



LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

COUNCIL MEETING

**Wednesday, 14 December 2022 -
6.00 p.m.
Morecambe Town Hall**

Lancaster City Council welcomes members of the public to attend meetings. However, space in the public gallery is limited to 30 seats due to Fire Regulations. If you would like to watch the meeting and have access to Microsoft Teams, please click the link which will appear [HERE](#) a few days before the meeting to watch the live stream from 6pm on the date of the meeting. If you wish to register to speak or ask a question at the meeting, please email your name and address and a copy of your speech or question to democracy@lancaster.gov.uk no later than noon on Friday 9th December 2022.

Mark Davies,
Chief Executive,
Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ



LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Sir/Madam,

You are hereby summoned to attend a meeting of the Lancaster City Council to be held in the Town Hall, Morecambe on Wednesday, 14 December 2022 commencing at 6.00 p.m. for the following purposes:

1. **APOLOGIES FOR ABSENCE**

2. **MINUTES**

To receive as a correct record the Minutes of the Meeting of the City Council held on 9 November 2022 (previously circulated).

3. **DECLARATIONS OF INTEREST**

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

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

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

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

4. **ITEMS OF URGENT BUSINESS**

5. **ANNOUNCEMENTS**

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

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

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

7. **PETITIONS AND ADDRESSES - PETITION FOR MOTOR HOME FACILITIES ON COUNCIL CAR PARKS**

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

Ms Susanne Smith will present a completed petition to Council which was on the Council e-petition page. The petition has 113 signatures so will not be debated but will be passed to the relevant Director or Service Head for response

8. **LEADER'S REPORT** (Pages 5 - 8)

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

REPORTS REFERRED FROM CABINET, COMMITTEES OR OVERVIEW AND SCRUTINY

9. **BUDGET & POLICY FRAMEWORK UPDATE 2022/23** (Pages 9 - 20)

Report of Cabinet.

Published 12 December

10. **MEDIUM TERM FINANCIAL STRATEGY UPDATE 2022/23 - 2027/28** (Pages 21 - 33)

Report of Cabinet

Published 7 December

11. **LOCALISED COUNCIL TAX SUPPORT SCHEME 2023/24** (Pages 34 - 45)

Report of Cabinet.

Published 7 December

12. **COMMITTEE TIMETABLE 2023/2024** (Pages 46 - 49)

Report of Council Business Committee.

MOTIONS ON NOTICE

13. **MOTION TO SUPPORT THE CLIMATE AND ECOLOGY BILL** (Pages 50 - 51)

To consider a motion submitted by Councillors Frea, Black, G. Knight, Matthews and Wood.

The motion is enclosed with the officer briefing note.

OTHER BUSINESS

14. **TREASURY MANAGEMENT MID-YEAR REVIEW 2022-23** (Pages 52 - 66)

Report of the Chief Finance Officer.

15. **APPOINTMENTS TO OUTSIDE BODIES** (Pages 67 - 68)

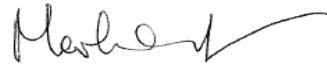
Report of the Head of Democratic Services.

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

Group Administrators to report any changes to Committee Membership.

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

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



.....
Chief Executive

Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ

Published on 6 December 2022.



Leader's Report

14 December 2022

Report of the Leader of the Council

PURPOSE OF REPORT

To present the Leader's report to Council.

This report is public.

RECOMMENDATIONS

To receive the report of the Leader of Council.

REPORT

1.0 Cabinet

1.1 Information on Cabinet matters is provided in the minutes from the Cabinet meeting held 25 October. The minutes from the Cabinet meeting held on 6 December will be tabled at January's Council meeting.

2.0 Decisions required to be taken urgently

2.1 No urgent Cabinet decisions had been taken in this period.

3.0 Leader's Comments

3.1 October and November for Cabinet and Officers have been heavily focused on the needs of the budget and our wider OBR implications. The more general fallout from the cost-of-living crisis has continued to affect our financial calculations. The cost of operations and the viability of our own projects has to be under review in order that we can make responsible financial decisions and retain the best possible sustainable future for residents. In addition, we know that our county council is faced with a £47 million deficit and is reconsidering some of its activities and commitments.

General matters

3.2 UKSPF including Rural UKSPF: The initial work to identify priorities for the £500k rural capital sum has been done by Officers with the help of a number of rural ward Councillors. There is enthusiasm for parish small renewable energy projects and EV infrastructure which fits well with both rural fund and city council outcome priorities.

3.3 OBR/Budget: Cabinet and Officer working groups have met weekly to look at in-year and 23/24 budget possibilities, our assets portfolio and the capital programme. The first round of key findings have been reported back, setting up the main options for savings to the 23/24 budget. The cross-party scrutiny group with membership from all political groups, has also been asked to comment on them. Members should all have received an invitation to an all-member briefing in early December.

We have had an introductory online meeting with local residents and a further online meeting will be held 13th December. In view of the extensive change that savings proposals may involve it is important that as wide a constituency as possible has the opportunity to understand our position and give views. The first draft of the budget is still on schedule for end of the week beginning 12 December.

3.4 The OBR Partnership group, consisting largely of the anchor institutions, has made rapid progress towards creating a more formal partnership that will explore common priorities, make a memorandum of understanding and survey its current projects to identify current and future opportunities for joint working.

3.5 Cost of Living Crisis: The first meetings of the Strategic and Business groups have taken place. Members have agreed to co-ordinate information and support available. The Cost of Living webpage has been updated see: [Cost of living - Lancaster City Council](#). More warm and welcoming spaces were added; also details of the Lancashire warm spaces grant fund were disseminated through social media and council community contacts.

3.6 Lancashire County matters: The IZ proposals have been dropped. In its place ministers have promised to concentrate on areas of need. It remains to be seen whether Heysham Gateway will be included in the new scheme. Lancashire Leaders agreed to support the overall Plan 2050 framework, with the strong proviso that the extremely general statements for the eight key areas be accompanied by clear action plans. There remains a great deal to do to involve all authorities more fully and to create a governance structure that will support the call to action. The launch of

Plan 2050 took place 23rd November in London at Speaker's House and was attended by 200 people including Lancashire MPs, business and political leaders.

New Matters

- 3.7** As the city council becomes more outcomes focused, responding to our corporate priorities, there is a need to review Performance Management. Human Resources have worked with staff members to refresh the Your Voice strategy. This has been presented to Members, to Officers, to Unions and to Members. An associated reworking of the Values document has been undertaken.
- 3.8** The Leader and Chief Executive met with Chief Inspector Dave Britton to discuss the community security concerns for the district, the availability of police resources and the future for policing. Concerns included ASB, gangs, serious violence, and threats to community cohesion. Inspector Britton also attended the yearly meeting of Overview and Scrutiny in its role as the safety partnership.
- 3.9** Audit and Risk Management have been a particular concern to me since June 2021. At this point it is good to report that there are no further concerns about our internal or external auditors. Ongoing work on the Risk Management Action Plan will be regularly reported to Audit Committee.
- 3.10** The LGA (Local Government Association) undertook both a Peer Review of the Planning function and a one-day Health Check of our Comms. The feedback from both was positive: the LGA Peer team did an excellent session with Officers and Members whilst the Comms team created an extensive report from their brief visit. It remains for Cabinet portfolio holders and Officers to pick up the development points and make the most of the experience once we have completed our budget work.
- 3.12** The Richardson Institute for Peace at Lancaster University have asked to develop a project regarding peace activities in our communities and wish to ensure students have a better understanding of the ways local government works and the contribution of local government to community engagement.
- 3.13** Members and Officers here and at county have worked closely together with David Morris MP largely across a weekend, regarding the standing up of a further Home Office sponsored hotel in Morecambe.

With many thanks to Cabinet Members and Officers for all their hard work over the last month.

4.0 Decisions

The following decisions are scheduled to be considered by Cabinet on 6 December 2022

Lancaster Moor Conservation Area
Morehomes for the Bay (Investments) Ltd and Morehomes for the Bay (Developments) Ltd Terms of Reference
Business Plan in Relation to Morehomes for the Bay (Investments) Ltd and Morehomes for the Bay (Developments) Ltd
Delivering Our Priorities: Q2 2022/23
Localised Council Tax Support Scheme 2023/4
MTFS
4.8MW Solar – South Lancaster (Exempt)

No Officer Delegated Key Decisions have been taken since the last Leader’s report.

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

ICMD6	Council Housing Asset Strategy	Published on 16/11/22 Taken by Cllr Matthews
ICMD7	Carnforth Neighbourhood Plan	Published on 17/11/22 Taken by Cllr Dowding
ICMD8	Innovate UK Funding Bid	Published on 2/12/22 Taken by Cllr Hamilton-Cox Call-in Waived
ICMD9	Slyne-with-Hest Neighbourhood Planning Referendum	Published on 2/12/22 Taken by Cllr Dowding

Background Papers

Cabinet agenda of the meetings held on 6 December 2022.

COUNCIL

Budget & Policy Framework Update 2022/23

14 December 2022

Report of Cabinet

PURPOSE OF REPORT				
This report provides an update on the Council's financial position to help inform the development of corporate planning and budget proposals.				
Key Decision	N	Non-Key Decision	Y	Referral from Cabinet Member
Date of notice of forthcoming key decision				
This report is Public				

RECOMMENDATION OF CABINET

That Council notes:

- (1) The revised budgetary position 2022/23 which is fixed for future monitoring purposes.
- (2) The draft future years estimates as set out in the report as the latest information available, accepting that this is an interim position.

1.0 INTRODUCTION

- 1.1 At its meeting 06 December 2022 Cabinet considered a report of the Chief Executive and Chief Finance Officer entitled Delivering our Priorities Q2. The aim of the report was to provide Members with an update on performance, projects, and resources during the first two quarters of 2022/23 (April – September 2022).
- 1.2 The report recommended that Cabinet “*Approves the use of the latest projected outturn figures to provide a mid-year reviewed budget position which will form the basis for future monitoring and outturn within 2022/23 and refers to full Council for noting.*”
- 1.3 The report provides Full Council with an update on the Council's General Fund budgetary position for 2022/23. The update takes account of the latest funding outlook and other information on expenditure and income pressures. Council is asked to note these values which will form the basis of future monitoring.
- 1.4 The report itself is an abridged version of that presented to Cabinet and excludes the information on performance and projects. Due to the timing of meetings and the considerable

amount of work undertaken in relation to the Councils Medium Term Financial Strategy (MTFS) and supporting the Outcomes Based Resourcing project this information has yet to be considered by Budget & Performance Panel. However, the amounts in relation to 2022/23 Quarter 2 financial performance and yearend forecasts are consistent with those within the MTFS elsewhere on the agenda. A link to the full report and accompanying appendices considered by Cabinet is attached at the foot of this report for reference.

2.0 COST OF LIVING CRISIS

- 2.1 The start of this financial year has seen extraordinarily high inflation rates coupled with major increases to the cost of energy. Where appropriate, updated projected variances have been included within the relevant service areas using the latest cost information available from suppliers. To put into perspective, the estimated projected overspend on energy budgets is (-£2.052M) (General Fund (-£1.511M), (HRA (-£0.541M) which is an increase of (-£0.377M) on the position reported at Quarter 1. It remains a highly volatile market and is being closely monitored in order to help formulate a base budget for 2023/24 onwards which will be considered by Council in February 2023.
- 2.2 As part of the 2022/23 budget setting process, in line with the majority of Councils an inflationary uplift of 2% was included to salaries across all service areas. The National Employers latest offer of an increase of £1,925 on all NJC pay points has just been accepted by the Unions. With regard to the financial impact on the Council, it is estimated additional strain is (-£1.134M) (General Fund (-£0.939M), (HRA (-£0.195M). Members should note that, as the pay award has now been finalised, the marginal impact has been included in the projected outturns within service and been included in the summary positions and tables below.

3.0 GENERAL FUND SUMMARY POSITION

- 3.1 Quarter 2 (Q2) monitoring covers the period for April – September 2022. At the end of Q2 (September 2022) we are currently projecting a year end overspend against budget of **£2.965M**. This amount equates to approximately **13.95%** of the Council's approved Net Revenue Budget of **£21.254M**. Members will recall that, as part of the 2022/23 budget cycle, Council approved a small contribution to reserves of **£0.034M** in order to produce a balanced budget. This will no longer be possible and there will instead be a call on reserves of **£2.965M**.
- 3.2 In addition, this position is at the second-quarter point of the financial year and officers work will continue over the coming months to monitor and forecast the costs and savings associated with other emerging budget pressures. In the meantime, arrangements are in place to scrutinise all existing expenditure plans in conjunction with the Outcomes Based Reporting (OBR) project. It should also be noted that many items that contribute to the in-year position and recurring (pay award, inflation etc) and as such will result in a significantly increased budget gap. This will be considered as part of the MTFS refresh report which is elsewhere on this agenda.

- 3.3 A summary of the Q2 revenue position for the main service accounts of the Council is set out in table 1 below with accompanying subjective analysis provided at table 2 with additional details provided at Appendices A and B.

	Original Budget 2022/23 £'000	Working Budget 2022/23 £'000	Q2 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000
Communities and Environment	5,193	5,193	263	8,000	(2,807)
Economic Growth and Regeneration	4,605	4,605	2,677	5,749	(1,144)
Corporate Services	6,760	6,760	7,368	7,740	(980)
Central Services	1,162	1,162	547	1,172	(10)
Other Items	4,717	4,717	140	2,047	+2,670
Sub Total	22,437	22,437	10,995	24,708	(2,271)
Net Recharges to Housing Revenue Account	(1,044)	(1,044)	(519)	(1,044)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	882	(139)	0
Revenue Reserve funded items included in above analysis	1,641	1,641	158	1,529	+112
Revenue Reserve funded items included in above analysis	(1,641)	(1,641)	0	(1,529)	(112)
Sub Total	(1,183)	(1,183)	521	(1,183)	0
General Fund Revenue Budget	21,254	21,254	11,516	23,525	(2,271)
Financing Income	(11,078)	(11,078)	(2,367)	(10,384)	(694)
Council Tax Requirement	10,176	10,176	9,149	13,141	(2,965)

Table 2 Quarter 2 Financial Monitoring – Subjective Analysis

	Original Budget 2022/23 £'000	Working Budget 2022/23 £'000	Q2 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000
Employees	27,031	27,031	14,242	28,628	(1,597)
Premises Related Exp	4,655	4,645	3,194	6,632	(1,987)
Transport Related Exp	1,266	1,266	979	1,916	(650)
Supplies and Services	11,250	11,336	14,336	13,357	(2,021)
Transfer Payments	20,277	20,277	8,700	23,277	(3,000)
Support Services	147	147	3	111	+36
Capital Charges	17	17	0	17	0
Capital Financing Costs	1,464	1,464	836	1,173	+291
Appropriations	3,771	3,771	0	2,680	+1,091
Income	(47,141)	(47,217)	(32,040)	(52,783)	+5,566
Capital Financing Inc	(300)	(300)	745	(300)	0
Sub Total	22,437	22,437	10,995	24,708	(2,271)
Net Recharges to Housing Revenue Account	(1,044)	(1,044)	(519)	(1,044)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	803	(139)	0
Revenue Reserve funded items included in above analysis	1,641	1,641	158	1,529	+112
Revenue Reserve funded items included in above analysis	(1,641)	(1,641)	0	(1,529)	(112)
Sub Total	(1,183)	(1,183)	442	(1,183)	0
General Fund Revenue Budget	21,254	21,254	11,437	23,525	(2,271)
Financing Income	(11,078)	(11,078)	(2,367)	(10,384)	(694)
Council Tax Requirement	10,176	10,176	9,070	13,141	(2,965)

4.0 HOUSING REVENUE ACCOUNT SUMMARY POSITION

4.1 As at the end of Q2 a year end overspends against budget of **(-£0.163M)** is projected. A summary of the Q2 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 1 Financial Monitoring – HRA Service Analysis

	Original Budget 2022/23 £'000	Working Budget 2022/23 £'000	Q2 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000
Policy & Management	1,901	1,983	1,226	2,314	(331)
Repairs & Maintenance	6,555	6,627	2,471	7,613	(986)
Welfare Services	58	58	(175)	359	(301)
Special Services	273	273	162	267	+6
Miscellaneous Expenses	740	740	560	942	(202)
Income Account	(15,295)	(15,295)	(7,572)	(15,289)	(6)
Capital Charges	5,493	5,493	0	5,493	0
Appropriations	(255)	(409)	0	(2,066)	+1,657
Sub Total	(530)	(530)	(3,328)	(367)	(163)
Net Recharges to General Fund	530	530	265	530	0
Housing Revenue Account Budget	0	0	(3,063)	163	(163)

4.2 Appendix C: Housing Revenue Account Service Analysis covers this information in more detail

5.0 CAPITAL PROJECTS (General Fund & HRA)

5.1 At Q2 a year end variance against budget of **£7.870M** (General Fund + £5.090M, HRA +£2.780M) is projected. Summary details for both the General Fund and HRA are set out in table 4 below.

Table 4 Quarter 2 Financial Monitoring – Capital Projects

	Original Budget 2022/23 £'000	Working Budget 2022/23 £'000	Q2 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000
Communities and Environment					
Business Support	2,700	5,438	1,206	4,449	+989
Customer Involvement & Leisure	549	1,875	46	1,571	+304
Public Protection	0	0	0	0	0
Housing Services	600	1,350	(1,891)	750	+600
Public Realm	97	408	(1,147)	410	(2)
Total	3,946	9,071	(1,786)	7,180	+1,891
Economic Growth and Regeneration					
Planning & Place	64	244	0	150	+94
Economic Development	0	0	0	0	0
Property, Investment and Regeneration	3,563	4,088	(626)	983	+3,105
Total	3,627	4,332	(626)	1,133	+3,199
Corporate Services					
HR	0	0	(40)	0	0
ICT	490	538	79	538	0
Total	490	538	39	538	0
Central Services					
Chief Executive	0	0	0	0	0
Total	0	0	0	0	0
GENERAL FUND - TOTAL	8,063	13,941	(2,373)	8,851	+5,090
Housing Revenue Account					
Adaptations	300	300	148	300	0
Energy Efficiency / Boiler Replacement	989	1,029	202	1,029	0
Kitchen / Bathroom Refurbishment	888	888	217	725	+163
External Refurbishment	210	315	39	315	0
Environmental Improvements	200	234	217	395	(161)
Re-roofing / Window Renewals	738	988	183	988	0
Rewiring	56	56	5	56	0
Lift Replacement	0	0	0	0	0
Fire Precaution Works	240	280	28	280	0
Housing Renewal & Renovation	1,753	1,753	440	1,720	+33
Mainway Pilot Scheme	4,000	4,000	0	1,255	+2,745
HOUSING REVENUE ACCOUNT - TOTAL	9,374	9,843	1,479	7,063	+2,780
GRAND TOTAL	17,437	23,784	(894)	15,914	+7,870

- 5.2 The Capital Programme working budget has been adjusted for slippage from 2021/22 and to reflect the inclusion of growth in respect of the Heat De-Carbonisation Programme in the General Fund Capital Programme approved by Council on 26 June.
- 5.3 The underspending against budget relates principally to General Fund and reflects further anticipated slippage on capital projects into 2023/24.
- 5.4 The overall projected favourable variance on the HRA Capital Programme of +£2.780M relates mainly to the slipping of the construction works on the Mainway Pilot Scheme to 2023/24, to allow for the planning approval process for the full application that is expected to be submitted in the coming weeks.
- 5.5 Appendix D General Fund Capital Projects and Appendix F HRA Capital Projects provide further information

6.0 RESERVES

- 6.1 The Council's unallocated balances are projected to be **£8.014M**. This takes account of the updated reserves strategy approved by Council 25th October 2022. **£2.965M** will be used to fund the forecast general fund net revenue overspend with a further **£1.1M** utilised to fund the roof and cladding repair work to the Gateway asset. Overall, the combined level of usable reserves is forecast to decrease to **£23.587M**. However, many of these earmarked reserves are held by the Council either for specific purposes such as s106 monies, or on behalf of others await distributes such as revenue grants unapplied. These amounts are therefore not available for general use. Table 5 Quarter 2 Financial Monitoring – Reserves provides summary details for both Unallocated and Earmarked Reserves, with additional information provided with Appendix E Reserves

Table 5 Quarter 2 Financial Monitoring – Reserves

	<----- ORIGINAL BUDGET ----->				<----- PROJECTED OUTTURN ----->					
	31 March 2022	From Revenue	To / (From) Capital	To Revenue	31 March 2023	31 March 2022	From Revenue	To / (From) Capital	To Revenue	31 March 2023
	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	(5,614,400)	(34,000)			(5,648,400)	(6,032,200)	(5,946,900)		3,965,100	(8,014,000)
Total Earmarked Reserves	(14,214,400)	(1,878,900)	947,000	1,894,400	(13,251,900)	(22,852,900)	(1,243,300)	490,000	8,032,800	(15,573,400)
Total Combined Reserves	(19,828,800)	(1,912,900)	947,000	1,894,400	(18,900,300)	(28,885,100)	(7,190,200)	490,000	11,997,900	(23,587,400)

7.0 OPTIONS AND OPTIONS ANALYSIS

- 7.1 As the report is for noting no alternative options are put forward

8.0 CONCLUSION

- 8.1 Council is asked to note the projected outturn values, which will form the basis for future years monitoring with 2022/23. However, it must be recognised that the Council has operated with a known structural deficit for many years. This issue has been exacerbated by the current Cost of Living Crisis and as a result the Council is predicting a £2.965M deficit position for 2022/23, with further deficit positions forecast in future years. As noted in paragraph 1.4, these values are included within the MTFS presented elsewhere on the agenda, which outlines the baseline forecast position and the means to which the Council proposed the situation going forward.

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

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

None identified.

FINANCIAL IMPLICATIONS

No financial implications directly arising from this report.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer authored the financial monitoring aspects of this report in accordance with his statutory duties.

LEGAL IMPLICATIONS

No specific legal implications.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments

BACKGROUND PAPERS

Cabinet: 6th December 2022

[Agenda for Cabinet on Tuesday, 6th December 2022, 6.00 p.m. - Lancaster City Council](#)

Contact Officer: Paul Thompson

Telephone: 01524 582603

E-mail: pthompson@lancaster.gov.uk

Ref: N/A

QUARTER 2 FINANCIAL REVENUE MONITORING - GENERAL FUND SERVICE ANALYSIS 2022/23

	Original Budget 2022/23 £'000	Budget Amendments 2022/23 £'000	Working Budget 2022/23 £'000	Q2 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000	Variance +/- £30K %
Communities and Environment							
Business Support	Vehicle Maintenance	12	0	12	81	90	(78) (650%)
	White Lund Depot	(14)	0	(14)	0	109	(123) (879%)
Customer Involvement & Leisure	Customer Services	809	0	809	401	789	20
	Leisure	34	0	34	(42)	34	0
	Salt Ayre	305	0	305	183	584	(279) (91%)
Public Protection	Environmental Health	1,262	0	1,262	165	1,138	124 +10%
	Emergency Planning	46	0	46	21	43	3
	Housing Standards	79	0	79	(255)	136	(57) (72%)
	Licensing	(68)	0	(68)	15	(49)	(19)
	Safety	124	0	124	61	142	(18)
Housing Services	GF Housing	20	0	20	36	79	(59) (295%)
	Home Improvement Agency	(128)	0	(128)	(253)	(186)	58 +45%
	Housing Options	248	0	248	(1,282)	252	(4)
	Strategic Housing	235	0	235	58	223	12
Project Development	CCTV	50	0	50	57	56	(6)
	Project Development	185	0	185	27	181	4
Public Realm	Cemeteries	14	0	14	28	15	(1)
	Grounds Maintenance	1,036	0	1,036	655	1,117	(81) (8%)
	Household Waste Collection	2,217	0	2,217	1,029	3,236	(1,019) (46%)
	Markets	(121)	0	(121)	(62)	(15)	(106) (88%)
	Parking	(2,822)	0	(2,822)	(804)	(2,142)	(680) (24%)
	Parks	141	0	141	(2)	166	(25)
	Public Conveniences	146	0	146	89	169	(23)
	Public Realm Highways	76	0	76	29	86	(10)
	Service Support	555	0	555	162	494	61 +11%
	Street Cleaning	1,274	0	1,274	715	1,444	(170) (13%)
	Trade Waste	(789)	0	(789)	(945)	(693)	(96) (12%)
	Williamson Park	267	0	267	96	502	(235) (88%)
		5,193	0	5,193	263	8,000	(2,807) (54%)
Economic Growth and Regeneration							
Planning & Place	Building Control	194	0	194	5	88	106 +55%
	Conservation & Environment	55	0	55	19	83	(28)
	Development Control	840	0	840	341	947	(107) (13%)
	Local Plan	794	0	794	345	796	(2)
Economic Development	AONB	56	0	56	(68)	54	2
	Economic Development	414	0	414	180	397	17
	Marketing & Comms	327	0	327	150	252	75 +23%
	Grants	215	0	215	99	215	0
	The Platform	107	0	107	(28)	132	(25)
	Tourism & Events	487	0	487	216	497	(10)
	Museums	622	0	622	328	651	(29)
Property, Investment and Regenera	Highways	0	0	0	0	0	0
	Regeneration	466	0	466	100	417	49 +11%
	Sea Defence & Land Drainage	427	0	427	175	445	(18)
	Property	(399)	0	(399)	650	782	(1,181) (296%)
	Building Cleaning	0	0	0	165	(7)	7
		4,605	0	4,605	2,677	5,749	(1,144) (25%)
Corporate Services							
Corporate Accounts	Central Expenses	379	0	379	1,384	1,613	(1,234) (326%)
Democratic	Democratic Services	954	0	954	438	931	23
Finance	Finance	1,371	0	1,371	648	1,317	54 +4%
HR	Corporate Safety	66	0	66	31	67	(1)
	HR	975	0	975	401	889	86 +9%
ICT	ICT	1,540	0	1,540	715	1,471	69 +4%
Internal Audit	Internal Audit	200	0	200	14	162	38 +19%
Legal	Legal Services	316	0	316	122	388	(72) (23%)
Revenues & Benefits	Revenues & Benefits	959	0	959	3,615	902	57 +6%
		6,760	0	6,760	7,368	7,740	(980) (14%)
Central Services							
Chief Executive	Executive Team	871	0	871	375	881	(10)
	Grants to other bodies	291	0	291	172	291	0
		1,162	0	1,162	547	1,172	(10)
Other Items							
Other Items	New Homes Bonus	(504)	0	(504)	(1,297)	(1,200)	696 +138%
	Revenue Funding of Capital	947	373	1,320	0	490	830 +63%
	Minimum Revenue Provision	2,698	0	2,698	0	2,109	589 +22%
	Interest Payable	1,463	0	1,463	836	1,172	291 +20%
	Interest Receivable	(12)	0	(12)	(144)	(604)	592 +4933%
	Notional Charges	0	0	0	745	0	0
	Contributions to Reserve	1,077	0	1,077	0	1,070	7
	Contributions from Reserve	(5)	0	(5)	0	(500)	495 +9900%
	Capital Contributions from Reserve	(947)	(373)	(1,320)	0	(490)	(830) (63%)
		4,717	0	4,717	140	2,047	2,670 +57%
	Net Recharges to Housing Revenue Account	(1,044)	0	(1,044)	(519)	(1,044)	0
	RMS Capital Charges (now Housing Revenue Account)	(139)	0	(139)	882	(139)	0
	Revenue Reserve funded items included in above analysis (Revenue)	1,641	0	1,641	158	1,529	112 +7%
	Revenue Reserve funded items included in above analysis (Appropriati	(1,641)	0	(1,641)	0	(1,529)	(112) (7%)
		21,254	0	21,254	11,516	23,525	(2,271) (11%)
General Fund Revenue Budget							
Core Funding :	Revenue Support Grant	(212)	0	(212)	(110)	(212)	0
	Additional New Homes Bonus	(42)	0	(42)	0	0	(42) (100%)
	Supplementary Government Grants	(652)	0	(652)	0	0	(652) (100%)
	Prior Year Council Tax Surplus	(66)	0	(66)	0	(66)	0
	Net Business Rates Income	(10,106)	0	(10,106)	(2,257)	(10,106)	0
Council Tax Requirement		10,176	0	10,176	9,149	13,141	(2,965) (29%)

Notes:

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

QUARTER 2 FINANCIAL REVENUE MONITORING - GENERAL FUND SUBJECTIVE ANALYSIS 2022/23

		Original Budget 2022/23 £'000	Budget Amendments 2022/23 £'000	Working Budget 2022/23 £'000	Q2 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000	Variance +/- £30K %
Employees	Direct Employee Expenses	26,131	0	26,131	13,523	27,316	(1,185)	(5%)
	Indirect Employee Expenses	900	0	900	719	1,312	(412)	(46%)
Premises Related Exp	Cleaning and Domestic Supplies	440	0	440	86	433	7	
	Energy Costs	861	0	861	400	2,373	(1,512)	(176%)
	Fixtures and Fittings	1	0	1	0	0	1	
	Grounds Maintenance Costs	45	0	45	18	46	(1)	
	Operational Bldgs Allocation	96	0	96	63	96	0	
	Other Premises Costs	0	0	0	0	0	0	
	Premises Insurance	283	0	283	382	382	(99)	(35%)
	Rates	1,414	(10)	1,404	1,470	1,475	(71)	(5%)
	Rents	85	0	85	32	85	0	
	Repair and Maintenance	1,096	0	1,096	556	1,401	(305)	(28%)
	Water Services	334	0	334	187	341	(7)	
Transport Related Exp	Car Allowances	1	0	1	6	10	(9)	
	Contract Hire Operating Leases	65	0	65	184	337	(272)	(418%)
	Direct Transport Costs	1,097	0	1,097	687	1,457	(360)	(33%)
	Other Transport Costs	0	0	0	0	0	0	
	Public Transport	23	0	23	10	20	3	
	Transport Insurance	80	0	80	92	92	(12)	
Supplies and Services	Catering	61	0	61	22	44	17	
	Clothing Uniform and Laundry	86	0	86	55	82	4	
	Communications and Computing	1,503	0	1,503	1,087	1,451	52	+3%
	Contribution to Provisions	250	0	250	0	250	0	
	Equip Furniture and Materials	1,449	6	1,455	872	1,497	(42)	(3%)
	Expenses	643	0	643	284	741	(98)	(15%)
	General Office Supplies	211	0	211	118	252	(41)	(19%)
	Grants and Subscriptions	1,317	41	1,358	9,310	1,705	(347)	(26%)
	Miscellaneous Expenses	467	9	476	221	1,033	(557)	(117%)
	Services	5,263	30	5,293	2,367	6,302	(1,009)	(19%)
Transfer Payments	Housing Benefit	20,277	0	20,277	8,700	23,277	(3,000)	(15%)
Support Services	Recharges Exp	147	0	147	3	111	36	+24%
Capital Charges	Amortisation of Def Chgs	0	0	0	0	0	0	
	Depreciation	17	0	17	0	17	0	
Capital Financing Costs	Interest Payments	1,464	0	1,464	836	1,173	291	+20%
Appropriations	Appropriations	3,771	0	3,771	0	2,680	1,091	+29%
Income	Customer Fees and Charges	(18,810)	(10)	(18,820)	(9,486)	(17,653)	(1,167)	(6%)
	Government Grants	(21,766)	(15)	(21,781)	(18,852)	(26,929)	5,148	+24%
	Interest	(56)	0	(56)	(144)	(648)	592	+1057%
	Other Grants and Contributions	(1,586)	(51)	(1,637)	(1,440)	(2,382)	745	+46%
	Recharges Inc	(4,923)	0	(4,923)	(2,118)	(5,171)	248	+5%
Capital Financing Inc	Capital Related Income	(300)	0	(300)	745	(300)	0	
	Net Recharges to Housing Revenue Account	(1,044)	0	(1,044)	(519)	(1,044)	0	
	RMS Capital Charges (now Housing Revenue Account)	(139)	0	(139)	882	(139)	0	
	Revenue Reserve funded items included in above analysis (Revenue)	1,641	0	1,641	158	1,529	112	+7%
	Revenue Reserve funded items included in above analysis (Appropriat)	(1,641)	0	(1,641)	0	(1,529)	(112)	(7%)
GRAND TOTAL		21,254	0	21,254	11,516	23,525	(2,271)	(11%)

Notes:

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

QUARTER 2 FINANCIAL REVENUE MONITORING - HRA SERVICE ANALYSIS 2022/23

	Original Budget 2022/23 £'000	Budget Amendments 2022/23 £'000	Working Budget 2022/23 £'000	Q2 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000	Variance +/- £30K %
Communities and Environment							
Policy & Management	1,901	82	1,983	1,226	2,314	(331)	(17%)
Repairs & Maintenance	6,555	72	6,627	2,471	7,613	(986)	(15%)
Welfare Services	58	0	58	(175)	359	(301)	(519%)
Special Services	273	0	273	162	267	6	
Miscellaneous Expenses	740	0	740	560	942	(202)	(27%)
Housing Revenue Account							
Income Account	(15,295)	0	(15,295)	(7,572)	(15,289)	(6)	
Capital Charges	5,493	0	5,493	0	5,493	0	
Appropriations	(255)	(154)	(409)	0	(2,066)	1,657	+405%
Gain/Loss on Asset Sales	0	0	0	0	0	0	
Gain/Loss on Asset Sales(Move)	0	0	0	0	0	0	
	(530)	0	(530)	(3,328)	(367)	(163)	(31%)
Net Recharges to General Fund	530	0	530	265	530	0	
Housing Revenue Account Budget	0	0	0	(3,063)	163	(163)	

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 2022/23

	Original Budget 2022/23 £'000	Budget Amendments 2022/23 £'000	Working Budget 2022/23 £'000	Q2 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000
Communities and Environment						
	2,012	2,338	4,350	375	3,618	732
Business Support						
Purchase Of Vehicles	508	0	508	0	0	508
Electrification of Vehicles	180	0	180	0	0	180
Fleet Growth	0	400	400	831	831	(431)
2 x Electric RCVs						
Customer Involvement & Leisure						
Salt Ayre Equipment Programme	549	1,326	1,875	75	1,600	275
SASC Developer Partnership	0	0	0	(29)	(29)	29
Public Protection						
0	0	0	0	0	0	0
Housing Services						
Disabled Facilities Grants	0	0	0	(2,394)	0	0
Next Steps Accommodation Programme	0	750	750	503	750	0
Mellishaw Park	600	0	600	0	0	600
Public Realm						
Happy Mount Park Footpaths	0	8	8	0	8	0
Far Moor Playing Fields Scheme	37	0	37	36	36	1
Williamson Park Development	0	0	0	0	0	0
Electronic Vehicle Charging Points - Phase 2	0	0	0	0	0	0
Half Moon Bay Car Park Extension	30	30	60	0	63	(3)
Solar Installation Phase 1 SALC	0	0	0	0	0	0
One Million Trees	30	16	46	0	46	0
Customer Contact System	0	0	0	0	0	0
SALC Salix Funded Optimised Solar Farm	0	0	0	(1,246)	0	0
Roof Mounted Solar Array - Citylab	0	33	33	0	33	0
Property Decarbonisation Works	0	0	0	0	0	0
Heat De-carbonisation Programme	0	224	224	0	224	0
Torrisholme Park Play Area	0	0	0	63	0	0
Communities & Environment Devpt Pool	0	0	0	0	0	0
	3,946	5,125	9,071	(1,786)	7,180	1,891
Economic Growth and Regeneration						
Planning & Place						
Cable Street Christmas Lights	24	0	24	0	0	24
S106 payments to Lancs County Council	0	70	70	0	0	70
Canal Quarter	40	110	150	0	150	0
Economic Development						
Palatine Recreation Ground - Veterans CI	0	138	138	135	143	(5)
Palatine Hall	0	0	0	0	0	0
Edward Street Dance Studio	84	0	84	0	84	0
1 Lodge Street Urgent Structural Repairs	340	139	479	28	57	422
Lancaster City Museum	0	53	53	40	69	(16)
Lancaster Square Routes Project	5	0	5	(18)	0	5
Lancaster HS Heritage Action Zone	973	(58)	915	91	615	300
Lancaster District Empty Homes Partnersh	73	0	73	0	0	73
Caton Road Flood Relief Scheme	0	188	188	(893)	0	188
Lawsons Bridge S106 scheme	63	0	63	0	0	63
Engineers Electric Vehicle	0	15	15	0	15	0
Economic Growth & Regen Devpt Pool	1,650	0	1,650	0	0	1,650
Morecambe Co-op Renovation	375	50	425	0	0	425
Coastal Revival Fund - Morecambe Co-op	0	0	0	(9)	0	0
	3,627	705	4,332	(626)	1,133	3,199
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	52	21	73	3	73	0
Application System Renewal	258	0	258	47	258	0
ICT Telephony	0	27	27	0	27	0
I.S. Desktop Equipment	60	0	60	29	60	0
ICT Laptop Replacement & E-campus screens	120	0	120	0	120	0
Internal Audit	0	0	0	0	0	0
Legal	0	0	0	0	0	0
Revenues & Benefits	0	0	0	0	0	0
	490	48	538	39	538	0
Central Services						
Chief Executive	0	0	0	0	0	0
	0	0	0	0	0	0
GRAND TOTAL	8,063	5,878	13,941	(2,373)	8,851	5,090

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 2022/23

	2022/23 Original Budget	2022/23 Working Budget	2022/23 P6 Actual	2022/23 Projected Outturn	2022/23 Variance (Working v Projected)	Comments (Working Budget to Projected Outturn)
	£	£	£	£	£	
EXPENDITURE						
Adaptations	300,000	300,000	148,291	300,000	0	
Energy Efficiency / Boiler Replacement	989,000	1,029,000	201,613	1,029,000	0	
Kitchen / Bathroom Refurbishment	888,000	888,000	216,982	725,000	163,000	Reduced activity in Quarter 1 due to Covid precautions and banked annual leave, budget re-directed to Environmental Improvements to fund continuing removal of composite (plastic) fencing panels and replace with close boarded timber panels to the rear of all properties
External Refurbishment	210,000	315,000	39,166	315,000	0	
Environmental Improvements	200,000	234,000	217,456	395,000	(161,000)	Budget re-directed from Kitchen / Bathroom Refurbishment to fund continuing 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	738,000	988,000	182,695	988,000	0	
Rewiring	56,000	56,000	4,742	56,000	0	
Lift Replacement	0	0	0	0	0	
Fire Precaution Works	240,000	280,000	28,332	280,000	0	
Housing Renewal & Renovation	1,753,000	1,753,000	440,005	1,720,000	33,000	Contract sum for 6 The Greaves higher than anticipated, additional cost to be funded from capital receipts; additional property conversion deferred to 2023/24, to be funded from Business Support Reserve
Mainway Pilot Scheme	4,000,000	4,000,000	0	1,255,000	2,745,000	£2.8M slipped to 2023/24, to be funded from Business Support Reserve
TOTAL EXPENDITURE	9,374,000	9,843,000	1,479,282	7,063,000	2,780,000	

Reserves Statement (Including Unallocated Balances)

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

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

	31 March 2022	From Revenue	To / (From) Capital	To Revenue	31 March 2023	31 March 2022	From Revenue	To / (From) Capital	To Revenue	31 March 2023	
	£	£	£	£	£	£	£	£	£	£	
Unallocated Balances	(5,614,400)	(34,000)			(5,648,400)	(6,032,200)	(5,946,900)			3,965,100	(8,014,000)
Earmarked Reserves:											
Corporate Priorities	(1,016,100)	(491,300)	600,000	516,900	(390,500)	(2,116,800)				2,032,200	(84,600)
Capital Support	(73,000)		73,000			(373,000)		300,000			(73,000)
Corporate Property	(263,500)				(263,500)	(338,500)				25,000	(313,500)
Covid 19 Support Reserve	(4,100)				(4,100)	(1,747,000)				1,747,000	
Economic Growth	(118,500)	(96,500)		96,500	(118,500)	(247,800)				247,800	
Investment Property Maint	(9,400)				(9,400)	(34,900)					(34,900)
Invest to Save	(103,600)	(148,200)		437,900	186,100	(824,600)	(107,000)			931,600	
Morecambe Area Action Plan	(2,200)				(2,200)	(27,300)				27,300	
Museums Acquisitions	(28,800)	(4,500)			(33,300)	(29,800)	(4,500)				(34,300)
Planning Fee Income	(39,400)				(39,400)	(61,100)					(61,100)
Restructure	(188,600)			31,700	(156,900)	(431,200)				431,200	
To Support Revenue & Capital Expenditure	(1,847,200)	(740,500)	673,000	1,083,000	(831,700)	(6,232,000)	(111,500)	300,000	5,442,100		(601,400)
Renewals Reserves	(688,900)	(491,800)	174,000	38,700	(968,000)	(787,200)	(491,800)	153,000	34,000		(1,092,000)
<i>General Renewals</i>	(492,600)	(295,800)	24,000	10,000	(754,400)	(479,700)	(295,800)		29,100		(746,400)
<i>Salt Ayre Leisure Centre</i>	(18,900)	(150,000)	150,000		(18,900)	(21,600)	(150,000)	153,000			(18,600)
<i>Williamson Park</i>	(62,000)	(18,000)		12,500	(67,500)	(62,200)	(18,000)				(80,200)
<i>Car Parks</i>	(38,200)	(12,000)		12,000	(38,200)	(135,200)	(12,000)		12,000		(135,200)
<i>Happy Mount Park</i>	(22,900)	(14,000)		4,200	(32,700)	(21,900)	(14,000)				(35,900)
<i>Arnsdale & Silverdale AONB</i>	(54,300)	(2,000)			(56,300)	(66,600)	(2,000)				(68,600)
Elections	(80,000)	(40,000)			(120,000)	(80,000)	(40,000)				(120,000)
Homelessness Support	(117,400)	(6,600)			(124,000)	(110,800)					(110,800)
Business Rates Retention	(9,090,600)	(400,000)		729,000	(8,761,600)	(9,090,600)	(400,000)		2,018,900		(7,471,700)
Revenue Grants Unapplied	(905,100)			39,000	(866,100)	(4,357,500)				526,000	(3,831,500)
S106 Commuted Sums	(1,061,400)	(200,000)	100,000	4,700	(1,156,700)	(1,393,900)	(200,000)	37,000	4,700		(1,552,200)
Welfare Reforms	(324,900)				(324,900)	(324,900)					(324,900)
Lancaster District Hardship						(377,100)					(377,100)
Amenity Improvements	(29,000)				(29,000)	(29,000)					(29,000)
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 ring-fenced/held against risk	(12,367,200)	(1,138,400)	274,000	811,400	(12,420,200)	(16,620,900)	(1,131,800)	190,000	2,590,700		(14,972,000)
Total Earmarked Reserves	(14,214,400)	(1,878,900)	947,000	1,894,400	(13,251,900)	(22,852,900)	(1,243,300)	490,000	8,032,800		(15,573,400)
Total Combined Reserves	(19,828,800)	(1,912,900)	947,000	1,894,400	(18,900,300)	(28,885,100)	(7,190,200)	490,000	11,997,900		(23,587,400)

COUNCIL**Medium Term Financial Strategy Update****2022/23 – 2027/28****14 December 2022****Report of Cabinet****PURPOSE OF REPORT**

To provide an update on the Council's Medium Term Financial Strategy forecasts for 2022/23 to 2027/28 and outline the approach to balancing the budget.

This report is public.

RECOMMENDATION OF CABINET

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) Notes the Council Tax Base for 2023/24 as set out in paragraph 3.12

1.0 INTRODUCTION

- 1.1 At its meeting 06 December 2022 Cabinet considered a report of the Chief Finance Office in regard to the Council's Medium Term Financial Strategy 2022/23 – 2027/28. The contents of which are reproduced below.
- 1.2 Under the Constitution, Cabinet has responsibility for developing corporate planning proposals and a balanced budget for Council's consideration and approval.
- 1.3 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
- 1.4 Members must note this report is an interim update and primarily for information. It contains a series of estimates and assumptions that are based on the latest information available. These are highly likely to change over the coming months as we work through the budget process.
- 1.5 It is critically important that all Members understand that the position reported is an interim update of the baseline position. It contains a series of estimates and assumptions that are based on the latest information available. These are highly likely to change over the coming months as we work through the budget process. Nor does it include any interventions through the Council's agreed Outcomes Based Resourcing project, or any impact the Local Government Finance Settlement due mid-December may have.

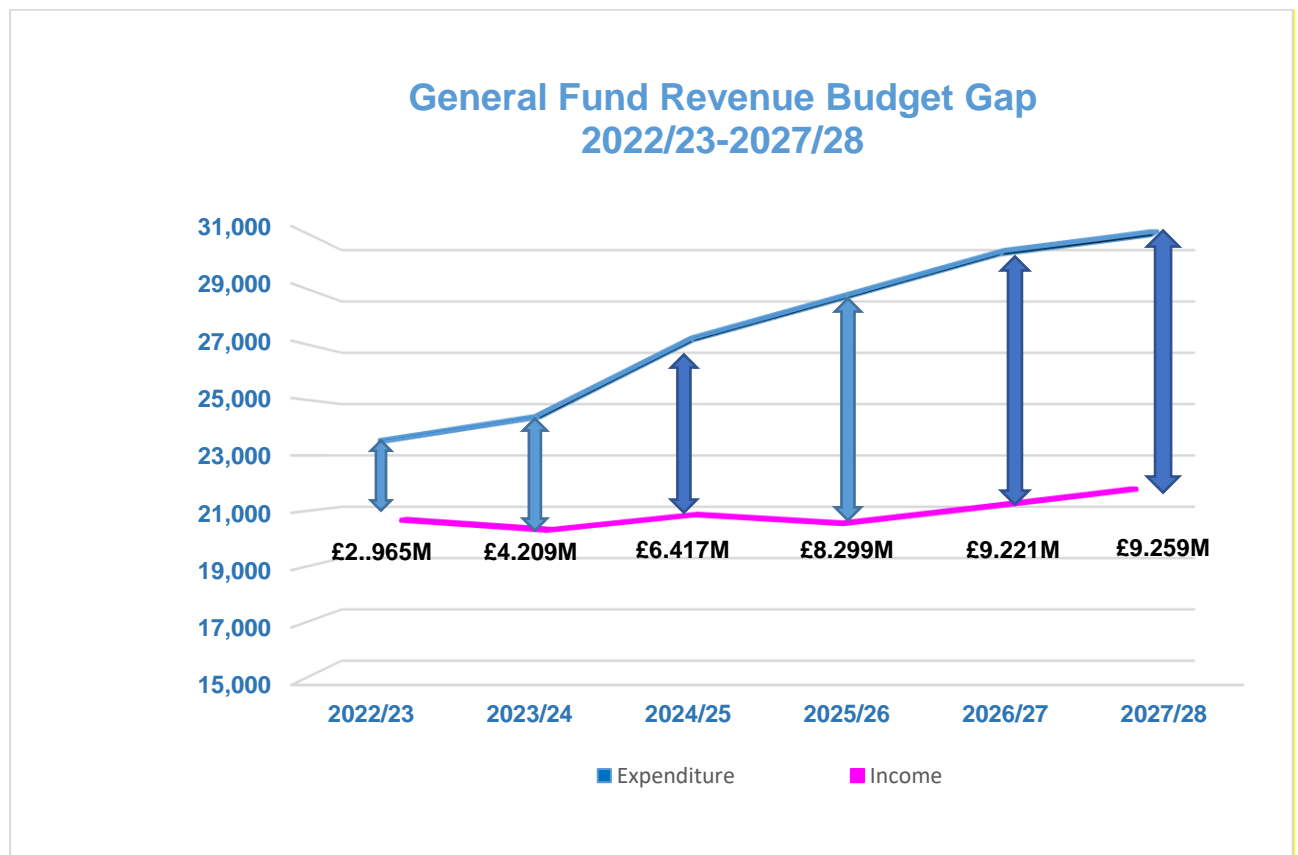
2.0 UPDATED BUDGET GAP ANALYSIS

2.1 Officers have been working with budget holders and Senior Leadership 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 including those associated with the current cost of living crisis. It aims to provide a baseline position.

2.2 As noted above, this baseline 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 Senior Leadership Team in regard to any Outcomes Based Resourcing (OBR) proposals, 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 undertaken include:

- A short term range of savings actions aiming to significantly reduce the 2023/24 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.

2.4 The current budget gap for the next five years to 2027/28 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 is due to be phased out in 2023/24.

- 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. It is, therefore, important to provide regular estimates of these key funding streams.

Autumn Statement

- 3.3 Government announced its Autumn Statement on 17 November 2022. DLUHC intend to publish a policy statement in early December to set out more detailed intentions for council tax, business rates and grant in 2023-24 and 2024/25. This will give a strong indication of what might be expected in the Local Government Finance Settlement.

- 3.4 The statement was silent on a number of key points notably:
- The level and distribution of specific grants such as Lower Tier Services Grant and One-off Services Grant
 - Fair Funding Review
 - Business rates reset
 - Reforms to the New Homes Bonus

- 3.5 This in turn 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 Autumn Statement 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. It is understood that this is likely to be published in the week before Christmas.

- 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.

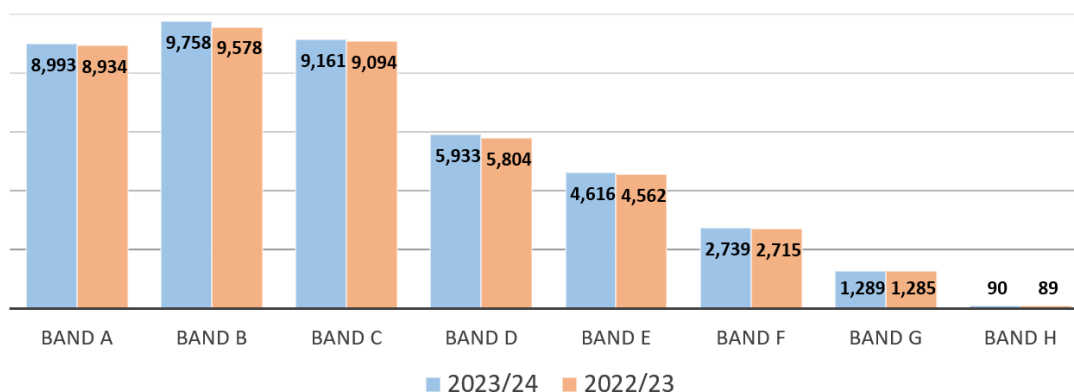
- 3.10 This has taken the updated budget position and reflected several assumptions such as general inflation, the Local Government Pay Award and prospects for retained Business Rates, Council Tax yield and New Homes Bonus.

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 2023/24 has been calculated as 42,579 Band D equivalent properties after allowing for a collection rate of 98.68%, the same as in previous years. This equates to a 1.2% increase in the tax base. There has been a reduction in the numbers of void properties and an increase in new build properties together with a reduction in the numbers of accounts eligible for the Council Tax Reduction Scheme. Offsetting these positive movements there has been an increase in the number of properties eligible for 50% and 25% occupancy reductions. From 2024/25 1% growth in the Tax base has been used for forecasting.

Council Tax Base Comparison



3.13 The Chancellor, in his Autumn Statement, changed Government's referendum criteria which limits increases in the Council's element of Council Tax. The increase is now limited to 3% or £5, whichever is greater. For the purposes of forecasting, it has been assumed that the Council will increase council tax by 2.99%, the maximum allowed before triggering a referendum, 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 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
Council Tax Band D 2.99% increase		£249.18	£256.63	£264.31	£272.21	£280.35
Council Tax Band D (£5 increase)	£241.95	£246.95	£251.95	£256.95	£261.95	£266.95
Tax base (1% growth from 2023/24)	42,060	42,579	43,005	43,435	43,869	44,308
Council Tax Income	£10,176,417	£10,610,019	£11,036,531	£11,480,188	£11,941,680	£12,421,724
Previous MTFS		£10,491,000	£10,810,000	£11,135,000	£11,135,000	£11,135,000
Difference Increase or (Decrease)		£119,019	£226,531	£345,188	£806,680	£806,680
Scenario 1 – No increase in Council tax over period of MTFS		(£189,011)	(£404,991)	(£625,941)	(£520,850)	(£414,709)
Scenario 2 – Council Tax Band D (£5 increase)		£23,884	£25,057	£25,582	£356,533	£692,988
Scenario 3 – 1.5% increase in tax base growth & 2.99% increase		£146,902	£310,315	£489,605	£1,016,763	£1,567,827

Explanation of scenarios using 2023/24 values

Scenario 1: Current Charge (£241.95) x Assumed Growth in Base (42,579): £10,301,989. Less Original Assumption in MTFS (£10,491,000) would give an estimated reduction in Council Tax funding of £189,011

Scenario 2: Current Charge (£241.95) plus £5 uplift to give a charge of £246.95
Multiplied by assumed growth in Base (42,579): £10,514,884: Less Original Assumption in MTFS (£10,491,000) would give an estimated increase in Council Tax funding of £23,884

Scenario 3: Current Charge (£241.95) plus 2.99% uplift give to a charge of £249.18
Multiplied by assumed 1.5% growth in Base (42,691): £10,637,902: Less Original Assumption in MTFS (£10,491,000) would give an estimated increase in Council Tax funding of £146,902

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. There are currently several significant uncertainties which make forecasting and planning extremely difficult, these are set out below.
- 3.16 The rateable values of every property in the rating list are being re-assessed from 1 April 2023 which is likely to give rise to movement. In consequence, the parameters that would normally be set in the Academy system and used for forecasting forward are not yet available. The draft list of values has just been published but is unlikely to be available on Academy until early January.
- 3.17 The Chancellor's autumn statement set out a number of reliefs and discounts and froze the business rates multiplier. Assurances were also given that Councils would be fully compensated for these. Such compensation usually takes the form of Section 31 grant which is factored into the retained rates calculation. The detail behind this is not yet available. CIPFA have commented that the Section 31 grant adjustments, particularly those related to freezing the multiplier are likely to be significant. They have asked central government to share details of the calculation but to date this is not available.
- 3.18 The Local Government Finance Settlement is not expected until mid-December. This sets out tariff, baseline and safety net levels which drive the retained rates calculation. The forecasts in the later table use assumptions based on 2022/23 levels.
- 3.19 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's operations. Heysham 1 is shortly due to be decommissioned with its operators, EDF currently giving an end of generation date of March 2024. There remains a level of uncertainty around the exact timing and whether there will be a tapered or immediate impact on rating income.
- 3.20 The Autumn Statement made no mention of a potential business rates growth reset. This would effectively remove all growth from the system by setting the business rates baseline to equal actual rates levels. It is assumed that this would be in 2024/25 at the earliest. The Heysham 1 reactor is expected to be decommissioned at some point during 2024/25 which will have the effect of triggering a safety net payment from Central Government in 2025/26 onwards provided that the loss of income is tapered. The Council has benefitted previously from growth in retained rates in recent years but the current safety net levels do not take account this so remain low. A baseline reset would alter this position although it is difficult to predict which year would be taken as the new base, given the impact of Covid 19 in recent years, and exactly what the reset would look like.
- 3.21 The table below provides Business Rates forecasts for the next four years incorporating a number of assumptions and sensitivity analysis. For the reasons set out in the above paragraphs these must remain heavily caveated. Current forecast assumptions are:
- Income to remain in line with business rates monitoring during 2022/23 together with a 2% uplift to baseline and tariff in respect of inflation.
 - Growth of 2% in 2024/25 onwards
 - Heysham 1 reactor to be decommissioned March 2024 with the loss of rating tapering off over six months in 2024/25

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Retained Business Rates	8,120,946	6,581,360			
Safety Net Payment	-	-	5,743,931	5,858,809	5,975,985
Renewable Energy Disregard Income	3,078,782	3,140,358	3,230,165	3,267,228	3,332,573
Sub Total	11,199,728	9,721,718	8,947,096	9,126,038	9,308,558
Impact of business rates element of Collection Fund forecast outturn for 2022/23	(1,189,242)				
Exceptional Deficit declared January 2021 (eligible for spreading)	(443,200)				
Net impact on the General Fund	9,567,286	9,721,718	8,947,096	9,126,038	9,308,558
Previous MTFS	8,592,600	8,764,400	8,939,700	8,939,700	8,939,700
Difference increase/(decrease)	974,686	957,318	7,396	186,338	368,858
Scenario 1 – Heysham 1 reactor closes March 2024 and rating income is lost immediately	-	7,262	7,396	186,338	368,858
Scenario 2 – baseline in 2024/25 reset based on 2022/23 income levels **	-	1,229,707	1,254,289	1,458,169	1,666,127

** In this scenario the safety net would be triggered in 2024/25 regardless of whether the loss of income from Heysham 1 is tapered or immediate.

- 3.22 In order to reduce the impact of the exceptional deficit spread from 2020/21 and the impact of large deficits in respect of business rates impacting the General Fund transfers from the Business Rates Retention Reserve are used. In addition, transfers had been used to reduce the impact of the loss of rating income from the decommissioning of Heysham 1. The table below shows the updated transfers from the Reserve against those originally planned. An additional £1.189M has been used to provide cover for the city share of the deficit forecast for 2022/23 which will impact the General Fund in 2023/24.

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Planned transfer from reserve	743,200	316,100	216,100	-	-
Reprofiled transfer from reserve	1,632,400	516,100	316,100	-	-

- 3.23 Further information which will inform the estimates will become available during December and January and updates will be provided as a clearer picture emerges. Further monitoring for 2022/23 will also be undertaken to inform the forecast deficit for the year. Members are asked to note that the changes could be significant.

New Homes Bonus

- 3.24 New Homes Bonus is a reward grant which is calculated from Council Taxbase figures. The levels of growth seen in the prior year has not been maintained which has reduced the anticipated level of grant. There remains a risk that the Government will seek to further reduce the grant in future years which would further increase the budget gap.
- 3.25 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 2022.

	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
Annual Reward	272,600	180,000	180,000	180,000	180,000	180,000
Previous Years Rewards	274,200	-	-	-	-	-
Total	546,800	180,000	180,000	180,000	180,000	180,000
Previous MTFS	546,800	272,500	272,500	272,500	272,500	272,500
Difference Increase/ (Decrease)	-	(92,500)	(92,500)	(92,500)	(92,500)	(92,500)

4.0 MEDIUM TERM FINANCIAL STRATEGY – CURRENT PROSPECTS TO 2027/28Operational Changes and Cost of Living Increases

- 4.1 The start of this financial year has seen extraordinarily high inflation rates coupled with major increases to the cost of energy. Where appropriate, updated projected variances have been included within the relevant service areas using the latest cost information available from suppliers. To put into perspective, the total estimated projected overspend on energy budgets across the Council is (-£2.052M) (General Fund (-£1.511M), (HRA (-£0.541M)). Although every effort is made when developing the base budget projections, it remains a highly volatile market which is being closely monitored and may change as we move towards budget Council in February 2023.
- 4.2 As part of the 2022/23 budget setting process, in line with the majority of Councils an inflationary uplift of 2% was included to salaries across all service areas. The National Employers latest offer of an increase of £1,925 on all NJC pay points has just been accepted by the Unions. With regard to the financial impact on the Council, it is estimated that additional strain is (£1.134M) (General Fund (£0.939M), (HRA (£0.195M)). Total operational changes included in the base budget for 2022/23 currently amount to an increase in expenditure of £2.271M and are provided in the table below with the wider implications reflected in the General Fund Revenue Budget Projections 2022/23-2027/28 table at paragraph 4.3

Base Budget Changes 2022/23	£M
Employees	1.597
Premises Related Exp	1.987
Transport Related Exp	0.650
Supplies and Services	2.021
Support Services	(0.036)
Capital Financing Costs	(0.291)
Appropriations	(1.091)
Income	(2.566)
Total	2.271

MTFS Planning Assumptions

- 4.3 Within the current base budget there are several principles and key assumptions underpinning the proposed revenue strategy. The table 5 below, lists the major assumptions that have been made within the MTFS. Members should note these assumptions are highly likely to change as we move through the budget cycle

	2023/24	2024/25	2025/26	2026/27	2027/28
Council Tax Base Growth	1.0%	1.0%	1.0%	1.0%	1.0%
Council Tax Increase	2.99%	2.99%	2.99%	2.99%	2.99%
Council Tax Collection Rate	98.67%	98.67%	98.67%	98.67%	98.67%
Fees & Charges	2.4%	2.4%	2.4%	2.4%	2.4%
Inflation – Pay	2.0%	2.0%	2.0%	2.0%	2.0%
Employer Pensions Contribution	16.3%	16.3%	16.3%	16.3%	16.3%
Utilities	Gas: 3.0% (current price) Electric: 5.0% (anticipated price)	Gas: 3.0% Electric: 5.0%	Gas: 3.0% Electric: 5.0%	Gas: 3.0% Electric: 5.0%	Gas: 3.0% Electric: 5.0%
Other inflation (Minor cost centres)	2.4%	2.4%	2.4%	2.4%	2.4%
Interest Rate – investments	3.5%	3.0%	2.0%	2.0%	2.0%
Interest Rate – new borrowing	4.0%	3.3%	3.1%	3.1%	3.1%

4.3 General Fund Revenue Projections 2022/23 – 2027/28

General Fund Revenue Budget Projections 2022/23 to 2027/28

For Consideration by Cabinet 6 December 2022

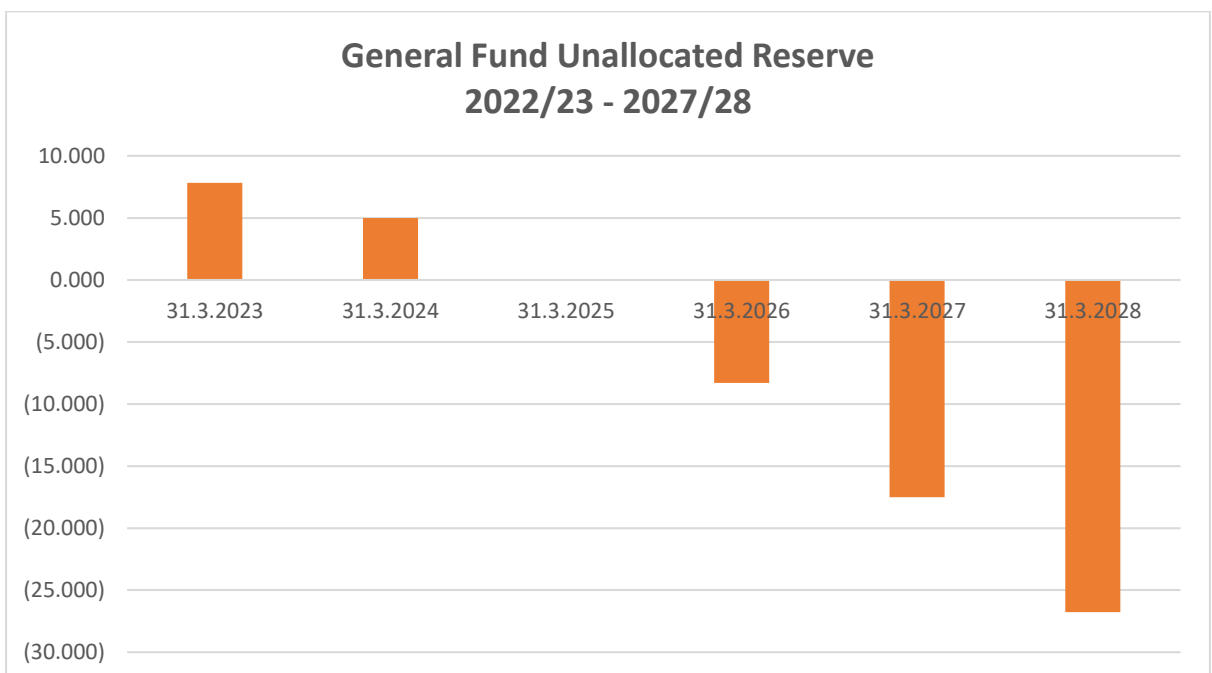
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Budget/Forecast as at 23 February 2022	21,254	21,943	23,479	24,766	0	0
Base Budget Changes						
		Base Budget Adjustments				
Employees	+1,597	868	818	689	28,034	28,742
Premises Related Exp	+1,987	2,895	3,002	3,128	8,263	8,491
Transport Related Exp	+650	294	300	302	1,676	1,704
Supplies and Services	+2,021	907	558	394	11,639	12,035
Support Services	(36)	(84)	(33)	(20)	71	71
Capital Financing Costs	(291)	480	579	672	311	311
Appropriations	(1,091)	139	(250)	(483)	6,096	5,747
Income	(2,566)	(1,671)	(1,176)	(675)	(25,801)	(26,111)
Reserve Adjustments	0	(1,385)	(101)	(47)		
Latest Budgetary Position	23,525	24,386	27,176	28,726	30,289	30,990
Outcomes Based Resourcing Proposals:						
Savings/ Income Generation Proposals						
Economic Growth & Regeneration						
Communities & the Environment						
Corporate Services						
Office of the Chief Executive						
Management Restructure						
Revenue Impact of Capital Programme Review						
Other Capital Financing Adjustments						
General Fund Revenue Budget	23,525	24,386	27,176	28,726	30,289	30,990
Core Funding:						
Revenue Support/ Other Grants	(212)					
Prior Year Council Tax Surplus	(66)					
Net Business Rates Income	(10,106)	(9,567)	(9,722)	(8,947)	(9,126)	(9,309)
Council Tax Requirement	13,141	14,819	17,454	19,779	21,163	21,681
Estimated Council Tax Income - (Increases based on £5 for 2022/23 then max allowable)	10,176	10,610	11,037	11,480	11,942	12,422
Resulting Base Budget (Surplus)/Deficit	2,965	4,209	6,417	8,299	9,221	9,259

5.0 PROVISIONS, RESERVES AND BALANCES

5.1 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.

- 5.2 As noted above, reserve levels and their usage are an important part of the budget framework. It is important that the Council maintains a healthy level of reserves in order to maintain financial resilience. In light of the current circumstances, at its meeting on 25 October 2022, Cabinet approved the transfer of £5.913M from a number of the Council's allocated reserves to the General Fund unallocated balances in order to increase financial resilience. Referral was made to Full Council in respect of the s151 officer's advice on the increased level of unallocated reserves to £5M, as well as revisions to the governance arrangements for the approval of reserve funded expenditure within the Council's Reserve Strategy. These were noted and approved by Council 9th November 2022.
- 5.3 The Council's Outturn Report 2021/22 showed the Council's Unallocated General Fund Balance as £6.032M. Without significant intervention by the Council the General Fund budget gaps will remain and unallocated balances will be required to fund them. Whilst the required level of reserves is assessed annually the forecast deficits are of such a size that available unallocated reserves will be expended within 2 years, as illustrated in the tables below

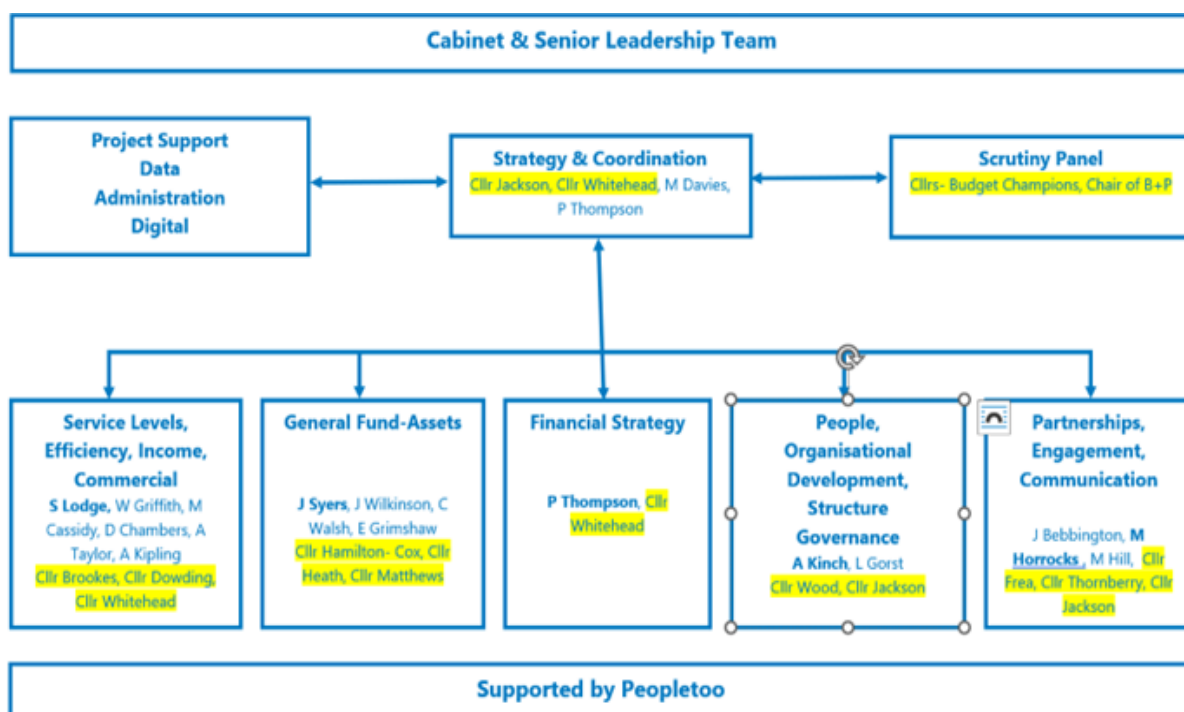
General Fund Unallocated Balance		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
		£M	£M	£M	£M	£M	£M
BALANCES	Balance as at 1 April 2022-25	(6.032)	(7.825)	(5.000)	+0.000	+8.299	+17.520
	In Year allocations	+0.000	+0.000	+0.000	+0.000	+0.000	+0.000
	Forecast (Under)/Overspend	+2.965	+4.209	+6.417	+8.299	+9.221	+9.259
	Other Adjustments	+1.155	+0.000	+0.000	+0.000	+0.000	+0.000
	Contributions to/ (from) Allocated Reserves Review September 2022	(5.913)	+0.000	+0.000	+0.000	+0.000	+0.000
	Projected Balance as at 31 March 2023-26	(7.825)	(3.616)	+1.417	+8.299	+17.520	+26.779
	Business Rates Retention (Subject to Review - Not Confirmed)	+0.000	(1.384)	(1.417)			
	Reserves	(7.825)	(5.000)	+0.000	+8.299	+17.520	+26.779
	Less Recommended Minimum Level of Balances	5.000	5.000	5.000	5.000	5.000	5.000
	Available Balances	(2.825)	+0.000	+5.000	+13.299	+22.520	+31.779



- 5.4 Whilst reserves can be used to manage the current financial crisis, as both of the tables clearly show, funding of the forecast deficits from reserves is **NOT** an option. Addressing the underlying structural issues within the Council's budget requires significant interventions from Cabinet, Senior Leadership Team, and Council to address the forecast deficit levels.

6.0 OUTCOMES BASED RESOURCING

- 6.1 The Council embarked on its OBR project earlier this year with its intention 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.
- 6.2 Given the size of the financial issues the Council faces this fundamental reshaping of the Council’s services and realigning against its priorities through the OBR process will be key to shrinking the budget gap and securing the financial sustainability of the Council.
- 6.3 The table below shows the operational structure of OBR project, its governance processes along with the key Member and Senior Officer involvement. The project is split into 5 task groups each charged with a discreet area of responsibility. Progress against all of these areas will be reported to Members together with any implications of the Local Government Settlement as part of January’s update.



7.0 BALANCING THE BUDGET TO 2027/28

- 7.1 It is now imperative that a thorough and detailed review of our cost base is undertaken through application of OBR. A number of workshops have been held between Cabinet and Senior Leadership Team and to explore initial proposals from the OBR task groups as well as a series of immediate actions to reduce spending in the current year.
- 7.2 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 the Council has engaged external expertise to provide support this work.
- 7.3 The Council’s capital programme is being reviewed to reduce the revenue impact of MRP and interest charges whilst facilitating delivery of the Council’s priorities through areas such as investing to reduce cost. A comprehensive review of the Councils reserves has been undertaken to provide improved financial resilience.

8.0 DETAILS OF CONSULTATION

8.1 Given the size of the challenge faced by the Council and the need for fundamental change in service delivery enhanced consultation with relevant internal and external 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 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.

10.0 CONCLUSION

10.1 It must be reiterated that the current forecasts **do not** include any interventions by Cabinet, Senior Leadership Team or the outcomes of the Local Government Settlement. However, the forecasts clearly highlight potential annual and cumulative budget deficits over the next 5 years and the perilous position the Council now faces, a position shared nationally across the public sector. In light of this, balancing the budget both in the short and the medium term will be a tough task and ***all Members must work together and recognise that they will face a number of difficult but key decisions as part of the forthcoming budget and over the coming financial years which will affect the manner in which it delivers its services.***

<p>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.</p>
<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc)</p> <p>None identified at this stage</p>
<p>FINANCIAL IMPLICATIONS As set out in the report</p>
<p>SECTION 151 OFFICER'S COMMENTS The s151 Officer has authored this report and his comments are reflected within its contents however he would draw Members attention to the following commentary within the report.</p> <p>It must be reiterated that the current forecasts do not include any interventions by Cabinet, Senior Leadership Team or the outcomes of the Local Government Settlement. However, the forecasts clearly highlight potential annual and cumulative budget deficits over the next 5 years and the perilous position the Council now faces, a position shared nationally across the public sector. In light of this, balancing the budget both in the short and the medium term will be a tough task and <i>all Members must work together and recognise that they will face a number of difficult but key decisions as part of the forthcoming budget and over the coming financial years which will affect the manner in which it delivers its services.</i></p>
<p>LEGAL IMPLICATIONS No specific legal implications arising from this report.</p>
<p>MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no comments</p>

BACKGROUND PAPERS

Council – MTFS

[Agenda for Council on Wednesday, 27th February 2019, 6.00 p.m.](#)

[Agenda for Council on Wednesday, 26th February 2020, 6.00 p.m.](#)

[Agenda for Council on Wednesday, 24th February 2021, 6.00 p.m.](#)

[Agenda for Council on Wednesday, 23rd February 2022, 6.00 p.m.](#)

Cabinet – Delivering our Priorities Q1

[Agenda for Cabinet on Tuesday, 13th September 2022, 6.00 p.m.](#)

Cabinet – Updated Reserves Strategy

[Agenda for Cabinet on Tuesday, 25th October 2022, 6.00 p.m.](#)

Council - Updated Reserves Strategy

[Agenda for Council on Wednesday, 9th November 2022, 6.00 p.m.](#)

Contact Officer: Paul Thompson

Telephone: 01524 582603

E-mail: pthompson@lancaster.gov.uk

Ref: N/A



Localised Council Tax Support Scheme 2023/24

14 December 2022

Report of Cabinet

PURPOSE OF REPORT

To seek a decision from Council on retaining the existing Localised Council Tax Support (LCTS) scheme in its present format for application in 2023/24.

This report is public.

RECOMMENDATIONS OF CABINET

- (1) That Option (1), the retention of the existing Localised Council Tax Support (LCTS) scheme for 2023/24, subject to minor consequential amendments to match changes in Housing Benefit rules, be approved.
- (2) That in the event that Option 1 is approved, that the S151 Officer be authorised to finalise and publish the Council's approved Scheme for 2023/24 and make all other necessary arrangements for its implementation in the next financial year.

1.0 Introduction

- 1.1 Cabinet considered the report of the Head of the Shared Service for Revenues and Benefits (attached) at its meeting on 6th December 2022. The report set out the background and overview to the Council's current scheme and presented and analysed the options of retaining the current scheme or making changes.

2.0 Proposal

- 2.1 Cabinet resolved:

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

3.0 Conclusion

- 3.1 Council is asked to approve the retention of the existing Localised Council Tax Support (LCTS) scheme for 2023/24.

RELATIONSHIP TO POLICY FRAMEWORK

As shown on the Cabinet report attached.

CONCLUSION OF IMPACT ASSESSMENT

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

As shown on the Cabinet report attached.

FINANCIAL IMPLICATIONS

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

Other comments are as shown on the Cabinet report attached.

SECTION 151 OFFICER'S COMMENTS

As shown on the Cabinet report attached.

LEGAL IMPLICATIONS

As shown on the Cabinet report attached.

MONITORING OFFICER'S COMMENTS

As shown on the Cabinet report attached.

BACKGROUND PAPERS

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CABINET

Local Council Tax Support Scheme (2023/24) 6th December 2022

Report of Andrew Taylor, Interim Head of Shared Service

PURPOSE OF REPORT			
To enable Cabinet to consider the existing Localised Council Tax Support (“LCTS”) Scheme and the options available, ahead of formal consideration and approval by Council for application in 2023/24.			
Key Decision	N	Non-Key Decision	Y
			Referral from Cabinet Member
			N
Date of notice of forthcoming key decision	6 th December 2022		
This report is public			

RECOMMENDATIONS OF Councillor Anne Whitehead

- (1) Retain the existing Localised Council Tax Support Scheme for 2023/24 (Option 1)

1.0 Introduction

- 1.1 Cabinet’s views are sought as to whether to retain the existing Localised Council Tax Support Scheme for 2023/24 (Option 1) subject to future consequential minor amendments following changes in housing benefit rules; or whether to amend it to reduce entitlement (Option 2).
- 1.2 Following the abolition of the national Council Tax Benefit (CTB) system back in 2013, each billing authority now has a legal duty to adopt a Localised Council Tax Support (LCTS) scheme.
- 1.3 Each authority is also under a legal obligation to consider, for each year, whether to revise its scheme or to replace it with another scheme. The history of the Council’s arrangements is summarised below:
- 1.4 The first local scheme was adopted in January 2013 for implementation in 2013/14. The Council chose not to reduce support levels at that time, unlike most other local authorities.
- 1.5 In reviewing its scheme since then, Council has decided to retain basic council tax support levels, meaning that working age claimants on low incomes may still be awarded support to cover up to 100% of their council tax bills.

- 1.6 The Council has applied other comparatively minor changes over the years, on the basis that entitlement criteria for LCTS should generally remain in line with other key benefits, most notably Housing Benefit (HB) and Universal Credit (UC).
- 1.7 If a Council does wish to alter its scheme, it must approve any changes by 11 March, otherwise the existing scheme will continue to apply. There is currently no provision for changing a scheme in-year.
- 1.8 The Local Government Finance Act 1992 as amended, sets out measures requiring all billing authorities to introduce and maintain a LCTS scheme for each financial year. The main aims of the LCTS scheme are to ensure fairness and consistency, and to help reduce confusion for claimants.
- 1.9 Under any scheme, support for pensioners must remain at existing levels, and the scheme must be delivered through a national framework of criteria and allowances. For working age claimants, Councils can choose, through the design of their scheme, whether to alter support entitlements in some way.
- 1.10 Policies and procedures are structured to ensure that all customers receive the correct amount of support and that every claim is considered on its own merits and in accordance with legislation and Government guidance.

2.0 Overview of the Council's current scheme

- 2.1 As laid down by Government, there are three general principles that all Local Council Tax Support (LCTS) schemes must follow:
 - pensioners should be fully protected;
 - vulnerable groups should be protected as far as possible, as determined locally; and
 - local schemes should support the positive work incentives being introduced through Universal Credit for working age people.
- 2.2 The Council's existing scheme meets these principles, giving protection for certain groups and helping to support work incentives. It provides additional protection for vulnerable people through other income disregards, premiums and allowances. It also provides for annual uplifts associated with inflation, etc.
- 2.3 Under current legislation, pensioners are protected from any locally driven scheme changes, and so any Council decisions impact only on working age claimants.
- 2.4 As Council has so far maintained general support levels, this means that if entitled, a claimant would receive 100% support to cover their council tax bill. Of the 333 schemes in operation nationally, currently the Council is one of a few Councils, that still provides full levels of Council Tax Support for working age claimants, depending on their circumstances.
- 2.5 A hardship fund of £30k is built into the LCTS scheme to protect those suffering exceptional hardship. This initiative is financially supported by a contribution from the major precepting authorities, although given that general support levels are maintained, demand against this continues to be minimal.
- 2.6 The Department for Work and Pensions (DWP) operates a "full" Universal Credit (UC) service in this district, and the Council's existing LCTS scheme accommodates this

development. The Council's current LCTS scheme principles are set out in **Appendix A** to this report.

- 2.7 This report sets out a recommendation that the LCTS scheme for 2023/24 be 'retained' in its present form, subject to minor consequential amendments to accommodate the annual uprating of similar applicable amounts in the Housing Benefit Scheme.

3.0 Details of Consultation

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

- 3.2 Under Option 1, the Council will write to major precepting authorities setting out the principles of the scheme for 2023/24, acknowledging the fact that they will share the financial cost and risk of any changes made. Their preference has always been for a cost neutral scheme that limits the financial pressure on their budgets as an alternative to cutting essential services.

4.0 Options and Options Analysis (including risk assessment)

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

4.2 Option 1:

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

- The existing scheme is considered soundly structured and works well, and offers maximum support for low-income families, who may otherwise find themselves in mounting debt.
- current forecast assumes the continuation of the existing LCTS system and as such, maintaining current levels of support would normally have no impact on the Council's financial forecast. However, costs have increased in recent years with increased take-up due to Covid-19, although 2022/23 has seen a slow decline in the number of residents receiving LCTS, which would reduce costs if the trend continues in the longer term. However, the cost-of-living crisis may result in an increased number of claims.
- Retaining existing policy principles of keeping various positive entitlement provisions for LCTS in line with other key welfare benefits promotes equality.

4.3 Option 2:

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

- Currently 9,942 residents claim LCTS in the Lancaster district, reducing over the years from a high of 12,202 in April 2014. As pensioners make up 37.6% (3,735) of claimants, it means any cut in the level of support provided falls on the remaining 62.4% (6,207) of working age people on low incomes, reducing in numbers from (6,958) in the previous year.
- A reduction in the levels of support provided could arguably provide claimants with further incentives to work, reducing their reliance on benefits, although the jobs market is particularly uncertain at this difficult time.
- This option will have greater adverse financial impact on working age households but would help protect other Council services by requiring less savings to be made by them.
- If levels of support are reduced, the Council would be tasked with the difficulty of collecting this debt from the more vulnerable members of our society, increasing workloads and costs associated with council tax recovery.
- Additional costs associated with developing new scheme options, consultation exercise, legal changes to scheme etc.

5.0 Options and Options Analysis (including risk assessment)

	Option 1: Retain the existing LCTS scheme	Option 2: Amend the LCTS scheme to reduce entitlement	Option 3:
Advantages	The current scheme provides support up to a level of 100% and assists those on low incomes	Financial savings to Lancaster City Council and the other precepting authorities.	N/A
Disadvantages	The Government does not fully fund the cost of a 100% LCTS scheme. The additional cost falls on Lancaster City Council and the other precepting authorities.	A reduction in support would result in Council Tax increases for those on low incomes. The Council Tax team would need to recover more money, often from those least able to make payments.	N/A
Risks	The cost of the scheme may increase due to an increase in new claims as the cost-of-living crisis progresses.	Reduced collection rates and increased debt. Potential reputational damage.	N/A

6.0 Officer Preferred Option (and comments)

- 6.1 Retain the existing Localised Council Tax Support Scheme for 2023/24 (Option 1). This will assist financially vulnerable Council Tax customers in the Lancaster City Council District.

7.0 Conclusion

- 7.1 The Council’s existing LCTS scheme works well in terms of providing support, but at a cost, particularly for the County Council. To date the Council has attached a high priority to maintaining council tax support levels available to working age claimants (pensioners being unaffected by Council’s decision).

- 7.2 Adoption of a particular option should be informed by Council’s views regarding the relative priority of LCTS, compared with other services and activities in support of future corporate priorities.

<p>RELATIONSHIP TO POLICY FRAMEWORK</p> <p>The LCTS scheme is developed in support of ambitions within the Council Plan regarding “Healthy and Happy Communities” to optimise access for those that need it most, together with welfare benefits and related support.</p>
<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)</p> <p>The ambition is to continue with a LCTS scheme for the Council, which supports the objective of simplicity, but protects the most vulnerable residents in the district. The Council must continue to ensure that it has due regard to equality in making its local scheme, including how it will minimise disadvantage.</p> <p>The Equality and Human Rights Impact Assessment has been reviewed and can be found as part of Appendix B.</p>
<p>LEGAL IMPLICATIONS</p> <p>The Local Government Finance Act 1992 (as amended) provides that the Council, as the billing authority, must consider whether to revise its LCTS scheme, or replace it with another scheme by 11th March every year. However, it is beneficial for the Council to determine the principles of its LCTS scheme early, in order to build estimates into its Tax Base calculations.</p> <p>Before a Council can determine to revise or replace its LCTS scheme it must consult any major precepting authority which has the power to issue a precept to it and such other persons as it considers are likely to have an interest in the operation of the scheme. However, these consultation rules do not apply if the Council approves the recommendation to “retain” its existing LCTS scheme.</p> <p>Likewise, if Council is not proposing to change the existing LCTS scheme then technically there is no requirement to seek approval from full Council. However, it is considered good practice for Council to ratify the existing scheme, given the annual uprating in April each year to adjust benefits and personal allowances, and any other consequential amendments.</p>
<p>FINANCIAL IMPLICATIONS</p> <p>Currently the LCTS system is estimated to cost £10.9M in total each year with the Council’s element amounting to 11.7% (£1.27m) in 2022/23; the cost being affected by council tax rates and claimant caseload, as well as the decisions of Council. The overall cost is broken down between working age claimants (£6.7m) and elderly claimants (£4.2m) with any decision disproportionately only affecting working age</p>

claimants. Of this cost for working age claimants (£6.7m), approximately £783k falls to the City Council, with the remainder being covered predominantly by the other major precepting authorities (County, Fire, Police) and a small element being met by Parish and Town Councils. Since the introduction of the LCTS scheme, the Government has rolled the Council Tax Support Grant into mainstream Government funding thereby making it impossible to separately identify. Should Council approve Option 2 and reduce support levels there would be related savings to the Council and major preceptors (County, Fire, Police), subject to the level of reduction. Any impact on parishes would be negligible. A cut of 10% in the level of support for working age claimants would equate to savings of £78k, whereas a 20% cut in support levels would equate to £156k in savings for the City Council.

OTHER RESOURCE IMPLICATIONS

Human Resources:

None

Information Services:

None

Property:

None

Open Spaces:

None

SECTION 151 OFFICER'S COMMENTS

As Members will be aware the Council is currently facing a significant budget deficit in 2022/23 and beyond, and as a result there is pressure to reduce costs where possible. As noted within the report Lancaster City Council is one of only a few Councils which provides 100% support for working age claimants at an annual cost to the Council of approximately £783k per annum, and so is an area where changes to the scheme could provide a level of savings to reduce the deficit.

However, should Members wish to revise the scheme to achieve a degree of savings it should be balanced against the points raised at para 4.2 as well as the Council's stated Priorities.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None

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APPENDIX A

**Lancaster City Council
Summary Principles of the Council Tax Support Scheme**

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

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

Class of persons:

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

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

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

Class of reductions:

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

The scheme is based on the system of making deductions from the eligible council tax for each non-dependant person in the household. The categories of non-dependency are set out in the scheme. Income brackets may be altered in line with the general up-rating arrangements in the scheme, usually adjusted annually to include personal allowances. Changes will be reflected in the scheme, as considered appropriate, to reflect the Government's ongoing welfare benefits reforms, such as those affecting housing benefit and universal credit as examples.

Applications:

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

General administration of the scheme:

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

Changes in Circumstances:

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

Appeals process:

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

Backdating:

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

Up-rating:

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

Other Matters:

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



**Lancaster City Council's Equality Impact Assessment
Localised Council Tax Support Scheme 2023/24**

Section 1: Details:

Service	Revenues & Benefits Shared Service Resources
Title and brief description (if required)	Localised Council Tax Support Scheme (2023/24)
New or existing	Existing
Author/officer lead	Lead – Head of Shared Service / Benefits Manager
Date	22 nd November 2022

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

Yes

Section 2: Summary:

What is the purpose, aims and objectives?

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

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

Who is intended to benefit and how?

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

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

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

Section 3: Assessing impact

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

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

Section 4: Next steps:

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

No further evidence required.

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

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

This Equality Impact Assessment forms part of the Council report to be presented to Members at full Council in December 2022.

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

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

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



**Committee Timetable 2023/2024
14 December 2022
Report of Council Business Committee**

PURPOSE OF REPORT
To consider a timetable of committee meetings for the 2023/24 municipal year.
This report is public.

RECOMMENDATIONS

- (1) That Members consider the proposed timetable of meetings, times and venues for the 2023/24 municipal year as set out within the report and appendices, noting the points raised by the Committee when it met in October, and the responses from officers in paragraph 2.0 of this report.**
- (2) That a final schedule of meetings be agreed at this meeting.**

1.0 Background and Introduction

- 1.1 On 27 October, Council Business Committee considered setting a Committee Timetable for the municipal year 2023/24 in accordance with its terms of reference include “To agree the annual timetable of Lancaster City Council meetings and any other timetabling issues which may arise.” (Constitution Part 2, Section 5, paragraph 8).
- 1.2 Several issues were raised for officers to address and bring a report to full Council where the timetable could then be considered.

2.0 Proposal

- 2.1 The Committee considered the draft timetable and resolved:
 - (1) That the proposed timetable be referred to Council for final determination subject to the following issues being addressed by officers:
 - (a) That the proposed 26th July meeting of Council be moved to the 19th July and the meeting of Audit Committee be rescheduled to the 26th.
 - (b) That the August meetings of Planning Regulatory and Licensing Committee be rescheduled or removed from the timetable if possible.

- (2) That approval of the permanent move to a remote meeting be confirmed with the Joint Consultative Committee (JCC).
- 2.2 These matters have all been addressed now and the revised draft timetable for council to consider is appended. The Licensing Committee meeting proposed for 24th August 2023 has been moved to 7th September 2023. The Planning Committee meeting proposed for 14th August has been changed to 4th September. This has necessitated moving the meeting proposed for 11th September to 18th September and revising the dates for any sites visits accordingly.
- 2.3 Resolution (2) above referred to a proposal in the report to Council Business Committee that the JCC of Personnel Committee Members and Trade Union representatives should be held virtually in future as this body is not required to hold face to face meetings, unlike the City Council's other committees. The approval of the permanent move to remote meetings has been confirmed with the JCC. The JCC also requested that the meeting proposed for 8th November 2023, the same date as full Council, be moved to 1st November. This has been reflected on the draft attached.
- 2.4 The Committee also noted that when livestreaming equipment is installed in the Council Chamber, more meetings could be held there so that, in time, as many meetings as possible may be livestreamed to improve accessibility and transparency. Venues are shown on Appendix 1 of this report but may be subject to change if the need arises.

3.0 Conclusion

- 3.1 Members are asked to consider this report and agree a timetable of meeting dates, times, and venues for the 2022/23 municipal year at this meeting to enable rooms to be booked and dates to be diarised.

CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None.
LEGAL IMPLICATIONS It is a legal requirement that the City Council publishes its timetable of meetings by the commencement of each Municipal Year. Amendments can be made throughout the year provided at least 5 days' notice is given.
FINANCIAL IMPLICATIONS There are no additional financial implications for the proposed draft timetable. The costs of the meetings will be met from existing budgets.
OTHER RESOURCE IMPLICATIONS , such as Human Resources; Information Services; Property; Open Spaces: None.
MONITORING OFFICER COMMENTS The Monitoring Officer has been consulted and has no further comments.
SECTION 151 OFFICER'S COMMENTS The Section 151 Officer has been consulted and has no further comments

BACKGROUND PAPERS

None.

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START TIMES, VENUES AND NUMBER OF MEETINGS

Meeting	Venue	Start Time	Number of Meetings
Annual Council (Ceremonial)	Ashton Hall	12 noon	1
Annual Council (Business)	MTH	6:00pm	1
Council	MTH	6:00pm	9
Council Business Committee	MTH	6:00pm	3
Cabinet	Alternates: MTH/LTH	6:00pm	9
Overview & Scrutiny Committee	MTH	6:00pm	9
Budget and Performance Panel	LTH	6.10 pm	5
Licensing Committee	MTH	1:00pm	8
Planning Regulatory Committee	MTH	10:30am	13
Personnel Committee	LTH	6:10pm	2
JCC	REMOTE	Flexible	2
Audit Committee	MTH	6:00pm	4
Standards Committee	LTH	6:10pm	2

DRAFT COMMITTEE TIMETABLE 2023/24

	May 2023	June	July	August	September	October	November	December	January 2024	February	March	April	May	
Mon	1 Bank Holiday								1 Bank Holiday			1 Bank Holiday		Mon
Tue	2			1					2			2		Tue
Wed	3			2			1 JCC		3 Planning Site Visit			3	1	Wed
Thu	4 CITY, PARISH ELECTIONS and possible others	1		3			2		4 Licensing	1 Licensing		4	2 PCC ELECTIONS and possible others	Thu
Fri	5	2		4	1		3	1	5	2	1	5	3	Fri
Sat	6	3	1	5	2		4	2	6	3	2	6	4	Sat
Sun	7	4	2	6	3	1	5	3	7	4	3	7	5	Sun
Mon	8	5	3	7	4 Planning	2 Planning Site Visit	6 Planning	4 Planning	8 Planning	5	4	8	6 Bank Holiday	Mon
Tue	9	6 Cabinet	4	8	5	3	7	5 Cabinet	9	6 Cabinet	5	9	7	Tue
Wed	10	7	5 JCC	9	6 Overview & Scrutiny Committee	4	8 Council	6 Overview & Scrutiny Committee	10	7 Overview & Scrutiny Committee	6 Overview & Scrutiny Committee	10	8	Wed
Thu	11	8 Licensing	6 Standards	10	7 Licensing	5 Licensing	9	7	11 Standards	8	7	11	9	Thu
Fri	12	9	7	11	8	6	10	8	12	9	8	12	10 Annual Council	Fri
Sat	13	10	8	12	9	7	11	9	13	10	9	13	11	Sat
Sun	14	11	9	13	10	8	12 Remembrance Sunday	10	14	11	10	14	12	Sun
Mon	15	12 Planning Site Visit	10 Planning Site Visit	14	11 Planning Site Visit	9 Planning	13	11	15	12	11 Commonwealth Flag Raising	15	13 Business Council	Mon
Tue	16	13	11 Cabinet	15	12 Cabinet	10	14	12	16 Cabinet	13	12	16 Cabinet	14	Tue
Wed	17	14 Overview & Scrutiny Committee	12 Overview & Scrutiny Committee	16	13	11	15 Overview & Scrutiny Committee	13 Council	17 Overview & Scrutiny Committee	14	13 Council	17	15	Wed
Thu	18	15 Council Bus Committee	13	17	14	12	16 Licensing	14	18	15	14 Licensing Budget and Performance Panel	18	16	Thu
Fri	19 Annual Council	16	14	18	15	13	17	15	19	16	15	19	17	Fri
Sat	20	17	15 Freeman's Court	19	16	14	18	16	20	17	16	20	18	Sat
Sun	21 Mayor's Sunday	18	16	20	17	15	19	17	21	18	17	21	19	Sun
Mon	22 Business Council	19 Planning Armed Forces Day Flag Raising	17 Planning	21	18 Planning	16	20	18	22 Planning Site Visit	19 Planning Site Visit	18 Planning Site Visit	22 Planning Site Visit	20	Mon
Tue	23	20	18 Personnel	22	19	17	21 Personnel	19	23	20	19	23	21	Tue
Wed	24 Audit	21 Council	19 Council	23	20	18	22 Audit	20	24 Council	21 Budget Council	20 Audit	24 Council	22	Wed
Thu	25	22	20	24	21	19	23 Budget and Performance Panel	21	25	22	21	25	23	Thu
Fri	26	23	21	25	22	20	24	22	26	23	22	26	24	Fri
Sat	27	24	22	26	23	21	25	23	27	24	23	27	25	Sat
Sun	28	25	23	27	24	22	26	24	28	25	24	28	26	Sun
Mon	29 Bank Holiday	26	24	28 Bank Holiday	25	23	27 Planning Site Visit	25 Bank Holiday	29 Planning	26 Planning	25 Planning	29 Planning	27 Bank Holiday	Mon
Tue	30 Planning	27	25	29 Planning Site Visit	26	24 Cabinet	28	26 Bank Holiday	30	27 Cabinet	26	30	28	Tue
Wed	31	28	26 Audit	30	27 Council	25 Overview & Scrutiny Committee	29	27	31 Budget & Perf Panel	28	27		29	Wed
Thu		29 Licensing	27 Budget and Performance Panel	31	28 Budget and Performance Panel	26 Council Business Committee	30	28		29 Council Business Committee	28		30	Thu
Fri		30	28		29	27		29			29 Bank Holiday		31	Fri
Sat			29		30	28		30			30			Sat
Sun			30			29		31			31			Sun
Mon			31			30 Planning Site Visit								Mon
Tue						31								Tue
	May 2023	June	July	August	September	October	November	December	January 2024	February	March	April	May	

BRIEFING NOTE**MOTION: TO SUPPORT THE CLIMATE AND ECOLOGY BILL**

Humans have already caused irreversible climate change, the impacts of which are being felt in the UK and around the world. The global temperature has already increased by 1.2°C above pre-industrial levels, and the natural world has reached crisis point, with [28% of plants and animals](#) threatened with extinction.

Lancaster City Council declared a Climate Emergency in January 2019 and have taken significant action towards reducing their own carbon emissions to net zero by 2030. However, unless we drastically change course, the world is set to exceed the Paris Agreement's 1.5°C limit - the Met Office predict [Met Office predict](#) that there is a 50:50 chance of this happening in the next 5 years. Pledges, such as the Paris Agreement and Glasgow Pact—and updated emissions targets—are not legally-binding. This gap between pledges and policy leaves the world on course for catastrophic warming of [near 3°C](#).

Following the “now or never” Intergovernmental Panel on Climate Change (IPCC) [report](#) in April 2022, the UN Secretary General António Guterres stated that “we are on a fast track to climate disaster. This is not fiction or exaggeration. It is what science tells us will result from our current energy policies”.

In addition, the UK Government's [Net Zero Strategy](#) stated that “if we fail to limit global warming to 1.5°C, we risk reaching climatic tipping points, we could lose control of our climate for good”. The 1.5°C goal is ‘on life support’ and only ambitious action from national and sub-national authorities, civil society, the private sector and local communities will help us realise it.

Biodiversity loss

The UK is [one of the most nature-depleted countries in the world](#). More than one in seven of our plants and animals face extinction, and more than 40% are in decline. We therefore welcome the [Leaders' Pledge for Nature](#), signed by the UK Government, which states that—if we fail to halt and reverse biodiversity loss by 2030—we increase the risk of further pandemics, rising global temperatures and loss of species. In order to achieve this, the UK needs a legally-enforceable nature target so that, by 2030, nature is visibly and measurably on the path of recovery—in line with the [Global Goal for Nature](#).

Lancaster City Council notes that:

There is a Bill that was introduced into the current UK Parliament in May 2022—the [Climate and Ecology Bill](#)—which, if it becomes law, would require the development of a strategy to ensure that the UK's environmental response is in line with the latest science. The strategy would ensure that:

- the ecological crisis is tackled shoulder to shoulder with the climate crisis via a joined-up approach;
- the Paris Agreement aim is enshrined into law to ensure that the UK does its full and fair share to limit the global temperature rise to 1.5°C;

- we halt and reverse biodiversity loss, meeting the Government's target of protecting 30% of nature by 2030, to ensure that the UK's ecosystems are protected and restored;
- the UK takes responsibility for its greenhouse gas footprint, including international aviation and shipping—and by accounting for consumption emissions related to the goods and services that are imported and consumed in the UK;
- the UK takes responsibility for its ecological footprint in order to better protect the health and resilience of ecosystems—including along domestic and global supply chains; and
- an independent, temporary Climate and Nature Assembly is set-up—representative of the UK population—to engage with the UK Parliament and UK Government to help develop the strategy. This would be set up on broadly similar lines to the Climate Assembly 2020 which was very successful and very well received on all sides of the political divide.

Lancaster City Council therefore resolves to:

1. Support the Climate and Ecology Bill;
2. Declare an 'Ecological Emergency' and include actions to address this in addition to their Climate Action Plan
3. Write to David Morris and Cat Smith letting them know that the motion has been passed — urging them to sign up to support the Bill, or thanking them for already doing so; and
4. Write to [Zero Hour](#), the organisers of the cross-party campaign for the Bill, expressing its support (joinus@ceebill.uk).

PROPOSERS:

Cllrs Frea, Black, G. Knight, Matthews, Wood

OFFICER BRIEFING NOTE

The motion is consistent with the Council's agreed priority of 'a sustainable district'.

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.



**Treasury Management Mid-Year Review 2022/23
14 December 2022**

Report of the Chief Finance Officer

PURPOSE OF REPORT			
This report seeks Council's consideration of various matters in connection with the Treasury Management Mid-Year Review 2022/23.			
Key Decision		Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision			
This report is Public			

RECOMMENDATION OF CABINET

That Council:

- (1) Consider the various matters in connection with the Treasury Management Mid-Year Review 2022/23.**

1.0 INTRODUCTION

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

1.2 During 2022/23 the minimum reporting requirements are that the Full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 23 February 2022)
- A mid-year (minimum) treasury update report (This report).
- An annual review following the end of the year describing the activity compared to the strategy

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

2.0 BACKGROUND

2.1 The Mid-Year Review (Appendix A) sets out the performance of treasury operations for the first six months of the 2022/23 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 £44.5M (2021/22 £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.
- 3.2 The Council's investments returned an average rate c1.3% on deposit generating c£243K of interest against a profiled budget of c£17K.

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 2022/23 was forecast as £104.00M with the current forecast CFR at quarter 2 is, however, £105.86M due to additional capital expenditure approved for decarbonisation works and the solar array and switchgear replacement at Gateway.
- 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 and has utilised £45.82M of cash flow funds in lieu of borrowing and with current forecasts estimating new borrowing of £10M later in the financial year. However, rising prices and ongoing in-year changes to the capital programme and slippage make this difficult to quantify with certainty at this point in time.
- 3.6 Consideration also needs to be given to the recent volatility in the markets leading to PWLB interest rates being in excess of 5% at the time of writing. In light of this it may be prudent to delay borrowing or consider the use of short-term borrowing as an interim measure.

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	2022/23	
	Original Estimate £m	Quarter 2 Position £m
Communities and Environment	7.61	15.50
Economic Growth and Regeneration	4.10	4.99
Corporate Services	0.49	0.54
Development Pool	1.65	1.65
Total for General Fund	13.85	22.68
Council Housing (HRA)	5.37	5.37
Total Capital Expenditure	19.22	28.05

- 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	2022/23	
	Original Estimate £m	Quarter 2 Position £m
Total capital expenditure	19.22	28.05
Financed by:		
Capital receipts	0.54	0.54
Capital grants	5.79	8.74
Reserves	5.78	6.15
Revenue	0.00	0.00
Total Financing	12.11	15.43
Borrowing Requirement	7.11	12.62

- 3.11 The table below shows that the capital financing requirement (CFR) is £1.86M higher than the original estimate, due to additional capital expenditure approved for decarbonisation works and the solar array and switchgear replacement at Gateway.

Capital Financing Requirement	2022/23	
	Original Estimate £m	Quarter 2 Position £m
General Fund	68.86	70.72
HRA	35.14	35.14
Total Capital Financing Requirement	104.00	105.86
Net movement in CFR	3.38	1.86

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 £105.86M

External Debt v Borrowing Need (CFR)	2022/23	
	Original Estimate £m	Quarter 2 Position £m
External Debt	70.04	60.04
Expected Change in Other long term liabilities	13.96	0.00
Total Debt	84.00	60.04
Compared to current :		
Capital Financing Requirement	104.00	105.86
Operational Boundary:-		
Debt	105.00	106.15
Authorised Limit:-		
Debt	120.00	121.15

4.0 CONSULTATION

4.1 In accordance with regulations the Treasury Management Mid Year Review 2022/23 has been presented to Cabinet 25 October 2022 (minute 35) and Budget & Performance Panel 10 November 2022

4.2 Consultation has been undertaken with the Council's external Treasury Management Advisors.

5.0 OPTIONS AND OPTIONS ANALYSIS

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

6.0 CONCLUSION

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

<p>RELATIONSHIP TO POLICY FRAMEWORK Treasury Management forms part of the Councils budget framework. Effective Treasury Management and use of the Councils’ resources is fundamental to the delivery of its priorities and outcomes</p>	
<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing) There are no immediate implications for consideration.</p>	
<p>LEGAL IMPLICATIONS There are no legal implications stemming from this report.</p>	
<p>FINANCIAL IMPLICATIONS As this report is for consideration and the noting of performance there are no immediate financial considerations arising.</p>	
<p>OTHER RESOURCE IMPLICATIONS There are no additional resource or risk implications</p>	
<p>SECTION 151 OFFICER’S COMMENTS The s151 Officer has written this report in his role as Chief Finance Officer.</p>	
<p>MONITORING OFFICER’S COMMENTS Monitoring Officer has been consulted and has no further comments</p>	
<p>BACKGROUND PAPERS Cabinet 25th October 2022 Agenda for Cabinet on Tuesday, 25th October 2022, 6.00 p.m. - Lancaster City Council Budget & Performance Panel 10th November 2022 Agenda for Budget and Performance Panel on Thursday, 10th November 2022, 6.00 p.m. - Lancaster City Council</p>	<p>Contact Officer: Paul Thompson Chief Finance Officer Telephone: 01524 582603 E-mail: pthompson@lancaster.gov.uk</p>

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

Mid-Year Review 2022/23

Report of Chief Finance Officer

Presented to

Cabinet:

25th October 2022

Budget & Performance Panel:

10th November 2022

Council:

14th December 2022

1. Background

Capital Strategy

In December 2017, CIPFA (Chartered Institute of Public Finance and Accountancy) issued revised Prudential and Treasury Management codes. These require all local authorities to prepare a Capital Strategy which is intended to provide the following:

- 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 23 February 2022.

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 2022/23 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 2022/23
- A review of the Council's borrowing strategy for 2022/23
- A review of any debt rescheduling undertaken during 2022/23
- A review of compliance with Treasury and Prudential Limits for 2022/23

3. Economics update (provided by Link Asset Services)

- *The second quarter of 2022/23 saw:*
 - *GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;*
 - *Signs of economic activity losing momentum as production fell due to rising energy prices;*
 - *CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;*
 - *The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;*
 - *Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;*
 - *Gilt yields surge and sterling fall following the “fiscal event” of the new Prime Minister and Chancellor on 23rd September.*
- *The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.*
- *There are signs of higher energy prices creating more persistent downward effects in economic activity. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.*
- *Consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. There are also signs that households are spending their excess savings in response to high prices.*

- *The labour market remained exceptionally tight. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.*
- *CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet.*
- *Utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments).*
- *CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.*
- *During H1 2022, there was been a change of both Prime Minister and Chancellor. The new team made a step change in government policy.*
- *Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates*
- *The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis.*
- *Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.*
- *There is a possibility that the Bank continues with QE at the long-end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.*

4. Interest Rate Forecast

The Council's treasury advisor, Link Asset Services, provided the following forecast on 27 September 2022:

Link Group Interest Rate View 27.09.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

The UK has a new Prime Minister a new Chancellor and new economic policies that seek to grow the UK economy through tax cuts and regulatory simplification.

The MPC increased the bank rate at the end of September from 1.75% to 2.25% but held off from making any emergency Bank Rate increase in response to fear in the market following the fiscal event on 23 September and confirmed its commitment to ensure headline inflation, on the CPI measure drops back to 2% over a three-year timeframe. This calmed the market to an extent but we cannot be sure that further and extensive market volatility is not just around the corner.

The revised forecast assumes that there will not be an emergency Bank Rate change ahead of the next MPC meeting on 3 November. However, it is anticipated that we will then see the MPC hike rates aggressively to 3.25% with further increases to 4% in December, 4.5% in February and reach a peak of 5% in March 2023.

5. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy (TMS) for 2022/23, which includes the Annual Investment Strategy was approved by the Council on 23 February 2022. 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 will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, 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.

Following the Government's fiscal event on 23rd September, both S&P and Fitch have placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

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

It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

The average level of funds available for investment purposes over the six-month period was **£44.5M**. 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	2.25%
7 day LIBID	2.19%
Lancaster City Council investments	2.10%

Investment Balances – quarter ended 30 September 2022

At the start of the year investments totalled £52.5M falling to £38.8M by 30 September. Fixed term investments fell from £22.5M to £12M whilst Money Market Fund balances fell from £30.0M to £26.8M.

Investments

Other Investments	Term	Maturity Date	Opening 1.4.22 £	Closing 3.09.22 £	Indicative Rate (YTD)	Current Fixed Rate	Interest to Date £
Call Accounts							
Natwest (Cash Manager Plus)			925,000	518,000		0.03%	378
Money Market Funds							
Aberdeen Life Investments			6,000,000	0	1.69%		18,531
Blackrock Sterling Govt			0	6,000,000	1.74%		25,401
Blackrock Sterling Liquidity First Fund			6,000,000	6,000,000	1.76%		35,274
Goldman Sachs			0	0	1.66%		8,492
Insight			6,000,000	500,000	1.99%		27,101
Lancashire County Council			12,000,000	12,000,000	2.00%		61,644
LGIM			0	2,300,000	1.75%		25,136
Fixed Term Deposits							
DMO	154 days	16/05/2022	5,500,000	0		0.03%	203
DMO	152 days	16/05/2022	300,000	0		0.03%	11
DMO	124 days	19/04/2022	700,000	0		0.01%	3
DMO	3 days	04/07/2022	0	0		1.05%	276
DMO	7 days	08/08/2022	0	0		1.31%	251
DMO	7 days	12/08/2022	0	0		1.55%	297
DMO	7 days	15/08/2022	0	0		1.55%	446
East Hertfordshire District Council	181 days	02/03/2023	0	7,000,000		2.50%	13,904
Falkirk Council	101 days	10/06/2022	5,000,000	0		0.60%	5,753
Haringey Council	92 days	14/06/2022	5,000,000	0		0.75%	7,603
Leeds City Council	21 days	20/09/2022	0	0		1.59%	6,404
Suffolk County Council	151 days	27/02/2023	0	5,000,000		2.80%	767
Surrey County Council	92 days	31/05/2022	6,000,000	0		0.58%	5,720
Sub-total			53,425,000	39,318,000			243,597
						Budgeted income	17,252
							226,346

Investment Counterparty criteria

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

Approved Limits

Officers can confirm that, with the exception of a small number of occasions where funds held in the Council's bank account overnight exceeded the £1M specified limit, the

approved limits within the Annual Investment Strategy were not breached during the period ended 30th September 2022. The limit for funds held in the Council's bank account overnight is being reviewed with a view to implementing a more workable limit of £1.5M.

7. Borrowing

The Council's capital financing requirement (CFR) for 2022/23 was forecast as £104.00M as set out in **Annex A**. The current forecast CFR at quarter 2 is, however, £105.86M due to additional capital expenditure approved for decarbonisation works and the solar array and switchgear replacement at Gateway. 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 £60.04m and has utilised £45.82m of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.

No new external borrowing has, to date, been undertaken. The capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, in order to achieve optimum value and risk exposure in the long-term.

It is anticipated that further borrowing will need to be undertaken during this financial year. This is currently in the region of £10M, however, rising prices and ongoing in-year changes to the capital programme and slippage make this difficult to quantify with certainty at this point in time. Consideration also needs to be given to the recent volatility in the markets leading to PWLB interest rates being in excess of 5% at the time of writing. In light of this it may be prudent to delay borrowing or consider the use of short-term borrowing as an interim measure.

8. Debt Rescheduling

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

9. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2022, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2022/23. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

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	2022/23	
	Original Estimate £m	Quarter 2 Position £m
Communities and Environment	7.61	15.50
Economic Growth and Regeneration	4.10	4.99
Corporate Services	0.49	0.54
Development Pool	1.65	1.65
Total for General Fund	13.85	22.68
Council Housing (HRA)	5.37	5.37
Total Capital Expenditure	19.22	28.05

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	2022/23	
	Original Estimate £m	Quarter 2 Position £m
Total capital expenditure	19.22	28.05
Financed by:		
Capital receipts	0.54	0.54
Capital grants	5.79	8.74
Reserves	5.78	6.15
Revenue	0.00	0.00
Total Financing	12.11	15.43
Borrowing Requirement	7.11	12.62

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)	2022/23	
	Original Estimate £m	Quarter 2 Position £m
External Debt	70.04	60.04
Expected Change in Other long term liabilities	13.96	0.00
Total Debt	84.00	60.04
Compared to current :		
Capital Financing Requirement	104.00	105.86
Operational Boundary:-		
Debt	105.00	106.15
Authorised Limit:-		
Debt	120.00	121.15

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.

COUNCIL

**Appointments to Outside Bodies
14 December 2022
Report of the Head of Democratic Services**

PURPOSE OF REPORT

To consider making one appointment to the Lancashire Health and Adult Services Scrutiny Committee and one appointment the LGA Coastal Issues Special Interest Group.

This report is public

RECOMMENDATIONS

- (1) **That Council determines the basis of appointment for each outside body (see paragraphs (2) and (3) in the report.**
- (2) **That, should Council determine that the basis of appointment to either or both roles be by nomination and voting at Council, that nomination(s) be taken and appointment(s) made at this meeting.**

1.0 Introduction

- 1.1 Two vacancies on outside bodies have occurred.

2.0 Lancashire Health and Adult Services Scrutiny Committee

- 2.1 Lancaster City Council has one seat on the Lancashire Health and Adult Services Scrutiny Committee. Council previously determined that the basis of appointment should be by nomination and voting at full Council.
- 2.2 On 18 May 2020, Councillor Dowding was appointed to the Committee by Council. Councillor Dowding has now resigned from that role and a vacancy has occurred. This report has been brought before Members to consider appointing to that vacancy by
 - (a) reconfirming that appointment should be on the basis of nomination and voting at full Council, or determining that it should be by virtue of position, such as Chair of Overview and Scrutiny, relevant Cabinet Member or some other position; and
 - (b) If it is reconfirmed that an appointment should be made by full Council, that nominations be put forward and an appointment made at this meeting.
- 2.3 Information about the Committee including the schedule of meetings, which are held at County Hall, Preston, can be viewed on the County Council's website [HERE](#).
- 2.4 Please note that membership of this scrutiny body is not restricted to non-Cabinet members only; Cabinet Members can be appointed.

3.0 LGA Coastal Issues Special Interest Group

3.1 This is a group of 57 coastal local authorities, covering 60% of England’s coastline, which the Council had a place on for some years. However some time in 2020/21, Democratic Services were told that the group was being re-organised, so no appointment was made. When compiling the list of outside bodies for 2022, Democratic Services was erroneously informed that Lancaster City Council no longer had a place on the LGA Coastal Issues SIG and it was removed from the list of outside bodies. Previously Council had determined that the basis of appointment should be the relevant Cabinet Member and Councillor Frea was the last Councillor to be appointed by Cabinet in August 2019.

3.2 Information about the group can be found here www.lgacoastalsig.com.

3.3 For this vacancy, Members are asked to consider appointment by

- (a) reconfirming that appointment should be on the basis of position, being relevant Cabinet Member, or determining that it should be by nomination and voting at full Council; and
- (b) If it is determined that an appointment should be made by full Council, that nominations be put forward and an appointment made at this meeting.

4.0 Conclusion

4.1 Council is asked to consider appointing to places on two outside bodies as explained in this report.

<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None directly arising from this report.</p>	
<p>LEGAL IMPLICATIONS None directly arising from this report.</p>	
<p>FINANCIAL IMPLICATIONS Members of outside bodies are entitled to travel expenses. Costs resulting from this appointment should be minimal and would be met from existing democratic representation budgets.</p>	
<p>OTHER RESOURCE IMPLICATIONS Human Resources: None Information Services: None Property: None Open Spaces: None</p>	
<p>SECTION 151 OFFICER’S COMMENTS The s151 Officer has been consulted and has no further comments.</p>	
<p>MONITORING OFFICER’S COMMENTS The Monitoring Officer has been consulted and has no further comments.</p>	
<p>BACKGROUND PAPERS None</p>	<p>Contact Officer: Debbie Chambers Telephone: 01524 582057 E-mail: dchambers@lancaster.gov.uk Ref:</p>