Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	**Date**	09 February 2021
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 2021/22 and Capital Programme for 2021/22. 2022/23 and 2023/24.			

Key Decision (Y/N)	**Y**	**Date of Notice**	**11/01/2021**	**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 Capital Programme as well as its Treasury Management and Capital Strategies 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 Anne Whitehead

1. That Cabinet recommends the following for approval to Budget Council:

   - The 2021/22 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 £3.5M, subject to annual review.

   - the resulting position on reserves (Appendix C).

   - the updated Capital Programme covering financial years 2021/22 to 2024/25 (Appendix D).

   - the updated position on budget transfers (Appendix I)

2. That the Finance Portfolio Holder be given delegated authority to finalise the Revenue & Capital Budgets and Treasury Management Framework, as updated for Cabinet's final budget proposals, and outcomes of the Final Local Government Settlement for referral on to Budget & Performance Panel and 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	
The budget should represent, in financial terms what the Council is seeking to achieve through its Policy Framework. The proposed Treasury Management framework forms part of the Council's budget and policy framework, and fits into the Medium Term Financial Strategy	
Conclusion of Impact Assessment(s) where applicable	
Climate	**Wellbeing & Social Value**
Digital	**Health & Safety**
Equality	**Community Safety**
The budget incorporates measures to make progress in addressing the climate emergency and digital improvements as well as activities to address wellbeing, health and community safety. The budget framework in general sets out a financial plan for achieving the Council's corporate priorities which incorporate the above cross cutting themes. Equalities impact assessments are undertaken for the relevant activities which are reflected in the budget.	
Details of Consultation	
Revenue Budget Proposals Cabinet's initial budget proposals were presented to the January meetings of Budget and Performance Panel and Council. **Treasury Management Framework** 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 16 February 2021	
Legal Implications	
Legal Services have been consulted and have no further comments.	
Financial Implications	
As set out in the report and supporting Appendices	
Other Resource or Risk Implications	
No other implications directly arising from this report.	
Section 151 Officer's Comments	
 <u>Robustness of Estimates and Adequacy of Council's Reserves</u> 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.

Provisions, Reserves and Balances

Specific earmarked reserves and provisions are satisfactory at the levels currently proposed.

Unallocated balances of £3.5M for General Fund are reasonable levels to safeguard the Council's overall financial position, given other measures and safeguards proposed. This level has been increased by £1.0M compared with last year to reflect increased uncertainty with respect to the on-going COVID -19 pandemic, Brexit and reflects the 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 2024/25. 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 COVID-19 and Brexit. Over several years, the Council has managed to build up a level of reserves and will benefit from the significant green energy disregard, both of which offers a degree of protection from volatilities.

An underlying structural budget deficit was identified several years ago and although this deficit has increased, current spending plans are sustainable in the short term through the prudent allocation of funding from reserves.

However, in the medium term based on current projections they are not sustainable, and it is of the utmost importance that Members and Officers work together to support the Council's Funding the Future Strategy. Outcomes Based Resourcing is a core priority for all Officers in the coming financial year, and it will be expected to deliver significant inroads into the deficit.

Monitoring Officer's Comments

The Monitoring Officer has been consulted and has no comments on this report.

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Links to Background Papers	

1.0 INTRODUCTION

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

1.1 The Council meeting on 27 January 2021 considered Cabinet's proposed revenue budget for 2021/22 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.

1.2 Cabinet has also considered a capital programme for 2021/24 to 2024/25 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 Revenue and Capital Budgets together with the Treasury Management Framework, subject to any changes made resulting from the Final Local Government Settlement proposals before it is referred to Budget Council.

2.0 REVENUE BUDGET 2021/22

STRATEGIC CONTEXT

2.1 All Members will appreciate that the 2021/22 budget has been set at a time of unprecedented change and uncertainty, which has seen the Council react to address the pandemic resulting in significant shifts in capacity and priority. These levels of uncertainty put significant pressure on the ability to forecast. External factors such as the pandemic and EU Exit fundamentally alter both the priorities for and use of council resources and the context of our income from taxation, rates, fees and charges are expected to continue to be factors in coming years.

2.2 The proposed revenue budget includes a small range of Outcomes Based Resourcing (OBR) based savings, and growth proposals have been limited to those which are vital to the successful operation of the Council in continuing to secure income and fees, support efficient and effective service delivery and reporting, offering statutory services at viable levels, and progressing the capital programme. The proposed budget is balanced, in line with statutory requirements, but is subject to the outcome of the Final Local Government Settlement.

2.3 Cabinet is now required to finalise its full budget proposals and make recommendations to Budget Council. The planned revenue budget for 2021/22 is included at ***Appendix A*** with more detailed budget proposals in ***Appendix B***.

2.4 The proposed revenue budget was agreed by Cabinet at its meeting on 27 January 2021 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

2.5 The Provisional Local Government Settlement was announced 17 December 2020 and retained Council Tax threshold principles for districts at 1.99% or £5, whichever is higher. The Final Local Government Settlement is yet to be laid before parliament; however, it is expected that these thresholds will remain unchanged.

COUNCIL TAX

2.6 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.

2.7 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.

2.8 The Council Tax increase of £5 agreed by Council on 27 January 2021 means that the City element of Council Tax for a band D property will be £236.95.

BUSINESS RATES

2.9 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 2021/22 and the estimated deficit / surplus as at the end of 2020/21.

2.10 The estimated deficit for 2020/21 is £26.279M as shown in Table 1 below and the City Council's share of this is £10.512M

2.11 The table below shows that of the City Council's share of the £10.512M deficit £9.625M will be recognised during 2021/22 and it is estimated that £6.914M of this will be offset by Section 31 grant leaving a charge against the General Fund of £2.711M. An amount of £0.887M relating to the residual in-year deficit will be spread equally between 2022/23 and 2023/24 and budgetary provision for this has been made.

Table 1: Business Rates

	2020/21 £M
Actual deficit brought forward (from collection fund statement)	2.712
Transfer to other precepting authorities in respect of last year forecast surplus (arising from calculations done a year ago)	2.958
Forecast Business Rates Income for 2020/21	-51.990
Rate Retention Scheme Charges for 2020/21	72.599
Estimated Deficit for 2020/21 as at 31 January 2021	26.279
City Council Share of the deficit at 40%	10.512

City Council Share of the deficit to be recognised in 2021/22	9.625
Share of deficit to be offset by S31 additional grant reliefs in respect of retail discount & nursery discount	-6.914
Charge against the General Fund in 2021/22	2.711
City Council Share of the deficit to be recognised during 2022/23 - 2024/25	0.887

2.12 The position for 2020/21 is a particularly complex one in light of the COVID-19 pandemic. As a result of the pandemic Central Government significantly amended and extended the reliefs that could be given to ratepayers. In light of this, in the national context, business rates collectible from ratepayers is more than £10billion lower than that forecast last January on which payments from the Collection Fund in 2020/21 were based. Authorities are being compensated for this through payments of

Section 31 grant so that this element of the deficit will not impact on local authority budgets for 2021/22.

2.13 In addition the pandemic has impacted levels of business rates receivable during the year. To prevent spending on local services being significantly curtailed during 2021/22 as a result of this Regulations were amended to allow the spreading of any in-year deficit over three years.

2.14 The severe impact of the pandemic and the restrictions placed on business means that business rates continue to be an area of significant uncertainty in respect of predicting income for the reasons set out below:

2.15 Appeals by businesses against their Rateable Value (RV). Notification has been provided by the Valuation Office that the current pandemic represents a material change and they are considering RV reductions via check and challenge process. Councils make provision against future levels of appeals; however, the timing and value of potential appeals remains unclear.

2.16 The potential for a shutdown at Heysham Nuclear Power Station continues to be a risk which the Council must monitor, as such an event would significantly reduce retention from business rates.

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 2021/22, this will be worth £3M to Lancaster City Council, making a significant contribution towards mitigating the City Council's share of any deficit on the Collection Fund in respect of Business Rates. Whilst it is evident that this 100% disregard will continue into 2021/22, there is a risk that the Government will discontinue this advantageous arrangement at some point in the future.

2.18 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.

3.0 PROVISIONS, RESERVES & 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.

Annual Assessment of Reserves Levels

3.4 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, continuing uncertainties with respect to COVID-19, BREXIT and 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 £3.5M, an increase of £1M.**

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

- The General Fund Balance at 31/03/20 was £5.045M, with net in year allocations of £2M. Latest revenue budget monitoring forecasts an underspend of £3.271M in 2020/21. The proposed 2021/22 budget will require £2.267M of funding from unallocated reserves leaving a forecast balance of £4.529M at 31/03/21. Allowing for the s151 Officers recommended minimum level of £3.5M this provides for £1.029M of available balances.

- The Council's MTFS suggests a structural budget gap in 2022/23 onwards of approximately £2.183M raising to £4.668M. If this is not closed, then balances will be required to make up the difference.

- 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 directly on the General Fund balance.

- There is continuing uncertainty with respect to COVID-19 and 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.

3.6 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	**Symptom of Risk**	**Balance Required £M**
Increased demand for services	3% increase in net revenue expenditure	0.600
Recession results in additional uncompensated reduction in fees and charges income than budget	5% reduction in major fees and charges income	0.800
Recession results in additional reduction in Council Tax collection rates than budget	3% reduction in collection rate	0.350
Next years budget savings not achieved	50% under achievement	0.225
Natural disaster such as flood	Additional unexpected expenditure	0.500

Additional uncertainty with respect to Brexit/ COVID	Additional unexpected expenditure	1.000
Aggregate overspend if all of the above risks were to happen		**3.475**
Estimated General Fund Balance as at 31/03/22		**4.529**

3.7 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.

3.8 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

3.9 The estimated combined reserves balances are shown in Appendix C and are summarised in table 3 below

Table 3

	2020/21 £M	**2021/22 £M**	**2022/23 £M**	**2023/24 £M**	**2024/25 £M**
Balance brought forward	(20.365)	(19.681)	(15.596)	(14.563)	(13,413)
Impact of 2021/22 budget decisions	0	2.267	0.104	0.010	0.010
Impact of previous decisions	0.684	1.818	0.929	1.140	(0.374)
Balance carried forward	**(19.681)**	**(15.596)**	**(14.563)**	**(13.413)**	**(13.777)**

3.10 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.

3.11 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 on the Use of Reserves

3.12 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 proposed General Fund investment programme for the period to 2024/25 is included at ***Appendix D*** and summarised in table 4 below.

Table 4

	2020/21 £M	**2021/22 £M**	**2022/23 £M**	**2023/24 £M**	**2024/25 £M**
Approved Schemes	11.968	9.768	3.227	0.755	2.246
Development Pool	2.898	33.570	21.524	6.900	4.840
Total	**14.866**	**43.338**	**24.751**	**7.655**	**7.086**

4.2 The current year's revised net programme now stands at £14.866M. During the next 4 years, a further £83.850M of investment is currently planned, giving a total net 5-year programme from 2020/21 to 2024/25 of £96.095M.

4.3 Recent changes to Public Works Loan Board (PWLB) borrowing have had significant implications for the Capital Programme, with investment primarily for yield now being constrained. These changes may require a different approach to capital investment, and while, given the social motives of the Council, the majority of the planned schemes appear eligible, further work is being undertaken to ensure the alignment of the programme with the new criteria. Should any revisions to the programme, or supporting strategies be required these will be brought forward for approval in line with the Council's constitutional requirements.

4.4 Development pool schemes provision is included where work is being undertaken to develop schemes, but the provision will not be dispersed until full business cases have been considered and approved via the relevant decision-making governance

4.5 A number of significant schemes are included in the development pool including Canal Quarter, general fund housing schemes, Heysham Gateway development as well as investment in solar and renewable energy. 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.

4.6 Overall the programme is balanced, allowing for a decrease in the underlying need to borrow (known as the Capital Financing Requirement or CFR), over the period to 2024/25. The Council makes a revenue provision for the repayment of borrowing known as Minimum Revenue Provision (MRP) which reduces the CFR.

4.6 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.

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 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.

5.3 In February 2020 Parliament reformed the statutory basis of the PWLB, transferring its lending powers to HM Treasury. In March 2020 the government consulted on revising the PWLB's lending terms to reflect these new governance arrangements. The government published its response to this consultation and implemented reforms in November 2020.

5.4 The main objective of these reforms 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 held for primarily for yield. As noted in section 4 above this has impacted the Council's capital programme and elements of its Funding the Future Strategy. The proposed Treasury Management Strategy fully complies current regulation and guidance. However, officers are exploring options around future funding of capital schemes and any revisions to the programme or supporting strategies will be brought forward for approval in line with the Council's constitution.

Treasury Management Framework

5.5 The proposed Strategy for 2021/22 to 2024/25 is set out at ***Appendix H***. 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 F*** and the policy statement is presented at ***Appendix G.***

5.6 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

5.7 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 £102M (2021/22) potentially raising to £126M (2024/25) as the Council looks to move forward with several ambitious schemes to enable delivery of its Strategic Priorities.

5.8 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. 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

£m	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Capital Financing Requirement						
CFR – Non Housing	43.50	44.71	85.04	106.95	110.08	112.82
CFR – Housing	38.28	37.23	36.19	35.15	34.11	33.07
CFR – Commercial activities/non-financial investments	4.92	13.93	13.65	13.37	13.09	12.81
Total CFR	**86.70**	**95.87**	**134.88**	**155.47**	**157.28**	**158.70**

Table 6: Borrowing Projections

	2019/20 Actual £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
External Debt						
Debt at 1 April	63.17	62.13	102.09	122.67	125.60	126.66
Expected change in Debt	(1.04)	(1.04)	(1.04)	(1.04)	(1.04)	(1.04)
Actual gross debt at 31 March	62.13	61.08	101.05	121.63	124.56	125.62
The Capital Financing Requirement	86.70	95.87	134.88	155.47	157.28	158.70
Under Borrowing	(24.57)	(34.79)	(33.83)	(33.84)	(32.72)	(33.08)

Investment Aspects of the Strategy

5.9 Where short term treasury management investments are required the Council retains a comparatively low risk appetite with focus on high quality deposits. The 2021/22 strategy continues to use the same short term investment criteria as approved by Members in 2020/21.

5.10 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.

5.11 The Prudential Code 2017 also introduced a new requirement to produce an annual capital strategy ***Appendix E***. 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.

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.

6.2 Work has commenced to support opportunities to address the underlying structural deficit, by:

- Increasing and diversifying income
- Improving productivity and securing efficiencies via new ways of working (e.g., Outcomes Based Resourcing)
- Developing alternative ways to achieve priority outcomes (e.g., partnership)

6.2 While Local Government Reorganisation (LGR) presents an opportunity to think longer term about the design of services and the budget, work continues to identify and implement transformation opportunities which place Lancaster in a position of strength irrespective of future scenarios and plans.

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

7.0 OPTIONS & OPTIONS ANALYSIS

Revenue Budget

7.1 Cabinet may adjust its revenue budget proposals, so long as the overall budget for 2021/22 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 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)

Revenue Budget, Capital Programme and Reserves Position

8.1 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

APPENDICES

Appendix A: General Fund Summary
B: Savings & Growth
C: Reserves Summary
D: Capital Programme
E: Capital Strategy
F: Treasury Management Responsibilities
G: Treasury Management Statement
H: Treasury Management Strategy
I: Budget Transfers (Virements, Carry Forwards & Reserves)