

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	11 February 2020
Report of	Chief Finance Officer		
Purpose of Report			
This report sets out the latest position in respect of the budget and policy framework including Cabinet's proposed revenue budget for 2020/21 and Capital Programme for 2020/21 to 2023/24. The report also sets out the Treasury Management Framework for Cabinet adoption.			
Key Decision (Y/N)	Y	Date of Notice	13 January 2020
		Exempt (Y/N)	N

Report Summary

The report provides Cabinet with information on the Council's latest General Fund Revenue budget proposals and resulting Council Tax requirement. Further information is provided regarding the Council's proposed 5 year Capital Programme as well as its Treasury Management Strategy and the Section 151 Officer's statement on the adequacy of reserves.

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

Recommendations of Councillor Whitehead

1) That Cabinet recommend the following for approval to Budget Council:

- The 2020/21 General Fund Net Revenue Budget and resulting Council Tax Requirement excluding parish precepts (Appendix A) and supporting budget proposals (Appendix B).
- The Section 151 Officer's statement on the adequacy of reserves and advice that the minimum level of balances be increased to £2.5m, subject to annual review.
 - the resulting position on provisions and reserves (Appendix C).
 - the updated Reserves Strategy (Appendix D).
 - the updated five year Capital Programme covering financial years 2020/21 to 2023/24 (Appendix E).

2) That the Finance Portfolio Holder be given delegated authority to agree the Treasury Management Framework, as updated for Cabinet's final budget proposals, for referral on to Council.

3) That the Finance Portfolio Holder be given delegated authority to agree the revision of the Medium Term Financial Strategy, as updated for Cabinet's final budget proposals, for referral on to Council.

Relationship to Policy Framework	
<p>The budget should represent, in financial terms what the Council is seeking to achieve through its Policy Framework.</p> <p>The proposed Treasury Management framework forms part of the Council's budget and policy framework, and fits into the Medium Term Financial Strategy.</p>	
Conclusion of Impact Assessment(s) where applicable	
Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety
<p>A number of budget proposals address the climate emergency and digital improvements as well as wellbeing improvements. The budget framework in general sets out a financial plan for achieving the Council's corporate priorities which incorporate the above cross cutting themes.</p>	
Details of Consultation	
Revenue Budget Proposals	
<p>Cabinet's initial budget proposals were presented to the January meetings of Budget and Performance Panel and Council.</p>	
Treasury Management Framework	
<p>Officers have liaised with Link Asset Services, the Council's Treasury Advisors, in developing the proposed framework. The framework will be considered by Budget and Performance Panel at its meeting on 18 February.</p>	
Legal Implications	
<p>Legal Services have been consulted and have no further comments.</p>	
Financial Implications	
<p>As set out in the report and supporting Appendices</p>	
Other Resource or Risk Implications	
<p>None directly arising from this report.</p>	
Section 151 Officer's Comments	
<p>The Local Government Act 2003 placed 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 Section 151 Officer.</p>	
Provisions, Reserves and Balances	
<ul style="list-style-type: none"> · Specific earmarked reserves and provisions are satisfactory at the levels currently proposed. · Unallocated balances of £2.5M for General Fund are reasonable levels to safeguard the Council's overall financial position, given other measures and safeguards proposed, and taking a medium to longer term view. This level has been increased by £0.5M compared with last year to reflect increased uncertainty with respect to government funding after the Fair Funding review and Brexit and reflects the sensitivity of some of the underlying savings and income targets 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.
- 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 particular 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 (and should be) 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 an increase in "prudential borrowing" or CFR over the period to 2023/24. The bulk of this relates to schemes to support delivery of the Council's key Strategic Priorities as outlined in the Capital Programme.

Monitoring Officer's Comments

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

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Links to Background Papers	None.
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1.0 Introduction

- 1.1 Under the Council's Constitution, Cabinet has responsibility for developing corporate planning processes and a balanced revenue budget and capital programme for Council's consideration.
- 1.2 The Council meeting on 29 January 2020 considered Cabinet's proposed revenue budget for 2020/21 and approved a City Council Tax increase of £5 together with a year on year target of the maximum allowable under the Government's local referendum thresholds for future years.
- 1.3 Cabinet has also considered capital programme bids for 2020/21 to 2023/24 and this report provides a proposed capital programme for consideration and recommendation to Budget Council. The Treasury Management Strategy takes account of the proposed capital programme.
- 1.4 The report seeks delegated authority for the Finance Portfolio Holder to agree the Treasury Management Framework, subject to any changes made to capital programme proposals before it is referred to Budget Council.

2.0 Revenue Budget 2020/21

- 2.1 A general fund revenue budget for 2020/21 is included at Appendix A with more detailed budget proposals in Appendix B. The proposed budget is balanced, in line with statutory requirements, and takes account of the Final Local Government Settlement published 6 February 2020.
- 2.2 Cabinet is now required to finalise its full budget proposals and make recommendations to Budget Council.
- 2.3 The proposed revenue budget was agreed by Cabinet at its meeting on 28 January 2020 and this was subject to the local government settlement and calculations of annual estimates for collection fund surpluses or deficits in respect of council tax and business rates which are considered below.

Local Government Settlement

- 2.4 The Provisional Local Government Settlement was announced 20 December 2019 and revised Council Tax threshold principles which for districts, reduced the maximum increase in precept from 2.99% to 1.99% or £5, whichever is higher. The allocations published in Final Local Government Settlement remain unchanged from the Provisional Settlement and so has no impact on the Council.

Council Tax

- 2.5 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.
- 2.6 For council tax, it is confirmed that the Collection Fund is expected to generate a small surplus for the year and with the overall fund position remaining in deficit.

2.7 As a result of the changes to council tax referendum thresholds, the Council Tax increase of £5 agreed by Council on 29 January 2020 means that the City element of Council Tax for a band D property will be £231.95.

Business Rates

2.8 The Council is required to submit its annual business rates return to the Government by the end of January in which it estimates business rates income for 2020/21 and the estimated deficit / surplus as at the end of 2019/20.

2.9 The estimated surplus for 2019/20 is £2,958K as shown in Table 1 below.

Table 1: Business Rates

	2019/20 £000
Actual surplus brought forward (from collection fund statement)	(1,497)
Transfer to other precepting authorities in respect of last year forecast surplus (arising from calculations done a year ago)	739
Forecast Business Rates Income for 2019/20	(65,548)
Rate Retention Scheme Charges for 2019/20	63,348
Estimated Surplus for 2019/20 as at 31 January 2020	(2,958)
City Council Share of the surplus at 40%	(1,183)

2.10 Business rates continues to be an area of uncertainty in respect of predicting income for two primary reasons set out below:

The potential for a shutdown at Heysham Nuclear Power Station continues to be a risk which the Council has to monitor, as such an event would significantly reduce retention from business rates. 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. The Section 151 Officer has allowed for this arrangement when considering the level of balances held within the Business Rates reserve.

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 2020/21, this will be worth £907K to Lancaster City Council. Whilst it is evident that this 100% disregard will continue into 2020/21, there is a risk that the Government will discontinue this advantageous arrangement at some point in the future.

3.0 Provisions, Reserves and Balances

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

Provisions

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

Reserves & Balances

- 3.3 Reserve levels and use of reserves are an important part of the budget framework. It is important that the Council maintains a healthy level of reserves in order to maintain financial resilience but balances this with the careful use of those reserves, usually on 'one-off' items in order to support corporate priority projects.
- 3.4 The balance described above is managed via the Reserves Strategy which is set out in Appendix D but which, in summary, is covered below:
- The Section 151 Officer is statutorily required to undertake an annual assessment on the adequacy of the Council's reserve levels.
 - The reorganisation of earmarked revenue reserves in order to better reflect corporate priorities.
 - The planned use of reserves over the next four years and forecast reserves balances over that period.
 - The governance arrangements for the use of reserves to ensure that they are used effectively in accordance with corporate priorities.

Annual Assessment of Reserves Levels

- 3.5 The Reserves Strategy covers the Section 151 Officer's annual review of the adequacy of reserve balances which is a statutory requirement. Although usable revenue reserve levels have increased significantly in the last two years, continuing uncertainties with respect to Local Government funding remain. **Taking this additional risk into account, the Section 151 Officer's advice is that the minimum level of balances held in the General Fund should be set at £2.5M, an increase of £0.5M.**
- 3.6 The Section 151 Officer's latest advice on the adequacy of balances is based on the following observations:

The General Fund Balance at 31/03/19 was £5.714M.

Latest revenue budget monitoring forecasts an overspend of £322K in 2019/20. This would reduce the General Fund Balance to £5.392M.

The Council's MTFs suggests a budget gap in 2021/22 onwards of approximately £1.5M. If this is not closed then balances will be required to make up the difference.

There is a significant level of uncertainty with respect to Council funding particularly in respect of both retained rates and New Homes Bonus and there is a possibility that the Council's funding will be reduced as a result of the Fair Funding Review.

Business rates retention volatility remains a risk to the Council but this is now managed via the Business Rates Reserve considered in the next section and therefore should not impact on the General Fund balance.

There is continuing uncertainty with respect to Brexit and how this will impact, directly or indirectly, Council finances.

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

- 3.7 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 2 below.

Table 2: Risk Assessment

Risk	Symptom of risk	Balance required £000
Increased demand for services	3% increase in net revenue expenditure	530
Recession results in reduced fees and charges income	10% reduction in major fees and charges income	1,300
Recession results in reduced council tax collection rates	3% reduction in collection rate	300
New Homes Bonus scrapped	Significant reduction in funding income	1,300
Next year's budget savings not achieved	50% under achievement	250
Next year's commercial income target not achieved	30% under achievement	120
Natural disaster such as flood	Additional unanticipated expenditure	500
Uncertainty with respect to Brexit	Additional unanticipated expenditure	500
Aggregate overspend if all above risks were to happen		4,800
Estimated General Fund Balance as at 31/03/20		5,392

3.8 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

3.9 Usable revenue reserves have increased significantly over the last two years, mainly due to business rates growth. The strategy sets out the change in reserves and compares this with other districts as a benchmark. As at 31 March 2019, Lancaster had 114% of its net revenue expenditure held in reserve (increased from 62% 31 March 2017) which is equal to the Lancashire districts average.

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

Re-organisation of Earmarked Reserves

3.11 Cabinet adopted a revised Reserves Strategy on 1 October 2019 following on from a review by the Financial Resilience Group. The revised Strategy set out the key changes:

- The transfer of the Budget Support Reserve balance into a new Corporate Priorities Reserve and the transfer of any committed balances from the Canal Quarter, Capital Support, Economic Growth, Welfare Reforms, Morecambe Area Action Plan and Amenity Improvements into this reserve.
- The calculation of the level of Business Rates Reserve required to support the budget, over the medium term, should business rates income fall to safety net

levels and the transfer of any surplus funds to the new Corporate Priorities Reserve.

- 3.12 The updated Reserves Strategy included in Appendix D calculates a requirement of £3.569M to support the budget over the next four years should business rates fall to safety net levels. This means that £2.348M can be transferred to the Corporate Priorities reserve. It is also recommended that the balances of the Canal Quarter, Capital Support, Economic Growth, Welfare Reforms, Morecambe Area Action Plan and Amenity Improvements are transferred to the Corporate Priorities reserve at the financial year end.

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

- 3.13 The estimated reserves balances are shown in Appendix C and are summarised in table 3 below

Table 3: Estimated Reserves

	2019/20	2020/21	2021/22	2022/23	2023/24
Balance brought forward	20,557	18,560	15,917	15,189	14,764
Impact of 2020/21 budget decisions		(1,869)	(1,095)	(874)	(829)
Impact of previous budget decisions	(1,997)	(775)	367	448	408
Balance carried forward	18,560	15,917	15,189	14,764	14,343

- 3.14 It should be noted that the above analysis reflects allocated use of reserves which are subject to the completion and authorisation of a reserves bid template to ensure the effective use of resources to meet corporate priorities. If no bid is made or the bid is rejected then allocations will not be used.
- 3.15 It should also be noted that any business rates growth above budget and/or returns from invest to save projects will, all other things being equal, increase reserves balances from those set out in the above analysis.

Governance Arrangements

- 3.16 The Reserves Strategy sets out improved arrangements for the approval of reserves expenditure which include:
- a requirement to complete a bid document setting out how reserves expenditure will deliver corporate priorities with a clear costing statement and schedule of outcome measures
 - a process to ensure that all use of reserves are approved by Cabinet either as part of the annual budget or via consideration of bids during the year, usually as part of strategy or project approval Cabinet report
 - decision limits to ensure that Cabinet approval of reserves bids is delegated appropriately

4.0 General Fund Capital Programme

- 4.1 The Capital Programme for 2020/21 to 2023/24 is set out in Appendix E and is summarised in table 4 below

Table 4: Capital Programme

	2019/20	2020/21	2021/22	2022/23	2023/24
Approved Schemes	1,797	8,472	2,024	1,935	424
Development Pool	15,022	24,687	27,306	27,285	22,608
Total	16,819	33,159	29,330	29,220	23,032

- 4.2 Development pool schemes 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 Strategy Group, and then by Cabinet.
- 4.3 A number of significant schemes are included in the Development Pool including Canal Quarter, general fund housing schemes, Heysham Gateway development and investment property acquisitions. All of these schemes will require significant capital expenditures and borrowing but each business case will have to show that income arising from the capital investment is capable of covering all borrowing costs and delivering a positive return to the Council's revenue budget.
- 4.4 In setting the capital programme the Council must have regard to affordability and the Treasury Management Strategy sets out the impact of the Council's Capital Programme on its borrowing to ensure that all borrowing is affordable, prudent and sustainable.

5.0 Treasury Management Strategy

- 5.1 The Code of Practice on Treasury Management ("the Code") requires that a strategy outlining the expected treasury activity for the forthcoming 3 years be adopted, but that it be reviewed at least annually. It needs to reflect treasury policy and cover various forecasts and activities, in order to integrate the Council's spending and income plans with decisions about investing and borrowing.
- 5.2 Over the years, the regulatory and economic environment has changed significantly and this has led the sector to consider more innovative types of investment activity. Reflecting this, Members will be aware that changes have been made regarding the capital and treasury management framework.
- 5.3 The main objective of these changes was to respond to the major expansion of local authority investment activity over the last few years into the purchase of non-financial investments, particularly property. The updated framework distinguishes between treasury management activities and investment in non-financial investments.
- 5.4 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.

- 5.5 Non-treasury investments include commercial investments where the objective is primarily to generate capital or revenue resources. The resources generated help facilitate the delivery of council services.
- 5.6 The Prudential Code 2017 also introduced a new requirement to produce an annual capital strategy. This is an over-arching corporate document which deals with the key areas of strategic context, corporate priorities, capital investment ambition, available resources, affordability, capacity to deliver, risk appetite, risk management and determining an appropriate split between non-financial and treasury management investments in the context of ensuring the long term financial sustainability of the authority. It sets the context for the Treasury Management and Investment Strategies.

Treasury Management Framework

- 5.7 The proposed Strategy for 2020/21 to 2023/24 is set out at Appendix H for Cabinet's consideration. The document contains the necessary details to comply with both the Code and Government investment guidance. The strategy put forward reflects the more ambitious nature of the Council and facilitates the principles outlined in both the Funding the Future and Property Investment Strategies. Responsibilities for treasury management are set out at Appendix F and the policy statement is presented at Appendix G.
- 5.8 Key elements and assumptions feeding into the proposals are outlined below. These take account of Cabinet's existing budget proposals as far as possible at this stage. Should there be any changes to the budget, then the treasury framework would need to be updated accordingly before being referred on to Budget Council. For these reasons, delegated arrangements are being sought for finalising the framework.

Borrowing Aspects of the Strategy

- 5.9 Based on the draft budget, the overall physical borrowing position of the Council is projected to increase significantly over the next three to five years from its current position of £62M to £118M (2021/22) potentially raising to £162M (2023/24) as the Council looks to move forward with several ambitious schemes to enable delivery of its Strategic Priorities.
- 5.10 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. Changes in the Council's Capital Financing Requirement and forward borrowing projections are summarised in tables 5 and 6 below

Table 5: Capital Financing Requirement

	2018/19 Actual £M	2019/20 Estimate £M	2020/21 Estimate £M	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M
Capital Financing Requirement						
CFR – Non Housing	43.55	43.33	57.67	68.00	77.91	81.25
CFR – Housing	39.34	38.29	37.25	36.21	35.17	34.13
CFR – Commercial activities/non-financial investments	0.00	15.00	30.75	46.19	61.62	77.06
Total CFR	82.89	96.62	125.67	150.40	174.70	192.44
Movement in CFR						
Non Housing	(0.06)	(0.22)	14.34	10.33	9.91	3.34
Housing	(1.06)	(1.04)	(1.04)	(1.04)	(1.04)	(1.04)
Commercial activities/non-financial investments	0.00	15.00	15.75	15.43	15.43	15.43
Net Movement in CFR	(1.12)	13.74	29.05	24.72	24.30	17.73

Movement in CFR represented by						
Net financing need for the year (above) re Non Housing	1.60	16.13	32.20	28.87	28.82	22.66
Less MRP/VRP and other financing movements	(2.72)	(2.39)	(3.15)	(4.14)	(4.52)	(4.93)
Net Movement in CFR	(1.12)	13.74	29.05	24.73	24.30	17.73

Table 6: Borrowing Projections

	2018/19 Actual £M	2019/20 Estimate £M	2020/21 Estimate £M	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M
External Debt						
Debt at 1 April	64.21	63.17	62.13	94.09	118.05	143.01
Expected change in Debt	(1.04)	(1.04)	(1.04)	(1.04)	(1.04)	(1.04)
Other long-term liabilities (OLTL)	0.00	0.00	0.00	0.00	0.00	0.00
Expected change in OLTL	0.00	0.00	33.00	25.00	26.00	20.00
Actual gross debt at 31 March	63.17	62.13	94.09	118.05	143.01	161.97
The Capital Financing Requirement	82.89	96.62	125.68	150.40	174.70	192.43
Under Borrowing	(19.72)	(34.50)	(31.59)	(32.35)	(31.69)	(30.46)

Investment Aspects of the Strategy

5.10 Where short term treasury management investments are required the Council retains a comparatively low risk appetite with focus on high quality deposits. The 2020/21 strategy continues to use the same short term investment criteria as approved by Members in 2019/20.

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

6.0 Medium Term Financial Strategy

- 6.1 The proposals set out in this report will be incorporated into the refresh of the Medium Term Financial Strategy (MTFS) so that this can be presented to Budget Council. The MTFS covers the following areas:

Using the balanced revenue budget for 2020/21 as a base, a forecast of funding and net revenue expenditure for the next four years has been undertaken to understand the future funding gap.

Initial high level plans for bridging the gap are explored which include actions arising from the Funding the Future strategy.

A new Capital Strategy; an overarching document which sets the policy framework for the development, management and monitoring of capital investment. It incorporates the Property Investment Strategy, Asset Management Plan and Treasury Management Framework. The Strategy which sets out revised management and governance arrangements which will be key as ambitious economic development, property investment and proactive asset management projects come forward for consideration.

A MTFS Action Plan to be agreed by Cabinet and monitored by Budget and Performance Panel in order to ensure that the authority focuses on the budget gap in a timely and effective manner.

7 Options and Options Analysis

Revenue Budget

- 7.1 Cabinet may adjust its revenue budget proposals, as long as the overall budget for 2019/20 balances and fits with the proposed council tax level.

Capital Programme

- 7.2 Cabinet may adjust its capital investment and financing proposals to reflect spending commitments and priorities but in deciding its final proposals should have regard to the prudential code requirements that all capital expenditure should be prudent, affordable and sustainable.

Treasury Management Framework

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

- 7.4 Furthermore, the Strategy must fit with other aspects of Cabinet's budget proposals, such as commercial investments together with traditional 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. Officer Preferred Option (and comments)

8.1 Revenue Budget, Capital Programme and Reserves Position

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.

Treasury Management Strategy

- 8.2 To approve the framework as attached, allowing for any amendments being made under delegated authority prior to referral to Council. This is based on the Council continuing to have a comparatively low risk appetite regarding the security and liquidity of investments particularly, but recognising that some flexibility should help improve returns, whilst still effectively mitigating risk. It is stressed that in terms of treasury activity, there is no risk free approach. It is felt, however, that the measures set out above provide a fit for purpose framework within which to work, pending any update during the course of next year.
- 8.3 If Cabinet or Budget Council changes its Capital Programme from that which is proposed in this report then this would require a change in the prudential indicators which are part of the Treasury Management Strategy. Delegation to the Finance Portfolio Holder is therefore requested in order to ensure that Cabinet's final capital programme proposals are reflected in the Treasury Management Strategy

General Fund Revenue Budget Projections 2019/20 to 2023/24

For Consideration by Cabinet 11 February 2020

BUDGET PROJECTIONS	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Revenue Budget/Forecast as at 5 November 2019	15,937	17,700	18,493	19,066	20,091
Base Budget Changes after Cabinet 15 January					
Increased LCTS & HB Admin Grant	-	(40)	(48)	(56)	(41)
Further Job Evaluation Changes	-	268	103	(4)	(19)
Cabinet Budget Proposals:					
Savings Proposals	-	(511)	(408)	(605)	(845)
Growth Proposals	-	2,356	890	399	(63)
Contributions from Reserves re Budget Proposals	-	(2,096)	(1,206)	(927)	(829)
Revenue Implication of New Capital Schemes	-	-	307	449	589
Contribution to GF Unallocated Reserve	-	226	-	-	-
General Fund Revenue Budget	15,937	17,903	18,131	18,322	18,883
Core Funding:					
Revenue Support Grant	(200)	(203)	-	-	-
Net Business Rates Income	(6,341)	(8,028)	(6,593)	(6,797)	(7,006)
Council Tax Requirement	9,396	9,672	11,538	11,525	11,877
Estimated Council Tax Income - (Increases based on £5 for 20/21 then max allowable)	9,396	9,672	9,980	10,291	10,607
Resulting Base Budget Deficit	0	0	1,558	1,234	1,270
<i>Original MTFS Savings Requirement</i>	-	2,253	2,835	2,630	N/A
<i>Change</i>	+0	(2,253)	(1,277)	(1,396)	N/A

BALANCES	General Fund Unallocated Balance	
		£M
Original Projected Balance as at 31 March 2019		(5.054)
2018/19 Reverse Forecast Under/(Overspend)		(0.013)
2018/19 Actual (Under)/Overspend		(0.647)
2019/20 Budgeted Contribution		+0.000
2019/20 Forecast (Under)/Overspend		+0.322
Projected Balance as at 31 March 2020		(5.392)
Less Agreed Minimum Level of Balances		2.500
Available Balances		(2.892)

Summary of Cabinet's Budget Proposals 2020/21 to 2023/24

		2020/21	2021/22	2022/23	2023/24	
		£'000	£'000	£'000	£'000	
SAVINGS PROPOSALS	Non-Reserve Savings	Reserves Funding				
	Minimum Revenue Provision	-	-	-	-	
	Refuse/Recycling (delay of additional round)	(200)	-	-	-	
	Inflation Savings	-	(129)	(194)	(273)	
	Increase in Income Achieved - Car Parking	(160)	-	-	-	
	Increase in Income Achieved - Williamson Park	(17)	-	-	-	
	Annual non pay inflation uplifts and increase in other incomes					
	- Trade Refuse	(29)	(62)	(78)	(108)	
	- Other Incomes	(7)	(15)	(23)	(39)	
	- Improved venues management	(51)	(108)	(170)	(238)	
	- Co-ordinated approach to catering	(12)	(24)	(36)	(48)	
	- Support Services Efficiencies	(21)	(42)	(63)	(84)	
	- Reducing general office supplies	(14)	(28)	(41)	(55)	
Sub Total	£0K	(511)	(408)	(605)	(845)	
Funding From Reserves		0	0	0	0	
Net Savings		(511)	(408)	(605)	(845)	
GROWTH PROPOSALS	Non-Reserve Growth	Reserves Funding				
	Unavoidable					
	Job Evaluation		218	438	615	705
	Communities & the Environment					
	Energy including Phase 1 Solar		36	(94)	(94)	(95)
	Salt Ayre Boiler Replacement		10	(2)	(2)	(3)
	Two Electric Refuse Vehicles		46	41	40	40
	Electric Fleet Replacement Programme		31	10	10	10
	Pool Cars		18	(3)	(4)	(4)
	Salt Ayre Leisure Centre		(4)	(114)	(108)	(135)
	Mellishaw Park		37	-	-	-
	Economic Growth & Regeneration					
	Development Management		20	24	28	32
	Planning Policy & Local Plan: Staff		96	102	108	115
	Building Control		77	(47)	(46)	(50)
	Prosperity Skills Wealth Building		55	56	57	58
	Regeneration		(93)	8	47	57
	Cultural Development					
	- Arts, Festivals and Events Development		15	29	29	29
	Property Investment		(383)	(832)	(1,264)	(1,696)
	Corporate Services					
	Staff Development		50	40	30	10
	Member Training		11	8	6	15
	Digital Strategy MRP		14	14	14	14
	Office of the Chief Executive					
	VCSE Miscellaneous Grants		6	6	6	6
	Growth funded from Reserves					
	Job Evaluation	£293K	293	147	73	-
	Digital Strategy	£90K	90	-	-	-
	Cultural Development	£99K	99	43	23	23
	Economic Prosperity Plan	£40K	40	-	-	-
	Economic Development	£110K	110	110	110	85
	Housing Feasibility (Housing Co and PS Stock Survey)	£107K	107	7	7	7
Committee System Investigation	£30K	30	-	-	-	
Energy Management Hardware and Software	£50K	50	-	-	-	
RCCO Mellishaw Park	£240K	240	240	240	240	
CE recruitment and consultant costs	£30K	30	-	-	-	
Planning Policy & Local Plan: Commissioning Advice	£148K	148	148	148	148	
Future High Streets Fund (delivery capacity) (if successful)	£76K	76	76	76	76	
Canal Quarter	£124K	124	150	-	-	
Heysham Gateway	£279K	279	35	-	-	
Bailrigg Garden Village / Morecambe High Streets	£280K	280	250	250	250	
Housing Feasibility Invest to Save	£100K	100	-	-	-	
Total Growth	£2,096K	2,356	890	399	(63)	
Less Funding from Reserves		(2,096)	(1,206)	(927)	(829)	
Add Payback to Reserves						
Net Cost of Growth		260	(316)	(528)	(892)	

Reserves Statement (Including Unallocated Balances)

	31 March 2019	From Revenue	To / (From) Capital	To Revenue	31 March 2020	From Revenue	To / (From) Capital	To Revenue	31 March 2021	From Revenue	To / (From) Capital	To Revenue	31 March 2022	From Revenue	To / (From) Capital	To Revenue	31 March 2023	From Revenue	To / (From) Capital	To Revenue	31 March 2024
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	(5,713,800)				(5,713,800)	226,000			(5,487,800)				(5,487,800)				(5,487,800)				(5,487,800)
Earmarked Reserves:																					
Business Rates Reserve\IA1 Business Rates Retention	(6,283,400)			367,000	(5,916,400)			815,100	(5,101,300)			96,500	(5,004,800)			604,500	(4,400,300)			831,300	(3,569,000)
Budget Support Reserve\Print Area Corporate Priorities	(2,532,100)			844,000	(1,688,100)	(882,800)	444,000	930,800	(1,196,100)		240,000	384,900	(571,200)	(491,300)	240,000	364,900	(457,600)	(579,800)	240,000	339,800	(457,600)
Canal Corridor Reserve\Print Area Canal Quarter	(237,400)			213,000	(24,400)			24,400													
Capital Support Reserve\IA1 Capital Support	(262,200)		4,000		(258,200)		73,000	185,200													
Corporate Property Reserve\IA1 Corporate Property	(371,800)			36,600	(335,200)				(335,200)				(335,200)				(335,200)				(335,200)
Economic Growth Reserve\Print Area Economic Growth	(203,500)	(367,000)		551,100	(19,400)	(117,500)		136,900		(96,500)		96,500		(96,500)		96,500		(96,500)		96,500	
Elections Reserve\IA1 Elections	(108,800)	(40,000)		148,800		(40,000)			(40,000)	(40,000)			(80,000)	(40,000)			(120,000)	(40,000)		160,000	
Homelessness Reserve\IA1 Homelessness Support	(101,300)	(6,600)			(107,900)	(6,600)			(114,500)	(6,600)			(121,100)	(6,600)			(127,700)	(6,600)			(134,300)
Invest to Save Reserve\IA1 Invest to Save	(1,450,400)			139,800	(1,310,600)	(60,800)		782,600	(588,800)	(55,100)		434,500	(209,400)	(40,600)		250,000		(250,000)		250,000	
Local Plan Reserve\IA1 Local Plan	(23,700)			23,700																	
MAAP Reserve\IA1 Morecambe Area Action Plan	(27,300)				(27,300)			27,300													
Museums Acquisitions\Print Area Museums Acquisitions	(16,500)	(3,000)			(19,500)	(3,000)			(22,500)	(3,000)			(25,500)				(25,500)				(25,500)
Planning Fee Income Reserve\Print Area Planning Fee Income	(74,600)	(14,400)			(89,000)			31,200	(57,800)			39,600	(18,200)			18,200					
Renewals Reserves	(330,400)	(479,300)	493,000	122,400	(194,300)	(481,800)	356,000	42,100	(278,000)	(481,800)	210,000	34,200	(515,600)	(481,800)	150,000	34,200	(813,200)	(481,800)	124,000	34,200	(1,136,800)
Restructure (BS) Reserve\IA1 Restructure	(530,700)				(530,700)			66,000	(464,700)			36,000	(428,700)			19,000	(409,700)				(409,700)
Revenue Grants Unapplied\Print Area Revenue Grants Unapplied	(693,900)	(15,000)		47,200	(661,700)	(5,300)		189,300	(477,700)			27,100	(450,600)				(450,600)				(450,600)
s106 Reserves\IA1 S106 Commuted Sums - Open Spaces	(44,000)			15,600	(28,400)			11,800	(16,600)			11,800	(4,800)			4,700	(100)				(100)
s106 Reserves\IA1 S106 Commuted Sums - Affordable Housing	(897,400)				(897,400)				(897,400)				(897,400)				(897,400)				(897,400)
s106 Reserves\IA1 S106 Commuted Sums - Highways, Cycle Paths etc.	(206,000)	(200,000)	91,000		(315,000)	(200,000)	70,000		(445,000)	(200,000)			(645,000)	(200,000)			(845,000)	(200,000)			(1,045,000)
Welfare Reforms Reserve\IA1 Welfare Reforms	(349,000)			25,000	(324,000)				(324,000)				(324,000)				(324,000)				(324,000)
Amenity Improvement Reserve\Print Area Amenity Improvements	(29,000)				(29,000)			29,000													
Reserves Held in Perpetuity:																					
Reserves held in perpetuity\IA1 Graves Maintenance	(22,200)				(22,200)				(22,200)				(22,200)				(22,200)				(22,200)
Reserves held in perpetuity\IA1 Marsh Capital	(47,700)				(47,700)				(47,700)				(47,700)				(47,700)				(47,700)
Total Earmarked Reserves	(14,843,300)	(1,125,300)	588,000	2,534,200	(12,846,400)	(1,797,800)	943,000	3,271,700	(10,429,500)	(883,000)	450,000	1,161,100	(9,701,400)	(1,356,800)	390,000	1,392,000	(9,276,200)	(1,654,700)	364,000	1,711,800	(8,855,100)
Total Combined Reserves	(20,557,100)				(18,560,200)				(15,917,300)				(15,189,200)				(14,764,000)				(14,342,900)

Reserves Strategy

Introduction

1. 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 Medium Term Financial Strategy (MTFS).
2. The Council may choose to fund some of its spending from its reserves, or set aside some of its income to increase reserves for future spending.
3. Lancaster City Council, in common with most local authorities, face significant financial challenges. The unprecedented reduction in government funding from 2010/11 to 2019/20 and continuing uncertainties with respect to funding as well as, rising costs and growing demand for many services are all testing the Councils' financial management and resilience.
4. The introduction of local business rates retention in particular has created additional risks to all Councils' finances and particularly for Lancaster as it is one of a handful of authorities which has a nuclear power station within its area. The Council, therefore, bears a significant risk of a temporary or permanent shut down at the power station which would immediately and significantly reduce funding from business rates. The magnitude of such a financial shock is sufficient that the Council must hold a reserve to provide resilience in the event that this happens.
5. Current and future financial challenges pose significant risks for the Council. The Council will continue to use reserves to balance competing pressures for example:
 - Using reserves to offset funding reductions and protect services – although this can only be a short-term strategy as reserves are a one-off funding resource.
 - Using reserves to provide 'one-off' expenditure to meet corporate priorities.
 - Investing in making changes that reduce the cost of providing services in the longer-term.
 - Increasing reserves to strengthen resilience against future, uncertain cost pressures.

The approach to setting the Reserves Strategy.

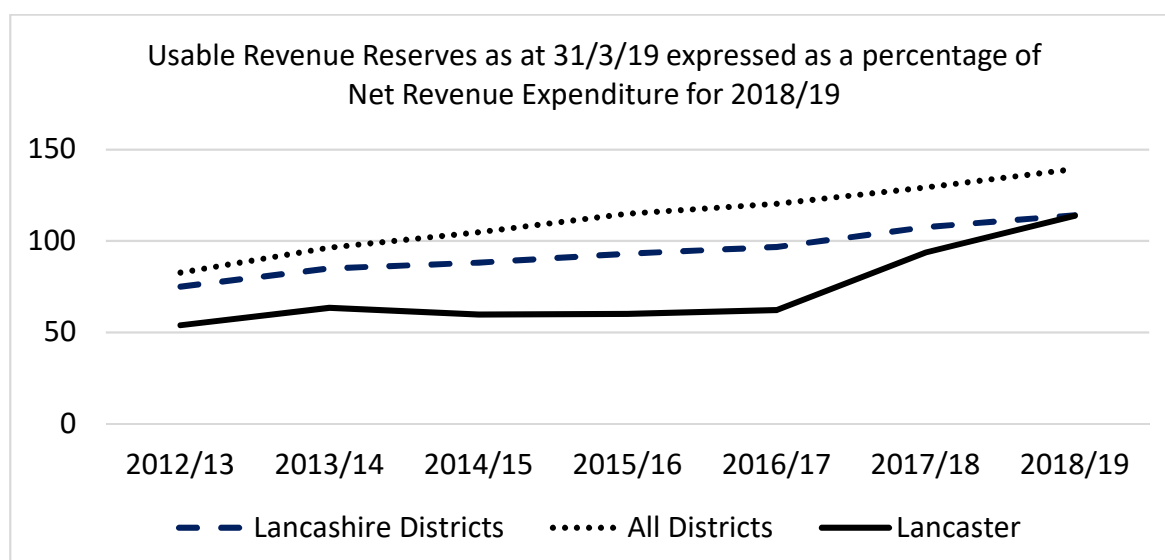
6. The Reserves Strategy covers the following aspects:
 - Information showing the current level of reserves, individually and in aggregate and an assessment of the adequacy of reserve levels.
 - A summary of the financial risks facing the Council, how it will mitigate these risks, and the minimum and maximum level of residual risk for which the council may need to hold funds in its reserves, particularly its General Fund and HRA reserves.
 - Consideration of the forward strategy for reserves needed to support the Medium Term Financial Strategy.
 - Summary of each individual reserve covering its purpose and governance arrangements for its use.
7. Reserves will be monitored throughout the year as part of the quarterly financial monitoring and the level of reserves reported as part of the year-end accounting processes.

Level of reserves and principles to assess adequacy

8. Within the existing statutory and regulatory framework, it is the responsibility of the Chief Financial Officer (at Lancaster this is the Financial Services Manager who is the Section 151 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.
9. For clarity, within the legislation the minimum level of any reserve is not quantified. It is not considered appropriate or practical for the Chartered Institute of Public Finance and Accountancy (CIPFA), or other external agencies, to give prescriptive guidance on the minimum, or maximum, level of reserves required either as an absolute amount or a percentage of the budget. This is an assessment which the Council should make with advice from the Section 151 Officer.
10. At the end of the 2018/19 financial year, Lancaster City Council had levels of usable reserves as set out in the table below.

	2017/18 £000s	2018/19 £000s	Change £000
General Fund Reserve	5,067	5,714	647
Earmarked Revenue Reserves	11,869	14,843	2,974
Usable Capital Receipts	0	0	0
Capital Grants Unapplied	103	103	0
Total General Fund Reserves	17,039	20,566	3,527
HRA balance	2,017	2,235	218
Earmarked HRA Reserves	10,561	10,537	(24)
Total HRA Reserves	12,578	12,772	194

11. The table shows that reserves increased during 2018/19. This was mainly due to an increase in the business rates reserve from the Council's share of retained rates associated with business rates growth in the district. The increase in reserves is a significant boost to the Council's financial resilience.
12. Media focus on reserves has tended to focus on General Fund revenue reserves as it is these which provide the financial resilience to guard against unanticipated increases in expenditure or reductions in income.
13. The graph below shows the level of reserves at Lancaster City Council expressed as a percentage of net revenue expenditure compared with all other district councils.



14. Lancaster City Council has the equivalent of about one year's net revenue expenditure held in usable revenue reserves. In general terms, reserve levels should be adequate to meet any short term unanticipated financial shock.
15. In specific terms, it is important to assess the adequacy of reserves taking account of the financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements. These include:

Budget Assumptions

- Levels of Government funding, council tax and business rates.
- The treatment of inflation and interest rates.
- Estimates of the level and timing of capital receipts.
- The treatment of demand led pressures.
- The treatment of planned efficiency savings/gains.
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments.
- The availability of other funds to deal with major contingencies and the adequacy of provisions.

Financial Standing and Management

- The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates, etc.).
- The authority's track record in budget and financial management including the robustness of the medium term financial plans.
- The authority's capacity to manage in-year budget pressures.
- The strength of the financial information and reporting arrangements.
- The adequacy of the authority's insurance arrangements to cover major unforeseen risks.

General Fund Balance

16. The general fund balance is an unearmarked revenue reserve and as such should be sufficient to cover all unanticipated expenditures or reductions in income that may arise so that the authority has sufficient balances to meet these in the medium term.
17. 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 the table below. The analysis shows that in the unlikely event of a 'perfect storm' of risks happening all within the next year then there are sufficient balances to meet all these risks. This would give the Council time to adapt to such risks in the medium term.

APPENDIX D

Risk	Symptom of risk	Balance required £000
Increased demand for services	3% increase in net revenue expenditure	530
Recession results in reduced fees and charges income	10% reduction in major fees and charges income	1,300
Recession results in reduced council tax collection rates	3% reduction in collection rate	300
New Homes Bonus Scrapped	Significant reduction in funding income	1,300
Next year's budget savings not achieved	50% under achievement	250
Next year's commercial income target not achieved	30% under achievement	120
Natural disaster such as flood	Additional unanticipated expenditure	500
Uncertainty with respect to Brexit	Additional unanticipated expenditure	500
Aggregate overspend if all above risks were to happen		4,800
General Fund Balance as at 31/03/20		5,392

HRA Balance

18. The HRA balance and earmarked reserves are considered each year in conjunction with the annual budget at update of the 30 year business plan.

Earmarked Reserves

19. The Council holds a number of earmarked reserves, which it has chosen to set aside for one of the following purposes:
- To manage fluctuations in income or funding.
 - To provide for some future anticipated expenditure for identified projects, particularly in respect of corporate priorities.
 - To provide up-front costs which specifically result in future efficiencies, cost savings or increased income.
 - To hold funding from other bodies, mainly Government, for specified purposes.
20. A schedule of earmarked reserves is included at the end of this document with details, for each reserve, showing its purpose. Specific issues arising from a review of earmarked reserves (see para. 21) are detailed in a reserves action plan shown below (para. 22).
21. The Financial Resilience Advisory Group (FRAG) has undertaken a review of usable reserves which has looked at each of the following areas:
- The reasons for holding reserves, ensuring that each reserve has a clear and unambiguous purpose which relates to the Council's operations and priorities.
 - The appropriate level of reserves, both collectively and individually, ensuring that there is sufficient to cover future commitments and priorities whilst maintaining good levels of financial resilience.
 - Authorisation processes for the use of reserves including the adequacy of reserve bid documents, Cabinet and Portfolio Holder as well as Officer accountabilities and the timing of reserve bids.
 - Reporting on the levels of reserves in terms of financial reporting and performance reporting in respect of the effectiveness of reserves use.

22. The following actions are now proposed.

Budget Support Reserve

It is proposed that the reserve be named the Corporate Priorities reserve and its purpose be expanded to provide resources to help finance capacity or development and feasibility work in support of the Council's priorities as adopted by Council in January 2020. Furthermore, it is proposed to transfer the year end balances (and any future allocations) of the Canal Quarter, Capital Support, Economic Growth, Welfare Reforms, Morecambe Bay Area Action Plan, Amenity Improvements and Museums Acquisitions into the Corporate Priorities reserve. The rationale behind this is to ensure that all reserve bids are considered equally through the lens of the corporate priorities and are subjected to consistent rigour in the consideration and approval process.

Business Rates Reserve

The business rates reserve has collected all the gains from business rate growth which have accrued since the commencement of the localised business rates scheme. Its balance as at 31/3/19, at nearly £6.3m, now exceeds the amount required to support the budget over the medium term should business rates income fall to safety net levels. The calculation below shows the level of reserves that should be held to protect business rates income over the next four years.

	2020/21	2021/22	2022/23	2023/24
Difference between Safety Net and Baseline	430,556	409,227	417,412	425,760
Business Rates Growth	1,067,743	195,850	271,610	350,689
Total	1,498,300	605,077	689,022	776,449
Total over four-year period	3,568,848			

The difference between the existing balance on the Business Rates Reserve and the amount calculated above is £2,714,505. It is proposed to transfer this to the Corporate Priorities reserve. An annual review of the balance on the business rates reserve will take place at year end to determine adequacy of balances in the context of expected business rates incomes and calculated risks.

Invest to Save Reserve

It is proposed that the Invest to Save Reserve should be used for all projects which arise from the Funding the Future Strategy (incorporating efficiency reviews, commercialisation and property investment) and any other project which is aimed at delivering efficiencies, reducing costs or increasing income. The bid document (covered in paragraph 23 and appendix two) requires a financial yield/return calculation to be appended to the bid document.

Reserves Bid Document

23. All future bids for reserves use will be supported by a bid document (included as appendix two) which sets out in detail the resources required, an action plan and outcomes and measures which reconcile to corporate priorities.

Reserves Bid Authorisation

24. Reserve bids decision limits will be as follows:
- Up to £25k – to be agreed by Portfolio Holder in consultation with relevant Director. Bid should have been pre-approved by Cabinet.
 - £25k to £100k – to be agreed by Portfolio Holder in consultation with relevant Director. Individual Cabinet Member Decision to be published. Bid should have been pre-approved by Cabinet.
 - Over £100k – to be agreed by Cabinet Meeting.

The pre-approval concept, which should apply to all financial bids is explained overleaf.

Reserves Expenditure Monitoring

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

Pre-Approval

The annual budget framework process will consider revenue, capital and reserves bids in the context of corporate priorities. Where bids are considered at times other than the annual Budget Council it is just as important that these can show that they meet these priorities. This will be achieved if the projects are 'pre-approved' by Cabinet, usually when corporate strategies are considered and approved. Any financial bids made during the financial year (up to £100k in the case of reserves) can be approved by the relevant Portfolio Holder, supported by the relevant bid document, as long as the project has been previously identified and pre-approved in a report to Cabinet.

This will ensure that governance transparency is balanced with speed of decision.

It is important to note that the pre-approval process is not an approval to spend but rather an approval to bring forward a reserves bid which is subject to the process set out within paragraphs 23 and 24 above.

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).
Canal Quarter	<i>To cover commissioning costs relating to external support and advice for the CCN development.</i>
Capital Support	<i>To cover contractual liabilities on West End properties and to provide cover for any revenue costs arising through shortfalls in capital financing (i.e. from capital receipts).</i>
Economic Growth	<i>To support economic growth activities in the district.</i>
Elections	To even out the cost of holding City Council elections every four years.
Local Plan	To support the adoption of the Local Plan.
Morecambe Area Action Plan	<i>To support implementation of the MAAP (Cabinet report 11 February 2014).</i>
Renewals	To provide for the renewal (replacement or upgrade) of existing facilities and infrastructure needed for service delivery, such as vehicles, plant and equipment.
Welfare Reforms	<i>To help manage the cost and administration pressures of any welfare reforms (in particular, localisation of council tax support and Universal Credit).</i>
Amenity Improvements	<i>To provide public realm amenity improvements.</i>
Corporate Priorities (previously Budget Support)	To provide resources to help finance capacity / feasibility / review and other development work in support of the Council's corporate priorities as adopted by Council in January 2020.
Corporate Property	To provide for feasibility studies, surveys and repair works to municipal buildings and facilities (in particular, for those that cannot be capitalised as part of the current works programme or are not otherwise budgeted for). In addition, to provide cover for any in-year rental shortfalls.
Invest to Save	To help finance any Invest to Save initiatives.
Restructure	To fund the costs associated with early termination of staff (in the interests of efficiency / redundancy) / Pay and Grading Review.
Revenue Grants Unapplied	Grants, usually for Government, which are provided for an expressed purpose.
Homelessness Support	To hold related government grants or other specific external funding until needed for homelessness prevention measures.

APPENDIX D

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

It is proposed (see para 22) to transfer the year end balances (and any future allocations) of those reserves in bold italics into the Corporate Priorities reserve

Appendix Two – Reserves Bid Document (project is for illustrative purposes)

Description of Project	<p>Pilot project for ‘proof of concept’ to test agile working.</p> <p>To set up the old telephony room in Lancaster Town Hall as an agile working space.</p> <p>Project will deliver new ICT, furniture, decoration, electrics, lighting in order to test prior to larger whole building project. It will also allow for new policies, procedures and cultural factors to be tested. These include managing by results (as opposed to presence) which allow for working from home.</p>
Amount of Reserve Bid Reserve	<p>Circa £36k</p> <p>Budget Support – project will support key corporate project which will address the A Smart and Forward Thinking and Climate Change Emergency priorities</p>
Strategy Link Corporate Project Link	<p>Smart and Forward Thinking Council</p> <p>CS14 – Agile Project</p>

Type of Expenditure (and budget code)	Amount	Details
Furniture Costs	£19,500	Quote from Senator
ICT costs	£7,989	8 x Dell Latitude 5290 with travel keyboard and active pen
Redecoration Costs	£5,000 (est)	To make good after lighting and electrical works, including new flooring
Electrical Works	£2,880 + £2,500 (est)	Additional network cabling and power sockets added to pilot room
Lighting Costs	£12,000	New lighting in pilot room, as proposed for many areas of LTH
Total	£49,869	
Income	(£14,000)	Funding From Existing Budgets
Net Expenditure	£35,869	

Action Plan

What	Who	When
Detailed Agile action plan has been produced as part of the project including HR agile policies and intranet page and staff engagement		
Electrics completed	Sarah	September 2019
Lighting completed	Sarah	September 2019
Furniture procurement exercise completed	Sarah	September 2019
Additional agile ICT for pilot users	Joe	September 2019
Decoration completed	Sarah	October 2019
Furniture delivered and installed	Sarah	October 2019
Pilot space opens for use	Claire / Sarah	November 2019
Business Case for whole of LTH completed based on pilot findings	Claire / Sarah / Elaine	February 2020

Outcomes and Impacts arising from Project

Measure	Baseline	Target
Reduced travel from home to office (time spent for each individual)	Survey of those involved to find out their current travel time (to be carried out in Sept/Oct 2019)	20% reduction
Reduced travel from home to office (CO2 reduction)	Calculation based on km travelled to work currently (where using motor vehicle)	20% reduction
Reduced amount of printing and paper	TBD	20% reduction in printing and reduced paper storage (TBC)
Energy Savings	Calculated from average cost per square meter in LTH	Reduced heating and electricity (assuming 2 offices are merged into 1)
Contentment with technology set up	Determined by individuals using sliding scale	More contented
Productivity increased	Determined by individuals using sliding scale	More productive
Staff Wellbeing – reduced stress (through more empowerment)	Determined by individuals using sliding scale	Reduced stress
Contentment with working environment	Determined by individuals using sliding scale	More contented

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

Project Officer Sign Off:

Director Sign Off:

Portfolio Holder Sign Off:
Finance Portfolio Sign Off:

General Fund Capital Programme

Cabinet 11 February 2020

Service / Scheme	2019/20			2020/21			2021/22			2022/23			2023/24			2024/25			5 YEAR 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	Gross Budget	External Funding	Net Programme	Total Gross Programme	Total External Funding	Total Net Programme
Communities and Environment	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Vehicle Renewals	94,000		94,000	3,595,000		3,595,000	515,000		515,000	787,000		787,000							4,991,000		4,991,000
Electronic Vehicle Charging Points	14,000	(14,000)																	14,000	(14,000)	0
Happy Mount Park Pathway Replacements	112,000		112,000																112,000		112,000
Cable Street Car Park Extension	4,000		4,000																4,000		4,000
Solar installation Salt Ayre Phase 1				1,400,000		1,400,000													1,400,000		1,400,000
Vehicle Maintenance Unit Plant	75,000		75,000																75,000		75,000
Beech Avenue Play Area	58,000	(37,000)	21,000																58,000	(37,000)	21,000
Far Moor Playing Fields s106 Scheme				70,000		70,000													70,000		70,000
Disabled Facilities Grants	2,208,000	(2,208,000)	0	2,600,000	(2,600,000)	0	1,890,000	(1,890,000)	0	1,890,000	(1,890,000)	0	1,890,000	(1,890,000)	0	1,890,000	(1,890,000)	0	12,368,000	(12,368,000)	0
Salt Ayre Play Area and Outdoor Café	152,000		152,000																152,000		152,000
Half Moon Bay Car Park Extension				60,000		60,000													60,000		60,000
Salt Ayre Boiler Replacement				300,000		300,000													300,000		300,000
2 x Electric Refuse Vehicles				400,000		400,000													400,000		400,000
Pool Cars				174,000		174,000													174,000		174,000
Salt Ayre Replacement Equipment				648,000		648,000	1,109,000		1,109,000	511,000		511,000	124,000		124,000	38,000		38,000	2,430,000		2,430,000
One Million Trees				25,000		25,000	25,000		25,000	30,000		30,000	30,000		30,000				110,000		110,000
Mellishaw Park				240,000		240,000	240,000		240,000	240,000		240,000	240,000		240,000				960,000		960,000
Electronic Vehicle Charging Points - Phase 2				58,000	(30,000)	28,000													58,000	(30,000)	28,000
Economic Growth and Regeneration																					
Sea & River Defence Works & Studies	4,350,000	(3,845,000)	505,000	5,189,000	(4,766,000)	423,000	3,000	(3,000)	0										9,542,000	(8,614,000)	928,000
Amenity Improvements (Morecambe Promenade)	1,000		1,000																1,000		1,000
Lancaster Square Routes	8,000	(3,000)	5,000	26,000	(26,000)	0													34,000	(29,000)	5,000
Lancaster District Empty Homes Partnership	4,000		4,000	73,000		73,000													77,000		77,000
S106 Highways Works	70,000		70,000																70,000		70,000
Coastal Revival Fund - Morecambe Co-Op Building	41,000	(41,000)	0																41,000	(41,000)	0
Coastal Revival Fund - Morecambe Winter Gardens	9,000	(9,000)	0	86,000	(86,000)	0													95,000	(95,000)	0
Hale Carr Lane Cemetery Chapel	260,000		260,000	290,000		290,000													550,000		550,000
City Museum Roof & Boiler	126,000		126,000	6,000		6,000													132,000		132,000
Lancaster Town Hall Steps	40,000		40,000																40,000		40,000
Palatine Recreation Ground Pavillion	11,000		11,000	114,000		114,000													125,000		125,000
Queen Victoria Memorial	81,000		81,000	169,000		169,000													250,000		250,000
Royal Albert Playing Field Pavillion	7,000		7,000	75,000		75,000													82,000		82,000
Ryelands Park - Ryelands House	32,000		32,000																32,000		32,000
Winter Gardens Loan				103,000		103,000													103,000		103,000
Corporate Services																					
ICT Systems, Infrastructure & Equipment	197,000		197,000	219,000		219,000	105,000		105,000	337,000		337,000							858,000		858,000
ICT Laptop replacement & e-campus screens				60,000		60,000	30,000		30,000	30,000		30,000	30,000		30,000				150,000		150,000

Appendix E

General Fund Capital Programme

Cabinet 11 February 2020

Service / Scheme	2019/20			2020/21			2021/22			2022/23			2023/24			2024/25			5 YEAR 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	Gross Budget	External Funding	Net Programme	Total Gross Programme	Total External Funding	Total Net Programme
Development Pool																					
Lancaster Town Hall Phase 3				485,000		485,000													485,000		485,000
Lancaster Town Hall Second Lift & Associated Works				622,000		622,000													622,000		622,000
Palatine Hall				122,000		122,000													122,000		122,000
Cable Street Christmas Lights				24,000		24,000													24,000		24,000
Heysham Gateway - Demolition & Removal of Tanks				487,000		487,000													487,000		487,000
Demolition of Edward Street Dance Studio	19,000		19,000	90,000		90,000													109,000		109,000
ICT Telephony				200,000		200,000													200,000		200,000
Williamson Park				1,000,000		1,000,000													1,000,000		1,000,000
Energy Efficiency Works - Williamson Park Boiler				311,000		311,000													311,000		311,000
Investment Acquisitions (Council December 2019)	15,000,000		15,000,000																15,000,000		15,000,000
1 Lodge Street Urgent Structural Repairs	3,000		3,000	497,000		497,000													500,000		500,000
Customer Contact System				115,000		115,000	85,000		85,000										200,000		200,000
Morecambe Co-op Building Renovation				250,000		250,000	175,000		175,000										425,000		425,000
Lancaster Heritage Action Zone				132,000		132,000	348,000		348,000	962,000		962,000	208,000		208,000				1,650,000		1,650,000
Museums Redevelopment				142,000		142,000	140,000		140,000	110,000		110,000	400,000		400,000				792,000		792,000
LLFN network bids				5,350,000	(4,547,000)	803,000	5,785,000	(4,917,000)	868,000	421,000	(358,000)	63,000							11,556,000	(9,822,000)	1,734,000
Digital Strategy Collaboration Space							300,000		300,000										300,000		300,000
Future High Streets				274,000		274,000	750,000		750,000	1,000,000		1,000,000	1,000,000		1,000,000	1,000,000		1,000,000	4,024,000		4,024,000
Improvements to Ashton Hall				150,000	(30,000)	120,000	150,000	(10,000)	140,000	150,000		150,000							450,000	(40,000)	410,000
Canal Quarter							4,000,000		4,000,000	4,000,000		4,000,000							8,000,000		8,000,000
Heysham Gateway Development				13,000		13,000	1,500,000		1,500,000										1,513,000		1,513,000
General Fund Housing including Canal Quarter				3,000,000		3,000,000	3,000,000		3,000,000	5,000,000		5,000,000	5,000,000		5,000,000				16,000,000		16,000,000
Property Investment Acquisitions				16,000,000		16,000,000	16,000,000		16,000,000	16,000,000		16,000,000	16,000,000		16,000,000				64,000,000		64,000,000
GENERAL FUND CAPITAL PROGRAMME	22,976,000	(6,157,000)	16,819,000	45,244,000	(12,085,000)	33,159,000	36,150,000	(6,820,000)	29,330,000	31,468,000	(2,248,000)	29,220,000	24,922,000	(1,890,000)	23,032,000	2,928,000	(1,890,000)	1,038,000	163,688,000	(31,090,000)	132,598,000
Financing :																					
Capital Receipts			(100,000)			(13,000)			(13,000)			(13,000)			(13,000)			(13,000)			(152,000)
Direct Revenue Financing			0			0			0			0			0			0			0
Earmarked Reserves			(588,000)			(943,000)			(450,000)			(390,000)			(364,000)			(38,000)			(2,735,000)
Increase / (Reduction) in Capital Financing Requirement (CFR) (Underlying Change in Borrowing Need)			16,131,000			32,203,000			28,867,000			28,817,000			22,655,000			987,000			129,711,000