy may include the development of new housing, as well as purchase of existing housing with a view to improvements in quality and management. Schemes developed through this aspect of the Stream may be delivered via a LATCo to enable a long-term revenue income stream.

The council may also enter joint arrangements with commercial partners to share risks and rewards and to ensure that the council can benefit from relevant expertise and experience.

4) A Co-Operative, Kind and Responsible Council

Schemes and projects that sustain the day-to-day operational delivery of the Council's services and so underpin a broad range of Council priorities. Such schemes may include upgrades of key information and communication systems.

Transformation and 'Invest to Save' proposals provide one-off project funding to services to help services become more efficient and effective. These schemes may deliver a direct financial return through efficiencies and savings, or an indirect benefit through enhanced service provision in respect of the Council's strategic goals.

Capital investment in property, including retail, industrial, hotel, office, food & beverage and other investments may also be considered where they comply with the Capital Investment Regulations and Guidance and meet the Council's priorities. – LATCos and other forms of special purpose vehicle may also be established to generate income that can be invested in delivering Council priorities to reduce reliance on Council expenditure and therefore support the Council's financial sustainability.

3. Capital Investments Regulation & Guidance

Alongside the Council's strategic ambitions, the Local Government Act 2003 (the Act) and supporting regulations requires the Council to have regard to the **Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code**, the **CIPFA Treasury Management Code of Practice** (the Code) and **Investment Guidance** (the Guidance) issued by The Ministry of Levelling Up, Housing and Communities (LUHC) to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

Depending on the particular circumstances, the Council will fund acquisitions through grants, contributions or capital receipts; or by utilising borrowing, reserves, or a combination of both. It is worth noting that following the review of local authority borrowing from Public Works Loan Board (PWLB) it is no longer possible to utilise PWLB to fund commercial investment projects.

HM Treasury has issued guidance to local authorities as to the appropriate use of PWLB. The guidance details the characteristics of projects that would be supported, set out as follows:

- The project is addressing an economic or social market failure by providing services, facilities, or other amenities that are of value to local people and would not otherwise be provided by the private sector.
- The local authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment.
- The project involves or generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value.
- While some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services.

All capital schemes will follow the provisions of the Prudential Code, and where applicable other capital schemes will follow the DLUHC Investment Guidance. As a minimum the following will be kept under review:

- Transparency and Democratic Accountability
- Contribution
- Proportionality
- Prudential Indicators (Affordability & Sustainability)
- Borrowing in Advance of Need
- Capacity and Skills

A LATCo is able to source capital borrowing to fund investment for a commercial return as part of its activities. Any investments seeking a commercial return could be delivered via a LATCo and considered under the LATCo's independent governance and decision-making structure.

3.1. Revised CIPFA Treasury Management Code and Prudential Code

CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval. The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address ESG issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to Treasury Management Practice 1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes:

Treasury Management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

4. Delivering the Strategy

4.1. The Capital Investment Lifecycle

Capital investment schemes across the four Investment Streams must be considered, prioritised and evaluated in a consistent way, ensuring a clear rationale for investment including:

- **Strategic Fit:** What is the proposal aiming to achieve, and how does this align with corporate priorities?
- **Financial:** What are the financial circumstances for the project, e.g. is funding readily available and is it affordable? Will the proposal deliver a return in line with the targets established for each Investment Stream?
- **Legislation and Compliance:** Is the proposal required in order to meet statutory or legislative requirements?
- **Risk:** What risks are identified, and how will the proposal mitigate and manage these?
- **Project Management:** How will the project be delivered in order to maximise its financial and social return in a timely way?

To achieve a capital funding allocation as part of the Capital Programme, all proposals will be subject to a comprehensive Business Case development process in five stages, known as the **'Capital Investment Lifecycle'**. The process will be designed to fit with the Council's corporate project management processes, to streamline the development and delivery of capital investment projects and allow for information to be shared and monitored consistently and effectively. Projects progressing through the stages will use the Council's project management systems and processes.

Stage 1: Inception

Prior to officer time being spent on scoping a project, a discussion will take place between the relevant Cabinet portfolio holder and officers, ensuring that the project fits with the Council's wider strategy before pursuing further development activity. The inception summary will provide advice on any capacity or funding associated with developing the project to Stage 2.

Stage 2: Scoping the Scheme and Preparing the Strategic Outline Case (SOC)

The purpose of this stage is to confirm the strategic context and provide a robust case for change. This stage will consider the strategic, economic, procurement, financial and management cases and include a financial analysis taking account of the targets set out for each Investment Stream. The SOC will also provide advice on the costs associated with developing the proposal to Stage 3. The SOC will be considered by the advisory Capital Assurance Group (CAG), which will provide comment to Cabinet and / or the relevant decision-making body. Approval of the SOC by Cabinet will confirm the project's position in the longlist of 'pipeline' schemes for which a full business case will be produced.

Stage 3: Full business case (FBC)

The purpose of this this stage is to propose a viable, feasible project. The FBC will

- Recommend the most economically advantageous offer
- Document any contractual arrangements
- Confirm funding sources and / or requirements
- Demonstrate compliance with the Prudential Framework and HM Treasury 'Green Book' investment appraisal guidance
- Set out the detailed management arrangements, costs and plans for successful delivery and post evaluation.

The FBC will be considered by CAG and Cabinet and / or the relevant decision-making body. Approval of the FBC by them will confirm the scheme's inclusion within the Capital Programme.

Stage 4: Implementation

The business case should be used during the implementation stage as a reference point for monitoring implementation, and for logging any material changes that the Council is required to make. The project will follow performance reporting protocols which will ensure that project progress, impact on outcomes and financial performance is measured throughout the project and following its completion.

Stage 5: Evaluation

The business case and its supporting documentation should be used as the starting point for post-implementation evaluation, both in terms of how well the project was delivered (project evaluation review) and whether it has delivered its projected benefits as planned (post implementation review) to the Council, in meeting strategic aims.

4.2. Governance Arrangements

All capital investment proposals must be subject to due diligence processes to ensure

- Transparency
- Democratic Accountability
- Ethical Responsibility
- Strategic Alignment

As part of the Capital Investment Lifecycle, proposals will be subject to a governance framework including the following elements:

Capital Assurance Group (CAG)

An advisory working group comprising representation from Cabinet, Executive Team, Overview & Scrutiny, Budget & Performance Panel, Council Business Committee and relevant specialist officers. CAG will consider SOCs and FBCs and make advisory recommendations to budget holders. Comments from individual members will be provided to Cabinet. CAG's Terms of Reference can be found at Appendix B.

Capital Investments Appraisal Group (CIAG)

An officer group with relevant expertise from economic growth and regeneration, communities and the environment, property, legal and finance, supported by external expertise and resource as required. The group will consider all potential capital investments in the first instance, following approval from the relevant Cabinet portfolio holder. The group will develop proposals for consideration by CAG. Proposals will first be brought to CAG at Stage 2 (see above), accompanied by an SOC. SOCs approved by Cabinet will return to CAG at Stage 3, accompanied by an FBC.

Cabinet

Cabinet submits the annual Budget Framework to Council, including the Capital Investment Strategy and Capital Programme. It is responsible for consideration and decision-making on capital expenditure proposals within the Budget & Policy Framework and in line with the relevant guidance. Before officer time is spent on scoping a project, approval should be obtained from the relevant Cabinet portfolio holder.

Overview & Scrutiny (O&S)

Early involvement of the Chair of O&S in CAG meetings enables early scrutiny and added value through shaping of capital decision-making. This involvement does not remove or negate the right of O&S to call-in any decision made by Cabinet.

Budget & Performance Panel (B&PP)

The Panel will review the financial and operational performance of the Capital Investment Strategy as part of its Budget Framework scrutiny role.

Council

Full Council is responsible for approving the Capital Investment Strategy as part of the annual Budget Framework, including any material changes.

A half yearly report on compliance with the prudential framework and investment guidance will be considered by Cabinet, Budget & Performance Panel and Council.

4.3. Risk Management

Effective risk management will allow the council to adapt rapidly to change and develop innovative responses to challenges and opportunities. The risk management cycle for capital projects incorporates risk identification, risk analysis, risk control and action planning and risk monitoring and review.

All significant capital projects will comply with the council's project management process which follows good practice in the management of risk.

A full assessment of property risk will be carried out individually for each property acquisition proposal before entering any commitment. A further due diligence review will be undertaken in respect of a wide range of risk factors for all investment proposals which are taken forward.

The Council's asset portfolio will be risk managed through a regular, systematic asset challenge process which will review each asset's performance, investment requirements and ongoing viability within the portfolio. This process will be developed through a forthcoming Asset Management Strategy.

4.4. Monitoring and Evaluation

Each capital proposal will set out targeted benefits aligned with the Council's strategic priorities. The performance of each proposal during the implementation and evaluation stages will be monitored to provide assurance on the achievement of its strategic and financial objectives.

The monitoring and evaluation process will include:

- **Delivering Our Priorities: Performance, Projects and Resources |** The capital programme will be regularly evaluated as part of overall performance monitoring which incorporates financial, project and performance measures. This information is reported quarterly to Cabinet and B&PP.
- **Capital Investment Strategy Monitoring |** As the strategy is key to delivering the Council's strategic goals, regular progress against the Council's Corporate Plan Priorities & Outcomes will take place to ensure resources are appropriately allocated.

- **LATCo Asset Monitoring |** Investments made by a LATCo for a commercial return will be considered by the LATCo's shareholder committee. The impact of the LATCo's financial return on the Council's financial position will be considered alongside other financial monitoring information.
- **Prudential Framework |** A half-yearly report on prudential indicators demonstrating the Capital Programme's ongoing prudence, affordability and sustainability will be considered by Council.

4.5. Capacity, Skills and Professional Advice

Guidance requires that elected members and officers involved in the investment decision-making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to approve a specific capital investment. In addition, it places a duty on the Council to ensure that advisors negotiating contracts on its behalf are aware of the core principles of the prudential framework and the regulatory regime in which the Council operates. This will be achieved by ensuring a proportionate and effective training programme, obtaining appropriate professional advice to inform the decision-making process and by ensuring that procurement arrangements provide relevant information to potential advisers of the specific principles, regulations and governance relevant to local government.

The council will appoint specialist advisors to provide training to ensure that relevant officers and members have the required skills to make informed decisions and assess the associated risks. This training will take place before any investment decisions associated with the Capital Investment Strategy are considered, and on a regular basis, to ensure that Officers are engaged in continual professional development in relation to property investment activity; and that Members, as decision makers, have the skills, knowledge and relevant information to effectively assist the decision-making process. This will include training for new Members of the Council.

Investing in land and properties to achieve business objectives and to generate returns is a specialist and potentially complex area. The Council employs professionally qualified and experienced staff in senior positions with responsibility for developing capital expenditure, borrowing and investment proposals. Where skills or capacity are lacking, the Council or LATCo will engage the services of professional property, legal and financial advisors, where appropriate, to access specialist skills and resources to inform the decision-making process associated with this Strategy. Ongoing measurement of the impact of investment decisions on borrowing and affordability through Prudential or other relevant indicators will ensure that the overall risk exposure remains within acceptable parameters. The Council currently uses Link Asset Services, Treasury solutions as treasury management advisors.

5. Our Assets

The Council has a range of assets which it utilises to deliver its wide range of services throughout the District. The total valuation of these at the start of the financial year 2021/22 was £298.99M. The main constituents of these assets are as follows

Asset Type	£M
Council Housing & Other Assets	131.02
Property Plant & Equipment	116.51
Community Assets	8.67
Investment Property	33.20
Heritage Assets	9.52
Intangible Assets	0.07
Total	**298.99**

Council Housing

At the start of the financial year the Council held 3,670 dwellings in total within its Housing Revenue Account. These dwellings include 1, 2, 3 & 4 bedroomed, houses, bungalows, flats maisonettes and bedsits.

Number and Type of Dwellings		
Bedsits		77
1 Bedroom	Houses & Bungalows	654
	Flats & Maisonettes	550
2 Bedroom	Houses & Bungalows	474
	Flats & Maisonettes	664
3 Bedroom	Houses & Bungalows	1,150
	Flats & Maisonettes	6
4 or more bedroomed dwellings		85
Total Dwellings		**3,660**

Property Plant & Equipment

These are assets which the Council predominately uses to deliver its services. These assets include Municipal Buildings, works depot, leisure centre and car parks. It also includes its refuse collection and vehicle fleet as well as various land holdings. The value of these assets at the start of 2021/22 financial year is provided in the table below

Land & Buildings £M	Vehicles, Plant Furniture & Equipment £M	Infrastructure Assets £M	Surplus Assets £M	Assets Under Construction £M	Total £M
59.33	7.21	41.18	0.99	0.14	108.85

Investment Assets

This type of Council asset is held primarily to generate income and comprise a mix of office and retail lets together with agricultural and commercial land and commercial buildings. Further detail in respect of the Council's investment properties is given in section 8.

Investment Asset Type	£M
Office	4.07
Retail	2.56
Agriculture & Allotments	1.22
Commercial Land	2.20
Commercial Building	14.93
Mixed Commercial	8.23
Total	**33.20**

Heritage Assets

The Council's heritage assets include 82 pieces of civic regalia, its museums' collections at the Maritime, Cottage and City museums in Lancaster, pieces of artwork, items of Gillow furniture and public artwork including the statue of Eric Morecambe on Morecambe promenade.

Intangible Assets

These comprise software and software licenses held for the Council's key systems.

Asset Management

The key objectives of the Councils' Asset Management Policy are to:

- Provide the right buildings in the right place and at the right time and cost to meet the current and future aims, objectives, policies and plans of the Council.
- Optimise and prioritise the level of investment in property assets to minimise maintenance backlog, improve fitness for purpose and optimise occupancy levels.
- Maximise the value received from our non-operational commercial portfolio.
- Continue to improve the environmental sustainability of the Council's property portfolio.
- Promote the innovative use of property by enabling urban regeneration and facilitating joint working with our partners and stakeholders.
- Challenge the use of land and buildings held by the Council to minimise revenue expenditure and maximise the generation of capital receipts.

Valuations

The Council is required by accounting regulations to value its assets on a regular basis and currently values its General Fund assets on a rolling 3 year cycle. It is required to undertake a formal valuation of is HRA assets every 5 years in line with Ministry of Housing Communities and Local Government (MHCLG) requirements. The last formal valuation was undertaken 1 April 2016 and so work is currently underway to ensure these are up dated to reflect values as at 1st April 2021. A desktop revaluation is undertaken for HRA assets in the intervening years to ensure that values are current.

All valuations are performed “in house” by qualified valuer’s within the Council’s Property Services Team. The valuations are performed using appropriate stipulations as detailed by the Royal Institute of Chartered Surveyors (RICS) and presented in the Council's Statement of Accounts within accord of the Statement of Recommended Practice (SORP).

The details of the assets are held and recorded in a variety of sources in order to meet the operational and management requirements of the Council. This enables a bespoke management system of operation so that maximum utilisation of the asset can be developed.
Whilst services have bespoke arrangements for the assets held under their responsibility the Financial Services maintains the prime records that are used for the production of the Council's Statement of Accounts. These are reconciled on a regular basis to ensure accuracy and relevance.

6. Capital Expenditure

Capital Programme

The Council plans to gross expenditure, which excludes grants from other bodies of approximately £46.08M on General Fund and £24.97M on HRA capital schemes between 2021/22 – 2025/26.

Gross Capital Expenditure	2020/21 Actual £M	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	Total 2021/22 to 2025/26
General Fund	19.03	17.25	13.85	5,21	10.14	4.84	46.08
Housing Revenue Account (HRA)	3.04	4.78	5.37	5.45	4.78	4.59	24.97
Total	**22.07**	**22.03**	**19.22**	**5.45**	**14.92**	**9.43**	**71.05**

Financing & Affordability

The Council’s Capital Programme is financed by a mixture of external grants, capital receipts generated from property and right to buy disposals, contributions from reserves and unsupported borrowing. The planned application of resources to capital projects is set out below:

Financed by:	2020/21 Actual £M	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	Total 2021/22 to 2025/26
Capital receipts	-0.01	-0.64	-0.54	-0.54	-0.54	-0.54	-2.80
Capital grants	-7.69	-7.75	-5.79	-2.28	-2.14	0.00	-17.96
Capital reserves	-2.91	-4.14	-4.37	-4.84	-4.17	-4.05	-21.57
Revenue	-0.40	-0.63	-1.40	-0.56	-0.36	0.00	-2.95
Financing Total	**-11.01**	**-13.16**	**-12.10**	**-8.22**	**-7.21**	**-4.59**	**-45.28**
Net financing need for the year	**11.06**	**8.87**	**7.12**	**-2.77**	**7.71**	**4.84**	**25.77**

This table shows a net need for financing the Capital Programme of £25.77M which would require the Council to undertake additional borrowing. Additional borrowing would only be used only to finance capital expenditure in respect of General Fund.

The Council sets its level of capital investment in line with the statutory requirements of prudence, affordability and sustainability as set out in the Prudential Code for Capital Finance issued by CIPFA.

The Council assesses the affordability of the General Fund programme by looking at the financing costs of borrowing (interest and loan repayments) as a proportion of its net revenue stream. For general fund these are expected to increase over the life of the capital programme. The table below provides details of this key indicator

	2020/21 Actual %	**2021/22 Estimate %**	**2022/23 Estimate %**	**2023/24 Estimate %**	**2024/25 Estimate %**	**2025/26 Estimate %**
General Fund	14.61	19.97	20.24	23.09	22.25	22.95
HRA	20.79	19.41	18.42	17.69	17.25	16.98

This table shows that the cost of debt financing is estimated to be between 20% and 23% of the Councils general fund net revenue budget between 2021/22 and 2025/26.

The Housing Revenue Account capital programme has its prudence, affordability and sustainability set out in a thirty year business plan.

Further details on the impact of the Capital Programme on the Council's borrowing is included below

7. Treasury Management

Treasury management deals with the management of cash flows resulting from the Council's day to day operations. It ensures that the cash flows are adequately planned with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The Treasury management service also covers the funding of the Council's capital plans which provide a guide to the borrowing need of the Authority.

Governance & Scrutiny

The Council's Treasury Management Strategy including its Prudential and Treasury indicators is approved annually by Full Council. Council also receives and approves a mid-year treasury management report which sets out in year progress of the treasury position and an annual treasury report which sets out how actual treasury operation compared to the estimates within the strategy.

Both Cabinet and Budget and Performance Panel scrutinise the above reports before they are presented to and approved by Council.

The Section 151 officer and his staff have delegated authority to make decisions in respect of detailed investment and borrowing acting in line with the framework set out in the treasury management strategy.

Investment

The Council's investment strategy prioritises firstly security, secondly liquidity and then return. This maintains a firm focus on minimising risk rather than on maximising returns.

The Treasury Management Strategy sets out the authority's approach to managing investment risk in line with the following principles:

- Using minimum acceptable credit criteria to generate a list of highly creditworthy counterparties, facilitate diversification and avoid concentration of risk
- Defining the list of types of investment instruments that the treasury management team are authorised to use
- Setting lending limits for each counterparty and transaction limits for each type of investment
- Setting the limit for the amount of its investments which are invested for longer than 365 days at nil
- Specifying that investments will only be placed with counterparties with a minimum sovereign rating of AAA (Fitch)

The Council's Investments at 31.03.2021 were:

Balance 31.03.2021	**£M**	**Liquidity**
Bank Accounts	3.10	Instant Access
Money Market Funds	0.00	Instant Access
Other Local Authorities	22.00	Fixed Term
Total Investments	**25.10**	

Borrowing

As part of its treasury management activities the Council considers forward projections for borrowing to fund its capital expenditure plans working within the self-regulating framework of the Prudential Code for Capital Finance.

The framework requires authorities to determine that capital expenditure and investment decisions are affordable, prudent and sustainable and to set limits on the amount they can afford to borrow in the context of wider capital planning.

The Council's underlying need to borrow is represented by it's Capital Financing Requirement (CFR). The CFR is the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue of capital resources.

	2020/21 Actual £M	**2021/22 Estimate £M**	**2022/23 Estimate £M**	**2023/24 Estimate £M**	**2024/25 Estimate £M**	**2025/26 Estimate £M**
CFR – Non Housing	57.72	64.43	68.86	67.98	72.28	73.26
CFR – Housing	37.23	36.19	35.14	34.1	33.06	32.02
Total CFR	**94.95**	**100.62**	**104**	**102.08**	**105.34**	**105.28**

The authority currently maintains an under-borrowed position meaning that it uses cash backed reserves to defer the need to externally borrow for capital investment. Forecasting of cash backed reserves facilitates a long term view of the level of risk associated with borrowing internally.

The table below shows the projection of external debt and internal borrowing using cash backed reserves:

	2020/21 Actual £M	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M
External Debt						
Debt at 1 April	62.12	61.08	70.04	84	82.96	81.92
Expected change in Debt	-1.04	8.96	13.96	-1.04	-1.04	-1.04
Actual gross debt at 31 March	**61.08**	**70.04**	**84**	**82.96**	**81.92**	**80.88**
The Capital Financing Requirement	**94.95**	**100.62**	**104.00**	**102.08**	**105.34**	**105.28**
Under Borrowing	**-33.87**	**-30.58**	**-20.00**	**-19.12**	**-23.42**	**-24.40**

The council is required to "repay" an element of its General Fund CFR each year through a revenue charge, the minimum revenue provision (MRP). The Treasury Management Strategy sets out the MRP policy adopted by the authority. The Council also makes physical cash repayments on a loan taken out to purchase the authority's housing stock in 2012 which are counted as MRP.

The following table sets out how MRP will be used to repay the underlying debt:

	2020/21 Actual £M	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M
General Fund MRP	-1.77	-2.15	-2.7	-3.32	-3.41	-3.86
HRA MRP	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Total	**-2.81**	**-3.19**	**-3.74**	**-4.36**	**-4.45**	**-4.90**

The Council sets an authorised limit for external debt. This represents a limit beyond which a local authority must not borrow unless prudential indicators have been renewed or amended. It also sets an operational boundary for external debt. This represents a limit that is based on the maximum external debt of the authority based on expectations. The expectation is that there would be no sustained breach of the operational boundary.

The Treasury Management Strategy sets out the following operational boundary and authorised limit for borrowing:

	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M
Operational Boundary	100.62	105.00	103.08	106.34	106.28
Authorised Limit	116.00	120.00	118.00	121.00	121.00

8. Commercial Activity

Current Position

The Council's existing investment property portfolio generates approximately £1.168M per annum to support the General Fund Revenue Budget. It is comprised of a mix of office and retail lets together with agricultural and commercial land and commercial buildings as set out below:

The majority of this portfolio has been accumulated by the Council rover a number of years rather than actively acquired. Tenancy agreements are produced by the Council's Estates Management Team in consultation with Legal Services and range from leases, licences and other agreements such as easements, wayleaves and rights of way

The Council is obliged to obtain the best price it reasonably can for its commercial lets. Most properties have rents which are set based upon market conditions and comparable evidence to support the decision making process includes that from local agents, rents associated with other Council properties, recent transactions, inflation etc.

Performance Monitoring

Performance monitoring will be developed to ensure that investments are monitored on a routine and exception basis and will determine what performance measures will trigger an exception report so that full council is aware at the earliest opportunity of any material increase in risk or threat to ongoing yield. The Capital Strategy will be updated with this information in due course.

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Capital Assurance Group: Terms of Reference

Role

1. The Capital Assurance Group (CAG) is a Member and officer working group with a clear remit to be the Council's advisory body on the Council's Capital Investment Strategy.

2. The Capital Investment Strategy has clear priority areas of work which although distinct from one another should be considered in an integrated manner when forming and delivering the Council's capital programme and related areas.

3. The types of Capital Investments which may be considered when forming the capital programme relate to the four priority areas of the 'Core' Plan 2030.

   a) **A Sustainable District.** These include schemes to deliver demonstrable reduction to carbon emissions in line with the Council's goal of reaching net carbon zero by 2030, such as installation of solar panels, or investment in larger scale solar energy facilities, as well as supporting agile working to reduce our carbon footprint, and the increased electrification of our vehicle fleet. Schemes which mitigate the effects of climate change may also be included.
   b) **An Inclusive and Prosperous Local Economy.** These include schemes to assist the Council's lead role in place-making, regeneration and economic development activity, and the improvement of the District's town centres to improve economic performance and encourage future private sector investment. Initiatives to use public land and buildings to achieve long-term socio-economic development within the Lancaster District may also be included, as well as investment in supporting the district's rich creative and heritage assets to benefit local businesses and residents both economically and culturally.
   c) **Healthy and Happy Communities.** These include schemes to generate significant social returns in the District, such as the development of new housing, purchasing of existing housing with a view to improvements in quality and management, investment loans to third parties and re-use of Council assets, along with improving access to local culture, heritage and leisure to increase wellbeing.
   d) **A Co-operative, Kind and Responsible Council.** These are investments that sustain the day to day operational delivery of the Councils services which underpin a broad range of Council priorities. Such schemes may include upgrades of key information and communication systems, as well as transformation and 'Invest to Save' proposals, which provide one-off project funding to help services become more efficient and effective

Composition of CAG

4. The group will consist of the following Members and officers. Where representatives are not able to attend, a suitable alternative will attend in their place.

   Standing Membership
   - Cabinet Finance Portfolio Lead
   - Chief Executive
   - Overview and Scrutiny Chair
   - Budget and Performance Panel Chair
   - Business Committee Chair
   - Cabinet Governance Portfolio Holder
   - Director of Corporate Services
   - Director of Economic Growth and Regeneration
   - Director of Communities and the Environment
   - Section 151 Officer
   - Governance Officer Lead

   Additional representation as and when required may include
   - Relevant Cabinet Portfolio Holders – as required by nature of the investment proposals

APPENDIX B

- Relevant Lead Officers – as required by nature of the investment proposals
- Capital Finance Officer Lead
- Asset Management Officer Lead
- Property Services Officer Lead
- ICT Representation
- Programme Manager
- External Consultants

Frequency and Format of Meetings

5. The CAG will meet quarterly by routine but may also meet on an ad-hoc basis as required as and when key proposals come forward. Routine meetings will be co-ordinated so that they inform monitoring processes to Cabinet and Budget and Performance Panel. The meetings will be held via Teams, unless the Chair agrees a face-to-face meeting would significantly improve meeting outcomes and provides reasonable notice.

6. A forward plan of items to be considered on an annual cycle will be developed, and agendas with supporting briefing papers will be issued at least 3 working days before the meeting where practicable. Presentations delivered at meetings will be provided to Members in advance, or otherwise included with meeting notes. The meeting notes will form part of briefings to Cabinet, and Members will be able to request particular points made in the meeting to be clearly placed within meeting notes to further enrich and inform decision-making.

Remit

7. CAG's remit is to contribute to the development and oversight of the Council's capital programme. This will include assessing initial proposals and business cases through to delivering the programme and assessing its effectiveness in respect of corporate priorities.

8. *With respect to Capital Investment Strategy*
   a) To keep the Capital Investment Strategy document under review ensuring that it reflects the Council's capital investment priorities and review the Strategy as part of the MTFS update.
   b) To ensure that the Capital Strategy is informed by and consistent with the Core 2030 Plan and associated strategies, and the Asset Management Plan.

   With respect to the Capital Programme
   c) To consider all strategic outline cases and full business cases for capital investment, in terms of strategic fit, financial and resource implications, risk, benefits, outcomes and legislation and compliance. To make advisory recommendations to budget holders and to provide comments on these matters from individual members to Cabinet, having regard to the scrutiny process.
   d) To check that the information available for projects is complete and sufficient to inform evidence-led and effective decision-making, and to identify areas where information may need to be strengthened to enable an informed decision to be made.
   e) To monitor the progress of each scheme within the capital programme in terms of progress to date, expenditure, and delivery of outcomes including those classified within the pipeline.
   f) To review all completed schemes with respect to outcomes and impact as well as lessons learned
   g) To monitor the resources available to support the Capital Programme and ensure that, at all times, it remains affordable, sustainable and prudent.
   h) To maintain the capital bid and scoring assessment framework, which captures quantifiable measures in respect of broad economic, environmental, and social returns as defined by our priority outcomes

   With respect to the Asset Management Plan
   i) Own and ensure the development of the Asset Management Plan and long-term property strategy, ensuring that it is line with Core Plan 2030 / MTFS objectives.
   j) To undertake annual review of property holding to ensure that all property is utilised appropriately and consider any capital expenditure/ receipt proposals associated with maintaining, updating, transferring, or disposing of property assets.

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Each of the above areas of work are covered by the Capital Strategy and Capital Investment Strategy, which are the Council's overarching documents which aim to ensure that Council's capital investments priorities reflect Council priorities and are supported by a long term financing plan.

Decision Making

9. The CAG is a Member and Officer working group and as such is only advisory and does not have any formal decision-making authority. It will check whether the information being provided is sufficient to inform decision-making and, where appropriate, that the suitable project management documentation is available to support project delivery.

10. Following consideration of each strategic outline case and business case, it may make recommendations to budget holders in relation to due diligence costs and other matters. It will provide any comments from individual members to Cabinet. It also ensures that necessary consultation is carried out with Cabinet, relevant Portfolio Holders, Management Board, and relevant Directors as part of the decision-making process.

11. Any proposal that is outside the approved budget and policy framework will be referred to Cabinet or Council in accordance with the Constitution.

The role of Scrutiny Committee Members

12. The Chairs of both Budget & Performance Panel and Overview & Scrutiny form part of CAG. The early involvement of scrutiny at the pre-decision stage will allow them to add value by informing a decision rather than an after-the-event critique under the traditional process. This intention and their active involvement do not remove or negate the right to call in any decision made by Cabinet in this area.

Key Outcomes

10. The key outcomes from the CAG are:
    a) An effective Capital Investment Strategy aligned with relevant regulation and the priorities of the Council.
    b) An effective Capital Programme and investment projects pipeline optimising the capital investment resources within the Core Plan 2030.
    c) Strategic property and asset management ensuring full optimisation of Council property assets, maximising income and return and reducing expenditure where possible but ensuring assets are well maintained.
    d) Enhanced long term planning of capital investment, better use and management of investments, assets (including property, infrastructure etc), and accountability.
    e) The integration of the Capital Investment Strategy in line with Council priorities as set out in the Core Plan 2030.

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	**Date**	08 February 2022
Report of	Chief Finance Officer		

Purpose of Report

To present to Cabinet the draft Treasury Management Strategy and associated documents for 2022/23 and to provide an opportunity for final consideration and comment ahead of formal presentation to Council for approval, in accordance with the Council's constitution.

Key Decision (Y/N)	**N**	**Date of Notice**		**Exempt (Y/N)**	**N**

Report Summary

The report outlines the Treasury Management Strategy for 2022/23 and associated Prudential Indicators together with linkages to the Capital Programme.

The Council is required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. It is also required to produce an annual Treasury Strategy for borrowing and for managing its investments and for giving priority to security and liquidity of those investments.

This report satisfied these requirements and seeks Cabinet's approval and recommendation to Full Council for formal adoption.

Recommendations of Councillors

That Cabinet

- Considers and recommends to Council for formal approval of the Treasury Management Strategy 2022/23 and its Appendices A to C

Relationship to Policy Framework

Treasury Management forms part of the Councils budget framework

Conclusion of Impact Assessment(s) where applicable

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

A Thriving & Prosperous Economy:

Clean Green & Safe Neighbourhoods:

A Smart & Forward-Thinking Council:
Effective Treasury Management and use of the Councils' resources is fundamental to the delivery of its priorities and outcomes

Details of Consultation
Consultation has been undertaken with the Council's external Treasury Management Advisors and in line with the Council's constitution Budget & Performance Panel 02 February 2022.
Legal Implications
Legal Services have been consulted and have no further comments.
Financial Implications
The Treasury Management Strategy is in support of achieving the borrowing cost and investment interest estimates included in the budget.
Other Resource or Risk Implications
There are no additional resource or risk implications associated with this report
Section 151 Officer's Comments
The s151 Officer has authored this report in his role as Chief Finance Officer
Monitoring Officer's Comments
The Monitoring Officer has been consulted and has no further comments

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Links to Background Papers
Budget & Performance Panel 02 February 2022 Agenda for Budget and Performance Panel on Wednesday, 2nd February 2022, 6.00 p.m. - Lancaster City Council

1.0 INTRODUCTION

1.1 The Code of Practice on Treasury Management ("the Code") requires that a strategy outlining the expected treasury activity for the forthcoming 3 years be adopted, but that it be reviewed at least annually. It needs to reflect treasury policy and cover various forecasts and activities, in order to incorporate the Council's spending and income plans with decisions about investing and borrowing

1.2 The Panel are asked to limit their consideration to the Treasury Management strategy and associated attachments in line with their Terms of Reference within the Constitution.

2.0 TREASURY MANAGEMENT FRAMEWORK 2022/23

2.1 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.

2.2 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. During 2022/23 the minimum reporting requirements are that the Full Council should receive the following reports:

- an annual treasury strategy in advance of the year
- a mid-year (minimum) treasury update report
- an annual review following the end of the year describing the activity compared to the strategy

3.0 TREASURY MANAGEMENT STRATEGY

3.1 Treasury management activities represent the placement of residual cash held in the bank resulting from the authority's day to day activities in relation to s12 Local Government Act investment powers. The Treasury Management Strategy, therefore, deals principally with investments and borrowing which are considered below.

3.2 CIPFA published an updated Treasury Management (the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes) and Prudential Code on 20 December 2021. These apply with immediate effect, however, CIPFA has stated that there will be a soft introduction of the codes with any change to reporting requirements deferred until the 2023/24 financial year.

3.3 It should also be noted that the DLUHC is proposing to tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.

3.4 The proposed Strategy for 2022/23 to 2025/26 is set out at ***Appendix A***. The document contains the necessary details to comply with both the Code and Government investment guidance. Responsibilities for treasury management are set out at ***Appendix B*** and the policy statement is presented at ***Appendix C.***

4.0 BORROWING ASPECTS OF THE STRATEGY

Capital Financing Requirement (CFR)

4.1 The Council's CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's CFR is set to increase from the current estimated 2022/23 position of £104.00M to £105.28M in 2025/26.

4.2 The CFR does not increase indefinitely as a statutory annual charge to revenue known as Minimum Revenue Provision (MRP), approximately reduces the borrowing need in line with each asset's life.

4.3 Based on the capital programme, the overall physical borrowing position of the Council is projected to increase over the next three to five years from its estimated current position of £70.04M to £84M (2022/23) as the Council looks to move forward with several ambitious schemes to enable delivery of its Strategic Priorities. It is then forecast to reduce to £81M (2025/26) reflecting repayments of the HRA self-financing loan.

4.4 This level of borrowing is assessed for affordability, sustainability and prudence in line with the Council's Treasury Management Strategy and requires annual approval by Council following consultation with Budget & Performance Panel

4.5 Changes in the Council's Capital Financing Requirement and forward borrowing projections are summarised in tables 1 and 2 below.

Table 1: Capital Financing Requirement

	2020/21 Actual £M	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M
Capital Financing Requirement						
CFR – Non Housing	57.72	64.43	68.86	67.98	72.28	73.26
CFR – Housing	37.23	36.19	35.14	34.10	33.06	32.02
Total CFR	**94.95**	**100.62**	**104.00**	**102.08**	**105.34**	**105.28**
Movement in CFR						
Non Housing	9.29	6.72	4.42	(0.88)	4.30	0.98
Housing	(1.06)	(1.04)	(1.04)	(1.04)	(1.04)	(1.04)
Net Movement in CFR	**8.25**	**5.68**	**3.38**	**(1.92)**	**3.26**	**(0.06)**

Movement in CFR represented by						
Net financing need for the year (above) re Non Housing	11.06	8.87	7.12	2.44	7.71	4.84
Less MRP/VRP and other financing movements	(2.81)	(3.19)	(3.74)	(4.36)	(4.45)	(4.90)
Net Movement in CFR	**8.25**	**5.68**	**3.38**	**(1.92)**	**3.26**	**(0.06)**

…

Table 2: Borrowing Projections

	2020/21 Actual £M	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M
External Debt						
Debt at 1 April	62.12	61.08	70.04	84.00	82.96	81.92
Expected change in Debt	(1.04)	8.96	13.96	(1.04)	(1.04)	(1.04)
Other long-term liabilities (OLTL)	0.00	0.00	0.00	0.00	0.00	0.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	**61.08**	**70.04**	**84.00**	**82.96**	**81.92**	**80.88**
The Capital Financing Requirement	**94.95**	**100.62**	**104.00**	**102.08**	**105.34**	**105.28**
Under Borrowing	**(33.86)**	**(30.58)**	**(20.00)**	**(19.12)**	**(23.42)**	**(24.40)**

The Operational Boundary

4.6 This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. Changes to the operational boundary are included in table 3 below.

Table 3: Operational Boundary

Operational boundary	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Debt*	100.62	104.00	102.08	105.34	105.28
Other long- term liabilities	0.00	1.00	1.00	1.00	1.00
Total	**100.62**	**105.00**	**103.08**	**106.34**	**106.28**

The Authorised Limit for External Debt

4.7 This represents a control on the maximum level of borrowing and is a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. Changes to the authorised limit are included in table 4 below.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

- Council will be asked to approve the following authorised limit:

Table 4: Authorised Limit

Authorised Limit	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M
Debt	116.00	119.00	117.00	120.00	120.00
Other long-term liabilities	0.00	1.00	1.00	1.00	1.00
Total	**116.00**	**120.00**	**118.00**	**121.00**	**121.00**

5.0 INVESTMENT ASPECTS OF THE STRATEGY

5.1 Where short term treasury management investments are required the Council retains a comparatively low risk appetite with focus on high quality deposits. The 2022/23 strategy continues to use the same short-term investment criteria as approved by Members in previous years.

5.2 The proposed investment aspects of the strategy for treasury activities continues to provide for investing with other local authorities given that these, in effect, are as secure as investing with the Government but they offer greater returns, and from an Officer perspective, it makes sense to keep the benefits of such temporary cash investing/ borrowing wholly within the local authority family. Where this is not possible for liquidity reasons the Council is looking to place more emphasis on investment counterparties that are consistent with its own Priorities in particularly around climate change and ethical investments.

6.0 OPTIONS & OPTIONS ANALYSIS

6.1 Cabinet may put forward alternative proposals or amendments to the proposed Strategy, but these would have to be considered in light of legislative, professional and economic factors, and importantly, any alternative views regarding the Council's risk appetite. As such no further options analysis is available at this time.

6.2 Furthermore, the Strategy must fit with other aspects of Cabinet's budget proposals, such as deposit interest estimates and underlying prudential borrowing assumptions, feeding into Prudential and Treasury Management Indicators. There are no options available regarding other components of the overall framework.

7.0 OFFICER PREFERRED OPTION (AND COMMENTS)

7.1 To approve the framework as attached, allowing for any amendments being made under delegated authority prior to referral to Council. This is based on the Council continuing to have a comparatively low risk appetite regarding the security and liquidity of investments particularly, but recognising that some flexibility should help improve returns, whilst still effectively mitigating risk. It is stressed that in terms of treasury activity, there is no risk free approach. It is felt, however, that the measures set out above provide a fit for purpose framework within which to work, pending any update during the course of next year.

7.2 If Cabinet or Budget Council changes its Capital Programme from that which is proposed in this report then this would require a change in the prudential indicators which are part of the Treasury Management Strategy. Delegation to the Finance Portfolio Holder is therefore requested in order to ensure that Cabinet's final capital programme proposals are reflected in the Treasury Management Strategy

Appendix A

TREASURY MANAGEMENT FRAMEWORK DOCUMENTS AND RESPONSIBILITIES

For consideration by Cabinet 8 February 2022

DOCUMENT	RESPONSIBILITY
CODE of PRACTICE	To be adopted by Council (as updated 2021).
POLICY STATEMENT	The Code of Practice recommends a specific form of words to be used, to set out the Council's objectives within the Policy Statement for its Treasury Management activities. It is the responsibility of Council to approve this document, and then note it each year thereafter if unchanged. This reflects the revised code issued in 2021.
TREASURY MANAGEMENT STRATEGY	The Strategy document breaks down the Policy Statement into detailed activities and sets out the objectives and expected market forecasts for the coming year. This also contains all the elements of an Investment Strategy as set out in the Government guidance; it is the responsibility of Council to approve this document, following referral from Cabinet.
TREASURY MANAGEMENT INDICATORS	These are included within the Strategy Statement as part of the framework within which treasury activities will be undertaken. It is the responsibility of Council to approve these limits.
INVESTMENT STRATEGY	The Investment Strategy is included within the Treasury Management Strategy. It states which types of investments the Council may use for the prudent management of its treasury balances during the financial year. Under existing guidance the Secretary of State recommends that the Strategy should be approved by Council.
TREASURY MANAGEMENT PRACTICES .	These are documents that set out the procedures that are in place for the Treasury Management function within the Council. The main principles were approved by Cabinet following initial adoption of the Code of Practice; they include: TMP 1: Risk management TMP 2: Performance measurement. TMP 3: Decision-making and analysis. TMP 4: Approved instruments, methods & techniques. TMP 5: Organisation, clarity and segregation of responsibilities, and dealing arrangements. TMP 6: Reporting requirements & management information requirements. TMP 7: Budgeting, accounting & audit. TMP 8: Cash & cash flow management. TMP 9: Money laundering. TMP 10: Staff training & qualifications. TMP 11: Use of external service providers. TMP 12: Corporate governance. It is the Section 151 Officer's'responsibility to maintain detailed working documents and to ensure their compliance with the main principles. The content of the TMPs will be reviewed during 2018/19, in view of the recent changes to the treasury management regulatory framework.
FINANCIAL REGULATIONS	The Financial Regulations must contain four specific clauses. These are substantially unchanged in the 2021 Code; it is the Section 151 Officer's responsibility to ensure their inclusion.

Appendix B

LANCASTER CITY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

For consideration by Cabinet
8 February 2022

This reflects the revised CIPFA Treasury Management Code of Practice (Code updated in 2021).

1. This organisation defines its treasury management activities as:

   "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Appendix C

Treasury Management Strategy 2022/23 to 2025/26

For Consideration by Cabinet 8 February 2022

1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which means broadly that income to be raised during the year will meet expenditure to be incurred, after allowing for any changes in reserves and balances. Part of the treasury management operation is to ensure that the associated cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure) and are separate from the day to day treasury management activities.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting Requirements

Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

Treasury Management Reporting

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update Members with the progress of the treasury position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny - The above reports are required to be adequately considered and scrutinised before being presented to Council. This is undertaken by Cabinet and the Budget and Performance Panel.

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/22 covers two main areas:

Capital Issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury Management Issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Government MRP Guidance, the CIPFA Treasury Management Code and Government Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate asssociated training. This especially applies to Members responsibe for scrutiny. Further training will be arranged as required during the year. The training needs of treasury management Officers are periodically reviewed.

1.5 Treasury Management Consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 CAPITAL PRUDENTIAL INDICATORS 2021/22 – 2025/26

The Council's capital expenditure plans are the key driver of treasury management activity. The plans are reflected in various prudential indicators, as determined under regulation, to assist Members in their overview of such capital expenditure planning.

2.1 Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below provides that summary, showing how the plans are being financed by capital or revenue resources. Any shortfall of resources results in an underlying borrowing or financing need.

Capital expenditure	**2020/21 Actual £m**	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**	**2025/26 Estimate £m**
General Fund	19.03	17.25	13.85	5,21	10.14	4.84
Housing Revenue Account (HRA)	3.04	4.78	5.37	5.45	4.78	4.59
Total	**22.07**	**22.03**	**19.22**	**10.66**	**14.92**	**9.43**
Financed by:						
Capital receipts	(0.01)	(0.64)	(0.54)	(0.54)	(0.54)	(0.54)
Capital grants	(7.69)	(7.75)	(5.79)	(2.28)	(2.14)	(0.00)
Capital reserves	(2.91)	(4.14)	(4.37)	(4.84)	(4.17)	(4.05)
Revenue	(0.40)	(0.63)	(1.40)	(0.56)	(0.36)	(0.00)
Net financing need for the year	**11.06**	**8.87**	**7.12**	**2.44**	**7.71**	**4.84**

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely. This is because the Minimum Revenue Provision (MRP), which is a statutory annual charge to revenue, broadly reduces the borrowing need in line with each asset's life.

The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no leases within the CFR.

Members are asked to approve the CFR projections below:

£m	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Capital Financing Requirement						
CFR – Non Housing	57.72	64.43	68.86	67.98	72.28	73.26
CFR – Housing	37.23	36.19	35.14	34.10	33.06	32.02
Total CFR	**94.95**	**100.62**	**104.00**	**102.08**	**105.34**	**105.28**
Movement in CFR						
Non Housing	9.29	6.72	4.42	(0.88)	4.30	0.98
Housing	(1.06)	(1.04)	(1.04)	(1.04)	(1.04)	(1.04)
Net Movement in CFR	**8.25**	**5.68**	**3.38**	**(1.92)**	**3.26**	**(0.06)**

Movement in CFR represented by						
Net financing need for the year (above) re Non Housing	11.06	8.87	7.12	2.44	7.71	4.84
Less MRP/VRP and other financing movements	(2.81)	(3.19)	(3.74)	(4.36)	(4.45)	(4.90)
Net Movement in CFR	**8.25**	**5.68**	**3.38**	**(1.92)**	**3.26**	**(0.06)**

2.3 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to ‘pay off’ an element of the accumulated General Fund CFR each year through a revenue charge (the minimum revenue provision - MRP), and it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

Government Regulations require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision being made. In approving this Strategy, Council approves the following MRP Statement*:*

From 1 April 2008 for all unsupported borrowing the MRP will be:

- **Asset life method –** MRP will be based on the estimated life of each asset created as a result of the related capital expenditure, in accordance with the Regulations (this option must also be applied for any expenditure capitalised under a Capitalisation Direction).

This option provides for a reduction in the borrowing need over the approximate life of the asset concerned.

In line with Government guidance, the MRP in respect of capital expenditure incurred before 01 April 2008 will be charged over a period of 60 years.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

Repayments included in annual finance leases are applied as MRP.

MRP Overpayments – A change introduced by the revised Government MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision, voluntary revenue provision or overpayments, can, if needed be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until 31 March 2021 the total VRP overpayments were £9.37m

2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments, unless resources are supplemented each year from new sources (e.g. asset sales). The following table provides estimates of the year end balances for each resource and anticipated year end cash flow balances from other day to day activities:

Year End Resources	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Fund balances / reserves	38.87	26.14	24.47	21.91	21.53	21.29
Capital receipts	0.52	0.00	0.00	0.00	0.00	0.00
Provisions	7.14	6.00	6.00	6.00	6.00	6.00
Total core funds	**46.53**	**32.14**	**30.47**	**27.91**	**27.53**	**27.29**
Working capital*	12.43	9.00	9.00	9.00	9.00	9.00
Under borrowing	(33.86)	(30.58)	(20.00)	(19.12)	(23.42)	(24.40)
Expected investments	**25.10**	**10.56**	**19.47**	**17.79**	**13.11**	**11.89**

*Working capital balances shown are estimated year end; these may be higher mid-year

2.5 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. Members are asked to approve the following indicators:

2.6 Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
General Fund	14.61	19.97	20.24	23.09	22.25	22.95
HRA	20.79	19.41	18.42	17.69	17.25	16.98

The estimates of financing costs include current commitments and the proposals in this budget report.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital stragegy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
External Debt						
Debt at 1 April	62.12	61.08	70.04	84.00	82.96	81.92
Expected change in Debt	(1.04)	8.96	13.96	(1.04)	(1.04)	(1.04)
Other long-term liabilities (OLTL)	0.00	0.00	0.00	0.00	0.00	0.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	**61.08**	**70.04**	**84.00**	**82.96**	**81.92**	**80.88**
The Capital Financing Requirement	**94.95**	**100.62**	**104.00**	**102.08**	**105.34**	**105.28**
Under Borrowing	**(33.86)**	**(30.58)**	**(20.00)**	**(19.12)**	**(23.42)**	**(24.40)**

There are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Head of Financial Services reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Debt*	100.62	104.00	102.08	105.34	105.28
Other long term liabilities	0.00	1.00	1.00	1.00	1.00
Total	**100.62**	**105.00**	**103.08**	**106.34**	**106.28**

- *The term debt in this instance is CFR minus the effect of leases*

The Authorised Limit for External Debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. Council is asked to approve the following authorised limit:

Authorised Limit	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Debt	116.00	119.00	117.00	120.00	120.00
Other long-term liabilities	0.00	1.00	1.00	1.00	1.00
Total	**116.00**	**120.00**	**118.00**	**121.00**	**121.00**

3.3 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided forecasts on 20.12.2021. These are forecasts for certainty rates, gilt yields plus 80 bps:

	Mar-22	Mar-23	Mar-24	Mar-25
Bank Rate	0.25	0.75	1.00	1.25
3 Month average earnings	0.30	0.70	1.00	1.00
6 Month average earnings	0.50	0.80	1.10	1.10
12 Month average earnings	0.70	0.90	1.20	1.20
5yr PWLB rate	1.50	1.70	1.90	2.00
10yr PWLB rate	1.70	1.90	2.10	2.30
25yr PWLB rate	1.90	2.20	2.30	2.50
50yr PWLB rate	1.70	2.00	2.10	2.30

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2121. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e./ rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time*

Further commentary on economic prospects provided by Link: -

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December.

The forecast for Bank Rate now includes four further increases, quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%

.

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%.

It is likely that rate forecasts will need changing within a relatively short timeframe for the following reasons: -

- *We do not know how severe an impact Omicron could have on the economy*

- *There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.*

- *Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?*

- *Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.*

- *On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?*

- *It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.*

- *We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.*

- *If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.*

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return *to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.*

Investment and borrowing rates

- **Investment returns** are likely to improve in 2022/23. However, while markets are pricing in a series of Bank Rate rises, actual economic circumstances may see the MPC fall short of these elevated expectations.
- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years.
- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme.
- As some PWLB certainty rates are currently below 2.00% there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank rate and may also prove attractive as part of a balance debt portfolio
- While this authority will not be able to avoid borrowing to finance new capital expenditure, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns) to any new short or medium-term borrowing that causes a temporary increase in cash balances

3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's provisions,reserves, balances and working capital has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Section 151 Officer, under delegated powers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing would be postponed.
- *if it was felt that there was a significant risk of a much sharper RISE borrowing rates* than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would be re-appraised

Any decisions will be reported to Cabinet at the next available opportunity.

3.5 Maturity Structure of Borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following indicators and limits:

Maturity structure of fixed interest rate borrowing 2020/21	£m	Current %	Lower %	Upper %
Under 12 months	1.04	1.73	0	100
12 months and within 24 months	1.04	1.73	0	100
24 months and within 5 years	3.12	5.20	0	100
5 years and within 10 years	5.20	8.66	0	100
10 years and within 20 years	10.40	17.32	0	100
20 years and within 30 years	0.04	0.06	0	100
30 years and within 40 years	39.20	65.30	0	100
40 years and within 50 years	0.00	0.00	0	100

3.6 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, allowing for authorised increases, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.7 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of pWLB rates over gilt yields was reduced by 100bps in November 2020.

If rescheduling was doine it would be reported to Cabinet at the earliest meeting following its action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).

Council's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, liquidity second, then return.

The Council will aim 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. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable **credit criteria** are appliedin order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor cournerparties are the short term and long term ratings.

2. **Other Information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this the council l will engage with its advisors to maintian a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. The authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in **annex B2** under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject ot a maturity limit of one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified investments limit**. The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio. (see paragraph 4.3)

6. **Lending limits** (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2

7. **Transaction limits** are set for each type of investment in 4.2

8. The Council will set a limit for the amount of its investments which are invested for **longer than 365 days** (see paragraph 4.4)

9. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating (see paragraph 4.3)

10. The Council has engaged **external consultants** (see paragraph 1.5), to provided expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling.**

12. As a result of the change in accounting standards for 2020/21 under IFRS9, the authority will consider the implications of investment instruments which could result in in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund

The Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.
The above criteria are unchanged from last year

4.2 Creditworthiness Policy

This Council will apply the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;

- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands*:*

- **Yellow (Y)** up to but less than 1 year
- ***Dark pink (Pi1)*** *liquid - Ultra-Short Dated Bond Funds with a credit score of 1.25*
- ***Light pink (Pi2)*** *liquid – Ultra-Short Dated Bond Funds with a credit score of 1.5*
- ***Purple (P)*** *up to but less than 1 year*
- ***Blue (B)*** *up to but less than 1 year (only applies to nationalised or part- nationalised UK Banks)*
- ***Orange (O)*** *up to but less than 1 year*
- ***Red (R)*** *6 months*
- ***Green (G)*** *100 days*
- ***No colour (N/C)*** *not to be used*

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7

	Colour (and long term rating where applicable)	Money Limit	Time Limit
Banks /UK Govt. backed instruments*	**yellow**	**£12m**	**≤1 year**
Banks	**purple**	**£6m**	**≤1 year**
Banks	**orange**	**£6m**	**≤1 year**
Banks – part nationalised	**blue**	**£12m**	**≤1 year**
Banks	**red**	**£6m**	**≤6 mths**
Banks	**green**	**£3m**	**≤100 days**
Banks	**No colour**	**Not to be used**	
Limit 3 category – Council's banker (for non-specified investments)	**n/a**	**£1m**	**1 day**
DMADF	**AAA**	**unlimited**	**≤6 months**
Local authorities	**n/a**	**£12m**	**≤1 year**
	Fund rating**	**Money and/or % Limit**	**Time Limit**
Money Market Funds CNAV	**AAA**	**£6m**	**liquid**
Money Market Funds LVNAV	**AAA**	**£6m**	**liquid**

Money Market Funds VNAV	**AAA**	**£6m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark pink / AAA**	**£6m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.5	**Light pink / AAA**	**£6m**	**liquid**

** the yellow colour category includes UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt – see Annex B2.*

*** "fund" ratings are different to individual counterparty ratings, coming under either specific "MMF" or "Bond Fund" rating criteria.*

The creditworthiness service uses a wider array of information other than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria (built in) that the Council use will be a Short Term rating of F1 and a Long Term rating of A- (Fitch, or equivalents). There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use to some limited extent market data and market information, information on sovereign support for banks and the credit ratings of that supporting government to help support its decision making process.

Creditworthiness

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. Nevertheless, prices are still elevated compared to end-February 2020. Pricing is likely to remain volatile as uncertainty continues. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

4.3 Country Limits

Due care will be taken to consider the exposure of the Council's total invesment portfolio to non-specified investments, countries, groups and sectors

a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified invesments as being 20% of the total investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from other countries with a minimum sovereign credit rating of AAA (Fitch) or equivalent from each of the credit rating agencies. This list will be added to, or deducted from, by Officers should ratings change in accordance with this policy.

4.4 Investment Strategy

In-house Funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are requried in order to manage the ups and downs of cash flow, where cash sums can be reliably identified that could be invested for longer periods the value to be obtained from longer term investments will be carefully assessed.

Investment Returns Expectations: The current forecast includes a firs increas in Bank Rate in May 2022, though it could come in February.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are:

- 2022/23 0.50%
- 2023/24 0.75%
- 2024/25 1.00%
- 2025/26 1.25%

Investment treasury indicator and limit - the total principal funds that can be invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. Council is asked to approve the following treasury indicator and limit:

Maximum principal sums invested > 365 days					
	2020/21	2021/22	2022/23	2023/24	2024/25
Principal sums invested > 365 days	Nil	Nil	Nil	Nil	Nil

4.5 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

ANNEX B1

Treasury Management Glossary of Terms

- **Annuity –** method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.

- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.

- **Call account** – instant access deposit account.

- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.

- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They currently analyse credit worthiness under four headings (but see changes referred to in the strategy):

  - **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.

  - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.

  - **Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.

  - **Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

  The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO –** The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.

- **EIP –** Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.

- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like

shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.
E.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as 8%/1.45 = 5.5%.
See also PWLB.

- **LIBID** – The London Inter-Bank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time.

- **LIBOR** – The London Inter-Bank Offer Rate, the rate at which banks with surplus funds are offering to lend them to other banks, again published at 11am each day.

- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.

- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.

- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status. As from 21 July 2018 there will be three structural options for existing money market funds – Public Debt Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV)

- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.

- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.

- **Link Asset Services** – Link Asset Services are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.

- **Yield** – see Gilts

Members may also wish to make reference to *The Councillor's Guide to Local Government Finance.*

ANNEX B2

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	**Max % of counterparty limit - *Specified**	**Max % of counterparty limit – **Non - Specified**	**Max. maturity period**
DMADF – UK Government	N/A	**100%**	**N/A**	**6 months**
UK Government gilts	UK sovereign rating	100%	**N/A**	1 year
UK Government Treasury blls	UK sovereign rating	100%	**N/A**	1 year
Bonds issued by multilateral development banks	AAA	100%	**N/A**	6 months
Money Market Funds CNAV	AAA	100%	**N/A**	Liquid
Money Market Funds LVNAV	AAA	100%	**N/A**	Liquid
Money Market Funds VNAV	AAA	100%	**N/A**	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	**N/A**	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	**N/A**	Liquid
Local authorities	N/A	100%	**N/A**	1 year
Term deposits with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	100% 100% 100% 100% 100% 100% 0%	20% 20% N/A 20% 20% 20% 0%	Up to 1 year Up to 1 year Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
Certificates of Deposit and corporate bonds with banks and building societies	Yellow Purple Blue Orange Red Green No Colour	20% 20% 20% 20% 0% 0% 0%	0% 0% 0% 0% 0% 0% 0%	Up to 1 year Up to 1 year Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use

***SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the quality criteria as applicable.

****NON-SPECIFIED INVESTMENTS**: These are any investments which do not meet the specified investment criteria. A maximum of up to 20% ** will be held in aggregate in relevant non-specified investments (as at the trade date of investing).

ANNEX B3

Background information on credit ratings

Credit ratings are an important part of the Authority's investment strategy. The information below summarises some of the key features of credit ratings and why they are important.

What is a Credit Rating?
A credit rating is:

- An independent assessment of an organisation;
- It gauges the likelihood of getting money back on the terms it was invested;
- It is a statement of opinion, not statement of fact;
- They help to measure the risk associated with investing with a counterparty;

Who Provides / Uses Credit Ratings?
There are three main ratings agencies, all of which are used in the Authority's treasury strategy.

- Fitch
- Moody's Investor Services
- Standard & Poor's

The ratings supplied by these agencies are used by a broad range of institutions to help with investment decisions, these include:

- Local Authorities;
- Other non-financial institutional investors;
- Financial institutions;
- Regulators;
- Central Banks;

Rating Criteria
There are many different types of rating supplied by the agencies. The key ones used by the Authority are ratings to indicate the likelihood of getting money back on terms invested. These can be split into two main categories:

- 'Short Term' ratings for time horizons of 12 months or less. These may be considered as the most important for local authorities.

- 'Long Term' ratings for time horizons of over 12 months. These may be considered as less important in the current climate.

In addition, the agencies issue sovereign, individual and support ratings which will also feed into the investment strategy.

Rating Scales (Fitch, Moody's and Standard & Poor's)
The table below shows how some of the higher graded short and long term ratings compare across the agencies; the top line represents the highest grade possible. (There are other ratings that go much lower than those shown below, and ratings for other elements).

Short Term			**Long Term**		
Fitch	Moody's	S&P	Fitch	Moody's	S&P
F1+	P-1	A-1+	AAA	Aaa	AAA
F1	P-1	A-1	AA	Aa2	AA
F2	P-2	A-2	A	A2	A

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	**Date**	08 February 2022
Report	Medium Term Financial Strategy Update 2021/22 – 2025/26		
Report of	Chief Finance Officer		

Purpose of Report

To provide an update on the Council's Medium Term Financial Strategy (MTFS) forecasts for 2022/23 to 2025/26

Key Decision (Y/N)	**N**	**Date of Notice**	**N/A**	**Exempt (Y/N)**	**N**

Report Summary

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 Final Local Government Settlement has not been laid before Parliament and so estimates maybe subject to change. However, the report is an update only primarily for information.

Recommendations of Councillor Anne Whitehead

That Cabinet

(1) Considers the draft future years budget estimates as set out in the report as the latest information available.

(2) Agrees that the update be referred on to Council 23 February 2022 for information.

Relationship to Policy Framework

Performance, project, and resource monitoring provides a link between the Council Plan and operational achievement, by providing regular updates on the impact of operational initiatives against strategic aims.

Conclusion of Impact Assessment(s) where applicable

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

The content of this report has no impact in itself.

Details of Consultation

No specific consultation around this report.

Legal Implications

No legal implications directly arising from this report.

Financial Implications

As set out in the report

Other Resource or Risk Implications

No other implications directly arising from this report.

Section 151 Officer's Comments

The Section 151 Officer authored this report in his role as Chief Finance Officer

Monitoring Officer's Comments

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

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Links to Background Papers	

1.0 INTRODUCTION

1.1 The previous reports on this agenda considered the annual process for setting the Council's revenue and capital budgets for 2022/23. This report sets out the context in which future decisions on resource allocation and budgeting will be taken.

1.2 The Medium-Term Financial Strategy (MTFS) sets out how Lancaster City Council will manage its finances to deliver against its corporate priorities, whilst protecting its financial standing and responding to the many challenges it faces. This will in turn inform the future budget setting process.

2.0 STRATEGIC & OPERATIONAL CONTEXT

2.1 Like all Councils we continue to face a time of unprecedented change, which, in turn, puts significant pressure on the ability to forecast into the medium and long term. Specific areas of uncertainty and change have been noted in previous reports but include:

- an accelerated pace of change in the funding regimes, formula and budget and accounting requirements of Central Government,
- fewer system-wide reviews, and a much greater number of issue specific consultations, reviews and changes some of which are resulting in in-year changes, and even retrospective changes to previously agreed budgetary forecasting and funding distribution formula;
- External factors such as the pandemic and EU Exit which fundamentally alter both the priorities for and use of Council resources and the context of our income from taxation, rates, fees and charges.
- Changes to PWLB borrowing criteria have curtailed all Council's ability to borrow for yield and impacted the potential to obtain income from commercial investments.
- The impact of COVID -19 on the wider economy and the rise in both pay and general inflation
- The recently announced decommissioning plans for the Heysham1 and Heysham 2 nuclear reactors and the significant impact across the district, and the Council's finances via the retained business rates system.
- Signing of the legally binding collaboration agreement between the Council and Lancashire County Council for the delivery of The South Lancaster District Growth Catalyst

3.0 GOVERNMENT FUNDING PROSPECTS

Local Government Finance Settlement

3.1 The Government released the provisional local government finance settlement on 16 December 2021, with the final settlement due to be presented to parliament in February 2022. As with last year this is a one-year settlement rather than a long-term review due to the ongoing economic uncertainty caused by the COVID-19 pandemic. The major aspects of the settlement are set out below:

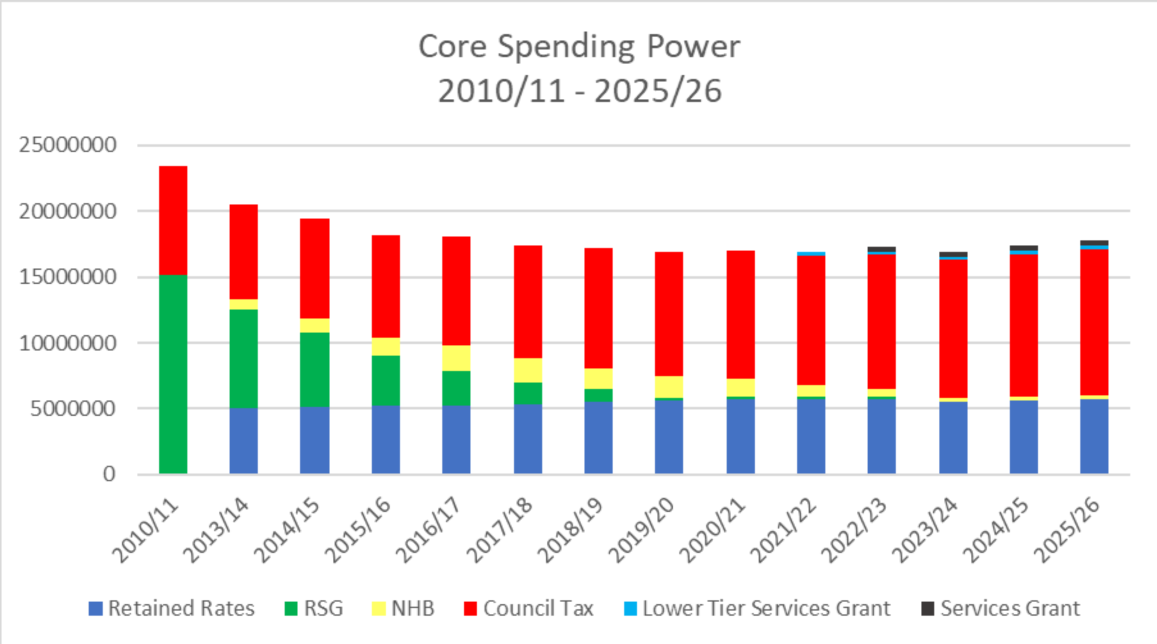
- The calculation of Core Spending Power
- The level of Council Tax increase (excluding social care) beyond which a referendum is required remains at 2% or £5 whichever is the greater for 2022/23
- The continued delay of the Spending Review and Fair Funding Review. The Government is currently in the process of reviewing the components of the business rates retention system, and the role they can play in providing an incentive for local authorities to grow the business rates in their area. This was originally planned to be implemented in 2020/21 but has been delayed due to the COVID-19 pandemic.
- The freezing of the Business Rates "multiplier" for 2022/23

- Continuation of a number of funding streams including Revenue Support Grant, which was due to cease in 2020/21, the Lower Tier Services Grant and New Homes Bonus. It is likely this scheme will not exist in its current form, as it is being reviewed as part of the spending and fair funding review.
- The introduction of a new one off Services Grant which includes funding for local government costs for the increase in employer National Insurance Contributions

3.2 The pattern of one year settlements and the lack of a longer term horizon makes financial planning particularly difficult; however, a number of funding assumptions have been made within the Council's MTFS reflecting the past two settlements.

Core Spending Power

3.3 The calculation of Core Spending Power has changed over the years and is not limited to general government revenue grant and Business Rates but has also included Council Tax receipts, New Homes Bonus, and other specific grants.

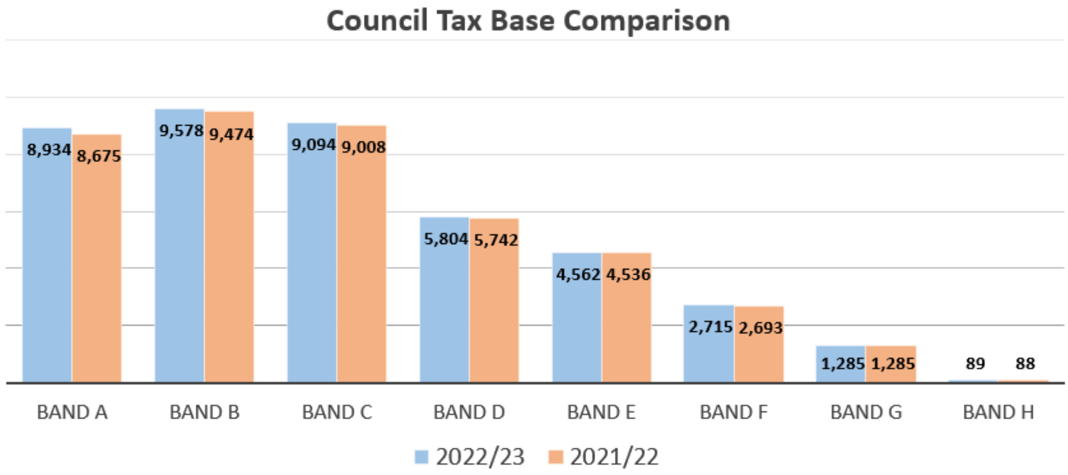


3.4 As the graph above shows the Council is now almost entirely reliant on Council Tax and Business Rates with a small amount of income from central government grants to fund net expenditure and it is, therefore, important to provide regular estimates of these key funding streams.

<u>Council Tax</u>

3.5 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. Growth in housing numbers inevitably increases the taxbase and, therefore, Council Tax income.

3.6 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.



3.7 The Council recognises the impact that Council Tax has on its residents and will always take their ability to pay into consideration when setting Council Tax levels. It provides a 100% Local Council Tax Support Scheme. However, the Council should adopt an approach where local sources of funding are maximised as far as is reasonably practicable to do so.

3.8 Government's referendum criteria 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 the maximum allowed, in each of the next three years. 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.

Table 1: Council Tax Forecasts

	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

<u>Business Rates</u>

3.9 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.

3.10 We are one of only a small number of Councils with a nuclear power station within its boundary and Members will be aware of the recent announcements regarding the decommissioning plans for the Heysham 1 (H1) and Heysham 2 (H2) nuclear reactors. This announcement will have a significant impact across the district as a whole but will inevitably have a significant impact the Council's finances, as currently the rateable value of the reactors accounts for over 30% of the Council's total rateable value.

3.11 The retained business rates scheme does have a safety net mechanism in place to ensure that a Council's income does not drop below more than a set percentage of its index linked spending baseline. That set percentage is currently 92.5% allowing for a drop of 7.5% from the baseline. Given the Council's exposure 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. The Council will need to rely on the Business Rates Retention Reserve to smooth operational shortfalls in the short term.

3.12 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. Given the challenges the Council faces with the nuclear power station decommissioning timetable, the timing of the reset is likely to have a significant impact on the Council's finances and so continued delay and indecision only adds to the planning uncertainty.

3.13 The table below provides Business Rates forecasts for the next four years incorporating a number of assumptions. As outlined previously, given the high degree of uncertainty and the number of potential variables, the position may change. 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 at the beginning of 2024/25 triggering a safety net payment.
- Any growth in business rates will be not be of a significant enough value to get above the safety net mechanism
- Continuation of the green energy disregard in its current form

Table 2: Business Rates Forecasts

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Retained Business Rates	7,290,255	5,520,887	-	-
Safety Net Payment	-	-	5,631,304	5,743,931
Renewable Energy Disregard Income	3,012,525	3,071,707	3,133,141	3,195,803
Sub Total	**10,302,780**	**8,592,593**	**8,764,445**	**8,939,734**
Deficit charged against General Fund in 2022/23 (after applying S31 grant in respect additional reliefs)	-196,616			
Total net retained business rates	**10,106,164**	**8,592,593**	**8,764,445**	**8,939,734**

<u>New Homes Bonus</u>

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 has been phased out after 2022/23. There remains a risk that the Government will seek to further reduce the grant in future years which would increase the budget gap at the Council. The current forecast of levels of New Homes Bonus is set out in the table below.

Table 3: New Homes Bonus

	2022/23	2023/24	2024/25	2024/25
Annual Reward	272,600	272,000	272.000	272.000
Previous Years Rewards	274,200	-	-	-
Total	546,800	272,000	272,000	272,000
Previous MTFS	504,300	230,000	230,000	230,000
Difference Increase/(Decrease)	42,500	42,000	42,000	42,000

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

4.1 Officers have undertaken a detailed review of the current and future years budgets. This included incorporating approved and known changes together with savings and income generation proposals and comprehensive salary and inflation reviews. In addition, the Council's General Fund capital programme has been reviewed and amended in order to reduce the number of schemes funded through unsupported borrowing. This lessens the charges to revenue for Minimum Revenue Provision and loan interest.

General Fund Revenue Budget Projections

4.2 Table 4 below outlines the current forecast budgetary position for 2022/23 to 2025/26

Table 4: General Fund Revenue Projections 2022/23 to 2025/26

General Fund Revenue Budget Projections 2022/23 to 2025/26

BUDGET PROJECTIONS	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Revenue Budget/Forecast as at 24 February 2021	**21,110**	**23,550**	**24,400**	**24,400**
Base Budget Changes				
Operational Changes	1,478	1,243	1,454	1,586
Additional Inflationary Pressure	67	117	179	791
Latest Budgetary Position	**22,655**	**24,910**	**26,033**	**26,777**
Outcomes Based Resourcing Proposals:				
Savings Proposals	(180)	(212)	(222)	(230)
Additional Resource Requirements	690	842	803	806
Income Generation Proposals	(840)	(1,112)	(1,068)	(1,074)
Revenue Impact of Capital Programme Review	(1,505)	(1,742)	(1,751)	(1,297)
Contribution to/(from) Collection Fund Reserves	400	(743)	(316)	(216)
Contribution to/(from) Unallocated Reserve	34			
General Fund Revenue Budget	**21,254**	**21,943**	**23,479**	**24,766**
Core Funding:				
Revenue Support Grant	(212)			
New Homes Bonus	(42)	(42)	(42)	(42)
Supplementry Government Grants	(652)	(652)	(652)	(652)
Prior Year Council Tax Surplus	(66)			
Net Business Rates Income	(10,106)	(8,593)	(8,764)	(8,940)
Council Tax Requirement	**10,176**	**12,656**	**14,021**	**15,132**
Estimated Council Tax Income - (Increases based on £5 for 2022/23 then max	**10,176**	**10,491**	**10,810**	**11,135**
Resulting Base Budget (Surplus)/Deficit	**0**	**2,165**	**3,211**	**3,997**

Budget Principles and Assumptions

4.3 Within the revenue budget there are several principles and key assumptions underpinning the proposed revenue strategy. These are:

i. Annually, a balanced revenue budget will be set with expenditure limited to the amount of available resources;
ii. No long-term use of balances to meet recurring baseline expenditure.
iii. Resources will be targeted to deliver corporate ambitions and value for money. Any additional investment and spending decisions will be made to reflect Council priorities and strategic commitments.

4.4 Table 5 below, lists the major assumptions that have been made within the MTFS with further details discussed in later paragraphs

Table 5: 4 Year MTFS Planning Assumptions

Assumption	2022/23	2023/24	2024/25	2025/26
Council Tax base growth	1.34%	1.00%	1.00%	1.00%
Council Tax inflation	£5.00	£5.00	£5.00	£5.00
Inflation – Pay	515,100 2%	1,129,30(2%	1,703,70(2%	2,295,00(2%
Inflation – Premises Related	128,900 Mixed %	216,000 Mixed %	305,800 Mixed %	395,000 Mixed %
Inflation – Insurance	60,800 10%	120,700 10%	182,700 10%	241,800 10%
Inflation – General Index	216,400 3.30%	329,000 2.10%	437,700 1.90%	547,500 1.90%
Inflation – Fees & Charges	(401,400) 3.30%	(662,500) 2.10%	(897,100) 1.90%	(1,133,00(1.90%

Pay & Prices Increases

4.5 A 2% pay award allowance has been included in 2022/23 and 2% across the remaining years. The assumption of 2% considers that employees on lower salaries are expected to receive an increase. It should be noted that pay awards in Local Government are covered by collective bargaining between employers and trade unions and are not subject to direct control from Central Government. However, it is reasonable to assume that Local Government will mirror what happens in the rest of the public sector.

4.6 Price inflation has been included on selected non-pay items as set out in table 5. In the likely event that the rate of inflation exceeds budget there is an expectation that managers will need to manage within base budget allocations.

Savings and Income Generation Proposals

4.7 The budget savings or income growth identified as part of the 2022/23 budget discussion relate to several areas where actions are being undertaken by the Council and are incorporated within the MTFS. Some of the key areas are summarised by directorate in the tables below, with more information included within the Budget and Policy Framework General Fund Revenue Budget 2022/23 item on the agenda.

Table 6: Directorate Summary Savings Proposals

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Proposed Savings					
Communities & Environment	53	53	54	54	214
Economic Growth & Regeneration	41	42	48	53	184
Corporate Services	15	43	43	43	144
Office of the Chief Executive	71	74	77	80	302
Total Savings Proposals	**180**	**212**	**222**	**230**	**844**

Table 7: Directorate Summary Income Generation Proposals

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Income Generation Proposals					
Communities & Environment	813	1,074	1,024	1,025	3,936
Economic Growth & Regeneration	27	38	44	49	158
Corporate Services	0	0	0	0	0
Office of the Chief Executive	0	0	0	0	0
Total Income Generation Proposals	**840**	**1,112**	**1,068**	**1,074**	**4,094**

4.8 As part of the Council's quarterly monitoring process (Delivering our Priorities), progress against these targets will be monitored and reported to Members via Cabinet and Budget & Performance Panel.

Revenue Impact of Capital Programme Review

4.9 Cabinet and Executive Management Team have reviewed in detail the Council's previous capital programme and have repositioned and reprofiled several capital schemes in line with the revised Capital Strategy (Investing in the Future). This has lessened the impact that capital projects have on revenue by creating Minimum Revenue Provision (MRP) and interest cost savings. Details of the estimated savings incorporated with the MTFS are detailed in the table below:

Table 8: Revenue Saving for Capital Programme Repositioning

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Revenue Impact of Capital Programme Review	1,505	1,742	1,751	1,297	6,295

5.0 CAPITAL INVESTMENT AND FINANCING

Capital Investment

5.1 Through its capital programme the Council plans net investment of £33.414M to support the delivery of its key Strategic Priorities and Outcomes such as Climate Emergency, Economic Prosperity and Regeneration and Housing as well as refurbishment or replacement of existing property or facilities to deliver services, or to meet legislative requirements.

5.2 The current programme is split between approved schemes, that is those which have a fully formed business case in line with Treasury Green Book requirements, and those still under development for which a provision has been made whilst work is undertaken to fully work up schemes. The provision will not be utilised until full business cases have been considered and approved via the relevant decision-making governance. Summary details of the current 5-year capital programme are given at table 9 below, with further details provided within the Capital Programme & Capital Strategy 2022-23 to 2025-26 paper elsewhere on the agenda.

Table 9: Capital Programme

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Approved Schemes						
Communities & Environment	5,388	3,946	894	4,985	2,899	18,112
Economic Growth & Regeneration	4,067	1,977	641	306	306	7,297
Corporate Services	145	490	190	150	130	1,105
Schemes Under Development	0	1,650	1,200	2,550	1,500	6,900
Total Net Capital Programme	**9,600**	**8,063**	**2,925**	**7,991**	**4,835**	**33,414**

Capital Financing

5.3 The Council's Capital Financing Requirement (CFR) is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's CFR is set to increase from the current estimated 2022/23 position of £104.00M to £105.28M in 2025/26. However, it must be noted that following the review of the capital programme this represents a significant reduction from previous years.

Table 10: Capital Financing Requirement

	2020/21 Actual £M	**2021/22 Estimate £M**	**2022/23 Estimate £M**	**2023/24 Estimate £M**	**2024/25 Estimate £M**	**2025/26 Estimate £M**
CFR – Non Housing	57.72	64.43	68.86	67.98	72.28	73.26
CFR – Housing	37.23	36.19	35.14	34.1	33.06	32.02
Total CFR	**94.95**	**100.62**	**104.00**	**102.08**	**105.34**	**105.28**

5.4 Based on the capital programme, the overall physical borrowing position of the Council is projected to increase over the next five years from its estimated current position of £61.08M to £70.04M later in 2021/22 to £84.00M in 2022/23 as the Council looks to move forward with several ambitious schemes to enable delivery of its Strategic Priorities. It is then forecast to reduce slightly to £80.88M reflecting repayments of the HRA self-financing loan. See table 11 below

Table: 11: Forecast Borrowing Position

	2020/21 Actual £M	**2021/22 Estimate £M**	**2022/23 Estimate £M**	**2023/24 Estimate £M**	**2024/25 Estimate £M**	**2025/26 Estimate £M**
Debt at 1 April	62.12	61.08	70.04	84.00	82.96	81.92
Expected change in Debt	-1.04	8.96	13.96	-1.04	-1.04	-1.04
Actual gross debt at 31 March	**61.08**	**70.04**	**84.00**	**82.96**	**81.92**	**80.88**

5.5 This level of borrowing is assessed for affordability, sustainability, and prudence in line with the Council's Treasury Management Strategy and requires annual approval by Council following consultation with Budget & Performance Panel. Council is being asked to formally approve the annual Treasury Management Strategy elsewhere on this agenda.

5.6 The Council is required to repay an element of the accumulated General Fund CFR each year through a revenue charge known as the minimum revenue provision (MRP) together with the interest charges associated with the borrowing. Council is asked to formally approve the MRP policy annual as part of the Treasury Management Strategy. The current policy is based on the estimated life of each asset created as a result of the related capital expenditure. Table's 12 and 13 provide forecast levels of annual capital financing charges and its proportion of the revenue budget.

Table 12: Revenue Impact of Capital Decisions

	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M
Interest	1.393	1.463	1.585	1.662	1.670
MRP	2.175	2.698	3.321	3.406	3.853
Total	**3.568**	**4.161**	**4.906**	**5.068**	**5.523**

Table 13: Ratio of Financing Costs to Net Revenue Stream

	2020/21 Actual %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %
General Fund	14.61	19.97	20.24	23.09	22.25	22.95
HRA	20.79	19.41	18.42	17.69	17.25	16.98

5.7 As can be seen based on current General Fund capital programme and accompanying borrowing estimates debt financing costs within the General Fund are set to increase to around 23% of the Council's annual net revenue budget. Recent benchmarking work by the Local Government Association (LGA) provided a Northwest average of 8%. Levels will, therefore, need to be closely monitored and the impact on affordability of new capital schemes carefully considered as part of the business case assessment and governance processes. Estimates within the HRA are seen to decrease as the borrowing undertaken as part of HRA self-financing is repaid.

6.0 THE SHORT & MEDIUM-TERM BUDGET GAP

6.1 Government funding and income forecasts covered previously within this report, together with the budget expenditure, savings and income estimates that have been calculated as part of the 2022/23 revenue budget process provide an updated forecast of the budget gaps over the next three years. This is shown below in the graph and Table 14

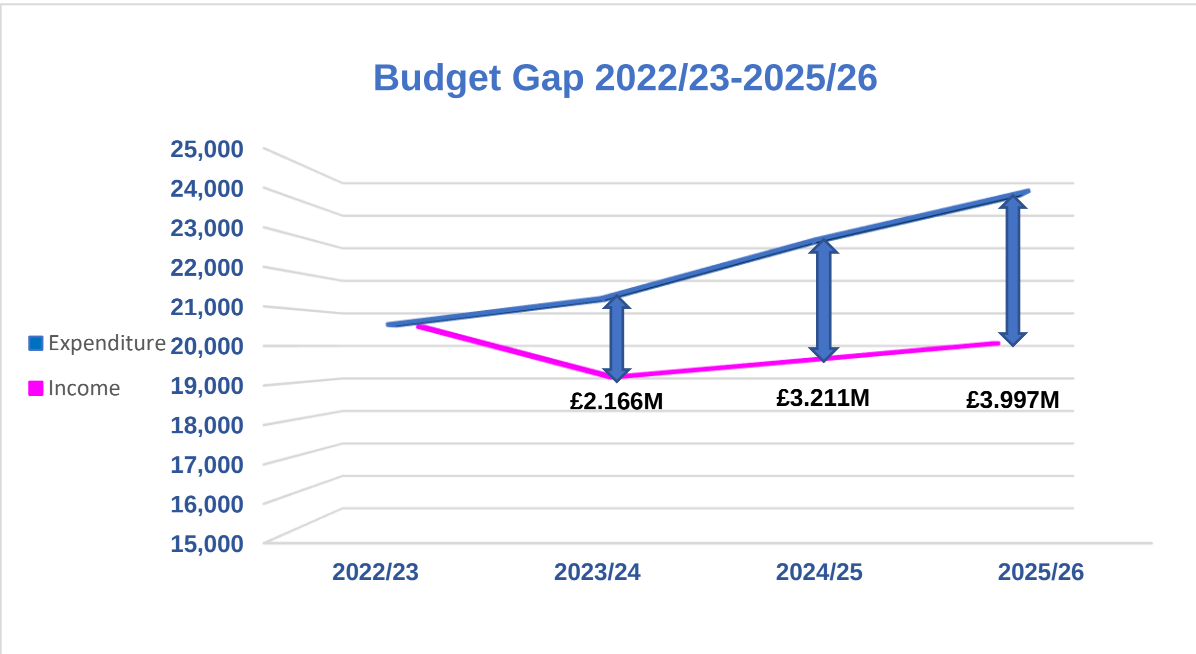


Table 14: Cumulative Deficit as Percentage of Revenue Budget

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Revenue Budget	21,254	21,943	23,479	24,766
Budget Gap (Incremental)	0	2,165	3,211	3,997
Budget Gap (Cumulative)	0	2,165	5,376	9,373
Percentage of Revenue Budget		**9.87%**	**22.90%**	**37.85%**

6.2 The forecast gaps are cumulative and structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive and this is compounded year on year. This position represents a significant challenge to the Council over the short and medium term. Re-iterating the commentary in the 07 December 2021 Cabinet report, *it is now imperative that a thorough and detailed review of our cost base is undertaken through application of Outcomes Based Resourcing (OBR), or other similar budget principles. This will have a particularly important part to play alongside the other pillars of the Funding the Future strategy in driving down budget gaps from 2023/24 and beyond and in realising financial sustainability.*

6.3 It should be noted that this forecast is based on a series of estimates and assumptions and so is subject to change when more up to date information becomes available. However, it provides Members with a clear view of size of the challenge facing the Council over the coming years.

7.0 PROVISIONS, RESERVES AND BALANCES

7.1 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. The level, purpose and planned use of reserves are important factors for the Council as part of the MTFS.

7.2 Councils generally hold two types of reserves, "Unallocated" to meet short term unexpected cost pressures or income reductions and "Earmarked". The latter can be held to provide for some future anticipated expenditure for identified projects, particularly in respect of corporate priorities, address specific risks such as the previously identified upcoming pressures on business rates retention reserve resulting from the decommissioning of H1 & H2, or to fund transitional arrangements resulting from the forthcoming Outcomes Based Resourcing project. They may also provide up-front funding for measures which specifically result in future efficiencies, cost savings or increased income, or to hold funding from other bodies, (mainly Central Government), for specified purposes.

7.3 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. This assessment has been undertaken within the Budget and Policy Framework General Fund Revenue Budget 2022/23 item earlier on the agenda.

7.4 The Council's forecast level of reserves is impacted by historic as well as current decisions. The graph and Table 15 below provide details of our current forecast level of reserves including the impact of funding the forecast deficit from reserves.

Table 15: Current Forecast Level of Reserves & Balances

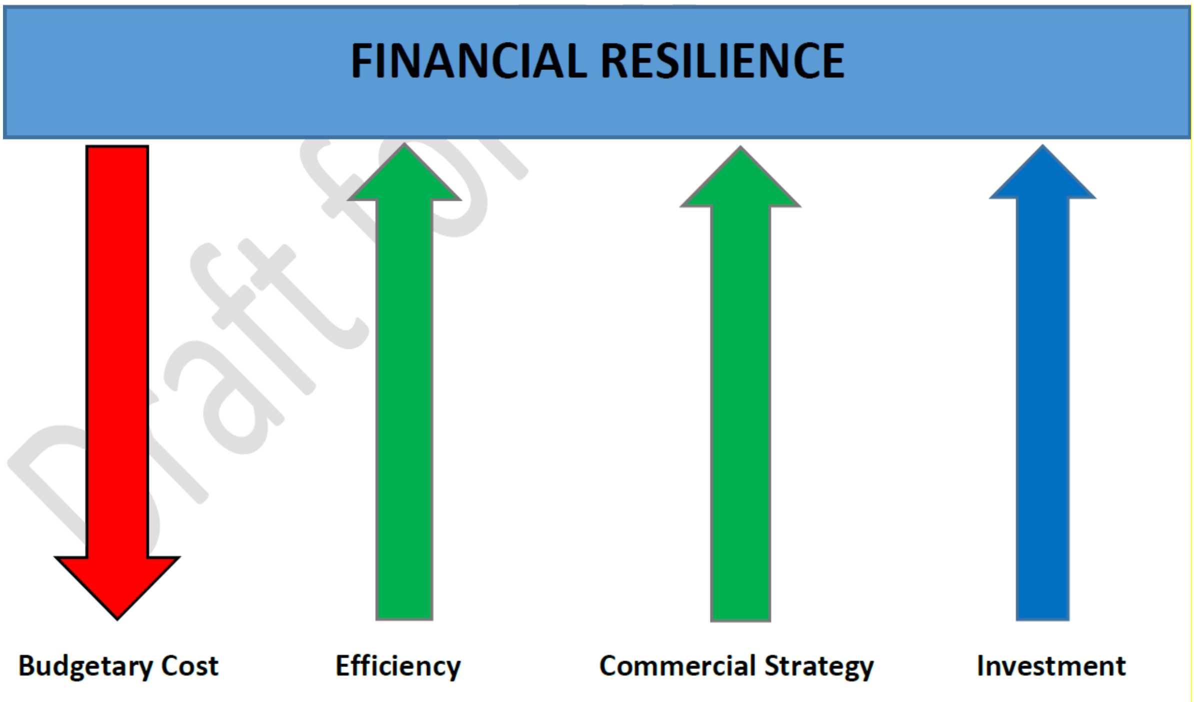
	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M
Balance brought forward	(33.445)	(19.829)	(19.138)	(15.433)	(12.108)
Impact of 2022/23 budget decisions	0.000	(0.434)	0.743	0.316	0.216
Impact of previous decisions, covid & outturn	13.616	1.125	0.797	-0.202	0
Funding of Deficit	0	0	2.165	3.211	3.997
Balance carried forward	**(19.829)**	**(19.138)**	**(15.433)**	**(12.108)**	**(7.895)**

7.5 These forecasts include the Council's plans to use £6.7M of its reserves over the next 4 years 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 into this level of commitment is currently on going as well as looking into all of the remaining planned allocations from Council reserves.

8.0 BALANCING THE BUDGET TO 2025/26

Realising the Funding the Future Strategy

8.1 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.



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

Investing for a Return, or to Reduce Costs

8.3 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.

8.4 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.

8.5 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.

8.6 Further discussions on the impact of revisions to CIPFA's Prudential Code and its proposed introduction in 2023/24 are contained within the Council's Capital Strategy (Investing in the Future) discussed elsewhere on the agenda.

Commercial Strategy

8.7 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.

8.8 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.

8.9 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.

8.10 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

8.11 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.

Outcomes Based Resourcing (OBR)

8.12 This initiative originally committed to in 2018 has been delayed and had been due to commence early in the 2020/21 financial year having been set back by the Covid 19 pandemic.

8.13 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. OBR will represent a radical overhaul of the Council's budgeting, monitoring, and reporting methods. It will look to examine in detail how we deliver our services to achieve the Council's stated outcomes in the most effective manner, whilst realising savings to address the structural deficit.

8.14 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. Given the size and complexity of the task and the need for objectivity the Council is looking to engage external consultants. Procurement of the 1st Phase has already taken place with 2nd Phase delivery due commence early 2022/23.

9.0 DETAILS OF CONSULTATION

9.1 As this paper is for noting only no formal consultation has been undertaken

10.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

10.1 The risks to the Council are contained throughout the report and as the report is for noting, no alternative proposals have been put forward.

11.0 CONCLUSION

11.1 There remain significant uncertainties in terms of Local Government funding over the next couple of years. These have been exacerbated by national circumstances such as COVID-19 and Brexit, but also by local issues around decommissioning plans for the Heysham power station. These have severely hampered the degree of confidence with which we can forecast with many key estimates and assumptions likely to change in the coming months. Despite the work to date to realise the Funding the Future Strategy the budget gap has remained.

11.2 It must be recognised that the overall size of the challenge the Council faces in addressing its underlying structural deficit is significant and the formulation of a balanced budget over the medium and longer term will require the delivery of considerable savings.

11.3 Continued focus on delivering the Funding the Future Strategy and the application of Outcomes Based Resourcing principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. ***The Council must recognise that it will face a number of key decisions over the next financial year which will affect the manner in which it delivers its services.***

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	**Date**	8th February 2022
Title	Housing Revenue Account and Capital Programme		
Report of	Director for Communities and the Environment		

Purpose of Report

To seek Cabinet decisions on Council Housing rent setting proposals and HRA revenue and capital budget proposals.

Key Decision (Y/N)	**Y**	**Date of Notice**	**10.1.22**	**Exempt (Y/N)**	**N**

Report Summary

This report provides an update on the council housing budgetary position and seeks Cabinet's decisions on council housing rent levels for 2022/23 and targets for future years. It also seeks approval of Cabinet's supporting revenue budget and capital programme proposals for referral on to Budget Council, in order to complete the HRA budget setting process for 2022/23.

Recommendations of Councillor Matthews

1) That the Housing Revenue Account Revised Budget for 2022/23, as set out at Appendix A, together with the resulting Capital Programme as set out at Appendix C, be referred on to Council for approval.

2) That the minimum level of HRA unallocated balances be retained at £500,000 from 01 April 2022, and that the full Statement on Reserves and Balances as set out at Appendix F be endorsed and referred on to Budget Council for approval.

3) That council housing rents be set in accordance with statutory requirements as follows:

- for general properties let as at 01 April 2022, average rent be set at £78.24 for 2022/23;
- for sheltered and supported housing properties let as at 01 April 2022, average rent be set at £73.49 for 2022/23;
- for any relevant property becoming vacant the following policy be reaffirmed: that they be re-let at the higher 'formula rent'.

4) That garage rents be frozen for a 12-month period (rather than increased by CPI, as per the rent setting policy established by Cabinet in January 2017) in order to protect income levels currently achieved, and in line with benchmarking across the sector.

5) That a delegated decision to approve the tender of 6 programmes of work (over £200k and key decisions over £250k) during 2022/23 can be made by the Chief Executive (as per 7.4 below) and in line with procurement rules.

6) That the additional budget proposals as set out at Appendix E be included in Cabinet's budget proposals for referral on to Council, noting that any approvals be met from unallocated balances.

7) That subject to the above, the resulting Housing Revenue Account budget for 2022/23 onwards, as set out at Appendix A, together with the resulting Capital Programme as set out at Appendix C, be referred on to Budget Council for approval.

8) To approve the redirection of funds within the 2021/22 HRA Capital Programme, as described in 7.3 (below).

Relationship to Policy Framework

The budget represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.

Conclusion of Impact Assessment(s) where applicable

Climate: as per section 3 (below) the report outlines a number of positive climate related impacts resulting from the HRA budgeting process. Also, see Appendix E for additional positive impacts.	**Wellbeing & Social Value:** positive impacts identified via additional budget proposals. See appendix E for details
Digital	**Health & Safety**
Equality: No significant detrimental impact on specific groups. See Appendix H – Equality Impact Assessment	**Community Safety**

Details of Consultation

A meeting was held with tenants from the District Wide Tenants' Forum on 27th January 2022, where the Neighbourhood and Support Services manager presented the contents of this report and answered questions.

The 4.1% rent increase was noted by tenants in the context of rising cost of living costs. A discussion took place around affordability for tenants. Explanation was provided as to how the increase translates into improved service delivery in the coming years. It was noted that financial and other support for tenants is a central part of housing service delivery and will only increase in view of current challenges.

The group were in agreement around the importance of significant spend in the coming years in certain key areas – particularly the energy efficiency works built into the capital programme, and building compliance.

The additional budget proposals (8.1, below) were all viewed as positive, resident focussed additions to service delivery.

In conclusion, the group were supportive of the proposals outlined in this budget report.

Legal Implications

The Council may amend its reasonable charges for occupation of council housing dwellings as they determine. The level of rent must be reviewed from time to time (s24

Housing Act 1985). The Council must have regard to relevant standards set by Housing Regulator's guidance - pursuant to s193 of the Housing and Regeneration Act 2008. Furthermore, the decision to change charges must be taken in accordance with normal principles of public law. The Council has had regards to the relevant standards set by the Housing Regulator and should it make a decision to increase it charges it should ensure that the change is implemented in accordance with statutory provision and guidance.

Legal Services will provide any contractual advice for the works detailed in this report.

Financial Implications

As set out in the report

Other Resource or Risk Implications

None identified

Section 151 Officer's Comments

The Local Government Act 2003 placed explicit requirements on the s151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves; this requirement is addressed below.

Provisions, Reserves and Balances

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

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

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

Robustness of Estimates

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

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

These measures ensure that as far as is practical, the estimates and assumptions underpinning the base budget are robust, and the proposed HRA Thirty Year Business Plan presents a reasonable approach for the way forward. The Council has recognised the tendency for optimism bias regarding income forecasts particularly and this will be taken account of in the development of future key budget proposals and business cases.

Furthermore, arrangements are in hand to assess capacity needs and programming to help ensure successful delivery of key projects. Coupled with sound programming, the Budget Support reserve provides scope to help address any shortfalls in capacity etc.

Affordability of Spending Plans

In addition, the s151 Officer is responsible for ensuring that when setting and revising Prudential Indicators, including borrowing limits, all matters to be taken into account are reported to Council for consideration. In considering affordability, the fundamental objective is to ensure that the Council's capital investment remains within sustainable limits, having regard to the impact on housing rents for Council Housing investment. Affordability is ultimately determined by judgements on what is 'acceptable' - this will be influenced by public, political, and national influences.

The factors that have been taken into account in considering capital investment plans include the following.

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

The HRA has a Capital Financing Requirement which reflects underlying need to borrow. This is reviewed periodically to ensure that borrowing is, always, affordable,

sustainable, Page 92 and prudent and a minimum revenue provision charge is made to the HRA each year to reflect the cost of borrowing.	
Monitoring Officer's Comments	
The Monitoring Officer has been consulted and has no further comments to add	
Contact Officer	Peter Linsley
Tel	01524 586873
Email	plinsley@lancaster.gov.uk
Links to Background Papers	
See appendices A-G	

1. Introduction

1.1 The Council is required under statutory provisions to maintain a separate ring-fenced account for the provision of local authority housing, known as the Housing Revenue Account (HRA). This covers the maintenance and management of the Council's housing stock.

1.2 This report sets out the rent setting policy and the latest position with regards to the HRA 30-year Business Plan, covering both revenue and capital budgets, and the associated level of reserves and balances. It seeks approval for rent levels and various other budget matters, with referral on to Budget Council as appropriate.

1.3 It can be noted that within the context of ring-fencing the HRA has a role to play in support of wider Council priorities; contributing to and facilitating projects across the district to support the wider ambitions of the council. The HRA also underpins the Council's general fund through contribution to support services and corporate commitments.

2. **Achievements 2021/22**

2.1. Key achievements:

- 2021/22 has seen continued guidance and support to tenants around rent arrears prevention and management. Having ended 2020/21 with record low current tenant arrears of £113k the team continue to perform at the highest level with arrears at the end of Q3 of £137k: a reduction of 23% on the same week in the previous year.
- Rent arrears success has been achieved with a supportive, pro-active approach, with almost no recourse to legal action. No new housing possession applications have been made since March 2020 and as at Q3 2021/22 only one warrant application has been made.
- In September the Income Management Team were awarded Best Service Team: Construction and Building Services from the Association of Public Sector Excellence (APSE) for this approach. The team were also shortlisted for Team of the Year in the Chartered Institute of Housing Northern Awards and achieved accreditation from the Housing Quality Network (HQN) in the category of MIST – Maximising Income, Sustaining Tenancies.

- In conjunction with other work across the Housing Service the service also won Council of the Year at the North West Energy Efficiency Awards 2021.
- Tenancy success activities continue to be developed, including property condition flags and tenancy and post allocation visits to identify tenants in need of support, tenancy health checks for all new tenants, and a service-wide ‘eyes wide open’ approach to promoting successful tenancies.
- Over 180 tenancy health checks have been completed up until the end of Q3, helping to support tenants in sustaining a new tenancy and realising an increase in tenant income of £124,000 through income and benefit maximisation work.
- In addition, service chargeable furniture packages for new tenants were introduced during Q2. As at Q3, fifty-one Universal Credit and Housing Benefit eligible packages have been taken up.
- In opening the King Street One-Stop-Shop and continuing to run the Mainway Hub the housing team were able to provide two face-to-face customer service options for tenants and residents.
- Two members of staff – a Stores Operative and a Customer Voice Officer - were successfully employed within the housing team through the government’s kickstart programme, aimed at supporting individuals learn skills and gain experience along a path to long term sustainable employment.
- A newly recruited Energy Support Officer joined the housing team in September to support tenants with advice and guidance around all home energy related matters and in support of the climate agenda. During Q3 a total of 133 home visits were carried out, where advice and signposting was provided on a range of energy related topics including the warm home discount, affordable and green energy tariffs, and efficient use of household appliances.
- The project to deliver whole house improvements and energy upgrades to homes on Mount Avenue, Lancaster, was established and delivered a total of 19 refurbished homes during phase 1 in 2021. The project will be completed over three years and will deliver renovation of over 50 homes, including kitchen and bathroom upgrades and significant thermal efficiency measures.
- Conversion of a former shop in Galgate allowed the team to deliver the Council’s first EPC A-rated home: a three bed, fully accessible energy efficient home including measures such as solar panels, air source heat pump and under floor heating, and high levels of insulation.
- Through the Neighbourhood Project fund a number of community projects have been funded, including a street youth work project on the Ridge (Street Speak) in partnership with Active Lancashire, Lancaster BID and Happy Healthy Holidays. More than 260 hours of face-to-face youth work was delivered.
- Approximately 10,500 responsive repairs (to year end) were carried out, and 300 vacant dwellings (voids) were refurbished to the lettable standard.
- We reduced the risk of spread of fire in rear gardens by removing composite (plastic) low maintenance fencing and replaced with traditional timber panels in response to fire events and identified risk. This led to recognition by Lancashire Fire and Rescue Service as a good practice approach taken and shared with other social housing providers.

2.2. The strategic direction of the housing service continues to be delivered in response to wider Council priorities and key legislative and regulatory guidance. These include the Social Housing Regulations and Housing Ombudsman, the Social Housing White Paper (which sets expectations for the future regulatory environment and places greater emphasis on tenant engagement and voice within service delivery) and the Building Safety Bill and Fire Safety Act (2021) - the legislative response to the Grenfell tragedy of 2017 which sets out the responsibilities and requirements of landlords in relation to building safety and compliance.

2.3. Key strategic priorities for 2022/23 are:

Priority	
A sustainable district	• Continued investment across the council's housing stock - see section 3 below. • Continued work towards improved energy efficiency within all homes by 2030 (all properties to meet minimum of EPC C standard). • Continued roll out of energy efficiency measures within homes.
An inclusive and prosperous local economy	• Provision of local 'Hub' (e.g. Branksome Estate): a base from which the local resident's group can develop activities and community led initiatives. • Local procurement of repairs (and other housing related) contracts. • Development of new build and property conversion programmes: utilising council land and assets to benefit communities e.g. Mainway project; conversion / build of 6 The Greaves; review of garage sites for potential development; Alder Grove expansion; proposed Extra Care accommodation scheme (in Beaumont). • Continued involvement in Kickstart employment scheme, providing 6-month work opportunities for young unemployed local residents and seek opportunities to promote housing career pathways to local young residents. • Creation and support of apprenticeships. • Use of local suppliers within procurement rules (and where appropriate): for lower value contracts, use of local suppliers is guaranteed; for higher value contacts, on occasions where local supplier does not offer the required expertise and value for money, successful contractors must explicitly evidence social value in contract submissions. • Seeking funds through government to invest in our stock.
Healthy and Happy communities	• Developing resident scrutiny groups and creating opportunities for residents to contribute to service development and the decision-making process. Including TPAS accreditation.

	• Delivering a 'place-based' approach to estate and neighbourhood work, facilitated through Tenancy Success and Financial Inclusion Strategies: • Facilitating (and funding) community specific, community led projects; • Creating 'neighbourhood plans' to address local priorities, and promote partnership work between the housing service, residents and resident's groups, other council services (public realm, community connectors, Salt Ayre Leisure Centre); external partner agencies (police, fire service, community centres), and providing opportunities to access and involvement with arts, culture, leisure and recreation (including improved green space) etc. • Exploring opportunities for digital connectivity across the district • Review of ASB provision for residents • Dedicated Estate Stewards to keep estates clean • Provision of independent living • Tackling discrimination and reducing inequality (underlying principles of the Social Housing White Paper) • Supporting staff wellbeing.
A co-operative, kind and responsible council	• Investing and developing in staff • 'Place-based' working helping tenants to create sustainable groups and an ability to deliver initiatives supported by – not led by – the housing service. Recognising that local people are best placed to understand the issues in their neighbourhood. • Working with and listening to resident groups about what's important to them, whilst supporting and encouraging others to be established. • Supporting community centres (Marsh and Ridge, for example) to provide services to their residents, and developing access to a community fund pot for other community centres and groups to do likewise. • Developing resident scrutiny groups and creating opportunities for resident's voices to be heard. • Provision of funds for tenants to access training, education opportunities.

3. The Council Housing response to the Climate Emergency

3.1. Council Housing has continued its programme of carbon reduction, energy efficiency measures and upgrades during 2021/22.

3.2. **Energy Performance Certificate (EPC) Band C Housing Stock:** Lancaster City Council has embarked on a 10-year programme of energy efficiency improvements and performance upgrades across all its Council Housing stock. The goal of this project is to raise the energy performance certification of all Council Housing to a minimum ‘C’ rating by 2030, with currently 75% of the stock rated at ‘C’ or above. The programme will focus on energy improvement work on 800 properties with lower ratings and ensure all properties meet new minimum standards. Additionally, the service will seek all opportunities, to achieve higher ratings and drive cost savings and quality outcomes through economies of scale and development of sustainable retrofitting techniques. An additional £2.6M is included within the Capital Programme to deliver this by 2030.

3.3. **Void property, energy retrofit improvements**: Lancaster City Council has an on-going programme of whole house improvements and energy efficiency upgrades to existing Council Housing properties. Selected properties are surveyed by our technical team and full renovation specified, including retrofit performance improvements, air tightness, and improved insulation. Increasingly, our planned maintenance team undertakes the refurbishment, developing experience and retrofitting techniques to improve our Council Housing stock.

3.4. **Local Authority Delivery Scheme** The Council was successful in bidding for LAD1b funding to deliver energy improvements as part of a consortium headed by Blackpool Council, targeting our poorest performing properties with energy efficient measures for those who qualified. A subsequent LAD2 bid was unfortunately unsuccessful, however the work completed has provided valuable experience for our improvement measures moving forward as well as information for future energy bids.

3.5. **Mount Avenue:** The first phase of the Mount Avenue project has been completed, on time and in budget. Including the pilot and voids, 25 properties have now been fully refurbished and upgraded. Renovations include significant energy improvement measures, including insulation, air tightness and new energy efficient heating systems, achieving greater thermal retention and efficiency, and improved response and control. Tenant liaison and good management of the decanting process has made a significant contribution to the success of the project. Tenant feed-back has praised the project team, the standard of the new work, and thermal comfort, and a project in partnership with Lancaster University is underway to quantify the energy efficiency benefits to tenants.

3.6. **Loft Insulation:** The Energy Trust advises 25% of household energy is lost through roofs, underlying the importance of our loft insulation upgrade work. All opportunities are taken during void or roofing works to ensure all roofs are upgraded to meet or exceed the minimum standard of 300mm of insulation.

3.7. **Solar Panel Installations:** Programmes to expand the installation of PV panels to suitable independent living schemes continue. This focuses help on a vulnerable group of elderly tenants, supplementing energy costs and reducing carbon emissions. Concentrating installation reduces maintenance, manage performance and work closely with the tenant group, ensuring they make the best use of the savings available. Additionally, as an alternative to gas, for all new build proposals or conversions, we continue to exploit every opportunity to install PV as a renewable energy component.

3.8. **Gas Partnership, boiler replacement programme:** Again in 2021/22 we have accelerated the gas boiler and new system replacement programme. The capital cost is balanced by reduced maintenance liabilities and the benefits of modern controls, improved thermal comfort and reduced CO2 emissions.

3.9. **Energy Support Officer:** The crisis in the energy markets has brought many challenges whilst the service has focused attention on better support for tenants and opportunities for energy reduction. Lancaster City Councils initiative to employ an Energy Support Officer, continues to contribute to reducing fuel poverty, and help to take informed decisions and control energy use. Tangible benefits include visiting all new tenants within the first two weeks and a referral service for current tenants, offering energy advice. During Quarter 3 (2021/22) 1259 pieces of specific advice were provided to tenants, including 83 relating to the Warm Homes Discount and the Priority Services Register for utilities.

3.10. **Electric Vehicles and charging points:** The Repairs and Maintenance team has committed to the replacement of all suitable vehicles to electric vehicles.

3.11. **Property Conversions/new properties (outlined in Appendix E):** An EPC ‘A’ rating has been adopted as the benchmark standard for all new build properties and where technical and cost effective, all conversions. As a tangible demonstration, ‘A’ rated conversions have been added to Melling Court and a fully accessible 3 bedroomed home in Galgate.

4. Rent Setting

4.1. From 2020/21 the Rent Standard within the Social Housing Regulations applies to all Local Authorities. In previous years, the Council has adhered to this aspect of the regulations voluntarily, as a matter of good practice, and as such our approach to rent setting remains largely unchanged.

4.2. The financial year 2022/23 is the third of five years where the Council has the freedom to increase rent by a maximum of CPI+1% (CPI is the Consumer Price Index). For rent setting purposes for 2022/23, the September 2021 CPI figure of 3.1% is used, with forecast CPI used thereafter.

4.3. The maximum increase of CPI+1% remains consistent with Government guidance referred to, and the advice provided to Cabinet, within the HRA Budget Report approved in February 2019.

4.4. It remains the case that where properties become vacant and their rents are below ‘formula rent’ the rents to be charged for new tenancies can increase up to the formula rent level[1].

4.5. All Council rents are ‘social rent’, and sit below the Local Housing Allowance (LHA) rate; this rate defines the maximum amount that can be paid in Housing Benefit

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1 Formula rent for a property is calculated based on relative property values, relative local earnings, and property size (no. of bedrooms), in line with annual guidance produced by the Social Housing Regulator.

(HB) or through the housing element of Universal Credit (UC)[2]. We estimate that around 80% of tenants are in receipt of some form of HB or UC[3].

4.6. Rental income is the main funding source for the HRA and there are factors that will influence the outturn position:

- Void levels and re-let times (equating to void rent loss/uncollectable rent)[4]
- Right to Buy (decrease in housing stock); as at Q3 a total of 14 Right-To-Buy completions have taken place in 2021/22. Estimates assume 20 completions per year in future years. It should be noted that during 2021/22 the conversion of two former Independent Living Officer properties delivered two additional new homes, in addition to the new 'A' rated family home in Galgate. When netted off against Right to Buy sales housing stock is estimated to reduce by 17 for the year.

Note: Refer to Appendix G for further details about risk factors.

4.7. Therefore, in line with government policy Cabinet is now advised to set average council rents as follows[5]:-

Property Type	**2021/22**	**2022/23**
General	**£74.87**	**£78.24**
Sheltered and Supported	**£70.00**	**£73.49**

5. Other Charges

5.1. A general principal is applied to service charges to ensure they are sufficient to cover the cost of service provision, and that they are reasonable and transparent. Service charges are increased each year using a range of inflationary factors: e.g. General Inflationary Index, Building Cost Information Service (BCIS), Gas, and Electricity. Costs of service provision are reviewed periodically. Costs of service provision have been reviewed for 2022/23.

5.2. As per the Social Housing Regulations the Council should “endeavour to keep increases for service charges within the limit on rent changes of CPI+1%.”[6]

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2 It is estimated that around 80% of tenants are in receipt of full or partial HB or UC – due to the housing element being paid direct it is not fully clear the exact number – however, prior to the introduction of UC 80% of tenants were supported by HB to pay their rent.
3 It is hard to get an actual figure: tenants who claim Universal Credit (UC) and pay their own rent do not always have cause to inform the council of having made a UC claim.
4 While Covid restrictions largely eased during 2021/22 the impact of the pandemic on voids and reletting continued to impact this area of work: reduced demand/reticence to access rehousing within some Independent Living schemes being a particular issue.
5 Note that the above figures are presented on a 52-week basis.
Note: Specific rents vary depending on property type / area / size: for general needs between £56.44 (for a bedsit at Mainway) and £115.15 (for a 4-bedroom house in Bolton-le-Sands), and for sheltered housing between £58.58 for a bedsit at Beck View and £94.00 for a two-bed flat at Artlebeck Close.
6 Source: Policy statement on rents for social housing - Feb 2019

However, it is recognised that service charges fluctuate significantly from year to year and that the requirement to contain increases within CPI+1% should be interpreted on a medium- or long-term basis[7].

5.3. For 2022/23 across all housing stock service charges will increase by 4%. Within this average is a variation between charges applied to Independent Living (3.6% increase) and General Needs (5.1% increase)[8].

5.4. It is estimated that around 80% of council tenants are in receipt of either HB or UC. Most service chargeable elements are HB/UC eligible; the exceptions being individual heating costs, and the monitoring of alarms within sheltered housing or community alarmed properties.

5.5. With regard to garage rents, in January 2017 Cabinet established a rent setting policy for garages within the HRA: "That for 2017/18, all garage rents be increased by the Consumer Price Index (CPI) plus £1, with an additional CPI + £1 increase in each subsequent year until 2019/20, with CPI increase thereafter."

5.6. Garage rents have been subject to a rent freeze since 2020/21. Following review and benchmarking against other garage providers it is recommended that they be subject to a further freeze for 2022/23. A full review of garage sites was instigated by the Asset Manager during 2021/22 and will establish a strategic direction in this area. Opportunities for development and alternative use for garage sites are being explored.

6. Revenue Expenditure

6.1. The future years estimates for 2022/23 alongside the following three financial years have been prepared as part of this budget setting process. The differences between the budget approved last year and the draft revenue budget as prepared are illustrated in the variance analysis supplied at Appendix B.

6.2. The key areas are listed as follows: -

- Salary costs are now forecast to be around £28K higher than previously estimated, as a result of the pending 2021/22 pay award (negotiations ongoing), which was previously assumed to be a pay freeze for all employees earning over £24,000
- Repairs and Maintenance increase of around £124K in 2022/23 is also related to the pending 2021/22 pay award, as explained above
- Premises insurance increases relating to the premium for council house properties
- Planned capital expenditure has increased by £567K in 2022/23 (see Appendix D), resulting in changes to the funding required from the Major Repairs Reserve.

6.3. In summation, the 2022/23 revenue budget projected funding requirement is £826K (prior to the approval of savings and budget proposals). This is £323K higher than

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7 Source: National Housing Federation Briefing on Rent Standard 2020 - Jan 2020

8 The most relevant factor affecting the service charge increase relates to building costs. The Building Cost Information Service (BCIS) inflation figure used to establish cost information within the construction industry is currently running at 8.9%. The impact on the cost of planned and other maintenance works within communal areas translates into service charge increases.

the previously projected £503K, and again this will be funded by unallocated balances. The revised projection is due to the points described above (6.2), notably:

- Additional salary costs as a result of the pending 2021/22 pay award
- Additional planned capital expenditure

6.4. This should be considered in the light of significant underspends on the capital programme in 2019/20 through to 2021/22, along with higher than anticipated capital receipts.

6.5. Should all additional resource requirements items be approved then there will be an additional funding requirement in 2022/23 through to 2028/29 which will require funding from unallocated balances, supported by the Business Support Reserve. This management of the fund would see surpluses generated in the years thereafter (see Appendix A).

7. Capital Expenditure

7.1. The four-year capital programme is included at Appendix C.

7.2. The key changes to the programme from last year's reported position are included at Appendix D.

7.3. Members are requested to approve redirection of funds (£750k) within the 2021/22 HRA Capital Programme. Funding was intended to be utilised undertaking kitchen refurbishment works. These works have been postponed due to the risks associated with working in occupied properties and the potential spread of Covid 19. This work will recommence in 2022/23. Redirected funds will be used to remove composite (plastic) fencing installed to the rear of Council Housing properties to minimise the risk related to spread of fire, damage to properties and danger to life. These works are currently being undertaken by the Councils Planned Maintenance team.

7.4. A number of programmes of work (value over £200k and key decisions over £250k) will be advised during 2022/23 and it is requested that members delegate the Chief Executive to approve tender of these contracts as per procurement rules. Chief Executive sign off will be sought on a case-by-case basis. Key decision notices will be provided where required.

The programmes of work will be:

- Re-rendering and reroofing at Halton, and reroofing of bungalows on ridge and Christie Ave
- Whole House improvements, Beaumont
- 1a Alder Gr – demolition of existing scheme managers property and construction of 4 flats
- Kitchen and bathroom renewals to properties on Ryelands Estate
- Continuation of the Fencing programme on Trumacar, Higher Heysham and Kingsway estates
- Smoke alarms installation on the Vale

7.5. The capital programme includes no provision for any major refurbishment works on the Mainway estate.

7.6. Further to this, it is worth noting the following:

- The kitchen replacement programme has been slipped by a further 12 months, to minimise works carried out inside tenanted properties during the pandemic

- Two significant property conversions have been slipped by 12 months, due to design and planning permission negotiations.

8. Additional Budget Proposals

8.1. Alongside setting council housing rents, Cabinet is also requested to make recommendations regarding budget proposals for consideration by Council. Through the business planning process, the following budget proposals within the HRA have been identified.

Additional budget proposals	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Tenant Liaison Officer	**27,900**	**34,400**	**35,900**	**38,300**
CBL Support (MEX) 0.5FTE	**10,700**	**13,100**	**13,700**	**14,600**
Communications Officer 0.5FTE	**13,300**	**16,600**	**16,900**	**18,200**
Compliance Team and catch-up work	**526,000**	**136,900**	**143,100**	**148,600**
CBL Locata project (£72K funded from ICT & Systems Improvement Reserve)	**0**	**0**	**0**	**0**
System Replacement (pre-project work) (£212K funded from ICT & Systems Improvement Reserve)	**0**	**0**	**0**	**0**
Independent Living scheme equipment upgrade – digital (£250K funded from Sheltered Support Grant Maintenance Reserve)	**0**	**0**	**0**	**0**
Accelerated Mainway Phase 1 (£4M funded from Business Support Reserve) [9]	**0**	**0**	**0**	**0**
Total of all budget proposals	**577,900**	**201,000**	**209,600**	**219,700**

8.2. Please see attached Appendix E which details and discusses individual budget proposals.

9. Mainway project

9.1. The Mainway project is a significant, Housing-led project with the potential to transform the Mainway estate in Lancaster. None of these costs are included in this report, pending consideration of the separate Mainway report elsewhere on this agenda.

[9] Refer to separate Mainway report, being considered elsewhere on this agenda

9.2. For clarity, no major capital works in relation to Mainway are included in this report, with the exception of the £4.0M growth item above (see 8.1). Cyclical maintenance costs within dwellings continue to be included in the current budgeting process.

10. Provisions, Reserves and Balances

10.1. After reviewing the Housing Revenue Account and General Fund in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer advises maintaining the minimum level of HRA Balances at £500K from 01 April 2022 to support the budget forecasts, as part of the overall medium term financial planning for the HRA.

10.2. Draft statements on all reserves are attached at Appendix F(i) and Appendix F(ii). Levels are viewed as adequate for the period covered and Cabinet is asked to endorse this information, with the Statement being referred on to council as part of the HRA budget proposals.

11. Business Planning & Future Risks

11.1. Taking account of the work that has been done to date, the following table sets out the latest position for the business plan, represented by the level of unallocated balances and the Business Support Reserve (BSR). It compares the position back in February 2021 to projections as at February this year.

30 Year Business Plan: Business Support Reserve and Unallocated Balances

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	30 Year Cumulative Total £'000
Business Support Reserve	7,718	7,716	7,716	7,716	7,716
Unallocated Balances	1,844	1,863	2,102	2,306	11,947
Projections as at February 2021	**9,562**	**9,579**	**9,818**	**10,022**	**19,663**
Business Support Reserve	6,516	6,446	6,276	6,259	6,259
Unallocated Balances	1,608	602	500	500	19,366
Projections as at February 2022	**8,124**	**7,048**	**6,776**	**6,759**	**25,625**
Overall Movement (Adverse) / Favourable	**(1,438)**	**(2,531)**	**(3,042)**	**(3,263)**	**5,962**

11.2. The unallocated balance is currently £3.3M and at no point within the 30-year business plan does it breach the £500K lower limit as detailed in section 10.1.

11.3. The Business Support Reserve has a current unallocated balance of £6.3M. There is no further call on the reserve at this juncture for the remainder of the 30-year business plan with the exception of the aforementioned growth, which requires support until 2028/29, and the possibility of its further use to supplement the Mainway project.

11.4. In relation to the position reported to council February 2021, the increase in the projected balance at the end of the 30-year business plan is largely due to a change in inflation assumptions relating to insurance.

11.5. As outlined in the table above the projected balance at the end of the 30-year business plan is £25.6M. The reason for the increase from £8.1M is due to the cessation of the £1.041M annual self-financing repayment from 2041/42. This is relevant to the final 10 years of the 30-year business plan creating a real impact of £10.4M over that period.

11.6. Should the growth items in section 8 be approved then the combined level of reserves will be reduced to £12.8M by the end of the 30-year business plan.

11.7. As previously discussed, rents have been set at CPI+1% for five years. Due to fluctuations in CPI, 2022/23 rental income from dwellings is now forecast to be approximately £138K higher than estimated in the previous budget report. It has been assumed that increases will revert to CPI only from 2025/26, but the risks surrounding these assumptions must be appreciated and the magnitude of impact of a small change within this area.

11.8. The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Head of Financial Services takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in Appendix G.

12. Options and Options Analysis (including risk assessment)

12.1. The options with regards to rent setting are set out under section 3, the maximum permitted increase being CPI+1%. By applying this increase, it allows for a budget that can deliver on the Council's ambitions on improving housing standards and addressing the climate change emergency, whilst adhering to the Rent Standard and legislative requirements.

12.2. In relation to garage rents, the previous decision was to freeze rents for 2021/22. In order to protect current occupancy and income levels, and inline with sector benchmarking, a further 12-month freeze is recommended. Garage rents and occupancy will remain under review.

12.3. With regard to the revenue budget generally, Cabinet could consider other proposals that may influence spending in current and future years, as long as their financing is considered and addressed.

12.4 The options available in respect of the minimum level of HRA balances are to retain the level at £500K in line with the advice of the Section 151 Officer, or adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting and it could have implications for the Council's financial standing, as assessed by its external auditor.

12.5 With regards to the additional budget proposals as set out in section 8 of the report, Cabinet should consider the costs and benefits of the proposals and whether they are affordable, in particular, over the medium to longer term.

The options available in respect of the Capital Programme are:

i) To approve the programme in full, with the financing as set out;
ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.

12.6 Any risks attached to the above would depend on measures Members proposed, and their impact on the council housing service and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

Option 1: Set housing and garage rent levels as set out in this report and approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme; and the additional budget proposals as set out
Advantages: Increased rental income allows the Council to deliver towards its climate ambitions and provide an ambitious housing service which places people and place at the heart of its offer.
Disadvantages: Increased rent levels for tenants.
Risks: The HRA budget set out in this report is sustainable in the long term. The risk associated with Option 1 relates to any future Mainway project (as referred to in section 9, above) and any borrowing or use of reserves in relation to this.
Option 2: Set housing and garage rent levels as detailed in this report and approve the provisions, reserves and balances position (and their use) as set out, and the revenue budgets and capital programme, but allowing for Cabinet's recommendations regarding specific additional budget proposals.
Advantages: Increased rental income allows the council to deliver towards its ambitions. Non-approval of additional budget proposals would lead to greater HRA surpluses over the life of the 30-year business plan.
Disadvantages: Non-approval of additional budget proposals would cause a scaling back of ambitions.
Risks: Inability to maximise service provision and deliver on Council, and housing related ambitions.

Option 3: To propose alternatives to those outlined in Section 11 above.
Advantages: Unknown
Disadvantages: Would require further options analysis
Risks: Impact on housing service and council housing tenants unknown.

13 Officer Preferred Option (and comments)

Option 1: Set housing and garage rent levels as set out in this report and approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme; and all additional budget proposals as set out

APPENDIX A

HOUSING REVENUE ACCOUNT BUDGET

For Consideration by Cabinet 8 February 2022

	2022/23 Budget £	2023/24 Forecast £	2024/25 Forecast £	2025/26 Forecast £
INCOME				
Rental Income - Council Housing	(14,499,900)	(14,883,700)	(15,260,700)	(15,505,100)
Rental Income - Other (Shops and Garages etc.)	(273,300)	(277,200)	(281,300)	(285,300)
Charges for Services & Facilities	(1,513,000)	(1,543,200)	(1,571,300)	(1,598,200)
Grant Income	(7,700)	(7,700)	(7,700)	(7,700)
Contributions from General Fund	(95,600)	(100,700)	(103,300)	(103,700)
Total Income	**(16,389,500)**	**(16,812,500)**	**(17,224,300)**	**(17,500,000)**
EXPENDITURE				
Repairs & Maintenance	5,718,400	5,731,500	5,881,300	5,986,100
Supervision & Management	3,916,200	4,020,100	4,161,100	4,259,800
Rents, Rates & Insurance	355,600	385,600	415,800	445,800
Contribution to Provision for Bad and Doubtful Debts	141,300	142,700	144,200	145,800
Depreciation & Impairment of Fixed Assets	2,771,700	2,771,700	2,771,700	2,771,700
Debt Management Costs	0	0	0	0
Total Expenditure	**12,903,200**	**13,051,600**	**13,374,100**	**13,609,200**
NET COST OF HRA SERVICES	**(3,486,300)**	**(3,760,900)**	**(3,850,200)**	**(3,890,800)**
Capital Grants and Contributions Receivable	0	0	0	0
Interest Payable & Similar Charges	1,679,400	1,640,300	1,640,300	1,640,300
Premiums & Discounts from Earlier Debt Rescheduling	0	0	0	0
Interest & Investment Income	(43,100)	(44,800)	(44,800)	(44,800)
Pensions Interest Costs & Expected Return on Pensions Assets	0	0	0	0
Self Financing Debt Repayment	1,041,400	1,041,400	1,041,400	1,041,400
(SURPLUS) / DEFICIT FOR THE YEAR	**(808,600)**	**(1,124,000)**	**(1,213,300)**	**(1,253,900)**
Adjustments to reverse out Notional Charges included above	0	0	0	0
Net Charges made for Retirement Benefits	0	0	0	0
Transfer to/(from) Earmarked Reserves - for Revenue Purposes	32,400	60,800	(91,500)	(26,900)
Capital Expenditure funded from Major Repairs Reserve	1,601,800	2,068,800	1,406,800	1,280,800
Transfer from Earmarked Reserves - for Capital Purposes	(465,000)	(70,000)	(70,000)	0
Financing of Capital Expenditure from Earmarked Reserves	465,000	70,000	70,000	0
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	**825,600**	**1,005,600**	**102,000**	**0**
SAVINGS AND BUDGET PROPOSALS				
Tenant Liaison Officer	27,900	34,400	35,900	38,300
CBL Support (Mutual Exchanges) 0.5FTE	10,700	13,100	13,700	14,600
Communications Officer 0.5FTE	13,300	16,600	16,900	18,200
Compliance Team and catch-up programme	526,000	136,900	143,100	148,600
CBL Locata project (£72K funded from ICT & Systems Improvement Reserve)	0	0	0	0
System Replacement (pre-project work) (£212K funded from ICT & Systems Improvement Reserve)	0	0	0	0
Independent living scheme equipment upgrade - digital (£250K funded from Sheltered Support Grant Maintenance Reserve)	0	0	0	0
Accelerated Mainway Phase 1 (£4M funded from Business Support Reserve)	0	0	0	0
TOTAL GROWTH	**577,900**	**201,000**	**209,600**	**219,700**
Additional funding requirement, supported by Business Support Reserve	0	(676,900)	(311,600)	(219,700)
UPDATED TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	**1,403,500**	**529,700**	**0**	**0**
Housing Revenue Account Balance brought forward	(2,433,269)	(1,029,769)	(500,069)	(500,069)
HRA BALANCE CARRIED FORWARD	**(1,029,769)**	**(500,069)**	**(500,069)**	**(500,069)**

Note: The shaded items relate directly to financing the capital programme, and comprise depreciation on Council Dwellings, grants and contributions, use of the Major Repairs Reserve and specific Earmarked Reserves.

APPENDIX B

HOUSING REVENUE ACCOUNT VARIANCE ANALYSIS

	2022/23	
	£	£
ORIGINAL BUDGET		**0**
EXPENDITURE		
Employee Savings		
Impact of change in assumptions re pay award for 2021/22	(28,200)	
		(28,200)
Premises		
Repairs & Maintenance - impact of change in assumptions re pay award for 2021/22	(123,600)	
Premises Insurance - increase in premium relating to council house properties	(64,400)	
		(188,000)
Transport		
	0	
		0
Supplies & Services		
	0	
		0
Support Services		
Fees relating to development consultancy and consultation for Mainway estate, funded from reserves	0	
		0
INCOME		
Rents (Dwellings) - increase in CPI from 2.0% estimated to 3.1% actual (as at September 2021)	138,000	
		138,000
FINANCING		
Direct Revenue Financing - additional funding from earmarked reserves towards capital programme	(295,000)	
		(295,000)
APPROPRIATIONS		
Earmarked Reserves appropriations - reduced net contribution to Flats Planned Maintenance Reserve re changes to Communal Areas programme	20,000	
Business Support Reserve - changes to Property Conversions programme	372,000	
Major Repairs Reserve appropriations - net decrease/(increase) in additional contribution due to reprofiling of capital programme	(372,000)	
		20,000
Other Net Service Variances		**30,200**
IN YEAR VARIANCES		**(323,000)**
Previously Agreed Contribution To / (From) Unallocated Reserve		(502,600)
REVISED CONTRIBUTION TO / (FROM) UNALLOCATED RESERVE		**(825,600)**

*Variances shown as (adverse) / favourable

APPENDIX C

Council Housing 4 Year Capital Programme
For Consideration by Cabinet 8 February 2022

	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	TOTAL £000
EXPENDITURE					
Adaptations	300	300	300	300	1,200
Energy Efficiency/Boiler Replacement	989	999	1,009	1,019	4,016
Internal Refurbishment	888	947	888	888	3,611
External Refurbishment	210	-	508	270	988
Environmental Improvements	200	450	150	150	950
Re-roofing/Window Renewals	738	1,102	313	415	2,568
Rewiring	56	90	88	88	322
Lift Replacements	-	-	-	-	-
Fire Precaution Works	240	180	150	150	720
Housing Renewal and Renovation	1,753	1,378	1,378	1,308	5,817
TOTAL EXPENDITURE	**5,374**	**5,446**	**4,784**	**4,588**	**20,192**
FINANCING					
Capital Receipts	540	540	540	540	2,160
Contributions	-	-	-	-	-
Earmarked Reserves	465	70	70	-	605
Major Repairs Reserve	4,369	4,836	4,174	4,048	17,427
TOTAL FINANCING	**5,374**	**5,446**	**4,784**	**4,588**	**20,192**
SHORTFALL/(SURPLUS)	**0**	**0**	**0**	**0**	**0**

APPENDIX D

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME - KEY CHANGES

	2021/22 Projected Outturn	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
PREVIOUSLY APPROVED CAPITAL PROGRAMME	**5,213**	**4,807**	**4,506**	**4,474**
Adaptions				
Slippage from 2020/21 programme	+60			
Energy Efficiency/Boiler Replacement				
Slippage from 2020/21 programme	+10			
Boiler replacement inflationary increase		+20	+20	+30
Renewal technologies duplication			(90)	
Internal Refurbishment				
Adjustments to kitchen programme	(750)	(48)	(48)	(48)
External Refurbishment				
Slippage from 2020/21 programme	+43			
Upgrade & replacement of existing entrance doors	+175	(238)	(246)	+238
External rendering	(175)	+149		
Environmental Improvements				
Slippage from 2020/21 programme	+45			
Replacement of rear plastic fence panels with timber	+750			
Communal areas, railings & balusters	(28)	(380)	+200	(100)
Re-Roofing/Window Renewals				
Slippage from 2020/21 programme	+92			
Roofing programme priority changes	(125)	(5)	+583	(371)
Replace failing glazing	(120)	+115		
Rewiring				
Slippage from 2020/21 programme	+30			
Adjustments to programme		(32)		
Lift Replacements				
No change to programme				
Septic Tanks				
No change to programme				
Fire Precaution Works				
Adjustments to programme		+90		
Housing Renewal and Renovation				
Slippage from 2020/21 programme	+133			
Renewals and renovations	(335)	+896	+521	+561
Minor Variances	+0	+0	+0	+0
REVISED CAPITAL PROGRAMME	**5,018**	**5,374**	**5,446**	**4,784**

Budget Proposals | 2022-26
Proposal Summary

Proposal: Tenant Liaison Officer	
Directorate: Communities and the Environment	Service: Housing
Cost Centre Name: Council Housing M&A	Cost Centre Number: H1000

What is the Proposal?

To allow delivery of major maintenance projects to homes successfully, and to delivery positive outcomes for tenants and others involved in projects, a dedicated liaison officer is needed.

The role of the officer is to liaise between the repairs and maintenance team, the tenant, and the contractors involved to provide a first class service in understanding tenant requirements, ensuring relevant staff involved in the project are aware and acting upon this, and to support tenants generally to make sure that needs, concerns, requirements, and practical arrangements are resolved.

Such a role is particularly necessary in projects which involved the (temporary) rehousing of tenants affected by works. The ongoing whole house and energy efficiency improvement works on Mount Avenue are an example of a project where such a role is required. In addition, the Mainway project currently under consideration is likely to require a significant and multi-year tenant liaison element regardless of the specific nature and scope of the project.

Priorities

How does the proposal impact on the council's Priorities? In the right-hand column, please provide an indicative figure from +2 (long-term or very positive impact) to -2 (long-term or very negative impact), or 0 if no impact.

Priority	Summary of Impact	Impact
A Sustainable District	Significant programmes of whole house improvements and other major capital works are driven by the need to improve energy efficiency and reduce the carbon footprint of the council housing stock. This TLO role is important for successful delivery of these programmes.	+1
An Inclusive and Prosperous Local Economy	Capital works will draw on local contractors – again supported by the TLO role	+1
Healthy & Happy Communities		
A Co-operative, Kind and Responsible Council	The disruption to tenants caused through these programmes of works will be mitigated by successful tenant liaison. This is particularly relevant where whole streets/areas are affected by large scale works.	+1

Estimated Resource Implications

Overall

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Total	**27,900**	**34,400**	**35,900**	**38,300**

Revenue

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Staff costs	27,900	34,400	35,900	38,300
Total	**27,900**	**34,400**	**35,900**	**38,300**

Budget Proposals | 2022-26
Proposal Summary

Funding the Future

Will the proposal deliver financial efficiencies?	Yes. A successful TLO will assist in minimising void rent loss by effectively managing any decant process. In addition, effective liaison by a dedicated officer allow for more efficient management of projects.
Will the proposal contribute to the Council's Commercial Strategy?	No
Will the proposal lever in finance from other organisations?	No
What is the expected lifespan of the proposal?	Permanent

Are there any other support requirements?

Additional support requirements are in line with the requirements of any other home working/mobile member of staff. ICT hardware and software will be required, occasional office accommodation will be required through the desk booking system, any training needs will be met through existing housing training budget.

Directors Signature

Signed	**Date**

Budget Proposals | 2022-26
Proposal Summary

Proposal: CBL Support Officer (MEX)	
Directorate: Communities and the Environment	Service: Housing
Cost Centre Name: Housing Options – Choice Based Lettings	Cost Centre Number: H2293

What is the Proposal?

To create a post within the CBL team which focusses on Mutual Exchanges.

A Mutual Exchange is a home swap between two existing council tenants. When an exchange takes place the tenants agree this between themselves (with oversight and approval from the Council as Landlord). The exchange takes place 'as seen' and is an agreement between two tenants.

With a mutual exchange the Council have compliance obligations around gas and electrical testing, but because neither of the properties are treated as voids they incur no void costs, void rent loss, and officer time and resources around the voids and lettings process is reduced. The alternative to a mutual exchange is a transfer, which creates a void and relet and all the associated costs to the council. Each void incurs direct repair and labour costs of £2,000+, and significant resources across the housing service.

Approximately 50-60 transfers currently take place per year to allow current tenants to address their housing need, and around 15 Mutual Exchanges take place. By recruiting a dedicated officer a proactive mutual exchange service can be provided that seeks to encourage and facilitate mutual exchanges for current tenants looking to be rehoused elsewhere. It is anticipated that the number of transfers can be reduced, with an increase in mutual exchanges meeting the housing need of those current tenants seeking alternative accommodation.

This is a 0.5 FTE post on a fixed term of 12 months to allow for review and to assess the effectiveness of this role before considering a permanent position.

Priorities

How does the proposal impact on the council's Priorities? In the right-hand column, please provide an indicative figure from +2 (long-term or very positive impact) to -2 (long-term or very negative impact), or 0 if no impact.

Priority	Summary of Impact	Impact
A Sustainable District		
An Inclusive and Prosperous Local Economy		
Healthy & Happy Communities	Helps to address housing need by promoting movement *within* housing stock, contributing to sustainable communities and making best use of housing stock.	+1
A Co-operative, Kind and Responsible Council	Promotes working *with* tenants, co-operatively, to help improve their housing situation and make responsible, sustainable use of housing stock across the district.	+1

Estimated Resource Implications

Overall

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Total	10,700	13,100	13,700	14,600

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

Budget Proposals | 2022-26
Proposal Summary

Revenue

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Staff costs	10,700	13,100	13,700	14,600
Total	**10,700**	**13,100**	**13,700**	**14,600**

Funding the Future

Will the proposal deliver financial efficiencies?	Yes – every potential internal transfer which takes place as a mutual exchange instead will save money, in void costs and officer time and resource. This will promote a more effective use of the tools available to the housing service around voids and lettings
Will the proposal contribute to the Council's Commercial Strategy?	No
Will the proposal lever in finance from other organisations?	No
What is the expected lifespan of the proposal?	Initial 12-month period to demonstrate financial efficiencies and benefit to tenants and neighbourhoods. If successful, consideration to make the new resource permanent may be sought.

Are there any other support requirements?

Standard software and hardware appropriate to this home based/mobile working role (laptop/tablet, phone, etc.) Training requirements will be funded through current training budgets within HRA.

Directors Signature

Signed	**Date**

Budget Proposals | 2022-26
Proposal Summary

Proposal: Communications Officer - Housing	
Directorate: Communities and the Environment	Service: Housing
Cost Centre Name: HRA	Cost Centre Number: H1000

What is the Proposal?

To create a post of Communications Officer within the council housing team. This will be a 0.5 FTE permanent position and will co-ordinate all communications: including key messaging to residents linked to compliance areas of work as well as our social media, newsletters, annual reports, project updates, standard letters, and website.

Clarity of communication from the housing team will improve delivery of a transparent, joined up housing service to tenants and residents. It will ensure a consistent 'voice' and message, and will help to manage expectations around service provision, involve tenants in service delivery, and promote a more interactive tenant/landlord relationship.

The post will be delivered in support of service objectives around:

- Increased visibility and transparency of housing services

- Promoting the service as a 'landlord of choice' within the district

- Response to the Govt. white paper and future regulatory obligations linked to this – particularly around tenant involvement and 'voice'.

- Promotion of transactional digital customer service offer

- Promotion of advice, guidance and support relating to the climate emergency and the carbon neutral agenda

Priorities

How does the proposal impact on the council's Priorities? In the right-hand column, please provide an indicative figure from +2 (long-term or very positive impact) to -2 (long-term or very negative impact), or 0 if no impact.

Priority	Summary of Impact	Impact
A Sustainable District		
An Inclusive and Prosperous Local Economy		
Healthy & Happy Communities	Promotion of a more interactive tenant/landlord relationship – empowering communities through more open, transparent communication to make a difference in their neighbourhood	+1
A Co-operative, Kind and Responsible Council	Development of a more customer focussed approach through considered, consistent, open communication.	+1

Estimated Resource Implications

Overall

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Total	13,300	16,600	16,900	18,200

Budget Proposals | 2022-26
Proposal Summary

Revenue

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Staff costs	13,300	16,600	16,900	18,200
Total	**13,300**	**16,600**	**16,900**	**18,200**

Funding the Future

Will the proposal deliver financial efficiencies?	Yes. Improved communication will realise efficiencies around 'right first time' delivery of services and will reduce unnecessary tenant contact in favour of useful, productive interaction.
Will the proposal contribute to the Council's Commercial Strategy?	No
Will the proposal lever in finance from other organisations?	No
What is the expected lifespan of the proposal?	Permanent role

Are there any other support requirements?

Additional support requirements are in line with the requirements of any other home working/mobile member of staff. ICT hardware and software will be required, occasional office accommodation will be required through the desk booking system, any training needs will be met through existing housing training budget.

Directors Signature

Signed	**Date**

Budget Proposals | 2022-26
Proposal Summary

Proposal: Dedicated Building Safety/Property Compliance Team	
Directorate: Communities and the Environment	**Service: Housing - RMS**
Cost Centre Name: Various	**Cost Centre Number: Various**

What is the Proposal?

Summary:- The Grenfell enquiry and subsequent Hackett Reviews has significantly raised the profile of occupant safety in buildings. The new Building Safety Bill to be introduced will also reinforce the safety of occupants.

Following the appointment of consultants to review the Housing Services approach to the management of compliancy and ensuring we are fit for the future linked to the above legislation has identified a number of priorities. A key area of work will be the establishment of a dedicated Compliance Team with explicit responsibility to focus entirely on the management and delivery of compliance programmes of work.

These works relate to Gas Safety, Electrical Safety, Fire Safety, Management of Asbestos, Water Hygiene and Lifting Equipment. Additional revenue funding will be required to deliver a "Catch up" programme of compliancy works during 2022/2023.

The dedicated team will be led by a Building Safety/Compliance Manager, 3 x Compliance Officers with specific roles and responsibility, 1 x Compliance Inspector and 1 x Compliance Administrator. This proposal will see the establishment of 3 new roles (Building Safety / Compliance Manager, 1 x Compliance Officer and Compliance Administrator) and the reallocation of existing staff (following a consultation process where appropriate with appropriate staff) into the remaining roles in the new structure.

What difference will it make? The establishment of a dedicated Compliance Team within Council Housing will enable the central management, co-ordination and monitoring of all compliance related activity. It will also ensure that high risk buildings, communal areas and domestic properties are safely managed ensuring compliance with all relevant Statutory requirements including the new Building Safety Bill. Above all, the safety of tenants, leaseholder's and residents will be significantly enhanced with the establishment of a dedicated compliance team.

Priorities

How does the proposal impact on the council's Priorities? In the right-hand column, please provide an indicative figure from +2 (long-term or very positive impact) to -2 (long-term or very negative impact), or 0 if no impact.

Priority	Summary of Impact	Impact
A Sustainable District	Improved safety of all occupants will support the sustainment of Council Housing tenancies	+1
An Inclusive and Prosperous Local Economy	Programmes of work will be prepared and procured with the intention of using local suppliers and contractors where the skill set is available.	+1
Healthy & Happy Communities	Performance safety management regime to ensure all inspections, testing and remedial works are undertaken within prescribed timescales ensuring the H&S of all occupants and visitors to Council Housing stock	+2
A Co-operative, Kind and Responsible Council	Compliance with all Statutory obligations	+1

Budget Proposals | 2022-26
Proposal Summary

Estimated Resource Implications

Overall

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Total	**526,000**	**136,900**	**143,100**	**148,600**

Revenue

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Staff costs	113,000	136,900	143,100	148,600
3 x laptops/printers	4,500			
3 x mobile telephones	1,000			
Professional membership & training	7,500			
Compliance Catch Up Programme	400,000			
Total	**526,000**	**136,900**	**143,100**	**148,600**

Funding the Future

Will the proposal deliver financial efficiencies?	Yes – longer term contracts will be procured which will generate savings compared to annual arrangements
Will the proposal contribute to the Council's Commercial Strategy?	Yes – where appropriate local suppliers/contractors will be utilised
Will the proposal lever in finance from other organisations?	No
What is the expected lifespan of the proposal?	Ongoing – continual requirement

Are there any other support requirements?

What other resources and support may be required to deliver this proposal? Office accommodation, laptops/printers, mobile phones, training and membership of relevant professional organisations

Directors Signature

Signed	**Date**

Budget Proposals | 2022-26
Proposal Summary

Proposal: CBL System and Implementation - Locata	
Directorate: Communities and the Environment	Service: Housing
Cost Centre Name: Housing Options – Choice Based Lettings	Cost Centre Number: H2293

What is the Proposal?

A new Choice Based Lettings system – Locata - has been procured to replace the current, outdated Civica solution used to let council properties. The Civica solution is no longer fit for purpose, and procurement of the new system is a more cost-effective solution than the otherwise costly upgrade to current system.

An additional CBL Officer is required to deliver the 12-month implementation of the system 1xFTE Housing Options Officer (CBL) for fixed term of 12 months. Without recruiting this extra resource it would be impossible to continue to deliver the lettings service – a crucial service area for addressing housing need within the district - at current levels of performance.

The Officer will be trained as a generic CBL Officer and will deliver the day to day service alongside colleagues, freeing up more experienced Officers to deliver system implementation, project managed by the current Choice Based Lettings Manager.

The system itself will cost £44k initially, with ongoing maintenance costs being within current budgets. It is requested that this cost also be funded from the ICT Replacement Reserves as part of this growth item.

Due to the urgency of the project, spend of ICT Replacement Reserves has been approved to cover the period Jan-Apr 2022, with this growth item seeking further reserve funding for the remainder of the project.

Priorities

How does the proposal impact on the council's Priorities? In the right-hand column, please provide an indicative figure from +2 (long-term or very positive impact) to -2 (long-term or very negative impact), or 0 if no impact.

Priority	Summary of Impact	Impact
A Sustainable District		
An Inclusive and Prosperous Local Economy		
Healthy & Happy Communities		
A Co-operative, Kind and Responsible Council	The new lettings system will allow for effective letting of empty council homes in line with the Council's allocation policy, and best practice and current legislation, and in a way which is accessible and understandable to housing applicants. Addressing housing need fairly, transparently, and responsibly allows the council to better support residents in addressing their housing needs.	+1

Estimated Resource Implications

Overall

	2022/23 £	2023/24 £	2024/25 £	2025/26 £

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Budget Proposals | 2022-26
Proposal Summary

Total	**0**	**0**	**0**	**0**

Revenue

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Staff costs	28,000			
Software implementation	44,000			
Total	**72,000**			

Reserves

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
ICT & Systems Improvement Reserve	(72,000)			
Total	**(72,000)**			

Funding the Future

Will the proposal deliver financial efficiencies?	Yes. It is expected that by utilising the market leader in choice based letting systems void rent loss can be minimised – reducing relet times and maximising rental income.
Will the proposal contribute to the Council's Commercial Strategy?	No
Will the proposal lever in finance from other organisations?	No
What is the expected lifespan of the proposal?	The new system will be implemented over 9-12 months – costs associated with this growth item will be incurred only during this period.

Are there any other support requirements?

Some ICT and Housing Systems Support will be required. These teams are fully briefed on the project and have capacity to support.

Directors Signature

Signed	**Date**

Budget Proposals | 2022-26
Proposal Summary

Proposal: System Replacement project work	
Directorate: Communities and the Environment	Service: Housing
Cost Centre Name: Council Housing M&A	Cost Centre Number: H1000

What is the Proposal?

Early work is underway for significant housing management and repairs and maintenance ICT system replacement within the Housing Service. Current systems are (in some cases) 15+ years old and reaching end of life. This project is a multi-year, potentially transformative piece of work which will help to re-imagine the way the service works, driving efficient and effective working practices and providing a responsive, outward facing, transactional and digitally engaging service for customers.

Early in the project it is intended to engage external expertise to assist us in redesigning process and practice and re-imagine service delivery in the context of the latest digital technology, to create an ideal spec for new systems. In doing this preparatory work early we intend to minimise the risk of procuring systems which will not deliver what we as a housing organisation require to run our business effectively. This work will also allow us to better understand the services and digital platform that customers want from us as a modern, transparent, responsible landlord – how they can access services and information, and communicate, engage and transact with us.

It is anticipated that from this early piece of work other early-project preparation work may be identified. This growth item is a request for a sum of money to be available from the ICT System Replacement reserves to be accessed for these purposes – £30k.

In addition, to ensure resilience of the current housing management system (particularly around server maintenance and support) it is necessary to engage current system provider Northgate to 'manage' the system and its server on our behalf – this skill set does not currently exist in-house – at a cost of £24k per year.

An upgrade of the current repairs and maintenance system provided by Total also requires consideration, at a one-off cost of £110k.

Priorities

How does the proposal impact on the council's Priorities? In the right-hand column, please provide an indicative figure from +2 (long-term or very positive impact) to -2 (long-term or very negative impact), or 0 if no impact.

Priority	Summary of Impact	Impact
A Sustainable District		
An Inclusive and Prosperous Local Economy		
Healthy & Happy Communities	Modern systems will allow delivery of an enhanced customer experience: which is responsive to the diverse needs of tenants and residents, and able to deliver joined up and transparent services which improve communities.	+1
A Co-operative, Kind and Responsible Council	Modern systems will allow delivery of an enhanced customer experience: which is responsive the diverse needs of tenants and residents and allows for improved communication and interaction. Efficiencies across service delivery will also all 5teh housing service to deliver as a responsible and cost-effective landlord.	+1

Estimated Resource Implications

Budget Proposals | 2022-26
Proposal Summary

Overall

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Total	**0**	**0**	**0**	

Revenue

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Pre project consultancy	30,000			
Northgate 'managed' service	24,000	24,000	24,000	
Total repairs system upgrade	110,000			
Total	**164,000**	**24,000**	**24,000**	

Reserves

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
ICT & Systems Improvement Reserve	(164,000)	(24,000)	(24,000)	
Total	**(164,000)**	**(24,000)**	**(24,000)**	

Funding the Future

Will the proposal deliver financial efficiencies?	Yes. Improved systems, delivered following appropriate pre-project planning, will help the service to deliver efficiencies across both housing management and repairs and maintenance.
Will the proposal contribute to the Council's Commercial Strategy?	Modern systems will allow progression of commercialisation with the repairs and maintenance service.
Will the proposal lever in finance from other organisations?	Not directly
What is the expected lifespan of the proposal?	Total delivery of new systems within 3 years

Are there any other support requirements?

ICT support will be required - the Housing Systems Manager will be managing the system replacement project and drawing in ICT support as required.

Directors Signature

Signed	**Date**

Budget Proposals | 2022-26
Proposal Summary

Proposal: Independent Living scheme equipment digital upgrade	
Directorate: Communities and the Environment	Service: Housing
Cost Centre Name: Various	Cost Centre Number: Various

What is the Proposal?

Replacement of analogue alarm and monitoring equipment on Independent Living (formerly sheltered housing) schemes prior to digital switchover 2025.

The old technology that powers landline telephones in the UK will be switched off in 2025. Landline operators in the UK will switch every home phone in the UK to an internet-based connection instead of a traditional copper-wire landline which will be much faster and efficient.

The equipment in Independent Living that allow residents to raise alarm calls, allows our monitoring service to respond to incidents and emergencies, and delivers some of the door entry systems, currently operates using analogue phone lines. We have already carried out the digital switchover – replacing scheme equipment and wiring in two schemes, and now need to do the same in the remaining fourteen in response to the digital switchover but also to provide a modern, responsive and reliable service to our residents.

Priorities

How does the proposal impact on the council's Priorities? In the right-hand column, please provide an indicative figure from +2 (long-term or very positive impact) to -2 (long-term or very negative impact), or 0 if no impact.

Priority	Summary of Impact	Impact
A Sustainable District		
An Inclusive and Prosperous Local Economy		
Healthy & Happy Communities	Provision of the digital upgrade will allow delivery of alarm call and monitoring service which allow residents to live independently withing their homes: offering a secure, reliable, and function-rich system which provides peace of mind to residents and their families.	+1
A Co-operative, Kind and Responsible Council	Ensuring compliance with the digital switchover 2025 is the responsible approach to offering such services. In addition, the digital infrastructure will allow the service, in co-operation with residents, to explore options around future service provision in the context of technological advances.	+1

Estimated Resource Implications

Overall

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Total	0	0	0	0

Revenue

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Equipment replacement	250,000			
Total	250,000			

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Budget Proposals | 2022-26
Proposal Summary

Reserves

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Sheltered Support Grant Maintenance Reserve	(250,000)			
Total	**(250,000)**			

Funding the Future

Will the proposal deliver financial efficiencies?	Perhaps - the digital infrastructure offers the potential to utilise technology to re-design service delivery in future – this may realise financial efficiencies
Will the proposal contribute to the Council's Commercial Strategy?	No
Will the proposal lever in finance from other organisations?	No
What is the expected lifespan of the proposal?	The replacement work will take place over 12-18 months as a one-off upgrade funded entirely from earmarked reserves funded through tenant service charges

Are there any other support requirements?

Staff resources - the contract management and technical input will be delivered by the technical services team with RMS

Directors Signature

Signed	**Date**

HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT
For Consideration by Cabinet 8 February 2022

	Balance as at 31/03/21	Contributions			Balance as at 31/03/22	Contributions			Balance as at 31/03/23	Contributions			Balance as at 31/03/24	Contributions			Balance as at 31/03/25	Contributions			Balance as at 31/03/26
		To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve		
			To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
HRA General Balances	**3,287,169**			(853,900)	**2,433,269**			(825,600)	**1,607,669**			(1,005,600)	**602,069**			(102,000)	**500,069**				**500,069**
Earmarked Reserves:																					
Business Support Reserve	**7,909,792**		(563,000)	(385,900)	**6,960,892**		(445,000)		**6,515,892**		(70,000)		**6,445,892**		(70,000)	(100,100)	**6,275,792**			(16,500)	**6,259,292**
Major Repairs Reserve	**403,587**	4,382,500	(4,382,500)		**403,587**	4,373,500	(4,373,500)		**403,587**	4,840,500	(4,840,500)		**403,587**	4,178,500	(4,178,500)		**403,587**	4,052,500	(4,052,500)		**403,587**
Flats - Planned Maintenance	**758,294**	133,000	(45,000)	(22,900)	**823,394**	33,000	(20,000)	(22,900)	**813,494**	33,000		(22,900)	**823,594**	33,000		(22,900)	**833,694**	33,000		(22,900)	**843,794**
ICT and Systems Improvement	**579,978**			(25,900)	**554,078**			(1,000)	**553,078**				**553,078**				**553,078**				**553,078**
Office Equipment Reserve	**39,009**				**39,009**				**39,009**				**39,009**				**39,009**				**39,009**
Sheltered - Equipment	**411,535**	21,000		(52,100)	**380,435**	25,300		(37,700)	**368,035**	20,400		(15,400)	**373,035**	18,000		(58,100)	**332,935**	13,200		(58,100)	**288,035**
Sheltered - Planned Maintenance	**400,573**	42,000		(40,300)	**402,273**	50,700		(40,300)	**412,673**	40,600		(15,300)	**437,973**	35,900		(15,300)	**458,573**	26,500		(15,300)	**469,773**
Sheltered Support Grant Maintenance	**568,000**	21,000			**589,000**	25,300			**614,300**	20,400			**634,700**	18,000			**652,700**	13,200			**665,900**
Total Earmarked Reserves	**11,070,767**	**4,599,500**	**(4,990,500)**	**(527,100)**	**10,152,667**	**4,507,800**	**(4,838,500)**	**(101,900)**	**9,720,067**	**4,954,900**	**(4,910,500)**	**(53,600)**	**9,710,867**	**4,283,400**	**(4,248,500)**	**(196,400)**	**9,549,367**	**4,138,400**	**(4,052,500)**	**(112,800)**	**9,522,467**

RESERVES AND PROVISIONS - For Consideration by Cabinet on 8 February 2022

	Reason for/purpose	How & when it be used	Management & control	Reviewe d	Recommendations
Capital Reserves					
Major Repairs Reserve (MRR)	Set up following the introduction of Resource Accounting in the HRA. Credited with the amount of depreciation charged to the HRA and topped up with additional funds required to finance the capital programme in-year.	Use of reserve to be determined and reported by the Director of Corporate Services (or her nominated representative). Can be applied to capital improvements to HRA housing stock (specifically excluding demolition) and, additionally from 1st April 2004, repayment of HRA debt and credit liabilities (including premia on early repayment of PWLB loans).	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**To provide in-year funding for the capital programme as budgeted**
Business Support Reserve (BSR)	Established to provide support to additional business plan commitments and planned investment opportunities.	Use of the reserve to be approved by Cabinet. Contributions to the reserve to be approved annually as part of the budget.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted, noting that the first call will be to support the business plan**

RESERVES AND PROVISIONS - For Consideration by Cabinet on 8 February 2022

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Revenue Reserves					
Flats – Planned Maintenance Reserve	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in flats.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted**
ICT & Systems Improvement Reserve	Established to fund future ICT systems and equipment replacement.	To be applied to future replacements and system / process improvements.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted**
Office Equipment Reserve	Established to fund purchases of major office furnishings.	Used to fund ad-hoc purchases of major office furnishings resultant from health & safety legislation and risk assessments (desk, chairs, cabinets etc) and minor office equipment items.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted**
Sheltered Equipment Reserve	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted**

RESERVES AND PROVISIONS - For Consideration by Cabinet on 8 February 2022

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Sheltered – Planned Maintenance	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted**
Sheltered – Support Grant Maintenance	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges, but classed as Support Costs under County Guidelines.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted**

Use of all reserves with the exception of the BSR and MRR to be approved by the Director of Communities & the Environment in consultation with the Director of Corporate Services (or nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Provisions					
Bad Debts	This provision is used to provide cover for all Housing Revenue Account bad and doubtful debts.	Contributions are determined at budget setting and outturn, based on assessment of the level of debt outstanding. Write offs are charged against the provision during the year.	**Corporate Services**	**Budget & Outturn**	**As reflected in the report**

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

2022/23 BUDGET
HOUSING REVENUE ACCOUNT – RISKS & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 8 February 2022

Risk area	Details
Self-financing	Under Part VI of the Local Government and Housing Act 1989 a local authority has a duty to keep a HRA as a ring-fenced account and has a duty to ensure that it does not go into deficit. Following four years under which the Government removed local discretion to set rent levels (imposing four annual rent decreases of –1%) from 2020/21 (and for five consecutive years) Local Authorities are granted discretion to increase rents by a maximum of CPI +1%. Potential financial risk exists should the Government deviate from this position during the five-year period, or with significant fluctuations in CPI against projections. To help mitigate this robust business and financial planning arrangements need to be maintained, including the production of a 30-year business plan.
Rent Policy	From 2020/21 the Rent Standard within the Social Housing Regulations has applied to all Local Authorities. In previous years the Council has adhered to this aspect of the regulations voluntarily, as a matter of good practice, and as such our approach to rent setting remains largely unchanged. On 4 October 2017 the Government announced it would maintain statutory control over rent increases and that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020. This remains as current policy. The 30-year HRA business plan reflects this rent increase from 01 April 2020 and for 5 years. There is still uncertainty regarding prospects for 2025/26 onwards and future changes to regulation. These risks need to be considered and Government plans kept under review, to inform future decision-making.
Income Recovery	The impact of tenant debt and reduced income (through rent and other housing-related charges) on business planning is recognized as a key risk to the delivery of housing services and the sustainability of financial planning. Wider cost-of-living issues such as rising utility costs and increases in inflation potentially increase this risk. Income Management within the housing service is externally accredited by the Housing Quality Network (HQN) and delivers best practice across many areas of tenant debt. A renewed focus on former tenant and other sundry debt continues and is reflected in service improvement planning from 2021 onwards, as are wider financial support and inclusion activities across the service.
Void levels (empty council properties)	Management of voids remains a priority to ensure that rent loss through empty properties is minimised. The coronavirus pandemic has had a significant impact in this area due to restricted access to properties, access to materials, self-isolation issues, difficulty in delivering a normal lettings service and a complete pause on lettings as directed by the government for a period at the start of the pandemic. Entering 2022/23 the effects of these restrictions continue to be seen.

	Void management is also subject to fluctuation in property turnover levels, and remains an area of risk. Continuous review is in place to mitigate this risk, underpinned by service improvement planning.
Reduced demand	Reduced demand for council housing within the district would pose a threat to rental income. Overall demand for council housing stock is currently high, particularly for one- and two-bedroom properties. Demand is monitored and informs the asset management planning process, and in line with the District Housing Strategy, informs the Council’s decision to give priority to building one-bedroom accommodation in any new build program or acquisition scheme. The potential for ‘difficult to let’ schemes, areas, or property types to undermine demand is monitored, with strategic planning in place to mitigate any specific issues. Work is ongoing to promote the visibility of the housing service – through marketing, communication, and with face-to-face customer service opportunities - and to maintain council housing as a landlord of choice within the district.
Stock reduction	The rate of Right to Buy (RTB) sales remains relatively low compared to historic levels of sales; the budget planning process assumes 20 Right to Buy Sales per year. Any sales lead to future projected rental income levels being reduced, but many costs are fixed, resulting in an adverse impact on the revenue position. On the other hand, low sales levels also lead to lower levels of capital receipt. Significant increase in RTB sale would reduce income levels, which would lead to deterioration in the HRA budgetary position and the viability of the HRA. The government’s recent White Paper (December 2020) sets out expectations for increased promotion of the Right to Buy scheme, however there are no indications that a significant increase in sales is likely. To offset this the council housing team continue to explore avenues for development, delivering recent conversions of former scheme manager accommodation into one-bed units, and scoping other sites and opportunities to realise a ‘pipeline’ of potential development.
Additional capital requirements	Legislation, changes in health and safety standards, or the discovery of previously unknown defects create the potential for additional capital expenditure requirements. In response to the Building Safety Bill and Fire Safety Act (2021) the housing team have conducted a thorough review of all compliance activities: greater clarity and increased responsibility of the Council’s role as a landlord in this area will be reflected in additional capital spend. In addition, an increased focus and budgetary requirement has been placed on capital works delivered in response to the Climate Emergency, with a commitment to a ten year programme of energy efficiency improvements and upgrades across all housing stock.

	Asset management planning remains vital to identify the investment needs and inform the programmes. Any requirements identified will be reviewed and reflected in the 30-year HRA Business Plan. The Mainway estate (comprising circa 250 council dwellings) was subject, in 2019, to detailed survey work which highlighted the need for major decisions around repair, upgrade, or redesign. Project work is underway to define the options available; any potential project of transformation on Mainway will likely require borrowing against the HRA and will be subject to the council decision making process.
Service Resilience	The ongoing coronavirus pandemic, severe weather episodes, and other such events remain as financial and practical risks to delivery of the housing service. Greater resilience and working practices have been developed through experience in recent years to allow the service to maintain delivery against such risk. The service participates actively in the Council's resilience activities and planning, and has developed robust processes to mitigate such risk.
Effect of legislation/ regulation	Implications of new legislation / regulation or changes to existing legislation / regulation can present challenges and are monitored and reflected in service review and improvement planning. Recent examples include: The Social Housing White Paper (December 2020) set out the direction of regulatory environment for the future and will be reflected in regulation. Local Authorities are, from 2020/21, subject to the 'Rent standard' within the social housing regulations: a standard which Lancaster City Council has been adhering to voluntarily, prior to 2020/21, for reasons of best practice. The Building Safety Bill and Fire Safety Bill (2021) represent the legislative response to the Grenfell tragedy of 2017, and have informed a wide-ranging compliance review within the housing service.

Equality Impact Assessment

This **online** equality impact assessment should:

An equality impact assessment should take place when considering doing something in a new way. Please submit your completed EIA as an appendix to your committee report. Please remember that this will be a public document – do not use jargon or abbreviations.

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Service Council Housing

Title of policy, service, function, project or strategy

HRA Budget Report - Rent Setting

Type of policy, service, function, project or strategy: Existing ☒ New/Proposed ☐

Lead Officer Pete Linsley

People involved with completing the EIA

David Holme; Rachel Page

Step 1.1: Make sure you have clear aims and objectives

Q1. What is the aim of your policy, service, function, project or strategy?

To set council housing rents in line with current regulation, and in order to complete the HRA budgeting process which sets out ambitions for the housing service over the short and medium term. The proposed rent increase for 2022/23 is 4.1% (CPI + 1%).

Q2. Who is intended to benefit? Who will it have a detrimental effect on and how?

The setting of council housing rents, and the budgeting process which derives from it, affects council tenants and other residents within the district. The aims of the housing service involve tenancy, estate, and asset management, but also an investment in communities and neighbourhoods and the delivery of social value. Prudent rent setting underpins this. The potential for a detrimental impact exists in as much as an increase in rent will put pressure on those individuals in, or at risk of, financial hardship, particularly in the context of increasing energy costs and other cost-of-living pressure It should be noted that rent levels (set at 'social rent') will remain well below both market rent and 'affordable rent' (80% of market) and well below the Local Housing Allowance (LHA) level for the district: the LHA is the maximum amount payable through Housing Benefit or the housing element of Universal Credit. Where tenants are at risk of detriment the Council's in-house Income Management Team takes a pro active, supportive approach to preventing rent arrears and promoting financial inclusion through money advice, referrals for support, and assistance in maximising income (through benefit claims, or advice on management of other debts, for example). The Income Management Team is Housing Quality Network (HQN) accredited and delivers a best practice approach in this area. The team also works closely with internal colleagues and external partner organisations to support tenants and tenancy success generally.

Step 1.2: Collecting your information

Q3. Using existing data (if available) and thinking about each group below, does, or could, the policy, service, function, project or strategy have a negative impact on the groups below?

Group	Negative	Positive/No Impact	Unclear
Age	☐	☒	☐

Top Tip: Have a read of the "An easy guide for staff who need to complete an Equality Impact Assessment"

Equality Impact Assessment

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Disability	☐	☒	☐
Faith, religion or belief	☐	☒	☐
Gender including marriage, pregnancy and maternity	☐	☒	☐
Gender reassignment	☐	☒	☐
Race	☐	☒	☐
Sexual orientation including civic partnerships	☐	☒	☐
Other socially excluded groups such as carers, areas of deprivation	☐	☒	☐
Rural communities	☐	☒	☐

Step 1.3 – Is there a need to consult!

Q4. Who have you consulted with? If you haven't consulted yet please list who you are going to consult with? Please give examples of how you have or are going to consult with specific groups of communities

Consultation has taken place with the District Wide Tenants Forum; a group made up of council officers, councillors, and residents from across the district. The group discussed and debated the proposed rent increase and the future plans of the Council Housing Service and were broadly supportive of the decision to propose an increase in rents for 22/23 of CPI +1%. They were also in support of the priorities and key areas of spending outlined in the HRA Budget Report.

Step 1.4 – Assessing the impact

Q5. Using the existing data and the assessment in questions 3 what does it tell you, is there an impact on some groups in the community?

Age: No significant impact directly related to this group
Disability: No significant impact directly related to this group
Faith, Religion or Belief: No significant impact directly related to this group
Gender including Marriage, Pregnancy and Maternity: No significant impact directly related to this group
Gender Reassignment: No significant impact directly related to this group
Race: No significant impact directly relate dto this group
Sexual Orientation including Civic Partnership: No significant impact directly related to this group
Rural Communities: No significant impact directly related to this group

Step 1.5 – What are the differences?

Q6. If you are either directly or indirectly discriminating, how are you going to change this or mitigate the negative impact?

No areas of discrimination based on protected characteristics have been identified. Individuals in challenging financial circumstances ar at risk of indirect discriminated as outlined in Q2 above, but this is not linked to any specfici chracteristics outlined in Q5 above. Mitigation of this risk is outlined in Q2: tenancy health checks, and monitoring of rent accounts and related financial circumstances of tenants will allow a support and assistance to be provided as required.

Q7. Do you need any more information/evidence eg statistic, consultation. If so how do you plan to address this?

Top Tip: Have a read of the "An easy guide for staff who need to complete an Equality Impact Assessment"

Equality Impact Assessment

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No

Step 1.6 – Make a recommendation based on steps 1.1 to 1.5

Q8. If you are in a position to make a recommendation to change or introduce the policy, service, function, project or strategy, clearly show how it was decided on.

The Equality Impact Assessment concludes no adverse impact on individuals on the basis of a protected characteristic as above. However, it is noted that individuals and groups may be adversely impacted by a rent increase. As per Q2, above, where individuals are adversely affected there is mitigation in place.

Q9. If you are not in a position to go ahead, what actions are you going to take?

N/a

Q10. Where necessary, how do you plan to monitor the impact and effectiveness of this change or decision?

Continuous weekly monitoring of rent accounts takes place to highlight areas of negative impact. A programme of pre-tenancy assessment, tenancy health checks, tenancy audits, advice, and support is in place to identify those at risk of detriment prior to tenancy commencement.

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	**Date**	8 February 2022
Title	Bailrigg Garden Village – Vision Masterplan		
Report of	Director of Economic Growth and Regeneration		

Purpose of Report

For Cabinet to determine whether the Vision Masterplan for the Bailrigg Garden Village prepared for the council in 2021 by JTP consultants and informed by extensive community engagement and close working with stakeholders is to be the basis for the council's planning of the garden village and specifically work to prepare the Lancaster South Area Action Plan.

Key Decision (Y/N)	**Y**	**Date of Notice**	Dec 2021	**Exempt (Y/N)**	**N**

Report Summary

The report sets out the how the Vision Masterplan is conceived as providing a vision and directions for the planning and development of the Bailrigg Garden Village. It is intended that the Vision Masterplan should significantly inform preparation of the Lancaster South Area Action Plan (LSAAP). This Development Plan Document (DPD) as part of the Lancaster District Local Plan will set detailed planning policy and allocate land for development within the Local Plan identified Broad Area for Growth within South Lancaster, as defined by Policy SG1 of the Local Plan.

Recommendations of Councillors

(1) That Cabinet endorse the Vision Masterplan as the basis for the council's planning of the Bailrigg Garden Village and specifically in work to prepare the Lancaster South Area Action Plan.

(2) That Cabinet acknowledge that the Vision Masterplan is a material consideration in the determination of planning proposals.

Relationship to Policy Framework

The Vision Masterplan is consistent with all key elements of the councils Policy Framework including for

- A Sustainable District
- An Inclusive and Prosperous Local Economy
- Healthy and Happy Communities
- A Cooperative, Kind and Responsible Council

Further it is in full alignment with the Local Plan and local plan policy including policy for the Broad Area for Growth in South Lancaster.

Conclusion of Impact Assessment(s) where applicable

Climate. T The Vision Masterplan proposes garden village development that should contribute positively towards addressing the Climate Emergency It embodies and articulates how garden village development can minimise adverse contributions to climate change and how all aspects of place and building design should factor for this incorporate appropriate adaptations.	**Wellbeing & Social Value.** The Vision Masterplan places great focus on how to grow sustainable communities where people can lead fulfilling lives with a range of housing, work and leisure opportunities locally.
Digital The Vision Masterplan expects development to deliver the infrastructure and capacities needed to optimise opportunities for sustained and innovative digital living and working.	**Health & Safety** Not directly applicable as this is for development authorisation and construction stages.
Equality The Vision Masterplan is about making opportunities for all including in housing, work and leisure.	**Community Safety** The Vision Masterplan articulates how development should be designed to optimise community safety and opportunities for healthy living and peoples' wellbeing.

The Vision Masterplan anticipates a very high standard of urban design and development attaining to the latest thinking meeting best practice standards. Certain aspects will be substantively worked through at plan authorisation and construction stages.

Details of Consultation

JTP with support from council officers engaged extensively with local communities and with a wide range of stakeholder organisations over several months principally between January and May 2021. JTP used a wide variety of engagement methods many necessarily digital because of Covid restrictions. The digital proved very productive making for far reaching and iterative engagement with very many people and organisations.
A report summarising all consultations is appended to this report.

Legal Implications

There are no legal implications arising from this report.

Financial Implications

There are no financial implications to this report.

Other Resource or Risk Implications

There are no adverse resource or risk implications in recommending that the Vision masterplan significantly inform considerations in work to prepare the AAP. There work undertaken to produce the Vision masterplan should support and assist the Local Planning Authority to expeditiously bring forward plan proposals for the garden village as part of work to prepare the Lancaster South Area Action Plan (AAP).

Section 151 Officer's Comments

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

Monitoring Officer's Comments

The Monitoring Officer has been consulted and has no comments to add.

Contact Officer	Julian Inman
Tel	01524582336
Email	jinman@lancaster.gov.uk
Links to Background Papers	

1.0 Introduction

The Lancaster District Local Plan adopted in May 2019 identifies south Lancaster as a Broad Location for Growth and the focus for development of a new settlement – Bailrigg Garden Village. Policy SG1 of the Strategic Policies and Land Allocations Document Development Plan Document (DPD) sets the headline requirements and expectations for development of the garden village with these to be applied and articulated in much more detail in a further DPD the Lancaster South Area Action Plan (AAP) which will set the detailed policy framework for development and allocate land for development.

The council in the summer of 2019 commissioned JTP a leading architectural consultancy in architecture well practised in master-planning to prepare a Vision Masterplan for the Bailrigg Garden Village. This to articulate the spatial vision and ambition for the garden village and so to significantly inform work to prepare the AAP.

As required JTP delivered two stages of master-planning work. The first in the autumn of 2019 with a scoping exercise informed by collaborative work with key stakeholders and subsequently from January 2021 a second main stage to prepare a Vision Masterplan informed by extensive and intensive rounds of community and stakeholder engagement. The main second stage was much delayed as Covid impacted on the programming with in-person community and stakeholder engagements otherwise being prepared to start in the Spring of 2020.

2.0 Background

The Lancaster District Local Plan adopted by the Council in July 2020 sets the spatial context and need for development of the Bailrigg Garden Village. Both this and the subsequent master-planning work by JTP are informed by preceding rounds of work by council officers both on the Local Plan itself and in early informal work in late 2017 and the Spring of 2018 to scope and understand issues to be addressed in bringing forward a development proposition of such significance within South Lancaster.

3.0 Proposal

The Vision Masterplan is the product of very much work closely informed by extensive and far-reaching community and stakeholder engagements over several months. Working closely with officers JTP has worked hard to establish and understand people’s hopes and fears for the garden village, to capture and articulate aspirations and ally and mitigate concerns by working very considerately to masterplan with care. The Vision Masterplan is very closely informed by this breadth and strength of engagement and seeks to articulate how a sustainable as possible new settlement might come forward that is as sensitive as possible in a setting just south of the southern edge of Lancaster close by the Lancaster University.

The Vision Masterplan is prepared by a leading consultancy in masterplanning and is informed by extensive and far-reaching community engagement. Officers consider that it articulates a strong vision and offers a sound framework with clear directions for development planning to come.

4.0 Formal Development Planning

An endorsed Masterplan would be a significant informant in the preparation of the Lancaster South Area Action Plan (LSAAP). Members are reminded that the area to be covered by the LSAAP is established by Policy SG1 of the adopted Local Plan as the South Lancaster Broad Location for Growth. The Broad Local for Growth also includes areas of land that are not within the area explored by the JTP Masterplan.

The Masterplan will help to shape the land allocations and planning policies that will be used in the determination of planning proposals in south Lancaster. The Planning and Place Service will explore how the vision described and illustrated in the Masterplan can be realised in the context of appraising other evidence including; the consideration of specific housing needs, employment land needs, environmental constraints, the management of water, land availability, and associated infrastructure requirements.

Officers of the Planning and Place Service are currently collating the wider evidence base that will inform the AAP and will shortly be engaging with representatives from key stakeholder organisations and regulatory bodies such as Natural England, Historic England, the Environment Agency and the Lead Local Flood Authority, to discuss approaches to the development of specific planning policies. Public consultation on potential Policy Options is anticipated later this spring.

As the LSAAP is a Development Plan Document it must be advanced through the processes described in the Town and Country Planning (Local Planning) (England) Regulations 2012. Presently it is anticipated that work to develop the LSAAP will continue throughout 2022 with the prospect of a resolution to submit the LSAAP to Government being sought from Council around January next year. Formal Publication for representations could then take place around February to March 2023 with Submission to Government around April 2023. Thereafter the timetable for progress sits mainly with the Planning Inspectorate. Examination local hearing sessions could occur around August-September 2023. Receipt of an Inspector’s report that found the LSAPP to have been soundly prepared would be followed by a report to Council seeking a resolution to formally adopt the LSAAP. Potentially adoption could occur in the first months of 2024.

4.0 Options and Options Analysis (including risk assessment)

Option 1: To endorse the Vision Masterplan as the basis for the council's planning of the Bailrigg Garden Village and specifically in work to prepare the Lancaster South Area Action Plan.
Advantages: This will help give certainty as to the council's ambitions for growth in South Lancaster with the community and stakeholders and with the county council with whom the city council is collaborating closely to realise these growth ambitions. The option will provide robust directions for and very significantly inform the statutory planning work required going forward to prepare the Lancaster South Area Action Plan.
Disadvantages: None.
Risks: None**.**
Option 2: Not to endorse the Vision Masterplan as the basis for further planning work
Advantages: No advantages are identified.
Disadvantages: This option would mean that the Vision Masterplan is either set aside, reviewed or work on such start afresh. This will make for many significant uncertainties. It will not inform, support or assist the statutory planning work necessary going forward to prepare the Lancaster South Area Action Plan, will undermine the credibility of the council in its ambitions for sustainable growth in South Lancaster and further will render largely void many months of work and so make costs incurred abortive.
Risks: This option means delay and risks further costs to the council if further work on the Vision masterplan is sought or the work is to be re-done. The uncertainties attendant with this option will undermine the council's growth ambitions for South Lancaster and make for uncertainties with how the council is to progress in preparing the Lancaster South Area Action Plan. Further, it may risk the collaborative work by the two councils to secure major government investments into South Lancaster and for he city via the Housing Infrastructure Fund.

4. Officer Preferred Option (and comments)

4.1 The officer preferred option is Option 1 for the reasons stated in the analysis above.

Appendix 1 Bailrigg Garden Village – Summary of community and stakeholder engagements from 2017 and the programme for this going forward

	GENERAL AAP	VISION MASTERPLANNING	DESIGN GUIDE	REGULATORY PLANNING	MEMBER ENGAGEMENT
Date					
2017					
Jan	-	-	-	-	-
Feb	-	-	-	-	-
Mar		Stakeholder vision workshop – Atlas	-	-	-
Apr	-		-	-	-
May	-	-	-	-	-
Jun	-	-	-	-	-
Jul	-	-	-	-	-
Aug	-	-	-	-	-
Sep	-	-	-		-
Oct	Drop in events for preliminary community engagements commenced	-	-	-	-
Nov		Strategic board and cabinet member vision workshop, Lancaster University – led by Thinking Place	-	-	Cabinet members invited to vision workshop @ Lancaster University . Requested Green Party Briefing @ LTH delivered by officer project team
Dec	-	Vision reporting	-	-	-
2018					
Jan	-	-	-	-	-
Feb	-	-	-	-	-

Mar	GVA and commence initial discussions around landowners intentions and aspirations	-	-	-	-
Apr	-		-	-	-
May	Substantive engagement into Issues and Options paper towards AAP commenced	-	-	Initial Sustainability Appraisal work on Issues and Options paper	-
Jun	Land interest and public drop in briefing sessions	-	-	-	Members briefing
Jul	-	Master planning workshop with officer team and key stakeholders – led by Hyas Consultancy	-	-	-
Aug	-	-	-	-	-
Sep	Bailrigg Village Residents Association meeting	-	-		-
Oct	-		-	-	-
Nov	-	-	-		Planning Policy Cabinet Liaison Group – Lancaster South Area Action Plan – progress report
Dec	-	-	-	-	-
2019					
Jan	-	-	-	-	-
Feb	-	-	-	-	-
Mar	-	-	-	-	-
Apr	-	-	-	-	-
May	-	-	-	-	-

Ju	-	-	-	-	-
Jul	-	-	-	-	-
Aug	-	-	-	-	-
Sep	-	-	-		-
Oct	-	Vision Masterplanning Stage 1 engagement with JTP led Stakeholder workshop at Lancaster University	-	-	Cabinet members invited to stakeholder workshop
Nov	-	-	-		-
Dec	-	-	-	-	-
2020					
Jan	-	-	-	-	-
Feb	-	-	-	-	-
Ma	-	-	-	-	-
Apr	-		-	-	-
May	-	-	-	-	-
Jun	-	-	-	-	-
Jul	-	-	-	-	-
Aug	-	-	-	-	-
Sep	-	-	-		-
Oct	-	-	-	-	-
Nov	-	-	-		-
Dec	-	-	-	-	-
2021					
Jan	-	Main stage Masterplanning Exercise – Launch of Community Engagement Stage 1 Consultation	-	-	-

Feb	-	Masterplanning Exercise – Presentation of Draft Vision Stage 2 Consultation	-	-	-
Mar	-	Masterplanning Exercise – Presentation of emerging Vision Masterplan Stage 3 consultation	Main 'spine' route Design Code Process to begin with Lancashire County Highways	-	-
Apr	-	JTP Finalise Masterplan	-	-	-
May	-		-	-	-
Jun	-	-	-	-	-
Jul	-	-	-	Climate Emergency review of the Local Plan	-
Aug	-	-	-	-	-
Sep	-	-	-	-	-
Oct	-		-	-	-
Nov	-	JTP to Refine Masterplan	Main 'spine' route – Draft Design Code finalised by JTP	-	Member Briefing on Vision Masterplan
Dec	-	-	-	-	-
2022 Forward engagement programme					
Jan	-	-	-	-	
Feb	-	-	Village Design Code/Guide process to begin	-	Member masterplan sign off

Mar	-	-	-	Consultation on Draft AAP DPD (Regulation 18) SA / HRA work complete for draft DPD -	Sign off for consultation
Apr	-	-	-	-	-
May	-	-	-	-	-
Jun	-	-	-	-	-
Jul	-	-	-	-	-
Aug	-	-	-	SA / HRA work complete for final DPD	Member Briefing Session(s)
Sep	-	-	-	Publication of Final AAP DPD (Regulation 19)	Sign off for Publication / Submission
Oct	-	-	-	-	-
Nov	-	-	-	Submission of AAP DPD (Regulation 22)	-
Dec	-	-	-	-	-
2023					
Jan	-	-	-	-	-
Feb	-	JTP to support in Hearing Sessions	JTP to support in Hearing Sessions	-	-
Mar	-	-	-	-	-
Apr	-	-	-	-	-
May	-	-	-	-	Member Briefing Session(s)
Jun	-	-	-	-	Full Council Decision on AAP DPD

Jul	-	-	-	-	-
Aug	-	-	-	Examination Hearing Sessions (Regulation 24) SA Consultant support in Hearing Sessions	-
Sep	-	-	-	-	-
Oct	-	-	-	-	-
Nov	-	-	-	-	-
Dec	-	-	-	- Receipt of Inspectors Report (**Regulation 25**)	-
2024					
				Adoption of DPD by Council (**Regulation 26**)	

Appendix 2 Bailrigg Garden Village – Chronology of key actions, consultation, and engagements 2017-present

Note this does not reference extensive officer desk based work nor does it cover the long standing and closely related streams of work engaged in by officers with the county council to help prepare the staged bids for housing Infrastructure (HIF) funding towards strategic infrastructure in South Lancaster and the city itself.

<table>
<tr><th>Date</th><th>Action</th><th>Attendees</th><th>Purpose</th><th>Location / Media</th></tr>
<tr><td>22nd March 2017</td><td>Stakeholder vision workshop – consultancy Atlas for HCA</td><td>Invited Stakeholders</td><td>Initial stake holder visioning workshop</td><td>Lancaster Town Hall</td></tr>
<tr><td>5th June 2017</td><td>Lancaster University - Lancaster City Council and HCA meeting</td><td></td><td></td><td></td></tr>
<tr><td>July 2017</td><td>Regeneration Team started work on the Lancaster South Area Action Plan</td><td></td><td></td><td></td></tr>
<tr><td>October 2017</td><td>Preliminary community engagement into the garden village with Drop in events at locations in South Lancaster and Galgate</td><td>Open invite Advertised - Drop in events</td><td>These informal events supplemented the local plan process but were not directly part of work that took place to bring forward the Local Plan.
These focused on the question – ‘If Bailrigg Garden Village is to happen, how can we make it the best it can be?’ – involved conversations with the local community and stakeholders to help inform understanding and identify concerns and ambitions.</td><td><table>
<tr><th>Date</th><th>Time</th><th>Location</th></tr>
<tr><td>4th October</td><td>2pm - 7pm</td><td>Lancaster House Hotel</td></tr>
<tr><td>5th October</td><td>12pm - 5pm</td><td>Ellel Village Hall</td></tr>
<tr><td>9th October</td><td>12pm - 2pm</td><td>The Storey (Reading Room)</td></tr>
<tr><td>11th October</td><td>12pm - 5pm</td><td>Lancaster Methodist Church</td></tr>
<tr><td>12th October</td><td>12pm - 5pm</td><td>Ellel Village Hall</td></tr>
<tr><td>16th October</td><td>2pm - 7pm</td><td>Lancaster Methodist Church</td></tr>
</table></td></tr>
</table>

	Preliminary engagement report		To advise of issues raised in the preliminary engagement.	Council Website-
16th November 2017	Workshop for the then Strategic Board run by external facilitators from consultancy Thinking Place	Key stakeholders and elected members		Lancaster University
24th November 2017	Green Party requested Briefing @ LTH.	Green Party members	Questions asked and response/ answers sent to members present at the meeting	Lancaster Town Hall
12the March 2018	Meeting with Community Health Partnerships, part of the Department for Health		Project team and Community Health Partnerships representatives	
Thursday 8th March Thursday 22nd March Tuesday 27th March	Face-to-face meetings with as many of the landowners across the area as possible to introduce GVA for they to commence initial discussions around landowners intentions and aspirations		Lancaster City Council commissioned GVA to commence initial engagement with all owners of land within Broad area for growth	
May/June 2018	Issues and Options Engagement at locations in South Lancaster and Galgate	Advertised - Drop in events	Informal community and stakeholder engagement into issues and options for preparing an Area Action Plan (AAP) for the garden village	All information was available on the Council website with links to background evidence and response forms Date | Time | Location Wednesday 6 June | 3pm – 7pm, | Lancaster House Hotel Saturday 9 June | 10am – 1pm | Ellel Village Hall Tuesday 12 June | 11.30am – 2pm | The Storey

				Thursday 14 June | 2pm – 6pm | Rowley Court Monday 18 June | 11.30am – 2pm | The Storey Thursday 21 June | 2pm – 5pm | Ellel Village Hall Wednesday 27 June | 9.30am – 2.30pm | Lancaster House Hotel
19th June 2018	Issues and Options members briefing	open to all parties	To enable member participation in and contributions to the engagement	Morecambe Town Hall
6th July 2018	Land interest briefing session	Those with Land interests	Professional advisors GVA and BGV project team presented early thoughts on development planning and gave opportunity for land interests to describe aspirations.	Ellel Village Hall
12 July 2018	Land interest briefing session	Those with Land interest	As above.	Lancaster Town Hall
31ST July 2018	Master planning workshop led by consultancy Hyas	Council officers and key partners including Homes England	Facilitated workshop to gather understanding on a suitable approach to master planning BGV, to understand and critique of the existing vision and recommend next steps	Storey, Lancaster
27th November 2018	Planning Policy Cabinet Liaison Group – Lancaster South Area Action Plan – progress report	PPCLG members	Report on the informal Issues and Options consultation	Morecambe Town Hall
August 2018	Hyas Master planning workshop report	-	Critique of the existing vision and recommended next steps	
17TH September 2018	Bailrigg Village Residents Association meeting		Project team and residents meeting to discuss issues and queries raised	Lancaster Town Hall
Sept – Jan 2019	Hyas – Concept plan working supported by council officers concerning density analysis, character areas, SUDS			

January 2019	Reporting - The story of the evolution of the Concept Plan – Hyas		To present and explain the Concept Plan prepared by Hyas	
29th October 2019	JTP stakeholder masterplanning day workshop	Stakeholders and Cabinet members		Bowland Hall, Lancaster University
30th October 2019	Masterplanning Workshop report back sessions	All those invited to 29.10.19		The Storey, Lancaster
January – March 2020	Desk based work by JTP supported by council officers to plan and prepare for the main stage of Masterplan community engagement.			
Autumn 2020	*JTP revised engagement plans factoring for Covid impacts*			
	Pause in activity due to Covid			
12 January 2021	Member Briefing: Bailrigg Garden Village Community Engagement	All Council members	JTP briefing on the upcoming community engagement	Virtual meeting
19th January – 9th Feb 2021	Masterplanning Exercise – Launch of Community Engagement Stage 1 Consultation Create communities platform Newsletter		BGV website Launched The Launch Zoom presentation video and presentation slides (PDF) been uploaded to the website Likes, Dislikes, dreams	Virtual meeting
10th – 23 February 2021	Masterplanning Exercise – Stage 2 Consultation Newsletter		Presentation of vision – comments of the vision upload onto website Summary vision newsletter distributed to the community	Virtual meeting
3-19th March 2021	Masterplanning Exercise –Presentation of emerging masterplan Stage 3 consultation Newsletter		The Emerging Masterplan Zoom presentation video and presentation slides (PDF) have been uploaded to this website and the summary Vision newsletter distributed to	Virtual meeting

			over 6000 letterboxes in the community.	
23rd March 2021	Presentation of the latest draft masterplan			Virtual meeting
November 2021	Member briefing on masterplan			Virtual meeting
Jan – May 2021	JTP ongoing community engagement fitting to the set engagement stages			Very many digital interactions, phone conversations, virtual and in person meetings (where appropriate) and site visits

Appendix 3 Bailrigg Garden Village Engagement Detailed

Introduction

This report sets out the main elements of community engagement undertaken to date about South Lancaster growth and the Bailrigg Garden Village. It highlights key aspects of engagement, issues raised and considered including in work towards the Lancaster South Area Action Plan. *Appendix 1* to this report is a table summarising the engagement relating to specific areas of AAP work from 2017 onwards and includes a forward programme of engagement. *Appendix 2* adds presents the actions, consultation and engagements 2017 to the present chronologically.

Note this report does not cover the long standing and closely related streams of work engaged in by officers with the county council to assist the county to prepare the staged bids for housing Infrastructure (HIF) funding for major infrastructures.

Engagement summary

Consultation and engagement activities by council officers on the Local Plan itself and early informal community engagement in late 2017 and the Spring of 2018 helped scope and understand issues the issues involved in bringing forward a development proposition of such significance within South Lancaster. The council commissioned JTP in the summer of 2019 to prepare a Vision Masterplan for the Bailrigg Garden Village. JTP are a leading architectural consultancy well practised in master-planning. The Vision Masterplan is to articulate the spatial vision and ambition for the garden village and so to significantly inform work to prepare the AAP.

Background

The Lancaster District Local Plan adopted in May 2019 identifies South Lancaster as a Broad Location for Growth and the focus for development of a new settlement – Bailrigg Garden Village. Policy SG1 of the Strategic Policies and Land Allocations Document Development Plan Document (DPD) sets the headline spatial policy requirements and expectations for development of the garden village with these to be applied and articulated in much more detail in a further DPD the Lancaster South Area

Action Plan (AAP). This will set the detailed policy framework for development and allocate land for development.

Preliminary community engagement autumn 2017

This was the initial round of the community engagement for the Lancaster South Area Action Plan (AAP) including for considering the location of the proposed Bailrigg Garden Village; it took place over three weeks in October 2017. It comprised of five public drop in events held by Lancaster City Council officers. The drop in events were held in the targeted areas linked to the village site and a lunchtime session held in Lancaster city centre. A press release advertising the events was issued, and event posters were located in and around the Lancaster south area.

The drop in events took place in the following locations.

Date	Time	Location
4th October	2pm - 7pm	Lancaster House Hotel
5th October	12pm - 5pm	Ellel Village Hall
9th October	12pm - 2pm	The Storey (Reading Room)
11th October	12pm - 5pm	Lancaster Methodist Church
12th October	12pm - 5pm	Ellel Village Hall
16th October	2pm - 7pm	Lancaster Methodist Church

Bailrigg Garden Village drop-in events 2017

Key discussions and comments

The community engagement was structured around the question ‘If Bailrigg Garden Village is to happen…What sort of place should it be?’ the intention was not to necessarily obtain written comments but rather give people the opportunity to ask questions and gain a further understanding of the Bailrigg Garden Village. Nevertheless, the written comments were helpful in understanding community wants for the village.

Key topics and areas of concern taken from conversations included:

- Transport
- M6 Junction 33
- Community facilities
- Jobs
- Lack of Health care provision
- Flood
- Ambition
- Need for the BGV not to be a ‘standard’ housing estate
- Concern that the University would take control
- As with previous local plan consultation exercises there remains concern with the validity and robustness of the objectively assessed housing need (OAN).

Many people expressed support for the principle of the Garden Village and saw the need for housing, facilities and growth. Common themes emerging from the initial community engagement focused around if the Garden Village is to happen -

- We should get it right and be ambitious
- We must manage water and flood risk well
- We must not make traffic and its impacts worse
- It should be about making real communities with a real sense of place and facilities and services including health
- It should be differential from the existing urban areas of Lancaster and Galgate i.e. there should be a sense of separation.
- The locus of the University in the Village needs to be worked through and decided

There was undoubtedly a body of opposition to the principle of the Bailrigg Garden Village and key issues for those opposed were variously -

- That such large-scale development is not needed
- Loss of green and open land to development
- Concern at flood risk
- Concern at habitat loss
- Concern at traffic impacts.

Bailrigg Garden Village Area Action Plan issues and options paper May 2018

Following the preliminary community engagement in 2017 an informal issues and options consultation into the AAP ran in the late spring and early summer of 2018 via a series of drop in sessions supplemented by direct engagement with landowners and developers. The lead document in this consultation was the Bailrigg Garden Village Issues and Options Paper May 2018.

Between the 25th May and 11th July 2018, Lancaster City Council ran a public engagement on an issues and options paper to inform preparation of the Bailrigg Garden Village Area Action Plan.
The issues and options report built on baseline analysis, evidence base studies and earlier engagement.
Comments were invited on the following principal documents:

- *Bailrigg Garden Village AAP, Issues and Options Paper, Lancaster City Council, May 2018*

And supporting the Issues and Options Paper:

- *Draft BGV Sustainability Appraisal for Initial Spatial Options, Arcadis for Lancaster City Council*

The evidence base prepared for the Lancaster District Local Plan, was supplemented with more detailed and site-specific evidence relating to the Garden Village and South Lancaster. All evidence was available on the city council's website the BGV evidence page and the majority of the evidence was available in hard copies at all the drop in events.

Comments on issues and initial options were invited by the following ways:

- Online response form
- Download and complete the BGV Consultation Response Form (PDF, 76KB)
- Email: bgv@lancaster.gov.uk
- Write: Bailrigg Garden Village AAP, Regeneration and Planning Service, Lancaster City Council, Town Hall, PO Box 4, Dalton square, Lancaster, LA1 1QR

Over the course of the 7-week Consultation period Lancaster City Council:

- Emailed or sent letters to all organisations or individuals on the Local Plan database to notify them about the consultation;
- Held 7 drop in events in venues in or close to the AAP area and in Lancaster City centre, exhibiting the issues and options paper, with the opportunity to talk to council officers and review the current evidence base;

Date	Time	Location
Wednesday 6 June	3pm – 7pm,	Lancaster House Hotel
Saturday 9 June	10am – 1pm	Ellel Village Hall
Tuesday 12 June	11.30am – 2pm	The Storey
Thursday 14 June	2pm – 6pm	Rowley Court
Monday 18 June	11.30am – 2pm	The Storey
Thursday 21 June	2pm – 5pm	Ellel Village Hall
Wednesday 27 June	9.30am – 2.30pm	Lancaster House Hotel

Bailrigg Garden Village drop-in events 2018

- Advertised the drop in engagement events on posters in and around the BGV area;
- Sent out a press release with consultation dates, times and locations.
- Advertised the engagement on the Councils website and via council's social media channels;
- Made copies of the issues and options paper available to view at Lancaster and Morecambe Town Halls.
- Ran two Landowner and resident briefings on the Area Action Plan process.

- Sent issues and options postcards to local residents whose homes are located in the BGV AAP area.

At the same time Lancashire County Council took the opportunity to consult informally on the opportunity to create Bus Rapid Transit (BRT) in Lancaster.

The events gave people the opportunity to discuss issues and options these mainly related to the Garden Village, with a view to putting together an Area Action Plan (AAP) for how it will be developed. The informal consultation undertaken earlier in 2017 provided a lot of very useful information which together with the further evidence gathering assisted the production of a set of initial options that were presented at the 2018 consultation.

The initial options for how land in Lancaster south area might be developed and what land should be reserved for other functions, including greenspace was developed based on four main conclusions for earlier consultation, stakeholder meeting and the growing evidence base:

- The Garden Village should be located largely on land between the main line railway and the Lancaster Canal
- A village centre should be located just west and across the A6 from the university campus
- Generous green space needs to be provided for the village
- The village should be structured around new Bus Rapid Transit (BRT) routes

An 'Issues and Options Paper' was available covering the options in more detail and available to review at the drop-in sessions or via the city council's website alongside further supporting/ evidence gathering information.

Key discussions and comments from the issues and options consultation

The views and comments came from local residents, businesses, local community and interest groups, local landowners, developers and their representatives and local and national statutory bodies.

Over 250 people visited the drop in events and over 100 people and organisations provided detailed feedback on the issues and options paper. The purpose of this consultation was to give Lancaster City Council an opportunity to better understand the community priorities, to help shape the Area

Action Plan and future masterplans of the proposed Garden Village and help prepare the most appropriate plan to manage the growth of South Lancaster over the next decade.

A consultation report was produced summarising the extensive comments received as part of the engagement process and outlines how officers consider those comments should inform plan preparation.

Issues and options paper spatial objectives

As part of the Issues and Options Paper the council consulted on core spatial objectives for growth in South Lancaster. These objectives drew variously from -

- The key principles for development set in the Publication Draft Policy SG1
- The draft local vision for the Garden Village
- The Government prospectus for garden villages
- The Town and Country Planning Association's advised key principles for planning a Garden Village
- Lancaster University Masterplan 2017-2027

The draft spatial objectives were –

- A Garden Village with a distinct sense of place
- Clear separation between the Garden Village and existing settlements
- Network of green corridors
- Local landscape and heritage conserved
- Good local accessibility by walking and cycling
- Ready access by sustainable transport (buses and cycling) to and from the city centre
- Wide range of jobs within a ready travel distance
- Scope for campus growth
- Resilience to climate change
- Effective drainage and flood risk to communities downstream mitigated
- No harm to designated wildlife sites
- Net biodiversity gains
- Facilities and services to meet needs in a strong local centre
- Sociable neighbourhoods
- Housing to meet needs
- Low carbon development

- Good digital connectivity

Informed by the consultation and further consideration and evidence gathering officers suggested the following revised objectives for the LSAAP:

- A Garden Village with a distinct sense of place and an identity separate to that of existing settlements
- To retain the distinct identity of the University campus in relation to existing settlements
- To secure a network of green space for leisure and recreation
- To protect significant local landscape
- To conserve and enhance heritage assets
- Good local accessibility by walking and cycling
- Sustainable travel (buses and cycling) advantaged between new settlement and the city centre
- Local air quality improved
- To facilitate business activity and employment opportunities within a ready travel distance
- To afford sufficient scope for campus growth
- To minimise contribution to man-made climate change
- Sustainable drainage with flood risk to new communities, buildings and dwellings within acceptable thresholds
- Net reduction in flood risk to communities downstream
- No harm to designated wildlife sites
- Net gains for wildlife and biodiversity
- Facilities and services to meet needs in a strong local centre for the Garden Village
- Sociable, safe neighbourhoods
- Housing to meet needs
- Low carbon development
- Adaptable housing
- Comfortable housing (temperature, noise etc)
- Opportunities for healthy living (activity, food etc)
- Topsoil conserved or reused
- Good digital connectivity

These objectives distil to main themes or drivers for the Plan.

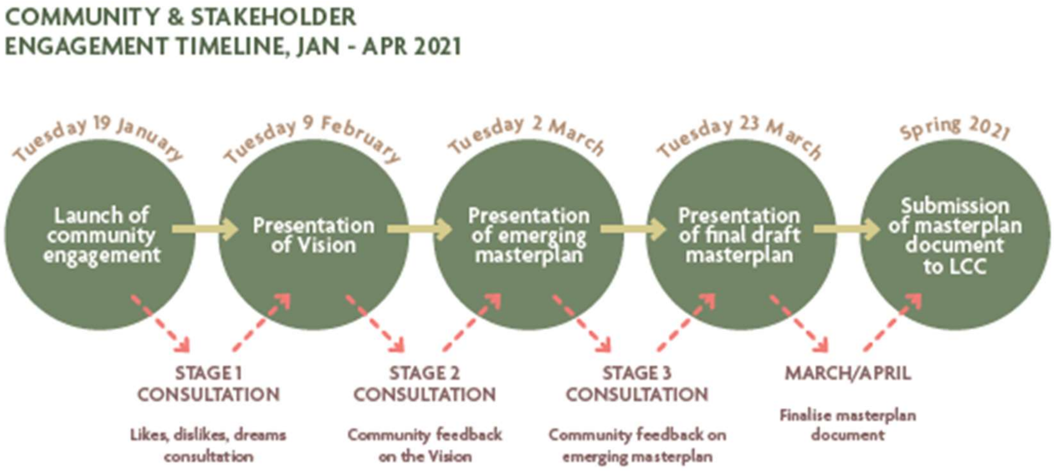
- Ensuring resilience to risks
- Environmental stewardship
- Infrastructure provision
- Housing and community
- Economic growth, business, jobs and learning
- Sustainable travel and securing modal shift

To be clear these objectives and main themes for the Plan were intended for the whole area of the Lancaster South. It was always intended that a bespoke vision and likely objectives for development of the Garden Village itself would be brought forward fitting to those established for Lancaster south area action plan.

Garden Village Vision

Effective masterplanning works to reconcile the needs of stakeholders across public, private and community interests. As the Masterplan will directly inform regulatory policy planning still to come it is the key element in shaping the Garden Village. Therefore, Lancaster City Council (LCC) procured the services of JTP Architects, the renowned place makers to commence work on a masterplan and spatial vision for the Bailrigg Garden Village. The work included the initiation of a full public and stakeholder consultation and engagement process that was launched publicly on 19th January 2021. The launch event included a zoom introduction presentation from JTP, launch of the specific BGV website, exhibition material and the presentation itself available for reading on the website after the presentation, the distribution of a newsletter, press release and invite to all those registered on the planning policy database.

Following extensive community and public engagements, the first public community consultation feedback was held on 9th February, the second on 2nd March and the third and final session held on 23rd March. A staged process of community engagement provided a variety of ways for the community to feed into the preparation of the masterplan (see the engagement timeline below).



JTP engagement timeline

Despite the global pandemic holding back the original planned timetable and proposed community based co design events, the architects and urban designers at JTP together with the consultant team consisting of the landscape architects Farrer Huxley and the engineering and sustainability consultancy Expedition and officers of LCC have reached out by using a variety of media tools. Connecting with significant numbers of the public, community groups, community organisations and stakeholders to obtain feedback and listen to their concerns over development in South Lancaster and Bailrigg Garden Village.

Stage 1 Engagement

As a first step, the community was asked for views of the South Lancaster area, the places and aspects people like and dislike and their dreams for the future of the Garden Village. The first phase allowed for comments to be submitted using a variety of methods the Create Communities platform by clicking the box on the BGV website, by filling in the freepost postcard on the newsletter, emailing or calling the freephone to discuss with a member of the project team.
JTP presented the stage 1 findings via a zoom presentation on the 9th February 2021. The presentation video and presentation slides were uploaded to the website and the summary vision newsletter was distributed to the community.

Summary of engagement

- Total number of public engagements Stage 1 - 880 comments
- Method of feedback – e-mail, letter, telephone
- 60 comments made at Launch Presentation
- 657 comments made on Create Communities Platform
- 91 Freepost postcards completed with likes, dislikes and dreams
- 29 comments via website form
- 6 Freephone calls to JTP
- 40 emails received

Following the first newsletter distribution (3k+) it was requested that the distribution area was expanded into south Lancaster (adding another 3k+) for the second and subsequent newsletters. Although the full website address was clearly publicised there was a complaint that the website did not come up on the first page of Google when you entered Bailrigg Garden Village. All the technical settings had all been correctly set and without paying for an advertisement the way to gain pre-eminence is through usage over time. The website now comes up first when Bailrigg Garden Village is entered in Google.

Create Communities website – there was an external internet issue which meant that people were prevented from commenting for two or three hours on one day. Otherwise, the platform successfully provided a huge amount of feedback.

Stage 2 Engagement

During the Stage 2 engagement the community was invited to comment on the Vision and these comments were fed back to the design team as they developed the proposals. The community presentation of the emerging masterplan took place on Tuesday 2 March 2021, 6pm via Zoom.

Stage 2 Summary of engagement

- 95 emailed/website responses to the Vision
- 3 telephone calls

Parish Councils / Wards engaged with:

- Scotforth Parish Council (during Stage 1)
- Ellel Parish Council
- Aldcliffe with Stodday Parish Council
- Thurnham & Glasson Parish Council
- Scotforth West Ward

Local / community groups engaged with:

- Bailrigg Village Residents Association
- CLOUD members
- Lower Burrow Management Co Residents
- Tarnwater Lane Residents
- Burrow Heights Residents
- Green Lancaster (Uni staff and students group)
- Galgate Flood Action Group

Stakeholders engaged with:

- Lancaster Civic Society
- Lancaster University
- Lancashire Nature Partnership
- Landscape assets workshop (inc. three residents - from Burrow Heights, Galgate,
- Tarnwater Lane, ecologist / lecturer lives Scotforth; reps from Woodland Trust,
- Lancashire Wildlife Trust, Canal & Rivers Trust, Land Use Consultants)
- Lancaster District Bus Users' Group Exec
- St Johns Congregation
- Canal and Rivers Trust

Written responses from:

- Canal & Rivers Trust
- Lancaster Canal Trust
- Woodland Trust
- Environment Agency
- Lancaster Flood Group
- Galgate Flood Group
- Lancaster & District Cycle Campaign
- Vicar of St John's Ellel (Craig Abbott)
- NHS
- Lancashire County - Education dept

The following key themes emerged from the community consultation process and fed into the design process to help shape the emerging proposals for Bailrigg Garden Village. Further consultation continued and the role of the community remained to be key in shaping and delivering the new garden village

• Principle and size of development: create a distinct, high quality and sustainable new settlement of appropriate scale

• Landscape, views & heritage: minimise the loss of green fields, ancient woodlands, access to wild spaces and much-loved areas of local landscape

• Flooding and drainage: design-in sustainable water management and drainage solutions

• Lancaster canal: retain its character and setting

• Traffic & movement: develop a sustainable approach to movement and transport and limit the potential impact of the garden village; avoid putting more strain on village roads and bridges and the more major road network

• Community services: offer high quality community amenities and well managed and accessible public realm

• Building design & character: respond to the nature and character of the rural environment, taking their cues from historic homes and farmsteads, and local building materials.

• Existing communities: visual separation and a green buffer between the Garden Village and all existing settlements

• Community Participation: make the consultation process not just a “tick box exercise”

Further to engagement with Lancaster University, partners from Lancaster City Council, Cornwall Council, Farrer Huxley, JTP and academic researchers became members of Lancaster University’s Soils in Planning and Construction Task Force. The task force aims to change the way we consider and manage soils throughout the planning and construction process to prevent soil degradation and promote functioning soils in development.

Stage 3 Engagement

Stage 3 of the consultation was an opportunity to comment on the emerging proposals. The Emerging Masterplan Zoom presentation video and presentation slides (PDF) were uploaded to this website and the summary Vision newsletter distributed to over 6000 letterboxes in the community.

The community was invited to comment on the emerging masterplan by completing the postcard enclosed with the newsletter and via the form on this website. All comments received were fed back to the design team as they continued to develop the proposals for the draft masterplan presentation.

JTP continued to engage extensively with local organisations and local communities in a collaborative process to shape and design the Garden Village.

STAKEHOLDER MEETINGS

Parish Councils and Wards
- Scotforth Parish Council (during Stage 1)
- Ellel Parish Council (during Stage 2)
- Aldcliffe with Stodday Parish Council (during Stage 2)
- Thurnham & Glasson Parish Council (during Stage 2)
- Scotforth West Ward (during Stage 2)

Local Commmunity Groups
- Bailrigg Village Residents Association
- CLOUD members
- Lower Burrow Residents
- Tarnwater Lane Residents
- Burrow Heights Residents
- Green Lancaster (University staff and students group)
- Galgate Flood Action Group

Stakeholders engaged with:
- Lancaster Civic Society
- Lancaster University
- Lancashire Nature Partnership

Stakeholders engaged with (cont):
- Landscape assets workshop (incl. 3 residents from Burrow Heights, Galgate, Tarnwater Lane; ecologist/ lecture lives in Scotforth; reps from Woodland Trust, Lancashire Wildlife Trust, Canal & Rivers Trust, Land Use Consultants)
- Lancaster District Bus Users' Group Exec (Friday 5th March)
- St Johns Congregation (Wednesday 10th March)
- Canal and Rivers Trust

Written responses from:
- Canal & Rivers Trust
- Lancaster Canal Trust
- Woodland Trust
- Environment Agency
- Lancaster Flood Group
- Galgate Flood Group
- Lancaster & District Cycle Campaign
- Vicar of St John's Ellel (Craig Abbott)
- NHS
- Lancashire County - Education department

Stakeholder meetings

The draft masterplan was presented to the community on Tuesday 23 March 2021. This again was added to the BGV website and can be viewed as a video with commentary and as pdf slides.

Stage 3 Summary of engagement

Stage 3 summary includes key considerations for the final masterplan and modifications requested to the draft masterplan to include

- How to enforce GV concept
- Sensitivity to existing settlements
- Support for green / sustainable initiatives e.g. materials, energy, etc

- Concern about flooding, and need for specific info of how SUDs will work

- Support for protection and enhancement of varied green infrastructure

- Gardens should connect to countryside e.g. hedgehog highways
- Need for cycle paths
- Bridleways, mountain biking trails
- Maintain key views
- Avoid polytunnels or planting with elephant grass close to residential areas
- Support for canal marina/moorings
- Support for waterfront living and recreation
- Note route of Roman road near Lower Burrow
- Community venue with skate park, cafe and playground (like the one at Halton)
- Flexible buildings including multi-faith, community space, work hub
- Management and maintenance of landscape
- Phasing, timescale, management of construction

Final masterplan

Further Consultation stages

The JTP vision masterplan will represent a significant evidence document that will inform decisions about the shape, layout, design, phasing, appearance, and infrastructure expectations of development in the Garden Village. Much other evidence will also inform the preparation of the AAP. Other evidence anticipated includes a transport assessment, air quality strategy, landscape assessment and a blue & green infrastructure strategy. Preparation of the AAP provides further opportunities for community engagement. As the AAP will be a formal Development Plan Document it must be prepared in accordance with the guidance in the National Planning Policy Framework, national legislation and regulations on development plan making, and, in compliance with the Council's own Statement of Community Involvement (SCI). Consultation is a requirement of Development Plan preparation and it is anticipated that a draft AAP will be the subject of consultation later in 2022. Once account is taken of consultation responses the Council will revise and publish the AAP, invite formal representations, and then submit the document, all the evidence that informs it, and all the formal representations received, to the Government. The Government will appoint a planning inspector to determine if the AAP has been properly prepared and subject to the Inspector’s conclusions, the Council will then be able to adopt the AAP as a part of the formal local development plan.

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	**Date**	8th February 2022
Title	Mainway next steps		
Report of	Director for Communities and the Environment		

Purpose of Report

To seek approval for the following next steps for the future of Mainway;

1. Undertake the full combined Master-planning/Regeneration of Mainway and Skerton High school, in readiness for a planning application in the Autumn (Q3) 2022.
2. An initial accelerated first (pilot) phase of the Mainway Masterplan proposals, that will deliver a definitive decision as to the viability of the wholescale reconfiguration and refurbishment of the existing buildings on Mainway. To commence in the Summer (Q2) of 2022.
3. To establish a detailed cost budget and delivery programme to allow a clear Treasury paper to be brought back to Cabinet for approval, during Q2 2022, setting out the financing recommendations and if appropriate, ownership / partnership structure for the whole scheme
4. To seek approval for the acquisition of the redundant former Skerton High School, subject to S77 Secretary of State approval.

Key Decision (Y/N)	**Y**	**Date of Notice**	**10th January 2022**	**Exempt (Y/N)**	**Partially – appendices exempt.**

Report Summary

In March 2021, Cabinet approved a course of action to pursue a detailed option appraisal to identify the most appropriate way to bring the Regeneration of the Mainway Estate forward. It was acknowledged that not doing so would mean that many of the homes on Mainway would not be habitable in 3-5 years' time, and that the Estate as a whole required wholescale intervention.

A range of different redevelopment options have been assessed in detail, that look to increase overall housing numbers, introduce different inter-generational tenure mixes, community amenity whilst achieving a zero carbon, fabric first development delivering an aspirational solution for the area. From that work it became apparent that retaining and completely refurbishing the Mainway buildings was far more cost effective than demolition and new build – providing that the concrete cores retained their integrity for a further 50+ years life. From the professional assessment to date this is believed to be the case but only stripping a building right back to that core will provide definitive confirmation of that.

As part of that work, along with stakeholders and residents, the redundant element of the former Skerton High School, adjacent to Mainway, was identified as a key

opportunity to enhance the regeneration impact of Skerton East Ward. Following engagement with Lancashire Council Council, the Council has established a clear intention to dispose of the redundant parts of the former school site.
It was equally accepted that Lancaster City Council were the most appropriate party in which to treat with.

Following Cabinet and Councillor briefings in December, detailed physical and legal due diligence on the land and buildings have taken place and a recommendation to proceed with the conditional purchase/sale went before both Cabinets. Outline terms of purchase are identified in Appendix 1. If approved, Lancaster City Council will then move to exchange contracts subject to approval of the S77 by the Secretary of State. Such approval is required as the main school only closed in 2014/15 and therefore it is within the 10-year statutory period that requires a S77 approval for disposal.

There will be an ongoing educational facility within the retained area of the site and a clear operational and logistical structure is being worked through with the County Council.

Legal due diligence on title has been concluded, with no barriers to purchase. A legal covenant on a small part of the site has been mitigated with indemnity insurance. Detailed ground, buildings, ecology, highways and planning advice have been undertaken and all identified abnormal costs associated with the site have been reviewed with the County Council, reflect the terms of purchase and built into the current cost plan for the redevelopment of the school site.

From the indicative layouts and options that have been done through the second half of 2021, proposals are a blend of retaining and reconfiguring the Mainway buildings and then incorporating new build housing and apartments on the school site. It is believed approx. 440 homes can be provided across the combined sites. It is proposed that at least half of that number be social/LHA rented homes, (effectively ensuring the reprovision of a similar number of social/LHA homes as exist today) with a further 100 on other affordable tenures (Shared Ownership / Rent to Buy / Affordable rent etc) and the balance as Private Market rented homes.

A paper setting out alternative Treasury strategies that could be adopted to underpin the Debt requirement and repayment structure will come forward through the Summer of 2022. Work to finalise the tenure mix will form part of that paper.

Recommendations of Councillor Matthews

(1) Officers be authorised to negotiate the final Heads of Terms for the purchase/transfer of the redundant area of the former Skerton High School that purchase/transfer as per the terms of purchase set out in Appendix 1. That purchase being conditional on;

a) S77 approval by the Secretary of State
b) Satisfactory Legal title

c) Clarity/satisfaction on how the ongoing educational facility on the retained County Council land will operate and that all safeguarding measures have been addressed.

(2) In line with the over-riding objection of regeneration for the Mainway District, that Cabinet approve the commissioning and procurement of the detailed design and master-planning team to undertake the work required to submit a detailed planning application in late 2022. The detail of that work will build up from the indicative layout plans (Appendix 3) currently worked up to date and a budget required to fulfil all the Local Planning Authority's requirements is set out in Appendix 3. Subsequent reports will be brought back to Cabinet to seek approval for a preferred option in order to implement the final scheme and proposed phasing.

(3) That Cabinet approve the acceleration of a first phase of the Mainway Regeneration, including the procurement of a development design and build partner to reconfigure and completely refurbish two of the existing blocks (Derby & Lune) at an expected budget cost of £4m funded from Housing Revenue Account reserves. This cost plan and programme is set out in Appendix 4.

Relationship to Policy Framework

Council Priorities:

A Sustainable District –Climate Emergency: The design and master-planning will seek to ensure that the properties are resilient to a changing climate and are fit for a zero-carbon future

An Inclusive and Prosperous Local Economy – through the creation of Jobs and training and opportunities for local companies. The reduction of blight key location, and provision of affordable, suitable housing which enables access to employment and reduces poverty, ensuring money is spent locally.

Happy and Healthy Communities – proposals contribute to the well-being of tenants, tackle health inequalities and provide quality housing and green space.

A Co-operative, Kind and Responsible Council – working in partnership and truly listening to tenant voices through consultation has supported the future designs of the estate.

Local Plan – Delivers comprehensive place making regeneration to contribute towards the provision of housing to meet a locally identified need and opportunities to increase the choice and supply of social housing.

Housing Strategy - The Regeneration of the estate will link directly to the Homes Strategy for Lancaster district 2020-2025

Conclusion of Impact Assessment(s) where applicable	
Climate	**Wellbeing & Social Value**
Digital	**Health & Safety**
Equality	**Community Safety**

The proposals set out in the report will have significant positive impacts at Mainway particularly on climate change, equality, wellbeing/social value as well as a wider impact across Skerton East ward.

The potential acquisition of the school site will enhance the overall delivery capacity and vision for Mainway, increasing housing numbers, types of housing, local community amenity and open space facilities, creating an inclusive, socially economic balanced, localised regeneration. The reprovision of housing whether through refurbishment or new build dwellings provides scope for full compliance with accessibility standards M4(2).

The first phrase regeneration will require two blocks Lune House and Derby House to be vacant before works can be commenced. Securing this will require compliance with the Council's obligations under the Housing Act 1985 and sensitive negotiation with current residents. It will also require consideration of the Council's Equality Act and Human Rights Act obligations. If the Council has to use its Compulsory Purchase Order powers or has to use Court proceedings under the Housing Act 1985 to secure cessation of residential use/occupation, it will need to follow the statutory procedures governing these two procedures and will have to have regard to its obligations under the Equality and Human Rights Acts.

Details of Consultation

Consultation and conversation with residents have continued throughout 2021:

- the MyMainway Hub has remained open as much as Covid safety has allowed. Residents have been encouraged to visit and communicate with staff about any hopes, concerns, and practical matters relating to the project.
- In May a 'door knock' took place, where home visits to around 70% of current residents allowed us to establish future needs of all households in the context of any future project.
- In June a 'Memories, realities and dreams' event took place on the estate, with a good turnout of residents encouraged to populate a 4-metre long timeline with thoughts and memories from their past, present and future on Mainway.
- Through late summer and into autumn the 'conversation wall' was developed in the Hub – an interactive visual timeline populated with questions, answers and comments from residents and staff which provoked much lively discussion.
- In October a coffee morning at the Hub gave the team the chance to keep the conversation going, attended by residents and local ward Councillors. This was also the launch of the online MyMainway page on the Council's keep Connected Platform.

- This was followed up with the inaugural Mainway Residents Group meeting in November – a well-attended session which succeeded in setting the tone for the purpose and focus of what is expected to be an important and vital group as the project progresses.

Members and Councillors have been kept up to date with the project through numerous workshops throughout November and December 2021.

Specialist Development and Regeneration advice is currently being provided by Anderton Gables. Additional support is being provided by Trowers and Hamlin LLP and Savills Housing Finance Consultancy to ensure the process is aligned with wider financial appraisal considerations and the structure of how an enlarged regeneration of Mainway is delivered, fully considered and reported on.

A review of the wider Treasury strategy is to be undertaken leading to a further paper to Cabinet in the Summer setting out a recommended funding strategy for the wider regeneration.

Legal Implications

Legal Services and external legal advice will be needed throughout the process of purchasing the former Skerton High School site. This should involve assistance in the drafting of legal agreements/contract for the purpose of acquiring the site.

The Council will need to consider with legal services and its external legal advisers its legal obligations with regard to the procurement of a design and master planning for the project as well as the procurement of the first phase regeneration development partner.

In securing vacant possession of the housing units for the first phase regeneration, the Council will need to ensure that it complies with its duty under the Equality Act and the Human Rights legalisation. It will need to consider its duties under s149 of the Equality Act 2010 and any particular circumstances that involve the Council’s Equality Act duties.

If the Council needs to use its Compulsory Purchase Powers, then the procedures under the Town and Country Planning Act 1990 and any other relevant legislation will need to be followed and legal services and external solicitors will need to advise and assist with regard to the CPO procedure. Moreover, if the Council needs to secure vacation of the residential units (in respect of Council tenants under either an introductory or secure tenancy) then the Council will have to follow the procedure provided by the Housing Act 1985. Legal Services/external solicitors’ advice and assistance will be required if Court proceedings under the Housing Act is required.

Legal Services/external solicitor assistance will be required in relation to any contractual agreements with a development partner. Legal advice and assistance will also be needed to ensure that all due diligence in relation to legal title of the former high school site is undertaken and considered.

If the first phase regeneration involves 'development' as defined by the Town and Country Planning Act 1990 (as amended), it may be that planning permission will be required before works can be commenced.

Financial Implications

As reported elsewhere on this agenda, the HRA 30-year business plan projects a combined level of reserves of £25.6M by the end of the term. This will be reduced to £12.8M should the growth items be approved.

Included within the growth items is the acceleration of Phase 1 which is estimated at c.£4M and requested to be funded from the Business Support Reserve. No provision for the purchase of the school site has been allowed for but it is understood that the payment terms are negotiable and could ultimately be paid on an instalment basis. However, this would ultimately reduce the level of reserves by that amount over the course of time.

Phase 1 is estimated to commence in 2022/23 and take an estimated 12 months to complete. The decanting of existing tenants will happen before this and as a result, rent loss in the region of £65K is expected, which will be profiled £40K 2022/23 and £25K 2023/24. It is hoped that these losses will be marginally offset by decanting tenants to other HRA properties thus reducing the overall void losses. Further savings attributable to reduced R&M costs are expected although are difficult to quantify. This will be monitored through the council's usual monitoring arrangements.

Once completed, it is expected that increased rent of £96K per annum will be achievable and this will built into future revenue projections at the next available juncture.

It should be noted that the existing annual collectable rent for Mainway is estimated at £880K. The HRA 30-year business plan is fundamentally underpinned including this amount and the repayment of any ensuing debt must be borne from the level of reserves and the marginal impact of future rent achievable. Any future spending decisions relating to this project must take account of this and will be discussed in future reports, as outlined in section 1.2.

Other Resource or Risk Implications

The opportunity to acquire the redundant school site is in all likelihood a one off. Now that the County Council have been persuaded to consider it, should Lancaster City Council not pursue the opportunity it is possible they will take it to the wider market.

Incorporating the school site into the Mainway regeneration masterplan significantly changes the whole perception, aspiration, and social economic mix of Skerton East.

Clearly the enlarged site will cost far more to deliver, but would be able to leverage in Homes England Affordable Homes Programme Grant, whilst at the same time deliver more homes, a greater mix of homes for young and old, for single residents and families. It provides a scale that can then warrant quality private and public realm as well as key community, neighbourhood amenity.
Section 151 Officer's Comments
The s151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the s151 Officer takes account of the strategic, operational, and financial risks facing the authority. This assessment has been undertaken as part of the HRA Budget report and incorporates the impact of recommendation 3 of this report. To ensure Cabinet and ultimately Council can make an informed decision each of the proposed options contained within any future reports will require detailed financial modelling, based on the outcomes of further consultation and master-planning, with careful consideration of a number of key assumptions and estimates including life expectancy of the building components, sources of funding, achievable operational savings, borrowing requirements and the acceptable impact on the HRA business plan given its reliance on the current rent levels and the marginal impact of future rent charged, as well as the impact on HRA reserves and levels of service delivery. In line with regulatory requirements any associated prudential borrowing must be considered Prudent, Sustainable and Affordable across the entire Council and not in isolation. It is Council's responsibility to approve borrowing levels, associated debt financing and the impact on the Councils budgets.
Monitoring Officer's Comments
The Monitoring Officer has been consulted and has no further comments to those added in the Legal Implications section.

Contact Officer	Jo Wilkinson
Tel	01524 582762 / 07946 021 603
Email	jowilkinson@lancaster.gov.uk

Links to Background Papers
Cabinet report on 23rd March 2021 20210312181756_000338_0000557_MainwayFutureVisionreport.pdf (lancaster.gov.uk)

1.0 Introduction

1.1 On the 23rd March 2021, Cabinet approved the next stage of the Mainway Vision and a body of work to evaluate all the options for the regeneration of the estate. It also acknowledged an extensive consultation process had been undertaken with 70% of tenants in favour of change. Through the Summer and Autumn of 2021, further engagement and communication with the residents has occurred, but it is clear they are keen to understand the future direction for Mainway.

1.2 An Options / Business plan has been prepared to enable the City Council to understand the different solutions for the delivery of the Regeneration proposals and agree any onward capital, borrowing and revenue implications. Further Treasury work and funding modelling is ongoing, and these pieces of work will be presented back to Cabinet in the Summer 2022.

1.3 As stated in the March report, it is however much more than a "Housing Project;" it is a once in a generational opportunity to shape the development of our District in a way that involves our community. Having the opportunity to bring the former Skerton School site into that masterplan provides the opportunity of a far more integrated opportunity to regenerate this area of the City.

1.4 The significance of this project, is the contribution that it potentially makes to the delivery of the Councils priorities; Including -

- Net zero carbon by 2030
- Meets CELPR targets
- Using our land, property, finance, and procurement to benefit local communities
- Supporting wellbeing and ensuring local communities are engaged, involved, and connected
- Addressing health and income inequality, food and fuel poverty, mental health needs, and loneliness.
- Focus on early intervention approaches and involving our communities in service design and delivery
- (Re)developing housing to ensure people of all incomes are comfortable, warm, and able to maintain their independence
- Providing value for money and ensuring that we are financially resilient and sustainable
- Focused on serving our residents, local organisations, and District
- Local job creation and significant spend locally within the District
- Creation of additional affordable housing within the District
- Placemaking - providing a mix of housing options, tenures, quality amenity space, public realm and community facilities which improves

and aligns to the current and future housing need and aspiration in Lancaster District.

1.5 It is important to understand, that the opportunity to now acquire the redundant school land adjacent to Mainway and deliver a co-ordinated masterplan will help that transformational and placemaking regeneration that is so widely sought and be a catalyst for further investment into the Northern areas of the City.

2.0 Skerton School

The Current Draft Terms of Purchase for the School site can be found in Appendix 1.

The draft site plan identifying the redundant parcel of land for transfer and the area of land to be retained by the County Council for ongoing educational facilities can be found in Appendix 2 together with an indicative idea of the external area Lancashire County Council are needing to retain, to meet Statutory needs

The potential acquisition of the school site is subject to a S77 approval by the Secretary of State. That application can be made by Lancashire County Council as soon as they have engaged with local schools to ensure there is no unfulfilled educational need from the Skerton site. There is no definitive timeframe on how quickly the Secretary of State will approve the transfer but a 12–18-month timeframe would not be uncommon, although it could happen sooner.

In the interim period however, it would be feasible to conditionally exchange contracts conditional on that approval, to secure the site.

Dependant on a risk assessment of the S77 not being approved, the opportunity to prepare a detailed planning application for the site in this interim period could be undertaken. This would be done in such a way that the Mainway Estate could come forward independently should the S77 approval be delayed or not be forthcoming.

A draft layout plan (purely indicative) of how the redevelopment of the school site can be integrated into the Mainway proposals can be found in Appendix 2.

3.0 Delivery

3.1 It is proposed to accelerate an initial phase of the Mainway scheme that would demonstrate commitment and ambition; would allow the strategy of retaining the concrete structures on Mainway to be fully tested, reconfigured and completely refurbished; allow the wider Treasury modelling to be reviewed and a clear strategy set out to meet Council debt covenants and wider funding priorities. Equally procurement of a Development Partner / Contractor could be undertaken to allow an early start on site, post a planning approval, site completion and funding structures approved.

3.2 Proposals for this initial phase of Mainway are laid out in Appendix 3. All of the new homes created in this initial phase will be for ‘Social’ rent.

3.3 A breakdown of costs and work needed to masterplan the development parcels ready for a planning application are provided in Appendix 4.

3.4 The anticipated timeline of the works are as set out in Appendix 5.

4.0 Options and Options Analysis (including risk assessment)

4.1 In respect of the recommendations:

Option 1: Acquire the redundant parts of the former Skerton High School site; undertake combined site master planning; commence a pilot scheme
Advantages: Integrating the redundant parts of the school site into the Mainway proposals, increases housing numbers; improves housing mix; delivers community amenity; provides playing fields for wider community and sports group use; improves access to and from Mainway for pedestrian / cycle and vehicles – linking the riverside to Ryelands and beyond. Enhanced placemaking and creates a real opportunity to reverse the cycle of decline and make Skerton East a place to live with one of aspiration. Acquiring the site establishes the control needed to deliver this transformational opportunity rather than allowing the site to go to a third party who may not deliver anything on the site that meet the core priorities of the Council. Undertaking a co-ordinated masterplan and early phase detailed design for planning approval, will ensure how core design principles will flow through the combined site; provide improved permeability, connectivity, construction materials, etc that underpins how the new development would function and enrich the lives of residents and the wider community. The early establishment of the design team and development partner for phase 1 is key to meet timeline expectations. Accelerating an early phase, provides clarity and assurity as to the proposed strategy of retaining the core buildings on Mainway. It communicates the vision of the Council to the community after some perceived delays in progressing the scheme. It sets the stall out as to how the regeneration of the area will come forward and delivers on site examples of the wider masterplan vision. The strategy of retaining the core buildings, is important from a viability and zero carbon objective for Mainway.
Disadvantages:

The cost of delivering a combined Mainway & school site programme is significant and prohibitive to the resources and capacities of the Council based on the current Treasury parameters that dictate borrowing capacity. Dependent on the review and adoption of potential different Treasury strategies, funding 100% of the Mainway development could restrict wider Council priorities.

The school site will have holding costs to be allowed for until developed through.

The masterplan will take into account that a S77 approval may not be granted, but in that instance whilst a portion of that work would be wasted expense, every effort will be to minimise that element.

There is no disadvantage in accelerating an early phase of the Mainway work. The worst scenario that that exercise might realise, is that the existing blocks are not suitable for long term retention and need to be demolished. This is highly unlikely – but the earlier this is known the better and the delivery strategy can then switch to looking a new build options.

Risks:

Whilst detailed due diligence has been undertaken on the title and the physical nature of the site, such as voids in the ground, asbestos, covenants etc. it is believed all identified risks have been assessed and mitigated, all development comes with some risk, and this should be noted.

A delay in pursuing the school purchase may lead to Lancashire County Council deciding on a different course of action and even a sale to a third party.

The school transfer will be subject to Secretary of State approval – which is not guaranteed**.**

The proposals laid out are based on the premise that the Mainway blocks can be completely stripped back to their concrete structure, reconfigured and then refurbished – assessed from the independent advice thus far received. The rationale of accelerating a limited initial phase is to ensure this strategy is robust. Should it prove not to be, then a demolition and new build plan will need to be pursued. Results from the initial phase will be reported back to Cabinet, as soon as the concrete structures have been completely exposed and assessed.

All social housing has the opportunity for tenants with ‘rights’ to exercise their ‘Right-to-Buy', as the pilot blocks (and any subsequent blocks) are modernised there is a risk of such applications being received. However, there is protection of around 15 years for this where the Council would be able to recoup money spent through the ‘cost-floor’ plan.

A delay in procuring and appointing a design team and development partner for phase 1 will lead to a further delay in the submission and approval of planning consent; start on site and the key understanding of the refurbishment strategy. The Mainway blocks continue to deteriorate and represent sub-standard living for most

residents. Community expectation of action by the Council will again be questioned.
Option 2: Do Not Acquire the School site; do not pursue a combined masterplan; do not undertake a pilot phase.
Advantages: Not pursuing the acquisition will mean no further cost implications for the Council.
Disadvantages: Leaving the site as a redundant site, should Lancashire County Council not do anything with it, will impact on the ambitious and huge place making investment being proposed for Mainway, threatening the wider regeneration opportunity. Should the County Council decide to dispose of the site on the open market, the City Council is then open to the risk of who buys it, what they might seek to deliver on it and how that may well significantly reduce the social, environmental and community benefits, that having control over the site would provide. An independent development turning its back on Mainway would not deliver the wider opportunity that an inclusive, co-ordinated development would. A redesign of Mainway alone, can only reflect the area in question and cannot anticipate what may or may not happen on the adjacent school site by a third party. Mainway would have to continue to rely on an inferior access and could be isolated from wider regeneration. Delaying an initial phase, increases overall risk; decreases confidence by the community and would lead to residents spending longer in substandard housing than they need to.
Risks: Not having control of the redundant elements of the school site directly undermines the significant investment in Mainway. Creating a single Mainway masterplan cannot utilise and draw in the wider Skerton community. It would remain an isolated estate which, would not make the most of the capital employed and continue to result in similar problems already experienced with this type of estate. Not pursuing a pilot scheme increases risk and cost of the overall scheme. It delays establishing a clear strategy for how we best bring forward this key regeneration project. Further delay in pursuing the scheme increases the risk of Right to Buy being exercised which will push the overall future costs of a project up.

4.2 The advantages / disadvantages / risks of acquiring the redundant elements of the school site, seeking to pursue a masterplan of the entire site, and accelerating an early phase are outlined above. It should be noted that other combinations than those outlined above could be explored although the advantages, disadvantages, and risks would remain the same.

5. Officer Preferred Option (and comments)

5.1 The officer preferred option is Option 1. This is the only option that gives the City Council control over the wider site and allows the Council the opportunity to then influence the significant social, environmental and economic gains possible. It has the choice at that point to deliver development proposals directly or with chosen partners, who can meet the wider Council priorities and ensure any subsequent development maximise the opportunity this site provides for the community of Skerton East. The terms of purchase are considered fair and realistic in today's market.

6. Conclusion

6.1 The report seeks approval for the following next steps for the future of Mainway:

1. Undertake the full combined Master-planning/Regeneration of Mainway and Skerton High school, in readiness for a planning application in the Autumn (Q3) 2022.
2. An initial accelerated first (pilot) phase of the Mainway Masterplan proposals, that will deliver a definitive decision as to the viability of the wholescale reconfiguration and refurbishment of the existing buildings on Mainway. To commence in the Summer (Q2) of 2022.
3. To establish a detailed cost budget and delivery programme to allow a clear Treasury paper to be brought back to Cabinet for approval, during Q2 2022, setting out the financing recommendations.
4. To seek approval for the acquisition the redundant elements of the former Skerton High School, subject to S77 Secretary of State approval. Cabinet are asked to authorise the exchange of contracts for the purchase of the Skerton School site for future housing development (conditional on a S77 approval from the Secretary of State) as per the Heads of Terms set out in Appendix 1 or other such improved terms – delegated to Officers..

6.2 In order to progress the above stages Cabinet is requested to endorse the use of Housing Revenue Account reserves for the following purposes. Costs with regards to these can be found within the following appendices:

- Procure a design, project and development management team to work up a masterplan to application stage on a co-ordinated masterplan of the Skerton High School and Mainway sites including a full detailed consent for an early pilot stage.
- Leaseholder buy back from Derby House (inc. fees).
- Home loss and disturbance payments to residents in Derby & Lune Houses.
- Procure a development partner to deliver the redevelopment of Derby and Lune House.

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

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