APPENDIX E

MEDIUM TERM FINANCIAL STRATEGY 2011/12 TO 2013/14

LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Key Extracts for Consideration by Cabinet

15 February 2011

2 CAPITAL INVESTMENT STRATEGY - FUNDING

2.1 UNDERLYING BORROWING REQUIREMENT TO SUPPORT CAPITAL INVESTMENT

Assumptions underpinning the Council's underlying borrowing requirement (known as its Capital Financing Requirement or CFR) are outlined below:

i. Taking into account the latest revenue budget and council tax projections set out later in this Strategy, and the Council's likely investment needs arising from the condition of its asset base and from progressing its corporate and service priorities, the General Fund capital programme provides for a £1.994M reduction in the underlying requirement for unsupported borrowing from 2011/12 onwards.

ii. As in previous years, the practice will continue by which the Head of Finance will, under delegated authority, assess the most appropriate means of financing for the purchase of new vehicles and equipment. Unsupported borrowing will be selected if this offers a more cost effective solution than leasing, with the Capital Programme being updated as necessary.

iii. Further prudential unsupported borrowing may be considered, but only in context of either:

- Providing funding to meet any additional costs arising in connection with liabilities arising for the Luneside East scheme. Cabinet approval would be required before this facility could be called on;

- Providing cover for any losses associated with Icelandic investments, should there be any increase in need following changes in Icelandic court decisions and associated recovery prospects;

- Providing interim funding for progressing the 2011/12 programme as set out, prior to other sources of funding (e.g. capital receipts) becoming available;

- Robust, achievable revenue savings being identified or income being generated to at least offset the ongoing (whole life) costs associated with individual schemes, and / or borrowing being required to support the cashflow position of major schemes spanning financial years. This would require further specific Cabinet / Council approval as required;

- No underlying borrowing requirement is assumed for council housing investment at present but this will need to be updated in light of the outcome of the housing funding review, for consideration by both Cabinet and Council, given the likely amounts involved;

- Whether or not any of these underlying borrowing needs will give rise to actual additional long-term borrowing or, alternatively, be financed by utilising the Council's cash balances, is a decision that will be made within the framework of the Council's Treasury Management Strategy.

3 CAPITAL INVESTMENT PRIORITIES

In line with the Council's core values, priorities and associated targets, capital investment for the period to 2017 will be focused into delivering the Council's medium term priorities and objectives. In determining priorities where funding is limited, then preference will be given to those schemes that contribute to delivering the agreed high priorities for capital investment, as set out below:

- Delivering the Council's Economic Vision as set out in the Economic Regeneration Strategy.
- Delivering improvements for the Public Realm.
- Delivering schemes that support the Council's Climate Change agenda, with focus on energy efficiency and income generation.
- Progressing the priorities within the Council's agreed Housing Strategy and in particular, in meeting the 'Lancaster' Standard in the provision of Council Housing, in line with the 30-Year Business Plan.
- Refurbishment/replacement of existing property or facilities required to deliver existing service levels, or to achieve key performance targets as set out in the Corporate Plan or Corporate Property Strategy, or to meet other legislative requirements.
- New (or the expansion of existing) facilities, where they link clearly with the draft Corporate Plan and they are either :
    - at least self financing (both in revenue and capital terms) or
    - invest to save proposals that require some up front capital investment but would generate cashable (and where possible, non-cashable) ongoing revenue savings. As a general guide, payback should be achievable in the medium term, up to 5 years, but longer payback periods may be considered should circumstances warrant it.