



Committee: BUDGET AND PERFORMANCE PANEL

Date: TUESDAY, 14 DECEMBER 2021

Venue: MORECAMBE TOWN HALL

Time: 6.00 P.M.

A G E N D A

1. **Apologies for Absence**

2. **Minutes**

Minutes of the Meeting held on 6 October 2021 (previously circulated).

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

4. **Declaration of Interests**

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

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

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

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

5. **Delivering Our Priorities: Q2 2021-22** (Pages 3 - 23)

Report of Director of Corporate Services

6. **Investing in the Future: Capital Investment Strategy** (Pages 24 - 42)

Report of Director of Corporate Services

7. **Treasury Management Mid Year Review** (Pages 43 - 59)

Report and Appendix submitted to Cabinet attached.

8. **MTFS Update** (Pages 60 - 74)

Report of Chief Financial Officer (report published on 8 December 2021)

9. **Work Programme Report** (Pages 75 - 77)

Report of the Chief Executive.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Adrian De La Mare (Chair), Tim Dant (Vice-Chair), Phillip Black, Roger Dennison, Joan Jackson, Debbie Jenkins, Oliver Robinson, Alistair Sinclair and Joanna Young

(ii) Substitute Membership

Councillors Paul Anderton, Mandy Bannon, Abbott Bryning, Colin Hartley and Geoff Knight

(iii) Queries regarding this Agenda

Please contact Stephen Metcalfe, Democratic Services - email sjmetcalfe@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Democratic Support email democracy@lancaster.gov.uk.

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

Published on 6th December 2021.

BUDGET & PERFORMANCE PANEL

**Delivering Our Priorities: Q2 2021-22
Tuesday 14 December 2021**

Report of Director of Corporate Services

PURPOSE OF REPORT

To provide an update on the status of corporate projects, performance and resources for the period July-September 2021 (Q2 2021-22).
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This report is public.

RECOMMENDATIONS

- (1) That Budget & Performance Panel consider the updates on projects, performance and resources from July-September 2021 (Q2) at Appendix A.

1.0 Report

- 1.1 Cabinet considered the Delivering Our Priorities projects, performance and resources report for Q2 2021-22 at its meeting of 7 December 2021.
- 1.2 Budget & Performance Panel is now invited to consider this report and raise any comments or questions in relation to its role in scrutinising the Council's activities and resources.

CONCLUSION OF IMPACT ASSESSMENT
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(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):
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The content of this report has no direct impact in itself.
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LEGAL IMPLICATIONS

No legal implications directly arising from this report.
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FINANCIAL IMPLICATIONS

No financial implications directly arising from this report.
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OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces
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No direct implications arising from this report.
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SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer contributed to this report in his role as Chief Finance Officer.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Appendix A: Highlight Report
Appendix B: General Fund Service Analysis
Appendix C: General Fund Subjective Analysis
Appendix D: HRA Service Analysis
Appendix E: General Fund Capital Projects
Appendix F: HRA Capital Projects
Appendix G: Reserves Projected Outturn

Contact Officer: Director of Corporate Services

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Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	7 December 2021
Report	Delivering Our Priorities: Q2 2021/22		
Report of	Director of Corporate Services		
Purpose of Report			
To provide members with an update on performance, projects, and resources during the first two quarters of 2021/22 (April – September 2021).			
Key Decision (Y/N)	N	Date of Notice	N/A
Exempt (Y/N)	N		

Report Summary

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

Recommendations of Councillor Anne Whitehead

That Cabinet

- (1) Consider the update on performance, projects, and resources for Quarter 2 2021/22.

Relationship to Policy Framework

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

Conclusion of Impact Assessment(s) where applicable

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

The content of this report has no impact in itself.

Details of Consultation

No specific consultation around this report.

Legal Implications

No legal implications directly arising from this report.

Financial Implications

No financial implications directly arising from this report.

Other Resource or Risk Implications

No other implications directly arising from this report.

Section 151 Officer's Comments

The Section 151 Officer contributed to this report in his role as Chief Finance Officer	
Monitoring Officer's Comments	
The Monitoring Officer has been consulted and has no further comments.	
Contact Officer	Sarah Davies, Director of Corporate Services
Tel	01524 582501
Email	sdavies@lancaster.gov.uk
Links to Background Papers	
Appendix A: Highlight Report Appendix B: General Fund Service Analysis Appendix C: General Fund Subjective Analysis Appendix D: HRA Service Analysis Appendix E: General Fund Capital Projects Appendix F: HRA Capital Projects Appendix G: Reserves Projected Outturn	

1.0 Introduction

- 1.1 The primary purpose of this report is to present the information contained in the projects and performance Highlight Report for the period July-September 2021, which can found at Appendix A.

2.0 Report

- 2.2 The majority of the Council's services have in some way emerged from the more acute effects of responding to the Covid-19 pandemic; although the Council continues to provide its fullest level of proactive support to local communities and businesses. This is reflected in the information and commentary contained within the report, which show somewhat of a lesser impact than in previous quarters.
- 2.3 Further to this, a number of teams have used resource during Q2 to clear backlogs of work which arose during earlier phases of the pandemic. This has in some cases had a short-term detrimental effect on the headline performance measures. However, the completion of backlog work puts these services on a stable footing going forward.

3.0 Project Reporting

- 3.1 The stage each project has reached is now included on the highlight report, with quarterly project update reports (shown as hyperlinks on the project name) produced only by projects in the Detailed Design, Delivery or Completion stages.
- 3.2 The number of projects updated on each quarter has reduced from that of the previous report. This does not reflect a decrease in project activity, rather a refinement and focusing of the information reported in order to maximise the level of meaningful information provided.

4.0 Financial Monitoring

- 4.1 The 2021/22 Budget and MTFs 2021-2024 approved by Council in February 2021 set a balanced budget for the year based on the assumptions made at that time. The COVID - 19 pandemic continues to create a significant shock to the economy and result in unplanned expenditure and income losses for the Council.

- 4.2 All portfolios are required to examine their revenue budgets regularly and reports are submitted to Cabinet and Budget & Performance Panel for review. To enable Portfolio Holders to meet this requirement Financial Services continually reviews and refreshes how it presents the Council's Corporate Monitoring information.
- 4.3 In an attempt to aid understanding Members should note that where **projected variances** values are presented with brackets () this reflects a negative, or adverse movement from the budgeted position. Conversely, projected variances accompanied with a + sign represents a positive, or favourable movement from the budgeted position.

The following financial appendices accompany this report

- Appendix B: General Fund Service Analysis
- Appendix C: General Fund Subjective Analysis
- Appendix D: HRA Service Analysis
- Appendix E: General Fund Capital Projects
- Appendix F: HRA Capital Projects
- Appendix G: Reserves Projected Outturn

5.0 COVID - 19

- 5.1 As stated above, the COVID - 19 pandemic has resulted in significant unplanned expenditure and income losses, which are being monitored by each directorate. The Government's Sales, Fees and Charges support scheme finished at the end of June 2021 and all subsequent losses will need to be covered by Council resources.
- 5.2 With regard to economic activity and the potential ongoing impact, the Government's own data indicates activity is not expected to return to pre-Covid-19 levels until 2023. The impact of the pandemic led to a 10% fall in economic output over 2020 which is only expected to recover by 4% this year and 7% in 2022/23.

6.0 General Fund Summary Position

- 6.1 Quarter 2 (Q2) monitoring covers the period for April – September 2021. At the end of Q2 (September 2021) we are currently projecting a year end overspend against budget of **£0.319M**. This amount equates to approximately **1.79%** of the Council's approved Net Revenue Budget of **£17.774M**. Members should acknowledge that this is the position at the halfway point of the financial year and officers work will continue over the coming months to monitor and forecast the costs and savings associated with both the pandemic and any other emerging budget pressures. In the meantime, arrangements are in place to scrutinise all existing expenditure plans. However, should an overspent position remain at the year-end it would be met from the Council's unallocated reserves. Members will need to be aware that as part of the on-going budget round we are undertaking our reforecasting exercise for Business Rates and Council Tax. Both are complex high value areas which can have a significant impact on the Council's financial position. Early indications suggest that performance in these areas may help to reduce the current Q2 deficit but the final results of this exercise and its impact will be reflected in the Medium Term Financial Strategy Update paper and within Delivering Our Priorities Q3 monitoring.
- 6.2 A summary of the Q2 revenue position for the main service accounts of the Council is set out in table 1 below. Appendix B: General Fund Service Analysis covers this information in more detail with commentary on significant variances provided on the following paragraphs.

Table 1 Quarter 2 Financial Monitoring – Service Analysis

	Original Budget 2021/22 £'000	Working Budget 2021/22 £'000	Q2 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Communities and Environment	6,882	6,882	529	7,485	(603)
Economic Growth and Regeneration	4,134	4,134	1,956	4,813	(679)
Corporate Services	6,762	6,762	(496)	6,534	+228
Central Services	1,059	1,059	510	1,013	+46
Other Items	96	96	(79)	(593)	+689
Sub Total	18,933	18,933	2,420	19,252	(319)
Net Recharges to Housing Revenue Account	(1,020)	(1,020)	0	(1,020)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	1,318	(139)	0
Revenue Reserve funded items included in above analysis	2,362	5,298	561	4,652	+646
Revenue Reserve funded items included in above analysis	(2,362)	(5,298)	0	(4,652)	(646)
Sub Total	(1,159)	(1,159)	1,879	(1,159)	0
General Fund Revenue Budget	17,774	17,774	4,299	18,093	(319)
Revenue Support Grant	(204)	(204)	(106)	(204)	0
Net Business Rates Income	(7,737)	(7,737)	(8,204)	(7,737)	0
Council Tax Requirement	9,833	9,833	(4,011)	10,152	(319)

6.3 Communities and Environment (£0.603M Adverse)
 Significant budget variances including termination costs for the Combined Heating and Power unit maintenance contract (-£0.032M) and the non-realisation of feed in tariff credits (-£0.130M). Increased vehicle R&M and associated hire costs (-£0.107M) due to delayed delivery of new fleet. Income losses as a result of the continued closure of nursery shop (-£0.043M). The additional cost of staff to cover long term absence and shortage of HGV drivers (-£0.118M) as well as the impact of job evaluation appeals and restructure proposals delayed (-£0.070M). These pressures have been offset by staff turnover savings, however, the service is predicted a salary related overspend of (-£0.075M) which also accounts for the impact of the proposed pay award. Car parking income (£+0.201M) has exceeded the pre-pandemic expectancy level of 65%, however, this can be offset by the net impact of the Castle car park lease surrender (-£0.070M) and increased transaction costs due to customer change of habits (-£0.015M). A budgeted sales, fees and charges loss (-£0.379M) is included within the service variance, however the compensation for this is included in Other Items, as detailed below.

6.4 Economic Growth and Regeneration (£0.679M Adverse)
 Significant predicted year end variances include the continuation of the Capita Building Control contract (-£0.124M) and Business Rates payable (-£0.041M) for former Frankie & Benny's site due to vacated tenant. Estimated additional support for temporary planning officer posts (-£0.080M), the use of agency staff to cover the vacant Head of Property Investment and Regeneration (PIR) post (-£0.083M) have created budgetary pressure however, there are a number of areas where salary savings have been identified including the delayed reopening of the VIC's, The Platform and Museums (£-0.046M). Further vacancies include Future High Streets vacant post and other growth posts not yet recruited to (+£0.053M). These pressures have been offset by staff turnover savings however the service is predicting a salary related overspend of (-£0.176M) which also accounts for the impact of the proposed pay award. Further Income losses at The Platform (-£0.187M) and Printrooms (-£0.067M) are estimated. A budgeted sales, fees and charges loss of (-£0.074M) is included within the service variance, however the compensation for this is included in Other Items, as detailed below.

Corporate Services (£0.228M Favourable)

- 6.5 Slippage on the capital programme has reduced forecast interest payments for the year by (+£0.373M). This saving is offset by a forecast increase in the shortfall on the staff turnover savings target of (-£0.240M) which is largely attributable to the impact of the proposed pay award and also by rising bank charges (£0.027M). An increase in the Council's insurance renewal premium (-£0.160M) has been offset by a corresponding reduced contribution to the insurance provision as the balance is deemed to be at a satisfactory level. With regard to ICT, the need for additional Microsoft user licences (-£0.013M) and additional mobile phone costs (-£0.039M) resulting from increased agile/ homeworking provide the most significant forecast budget pressures. Other significant variances relate to vacant posts within Finance (+£0.054M), Human Resources (+£0.061M), Democratic Services (+£0.017M) and Internal Audit (+£0.025M).

Central Services (£0.046M Favourable)

- 6.6 This variance is attributable to the vacant 'Head of Policy' position offset by the impact of the proposed pay award.

Other Items (£0.689M Favourable)

- 6.7 Sales, Fees & Charges Compensation (£0.732M credit) As part of the pandemic the government introduced a scheme within 2020/21 which allowed Councils to reclaim a portion of their in-year income losses relating to sales fees and charges. This scheme was extended to 30th June 2021 and as part of the 2021/22 budget setting process, budgets were included as appropriate within the relevant service area and whilst not always detailed in full within the above sections, collectively they amount to £0.455M. During the first quarter, the Council incurred eligible irrecoverable losses of £0.977M (against a predicted irrecoverable loss of £0.722M) for which we are to receive compensation of £0.732M.
- 6.8 Appendix B: General Fund Service Analysis (Q2) covers this information in more detail and provides summary explanations for variances +/- £30K.
- 6.9 The revenue position provided within table 1 above is analysed across the Councils subjective headings is set out in table 2 below.

Table 2 Quarter 2 Financial Monitoring – Subjective Analysis

	Original Budget 2021/22 £'000	Working Budget 2021/22 £'000	Q2 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Employees	24,836	24,861	10,584	24,906	(45)
Premises Related Exp	5,729	5,728	4,102	5,930	(202)
Transport Related Exp	1,175	1,176	609	1,284	(108)
Supplies and Services	10,418	10,597	5,488	11,840	(1,243)
Transfer Payments	22,027	22,027	8,671	22,027	0
Support Services	130	139	31	109	+30
Capital Charges	17	17	0	17	0
Capital Financing Costs	1,797	1,797	0	1,424	+373
Appropriations	732	732	0	708	+24
Income	(47,628)	(47,841)	(27,065)	(48,693)	+852
Capital Financing Inc	(300)	(300)	0	(300)	0
Sub Total	18,933	18,933	2,420	19,252	(319)
Net Recharges to Housing Revenue Account	(1,020)	(1,020)	0	(1,020)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	1,318	(139)	0
Revenue Reserve funded items included in above analysis	2,362	5,298	561	4,652	+646
Revenue Reserve funded items included in above analysis	(2,362)	(5,298)	0	(4,652)	(646)
Sub Total	(1,159)	(1,159)	1,879	(1,159)	0
General Fund Revenue Budget	17,774	17,774	4,299	18,093	(319)

6.10 Appendix C: General Fund Subjective Analysis covers this information in more detail

7.0 Housing Revenue Account Summary Position

7.1 As at the end of Q2 we are currently projecting a year end overspend against budget of **£0.225M**. A summary of the Q2 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 2 Financial Monitoring – HRA Service Analysis

	Original Budget 2021/22 £'000	Working Budget 2021/22 £'000	Q2 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Policy & Management	1,718	2,017	790	2,016	+1
Repairs & Maintenance	5,790	5,865	1,645	5,912	(47)
Welfare Services	(157)	(157)	(185)	(173)	+16
Special Services	172	172	147	185	(13)
Miscellaneous Expenses	680	680	403	753	(73)
Income Account	(14,672)	(14,672)	(7,221)	(14,570)	(102)
Capital Charges	5,532	5,532	0	5,532	0
Appropriations	417	43	0	50	(7)
Sub Total	(520)	(520)	(4,421)	(295)	(225)
Net Recharges to General Fund	520	520	0	520	0
Housing Revenue Account Budget	0	0	(4,421)	225	(225)

7.2 At this stage the overspend is predominantly due to an anticipated reduction in Income (-£0.102M), an increase in a number of Miscellaneous Expenses (-£0.073M) plus also a forecast increase in expenditure on Repairs & Maintenance (-£0.047M).

7.3 Appendix D: Housing Revenue Account Service Analysis covers this information in more detail and provides summary explanations for variances +/- £30K.

8.0 Capital Projects (General Fund & HRA)

8.1 At Q2 we are currently projecting year end slippage against budget of **£32.815M** (General Fund £32.862M HRA (£0.047M)) (Q1 General Fund £33.148M and HRA £0M). Summary details for both the General Fund and HRA are set out in table 4 below.

Table 4 Quarter 1 Financial Monitoring – Capital Projects

	Original Budget 2021/22 £'000	Working Budget 2021/22 £'000	Q2 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Communities and Environment					
Business Support	3,084	2,939	46	3,120	(181)
Customer Involvement & Leisure	2,057	1,614	51	1,436	+178
Public Protection	0	0	0	0	0
Housing Services	0	0	(2,565)	(58)	+58
Public Realm	17,904	16,608	(4,360)	263	+16,345
Total	23,045	21,161	(6,828)	4,761	+16,400
Economic Growth and Regeneration					
Planning & Place	777	871	0	0	+871
Economic Development	0	0	0	0	0
Property, Investment and Regeneration	17,710	18,243	3,636	4,413	+13,830
Total	18,487	19,114	3,636	4,413	+14,701
Corporate Services					
HR	0	0	(40)	0	0
ICT	135	235	60	145	+90
Corporate Services Development Pool	1,671	1,671	0	0	+1,671
Total	1,806	1,906	20	145	+1,761
Central Services					
Chief Executive	0	0	0	0	0
Total	0	0	0	0	0
GENERAL FUND - TOTAL	43,338	42,181	(3,172)	9,319	+32,862
Housing Revenue Account					
Adaptations	300	360	108	360	0
Energy Efficiency / Boiler Replacement	959	969	258	969	0
Kitchen / Bathroom Refurbishment	888	888	0	138	+750
External Refurbishment	192	235	42	235	0
Environmental Improvements	360	405	210	1,167	(762)
Re-roofing / Window Renewals	1,093	1,185	179	1,195	(10)
Rewiring	54	84	4	84	0
Lift Replacement	0	0	0	0	0
Fire Precaution Works	150	150	21	150	0
Housing Renewal & Renovation	1,217	1,350	486	1,375	(25)
HOUSING REVENUE ACCOUNT - TOTAL	5,213	5,626	1,308	5,673	(47)
GRAND TOTAL	48,551	47,807	(1,864)	14,992	+32,815

8.2 The following significant budget adjustments have been made up to Q2 to reflect slippage & accelerated expenditure from 2020/21 and to take account of decisions taken by Cabinet during the current financial year, most notably that related to the removal of the £1.350M provision for the phase one 1MW solar farm at Salt Ayre in reflection of the award of Salix funding:

GF: £1.157M
HRA: £0.413M

- 8.3 The areas of significant slippage mainly related to schemes currently within the Council's Development Pool which are unlikely to proceed in 2021/22. Executive Management Team are currently reviewing these which may result in significant changes to these values.
- 8.4 Appendix E General Fund Capital Projects and Appendix F HRA Capital Projects provide further information and summary commentary.

9.0 Reserves

- 9.1 The Council's projected reserve position has been updated to reflect the provisional outturn and has seen the Council's opening level of unallocated balances increase to **£7.808M** with the combined level of reserves currently **£33.446M**.
- 9.2 We are currently projecting the Council's unallocated balances to increase slightly to **£5.222M** from the budgeted position of **£4.529M**. Overall the combined level of usable reserves is forecast to increase to **£19.025M** against the budgeted balance of **£15.639M**. Table 5 Quarter 2 Financial Monitoring – Reserves provides summary details for both Unallocated and Earmarked Reserves. Appendix G: Reserves Projected Outturn provides further detailed analysis.

Table 5 Quarter 1 Financial Monitoring – Reserves

	<----- ORIGINAL BUDGET ----->				<----- PROJECTED OUTTURN ----->					
	31 March 2021	From Revenue	To/ (From) Capital	To Revenue	31 March 2022	31 March 2021	From Revenue	To/ (From) Capital	To Revenue	31 March 2022
	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	(6,796)			2,267	(4,529)	(7,808)			2,586	(5,222)
Total Earmarked Reserves	(12,885)	(1,808)	1,113	2,470	(11,110)	(25,637)	(1,811)	1,104	12,542	(13,803)
Total Combined Reserves	(19,681)	(1,808)	1,113	4,737	(15,639)	(33,446)	(1,811)	1,104	15,128	(19,025)

- 9.3 The increase is a result of a number of factors such as the impact of the backed dated Green Energy Disregard on the 2019/20 balance, inclusion of provision for part of the 2020/21 deficit in the Business Rates Retention Reserve to reflect current government guidance for the spreading of Collection Fund deficits across three financial years. Table 6 Reserves Movement reconciles the movement between the budgeted and forecast closing position.

Table 6 Reserves Movement

		£M
Budgeted Combined Level		15.639
Reserve		
General Fund Unallocated	2021/22 Forecast Overspend	(0.319)
	2020/21 Actual Surplus	0.695
	2019/20 Impact of backdated Green Energy Disregard	0.317
Business Rates Retention	First year exception Collection Fund deficit	1.180
	Contribution to 2021/22 Collection Fund Deficit	0.558
s106 Commuted Sums	Increase in s106 monies during 2020/21	0.153
Various	Projected use of reserves to finance revenue	0.802
	expenditure during 2021/22 lower than originally forecast due to slippage in project delivery	
Projected Combined Level		19.025

- 9.4 The use of the Council's reserves to manage fluctuations in expenditure and income will be key to the delivery of the Council's stated priorities and outcomes over the next 4 years and will be kept under review by Officers and Members. The current forecast includes £2.267M to balance the 2021/22 budget with current projections requiring further calls to balance future budgets 2022/23 (£2.183M), 2023/24 (£4.223M) and 2024/25 (£4.668M).

10.0 Collection Fund

Business Rates

- 10.1 Similarly to 2020/21, Central Government has introduced a scheme of enhanced rates reliefs applying to occupied retail, leisure, and hospitality properties. The discounts are 100% for the period April to June reducing to 66% from July. Funds to fully reimburse local authorities for the local share of these enhanced reliefs have been paid on account using a grant under section 31 of the Local Government Act 2003, with a full reconciliation to be carried out at year-end. The Council received £6.941M in 2020/21 which was credited to the Council's General Fund and held in the Revenue Grants Unapplied reserve to offset any business rates deficit carried forward. The amount required to cover the 2021/22 reliefs will be similarly treated at the forthcoming year end.
- 10.2 The collection rate for Business Rates is currently 49.9%, which is slightly behind the Q2 profiled position of 51.4%. Based on this level of performance collection would be slightly below the annual target 98.0%.

Council Tax


- 10.3 The number of Local Council Tax Support claimants appear to have stabilised at around 1,300, although this is considerably higher than the position in March 2020. The current collection rate for Council Tax is Q2 56.5% which is slightly above the profiled position at (Q2 55.5%) and projected to exceed the annual target of 95.%.

11.0 WRITE OFFS

11.1 Table 7 below provides details of the debts have been written off by the Council's Revenues and Benefits service in relation to Council Tax, Business Rates and Housing Benefits Overpayments

	Q1	Q2	Total
Council Tax	39,876	15,565	55,441
Business Rates	16,117	33,521	49,638
Housing Benefit Overpayments	61,404	16,565	77,969
			183,048

11.2 Debts are deemed non recoverable after all reasonable recovery steps have been taken and can be written off in accordance with the Council's Debt Management Policy in a number of circumstances such as unable to trace, uneconomical to pursue, insolvency as well as imprisonment and death.

 <p>Promoting City, Coast & Countryside</p>	Corporate programmes, projects and performance update – 30th Sept 2021 (Q2)	Status Key	
		R Red – The project is unlikely to meet its agreed plan, costs or benefits unless immediate remedial action is taken	C Complete or Closed
Priorities Key		A Amber – The project is at risk of failing to meet its agreed plan, timescales, costs or benefits unless action is taken	N Not Started
I An inclusive and Prosperous Local Economy (Economy)		G Green – The project is on track to meet its agreed plan, timescales, costs and benefits	H On hold
S A Sustainable District (Environmental)		X No data available / data not requested due to stage	* Projects in the Concept stage will not usually have updates
H Healthy and Happy Communities (Social)		All projects, programmes and performance figures on this list are reporting quarterly	
R A Co-operative, Kind and Responsible Council (Governance)			

An Inclusive and Prosperous Local Economy (Economy)

Projects

Priority	Project Name	Update	Stage	Updated	Status
I	Heritage Action Project	Programme has made significant progress in terms of grant commitments this quarter and progress towards new projects, however, spend to date is much lower than projected. Progress with public realm proposals is very challenging due to ongoing uncertainty with regard the wider city centre highway network as a result of advancing the Housing Infrastructure Fund (HIF) programme.	Delivery	07/10/21	A
I S	Lune Flood Protection, Caton Road	The original phase 3 fluvial flood relief scheme is now complete with all outputs now being met. An end of project / opening event was held on Friday 1 st October 2021 with formal ribbon cutting by Cllr Mike Greenall, The mayor of Lancaster. The project team have commenced planning and delivery of the follow up phase 3a project to mitigate the wider residual surface water flooding issues including installation of a community pump and water attenuation and storage upstream in the catchment.	Delivery	08/10/21	G
I	Bailrigg Garden Village Masterplanning (part of South Lancaster Growth Catalyst programme)	Consultancy JTP facilitated the main stage of community led masterplanning for the council in the period from January to May 2021. JTP output a draft Masterplan in May 2021. The council focused further work by JTP over the summer on specific aspects that required further consideration and detailing with stakeholders including design of the highway spine route for the village and options for settlement governance and stewardship. This work continues with that concerning the spine quite challenging in aspects given need to marry crucial place making objectives with county council led HIF infrastructure deliveries.	Detailed design stage	11/10/21	G
I	Heysham Gateway	A desk top study has been carried out which shows there is potential for viable commercial development. A further desk top study is needed to gather further detail. A tendering approach, via a Homes England Framework, has been used to procure Strategic Context, Site Masterplan, and Project Development Services. The successful contractor is due to be appointed by the end of October 2021.	Detailed design stage	11/10/21	G
S	Canal Quarter	No update is due for this project as it has not yet reached the detailed design stage.	Detailed business case	N/A	X
I H	Palatine Recreation Ground Pavilion	No update is due for this project as it has not yet reached the detailed design stage.	Detailed business case	N/A	X
I H	Lancaster City Museum Boiler	A cabinet report has been issued for the meeting on 26 th October.	Detailed business case	8/10/21	X
I	1 Lodge Street Urgent Structural Repairs	No update is due for this project as it has not yet reached the detailed design stage.	Feasibility	N/A	X
I	Dalton Square	No update is due for this project as it has not yet reached the detailed design stage.	Feasibility	N/A	X
I H	Eden Project North	No update is due for this project as it has not yet reached the detailed design stage.	Feasibility	N/A	X
I	R Council Assets Programme (Palatine Hall, Old Fire Station Development Works)		Concept*		
I H	Morecambe Co-op Building Renovation		Concept*		
I H	Museums Redevelopment		Concept*		
I H	Ryelands Park – Ryelands House		Concept*		

Performance

Measure	Q1	Q2	Q3	Q4	Comments
I % of minor planning applications determined within 8 weeks or agreed time	80.77	67.41			Whilst there has been a slight decline in the percentage of applications determined, there has been a sharp increase in the number of applications decided over the course of Q2. The figures also reflect that resource within the Development Management team was utilised to successfully complete a backlog of planning applications. The team has secured further resource during the quarter by successfully appointing to vacant posts. It is therefore envisaged that the timely completion of applications will continue to increase, with the subsequent contribution to placemaking within the district.
I % of other planning applications determined within 8 weeks or agreed time	81.43	73.75			
I % of major planning applications determined within 13 weeks or agreed time	81.82	66.67			

I		Proportion of total procurement expenditure with local suppliers (quarter behind)	30%	21%			
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A Sustainable District (Environmental)

Projects					
Priority	Project Name	Update	Stage	Updated	Status
S	Electric Car Club (part of Carbon Neutral Programme)	This project is now complete. A project review report is in the process of being composed.	Completion		C
S	Local Authority Delivery for Green Homes Grant (part of Council Housing Thermal Energy Efficiency)	Delays have been experienced between the council and the principal contractor. To address these problems, weekly reporting has been agreed.	Delivery	12/10/21	A
S	Salt Ayre Leisure Centre Decarbonisation (part of Carbon Neutral Programme)	External lightning work is now complete. The project is expected to be completed by the end of December 2021. Air Source Heat Pump and glazing are expected to be completed by end of November.	Delivery	05/10/21	G
S	Electric Vehicle Charge Points (part of Carbon Neutral Programme)	No update is due for this project as it has not yet reached the detailed design stage.	Feasibility	N/A	X
S	Roof Mounted Solar Array – Gateway, White Lund (part of Carbon Neutral Programme)	No update is due for this project as it has not yet reached the detailed design stage.	Feasibility	N/A	X
S	Travel Plan (part of Carbon Neutral Programme)	Several large employers already have organisational travel plans in place. The Portfolio holder is chairing a working group consisting of the big employers in the District to look at best practice and consider how by working more closely we can share best practice and have a more strategic approach.	Feasibility	24/11/21	X
S	1 Million Trees	2021/22 funding has supported the recruitment of a project lead at the Lunes Rivers Trusts as part of the wider Lancashire Woodland Connect programme. In conjunction with the Ribble Rivers Trust, computer modelling for riparian woodland prioritisation of the Lune catchment is taking place. 6 planting sites have been located and outreach has started with private landowners. Hedgerow planting with Lancaster University will lead to planting in March 2022. The funding committed by Lancaster City Council has secured additional resourcing and funding from Green Recovery Challenge Fund and the Health and Environmental Action Lancashire (HEAL) project.	Concept	25/11/21	X
S	Burrow Beck 2.5MW Solar Farm and Battery (part of Carbon Neutral Programme)	Due to the size of the scheme, we have not been able to find a commercially viable option to sell the generated electricity to. The scheme is therefore deferred.	Concept	28/09/21	C

Performance

	Measure	Q1	Q2	Q3	Q4	Comments
S	% of household waste recycled (quarter behind)	34.3%	40.5%			Figure is slightly lower than Q2 of last year. It is expected that this is due to the lifting of pandemic restrictions and HWRC reopening.
S	Kg of residual waste per household (quarter behind)	84.0kg	91.8kg			This figure is also down on last year (93.6kg). However, it is increased from 85.1kg in 2019 which indicates that the habits of residents are changing since pandemic.
S	Diesel consumption of council vehicle fleet	115733 ltrs	119277 ltrs			Slight increase on Q1. However, average litres per vehicle has decreased, compared to Q1.
S	Cost/m2 energy across corporate buildings (quarter behind)	£2.37	£1.76			Corporate buildings are: -Lancaster Town Hall -Morecambe Town Hall -Palatine Hall -Old Fire Station Large drop from previous quarter as the April-June period takes us out of heating season.
S	Gas KWH usage in council buildings (quarter behind)	2,280,000	1,014,000			
S	Electricity KWH usage in council buildings (quarter behind)	593,000	551,000			

Healthy & Happy Communities (Social)

Projects					
Priority	Project Name	Update	Stage	Updated	Status
H	LATCo - Housing Companies (part of Funding the Future)	Morehomes for the Bay (Developments) Ltd and Morehomes for the Bay (Investments) Ltd became incorporated on the 21 st June 2021. The first meeting of the Board took place on the 20 th July 2021.	Delivery	13/10/21	G
H	Mellishaw Park (part of Homes Programme)	An expression of interest for an architect to take forward designs to the planning stage was released. Two companies have been shortlisted for the full tender stage (due November).	Detailed design stage	02/10/21	G
S	My Mainway (part of Homes Programme)	No update is due for this project as it has not yet reached the detailed design stage.	Feasibility	N/A	X
S	Extra Care Scheme (part of Homes Programme)		Concept*		
I	LATCo - Commercial Trading Services (part of Funding the Future)		Concept*		

			R	Outcomes Based Resourcing (OBR) (part of Funding the Future)		Concept*		
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Performance									
				Measure	Q1	Q2	Q3	Q4	Comments
			H	Number of people statutorily homeless	12	7			Analysis of individual cases of statutory homelessness does not identify a single contributing factor, reflected in the low number of cases. The figure could be further reduced with greater availability of social and private rented properties.
			H	Number of Disabled Facilities Grants completed	76	76			The number of completions is still being impacted by the pandemic, with low numbers of new referrals received from the county council OT service. Despite this the number of completions at the end of Q2 is currently 25% higher than the same period in 20/21.
			H	Number of properties improved	59	59			We have noticed an increase in the number of complex cases over recent months, with private tenant interventions from a variety of agencies.
I			H	% of premises scoring 4 or higher on the food hygiene rating scheme	90.5%	96.96%			
			H	Number of admissions to Salt Ayre Leisure Centre	105,640	139,511			Numbers still lower than a standard Q2 result as a result of the reduced capacity in some activities due to Covid safe measures. Greatest uplift from Q1 is for public swimming where the requirement to pre-book has now been removed.
			H	Average time taken to re-let Council houses (days)	51.80	53.89			Many properties that became void during the pandemic were not able to be let/viewed due to restrictions. The subsequent letting of these properties has caused a large spike in relet time due to their long void periods. We continue to lessen the backlog of void properties, which have accrued a large amount of void time. We are confident that Q3 and Q4 will see a steady improvement in the average relet time.

A Co-operative, Kind and Responsible Council (Governance)

Projects						
Priority	Project Name	Update	Stage	Updated	Status	
	R	Customer Contact System	The main 'Report It' form is now live and replaces many processes currently in Lagan. All training has taken place with the Customer Service and Public Realm Support team which was followed by supported onsite coaching and mentoring. Work is underway on the next set of forms. ICT are preparing the 'Self Service Portal' for testing.	Delivery	12/10/21	G
	R	High-Capacity Fibre Cable Network Provision (part of Digital Programme)		Delivery	24/09/21	H
	R	Digital Market Place (part of Digital Programme)	This project has been cancelled as it was unlikely to yield sufficient benefits to make it viable.	Delivery	24/09/21	C
	R	5G Strategy (part of Digital Programme)		Delivery	24/09/21	H
I	R	Working Well Project	The first round of consultation with staff, Heads of Service and members is now complete. For the staff survey 359 responses from across all services were received. Much research into best practice has taken place with work packages being delivered incrementally over the next 18 months to aid the council's new way of working.	Delivery	12/10/21	G

Performance									
				Measure	Q1	Q2	Q3	Q4	Comments
			R	Average social media engagement rate	0.72	0.67			
			R	Total digital audience	388,690	424,508			
			R	Average number of days' sickness per full-time employee	1.85	1.7			
			R	Occupancy rates for commercial properties	96.65%	97.02%			Occupancy rates have slightly increased again mainly due to changes in occupation at CityLab and The Storey.
		H	R	Average time taken to process new Housing Benefit claims	20.41 days	19.91 days			Slow increase in Housing Benefit caseload, however performance continues to meet the target, with timely support provided to some of the district's most vulnerable residents.

QUARTER 2 FINANCIAL REVENUE MONITORING - GENERAL FUND SERVICE ANALYSIS 2021/22

	Original Budget 2021/22 £'000	Budget Amendments 2021/22 £'000	Working Budget 2021/22 £'000	Q2 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000	Variance +/- £30K %
Communities and Environment							
Business Support	White Lund Depot	(14)	0	(14)	0	1	(15)
	Vehicle Maintenance	(6)	0	(6)	82	(4)	(2)
Customer Involvement & Leisure	Customer Services	719	0	719	386	732	(13)
	Leisure	33	0	33	(32)	31	2
	Salt Ayre	1,344	0	1,344	730	1,414	(70) (5%)
	Environmental Health	1,193	0	1,193	340	1,135	58 +5%
Public Protection	Emergency Planning	62	0	62	28	61	1
	Housing Standards	62	0	62	(72)	105	(43) (69%)
	Licensing	(91)	0	(91)	(17)	(70)	(21)
	Safety	154	0	154	32	145	9
Housing Services	GF Housing	31	0	31	(16)	(2)	33 +106%
	Home Improvement Agency	(146)	0	(146)	(332)	(117)	(29)
	Housing Options	286	0	286	(1,368)	205	81 +28%
	Strategic Housing	202	0	202	55	204	(2)
	Cemeteries	184	0	184	76	194	(10)
	Grounds Maintenance	(179)	0	(179)	203	(143)	(36) (20%)
	Household Waste Collection	1,983	0	1,983	666	2,221	(238) (12%)
	Markets	(110)	0	(110)	(11)	(30)	(80) (73%)
Public Realm	Parking	(1,115)	0	(1,115)	(502)	(1,197)	82 +7%
	Parks	924	0	924	270	886	38 +4%
	Public Conveniences	178	0	178	68	147	31 +17%
	Public Realm Highways	74	0	74	29	74	0
	Service Support	354	0	354	252	552	(198) (56%)
	Street Cleaning	1,140	0	1,140	498	1,192	(52) (5%)
	Trade Waste	(623)	0	(623)	(1,030)	(613)	(10)
	Williamson Park	243	0	243	194	362	(119) (49%)
		6,882	0	6,882	529	7,485	(603) (9%)
Economic Growth and Regeneration							
Planning & Place	Building Control	93	0	93	53	217	(124) (133%)
	Conservation & Environment	50	0	50	22	55	(5)
	Development Control	42	0	42	(193)	267	(225) (536%)
	Local Plan	772	0	772	337	749	23
Economic Development	AONB	44	0	44	(39)	44	0
	Economic Development	392	0	392	159	333	59 +15%
	Marketing & Comms	282	0	282	126	286	(4)
	Grants	220	0	220	97	220	0
	The Platform	43	0	43	32	239	(196) (456%)
	Tourism & Events	502	0	502	208	487	15
	Museums	577	0	577	281	574	3
Property, Investment and Regenera	Highways	0	0	0	0	0	0
	Regeneration	876	0	876	350	910	(34) (4%)
	Sea Defence & Land Drainage	416	0	416	155	409	7
	Property	(175)	0	(175)	213	29	(204) (117%)
	Building Cleaning	0	0	0	155	(6)	6
		4,134	0	4,134	1,956	4,813	(679) (16%)
Corporate Services							
Corporate Accounts	Central Expenses	431	0	431	(1,163)	326	105 +24%
Democratic	Democratic Services	939	0	939	434	916	23
Finance	Finance	1,271	0	1,271	1,557	1,188	83 +7%
HR	HR	1,176	0	1,176	507	1,103	73 +6%
ICT	ICT	1,504	0	1,504	820	1,573	(69) (5%)
Internal Audit	Internal Audit	194	0	194	20	169	25
Legal	Legal Services	297	0	297	65	309	(12)
Revenues & Benefits	Revenues & Benefits	950	0	950	(2,736)	950	0
		6,762	0	6,762	(496)	6,534	228 +3%
Central Services							
Chief Executive	Executive Team	777	0	777	345	731	46 +6%
	Grants to other bodies	282	0	282	165	282	0
		1,059	0	1,059	510	1,013	46 +4%
Other Items							
Other Items	New Homes Bonus	(1,966)	0	(1,966)	(71)	(2,698)	732 +37%
	Revenue Funding of Capital	1,113	(9)	1,104	0	1,104	0
	Minimum Revenue Provision	2,175	0	2,175	0	2,158	17
	Interest Payable	1,393	0	1,393	0	1,393	0
	Interest Receivable	(63)	0	(63)	(8)	4	(67) (106%)
	Notional Charges	0	0	0	0	0	0
	Contributions to Reserve	932	0	932	0	925	7
	Contributions from Reserve	(2,375)	0	(2,375)	0	(2,375)	0
	Capital Contributions from Reserve	(1,113)	9	(1,104)	0	(1,104)	0
		96	0	96	(79)	(593)	689 +718%
	Net Recharges to Housing Revenue Account	(1,020)	0	(1,020)	0	(1,020)	0
	RMS Capital Charges (now Housing Revenue Account)	(139)	0	(139)	1,318	(139)	0
	Revenue Reserve funded items included in above analysis (Revenue)	2,362	2,936	5,298	561	4,652	646 +12%
	Revenue Reserve funded items included in above analysis (Appropriati	(2,362)	(2,936)	(5,298)	0	(4,652)	(646) (12%)
General Fund Revenue Budget		17,774	0	17,774	4,299	18,093	(319) (2%)
Core Funding :	Revenue Support Grant	(204)	0	(204)	(106)	(204)	0
	Net Business Rates Income	(7,737)	0	(7,737)	(8,204)	(7,737)	0
Council Tax Requirement		9,833	0	9,833	(4,011)	10,152	(319) (3%)

Notes:

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

QUARTER 2 FINANCIAL REVENUE MONITORING - GENERAL FUND SUBJECTIVE ANALYSIS 2021/22

		Original Budget 2021/22 £'000	Budget Amendments 2021/22 £'000	Working Budget 2021/22 £'000	Q2 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000	Variance +/- £30K %
Employees	Direct Employee Expenses	24,000	25	24,025	9,956	23,676	349	+1%
	Indirect Employee Expenses	836	0	836	628	1,230	(394)	(47%)
	Cleaning and Domestic Supplies	402	0	402	64	402	0	
	Energy Costs	713	0	713	301	740	(27)	
	Fixtures and Fittings	1	0	1	0	1	0	
	Grounds Maintenance Costs	1,471	1	1,472	594	1,472	0	
	Operational Bldgs Allocation	92	0	92	45	92	0	
Premises Related Exp	Other Premises Costs	0	0	0	0	0	0	
	Premises Insurance	219	0	219	1,151	252	(33)	(15%)
	Rates	1,333	(1)	1,332	1,363	1,401	(69)	(5%)
	Rents	85	(1)	84	49	85	(1)	
	Repair and Maintenance	1,085	0	1,085	383	1,123	(38)	(4%)
	Water Services	328	0	328	152	362	(34)	(10%)
	Car Allowances	1	1	2	6	3	(1)	
	Contract Hire Operating Leases	55	0	55	28	97	(42)	(76%)
Transport Related Exp	Direct Transport Costs	1,020	0	1,020	501	1,093	(73)	(7%)
	Other Transport Costs	0	0	0	0	0	0	
	Public Transport	20	0	20	1	20	0	
	Transport Insurance	79	0	79	73	71	8	
	Catering	43	0	43	9	37	6	
	Clothing Uniform and Laundry	84	0	84	58	90	(6)	
	Communications and Computing	1,398	1	1,399	1,116	1,590	(191)	(14%)
	Contribution to Provisions	250	0	250	0	250	0	
Supplies and Services	Equip Furniture and Materials	1,348	3	1,351	714	1,408	(57)	(4%)
	Expenses	519	2	521	198	574	(53)	(10%)
	General Office Supplies	188	0	188	221	225	(37)	(20%)
	Grants and Subscriptions	1,139	173	1,312	559	1,394	(82)	(6%)
	Miscellaneous Expenses	557	0	557	199	848	(291)	(52%)
	Services	4,892	0	4,892	2,414	5,424	(532)	(11%)
Transfer Payments	Housing Benefit	22,027	0	22,027	8,671	22,027	0	
Support Services	Recharges Exp	130	9	139	31	109	30	+22%
Capital Charges	Amortisation of Def Chgs	0	0	0	0	0	0	
	Depreciation	17	0	17	0	17	0	
Capital Financing Costs	Interest Payments	1,797	0	1,797	0	1,424	373	+21%
Appropriations	Appropriations	732	0	732	0	708	24	
	Customer Fees and Charges	(14,765)	0	(14,765)	(8,545)	(14,649)	(116)	(1%)
Income	Government Grants	(24,870)	(167)	(25,037)	(16,788)	(25,283)	246	+1%
	Interest	(104)	0	(104)	(8)	(36)	(68)	(65%)
	Other Grants and Contributions	(1,644)	(46)	(1,690)	721	(2,543)	853	+50%
	Recharges Inc	(6,245)	0	(6,245)	(2,445)	(6,182)	(63)	(1%)
Capital Financing Inc	Capital Related Income	(300)	0	(300)	0	(300)	0	
	Net Recharges to Housing Revenue Account	(1,020)	0	(1,020)	0	(1,020)	0	
	RMS Capital Charges (now Housing Revenue Account)	(139)	0	(139)	1,318	(139)	0	
	Revenue Reserve funded items included in above analysis (Revenue)	2,362	2,936	5,298	561	4,652	646	+12%
	Revenue Reserve funded items included in above analysis (Appropriat	(2,362)	(2,936)	(5,298)	0	(4,652)	(646)	(12%)
	GRAND TOTAL	17,774	0	17,774	4,299	18,093	(319)	(2%)

Notes:

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

QUARTER 2 FINANCIAL REVENUE MONITORING - HRA SERVICE ANALYSIS 2021/22

	Original Budget 2021/22 £'000	Budget Amendments 2021/22 £'000	Working Budget 2021/22 £'000	Q2 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000	Variance +/- £30K %
Communities and Environment							
Policy & Management	1,718	299	2,017	790	2,016	1	
Repairs & Maintenance	5,790	75	5,865	1,645	5,912	(47)	(1%)
Welfare Services	(157)	0	(157)	(185)	(173)	16	
Special Services	172	0	172	147	185	(13)	
Miscellaneous Expenses	680	0	680	403	753	(73)	(11%)
Housing Revenue Account							
Income Account	(14,672)	0	(14,672)	(7,221)	(14,570)	(102)	(1%)
Capital Charges	5,532	0	5,532	0	5,532	0	
Appropriations	417	(374)	43	0	50	(7)	
Gain/Loss on Asset Sales	0	0	0	0	0	0	
Gain/Loss on Asset Sales(Move)	0	0	0	0	0	0	
	(520)	0	(520)	(4,421)	(295)	(225)	(43%)
Net Recharges to General Fund	520	0	520	0	520	0	
Housing Revenue Account Budget	0	0	0	(4,421)	225	(225)	

Notes:

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

QUARTER 2 FINANCIAL CAPITAL MONITORING - SERVICE ANALYSIS 2021/22

APPENDIX E

	Original Budget 2021/22 £'000	Budget Amendments 2021/22 £000	Working Budget 2021/22 £000	Q1 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Communities and Environment						
Business Support	Purchase Of Vehicles	2,684	(181)	2,503	11	2,684 (181)
	VMU Brake Rollers	0	36	36	35	36 0
	2 x Electric RCVs	400	0	400	0	400 0
Customer Involvement & Leisure	Salt Ayre Boiler	300	(300)	0	0	0 0
	Salt Ayre Equipment Programme	1,757	(143)	1,614	80	1,436 178
	SASC Developer Partnership	0	0	0	(29)	0 0
Public Protection		0	0	0	0	0 0
Housing Services	Disabled Facilities Grants	0	0	0	(2,565)	(58) 58
	Mellishaw Park	480	0	480	0	0 480
	Happy Mount Park Footpaths	0	13	13	5	13 0
	Far Moor Playing Fields Scheme	0	35	35	0	35 0
	Williamson Park Development	1,000	0	1,000	0	0 1,000
	Electronic Vehicle Charging Points - Phase 2	0	28	28	25	28 0
Public Realm	Half Moon Bay Car Park Extension	60	0	60	0	30 30
	Solar Installation Phase 1 SALC	1,350	(1,350)	0	0	0 0
	One Million Trees	25	8	33	17	33 0
	Customer Contact System	85	6	91	43	91 0
	SALC Salix Funded Optimised Solar Farm	0	0	0	(6,017)	0 0
	Communities & Environment Devpt Pool	14,904	(36)	14,868	1,567	33 14,835
		23,045	(1,884)	21,161	(6,828)	4,761 16,400
Economic Growth and Regeneration						
Planning & Place	Cable Street Christmas Lights	0	24	24	0	0 24
	S106 payments to Lancs County Council	0	70	70	0	0 70
	Tank demolition & removal - Heysham Gate	487	0	487	0	0 487
	Canal Quarter	290	0	290	0	0 290
Economic Development						
	Palatine Recreation Ground - Veterans Club	116	22	138	0	138 0
	Palatine Hall	150	0	150	0	0 150
	Edward Street Dance Studio	84	0	84	0	0 84
	1 Lodge Street Urgent Structural Repairs	490	0	490	0	150 340
	Queen Victoria Memorial	169	(7)	162	5	0 162
	Lancaster City Museum	127	(22)	105	1	105 0
	Strategic Monitoring Baywide	0	0	0	0	0 0
	Artle Beck Improvements	0	0	0	0	0 0
	Slynedale Culvert	0	0	0	(6)	0 0
Property, Regeneration & Investment	Lancaster Square Routes Project	0	5	5	(18)	0 5
	Lancaster HS Heritage Action Zone	556	69	625	19	(137) 762
	Lancaster District Empty Homes Partnersh	69	4	73	0	0 73
	Canterbury Avenue Flood Relief	0	0	0	(1)	0 0
	Caton Road Flood Relief Scheme	0	188	188	472	188 0
	Engineers Electric Vehicle	0	15	15	0	15 0
	Economic Growth & Regen Devpt Pool	13,024	(406)	12,618	0	730 11,888
	Units 1,2,3,4&5 White Lund Industrial Estate	0	0	0	0	0 0
	Frontierland	2,500	665	3,165	3,174	3,174 (9)
	Morecambe Co-op Renovation	425	0	425	0	50 375
	Coastal Revival Fund - Morecambe Co-op	0	0	0	(10)	0 0
		18,487	627	19,114	3,636	4,413 14,701
Corporate Services						
Corporate Accounts		0	0	0	0	0 0
Democratic		0	0	0	0	0 0
Finance		0	0	0	0	0 0
HR	PRG Grant	0	0	0	(40)	0 0
ICT	I.T.Strategy	45	0	45	0	45 0
	Application System Renewal	0	0	0	0	0 0
	I.S. Desktop Equipment	60	0	60	47	60 0
	ICT Telephony	0	40	40	13	40 0
	ICT Laptop Replacement & E-campus screens	30	60	90	0	0 90
	Corporate Services Development Pool	1,671	0	1,671	0	0 1,671
Internal Audit		0	0	0	0	0 0
Legal		0	0	0	0	0 0
Revenues & Benefits		0	0	0	0	0 0
		1,806	100	1,906	20	145 1,761
Central Services						
Chief Executive		0	0	0	0	0 0
		0	0	0	0	0 0
GRAND TOTAL		43,338	(1,157)	42,181	(3,172)	9,319 32,862

Notes:

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

Council Housing Capital Programme 2021/22

APPENDIX F

	2021/22 Original Budget	2021/22 Working Budget	2021/22 Q2 Actual	2021/22 Projected Outturn	2021/22 Variance (Working v Projected)	Comments (Original Budget to Projected Outturn)
	£	£	£	£	£	
EXPENDITURE						
Adaptations	300	360	108	360	0	
Energy Efficiency / Boiler Replacement	959	969	258	969	0	
Kitchen / Bathroom Refurbishment	888	888	0	138	750	No activity expected for the majority of this financial year, budget to be re-directed to Environmental Improvements to fund removal of composite (plastic) fencing panels and replace with close boarded timber panels to the rear of all properties
External Refurbishment	192	235	42	235	0	
Environmental Improvements	360	405	210	1,167	(762)	Budget to be re-directed from Kitchen / Bathroom Refurbishment to fund removal of composite (plastic) fencing panels and replace with close boarded timber panels to the rear of all properties, to utilise operatives released from kitchens programme
Re-roofing / Window Renewals	1,093	1,185	179	1,195	(10)	Additional costs to complete works slipped from 2020/21
Rewiring	54	84	4	84	0	
Lift Replacement	0	0	0	0	0	
Fire Precaution Works	150	150	21	150	0	
Housing Renewal & Renovation	1,217	1,350	486	1,375	(25)	Additional costs to complete works slipped from 2020/21
TOTAL EXPENDITURE	5,213	5,626	1,309	5,673	(47)	

Reserves Statement (Including Unallocated Balances)

<----- ORIGINAL BUDGET ----->

<----- PROJECTED OUTTURN ----->

	31 March 2021 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2022 £		31 March 2021 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2022 £
Unallocated Balances	(6,796,000)			2,267,000	(4,529,000)		(7,808,400)			2,586,000	(5,222,400)
Earmarked Reserves:											
Amenity Improvements							(29,000)				(29,000)
Business Rates Retention	(6,562,400)	(886,386)		96,500	(7,352,286)		(8,300,700)	(886,386)		96,500	(9,090,586)
Canal Quarter	(42,900)				(42,900)						
Capital Support	(69,000)		69,000				(73,000)	73,000			
Corporate Priorities	(1,929,900)		684,000	867,600	(378,300)		(2,478,200)	684,000	1,139,800		(654,400)
Corporate Property	(338,500)			25,000	(313,500)		(338,500)			25,000	(313,500)
Covid 19 Support	(225,000)			225,000			(1,813,000)			1,809,000	(4,000)
Economic Growth	(207,600)	(96,500)		166,500	(137,600)		(188,500)	(96,500)		67,000	(218,000)
Elections	(40,000)	(40,000)			(80,000)		(40,000)	(40,000)			(80,000)
Homelessness Support	(133,800)	(6,600)			(140,400)		(110,800)				(110,800)
Invest to Save	(584,100)	(92,200)		624,500	(51,800)		(1,233,500)	(92,200)		1,146,200	(179,500)
Investment Property Maint & Voids							(9,400)				(9,400)
Local Plan											
Morecambe Area Action Plan							(27,300)				(27,300)
Museums Acquisitions	(24,300)	(4,500)			(28,800)		(24,300)	(4,500)			(28,800)
Planning Fee Income	(74,600)				(74,600)		(39,400)				(39,400)
Renewals Reserves	(558,200)	(481,800)	360,000	102,100	(577,900)		(602,200)	(491,800)	242,000	211,200	(640,800)
Restructure	(450,700)			262,500	(188,200)		(451,100)			20,000	(431,100)
Revenue Grants Unapplied	(416,400)			82,800	(333,600)		(8,497,600)			8,006,500	(491,100)
S106 Commuted Sums - Open Spaces	(16,600)			11,800	(4,800)		(16,600)			11,800	(4,800)
S106 Commuted Sums - Affordable Housing	(189,800)				(189,800)		(192,800)				(192,800)
S106 Commuted Sums - Highways, Cycle Paths etc.	(626,500)	(200,000)		5,700	(820,800)		(776,500)	(200,000)	105,000	9,000	(862,500)
Welfare Reforms	(324,900)				(324,900)		(324,900)				(324,900)
Reserves Held in Perpetuity:											
Graves Maintenance	(22,200)				(22,200)		(22,200)				(22,200)
Marsh Capital	(47,700)				(47,700)		(47,700)				(47,700)
Total Earmarked Reserves	(12,885,100)	(1,807,986)	1,113,000	2,470,000	(11,110,086)		(25,637,200)	(1,811,386)	1,104,000	12,542,000	(13,802,586)
Total Combined Reserves	(19,681,100)	(1,807,986)	1,113,000	4,737,000	(15,639,086)		(33,445,600)	(1,811,386)	1,104,000	15,128,000	(19,024,986)

BUDGET & PERFORMANCE PANEL**Investing in the Future: Capital Investment Strategy
Tuesday 14 December 2021****Report of Director of Corporate Services****PURPOSE OF REPORT**

To set out the Council's proposed Capital Investment Strategy, for consideration by Budget & Performance Panel and referral of any comments to Cabinet for development of a further version to be considered by Council.

This report is public.

RECOMMENDATIONS

- (1) **That Budget & Performance Panel consider the proposed Capital Investment Strategy, and refer any comments to Cabinet for development of a further version to be considered by Council.**
- 1.0 Report**
- 1.1 Cabinet considered the Investing in the Future Capital Investment Strategy at its meeting of 7 December 2021.
- 1.2 The Council's Constitution (Part 3 Section 5 – Budget & Policy Framework) requires that when a new or existing strategy is being considered, the Overview and Scrutiny Committee or Budget and Performance Panel have an opportunity to comment. If it considers it appropriate, Cabinet may then amend its proposals before submitting them to Council for consideration.
- 1.3 Budget & Performance Panel is asked to comment on the proposed strategy, and refer these comments for Cabinet to amend the strategy before submitting it to Council for consideration.

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

The content of this report has no direct impact in itself.

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

No direct implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has contributed to the writing of this report and appendices but would make the following observations:

Capital Strategy

The Prudential Code 2017 requires all Council's to adopt an annual Capital Strategy. The strategy should be an over-arching corporate document which deals with the key areas of strategic context, corporate priorities, capital investment ambition, capacity to deliver, risk appetite, risk management and determining an appropriate split between non-financial and treasury management investments in the context of ensuring the long-term financial sustainability of the authority.

It is envisaged that this Strategy will be supplemented with all the information mandated under the Prudential Code following finalisation of the capital programme, and subject to the required governance processes be presented to Full Council 23rd February 2022 for formal adoption.

Local Authority Trading Company (LATCo)

The Council has recently established a LATCo, which as a separate legal entity, is afforded a number of strategic freedoms and options not currently available to the Council. The activities of the LATCo will not form part of the Council's Capital Programme but should clearly support its priorities.

Dependent on the nature of its activities, the LATCo may need to explore alternative financing arrangements to enable delivery. Decisions regarding the activities of the LATCo, including financing arrangements, would require consideration by its Directors, the Shareholder Committee. Financing arrangements would require

appropriate business cases and supporting due diligence by any proposed lender.

MONITORING OFFICER'S COMMENTS

Capital and Investment Strategies form part of the Budget Framework and their adoption is a function of Full Council.

BACKGROUND PAPERS

Appendix A: Investing in the Future Capital Investment Strategy
Appendix B: Capital Assurance Group (CAG) Terms of Reference

Contact Officer: Director of Corporate Services

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Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	7 December 2021
Report	Investing in the Future: Capital Investment Strategy		
Report of	Director of Corporate Services		
Purpose of Report			
To set out the Council's proposed Capital Investment Strategy, for consideration by Budget & Performance Panel and ultimately the Council.			
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 Investment Strategy, entitled '*Investing in the Future*' and contained at Appendix A, sets out the relevant context and a proposed framework to support the Council's approach to capital investment over the medium term.

The 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.

Recommendations of Councillor Anne Whitehead

- 1) That Cabinet recommends that this draft of the Capital Investment Strategy (Appendix A) and the Terms of Reference for the Capital Assurance Group (Appendix B) be sent to Budget & Performance Panel for review. An updated version taking account of comments received should be considered by Cabinet, prior to being recommended for adoption by Full Council into the Budget & Policy Framework.

Relationship to Policy Framework

The proposed Capital Investment Strategy supports the Council's Medium-Term Financial Strategy (MTFS).

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

The Council's Constitution (Part 3 Section 5 – Budget & Policy Framework) requires that when a new or existing strategy is being considered, the Overview and Scrutiny

Committee or Budget and Performance Panel have an opportunity to comment. If it considers it appropriate, Cabinet may then amend its proposals before submitting them to Council for consideration.

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 but would make the following observations:

Capital Strategy

The Prudential Code 2017 requires all Council's to adopt an annual Capital Strategy. The strategy should be an over-arching corporate document which deals with the key areas of strategic context, corporate priorities, capital investment ambition, capacity to deliver, risk appetite, risk management and determining an appropriate split between non-financial and treasury management investments in the context of ensuring the long-term financial sustainability of the authority.

It is envisaged that this Strategy will be supplemented with all the information mandated under the Prudential Code following finalisation of the capital programme, and subject to the required governance processes be presented to Full Council 23rd February 2022 for formal adoption.

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The Council has recently established a LATCo, which as a separate legal entity, is afforded a number of strategic freedoms and options not currently available to the Council. The activities of the LATCo will not form part of the Council's Capital Programme but should clearly support its priorities.

Dependent on the nature of its activities, the LATCo may need to explore alternative financing arrangements to enable delivery. Decisions regarding the activities of the LATCo, including financing arrangements, would require consideration by its Directors, the Shareholder Committee. Financing arrangements would require appropriate business cases and supporting due diligence by any proposed lender.

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	Sarah Davies, Director of Corporate Services
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Links to Background Papers

Appendix A: Investing in the Future Capital Investment Strategy

Appendix B: Capital Assurance Group (CAG) Terms of Reference

Lancaster City Council

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

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

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.

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. 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.

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 four 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 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.

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.

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.
 - 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.
 - d) **A Co-operative, Kind and Responsible Council.** These are investments that sustain the day to day operational delivery of the Council's 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
- 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.

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	26 October 2021
Report of	Chief Finance Officer		
Purpose of Report			
This report seeks Cabinet's consideration of various matters in connection with the Treasury Management Mid-Year Review 2021/22.			
Key Decision (Y/N)	N	Date of Notice	Exempt (Y/N) N

Report Summary

This report provides Cabinet with

- Performance information in relation to the Council's Treasury Management Activities for the period 1st April to 30th September 2021 (Appendix A).

Recommendations of Councillors

That Cabinet

- (1) Consider the various matters in connection with the Treasury Management Mid-Year Review 2021/22
- (2) Forward the Mid-Year Review 2021/22 on to Budget & Performance Panel and Full Council for consideration in accordance with CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

Relationship to Policy Framework

Treasury Management forms part of the Council's budget framework

Conclusion of Impact Assessment(s) where applicable

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

A Thriving & Prosperous Economy:

Clean Green & Safe Neighbourhoods:

A Smart & Forward-Thinking Council:

Effective Treasury Management and use of the Council's 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

Legal Implications	
None directly arising from this report	
Financial Implications	
There are no financial implications arising directly from this report.	
However, although currently impacted by COVID-19 areas of capital investments may require additional borrowing and other associated costs. Financial due diligence and assessment will ensure that all the appropriate costs are considered for each proposal and external advice considered ahead of any borrowing being incurred.	
Other Resource or Risk Implications	
There are no additional resource or risk implications	
Section 151 Officer's Comments	
The s151 Officer has written this report in his role as Chief Finance Officer	
Monitoring Officer's Comments	
The Monitoring Officer has been consulted and has no further comments	
Contact Officer	Paul Thompson
Tel	01524 582603
Email	pathompson@lancaster.gov.uk
Links to Background Papers	

1.0 INTRODUCTION

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

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

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

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

2.0 BACKGROUND

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

2.2 Under CIPFA's Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) it is a requirement that an information report on these matters be presented to Cabinet and full Council.

3.0 SUMMARY DETAILS

Investments

3.1 The average level of funds available for investment purposes over the six-month period was £38.3M (2020/21 £41.0M). These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.

3.2 The Council's investments returned an average rate 0.02% on deposit generating c£4.6K of interest against a profiled budget of c£20K.

Borrowing

3.3 The Capital Financing Requirement (CFR) measures the Council's underlining need to borrow for capital purpose, i.e. its borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.

- 3.4 The Council's capital financing requirement (CFR) for 2021/22 was forecast as £134.88M with the current forecast CFR at quarter 2 is, however, £105.13M as much of the expenditure funded by unsupported borrowing, most notably that in the Development Pool, is expected to slip.
- 3.5 If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council currently has borrowings of £60.04M. It intended to utilise £33.09M of cash flow funds in lieu of borrowing and with current forecasts estimating new borrowing of £12M later in the financial year. This will be considered when the need arises and will be in consultation with the Council's external advisors.
- 3.6 The capital programme is being kept under regular review due to the effects of COVID-19, the shortage of materials and labour and delays to schemes within the Development Pool. Therefore, our borrowing strategy will be reviewed and then revised in order to achieve optimum value and risk exposure in the long-term.

Changes to Prudential Indicators

- 3.7 In compliance with the Prudential Framework the Council sets an annual Treasury Management Strategy including key indicators, determined under regulation, to assist Members in assessing the affordability of borrowing and in determining that it is prudent and sustainable.
- 3.8 This table shows the current estimates for the General Fund and Housing Revenue Account capital programmes, compared to the original estimates

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

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

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

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

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

- 3.12 A key control over treasury management activity is to ensure that over the medium term, net borrowing (borrowings less investments) will only be for capital purposes. Gross external borrowing should not, except in the short term, exceed the total capital financing requirement.
- 3.13 The table below shows compliance with this control as the Council's external borrowing £60.04M compared to its CFR £105.13M

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

4.0 OPTIONS AND OPTIONS ANALYSIS

- 4.1 As the report is for consideration and progressing to Budget and Performance Panel and Full Council, no alternative options are put forward.

5.0 CONCLUSION

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

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

Mid-Year Review 2021/22

Report of Chief Finance Officer

1. Background

Capital Strategy

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

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

A report setting out our Capital Strategy was taken to Council on 24 February 2021.

Treasury Management

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

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

Accordingly, treasury management is defined as:

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

2. Introduction

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

The primary requirements of the Code are as follows:

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

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

This mid-year report covers the following:

- An economic update for the first part of the 2021/22 financial year
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators
- A review of the Council's investment portfolio for 2021/22
- A review of the Council's borrowing strategy for 2021/22
- A review of any debt rescheduling undertaken during 2021/22
- A review of compliance with Treasury and Prudential Limits for 2021/22

3. Economics update (provided by Link Asset Services)

MPC meeting 24.9.21

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

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

4. Interest Rate Forecast

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

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

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

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

5. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy (TMS) for 2021/22, which includes the Annual Investment Strategy was approved by the Council on 24 February 2021. There are no policy changes to the TMS; the details in this report update the position in light of the updated economic position and budgetary changes already approved.

6. Investment Portfolio

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

- Security of capital
- Liquidity
- Yield

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

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

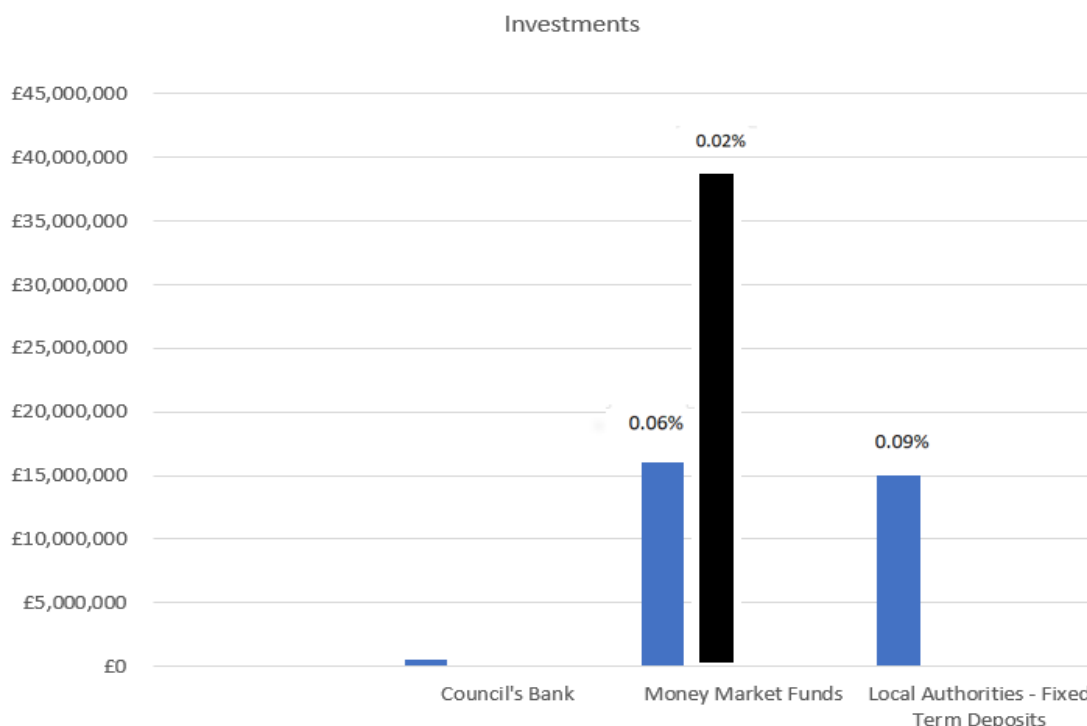
The average level of funds available for investment purposes over the six month period was **£38.3M**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.

In terms of performance against external benchmarks, the return on investments compared to the 7 day LIBID and bank rates at the end of the period is as follows. This is viewed as reasonable performance, given the need to prioritise security of investments, and liquidity (i.e. making sure that the Council's cashflow meets its needs):

Base Rate	0.10%
7 day LIBID	-0.08%
Lancaster City Council investments	0.02%

Investment Balances – quarter ended 30 September 2021

At the start of the year investments totalled £31M rising to £39M by 30 September. Fixed term investments with local authorities fell to £0 whilst Money Market Fund balances were £39M.



Other Investments	Term	Maturity Date	Opening 1.4.21 £	Closing 3.09.21 £	Indicative Rate (YTD)	Current Fixed Rate	Interest to Date £
Call Accounts							
Natwest (Cash Manager Plus)			529,000	384,000		0.01%	35
Money Market Funds							
Blackrock Sterling Liquidity First Fund				6,000,000	0.01%		163
Blackrock Sterling Govt Insight				6,000,000	0.00%		1
Lancashire County Council LGIM			12,000,000	12,000,000	0.05%		3,008
Aberdeen Life Investments			4,000,000	6,000,000	0.00%		0
				6,000,000	0.01%		298
Fixed Term Deposits							
Central Bedfordshire Council	25 days	26/04/2020	5,000,000	0		0.10%	342
South Somerset Council	18 days	19/04/2021	5,000,000	0		0.10%	247
Birmingham City Council	48 days	19/05/2021	5,000,000	0		0.08%	526
Sub-total			31,529,000	39,384,000			4,620
Budgeted income							41,350
							(36,730)

Investment Counterparty criteria

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

Approved Limits

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

7. Borrowing

The Council's capital financing requirement (CFR) for 2021/22 was forecast as £134.88M as set out at **Annex A**. The current forecast CFR at quarter 2 is, however, £105.13M as much of the expenditure funded by unsupported borrowing, most notably that in the Development Pool, is expected to slip. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council currently has borrowings of £61.04M. It intended to utilise £33.09M of cash flow funds in lieu of borrowing and take out new borrowing of £12M later in the financial year.

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

8. Debt Rescheduling

Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

9. Compliance with Treasury and Prudential Limits

During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy and in compliance with the Council's Treasury Management Practices.

It is a statutory duty for the Council to determine and keep under review its affordable borrowing limits. With the exception of the circumstances outlined in paragraph 6, during the half year ended 30th September 2021, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2021 and no difficulties are envisaged for the current or future years in complying with these indicators.

10. Other Issues

Changes in risk appetite

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

PRUDENTIAL INDICATORS - MID YEAR REVIEW**Prudential Indicator for Capital Expenditure**

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

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

Changes to the Financing of the Capital Programmes

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

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

Changes to the Capital Financing Requirement

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

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

Limits to Borrowing Activity

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

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

Definitions:

Operational Boundary

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

Authorised Limit for External Debt

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

BUDGET AND PERFORMANCE PANEL

**Budget and Policy Framework Update
14 December 2021**

Report of Chief Finance Officer

PURPOSE OF REPORT

This report provides the Panel an update on the Council’s Medium Term Financial Strategy forecasts for 2021/22 to 2025/26 and outline the approach to balancing the budget

This report is public

OFFICER RECOMMENDATIONS

- (1) That Budget and Performance Panel considers the Cabinet Report dated 7 December 2021 and attached appendices, making any comments and recommendations considered necessary.

1.0 BUDGET AND POLICY FRAMEWORK UPDATE

- 1.1 This report provides an update on the Council’s general budgetary position for current and future years. Given that at the time of writing, the Local Government Settlement has not been announced, and other budgetary work is not yet scheduled for completion, the report is an interim update only primarily for information.
- 1.2 Budget and Performance Panel are asked to consider the Cabinet report and attachments in line with their Terms of Reference within the Constitution relating to the monitoring and review of the council’s performance.

CONCLUSION OF IMPACT ASSESSMENT

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

LEGAL IMPLICATIONS

As set out in the relevant appendices.

FINANCIAL IMPLICATIONS

As set out in the relevant appendices.

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

As set out in the relevant appendices.

SECTION 151 OFFICER'S COMMENTS

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

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Appended to this report
Cabinet 14-12-2021

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

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	7 December 2021
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 forecasts for 2021/22 to 2025/26 and outline the approach to balancing the budget.			
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 Local Government Settlement has not been announced, and other budgetary work is not yet scheduled for completion, the report is an interim update only primarily for information.

Recommendations of Councillor Anne Whitehead

That Cabinet considers

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

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 contributed to this report in his role as Chief Finance Officer

Monitoring Officer's Comments	
The Monitoring Officer has been consulted and has no further comments.	
Contact Officer	Paul Thompson (Chief Finance Officer)
Tel	01524 582603
Email	pthompson@lancaster.gov.uk
Links to Background Papers	

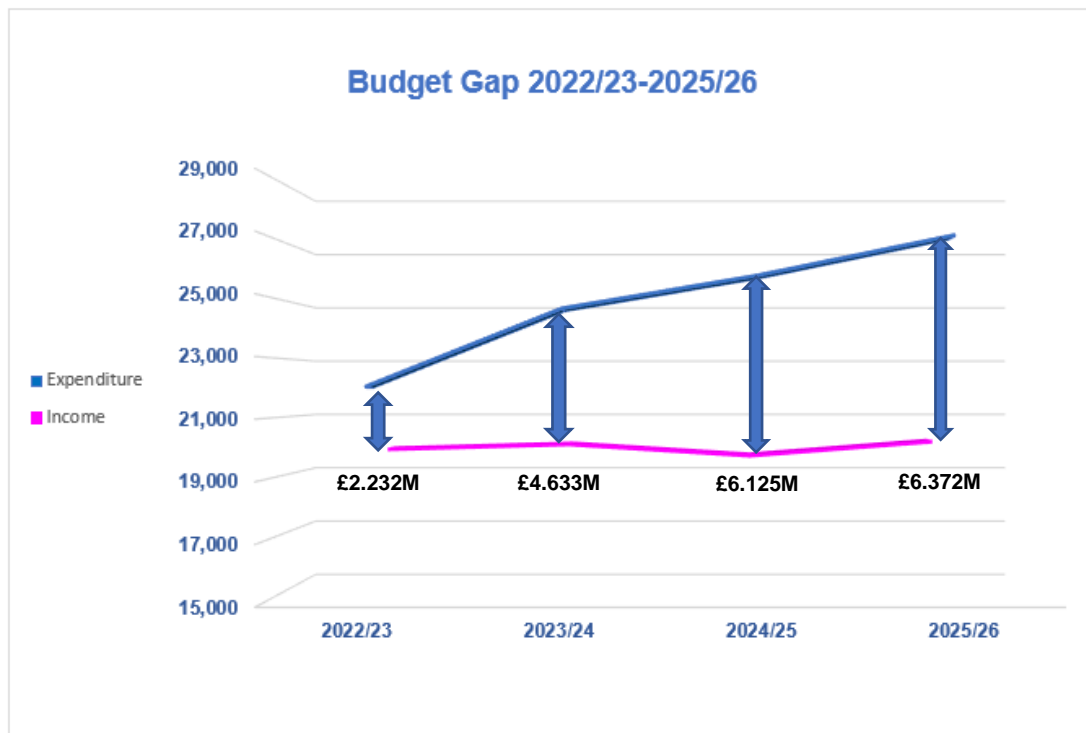
1.0 INTRODUCTION

- 1.1 Under the Constitution, Cabinet has responsibility for developing corporate planning proposals and a balanced budget for Council's consideration.
- 1.2 This report sets out:
- An updated budget gap analysis taking account of the latest funding outlook and other information on expenditure and income pressures.
 - A summary of the budget framework strategy
- 1.3 This report is an interim update and primarily for information.

2.0 UPDATED BUDGET GAP ANALYSIS

- 2.1 Officers have been working with budget holders and Executive Management Team to update the Council's Medium Term Financial position. The review considered latest available information around government funding, other income streams as well as forecast expenditure levels incorporating known budget pressures and aims to provide a baseline position.
- 2.2 It should be noted that this forecast is subject to change when more up to date information becomes available and does not reflect the ongoing work being done by Cabinet and Executive Management Team to develop savings and growth proposal, nor does it reflect the revenue impact of any revisions to the capital programme. It sets a baseline position without any further interventions in the Budget setting process. The interventions and actions being planned include:
- A short term range of savings and growth (invest to save) actions aiming to significantly reduce the 22/23 budget gap, to be brought forward in the upcoming Budget and Policy Framework;
 - A mid-term Outcomes-Based Resourcing project to realign our expenditure with core duties and priorities; and
 - A comprehensive review of our employment base, debt financing, asset base and related policies and processes.

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



3.0 GOVERNMENT FUNDING PROSPECTS

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

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

Comprehensive Spending Review

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

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

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

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

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

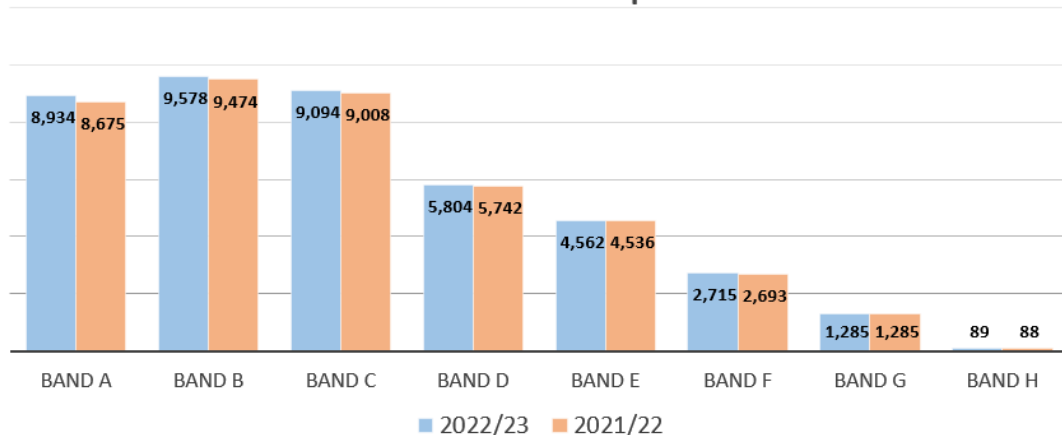
Local Government Finance Settlement

- 3.8 Given that the Settlement announcement is imminent, and the current level of uncertainty, there is little benefit to be gained from spending significant time on modelling different funding scenarios; real information is needed at this stage in the process.
- 3.9 Nonetheless, some preliminary high-level work has been done to update the budget scenarios, in order that we do not to lose sight of the potential risks and the challenge created by the underlying position.
- 3.10 This has taken the updated budget position and reflected several assumptions such as general inflation, the Local Government Pay Award and prospects for retained business rates and council tax yield.

Council Tax

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

Council Tax Base Comparison



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

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

Business Rates

- 3.15 Business rates is now a fundamental part of the local government finance settlement and, along with Council Tax, accounts for the majority of local government financing. Members will appreciate that despite intervention of central government through various grant funding streams and reliefs the full effects of the pandemic on businesses are not as yet entirely evident. This, along with a number of other significant uncertainties set out below make forecasting and planning extremely difficult.
- 3.16 We are one of only a small number of Councils with a nuclear power station within its boundary. The rateable value of the Heysham1 and Heysham 2 nuclear reactors accounts for over 30% of the Council's total rateable value. Although the retained business rates scheme does have a safety net mechanism in place to ensure that an authority's income does not drop below more than a set percentage of its index linked spending baseline, the Council is vulnerable to swings in income levels relating to the power station' operations.
- 3.17 The previous MTFS budgeted at a prudent baseline position as we were at height of pandemic and the impact on local business was unclear. Current information has highlighted a small amount of growth (c£400k) based on monitoring, this is now factored into the forecast for 2022/23 & 2023/24 and we will continue to monitor the position during December & January.
- 3.18 It was expected that at some point as part of government funding reviews there would be a business rates growth reset effectively removing all growth from the system by setting the business rates baseline to equal actual rates levels. To date this has not taken place and it has been assumed that this would take place in 2023/24 at the earliest. As only a small amount of growth has been modelled for 2022/23 and 2023/24 the impact of any potential reset is mitigated though it has been modelled as part of the sensitivity analysis. Heysham 1 reactor is expected to be decommissioned at some point during 2024 although the exact timing of this is not yet clear. This will have the effect of triggering a safety net payment from Central Government and so growth would only be relevant were it to be significant enough to generate rating income above the baseline.

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

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

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

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

New Homes Bonus

3.21 New Homes Bonus is a reward grant which is calculated from Council Taxbase figures. As previously reported, the previous years rewards element of the grant is being phased out and no longer applies from 2022/23 onwards. There is a risk that the Government will seek to further reduce the grant in future years which would increase the budget gap at the Council.

3.22 The current forecast of levels of New Homes Bonus is set out in the table below. This may be impacted by the finance settlement and the latest data in respect of affordable housing supply in the district which is due to be refreshed in December 2021

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

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

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

Operational Changes

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

Base Budget Changes

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

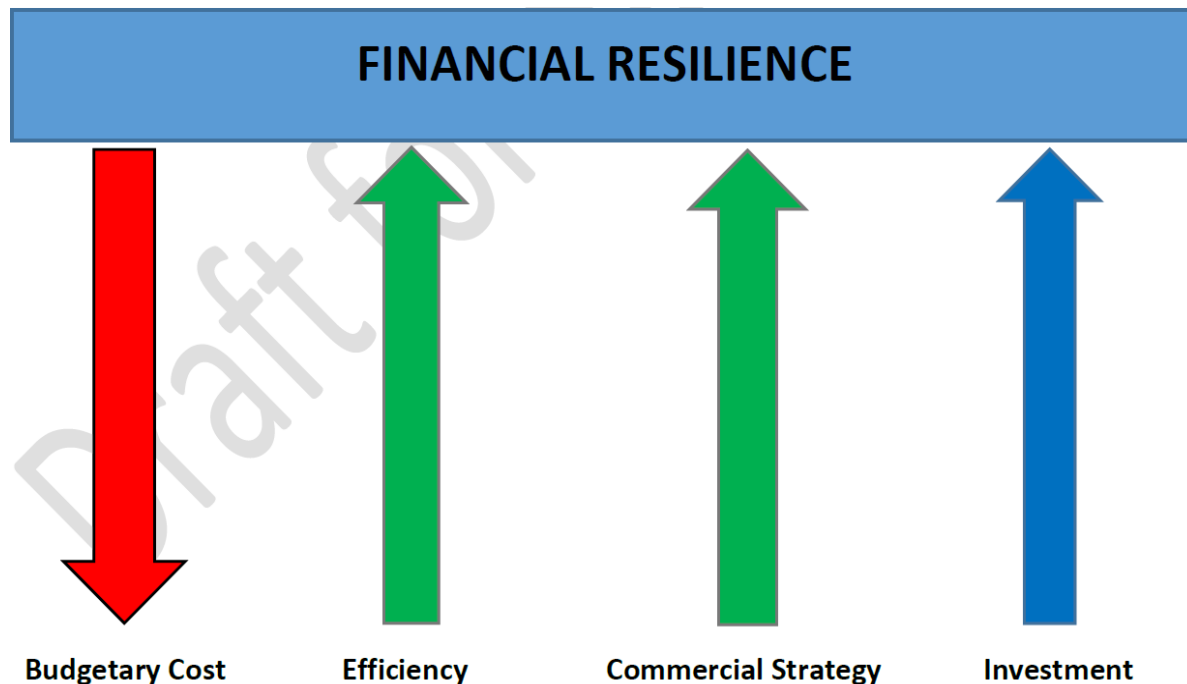
4.3 General Fund Revenue Budget Projections**General Fund Revenue Budget Projections 2021/22 to 2025/26**

For Consideration by Cabinet 7 December 2022

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

5.0 REALISING THE FUNDING THE FUTURE STRATEGY

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



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

Investing for a Return, or to Reduce Costs

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

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

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

Commercial Strategy

5.6 This pillar sets out to improve internally delivered services and establish new delivery models such as:

- Contracts and partnerships with other public bodies, for example, shared service arrangements.
- Contracts and joint ventures with the private sector e.g. joint ventures, outsourcing, public-private partnerships.
- New public sector and non-public entities e.g. joint commissioning boards and companies limited by shares or guarantees.

- 5.7 The Council recently extended its joint operation of Revenues and Benefits with Preston City Council and currently operates a shared Corporate Fraud Team with Fylde and Preston City Council's. In order to deliver ICT leadership and technical capacity it recently entered into a sharing agreement with Blackpool Borough Council, and to ensure there is an Internal Audit function it recently contracted with Mersey Internal Audit Agency.
- 5.8 In March 2021 the Council established More Homes for the Bay its first Local Authority Trading Company (LATCo) which, as a separate legal entity, is afforded several strategic freedoms and options not currently available to the Council.
- 5.9 Currently the Council is developing a business case which will frame the LATCo's activities, its administrative and financing arrangements. These decisions require consideration and approval by its Directors, the Shareholder Committee. Once the business plan has been agreed financial modelling can start to be undertaken to assess the value of the operation to the Council.

Pursuit of Efficiency with Vigour

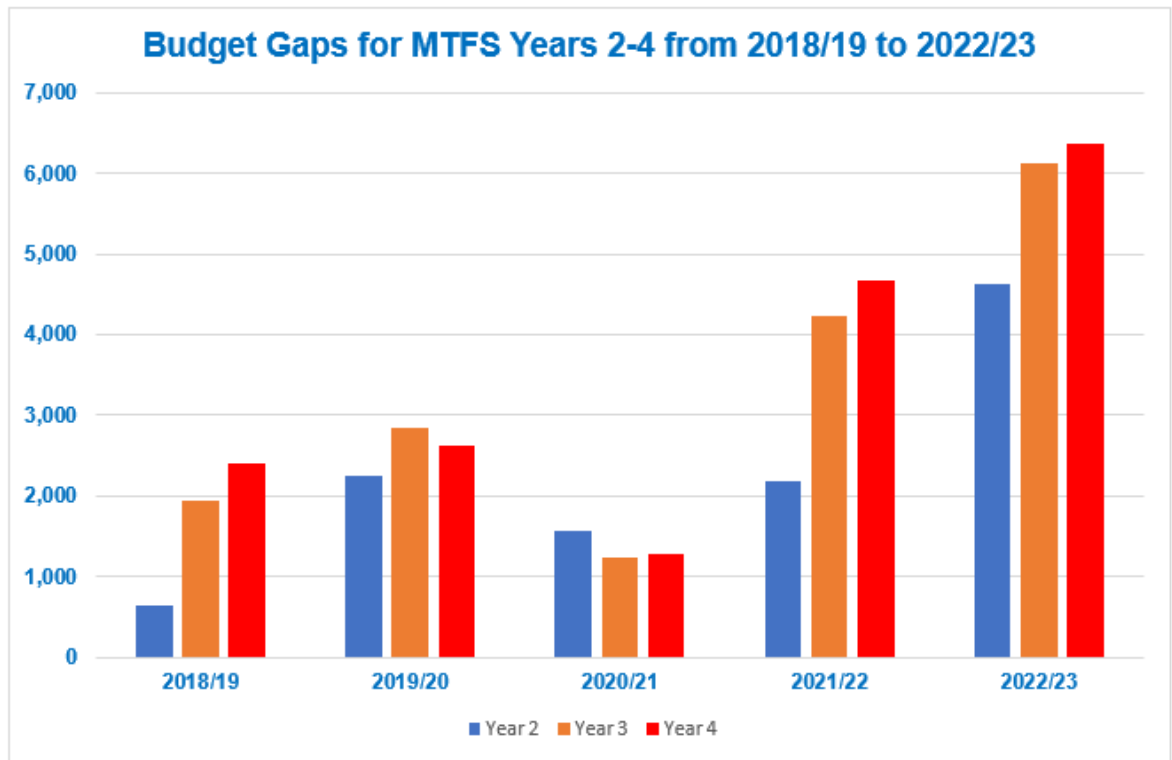
- 5.10 In order to improve the efficiency of operations a programme of "Lean Reviews" were intended to re-engineer activities in order to reduce costs and improve productivity. The most recent activity in this area has been the P2P project which has delivered significant operational and process savings both within Exchequer Services and out at service. The next phase is due for rollout before the end of the financial year, with the final phase concluded in 2022/23. Other areas where re-engineering has yielded efficiencies include Human Resources and Void Management. It still remains the intention that all key service processes will be subject to review over a three year period.

5.11 Outcomes Based Resourcing

This initiative originally committed to in 2018 has been delayed and had been due to commence early in the 2021/22 financial year having been set back by the Covid 19 pandemic.

- 5.12 Its intention is to ensure that funds are allocated according to a set of predefined outcomes, or priorities using a zero-based approach rather than applying incremental uplifts to an existing set of services each year. This effectively ensures that funds are directed toward the Council's key ambitions and statutory functions and away from areas which contribute less or not at all against the predetermined objectives. Given that investment opportunities are now limited this pillar of the strategy has grown in importance and will be required to appropriately target resources to key services whilst shrinking the budget gap.

- 5.13 Despite the work to date to realise the funding the future strategy the budget gap has widened as the following table shows. The impact of having to remove material levels of investment income and reduce some of the income stretch targets that had been budgeted during 2020/21 in light of the pandemic can clearly be seen below.



6.0 PROVISIONS, RESERVES AND BALANCES

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

6.2 By their nature reserves are finite and within the existing statutory and regulatory framework, it is the responsibility of the s151 Officer to advise the Council about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.

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

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



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

7.0 BALANCING THE BUDGET TO 2025/26

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

7.2 The Council's FtF strategy advocates a balanced and systematic approach based on sound principles around increased income streams, commercialisation, pursuing efficiency with vigour and cost management. As outlined previously in this report progress has been made to realise this strategy, income streams have been derived from investments made prior to November 2020, a number of efficiencies have been delivered, although there remain further aspects of this agenda to explore. Utilisation of the strategic freedoms presented by the creation of LATCo's are expected to deliver returns through using our assets to best advantage, but these aspirations are more likely to be realised over the medium to longer term horizons.

7.3 A number of workshops have been held between Executive Management Team and Cabinet to explore savings and redirection proposals, ensuring that underlying cost pressures are mitigated as far as possible and that growth in service is limited to that which is strictly necessary. The Council's capital programme is being reviewed a revised governance structure developed to reduce the revenue impact of MRP and interest charges whilst facilitating delivery of the Council's priorities. To support the level of Council reserves a comprehensive review is underway.

7.4 It is now imperative that a thorough and detailed review of our cost base is undertaken through application of OBR, or other similar budget principles. This will have a particularly important part to play in driving down budget gaps from 2023/24 and beyond and in realising financial sustainability. The application of OBR across the Council will be a significant piece of work and will inevitably require an objective and sensitive approach and work is currently underway to engage external expertise to commence this work within the current financial year.

7.5 Progress against all of these areas will be reported to Members together with any implications of the Local Government Settlement as part of January update.

8.0 DETAILS OF CONSULTATION

8.1 As in previous years the usual high level consultation with relevant stakeholders on the budget will be undertaken prior to Budget Council in February. More specific consultation will be considered at a future meeting of the Financial Resilience Advisory Group. Consultation on council housing matters will be undertaken through the District Wide Tenants' Forum.

9.0 OPTIONS AND OPTIONS ANALYSIS

9.1 As the report is for consideration no alternative options are put forward, the Cabinet could make supplementary recommendations regarding any matters.

BUDGET AND PERFORMANCE PANEL**Work Programme Report****14 December 2021****Report of Chief Executive****PURPOSE OF REPORT**

To consider the Work Programme report.

This report is public.

RECOMMENDATIONS

- (1) That the Panel considers paragraph 2 of the report and the Work Programme set out at Appendix A.

1.0 Introduction

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

2.0 Report

- 2.1 At its meeting, held on 4th November 2021, the Council Business Committee considered the Committee Timetable.

The Committee resolved:

That the draft committee timetable be approved, subject to an additional number (up to four) of meetings of the Budget and Performance Panel. That the dates of any additional meetings be determined by the Chair in consultation with Panel Members, the Chief Financial Officer and Democratic Services.

The Panel is requested to consider that part of the resolution regarding additional meetings of the Panel.

- 2.2 The Panel's Work Programme is set out at Appendix A.

SECTION 151 OFFICER'S COMMENTS

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

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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BUDGET & PERFORMANCE PANEL**WORK PROGRAMME**

Matter for consideration	Detail		Expected date of meeting
Delivering Our Priorities.	Standard items reported to the Panel. Quarter 2 - Treasury Management Mid-year Review.	Cabinet Member with Responsibility	Quarter 1 – 6 th October 2021 Quarter 2 – 14 th December 2021 Quarter 3 – 2 nd February 2022
Annual Stakeholder's Meeting.	Arranged as part of the budget consultation process.	Cabinet Member with Responsibility	2 nd February 2022

Invitations to Cabinet Members

Cabinet Member(s)	Issue	Expected date of meeting
Relevant Cabinet Member(s) to be invited to attend.	Delivering Our Priorities.	Quarter 1 – 6 th October 2021 Quarter 2 – 14 th December 2021 Quarter 3 – 2 nd February 2022
All Members of Cabinet	Annual Stakeholders Meeting.	2 nd February 2022