LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Committee: **CABINET**

Date: **TUESDAY, 20 FEBRUARY 2024**

Venue: **LANCASTER TOWN HALL**

Time: **6.00 P.M.**

A G E N D A

1. **Apologies**

2. **Minutes**

   To receive as a correct record the minutes of Cabinet held on Tuesday, 6 February 2023 (previously circulated).

3. **Items of Urgent Business Authorised by the Leader**

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

4. **Declarations of Interest**

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

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

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

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

5. **Public Speaking**

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

6. **Reports from Overview and Scrutiny**

   None.

   Reports

7. **Hackney Carriage Fare Review 2024** (Pages 4 - 10)

(Cabinet Member with Special Responsibility Councillor Wood)

Report of the Licensing Manager

8. **Licensing Act 2003 - Revised Statement of Licensing Policy (2023-2028)** (Pages 11 - 56)

(Cabinet Member with Special Responsibility Councillor Wood)

Report of the Licensing Manager

9. **General Fund Budget & Policy Framework 2024/25** (Pages 57 - 133)

Whilst this report is public, Appendices B1 & B2 are exempt, and notice is hereby given that the meeting is likely to move into private session if it is necessary to refer to the exempt appendix.

(**Cabinet Member with Special Responsibility Councillor Hamilton-Cox)**

Report of Chief Officer Resources (report published on 16.2.24)

10. **General Fund Capital Programme 2023/24 - 2032/33 & Capital Strategy (Investing in the Future)** (Pages 134 - 162)

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Report of Chief Officer Resources (report published on 16.2.24)

11. **Treasury Management Strategy 2024/24** (Pages 163 - 194)

(**Cabinet Member with Special Responsibility Councillor Hamilton-Cox)**

Report of Chief Officer Resources (report published on 16.2.24)

12. **Medium Term Financial Strategy Update** (Pages 195 - 213)

(**Cabinet Member with Special Responsibility Councillor Hamilton-Cox)**

Report of Chief Officer Resources (report published on 16.2.24)

13. **Housing Revenue Account and Capital Programme** (Pages 214 - 247)

(**Cabinet Member with Special Responsibility Councillor Hamilton-Cox)**

Report of Chief Officer for Housing & Property and the Chief Officer Resources (report published on 16.2.24)

14. **Exclusion of the Press and Public**

This is to give further notice in accordance with Part 2, paragraph 5 (4) and 5 (5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 of the intention to take the following item in private.

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

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

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

15. **Commercial Property Sale, Lancaster** (Pages 248 - 253)

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Report of Chief Officer Housing & Property (report published on 14.2.24)

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Phillip Black (Chair), Caroline Jackson, Joanne Ainscough, Gina Dowding, Tim Hamilton-Cox, Peter Jackson, Jean Parr, Catherine Potter, Nick Wilkinson and Jason Wood

(ii) Queries regarding this Agenda

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

(iii) Changes to Membership, substitutions or apologies

Please contact Democratic Support, telephone 582000, or alternatively email democracy@lancaster.gov.uk.

MARK DAVIES,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER, LA1 1PJ

Published on 12 FEBRUARY 2024.

CABINET

Hackney Carriage Fare Review 2024
20 February 2024

Report of Licensing Manager

PURPOSE OF REPORT					
Cabinet members are asked to approve the recommendation from Licensing Committee to maintain the current table of fares for Hackney Carriages operating in the District for the coming year.					
Key Decision		**Non-Key Decision**	X	**Referral from Cabinet Member**	
Date of notice of forthcoming key decision	Not applicable				
This report is public					

RECOMMENDATIONS OF COUNCILLOR WOOD

(1) That Cabinet members accept the recommendations of the Councils Licensing Committee and approve that the table of fares will be maintained for 2024/25 and,

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

1.0 Introduction

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

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

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

1.4 The current hackney carriage table of fares, the frequency of tariff reviews and method for fare setting in future years was approved by the Councils

Cabinet on 12th April 2022. This was following a period of engagement and consultation with the licensed trade.

1.5 It was approved that, retail price index (RPI) would be applied annually across the tariff, including flag fall and rolling rate, rounding down to the nearest 5p.

The statutory requirement for advertisement and consultation would then follow before an updated table of fares would be published, with an updated table of fares coming into effect on a specified date.

2.0 Proposal Details

2.1 The Licensing Manager applied the approved methodology to the current table of fares and presented options to members at a meeting of the Licensing Committee in January (2024), options included maintaining the current table of fares, deregulation of fare setting and setting additional charges. Additionally, a further option that amended yardage was carried forward to form part of consultation options.

2.2 At that meeting members resolved to consult directly with the licensed trade regarding all options, additionally to seek feedback on proposals to introduce extra charges post 21.00 and provide insight into the potential impact on local trade.

2.3 Members of Licensing Committee were keen to ensure the views of the licensed trade were considered prior to making recommendations to Cabinet and before the wider public consultation.

3.0 Details of Consultation

3.1 An email detailing the options was sent to over 400 members of the local licensed trade, this included drivers, vehicle proprietors and private hire operators.

3.2 It detailed the options for consideration, along with a brief description on how that translates to the current table of fares. Along with a preferred option, opinions were sought on the proposal to introduce an additional charge for journeys taken after a certain time. This was in response to the perceived lack of drivers operating in the evening and early hours.

3.3 A total of 28 responses were received as part of the trade consultation. Not all 28 responses included a definitive answer to a preferred option, instead preferring to provide insight into hackney carriage fares and other matters affecting the local licensed trade.

3.4 A total of 15 responses provided a definitive answer that fares should be maintained for a further 12 months, 7 responses were received supporting the option to apply retail price index (RPI) (6.1%). None felt that deregulation was a viable option and 2 supported the additional option to amend yardage and apply RPI.

9 responses were against introducing a separate charge for journeys made after a specific time and 5 supported the proposal.

4.0 Options and Options Analysis (including risk assessment)

	Option 1: Maintain current table of fares implemented in April 2023.	**Option 2:** Apply retail price index (RPI) across the tariff. (6.1%)	**Option 3:** Deregulate fare setting	**Option 4:** In addition to option 1 or 2, apply an additional charge for fares taken after a set time. Eg 20.00, 21.00 or 22.00.	**Option 5:** Maintain flagfall, amend rolling rate to 25p per 176 yards (1/10th mile).
Advantages	Public are aware of expected fares when hiring a hackney carriage.	Drivers income is increased in line with rising cost of living The licensed profession may be perceived as a career option for local people.	Allows licensed trade to calculate their own fares, they may be best placed to calculate costs.	It would encourage more drivers to work in the evening when there are limited vehicles available. Regular daytime users of licensed vehicles will not be affected by the introduction of the charge. The council is responding to local pubwatch and business improvement district requests for assistance with the recruitment and availability of licensed vehicles in the nighttime economy.	This would work out as a 5.3% increase for a 2-mile journey. Allows for an increase representative of the approved methodology.
Disadvantages	The current table of fares may not represent current cost of living.	A further increase in quick succession is laborious procedurally and in terms of administration, as one update	Licensing Authority has no control on charges passed to the public. May create	It may have a negative reaction, resulting in the public using licensed vehicles less.	Results in fares amounting to 5p. (always been in multiples of 10p)

		takes effect, it is time to calculate further change. Annual cost of calibration to drivers.	confusion as fares could vary across the trade.		
Risks	Not consistently applying the methodology approved by Cabinet. Drivers may decide to leave the trade, fares do not meet the demands of the rising costs of living.	Increase too much for service users. Drivers may see reduced income due to lack of public use.	Lack of public confidence in use of Hackney Carriages due to unknown charges. Varying charges between proprietors creating confusion	The public do not utilise the services of hackney carriages in the nighttime economy and take risks to get home. Ie, walking.	Amending yardage will increase rolling rate in a shorter distance, it may cause confusion for regular service users.

5.0 Licensing Committee Preferred Option (and comments)

5.1 Members of Licensing Committee voted unanimously in maintaining the current table of fares for 2024/25 and have referred their recommendation to Cabinet for approval.

6.0 Conclusion

6.1 In 2022, following a period of consultation with the public and licensed trade, the Councils Cabinet, on recommendation of Licensing Committee agreed a methodology for fare reviews in relation to hackney carriages operating in the district.

6.2 Based on the approved methodology, the review has been undertaken, and options presented to Licensing Committee. Members were keen to hear the views of the local licensed trade on those options and have considered responses prior to making their recommendations to Cabinet.

6.3 Although few responses were received as part of the consultation, the majority were satisfied with the current table of fares and did not wish to see an increase in fares in the coming year. Members felt the lack of appetite for an increase was enough to make that recommendation to the Councils Cabinet for decision.

6.4 As this is an Executive decision the Licensing Committee is not the decision-making body so must refer this to Cabinet for their approval.

6.5 Cabinet is requested to approve the recommendation of Licensing Committee and approve the Licensing Manager to advertise the table of fares as required by Section 65 of the Local Government (Miscellaneous Provisions) Act 1976.

RELATIONSHIP TO POLICY FRAMEWORK

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

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

Lancaster City Council set the fares for Hackney Carriages operating in the district, in determining the charges for time/distance it must consider the impact on setting fares too low/too high on both the licensed trade and public who use Hackney Carriages, whilst balancing the rising cost of living and building a sustainable trade; one capable of earning a fair salary.

LEGAL IMPLICATIONS

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

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

FINANCIAL IMPLICATIONS

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

OTHER RESOURCE IMPLICATIONS

Human Resources:

Not applicable

Information Services:

Not applicable

Property:

Not applicable

Open Spaces:

Not applicable	
SECTION 151 OFFICER'S COMMENTS The s151 Officer has been consulted and has no further comments.	
MONITORING OFFICER'S COMMENTS Should any objections be received then the matter will be bought back to Cabinet for a decision.	
BACKGROUND PAPERS	**Contact Officer:** Miss J Curtis **Telephone:** 01524 58273**2** **E-mail:** jcurtis@lancaster.gov.uk **Ref:** Fares 2024/25

LANCASTER CITY COUNCIL

Directorate for Communities and the Environment
Licensing Section
Morecambe Town Hall, Marine Road East
Morecambe LA4 5AF
Tel: 01524 – 582033 Email:licensing@lancaster.gov.uk

HACKNEY CARRIAGE TABLE OF FARES

Applicable from Midday, Wednesday 19th April 2023

Tariff 1

For hirings commenced between **07:01hrs and 23:59hrs**	
If the distance does not exceed 880 yards for the whole distance:	**£3.20**
For each of the subsequent 160 yards or uncompleted part thereof:	**20p**
Waiting Time: For each period of **40 seconds** or uncompleted part thereof	**20p**

Tariff 2

For hirings commenced between: **midnight and 07:00hrs** For hirings commenced between: **19:00hrs and midnight on the 24thDecember** For hirings commenced between: **19:00hrs and midnight on the 31sDecember** For hirings commencing on: **Any Bank Holiday or Public Holiday**	
If the distance does not exceed 880 yards for the whole distance:	**£4.80**
For each subsequent 160 yards or uncompleted part thereof:	**30p**
Waiting time: For each period of **40 seconds** or uncompleted part thereof	**30p**

Tariff 3

For hirings commenced between: **00:01hrs 25th December and 07:00 27th December** For hirings commenced between **00.01 1st January and 07.00 2nd January**	
If the distance does not exceed 880 yards for the whole distance:	**£6.40**
For each subsequent 160 yards or uncompleted part thereof:	**40p**
Waiting time: For each period of **40 seconds** or uncompleted part thereof	**40p**

Additional Charges

For each passenger in excess of one (for the purpose two children aged 11 or under to count as one passenger for the whole distance)	**20p**
For each perambulator or article of luggage carried outside the passenger compartment of the vehicle	**20p**
SOILING CHARGE: A charge may be requested if the passenger(s) soils the vehicle. **Maximum Charge:**	**£100.00**

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

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

(a) The Hackney carriage is booked in advance; and

(b) (i) The Customer shall be told the cost of the booking fee at the time that the booking is taken and the amount recorded in the booking log; and

(ii) The customer shall be told that the booking fee is in addition to the fare for the journey; and

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

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

CABINET

Licensing Act 2003
Revised Statement of Licensing Policy (2023-2028)
20 February 2024

Report of Licensing Manager

PURPOSE OF REPORT					
For Cabinet members to consider the revised Statement of Licensing Policy for 2023-2028 and refer to Full Council for adoption.					
Key Decision		**Non-Key Decision**	X	**Referral from Cabinet Member**	
Date of notice of forthcoming key decision					
This report is public					

RECOMMENDATIONS OF COUNCILLOR WOOD

(1) That Cabinet members consider the revised Statement of Licensing Policy. , and,

(2) Refer the policy, with or without amendments, to Full Council for adoption.

1.0 Introduction

1.1 The Licensing Authority is required, every 5 years, to review, consult and publish a Statement of Licensing Policy setting out its policy for the exercise of its functions under the Licensing Act 2003.

1.2 The Licensing Act 2003 came into effect on 24 November 2005. It covers the following licensable activities:

- Sale or supply of alcohol
- Provision of regulated entertainment
- Provision of late-night refreshment

1.3 The policy sets out a general approach to how licensing decisions are made; how representations are considered, and conditions imposed, while also acting as a guide for applicants. The licensing authority must carry out its functions with a view to promoting the licensing objectives and this policy is framed around those objectives.

Members will be aware the 4 licensing objectives are as follows:

- The prevention of crime and disorder
- Public safety
- The prevention of public nuisance
- The protection of children from harm

1.4 These four objectives will be the paramount considerations when determining a course of action in relation to the Licensing Authority's licensing functions. Each objective will be given equal importance.

2.0 Proposal Details

2.1 The revised Statement of Licensing Policy (2023-2028) is attached at **Appendix 1**.

2.2 The policy review has been carried out in line with the Home Office revised guidance issued under section 182 of the Licensing Act 2003 (August 2023), the Licensing Act 2003 and other relevant legislation.

2.3 The revised policy is specific to the Lancaster district, including local priorities and highlighting areas of concern, this places a requirement on applicants for licences and current licence-holders to consider how their business or premises will mitigate the impact of their operation on not only the licensing objectives, but specific local areas of concerns.

Additionally, the revised policy includes model licence conditions, this will assist applicants with the operating schedule of their application and Licensing Committee members when considering those application(s) or when reviewing premises licences.

3.0 Details of Consultation

3.1 The draft statement of licensing policy was published on the Council's website for consultation for a period of 6 weeks. (From Monday 18th September 2023 – Monday 30th October 2023)

3.2 In accordance with s5(3) of the Licensing Act, we consulted with:

- The Chief Officer of Police for Lancashire
- Lancashire Fire and Rescue Authority
- Director of Public Health for Lancashire
- Persons/bodies representative of local premises licence holders
- Persons/bodies representative of local club premises certificate holders
- Persons/bodies representative of local personal licence holders
- Persons/bodies representative of business and residents in the licensing authority area.

3.3 Additionally, the consultation was also publicised on the Council social media channels and the following individuals/groups with a particular interest in development of the policy were alerted to the consultation.

- Responsible Authorities as defined in the Licensing Act 2003
- Representatives of Licence Holders e.g. Licensing Solicitors
- Business Improvement Districts (Morecambe and Lancaster)
- Pubwatch Representatives (Morecambe and Lancaster)
- All Councillors of Lancaster City Councillor
- Students Union Chief Executive

3.4 Licensing Officers also attended local meetings, including Pubwatch to highlight the key changes the policy, explaining the reasoning for those changes and answering any questions or concerns licence-holders had.

3.5 Consultation responses have been considered by members of Licensing Committee, no amendments were noted by Licensing Committee.

4.0 Options

4.1 Options available to members are.

a) Recommend to Full Council the revised Statement of Licensing Policy as drafted, or

b) Make further changes to the revised Statement of Licensing Policy, before making recommendations to Full Council for adoption

5.0 Officers preferred option

5.1 The Officers preferred option would be for Cabinet members to recommend the revised Statement of Licensing Policy for 2023-2028 as drafted to Full Council for adoption.

6.0 Conclusion

6.1 Lancaster City Council must review, update and publish its Statement of Licensing Policy every 5 years. A thorough review has been undertaken and a draft subject to public consultation. The consultation period lasted 6-weeks, 2 responses were received and have been considered by the Councils Licensing Committee.

6.2 The policy sets out a general approach to how licensing decisions are made; how representations are considered, and conditions imposed, while also acting as a guide for applicants, elected members, responsible authorities and council officers.

6.3 The Councils Constitution sets out the decisions making process for policy matters, in the instance of the Statement of Licensing Policy (2023-2028). Licensing Committee make recommendations to Cabinet to consider before adoption of the policy by Full Council.

RELATIONSHIP TO POLICY FRAMEWORK

The Statement of Licensing Policy forms part of the Council's Policy Framework

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

Each application made under the terms of the revised policy will be determined on its own merits, with the 4 licensing objectives of paramount consideration.

LEGAL IMPLICATIONS

Section 5 of the Licensing Act 2003 requires that a Licensing Authority publish a Statement of Licensing Policy for a five-year period, although current policy expired in January 2021 it has been used as a basis for decision-making since that time.

The revised policy sets out the general approach of how the Licensing Authority will determine applications made under the Licensing Act 2003 for the next 5 years, the policy will be kept under review and changes made as required during that period.

FINANCIAL IMPLICATIONS

None Identified.

OTHER RESOURCE IMPLICATIONS

Human Resources:

None Identified

Information Services:

None Identified

Property:

None Identified

Open Spaces:

None Identified

SECTION 151 OFFICER'S COMMENTS

None.

MONITORING OFFICER'S COMMENTS

By law, the Council must have a Policy Framework. This is a list of plans and strategies which are relevant to the Council's functions and are required by law to be decided by the Full Council, usually on the recommendation of the Cabinet. The Statement of Licensing Policy forms part of the Council's Policy Framework. The Licensing Committee's terms of reference include the following:- "To develop Licensing and Gambling Policies for consideration by the

Cabinet and Full Council;”

BACKGROUND PAPERS	**Contact Officer:** Miss J Curtis **Telephone: 01524 582732** **E-mail:** jcurtis@lancaster.gov.uk **Ref:** SOLP202328

Lancaster City Council

Statement of Licensing Policy

2023-2028

Insert Pictures of City/Coast/Countryside etc

Author: XXX

Document Name: Statement of Licensing Policy 2023 - 2028

Approved by Full Council:

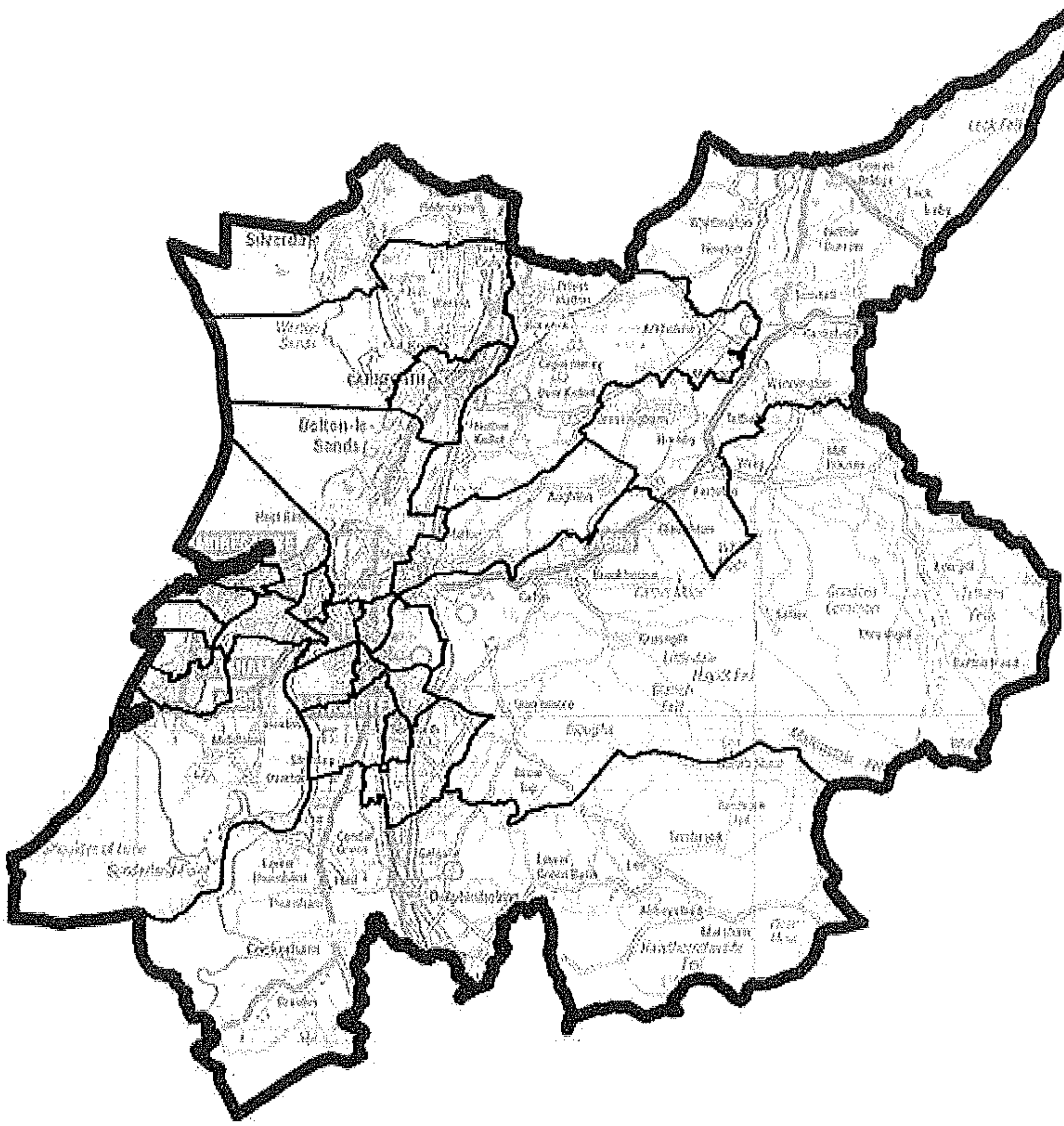
Effective Date:

Date due for review: January 2028

Responsible for review: Licensing Manager

Contents Page

District Map and Summary



The Lancaster district is one of 12 local authority areas in Lancashire and is the most northerly within the County. The district shares its borders with both Cumbria and Yorkshire. Lancaster City Council covers the historic University City of Lancaster, the coastal resort of Morecambe, the town of Carnforth as well as the surrounding rural areas.

The premises within the district that are required to be licensed are many and varied, catering for diverse tastes and consumer demands. Several open-air events and festivals take place annually in the district further enhancing the offer of cultural activities.

The Licensing Authority recognises that the entertainment, hospitality and leisure industry within its authority area is a major contributor to the local economy. It attracts tourists and visitors, makes for vibrant towns and communities, and is a major employer.

1.0 INTRODUCTION

1.1 BACKGROUND

1.1.1 Lancaster City Council (the Council) is the Licensing Authority under the Licensing Act 2003 (the 2003 Act). It is empowered to administer the following in respect of the sale and/or supply of alcohol and the provision of regulated entertainment and late-night refreshment within the district: -

- premises licences including provisional statements, full and minor variations, transfers, interim authorities, and reviews
- club premises certificates
- temporary event notices
- personal licences

1.1.2 The Licensing Act 2003 requires a Licensing Authority to prepare and publish a statement of its Licensing Policy before the Authority can carry out any licensing or regulatory functions under the terms of the Licensing Act 2003. This Policy must be kept under review and the Licensing Authority may make any revisions to it, as it considers appropriate. In any event the Licensing Authority is required to review their Statement of Licensing Policy every 5 years, the previous policy ran from 2016 – 2021.

1.1.3 This Licensing Policy sets out the issues that the Licensing Authority will consider when determining licences throughout the district and encompasses experience gained in the implementation and regulation of the Licensing Act 2003.

1.1.4 In determining this Policy the Licensing Authority has had regard to the Guidance issued under Section 182 of the Licensing Act 2003. In determining applications under the 2003 Act the Licensing Authority shall consider: -

- the promotion of the four licensing objectives
- representations and evidence presented by all parties, together with any relevant supporting documentation
- the latest guidance issued by the government
- the licensing authority's own Statement of Licensing Policy

1.2 AIM

1.2.1 The 2003 Act requires the Licensing Authority to carry out its various licensing functions to promote the four licensing objectives.

1.2.2 The aim of this Licensing Policy is to set out how the Licensing Authority seeks to promote the four licensing objectives, which are: -

- the prevention of crime and disorder
- public safety
- the prevention of public nuisance
- the protection of children from harm

1.2.3 These four objectives will be the paramount considerations when determining a course of action in relation to the Licensing Authority's licensing functions. Each objective will be given equal importance.

1.3 PURPOSE

1.3.1 The main purpose of this Policy is to provide clarity to applicants, other persons and Responsible Authorities on how the Licensing Authority will determine applications to supply alcohol, provide regulated entertainment and operate late night refreshment. As the 'vicinity' test has now been removed, the Licensing Authority will consider all representations from any person however, the Licensing Authority shall apportion the weight of the representation between those persons immediately affected by the premises and its operation and those persons who may have a lack of knowledge of the area or of personal experience.

1.3.2 Where revisions are made to the Guidance there may be a period when this Policy is inconsistent with the Guidance. In these circumstances the Licensing Authority shall have regard, and give appropriate weight, to the revised Guidance in conjunction with this Licensing Policy.

1.4 CONSULTATION

1.4.1 Before determining its policy for any five-year period, the Licensing Authority will consult the following: -

- the Chief Officer of Police
- the Fire and Rescue Authority
- the Director of Public Health
- persons/bodies representative of local holders of premises licences
- persons/bodies representative of local holders of club premises certificates
- persons/bodies representative of local holders of personal licences
- persons/bodies representative of businesses and residents in the district

The Licensing Authority may consult beyond the statutory requirements, and seek comments from additional bodies, groups or individuals as appropriate.

1.5 FUNDAMENTAL PRINCIPLES

1.5.1 This Policy sets out the Licensing Authority's general approach to the making of licensing decisions and is consistent with the provisions of the 2003 Act. Nothing in the Policy will undermine the right of any individual to apply for authorisations and to have any such application considered on its individual merits. Similarly, nothing in the Policy will override the right of any person to make representations on an application or to seek a review of a Licence or Certificate in accordance with the provisions of the 2003 Act.

1.5.2 This Policy recognises that the Equality Act 2010 places a legal obligation on public authorities to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; to advance equality of opportunity; and to foster good relations, between persons with different protected characteristics. The applicant must give due consideration to disabled persons under this Act for access and egress so that they are not at a substantial disadvantage.

1.5.3 The introduction of the Policing & Crime Act 2009 extends Police closure powers. The Licensing Authority further acknowledges and supports that this legislation has been introduced against the background of increasing alcohol-related anti- social behaviour and subsequent hospital admissions that has led to criticism due to the increased cost to local residents. This Act signifies a shift back from deregulation towards offering greater support for communities being adversely affected.

1.5.4 The Licensing Authority may recommend actions over and above the requirements of a licence/certificate and applicants are asked to give these recommendations serious consideration, as adoption of best practice may be considered in the investigation of complaints if they arise in connection with the premises in the future.

1.5.5 The Licensing Authority may only impose conditions on a premises licence if they are consistent with the operating schedule or after receiving relevant representations and only if a Licensing Committee or Licensing Sub-Committee determines the matter. Any conditions attached to the licence must relate to the promotion of the Licensing Objectives.

1.5.6 The Licensing Authority acknowledges that the Government believes that in some circumstances flexible hours for the sale of alcohol can help to ensure that the concentrations of customers leaving premises simultaneously are avoided.

1.5.7 Where licensed premises are surrounded by housing, unrestricted extensions of hours could extend the time of disturbance to later in the night; therefore, the Licensing Authority acknowledges that tighter control may be justified in residential areas always however having regard to the individual merits of any application.

1.5.8 In general terms the Licensing Authority will closely scrutinise applications for premises licences showing a late terminal hour so as to be satisfied that they will have no adverse impact on the Licensing Objectives.

1.5.9 Once people are beyond the control of the individual, club or business holding the relevant authorisation, licensing law is not the primary mechanism for the general control of nuisance and anti-social behaviour. Licensing law will always be part of a holistic approach to the management of the evening and night-time economy in the district.

1.5.10 The Licensing Authority expects every licence holder or event organiser to minimise the impact of their activities on the surrounding area and any anti-social behaviour created by their customers in and within the vicinity of their premises by taking appropriate measures and actions consistent with that responsibility. Whether or not incidents can be regarded as being in the vicinity of the licensed premises is recognised as a question of fact and will depend on the specific circumstances in each case. In cases of dispute, the question will ultimately be decided by the courts, where an appeal is heard by them. In addressing this matter, the Licensing Authority will primarily focus on the direct impact of the activities taking place at the licensed premises on members of the public living, working or engaged in normal activity in the area concerned.

1.5.11 The type of entertainment offered on licensed premises and the closing hour of premises permitted to provide alcohol to the public often have a direct link to crime and disorder, public nuisance and public safety issues. For example, there is generally more likelihood of crime and disorder and public safety problems occurring in a music and dance venue permitted to sell alcohol and open until 3am than there is in a well-managed public house located in a quiet back street that provides limited regulated entertainment and closes at 11pm.

2.0 GENERAL PRINCIPLES

2.1 LEGISLATION

2.1.1 In undertaking its licensing function under the Act, the Licensing Authority is also bound by other legislation, including: -

- Section 17 of the Crime and Disorder Act 1988;
- Human Rights Act 1998, with regard being given to Article 6, Article 8 and Article 1 of the first Protocol
- Equalities Act 2010
- Policing & Crime Act 2009
- Business and Planning Act 2020

2.1.2 In all applications relating to premises, applicants should specify methods by which they will promote the four Licensing Objectives in their operating schedules.

2.2 REVISIONS TO POLICY

2.2.1 The Policy shall be subject to periodic reviews and further consultation as and when required. The Licensing Authority may revise this Policy following changes to, for example: -

- Local circumstances;
- The Licensing Act, associated regulations or statutory guidance;
- Other national legislation; or
- The policies and practices of a Responsible Authority

2.3 AREAS OF CONCERN

2.3.1 Specific areas of concern include: -

- Sales of alcohol to under 18s, directly and by-proxy
- Noise nuisance caused by regulated entertainment
- Nuisance caused by hot-food take-aways, particularly parking of delivery vehicles
- Dispersal of patrons from licensed premises
- Drink and needle spiking
- Sexual harassment and violence towards women and girls
- Detailed door security operating procedures and risk assessments

2.3.2 Applicants for a premises licence are advised to include in their Operating Schedule, (where applicable) specifically how they will approach the areas of concern highlighted. Including how they will prevent the sale of alcohol to minors, what measures are implemented by the premises to minimise any reports of noise nuisance caused by regulated entertainment, to manage the threat of spiking in their premises, policies on how reports of violence or sexual harassment of women will be handled by the premises, How the premises will disperse customers, minimising the impact on local residents and parking provision for delivery-drivers operating for late night refreshment venues.

2.3.3 Experience indicates that a last time of entry condition assists in the promotion of the licensing objectives. It is therefore expected that applicants for late licensed premises will detail in their operating schedules that there will be no new entry or re-entry to the premises after 1am.

2.4 CHILDREN

2.4.1 The 2003 Act requires applicants for premises licences and club premises certificates to copy details of their applications to a body which: -

> a) represents those who, in relation to any such area, are responsible for, or interested in, matters relating to the protection of children from harm, and
>
> b) is recognised by the Licensing Authority for that area for the purposes of this section as being competent to advise it on such matters.

2.4.2 The Licensing Authority's policy is that the Responsible Authority in relation to the protection of children from harm is Lancashire County Council, Children's Safeguarding team.

2.4.3 The Licensing Authority will expect licensees of premises giving film exhibitions to include, in their operating schedules, arrangements for restricting children from viewing age restricted films. Such premises will be subject to a mandatory condition requiring that access will be restricted to only those who meet the required age limit in accordance with any certificate granted by the British Board of Film Classification (BBFC), or in specific cases where such certificates have not been granted, the Licensing Authority.

2.4.4 The Licensing Authority does not intend to adopt its own system of film classification but reserves the right to impose different age restrictions on admittance to film exhibitions from those imposed by BBFC classifications.

2.4.5 If the Licensing Authority attaches an age-restriction to any film that differs from the BBFC classification or attaches one to an unclassified film, the information about the Licensing Authority's classification will be published at the venue.

2.4.6 The Licensing Authority shall not seek to limit the access of children to any licensed premises unless it is necessary for the prevention of physical, moral or psychological harm. In all other cases it will be left to the discretion of the Licensee but the Licensing Authority shall expect that the licensee shall give full consideration of access by children at all times and ensure that there is a policy in place to promote this licensing objective.

2.4.7 However, the following are examples of issues that are likely to raise concern: -

- Where entertainment or services of an adult or sexual nature are common thereby likely to undermine the licensing objectives;
- Where relevant premises are known to allow unaccompanied children;
- Where the applicant has described in the Operating Schedule that 'no adult or similar entertainment shall take place on the premises' but intends to hold an event liable to compromise the protection of children from harm licensing objective;
- Where there has been early indication and subsequent evidence of poor management of the premises leading to undermining of the licensing objectives;
- Where the premises have a known association with drug taking or dealing;
- Where the current staff have received convictions or cautions for serving alcohol to minors or where the premises has a reputation for underage drinking or failures in test purchasing;
- Where there is a strong element of gambling on the premises;
- Where there is likely to be underage events with the intention of selling or exposing alcohol for sale or where the intention is to permit adults to this event;

- Where the supply of alcohol for consumption on the premises is the exclusive or primary purpose of the services provided at the premises.

2.4.8 Examples of entertainment likely to cause concern are entertainment or services of an adult or sexual nature including topless bar staff, striptease, lap, table or pole dancing, performances involving feigned violence or entertainment involving strong or offensive language.

2.4.9 This Licensing Authority strongly advises that where music and alcohol sales are the main reasons for the event taking place, that persons under 18 years are not admitted unless the organisers have extremely robust procedures for ensuring those under 18 years do not have access to any alcohol – this includes sales, proxy sales, and bringing it onto the event.

2.4.10 Where there are events solely provided for young people, for example an Under 18's disco in a nightclub or similar relevant premises, the Licensing Authority strongly advises that adequate and sufficient measures are put in place so that young people cannot gain access to alcohol or energy drinks and further that no alcohol is served to any supervising adults at such events. The management of the premises should also ensure that measures are taken to prevent alcohol being brought onto those premises.

2.4.11 In particular, the Licensing Authority will consider what conditions are offered in the Operating Schedule. The applicant in completing the Operating Schedule is required to describe the steps they intend to take to promote this Licensing Objective and highlight any adult entertainment or services, etc. that may give rise to concern in respect of children. However, where the applicant does not state the steps they intend to take to promote this Objective but does state that 'no adult or similar entertainment shall take place on the premise', the Licensing Authority shall consider this restriction to be a condition on the Licence/certificate from the publication of this Policy.

2.5 LICENSING HOURS

2.4.1 With regard to licensing hours the Licensing Authority will consider each application on its individual merits.

2.5.2 Applications for premises licences with a terminal hour later than 12 midnight where the sale or supply of alcohol for consumption on the premises is the main activity or where the sale or supply of alcohol is accompanied by musical entertainment, will be subject to close scrutiny by the Responsible Authorities to ensure that there will be no adverse impact on the Licensing Objectives. Specifically, the applicant should ensure that the operating schedule for such premises demonstrates how the Licensing Objectives will be met. This is a general policy and does not automatically mean that all applications will result in licences being granted until midnight or that no applications will be granted with a closing hour after midnight.

2.5.3 In considering these issues the Licensing Authority will give careful consideration to the nature of the venue proposed. For example, the Council is keen to promote establishments at which the service and consumption of alcohol is not the primary activity. These may include restaurants, theatres, cinemas, comedy clubs, galleries, museums, and similar venues. The Licensing Authority's experience is that such venues are liable to give rise to fewer public concerns in relation to later closing hours.

2.5.4 The Licensing Authority will pay special regard to the proximity of residential properties to the proposed premises. Consideration will be given to the imposition of stricter noise control conditions, if representations are received in areas with a concentration of residential properties.

2.5.5 The Licensing Authority will expect premises to be cleared of patrons within a reasonable time of the terminal hour set for licensable activities.

2.5.6 Shops, stores and supermarkets will generally be free to provide sales of alcohol for consumption off the premises at any times when the retail outlet is open for shopping, unless there are good reasons for restricting those hours. An example would be where the Police make representations that the premises are a focus of disorder and disturbance.

2.6 LATE NIGHT LEVIES (LNL) AND EARLY MORNING RESTRICTION ORDERS (EMRO'S) LATE NIGHT LEVIES

2.6.1 The Police Reform and Social Responsibility Act 2011 (the PRSRA) has introduced the power for the Licensing Authority to charge a late-night levy to all premises within the Lancaster City Council District. The late night levy is a discretionary power allowing Councils to collect an annual fee from all licensed premises in the district that are authorised to sell alcohol between the hours of midnight and 6am as a means of raising a contribution towards the costs of policing the night time economy. The decision to introduce, vary or cease the levy will be made by Full Council in conjunction with the Police and Crime Commissioner and Lancashire Constabulary. However, any decision in relation to the administration and design of the levy will be delegated to the Licensing Committee.

2.6.2 The Licensing Authority recognises that this levy would cover the whole of the district and not just those premises that are causing problems or those premises within any cumulative impact area. Therefore, serious consideration would be given to the introduction of the levy in light of this. Furthermore, the Licensing Authority would give serious consideration as to whether or not the levy is a viable proposal.

EARLY MORNING RESTRICTION ORDERS (EMRO)

2.6.3 An EMRO enables a licensing authority to prohibit the sale of alcohol for a specified time period between the hours of 12am and 6am in the whole or part of its area, if it is satisfied that this would be appropriate for the promotion of the licensing objectives.

2.6.4 EMROs are designed to address recurring problems such as high levels of alcohol related crime and disorder in specific areas at specific times; serious public nuisance; and other instances of alcohol-related anti-social behaviour which is not directly attributable to specific premises.

2.6.5 The licensing authority will review the need for an EMRO at least every five years in line with the review of this policy to see if circumstances have changed and any are needed. In addition to the review each five years the licensing authority may consider an EMRO at any time if circumstances changed and evidence supported this course of action. No area of the District is covered by an EMRO at present.

2.6.6 As an EMRO is a powerful tool and a very stringent approach in tackling issues, the Licensing Authority will first consider whether other measures may address the problems and achieve the same goal. These could include: -

- Taking a robust multi-agency agency approach to tackling problem premises;
- Prior to reviewing a licence/certificate, meeting with the DPS and licence/certificate holder to ensure a Premises Improvement Plan.
- Using other mechanisms to control the cumulative impact, e.g. planning controls;
- Using other mechanisms to control noise and anti-social behaviour;
- Police powers to closure premises;

- Providing powers to designate parts of the local authority area as places where alcohol may not be consumed publicly;
- Police enforcement of the general law concerning disorder and anti-social behaviour, including the issuing of fixed penalty notices;
- Provision of CCTV;
- Provision of night marshals and street pastors;
- Introduction of a late-night levy.

The above is not an exhaustive list of possible measures.

2.7 LATE NIGHT REFRESHMENT

2.7.1 The Licensing Authority will expect applicants for licences in respect of late-night refreshment premises to detail in their operating schedules how they intend to promote the licensing objectives and in particular how they intend to address queue management, litter, noise and delivery vehicle disturbance.

2.7.2 Where appropriate, and, in line with the Public Nuisance and Public Safety Licensing Objectives, the Licensing Authority may recommend that applicants display their company name on containers and packaging; this will enable the Licensing Authority to identify any premises causing concern.

2.7.3 The Licensing Authority expects that any premises providing late night refreshment will have a responsible policy for regularly clearing litter from outside their premises and for 25 metres along the pavement in either direction as necessary, whilst the premises are open and at the end of the working day. Such Policy could also include the display of notices advising customers to use the bins provided. In addition, where there is evidence that grease and food, etc. has emanated from the premises, the Licensing Authority recommends that the highway in the vicinity of the premises is swilled or scrubbed so as not to attract seagulls, pigeons and vermin. The Licensing Authority recommends that all such inspections and action taken be recorded in the Premises Log Book.

2.7.4 Where an applicant wishes to sell alcohol either on or off the premises in such an establishment or provide an alcohol delivery service, the Licensing Authority recommends that the Operating Schedule sets out specific measures to ensure the prevention of Crime and Disorder and Public Nuisance in the vicinity of the premises. Existing premises that seek to provide an alcohol delivery service are expected to notify the Licensing Authority that they are operating such a service setting out specific measures they intend to take to promote the licensing objectives.

2.7.5 The Authority has considered the relaxation of controls suggested through the Deregulation Act 2015 and has decided that it would not be appropriate to do so. There is no evidence base to suggest that such action would be beneficial to local residents.

3.0 LICENSING APPROACH

3.1 PARTNERSHIP WORKING

3.1.1 The Council recognises that Licensing functions under the 2003 Act are not the only means of promoting the principles behind the Licensing Objectives. Delivery includes working with Planning, Environmental Health, the Police, the Fire Authority, the Crime Reduction Partnerships, Town Councils, Pubwatch, local businesses and residents, Lancashire County Council, transport operators and those involved with child protection.

3.1.2 The Council recognises that co-operation across services within the Council and with our external partners remains the best means of promoting the Licensing Objectives.

3.1.3 The Licensing Authority seeks to encourage and support the night-time economy by providing a vibrant and safe town centre experience. It shall work closely with the Responsible Authorities to promote the Licensing Objectives, including the licensed trade, local people and businesses. The Licensing Authority will continue to work closely as part of these groups to promote the common objectives and shall recognise its duty under Section 17 of The Crime and Disorder Act 1998 when carrying out its functions under the 2003 Act. In addition, the Licensing Authority will seek to support strategies where they are allied to the Licensing Objectives such as the National Alcohol Harm Reduction Strategy and any other relevant strategies and policies.

3.1.4 The Licensing Authority recognises that the private sector, local residents and community groups in particular have a vital role to play in promoting the licensing objectives. The Licensing Authority shall work closely with other enforcement agencies in the management of the nighttime economy, particularly relating to the tackling of underage sales and proxy sales of alcohol and drunkenness or disorder on or in the immediate vicinity of the licensed premises.

3.2 CUMULATIVE IMPACT POLICY

3.2.1 A cumulative impact policy creates a rebuttable presumption that applications within a particular area of the District for new premises licences or club premises certificates or material variations thereto will normally be refused if relevant representations are received about the cumulative impact on the four licensing objectives.

3.2.2 The Licensing Authority will review the need for a special policy on cumulative impact at least every five years in line with the review of this policy to see if circumstances have changed and one is needed.

3.2.3 In addition to the review each five years the Licensing Authority may consider a special policy on cumulative impact at any time if circumstances changed and evidence supported this course of action.

3.2.4 No area of the District is currently covered by a special policy on cumulative impact.

3.3. LOCAL STRATEGIES AND POLICIES

3.3.1 Where appropriate, the Committee will take into account local strategies and policies. These will include: -

- Community Alcohol Partnership (CAP)
- Community Safety Partnership (CSP)
- XXX
- XXX

3.4 INTEGRATING STRATEGIES

3.4.1 There are many stakeholders involved in the leisure industry and many are involved in the promotion of the licensing objectives. A number of stakeholders' plans and strategies deal with matters related to the licensing function. Where this is the case the Council will aim, as far as possible, to coordinate them.

3.4.2 Where appropriate, the Licensing Authority will also have regard to:

- local crime prevention strategies;
- needs of the local tourist economy;
- employment situation in the area and the need for new investment and employment where appropriate;
- needs of the local community
- the duty on Public Authorities to eliminate unlawful discrimination;
- the policy on cumulative impact.

3.5 AVOIDING DUPLICATION

3.5.1 The Licensing Authority recognises the need to avoid, so far as possible, duplication with other regulatory regimes such as health and safety at work, fire safety, building control and planning. Conditions will not be imposed if the matters concerned are already provided for sufficiently in other legislation. However, other legislation may not always cover the unique circumstances that arise in connection with licensable activities and in such cases tailored conditions may be necessary but only if relevant representations are received.

3.5.2 The Licensing Authority recognises that in accordance with Section 43 of the Regulatory Reform (Fire Safety) Order 2005, any conditions imposed by the Licensing Authority that relate to any requirements on prohibitions that are or could be imposed by that Order, shall have no effect. The Licensing Authority shall therefore not seek to impose fire safety conditions where the Order applies.

3.5.3 In much the same way, the Indecent Displays Act 1981 prohibits the public display of indecent matter and the Licensing Authority shall therefore not seek to impose conditions concerning such displays inside or outside the premises. The existing laws governing indecency and obscenity are adequate to control adult entertainment of this nature. However, the Licensing Authority shall, if it considers necessary in certain premises, consider attaching conditions following a hearing addressing the exclusion of minors.

3.5.4 Non-compliance with other statutory requirements may be considered in reaching a decision about whether or not to grant or vary a licence but only if relevant representations are received.

3.5.5 The Licensing Authority recognises that the existence of planning permission, building regulation approval or pavement licences must be properly separated from licensing applications to avoid duplication and inefficiency. Similarly, the existence of a Premises Licence shall not prejudice the consideration of any planning, building regulation approval or pavement licence applications. However, the Licensing Authority shall expect applicants to have obtained the appropriate consents or licences prior to operation.

3.5.6 Where premises have not obtained such consents or licences, they will be liable to enforcement action under the appropriate legislation. There may be circumstances when as a condition of planning permission a terminal hour is set for the use of commercial premises. Where these hours are different to the licensing hours, the applicant must observe the earlier closing time to ensure that they are not in breach. Premises operating in breach of their Planning Permission or their premises licence/certificate may be liable to enforcement action by the Planning Authority or the Licensing Authority as appropriate.

3.6 REPRESENTATIONS

3.6.1 Under the 2003 Act both Responsible Authorities and 'other persons' may make representations on licence/certificate applications and review existing premises licences/certificates.

3.6.2 Other persons are defined as any individual, body or business that may be affected by the operation of a licensed premise regardless of their geographical location. Although the other person may be in any geographical location, any representation they make must be relevant to one or more of the licensing objectives. In addition, the other person is encouraged to provide evidence supporting their representation or review. This may be for example by way of recording dates where noise nuisance or anti-social behaviour occurs. Any representation however must be specific to the premises in question and not to the area in general. The representation should also detail how the granting of the application is likely to affect the person making it.

3.6.3 The Licensing Authority will however consider the geographical location of the other person who has made the representation in their consideration of their evidence.

3.6.4 In addition all representations must be relevant relating to the likely effect of the grant of the licence/certificate on the promotion of at least one of the licensing objectives. The Licensing Authority will determine whether a representation from an individual, body or business is relevant, frivolous, repetitive or vexatious. If appropriate, the benefit of the doubt will be given to the person or body making that representation.

3.7 CONDITIONS

3.7.1 Where conditions are imposed at a licensing hearing, they shall be appropriate and proportionate and shall be tailored to the size, style, characteristics and activities that take place at the premises concerned. However, the Licensing Authority accepts that Responsible Authorities may suggest conditions following negotiation with the applicant when completing their Operating Schedules.

3.7.2 In addition conditions imposed by a Licensing Authority shall be precise and enforceable, clear in what they intend to achieve, should not duplicate other statutory requirements or other duties or responsibilities placed on the employer by other legislation, shall not replicate offences set out in the 2003 Act or other legislation, shall be justifiable and capable of being met and shall not seek to manage the behaviour of customers once they are beyond the direct management of the licence/certificate holder and their staff.

3.7.3 The Licensing Authority recommends that conditions volunteered in the Operating Schedule should be: -

- Targeted on the deterrence and prevention of crime and disorder
- Appropriate for the promotion of the licensing objectives;
- Proportionate and enforceable;
- Consistent and not conflicting;
- Relevant, clear and concise;
- Not duplicating other legislation; and
- Expressed in plain language capable of being understood by those expected to comply with them.

3.7.4 The Licensing Authority when preparing the licences/certificates will replicate the wording from an applicant's Operating Schedule, it is therefore recommended that applicants seek suggested condition wording from this policy by way of model conditions (amended as appropriate) or from the relevant responsible authorities.

3.8 ENFORCEMENT

3.8.1 The Licensing Authority has adopted a Licensing Enforcement Policy, available on the Council's web site.

3.8.2 Enforcement action will be: -

- Targeted toward those premises presenting the highest risk;
- Proportional to the nature and seriousness of the risk those premises present;
- Consistent, so that the Licensing Authority takes similar approaches in similar situations;
- Transparent, so those who are subject to enforcement action know what to expect; and
- Accountable, so that the Licensing Authority and its officers take responsibility for their actions.

3.8.3 The Council intends to use appropriate enforcement to promote the licensing objectives. Once licensed, it is essential that premises are monitored to ensure that they are run in accordance with their operating schedules, in compliance with the specific requirements of the 2003 Act and any licence conditions. It will also monitor the District for unlicensed activities that may or may not require authorisation.

3.8.4 The Licensing Authority has established protocols with Lancashire Police Authority, Lancashire County Council Trading Standards and Lancashire Fire and Rescue Service on enforcement issues to ensure an efficient deployment of Police and Council Officers. Where official warnings are given prior to any decision to prosecute for an offence, the Licensing Authority shall ensure that these enforcement authorities are informed of these warnings and the result of any action taken.

3.8.5 In order to ensure compliance with the law and licensing conditions, the Licensing Authority will also carry out whenever possible unscheduled 'non routine' evening inspections with Lancashire Constabulary. After each visit, the Designated Premises Supervisor and Premises Licence Holder shall be notified of any concerns and be given an opportunity to rectify any issues.

3.8.6 The Licensing Authority recognises that most Licence Holders seek to comply with the law and any enforcement action will normally follow a graduated approach and in the first instance will include education and support. Where licence holders continue to flout the law or act irresponsibly action will be taken.

3.8.7 The Licensing Authority may seek to meet with the licence or certificate holder and/or DPS working closely with them and relevant Responsible Authorities in implementing a Premise Improvement Plan where appropriate.

3.8.8 Where the premise does not comply with an agreed Improvement Plan and continues to breach the licensing laws and/or licence conditions, the Responsible Authority or Licensing Authority can consider further sanctions, either by way of a review, formal caution or prosecution. In any event, the Licensing Authority will have regard to the Regulators' Compliance Code and the Council's Licensing Enforcement Policy.

3.8.9 Where one-off events are taking place, the Licensing Authority may also carry out inspections to ensure the Licensing Objectives are being promoted. Inspections shall be carried out in accordance with the principles of risk assessment and targeting problem premises.

3.8.10 In addition, the Licensing Authority will conduct checks to ensure that official notices for new applications, varied applications, reviews and minor variations are accurate and clearly displayed.

Notices for reviews shall be displayed at or near the site of the premises, and where there are concerns these shall be regularly checked and recorded.

3.8.11 Any decision to instigate legal proceedings will take account of principles set out in the Licensing Enforcement Policy.

3.9 COMPLAINTS AGAINST LICENSED PREMISES

3.9.1 Complainants are advised, whenever possible, in the first instance to raise their complaint directly with the licensee in order to resolve the matter. The Licensing Authority, however, recognises that it is not always possible or practical for complaints to be raised directly. In such circumstances, complaints in the first instance should be addressed to the most appropriate body. For example, crime and disorder related issues should be raised with the Police.

3.9.2 All noise-related complaints are investigated by the Council's Environmental Protection Service and complaints regarding unlicensed activities and operating outside the permitted hours are investigated by the Licensing Team. There will be collaboration between the two teams to assist in reaching effective and appropriate outcomes for noise related matters.

3.9.3 On receipt of a complaint, the Authority shall investigate the circumstances, discussing the complaint with the Designated Premises Supervisor of the licensed premises, the Premises Licence Holder, any Relevant Responsible Authority and the complainant. Where it is a valid complaint, the Licensing Authority shall endeavour to seek a resolution through informal means prior to taking any legal action.

3.9.4 The Licensing Manager is responsible for considering complaints in the context of this Policy and will determine whether or not it is a relevant complaint. They will authorise suitably qualified officers to discharge enforcement duties as appropriate to their seniority, professional qualifications and/or experience in order to resolve any complaint.

3.9.5 Where there is a serious complaint, the Licensing Manager shall ensure that it is investigated, and enforcement action taken where necessary. The Licensing Authority shall act in accordance with the its own Licensing Enforcement Policy available on the Council's web site.

3.9.6 The Licensing Authority recognises that this Policy and the promotion of the Licensing Objectives relies on partnership between all the parties. Therefore, where there are any concerns identified at the premises, or there is need for improvement, the Licensing Authority shall work closely with the parties at an early stage to address these concerns.

3.10 LIVE MUSIC, DANCING AND THEATRE

3.10.1 The Council recognises the need to encourage and promote a broad range of entertainment, particularly live music, dancing and theatre for the wider cultural benefit of the community and in particular for children and young people.

3.10.2 When considering applications for such events and the imposition of any conditions if representations are received on licences or certificates, the Licensing Authority will carefully balance the need to promote the licensing objectives against these wider cultural benefits.

3.10.3 When considering whether an activity constitutes the provision of regulated entertainment each case will be treated on its own merit.

4.0 ADMINISTRATIVE ISSUES

4.0.1 As the Regulations require advertising of all new and variation applications, the Licensing Authority recommends that the applicant contact them prior to displaying the statutory notice or advertising the application in a local paper circulating in the vicinity of the premises. This will ensure that an accurate consultation date will be given which will avoid any errors and the potential of a breach of the regulations that would result in the application being rejected or delayed.

4.1 PREMISES LICENCE

4.1.1 The Premises Licence application outlines the operating conditions and the Operating Schedule that will form the basis of conditions that will be attached to the Licence. It should include information that is necessary to enable any Responsible Authority or other person to assess whether the steps to be taken to promote the licensing objectives are satisfactory. The Licensing Authority shall expect the applicant to have carefully considered the promotion of all four Licensing Objectives in their Operating Schedule.

4.1.2 It is recommended that applicants liaise with neighbours and/or any relevant community group such as a local residents association, or other such groups, as may be appropriate prior to submitting an application.

4.1.3 The Licensing Authority especially recommends that applicants liaise with the Relevant Authorities prior to submitting their applications, e.g. Police or Fire Authority, when compiling their Operating Schedules and the local Pubwatch if one operates in that area.

4.1.4 In completing their Operating Schedule the Licensing Authority suggests the applicant considers the following: -

General

- Premises log book
- Management and staff training and awareness of duties under the 2003 Act
- Policies and procedures relating to e.g. age restricted sales, capacity, noise monitoring, dispersal, queuing, etc.
- Safe capacities
- Evidence of competent management procedures

Prevention of Crime and Disorder

- Drugs policy
- CCTV
- Pub Watch and Radio links with other licensed premises
- Security Industry Authority Door supervisors and Approved Contractor Scheme
- Polycarbonate or shatterproof vessels
- Frequency of glass bottle disposal and provision of secure storage before collection
- An appropriate ratio of tables and chairs to customers
- Management of outside areas
- Use of 'spikeys' or similar anti drink spiking device
- Policy for reporting of sexual harassment/violence towards women
- Calming atmosphere at close of business/event
- Safe capacities
- Queuing policy
- Stewards for events and event plan Public Safety

Public Safety

- Health and Safety and Fire Safety risk assessments and staff training
- Safeguarding measures
- Use of CCTV in and around the premises
- Safe capacities and monitoring procedures
- Provision of local taxi companies who can provide safe transportation home
- Procedures to control access to and egress from premises
- Patrolling of premises
- Glass clearance policy
- Control of ventilation
- Control of litter immediately outside the premises
- The presence of trained first aiders and appropriate & sufficient first aid kits
- Adequate external lighting
- Consideration of the safety of performers appearing at any premises
- Indoor sporting events: medical practitioner; flame retardant material, location of public to wrestling ring; water sports events – lifeguards
- Stewards for events and event plan; and regard to standards of the National Sporting Body
- Ensuring appropriate access for emergency services

Prevention of Public Nuisance

- Control of general noise, disturbance, light, odour, litter and anti-social behaviour
- Whilst regulated entertainment taking place, management of noise disturbance
- Control of litter (e.g. cigarette ends, rubbish, etc.), vomiting, urinating and anti-social behaviour in the vicinity of the premises
- Dispersal policy to ensure customers respect their neighbours
- Delivery vehicle management, ensuring no obstructions are caused in the vicinity of the premises.
- Removal of persons causing disturbance
- Management of outside areas, e.g. pub gardens, smokers, etc.
- Control of deliveries in early hours
- Queuing policy
- Winding down period

Protection of Children from Harm

- Refusals book
- Consideration of access to premises where adult entertainment may take place
- Consideration to proximity of premises to schools and youth clubs
- Restriction on hours when children under a specified age can be present and whether they should be accompanied by a responsible adult
- Clarity on activities and times at which events take place to determine whether or not it is appropriate to allow access to children
- Challenge 21 or 25 policy
- Prompting mechanism on tills at retail outlets
- Measures to control access to hotel minibars
- Operational measures to avoid proxy purchases
- How to prevent children from being exposed to alcohol sales at underage events, gambling, incidents of violence and disorder and drugs or drug taking

- Consideration of safeguarding issues
- Consideration of children as performers where relevant
- Supervision of children
- Under 18 event Code of Conduct, for example: searches, ticketed event, door supervisors, DBS checks, stewards monitoring event, set hours for event, restricted event, policy to ensure young people leave premise safely, etc.

These lists are not exhaustive, and advice can be obtained from the relevant responsible authorities. However, applicants are reminded again to contact the relevant Responsible Authorities to seek their expert advice before an application is submitted to the Licensing Authority.

4.2 GARAGES

4.2.1 With regard to the licensing of garages, and/or filling stations, Section 176 of the 2003 Act prohibits the sale or supply of alcohol from premises that are used primarily as a garage. However, the Licensing Authority will use the court's approach based on intensity of use, to establish primary use. Where such applications are submitted, the Licensing Authority will expect sufficient relevant evidence to accompany the application form to prove the issue of primary use.

4.3 MOBILE PREMISES

4.3.1 Where licensable activities take place in mobile vehicles, a Premises Licence will be required for the land upon which the vehicle operates. The Operating Schedule must indicate the specific pitch from where trading is to take place.

4.3.2 As this type of premises is likely to cause people to congregate, the Licensing Authority shall expect applicants to demonstrate specific measures to prevent Crime and Disorder and Public Nuisance. In addition, the Licensing Authority shall expect the applicant to consider specific measures to ensure that litter from such premises is regularly disposed of and that the licensee has adopted a Litter Policy as set out above.

4.4 TEMPORARY EVENT NOTICES

4.4.1 The 2003 Act states that the premises user must give the Licensing Authority a minimum of 10 working days notice for a standard temporary event notice and between 5 and 9 working days for a late temporary event notice. The 'working day' requirement means that the day of receipt of the notice, Saturdays or Sundays, Bank Holidays, or the day of the event are not included as a working day.

4.4.2 Premises users are advised to submit their TENS well before the date of the event (ideally 28 days beforehand), using our online service. When serving TENs in a hard copy format, the premises user must serve the notice on the Licensing Authority, Lancashire Police and the "local authority exercising environmental health functions" ("EHA") at the same time to avoid a situation where one of the bodies does not receive their copy within the statutory timescale, which could mean that the event cannot proceed even if the other bodies have received their copy in time.

4.4.3 It is a legal requirement for all organisers to carry out Health and Safety and Fire Safety Risk Assessments with regards to their event. Guidance on how to conduct such risk assessments may be obtained from the relevant enforcing authority. The Licensing Authority may notify the Fire Authority of any TENS submitted so that they can offer advice to event organisers if necessary. Members of any relevant Event Safety Advisory Group may also be notified of any TENs for similar reasons. Organisers are recommended to give thought to the provision of first aid at such events. It should be noted that if the Fire Authority is of the opinion that the use of premises/venue involves, or will involve, a risk to relevant persons so serious, including anything affecting their escape from the premises in the event of fire, the Fire Authority may prohibit or restrict premises use without notice.

4.4.4 Those intending to serve a TEN are strongly advised to consider whether their proposals should be considered by a Event Safety Advisory Group (ESAG) and ensure they follow the advice given, this is particularly relevant for small scale festivals and/ events that take place over more than 1 day.

4.4.5 Finally, the Authority strongly recommends that premises users address the following issues: -

- Applicants are strongly advised to consider and mitigate the potential impact in terms of public nuisance, i.e. noise, vehicle parking of attendees, traffic.
- Seek relevant professional advice on public liability insurance.
- Seek relevant professional advice on noise, public safety, sanitation, food hygiene, health & safety and fire safety matters.
- Liaise with local residents and businesses that may be affected by the event, to raise awareness of the nature and duration of the event.
- Seek relevant professional advice on medical provision.
- Ensure that the event site and environs are maintained free of litter to a reasonable extent during an event and completely cleared following an event. This includes the removal of all advertising material used to promote events, within a reasonable period.
- Consider the conditions attached to a Premises Licence or Club Premises Certificate and manage the event in accordance with such conditions, where appropriate. (This is to mitigate the potential for adverse impacts on the promotion of the Licensing Objectives and/or complaints).

4.4.6 Payments for temporary event notice(s) are made upon application and are non-refundable.

4.5 PERSONAL LICENCES & EXEMPTION OF THE REQUIREMENT FOR A DESIGNATED PREMISES SUPERVISOR

4.5.1 The Licensing Authority places particular emphasis on the role of Designated Premises Supervisors (DPS) and Premise Licence Holder and where the Police object on the grounds of prevention of crime and disorder there will be a presumption against issuing a personal licence to any applicant with an unspent conviction for a relevant offence. If the applicant can demonstrate exceptional and compelling reasons for disregarding the conviction, this will be taken into consideration.

4.5.2 The Licensing Authority advises that it is good practice for the Personal Licence Holder to give specific written and dated authorisation to individuals to demonstrate due diligence. Whilst the DPS and Personal Licence Holder may authorise sales in their absence, they remain responsible for those sales. Similarly, the Premises Licence Holder also remains responsible for ensuring that the licensing law and conditions are complied with at that premises. Any authorisations should be meaningful and properly managed.

4.5.3 Where a Premises Licence is in force authorising the supply of alcohol, a DPS will need to be nominated. The main purpose of the DPS is to ensure that there is always one specified individual who can be readily identified by Responsible Authorities as the individual who has day-to-day responsibility for running the business and who can therefore ensure that any problems are dealt with swiftly. As such the DPS will occupy a pivotal position. Experience has proved that in some cases the Premises Licence Holder has employed a DPS who is remote from the premises and therefore not involved in the day-today running of that premise; the Licensing Authority will therefore pay particular attention to those premises.

4.5.4 Whilst the Licensing Authority recognises that a DPS may supervise more than one premise, the DPS must be able to ensure that the four Licensing Objectives are promoted and that the licensing law and licensing conditions are complied with. Where the DPS is not available at the premises for whatever reason, the Licensing Authority recommends a responsible individual is nominated who can deal with matters in the absence of the DPS. In addition, the Licensing Authority recommends that a notice is displayed prominently indicating the name and position of that nominated person. Whenever alcohol is to be sold it is recommended that written and dated consent be given to that nominated person.

4.5.5 Experience has indicated that a number of Personal Licence Holders have failed to produce their Personal Licence to the court in accordance with Section 128 of the 2003 Act. In view of this the Licensing Authority will take appropriate action against those who continue to fail to notify the courts and/or provide notification of their change of address in accordance with their statutory duty.

EXEMPTION OF THE REQUIREMENT FOR A DPS

4.5.6 Where a community premises applies for an exemption from the requirement to have a DPS, the Licensing Authority must be satisfied that arrangements for the management of the premises by their Committee or Board of individuals are sufficient to ensure the adequate supervision of the supply of alcohol on the premises. The applicant will be required to set out how the premise is managed, its committee structure and how the supervision of alcohol sales is conducted. Copies of the Constitution and other management documents must be submitted. The management committee is strongly encouraged to notify the Licensing Authority if there are any key changes in the committee's composition as this committee will collectively be responsible for ensuring compliance with licence conditions and licensing law. Where management arrangements are unclear, the Licensing Authority may seek further details to confirm that the management board or committee is properly constituted and accountable. While overall responsibility lies with the management committee where premises are hired out, the hirer will be clearly identified as having responsibilities falling within their control. Community premises are encouraged to check with the Licensing Authority before making any application.

4.6 LARGE SCALE EVENTS

4.6.1 Lancaster and the surrounding area is a popular location for a wide range of cultural and entertainment events, these range from village days to small scale one-day events and weekend festivals.

4.6.2 Such events can involve considerable and complex planning and management. This involves a high level of competency from those involved with organising and managing such events.

4.6.3 The Authority is aware of the potential for varied and extreme impacts on the promotion of the Licensing Objectives, where such events take place. Organisers of such events are advised to contact the Licensing Service in the planning stages to discuss the event and application.

4.6.4 The Authority has a general statutory duty under section 4 of the 2003 Act to promote the Licensing Objectives. The legislation does not refer to the special circumstances and sometimes very different issues that can be relevant to these types of application. However, the Authority has taken all reasonable endeavours to balance the demands and aspirations of the event industry against the protection of the local communities and the attendees that may be adversely affected by or at such events.

The Authority believes that the risk associated with large scale events can only be adequately mitigated by the submission of an up to date, relevant, detailed and complete operating schedule that is specific to the proposed event.

4.6.5 The enforcement policies of the Council may be significantly undermined by the short duration and potentially occasional nature of these events. This is because the Council's graduated response to problems arising may not be as effective in responding to these issues on an occasional and irregular basis, particularly with different event organisers.

4.6.6 Sites for large occasional events are not usually entirely purpose built for the proposed licensable activities to take place. Therefore, there is considerable work involved in planning and organising these events. The Authority believes that this is only achievable by ongoing involvement of the Authority and Responsible Authorities in dealing with such events, as far as is reasonable and appropriate.

4.6.7 It is clear that Responsible Authorities (and sometimes Other Persons) may often engage with applicants prior to submission of an application. This notion is referred to in the Statutory Guidance, as it promotes the Licensing Objectives by fostering a partnership approach; and is supported by the Authority (where appropriate), but with an additional caveat.

4.6.8 Applicants are expected to rely most heavily on their own competence and knowledge or that of persons/ bodies that they employ in making their plans. They cannot and should not rely on the input of the Responsible Authorities to ensure that detailed and comprehensive plans for their event are produced.

The demands on the Responsible Authorities can be disproportionate to their resources, This might place undue pressure on such bodies, undermining the level of scrutiny of such applications. It must be considered that the legal responsibilities connected to holding such events primarily rest with the event organiser and landowner.

4.7 SUSTAINABLE EVENT MANAGEMENT

4.7.1 Events can impact heavily on our resources, society, and the environment, as they can generate significant waste, put a strain on local resources like water or energy, and generate large volumes of traffic. It is, therefore, important that event organisers are taking the right steps to integrate sustainability into their event management and ensure that they are organised responsibly. As such, the Council encourages event organisers to take the necessary steps to develop proposals that are conscious of the Council's Climate Emergency Commitments, by way of demonstrating what steps will be taken to ensure the environmental impacts of the event are kept to a minimum.

4.7.2 It is highly recommended that event organisers consider the following points:

- Banning single use plastic glasses/cups in the bars and look to use reusable receptacles.
- Encourage non fossil fuel powered events, including any caterers.
- Alcohol sourced from local brewers/suppliers to keep bars with a lower carbon footprint.
- High recycling rates, a target of 70% plus, which could be evidenced from weighbridge tickets provided by recycling transfer stations.

4.8 EVENT SAFETY ADVISORY GROUPS (ESAGS)

4.8.1 The Authority acknowledges the benefits of working closely with Responsible Authorities and other statutory bodies in supporting event organisers in operating safe and well managed events. Event Safety Advisory Groups or 'multi agency meetings' are one means of promoting such partnership working.

4.8.2 The Authority will facilitate and host such meetings from time to time to assist applicants and those organising events that do not require an authorisation under the 2003 Act, where appropriate.

4.8.3 All applicants should consider whether to attend such a meeting before they apply, as failure to do so could undermine the promotion of Licensing Objectives.

4.9 REVIEWS OF LICENCE OR CLUB PREMISES CERTIFICATE

4.9.1 The Licensing Act 2003 details that where a premises licence or club premises certificate has effect, a Responsible Authority or other person may apply to the relevant Licensing Authority for a review of the licence. Nothing in this Policy shall restrict their right to apply for a review of a licence or make relevant representations in accordance with the 2003 Act, however the Licensing Authority may, at any time, reject any ground for review specified in an application under this section if it is satisfied that the ground is not relevant to one or more of the licensing objectives, or in the case of an application made by a person other than a Responsible Authority, that the ground is frivolous or vexatious, or the ground is a repetition.

4.9.2 Where a person or body is considering making an application for a review, they are advised to contact the Licensing Service. This is so that Officers may provide some initial feedback on the matter and then, if appropriate, attempt to facilitate a meeting or a series of meetings between relevant persons and bodies to consider alternative solutions and/or discuss the review process.

4.9.3 Applicants should make all reasonable efforts to set out their concerns regarding an authorisation concisely and clearly and ensure that these concerns are relevant to a failure to promote the Licensing Objectives.

4.9.4 Examples of triggers for a review may be:

- continual complaints of noise from or in the vicinity of the premises;
- continual complaints of noise or intimidation from customers outside the premises;
- an accumulation of breaches of licensing conditions;
- poor management where the licensing objectives are undermined;
- underage sales of alcohol (persistent or otherwise); crime-related activity; anti-social behaviour;
- sales of alcohol outside of the permitted hours, etc.

4.9.5 The Licensing Authority shall expect applicants for a review to gather sufficient and relevant evidence relating to the specific premises that is subject to the review. This may include a diary of events and any potential witnesses. Regarding reviews on noise complaints, applicants are encouraged to liaise with the Council's Environmental Protection Service who may be able to assist with and support the review process.

4.9.6 Prior to a review, however, Lancashire Police, other Responsible Authorities or the Licensing Authority may seek to meet with the licence/certificate holder to address issues through a Premises Improvement Plan.

4.10 ADMINISTRATION, EXERCISE AND DELEGATION OF FUNCTIONS

4.10.1 The Council has a Licensing Committee, consisting of 10 elected members, to carry out its licensing functions and to make licensing decisions, except those functions relating to the making of a Statement of Licensing Policy.

4.10.2 In the interests of speed, efficiency and cost-effectiveness the Committee will delegate certain decisions and functions to Sub-Committees and officers.

4.10.3 For example, where there are no relevant representations on an application for the grant of a premises licence or club premises certificate or Police objection to an application for a personal licence, these matters should be dealt with by officers.

4.10.4 The table attached at Appendix X sets out the agreed delegation of decisions and functions to the Licensing Committee, Sub-Committees and officers.

4.10.5 This scheme of delegation does not prevent the referral of matters to a higher authority if considered appropriate in the circumstances of any particular case.

4.10.6 Members of the Licensing Committee will comply with the Lancaster City Council Code of Conduct for Councillors and will declare any personal or prejudicial interest in any matter coming before them in accordance with the Code. Members with a prejudicial interest will have the opportunity to speak as any member of the public (i.e. only where they make relevant representations) is permitted but will withdraw from the room in which the meeting is being held immediately after speaking and will not seek to improperly influence the decision.

4.10.7 Members of the Licensing Committee who make representations on behalf of any Other Person or in their own right as a member of the Licensing Authority will not sit on any hearing or Sub- Committee making any decision in relation to the matter in question, nor take any other part in the decision-making process.

4.10.8 Members will not sit on any Sub-Committee dealing with a matter in relation to premises in his or her ward, or any person living in that Ward.

If you wish to make comments on this Licensing Policy or if you want further information

regarding the Licensing Act 2003 please contact: -

The Licensing Department

Morecambe Town Hall

Marine Road Central

Morecambe

Lancashire

LA4 4 AF

Telephone: 01524 582033

Email: licensing@lancaster.gov.uk

The Licensing Act 2003 can be viewed at: -

Licensing Act 2003 (legislation.gov.uk)

The Statutory Guidance can be found at: -

Revised guidance issued under section 182 of Licensing Act 2003 - GOV.UK (www.gov.uk)

Lancaster City Council website: -

Home - Lancaster City Council

Event Safety Advisory Group: -

Event safety - Lancaster City Council

Events on Council Land, Guidance and Application Procedures: -

Events on council land - Lancaster City Council

Lancaster City Council's Pavement Licence Policy and Application Procedures: -

Pavement licences - Lancaster City Council

Appendices

Appendix 1 – Responsible Authorities Contact List Inc Email/Postal

Appendix 2 – Model Conditions

- General
- Prevention of Crime and Disorder
- Public Safety
- Prevention of Public Nuisance
- Protection of Children from Harm

Appendix 3 – Scheme of Delegation

Model Conditions

Introduction

How to use this document

Model conditions are all set out in the pages of this document as a template for you or your representative to copy for your own application. We have given instructions for you to add details for certain elements, according to your specific licence application. Where bespoke detail is needed, we have used a bracket and the word "Insert:" for example [Insert: the total number of staff.]

What we mean by Conditions

The conditions on a premises licence or club premises certificate set the parameters within which premises can lawfully operate. Conditions are attached to licences and certificates in three ways:

1. Mandatory conditions, as set out in the Licensing Act 2003, which must be included on all licences and certificates.
2. Applications for new premises licences or club premises certificates, as well as variations, must include a completed operating schedule that is translated into conditions on any licence or certificate granted.
3. Once the application is made, where relevant representations have been made by the Responsible Authorities (such as the police, Environmental Health and Trading Standards, or other parties such as local residents), the licensing authority may impose such conditions it considers appropriate for the promotion of the licensing objectives.

These model conditions were approved by Full Council on **XXXX** and are intended to provide a consistent approach for all parties by specifying appropriate conditions that could be included on any licence or certificate granted; this could be by the applicant in designing the operating schedule, by other parties in seeking to address concerns associated with the application, or ultimately, by the licensing authority when imposing conditions considered appropriate for the promotion of the licensing objectives.

The model conditions should not be regarded as standard conditions that apply in all cases. They should be tailored as appropriate to the size, type, location and characteristics of – and activities taking place at – the premises concerned. Where a condition includes any [Insert: bracketed content] these variable details should be completed accordingly.

Conditions are not limited to only addressing the licensing objective they are titled under and it is recognised that some conditions may be relevant to more than one objective. The conditions are not intended to be, nor can they be, an exhaustive list, and they do not restrict the ability of any party to propose, or the Committee to impose, any reasonable or proportionate condition they consider appropriate for the promotion of the licensing objectives.

The Prevention of Crime and Disorder

When copying the content on this page into your own document you'll need to insert certain details that are relevant for your licence. Where these are required the need for specific information is marked in brackets and leads with the word 'Insert' eg: [Insert: specific days and times]

CCTV

- The premises shall operate a CCTV system that complies with the minimum requirements of Lancashire Police.
- The premises licence holder must ensure that:
    - CCTV cameras are located within the premises to cover all public areas including all entrances and exits [Insert: The location of cameras could also be specified on the plan attached to the premises licence]
    - The system records clear images permitting the identification of individuals
    - The CCTV system is able to capture a minimum of 24 frames per second and all recorded footage must be securely retained for a minimum of 28 days
    - The CCTV system operates at all times while the premises are open for licensable activities [Insert: or specify timings]
    - All equipment must have a constant and accurate time and date generation
    - The CCTV system is fitted with security functions to prevent recordings being tampered with, i.e. password protected
    - There must be at least one member of trained staff at the premises during operating hours able to provide viewable copies on request to police or authorised local authority officers as soon as is reasonably practicable in accordance with the Data Protection Act 1998 (or any replacement legislation).

Public safety

When copying the content on this page into your own document you'll need to insert certain details that are relevant for your licence. Where these are required the need for specific information is marked in brackets and leads with the word 'Insert' eg: [Insert: specific days and times]

Staff training (alcohol and vulnerability welfare)

- All staff authorised to sell alcohol shall be trained in (delete as appropriate):
    - Relevant age restrictions in respect of products
    - Prevent underage sales
    - Prevent proxy sales
    - Maintain the refusals log
    - Enter sales correctly on the tills so the prompts show as appropriate
    - Recognising signs of drunkenness and vulnerability
    - How overservice of alcohol impacts on the four objectives of the Licensing Act 2003
    - How to refuse service
    - The premises' duty of care policy, understanding and dealing with situations involving vulnerable people, and incidents of harassment; and how to report issues of modern slavery and trafficking

  - Action to be taken in the event of an emergency, including the preservation of a crime scene and reporting an incident to the emergency services
  - The conditions in force under this licence.

- Training must include evidence that the trainee has gained knowledge and understanding of the training, which may consist of a test or quiz, completed by the trainee.

- Documented records of training completed shall be kept for each member of staff. Training shall be regularly refreshed and at no greater than 6 [Insert: or specify] monthly intervals. Training records shall be made available for inspection upon request by a police officer or an authorised officer of Lancaster City Council.

Preventing and dealing with drunkenness and vulnerability

- The premises shall have a documented Duty of Care policy for managing intoxicated and vulnerable customers and dealing with incidents of harassment at the premises. The policy shall also include provision for persons refused entry to the premises who are also considered vulnerable by staff.
- The premises shall display prominent signage indicating [Insert: at any point of sale, at the entrance to the premises, in all areas where alcohol is located] that it is an offence to sell alcohol to anyone who is drunk.
- A Personal Licence holder must be present at the premises to supervise all sales of alcohol.
- A minimum of [Insert: specify number] persons must be employed and on duty at the premises between [Insert: specify days/hours] who are specifically tasked to maintain the safety of customers who may be vulnerable, ill or in distress as a result of alcohol and/or drug-related intoxication. Such persons must be trained on drunkenness, vulnerability, and drugs awareness in the night-time economy; and responding to these matters.
- The premises shall provide facilities for customers to securely recharge their mobile phones.

Glassware and use of ice fountains / bottle sparklers

- Drinks must only be served in polycarbonate/plastic containers [Insert: on specified days or events] [Insert: upon reasonable notice by Lancashire Police].
- Customers will not be permitted to remove from the premises any drinks supplied by the premises (alcoholic or otherwise) in open containers [Insert: except for consumption in any delineated external area as shown on the plan attached to the licence].
- Spirit, Champagne and all other glass bottles greater than [Insert: specify measurement eg 70cl] are restricted to customers seated at a [Insert: either table or booth] in the delineated area(s) as shown on the plan attached to the licence. These bottles must be secured to the table or ice bucket and must only be dispensed by a member of staff who is trained in the responsible service of alcohol. Customers must not be permitted to leave their table carrying any such bottle or be permitted to drink directly from the bottle.

Ice fountains or similar products (which are classed as HT4 explosives):

- Must be kept in their original packaging and only stored in a secure store room or fire-resistant cabinet that the public have no access to. The room/cabinet must be kept locked, except for the depositing or removal of products but must be locked immediately thereafter.

- Their use must be risk assessed in advance and appropriate control measure put in place to reduce the risk to staff and customers, which must include (but is not limited to):

  i) staff training in their safe use and dispersal

  ii) the provision of appropriate first aid training and equipment

  iii) suitability of areas of the premises where the products will be used

- The risk assessment and control measures identified must be documented, kept on the premises and made available for inspection to a police, fire or authorised officer upon request.

Martyn's Law

1. At all times that the premises are open to the public for licensable activities, all staff on-duty at the premises, including all door supervisors, and all on-duty managers must have completed Action Counters Terrorism (ACT) Awareness e-learning training. All training should be documented and evidence of this produced if requested by a police officer or authorised officer of the licensing authority.

2. There must be a documented security assessment, which must incorporate counter terrorism measures for the premises. The assessment shall be routinely reviewed and must be reviewed following the elevation of the change of the national threat level. All reviews shall be documented.

3. Within 28 days of the grant or variation of the licence, the premises licence holder shall evaluate any risks identified through the security assessment and take prompt steps to eliminate them or to reduce the risk as far as is reasonably practicable. A documented record must be maintained of any remedial action implemented and made available upon request to any police officer or an authorised officer of Lancaster City Council.

4. The premises must have a documented security plan, which sets out counter measures to be implemented in response to a terrorist attack that incorporates the principles of 'Guide', Shelter' and 'Communicate' as appropriate in conjunction with relevant National Counter Terrorism Security Office (NACTSO) / Centre for the Protection of National Infrastructure (CPNI) guidance, and the purposes of those procedures and the necessity of following them must be understood by those carrying them out:

   - Guide – Direct people towards the most appropriate location (invacuation, evacuation, hide)
   - Shelter – Understand how your place or space might be able to lock-down and shelter people within it for several hours
   - Communicate – Have a means of communicating effectively and promptly with users of your place and have staff capable of giving clear instructions. Also have the capability of integrating with any response or rescue operation by providing things like building plans.

Door Supervisors and Body-Cams

1. Door supervision must be provided on [Insert: specify days / circumstance]. Door supervisors must be on duty from [Insert: specify hours] and must remain on duty until the premises are closed and all the customers have left.

2. On [Insert: specific days and hours], at least [Insert: number] of Security Industry Authority (SIA) registered door supervisors must be on duty at the premises [Insert: either i) specify location at the premises or ii) as shown on the plan].

3. Door supervisors shall be employed at the ratio of [Insert: number] door supervisor for every 100 customers (or part thereof).

4. Door supervisors shall be employed by the premises based upon a risk assessment carried out in relation to the following factors:

   - Size of the venue
   - Expected attendance
   - Type of event taking place
   - Location of the premises
   - Time of year
   - Special occasion (New Year, Halloween, Local events etc.)
   - Premises Licence Conditions

5. At least [Insert: number] female door supervisor(s) shall be on duty at the premises at such times as door supervisors are required to be provided.

6. All door supervisors, and other persons engaged at the premises for the purpose of supervising or controlling queues or customers, must wear [insert: any or all of: high visibility jackets, vests, armbands]

7. Any door supervisors on duty at the premises must be supplied by an SIA-Approved Contractor Scheme company.

Body-worn video

1. On [Insert: specify days/hours], [Insert: either i) all or ii) at least [Insert: number]] of SIA registered door supervisors on duty at [Insert: either i) specify location at the premises or ii) as shown on the plan] must wear working body-worn video devices (body cams) that comply with the minimum requirements of Lancashire Police.

2. A record must be kept of the SIA registration number of the door supervisor and the ID of bodycam worn by them.

3. Bodycam images must be stored so that they are retrievable and accessible for replay and viewing and kept in an environment that will not be detrimental to the quality or capacity for future viewing. They should be appropriately labelled to enable identification and retrieval and kept for a minimum of 28 days. No recording must be deleted within this period from when it is recorded.

4. The premises licence holder must ensure at least one member of trained staff at the premises during operating hours able to provide viewable copies on request to police or

authorised local authority officers as soon as is reasonably practicable in accordance with the Data Protection Act 1998 (or any replacement legislation).

5. The Designated Premises Supervisor or on-duty manager must ensure that all door supervisors on duty at the premises are correctly displaying their current SIA accreditation and are briefed on their responsibilities and relevant company operating procedures before they commence duty.

6. Door supervisors must be provided with radios to enable them to contact each other and the duty manager at the premises.

7. Where SIA registered door supervisors are used at the premises, a record must be kept of their SIA registration number and the dates and times when they are on duty.

Emergencies

- The premises licence holder shall ensure that at all times when the public is present there is [Insert either: at least one, or an appropriate number of] competent person(s) able to administer first aid, that an adequate and appropriate supply of first aid equipment and materials is available on the premises, and that adequate records are maintained in relation to the supply of any first aid treatment.
- The premises licence holder shall ensure that at all times when the public is present there is an appropriate level of medical care for all persons present. The level of provision should be determined by a medical needs assessment.
- All external emergency exit doors shall be fitted with sensor alarms and visible indicators to alert staff when the doors have been opened.
- All staff on duty at the premises shall be trained in the Emergency and Evacuation procedures for the premises and aware of their individual responsibilities. This includes any door supervisors. Documented records of training completed shall be kept for each member of staff. Training shall be regularly refreshed and at no greater than [Insert: specify number] monthly intervals. Training records shall be made available for inspection upon request by a police officer or an authorised officer of Lancaster City Council.
- The premises shall have a minimum 20m rescue throwline available on the premises for emergency use. All on-duty staff (including security) shall be knowledgeable of its location and the manufacturer's instructions for use.
- [Insert: Staff to be specified] must hold a valid Emergency First Aid at Work qualification or equivalent qualifications that complies with the relevant guidance from the Health and Safety Executive (GEIS3)
- A member(s) of staff qualified to a minimum Level 3 Certificate in First Response Emergency Care must be on duty, with appropriate medical equipment, at the premises when licensable activities are carried out [Insert: or at specified days/times]
- All door supervisors must have emergency first aid at work training.

Promotional activity

- The premises licence holder must submit to [Insert: contact details for Responsible Authority] a completed risk assessment form as prescribed at least 28 days before any event that is carried on by any person not affiliated with the venue; and promoted / advertised to the public.

- No promotional social media communication may be carried on for the purpose of encouraging the sale or supply of alcohol at the premises, which can reasonably be considered to condone, encourage or glamorise antisocial behaviour or to refer to the effects of drunkenness in any favourable manner.

Restricting alcohol sales in relation to designated special events, eg. football matches

Prior to any [Insert either: designated special event by Lancashire Police, or 'designated sporting event' (as defined in the Sporting Events Control of Alcohol Act 1985)] the premises licence holder shall ensure that:

- Alcohol sales in respect of cans of beer or cider are limited to no more than four cans per person for a minimum of four hours before the commencement of the relevant designated [Insert either: special or sporting] event
- No sales of alcohol in bottles or glass containers are made in the period four hours before the commencement of the designated [Insert either: special or sporting] event
- Alcohol sales cease for a period of one hour immediately before the commencement of the relevant designated [Insert either: special or sporting] event
- On any day where there is a relevant designated [Insert either: special or sporting] event taking place, the premises will not externally advertise as a result of a local store promotion the availability of beer or cider in such a way as to be likely to be the sole inducement to attract persons to the premises who are either attending the designated [Insert either: special or sporting] event or in the vicinity of the premises as a result of the designated [Insert either: special or sporting] event
- All members of staff working at the premises are informed of this condition prior to taking up employment
- On the day of the relevant designated [Insert either: special or sporting] event, upon the direction of a police officer, using the grounds of the prevention of crime and disorder or public safety, the premises will immediately cease to sell alcohol until further directed.

Use of special effects

Any special effects or mechanical installations shall be arranged and stored so as to minimise any risk to the safety of those using the premises. The following special effects will only be used if 10 days' prior notice is given to the licensing authority where consent has not previously been given:

- Dry ice and cryogenic fog
- Smoke machines and fog generators
- Pyrotechnics, including fireworks
- Firearms (eg. Blank firing pistols)
- Lasers
- Explosives and highly flammable substances
- Real flame
- Strobe lighting.

Large events

- The Premises licence Holder must comply with the Event Management Plan submitted to and approved by the Licensing Authority and no changes will be made to the Event Management Plan without the prior written consent of the Licensing Authority.

Boxing and wrestling (including MMA and other combat sports)

The Premises licence Holder must comply with the Event Management Plan submitted to and approved by the Licensing Authority and no changes will be made to the Event Management Plan without the prior written consent of the Licensing Authority. The Plan must set out (but is not limited to):

- how fighters will be matched
- the measures that will be in place to ensure the safety and welfare of competitors; including medical facilities and qualified staff provision
- fighter details
- layout of the venue
- competition rules
- referee details including qualifications.

Adult entertainment

The premises may not show R18 films without the benefit of a sex cinema licence.

No person under the age of 18 will be permitted to enter or remain on the premises when any "relevant entertainment" (as defined in Schedule 3 to the Local Government (Miscellaneous Provisions) Act 1982 is taking place.

For reference:

- Relevant entertainment is 'Any live performance or any live display of nudity, which is of such a nature that, ignoring financial gain, it must reasonably be assumed to be provided solely or principally for the purpose of sexually stimulating any member of the audience (whether by verbal or other means).
- Display of nudity means: in the case of a woman - exposure of her nipples, pubic area, genitals or anus; and - in the case of a man - exposure of his public area, genitals or anus.
- The audience can consist of one person.

The Prevention of Public Nuisance

When copying the content on this page into your own document you'll need to insert certain details that are relevant for your licence. Where these are required the need for specific information is marked in brackets and leads with the word 'Insert' eg: [Insert: specific days and times]

Preventing noise and other public nuisances

- All external windows and doors must be kept shut at all times when regulated entertainment is being provided. Doors may be opened for normal entrance and egress of people but must be shut immediately thereafter.
- No noise shall emanate from the premises nor vibration be transmitted through the structure of the premises that gives rise to a nuisance.
- A noise limiting device must be installed and must operate at all times regulated entertainment takes place at the premises. The device must be of a type, in a location and set at a level [Insert: specify if known or approved in writing by the appropriate officer of the Council].
- The location and orientation of loudspeakers must be as specified on the attached premises plan.
- An [Insert: acoustic lobby / acoustic door / acoustic curtains / acoustic door seals / automatic door closer] must be installed [insert: specify the location or define on plan].
- There shall be no noise or odours caused by the kitchen extraction equipment that gives rise to a nuisance.

Alcohol deliveries

The premises licence holder shall provide the following information in writing to the licensing authority before any sale of alcohol is carried out (and notify change to this information to the licensing authority within 7 days):

- The trading name of any company that will operate under the licence
- All telephone numbers that will be used to accept orders
- The URL/website address that will be used to accept orders.

Any promotional material and/or any website home page used as part of the business operating under this licence will clearly state the premises licence number. For the avoidance of doubt, this includes flyers, leaflets and business cards promoting the business.

All deliveries of alcohol shall only be delivered to a premises address with a valid postcode and will only be delivered directly to that property.

Sales of alcohol for consumption off the premises shall only be supplied with, and ancillary to, a takeaway meal.

Smoking and other external areas

- Customers permitted to temporarily leave and then re-enter the premises to smoke must be restricted to a designated smoking area defined as [Insert either: specify location / mark on plan]. No more than [Insert: number] of customers will be permitted to remain in the designated smoking area at any one time.

- Clear and legible notices must be prominently displayed at any area used for smoking requesting customers to respect the needs of local residents and use the area quietly.
- No more than [Insert: number] customers will be permitted to enter or remain in [Insert: define outdoor area(s)] of the premises at any one time, between the hours of [specify].

Litter and cleansing

- At [Insert: specify times] [Insert: specify areas] outside the premises, including [Insert: specify areas] must be swept and/or washed, and litter and sweepings collected and stored [Insert: specify storage and collection].
- All takeaway packaging and wrappers shall clearly identify the premises, ie. by way of company logo or name.
- Where the premises provide late night refreshments for consumption off the premises sufficient waste bins must be provided at or near the exits, to enable the disposal of waste.
- Empty bottles which have been collected must be placed into locked bins when deposited outside.
- All waste shall be properly presented and placed out for collection no earlier than 30 minutes before the scheduled collection times.
- Between the hours of [Insert: specify hours] no waste/glass bottles will be moved or deposited outside.

Delivery Vehicles

- Delivery vehicles utilised by the premises will not park or wait in such a place that causes an obstruction to other road users.
- Drivers of the delivery vehicles will be informed of this requirement prior to employment or undertaking deliveries on the premises behalf, regular reminders will be provided.

The Protection of Children from Harm.

When copying the content on this page into your own document you'll need to insert certain details that are relevant for your licence. Where these are required the need for specific information is marked in brackets and leads with the word 'Insert' eg: [Insert: specific days and times]

- No person under the age of [Insert: age] years of age is permitted to enter or remain on the licensed premises when alcohol is being sold or supplied.
- Where children are allowed on the premises, information shall be displayed [Insert: location] on what to do if there is a cause for concern regarding a lost child.

Preventing underage sales

- The Challenge [Insert: either 21 or 25] scheme must be operated to ensure that any person who appears to be under the age of [Insert: either 21 or 25] shall provide documented proof that he/she is over 18 years of age. Proof of age shall only comprise a passport, photo card driving licence, an EU/EEA national ID card or similar document, an HM Forces warrant card, a card bearing the PASS hologram, or any electronic or biometric age verification technology approved by the licensing authority.

- The premises shall display prominent signage indicating [Insert either: at any point of sale, at the entrance to the premises, or in all areas where alcohol is located] that the Challenge [Insert: either 21 or 25] scheme is in operation.

- The premises shall display prominent signage indicating [Insert either: at any point of sale, at the entrance to the premises, or in all areas where alcohol is located] that it is an offence to buy or attempt to buy alcohol for a person who is under 18 and for a person under the age of 18 to buy or attempt to buy alcohol.

- A refusals record must be kept at the premises which details all refusals to sell alcohol. This record must include the date and time of the incident, the name of the staff member who refused the sale, and the reason the sale was refused. All entries must be made within 24 hours of the refusal. The record must be made available for inspection and copying within [Insert: specify days / hours or a reasonable time] of a request by an officer of a Responsible Authority.

The following table sets out the delegation arrangements established under Section 10 of the Licensing Act 2003:

Matter to be dealt with	**Sub-Committee**	**Officers**
Application for Personal Licence with relevant unspent Convictions	If a Police representation made	If no Police representation made
Application for premises Licence/club premises certificate	If a representation made	If no representation made
Application for Provisional statement	If a representation made	If no representation made
Application to vary premises licence/club premises certificate	If a representation made	If no representation made
Application to vary Designated premises supervisor	If a police objection	All other cases
Request to be removed as designated premises supervisor	x	All cases
Application for transfer of premises licence	If a police objection	All other cases
Applications for interim authorities	If a police objection	All other cases
Application to review Premises Licence/club premises certificate	All cases	x
Decision on whether a complaint is irrelevant frivolous vexatious etc	x	All cases
Determination of Police objection to a Temporary event notice.	All cases	x
Determination of film classification	x	Licensing Manager in consultation with Chairman of Licensing Committee
Determination of minor variation	If a representation made	If no representation made

Disapplication of the S19 requirement to have a designated premise supervisor in Community Premise	x	All cases
Decision to object when Local Authority is a Consultee and not the relevant authority considering the application.	All cases	x

Responsible Authorities – Consultee Contact Details

Licensing Authority – licensing@lancaster.gov.uk

Licensing
Morecambe Town Hall
Marine Road
Morecambe
LA4 5AF

Public Protection - environmentalhealth@lancaster.gov.uk
(Incl Community Protection and Health and Safety Officers)

Public Protection
Morecambe Town Hall
Marine Road
Morecambe
LA4 5AF

Lancashire Police – WestLicensing@lancashire.police.uk

Licensing Department
West Division
Lancaster Police Station
Thurnham Street
Lancaster
LA1 1YB

Lancashire Fire and Rescue Service – northernfiresafety@lancsfirerescue.org.uk

Business Fire Safety Advisor
Lancaster Fire Station
Cable Street
Lancaster
LA1 1HH

Home Office – Alcohol@homeoffice.gov.uk

The Alcohol and LNR Licensing Team
Interventions Sanctions and Compliance
Immigration Enforcement
Home Office
15th Floor Long Corridor
Lunar House
40 Wellesley Road
Croydon
CR9 2BY

Lancashire Safeguarding (Children) – JPBU@lancashire.gov.uk

PO Box 78
County Hall
Fishergate
Preston
PR1 8XJ

Planning/Development Control – planningenforcement@lancaster.gov.uk

PO Box 4
Lancaster Town Hall
Dalton Square
Lancaster
LA1 1QR

Trading Standards – intelligence.management@lancashire.gov.uk

Trading Standards Service
Lancashire County Council
Level 4 - Lancashire Point
County Hall
Preston
PR1 0LD

Director of Public Health – phlicensing@lancashire.gov.uk

Lancashire County Council Licensing
Level 1 Christ Church Precinct
County Hall
Preston
PR1 8XB

 Agenda Item 9

CABINET

Budget & Policy Framework
2024/25 – 2028/29
20 February 2024

Report of Chief Finance Officer

PURPOSE OF REPORT					
This report sets out the latest position in respect of the budget and policy framework and Cabinet's proposed General Fund revenue budget for 2024/25					
Key Decision	**X**	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision				12th December 2022	
This report is public however the Appendices B1 and B2 are exempt by virtue of paragraphs 2, 3 & 4 of Part 1 of Schedule 12A of the Local Government Act 1972					

RECOMMENDATION OF COUNCILLOR HAMILTON – COX

That Cabinet recommends the following for approval to Budget Council 28 February

1. **That the General Fund Revenue Budget of £25.008M for 2024/25 be approved, resulting in a Council Tax Requirement of £10.928M, excluding parish precepts, and a Band D basic City Council tax rate of £256.63.**

(2) **That the supporting General Fund Revenue Budget proposals be approved, as summarised at Appendices A, B, B1 and B2**

(3) **That the budget transfer (virements and carry forwards) limits be approved as set out in Appendix D**

(4) **That Council notes the Section 151 Officer's advice regarding robustness of budget estimates, the adequacy of reserves and balances, specifically the advice that the minimum level of balances be retained at £5.0M, to provide for added uncertainty.**

1.0 INTRODUCTION

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

1.2 The Council meeting on 24 January 2024 considered Cabinet's proposed revenue budget for 2024/25 and approved a City Council Tax increase of 2.99% together with a year-on-year target of the maximum allowable under the Government's local referendum thresholds for future years.

1.3 Since that report, Cabinet considered updates to the General Fund Revenue budget to reflect the best information available, these included:

- Recognition of prior year business rates surplus
- Increase in net business rates income following completion of Central Government NNDR 1 return.
- Increase in prior year forecast council tax deficit.

1.4 This report sets out:

- The Operational and Strategic context in which the budget has been set. **(Section 2)**
- Cabinets final General Fund Revenue Budget proposals for 2024/25 including the outcomes of the Final Local Government Settlement **(Section 3)**
- A summary of the of Council Tax and Business Rates as reflected in the Council's Collection Fund. **(Section 4)**
- The s151 Officers Assessment of the Adequacy of the Council's Reserves Provision and Balances. **(Section 5)**

2.0 STRATEGIC & OPERATIONAL CONTEXT

2.1 The 2024/25 Budget has once again been set against the backdrop of significant change, economic volatility and instability within the UK and global markets driven by high rates of inflation created by the war in the Ukraine and the challenges in the global supply chain post-pandemic, Brexit and conflicts in the middle east.

2.2 Office for Budgetary Responsibility (OBR) has noted that the medium-term fiscal outlook for the UK has materially worsened due to a weaker economy, higher interest rates and higher inflation. Economic activity has slowed considerably in recent years, with 2 successive quarters of negative growth in gross domestic product (GDP) the UK economy officially fell into recession at the end of 2023. Current commentary suggests a shallow recession with a slow upturn during 2024. Current forecasts from the OBR and Bank of England (BoE) anticipate growth of between 0.4% - 0.7% for 2024.

2.3 CPI inflation peaked at 11.1% in the final quarter of 2022/23 which was a 40 year high. Current rates and forecasts show inflation has reduced to 4% and is expected to reduce further returning to the 2% target in the following years.

2.4 Linked to rising inflation the Bank of England have also raised the interest rates to 5.25% which is the highest level for 14 years. The Bank of England continues to attempt to restrict inflation using monetary policy action. Interest rates are expected to remain at current levels before falling in the medium term once inflation reduces.

2.5 Weak activity and higher borrowing costs are expected to weigh heavily on employers' hiring intentions in 2024, with a forecast rise in unemployment over the course of the year. The OBR forecasts unemployment will rise to a peak of 1.6 million people (4.6% of the labour force) by the second quarter of 2025, up from the current level of about 1.5 million (4.2%).

2.6 Considering these economic challenges households in the district are especially impacted as they spend greater shares of their income on fuel and food. These include.

- Single people on low incomes (on benefits or in work)
- Families with children
- Pensioners
- Those with disabilities

2.7 To provide support for those in greatest hardship, Cabinet recently approved the continuation of the Council's 100% Council Tax Support scheme for 2024/25 which means households most in need can apply for full relief from Council Tax. Lancaster City Council will be one of only a handful of local authorities in the Northwest to continue to have a 100% Council Tax Support scheme in 2024/25.

2.8 The Final Local Government Finance Settlement was confirmed in February. This was the final year of the two-year settlement announced in February 2023. The national headline message being £4.6 billion extra in Core Spending Power, with the following key announcements.

- An increase in the business rates baseline and revenue support grant– (as well as compensation for the freeze to the small business rates multiplier announced at the Autumn Statement) in line with the September Consumer Price Index (6.7 percent).
- A core council tax referendum principle of 3 per cent plus an adult social care precept of 2 per cent for councils with social care responsibilities, with shire districts getting the higher of 3 per cent or £5.
- Increase in social care grants of £1.5 billion of which £1.2 billion is for the Social Care Grant which is ring-fenced for adults and children's social care.
- A 4 per cent funding guaranteeing. Each council is guaranteed a 4 per cent increase in Core Spending Power before any decisions about council tax increases – amounting to £269 million.
- Services Grant reduces to £87.4 million compared with £483.3 million last year.
- The New Homes Bonus at £291 million – similar to last year - with no legacy payments for previous years.
- An increase of £15 million in the Rural Services Delivery Grant to £110 million.

2.9 A summary of the final settlement for Lancaster City Council is show in table one below. Assumptions have been included to estimate Government funding from 2025/26 onwards however actual allocations for this period are currently unknown.

Table One – Final Settlement allocations for Lancaster City Council

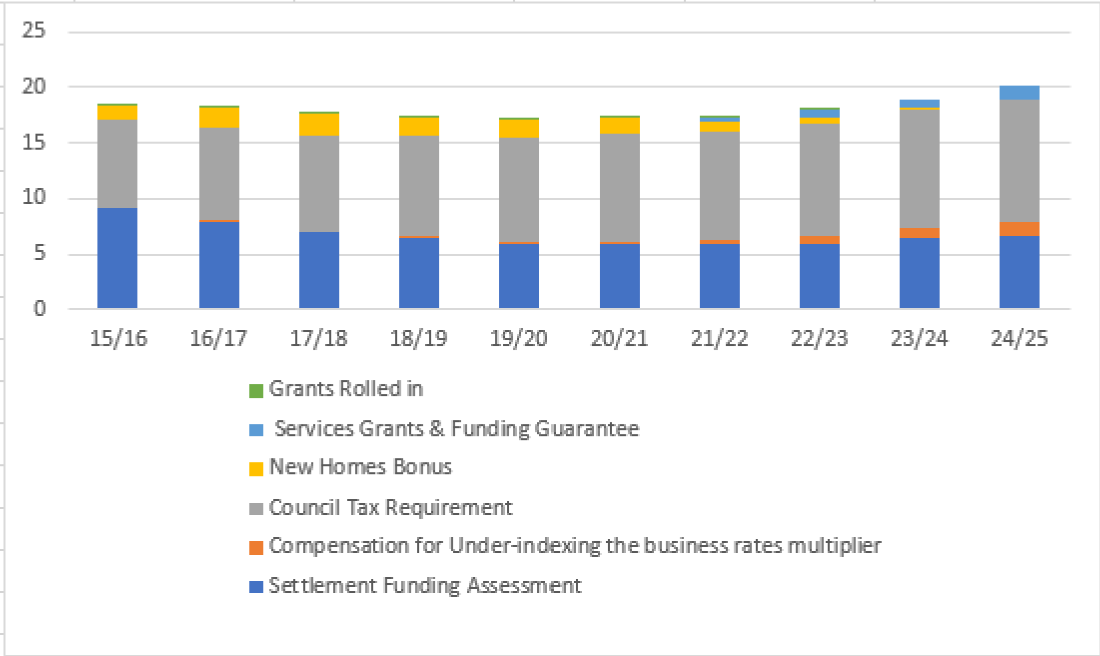
	Final Settlement £000	LCC Forecast £000	Difference £000
Settlement Funding Assessment			
Revenue Support Grant	433	406	27
New Homes Bonus	10	0	10
Funding Guarantee	1,188	605	583
Services Grant	40	232	(192)
Total Government Funding	**1,671**	**1,243**	**428**

Core Spending Power

2.10 Core Spending Power (CSP) is a measure used by the Government to set out the resources available to a Council to fund service delivery. The calculation of CSP has changed over the years and now combines certain grants payable to Council together with estimates of Business Rates and Council Tax, these estimates are based on Government assumptions.

2.11 On the basis of the Final Settlement, the Council's CSP for 2024/25 will increase from £18.93M to £20.09M or 6.1% when compared to CSP in 2023/24 and includes an assumption by Government that Councils will increase their Council Tax by the maximum allowable. This is in comparison to the average increase in CSP for all Councils in England of 7.5%

Table Two: Core Spending Power



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

2.13 Members will be aware that for several years the Council has reported a structural budget deficit, meaning that its planned expenditure exceeds its anticipated income. Although noting a slight easing in some of the economic factors the Council still faces significant pressure on its limited resources.

Council Tax

2.14 As noted above Council tax is the Council's primary source of funding and is calculated by multiplying the tax base, the number of eligible residential properties (expressed in band D equivalents), by the level of the district council precept which is determined each year. Growth in housing numbers inevitably increases the taxbase and, therefore, Council Tax income. At its meeting 24 January 2024 Council agreed an increase in its Band D precept of 2.99% providing estimated Council Tax income of £10.928M.

Business Rates

2.15 Following on from the Chancellor's autumn statement, the small and standard business rates multipliers have been de-coupled for the first time. The small business rates multiplier has been frozen for the fourth year in a row whilst the standard multiplier has been uprated by the increase in CPI inflation of 6.7%.

2.16 We are one of only a small number of Councils with a nuclear power station within its boundary. The rateable value of the Heysham1 and Heysham 2 nuclear reactors accounts for over 30% of the Council's total rateable value. Although the retained business rates scheme does have a safety net mechanism in place to ensure that an authority's income does not drop below more than a set percentage of its index linked spending baseline, the Council is vulnerable to swings in income levels relating to the power station' operations. Heysham 1 is shortly due to be decommissioned with its operators, EDF currently giving an end of generation date of March 2026 rather than the date of March 2024 previously given. There remains a level of uncertainty around the exact timing and whilst EDF have an ambition to continue generation for a further year past the March 2026 date they have also commented that the March 2026 date may not be achieved and remains dependent on future graphite inspection results.

Green Energy Disregard

2.17 The Council receives a 'disregard' for renewable energy hereditaments which means that 100% of the business rates for these properties is retained by the authority. It is estimated that in 2024/25, this will be worth £3.970M. There is, however, no absolute guarantee that the Government won't discontinue this advantageous arrangement at some point in the future.

3.0 REVENUE BUDGET 2024/25

3.1 The General Fund Revenue Budget for 2024/25, summarised in Table 3, is included at ***Appendix A,*** with Service summary information given at ***Appendix B*** and more detailed budget savings proposals in exempt ***Appendices B1& B2***. The proposed budget is balanced, in line with statutory requirements, allowing for a contribution to the Council's reserves of £1.914M. As noted above the proposed budget takes account of the Final Local Government Finance settlement.

Table 3: General Fund Revenue Budget 2024/25

	2024/25 £000	
Revenue Budget Forecast Council 22 February 2023		**23,407**
Base Budget Changes Reported to Cabinet 5 December 2023		671
Revenue Budget Forecast as 5 December 2023		**24,078**
Base Budget Changes		
Operational Base Budget Changes		630
		24,708
Outcomes Based Resourcing Proposals		
Council Wide Fees & Charges	(838)	
Service Savings Proposals	(395)	
Additional Resource Requirements	125	
		(1,108)
Other Adjustments		
Final Finance Settlement	(401)	
Impact of Review of the Capital Programme	(105)	
		(506)
Sub Total		**23,094**
Contribution to/ (from) Unallocated Reserves		1,914
General Fund Revenue Budget		**25,008**
Core Funding		
Revenue Support Grant	(433)	
Prior Year Council Tax (surplus)/ Deficit	141	
Prior Year Business Rates (surplus)/ Deficit	(621)	
Net Business Rates Income	(13,167)	
Total Core Funding		(14,080)
Council Tax Requirement		**10,928**
Estimated Council Tax Income (Based on 2.99% increase)		**(10,928)**
Resulting Base Budget (Surplus)/ Deficit		**0**

3.2 The proposals set out in the Table 3 above produce a balanced revenue budget for 2024/25, which forms part of the recommendations of this report. Further details including the latest projections for future years to 2028/29 can be found at ***Appendix A***

3.3 At its meeting on 22 February 2023 Council set its budget for 2022/23 and the base budget estimates for 2024/25 and future years. At the start of the budget setting process these "base" estimates are reviewed considering current circumstances and best information available and revised estimates produced before any saving, growth, or re-direction proposals are received. These estimates are under constant review during the budget setting process and often change as information comes forward.

Base Budget Outcomes Based Resourcing Proposals and Other Adjustments

3.4 Initial Operational and Base Budget changes for 2024/25 amounting to net additional expenditure of £0.671M were reported to Cabinet 6th December and Council 13th December 2023. Since that reporting period further net changes have been required totalling £0.930M. A summary of these changes is given in the table 4 below:

Table 4 – Adjustments Since December 2023 Reporting to Cabinet & Council

Base Budget Changes	**£M**	**Reference**
Operational Changes	0.191	3.5
Revised Energy Estimates	(0.134)	3.6
Commercial Property Reduction	0.150	3.7
Local Plan	0.423	3.8
Sub Total	**0.630**	
Outcomes Based Resourcing Proposals		
Council Wide Fees & Charges	(0.838)	Appendices B1 & B2
Service Savings Proposals	(0.395)	
Additional Resource Requirements	0.125	
Sub Total	**(1.108)**	
Other Adjustments		
Impact of Review of the Capital Programme	(0.105)	3.9
Final Local Government Finance Settlement	(0.401)	3.10
Sub Total	**(0.506)**	
Contribution to/ (from) Unallocated Reserves	1.914	3.11
Sub Total	**1.914**	
Total	**0.930**	

Operational Changes £0.191M

3.5 Minor operational changes have been identified since the initial draft budget was prepared and these changes have been built into the latest projections.

Revised Energy Estimates (£0.134M)

3.6 Since the energy budgets were prepared, there has been a further price update within the sector which now seems to have settled allowing for a more accurate budgetary projection. Based on the latest price information available, electricity has been reduced from 29p/kWh to 28p/ kWh and gas has seen a reduction from 8p/ kWh to 5p/ kWh.

Commercial Property Reduction £0.150M

3.7 Updated information has since been received from the Housing and Property service team surrounding projected rental income and occupancy levels within the Council's commercial property portfolio. This has resulted in estimated additional budgetary pressure.

Local Plan (£0.423M)

3.8 Cabinet, at its meeting of 5th December 2023 (minute 46(1) refers) approved the use of the Council's general unallocated reserve to enable the review of the adopted Local Plan for Lancaster District during the reminder of financial year 2023/24 and continuing in 2024/25 and 2025/26 – see also section 3.11.

Impact of Review of the Capital Programme (£0.105M)

3.9 Further revisions to the draft capital programme have resulted in savings relating to budgetary provision for minimum revenue provision (MRP).

Final Local Government Finance Settlement (£0.401M)

3.10 The Government released the provisional local government finance settlement on 19 December 2023, with the final settlement released on 5 February 2024. The final settlement included an additional £0.190M in the funding guarantee and services grant above the £0.211M announced in the provisional settlement as previously reported.

Contribution to/ (from) Unallocated Reserves £1.914M

3.11 The final contribution to unallocated reserves has been increased by £0.190M from the £1.724M reported on 6 February. This represents to impact of the final local government finance settlement referred to in paragraph 3.10.

Budget Principles and Assumptions

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

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

3.13 Table 5 below, lists the major assumptions that have been made for the 2024/25 budget.

Table 5: Major Assumptions within General Fund Revenue Budget 2024/25

	2024/25
Council Tax Increase	2.99%
Council Tax Collection Rate	98.67%
Business Rates Multiplier: Small Business Rates	Frozen
Business Rates Multiplier: Standard	6.70%
Fees & Charges	Various
Inflation – Pay	5.95%
Employer Pensions Contribution	16.30%
Electricity	28p/kWh
Gas	5p/kWh
Inflation – Insurance	10.00%
Other inflation	2.80%
Interest Rate – investments	4.68%
Interest Rate – new borrowing	4.50%

4.0 COUNCIL TAX & BUSINESS RATES

Council Tax

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

4.2 For Council Tax, it is confirmed that the Collection Fund is expected to have a deficit of £0.141M for 2023/24.

4.3 The Council Tax increase of 2.99% agreed by Council on 16 January 2024 means that the City element of Council Tax for a band D property will be £256.63 resulting in expected income of £10.928M for 2024/25.

Business Rates

4.4 The Council is required to submit its annual business rates return (NNDR1) to the Government by the end of January in which it estimates business rates income for 2024/25 and the estimated deficit or surplus as at the end of 2023/24.

4.5 The inherent risk associated with the NNDR1 is that the final outturn surplus or deficit position differs substantially from the estimate, and this has indeed been the case at the Council in recent years. The Business Rates Retention Reserve is, therefore, utilised to safeguard against such fluctuations and to hold the impact of the multi-year flow of accounting entries for the Business Rates Retention Scheme. In this way the General Fund is safeguarded and a steady income stream in respect of Business Rates maintained. As noted in Table 1 the forecast surplus for 2023/24 is £0.621M which will be transferred to the Business Rates Retention Reserve.

4.6 Members will be aware of decommissioning plans for the Heysham 1 and Heysham 2 nuclear reactors which will have a significant impact on the Council's finances. Currently the rateable value of the reactor's accounts for a substantial proportion of the Council's total rateable value. Central Government operates a "safety net" system to protect those Councils which see their year-on-year business rate income fall by more than 7.5 per cent. Given the Council's exposure it is expected that it will inevitably fall into a safety net scenario and will need to rely on the Business Rates Retention Reserve to smooth operational shortfalls in the short term. This is currently expected to arise in 2026/27 in line with the current decommissioning date for Heysham 1 of March 2026. EDF Energy have indicated that there may be some scope to extend generation and are keeping this under review being unable to provide any certainty at this stage.

4.7 The local government finance settlement set out the tariff, baseline and safety net levels which drive the retained rates calculation and confirmed the final amount of the technical adjustment to the tariff relating to the 2023 revaluation. The modelling has been completed to reflect these and the impact of ongoing business rates monitoring.

4.8 Further work has been undertaken in respect of the forecast Section 31 grant compensation for future business rates under-indexation in future years, and in particular, that related to the years where it is anticipated that a safety net payment will be triggered. This has improved the position for future years, but Members are asked to note that this is not without its own complexity leaving some inevitable uncertainty which will remain subject to ongoing review as the date for the closure of Heysham 1 approaches.

4.9 In addition, following on from the Cabinet and Chief Executive decisions in December to allocate £0.728M and £0.912M respectively from unallocated reserves to support development of the local plan and demolition and clearance works at the A1 Supa skips site a transfer of £1.64M is also planned to top up the unallocated reserve to compensate for these expenditures.

4.10 The Council receives a ‘disregard’ for renewable energy hereditaments which means that 100% of the business rates for these properties is retained by the authority. It is estimated that in 2024/25, this will be worth £3.970M. Whilst it is evident that this 100% disregard will continue into 2024/25, there is a risk that the Government will discontinue this advantageous arrangement at some point in the future.

4.11 Council’s make provision against future levels of appeals made by businesses against their Rateable Value. The timing and value of appeals is a matter of judgement informed by available data. Following the 2023 revaluation there is a significant amount of uncertainty surrounding potential checks, challenges, and appeals. In addition, there is a disproportionate risk arising around the potential of any appeal or potential for outage at the Heysham Power Station. The uncertainties are managed by keeping the provision under review and retaining a buffer against risk in the business rates retention reserve. The appeals provision as at the end of 2024/25 is estimated at £10.957M with the City Council share being £4.383M.

4.12 The table64 below shows the income from the Business Rates Retention Scheme that will be recognised in the General Fund during 2023/24

Table 6: Income from the Business Rates Retention Scheme

	2024/25 £M
Retained Business Rates	9.197
Renewable Energy Disregard Income	3.970
City Share of Prior Year Surplus	0.621
Total Retained Business Rates	**13.788**

5.0 PROVISIONS, RESERVES & BALANCES

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

5.2 The minimum level should be set to enable the Council to meet the current and forecast financial pressures it faces in regard to the ongoing cost of living crisis, uncertainty in the energy markets, together with other factors including general and pay inflation as well as the implications of Fit for the Future on the structural deficit as referenced for several years. It is against this back drop the 2024/25 assessments are made.

Provisions

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

Reserves & Balances

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

Annual Assessment of Reserves Levels

5.5 The Section 151 Officer's annual review of the adequacy of reserve balances is a statutory requirement. Although usable revenue reserve levels have increased in the last two years, the Council still faces significant inescapable financial pressures. Continuing uncertainties in respect of Local Government Funding levels, pay and general inflation and other factors creating the cost of living as well as the results of the Council's Fit for the Future process also remain. **Taking all of these risks into account, the Section 151 Officer's advice is that the minimum level of balances held in the General Fund should remain at £5M.**

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

- The General Fund Balance at 31/03/23 was £11.678M, Quarter 3 revenue budget monitoring forecasts an overspend of £0.611M in 2023/24. With preliminary indications from Quarter 3 monitoring suggesting an increase in the overspent position to £0.677M and drawing on unallocated reserves of c£3M.

- Although the Council is embarking on the second phase of its Outcomes Based Resourcing programme, Fit for the Future and identified savings to deliver the 2024/25 budget, the Council's current Medium Term Financial Strategy (MTFS) suggests a structural budget gap in 2025/26 onwards of approximately £1.435M raising to £4.567M. If this is not closed, then balances will be required to make up the difference.

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

5.7 In calculating the minimum level of General Fund balance, an assessment of the risks that give rise to unanticipated expenditure or loss of income has been made and these are shown in Table 5 below.

Table 7: Risk Assessment

Risk	**Symptom of Risk**	**Balance Required £M**
Increased demand for services	3% increase in net revenue expenditure	0.750
Recession results in additional uncompensated reduction in fees and charges income than budget	5% reduction in major fees and charges income	0.950
Recession results in additional reduction in Council Tax collection rates than budget	5% reduction in collection rate	0.500
Budget savings not achieved	50% under achievement	0.150
Natural disaster such as flood etc	Additional unexpected expenditure	0.500
Additional uncertainty with respect to Cost of Living	Additional unexpected expenditure	2.000
Aggregate overspend if all of the above risks were to happen		**4.850**

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

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

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

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

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

5.12 The estimated levels of General Fund Unallocated and combined Earmarked reserves balances are shown in ***Appendix C*** with the impact of the inclusion of forecast overspends summarised in tables 8 and 9 below.

Table 8: Estimated Level of General Fund Unallocated Reserves

	2023/24 £M	**2024/25 £M**	**2025/26 £M**	**2026/27 £M**	**2027/28 £M**	**2028/29 £M**
Balance brought forward	(11.678)	(8.620)	(8.412)	(7.699)	(3.752)	0.078
Forecast Overspend	0.677	0	1.435	3.947	3.830	4.567
Contributions (to)/from	2.381	0.458	(0.722)	0	0	0
Impact of 2023/24 budget decisions	0	(0.250)	0	0	0	0
Balance carried forward	**(8.620)**	**(8.412)**	**(7.699)**	**(3.752)**	**0.078**	**4.645**

Table 9: Estimated Combined Level of Reserves

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
All Reserves excl Ring Fenced	(22.308)	(19.085)	(20.005)	(19.836)	(15.785)	(11.950)
Contributions from/(to) Reserves	2.546	(0.670)	(1.266)	0.104	0.005	(0.495)
Estimated Additional Call on Reserves	0.677	0	0	0	0	0
Forecast Deficit Funded From Reserves	0.000	(0.250)	1.435	3.947	3.830	4.567
Balance carried forward	**(19.085)**	**(20.005)**	**(19.836)**	**(15.785)**	**(11.950)**	**(7.878)**

5.13 These tables clearly highlight the significant pressure the Councils reserves are under should funding of the forecast level of overspend in future year is not addressed.

Governance Arrangements on the Use of Reserves

5.14 Given the continuing financial pressures and the need for the prudent use of reserves the following arrangements exist for the approval of reserves expenditure:

- All applications will need to be supported by a bid document setting out how expenditure funded from Reserves will deliver corporate priorities with a clear costing statement schedule of specific outcome measures. Details of the bid proforma document is attached at appendix A
- Reserve bids should be agreed by Portfolio Holder in consultation with relevant Chief Officer.
- Once received bids will need to be formally agreed by the Leader of the Council, Chief Executive, Portfolio Holder for Finance and Resources, Monitoring Officer and the s151 Officer before expenditure is authorised and can be incurred.

5.15 These arrangements will be reviewed again as part of the annual revenue budget process.

6.0 DETAILS OF CONSULTATION

6.1 Cabinet's initial budget proposals were presented for scrutiny to Budget and Performance Panel at it meeting 18 January 2024, to Council 25th January and subject to public consultation 31st January 2024.

6.2 At the Budget and Performance Panel meeting 18 January, many questions were raised and answered, and in addition the following feedback points were noted in the draft minutes.

- Green waste subsidy – Cabinet to re-consider the subsidy being provided for the service. This will encourage households to compost their garden waste.
- Salt Ayre Leisure Centre – Cabinet to consider benchmarking with other similar facilities to see what is achievable and ways to achieve excellence at reasonable cost.
- Council Tax information – Cabinet to consider ensuring that, for the meeting with the public, details of the Council Tax % increase and share for each organisation is provided. To show the excellent value provided by the City Council.
- Savings already identified – ask Cabinet to consider bringing forward savings already identified, in line with the rules Cabinet has set itself, if possible.

6.3 The feedback was considered by Cabinet 6 February 2024 with the following recorded withing the minutes.

With regard to the green waste subsidy, it was noted that the costs of this were difficult to determine and removing the subsidy would likely impact on the number of subscribers. Work continues to take place at Salt Ayre to ensure value for money can be evidenced along with its contribution to Council priorities. This includes benchmarking, performance management and consideration of best practice.

7.0 OPTIONS & OPTIONS ANALYSIS

Revenue Budget

7.1 Council may adjust its revenue budget proposals, so long as the overall budget for 2024/25 balances and fits with the proposed Council Tax level.

7.2 Other Budget Framework Matters (Reserves and Provisions)

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

7.3 Section 151 Officer's Comments and Advice

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

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

8.0 OFFICER PREFERRED OPTION (AND COMMENTS)

Revenue Budget 2024/25 and Reserves Position

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

9.0 CONCLUSION

9.1 This report addresses the actions required to complete the budget setting process for 2024/25, and for updating the Council's associated financial strategy.

RELATIONSHIP TO POLICY FRAMEWORK
The budget framework in general sets out a financial plan for achieving the Council's corporate priorities and outcomes which incorporate the above cross cutting themes. Equalities impact assessments are undertaken for the relevant activities which are reflected in the budget.

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability etc)
The proposed budget incorporates measures to address the climate emergency and digital improvements as well as activities to address wellbeing, health, and community safety.

FINANCIAL IMPLICATIONS
As set out in the report

SECTION 151 OFFICER'S COMMENTS

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

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

Provisions, Reserves and Balances
Specific earmarked reserves and provisions are satisfactory at the levels currently proposed.
Unallocated balances of £5M for General Fund are reasonable levels to safeguard the Councils overall financial position, given other measures and safeguards proposed. This level assessment is consistent with that noted by Council 22 February 2023 and represents an increase of £1.5M from 2022/23. It reflects the uncertainty around the current economic climate and sensitivity of some of the underlying savings and income levels within the budget.

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

- producing a base budget, taking account of service commitments, pay and price increases and expected demand/ activity levels as appropriate, and the consideration of key assumptions and risks such as levels of future Government funding for the pandemic and other areas.
- reviewing the Council's services and activities, making provision for expected changes.
- reviewing the Council's MTFS, together with other corporate monitoring information produced during the year.
- undertaking a review of the Council's borrowing needs to support capital investment, in line with the Prudential Code.

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

Affordability of Spending Plans

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

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

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

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

In considering and balancing these factors, the capital proposals to date are based on levels of "prudential borrowing" or CFR over the period to 2028/29. The bulk of this relates to schemes to support delivery of the Council's key Strategic Priorities and Outcomes such as Climate Emergency, Economic Prosperity and Regeneration and Housing as outlined in the Capital Programme.

Like all Councils, Lancaster City faces increased financial pressures and uncertainty because of the impact of the ongoing cost of living crisis and the effect it has on significant areas of expenditure such as energy costs as well as general and pay inflation. The Council has a level of reserves and benefits from the significant green energy disregard, both of which offers a degree of protection from volatilities.

Current spending plans are sustainable in the short term through the prudent allocation of funding from reserves. However, the current Medium Term Financial Strategy suggests a structural budget gap in 2025/26 onwards of approximately £1.435M raising to £4.567M. This is size of deficit is not sustainable and if not addressed by significant interventions and balances used, they will be quickly depleted. It is therefore of the utmost importance that Members and Officers work together and continue to support the Outcomes Based Resourcing/ Fit for the Future programme as it must remain a core priority for the Council as it will be expected to deliver significant inroads into the deficit.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments.

BACKGROUND PAPERS Appendix A General Fund Revenue Budget 2024-25 Appendix B Service Summary	**Contact Officer:** Paul Thompson **Telephone: 01524 582603** **E-mail:** pthompson@lancaster.gov.uk

Appendix B1 Exempt Appendix B2 Exempt Appendix C Reserves Summary Appendix D Budget Transfers Virements Carry Forwards **Cabinet Papers** Agenda for Cabinet on Tuesday, 6th February 2024, 6.00 p.m. - Lancaster City Council Agenda for Cabinet on Tuesday, 16th January 2024, 6.00 p.m. - Lancaster City Council Agenda for Cabinet on Tuesday, 5th December 2023, 6.00 p.m. - Lancaster City Council **Budget & Performance Papers** Agenda for Budget and Performance Panel on Wednesday, 31st January 2024, 6.00 p.m. - Lancaster City Council Agenda for Budget and Performance Panel on Thursday, 18th January 2024, 6.00 p.m. - Lancaster City Council Agenda for Budget and Performance Panel on Thursday, 7th December 2023, 6.10 p.m. - Lancaster City Council	**Ref:** N/A

General Fund Revenue Budget Projections 2024/25 to 2028/29

For Consideration by Cabinet 20 February 2024

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
GF Revenue Budget/Forecast as at 22 February 2023	**23,407**	**25,253**	**27,342**	**27,690**	**0**
GF Revenue Budget/Forecast as at 5 December 2023	**24,078**	**26,469**	**29,284**	**29,872**	**31,020**
Base Budget Changes					
Further Operational Changes	191	3	9	13	18
Final Finance Settlement	(401)	(311)	(311)	(311)	(311)
Revised Energy Estimates (electric 29p -> 28p, gas 8p -> 5p)	(134)	(134)	(134)	(134)	(134)
Burrow Beck Income	0	500	0	0	0
City Museum Shop Income	0	(11)	(14)	(16)	(19)
Commercial Property Income Reduction	150	150	150	150	150
Local Plan	423	98	0	0	0
Contributions to/(from) Reserves	1,914	1,168	(600)	(500)	??
Latest Budgetary Position	**26,221**	**27,932**	**28,384**	**29,074**	**30,724**
Outcomes Based Resourcing Proposals:					
Savings/ Income Generation Proposals					
Council Wide (Fees & Charges)	(838)	(855)	(872)	(889)	(907)
Communities & Leisure	(113)	(160)	(163)	(166)	(169)
Environment & Place	(77)	(78)	(79)	(80)	(81)
Housing & Property	(15)	(115)	(117)	(119)	(121)
Planning & Climate Change	(110)	(112)	(114)	(116)	(118)
Resources	(30)	(31)	(32)	(33)	(34)
Sustainable Growth	(50)	(51)	(52)	(53)	(54)
Growth Proposals					
Environment & Place	75	0	0	0	0
People & Policy	12	12	12	12	12
Planning & Climate Change	38	39	40	41	42
Total OBR Proposals	**(1,108)**	**(1,351)**	**(1,377)**	**(1,403)**	**(1,430)**
Revenue Impact of Capital Programme Review (MRP & Interest)	(105)	(574)	228	228	96
General Fund Revenue Budget	**25,008**	**26,007**	**27,235**	**27,899**	**29,390**
Core Funding:					
Revenue Support Grant	(433)				
Prior Year Council Tax (Surplus)/Deficit	141				
Prior Year Business Rates (Surplus)/Deficit	(621)				
Net Business Rates Income	(13,167)	(13,205)	(11,464)	(11,769)	(12,029)
Council Tax Requirement	**10,928**	**12,802**	**15,771**	**16,130**	**17,361**
Estimated Council Tax Income - **(Increases based on 2.99% for 2024/25 then max allowable)**	**10,928**	**11,367**	**11,824**	**12,300**	**12,794**
Resulting Base Budget (Surplus)/Deficit	**0**	**1,435**	**3,947**	**3,830**	**4,567**
Incremental Deficit as Percentage of Net Revenue Budget	**0%**	**6%**	**14%**	**14%**	**16%**

BALANCES

General Fund Unallocated Balance					
	£M	***£M***	***£M***	***£M***	***£M***
Balance as at 1 April 2024-28	**(8.620)**	**(8.412)**	**(7.699)**	**(3.752)**	**+0.078**
In Year allocations	**+0.000**	**+0.000**	**+0.000**	**+0.000**	**+0.000**
Forecast (Under)/Overspend	+0.000	+1.435	+3.947	+3.830	+4.567
Other Adjustments	+0.208	(0.722)	+0.000	+0.000	+0.000
Projected Balance as at 31 March 2025-29	**(8.412)**	**(7.699)**	**(3.752)**	**+0.078**	**+4.645**
Reserves	**(8.412)**	**(7.699)**	**(3.752)**	**+0.078**	**+4.645**
Less Recomended Minimum Level of Balances	**5.000**	**5.000**	**5.000**	**5.000**	**5.000**
Available Balances	**(3.412)**	**(2.699)**	**+1.248**	**+5.078**	**+9.645**

APPENDIX B

Savings and Budget Proposals 2023/24 to 2028/29

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
SAVINGS PROPOSALS					
Council Wide (Fees & Charges)	(838)	(855)	(872)	(889)	(907)
Communities & Leisure	(113)	(160)	(163)	(166)	(169)
Environment & Place	(77)	(78)	(79)	(80)	(81)
Housing & Property	(15)	(115)	(117)	(119)	(121)
Planning & Climate Change	(110)	(112)	(114)	(116)	(118)
Resources	(30)	(31)	(32)	(33)	(34)
Sustainable Growth	(50)	(51)	(52)	(53)	(54)
Total Savings	**(1,233)**	**(1,402)**	**(1,429)**	**(1,456)**	**(1,484)**
GROWTH ITEMS					
Environment & Place	75	0	0	0	0
People & Policy	12	12	12	12	12
Planning & Climate Change	38	39	40	41	42
Total Growth	**125**	**51**	**52**	**53**	**54**
Net Savings	**(1,108)**	**(1,351)**	**(1,377)**	**(1,403)**	**(1,430)**

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Reserves Statement (Including Unallocated Balances)

	31 March 2023	From Revenue	To / (From) Capital	To Revenue	31 March 2024	From Revenue	To / (From) Capital	To Revenue	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026	From Revenue	To / (From) Capital	To Revenue	31 March 2027	From Revenue	To / (From) Capital	To Revenue	31 March 2028
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	**(11,678,400)**			3,058,000	**(8,620,400)**	(1,070,000)		1,277,500	**(8,412,900)**	(820,000)		97,500	**(9,135,400)**				**(9,135,400)**				**(9,135,400)**
Earmarked Reserves:																					
Corporate Priorities	**(421,200)**			402,900	**(18,300)**			82,700	**64,400**			82,700	**147,100**				**147,100**				**147,100**
Capital Support	**(73,000)**				**(73,000)**				**(73,000)**				**(73,000)**				**(73,000)**				**(73,000)**
Corporate Property	**(313,500)**				**(313,500)**				**(313,500)**				**(313,500)**				**(313,500)**				**(313,500)**
Covid 19 Support Reserve	**(9,700)**				**(9,700)**				**(9,700)**				**(9,700)**				**(9,700)**				**(9,700)**
Investment Property Maint	**(34,900)**				**(34,900)**				**(34,900)**				**(34,900)**				**(34,900)**				**(34,900)**
Invest to Save	**(301,700)**			228,200	**(73,500)**				**(73,500)**				**(73,500)**				**(73,500)**				**(73,500)**
Museums Acquisitions	**(36,300)**	(4,500)			**(40,800)**	(4,500)			**(45,300)**	(4,500)			**(49,800)**	(4,500)			**(54,300)**	(4,500)			**(58,800)**
Planning Fee Income	**(30,400)**				**(30,400)**				**(30,400)**				**(30,400)**				**(30,400)**				**(30,400)**
Restructure	**(520,900)**			121,000	**(399,900)**				**(399,900)**				**(399,900)**				**(399,900)**				**(399,900)**
To Support Revenue & Capital Expenditure	**(1,741,600)**	**(4,500)**		**752,100**	**(994,000)**	**(4,500)**		**82,700**	**(915,800)**	**(4,500)**		**82,700**	**(837,600)**	**(4,500)**			**(842,100)**	**(4,500)**			**(846,600)**
Renewals Reserves	**(1,061,900)**	(491,800)	131,000		**(1,422,700)**	(491,800)	38,000		**(1,876,500)**	(491,800)			**(2,368,300)**	(491,800)			**(2,860,100)**	(491,800)			**(3,351,900)**
General Renewals	**(775,500)**	(295,800)	7,000		**(1,064,300)**	(295,800)			**(1,360,100)**	(295,800)			**(1,655,900)**	(295,800)			**(1,951,700)**	(295,800)			**(2,247,500)**
Salt Ayre Leisure Centre	**(29,700)**	(150,000)	124,000		**(55,700)**	(150,000)	38,000		**(167,700)**	(150,000)			**(317,700)**	(150,000)			**(467,700)**	(150,000)			**(617,700)**
Williamson Park	**(29,000)**	(18,000)			**(47,000)**	(18,000)			**(65,000)**	(18,000)			**(83,000)**	(18,000)			**(101,000)**	(18,000)			**(119,000)**
Car Parks	**(123,200)**	(12,000)			**(135,200)**	(12,000)			**(147,200)**	(12,000)			**(159,200)**	(12,000)			**(171,200)**	(12,000)			**(183,200)**
Happy Mount Park	**(35,900)**	(14,000)			**(49,900)**	(14,000)			**(63,900)**	(14,000)			**(77,900)**	(14,000)			**(91,900)**	(14,000)			**(105,900)**
Arnside & Silverdale AONB	**(68,600)**	(2,000)			**(70,600)**	(2,000)			**(72,600)**	(2,000)			**(74,600)**	(2,000)			**(76,600)**	(2,000)			**(78,600)**
Elections	**(115,400)**	(45,000)		170,000	**9,600**	(45,000)			**(35,400)**	(45,000)			**(80,400)**	(45,000)			**(125,400)**	(45,000)		180,000	**9,600**
Homelessness Support	**(110,800)**				**(110,800)**				**(110,800)**				**(110,800)**				**(110,800)**				**(110,800)**
Lancaster District Hardship Fund	**(240,500)**			240,000	**(500)**				**(500)**				**(500)**				**(500)**				**(500)**
Business Rates Retention	**(7,471,700)**	(1,854,700)		1,632,400	**(7,694,000)**	(751,000)			**(8,445,000)**	(129,900)			**(8,574,900)**			600,000	**(7,974,900)**			500,000	**(7,474,900)**
Revenue Grants Unapplied	**(642,400)**			483,700	**(158,700)**			73,400	**(85,300)**			3,600	**(81,700)**				**(81,700)**				**(81,700)**
S106 Commuted Sums - Open Spaces																					
S106 Commuted Sums - Affordable Housing	**(218,800)**		63,000		**(155,800)**				**(155,800)**				**(155,800)**				**(155,800)**				**(155,800)**
S106 Commuted Sums - Highways, Cycle Paths etc.	**(1,047,600)**	(456,000)		105,000	**(1,398,600)**	(200,000)			**(1,598,600)**	(200,000)			**(1,798,600)**	(200,000)			**(1,998,600)**	(200,000)			**(2,198,600)**
Welfare Reforms	**(324,900)**				**(324,900)**				**(324,900)**				**(324,900)**				**(324,900)**				**(324,900)**
Amenity Improvements	**(29,000)**				**(29,000)**				**(29,000)**				**(29,000)**				**(29,000)**				**(29,000)**
Reserves Held in Perpetuity:																					
Graves Maintenance	**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**
Marsh Capital	**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**
Total ring-fenced/held against risk	**(11,332,900)**	**(2,847,500)**	**194,000**	**2,631,100**	**(11,355,300)**	**(1,487,800)**	**38,000**	**73,400**	**(12,731,700)**	**(866,700)**		**3,600**	**(13,594,800)**	**(736,800)**		**600,000**	**(13,731,600)**	**(736,800)**		**680,000**	**(13,788,400)**
Total Earmarked Reserves	**(13,074,500)**	**(2,852,000)**	**194,000**	**3,383,200**	**(12,349,300)**	**(1,492,300)**	**38,000**	**156,100**	**(13,647,500)**	**(871,200)**		**86,300**	**(14,432,400)**	**(741,300)**		**600,000**	**(14,573,700)**	**(741,300)**		**680,000**	**(14,635,000)**
Total Combined Reserves	**(24,752,900)**				**(20,969,700)**				**(22,060,400)**				**(23,567,800)**				**(23,709,100)**				**(23,770,400)**

APPENDIX D

Budget Transfers (Virements, Carry Forwards & Reserves) 2024/25 Limits

Cabinet 20 February 2024

1 **Purpose and Scope**

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

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

2 **Virements**

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

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

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

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

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

Delegated limit	**2024/25**
Total virement on any **expenditure** heading in any one financial year must not exceed:	£10,000
Total virement on any **income** heading in any one financial year must not exceed:	£10,000

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

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

3 Treatment of Year-end Balances

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

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

Overspends

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

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

Underspends

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

- the carry forward amount being used for the same purpose as budgeted; and

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

4.0 Governance Arrangements on the Use of Reserves

4.1 Given the continuing financial pressures and the need for the prudent use of reserves the following arrangements exist for the approval of reserves expenditure:

- All applications will need to be supported by a bid document setting out how expenditure funded from Reserves will deliver corporate priorities with a clear costing statement schedule of specific outcome measures. Details of the bid proforma document is attached at appendix A

- Reserve bids should be agreed by Portfolio Holder in consultation with relevant Director.

- Once received bids will need to be formally agreed by the Leader of the Council, Chief Executive, Portfolio Holder for Finance and Resources, Monitoring Officer and the s151 Officer before expenditure is authorised and can be incurred.

4.2 These arrangements will be reviewed again as part of the annual revenue budget process

Reserves Expenditure Monitoring

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

APPENDIX D

Schedule of Earmarked Reserves

Reserve	**Purpose of the Reserve**
Business Rates Retention	To support the budget in the event that Business Rates Income does not reach budgeted levels or falls to Safety Net, due to fluctuations in appeals or other reductions in net income, and to hold any unbudgeted (surplus) rating income prior to use.
Planning Income	To hold surplus income generated as a result of the Government's 20% increase in planning fee income. To be used to fund additional costs/growth relating to Planning functions (in line with any regulatory guidance).
Capital Support	To provide cover for any revenue costs arising through shortfalls in capital financing (i.e. from capital receipts).
Elections	To even out the cost of holding City Council elections every four years.
Renewals	To provide for the renewal (replacement or upgrade) of existing facilities and infrastructure needed for service delivery, such as vehicles, plant, and equipment.
Amenity Improvements	To provide public realm amenity improvements.
Corporate Priorities	To provide resources to help finance capacity / feasibility / review and other development work in support of the Council's corporate priorities as adopted by Council in December 2023.
Corporate Property	To provide for feasibility studies, surveys and repair works to municipal buildings and facilities (in particular, for those that cannot be capitalised as part of the current works programme or are not otherwise budgeted for). In addition, to provide cover for any in-year rental shortfalls.
Invest to Save	To help finance any Invest to Save initiatives.
Investment Property Maintenance	A sinking fund to provide funds for future investment property maintenance
Restructure	To fund the costs associated with early termination of staff (in the interests of efficiency / redundancy) / Pay and Grading Review.
Revenue Grants Unapplied	Grants, usually for Government, which are provided for an expressed purpose.
Lancaster District Hardship Fund	To provide short term financial assistance for those in hardship and also address some of the reasons why people find themselves in acute financial hardship and provide discretionary support to prevent this.
S106 Commuted Sums	Three separate reserves to receive all sums paid to the Council from third parties for the maintenance of (1) open spaces adopted by the City Council (2) affordable housing schemes (3) other amenities such as cycle paths.
Museums Acquisitions	To acquire exhibition pieces for the City's museums.
Held in Perpetuity	Two small reserves that have a specific purpose which are administered by the Council. These are Graves Maintenance and Marsh Capital

APPENDIX D

Reserves Bid Document

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

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

Action Plan

What	**Who**	**When**

Outcomes and Impacts arising from Project

Measure	**Baseline**	**Target**

Has Social Value matrix been completed (attach to bid form)? YES / NO

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

APPENDIX D

Project Officer Sign Off:

Director Sign Off:
Section 151 Officer Sign Off:

Portfolio Holder Sign Off:
Finance Portfolio Sign Off:

Cabinet Minute (if app):

CABINET

Capital Programme 2023/24 – 2032/33
&
Capital Strategy (Investing in the Future)
20 February 2024

Report of Chief Finance Officer

PURPOSE OF REPORT					
To present Cabinet's final budget proposals in order that the Council can approve a General Fund Capital Programme for 2023/24 to 2032/33 and a Capital Strategy 2024/25 as required by regulation.					
Key Decision	**X**	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision				8^h December 2023	

RECOMMENDATION OF COUNCILLOR HAMILTON-COX

1. That Cabinet recommends the following for approval to Budget Council:
- **the updated Capital Programme covering financial years 2023/24 to 2032/33**
- **the Capital Strategy (Investing in the Future) 2024/25**

2. Delegated authority be given to the Portfolio Holder for Finance & Resources to amend change in the prudential indicators should Cabinet or Full Council make any revisions to the Capital Programme

1.0 INTRODUCTION

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

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

2.0 CAPITAL PROGRAMME

2.1 The proposed net investment programme for General Fund for the period to 2032/33 is included at ***Appendix A*** and summarised in the table below.

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Approved Schemes	6.209	6.470	9.266	1.916	1.757	2.481
Schemes Under Development	0	0.200	4.000	0	0	0
Total	**6.209**	**6.697**	**13.266**	**1.916**	**1.757**	**2.481**

		2029/30	2030/31	2031/32	2032/33 £M	Grand Total
Approved Schemes		5.866	0.481	0.329	0.207	**35.009**
Schemes Under Development		0	0	0	0	**4.200**
Total		**5.866**	**0.481**	**0.329**	**0.207**	**39.209**

2.2 The current year's net revised programme (2023/24) now stands at £6.209M. During the next 10 years, a further gross investment of £68.955M is currently planned with external funding of £29.746M anticipated to support this investment, giving a total net programme from 2023/24 to 2032/33 of £39.209M.

2.3 Schemes classified as Under Development have had strategic outline business cases approved in principle by the Cabinet but **cannot** commence until full business cases have been considered and approved, first by the Capital Assurance Group (CAG), and then by Cabinet. In addition, depending certain factors such as the complexity of the project, the level of investment required (c£1.5M) etc the full business cases will be subject to independent third-party review, with the results forming part of the CAG and Cabinet submission.

2.4 Two of the schemes that are classified as Under Development are fully funded by external grant. The third scheme, Burrow Beck Solar will require significant capital expenditure and borrowing but the business case will have to show that income arising from the capital investment can cover all borrowing costs and deliver a positive return to the Council's revenue budget.

2.5 Overall the programme is balanced, allowing for a gross increase in the underlying need to borrow (known as the Capital Financing Requirement or CFR), over the five-year period to 2028/29. The Council makes a revenue provision for the repayment of borrowing known as Minimum Revenue Provision (MRP) which reduces the CFR.

2.6 In setting the capital programme the Council must have regard to affordability and the Treasury Management Strategy sets out through a series of prudential indicators the impact of the Council's Capital Programme on its borrowing to ensure that all borrowing is affordable, prudent, and sustainable.

3.0 CAPITAL STRATEGY

3.1 The Council is required to adopt a Capital Strategy, and this is included as ***Appendix B***. It is an overarching document which sets the policy framework for the development, management, and monitoring of capital investment. It incorporates the Capital Programme, Asset Management Plan and Treasury Management Strategy.

3.2 The strategy also sets out the proposed approach to risk management as well as the monitoring and evaluation of capital projects. Capital investment decisions will reflect the priorities included within the Council Plan: Strategic Priorities and supporting strategies.

- Schemes to be added to the Capital Programme will be subject to a gateway process following completion of a capital bid which will be scored against criteria set to measure strategic, economic, financial, commercial and management criteria in accordance with the Treasury's 5 case model. These will be reviewed by the Capital Assurance Group comprising key Officers alongside the Finance Portfolio Holder and Chairs of Budget and Performance Panel and Overview and Scrutiny Committee.

- Revisions to the Capital Programme will be restricted to October/ November committee cycle to align with the Treasury Management Mid-Year reporting schedule and prevent unnecessary or duplication of work.

- The Capital Assurance Group (CAG) will also oversee capital financing in order to ascertain that all capital expenditure is affordable, prudent, and sustainable as set out in the Treasury Management Strategy. CAG's terms of reference are provided at ***Appendix C***

3.3 The Council recognises that it will play a pivotal role in key projects which will enable the district to thrive and grow. Further development of the Capital Programme may be needed over the next few years in order to properly encapsulate major economic development projects.

4.0 DETAILS OF CONSULTATION

4.1 Consultation has been undertaken with the Council's external Treasury Management Advisors, Link Group and in line with the Council's constitution Budget & Performance Panel considered the strategy at its meeting 14 February 2024. No comments or observations were made requiring reconsideration by Cabinet.

5.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

5.1 Cabinet may put forward alternative proposals or amendments to the proposed Strategy ahead of consideration by Full Council. For capital, Council may adjust its capital investment and financing proposals taking account of spending commitments and priorities, but its proposals for 2024/25 must balance.

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

6.0 OFFICER PREFERRED OPTION (AND COMMENTS)

6.1 To consider the Capital Programme and Strategy as attached allowing for any amendments being made under delegated authority prior to referral to Council.

7.0 CONCLUSION

7.1 This report addresses the actions required to complete the budget setting process for its Capital Programme and Capital Strategy.

7.2 If Cabinet, or Budget Council changes its Capital Programme from that which is proposed in this report then this would require a change in the prudential indicators which are part of the Treasury Management Strategy.

RELATIONSHIP TO POLICY FRAMEWORK

The Council's revenue and capital budgets should represent, in financial terms what the Council is seeking to achieve through its Policy Framework.

The proposed capital programme and supporting strategy is part of the Council's budget and policy framework, and fits into the Medium-Term Financial Strategy

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability etc)
The proposed budget incorporates measures to address the climate emergency and digital improvements as well as activities to address wellbeing, health, and community safety.

FINANCIAL IMPLICATIONS
There are no financial implications arising directly from this report. However, the proposed levels and areas of capital investments will require borrowing and other associated costs. Financial due diligence and assessment will ensure that all the appropriate costs are considered for each proposal.

S151 OFFICER COMMENTS
The s151 Officer has authored this report and his comments are reflected within.

LEGAL IMPLICATIONS
The Council has the legal power to acquire, use and dispose of land principally under the Local Government Act 1972 and other Acts which give the Council powers to acquire land for a particular purpose. In accordance with section 120(1), Local Government Act 1972, the Council has the power to acquire any land where it is for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement, or development of its area.

If the Council decides to dispose of land, there is a legal requirement to obtain best value (with very limited exceptions).

Depending on the nature of the particular type of property concerned, there may be other statutory requirements or procedures to be undertaken before any acquisition, appropriation, or disposal of land.

MONITORING OFFICER'S COMMENTS
Capital and Investment Strategies form part of the Budget Framework and their adoption is a function of Full Council.

BACKGROUND PAPERS	**Contact Officer:** Paul Thompson
Appendix A Capital Programme 2023-24 to 2032-33 Appendix B Capital Strategy - Investing in the Future Appendix C: CAG Terms of Reference	**Telephone: 01524 582603** **E-mail:** pthompson@lancaster.gov.uk **Ref:** N/A

General Fund Capital Programme

Service / Scheme	2023/24			2024/25			2025/26			2026/27			2027/28			2028/29		
	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme
Communities & Leisure	£	£	£		£	£	£	£	£	£	£	£	£	£	£	£	£	£
Salt Ayre Asset Management Plan	259,000		259,000	976,000		976,000	291,000		291,000			0			0			0
Environment & Place																		
Vehicle Renewals (including electrification of fleet)	1,284,000		1,284,000	1,301,000		1,301,000	5,067,000		5,067,000	630,000		630,000	1,073,000		1,073,000	1,761,000		1,761,000
Electric Taxis Scheme			0	341,000	(341,000)	0			0			0			0			0
Happy Mount Park Pathway Replacements	8,000		8,000			0			0			0			0			0
UK Shared Prosperity Fund - The Streets Are Ours Public Realm	100,000	(100,000)	0			0			0			0			0			0
UK Shared Prosperity Fund - Heysham Village Toilets			0	99,000	(99,000)	0			0			0			0			0
Housing & Property																		0
Mellishaw Park	1,900,000	(960,000)	940,000			0			0			0			0			0
Disabled Facilities Grants	2,099,000	(2,099,000)	0	3,382,000	(3,382,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0
Next Steps Accommodation Programme	23,000		23,000			0			0			0			0			0
Home Improvement Agency Vehicles			0	127,000		127,000			0			0			0			0
1 Lodge Street Urgent Structural Repairs	422,000		422,000			0			0			0			0			0
Gateway Low Voltage Switchgear	102,000		102,000			0			0			0			0			0
Gateway Solar Array			0	984,000		984,000			0			0			0			0
Lancaster City Museum Boiler	10,000		10,000			0			0			0			0			0
UK Shared Prosperity Fund Lancs CVS Community Warm Hubs	26,000	(26,000)	0	37,000	(37,000)	0			0			0			0			0
Property - Capital Works			0	355,000		355,000	419,000		419,000	814,000		814,000	287,000		287,000	539,000		539,000
Commercial Property - Capital Works			0	62,000		62,000	480,000		480,000	126,000		126,000	41,000		41,000			0
White Lund Depot - Offices	838,000		838,000	996,000		996,000			0			0			0			0
People & Policy																		
UK Shared Prosperity Fund External Projects	269,000	(269,000)	0	598,000	(598,000)	0			0			0			0			0
Rural England Prosperity Fund External Projects	125,000	(125,000)	0	375,000	(375,000)	0			0			0			0			0
UK Shared Prosperity Fund Digital Tourism Transformation	50,000	(50,000)	0	22,000	(22,000)	0			0			0			0			0
Planning & Climate Change																		
Property De-carbonisation Works			0	500,000	(260,000)	240,000	4,625,000	(2,432,000)	2,193,000			0			0			0
SALC -optimised solar farm, air source heating pumps & glazing	17,000	(17,000)	0			0			0			0			0			0
Resources																		
ICT Systems, Infrastructure & Equipment	221,000		221,000	286,000		286,000	286,000		286,000	316,000		316,000	326,000		326,000	181,000		181,000
ICT Laptop Replacement & e-campus screens	124,000		124,000			0			0			0			0			0
ICT Nimble			0	300,000		300,000			0			0			0			0
Local Full Fibre Network	1,041,000		1,041,000	755,000		755,000			0			0			0			0
Sustainable Growth																		
Lancaster Heritage Action Zone	1,148,000	(289,000)	859,000			0			0			0			0			0
Lancaster Heritage Action Zone - St John's Church			0			0	500,000		500,000			0			0			0
Caton Road Flood Relief Scheme	100,000	(100,000)	0	1,569,000	(1,569,000)	0			0			0			0			0
Centenary House Grant Funded Works			0	749,000	(749,000)	0			0			0			0			0
Lawsons Bridge S106 Scheme	63,000		63,000			0			0			0			0			0
Lancaster Square Routes			0	21,000	(16,000)	5,000			0			0			0			0
Engineers Electric Vehicle	15,000		15,000			0			0			0			0			0
Coastal Revival Fund - Morecambe Co-Op Building	11,000	(11,000)	0			0			0			0			0			0
City Museum Shop			0	30,000		30,000			0			0			0			0
Morecambe Sea Front Parapet Repair			0	30,000		30,000	30,000		30,000	30,000		30,000	30,000		30,000			0
Bare Outfall Flooding			0	50,000		50,000			0			0			0			0
UK Shared Prosperity Fund Maritime Museum Access Improvements	13,000	(13,000)	0			0			0			0			0			0
UK Shared Prosperity Fund Lodge St Environs Enabling Works	72,000	(72,000)	0			0			0			0			0			0
UK Shared Prosperity Fund Museums Accessible Engagement			0	34,000	(34,000)	0			0			0			0			0
Schemes Under Development																		
Burrow Beck Solar			0	200,000		200,000	4,000,000		4,000,000			0			0			0
Canal Quarter - Nelson St/St Leonardsgate			0	2,769,000	(2,769,000)	0			0			0			0			0
Our Future Coast	283,000	(283,000)	0	62,000	(62,000)	0	63,000	(63,000)	0	85,000	(85,000)	0			0			0
GENERAL FUND CAPITAL PROGRAMME	10,623,000	(4,414,000)	6,209,000	17,010,000	(10,313,000)	6,697,000	18,092,000	(4,826,000)	13,266,000	4,332,000	(2,416,000)	1,916,000	4,088,000	(2,331,000)	1,757,000	4,812,000	(2,331,000)	2,481,000

Financing :																		
Capital Receipts			0			(127,000)			0			0			0			0
Direct Revenue Financing			0			0			0			0			0			0
Earmarked Reserves			(187,000)			(38,000)			0			0			0			0
Increase/(Reduction) in Capital Financing Requirement (CFR)			6,022,000			6,532,000			13,266,000			1,916,000			1,757,000			2,481,000

General Fund Capital Programme

Service / Scheme	2029/30 Gross Budget	2029/30 External Funding	2029/30 Net Programme	2030/31 Gross Budget	2030/31 External Funding	2030/31 Net Programme	2031/32 Gross Budget	2031/32 External Funding	2031/32 Net Programme	2032/33 Gross Budget	2032/33 External Funding	2032/33 Net Programme	10 YEAR TOTAL Total Gross Programme	10 YEAR TOTAL Total External Funding	10 YEAR TOTAL Total Net Programme
Communities & Leisure	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Salt Ayre Asset Management Plan			0			0			0			0	1,526,000	0	1,526,000
Environment & Place															
Vehicle Renewals (including electrification of fleet)	5,543,000		5,543,000			0			0			0	16,659,000	0	16,659,000
Electric Taxis Scheme			0			0			0			0	341,000	(341,000)	0
Happy Mount Park Pathway Replacements			0			0			0			0	8,000	0	8,000
UK Shared Prosperity Fund - The Streets Are Ours Public Realm			0			0			0			0	100,000	(100,000)	0
UK Shared Prosperity Fund - Heysham Village Toilets			0			0			0			0	99,000	(99,000)	0
Housing & Property			0			0			0			0			
Mellishaw Park			0			0			0			0	1,900,000	(960,000)	940,000
Disabled Facilities Grants	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	24,129,000	(24,129,000)	0
Next Steps Accommodation Programme			0			0			0			0	23,000	0	23,000
Home Improvement Agency Vehicles			0			0			0			0	127,000	0	127,000
1 Lodge Street Urgent Structural Repairs			0			0			0			0	422,000	0	422,000
Gateway Low Voltage Switchgear			0			0			0			0	102,000	0	102,000
Gateway Solar Array			0			0			0			0	984,000	0	984,000
Lancaster City Museum Boiler			0			0			0			0	10,000	0	10,000
UK Shared Prosperity Fund Lancs CVS Community Warm Hubs			0			0			0			0	63,000	(63,000)	0
Property - Capital Works	147,000		147,000			0			0	17,000		17,000	2,578,000	0	2,578,000
Commercial Property - Capital Works			0	14,000		14,000	1,000		1,000			0	724,000	0	724,000
White Lund Depot - Offices			0			0			0			0	1,834,000	0	1,834,000
People & Policy															
UK Shared Prosperity Fund External Projects			0			0			0			0	867,000	(867,000)	0
Rural England Prosperity Fund External Projects			0			0			0			0	500,000	(500,000)	0
UK Shared Prosperity Fund Digital Tourism Transformation			0			0			0			0	72,000	(72,000)	0
Planning & Climate Change															
Property De-carbonisation Works			0			0			0			0	5,125,000	(2,692,000)	2,433,000
SALC -optimised solar farm, air source heating pumps & glazing			0			0			0			0	17,000	(17,000)	0
Resources															
ICT Systems, Infrastructure & Equipment	176,000		176,000	467,000		467,000	328,000		328,000	190,000		190,000	2,777,000	0	2,777,000
ICT Laptop Replacement & e-campus screens			0			0			0			0	124,000	0	124,000
ICT Nimble			0			0			0			0	300,000	0	300,000
Local Full Fibre Network			0			0			0			0	1,796,000	0	1,796,000
Sustainable Growth															
Lancaster Heritage Action Zone			0			0			0			0	1,148,000	(289,000)	859,000
Lancaster Heritage Action Zone - St John's Church			0			0			0			0	500,000	0	500,000
Caton Road Flood Relief Scheme			0			0			0			0	1,669,000	(1,669,000)	0
Centenary House Grant Funded Works			0			0			0			0	749,000	(749,000)	0
Lawsons Bridge S106 Scheme			0			0			0			0	63,000	0	63,000
Lancaster Square Routes			0			0			0			0	21,000	(16,000)	5,000
Engineers Electric Vehicle			0			0			0			0	15,000	0	15,000
Coastal Revival Fund - Morecambe Co-Op Building			0			0			0			0	11,000	(11,000)	0
City Museum Shop			0			0			0			0	30,000	0	30,000
Morecambe Sea Front Parapet Repair			0			0			0			0	120,000	0	120,000
Bare Outfall Flooding			0			0			0			0	50,000	0	50,000
UK Shared Prosperity Fund Maritime Museum Access Improvements			0			0			0			0	13,000	(13,000)	0
UK Shared Prosperity Fund Lodge St Environs Enabling Works			0			0			0			0	72,000	(72,000)	0
UK Shared Prosperity Fund Museums Accessible Engagement			0			0			0			0	34,000	(34,000)	0
Schemes Under Development															
Burrow Beck Solar			0			0			0			0	4,200,000	0	4,200,000
Canal Quarter - Nelson St/St Leonardsgate			0			0			0			0	2,769,000	(2,769,000)	0
Our Future Coast			0			0			0			0	493,000	(493,000)	0
GENERAL FUND CAPITAL PROGRAMME	8,197,000	(2,331,000)	5,866,000	2,812,000	(2,331,000)	481,000	2,660,000	(2,331,000)	329,000	2,538,000	(2,331,000)	207,000	75,164,000	(35,955,000)	39,209,000
Financing :															
Capital Receipts			0			0			0			0			(127,000)
Direct Revenue Financing			0			0			0			0			0
Earmarked Reserves			0			0			0			0			(225,000)
Increase/(Reduction) in Capital Financing Requirement (CFR)			5,866,000			481,000			329,000			207,000			38,857,000

APPENDIX B

Lancaster City Council

Investing in the Future: Our Capital Investment Strategy

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

To be reviewed and approved annually by Council

Contents

1. Introduction

1.1. Investing in the Future

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

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

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

This strategy for the period 2024-33 sets out a framework for how the Council wishes to invest in the future of the Lancaster district through ambitious, prudent use of capital funding, known as the Council's **'Capital Programme'**.

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

1.2. Sustainable, Strategic Investment

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

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

Principles	1: A Sustainable District	2: An Inclusive and Prosperous Local Economy	3: Happy and Healthy Communities	4: A Co-operative, Kind and Responsible Council
Themes	**Climate Emergency |** *taking action to meet the challenges of the climate emergency*	**Community Wealth-Building (*Morecambe Bay Model*) |** *building a sustainable and just local economy that benefits people and organisations*	**Increasing Wellbeing. Reducing Inequality |** *empowering and supporting healthy ways of living, and tackling the causes of inequality*	**Deliver Effective Services, Take Responsibility |** *bringing people together to achieve the best outcomes for our communities, in tandem with running efficient quality public services.*
Ambitions	**1.1 Carbon Zero** Achieving Net zero carbon by 2030 while supporting other individuals, businesses and organisations across the district to reach the same goal	**2.1 Social Use of Resources** Using our land, property, finance and procurement to benefit local communities and encouraging residents, businesses, organisations and anchor institutions to do the same	**3.1 Access to Quality Housing** Developing more housing, including affordable and council owned social housing, ensuring people of all incomes are comfortable, warm and able to maintain their independence	**4.1 Value for Money** Providing value for money and making good use of relevant data and analysis to ensure that we are financially resilient and sustainable
	1.2 Sustainable Energy Increasing the amount of sustainable energy produced in the district and decreasing the district's energy use	**2.2 Sustainable Innovation** Developing a sustainable industrial strategy to support new and existing enterprises, creating networks and promoting innovation	**3.2 Quality Public Spaces** Keeping our district's neighbourhoods, parks, beaches and open spaces clean, well-maintained, accessible and safe	**4.2 Partnership** Working in partnership with residents, local organisations, anchor institutions and partners recognising the skills in our community to build a powerful force working for and serving our district
	1.3 Climate Resilience Supporting our communities to grow more food, be resilient to flooding and adapt to the wider impacts of climate change	**2.3 Sustainable Skills** Supporting the development of new skills and improved prospects for our residents within and environmentally sustainable local economy	**3.3 Access to Culture and Leisure** Providing access to and involvement in arts, culture, leisure and recreation, supporting our thriving arts, culture and heritage sector	**4.3 Investing in Our Skills and Facilities** Having high standards for, and investing in our facilities, equipment, and people to enable us to deliver quality services and meet our wider ambitions
	1.4 Respecting Nature Increasing biodiversity, protect our district's unique ecology and ensure the habitat provided for wildlife is maintained and improved	**2.4 Investment and Regeneration** Securing investment and regeneration across our district	**3.4 Community Engagement** Ensuring local communities are active, engaged, involved and connected	**4.4 Listening and Empathy** Listening to our communities and treating everyone with equal respect, being friendly, honest and empathetic
	1.5 Reduced Waste Moving towards zero residual waste to landfill and incineration	**2.5 Inclusive Ownership** Promoting business ownership models that empower the local workforce, such as co-operatives, social enterprises and community ownership	**3.5 Reducing Inequality and promote wellbeing** Developing a healthy living strategy to support wellbeing. Tackling discrimination and reducing inequality, including food and energy poverty	**4.5 Innovative Public Services** Embracing innovative ways of working to improve service delivery and the operations of the council
	1.6 Low carbon and Active Transport Transitioning to an accessible and inclusive low-carbon and active transport system	**2.6 Fair Work** Advocating for fair employment and just labour markets that increase prosperity and reduce income inequality	**3.6 Early Intervention** Focusing on early-intervention approaches and involving our communities in service design and delivery	**4.6 Openness** Making responsible decisions which support our ambitions for the district whilst being open, accountable and rooted in evidence

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

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

1.3. Investment Models

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

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

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

1.4. Housing Provision and the Housing Revenue Account

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

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

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

1.5. Aims of the Strategy

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

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

2. The Strategy: Four Investment Streams

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

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

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

1) A Sustainable District

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

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

2) An Inclusive and Prosperous Local Economy

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

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

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

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

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

3) Healthy and Happy Communities

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

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

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

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

4) A Co-Operative, Kind and Responsible Council

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

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

Capital investment in property may also be considered where it complies with the Capital Investment Regulations and Guidance and meets the Council's priorities. – LATCos and other forms of special purpose vehicle may also be established to generate income that can be invested in delivering Council priorities to reduce reliance on Council expenditure and therefore support the Council's financial sustainability.

3. Capital Investments Regulation & Guidance

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

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

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

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

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

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

A LATCo can source capital borrowing to fund investment for a commercial return as part of its activities, Although, the rates of any borrowing incurred to fund these projects would ordinarily reflect the prevailing financial market conditions to address any associated internal and external risks so likely exceed those available directly to the Council. In addition, as a wholly owned company the Council would be liable for any debt entered into by such a company and the financial statements of a LATCo are required to be consolidated into the Council's annual statement of accounts. Any investments seeking a commercial return could be delivered via a LATCo and considered under the LATCo's independent governance and decision-making structure.

3.1. Revised CIPFA Treasury Management Code and Prudential Code

CIPFA published the revised codes on 20th December 2021. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement, and also related reports during the financial year, which are taken to Full Council for approval. The revised codes have the following implications:

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

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

Treasury Management

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

Service delivery

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

Commercial return

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

4. Delivering the Strategy

4.1. The Capital Investment Lifecycle

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

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

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

Stage 1: Inception

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

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

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

Stage 3: Full business case (FBC)

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

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

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

Stage 4: Implementation

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

Stage 5: Evaluation

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

4.2. Governance Arrangements

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

- Transparency
- Democratic Accountability
- Ethical Responsibility
- Strategic Alignment

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

Capital Assurance Group (CAG)

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

Capital Investments Appraisal Group (CIAG)

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

Assets Group

Aligned to the principles of the Council's Fit for the Future project, the Assets Group is a temporary Officer and Member group hosted by Cabinet Portfolio Holder Finance & Resources and chaired by the Chief Officer Property and Housing. The group consists of various Council officers and is tasked with reviewing the Council's entire asset base looking at a range of factors such as condition and associated costs of repair and maintenance, alternative use options including service delivery and commercial, as well as management issue such as rental income, debt levels, commercial market value. The group should report to CAG on its findings and any suggested courses of action.

Cabinet

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

Overview & Scrutiny (O&S)

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

Budget & Performance Panel (B&PP)

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

Council

Full Council is responsible for approving the Capital Investment Strategy as part of the annual Budget Framework, including any material changes. Revisions to the Capital Programme and any associated financing requirements that are outside of the budget and policy framework may be presented for approval throughout the year. However, there is the expectation that this would be of limited application and only reflect urgent situations and given the need to amend various prudential code indicators and be aligned to the Treasury Management Report October/ November committee cycle

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

4.3. Risk Management

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

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

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

The Council's asset portfolio will be risk managed through a regular, systematic asset challenge process which will review each asset's performance, investment requirements and ongoing viability within the portfolio. This process will be developed through a forthcoming Asset Management Strategy and managed through the Councils Fit for the Future Assets Group who will report into CAG.

4.4. Monitoring and Evaluation

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

The monitoring and evaluation process will include:

- **Delivering Our Priorities: Performance, Projects and Resources |** The capital programme will be regularly evaluated as part of overall performance monitoring which incorporates financial, project and performance measures. This information is reported quarterly to Cabinet and B&PP.
- **Capital Investment Strategy Monitoring |** As the strategy is key to delivering the Council's strategic goals, regular progress against the Council's Corporate Plan Priorities & Outcomes will take place to ensure resources are appropriately allocated.
- **LATCo Asset Monitoring |** Investments made by a LATCo for a commercial return will be considered by the LATCo's shareholder committee. The impact of the LATCo's financial return on the Council's financial position will be considered alongside other financial monitoring information.
- **Prudential Framework |** A half-yearly report on prudential indicators demonstrating the Capital Programme's ongoing prudence, affordability and sustainability will be considered by Council.

4.5. Capacity, Skills and Professional Advice

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

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

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

5. Our Assets

The Council has a range of assets which it utilises to deliver its wide range of services throughout the District. The total valuation of these at the start of the financial year 2023/24 was £320.73M. The main constituents of these assets are as follows

Asset Type	£M
Council Housing & Other Assets	151.23
Property Plant & Equipment	110.53
Community Assets	8.67
Investment Property	40.76
Heritage Assets	9.52
Intangible Assets	0.02
Total	**320.73**

Council Housing

At the start of the financial year the Council held 3,644 dwellings in total within its Housing Revenue Account. These dwellings include 1, 2, 3 & 4 bedroomed, houses, bungalows, flats maisonettes and bedsits.

Number and Type of Dwellings		
Bedsits		86
1 Bedroom	Houses & Bungalows	653
	Flats & Maisonettes	545
2 Bedroom	Houses & Bungalows	471
	Flats & Maisonettes	663
3 Bedroom	Houses & Bungalows	1,114
	Flats & Maisonettes	8
4 or more bedroomed dwellings		90
Total Dwellings		**3,630**

Property Plant & Equipment

These are assets which the Council predominately uses to deliver its services. These assets include Municipal Buildings, works depot, leisure centre and car parks. It also includes its refuse collection and vehicle fleet as well as various land holdings. The value of these assets at the start of 2023/24 financial year is provided in the table below

Land & Buildings £M	Vehicles, Plant Furniture & Equipment £M	Infrastructure Assets £M	Surplus Assets £M	Assets Under Construction £M	Total £M
57.68	12.31	37.94	2.46	0.14	110.53

Investment Assets

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

Investment Asset Type	£M
Office	4.10
Retail	6.73
Agriculture & Allotments	1.29
Commercial Land	8.07
Commercial Building	11.90
Mixed Commercial	8.67
Total	**40.76**

Heritage Assets

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

Intangible Assets

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

Asset Management

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

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

Valuations

The Council is required by accounting regulations to value its assets on a regular basis and currently values its General Fund assets on a rolling 3-year cycle. It is required to undertake a formal valuation of is HRA assets every 5 years in line with Department for Levelling Up Housing & Communities requirements. The last formal valuation was undertaken 1st April 2021. A desktop revaluation is undertaken for HRA assets in the intervening years to ensure that values are current.

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

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

6. Capital Expenditure –

Capital Programme

The Council plans gross expenditure, which excludes grants from other bodies of approximately £58.96M on General Fund and £29.47M on HRA capital schemes between 2023/24 – 2028/29.

Gross Capital Expenditure	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	Total 2023/24 to 2028/29
General Fund	10.62	17.01	18.09	4.34	4.09	4.81	58.96
Housing Revenue Account (HRA)	8.33	4.77	3.93	3.90	4.19	4.35	29.47
Total	**18.95**	**21.78**	**22.02**	**8.24**	**8.28**	**9.16**	**88.43**

Financing & Affordability

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

Financed by:	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	Total 2023/24 to 2028/29
Capital receipts	-1.82	-0.16	-0.00	-0.00	-0.00	-0.00	-1.98
Capital grants	-4.92	-10.73	-4.83	-2.42	-2.34	-2.33	-27.57
Capital reserves	-3.72	-4.32	-3.93	-3.90	-4.19	-4.35	-24.41
Revenue	-2.47	-0.04	-0.00	-0.00	-0.00	-0.00	-2.51
Financing Total	**-12.93**	**-15.25**	**-8.76**	**-6.32**	**-6.53**	**-6.68**	**-56.47**
Net financing need for the year	**6.02**	**6.53**	**13.26**	**1.92**	**1.75**	**2.48**	**31.96**

This table shows a net need for financing the Capital Programme of £31.96M which would require the Council to undertake additional borrowing. Additional borrowing could be used only to finance capital expenditure in respect of General Fund and Housing Revenue Account.

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

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

	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %
General Fund	19.94	18.20	20.20	24.65	23.79	22.30
HRA	17.00	16.22	16.25	15.99	15.75	15.75

This table shows that the cost of debt financing is estimated to be between 18.20% and 24.65% of the Council's general fund net revenue budget between 2023/24 and 2028/29.

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

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

7. Treasury Management

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

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

Governance & Scrutiny

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

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

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

Investment

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

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

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

The Council's Investments at 30.12.2023 were:

Balance 31.12.2023	**£M**	**Liquidity**
Bank Accounts	0.48	Instant Access
Money Market Funds	11.50	Instant Access
Other Local Authorities	0.00	Instant Access
Money Market Funds	0.00	Fixed Term
Other Local Authorities	23.00	Fixed Term
Total Investments	**34.98**	

Borrowing

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

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

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

	2023/24 Estimate £M	**2024/25 Estimate £M**	**2025/26 Estimate £M**	**2026/27 Estimate £M**	**2027/28 Estimate £M**	**2028/29 Estimate £M**
CFR – Non-Housing	66.95	70.47	80.54	77.81	74.99	73.00
CFR – Housing	34.09	33.05	32.00	30.96	29.92	28.88
Total CFR	**101.04**	**103.52**	**112.54**	**108.77**	**104.91**	**101.88**

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

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

	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M
External Debt						
Debt at 1 April	59.01	63.97	71.93	80.88	79.84	78.80
Expected change in Debt	4.96	7.96	8.95	-1.04	-1.04	-1.04
Actual gross debt at 31 March	**63.97**	**71.93**	**80.88**	**79.84**	**78.80**	**77.76**
The Capital Financing Requirement	**101.04**	**103.52**	**112.54**	**108.77**	**104.91**	**101.88**
Under Borrowing	**-37.07**	**-31.59**	**-31.66**	**-28.93**	**-26.11**	**-24.12**

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

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

	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M
General Fund MRP	-2.64	-3.01	-3.19	-4.65	-4.57	-4.47
HRA MRP	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Total	**-3.68**	**-4.05**	**-4.23**	**-5.69**	**-5.61**	**-5.51**

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

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

	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M
Operational Boundary	102.04	104.52	113.54	109.77	105.91	102.88
Authorised Limit	117.00	120.00	129.00	125.00	121.00	118.00

8. Commercial Activity

Current Position

The Council's existing investment property portfolio is comprised of a mix of office and retail lets together with agricultural and commercial land and commercial buildings as set out below:

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

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

Performance Monitoring

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

APPENDIX C

Capital Assurance Group: Terms of Reference

Role

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

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

3. The types of Capital Investments which may be considered when forming the capital programme relate to the four priority areas of the Council Plan 2024-2027 and beyond.

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

Composition of CAG

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

   Standing Membership –
   - Chief Executive
   - Overview and Scrutiny Chair
   - Budget and Performance Panel Chair
   - Business Committee Chair
   - Cabinet Finance & Resources Portfolio Lead
   - Cabinet Corporate Services Portfolio Holder
   - Chief Officer – Housing & Property
   - Section 151 Officer
   - Governance Officer Lead

   Additional representation as and when required may include
   - Relevant Cabinet Portfolio Holders – as required by nature of the investment proposals
   - Relevant Chief Officer - as required by nature of the investment proposals
   - Relevant Lead Officers – as required by nature of the investment proposals
   - Capital Finance Officer Lead
   - Asset Management Officer Lead

APPENDIX C

- Property Services Officer Lead
- ICT Representation
- Programme Manager
- External Consultants

Frequency and Format of Meetings

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

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

Remit

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

8. *With respect to Capital Investment Strategy*
    a) To keep the Capital Investment Strategy document under review ensuring that it reflects the Council's capital investment priorities and review the Strategy as part of the MTFS update.
    b) To ensure that the Capital Strategy is informed by and consistent with the Council Plan 2024-2027 and associated strategies, and the Asset Management Plan.

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

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

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

APPENDIX C

Decision Making

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

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

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

The role of Scrutiny Committee Members

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

Key Outcomes

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

CABINET

Treasury Management Strategy 2024/25

20 February 2024

Report of Chief Finance Officer

PURPOSE OF REPORT					
To present to Cabinet the draft Treasury Management Strategy and associated documents for 2024/25 and to provide an opportunity for consideration and comment ahead of formal presentation to Full Council 28 February 2024for approval .					
Key Decision	X	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision				8th December 2023	

RECOMMENDATION OF COUNCILLOR HAMILTON - COX

That Cabinet recommends the following for approval to Budget Council:

1. **The Treasury Management Strategy 2024/25, Appendices A to C**

2. **Delegated authority be given to the Portfolio Holder for Finance & Resources to amend change in the prudential indicators should Cabinet or Full Council make any revisions to the Capital Programme**

1.0 INTRODUCTION

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

2.2 Cabinet are asked to consideration to the Treasury Management strategy and associated attachments in line with their Terms of Reference and if satisfied refer the strategy to Council for approval in accordance with the Constitution.

2.0 TREASURY MANAGEMENT FRAMEWORK 2024/25

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

2.2 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. During 2024/25 the minimum reporting requirements are that the Full Council should receive the following reports:

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

3.0 TREASURY MANAGEMENT STRATEGY

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

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

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

3.4 The proposed Strategy for 2024/25 to 2027/28 is set out at ***Appendix A***. The document contains the necessary details to comply with both the Code and Government investment guidance. Responsibilities for treasury management are set out at ***Appendix B*** and the policy statement is presented at ***Appendix C.***

4.0 BORROWING ASPECTS OF THE STRATEGY

<u>Capital Financing Requirement (CFR)</u>

4.1 The Council's CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's CFR is set to fluctuate from the current estimated 2023/24 position of £103.52M rising to £112.54M in 2025/26 before reducing slightly to £101.88M in 2028/29, to reflect current planned levels of capital expenditure

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

4.3 Based on the capital programme, the overall physical borrowing position of the Council is projected to increase over the next three to five years from its estimated current position of £63.97M to £80.88M (2025/26) as the Council looks to move forward with several ambitious schemes to enable delivery of its Strategic Priorities. It is then forecast to decrease slightly to £77.76M (2028/29).

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

Table 1 Capital Financing Requirement

	2022/23 Act £m	2023/24 Est £m	2024/25 Est £m	2025/26 Est £m	2026/27 Est £m	2027/28 Est £m	2028/29 Est £m
Capital Financing Requirement							
CFR – Non Housing CFR – Housing	63.56 35.13	66.95 34.09	70.47 33.05	80.54 32.00	77.81 30.96	74.99 29.92	73.00 28.88
Total CFR	**98.69**	**101.04**	**103.52**	**112.54**	**108.77**	**104.91**	**101.88**
Movement in CFR Non Housing Housing	 4.50 -1.04	 3.38 -1.04	 3.52 -1.04	 10.07 -1.04	 -2.73 -1.04	 -2.82 -1.04	 -1.99 -1.04
Net Movement in CFR	**3.46**	**2.34**	**2.48**	**9.03**	**-3.77**	**-3.86**	**-3.03**

Movement in CFR represented by							
Net financing need for the year (above) re Non Housing	4.61	6.02	6.53	13.26	1.92	1.75	2.48
Less MRP/VRP and other financing movements	-1.15	-3.68	-4.05	-4.23	-5.69	-5.61	-5.51
Net Movement in CFR	**3.46**	**2.34**	**2.48**	**9.03**	**-3.77**	**-3.86**	**-3.03**

Table 2 Borrowing Projections

	2022/23 Act £m	2023/24 Est £m	2024/25 Est £m	2025/26 Est £m	2026/27 Est £m	2027/28 Est £m	2028/29 Est £m
External Debt							
Debt at 1 April	60.05	59.01	63.97	71.93	80.88	79.84	78.80
Expected change in Debt	-1.04	4.96	7.96	8.95	-1.04	-1.04	-1.04
Other long-term liabilities (OLTL)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	**59.01**	**63.97**	**71.93**	**80.88**	**79.84**	**78.80**	**77.76**
The Capital Financing Requirement	98.69	101.04	103.52	112.54	108.77	104.91	101.88
Under Borrowing	**-39.69**	**-37.07**	**-31.59**	**-31.66**	**-28.93**	**-26.11**	**-24.12**

The Operational Boundary

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

Table 3: Operational Boundary

Operational boundary	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Debt*	101.04	103.52	112.54	108.77	104.91	101.88
Other long term liabilities	1.00	1.00	1.00	1.00	1.00	1.00
Total	**102.04**	**104.52**	**113.54**	**109.77**	**105.91**	**102.88**

The Authorised Limit for External Debt

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

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

- Council will be asked to approve the following authorised limit for 2024/25 - £120M:

Table 4: Authorised Limit

Authorised Limit	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Debt	116.00	119.00	128.00	124.00	120.00	117.00
Other long-term liabilities	1.00	1.00	1.00	1.00	1.00	1.00
Total	**117.00**	**120.00**	**129.00**	**125.00**	**121.00**	**118.00**

Affordability Prudential Indicators

4.8 Prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Table 5: Ratio of Financing Costs to Net Revenue Stream

	2022/23 Actual %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %
General Fund	5.90	19.94	18.20	20.20	24.65	23.79	22.30
HRA	18.79	17.00	16.22	16.25	15.99	15.75	15.75

4.9 This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. Benchmarking by the Local Government Association (2022) suggested a regional and national average of c14% for the General Fund and so with potential percentage rates close to 25%, care and consideration must be taken with future capital investment.

5.0 Minimum Revenue Provision (MRP) Policy

5.1 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

5.2 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the Authority to calculate a prudent provision of MRP whilst having regard to the current MRP Guidance (2018). The broad aim of prudent provision is to ensure that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent. Following a review, the Council's external advisors recommended a change to the MRP policy switching from the "Asset Life Method" to calculation using the annuity method using a weighted average useful life. This revision was formally approved by Council 22 February 2023.

5.3 The MRP policy statement requires full Council approval in advance of each financial year although regulation does permit in year changes. Following a review of the MRP charges and methodology it is recommended that Council retains the annuity method of calculation approves the MRP Policy Statemen as referred to within the Treasury Management Strategy ***Appendix A.***

5.4 Table 4 below provides details of the Council's estimates MRP charges, based on current capital and borrowing information.

Table 4 Forecast MRP Charges

	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M
Interest	1.568	1.541	2.098	2.106	2.114	2.123
MRP	2.638	3.01	3.194	4.653	4.567	3.474
Total	**4.206**	**4.551**	**5.292**	**6.759**	**6.681**	**5.597**

6.0 DETAILS OF CONSULTATION

6.1 Consultation has been undertaken with the Council's external Treasury Management Advisors, Link Group and in line with the Council's constitution Budget & Performance Panel considered the strategy at its meeting 14 February 2024. No comments or observations were made requiring reconsideration by Cabinet

7.0 OPTIONS & OPTIONS ANALYSIS

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

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

8.0 OFFICER PREFERRED OPTION (AND COMMENTS)

8.1 To approve the framework as attached, allowing for any amendments being made under delegated authority prior to referral to Council.

9.0 CONCLUSION

9.1 This report addresses the actions required to complete the budget setting process for Treasury Management, and for updating the Council's associated financial strategy. This is based on the Council continuing to have a comparatively low risk appetite regarding the security and liquidity of investments particularly, but recognising that some flexibility should help improve returns, whilst still effectively mitigating risk. It is stressed that in terms of treasury activity, there is no risk-free approach. It is felt, however, that the measures set out above provide a fit for purpose framework within which to work, pending any update during the course of next year.

9.2 If Cabinet, or Budget Council changes its Capital Programme from that which is proposed in this report then this would require a change in the prudential indicators which are part of the Treasury Management Strategy.

<table>
<tr><td colspan="2">RELATIONSHIP TO POLICY FRAMEWORK
Treasury Management forms part of the Councils budget framework</td></tr>
<tr><td colspan="2">CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability etc)
Effective Treasury Management and use of the Councils' resources is fundamental to the delivery of its priorities and outcomes</td></tr>
<tr><td colspan="2">FINANCIAL IMPLICATIONS
The Treasury Management Strategy is in support of achieving the borrowing cost and investment interest estimates included in the budget.</td></tr>
<tr><td colspan="2">S151 OFFICER COMMENTS
The s151 Officer has authored this report and his comments are reflected within</td></tr>
<tr><td colspan="2">LEGAL IMPLICATIONS
Legal Services have been consulted and have no further comments</td></tr>
<tr><td colspan="2">MONITORING OFFICER'S COMMENTS
The Monitoring Officer has been consulted and has no further comments</td></tr>
<tr><td>BACKGROUND PAPERS
Appendix A - Council Responsibility
Appendix B - TM Policy
Appendix C - Treasury Management Strategy 2024-25</td><td>Contact Officer: Paul Thompson
Telephone: 01524 582603
E-mail: pthompson@lancaster.gov.uk
Ref: N/A</td></tr>
</table>

Appendix A

TREASURY MANAGEMENT FRAMEWORK DOCUMENTS AND RESPONSIBILITIES

For consideration by Cabinet 20 February 2024

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

Appendix B

LANCASTER CITY COUNCIL
TREASURY MANAGEMENT POLICY STATEMENT

For consideration by Cabinet
20 February 2024

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

1. This organisation defines its treasury management activities as:

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

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

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

Appendix C

Treasury Management Strategy 2024/25 to 2028/29

For Consideration by Cabinet 20 February 2024

1 INTRODUCTION

1.1 Background

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

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

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

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

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

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

1.2 Reporting Requirements

Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

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

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

Treasury Management Reporting

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

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

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

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

An annual treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

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

Quarterly reports - In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by Budget & Performance Panel.

1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 covers two main areas:

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

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

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate asssociated training. This especially applies to Members responsibe for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).

- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

A member training session has been arranged prior to Budget & Performance Panel on 14 February and further training will be arranged during the forthcoming year as required.

A formal record of the training received by officers central to the Treasury function will be maintained by the Accountancy Services Manager. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Chief Resources & S151 Officer.

The training needs of treasury management Officers are periodically reviewed.

1.5 Treasury Management Consultants

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

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

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

2 CAPITAL PRUDENTIAL INDICATORS 2023/24 – 2028/29

The Council's capital expenditure plans are the key driver of treasury management activity. The plans are reflected in various prudential indicators which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

2.1 Capital Expenditure

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

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

Capital expenditure	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
General Fund	10.44	10.62	17.01	18.09	4.34	4.09	4.81
Housing Revenue Account (HRA)	5.31	8.33	4.77	3.93	3.90	4.19	4.35
Total	**15.75**	**18.95**	**21.78**	**22.02**	**8.24**	**8.28**	**9.16**
Financed by:							
Capital receipts	-0.22	-1.82	-0.16	-0.00	-0.00	-0.00	-0.00
Capital grants	-5.15	-4.92	-10.73	-4.83	-2.42	-2.34	-2.33
Capital reserves	-4.94	-3.72	-4.32	-3.93	-3.90	-4.19	-4.35
Revenue	-0.83	-2.47	-0.04	-0.00	-0.00	-0.00	-0.00
Net financing need for the year	**4.61**	**6.02**	**6.53**	**13.26**	**1.92**	**1.75**	**2.48**

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

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

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

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

Members are asked to approve the CFR projections below:

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital Financing Requirement							
CFR – Non Housing	63.56	66.95	70.47	80.54	77.81	74.99	73.00
CFR – Housing	35.13	34.09	33.05	32.00	30.96	29.92	28.88
Total CFR	**98.69**	**101.04**	**103.52**	**112.54**	**108.77**	**104.91**	**101.88**
Movement in CFR							
Non Housing	4.50	3.38	3.52	10.07	-2.73	-2.82	-1.99
Housing	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Net Movement in CFR	**3.46**	**2.34**	**2.48**	**9.03**	**-3.77**	**-3.86**	**-3.03**

Movement in CFR represented by							
Net financing need for the year (above) re Non Housing	4.61	6.02	6.53	13.26	1.92	1.75	2.48
Less MRP/VRP and other financing movements	-1.15	-3.68	-4.05	-4.23	-5.69	-5.61	-5.51
Net Movement in CFR	**3.46**	**2.34**	**2.48**	**9.03**	**-3.77**	**-3.86**	**-3.03**

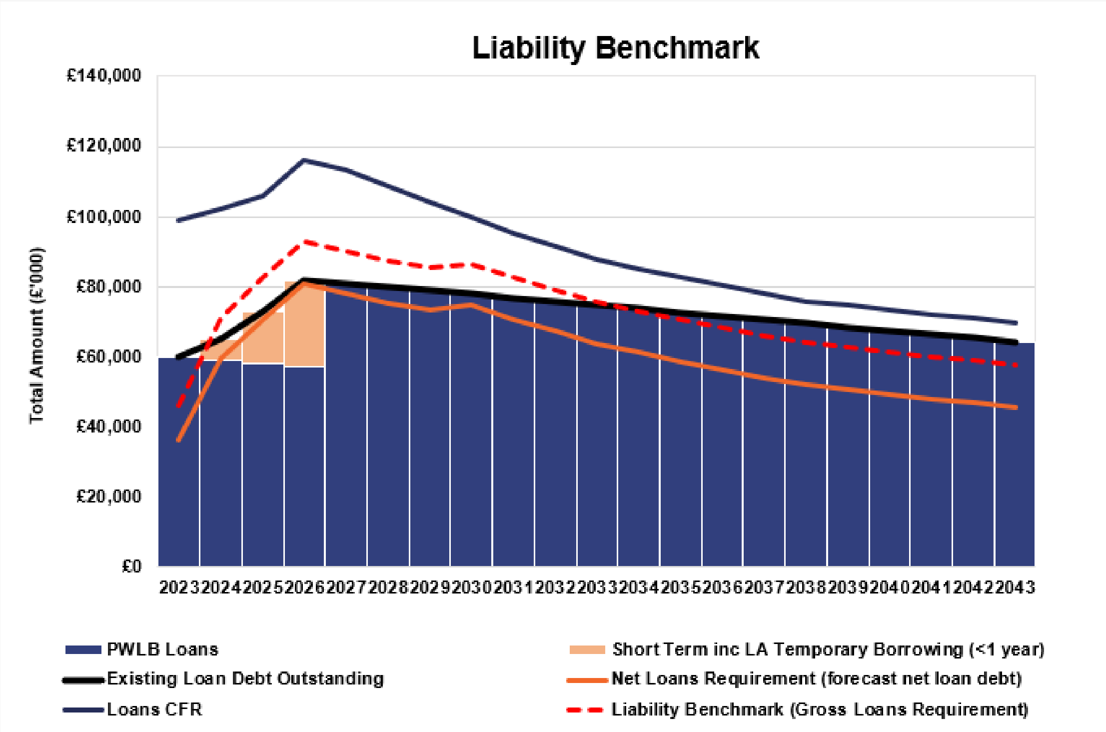
2.3 Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The Council's liability benchmark presented as a chart of the above four balances is shown below:



Any years where actual loans are less than the benchmark indicate a future borrowing requirement.

During 23/24 forecast levels of funds available for treasury investments is falling in line with cash flow forecasts and as overall levels of General Fund and HRA reserves decrease.

There is, therefore, a need to borrow to cover the net loans requirement. Given PWLB interest rates at present, temporary borrowing from other local authorities will be utlised until PWLB rates reduce.

It is intended that the gap between the net loans requirement and the liability benchmark (gross loans requirement) will be covered by day-to-day working cashflow surpluses.

2.4 Core Funds and Expected Investment Balances

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

Year End Resources	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Fund balances / reserves	33.85	24.78	25.20	26.91	27.69	27.84	27.76
Capital receipts	2.39	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	4.74	5.00	5.00	5.00	5.00	5.00	5.00
Total core funds	**40.98**	**29.78**	**30.20**	**31.91**	**32.69**	**32.84**	**32.76**
Working capital*	19.02	15.00	15.00	15.00	15.00	15.00	15.00
Under borrowing	-39.69	-37.07	-31.59	-31.66	-28.93	-26.11	-24.12
Expected investments	**20.31**	**7.71**	**13.61**	**15.25**	**18.76**	**21.73**	**23.64**

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

2.5 Minimum Revenue Provision (MRP) Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the Authority to calculate a prudent provision of MRP whilst having regard to the current MRP Guidance (2018). The broad aim of prudent provision is to ensure that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance gives four ready-made options for calculating MRP but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full Council approval in advance of each financial year.

It is recommended that Council approves the following MRP Policy Statement.

- Supported borrowing incurred before 1st April 2008 will apply the Asset Life Method using an annuity method over 60 years.
- Unsupported borrowing will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the average estimated useful life of the assets. An annuity method will be applied for the MRP calculation.
- Unsupported borrowing on vehicles will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the vehicles. An annuity method will be applied for the MRP calculation.

- The interest rate applied to the annuity calculations will reflect the market conditions at the time. For the current financial year the interest rate used will be the Authority's weighted average borrowing rate.
- MRP will commence in the financial year following the one in which the expenditure was incurred, or in the year after the asset becomes operational.
- MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the MRP guidance.
- MRP in respect of assets acquired under PFI or Finance Leases will be charged at a rate equal to the principal element of the annual lease rental for the year in question.
- MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory MRP, i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The VRP overpayments up to 31st March 2023 are £11.45M and relate to the repayment of the HRA self financing debt.
- On an annual basis the Section 151 officer shall review the level of MRP to be charged, to determine if this is at a level which is considered prudent based on the Authority's circumstances at that time, taking into account medium / long term financial plans, current budgetary pressures, current and future capital expenditure plans. Dependant on this review the Section 151 officer will adjust the annual MRP charge by making VRP or reclaiming previous VRP. The amount of MRP charged shall not be less than zero in any financial year.

2.6 Affordability Prudential Indicators

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

2.7 Ratio of Financing Costs to Net Revenue Stream

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

	2022/23 Actual %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate 5
General Fund	5.90	19.94	18.20	20.20	24.65	23.79	22.30
HRA	18.79	17.00	16.22	16.25	15.99	15.75	15.75

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

3 BORROWING

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

3.1 Current Portfolio Position

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

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
External Debt							
Debt at 1 April	60.05	59.01	63.97	71.93	80.88	79.84	78.80
Expected change in Debt	-1.04	4.96	7.96	8.95	-1.04	-1.04	-1.04
Other long-term liabilities (OLTL)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	**59.01**	**63.97**	**71.93**	**80.88**	**79.84**	**78.80**	**77.76**
The Capital Financing Requirement	98.69	101.04	103.52	112.54	108.77	104.91	101.88
Under Borrowing	**-39.69**	**-37.07**	**-31.59**	**-31.66**	**-28.93**	**-26.11**	**-24.12**

There are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Resources & Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

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

Operational boundary	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Debt*	101.04	103.52	112.54	108.77	104.91	101.88
Other long term liabilities	1.00	1.00	1.00	1.00	1.00	1.00
Total	**102.04**	**104.52**	**113.54**	**109.77**	**105.91**	**102.88**

The Authorised Limit for External Debt

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

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

Authorised Limit	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Debt	116.00	119.00	128.00	124.00	120.00	117.00
Other long-term liabilities	1.00	1.00	1.00	1.00	1.00	1.00
Total	**117.00**	**120.00**	**129.00**	**125.00**	**121.00**	**118.00**

3.3 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided forecasts on 08.01.2024. These are forecasts for certainty rates, gilt yields plus 80 bps:

	Mar-24	Mar-25	Mar-26	Mar-27
Bank Rate	5.25	3.75	3.00	3.00
3 Month average earnings	5.30	3.80	3.00	3.00
6 Month average earnings	5.20	3.70	3.10	3.10
12 Month average earnings	5.00	3.60	3.10	3.20
5yr PWLB rate	4.50	4.10	3.60	3.50
10yr PWLB rate	4.70	4.20	3.80	3.70
25yr PWLB rate	5.20	4.60	4.20	4.10
50yr PWLB rate	5.00	4.40	4.00	3.90

Further commentary by Link on this forecast table: -

Our central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least the second half of 20-24. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is *a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months.*

Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recover in China as well as the ongoing conflict between Russia and Ukraine, and Gaza and Israel.

PWLB RATES

- *The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Eurozone. At the time of writing there is circa 70 basis points difference between the 5 and 50 year parts of the curve.*

Borrowing advice: *Our long-term (beyond 10 years) forecast for Bank Rate remains at 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.*

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's provisions, reserves, balances and working capital has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Section 151 Officer, under delegated powers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates* then borrowing would be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE borrowing rates* than that currently forecast, fixed rate funding would be drawn whilst interest rates are lower than they are projected to be in the next few years.

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

3.5 Maturity Structure of Borrowing

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

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

Maturity structure of fixed interest rate borrowing 2022/23	£m	Current %	Lower %	Upper %
Under 12 months	1.04	1.63	0	100
12 months and within 24 months	7.04	11.01	0	100
24 months and within 5 years	3.12	4.88	0	100
5 years and within 10 years	5.21	8.14	0	100
10 years and within 20 years	8.33	13.02	0	100
20 years and within 30 years	0.00	0.00	0	100
30 years and within 40 years	39.22	61.32	0	100
40 years and within 50 years	0.00	0.00	0	100

3.6 Policy on Borrowing in Advance of Need

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

3.7 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

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

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

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

Council’s investment policy has regard to the following:

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

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

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but also to consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

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

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

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

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

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

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investements solely due to the maturity period exceeding one year.

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

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

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

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

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

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

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

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

12. As a result of the change in accounting standards for 2023/24 under IFRS9, the authority will consider the implications of investment instruments which could result in in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

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

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

4.2 Creditworthiness Policy

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

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

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

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

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

	Colour (and long term rating where applicable)	**Money Limit**	**Time Limit**
Banks /UK Govt. backed instruments*	**yellow**	**£12m**	**≤1 year**
Banks	**purple**	**£6m**	**≤1 year**
Banks	**orange**	**£6m**	**≤1 year**
Banks – part nationalised	**blue**	**£12m**	**≤1 year**
Banks	**red**	**£6m**	**≤6 mths**
Banks	**green**	**£3m**	**≤100 days**
Banks	**No colour**	**Not to be used**	
Limit 3 category – Council's banker (for non-specified investments)	**n/a**	**£1.5m**	**1 day**
DMADF	**UK sovereign rating**	**unlimited**	**≤6 months**
Local authorities	**n/a**	**£12m**	**≤1 year**
	Fund rating**	**Money and/or % Limit**	**Time Limit**

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

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

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

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

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

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

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

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

Creditworthiness

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK.

CDS prices
Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

4.3 Country Limits

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

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

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

4.4 Investment Strategy

In-house Funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the propect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to maximise returns.

While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be reliably identified that could be invested for longer periods the value to be obtained from longer term investments will be carefully assessed.

Investment Returns Expectations: The current forecast includes a forecast for Bank Rate to have peaked at 5.25%.

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

- 2023/24 5.30%
- 2024/25 4.55%
- 2025/26 3.10%
- 2026/27 3.00%
- 2027/28 3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

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

Maximum principal sums invested > 365 days						
	2023/24	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
Principal sums invested > 365 days	Nil	Nil	Nil	Nil	Nil	Nil

4.5 End of year investment report

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

ANNEX B1

Treasury Management Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **SONIA** (Sterling Overnight Index Average) – this reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. It is used as a replacement for LIBOR (and LIBID calculations), the publication of which ceased at the close of 2021.

- **Yield** – see Gilts

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

ANNEX B2

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

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

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

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

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

ANNEX B3

Background information on credit ratings

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

What is a Credit Rating?
A credit rating is:

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

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

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

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

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

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

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

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

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

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

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

CABINET

Medium Term Financial Strategy
2024/25 – 2028/29
20 February 2024

Report of Chief Finance Officer

PURPOSE OF REPORT					
To provide an update on the Council's Medium Term Financial Strategy (MTFS) forecasts for 2024/25 to 2028/29					
Key Decision		**Non-Key Decision**	**X**	**Referral from Cabinet Member**	
Date of notice of forthcoming key decision					

RECOMMENDATION OF COUNCILLOR HAMILTON-COX

1. **That Cabinet**

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

   (2) Agrees that the update be referred on to Council 28 February 2024 for information.

1.0 INTRODUCTION

1.1 The previous reports on this agenda considered the annual process for setting the Council's revenue and capital budgets for 2024/25. This report sets out the context in which future decisions on resource allocation and budgeting will be taken.

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

2.0 OPERATIONAL & STRATEGIC CONTEXT

2.1 As referred to the Budget & Policy Framework Update report elsewhere on the agenda the 2023/24 Budget has once again been set against the backdrop of significant change and economic volatility. This level change and volatility is likely to extend for a further 1 to 2 years, which increases the uncertainty around planning estimation and assumptions and puts significant pressure on the Council's limited resources.

2.2 Office for Budgetary Responsibility (OfBR) has noted that the medium-term fiscal outlook for the UK has materially worsened due to a weaker economy, higher interest rates and higher inflation. Economic activity has slowed considerably in recent years, with 2 successive quarters of negative growth in gross domestic product (GDP) the UK economy officially fell into recession at the end of 2023. Current commentary suggests a shallow recession with a slow upturn during 2024. Current forecasts from the OBR and Bank of England (BoE) anticipate growth of between 0.4% - 0.7% for 2024.

2.3 CPI inflation peaked at 11.1% in the final quarter of 2022/23 which was a 40 year high. Current rates and forecasts show inflation has reduced to 4% and is expected to reduce further returning to the 2% target in the following years.

2.4 Bank Rate has been subject to a succession of increases during the current financial year and is believed to have now peaked at 5.25% which has led to a significant forecast increase in investment interest. Bank Rate is forecast to fall during 2024/25 to an anticipated 3.75% by March 2025 whilst the level of amounts available for investment is falling. In addition, the Council has a need to borrow at a time when PWLB and Local Authority lending rates are rising. This places pressures on the affordability of the Council's Capital Programme and the need to consider how it is funded.

2.5 Considering these economic challenges households in the district are especially impacted as they spend greater shares of their income on fuel and food. These include.

- Single people on low incomes (on benefits or in work)
- Families with children
- Pensioners
- Those with disabilities

2.6 To provide support for those in greatest hardship, Cabinet recently approved the continuation of the Council's 100% Council Tax Support scheme for 2024/25 which means households most in need can apply for full relief from Council Tax. Lancaster City Council will be one of only a handful of local authorities in the Northwest to continue to have a 100% Council Tax Support scheme in 2024/25.

2.7 Central Government released a single-year Finance Settlement resulting in difficulties in forecasting in the medium and longer term which is required when developing the Council's Medium Term Financial Strategy.

2.8 Further uncertainties remain around the future of Heysham 1 & 2 Power Stations and their decommissioning plans. Whilst Central Government provides a mechanism to limit the losses incurred by the Council, given they account for a significant proportion of the Council's Business Rates income this remains a considerable risk to the Council's financial position.

2.9 On 19th January 2023 the Council was successful in its bid to secure £50M from Department for Levelling Up towards the Eden Project Morecambe. This is excellent news and a great boost for the district. Securing Government funding was an important step, but much work still remains to be done by Eden and the project partners. It will naturally be some years before the impact of increased income from business rates and tourism filter through. In the meantime, officers are working with Eden and the other partners to implement the required governance and delivery mechanisms to ensure that the full benefits of the project are secured.

3.0 GOVERNMENT FUNDING PROSPECTS

Local Government Finance Settlement

3.1 The Government released the provisional local government finance settlement on 19 December 2023, with the final settlement released on 5 February 2024. The final settlement included an additional £0.190M in the funding guarantee and services grant above that announced in the provisional settlement. The main aspects of the settlement are set out below:

- The calculation of Core Spending Power
- The level of Council Tax increase (excluding social care) beyond which a referendum is required increased to 3% or £5 whichever is the greater for 2024/25
- The freezing of the small Business Rates “multiplier” for 2024/25 with the small and standard Business Rates multipliers now being de-coupled.
- Continuation of a number of funding streams including Revenue Support Grant, which was originally due to cease in 2020/21, Services Grant, although at a reduced level and New Homes Bonus. The future of New Homes Bonus in its current form remains uncertain.
- The Settlement includes a sector-wide Funding Guarantee grant to ensure that all Council’s receive a minimum of 4% increase in spending power before making any local decisions on council tax.

3.2 A summary of the final settlement for Lancaster City Council is show in table one below. Assumptions have been included to estimate Government funding from 2025/26 onwards however actual allocations for this period are currently unknown.

Table One – Final Settlement allocations for Lancaster City Council

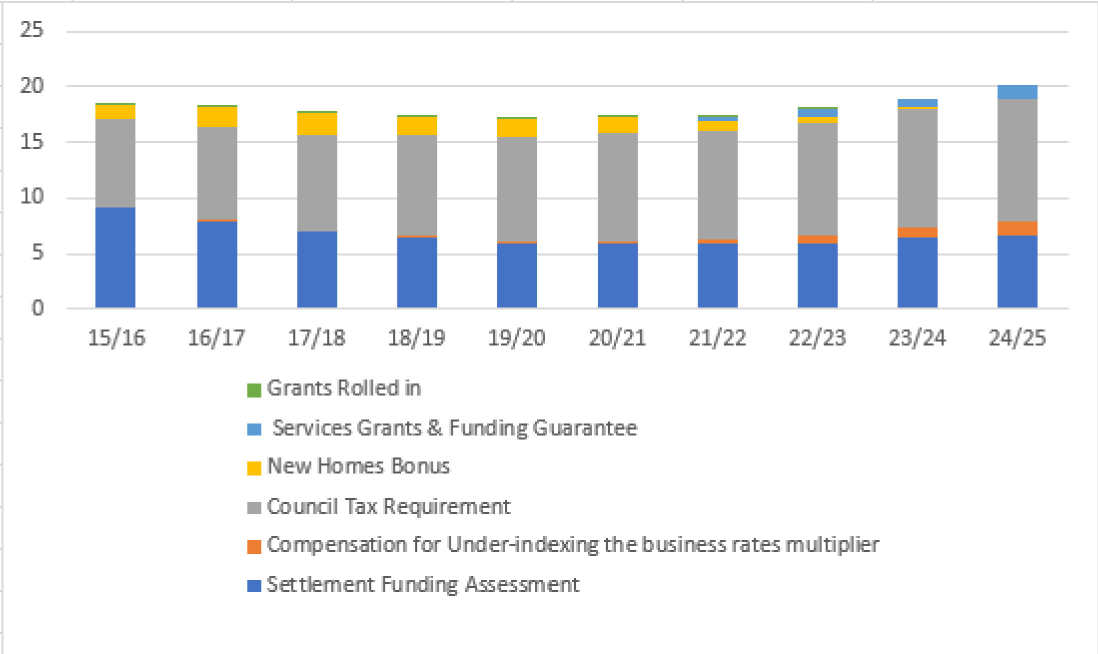
	Final Settlement £000	LCC Forecast £000	Difference £000
Settlement Funding Assessment			
Revenue Support Grant	433	406	27
New Homes Bonus	10	0	10
Funding Guarantee	1,188	605	583
Services Grant	40	232	(192)
Total Government Funding	**1,671**	**1,243**	**428**

Core Spending Power

3.3 Core Spending Power (CSP) is a measure used by the Government to set out the resources available to a Council to fund service delivery. The calculation of CSP has changed over the years and now combines certain grants payable to Council together with estimates of Business Rates and Council Tax, these estimates are based on Government assumptions.

3.4 On the basis of the provisional Settlement, the Council’s CSP for 2024/25 will increase from £18.93M to £20.09M or 6.1% when compared to CSP in 2023/24 and includes an assumption by Government that Councils will increase their Council Tax by the maximum allowable. This is in comparison to the average increase in CSP for all Councils in England of 7.5%

Table Two: Core Spending Power

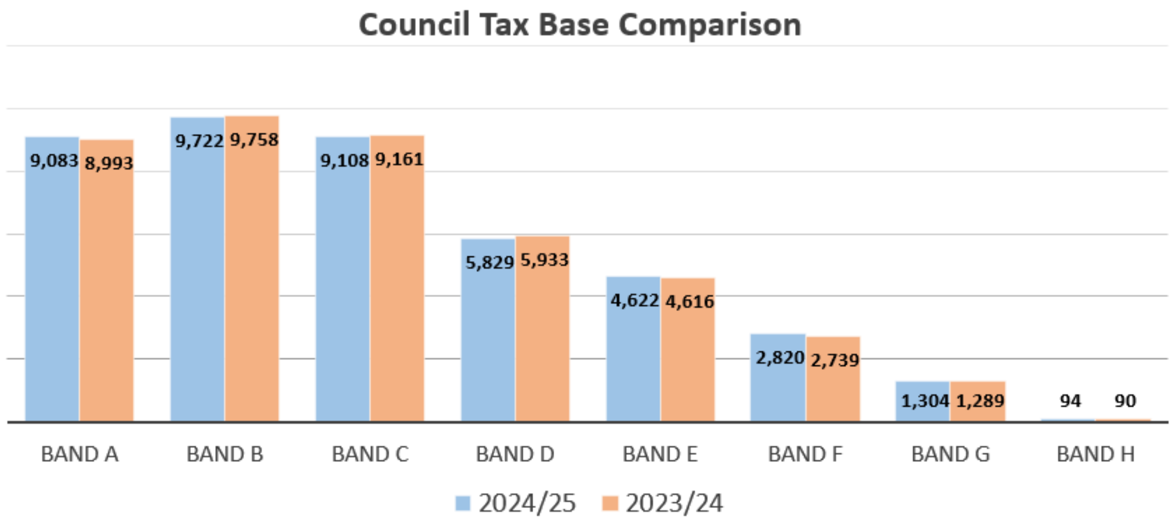


3.5 Table two above compares the historic value of CSP, and shows the Council is now almost entirely reliant on Council Tax and Business Rates with a small amount of income from central government grants to fund net expenditure and it is, therefore, important to provide regular estimates of these key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

Council Tax

3.6 As noted above Council tax is the Council's primary source of funding and is calculated by multiplying the tax base, the number of eligible residential properties (expressed in band D equivalents), by the level of the district council precept which is determined each year. Growth in housing numbers inevitably increases the taxbase and, therefore, Council Tax income.

3.7 The tax base for 2024/25 has been calculated as 42,583 Band D equivalent properties after allowing for a collection rate of 98.68%, the same as in previous years. This equates to a 0.01% increase in the tax base. There are three issues underlying the lack of growth which in previous years has been in the region of 1% increase per annum. Fewer new properties than forecast were completed during 2023/24 and the number of new properties forecast for 2024/25 is also reduced. There has also been an increase in exempt accounts together with an increase in the number of properties eligible for 25% occupancy reductions. From 2025/26 1% growth in the Tax base has been used for forecasting.



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

3.9 Government's referendum criteria limits increases in the Council's element of Council Tax 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. The table below sets out Council Tax forecasts for the next four years including a sensitivity analysis showing the potential impact on council tax yield of different scenarios.

Table Three: Council Tax Forecasts

	Actual 2023/24	**Forecast 2024/25**	**Forecast 2025/26**	**Forecast 2026/27**	**Forecast 2027/29**	**Forecast 2028/29**
Council Tax Band D 2.99% increase		£256.63	£264.31	£272.31	£280.35	£288.73
Council Tax Band D (£5 increase)	£249.18	£254.18	£259.18	£264.18	£269.18	£274.18
Tax base (1% growth from 2023/24)	42,579	42,583	43,009	43,439	43,873	44,312
Council Tax Income	**£10,610,019**	**£10,928,285**	**£11,367,591**	**£11,824,557**	**£12,299,892**	**£12,794,335**
Previous MTFS		£11,037,000	£11,480,000	£11,942,000	£12,422,000	£12,422,000
Difference Increase/(Decrease)		**(£108,715)**	**(£112,409)**	**(£117,443)**	**(£122,108)**	**(£122,108)**
Scenario 1 – no increase In Council tax over period Of MTFS		(£425,985)	(£762,875)	(£1,117,703)	(£1,489,460)	(£1,380,135)
Scenario 2 – Council Tax Band D £5 increase		(£213,070)	(£332,786)	(£466,120)	(£611,994)	(£272,334)
Scenario 3 – 1.5% increase in tax base growth & 2.99% increase in Council Tax Band D		(£108,715)	(£56,134)	(£79)	£61,469	£627,576

Business Rates

3.10 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. The Council uses its business rates retention reserve to mitigate against significant fluctuations in income levels and provide some budgetary stability.

3.11 Following on from the Chancellor's autumn statement, the small and standard business rates multipliers have been de-coupled for the first time. The small business rates multiplier has been frozen for the fourth year in a row whilst the standard multiplier has been uprated by the increase in CPI inflation of 6.7%. The potential level of inflation to build in for future years and S31 grant received to compensate for the freezing of the small business rates multiplier can be difficult to forecast with accuracy. The retained business rates calculation is also heavily dependent on the future tariff, baseline and safety net levels which drive it and these change in line with the Local Government Finance Settlement each year.

Heysham Power Stations

3.12 We are one of only a small number of Councils with a nuclear power station within its boundary. The rateable value of the Heysham1 and Heysham 2 nuclear reactors accounts for over 30% of the Council's total rateable value. Although the retained business rates scheme does have a safety net mechanism in place to ensure that an authority's income does not drop below more than a set percentage of its index linked spending baseline, the Council is vulnerable to swings in income levels relating to the power station' operations. Heysham 1 is shortly due to be decommissioned with its operators, EDF currently giving an end of generation date of March 2026 rather than the date of March 2024 previously given. There remains a level of uncertainty around the exact timing and whilst EDF have an ambition to continue generation for a further year past the March 2026 date they have also commented that the March 2026 date may not be achieved and remains dependent on future graphite inspection results.

Baseline Reset

3.13 It was expected that, at some point as part of government funding reviews, there would be a business rates growth reset effectively removing all growth from the system by setting the business rates baseline to equal actual rates levels. To date this has not taken place the year against which the reset would be referenced and how this may interact with the potential nuclear power station decommissioning timetable is an unknown.

Green Energy Disregard

3.14 The Council receives a 'disregard' for renewable energy hereditaments which means that 100% of the business rates for these properties is retained by the authority. It is estimated that in 2024/25, this will be worth £3.970M. There is, however, no absolute guarantee that the Government won't discontinue this advantageous arrangement at some point in the future.

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

- Heysham 1 reactor to be decommissioned March 2026
- Growth of 2% in 2025/26 onwards together with a 2% uplift in baseline and tariff
- Continuation of the green energy disregard in its current form

Table Six: Business Rates Forecasts

	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
Retained Business Rates	9,197,200	9,155,600	-	-	-
Safety Net Payment	-	-	7,333,900	7,556,500	7,731,600
Renewable Energy Disregard Income	3,969,900	4,049,300	4,130,300	4,212,900	4,297,200
Total net retained business rates	**13,167,100**	**13,204,900**	**11,464,200**	**11,769,400**	**12,028,800**

New Homes Bonus

3.16 New Homes Bonus is a reward grant which is calculated from Council Taxbase figures. There remains a risk that the Government will seek to further reduce the grant in future years which would increase the budget gap at the Council. The current forecast of levels of New Homes Bonus is set out in the table below.

Table Seven: New Homes Bonus

	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	2028/29 £000's
Annual Reward	10	90	90	90	90
Previous MTFS	188	188	188	188	188
Difference Increase/ (Decrease)	(178)	(98)	(98)	(98)	(98)

4.0 GENERAL FUND PROJECTIONS

4.1 Table Eight below outlines the current forecast budgetary position for 2024/25 to 2028/29

Table Eight: General Fund Revenue Projections 2024/25 to 2028/29

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Revenue Budget Forecast as 23 February 2023	**23,407**	**25,253**	**27,342**	**27,690**	**0**
Base Budget Changes					
Operational Base Budget Changes	878	1,524	1,953	2,195	31,035
Local Plan	423	298	0	0	0
	24,708	**27,075**	**29,295**	**29,885**	**31,035**
Outcomes Based Resourcing Proposals					
Savings & Income Proposals	(1,233)	(1,402)	(1,429)	(1,456)	(1,484)
Growth Proposals	125	51	52	53	54
Impact of Review of the Capital Programme	(105)	(574)	228	228	96
	23,495	**25,150**	**28,146**	**28,710**	**29,701**
Impact of Final Local Government Finance Settlement	(401)	(311)	(311)	(311)	(311)
Contribution to/ (from) Unallocated Reserves	1,914	1,168	(600)	(500)	
General Fund Revenue Budget	**25,008**	**26,007**	**27,235**	**27,899**	**29,390**
Core Funding					
Revenue Support Grant	(433)				
Prior Year Council Tax (Surplus)/Deficit	141				
Prior Year Business Rates (Surplus)/Deficit	(621)				
Net Business Rates Income	(13,167)	(13,205)	(11,464)	(11,769)	(12,029)
Council Tax Requirement	**10,928**	**12,802**	**15,771**	**16,130**	**17,361**
Estimated Council Tax Income					
(Increase Based on 2.99% for 2024/25 then maximum allowable	**(10,928)**	**(11,367)**	**(11,824)**	**(12,300)**	**(12,794)**
Resulting Base Budget (Surplus)/ Deficit	**0**	**1,435**	**3,947**	**3,830**	**4,567**

4.2 Table Eight shows that, despite of the work undertaken by Officers and Members to balance the budget for 2024/25, there still remains a significant challenge, with the Council facing a shortfall of £1.435M in 2025/26 with an estimated total shortfall of £4.567M over the 5-year period. This is position is further outlined in section 6.

<u>Budget Principles and Assumptions</u>

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

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

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

Table Nine: 5 Year MTFS Planning Assumptions

	2024/25	2025/26	2026/27	2027/28	2028/29
Council Tax Base Growth	0.001%	1.00%	1.00%	1.00%	1.00%
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%
Small Business Rates Multiplier	Frozen	Frozen	Frozen	Frozen	Frozen
Fees & Charges	Various	Various	Various	Various	Various
Inflation – Pay	5.95%	3.50%	3.00%	3.00%	3.00%
Employer Pensions Contribution	16.30%	16.30%	16.30%	16.30%	16.30%
Inflation – Insurance	10.00%	10.00%	10.00%	10.00%	10.00%
Inflation Utilities	Gas: Current Price	Gas: Current Price	Gas: Current Price	Gas: Current Price	Gas: Current Price
	Electric: Current Price	Electric: Current Price	Electric: Current Price	Electric: Current Price	Electric: Current Price
Other inflation	2.80%	1.70%	2.50%	2.50%	2.50%
Interest Rate – investments	4.68%	3.00%	2.00%	2.00%	2.00%
Interest Rate – new borrowing	4.50%	3.80%	N/A	N/A	N/A

Savings and Income Generation Proposals

4.5 The budget savings, or income growth identified as part of the 2024/25 budget discussion relate to several areas where actions are being undertaken by the Council and are incorporated within the MTFS. Some of the key areas are summarised by Service in the table below, with more information included within the Budget and Policy Framework General Fund Revenue Budget 2024/25 item on the agenda.

Table Ten: Directorate Summary Savings Proposals

-	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Council Wide (Fees & Charges)	(838)	(855)	(872)	(889)	(907)
Communities & Leisure	(113)	(160)	(163)	(166)	(169)
Environment & Place	(77)	(78)	(79)	(80)	(81)
Housing & Property	(15)	(115)	(117)	(119)	(121)
People & Policy	12	12	12	12	12
Planning & Climate Change	(72)	(73)	(74)	(75)	(76)
Resources	(30)	(31)	(32)	(33)	(34)
Sustainable Growth	25	(51)	(52)	(53)	(54)
Net Savings	**(1,108)**	**(1,351)**	**(1,377)**	**(1,403)**	**(1,430)**

4.6 Failure to deliver these savings will place additional pressure on the Council's resources and so as part of the Council's quarterly monitoring process (Delivering our Priorities), progress by Budget Holders against these targets will be monitored and reported to Members via Cabinet and Budget & Performance Panel.

Revenue Impact of Capital Programme Budget Process & Review

4.7 Cabinet and Strategic Leadership Team have considered new schemes for inclusion in the Capital Programme via the submission of strategic outline followed by full business cases during the budget process. The Council's previous Capital Programme has also been reviewed with a view to repositioning and reprofiling several capital schemes. This has altered the impact that capital projects have on revenue due to Minimum Revenue Provision (MRP) and interest costs. Details of the estimated additional expenditure or savings are detailed in the table below:

Table Eleven: Revenue Impact of Capital Programme Budget Process & Review

	2024/25 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Revenue Impact of Capital Programme Changes	(105)	(574)	228	228	96

5.0 CAPITAL INVESTMENT AND FINANCING

Capital Investment

5.1 Through its capital programme the Council plans net investment of £32.326M between 2023/24 and 2028/29 with a further £6.883M currently planned up to 20232/33. This investment will support the delivery of its key Strategic Priorities and Outcomes such as Climate Emergency, Housing and Regeneration as well as investing in of existing property, facilities, and equipment to deliver services, or to meet legislative requirements.

5.2 The current programme is split between approved schemes, that is those which have a fully formed business case in line with Treasury Green Book requirements, and those still under development for which a provision has been made whilst work is undertaken to fully work up schemes. Schemes classified as Under Development have had strategic outline business cases approved in principle by Cabinet but **cannot** commence until full business cases have been considered and approved, first by the Capital Assurance Group, and then by Cabinet.

5.3 Schemes which are in this section of the Capital Programme which will require significant capital expenditures and borrowing will need a business case to demonstrate that income arising from the capital investment can cover all borrowing costs and delivering a positive return to the Council's revenue budget.

5.4 Summary details of the current 5-year capital programme are given at table twelve below,

Table Twelve: Capital Programme

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Approved Schemes							
Communities & Leisure	259	976	291	-	-	-	1,526
Environment & Place	1,292	1,301	5,067	630	1,073	1,761	11,124
Housing & Property	2,335	2,524	899	940	328	539	7,565
People & Policy	-	-	-	-	-	-	-
Planning & Climate Change	-	240	2,193	-	-	-	2,433
Resources	1,386	1,341	286	316	326	181	3,836
Sustainable Growth	937	115	530	30	30	0	1,642
Schemes Under Development	-	200	4,000	-	-	-	4,200
Total Net Capital Programme	**6,209**	**6,697**	**13,266**	**1,916**	**1,757**	**2,481**	**32,326**

Capital Financing

5.3 The Council's Capital Financing Requirement (CFR) is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's CFR is set to increase from the current estimated 2023/24 position of £101.04M to £112.54M in 2025/26 before decreasing in 2028/29 to £101.88M.

Table Thirteen: Capital Financing Requirement

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital Financing Requirement							
CFR – Non-Housing	63.56	66.95	70.47	80.54	77.81	74.99	73.00
CFR – Housing	35.13	34.09	33.05	32.00	30.96	29.92	28.88
Total CFR	**98.69**	**101.04**	**103.52**	**112.54**	**108.77**	**104.91**	**101.88**
Movement in CFR							
Non-Housing	4.50	3.38	3.52	10.07	-2.73	-2.82	-1.99
Housing	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Net Movement in CFR	**3.46**	**2.34**	**2.48**	**9.03**	**3.77**	**-3.86**	**-3.03**

Movement in CFR represented by							
Net financing need for the year (above) re Non-Housing	4.61	6.02	6.53	13.26	1.92	1.75	2.48
Less MRP/VRP and other financing movements	-1.15	-3.68	-4.05	-4.23	-5.69	-5.61	-5.51
Net Movement in CFR	**3.46**	**2.34**	**2.48**	**9.03**	**-3.77**	**-3.86**	**-3.03**

5.4 Based on the capital programme, the overall physical borrowing position of the Council is projected to increase by £21.87M over the next three years from its estimated current position of £59.00M to £80.88M at the end of 2025/26 in order to finance the Council's capital ambitions. It is then forecast to reduce slightly year on year reflecting repayments of the HRA self-financing loan. See table fourteen below.

Table: Fourteen: Forecast Borrowing Position

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
External Debt							
Debt at 1 April	**60.05**	**59.01**	**63.97**	**71.93**	**80.88**	**79.84**	**78.80**
Expected change in Debt	**-1.04**	**4.96**	**7.96**	**8.95**	**-1.04**	**-1.04**	**-1.04**
Other long-term liabilities (OLTL)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Expected change in OLTL	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Actual gross debt at 31 March	**59.01**	**63.97**	**71.93**	**80.88**	**79.84**	**78.80**	**77.76**
The Capital Financing Requirement	**98.69**	**101.02**	**103.52**	**112.54**	**108.77**	**104.91**	**101.88**
Under Borrowing	**-39.69**	**-37.07**	**-31.59**	**-31.66**	**-28.93**	**-26.11**	**-24.12**

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

5.6 The Council is required to repay an element of the accumulated General Fund CFR each year through a revenue charge known as the minimum revenue provision (MRP) together with the interest charges associated with the borrowing. Council is asked to formally approve the MRP policy annual as part of the Treasury Management Strategy.

5.7 Tables fifteen and sixteen provide forecast levels of annual capital financing charges and their respective proportion of the revenue budget.

Table Fifteen: Revenue Impact of Capital Decisions

	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M
Interest	1.568	1.541	2.098	2.106	2.114	2.123
MRP	2.638	3.010	3.194	4.653	4.567	3.474
Total	**4.206**	**4.551**	**5.292**	**6.759**	**6.681**	**5.597**

Table Sixteen: Ratio of Financing Costs to Net Revenue Stream

	2022/23 Actual %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %
General Fund	5.90	19.94	18.20	20.20	24.65	23.79	22.30
HRA	18.79	17.00	16.22	16.25	15.99	15.75	15.75

5.8 As can be seen based on current General Fund capital programme and accompanying borrowing estimates debt financing costs within the General Fund are set to increase to just under a quarter of the Council's annual net revenue budget. Levels will, therefore, need to be closely monitored and the impact on affordability of new capital schemes carefully considered as part of the business case assessment and governance processes. Estimates within the HRA are currently seen to decrease as the borrowing undertaken as part of HRA self-financing is repaid.

5.9 The financing of capital projects can be from a variety of sources, such as external grants, the use of reserves, and the application of capital receipts. A significant workstream for the OBR Assets Group is to review and realign the Council's existing asset base to identify those assets which no longer met the Council's objectives and may be able to generate a capital receipt. However, the OBR process does provide a priority order for the use of capital receipts. Firstly, to fund transformation costs, that is costs that are associated with service transformation and delivery of efficiencies. Secondly, investment to reduce costs, which is not necessarily investing in a new asset; and given the levels of current financing costs, giving consideration to financing existing short life assets such as ICT and vehicles to reduce the MRP burden on the General Fund. Finally, the use of receipts to fund other schemes within the Capital Programme.

6.0 THE SHORT & MEDIUM-TERM BUDGET GAP

6.1 Government funding and income forecasts covered previously within this report, together with the budget expenditure, savings and income estimates that have been calculated as part of the 2024/25 revenue budget process provide an updated forecast of the budget gaps over the next three years. This is shown below in the graph and Table seventeen

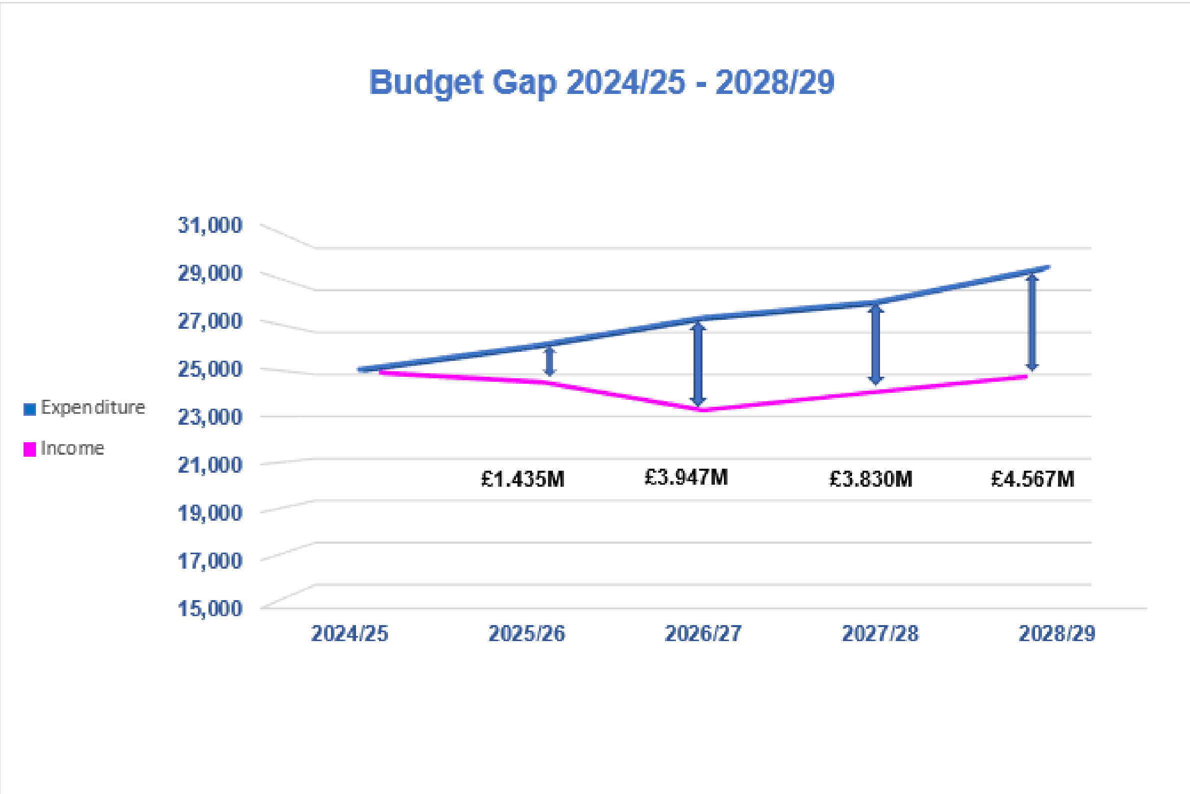


Table Seventeen: Cumulative Deficit as Percentage of Revenue Budget

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Revenue Budget (Estimate 20 February 2024)	25,008	26,007	27,235	27,899	29,390
Budget Gap (Incremental)	*0*	*1,435*	*3,947*	*3,830*	*4,567*
Percentage of Net Revenue Budget (Incremental)	0%	6%	14%	14%	16%

6.2 The forecast gaps are structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive, and this is compounded year on year. This position represents a significant challenge over the short and medium term. It is imperative that the Council's OBR process continues into its next phase – Fit for the Future. This will be fundamental in driving down budget gaps from 2024/25 and beyond and in realising financial sustainability.

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

7.0 PROVISIONS, RESERVES AND BALANCES

7.1 A Council's reserves are an essential part of good financial management. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for the Council as part of the MTFS.

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

7.3 By their nature reserves are finite and, within the existing statutory and regulatory framework, it is the responsibility of the s151 Officer to advise the Council about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use. In accordance with the S151 Officers advice the minimum level of General Fund unallocated reserve is £5M.

7.4 The graph and Table eighteen below provide details of our current forecast level of General Fund Balances including the impact of funding the forecast deficit from this reserve.

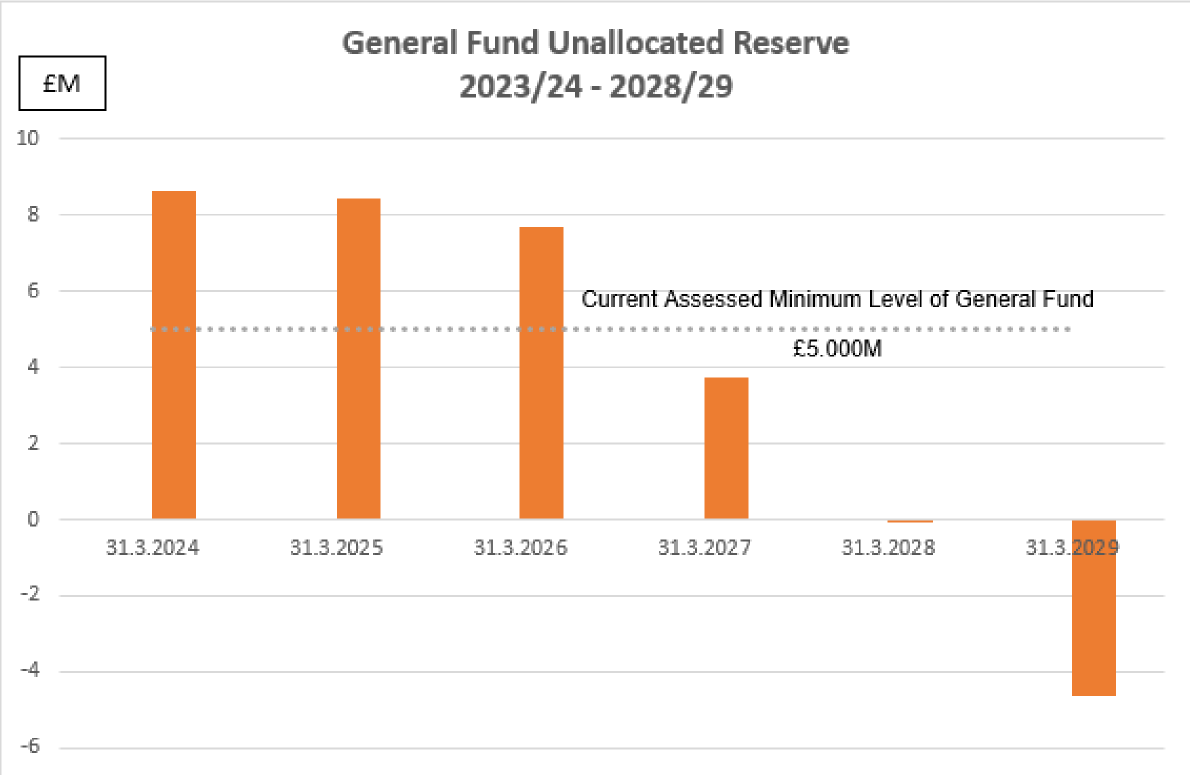


Table Eighteen: Estimated Level of General Fund Unallocated Reserves

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Balance brought forward	(11.678)	(8.620)	(8.412)	(7.699)	(3.752)	0.078
Forecast Overspend	0.677	0.000	1.435	3.947	3.830	4.567
Contributions (to)/from	2.381	0.458	(0.722)	0.000	0.000	0.000
Impact of 2023/24 budget decisions	0.000	(0.250)	0.000	0.000	0.000	0.000
Balance carried forward	**(8.620)**	**(8.412)**	**(7.699)**	**(3.752)**	**0.078**	**4.645**

7.7 The graph and Table nineteen below provide details of our current forecast level of all available Council reserves. The analysis excludes a number of essentially ring-fenced reserves such as s106, reserves held in perpetuity, revenue grants unapplied & elections it does include reserves such as Business Retention and Renewals Reserves.

7.8 The Business Rates Retention Reserve is a mandated reserve, its purpose is to manage the risk of fluctuations in business rates income, including changes in the Council's appeals provision and movements in forecast prior year surpluses or deficits. Whilst the transfers can be made to the general fund it is required to be maintained at a prudent level to manage the risks with business rates and not to support ongoing budget deficits. On this basis the graph below is used to underline the serious of the current situation against the Council's entire resource not only the general fund.

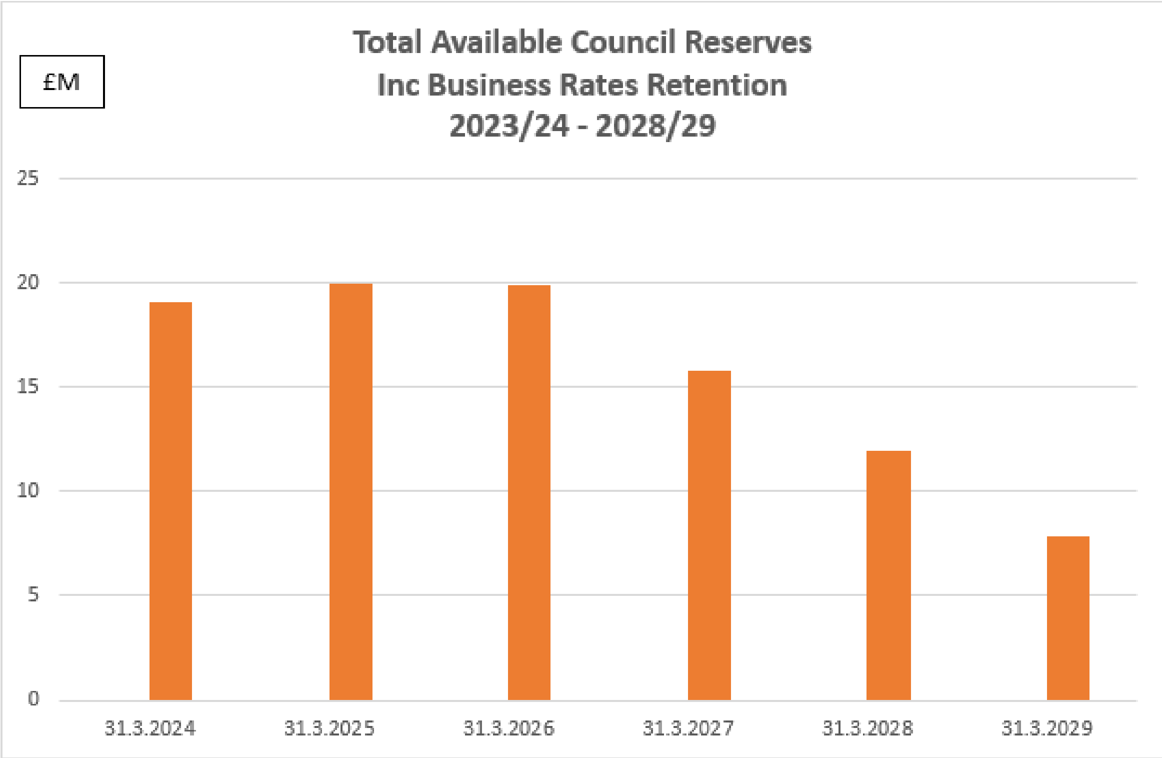


Table Nineteen: Estimated Combined Level of Reserves (excluding S106 Reserves & Reserves Held in Perpetuity etc)

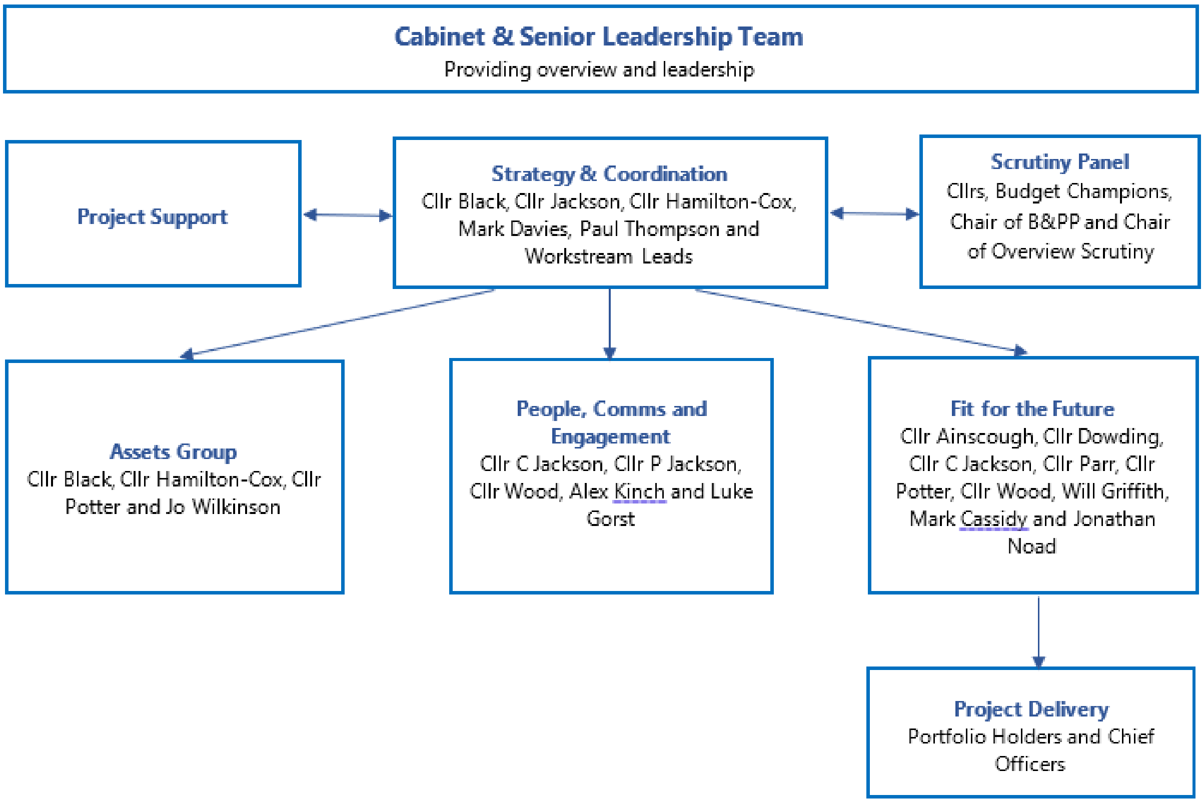
	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Balance brought forward	(22.308)	(19.085)	(20.005)	(19.836)	(15.785)	(11.950)
Forecast Overspend/Deficit	0.677	0	1.435	3.947	3.830	4.567
Contributions (to)/from	2.546	(0.670)	(1.266)	0.104	0.005	(0.495)
Impact of 2023/24 budget decisions	0	(0.250)	0	0	0	0
Balance carried forward	**(19.085)**	**(20.005)**	**(19.836)**	**(15.785)**	**(11.950)**	**(7.878)**

7.7 Whilst this position represents an improvement on the previously reported position, these tables clearly highlight the significant pressure the Councils reserves are under should funding from reserves be required due to the forecast level of overspend in future years not being addressed.

8.0 BALANCING THE BUDGET TO 2028/29

8.1 The Council embarked on its OBR process in 2022/23 with its intention to ensure that funds are allocated according to a set of predefined outcomes, or priorities in order to ensure 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.

8.2 The table below shows the operational structure of OBR – Fit for the Future process and its governance processes along with the key Member and Senior Officer involvement. The process is split into task groups each charged with a discreet area of responsibility.



8.3 Given the size of the ongoing 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 estimated £5.591M budget gap and securing the financial sustainability of the Council going forward. It is imperative that the OBR work, or similar principles continues. The application of OBR across the Council will be a significant piece of work and to fully achieve its stated aims will take an estimated further 12 to 24 months. In light of this, balancing the budget both in the short and the medium term will be a tough task and all Members must recognise that despite the hard work undertaken to date they will face a number of difficult but key decisions over the coming financial years which will affect the manner in which services are delivered.

8.4 Cabinet and Senior Leadership Team have agreed on principles and common goals as they continue to work through the OBR – Fit for the Future process.

- We need to continue tackle the structural deficit over the short medium and long term.
- We need to use reserves carefully to transition.
- We want to continue to deliver services that residents/ businesses need and rely on
- We want to achieve positive outcomes for our district.

8.5 The proposed actions through the OBR – Fit for the Future process currently include:

- Exploration of closer working and collaboration with other Councils, Public Sector Bodies and Partner Institutions
- Application of alternative funding to deliver key Council outcomes.
- Detailed review and sensitivity analysis on all key and significant income streams
- Further rationalisation work on the Council's asset base
- Expansion of the investment to reduce cost principle.
- The potential use of capital receipts to finance existing projects.
- Capitalisation of transformation costs where appropriate

8.5 These proposals will form part of a wider consolidated Medium Term Financial Strategy to be presented to Cabinet and Council in March 2024

8.6 Many of the financial pressures identified within the Councils General Fund are also present within the Housing Revenue Account (HRA). A full update on the HRA budget and financial outlook will be considered alongside the General Fund revenue budget including options to ensure that the service's 30-year business plan is viable and that its ongoing budget is balanced, whilst delivering value for money to tenants.

9.0 DETAILS OF CONSULTATION

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

10.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

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

11.0 CONCLUSION

11.1 The Council continues to face unprecedented levels of financial and economic uncertainty as a result of National and International concerns. Local Government funding remains a key challenge for the Council as well as local issues such as those surrounding decommissioning plans for Heysham power station do hamper the degree of confidence with forecasts can be made and inevitably some key estimates and assumptions are likely to change in the coming months.

11.2 Despite the work to date by Officers and Members to deliver on the Council's OBR programme, a significant budget gap remains which cannot be met from Council reserves. The overall size of the challenge the Council faces in addressing its underlying structural deficit and in formulating a balanced budget over the medium and longer term must be recognised as does the need to deliver considerable future savings.

11.3 The Council continues to deliver high-quality frontline services to the District's residents. Continued focus on the application of Outcomes Based Resourcing principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. ***The Council must, however, recognise that it will face a number of key decisions over the next financial year which will affect the manner in which it delivers its services.***

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 at this stage

FINANCIAL IMPLICATIONS
As set out in the report

S151 OFFICER COMMENTS
The s151 Officer has contributed to the writing of this report.

LEGAL IMPLICATIONS
Legal Services have been consulted and have no further comments.

MONITORING OFFICER'S COMMENTS
The Monitoring Officer has been consulted and has no further comments.

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. Agenda for Council on Wednesday, 14th December 2022, 6.00 p.m. - Lancaster City Council Agenda for Council on Wednesday, 13th December 2023, 6.00 p.m. - Lancaster City Council	**Contact Officer:** Paul Thompson **Telephone: 01524 582603** **E-mail:** pthompson@lancaster.gov.uk **Ref:** N/A

CABINET

Housing Revenue Account and Capital Programme
20 February 2024

Report of Chief Officer for Housing & Property and the Chief Officer Resources (Section 151 Officer)

PURPOSE OF REPORT					
To seek Cabinet decisions on Council Housing rent setting proposals and HRA revenue and capital budget proposals.					
Key Decision	X	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision	8th December 2023				
This report is public					

RECOMMENDATIONS OF Councillor Jackson

(1) That the minimum level of HRA unallocated balances be retained at £750,000 from 01 April 2024, as approved at 6th February 2024 Cabinet, and that the full Statement on Reserves and Balances as set out at Appendix E be endorsed and referred on to Budget Council for approval.

(2) That further to consideration on 6 February, the Housing Revenue Account budget for 2024/25 onwards, as set out at Appendix A, together with the resulting Capital Programme as set out at Appendix C, be referred on to Budget Council for approval.

1.0 Introduction

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

1.2 This report sets out the rent setting policy and the latest position with regards to the HRA 30-year Business Plan, covering both revenue and capital budgets, and the associated level of reserves and balances. Rent setting and various other budget matters were approved at Cabinet on 6th February 2024 with these matters now being required to be referred on to Budget Council as appropriate.

1.3 It can be noted that within the context of ring-fencing the HRA has a role to play in support of wider Council priorities; contributing to and facilitating projects across the district to support the wider ambitions of the council. The HRA does pay into the Council's General Fund through contribution to support services and corporate commitments use and receives payment back to reflect Public Realm services delivered on Council Housing estates to non-Council residents, as well as relevant management contributions.

2.0 Achievements 2023/24

2.1 Key achievements:

- 2023/24 has seen continued guidance and support to tenants around rent arrears prevention and management. Following record low current rent arrears figures in recent year, 2023/24 is expected to show an arrears increase of around 10% at year end, linked to cost of living challenges faced by tenants. This figure does still represent top quartile performance nationally.
- The Income Management Team continue to provide a support service to tenants in managing their rent arrears and other finances, however, where appropriate, legal remedies are used: a total of 19 court applications were made in response to tenant rent arrears, with 3 of these progressing to warrant/eviction stage.
- In supporting residents the Housing Team have helped secure an additional £61,600 for tenants through their benefit and other income maximisation work to date this year. In recognition of their work the Income Management Team also re-achieved HQN Maximising Income and Sustaining Tenancies accreditation. The team also presented at the Mobysoft annual conference as a provider of best practice and high performance across the sector.
- A Tenancy Health Check was carried out for all new tenancies during 2023/24, to identify any risk factors to the success of the tenancy and identify and embed any early support needed.
- New furniture packages were provided to 85 households through the team's partnership with an external furniture package supplier, further promoting the creation of 'homes' rather than 'houses' and contributing to improved tenancy success.
- Following a full review of ASB service delivery a new Community Safety Team was created to deliver a proactive, visible, and harm and risk focussed ASB and Community Safety service. This included development of new ASB, Hate Crime and Domestic Violence Policies: due for publication in Quarter 4.
- Purchase of the Skerton High School site from Lancashire County Council as part of the wider redevelopment of Mainway, Lancaster.
  Planning permission for the site to be submitted as part of the wider redevelopment plans of Mainway.
- Team have secured funding through Brownfield Land Release Fund to support progress of demolition of former Skerton High School as part of wider Mainway Regeneration Plans
- Shortlisted for Landlord of the Year and Local Authority of the Year at North West Energy Efficiency Awards 2024.
- Delivery of free communal Wi-Fi in Ind. Living Schemes
- Introduced Council Housing Advisory Group comprising, Officers, Members, residents and third sector interested parties providing degree of governance, oversight and advice on the delivery of housing services.
- Secured £692,000 from Social Housing Decarbonisation Funding.
- Completion of exemplar A rated adapted property on The Greaves

- Quarter 3 saw the start on site of a new four bed modern energy efficient scheme at Alder Grove for older residents, including a new community provision for residents of the wider scheme.
- Development of a Climate Strategy specifically for Council Housing dwellings, due to be finalised by the end of March 2024.
- Significant planned maintenance works including 150 kitchen replacement completions by year end; completion of fencing programme at Higher Heysham; full replacement of railings and concrete walkways at Arcon House; re-roofing programme on Ryelands, smoke alarm installations on Vale and commencing at Caton, Halton and rural areas.
- Continued commitment to ensuring homes and services across Council Housing are safe with ongoing improvement and strengthening of property compliance. Over £1M invested in safety improvements works, include new fire doors, smoke seals and compartmentation works.
- First Tenant Satisfaction Measures (TSM) survey carried out in line with new tenant focussed approach to regulation from the Regulator of Social Housing (RSH). Satisfaction report and action plan to be published during Quarter 4.
- Development of new Tenant Voice Strategy: for publication during Quarter 4.

2.2 The strategic direction of the housing service continues to be delivered in response to:

- Wider Council priorities,
- The Regulator for Social Housing
- The Housing Ombudsman’s requirements
- Requirements from the Social Housing Act (2023) and the emerging revised Consumer Standards.
- The Building Safety Act (2023) and Fire Safety Act (2021) - the legislative response to the Grenfell tragedy of 2017 which sets out the responsibilities and requirements of landlords in relation to building safety and compliance.

2.3 Of particular note linked to regulation is:

- The introduction of Tenant Satisfaction Measures during 2023/24 which will be formally reported to the Regulator during 2024,
- The mandatory registration of high-rise buildings was completed in 2023 with safety case files to be compiled by the end of March 2024,
- Government-led professional standards review of housing professionals – currently awaiting further details,
- Ofsted-style inspections from the Regulator being introduced from April 2024, on a four-yearly cycle, and
- A renewed focus on the customer complaints process through the introduction of a joint complaints code with the Local Government Ombudsman.

The service will continue to keep abreast of forth-coming changes and plan accordingly.

2.4 In line with the above expected key strategic priorities for 2024/25 are:

Priority	
A sustainable district	• Continued investment across the council's housing stock - see section 3 below. • Continued work towards improved energy efficiency within all homes by 2030 (all properties to meet minimum of EPC C standard), supported through funding bids where available and the introduction of a Council Housing and Property Climate Strategy. • Work to commence on the provision of new affordable homes through delivery of Phase 1 of the Mainway Masterplan on the old Skerton High School site. • To submit a planning application for earmarked elements of Canal Quarter for affordable homes, as well as earmarked garage sites. • Delivery of new units of accommodation for older residents at Alder Grove.
An inclusive and prosperous local economy	• Local procurement of repairs (and other housing related) contracts. • Continue to provide apprenticeship opportunities for local residents and seek opportunities to promote housing career pathways to local young residents. • Use of local suppliers within procurement rules (and where appropriate): for lower value contracts, use of local suppliers is guaranteed; for higher value contacts, on occasions where local supplier does not offer the required expertise and value for money, successful contractors must explicitly evidence social value in contract submissions. • Seeking funds through government to invest in our stock. • Creation of service agreement between Council Housing and Public Realm to ensure delivery of grounds maintenance and other public realm services in line with tenant priorities – including improved transparency for tenants around this service delivery. •
Happy and healthy communities	• Supporting the work and continued development of resident scrutiny groups and creating opportunities for residents to contribute meaningfully to service development and the decision-making process. • TPAS accreditation – to ensure delivery of resident engagement adheres to best practice and is responsive to regulatory requirements around customer focus and the 'Tenant Voice. • Continued development and delivery of services in line with regulatory requirements and the specific outcomes of the new Consumer Standards. • Continued focus on reporting, recording, and remedial actions around damp and mould, ensuring strict

	adherence to Government requirements around timescales to address problems. • Continued support and development of the tenant Building Safety Group and Building Safety Strategies to ensure the safety of residents in communal apartment blocks. • Development of asset management programmes across housing stock following completion of 100% stock condition survey. • Facilitating (and funding) community specific, community led projects. • Continue to develop and improve the way the service manages ASB and nuisance, and community safety more generally, across all housing stock. • Continue to develop and improve the way the Council delivers and reports on its block cleaning approach.
A co-operative, kind and responsible council	• Ensure best use of housing stock and maximise the housing options available to tenants, including review of Housing Allocation Policy, and implementation and development of web based lettings systems. • Investing and developing in our staff • 'Place-based' working helping tenants to create sustainable groups and an ability to deliver initiatives supported by – not led by – the housing service. Recognising that local people are best placed to understand the issues in their neighbourhood, including through the extension and further roll out of neighbourhood community plans. • Procurement of and early-stage implementation delivery of comprehensive new housing management IT systems. • Working with and listening to resident groups about what's important to them, whilst supporting and encouraging others to be established. • Supporting community centres (Marsh and Ridge, for example) to provide services to their residents, and developing access to a community fund pot for other community centres and groups to do likewise. • Continuing to develop and support resident scrutiny groups and creating opportunities for resident's voices to be heard. • Provision of funds for tenants to access training and education opportunities. • Embedding the Tenant Voice Strategy across the service, to ensure commitment to service wide service delivery in line with tenant needs and expectations.

3.0 The Council Housing Response to the Climate Emergency

3.1 Council Housing has continued its programme of carbon reduction, energy efficiency measures and upgrades during 2023/24.

Energy Performance Certificate (EPC) Band C Housing Stock
Lancaster City Council is in year 3 of an 8-year programme of 'fabric first' led energy improvement works across our Council stock. The goal of this project is to raise the energy performance rating of all Council Housing properties to a minimum 'C' rating by 2030. For 2023/24 £732k has been spent in delivering against these objectives, £277k of which will be funded through the Social Housing Decarbonisation Fund.

Ongoing improvements will be sought through the range of options listed below, as well as ongoing support for those who live in properties which fall below the 'C' rating.

Void property, energy retrofit improvements
We will continue our major void programme which includes a significant energy performance retrofit component, following a fabric first rationale installing insulation and efficiency measures. We will build on the successful strategy this year and aim to return all Void properties for re-letting at a minimum 'C' rating and take all opportunity to exceed this standard.

Government decarbonisation scheme
Following on from the LAD1 scheme, as part of a consortium led by Blackpool Council, Lancaster City Council has been successful in gaining external funding through the Social Housing Decarb Fund WAVE2 programme. This has added matched co-funding of approximately £700k to our existing capital programme for energy efficiency works.

Five problematic housing types are targeted for improvement: off-gas, system-built homes and flats, solid wall, and poorly performing traditional. Whilst the initial bid for funding was successful, subsequent property inspections have required the consortium to submit a change request to the project funders, DESNZ. If successful, this will allow the council to focus on approximately 120 properties over two years.

Whole House Improvement programme
2023/24 will see delivery of at least 9 whole house improvements delivering significant improvement in energy performance to a current 'C' EPC rating, which equates to a potential 25% reduction in annual carbon emissions and lower bills for tenants.

This project will continue at a similar level through 2024/25, addressing low performing properties picked up through the void property process.

Loft Insulation
The minimum standard for loft insulation is to achieve at least 300mm. 2023/24 will see 77 new roofs insulated and in addition, through void maintenance, we will ensure that all properties for new tenancies achieve the 300mm standard.

Learning from energy improvements, insulation work will include sloping soffits and lagging exposed pipework and water storage, future proofing against pipe bursts we have experienced during the recent episodes of very cold weather.

BRE heat loss modelling calculates that 25% of heat energy is lost through roofs, which demonstrates the contribution of this low cost but effective energy saving insulation measure to our carbon reduction strategy.

Solar Panel Installations
Installations were completed this year as part of the projects at the Greaves, and Alder Grove. The Energy Support Officer will ensure there is a strong tenant engagement with the project. Connection to the ORSIS system enables remote monitoring and information to help tenants adapt to the new technology and achieve the maximum benefit from the installation.

Gas Partnership, boiler replacement programme
We will continue with the boiler renewal programme, accelerating the replacement of aged and inefficient gas boilers with state of art energy efficient modern gas appliances providing cost effective instantaneous hot water. This provides more efficient heating with improved control, and affords a higher level thermal comfort for tenants, with reduced carbon emissions.

During 2023/24 a total of 270 ‘A’ rated gas boilers will be installed by our gas partner EMCOR.

Energy Support Officer
The energy crisis affects all households but is adversely impacting our low income and vulnerable tenants.

The energy support service seeks to support all new tenancies providing energy advice, and managing a busy referral service for any existing tenants who would like support and advice. We are expecting to deliver over 200 home visits during 2023/24 to provide invaluable energy related advice to council tenants.

We anticipate another busy year next, and greater challenges to our service. We will stay focused on our vulnerable tenants. To meet the anticipated increased demand, we continue to roll out energy advice through our media platforms and energy surgeries.

Electric Vehicles and charging points
Over 50% of all RMS fleet vehicles are now electric. Charging point provision has been created at White Lund Depot, and at Heaton House, Lancaster, and an increased number of charging points across the district are now provided through the work of the Council’s Business Improvement and Project Delivery team. Home charging points for staff use are currently being explored.

We will continue to roll out the transition to electric vehicles.

Property Conversions / new properties
We have adopted an EPC ‘A’ rating as the benchmark for all new properties and ground up conversions and will take all affordable opportunities to exceed this standard and to incorporate low carbon and renewable technologies.

As a tangible demonstration of our commitment to new low carbon housing, this is the standard for any future development of the Mainway Estate or similar projects, and currently under construction four new homes will be delivered at the Alder Grove site, which will utilise highly energy efficient modular construction. These homes are expected to achieve ‘A’ rating and will include PV panels.

The transformation of 6 The Greaves into a fully accessible adapted property is of special note. The finished project achieved an EPC ‘A’ rating and features an air source heat pump, solar PV array and an electric vehicle charging point.

4.0 Rent Setting

4.1 As a registered provider of social housing the Council adheres to the Regulator of Social Housing’s ‘Rent Standard.’ Housing rents are set in line with the Government’s Rent Policy Statement.

4.2 The financial year 2024/25 is the fifth of five years where the Council has the freedom to increase formula rent by a maximum of CPI+1% (CPI is the Consumer Price Index). For rent setting purposes for 2024/25, the September 2023 CPI figure of 6.7% is used, with forecast CPI of 2.0% used thereafter (being the target set by Government for the Bank of England’s Monetary Policy Committee).

4.3 It remains the case that where properties become vacant and their rents are below ‘formula rent’ the rents to be charged for new tenancies can increase up to the formula rent level[1].

4.1 All Council rents are ‘social rent’ and sit well below the Local Housing Allowance (LHA) rate; this rate defines the maximum amount that can be paid in Housing Benefit (HB) or through the housing element of Universal Credit (UC)[2]. We estimate that around 80% of tenants are in receipt of some form of HB or UC, in addition to this, those tenants who receive any proportion of help with their housing costs through HB or UC should also have some entitlement to the Council’s council tax support scheme.

4.2 Rental income is the main funding source for the HRA and there are factors that will influence the outturn position:

- Void levels and re-let times (equating to void rent loss/uncollectable rent)[3]
- Right to Buy (decrease in housing stock); as at Q3 a total of 12 Right-To-Buy completions have taken place in 2023/24. These sales have generated gross proceeds of £766K, of which a proportion is due to HM Treasury with the balance being reinvested in housing stock through the capital programme. Estimates assume 19 completions per year in future years.

For further details about risk factors see Appendix G.

4.3 Therefore, in line with government policy Cabinet has confirmed to set average council rents as follows, with referral on to full Council[4]:-

---

1 Formula rent for a property is calculated based on relative property values, relative local earnings, and property size (no. of bedrooms), in line with annual guidance produced by the Regulator of Social Housing.
2 It is estimated that around 80% of tenants are in receipt of full or partial HB or UC – due to the housing element of UC being paid directly to tenants it is not fully clear the exact number.
3 Empty homes are currently relet within target times, which minimises void rent loss, however major voids (those which require significant works, including renewal or replacement of major elements) and properties subject to planned capital projects (such as the Mainway project) have a negative impact on void rent loss.
4 Note that the above figures are presented on a 52-week (2023/24) or 53-week (2024/25) basis. Note: Specific rents vary depending on property type / area / size: for general needs between £65.04 (for a bedsit at Mainway) and £139.71 (for a 3-bedroom adapted bungalow in Lancaster), and for Independent Living between £67.50 for a bedsit at Beck View and £108.32 for a two-bed flat at Artlebeck Close.

Property Type	2023/24	2024/25
General	**£83.96**	**£90.93**
Independent Living and Supported	**£79.00**	**£86.07**

5.0 Other Charges

5.1 For certain dwellings service charges are applied in addition to the rent charge to cover the cost of specific services. These include (but are not limited to) elements such as maintenance costs, cleaning, energy use within communal areas, communal boiler replacements, staffing costs within Independent Living Schemes, and CCTV.

5.2 Service charges are set to ensure they are sufficient to cover the cost of service provision, and that they are reasonable and transparent. Service charge elements are affected each year by variance in actual costs (such as energy provision, changes to service contracts, salary costs and cost of materials) and also a range of inflationary factors (General Inflationary Index, Building Cost Information Service (BCIS)). Costs of service provision have been reviewed for 2024/25.

5.3 As per the Social Housing Regulations the Council should "endeavour to keep increases for service charges within the limit on rent changes, of CPI (as at September in the previous year) + 1 percentage point (or 7.7% in 2024/25), to help keep charges affordable."[5] However, it is recognised that service charges fluctuate significantly from year to year and that the requirement to contain increases within CPI+1% should be interpreted on a medium- or long-term basis[6].

5.4 For 2024/25 across all housing stock service charges will increase by an average 0.03%[7]. Within this average is a variation between charges applied to Independent Living (7.2% decrease) and General Needs (13.8% increase).[8] Average service charge costs can be seen in the table below.

	2023/24	2024/25[9]
Avg weekly service charge per dwelling (General Needs)	£9.87	£11.00
Avg weekly service charge per dwelling (Independent Living)	£53.47	£48.60

5 Source: Policy statement on rents for social housing – Dec 2022
6 Source: National Housing Federation Briefing on Rent Standard 2020 - Jan 2020
7 Subject to further fluctuations in cost of service delivery
8 The most relevant factors affecting the service charge variations relate to staffing costs, cleaning contract costs, and communal electricity usage. The Building Cost Information Service (BCIS) inflation figure used to establish cost information within the construction industry is currently running at 3.1%. The General Inflation rate is 6.7% (CPI as at Sept 2023). Service charges within Independent Living are significantly impacted for 2024/25 by reduced energy costs for those tenants with communal heating systems and have reduced significantly since the widely reported increases seen since 2022.
9 For the purposes of rent and service charge setting 2024/25 is a 53-week year, while 2023/24 was a 52-week year. The fact that service charges are spread across an additional week in 2024/25 explains why the weekly figures in this table appear to show a smaller increase than described in para 5.4.

5.5 The impact of communal electricity costs on the service charge increase for general needs properties is significant and may be explainable by billing based on estimates rather than actuals. This is under review with the supplier and may reduce the general needs service charge before it is applied on 1st April 2024.

5.6 It is estimated that around 80% of council tenants are in receipt of either HB or UC. Most service chargeable elements are HB/UC eligible; the exceptions being individual heating costs, and the monitoring of alarms within sheltered housing or community alarmed properties.

5.7 With regard to garage rents, in January 2017 Cabinet established a rent setting policy for garages within the HRA: "That for 2017/18, all garage rents be increased by the Consumer Price Index (CPI) plus £1, with an additional CPI + £1 increase in each subsequent year until 2019/20, with CPI increase thereafter."

5.8 Garage rents have been subject to a rent freeze since 2020/21. Through work by the housing team, garage occupancy rates have improved in recent years from 80% occupancy (2021/22) to 86% (2022/23) and reaching 89% (during 2023/24). The most common reason for tenants terminating or refusing offers of garages, however, remains affordability.

5.9 For 2024/25 the threat to occupancy rates of a rent increase would potentially offset any benefits to income generation. Following review and benchmarking against other garage providers it was confirmed at Cabinet on 6th February 2024 that that they be subject to a further freeze for 2024/25. Opportunities for development and alternative use for garage sites are being explored.

6.0 Revenue Expenditure

6.1 The future year's estimates for 2024/25 alongside the following four financial years have been prepared as part of this budget setting process. The differences between the budget approved last year and the draft revenue budget as prepared are illustrated in the variance analysis supplied at Appendix B.

6.2 The key areas are listed as follows: -

- Salary costs are now forecast to be around £170K higher than previously estimated, as a result of the 2023/24 pay award, 2024/25 pay award assumptions and redirection of resources from Repairs & Maintenance to Housing Management in order to meet upcoming legislative changes.
- Repairs and Maintenance decrease of around £136K due to redirection of resources to Housing Management in order to meet upcoming legislative changes.
- Energy costs decrease of around £84K, largely rechargeable[10].
- Premises insurance reductions relating to the premium for council house properties.
- Depreciation charge increase of around £1,554K off-set by a reduction in the additional contribution to the Major Repairs Reserve of £1,087K. Planned capital expenditure has not altered significantly (see Appendix D).

[10] Energy costs are subject to regular fluctuation, and are monitored monthly. For 2024/25 where significant fluctuations occur service charge adjustments will be made 'in year' to more accurately charge for actual usage, and allow residents more control over their costs. Where the council benefits from the government's business relief scheme this saving is passed on to residents. The Income Management team actively supports tenants to ensure government support around energy costs is received and understood.

6.3 The table below lists the major assumptions that have been made for the 2024/25 budget.

	2024/25
Fees & Charges	Various
Inflation – Pay	5.9%
Employer Pensions Contribution	16.3%
Inflation – General (Minor Cost Centres)	2.8%
Inflation – Insurance	10.0%
Inflation – Utilities	Re-based at current prices
Interest Rate - Investments	4.5%

6.4 In summation, the 2024/25 revenue budget projected surplus is £96K, which is a reversal of the previously projected funding requirement of £239K, which was to be funded by the Business Support Reserve. The revised projection is largely due to the difference between CPI projections and the published September 2023 rate, off-set by the points described above (6.2), notably an increase in depreciation charges and the impact of pay awards.

7.0 Capital Expenditure

7.1 The ten-year capital programme is included at Appendix C.

7.2 The key changes to the programme from last year's reported position are included at Appendix D.

7.3 A number of programmes of work (value over £200K and key decisions over £250K) will be advised during 2024/25 and it was confirmed that the Chief Executive be delegated to approve tender of these contracts as per procurement rules. Chief Executive sign off will be sought on a case-by-case basis. Key decision notices will be provided where required.

The programmes of work will be:

- Energy efficiency improvement works
- Re-rendering works to properties at Hala
- Whole House Major Voids works and refurbishment
- External door replacement
- Re-roofing of properties on Ryelands Estate (phase 2)

7.4 The capital programme includes no provision for any major refurbishment works on the Mainway estate due to the ongoing regeneration project (see section 8). Further Cabinet report(s) will be brought forward to seek approvals as plans progress.

7.5 The Housing Team are in the final stages of completing a full stock condition survey of council dwellings, therefore capital expenditure for the forthcoming year is restricted to the most essential as it is expected that the results from the surveys will help inform future capital spend.

8.0 Future Developments

8.1 The City Council continues to have ambitions for the development of its own new affordable / social rented homes which it is seeking to progress. The focus for the next twelve months will see:

8.2 Mainway Masterplan:

- In 2023/24 we acquired Skerton High School and demolition operations began in January. The 2024/25 plan will progress detailed design, secure borrowing arrangements through a treasury settlement, procurement, and award of contract set to begin in autumn 2024, targeting completion of by 2026.
- Skerton High School phases 1a and 1b will initiate subsequent Mainway Masterplan phases. An application for supporting grant funding from BFLR, is underway. Progression of the project past planning and incorporation into the 2024/25 capital budget will be subject to a further Cabinet decision and approval.

8.3 Canal Quarter:

- Work continues to progress the Council Housing scheme on the site of St Leonards Gate car park. The goal is a full planning application by June 2024, in alignment with Canal Quarter Masterplan objectives,
- Design work progresses notwithstanding the challenges of inner-city development and achieving sustainability. Funding is secured in the current capital budget up to RIBA stage 3, with further budget decisions and progression of a development plan subject to a future Cabinet report later.

8.4 Garages:

- Work to advance Council Housing schemes on existing garage sites continues. A Project at Hastings Road is most advanced targeting the first construction-ready project by year-end, with various other sites across the district supporting a pipeline of viable sites for continued review in 2024/25. A funding bid has been submitted within the current capital budget review to continue this work.

8.5 For clarity, no major capital works in relation to the garage site conversions, Mainway or Canal Quarter are included in this report.

8.6 While the design phase of the schemes continues, the decommissioning of properties on Mainway has now been factored into the estimates presented, over a five-year period, with no rental income being recognised for any existing units from July 2029.

9.0 Provisions, Reserves and Balances

9.1 After reviewing the Housing Revenue Account and General Fund in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer advises maintaining the minimum level of HRA Balances at £750K from 01 April 2024 to support the budget forecasts, as part of the overall medium term financial planning for the HRA.

9.2 In calculating the minimum level of HRA Balances, an assessment of the risks that give rise to unanticipated expenditure or loss of income has been made and these are shown in the table below.

Risk	Symptom of Risk	Balance Required £M
Increased Demand for Services	1% Increase in Net Revenue Expenditure	0.150
Recession results in additional reduction in Rental Income	2% Reduction in Income	0.350
Natural Disaster such as Flood etc	Additional Unexpected Expenditure	0.150
Additional Uncertainty with Respect of the Cost Of Living	Additional Unexpected Expenditure	0.100
Aggregate Overspend if all of the above risks were to happen		**0.750**

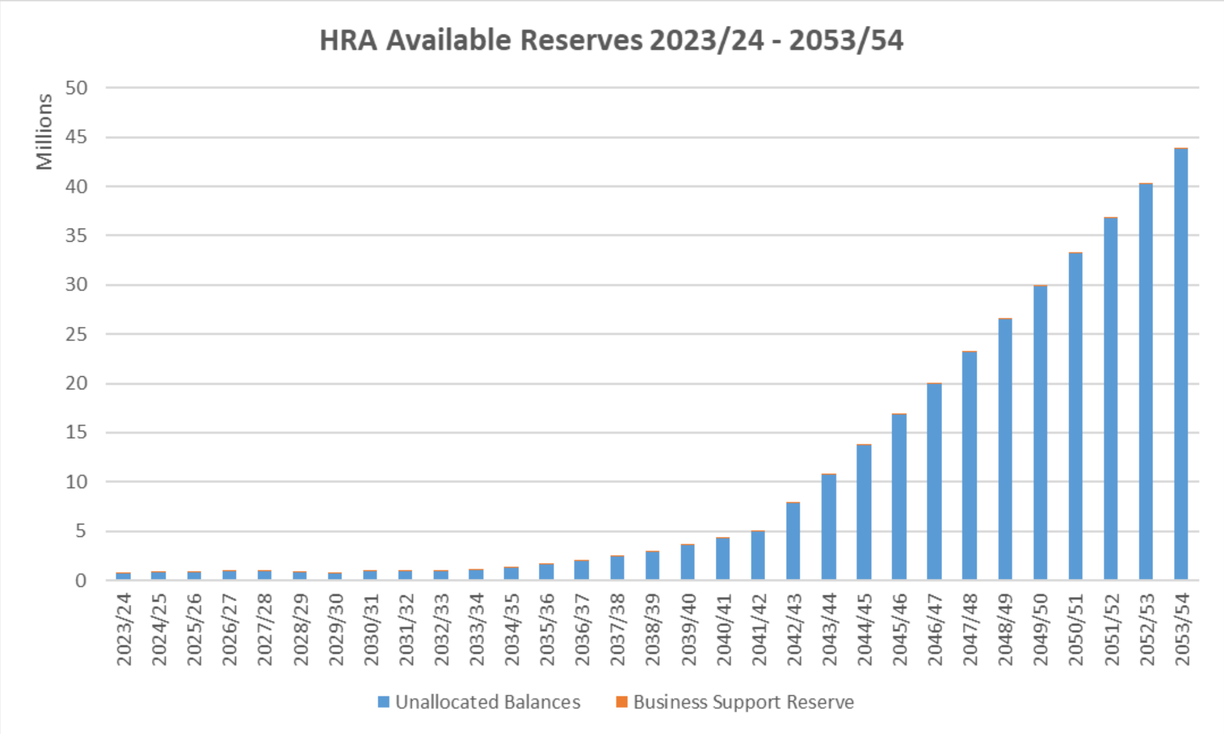
9.3 Draft statements on all reserves are attached at Appendix E(i) and Appendix E(ii). Levels are viewed as adequate for the period covered and Cabinet is asked to endorse this information, with the Statement being referred on to Council as part of the HRA budget proposals.

10.0 Business Planning & Future Risks

10.1 Taking account of the work that has been done to date, the following table sets out the latest position for the business plan, represented by the level of unallocated balances and the Business Support Reserve (BSR). It compares the position back in February 2023 to projections as at February this year.

30 Year Business Plan: Business Support Reserve and Unallocated Balances

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	30 Year Cumulative Total £'000
Business Support	2,104	1,796	1,628	1,628	1,576	1,304	1,304
Unallocated Balances	750	750	750	860	750	750	23,768
Projections as at February 2023	**2,854**	**2,546**	**2,378**	**2,488**	**2,326**	**2,054**	**25,072**
Business Support	35	35	35	35	35	35	13
Unallocated Balances	750	846	768	973	874	785	43,817
Projections as at February 2024	**785**	**881**	**803**	**1,008**	**909**	**820**	**43,830**
Overall Movement (Adverse) / Favourable	**(2,069)**	**(1,665)**	**(1,575)**	**(1,480)**	**(1,417)**	**(1,234)**	**18,758**



10.2 The unallocated balance is currently £624K. Once bolstered by a transfer during 2023/24 to meet the new minimum level, at no point within the 30-year business plan does it breach the £750K lower limit as detailed in section 9.1.

10.3 The Business Support Reserve has a current unallocated balance of £35K. This will be relied upon to support revenue spend in the medium term (currently 2029/30).

10.4 The increase in the projected balance at the end of the 30-year business plan is largely due to the year-on-year impact of the higher than previously assumed rent increase for 2024/25.

10.5 As previously discussed, in line with the previously agreed national rent settlement, rents have been set at CPI+1% for five years, with the exception of the 2023/24 Government-imposed cap of 7.0% rent increase for existing tenants. Largely due to fluctuations in CPI, 2024/25's rental income from dwellings is now forecast to be approximately £595K higher than estimated in the previous budget report. It has been assumed that increases will revert to CPI only from 2025/26 (forecast at 2.0%, being the target set by Government for the Bank of England's Monetary Policy Committee), but the risks surrounding these assumptions must be appreciated and the magnitude of impact of a small change within this area understood.

10.6 Due to the increase in depreciation charge to reflect recent actuals, the currently proposed capital programme does not fully utilise anticipated capital receipts or the funding available within the Major Repairs Reserve. Therefore, balances are forecast to increase over the five-year period, and it is estimated that £3,910K of useable capital receipts and £1,032K within the Major Repairs Reserve will have accumulated by 31 March 2029. This will be reviewed when the profile of future capital spend is prepared, following full analysis of the stock condition survey results.

10.7 Following the 2023/24 contribution of £600K to the ICT and Systems Improvement Reserve, it is proposed that the balance of £963K is used over a three-year period to purchase and implement new housing management software to support delivery of modern, resident focussed housing services.

10.8 The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Chief Officer – Resources takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in Appendix F.

11.0 Options and Options Analysis (including risk assessment)

11.1 Cabinet on 6th February 2024 confirmed the rent increase of the maximum permitted increase being CPI+1%. By applying this increase, it allows for a budget that can deliver on the Council's ambitions on improving housing standards and addressing the climate change emergency, whilst adhering to the Rent Standard and legislative requirements.

11.2 In relation to garage rents, the previous decision was to freeze rents for 2023/24. In order to protect current occupancy and income levels, and in line with sector benchmarking, a further 12-month freeze was confirmed by Cabinet on 6th February 2024. Garage rents and occupancy will remain under review.

11.3 With regard to the revenue budget generally, Cabinet could consider other proposals that may influence spending in current and future years, as long as their financing is considered and addressed and coherent with the legislative and regulatory requirements of a Registered Provider.

11.4 The options available in respect of the minimum level of HRA balances are to retain the level at £750K in line with the advice of the Section 151 Officer, or adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting and it could have implications for the Council's financial standing, as assessed by its external auditor.

11.5 The options available in respect of the Capital Programme are:

i) To approve the programme in full, with the financing as set out;
ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.

11.6 Any risks attached to the above would depend on measures Members proposed, and their impact on the council housing service and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

	Option 1: That the Housing Revenue Account budget as laid out in the report is referred to Budget Council and Cabinet approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme	**Option 2:** To propose alternatives to those outlined in Section 11 above.
Advantages	That the Housing Revenue Account is able to deliver it's set out requirements as laid out in the report.	Unknown

Disadvantages	Increased rent levels for tenants.	Would require further options analysis
Risks / Mitigation	The HRA budget set out in this report is sustainable in the long term. The risks associated with Option 1 are outlined in Appendix F – Risks and Assumptions.	Impact on housing service and council housing tenants unknown. Potential for housing service to fall foul of legislative and regulatory requirements, leading to unlimited fines and being 'named and shamed' by government.

12.0 Officer Preferred Option (and comments)

12.1 **Option 1**: Approve the budget as laid out in this report and approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme; as set out and refer onto full Council.

12.2 The Tenant Voice group were consulted on 1st February at their bi-monthly meeting, where budget headlines, including the proposed rent increase and significant areas of spend and investment, were presented by the Neighbourhood and Support Services Manager.

12.3 The Tenant Voice expressed their concern about the impact of the rent increase on tenants but understood and agreed that this was appropriate in order for continued delivery of services and future ambitions. They endorsed the rent setting proposal and other key areas within the budget.

12.4 Cabinet have been consulted on the budget and confirmed rent setting proposals and other budgetary matters at 6th February 2024 meeting.

13.0 Conclusion

13.1 Whilst the report highlights challenges faced within the current economic environment, Lancaster City Council's Housing Service continues to operate a sensible but forward-looking approach, seeking to meet Regulatory requirements and deliver safe and decent homes.

RELATIONSHIP TO POLICY FRAMEWORK

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

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

The proposals set out in the report will have positive impacts residents within Council Housing dwellings specifically climate change, wellbeing / social value, health and safety and community safety as outlined below. There is no significant detrimental impact on equality on specific groups. See Appendix G – Equality Impact Assessment.

Climate: as per section 3, the report outlines a number of positive climate related impacts resulting from the HRA budgeting process. Also, see Appendix G for additional positive impacts

Wellbeing & Social Value: positive impacts identified via additional budget proposals. See appendix G for details.

Health and Safety: the Council Housing dedicated Compliance Team focusses on monitoring and maintaining compliance against core areas of legislation within council dwellings specifically gas, electrical, legionella, lifts, asbestos, fire, smoke and CO2 detection and fire door testing. The dedicated budget around this work supports compliance.

Community Safety: The approach to a dedicated ASB provision for Council Housing tenants and continued engagement and review of ASB provision with Resolve will see a positive impact for local residents.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add

FINANCIAL IMPLICATIONS

As set out in the report.

OTHER RESOURCE IMPLICATIONS

Human Resources:

None identified

Information Services:

None identified

Property:

None identified

Open Spaces:

None identified

SECTION 151 OFFICER'S COMMENTS

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

Provisions, Reserves and Balances

Specific HRA earmarked reserves and provisions are satisfactory at the levels currently proposed.
An unallocated minimum balance of £0.750M for the Housing Revenue Account is a reasonable level to safeguard the Council's overall financial position, given other measures and safeguards in place, taking a medium to longer term view.

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

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

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

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

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

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

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

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

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

- The likely level of government support for revenue generally.

The HRA has a Capital Financing Requirement which reflects underlying need to borrow. This is reviewed periodically to ensure that borrowing is, always, affordable, sustainable, and prudent and a minimum revenue provision charge is made to the HRA each year to reflect the cost of borrowing.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS	**Contact Officer:** Peter Linsley
See Appendices A-G	**Telephone:** 01524 586873 **E-mail:** plinsley@lancaster.gov.uk **Ref:** HRA Budget Report

APPENDIX A

HOUSING REVENUE ACCOUNT BUDGET

For Consideration by Cabinet 20 February 2024

	2024/25 Budget £	2025/26 Forecast £	2026/27 Forecast £	2027/28 Forecast £	2028/29 Forecast £
INCOME					
Rental Income - Council Housing	(16,847,700)	(16,819,300)	(17,142,800)	(17,019,500)	(17,170,600)
Rental Income - Other (Shops and Garages etc.)	(285,900)	(285,900)	(285,900)	(285,900)	(285,900)
Charges for Services & Facilities	(2,253,700)	(2,289,400)	(2,321,900)	(2,354,100)	(2,385,600)
Grant Income	(17,700)	(17,700)	(17,700)	(17,700)	(17,700)
Contributions from General Fund	(105,000)	(107,100)	(109,000)	(110,900)	(112,800)
Total Income	**(19,510,000)**	**(19,519,400)**	**(19,877,300)**	**(19,788,100)**	**(19,972,600)**
EXPENDITURE					
Repairs & Maintenance	6,738,500	6,880,700	6,837,200	6,946,500	7,018,700
Supervision & Management	5,693,800	5,257,600	5,255,000	5,318,100	5,434,100
Rents, Rates & Insurance	454,900	489,300	523,500	557,900	592,100
Contribution to Provision for Bad and Doubtful Debts	139,600	140,800	142,100	143,500	145,000
Depreciation & Impairment of Fixed Assets	4,325,700	4,325,700	4,325,700	4,325,700	4,325,700
Debt Management Costs	0	0	0	0	0
Total Expenditure	**17,352,500**	**17,094,100**	**17,083,500**	**17,291,700**	**17,515,600**
NET COST OF HRA SERVICES	**(2,157,500)**	**(2,425,300)**	**(2,793,800)**	**(2,496,400)**	**(2,457,000)**
(Gain)/Loss on disposal of non-current assets	0	0	0	0	0
Interest Payable & Similar Charges	1,647,300	1,607,900	1,568,200	1,528,200	1,487,800
Interest & Investment Income	(41,100)	(39,400)	(32,300)	(29,800)	(29,800)
Pensions Interest Costs & Expected Return on Pensions Assets	0	0	0	0	0
Capital Grants and Contributions Receivable	0	0	0	0	0
Premiums & Discounts from Earlier Debt Rescheduling	0	0	0	0	0
(SURPLUS) / DEFICIT FOR THE YEAR	**(551,300)**	**(856,800)**	**(1,257,900)**	**(998,000)**	**(999,000)**
Self Financing Debt Repayment	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400
Net Charges made for Retirement Benefits	0	0	0	0	0
Adjustments to reverse out Notional Charges included above	0	0	0	0	0
Transfer to/(from) Earmarked Reserves - for Revenue Purposes	(585,700)	(107,100)	12,000	55,300	46,500
Capital Expenditure funded from Major Repairs Reserve	0	0	0	0	0
Transfer from Earmarked Reserves - for Capital Purposes	0	0	0	0	0
Financing of Capital Expenditure from Earmarked Reserves	0	0	0	0	0
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	**(95,600)**	**77,500**	**(204,500)**	**98,700**	**88,900**
Housing Revenue Account Balance brought forward	(750,033)	(845,633)	(768,133)	(972,633)	(873,933)
HRA BALANCE CARRIED FORWARD	**(845,633)**	**(768,133)**	**(972,633)**	**(873,933)**	**(785,033)**

Note: The shaded items relate directly to financing the capital programme, and comprise depreciation on Council Dwellings, grants and contributions, use of the Major Repairs Reserve and specific Earmarked Reserves.

APPENDIX B

HOUSING REVENUE ACCOUNT VARIANCE ANALYSIS

	2024/25 £	£
ORIGINAL BUDGET		**0**
EXPENDITURE		
Employees		
Impact of pay award for 2023/24 plus assumption for 2024/25	(170,500)	
		(170,500)
Premises		
Repairs & Maintenance - impact of pay award for 2023/24 plus assumption for 2024/25, redirection of staffing resource to housing management	135,700	
Energy - decrease in energy cost assumptions for general needs areas, largely rechargeable	84,400	
Premises Insurance recharges - revised estimate of premium relating to council house properties	173,000	
		393,100
Supplies & Services		
ICT - housing management software purchase and implementation, funded from ICT & Systems Improvement reserve	(688,900)	
		(688,900)
INCOME		
Rents (Dwellings) - increase in CPI from 2.0% estimated to 6.7% actual (as at September 2023)	595,500	
		595,500
FINANCING		
Increase in Depreciation Charge	(1,554,000)	
Direct Revenue Financing - reduction in funding from earmarked reserves due to removal of property conversion from capital programme	70,000	
		(1,484,000)
APPROPRIATIONS		
Earmarked Reserves appropriations - housing management software purchase and implementation	688,900	
Business Support Reserve - removal of property conversion from capital programme, reversal of support for revenue spend	(308,700)	
Major Repairs Reserve appropriations - net decrease in additional contribution due to increased depreciation charge	1,086,700	
		1,466,900
Other Net Service Variances		**(16,500)**
IN YEAR VARIANCES		**95,600**
Previously Agreed Contribution (From) / To Unallocated Reserve		0
REVISED CONTRIBUTION (FROM) / TO UNALLOCATED RESERVE		**95,600**

*Variances shown as (adverse) / favourable

Council Housing 10 Year Capital Programme
For Consideration by Cabinet 20 February 2024

	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000	2029/30 Estimate £000	2030/31 Estimate £000	2031/32 Estimate £000	2032/33 Estimate £000	2033/34 Estimate £000	TOTAL £000
EXPENDITURE											
Adaptations	300	300	300	300	300	300	300	300	300	300	3,000
Energy Efficiency/Boiler Replacement	1,324	1,019	1,019	1,019	1,093	979	790	790	790	790	9,613
Internal Refurbishment	888	888	888	947	945	945	936	936	936	945	9,254
External Refurbishment	526	234	270	-	-	-	192	753	288	-	2,263
Environmental Improvements	150	150	150	150	110	110	140	140	140	140	1,380
Re-roofing/Window Renewals	493	595	527	1,024	1,423	744	686	18	1,256	1,288	8,054
Rewiring	88	88	88	90	90	90	88	88	88	90	888
Lift Replacements	-	-	-	-	-	-	-	-	-	-	-
Fire Precaution Works	392	150	150	150	180	180	180	180	180	180	1,922
Housing Renewal and Renovation	607	507	507	507	207	657	657	657	207	207	4,720
Mainway Regeneration Project	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE	**4,768**	**3,931**	**3,899**	**4,187**	**4,348**	**4,005**	**3,969**	**3,862**	**4,185**	**3,940**	**41,094**
FINANCING											
Capital Receipts	34	-	-	-	-	-	-	-	-	-	34
Contributions	415	-	-	-	-	-	-	-	-	-	415
Earmarked Reserves	-	-	-	-	-	-	30	30	30	30	120
Major Repairs Reserve	4,319	3,931	3,899	4,187	4,348	4,005	3,939	3,832	4,155	3,910	40,525
TOTAL FINANCING	**4,768**	**3,931**	**3,899**	**4,187**	**4,348**	**4,005**	**3,969**	**3,862**	**4,185**	**3,940**	**41,094**
SHORTFALL/(SURPLUS)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

APPENDIX D

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME - KEY CHANGES

	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
PREVIOUSLY APPROVED CAPITAL PROGRAMME	**4,463**	**4,001**	**3,899**	**4,187**
Adaptions				
No change to programme				
Energy Efficiency/Boiler Replacement				
Boiler Renewal programme changes	(100)			
Works funded by Social Housing Decarbonisation Fund grant	+415			
Internal Refurbishment				
No change to programme				
External Refurbishment				
External rendering reprofiling	+260			
External Door Replacement priority changes	(242)			
Environmental Improvements				
Communal areas, railings & balusters	(300)			
Re-Roofing/Window Renewals				
No change to programme				
Rewiring				
No change to programme				
Lift Replacements				
No change to programme				
Fire Precaution Works				
Fire Risk Assessment Actions	+242			
Housing Renewal and Renovation				
Renewals and Renovations	+100			
Property Conversions	(70)	(70)		
Mainway Regeneration Project				
No change to programme				
Minor Variances	+0	+0	+0	+0
REVISED CAPITAL PROGRAMME	**4,768**	**3,931**	**3,899**	**4,187**

APPENDIX E(i)

HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT
For Consideration by Cabinet 20 February 2024

	Balance as at 31/03/23	Contributions			Balance as at 31/03/24	Contributions			Balance as at 31/03/25	Contributions			Balance as at 31/03/26
		To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve		
			To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue	
	£	£	£	£	£	£	£	£	£	£	£	£	£
HRA General Balances	**623,533**	126,500			**750,033**	95,600			**845,633**			(77,500)	**768,133**
Earmarked Reserves:													
Business Support Reserve	**5,868,829**		(1,987,400)	(3,846,000)	**35,429**				**35,429**				**35,429**
Major Repairs Reserve	**121,350**	4,325,700	(4,325,700)		**121,350**	4,325,700	(4,325,700)		**121,350**	4,325,700	(3,937,900)		**509,150**
Flats - Planned Maintenance	**788,140**	33,000		(348,700)	**472,440**	33,000		(22,900)	**482,540**	33,000		(22,900)	**492,640**
ICT and Systems Improvement	**444,005**	600,000		(80,800)	**963,205**			(688,900)	**274,305**			(201,800)	**72,505**
Office Equipment Reserve													
Sheltered - Equipment	**273,400**	30,000		(49,200)	**254,200**	37,900		(43,000)	**249,100**	33,800		(35,400)	**247,500**
Sheltered - Planned Maintenance	**386,984**	59,800		(390,300)	**56,484**	75,600		(15,300)	**116,784**	67,700		(15,300)	**169,184**
Sheltered Support Grant Maintenance	**491,778**	30,000		(285,900)	**235,878**	37,900			**273,778**	33,800			**307,578**
Total Earmarked Reserves	**8,374,487**	**5,078,500**	**(6,313,100)**	**(5,000,900)**	**2,138,987**	**4,510,100**	**(4,325,700)**	**(770,100)**	**1,553,287**	**4,494,000**	**(3,937,900)**	**(275,400)**	**1,833,987**

	Contributions			Balance as at 31/03/27	Contributions			Balance as at 31/03/28	Contributions			Balance as at 31/03/29
	To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve		
		To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue	
	£	£	£	£	£	£	£	£	£	£	£	£
HRA General Balances	204,500			**972,633**			(98,700)	**873,933**			(88,900)	**785,033**
Earmarked Reserves:												
Business Support Reserve				**35,429**				**35,429**				**35,429**
Major Repairs Reserve	4,325,700	(3,905,900)		**928,950**	4,325,700	(4,193,900)		**1,060,750**	4,325,700	(4,354,900)		**1,031,550**
Flats - Planned Maintenance	33,000		(22,900)	**502,740**	33,000		(22,900)	**512,840**	33,000		(22,900)	**522,940**
ICT and Systems Improvement			(72,500)	**5**				**5**				**5**
Office Equipment Reserve												
Sheltered - Equipment	30,900		(33,800)	**244,600**	26,900		(47,000)	**224,500**	24,700		(47,000)	**202,200**
Sheltered - Planned Maintenance	61,700		(15,300)	**215,584**	53,700		(15,300)	**253,984**	49,300		(15,300)	**287,984**
Sheltered Support Grant Maintenance	30,900			**338,478**	26,900			**365,378**	24,700			**390,078**
Total Earmarked Reserves	**4,482,200**	**(3,905,900)**	**(144,500)**	**2,265,787**	**4,466,200**	**(4,193,900)**	**(85,200)**	**2,452,887**	**4,457,400**	**(4,354,900)**	**(85,200)**	**2,470,187**

Appendix E - RESERVES AND PROVISIONS - For Consideration by Cabinet on 20 February 2024

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Capital Reserves					
Major Repairs Reserve (MRR)	Set up following the introduction of Resource Accounting in the HRA. Credited with the amount of depreciation charged to the HRA and topped up with additional funds required to finance the capital programme in-year.	Use of reserve to be determined and reported by the Chief Finance Officer (or nominated representative). Can be applied to capital improvements to HRA housing stock (specifically excluding demolition) and, additionally from 1st April 2004, repayment of HRA debt and credit liabilities (including premia on early repayment of PWLB loans).	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**To provide in-year funding for the capital programme as budgeted**
Business Support Reserve (BSR)	Established to provide support to additional business plan commitments and planned investment opportunities.	Use of the reserve to be approved by Cabinet. Contributions to the reserve to be approved annually as part of the budget.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted, noting that the first call will be to support the business plan**

Appendix E - RESERVES AND PROVISIONS - For Consideration by Cabinet on 20 February 2024

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Revenue Reserves					
Flats – Planned Maintenance Reserve	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in flats.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted**
ICT & Systems Improvement Reserve	Established to fund future ICT systems and equipment replacement.	To be applied to future replacements and system / process improvements.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted**
Office Equipment Reserve	Established to fund purchases of major office furnishings.	Used to fund ad-hoc purchases of major office furnishings resultant from health & safety legislation and risk assessments (desk, chairs, cabinets etc) and minor office equipment items.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Transfer balance to ICT & Systems Improvement Reserve**
Sheltered Equipment Reserve	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted**

Appendix E - RESERVES AND PROVISIONS - For Consideration by Cabinet on 20 February 2024

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Sheltered – Planned Maintenance	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted**
Sheltered – Support Grant Maintenance	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges, but classed as Support Costs under County Guidelines.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	**Communities & the Environment/ Corporate Services**	**Budget & Outturn**	**Retain as budgeted**

Use of all reserves with the exception of the BSR and MRR to be approved by the Chief Officer with responsibility for Housing, in consultation with the Chief Finance Officer (or nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Provisions					
Bad Debts	This provision is used to provide cover for all Housing Revenue Account bad and doubtful debts.	Contributions are determined at budget setting and outturn, based on assessment of the level of debt outstanding. Write offs are charged against the provision during the year.	**Corporate Services**	**Budget & Outturn**	**As reflected in the report**

RESERVES AND PROVISIONS- For Consideration by Cabinet 16 January 2018

The Bad Debt provision will be applied by the Chief Finance Officer (or nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

APPENDIX F

2024/25 BUDGET
HOUSING REVENUE ACCOUNT – RISKS & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 20 February 2024

Risk area	Details
Self-financing	Under Part VI of the Local Government and Housing Act 1989 a local authority has a duty to keep a HRA as a ring-fenced account and has a duty to ensure that it does not go into deficit. To deliver this, robust business and financial planning arrangements are maintained, including the production of a 30-year business plan. Assumptions around factors such as rent setting and inflation factors are built into this.
Rent Policy	As a Registered Provider of Social Housing the Council adheres to the Regulator of Social Housing's 'Rent Standard'. Rents are set in line with the Government's 'Rent Statement'. 2024/25 is the final year of five where providers were permitted to increase rents by CPI + 1%. The Government's Rent Setting policy beyond this is currently unclear. Within the 30-year business plan assumptions have been made for a 2% rent increase year on year from 2025/26 onwards in line with corporate assumptions around inflation. It should be recognised that future government policy in this area can have a significant impact on rent and therefore income levels. Government guidance will be kept under review to ensure any future assumptions around rental income are accurately informing business planning.
Income Recovery	Rental income is the main income source for the housing service. The impact of tenant debt and reduced income (through rent and other housing-related charges) on business planning is recognized as a key risk to the delivery of housing services and the sustainability of financial planning. Wider cost-of-living issues such as increased energy costs create financial pressures for tenants and present a risk to assumed income. Income Management within the housing service is externally accredited by the Housing Quality Network (HQN) and delivers best practice across many areas of tenant debt. Void (empty home) levels create additional rent loss. Fast, efficient turnaround of void properties, to reduce void rent loss, remains a priority. Supportive, proactive, and data driven service delivery in this area continues to protect income streams and promote successful tenancies. This service area is monitored weekly to ensure the risk is managed.
Reduced demand	Reduced demand for council housing within the district would pose a threat to rental income. Overall demand for all types of council housing stock is currently high, with the exception of a very small number of specific Independent Living property types for which demand is lower.

	Demand is monitored and informs the asset management planning process, and in line with the District Housing Strategy, informs the direction of programs of development, refurbishment and renewal. The potential for 'difficult to let' schemes, areas, or property types to undermine demand is monitored, with strategic planning in place to mitigate any specific issues.
Stock reduction	The rate of Right to Buy (RTB) sales remains relatively low compared to historic levels of sales; the budget planning process assumes 19 Right to Buy Sales per year. Any sales lead to future projected rental income levels being reduced. As many costs are fixed, this results in an adverse impact on the revenue position. A proportion of RTB receipts is due to HM treasury with the balance being re-invested in housing stock through the capital programme. To offset the loss of homes through RTB the Council continue to explore avenues for development, delivering recent conversions of former scheme manager accommodation into one-bed units, delivery of a specialist adapted housing unit, and scoping other sites and opportunities to realise a 'pipeline' of potential development.
Additional capital requirements	Legislation, changes in health and safety standards, or the discovery of previously unknown defects create the potential for additional capital expenditure requirements. In response to the Building Safety Act (2022) and Fire Safety Act (2021) a thorough review of all compliance (gas, electric, asbestos, legionella, lifts, fire, damp and mould) activities began during 2021/22. Increased capital and revenue investment continues to be committed to this area. Commitment to a ten-year programme of energy efficiency improvements and upgrades across all housing stock remains in place, in response to the Council's declared climate emergency. Asset management planning remains vital to identify the investment needs across all housing stock and inform the programmes. All requirements are reflected in the 30-year HRA Business Plan. Delivery of a full stock condition survey has taken place during 2023/24, the information from which will continue to inform asset management planning moving forward. For future development works to provide new affordable homes, including Mainway and Canal Quarter, project work remains ongoing to define the options available. To deliver these projects will likely require borrowing against the HRA and will be subject to the council decision-making process.
Service Resilience	A number of external factors (pandemic, weather events, etc) remain as financial and practical risks to delivery of the housing service. The service participates actively in the Council's resilience activities and planning and has developed robust processes to mitigate such risk. Provision and maintenance of IT represents and additional risk to service resilience in two ways: Delivery of a full IT replacement project is required to provide excellent digital capability across the housing service, replacing outdated 'legacy' systems. Delivery of this project is reflected within budget setting for 2024/25.

	In addition, support and maintenance of current IT infrastructure to deliver current systems remains a risk. Recent upgrades, along with in-house training around infrastructure, currently mitigate this risk.
Effect of legislation/ regulation	Implications of new (or changes to existing) legislation / regulation can present challenges and are monitored and reflected in service review and improvement planning. The Social Housing Regulation Act 2023, the refresh of associated regulatory standards, and the increased scope of the Housing Ombudsman Service represent the most significant overhaul of the social housing sector for over a decade. New powers granted to the Regulator of Social Housing demand a greater tenant focus within service delivery, with particular focus on the security, safety and condition of social homes and the ability of residents to meaningfully influence service delivery and decision making. From April 2024 the regulator will embark on a programme of 'Ofsted-style' inspections for social housing providers. The new regulation raises the required standards within social housing and create the conditions for significant practical and reputational risk. Since 2021/22 the HRA budget has incorporated costs in response to this, investment in compliance work being chief among them, and continues be responsive to the requirements of the Social HOusing Regulation Act and associated guidance through operational service delivery and strategic action planning.
Future Developments	The City Council continues to have ambitions for the development of its own new affordable / social rented homes, which it is seeking to progress. Developments will be subject to the council's decision-making process and are referenced in the 'Additional Capital Requirements' section above.

Equality Impact Assessment

This **online** equality impact assessment should:

An equality impact assessment should take place when considering doing something in a new way. Please submit your completed EIA as an appendix to your committee report. Please remember that this will be a public document – do not use jargon or abbreviations.

`

Service Council Housing

Title of policy, service, function, project or strategy

HRA Budget Report - Rent Setting

Type of policy, service, function, project or strategy: Existing ☒ New/Proposed ☐

Lead Officer Pete Linsley

People involved with completing the EIA

David Holme

Step 1.1: Make sure you have clear aims and objectives

Q1. What is the aim of your policy, service, function, project or strategy?

To set council housing rents in line with current regulation, and in order to complete the HRA budgeting process which sets out ambitions for the housing service over the short and medium term. The proposed rent increase for 2024/25 is 7.6% (CPI + 1% - in line with Government rent settiing policy)

Q2. Who is intended to benefit? Who will it have a detrimental effect on and how?

The setting of council housing rents, and the budgeting process which derives from it, affects council tenants and other residents within the district. The aims of the housing service involve tenancy, estate, and asset management, but also an investment in communities and neighbourhoods and the delivery of social value. Prudent rent setting underpins this. The potential for a detrimental impact exists as an increase in rent will put pressure on those individuals in, or at risk of, financial hardship, particularly in the context of current widely understood cost-of-living pressures. It should be noted that rent levels (set at 'social rent') will remain well below both market rent and 'affordable rent' (80% of market) and well below the Local Housing Allowance (LHA) level for the district: the LHA is the maximum amount payable through Housing Benefit or the housing element of Universal Credit. Where tenants are at risk of detriment the Council's in-house Income Management Team takes a pro active, supportive approach to preventing rent arrears and promoting financial inclusion through money advice, referrals for support, and assistance in maximising income (through benefit claims, or advice on management of other debts, for example). The Income Management Team is Housing Quality Network (HQN) accredited and delivers a best practice approach in this area. The team also works closely with internal colleagues and external partner organisations to support tenants and tenancy success generally: internally the Housing Support Team, the Energy Support Officer and the Independent Living Team provide dedicated support to those who need it.

Step 1.2: Collecting your information

Q3. Using existing data (if available) and thinking about each group below, does, or could, the policy, service, function, project or strategy have a negative impact on the groups below?

Top Tip: Have a read of the "An easy guide for staff who need to complete an Equality Impact Assessment"

Equality Impact Assessment

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

Group	Negative	Positive/No Impact	Unclear
Age	☐	☒	☐
Disability	☐	☒	☐
Faith, religion or belief	☐	☒	☐
Gender including marriage, pregnancy and maternity	☐	☒	☐
Gender reassignment	☐	☒	☐
Race	☐	☒	☐
Sexual orientation including civic partnerships	☐	☒	☐
Other socially excluded groups such as carers, areas of deprivation	☐	☒	☐
Rural communities	☐	☒	☐

Step 1.3 – Is there a need to consult!

Q4. Who have you consulted with? If you haven't consulted yet please list who you are going to consult with? Please give examples of how you have or are going to consult with specific groups of communities

Consultation to follow with Tenant Voice, and Council Housing Advisory Group - details and outcomes to be confirmed

Step 1.4 – Assessing the impact

Q5. Using the existing data and the assessment in questions 3 what does it tell you, is there an impact on some groups in the community?

Age: No significant impact directly related to this group

Disability: No significant impact directly related to this group

Faith, Religion or Belief: No significant impact directly related to this group

Gender including Marriage, Pregnancy and Maternity: No significant impact directly related to this group

Gender Reassignment: No significant impact directly related to this group

Race: No significant impact directly related to this group

Sexual Orientation including Civic Partnership: No significant impact directly related to this group

Rural Communities: No significant impact directly related to this group

Step 1.5 – What are the differences?

Q6. If you are either directly or indirectly discriminating, how are you going to change this or mitigate the negative impact?

No areas of discrimination based on protected characteristics have been identified. Individuals in challenging financial circumstances are at risk of indirect discrimination as outlined in Q2 above, but this is not linked to any specficic chracteristics outlined in Q5 above. Mitigation of this risk is outlined in Q2: tenancy health checks, and monitoring of rent accounts and related financial circumstances of tenants will allow a support and assistance to be provided as required.

Q7. Do you need any more information/evidence eg statistic, consultation. If so how do you plan to address this?

Top Tip: Have a read of the "An easy guide for staff who need to complete an Equality Impact Assessment"

Equality Impact Assessment

No

Step 1.6 – Make a recommendation based on steps 1.1 to 1.5

Q8. If you are in a position to make a recommendation to change or introduce the policy, service, function, project or strategy, clearly show how it was decided on.

The Equality Impact Assessment concludes no adverse impact on individuals on the basis of a protected characteristic as above. However, it is noted that all individuals and groups, regardless of protected characteristics, may be adversely impacted by a rent increase. As per Q2, above, where individuals are adversely affected there is mitigation in place.

Q9. If you are not in a position to go ahead, what actions are you going to take?

N/a

Q10. Where necessary, how do you plan to monitor the impact and effectiveness of this change or decision?

Continuous weekly monitoring of rent accounts takes place to highlight areas of negative impact. A programme of pre-tenancy assessment, tenancy health checks, tenancy audits, advice, and support is in place to identify those at risk of detriment prior to tenancy commencement.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted