

CABINET

Provisional Revenue, Capital and Treasury Management Outturn 2020/21 14 September 2021

Chief Finance Officer

PURPOSE OF REPORT			
This report provides summary information regarding the provisional outturn for 2020/21, including treasury management. It also sets out information regarding the carry forward of capital slippage and other matters for Members' consideration.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Officer Referral	<input checked="" type="checkbox"/>
Date of notice of forthcoming key decision	N/A		
This report is public.			

RECOMMENDATIONS OF COUNCILLOR WHITEHEAD:

- (1) That the provisional outturn for 2020/21 be endorsed, including the transfers to and from Reserves and Balances actioned by the Chief Finance Officer as set out in 6.1 and Appendix 5.
- (2) That Cabinet approve the treatment of year end overspends and endorse the do-nothing approach in-light of the current pandemic situation.
- (3) That the requests for capital slippage and the adjustments to reflect accelerated capital spending on projects as set out at Appendices 6 and 7 be endorsed, with the Capital Programme being updated accordingly.
- (4) That the Annual Treasury Management report and Prudential Indicators as set out at Appendix 2 be noted and referred on to Council for information.

1. BACKGROUND

- 1.1. All local authorities have a legal duty to produce an annual Statement of Accounts. For 2020/21 the requirements and timeline for the approval of a Local Authority's Statement of Accounts have changed. In accordance with the amended Regulations, the draft Accounts must now be published on the Council's website and submitted for audit by 30 July 2021 rather than 31 August and the timeline for the conclusion of the audit is now 31st September 2021 rather than 30 November.
- 1.2. It is pleasing to report that the statutory deadline of 31 July 2021 was met, and the Statement of Accounts was completed and signed off prior to that date by the Chief Finance Officer. Deloitte have not yet commenced the audit of accounts, however, the draft Statements are available on the Council's website via the following link [Statement of Accounts - Lancaster City Council](#)

- 1.3. This report provides Cabinet with an update on the provisional outturn, including Treasury Management, and seeks endorsement for certain matters. The Council's financial performance is integral to its service performance overall, which is included elsewhere on this agenda, and Members are advised to consider this report in that context.

2. COVID-19 GOVERNMENT GRANTS & SUPPORT FOR THE LOCAL ECONOMY

- 2.1 The Council received a wide range of grants from Central Government in 2020/21 to support the overall response to the COVID-19 pandemic.
- 2.2 The grants were administered by the Council in line with the guidance received from Central Government. In unusual circumstances, the Council received an allocation and the grant in advance to assist with cash flow. It then had to be determined whether the Council were administering the grant acting as either an agent or as principal.
- 2.3 In acting as agent the Council was essentially acting as an intermediary between the recipient and the Government Department and had no control of the level of grant payable; whereas in acting as principal, it was able to use its own discretion when allocating the amount of grant payable.
- 2.4 The following table gives a high-level summary of specific grant funding received showing in each instance whether the Council acted as either principal or as agent in distributing the monies. Further detail on specific grant funding is given at **Annex A to Appendix 1**:

	Council Acting as Agent	Council Acting as Principal	Total Grant Allocation	Unspent Grant as at 31 March 2021
Grants	£000	£000	£000	£000
Small Business Grants/Retail, Leisure and Hospitality Grant Fund	30,820	-	30,820	-
Local Authority Discretionary Grant Fund	-	1,684	1,684	-
Local Restrictions Support Grant	21,865	5,375	27,240	9,800
Contain Outbreak Management Fund	-	1,684	1,684	1,684
Council Tax Hardship Fund	-	1,425	1,425	414
COVID Winter Grant Scheme	-	14	14	14
Local Authority Compliance & Enforcement Grant	-	77	77	27
Local Authority Emergency Assistance Grant	-	179	179	-
Reopening the High Street Safely Grant	-	70	70	-
Support for Clinically Extremely Vulnerable Individuals	-	422	422	422
Test and Trace Support Payments	-	422	422	214
	52,685	11,352	64,037	12,575

- 2.5 All remaining unspent funds as at 31st March 2021 are included in the Council's balance sheet within Short Term Creditors, or held in Reserve with the funds available to be utilised within 2021/22.
- 2.6 In addition to the business grant funding and COVID specific grants, the Council also received non-ringfenced general grants to support its COVID response. These were:

- General grant allocation of £2.399M alongside unspent monies of £0.081M from 2019/20 totalling £2.480M. The Council applied £1.975M of these allocations to expenditure in 2020/21 and have carried forward the remaining £0.505M in reserves to support the ongoing requirement within 2021/22;
- Compensation for the loss of Sales, Fees and Charges income of £4.197M;
- Local Tax Income Guarantee grant of £0.291M;
- New Burdens funding of £0.503M to support the introduction of business grants payment arrangements, the management of Council Tax and Business rate reliefs and the administration of the Test and Trace Support Payments scheme.

With the exception of the £0.505M unspent general Covid response grant, the grants set out in paragraph 2.6 have been used to support expenditure in year and thus impact the final net financial position of the Council.

3. PROVISIONAL REVENUE OUTTURN: SUMMARY

3.1 General Fund Revenue Outturn

The General Fund accounts for income and expenditure associated with the day to day running of all the services that the Council provides, except for council housing. On 26 February 2020 Council approved a General Fund Revenue Budget for 2020/21 of £17.903M (£15.937M 2019/20). However, in order to reflect best estimates of the impact of COVID-19 on the Council's finances this was revised 16 December 2020 to £23.148M.

3.2 The table below provides details of the General Fund revenue income and expenditure for 2020/21 and shows variances for each service area. The format includes the removal of various accounting entries such as internal recharging, notional items such as pension adjustments, capital charges and the removal of various COVID grants initially charged to Service.

	2020/21			Remove Covid-19 Related Variances	Remove Reserve Funded Variances	Variance from Revised Budget	Note
	Original Budget	Revised Budget	Actual				
Expenditure:	£000	£000	£000	£000	£000	£000	
Central Services	1,108	1,131	1,156	2	(3)	(26)	
Communities & Environment	8,068	9,548	13,387	4,287	(627)	(179)	1
Economic Growth & Regeneration	5,373	7,615	5,836	262	(1,514)	527	2
Corporate Services	7,867	8,823	8,404	1,188	(1,429)	178	3
Other Corporate Income & Expenditure Items	(4,513)	(3,969)	(6,330)	(5,739)	3,573	195	4
Contribution to General Fund Balance			695			(695)	
NET REVENUE EXPENDITURE	17,903	23,148	23,148	-	-	-	

3.3 After allowing for various year-end adjustments, there has been a net underspend of £0.695M against the Revised Budget for 2020/21 which has been transferred to the General Fund unallocated reserve. The underspending represents 3% of the Council's net revenue budget (2019/20 comparative: £0.688 overspend, 4.2% of budget) or 7.2% of the Council Tax requirement.

3.4 Details of the significant variances and a detailed explanations of the major differences between provisional outturn and the revised budgeted position is provided at **Appendix 1**.

3. TREASURY MANAGEMENT

4.1 We are required by statute to report our annual treasury management performance. This report is attached at **Appendix 2** and sets out the performance of treasury operations for 2020/21. The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council on 26 February 2020. This document identifies the investment and borrowing policies of the Council specifying various criteria for investment counterparties, maximum duration and the amount of investments together with the framework for any future borrowing.

Investments

4.2 In 2020/21 the Council retained its comparatively low risk appetite towards investments. The average daily amount invested increased slightly to £38.541M (£36.829M 2019/20) with short term investments on 31 March 2021 (all held in the balance sheet as cash and cash equivalents) totalling £22.0M (£40.1M 2019/20). The overall return on investments was £0.061M at an average interest rate of 0.12% (£0.273M and 0.74% 2019/20).

Borrowing

4.3 The Council did not undertake any short-term borrowing in 2020/21. Total long-term debt at 31 March 2021 amounted to £60.04M (£61.08M 2019/20) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months.

4.4 In determining its Council Tax charges Councils must make a specific provision for the financing of capital expenditure known as Minimum Revenue Provision (MRP). The outstanding amount for which MRP has to be made is known as the Capital Financing Requirement (CFR). At 31 March 2021 the Councils CFR was £94.95M (£86.70M 2019/20) an increase of £8.25M. The amount of MRP charged in 2020/21 totalled £2.801M (£2.640M 2019/20) with accompanying interest charges £2.916M (£2.951M 2019/20).

5. HOUSING REVENUE ACCOUNT (HRA)

5.1 At the end of the financial year, the Council owns 3,660 homes generating rental income of over £13.601M. The Local Government & Housing Act 1989 requires that this income and associated expenditure is held in a ring-fenced account, the Housing Revenue Account (HRA).

5.2 The net overspend on the HRA was £0.048M resulting in a net surplus for 2020/21 of £0.428M (£0.623M 2019/20), which has been transferred into the HRA unallocated reserve.

	£000
Repairs & Maintenance costs	354
Net pension adjustment re IAS19	233
Reduced use of Reserves	(218)
Net increase in Capital funded from Revenue	(388)
Other minor variances	(29)
	<u>(48)</u>

5.3 A summary of the HRA provisional outturn is included at **Appendix 3**. Discounting any notional and presentational variances.

5.4 As at 31 March 2021 the HRA's unallocated reserve balance stands at £3.287M (£2.859M 2019/20) which is £2.787M above the £0.500M minimum recommended level. Expenditure within the HRA is supported by a 30 year business plan and the Council is planning significant

investment over a number of years to improve its social housing stock. A summary of all its Balances & Reserves is included at **Appendix 4**.

6. GENERAL FUND USABLE RESERVES AND BALANCES

- 6.1 The General Fund net underspending of £0.695M has been transferred into Balances. This means that as at 31 March 2021 General Fund Balances amounted to £7.808M (2019/20 £5.361M). This is £4.208M above the current minimum recommended level of reserves £3.500M. However, as part of the 2021/22 budget process the Council forecast a draw on reserves of £2.267M in order to balance its revenue budget and continues to face a number of significant budgetary pressures in the forthcoming years.
- 6.2 The overall level of General Fund Earmarked Revenue Reserves has increased to £33.445M (2019/20 £20.681M) however, this includes £7.891M of Central Government COVID -19 grants held in reserves for distribution in 2021/22. Summary details of these movement are provided in **Appendix 5**.

7. CARRY FORWARD OF UNDERSPENDINGS AND OVERSPENDINGS

- 7.1 Under the financial strategy, provisions exist to adjust budgets between years by carrying forward under or over-spending. These arrangements help to:
- provide some flexibility in delivering the Council's stated objectives
 - remove the incentive to spend up budgets unnecessarily by year end, and
 - promote good financial management.
- 7.2 With regard to the carry forward of revenue underspends, and given the overall outturn position, there are no requests for Cabinet to consider.
- 7.3 With regard to overspendings, arrangements require that
- any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Director (or their nominated representative) will be automatically carried forward to the following year as part of the closure of accounts process except where the relevant Director and the S151 Officer agree that it does not make operational sense to do so, or where the overspending is trifling in value.
 - The S151 Officer will report to Cabinet on overspendings and their treatment as part of year-end reporting. Such reporting will also include the reasons for any overspends occurring and details of any actions taken to prevent the situation recurring.
- 7.4 Given the current pandemic situation it is proposed not to carry forward any overspends occurring within 2020/21.

8. CAPITAL OUTTURN

- 8.1 In 2020/21 the Council spent £22.068M in total on capital schemes (£11.259M 2019/20). Total spend on the General Fund was £19.025M against a budget £20.078M, with the HRA spending being £3.042M against a budget of £3.543M.
- 8.2 Prior to the publication of the changes to PWLB future lending terms in November 2020, the Council acquired an investment property for £8.878M. Following the announcement of the changes, the purchase of investment properties ceased.

- 8.3 A provisional capital expenditure and financing statement for the year is included at **Appendix 6**, which is summarised in the following tables:

Capital Expenditure

Service	A	B	C	D	E
	2020/21 Gross Budget	2020/21 Expenditure	Variance	(Slippage)/ Accelerated Expenditure	Final Over/(Under) spend
	£000	£000	£000	£000	£000
			(B-A)		(C-D)
Communities & Environment	3,835	3,706	(129)	(65)	(64)
Economic Growth & Regeneration	15,647	15,121	(526)	(190)	(336)
Corporate Services	298	198	(100)	(100)	-
Development Pool	298	-	(298)	(298)	-
Total General Fund Programme	20,078	19,025	(1,053)	(653)	(400)
Housing Revenue Account	3,543	3,042	(501)	(413)	(88)
Total Council Capital Programme	23,621	22,067	(1,554)	(1,066)	(488)

Capital Financing

Service	Major					Total £000
	Grants & Contributions	Earmarked Reserves	Repairs Reserve	Capital Receipts	Unsupported Borrowing	
	£000	£000	£000	£000	£000	
Communities & Environment	1,492	242		13	1,959	3,706
Economic Growth & Regeneration	6,199				8,922	15,121
Corporate Services		25			173	198
Development Pool	-	-	-	-	-	-
Total General Fund Programme	7,691	267		13	11,054	19,025
Housing Revenue Account	2	127	2,913	-	-	3,042
Total Council Capital Programme	7,693	394		13	11,054	22,067

Capital Slippage

- 8.4 Details of individual slippage requests from services have been received, a schedule of which is attached at **Appendix 7**. In considering these, Cabinet is asked to note that many of the associated capital schemes are already underway and expenditure may already have been incurred in this year – the actual carry forward of slippage can be a formality.

9. DETAILS OF CONSULTATION

- 9.1 As reflected above, the statutory arrangements regarding the public's rights in relation to the accounts provide for a fixed 30 working day period, which commenced on 2nd August for this year.

10. OPTIONS AND OPTIONS ANALYSIS

- 10.1 The Council has a legal requirement to ensure that its expenditure is fully funded and to produce accounts in accordance with proper accounting practice. In addition, the Prudential Indicators are a statutory requirement linked to the budgetary framework. For these aspects, therefore, there are no alternative options for Cabinet to consider. Members are being asked to endorse certain actions taken by the Chief Finance Officer, and Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification.
- 10.2 The report requests Cabinet to consider a number of revenue overspending, capital slippage and other budget adjustment matters. The framework for considering these is set out in the report but basically Cabinet may:
- Endorse any number of the items / requests, in full or part.
 - Refuse various requests and if commitments have already been incurred, require alternative funding options to be identified. Cabinet should note, however, that this may impact on other areas of service delivery.
 - Request further information regarding them, if appropriate.

11. OFFICER PREFERRED OPTION AND JUSTIFICATION

- 11.1 The Officer preferred options are as set out in the recommendations, on the assumption that Members continue to support their previously approved spending plans.

12 CONCLUSION

- 12.1 Although the Council's financial position appears relatively healthy with a surplus against the revised budget and an overall increase in the level of reserves held, the Council's Medium Term Financial Strategy suggests a structural budget gap in 2022/23 onwards of approximately £2.183M raising to £4.668M.
- 12.2 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)
- 12.3 However, if these are not successful and the deficit is not closed, then balances will be required to make up the difference.

RELATIONSHIP TO POLICY FRAMEWORK
The Outturn and Statement of Accounts report on all the financial resources generated and/or used by the Council in providing services or undertaking other activities under the Policy Framework.
CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)
None directly identifiable, due to the high level nature of this report.
LEGAL IMPLICATIONS
There are no legal implications directly arising.

FINANCIAL IMPLICATIONS

As set out in the report

OTHER RESOURCE IMPLICATIONS**Human Resources / Information Services / Property / Open Spaces:**

References and any related implications are contained within the report and related appendices.

SECTION 151 OFFICER'S COMMENTS

The report has been written by the Section 151 Officer.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

None.

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Appendix 1: General Fund Revenue Outturn

Section One - General Fund Revenue Outturn as at 31st March 2021

The latest summary of the revenue outturn position for the main service accounts of the Authority is set out in the table below.

	2020/21			Remove Covid-19 Related Variances	Remove Reserve Funded Variances	Variance from Working Budget	Appendix 1 Note
	Original Budget	Working Budget	Actual				
	£000	£000	£000	£000	£000	£000	
Expenditure:							
Central Services	1,108	1,131	1,156	2	(3)	(26)	
Communities & Environment	8,068	9,548	13,387	4,287	(627)	(179)	1
Corporate Services	5,373	7,615	5,836	262	(1,514)	527	2
Economic Growth & Regeneration	7,867	8,823	8,404	1,188	(1,429)	178	3
Other Corporate Income & Expenditure Items	(4,513)	(3,969)	(6,330)	(5,739)	3,573	195	4
NET REVENUE EXPENDITURE	17,903	23,148	22,453	-	-	695	

Note 1 Communities & Environment

Car Parking Income (£84K shortfall)

The extended lockdown period since the revised budget position was set has naturally seen a shortfall in income, this is offset by a proportion of compensation received from the government as detailed in appendix note 4.

Licensing Income (£63K shortfall)

Largely due to suspending the payment of licences and closures due to the pandemic. Again, this shortfall in income is offset by a proportion of compensation received from the government as detailed in appendix note 4.

Note 2 Corporate Services

Bad Debt Provision (£192K increase)

Following the review of historic information and the levels of collectability regarding debt, the annual contribution was deemed insufficient and increased in-line with current income projections.

Luneside East Legal Case (£688K removal)

For a number of years the Council have carried an accrual in the accounts relating to the court case which was also held within the bad debt provision. An opinion has been sought and the accrual has now been removed from the accounts. This is offset by a shortfall in the income position as also included within note 3.

Note 3 Economic Growth & Regeneration

Luneside East Legal Case (£688K removal)

As detailed in note 2, the removal of an accrual is offset by a corresponding reduction to the bad debt provision.

Employee Costs (£262K underspend)

Salary savings in the year were achieved largely due to vacancies held which have historically

been difficult to recruit to. Also, due to the pandemic, there was a reduced need for casual staff largely at venues which were closed during the year. This figure is offset by any additional agency/consultancy costs incurred with the exception of PTT consultancy as detailed below).

Property Transaction Team Consultancy (£118K underspend)

A budget of £175K was included in the revised budget to assist towards due diligence work required on PTT investments. The Council's position regarding external investments has since changed and the requirement for due diligence work has diminished.

Supplies & Services (£89K underspend)

The closure of venues and festivals has led to a significantly reduced demand for marketing and supplies and services in general.

Property R&M and use of Municipal Buildings (£150K underspend)

The Council has had to react to the pandemic and this has resulted in varying use and usage levels of its buildings. Lancaster Town Hall has been utilised by the NHS for its vaccine programme and the Court Service have occupied the Ashton Hall. This has led to additional income of £74K within 2020/21. There has been a net saving of £76K attributable to R&M.

Land Drainage/Sea Defences R&M (£61K underspend)

The R&M budget was not fully utilised due to pandemic restrictions being in place. Also, staff time has largely been directed to the Caton Road flood defence scheme which is externally funded.

White Lund Gateway (£125K debtor)

As part of the White Lund Gateway scheme, budgetary provision of £125K was included in the revised estimate to reflect the amount paid to the managing agents (Sanderson/Weatherall) in advance of service provided. Upon receipt of further information, the company are to recover the money via service charging and therefore are to return the cash advance at a later date, resulting in a debtor position and no budgetary provision was required in 2020/21.

Note 4 Other Corporate Income & Expenditure

New Burdens Grants (£503K credit)

The Council have benefitted from new burdens grants received from governments to help tackle the pandemic which weren't included in estimates throughout the year. This is largely due to amounts not being known and uncertainty relating to whether or not the grants were subject to ringfencing and could be used to offset the overall net cost of services.

Sales, Fees & Charges Compensation (£280K credit)

As part of the pandemic the government introduced a scheme which allowed Councils reclaim a portion of their in-year income losses relating to sales fees and charges. At the time the revised budget was set, income targets were reassessed. However due to the extended lockdown periods endured during the winter months, further losses were realised. These losses have been included as appropriate within the relevant service areas and whilst not always detailed in full within the above sections, collectively they amount to approximately £400K.

Business Rates Retention Reserve (£558K provision)

We have already adopted a prudent approach to forecasting the level of retained business rates for 2021/22. A certain level of volatility, however, remains and the City Council's share of the Collection Fund deficit is sensitive to differences that arise in year between the estimated and actual level of net rates payable. To mitigate against this risk an amount of £558K has been transferred to the Business Rates Retention Reserve to boost resilience against

movements on the fund deficit. (This represents the impact of a potential 2% reduction in net rates payable between the amount estimated at 31 January 2021 and that at 31 March 2022).

Appendix 1: Annex A

In March 2020, the first major grants available to businesses were the Small Business Grant Fund (SBGF) and Retail, Leisure and Hospitality Grant Fund (RLHGF). The grant details were issued in late March 2020 and the Council received £35.932M. As the grants sums payable were £10K or £25K for each eligible business with eligibility criteria specified by Government, the Council acted as an agent in administering these grants.

The Discretionary Grant Fund was also introduced, within a maximum sum of £1.684M. As the Council determined eligibility for these grants it therefore acted as a principal for this source of funding.

These grant schemes ended in October 2020, and a total £30.820M had been paid in SBGF and RLHGF to 2,683 businesses and the full allocation of £1.684M in discretionary grants to 424 businesses. The balance was returned to Central Government. The table below sets out the summary grant information.

	Final grant allocation	The Council acting as Agent	The Council acting as Principal	Expenditure as at 31 March 2021	Grant Remaining as at 31 March 2021
Grants	£000	£000	£000	£000	£000
Small Business Grants/Retail, Leisure and Hospitality Grant Fund	30,820	30,820	-	30,820	-
Local Authority Discretionary Fund Grant	1,684	-	1,684	1,684	-
	32,504	30,820	1,684	32,504	-

For the months covering September 2020 to March 2021, the Government introduced a range of grants under the general heading of Local Restrictions Support Grant (LRSG). In total the Council were allocated and received £27.240M in grant funding. Each separate scheme of LRSG had its own eligibility criteria. All except one scheme of grant funding (the Christmas Support Payments for Wet Led Public Houses) remained open for final payments beyond 31 March 2021. The table below summarises the LRSG allocation and expenditure in 2020/21.

	Total grant allocation	The Council acting as Agent	The Council acting as Principal	Expenditure as at 31 March 2021	Grant Remaining as at 31 March 2021
Grants	£000	£000	£000	£000	£000
Closed Tier 3 17th October 2020 (19 days)	89	77	-	77	12
Closed Addendum 5th November 2020 (28 days)	2,860	1,906	-	1,906	954
Closed Tier 3 3rd December 2020 (28 days)	420	868	-	868	(448)
Closed Tier 4 31st December 2020 (5 days)	1,045	338	-	338	707
Closed Addendum 5th January 2021 (42 days)	4,290	2,848	-	2,848	1,442
Closed Business Lockdown One-Off Payment	8,577	5,695	-	5,695	2,882
Closed Addendum 16th February 2021 (44 days)	4,494	2,941	-	2,941	1,553
Christmas Support Payment (Wet Led Pubs)	90	88	-	88	2
Open/Additional Restrictions Grant	5,375	-	2,679	2,679	2,696
	27,240	14,761	2,679	17,440	9,800

From 1 April 2021, the Council began administering a new round of business support grants known as Restart Grants and it will continue to administer this grant regime until the closing date for final payments on 31 July 2021.

As outlined in the table below, the COVID-19 pandemic led the Government to introduce further specific grant regimes for the Council to administer. Each of these grants had its own terms, conditions and eligibility criteria and some had detailed reporting requirements.

	Total grant allocation	The Council acting as Principal	Expenditure as at 31 March 2021	Grant Remaining as at 31 March 2021
Grants	£000	£000	£000	£000
Contain Outbreak Management Fund	1,684	-	-	1,684
Council Tax Hardship Fund	1,425	1,011	1,011	414
COVID Winter Grant Scheme	14	-	-	14
Local Authority Compliance and Enforcement Grant	77	50	50	27
Local Authority Emergency Assistance Grant	179	179	179	-
Reopening the High Street Safely Grant	70	70	70	-
Support for Clinically Extremely Vulnerable Individuals	422	-	-	422
Test and Trace Support Payments	422	208	208	214
	4,293	1,518	1,518	2,775

Annual Treasury Management Report
2020/21

For Noting by Cabinet 14 September 2021

Annual Treasury Management Review 2020/21

Purpose

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2020/21 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 26 February 2020)
- a mid-year (minimum) treasury update report
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, Members have received quarterly treasury management update reports which were presented to Cabinet and Budget and Performance Panel.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny (by Budget and Performance Panel) to all of the above treasury management reports before they were reported to the full Council.

Introduction and Background

This report summarises the following:-

- Capital activity during the year;
 - Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
 - The actual prudential and treasury indicators;
 - Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
 - Summary of interest rate movements in the year;
 - Detailed debt activity; and
 - Detailed investment activity.
-

1. The Council's Capital Expenditure and Financing 2020/21

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- if insufficient financing is available from the above sources, or a decision is taken not to apply such resources, the capital expenditure will give rise to a borrowing need (also referred to as "unfinanced", within the tables and sections below).

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

There is a significant difference between the level of capital expenditure estimated in the 2020/21 Treasury Management Strategy and the actual level of expenditure incurred. General Fund expenditure is £26.21m lower than expected whilst HRA is £1.08m lower. An ambitious Capital Programme was agreed for General Fund for the year with schemes in the Development Pool of £24.56m many of which did not keep pace with officer and member aspirations. Changes to PWLB borrowing rules to exclude lending for commercial investments also led to the abandonment of some planned property acquisitions in year. The delivery of the HRA Capital Programme was impacted by the Covid 19 pandemic.

General Fund (GF) £M	2019/20 Actual	2020/21 Estimate	2020/21 Actual
Capital expenditure	12.08	45.24	19.03
Financed in year	(5.61)	(13.05)	(7.97)
Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)	6.47	32.19	11.06

HRA £M	2019/20 Actual	2020/21 Estimate	2020/21 Actual
Capital expenditure	4.08	4.12	3.04
Financed in year	(4.08)	(4.12)	(3.04)
Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)	0.00	0.00	0.00

2. The Council's Capital Financing Requirement 2020/21

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2020/21 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury

function organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs in purpose from other treasury management arrangements, which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2020/21 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2020/21 on 26 February 2020.

The Council's CFR for the year is shown below, and represents a key prudential indicator. There is a difference of £30.69m between the CFR estimated in the 2020/21 Treasury Management Strategy and the actual closing CFR. As outlined in section 1 this is due to levels of actual capital expenditure not materialising in line with officer and member ambitions.

No borrowing has actually been required against these schemes, however, as cash supporting the Council's reserves, balances and cash flow has been used as an interim measure. The disjoint between the forecast and actual levels of capital expenditure during the year has made the timing of potential borrowing and cash flow decisions more challenging than it might have otherwise been.

CFR (£M): General Fund	31 March 2020 Actual	31 March 2021 Estimate	31 March 2021 Actual
Opening balance	43.55	58.34	48.43
Add unfinanced capital expenditure (as above)	6.47	32.19	11.06
Less MRP	(1.59)	(2.11)	(1.76)
Less finance lease repayments	0.00	0.00	0.00
Closing balance	48.43	88.42	57.73

CFR (£M): HRA	31 March 2020 Actual	31 March 2021 Estimate	31 March 2021 Actual
Opening balance	39.33	38.29	38.27
Add unfinanced capital expenditure (as above)	0.00	0.00	0.00
Less Debt Repayment	(1.06)	(1.04)	(1.05)
Closing balance	38.27	37.25	37.22

CFR (£M): Combined	31 March 2020 Actual	31 March 2021 Estimate	31 March 2021 Actual
Opening balance	82.88	96.63	86.70
Add unfinanced capital expenditure (as above)	6.47	32.19	11.06
Less Debt Repayment, Finance Leases and MRP	(2.65)	(3.15)	(2.81)
Closing balance	86.70	125.67	94.95

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2020/21. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

The Treasury Management Strategy for 2020/21 estimated that new borrowing during the year would be £33m in line with expenditure levels set out in the approved Capital Programme. No new borrowing was, however, undertaken for reasons explained previously.

£M	31 March 2020 Actual	31 March 2021 Estimate	31 March 2021 Actual
Gross borrowing position	62.13	94.08	61.08
CFR	86.70	125.67	94.95

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The actual financing costs as a proportion of net revenue stream for General fund are seeing the impact of Renewable Energy Disregard Income from Walney Sub-station for the first time. This has increased the net revenue stream by £3m. Whether this indicator remains lower than the 20.11% originally estimated in the 2020/21 Treasury Management Strategy will be dependent on the actual performance of the Capital Programme against the levels of capital expenditure currently forecast for 2021/22 which remain ambitious.

	2020/21 Actual
Authorised limit	£111.00M
Maximum gross borrowing position	£62.13M
Operational boundary	£94.95M
Average gross borrowing position	£61.78M
Financing costs as a proportion of net revenue stream - GF	14.61%
Financing costs as a proportion of net revenue stream - HRA	20.79%

3. Treasury Position as at 31 March 2021

The Council's debt and investment position is administered to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2020/21 the Council's treasury position was as follows:

DEBT PORTFOLIO	31 March 2020 Principal £M	Average Rate %	Average Life yrs	31 March 2021 Principal £M	Average Rate %	Average Life yrs
Fixed rate funding:						
PWLB	62.13	4.69	33	61.08	4.72	32
Total debt	63.13			61.08		
CFR	86.70			94.95		
Over / (under) borrowing	(24.58)			(33.86)		

The loan repayment schedule is as follows:

	31 March 2020 Actual £M
Under 12 months	1.04
12 months and within 24 months	1.04
24 months and within 5 years	3.12
5 years and within 10 years	5.20
10 years and within 20 years	10.40
20 years and within 30 years	1.08
More than 30 years	39.20

All investments were placed for under one year.

INVESTMENT PORTFOLIO	31 March 2020 £M	31 March 2020 %	31 March 2021 £M	31 March 2021 %
Money Market Funds	16.00	40.00	0.00	0.00
Other Local Authorities	24.00	60.00	22.00	100.00
Total investments	40.00		22.00	

The average rate of interest payable on PWLB debt in 2020/21 was 4.72%. A total of £2.91M interest was incurred during the year, of which £1.84M was recharged to the HRA.

Interest Payable

	2020/21
Estimate	£2.91M
Actual	£2.91M

4. The Strategy for 2020/21

The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75% during the year before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting on to the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy.

5. The Economy and Interest Rates (supplied by Link Asset Services)

Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most Local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.



6. Borrowing Strategy and Control of Interest Rate Risk

During 2020/21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement set out in paragraph 2), was not fully funded with loan debt. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the authority may not be able to avoid new borrowing to finance capital expenditure

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Section 151 Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risk:

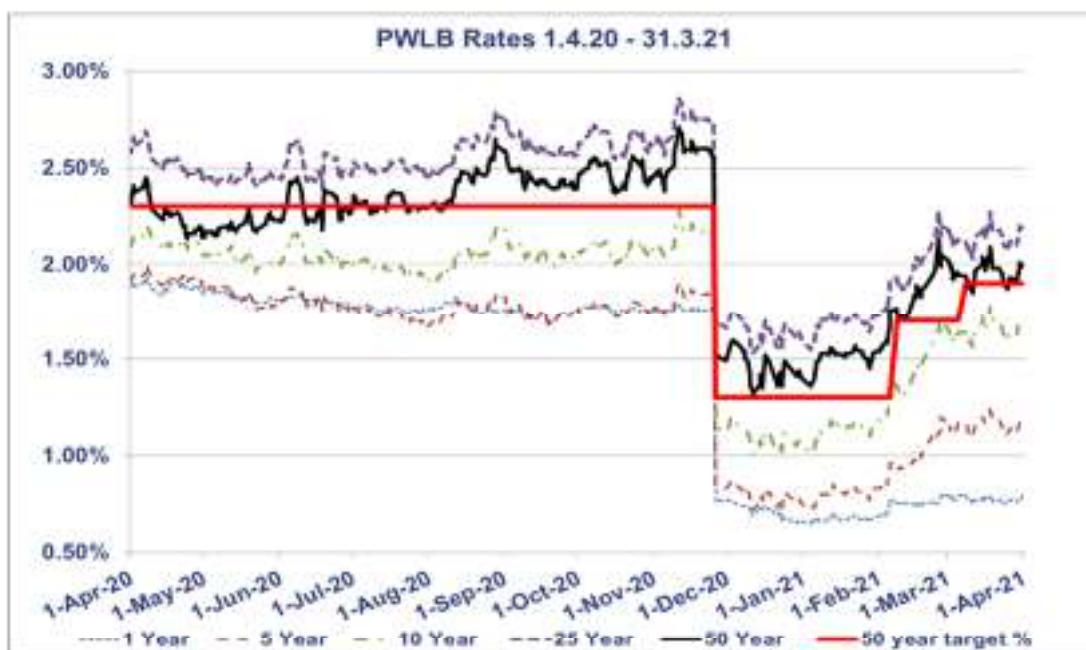
- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Forecasts at the time of approval of the treasury management strategy report for 2020/21 were as follows:

	2020/21	2021/22	2022/23	2023/24
Bank Rate	0.75	0.75	1.00	1.25
3 Month LIBID	0.70	0.80	1.20	1.50
6 Month LIBID	0.80	1.00	1.40	1.80
12 Month LIBID	0.90	1.20	1.60	1.70
5yr PWLB rate	2.50	2.50	2.00	3.10
10yr PWLB rate	2.60	2.70	2.10	3.20
25yr PWLB rate	3.00	3.00	3.70	3.60
50yr PWLB rate	2.80	3.20	3.60	3.60

PWLB borrowing rates - the graph and table for PWLB rates below show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year:



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.65%	0.72%	1.00%	1.53%	1.32%
Low date	04/01/2021	11/12/2020	11/12/2020	11/12/2020	11/12/2020
High	1.94%	1.99%	2.28%	2.86%	2.71%
High date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.43%	1.50%	1.81%	2.33%	2.14%
Spread	1.29%	1.27%	1.26%	1.33%	1.39%

7. Borrowing Outturn for 2020/21

Borrowing

No long-term borrowing was undertaken during the year.

Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

8. Investment Outturn for 2020/21

Investment Policy – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 26 February 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

Balance Sheet Resources (£M)	General Fund		HRA		TOTAL	
	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21
Balances	5.05	7.81	2.86	3.29	7.91	11.10
Earmarked reserves	15.32	25.74	10.59	11.59	25.91	37.33
Provisions	6.23	7.14	0.00	0.00	6.23	7.14
Working Capital	21.06	11.81	2.89	4.48	23.95	16.29
Total	47.66	52.50	16.34	19.36	64.00	71.86
Amount Over/(Under) Borrowed						(33.86)
Baseline Investment Balances						38.00

Within General Fund Earmarked Reserves for 2020/21 is £8.121m in respect of business rates deficit/section 31 grant which will be utilised during 2021/22 to discharge the Collection Fund deficit arising in 2020/21 due to the Covid 19 pandemic. There are also unapplied grants totalling £0.84m in respect of Covid 19 support grant and the Covid Hardship fund.

Investments held by the Council - the Council maintained an average investment balance of £38.5M of internally managed funds. The average rate of interest earned for the year as a whole was 0.15%. The weighted average rate of interest being earned on the investment portfolio at the end of both years is also given. These rates are compared to the base rate and average 3-month LIBID rate at the end of the year.

	2019/20	2020/21
Lancaster CC Investments full year	0.74%	0.15%
Lancaster CC Investments weighted average at 31 March	0.80%	0.08%
Base Rate	0.10%	0.10%
3 Month LIBID	0.70%	-0.04%

The actual interest earned in 2020/21 was £56K.

10. Other Risk Management Issues

Many of the risks in relation to treasury management are managed through the setting and monitoring of performance against the relevant Prudential and Treasury Indicators and the approved Investment Strategy, as discussed above.

The Authority’s Investment Strategy is designed to engineer risk management into investment activity by reference to credit ratings and the length of deposit to generate a pool of counterparties, together with consideration of other creditworthiness information to refine investment decisions. The Council is required to have a strategy

is required under the CIPFA Treasury Management Code, the adoption of which is another Prudential Indicator. The strategy for 2020/21 complied with the latest Code of Practice (December 2017) and relevant Government investment guidance.

LANCASTER CITY COUNCIL
TREASURY MANAGEMENT POLICY STATEMENT

Last reported to Council on 24 February 2021

This reflects the revised CIPFA Treasury Management Code of Practice (Code updated in 2017).

1. This organisation defines its treasury management activities as:

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

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

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

Treasury Management Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.
- **Call account** – instant access deposit account.
- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.
- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They currently analyse credit worthiness under four headings (but see changes referred to in the strategy):
 - **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.
 - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.
 - **Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.
 - **Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.
 - **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.
 - **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.
-

E.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as $8\%/1.45 = 5.5\%$.
See also PWLB.

- **LIBID** – The London Inter-Bank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time.
- **LIBOR** – The London Inter-Bank Offer Rate, the rate at which banks with surplus funds are offering to lend them to other banks, again published at 11am each day.
- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.
- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status.
- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.
- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.
- **Link Asset Services** – Link Asset Services are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.
- **Yield** – see Gilts

Members may also wish to make reference to *The Councillor's Guide to Local Government Finance*.

HOUSING REVENUE ACCOUNT OUTTURN 2020/21

For Consideration by Cabinet 14th September 2021

	Original Budget £000	Revised Budget £000	Actual £000	Variance £000	Adjusted Variance £000
				(Adverse) / Favourable	(Adverse) / Favourable
INCOME					
Rental Income - Council Housing	(13,746)	(13,601)	(13,601)	1	1
Rental Income - Other (Shops and Garages etc.)	(276)	(266)	(263)	(3)	(3)
Charges for Services & Facilities	(1,640)	(1,557)	(1,589)	32	32
Grant Income	(8)	(8)	(8)	0	0
Contributions from General Fund	(112)	(83)	(76)	(7)	(7)
Total Income	(15,782)	(15,514)	(15,537)	23	23
EXPENDITURE					
Repairs & Maintenance	5,415	5,250	5,005	246	246
Supervision & Management	3,669	3,728	3,762	(34)	482
Rents, Rates & Insurance	210	302	307	(4)	(4)
Contribution to Provision for Bad and Doubtful Debts	159	161	148	12	12
Depreciation & Impairment of Fixed Assets	2,772	2,772	6,161	(3,388)	(597)
Debt Management Costs	1	0	0	0	0
Total Expenditure	12,226	12,214	15,382	(3,169)	138
NET COST OF HRA SERVICES	(3,556)	(3,300)	(155)	(3,145)	162
(Gain)/Loss on disposal of non-current assets	0	0	(321)	321	321
Interest Payable & Similar Charges	1,757	1,757	1,840	(83)	(83)
Interest & Investment Income	(24)	(24)	(18)	(5)	(5)
Pensions Interest Costs & Expected Return on Pensions Assets	232	0	214	(214)	0
Capital Grants and Contributions Receivable	0	0	(2)	2	2
Premiums & Discounts from Earlier Debt Rescheduling	0	0	0	0	0
(SURPLUS) OR DEFICIT FOR THE YEAR	(1,590)	(1,567)	1,559	(3,126)	396
Self Financing Debt Repayment	1,041	1,041	1,041	0	0
Net Charges made for Retirement Benefits	0	0	(731)	731	0
Adjustments to reverse out Notional Charges included above	0	0	(2,791)	2,791	0
Transfer to/(from) Earmarked Reserves - for Revenue Purposes	(86)	49	89	(40)	(40)
Capital Expenditure funded from Major Repairs Reserve	722	0	404	(404)	(404)
Transfer from Earmarked Reserves - for Capital Purposes	(282)	(290)	(127)	(163)	(163)
Financing of Capital Expenditure from Earmarked Reserves	282	290	127	163	163
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	88	(476)	(429)	(48)	(48)
Housing Revenue Account Balance brought forward	(1,840)	(2,859)	(2,859)	0	0
HRA BALANCE CARRIED FORWARD	(1,752)	(3,335)	(3,287)	(48)	(48)

Note: The shaded items relate directly to financing the capital programme, and comprise depreciation on Council Dwellings, grants and contributions, use of the Major Repairs Reserve and specific Earmarked Reserves.

HRA RESERVES BUDGET SUMMARY - 2020/21 OUTTURN

2020/21					
HOUSING REVENUE ACCOUNT	Balance as at 31/03/20 £000	Contributions to Reserve	Contributions from Reserve		Balance as at 31/03/21 £000
		From Revenue £000	To Capital £000	To Revenue £000	
HRA General Balance	(2,859)	(429)	-	-	(3,287)
Earmarked Reserves:					
Business Support Reserve	(8,097)	-	100	87	(7,910)
Major Repairs Reserve	-	(3,323)	2,919	-	(404)
Flats - Planned Maintenance	(692)	(133)	27	40	(758)
I T Replacement	(583)	-	-	3	(580)
Office Equipment Reserve	(39)	-	-	-	(39)
Sheltered - Equipment	(375)	(59)	-	22	(412)
Sheltered - Planned Maintenance	(283)	(117)	-	-	(401)
Sheltered Support Grant Mtce	(509)	(59)	-	-	(568)
Total Earmarked Reserves	(10,578)	(3,691)	3,046	152	(11,071)

Appendix 5 General Fund Usable Reserves

General Fund Usable Reserves				
	31/03/2020 £000	Transfer (From) Reserve £000	Transfer To Reserve £000	31/03/2021 £000
General Fund Balance	5,361	(2,000)	4,447	7,808
Earmarked Reserves				
Revenue Grants Unapplied Reserve	827	(260)	7,930	8,497
Business Rates Retention Reserve	7,377	(814)	1,738	8,301
Corporate Priorities Reserve	2,153	(557)	882	2,478
Covid 19 Support Reserve	-	(187)	2,000	1,813
Invest to Save Reserve	1,397	(193)	29	1,233
S106 Commuted Sums Reserve	1,176	(376)	169	969
Restructure Reserve	531	(80)	-	451
Corporate Property Reserve	339	-	-	339
Welfare Reforms Reserve	325	-	-	325
Renewals Reserves	381	(272)	493	602
Economic Growth Reserve	126	(55)	118	189
Homelessness Support Reserve	110	-	-	110
Other Earmarked Reserves	578	(301)	53	330
Total Earmarked Reserves	15,320	(3,095)	13,412	25,637
Total Usable Revenue Reserves	20,681	(5,095)	17,859	33,445
Capital Receipts Reserve	36		485	521
Capital Grants Unapplied Reserve	103			103
Total Usable Capital Reserves	139	0	485	624
Total Usable Reserves	20,820	(5,095)	18,344	34,069

Lancaster City Council - Capital Expenditure 2020/21

For consideration by Cabinet 14 September 2021

HOUSING REVENUE ACCOUNT	Revised Estimate	Expenditure in 2020/21	Expenditure to be financed in 2020/21	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANTS & CONTRIBUTIONS	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
COUNCIL HOUSING										
Adaptations	300,000	235,581.73	235,581.73					235,582	235,582	0
Energy Efficiency boiler Replacements	850,000	805,658.28	805,658.28					805,658	805,658	0
Internal Reurbishments	27,000	25,323.72	25,323.72					25,324	25,324	0
External Refurbishments	310,000	0.00	0.00					0	0	0
Environmental Improvements	379,000	599,331.79	599,331.79	-161		27,077		572,416	599,332	0
Re-roofing & Window Renewals	995,000	902,149.49	902,149.49					902,149	902,149	0
Rewiring	84,000	12,737.27	12,737.27					12,737	12,737	0
Fire Precaution Works	164,000	162,921.43	162,921.43	1,836				161,086	162,921	0
Housing Renewal & Renovation	434,000	298,559.25	298,559.25			100,087		198,472	298,559	0
Lift Replacements								0	0	0
TOTAL - HRA	3,543,000	3,042,262.96	3,042,262.96	1,674	0	127,164	0	2,913,425	3,042,263	0

GENERAL FUND	Revised Estimate	Expenditure in 2020/21	Expenditure to be financed in 2020/21	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANTS & CONTRIBUTIONS	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
COMMUNITIES AND ENVIRONMENT										
Vehicle Renewals	1,505,000	1,686,449.10	1,686,449.10					0.00	1,686,449.10	0.00
Happy Mount Park Pathway Replacements	112,000	99,467.00	99,467.00			99,467.00		99,467.00	0.00	0.00
Solar Installation SALC Phase 1	50,000	0.00	0.00					0.00	0.00	0.00
Far Moor Playings Fields S106 scheme	72,000	0.00	0.00					0.00	0.00	0.00
Disabled Facilities Grants	1,724,000	1,491,950.96	1,491,950.96	1,491,950.96				1,491,950.96	0.00	0.00
Pool Cars	174,000	159,954.59	159,954.59					0.00	159,954.59	0.00
Salt Ayre Replacement Equipment	0	142,914.40	142,914.40			142,914.40		142,914.40	0.00	0.00
One Million Trees	25,000	17,000.00	17,000.00					0.00	17,000.00	0.00
Electronic Vehicle Charging Points	58,000	0.00	0.00					0.00	0.00	0.00
Customer Contact System	115,000	108,760.99	108,760.99					0.00	108,760.99	0.00
Sub-Total	3,835,000	3,706,497.04	3,706,497.04	1,491,950.96	0.00	242,381.40	0.00	0.00	1,734,332.36	1,972,164.68
ECONOMIC GROWTH AND REGENERATION										
Sea & River Defence Works & Studies	6,034,000	6,068,771.64	6,068,771.64	6,068,771.64				6,068,771.64	0.00	0.00
Lancaster Square Routes	26,000	4,922.80	4,922.80	4,922.80				4,922.80	0.00	0.00
Lancaster District Empty Homes Partnership	4,000	0.00	0.00					0.00	0.00	0.00
S106 Highways Works	70,000	0.00	0.00					0.00	0.00	0.00
Coastal Revival Fund - Morecambe Co-op Building	11,000	0.00	0.00					0.00	0.00	0.00
Coastal Revival Fund - Morecambe Winter Gardens	92,000	93,622.00	93,622.00	93,622.00				93,622.00	0.00	0.00
Other Cemeteries	8,000	1,053.12	1,053.12					0.00	1,053.12	0.00
Queen Victoria Memorial	0	7,032.50	7,032.50					0.00	7,032.50	0.00
Winter Gardens Loan	103,000	103,828.00	103,828.00					0.00	103,828.00	0.00
1 Lodge Street Urgent Structural Repairs	6,000	6,725.00	6,725.00					0.00	6,725.00	0.00
Units at White Lund Industrial Estate	9,100,000	8,767,136.30	8,767,136.30					0.00	8,767,136.30	0.00
Lancaster Heritage Action Zone	193,000	67,936.24	67,936.24	31,916.47				31,916.47	36,019.77	0.00
Sub-Total	15,647,000	15,121,027.60	15,121,027.60	6,199,232.91	0.00	0.00	0.00	0.00	6,199,232.91	8,921,794.69
CORPORATE SERVICES										
ICT Systems, Infrastructure & Equipment	298,000	198,173.90	198,173.90			25,000.00		25,000.00	173,173.90	0.00
Sub-Total	298,000	198,173.90	198,173.90	0.00	0.00	25,000.00	0.00	0.00	25,000.00	173,173.90
DEVELOPMENT POOL										
Cable Street Christmas Lights	24,000	0.00	0.00					0.00	0.00	0.00
Morecambe High Streets Provision	274,000	0.00	0.00					0.00	0.00	0.00
Sub-Total	298,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL - GENERAL FUND	20,078,000	19,025,698.54	19,025,698.54	7,691,183.87	0.00	267,381.40	0.00	0.00	7,958,565.27	11,067,133.27

GENERAL FUND HOUSING REVENUE ACCOUNT	Revised Estimate	Expenditure in 2020/21	Expenditure to be financed in 2020/21	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANT	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
GENERAL FUND	20,078,000	19,025,698.54	19,025,698.54	7,691,183.87	0.00	267,381.40	0.00	0.00	7,958,565.27	11,067,133.27
HOUSING REVENUE ACCOUNT	3,543,000	3,042,262.96	3,042,262.96	1,674.32	0.00	127,164.11	0.00	2,913,424.53	3,042,262.96	0.00
TOTAL CAPITAL EXPENDITURE & FINANCING	23,621,000	22,067,961.50	22,067,961.50	7,692,858.19	0.00	394,545.51	0.00	2,913,424.53	11,000,828.23	11,067,133.27

2020/21 CAPITAL EXPENDITURE FINANCING			Housing Revenue Account	General Fund	Grand Total for all Funds
			£	£	£
Amounts to be financed by General Capital Resources			0.00	11,067,133.27	11,067,133.27
Financed by:					
Underlying Borrowing Need - Increase in Capital Financing Requirement			0.00	11,054,352.17	11,054,352.17
Usable Capital Receipts			0.00	12,781.10	12,781.10
General Grants Unapplied			0.00	0.00	0.00
Total Financing from General Capital Resources			0.00	11,067,133.27	11,067,133.27

Appendix 7 - Slippage and Accelerated Expenditure

	Slippage £000	£000	Reason for Slippage
Communities & Environment			
Disabled Facilities Grants	(232)		Marginally lower turnover in grant applications in year than originally anticipated
Far Moor Playing Fields	(72)		Impact of Covid 19 has delayed expenditure
Electronic Vehicle Charging Points Phase 2	(58)		Scheme completed in July 2021
Happy Mount Park Footpaths	(13)		Minor delay to completion of scheme
One Million Trees	(8)		Impact of Covid 19 has delayed expenditure
Customer Contact System	(6)		Minor delay to completion of scheme
		(389)	
Economic Growth & Regeneration			
Lancaster Heritage Action Zone	(125)		Unanticipated delays with building projects in the Heritage Action Zone programme
S106 Payments to Lancashire County Council	(70)		Payment awaiting trigger point or evidence of scheme
Lancaster Square Routes	(21)		Impact of Covid 19 has delayed expenditure
Coastal Revival Fund - Morecambe Co-op	(11)		Coastal Revival Fund funded element of Morecambe Co-op renovation to be progressed in 2021/22
Lancaster District Empty Homes Partnership	(4)		Expenditure has currently stalled as the Council's former delivery partnership has gone into receivership
		(231)	
Corporate Services			
ICT Systems, Infrastructure & Equipment	(100)		Required for final elements of full migration to Teams, laptop replacement & e-campus screens
		(100)	
Development Pool			
Morecambe High Streets Provision	(274)		Used to facilitate acquisition of former Frontierland site in July 2021
Cable Street Christmas Lights	(24)		Impact of Covid 19 has delayed expenditure
		(298)	
Housing Revenue Account			
Housing Renewal & Renovation	(133)		Property conversions delayed due to lockdown
Re-roofing/Window Renewals	(92)		Delays in project commencement due to lockdown
Adaptations	(60)		Delays due to restrictions on visiting and obtaining planning permission
Environmental Improvements	(45)		Delays in supply of enhanced security communal entrance doors
External Refurbishment	(43)		External door replacement delayed due to supply issues with the manufacturer
Rewiring	(30)		Delays due to issues accessing sheltered properties arising from shielding restrictions
Energy Efficiency/Boiler Replacement	(10)		LED lighting installation cannot proceed until electrical work on enhanced security communal entrance doors is completed
		(413)	
		(1,431)	
Accelerated Expenditure			
Communities & Environment			
Purchase of Vehicles	181		Refuse Collection Vehicle delivered earlier than originally anticipated
Salt Ayre Equipment Programme	143		Expenditure has been accelerated following the re-opening of the centre after Covid 19 closures
		324	
Economic Growth & Regeneration			
Caton Road Flood Relief Scheme	34		Minor variance in expenditure profiling
Queen Victoria Memorial	7		Specification in advance of works to memorial
		41	
		365	
Total Net Slippage & Accelerated Expenditure		(1,066)	

Appendix 1: General Fund Revenue Outturn

Section One - General Fund Revenue Outturn as at 31st March 2021

The latest summary of the revenue outturn position for the main service accounts of the Authority is set out in the table below.

	2020/21			Remove Covid-19 Related Variances	Remove Reserve Funded Variances	Variance from Working Budget	Appendix 1 Note
	Original Budget	Working Budget	Actual				
Expenditure:	£000	£000	£000	£000	£000	£000	
Central Services	1,108	1,131	1,156	2	(3)	(26)	
Communities & Environment	8,068	9,548	13,387	4,287	(627)	(179)	1
Corporate Services	5,373	7,615	5,836	262	(1,514)	527	2
Economic Growth & Regeneration	7,867	8,823	8,404	1,188	(1,429)	178	3
Other Corporate Income & Expenditure Items	(4,513)	(3,969)	(6,330)	(5,739)	3,573	195	4
NET REVENUE EXPENDITURE	17,903	23,148	22,453	-	-	695	

Note 1 Communities & Environment

Car Parking Income (£84K shortfall)

The extended lockdown period since the revised budget position was set has naturally seen a shortfall in income, this is offset by a proportion of compensation received from the government as detailed in appendix note 4.

Licensing Income (£63K shortfall)

Largely due to suspending the payment of licences and closures due to the pandemic. Again, this shortfall in income is offset by a proportion of compensation received from the government as detailed in appendix note 4.

Note 2 Corporate Services

Bad Debt Provision (£192K increase)

Following the review of historic information and the levels of collectability regarding debt, the annual contribution was deemed insufficient and increased in-line with current income projections.

Luneside East Legal Case (£688K removal)

For a number of years the Council have carried an accrual in the accounts relating to the court case which was also held within the bad debt provision. An opinion has been sought and the accrual has now been removed from the accounts. This is offset by a shortfall in the income position as also included within note 3.

Note 3 Economic Growth & Regeneration

Luneside East Legal Case (£688K removal)

As detailed in note 2, the removal of an accrual is offset by a corresponding reduction to the bad debt provision.

Employee Costs (£262K underspend)

Salary savings in the year were achieved largely due to vacancies held which have historically

been difficult to recruit to. Also, due to the pandemic, there was a reduced need for casual staff largely at venues which were closed during the year. This figure is offset by any additional agency/consultancy costs incurred with the exception of PTT consultancy as detailed below).

Property Transaction Team Consultancy (£118K underspend)

A budget of £175K was included in the revised budget to assist towards due diligence work required on PTT investments. The Council's position regarding external investments has since changed and the requirement for due diligence work has diminished.

Supplies & Services (£89K underspend)

The closure of venues and festivals has led to a significantly reduced demand for marketing and supplies and services in general.

Property R&M and use of Municipal Buildings (£150K underspend)

The Council has had to react to the pandemic and this has resulted in varying use and usage levels of its buildings. Lancaster Town Hall has been utilised by the NHS for its vaccine programme and the Court Service have occupied the Ashton Hall. This has led to additional income of £74K within 2020/21. There has been a net saving of £76K attributable to R&M.

Land Drainage/Sea Defences R&M (£61K underspend)

The R&M budget was not fully utilised due to pandemic restrictions being in place. Also, staff time has largely been directed to the Caton Road flood defence scheme which is externally funded.

White Lund Gateway (£125K debtor)

As part of the White Lund Gateway scheme, budgetary provision of £125K was included in the revised estimate to reflect the amount paid to the managing agents (Sanderson/Weatherall) in advance of service provided. Upon receipt of further information, the company are to recover the money via service charging and therefore are to return the cash advance at a later date, resulting in a debtor position and no budgetary provision was required in 2020/21.

Note 4 Other Corporate Income & Expenditure

New Burdens Grants (£503K credit)

The Council have benefitted from new burdens grants received from governments to help tackle the pandemic which weren't included in estimates throughout the year. This is largely due to amounts not being known and uncertainty relating to whether or not the grants were subject to ringfencing and could be used to offset the overall net cost of services.

Sales, Fees & Charges Compensation (£280K credit)

As part of the pandemic the government introduced a scheme which allowed Councils reclaim a portion of their in-year income losses relating to sales fees and charges. At the time the revised budget was set, income targets were reassessed. However due to the extended lockdown periods endured during the winter months, further losses were realised. These losses have been included as appropriate within the relevant service areas and whilst not always detailed in full within the above sections, collectively they amount to approximately £400K.

Business Rates Retention Reserve (£558K provision)

We have already adopted a prudent approach to forecasting the level of retained business rates for 2021/22. A certain level of volatility, however, remains and the City Council's share of the Collection Fund deficit is sensitive to differences that arise in year between the estimated and actual level of net rates payable. To mitigate against this risk an amount of £558K has been transferred to the Business Rates Retention Reserve to boost resilience against

movements on the fund deficit. (This represents the impact of a potential 2% reduction in net rates payable between the amount estimated at 31 January 2021 and that at 31 March 2022).

Appendix 1: Annex A

In March 2020, the first major grants available to businesses were the Small Business Grant Fund (SBGF) and Retail, Leisure and Hospitality Grant Fund (RLHGF). The grant details were issued in late March 2020 and the Council received £35.932M. As the grants sums payable were £10K or £25K for each eligible business with eligibility criteria specified by Government, the Council acted as an agent in administering these grants.

The Discretionary Grant Fund was also introduced, within a maximum sum of £1.684M. As the Council determined eligibility for these grants it therefore acted as a principal for this source of funding.

These grant schemes ended in October 2020, and a total £30.820M had been paid in SBGF and RLHGF to 2,683 businesses and the full allocation of £1.684M in discretionary grants to 424 businesses. The balance was returned to Central Government. The table below sets out the summary grant information.

	Final grant allocation	The Council acting as Agent	The Council acting as Principal	Expenditure as at 31 March 2021	Grant Remaining as at 31 March 2021
Grants	£000	£000	£000	£000	£000
Small Business Grants/Retail, Leisure and Hospitality Grant Fund	30,820	30,820	-	30,820	-
Local Authority Discretionary Fund Grant	1,684	-	1,684	1,684	-
	32,504	30,820	1,684	32,504	-

For the months covering September 2020 to March 2021, the Government introduced a range of grants under the general heading of Local Restrictions Support Grant (LRSG). In total the Council were allocated and received £27.240M in grant funding. Each separate scheme of LRSG had its own eligibility criteria. All except one scheme of grant funding (the Christmas Support Payments for Wet Led Public Houses) remained open for final payments beyond 31 March 2021. The table below summarises the LRSG allocation and expenditure in 2020/21.

	Total grant allocation	The Council acting as Agent	The Council acting as Principal	Expenditure as at 31 March 2021	Grant Remaining as at 31 March 2021
Grants	£000	£000	£000	£000	£000
Closed Tier 3 17th October 2020 (19 days)	89	77	-	77	12
Closed Addendum 5th November 2020 (28 days)	2,860	1,906	-	1,906	954
Closed Tier 3 3rd December 2020 (28 days)	420	868	-	868	(448)
Closed Tier 4 31st December 2020 (5 days)	1,045	338	-	338	707
Closed Addendum 5th January 2021 (42 days)	4,290	2,848	-	2,848	1,442
Closed Business Lockdown One-Off Payment	8,577	5,695	-	5,695	2,882
Closed Addendum 16th February 2021 (44 days)	4,494	2,941	-	2,941	1,553
Christmas Support Payment (Wet Led Pubs)	90	88	-	88	2
Open/Additional Restrictions Grant	5,375	-	2,679	2,679	2,696
	27,240	14,761	2,679	17,440	9,800

From 1 April 2021, the Council began administering a new round of business support grants known as Restart Grants and it will continue to administer this grant regime until the closing date for final payments on 31 July 2021.

As outlined in the table below, the COVID-19 pandemic led the Government to introduce further specific grant regimes for the Council to administer. Each of these grants had its own terms, conditions and eligibility criteria and some had detailed reporting requirements.

	Total grant allocation	The Council acting as Principal	Expenditure as at 31 March 2021	Grant Remaining as at 31 March 2021
Grants	£000	£000	£000	£000
Contain Outbreak Management Fund	1,684	-	-	1,684
Council Tax Hardship Fund	1,425	1,011	1,011	414
COVID Winter Grant Scheme	14	-	-	14
Local Authority Compliance and Enforcement Grant	77	50	50	27
Local Authority Emergency Assistance Grant	179	179	179	-
Reopening the High Street Safely Grant	70	70	70	-
Support for Clinically Extremely Vulnerable Individuals	422	-	-	422
Test and Trace Support Payments	422	208	208	214
	4,293	1,518	1,518	2,775

Annual Treasury Management Report
2020/21

For Noting by Cabinet 14 September 2021

Annual Treasury Management Review 2020/21

Purpose

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2020/21 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 26 February 2020)
- a mid-year (minimum) treasury update report
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, Members have received quarterly treasury management update reports which were presented to Cabinet and Budget and Performance Panel.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny (by Budget and Performance Panel) to all of the above treasury management reports before they were reported to the full Council.

Introduction and Background

This report summarises the following:-

- Capital activity during the year;
 - Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
 - The actual prudential and treasury indicators;
 - Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
 - Summary of interest rate movements in the year;
 - Detailed debt activity; and
 - Detailed investment activity.
-

1. The Council's Capital Expenditure and Financing 2020/21

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- if insufficient financing is available from the above sources, or a decision is taken not to apply such resources, the capital expenditure will give rise to a borrowing need (also referred to as "unfinanced", within the tables and sections below).

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

There is a significant difference between the level of capital expenditure estimated in the 2020/21 Treasury Management Strategy and the actual level of expenditure incurred. General Fund expenditure is £26.21m lower than expected whilst HRA is £1.08m lower. An ambitious Capital Programme was agreed for General Fund for the year with schemes in the Development Pool of £24.56m many of which did not keep pace with officer and member aspirations. Changes to PWLB borrowing rules to exclude lending for commercial investments also led to the abandonment of some planned property acquisitions in year. The delivery of the HRA Capital Programme was impacted by the Covid 19 pandemic.

General Fund (GF) £M	2019/20 Actual	2020/21 Estimate	2020/21 Actual
Capital expenditure	12.08	45.24	19.03
Financed in year	(5.61)	(13.05)	(7.97)
Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)	6.47	32.19	11.06

HRA £M	2019/20 Actual	2020/21 Estimate	2020/21 Actual
Capital expenditure	4.08	4.12	3.04
Financed in year	(4.08)	(4.12)	(3.04)
Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)	0.00	0.00	0.00

2. The Council's Capital Financing Requirement 2020/21

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2020/21 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury

function organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs in purpose from other treasury management arrangements, which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2020/21 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2020/21 on 26 February 2020.

The Council's CFR for the year is shown below, and represents a key prudential indicator. There is a difference of £30.69m between the CFR estimated in the 2020/21 Treasury Management Strategy and the actual closing CFR. As outlined in section 1 this is due to levels of actual capital expenditure not materialising in line with officer and member ambitions.

No borrowing has actually been required against these schemes, however, as cash supporting the Council's reserves, balances and cash flow has been used as an interim measure. The disjoint between the forecast and actual levels of capital expenditure during the year has made the timing of potential borrowing and cash flow decisions more challenging than it might have otherwise been.

CFR (£M): General Fund	31 March 2020 Actual	31 March 2021 Estimate	31 March 2021 Actual
Opening balance	43.55	58.34	48.43
Add unfinanced capital expenditure (as above)	6.47	32.19	11.06
Less MRP	(1.59)	(2.11)	(1.76)
Less finance lease repayments	0.00	0.00	0.00
Closing balance	48.43	88.42	57.73

CFR (£M): HRA	31 March 2020 Actual	31 March 2021 Estimate	31 March 2021 Actual
Opening balance	39.33	38.29	38.27
Add unfinanced capital expenditure (as above)	0.00	0.00	0.00
Less Debt Repayment	(1.06)	(1.04)	(1.05)
Closing balance	38.27	37.25	37.22

CFR (£M): Combined	31 March 2020 Actual	31 March 2021 Estimate	31 March 2021 Actual
Opening balance	82.88	96.63	86.70
Add unfinanced capital expenditure (as above)	6.47	32.19	11.06
Less Debt Repayment, Finance Leases and MRP	(2.65)	(3.15)	(2.81)
Closing balance	86.70	125.67	94.95

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2020/21. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

The Treasury Management Strategy for 2020/21 estimated that new borrowing during the year would be £33m in line with expenditure levels set out in the approved Capital Programme. No new borrowing was, however, undertaken for reasons explained previously.

£M	31 March 2020 Actual	31 March 2021 Estimate	31 March 2021 Actual
Gross borrowing position	62.13	94.08	61.08
CFR	86.70	125.67	94.95

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The actual financing costs as a proportion of net revenue stream for General fund are seeing the impact of Renewable Energy Disregard Income from Walney Sub-station for the first time. This has increased the net revenue stream by £3m. Whether this indicator remains lower than the 20.11% originally estimated in the 2020/21 Treasury Management Strategy will be dependent on the actual performance of the Capital Programme against the levels of capital expenditure currently forecast for 2021/22 which remain ambitious.

	2020/21 Actual
Authorised limit	£111.00M
Maximum gross borrowing position	£62.13M
Operational boundary	£94.95M
Average gross borrowing position	£61.78M
Financing costs as a proportion of net revenue stream - GF	14.61%
Financing costs as a proportion of net revenue stream - HRA	20.79%

3. Treasury Position as at 31 March 2021

The Council's debt and investment position is administered to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2020/21 the Council's treasury position was as follows:

DEBT PORTFOLIO	31 March 2020 Principal £M	Average Rate %	Average Life yrs	31 March 2021 Principal £M	Average Rate %	Average Life yrs
Fixed rate funding:						
PWLB	62.13	4.69	33	61.08	4.72	32
Total debt	63.13			61.08		
CFR	86.70			94.95		
Over / (under) borrowing	(24.58)			(33.86)		

The loan repayment schedule is as follows:

	31 March 2020 Actual £M
Under 12 months	1.04
12 months and within 24 months	1.04
24 months and within 5 years	3.12
5 years and within 10 years	5.20
10 years and within 20 years	10.40
20 years and within 30 years	1.08
More than 30 years	39.20

All investments were placed for under one year.

INVESTMENT PORTFOLIO	31 March 2020 £M	31 March 2020 %	31 March 2021 £M	31 March 2021 %
Money Market Funds	16.00	40.00	0.00	0.00
Other Local Authorities	24.00	60.00	22.00	100.00
Total investments	40.00		22.00	

The average rate of interest payable on PWLB debt in 2020/21 was 4.72%. A total of £2.91M interest was incurred during the year, of which £1.84M was recharged to the HRA.

Interest Payable

	2020/21
Estimate	£2.91M
Actual	£2.91M

4. The Strategy for 2020/21

The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75% during the year before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting on to the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy.

5. The Economy and Interest Rates (supplied by Link Asset Services)

Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most Local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.



6. Borrowing Strategy and Control of Interest Rate Risk

During 2020/21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement set out in paragraph 2), was not fully funded with loan debt. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when the authority may not be able to avoid new borrowing to finance capital expenditure

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Section 151 Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risk:

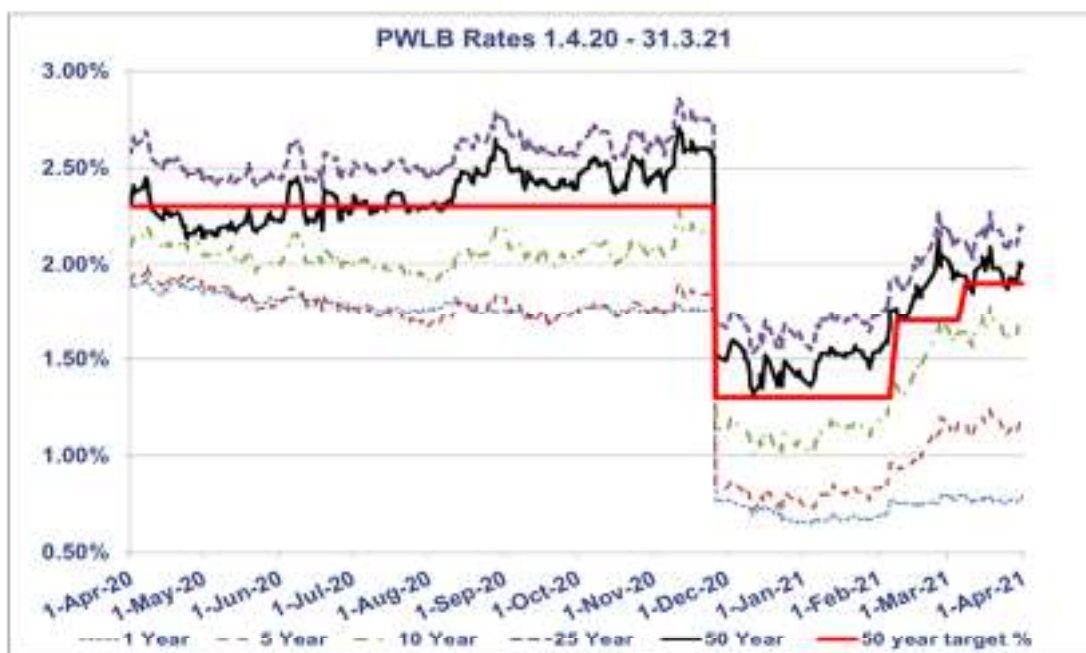
- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Forecasts at the time of approval of the treasury management strategy report for 2020/21 were as follows:

	2020/21	2021/22	2022/23	2023/24
Bank Rate	0.75	0.75	1.00	1.25
3 Month LIBID	0.70	0.80	1.20	1.50
6 Month LIBID	0.80	1.00	1.40	1.80
12 Month LIBID	0.90	1.20	1.60	1.70
5yr PWLB rate	2.50	2.50	2.00	3.10
10yr PWLB rate	2.60	2.70	2.10	3.20
25yr PWLB rate	3.00	3.00	3.70	3.60
50yr PWLB rate	2.80	3.20	3.60	3.60

PWLB borrowing rates - the graph and table for PWLB rates below show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year:



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.65%	0.72%	1.00%	1.53%	1.32%
Low date	04/01/2021	11/12/2020	11/12/2020	11/12/2020	11/12/2020
High	1.94%	1.99%	2.28%	2.86%	2.71%
High date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.43%	1.50%	1.81%	2.33%	2.14%
Spread	1.29%	1.27%	1.26%	1.33%	1.39%

7. Borrowing Outturn for 2020/21

Borrowing

No long-term borrowing was undertaken during the year.

Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

8. Investment Outturn for 2020/21

Investment Policy – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 26 February 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

Balance Sheet Resources (£M)	General Fund		HRA		TOTAL	
	31/03/20	31/03/21	31/03/20	31/03/21	31/03/20	31/03/21
Balances	5.05	7.81	2.86	3.29	7.91	11.10
Earmarked reserves	15.32	25.74	10.59	11.59	25.91	37.33
Provisions	6.23	7.14	0.00	0.00	6.23	7.14
Working Capital	21.06	11.81	2.89	4.48	23.95	16.29
Total	47.66	52.50	16.34	19.36	64.00	71.86
Amount Over/(Under) Borrowed						(33.86)
Baseline Investment Balances						38.00

Within General Fund Earmarked Reserves for 2020/21 is £8.121m in respect of business rates deficit/section 31 grant which will be utilised during 2021/22 to discharge the Collection Fund deficit arising in 2020/21 due to the Covid 19 pandemic. There are also unapplied grants totalling £0.84m in respect of Covid 19 support grant and the Covid Hardship fund.

Investments held by the Council - the Council maintained an average investment balance of £38.5M of internally managed funds. The average rate of interest earned for the year as a whole was 0.15%. The weighted average rate of interest being earned on the investment portfolio at the end of both years is also given. These rates are compared to the base rate and average 3-month LIBID rate at the end of the year.

	2019/20	2020/21
Lancaster CC Investments full year	0.74%	0.15%
Lancaster CC Investments weighted average at 31 March	0.80%	0.08%
Base Rate	0.10%	0.10%
3 Month LIBID	0.70%	-0.04%

The actual interest earned in 2020/21 was £56K.

10. Other Risk Management Issues

Many of the risks in relation to treasury management are managed through the setting and monitoring of performance against the relevant Prudential and Treasury Indicators and the approved Investment Strategy, as discussed above.

The Authority’s Investment Strategy is designed to engineer risk management into investment activity by reference to credit ratings and the length of deposit to generate a pool of counterparties, together with consideration of other creditworthiness information to refine investment decisions. The Council is required to have a strategy

is required under the CIPFA Treasury Management Code, the adoption of which is another Prudential Indicator. The strategy for 2020/21 complied with the latest Code of Practice (December 2017) and relevant Government investment guidance.

LANCASTER CITY COUNCIL
TREASURY MANAGEMENT POLICY STATEMENT

Last reported to Council on 24 February 2021

This reflects the revised CIPFA Treasury Management Code of Practice (Code updated in 2017).

1. This organisation defines its treasury management activities as:

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

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

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

Treasury Management Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.
- **Call account** – instant access deposit account.
- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.
- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They currently analyse credit worthiness under four headings (but see changes referred to in the strategy):
 - **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.
 - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.
 - **Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.
 - **Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.
 - **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.
 - **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.
-

E.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as $8\%/1.45 = 5.5\%$.
See also PWLB.

- **LIBID** – The London Inter-Bank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time.
- **LIBOR** – The London Inter-Bank Offer Rate, the rate at which banks with surplus funds are offering to lend them to other banks, again published at 11am each day.
- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.
- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status.
- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.
- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.
- **Link Asset Services** – Link Asset Services are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.
- **Yield** – see Gilts

Members may also wish to make reference to *The Councillor's Guide to Local Government Finance*.

HOUSING REVENUE ACCOUNT OUTTURN 2020/21

For Consideration by Cabinet 14th September 2021

	Original Budget £000	Revised Budget £000	Actual £000	Variance £000	Adjusted Variance £000
				(Adverse) / Favourable	(Adverse) / Favourable
INCOME					
Rental Income - Council Housing	(13,746)	(13,601)	(13,601)	1	1
Rental Income - Other (Shops and Garages etc.)	(276)	(266)	(263)	(3)	(3)
Charges for Services & Facilities	(1,640)	(1,557)	(1,589)	32	32
Grant Income	(8)	(8)	(8)	0	0
Contributions from General Fund	(112)	(83)	(76)	(7)	(7)
Total Income	(15,782)	(15,514)	(15,537)	23	23
EXPENDITURE					
Repairs & Maintenance	5,415	5,250	5,005	246	246
Supervision & Management	3,669	3,728	3,762	(34)	482
Rents, Rates & Insurance	210	302	307	(4)	(4)
Contribution to Provision for Bad and Doubtful Debts	159	161	148	12	12
Depreciation & Impairment of Fixed Assets	2,772	2,772	6,161	(3,388)	(597)
Debt Management Costs	1	0	0	0	0
Total Expenditure	12,226	12,214	15,382	(3,169)	138
NET COST OF HRA SERVICES	(3,556)	(3,300)	(155)	(3,145)	162
(Gain)/Loss on disposal of non-current assets	0	0	(321)	321	321
Interest Payable & Similar Charges	1,757	1,757	1,840	(83)	(83)
Interest & Investment Income	(24)	(24)	(18)	(5)	(5)
Pensions Interest Costs & Expected Return on Pensions Assets	232	0	214	(214)	0
Capital Grants and Contributions Receivable	0	0	(2)	2	2
Premiums & Discounts from Earlier Debt Rescheduling	0	0	0	0	0
(SURPLUS) OR DEFICIT FOR THE YEAR	(1,590)	(1,567)	1,559	(3,126)	396
Self Financing Debt Repayment	1,041	1,041	1,041	0	0
Net Charges made for Retirement Benefits	0	0	(731)	731	0
Adjustments to reverse out Notional Charges included above	0	0	(2,791)	2,791	0
Transfer to/(from) Earmarked Reserves - for Revenue Purposes	(86)	49	89	(40)	(40)
Capital Expenditure funded from Major Repairs Reserve	722	0	404	(404)	(404)
Transfer from Earmarked Reserves - for Capital Purposes	(282)	(290)	(127)	(163)	(163)
Financing of Capital Expenditure from Earmarked Reserves	282	290	127	163	163
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	88	(476)	(429)	(48)	(48)
Housing Revenue Account Balance brought forward	(1,840)	(2,859)	(2,859)	0	0
HRA BALANCE CARRIED FORWARD	(1,752)	(3,335)	(3,287)	(48)	(48)

Note: The shaded items relate directly to financing the capital programme, and comprise depreciation on Council Dwellings, grants and contributions, use of the Major Repairs Reserve and specific Earmarked Reserves.

HRA RESERVES BUDGET SUMMARY - 2020/21 OUTTURN

2020/21					
HOUSING REVENUE ACCOUNT	Balance as at 31/03/20 £000	Contributions to Reserve	Contributions from Reserve		Balance as at 31/03/21 £000
		From Revenue £000	To Capital £000	To Revenue £000	
HRA General Balance	(2,859)	(429)	-	-	(3,287)
Earmarked Reserves:					
Business Support Reserve	(8,097)	-	100	87	(7,910)
Major Repairs Reserve	-	(3,323)	2,919	-	(404)
Flats - Planned Maintenance	(692)	(133)	27	40	(758)
I T Replacement	(583)	-	-	3	(580)
Office Equipment Reserve	(39)	-	-	-	(39)
Sheltered - Equipment	(375)	(59)	-	22	(412)
Sheltered - Planned Maintenance	(283)	(117)	-	-	(401)
Sheltered Support Grant Mtce	(509)	(59)	-	-	(568)
Total Earmarked Reserves	(10,578)	(3,691)	3,046	152	(11,071)

Appendix 5 General Fund Usable Reserves

General Fund Usable Reserves				
	31/03/2020 £000	Transfer (From) Reserve £000	Transfer To Reserve £000	31/03/2021 £000
General Fund Balance	5,361	(2,000)	4,447	7,808
Earmarked Reserves				
Revenue Grants Unapplied Reserve	827	(260)	7,930	8,497
Business Rates Retention Reserve	7,377	(814)	1,738	8,301
Corporate Priorities Reserve	2,153	(557)	882	2,478
Covid 19 Support Reserve	-	(187)	2,000	1,813
Invest to Save Reserve	1,397	(193)	29	1,233
S106 Commuted Sums Reserve	1,176	(376)	169	969
Restructure Reserve	531	(80)	-	451
Corporate Property Reserve	339	-	-	339
Welfare Reforms Reserve	325	-	-	325
Renewals Reserves	381	(272)	493	602
Economic Growth Reserve	126	(55)	118	189
Homelessness Support Reserve	110	-	-	110
Other Earmarked Reserves	578	(301)	53	330
Total Earmarked Reserves	15,320	(3,095)	13,412	25,637
Total Usable Revenue Reserves	20,681	(5,095)	17,859	33,445
Capital Receipts Reserve	36		485	521
Capital Grants Unapplied Reserve	103			103
Total Usable Capital Reserves	139	0	485	624
Total Usable Reserves	20,820	(5,095)	18,344	34,069

Lancaster City Council - Capital Expenditure 2020/21

For consideration by Cabinet 14 September 2021

HOUSING REVENUE ACCOUNT	Revised Estimate	Expenditure in 2020/21	Expenditure to be financed in 2020/21	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANTS & CONTRIBUTIONS	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
COUNCIL HOUSING										
Adaptations	300,000	235,581.73	235,581.73					235,582	235,582	0
Energy Efficiency boiler Replacements	850,000	805,658.28	805,658.28					805,658	805,658	0
Internal Reurbishments	27,000	25,323.72	25,323.72					25,324	25,324	0
External Refurbishments	310,000	0.00	0.00					0	0	0
Environmental Improvements	379,000	599,331.79	599,331.79	-161		27,077		572,416	599,332	0
Re-roofing & Window Renewals	995,000	902,149.49	902,149.49					902,149	902,149	0
Rewiring	84,000	12,737.27	12,737.27					12,737	12,737	0
Fire Precaution Works	164,000	162,921.43	162,921.43	1,836				161,086	162,921	0
Housing Renewal & Renovation	434,000	298,559.25	298,559.25			100,087		198,472	298,559	0
Lift Replacements								0	0	0
TOTAL - HRA	3,543,000	3,042,262.96	3,042,262.96	1,674	0	127,164	0	2,913,425	3,042,263	0

GENERAL FUND	Revised Estimate	Expenditure in 2020/21	Expenditure to be financed in 2020/21	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANTS & CONTRIBUTIONS	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
COMMUNITIES AND ENVIRONMENT										
Vehicle Renewals	1,505,000	1,686,449.10	1,686,449.10					0.00	1,686,449.10	
Happy Mount Park Pathway Replacements	112,000	99,467.00	99,467.00			99,467.00		99,467.00	0.00	
Solar Installation SALC Phase 1	50,000	0.00	0.00					0.00	0.00	
Far Moor Playings Fields S106 scheme	72,000	0.00	0.00					0.00	0.00	
Disabled Facilities Grants	1,724,000	1,491,950.96	1,491,950.96	1,491,950.96				1,491,950.96	0.00	
Pool Cars	174,000	159,954.59	159,954.59					0.00	159,954.59	
Salt Ayre Replacement Equipment	0	142,914.40	142,914.40			142,914.40		142,914.40	0.00	
One Million Trees	25,000	17,000.00	17,000.00					0.00	17,000.00	
Electronic Vehicle Charging Points	58,000	0.00	0.00					0.00	0.00	
Customer Contact System	115,000	108,760.99	108,760.99					0.00	108,760.99	
Sub-Total	3,835,000	3,706,497.04	3,706,497.04	1,491,950.96	0.00	242,381.40	0.00	0.00	1,734,332.36	1,972,164.68
ECONOMIC GROWTH AND REGENERATION										
Sea & River Defence Works & Studies	6,034,000	6,068,771.64	6,068,771.64	6,068,771.64				6,068,771.64	0.00	
Lancaster Square Routes	26,000	4,922.80	4,922.80	4,922.80				4,922.80	0.00	
Lancaster District Empty Homes Partnership	4,000	0.00	0.00					0.00	0.00	
S106 Highways Works	70,000	0.00	0.00					0.00	0.00	
Coastal Revival Fund - Morecambe Co-op Building	11,000	0.00	0.00					0.00	0.00	
Coastal Revival Fund - Morecambe Winter Gardens	92,000	93,622.00	93,622.00	93,622.00				93,622.00	0.00	
Other Cemeteries	8,000	1,053.12	1,053.12					0.00	1,053.12	
Queen Victoria Memorial	0	7,032.50	7,032.50					0.00	7,032.50	
Winter Gardens Loan	103,000	103,828.00	103,828.00					0.00	103,828.00	
1 Lodge Street Urgent Structural Repairs	6,000	6,725.00	6,725.00					0.00	6,725.00	
Units at White Lund Industrial Estate	9,100,000	8,767,136.30	8,767,136.30					0.00	8,767,136.30	
Lancaster Heritage Action Zone	193,000	67,936.24	67,936.24	31,916.47				31,916.47	36,019.77	
Sub-Total	15,647,000	15,121,027.60	15,121,027.60	6,199,232.91	0.00	0.00	0.00	0.00	6,199,232.91	8,921,794.69
CORPORATE SERVICES										
ICT Systems, Infrastructure & Equipment	298,000	198,173.90	198,173.90			25,000.00		25,000.00	173,173.90	
Sub-Total	298,000	198,173.90	198,173.90	0.00	0.00	25,000.00	0.00	0.00	25,000.00	173,173.90
DEVELOPMENT POOL										
Cable Street Christmas Lights	24,000	0.00	0.00					0.00	0.00	
Morecambe High Streets Provision	274,000	0.00	0.00					0.00	0.00	
Sub-Total	298,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL - GENERAL FUND	20,078,000	19,025,698.54	19,025,698.54	7,691,183.87	0.00	267,381.40	0.00	0.00	7,958,565.27	11,067,133.27

GENERAL FUND HOUSING REVENUE ACCOUNT	Revised Estimate	Expenditure in 2020/21	Expenditure to be financed in 2020/21	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANT	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
GENERAL FUND	20,078,000	19,025,698.54	19,025,698.54	7,691,183.87	0.00	267,381.40	0.00	0.00	7,958,565.27	11,067,133.27
HOUSING REVENUE ACCOUNT	3,543,000	3,042,262.96	3,042,262.96	1,674.32	0.00	127,164.11	0.00	2,913,424.53	3,042,262.96	0.00
TOTAL CAPITAL EXPENDITURE & FINANCING	23,621,000	22,067,961.50	22,067,961.50	7,692,858.19	0.00	394,545.51	0.00	2,913,424.53	11,000,828.23	11,067,133.27

2020/21 CAPITAL EXPENDITURE FINANCING			Housing Revenue Account	General Fund	Grand Total for all Funds
			£	£	£
Amounts to be financed by General Capital Resources			0.00	11,067,133.27	11,067,133.27
Financed by:					
Underlying Borrowing Need - Increase in Capital Financing Requirement			0.00	11,054,352.17	11,054,352.17
Usable Capital Receipts			0.00	12,781.10	12,781.10
General Grants Unapplied			0.00	0.00	0.00
Total Financing from General Capital Resources			0.00	11,067,133.27	11,067,133.27

Appendix 7 - Slippage and Accelerated Expenditure

	Slippage £000	£000	Reason for Slippage
Communities & Environment			
Disabled Facilities Grants	(232)		Marginally lower turnover in grant applications in year than originally anticipated
Far Moor Playing Fields	(72)		Impact of Covid 19 has delayed expenditure
Electronic Vehicle Charging Points Phase 2	(58)		Scheme completed in July 2021
Happy Mount Park Footpaths	(13)		Minor delay to completion of scheme
One Million Trees	(8)		Impact of Covid 19 has delayed expenditure
Customer Contact System	(6)		Minor delay to completion of scheme
		(389)	
Economic Growth & Regeneration			
Lancaster Heritage Action Zone	(125)		Unanticipated delays with building projects in the Heritage Action Zone programme
S106 Payments to Lancashire County Council	(70)		Payment awaiting trigger point or evidence of scheme
Lancaster Square Routes	(21)		Impact of Covid 19 has delayed expenditure
Coastal Revival Fund - Morecambe Co-op	(11)		Coastal Revival Fund funded element of Morecambe Co-op renovation to be progressed in 2021/22
Lancaster District Empty Homes Partnership	(4)		Expenditure has currently stalled as the Council's former delivery partnership has gone into receivership
		(231)	
Corporate Services			
ICT Systems, Infrastructure & Equipment	(100)		Required for final elements of full migration to Teams, laptop replacement & e-campus screens
		(100)	
Development Pool			
Morecambe High Streets Provision	(274)		Used to facilitate acquisition of former Frontierland site in July 2021
Cable Street Christmas Lights	(24)		Impact of Covid 19 has delayed expenditure
		(298)	
Housing Revenue Account			
Housing Renewal & Renovation	(133)		Property conversions delayed due to lockdown
Re-roofing/Window Renewals	(92)		Delays in project commencement due to lockdown
Adaptations	(60)		Delays due to restrictions on visiting and obtaining planning permission
Environmental Improvements	(45)		Delays in supply of enhanced security communal entrance doors
External Refurbishment	(43)		External door replacement delayed due to supply issues with the manufacturer
Rewiring	(30)		Delays due to issues accessing sheltered properties arising from shielding restrictions
Energy Efficiency/Boiler Replacement	(10)		LED lighting installation cannot proceed until electrical work on enhanced security communal entrance doors is completed
		(413)	
		(1,431)	
Accelerated Expenditure			
Communities & Environment			
Purchase of Vehicles	181		Refuse Collection Vehicle delivered earlier than originally anticipated
Salt Ayre Equipment Programme	143		Expenditure has been accelerated following the re-opening of the centre after Covid 19 closures
		324	
Economic Growth & Regeneration			
Caton Road Flood Relief Scheme	34		Minor variance in expenditure profiling
Queen Victoria Memorial	7		Specification in advance of works to memorial
		41	
		365	
Total Net Slippage & Accelerated Expenditure		(1,066)	