



LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

COUNCIL MEETING

**Wednesday, 24 February 2021 -
6.00 p.m.**

THIS WILL BE A VIRTUAL MEETING

Please note – this will be a ‘remote meeting’. A link to see and hear the meeting is [HERE](#). Please note this link is not for Councillors or Participants; it will not allow you to speak or be seen. Councillors and Participants will be sent their own link. Access is through Microsoft ‘Teams’. Anyone wishing to speak at Council should apply to register by contacting democracy@lancaster.gov.uk with a copy of their speech no later than 12:00pm on Friday 19 February 2021.

Kieran Keane,
Chief Executive,
Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ



Sir/Madam,

You are hereby summoned to attend a meeting of the Lancaster City Council to be held virtually using MS Teams on Wednesday, 24 February 2021 commencing at 6.00 p.m. for the following purposes:

1. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors first name last name,

2. **MINUTES**

To receive as a correct record the Minutes of the Meeting of the City Council held on 27 January 2021 (previously circulated).

3. **DECLARATIONS OF INTEREST**

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

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

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

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

4. **ITEMS OF URGENT BUSINESS**

5. **ANNOUNCEMENTS**

To receive any announcements which may be submitted by the Mayor or Chief Executive.

6. **QUESTIONS FROM THE PUBLIC UNDER COUNCIL PROCEDURE RULE 11**

To receive questions in accordance with the provisions of Council Procedure Rules 11.1 and 11.3 which require members of the public to give at least 3 days' notice in writing of questions to a Member of Cabinet or Committee Chairman.

7. PETITIONS AND ADDRESSES

To receive any petitions and/or addresses from members of the public which have been notified to the Chief Executive in accordance with the Council's Constitution.

8. LEADER'S REPORT (Pages 5 - 8)

To receive the Cabinet Leader's report on proceedings since the last meeting of Council.

REPORTS REFERRED FROM CABINET, COMMITTEES OR OVERVIEW AND SCRUTINY

9. BUDGET AND POLICY FRAMEWORK 2021/22 TO 2024/25 (Pages 9 - 25)

Report of Cabinet.

10. HOUSING REVENUE ACCOUNT BUDGET FRAMEWORK 2020 TO 2025 (Pages 26 - 51)

Report of Cabinet.

11. CAPITAL PROGRAMME AND CAPITAL STRATEGY 2021/22-2024/25 (Pages 52 - 73)

Report of Cabinet (published 18 February 2021).

12. TREASURY MANAGEMENT STRATEGY 2021/22 (Pages 74 - 103)

Report of Cabinet.

OTHER BUSINESS

13. COUNCILLORS' ALLOWANCES SCHEME: REVIEW (Pages 104 - 114)

Report of the Independent Remuneration Panel.

14. MEDIUM TERM FINANCIAL STRATEGY UPDATE (Pages 115 - 126)

Report of the Chief Financial Officer (published 20 February 2021).

15. COUNCIL TAX 2021/2022

Report of the Chief Finance Officer (to follow).

16. APPOINTMENTS TO OUTSIDE BODIES - LANCASHIRE ENTERPRISE PARTNERSHIP JOINT SCRUTINY COMMITTEE (Pages 127 - 133)

Report of the Head of Democratic Services.

17. EXECUTIVE ARRANGEMENTS (Pages 134 - 136)

Report of the Director of Corporate Services.

18. **APPOINTMENTS AND CHANGES TO COMMITTEE MEMBERSHIP**

Group Administrators to report any changes to Committee Membership.

19. **QUESTIONS UNDER COUNCIL PROCEDURE RULE 12**

To receive questions in accordance with the provisions of Council Procedure Rules 12.2 and 12.4 which require a Member to give at least 3 working days' notice, in writing, of the question to the Chief Executive.

20. **MINUTES OF CABINET** (Pages 137 - 152)

To receive the Minutes of Meetings of Cabinet held on 8 December 2020 and 19 January 2021.



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Chief Executive

Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ

Published on Tuesday 16 February 2021.



Leader's Report

24 February 2021

Report of the Leader of the Council

PURPOSE OF REPORT

To present the Leader's report to Council.

This report is public.

RECOMMENDATIONS

To receive the report of the Leader of Council.

REPORT

1.0 Cabinet

Information on Cabinet matters is provided in the minutes from the Cabinet meeting held on 19 January. The minutes of the Cabinet meeting held on 9 February 2021 were not available at the time of publication of the agenda and will be tabled at the Council meeting on 16 March 2021.

2.0 Decisions required to be taken urgently

No urgent Cabinet decisions have been taken in this period.

3.0 Leader's Comments

Cabinet Update

As previously advised, it is with regret that I convey Cllr Jean Parr's resignation from cabinet.

I am grateful to Jean for her service and would have wished it to continue. Jean brought passion and commitment to both her original role as Arts, Culture, Leisure & Tourism, and her more recently expanded role including well-being, social justice

& equalities and community safety. I look forward to continuing to work with Jean for the good of the district.

I am delighted to announce that Cllr Colin Hartley has accepted my invitation to join cabinet and has already begun his duties as the cabinet member for the Arts, Culture, Leisure & Well-being portfolio.

COVID

We meet in the week the Government is due to release its roadmap out of lockdown. So far, there has been no indication that the government will consult with local leaders in the development of this strategy.

Although I do not know what the Government will set out, what I do know is that just lifting lockdown is not enough.

Many residents and local businesses will continue to need help. As we have shown, time and time again throughout this pandemic, local government is uniquely placed to deliver this support. However, this must be in the form of multi-year funding to allow plans for building back greener and fairer to be developed and implemented. It should not be the piecemeal plethora of small funding pots, with burdensome administration that leave some to fall through the cracks.

As always, I continue to thank our officers for their outstanding work.

Finance & Governance

Although I will leave substantive comment on the budget to Cllr Whitehead, as the cabinet member responsible, I would like to put on record my thanks to the finance team for the work they have put into preparing this year's budget papers. The finance team has been an integral part of the council's COVID response work and so they have been extraordinarily busy through this period.

This would also be the appropriate moment to reiterate the request that councillor's queries and requests to officers, should be sent through directors. As I have previously explained this allows directors to manage workload and to have sight of the concerns of councillors. Not following this request can disrupt workflows and put unnecessary stress on more officers. Please, send queries and requests through directors.

The Bay

Rumour has it that by the time I deliver this report we may have heard which options for local government reorganisation the government has decided to consult on for Cumbria & Lancaster. In preparation for that announcement, we have continued to work with stakeholders to build our understanding of what they hope for from a Bay unitary authority.

Climate Emergency

A very successful public meeting was held on Monday 8th February bringing together members of the People's Jury with members of the Cabinet Advisory Group on Climate Emergency and the Environment. It is great to see connections building across the district on shared work to meet the climate emergency.

We have often said that we are confident that the city council will meet its target to be net carbon zero by 2030. But that in order to meet the climate emergency it is important we take as many people and organisations with us as possible. As well as learning from those further advanced in this work than we are.

Grassland Management Strategy

As councillors will have been previously briefed, the council is adopting a new grasslands management strategy. Residents feel passionately about how local green space is managed, and managing our green spaces well is vital to maintaining and increasing biodiversity.

Working with experts including the Natural England, Butterfly Conservation, the Lune Valley Pollinators and environmental consultants, the city council has established nine cutting palettes: public open space, managed long meadow, desirelines, meadow edges, verges, amenity prestige, informal sports, and two types of wildflower meadows (introductory mix and perennial mix). We are currently consulting with residents as to how areas of grassland near their homes should be managed.

Community

Like many communities, we gathered to mark Holocaust Memorial Day. Often this event takes place in and around the Lancaster Town Hall, however, this year the event was virtual. Hosted by MoreMusic the event brought together speakers, music and prayer to consider the theme 'be a light in the dark' and to ask us how we can challenge identity-based persecution.

Our regular programme of community engagements and conversations continues. Food was a big part of the meeting on February 8th and it was both inspiring to learn more about the work of Food Futures and gratifying to hear how supported they had felt by the council in their work. This overview of the work of Food Futures will be followed up by a dedicated community conversation on 'supporting action on food insecurity' on Thursday 18th February. Although food is not a statutory responsibility of a district council, it is one that the previous Labour administration invested in through the creation of a public health officer focused on food security work, and one that has been increasingly important through COVID.

A couple of weeks prior, we partnered with Lancaster Vision to hold a conference on our Housing Strategy. The event, attended by nearly 100 people, was a mix of presentations, breakout and feedback sessions, covering topics such as increasing the supply of social housing, the role of community led housing, housing poverty and housing & the climate emergency.

We also continue our regular series of community calls bringing together town and parish councils as well as the community, voluntary and faith sector to share information and build connections. As well as the many briefings and consultations that are currently taking place related to Bailrigg Garden Village, the Canal Quarter, and the grassland management strategy.

Economy

As our local NHS continues to do an amazing job in rolling out the vaccine, we increasingly hope that as it becomes safe to do so we will be allowed out and businesses will be allowed to reopen.

For many people, organisations and businesses across our district, summer means festivals and events, and so we have begun meeting with events organisers, as well as the police, to begin conversations about face-to-face events returning to the district. We do, of course, await government announcements, but as and when it is safe, I'm sure we will all look forward to supporting our local tourism and events businesses.

After many, many years, we are in the final stages of consultation on the Canal Quarter Strategic Regeneration Framework. This last stage of consultation follows a series of engagement events that were held prior to lockdown, after which a draft framework was published. Written comments were then invited and nearly 100 responses were received from residents, stakeholders, community groups and statutory bodies, after which some further changes were made. This is the final opportunity for comments before incorporation into the Local Plan, as a Supplementary Planning Document.

Throughout the pandemic the City Council has worked hard to support local businesses. We will need to continue to focus on this work even as the pandemic eases. As we do that work, we will need to not only be focused on rebuilding economic prosperity but ensuring that work helps to meet the climate emergency and to increase wellbeing and reduce inequality.

4.0 Decisions

The following Decisions were taken by Cabinet on 9 February 2021:

1. Raising Standards in the Private Rented Sector
2. Budget & Policy Framework Update 2021/22 – 2024/25 including Capital Strategy & Treasury Management
3. Housing Revenue Account and Capital Programme
4. Acceptance of Public Sector Decarbonisation Funding
5. Revised Economic Regeneration Investment Proposal

There were no Officer Delegated Key Decisions taken since the last Leader's report.

Background Papers

Cabinet agenda 9 February 2021

| |
|----------------|
| COUNCIL |
|----------------|

Budget and Policy Framework 2021/22 to 2024/25 24 February 2021

Report of Cabinet

| |
|--|
| PURPOSE OF REPORT |
| To present Cabinet's final budget proposals in order that the Council can complete its revenue budget setting for 2021/22. |
| This report is public. |

RECOMMENDATIONS:

- (1) That the General Fund Revenue Budget of £17.774M for 2021/22 be approved, resulting in a Council Tax Requirement of £9.833M, excluding parish precepts, and a Band D basic City Council tax rate of £236.95.
- (2) That the supporting General Fund Revenue Budget proposals be approved, as summarised at Appendices A and B.
- (3) That the budget transfer (virements and carry forwards) limits be approved as set out in Appendix D
- (4) That Council notes the Section 151 Officer's advice regarding robustness of budget estimates, the adequacy of reserves and balances, specifically the advice that the minimum level of balances be increased to £3.5M (an increase of £1.0M), to provide for added uncertainty.

1 INTRODUCTION

- 1.1 Following its meeting on 09 February 2021 Cabinet has now finalised its budget framework proposals for General Fund Revenue Budget for 2021/22. These are all now reflected in the recommendations of this report.

2.0 STRATEGIC OVERVIEW FROM CABINET

- 2.1 All Members will appreciate that the 2021/22 budget has been set at a time of unprecedented change and uncertainty, which has seen the Council react to address a number of urgent priorities resulting in significant redeployment of staff. These levels of uncertainty puts significant pressure on the ability to forecast. External factors such as the COVID-19 pandemic and EU Exit fundamentally alter both the

priorities for and use of Council resources and the context of our income from taxation, rates, fees and charges.

- 2.2 The proposed revenue budget includes a small range of Outcomes Based Resourcing (OBR) based savings, with additional resource requests proposal limited to those which are vital to the successful operation of the Council in continuing to secure income and fees, support efficient and effective service delivery and reporting, offering statutory services at viable levels, and progressing the capital programme. The proposed budget is balanced, in line with statutory requirements.

3.0 REVENUE BUDGET 2021/22

- 3.1 The General Fund Revenue Budget for 2021/22, summarised in table 1 below, is included at **Appendix A** with more detailed budget proposals in **Appendix B**. Although drawing on the Council's reserves the proposed budget is balanced, in line with statutory requirements, and takes account of the final local government finance settlement which was approved by Parliament on 10 February 2021.

Table 1

| 2021/22 Revenue Budget and Council Tax Requirement | £M | Note |
|--|---------------|--|
| Net Rev. Budget for 2021/22 per MTFS | 18.131 | } Appendices A&B |
| Changes made outside annual budget process | 1.713 | |
| Savings Proposals | (0.444) | |
| Additional Resource Requirements | 0.559 | |
| Minimum Revenue Provision | 0.082 | |
| Less Funding from Reserves | (2.267) | |
| General Fund Revenue Budget | 17.774 | |
| Funded by: | | |
| Revenue Support Grant | (0.204) | |
| Retained Business Rates | (7.737) | |
| Council Tax Requirement | 9.833 | £5 Council Tax Increase Council 27 January 2021 |

4.0 PROVISIONS, RESERVES & BALANCES

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

Provisions

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

Reserves & Balances

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

Annual Assessment of Reserves Levels

- 4.4 The Section 151 Officer's annual review of the adequacy of reserve balances is a statutory requirement. Although usable revenue reserve levels have increased in the last two years, continuing uncertainties with respect to COVID-19, BREXIT, Local Government Funding and the outcomes of the Council's OBR process remain. **Taking this additional risk into account, the Section 151 Officer's advice is that the minimum level of balances held in the General Fund should be set at £3.5M, an increase of £1M.**
- 4.5 The Section 151 Officer's latest advice on the adequacy of balances is based on the following observations:
- The General Fund Balance at 31/03/20 was £5.045M, with net in year allocations of £2M. Latest revenue budget monitoring forecasts an underspend of £3.271M in 2020/21. The proposed 2021/22 budget will require £2.267M of funding from unallocated reserves leaving a forecast balance of £4.529M at 31/03/21. Allowing for the s151 Officers recommended minimum level of £3.5M this provides for £1.029M of available balances.
 - The Council's MTFS suggests a structural budget gap in 2022/23 onwards of approximately £2.183M raising to £4.668M. If this is not closed, then balances will be required to make up the difference.
 - There is continuing uncertainty with respect to COVID-19 and BREXIT and how this will impact, directly or indirectly, Council finances.
 - Business rates retention volatility remains a risk to the Council, but this is now managed via the Business Rates Reserve therefore should not impact directly on the General Fund balance.
 - The MTFS provides forecasts on funding and on net expenditure and sensitivities associated with these forecasts. The Treasury Management Strategy documents collectively provide assurance with respect to the affordability, sustainability and prudence of capital expenditure.
- 4.6 In calculating the minimum level of General Fund balance, an assessment of the risks that give rise to unanticipated expenditure or loss of income has been made and these are shown in Table 2 below.

Table 2

| Risk | Symptom of Risk | Balance Required £M |
|--|---|--------------------------------|
| Increased demand for services | 3% increase in net revenue expenditure | 0.600 |
| Recession results in additional uncompensated reduction in fees and charges income than budget | 5% reduction in major fees and charges income | 0.800 |
| Recession results in additional reduction in Council Tax collection rates than budget | 3% reduction in collection rate | 0.350 |
| Next years budget savings not achieved | 50% under achievement | 0.225 |
| Natural disaster such as flood | Additional unexpected expenditure | 0.500 |
| Additional uncertainty with respect to Brexit/ COVID | Additional unexpected expenditure | 1.000 |
| Aggregate overspend if all of the above risks were to happen | | 3.475 |
| Estimated General Fund Balance as at 31/03/22 | | 4.529 |

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

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

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

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

Table 3

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

4.10 It should be noted that the above analysis reflects allocated use of reserves which are subject to the completion and authorisation of a reserves bid template to ensure the effective use of resources to meet corporate priorities. If no bid is made or the bid is rejected then allocations will not be used.

4.11 It should also be noted that any business rates growth above budget and/or returns from invest to save projects will, all other things being equal, increase reserves balances from those set out in the above analysis.

Governance Arrangements on the Use of Reserves

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

5.0 OPTIONS & OPTIONS ANALYSIS

Revenue Budget

- 5.1 Cabinet may adjust its revenue budget proposals, so long as the overall budget for 2021/22 balances and fits with the proposed Council Tax level.

5.2 Other Budget Framework Matters (Reserves and Provisions / MTFS)

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

5.3 Section 151 Officer’s Comments and Advice

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

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

6.0 CONCLUSION

- 6.1 This report addresses the actions required to complete the budget setting process for 2021/22, and for updating the Council’s associated financial strategy.

RELATIONSHIP TO POLICY FRAMEWORK

The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

No additional impact identified – any specific issues have been (or will be) considered as part of the relevant aspect of the policy framework or individual budget proposals, etc.

FINANCIAL IMPLICATIONS

As set out in the report.

LEGAL IMPLICATIONS

Legal Services have been consulted and are content with the report but will consider further the development and implementation of relevant budget proposals in due course to ensure legal aspects are fully considered.

Robustness of Estimates and Adequacy of Council's Reserves

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

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

Provisions, Reserves and Balances

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

Unallocated balances of £3.5M for General Fund are reasonable levels to safeguard the Council's overall financial position, given other measures and safeguards proposed. This level has been increased by £1.0M compared with last year to reflect increased uncertainty with respect to the on-going COVID -19 pandemic, Brexit and reflects the sensitivity of some of the underlying savings and income levels within the budget.

Robustness of Estimates

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

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

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

Affordability of Spending Plans

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

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

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

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

In considering and balancing these factors, the capital proposals to date are based on levels of “prudential borrowing” or CFR over the period to 2024/25. The bulk of this relates to schemes to support delivery of the Council’s key Strategic Priorities and Outcomes such as Climate Emergency, Economic Prosperity and Regeneration and Housing as outlined in the Capital Programme.

Like all Councils, Lancaster City faces increased financial pressures and uncertainty because of the impact of COVID-19 and Brexit. Over several years, the Council has managed to build up a level of reserves and will benefit from the significant green energy disregard, both of which offers a degree of protection from volatilities.

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

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

MONITORING OFFICER’S COMMENTS

The Monitoring Officer reminds Council that the decisions (recommendations 1 and 2) fall within the Local Authorities (Standing Orders) (Amendment) (England) 2014 and Rule 19.7 (Part 3 section1 constitution) of the Council Procedure Rules, and accordingly a recorded vote should be taken.

BACKGROUND PAPERS

Cabinet Papers
19 January 2021 & 09 February 2021

Contact Officer: Paul Thompson
Telephone: 01524 582603
E-mail: pthompson@lancaster.gov.uk

General Fund Revenue Budget Projections 2020/21 to 2024/25

For Consideration by Cabinet 9 February 2021

| BUDGET PROJECTIONS | | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--------------------|--|---------------|----------------|---------------|---------------|---------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| | Revenue Budget/Forecast as at 26 February 2020 | 17,903 | 18,131 | 18,322 | 18,883 | 19,261 |
| | Base Budget Changes | | | | | |
| | Operational Changes @ Cabinet 24/11/20 | 1,494 | 2,538 | 1,205 | 1,891 | 2,289 |
| | Operational Changes @ Cabinet 19/01/21 | | (825) | 1,206 | 1,806 | 1,882 |
| | Latest Budgetary Position | 19,397 | 19,844 | 20,733 | 22,580 | 23,432 |
| | Outcomes Based Resourcing Proposals: | | | | | |
| | Savings Proposals | 0 | (444) | (727) | (521) | (534) |
| | Redirection Proposals | 0 | 0 | 0 | 0 | 0 |
| | Additional Resource Requirements | 0 | 559 | 632 | 651 | 676 |
| | Revenue Implication of New Capital Schemes | - | 82 | 472 | 839 | 826 |
| | Contribution to/(from) Reserves | 3,751 | (2,267) | 0 | 0 | 0 |
| | General Fund Revenue Budget | 23,148 | 17,774 | 21,110 | 23,550 | 24,400 |
| | Core Funding: | | | | | |
| | Revenue Support Grant | (203) | (204) | - | - | - |
| | Net Business Rates Income | (13,273) | (7,737) | (8,836) | (8,924) | (9,013) |
| | Council Tax Requirement | 9,672 | 9,833 | 12,274 | 14,626 | 15,387 |
| | Estimated Council Tax Income - (Increases based on £5 for 2021/22 then max allowable) | 9,672 | 9,833 | 10,091 | 10,403 | 10,719 |
| | Resulting Base Budget (Surplus)/Deficit | 0 | 0 | 2,183 | 4,223 | 4,668 |
| | <i>Original MTFS Savings Requirement</i> | <i>0</i> | <i>1,558</i> | <i>1,234</i> | <i>1,270</i> | <i>N/A</i> |
| | <i>Change</i> | <i>+0</i> | <i>(1,558)</i> | <i>+949</i> | <i>+2,953</i> | <i>N/A</i> |

| General Fund Unallocated Balance | | |
|---|---|----------------|
| | £M | |
| BALANCES | Original Projected Balance as at 31 March 2020 | (5.045) |
| | 2020/21 In Year allocations | +2.000 |
| | 2020/21 Forecast (Under)/Overspend | (3.751) |
| | Projected Balance as at 31 March 2021 | (6.796) |
| | 2021/22 Forecast Budgeted Contribution | +2.267 |
| | Projected Balance as at 31 March 2022 | (4.529) |
| | Less Recommended Minimum Level of Balances | 3.500 |
| | Available Balances | (1.029) |

Saving and Budget Proposals 2020/21 to 2024/25

| | | Reserves Funding 2021/22 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | |
|---|--|-------------------------------|------------------|------------------|------------------|------------------|------------------|------|
| SAVINGS PROPOSALS | Non-Reserve Savings | | | | | | | |
| | Communities & the Environment | | | | | | | |
| | Public Protection | | | | | | | |
| | Savings from combined post and reduction in hours | | - | (16) | (32) | (38) | (38) | |
| | Selective Licensing part Savings part Growth but will net nil over 5 years | | - | (35) | (85) | 34 | 34 | |
| | Public Realm & Business Support | | | | | | | |
| | Service restructure Phase 2 | | - | (10) | (10) | (10) | (9) | |
| | Deletion of vacant posts | | - | (29) | (29) | (33) | (33) | |
| | Increase trade waste capacity, via route optimisation | | - | (50) | (100) | (100) | (100) | |
| | Drainage / pressure jetting service | | - | (4) | (28) | (28) | (28) | |
| | Customer Involvement & Leisure | | | | | | | |
| | Salt Ayre Vacant Post | | - | (44) | (46) | (47) | (48) | |
| | Customer Services Restructure | | 80 | (40) | (38) | (35) | (33) | |
| | Customer Services Restructure (funded by restructuring reserve) | | (80) | - | - | - | - | |
| | Customer Services Vacant Post | | - | - | (31) | (32) | (33) | |
| | Economic Growth & Regeneration | | | | | | | |
| | Planning & Place | | | | | | | |
| | DM- Planning pre-application fee review | | - | (10) | (15) | (20) | (25) | |
| | Building Control - Fee Review | | - | (10) | (20) | (30) | (40) | |
| | Property, Investment & Regen | | | | | | | |
| | Reduced staff activity and increased community use (LTH/MTH) | | - | (111) | (82) | - | - | |
| | R&M Future savings (2021/22 from Corporate Property Reserve) | (25) | - | 25 | (56) | (56) | (56) | |
| | Relocate ICT | | - | 21 | (28) | - | - | |
| | Printing & Postage | | - | (30) | (30) | (30) | (30) | |
| | Centralisation of budgets | | - | (5) | (5) | (5) | (5) | |
| | Corporate Services | | | | | | | |
| | Legal Services | | | | | | | |
| | Legal Fee Increases | | - | (40) | (40) | (40) | (40) | |
| | ICT | | | | | | | |
| | ICT Mobile Telephone / Fixed Lines Review | | - | (11) | (11) | (11) | (11) | |
| | ICT Review Length of Software Licences | | - | - | (10) | (10) | (10) | |
| | ICT Structural Change / Shared Resource | | - | - | (10) | (10) | (10) | |
| | ICT Review and Consolidation of Printers | | - | (5) | (5) | (5) | (5) | |
| | ICT Recharging for Street Naming/Numbering | | - | (15) | (15) | (15) | (15) | |
| | Sub Total | (25) | 0 | (419) | (727) | (521) | (534) | |
| | Funding From Reserves | | 0 | (25) | 0 | 0 | 0 | |
| | Net Savings | | 0 | (444) | (727) | (521) | (534) | |
| | REDIRECTION | Redirection | | | | | | |
| | | Salt Ayre Restructure | | - | (87) | (90) | (92) | (95) |
| | | Property Services Restructure | | - | 87 | 90 | 92 | 95 |
| Redirection requested to be funded from Reserves | | | - | - | - | - | - | |
| | | | - | - | - | - | - | |
| | | | - | - | - | - | - | |
| Total Redirection (expected to be minimal) | | £0K | 0 | 0 | 0 | 0 | 0 | |
| Less Funding from Reserves | | 0 | 0 | 0 | 0 | 0 | | |
| Add Payback to Reserves | | | | | | | | |
| Net Cost of Redirection | | 0 | 0 | 0 | 0 | 0 | | |
| ADDITIONAL RESOURCE REQUIREMENTS | Non-Reserve Growth | | | | | | | |
| | Communities & the Environment | | | | | | | |
| | Public Realm | | | | | | | |
| | HMP Splash Park Renewal Programme | (60) | - | 70 | 10 | 10 | 10 | |
| | Housing Services | | | | | | | |
| | Stock condition survey module for PRS (Corporate Priorities Reserve) | (60) | - | 60 | - | - | - | |
| | Economic Growth & Regeneration | | | | | | | |
| | Planning & Place | | | | | | | |
| | DM Planning Enforcement - Team Restructure | | - | 4 | 3 | 2 | 4 | |
| | DM Planning applications - Service continuity and restructure | | - | 230 | 327 | 336 | 348 | |
| | Planning and Housing Strategy - Conservation Graduate | | - | 26 | 26 | 27 | 28 | |
| | Economic Development | | | | | | | |
| | Business Support & Skills expand Local wealth Building Officer post | | - | 5 | 1 | 1 | 1 | |
| | Business Engagement (COVID Recovery) - 3 temporary officers | (90) | - | 90 | 94 | 0 | 0 | |
| | Property, Investment & Regen | | | | | | | |
| | Strategic Project Management | | - | 55 | 56 | 58 | 59 | |
| | Capital Programme Development | (80) | - | 80 | - | - | - | |
| | Corporate Services | | | | | | | |
| | Financial Services | | | | | | | |
| | HR/Payroll Software move to Cloud | | - | 23 | 10 | 10 | 10 | |
| | Financial Services Staffing | | - | 60 | 61 | 65 | 69 | |
| | Human Resources | | | | | | | |
| | HR & OD Project Teams | | - | 40 | 41 | 42 | 43 | |
| | Democratic Services | | | | | | | |
| | Democratic Services (re-establishment) | | - | 26 | 26 | 27 | 28 | |
| | Office of the Chief Executive | | | | | | | |
| | Head of Policy | | - | 68 | 69 | 71 | 74 | |
| | Local Government Reorganisation | (200) | - | 200 | - | - | - | |
| | Wellbeing | | - | 12 | 12 | 12 | 12 | |
| | Approved Growth funded from Reserves | | - | - | - | - | - | |
| | Growth funded from Reserves (Subject to Business Case Approval) | | - | - | - | - | - | |
| | Total Growth | (490) | 0 | 1,049 | 736 | 661 | 686 | |
| Less Funding from Reserves | | 0 | (490) | (104) | (10) | (10) | | |
| Add Payback to Reserves | | | | | | | | |
| Net Cost of Growth | | 0 | 559 | 632 | 651 | 676 | | |

Reserves Statement (Including Unallocated Balances)

| | 31 March 2020 | From Revenue | To / (From) Capital | To Revenue | 31 March 2021 | From Revenue | To / (From) Capital | To Revenue | 31 March 2022 | From Revenue | To / (From) Capital | To Revenue | 31 March 2023 | From Revenue | To / (From) Capital | To Revenue | 31 March 2024 | From Revenue | To / (From) Capital | To Revenue | 31 March 2025 |
|--|---------------------|--------------------|------------------------|------------------|---------------------|--------------------|------------------------|------------------|---------------------|--------------------|---------------------------|------------------|---------------------|--------------------|---------------------------|------------------|---------------------|------------------|---------------------------|----------------|---------------------|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Unallocated Balances | (5,045,000) | (3,751,000) | | 2,000,000 | (6,796,000) | | | 2,267,000 | (4,529,000) | | | | (4,529,000) | | | | (4,529,000) | | | | (4,529,000) |
| Earmarked Reserves: | | | | | | | | | | | | | | | | | | | | | |
| Business Rates Retention | (7,376,900) | | | 814,500 | (6,562,400) | (886,386) | | 96,500 | (7,352,286) | | | 1,172,193 | (6,180,093) | 363,600 | | 1,369,493 | (4,447,000) | | | | (4,447,000) |
| Corporate Priorities | (2,152,700) | (882,200) | | 1,105,000 | (1,929,900) | | 684,000 | 867,600 | (378,300) | (491,300) | 240,000 | 529,100 | (100,500) | (943,400) | 240,000 | 524,800 | (279,100) | | | 278,800 | (300) |
| Canal Quarter | (69,100) | | | 26,200 | (42,900) | | | | | | | | | | | | | | | | |
| Capital Support | (258,200) | | 4,000 | 185,200 | (69,000) | | 69,000 | | | | | | | | | | | | | | |
| Corporate Property | (338,500) | | | | (338,500) | | | 25,000 | (313,500) | | | | (313,500) | | | | (313,500) | | | | (313,500) |
| Covid 19 Support Reserve | | (2,000,000) | | 1,775,000 | (225,000) | | | 225,000 | | | | | | | | | | | | | |
| Economic Growth | (126,000) | (117,500) | | 35,900 | (207,600) | (96,500) | | 166,500 | (137,600) | (96,500) | | 96,500 | (137,600) | (96,500) | | 96,500 | (137,600) | | | | (137,600) |
| Elections | | (40,000) | | | (40,000) | (40,000) | | | (80,000) | (40,000) | | | (120,000) | (40,000) | | 160,000 | | (40,000) | | | (40,000) |
| Homelessness Support | (110,800) | (23,000) | | | (133,800) | (6,600) | | | (140,400) | (6,600) | | | (147,000) | (6,600) | | | (153,600) | | | | (153,600) |
| Invest to Save | (1,397,000) | (29,400) | | 842,300 | (584,100) | (92,200) | | 624,500 | (51,800) | (148,200) | | 200,000 | | (250,000) | | 239,000 | (11,000) | | | | (11,000) |
| Local Plan | | | | | | | | | | | | | | | | | | | | | |
| Morecambe Area Action Plan | (27,300) | | | 27,300 | | | | | | | | | | | | | | | | | |
| Museums Acquisitions | (21,300) | (3,000) | | | (24,300) | (4,500) | | | (28,800) | (4,500) | | | (33,300) | (4,500) | | | (37,800) | (4,500) | | | (42,300) |
| Planning Fee Income | (74,600) | | | | (74,600) | | | | (74,600) | | | | (74,600) | | | | (74,600) | | | | (74,600) |
| Renewals Reserves | (380,600) | (481,800) | 149,000 | 155,200 | (558,200) | (481,800) | 360,000 | 102,100 | (577,900) | (481,800) | 150,000 | 38,700 | (871,000) | (481,800) | 124,000 | 36,200 | (1,192,600) | (481,800) | 38,000 | 44,200 | (1,592,200) |
| Restructure | (530,700) | | | 80,000 | (450,700) | | | 262,500 | (188,200) | | | 31,700 | (156,500) | | | 17,800 | (138,700) | | | | (138,700) |
| Revenue Grants Unapplied | (827,400) | (4,700) | | 415,700 | (416,400) | | | 82,800 | (333,600) | | | 39,000 | (294,600) | | | 1,800 | (292,800) | | | 1,500 | (291,300) |
| S106 Commuted Sums - Open Spaces | (28,400) | | | 11,800 | (16,600) | | | 11,800 | (4,800) | | | 4,700 | (100) | | | | (100) | | | | (100) |
| S106 Commuted Sums - Affordable Housing | (564,800) | | | 375,000 | (189,800) | | | | (189,800) | | | | (189,800) | | | | (189,800) | | | | (189,800) |
| S106 Commuted Sums - Highways, Cycle Paths etc. | (611,600) | (161,600) | 142,000 | 4,700 | (626,500) | (200,000) | | 5,700 | (820,800) | (200,000) | | | (1,020,800) | (200,000) | | | (1,220,800) | (200,000) | | | (1,420,800) |
| Welfare Reforms | (324,900) | | | | (324,900) | | | | (324,900) | | | | (324,900) | | | | (324,900) | | | | (324,900) |
| Amenity Improvements | (29,000) | | | 29,000 | | | | | | | | | | | | | | | | | |
| Reserves Held in Perpetuity: | | | | | | | | | | | | | | | | | | | | | |
| Graves Maintenance | (22,200) | | | | (22,200) | | | | (22,200) | | | | (22,200) | | | | (22,200) | | | | (22,200) |
| Marsh Capital | (47,700) | | | | (47,700) | | | | (47,700) | | | | (47,700) | | | | (47,700) | | | | (47,700) |
| Total Earmarked Reserves | (15,319,700) | (3,743,200) | 295,000 | 5,882,800 | (12,885,100) | (1,807,986) | 1,113,000 | 2,470,000 | (11,067,186) | (1,468,900) | 390,000 | 2,111,893 | (10,034,193) | (1,659,200) | 364,000 | 2,445,593 | (8,883,800) | (726,300) | 38,000 | 324,500 | (9,247,600) |
| Total Combined Reserves | (20,364,700) | | | | (19,681,100) | | | | (15,596,186) | | | | (14,563,193) | | | | (13,412,800) | | | | (13,776,600) |

Budget Transfers (Virements, Carry Forwards & Reserves) 2021/22 Limits

Budget Council 24 February 2021

1 Purpose and Scope

- 1.1 Budget transfers (virements and carry forwards) enable the Cabinet and Chief Officers to manage budgets with a degree of flexibility within the overall policy framework determined by full Council, to optimise the use of resources and promote good financial management.
- 1.2 Other detailed operational guidance will be provided to budget holders, but Council approval is required for the basic limits, as proposed below.

2 Virements

- 2.1 The term covers in-year transfers between budget headings.
- 2.2 The Scheme of virement applies to revenue and capital budgets, and it allows only in-year, non-recurring budget adjustments.
- 2.3 Virement must not increase the Council's net budget; the first priority for any virements must be to address any expected budget overspendings.
- 2.4 Chief Officers (or their nominated representatives) may approve virements up to any limit within the specific cost centres in their control (or the equivalent level as set out in the budget book), as long as the virement does not substantially change how the activity is to be delivered, or have adverse impact on performance. For example, high staff turnover in a service area may result in an interim need to buy in additional external support or services. This would require a virement from the salaries budget, into the relevant supplies & services budget, as long as the virement does not increase the overall net cost for the service area.
- 2.5 With the agreement of the s151 Officer, Chief Officers (or their nominated representatives) may approve virements in budgets under their control, between cost centres (or the equivalent level as set out in the budget book), subject to the following limits:

| Delegated limit | 2021/22 |
|---|---------|
| Total virement on any expenditure heading in any one financial year must not exceed: | £10,000 |
| Total virement on any income heading in any one financial year must not exceed: | £10,000 |

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

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

3 Treatment of Year-end Balances

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

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

Overspends

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

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

Underspends

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

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

4.0 Reserves

4.1 All bids for reserves use will be supported by a bid document which sets out in detail the resources required, an action plan and outcomes and measures which reconcile to corporate priorities. All bid documents should be approved, in the first instance, by the Section 151 Officer and Finance Portfolio Holder in addition to the authorisation limits set out in paragraph below.

Reserves Bid Authorisation

4.2 Reserve bids decision limits will be as follows:

- Up to £25k – to be agreed by Portfolio Holder in consultation with relevant Director. Bid should have been pre-approved by Cabinet.
- £25k to £100k – to be agreed by Portfolio Holder in consultation with relevant Director. Individual Cabinet Member Decision to be published. Bid should have been pre-approved by Cabinet.
- Over £100k – to be agreed by Cabinet Meeting.

4.3 The pre-approval concept, which should apply to all financial bids is explained below All reserve bids should also be approved and signed off by the Section 151 Officer and the Finance Portfolio Holder.

Reserves Expenditure Monitoring

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

Pre-Approval

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

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

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

Schedule of Earmarked Reserves

| Reserve | Purpose of the Reserve |
|--|---|
| Business Rates Retention | To support the budget in the event that Business Rates Income does not reach budgeted levels or falls to Safety Net, due to fluctuations in appeals or other reductions in net income, and to hold any unbudgeted (surplus) rating income prior to use. |
| Planning Income | To hold surplus income generated as a result of the Government's 20% increase in planning fee income. To be used to fund additional costs/growth relating to Planning functions (in line with any regulatory guidance). |
| Canal Quarter | <i>To cover commissioning costs relating to external support and advice for the CCN development.</i> |
| Capital Support | <i>To cover contractual liabilities on West End properties and to provide cover for any revenue costs arising through shortfalls in capital financing (i.e. from capital receipts).</i> |
| Economic Growth | <i>To support economic growth activities in the district.</i> |
| Elections | To even out the cost of holding City Council elections every four years. |
| Local Plan | To support the adoption of the Local Plan. |
| Morecambe Area Action Plan | <i>To support implementation of the MAAP</i> |
| Renewals | To provide for the renewal (replacement or upgrade) of existing facilities and infrastructure needed for service delivery, such as vehicles, plant, and equipment. |
| Welfare Reforms | <i>To help manage the cost and administration pressures of any welfare reforms (in particular, localisation of council tax support and Universal Credit).</i> |
| Amenity Improvements | <i>To provide public realm amenity improvements.</i> |
| Corporate Priorities (previously Budget Support) | To provide resources to help finance capacity / feasibility / review and other development work in support of the Council's corporate priorities as adopted by Council in January 2020. |
| Corporate Property | To provide for feasibility studies, surveys and repair works to municipal buildings and facilities (in particular, for those that cannot be capitalised as part of the current works programme or are not otherwise budgeted for). In addition, to provide cover for any in-year rental shortfalls. |
| Invest to Save | To help finance any Invest to Save initiatives. |
| Restructure | To fund the costs associated with early termination of staff (in the interests of efficiency / redundancy) / Pay and Grading Review. |
| Revenue Grants Unapplied | Grants, usually for Government, which are provided for an expressed purpose. |
| Homelessness Support | To hold related government grants or other specific external funding until needed for homelessness prevention measures. |

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

Reserves Bid Document

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

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

Action Plan

| What | Who | When |
|------|-----|------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Outcomes and Impacts arising from Project

| Measure | Baseline | Target |
|---------|----------|--------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

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

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

Project Officer Sign Off:

Director Sign Off:

Section 151 Officer Sign Off:

Portfolio Holder Sign Off:

Finance Portfolio Sign Off:

Cabinet Minute (if app):

COUNCIL**Housing Revenue Account
Budget Framework 2020 to 2025
24 February 2021****Report of Cabinet****PURPOSE OF REPORT**

To present Cabinet's final budget proposals in relation to the Housing Revenue Account in order that the City Council can complete its budget setting for 2021/22 and update its financial strategy to 2025.

This report is public.

RECOMMENDATIONS:

- (1) That Cabinet's recommendation to approve the council housing rent levels for 2021/22, as set in accordance with statutory requirements, be noted.
- (2) That the Housing Revenue Account budgets and future years' projections be approved, as set out in *Appendix A*.
- (3) That the revenue additional budget proposals as set out at *Appendix B* be approved.
- (4) That the Council Housing Capital Programme be approved, as set out in *Appendix C*.
- (5) That the minimum level of HRA unallocated balances be retained at £500,000 from 01 April 2021, and that the full Statement on Reserves and Balances as set out at *Appendix D* be approved.
- (6) That Council notes the Section 151 Officer's advice regarding robustness of budget estimates, the adequacy of reserves and balances and the affordability of borrowing.

1 Introduction

- 1.1 Following its meeting on 9 February, Cabinet has now finalised its budget framework proposals for the Housing Revenue Account (HRA). These are all now reflected in the recommendations of this report.

2 Rent Policy and 30-Year Business Plan Impact

- 2.1 The Council has a legal requirement to maintain a separate ring-fenced account for the provision of local authority housing, known as the Housing Revenue Account (HRA). This covers the maintenance and management of the Council’s housing stock.
- 2.2 From 2020/21 the Rent Standard within the Social Housing Regulations applies to all Local Authorities. In previous years, the Council has adhered to this aspect of the regulations voluntarily, as a matter of good practice, and as such our approach to rent setting remains largely unchanged.
- 2.3 The financial year 2021/22 is the second of five years where the Council has the freedom to increase rent by a maximum of CPI+1% (CPI is the Consumer Price Index). For rent setting purposes for 2021/22, the September 2020 CPI figure of 0.5% is used, with forecast CPI used thereafter.
- 2.4 Taking the above points into account, the Council’s current rent policy is summarised as follows:

| | |
|--|---|
| For general properties, average rent of £74.87 applies for 2021/22, representing a 1.8% year on year increase. | For sheltered and supported properties, average rent of £70.00 applies for 2021/22, also representing a 2.0% year on year increase. |
| Following relevant properties becoming vacant, they will be re-let at ‘formula rent’. ¹ | |
| <u>For 2022/23 onwards</u> , it is assumed that council housing rents will increase by 3.0% year on year for a period of three years and 2.0% thereafter, subject to annual review of inflation forecasts, and any future determinations that may be issued by Government from time to time. | |

- 2.5 The 30-year business plan has been updated to cover the period to 2050/51, and the updated position over the life of the plan is a cumulative surplus of £19.7M. Should the additional budget proposal items in section 3 be approved then the combined level of reserves will be reduced to £19.1M by the end of the term.
- 2.6 It should be reinforced that the cumulative balance is primarily driven by Government’s decisions on future rent policy. For simplicity, the business plan now assumes that rents will continue to increase by CPI plus 1% per year from 2021/22 for four years and CPI thereafter, but this is by no means certain. The risks surrounding this assumption must be appreciated.

3 Revenue Budget

- 3.1 The HRA revenue budget statement is attached at **Appendix A**.

¹ Letting ‘new’ lets at formula rent is in adherence to Government rent settings guidance. This raises the overall average rent across all stock, hence why the figures above (1.8% and 2.0%) are in excess of the published rent increase of CPI + 1% (1.5%).

3.2 In a year dominated by the Covid-19 pandemic the council housing team provided support to the corporate emergency response, whilst continuing to provide services to council tenants in line with Covid-19 safety guidance. At times, projects and ambitions envisaged at the start of the year had to be paused or amended. Nevertheless, the following achievements were still delivered in line with service objectives, and the wider council priorities, despite the challenging landscape.

3.3 Key achievements:

- The Income Management Team have continued to perform well, supporting tenants and residents with financial issues, and rent arrears prevention. At Quarter 3 the current tenant arrears figure was £178K, a 20% improvement on the same point in 19/20, and with no recourse to legal action.
- In addition, between April 2020 and January 2021 the team have realised increased income for tenants of £324K in total through Discretionary Housing Payments applications and benefit claim maximisation – an average gain of £1,900 per case.
- Housing Quality Network (HQN) accreditation – the Income Management Team retained accreditation as of 13th October 2020, and presented as an example of good practice within the housing sector at the HQN annual conference in the same month.
- Significant work towards Tenants Participation Advisory Service (TPAS) accreditation carried out, as at mid-Jan 2021 the outcome is still outstanding.
- During July 2020 Residents from Kingsway Court Independent Living Scheme were moved to a local hotel for a week to allow for remedial works following a leak within the boiler tank.
- In May 2020 a significant fire took place on the Marsh estate. The Housing team (working with partner agencies) attended swiftly, and worked with residents to ensure the health and safety of all involved: assisting with the clean-up effort, and supporting affected residents into alternative accommodation
- Two partnership estate clearance events took place; on the Marsh estate, and then a follow up event on Ryelands. Fire safety was the focus, with Estate Teams, Repairs and Maintenance and Public Realm staff working with the fire service to deliver a whole-estate door knock and a rubbish clearance effort (with 13.6 tonnes cleared from the Marsh, and 21 tonnes from Ryelands).
- In the early months of the Covid lockdown, support phone calls were made to every council tenant. Advice around finances, Covid support, benefits, health services, and other information was provided, and tenants were referred and signposted where appropriate. Additionally, the team have written to all tenants four times throughout the pandemic offering an update on service delivery and offering help and support.
- Significant (and Covid safe) consultation took place with Mainway residents, working with the Beyond Imagination team at Lancaster University, to establish options for a major redevelopment of the estate. Consultation included several 'events', door knocking, and the establishment of the MyMainway Hub – a customer facing shop on Owen Road which allowed staff and tenants to be able to interact and develop ideas and ambitions for the project.

- Two-year programme being developed to upgrade 14 Independent Living schemes from analogue alarm and monitoring equipment to digital.
- 117 residents over the age of 75 in non-sheltered accommodation (out of a total of 188) contacted as part of a Winter Welfare visit service during December and January 20/21: to facilitate support over this period and beyond where required.
- 7,000 day-to-day repairs carried out in a Covid-safe way.
- Re-roofed 110 properties, installed 200 A-rated gas boilers, fitted 400 external doors, installed 50 disabled adaptations, installed solar PV to 35 sheltered bungalows, repaired 215 void (empty) properties.
- Achieved EPC 'A' standard on two sheltered conversions in Hala.
- Replaced composite fencing on Marsh, and about to proceed on Ryelands, to reduce fire risk.
- Appointed an Energy Support Officer to support new and existing tenants around their energy bills and carbon footprint.

3.4 Despite the expected impact of the pandemic over the course of the coming year – the service continues to be ambitious. Looking ahead - key examples of ongoing service delivery and future planning developed in line with the Corporate Plan and in line with the Council priorities can be found within the Cabinet report.

3.5 As a result of the business planning process, strategies are being developed to address identified issues and drawing on this, as set out in **Appendix B**, there are a number of growth areas included in Cabinet's HRA budget proposals:

- To open an Ideal Choice Homes customer facing office in a shop unit on King Street
- To confirm an increase in the salary resource for Ideal Choice Homes
- To convert vacant properties to supported housing.

4 **The Council Housing response to the Climate Emergency**

4.1 In response to the ongoing climate emergency, and the commitments set out by the Council in response, the Council Housing service has developed programmes of significant investment and activity in a number of areas which can be seen within the Cabinet Report. All of these areas of investment are built into the business planning and budgeting as outlined in this report.

5 **Capital Programme**

5.1 The proposed Council Housing capital programme is included at **Appendix C**.

5.2 Future years' programmes are set in line with the HRA Business Plan wherever possible. Drawing on this, the draft programme should enable current housing stock to be maintained to the appropriate standards, meeting the Council's obligations under Decent Homes, and compliance with any other statutory regulations.

5.3 The 2021/22 capital programme includes no provision for any major refurbishment works on the Mainway Estate due to ongoing consultation and investigation of the future of the estate (see section 6 for further detail).

5.4 Further to this, it is worth noting the following:

- The kitchen replacement programme has been slipped by 12 months, to minimise works carried out inside tenanted properties during the pandemic
- Within energy efficiency, an increase of £2.6M over nine years to make improvements to bring all properties with a SAP rating of 'D' to 'G' up to a minimum standard of 'C'.

5.5 Taking account of the above points, the total draft five-year programme for 2020/21 onwards now stands at £21.9M, the majority of which will be financed from revenue sources. There is no prudential borrowing requirement.

6 Mainway Project

6.1 The Mainway project is a significant, Housing-led project with the potential to transform the Mainway estate in Lancaster. A comprehensive consultation with residents took place in 2020/21.

6.2 Cabinet will be asked to consider significant proposals in relation to the project. Depending on decisions made by Cabinet, it is anticipated that it may be necessary to draw on the Business Support Reserve to fund project related costs during 2021/22 such as for additional staffing requirements and design costs, etc.... These costs could include, for example, architectural and design costs; project costs such as staffing resources and resident consultation; and other feasibility costs.

6.3 None of these costs are included in this report, pending consideration of the separate Mainway report which is currently being finalised.

6.4 In addition, no major capital works in relation to Mainway are included in this report. Cyclical maintenance costs within dwellings continue to be included in the current budgeting process.

7 Provisions, Reserves and Balances

7.1 A formal review of the HRA's Balances, Reserves and Provisions has been undertaken, the outcome of which is reflected in **Appendix D**.

7.2 In terms of Balances, after reviewing the Housing Revenue Account in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer has advised maintaining the minimum level of HRA Balances at £0.5M from 01 April 2021, to support the budget forecasts as part of the overall medium term financial planning for the HRA.

7.3 As at 31 March 2021, HRA Balances are forecast to be £3.335M (prior to growth items), which is £2.835M above the recommended minimum level.

7.4 All other surplus resources are held in the Business Support Reserve. As at 31 March 2021, around £7.8M is expected to be available in this reserve. The first spending priority is still to support existing commitments over the lifetime of the 30-year Business Plan, but the Government's changes to the rent policy from 2020/21 (for at least five years) should give more flexibility to the service and its future sustainability.

8 Details of Consultation

- 8.1 Consultation with tenants took place through the District Wide Tenants Forum (DWTF) held virtually on 20 January 2021. The meeting was openly advertised to all tenants through a variety of platforms, with personal invitations also provided to those tenants who have previously engaged in consultation activity. Four tenants attended the meeting along with two Councillors and a number of Council Officers.
- 8.2 The group was provided with headlines of the HRA Cabinet report, with a focus on the proposed rent increase of 1.5%, the proposal to freeze garage rents for 2021/22, and the principles of service charge setting.
- 8.3 Council Officers presented the proposed Capital Programme to the group, focussing on 2021/22, with key areas of spend also highlighted for subsequent years. Particular focus was given to the Council Housing response to the climate emergency, and the activities over the coming years which will contribute to this.
- 8.4 Officers also highlighted the principles of place-based working and identified particular areas of HRA spend which deliver projects and outcomes at a neighbourhood level: where through working with local residents, local priorities can be set and delivered on.
- 8.5 The view of the DWTF is summarised as follows:-
- The group was broadly supportive of the Council's proposed rent increase, and the spending plans and projects outlined during the meeting, although it was felt that feedback from residents within retrofitted properties should be gained
 - The group agreed that a review of garage sites and rents take place during 2021/22, to ensure best use of council land and property is delivered through garage sites.

9 Options and Options Analysis (including risk assessment)

- 9.1 Council may adjust its HRA revenue budget proposals, as long as the overall budget for 2021/22 balances and fits with its approved rent levels, which Council cannot change.
- 9.2 With regards to the additional budget proposals, Council should consider the costs and benefits of the proposals and whether they are affordable, in particular over the medium to longer term.
- 9.3 The options available in respect of the Capital Programme are:
- i) To approve the programme in full, with the financing as set out
 - ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.
- 9.4 The options available in respect of the minimum level of HRA balances are to retain the level at £500,000 in line with the advice of the Section 151 Officer or adopt a different level. Should Members choose not to accept the advice on the level of balances, this should be recorded formally in the minutes of the meeting and it could have implications for the Council's financial standing, as assessed by its external auditor.

9.5 Any risks attached to the above would depend on measures Members proposed, and their impact on the council housing service and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

| |
|---|
| <p>Option 1: To note Cabinet’s recommendation to approve the council housing rent levels for 2021/22; to approve the revenue budgets and capital programme, all growth proposals and the provisions, reserves and balances position (and their use), as set out; to note the Section 151 Officer’s advice.</p> |
| <p>Advantages: Completion of the Housing Revenue Account’s budget setting process for 2021/22, allowing the updating of the Council’s associated financial strategy.</p> |
| <p>Disadvantages: None.</p> |
| <p>Risks: The HRA budget set out in this report is sustainable in the long term. The risk associated with Option 1 relates to any future Mainway project (as referred to in section 9, above) and any borrowing or use of reserves in relation to this.</p> |
| <p>Option 2: To note Cabinet’s recommendation to approve the council housing rent levels for 2021/22 but to propose alternatives to those outlined in Section 9 above, noting the following:</p> <p>Council may adjust its HRA revenue budget proposals, as long as the overall budget for 2021/22 balances and fits with its approved rent levels, which Council cannot change.</p> <p>Council may adjust its capital investment and financing proposals taking account of spending commitments and priorities, but its proposals for 2021/22 must balance.</p> |
| <p>Advantages: Non-approval of growth items may lead to greater HRA surpluses over the life of the 30-year business plan.</p> |
| <p>Disadvantages: Depending on the nature of any alternative proposals put forward, Officers may need time to assess the risks and implications. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision-making.</p> <p>Non-approval of growth items would cause a scaling back of ambitions.</p> |
| <p>Risks: Delay to the completion of the Housing Revenue Account’s budget setting process for 2021/22. Inability to maximise service provision and deliver on Council, and housing related ambitions. Impact on housing service and council housing tenants unknown.</p> |

10 Conclusion

- 10.1 This report provides an update on the council housing budgetary position and seeks Council's approval of Cabinet's budget proposals in relation to the Housing Revenue Account in order that the City Council can complete its budget setting for 2021/22 and update its financial strategy to 2025.

RELATIONSHIP TO POLICY FRAMEWORK

The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

No additional impact identified – any specific issues have been (or will be) considered as part of the relevant aspect of the policy framework or individual budget proposals, etc. Where appropriate, equality impact assessments have been produced and are available in connection with Cabinet's specific budget proposals.

LEGAL IMPLICATIONS

Legal Services have been consulted and are content with the report but will consider further the development and implementation of relevant budget proposals in due course to ensure legal aspects are fully considered.

FINANCIAL IMPLICATIONS

As set out in the report.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

Various budget proposals have resource implications and these have been taken account of in Cabinet's consideration of budget options as far as possible at this stage. Their implementation would be in accordance with council policies and procedures, as appropriate. Furthermore, it is recognised that additional resource needs may be required and arrangements are in hand to assess and address these.

SECTION 151 OFFICER'S COMMENTS

The Local Government Act 2003 placed explicit requirements on the s151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves; this requirement is addressed below. Previous Cabinet reports have already included some relevant details of this advice, together with the risks and assumptions underpinning the budget process so far.

Provisions, Reserves and Balances

- Specific HRA earmarked reserves and provisions are satisfactory at the levels currently proposed.
- An unallocated minimum balance of £0.5M for the Housing Revenue Account is a reasonable level to safeguard the Council's overall financial position, given other measures and safeguards in place, taking a medium to longer term view.

The above advice regarding unallocated balances is dependent upon other provisions and reserves remaining broadly at proposed levels, unless a specific policy change indicates otherwise. It is dependent upon Council not varying substantially the budget proposals as set out.

As a very simple measure, the inherent value of the risks facing the Council by far exceeds the total of all reserves and balances. Whilst it is not the case that all these risks could fall due immediately, Members should appreciate the need for holding balances and reserves more generally, and using them wisely. It is inappropriate to view simply the level of funds held, without considering the reasons as to why those funds might be needed.

Robustness of Estimates

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

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

These measures ensure that as far as is practical, the estimates and assumptions underpinning the base budget are robust, and the proposed HRA Thirty Year Business Plan presents a reasonable approach for the way forward. The Council has recognised the tendency for optimism bias regarding income forecasts particularly and this will be taken account of in the development of future key budget proposals and business cases. Furthermore, arrangements are in hand to assess capacity needs and programming to help ensure successful delivery of key projects. Coupled with sound programming, the Budget Support reserve provides scope to help address any shortfalls in capacity etc.

Affordability of Spending Plans

In addition, the s151 Officer is responsible for ensuring that when setting and revising Prudential Indicators, including borrowing limits, all matters to be taken into account are reported to Council for consideration.

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

The factors that have been (and should be) taken into account in considering capital investment plans include the following.

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

The HRA has a Capital Financing Requirement which reflects underlying need to borrow. This is reviewed periodically to ensure that borrowing is, at all times, affordable, sustainable and

prudent and a minimum revenue provision charge is made to the HRA each year to reflect the cost of borrowing.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer reminds Council that the decisions (recommendations 1 and 2) fall within the Local Authorities (Standing Orders) (Amendment) (England) 2014 and Rule 19.7 of the Council Procedure Rules, and accordingly a recorded vote should be taken.

BACKGROUND PAPERS

Equality Impact Assessments for budget proposals.

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HOUSING REVENUE ACCOUNT BUDGET

For Consideration by Council 24 February 2021

| | 2020/21 Budget £ | 2020/21 Revised £ | 2021/22 Budget £ | 2022/23 Forecast £ | 2023/24 Forecast £ | 2024/25 Forecast £ |
|--|------------------------|-------------------------|------------------------|--------------------------|--------------------------|--------------------------|
| INCOME | | | | | | |
| Rental Income - Council Housing | (13,745,900) | (13,600,500) | (13,949,900) | (14,350,200) | (14,739,600) | (15,124,900) |
| Rental Income - Other (Shops and Garages etc.) | (275,800) | (265,700) | (265,700) | (269,300) | (273,000) | (276,800) |
| Charges for Services & Facilities | (1,640,400) | (1,556,700) | (1,593,600) | (1,597,700) | (1,631,400) | (1,665,200) |
| Grant Income | (7,700) | (7,700) | (7,700) | (7,700) | (7,700) | (7,700) |
| Contributions from General Fund | (111,800) | (82,900) | (93,300) | (95,600) | (100,700) | (103,300) |
| Total Income | (15,781,600) | (15,513,500) | (15,910,200) | (16,320,500) | (16,752,400) | (17,177,900) |
| EXPENDITURE | | | | | | |
| Repairs & Maintenance | 5,414,700 | 5,250,200 | 5,598,700 | 5,559,900 | 5,689,800 | 5,801,100 |
| Supervision & Management | 3,668,900 | 3,727,900 | 3,926,900 | 4,003,600 | 4,113,500 | 4,258,200 |
| Rents, Rates & Insurance | 210,200 | 302,200 | 288,100 | 288,100 | 314,500 | 341,000 |
| Contribution to Provision for Bad and Doubtful Debts | 158,800 | 160,900 | 157,400 | 158,800 | 160,300 | 162,000 |
| Depreciation & Impairment of Fixed Assets | 2,772,300 | 2,772,300 | 2,772,300 | 2,771,700 | 2,771,700 | 2,771,700 |
| Debt Management Costs | 1,100 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditure | 12,226,000 | 12,213,500 | 12,743,400 | 12,782,100 | 13,049,800 | 13,334,000 |
| NET COST OF HRA SERVICES | (3,555,600) | (3,300,000) | (3,166,800) | (3,538,400) | (3,702,600) | (3,843,900) |
| Capital Grants and Contributions Receivable | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Payable & Similar Charges | 1,756,900 | 1,756,900 | 1,718,300 | 1,679,400 | 1,640,300 | 1,640,300 |
| Premiums & Discounts from Earlier Debt Rescheduling | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest & Investment Income | (23,800) | (23,800) | (33,100) | (43,100) | (44,800) | (44,800) |
| Pensions Interest Costs & Expected Return on Pensions Assets | 232,400 | 0 | 0 | 0 | 0 | 0 |
| Self Financing Debt Repayment | 1,041,400 | 1,041,400 | 1,041,400 | 1,041,400 | 1,041,400 | 1,041,400 |
| (SURPLUS) / DEFICIT FOR THE YEAR | (548,700) | (525,500) | (440,200) | (860,700) | (1,065,700) | (1,207,000) |
| Adjustments to reverse out Notional Charges included above | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Charges made for Retirement Benefits | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer to/(from) Earmarked Reserves - for Revenue Purposes | (85,600) | 49,200 | 64,700 | 121,800 | 118,300 | 71,300 |
| Capital Expenditure funded from Major Repairs Reserve | 722,200 | 0 | 1,375,200 | 1,229,800 | 928,800 | 896,800 |
| Transfer from Earmarked Reserves - for Capital Purposes | (282,000) | (290,000) | 0 | (100,000) | (100,000) | (100,000) |
| Financing of Capital Expenditure from Earmarked Reserves | 282,000 | 290,000 | 0 | 100,000 | 100,000 | 100,000 |
| TOTAL (SURPLUS) / DEFICIT FOR THE YEAR | 87,900 | (476,300) | 999,700 | 490,900 | (18,600) | (238,900) |
| SAVINGS AND BUDGET PROPOSALS | | | | | | |
| King Street shop unit | 0 | 0 | 10,000 | 10,000 | 10,000 | 10,000 |
| Additional salary resource for Ideal Choice Homes | 0 | 0 | 12,800 | 13,400 | 17,900 | 18,200 |
| Property Conversions | 0 | 0 | 0 | (11,700) | (20,300) | (24,100) |
| TOTAL GROWTH | 0 | 0 | 22,800 | 11,700 | 7,600 | 4,100 |
| UPDATED TOTAL (SURPLUS) / DEFICIT FOR THE YEAR | 87,900 | (476,300) | 1,022,500 | 502,600 | (11,000) | (234,800) |
| Housing Revenue Account Balance brought forward | (1,840,085) | (2,858,619) | (3,334,919) | (2,312,419) | (1,809,819) | (1,820,819) |
| HRA BALANCE CARRIED FORWARD | (1,752,185) | (3,334,919) | (2,312,419) | (1,809,819) | (1,820,819) | (2,055,619) |

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.

Directorate: Communities and the Environment

Service: Council Housing

Cost Centre Name: Choice Based Lettings

Cost Centre Number: H2293

What is the Proposal?

The proposal is to provide a customer facing office space for the Ideal Choice Homes Lettings team; the office space has already been identified – a council owned retail unit on Kings Street. The office will provide a town centre presence for the team, improving public visibility of the lettings service and promoting Council Housing as a landlord of choice. The shop front will act as an ‘Estate Agent’ style town presence, providing a one-stop shop for housing related advice.

The office will be staffed Monday to Friday (as well as some weekend working), with staff on hand to advise and assist housing applicants, and prospective housing applicants, to negotiate their current housing situation. This will allow the team to deliver a better service to customers, providing a face-to-face service for those who prefer it. In addition, the shop unit will offer increased opportunities for advertising and marketing available council accommodation.

It is also anticipated that staff within this office would also be on hand to assist with wider housing related enquiries, particularly for current tenants such as with reporting repairs or discussing neighbourhood issues.

Priorities

How does the project contribute to the draft council Priorities?

| | |
|--|---|
| A Sustainable District | |
| An Inclusive and Prosperous Local Economy | |
| Healthy & Happy Communities | A customer facing presence such as this, available to assist customers through the housing process, can help to ensure local communities are engaged, involved and connected. |
| A Co-operative Kind and Responsible Council | This customer facing town centre presence helps to ensure the housing service is focused on serving our residents, local organisations and district, by providing a visible, customer focussed presence, and ensuring that the availability of council housing – offering high quality, affordable homes – is communicated effectively. |

Cross-Cutting Themes

How does the project contribute to the draft council Themes?

| | |
|----------------------------------|--|
| Climate Emergency | |
| Community Wealth Building | |
| Community Engagement | A town centre presence gives the housing service a base in the community from which to engage directly with residents, and develop further engagement opportunities. |

How will the outcomes be measured?

| Outcome | Performance Measure | Target |
|---|---|---------------------|
| Community Engagement | Number of customers accessing the King Street office | No target currently |
| | Number of customers becoming involved in engagement activities | No target currently |
| Greater visibility of council housing | Footfall in shop Improved demand (particularly around difficult to let properties) | No target currently |
| Improvements in letting 'difficult to let' properties | Improved relet times for difficult to let properties | No target currently |

Estimated Resource Requirements

Revenue

| | 2021/22 £ | 2022/23 £ | 2023/24 £ | 2024/25 £ |
|--|----------------------|----------------------|----------------------|----------------------|
| Rental, business rates, and other sundry running costs | 10,000 | 10,000 | 10,000 | 10,000 |
| Total | 10,000 | 10,000 | 10,000 | 10,000 |

Business Case

At what stage is the business case for the proposal?

| | |
|--------------------|---|
| Not written | |
| Outline | Links into wider housing service objectives around marketing of council housing and visibility of council housing as landlord of choice |
| Developed | |

Funding the Future

| | |
|---|---|
| Will the project deliver financial efficiencies? | Some efficiencies may be delivered – improved relet times for difficulty to let properties (and subsequent reduction in void rent loss) |
| Will the project contribute to the Council's Commercial Strategy? | No |
| Will the project lever in finance from other organisations? | No |
| What is the expected lifespan of the project? | Initial four years, and then review |

Are there any other support requirements?

Details of any further resources that may be required to support the proposal:

Some support from Property Group (as landlords of the unit) and ICT.

Directors Signature

Directorate: Communities and the Environment

Service: Council Housing

Cost Centre Name: Choice Based Lettings

Cost Centre Number: H2293

What is the Proposal?

That a temporary additional staffing resource of 18.5 hours per week be made permanent and included within the staffing establishment.

Following review and development of working practices within the housing service, additional temporary resources have been used by the Lettings team in the past two years to help deliver a more joined up service to prospective and new tenants.

This additional resource has been used to deliver: pre tenancy affordability assessments; pre-tenancy risk assessments; benefit advice; referral to other agencies (food banks, ethical credit providers) and a whole range of other elements of service that help the housing service as a whole to promote tenancy sustainment and financial inclusion.

The key benefit of this resource is in allowing the Lettings team to work more closely with the Income Management Team. It is recognised that when financial issues and risks are identified pre tenancy, tenants are less likely to fall into rent arrears and are more able to sustain a tenancy (with all the benefits that brings to both the tenant and the organisation).

The provision of pre tenancy work, and close working between these teams, was noted within the Income Management Team accreditation report from the Housing Quality Network as an area of good practice.

Priorities

How does the project contribute to the draft council Priorities?

| | |
|--|---|
| A Sustainable District | |
| An Inclusive and Prosperous Local Economy | The additional resource allows the Housing service to provide and facilitate improved prospects for our residents through the stability of a high quality home, and the provision of advice and guidance around a range of financial matters. |
| Healthy & Happy Communities | Addressing income inequality: this additional resource allows the housing team to help tenants address a range of financial inclusion related issues, from income maximisation, to advice around food and fuel poverty, and basic budgeting skills. Focusing on early intervention approaches tenants are supported into secure, high quality, affordable tenancies. |
| A Co-operative Kind and Responsible Council | |

Cross-Cutting Themes

How does the project contribute to the draft council Themes?

| | |
|----------------------------------|---|
| Climate Emergency | |
| Community Wealth Building | The additional resource allows the Housing service to provide and facilitate improved prospects for our residents through the stability of a high quality home, and the provision of advice and guidance around a range of financial matters. |
| Community Engagement | |

How will the outcomes be measured?

| Outcome | Performance Measure | Target |
|--|---|---|
| Improved tenancy sustainment | Reduced tenancy turnover % across the council's housing stock | Currently difficult to set – tenancy turnover has naturally reduced during pandemic due to restrictions |
| Better financial prospects for new tenants | Reduced rent arrears among new tenants | Rent arrears across all tenants has significant reduced (currently £178k Jan 21, compared to £400k+ in 2017). Reporting tool being developed to understand impact on new tenancies alone. |

Estimated Resource Requirements

Revenue

| | 2021/22 £ | 2022/23 £ | 2023/24 £ | 2024/25 £ |
|--------------|---------------------|---------------------|---------------------|---------------------|
| Staff costs | 12,800 | 13,400 | 17,900 | 18,200 |
| Total | 12,800 | 13,400 | 17,900 | 18,200 |

Business Case

At what stage is the business case for the proposal?

| | |
|--------------------|--|
| Not written | |
| Outline | |
| Developed | |

Outcome-Based Budgeting | 2021-25 Resource Growth / Refocus Proposal

Funding the Future

| | |
|---|---|
| Will the project deliver financial efficiencies? | Yes. Difficult to put a figure on the specific impact of this additional 18.5 hours resource, but financial gains in reduced rent arrears are significantly reduced since development of these methods of working. The income management team currently operates within the top quartile nationally for 'current tenant arrears.' |
| Will the project contribute to the Council's Commercial Strategy? | |
| Will the project lever in finance from other organisations? | |
| What is the expected lifespan of the project? | |

Are there any other support requirements?

No

Directors Signature

Directorate: Communities and the Environment

Service: Council Housing

Cost Centre Name: Property Conversions

Cost Centre Number: H840*

What is the Proposal?

Approval is sought to carry out a number of property conversions to existing council housing stock to make best use of this. It is anticipated that a range of funding sources be utilised, including Right to Buy receipts, possible Homes England grant funding, funding from the sale of South Lodge as approved at Cabinet (19.01.2021) and the Business Support Reserve within the HRA.

Potential property conversions **for 2021/22** have been identified as follows:

1A Alder Grove:

Contract Value: circa £210,000 (for 4 flat option)

Scope of works: potentially reconvene layout of former scheme manager house to form 2 flats, or demolish and provide new build (4 flats) with improved layouts and increased energy efficiency. Any new flats would form part of the Independent Living scheme (formerly known as Sheltered Housing). This will bring back vacant property into long term use and address tenant housing demand.

6 The Greaves:

Contract value: circa £150,000

Scope of works: convert existing stables/garage site in grounds of The Greaves to form a purpose built, 3 bed fully disabled adapted bungalow. Investigating maximum energy efficiency works to include PV, air source heat pump, waste water heat recovery, electric vehicle charging point.

37 Kingsway Court:

Contract value: £70,000

Scope of works: reconvene layout of former scheme manager house to form 2 flats. New flats would form part of the Independent Living scheme (formerly known as Sheltered Housing). This will bring back vacant property into long term use and address tenant housing demand.

Additional conversions:

One additional conversion per year has been assumed for three consecutive years from 2022/23. To meet business requirements, properties will be selected to meet tenant demand and support Council Housing in their efficient management of the estate as the management of sheltered schemes is made non-residential. Each of the 3 conversion projects will be approved by the Head of Service.

These conversions will increase the supply of sheltered housing and adapted accessible accommodation. They will also reduce the risk of maintaining vacant property and generate rental income from the asset.

Priorities

How does the project contribute to the draft council Priorities?

| | |
|--|---|
| A Sustainable District | The properties will incorporate sustainable energy saving features |
| An Inclusive and Prosperous Local Economy | The proposed development represent use of HRA owned land, property, finance and procurement to benefit local communities, through provision of high quality, high performing homes which help to meet housing need. By employing local contractors, these projects offer the opportunity to support the development of new skills and improved prospects for our residents within an environmentally sustainable local economy |
| Healthy & Happy Communities | The project is an example of the (re)development of existing housing to ensure people of all incomes are comfortable, warm and able to maintain their independence |
| A Co-operative Kind and Responsible Council | |

Cross-Cutting Themes

How does the project contribute to the draft council Themes?

| | |
|----------------------------------|---|
| Climate Emergency | The high performing and energy efficient developments proposed can contribute to the aims of the climate emergency, directly seeking to reduce carbon emissions |
| Community Wealth Building | By working with local contractors, the proposed developments can help to strengthen the local economy and promote and develop the building of local skills and knowledge. |
| Community Engagement | |

How will the outcomes be measured?

| Outcome | Performance Measure | Target |
|-------------------|-------------------------------|-----------------------------|
| Energy efficiency | SAP rating | Exceeding 72 |
| Conversion brief | Design and layout | Client acceptance |
| Delivery | Design and contract programme | Completion date |
| Financial Control | Valuations and final account | Not to exceed budget limits |

Estimated Resource Requirements

Capital

| | 2021/22 £ | 2022/23 £ | 2023/24 £ | 2024/25 £ |
|-----------------------|----------------|---------------|---------------|---------------|
| Alder Grove | 210,000 | | | |
| Kingsway Court | 70,000 | | | |
| The Greaves | 150,000 | | | |
| Additional properties | | 70,000 | 70,000 | 70,000 |
| Total | 430,000 | 70,000 | 70,000 | 70,000 |

Application of reserves

| | 2021/22 £ | 2022/23 £ | 2023/24 £ | 2024/25 £ |
|--|------------------|-----------------|-----------------|-----------------|
| Business Support Reserve (net of any additional funding streams) | (430,000) | (70,000) | (70,000) | (70,000) |
| Total | (430,000) | (70,000) | (70,000) | (70,000) |

Revenue Implications of Capital Investment

| | 2021/22 £ | 2022/23 £ | 2023/24 £ | 2024/25 £ |
|------------------------------|--------------|-----------------|-----------------|-----------------|
| Additional net rental income | 0 | (11,700) | (20,300) | (24,100) |
| Total | 0 | (11,700) | (20,300) | (24,100) |

Business Case

At what stage is the business case for the proposal?

| | |
|--------------------|--|
| Not written | |
| Outline | Yes, supports decision to move towards non-residential sheltered accommodation management, and to provide fully adapted property in relation to specific demand. |
| Developed | |

Funding the Future

| | |
|---|---|
| Will the project deliver financial efficiencies? | Yes – generate rental income |
| Will the project contribute to the Council's Commercial Strategy? | Yes, by reducing risk and providing a return on otherwise redundant assets |
| Will the project lever in finance from other organisations? | Possibility of exploring funding from Homes England on specifically Alder Grove conversions |
| What is the expected lifespan of the project? | Expected completion within 2022/23 |

Are there any other support requirements?

No, the resources to complete the project are within RMS capabilities

Directors Signature

Council Housing 5 Year Capital Programme For Consideration by Council 24 February 2021

| | 2020/21 Original £000 | 2020/21 Revised £000 | 2021/22 Estimate £000 | 2022/23 Estimate £000 | 2023/24 Estimate £000 | 2024/25 Estimate £000 | TOTAL £000 |
|--------------------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------|
| EXPENDITURE | | | | | | | |
| Adaptations | 300 | 300 | 300 | 300 | 300 | 300 | 1,500 |
| Energy Efficiency/Boiler Replacement | 755 | 850 | 959 | 969 | 1,069 | 979 | 4,826 |
| Internal Refurbishment | 888 | 27 | 888 | 936 | 986 | 936 | 3,773 |
| External Refurbishment | 277 | 310 | 192 | 299 | 263 | 270 | 1,334 |
| Environmental Improvements | 552 | 379 | 360 | 580 | 250 | 250 | 1,819 |
| Re-roofing/Window Renewals | 792 | 995 | 1,093 | 628 | 513 | 684 | 3,913 |
| Rewiring | 84 | 84 | 54 | 88 | 88 | 88 | 402 |
| Lift Replacements | - | - | - | - | - | - | - |
| Fire Precaution Works | 145 | 164 | 150 | 150 | 180 | 150 | 794 |
| Housing Renewal and Renovation | 537 | 434 | 787 | 787 | 787 | 747 | 3,542 |
| TOTAL EXPENDITURE | 4,330 | 3,543 | 4,783 | 4,737 | 4,436 | 4,404 | 21,903 |
| FINANCING | | | | | | | |
| Capital Receipts | 558 | 485 | 640 | 640 | 640 | 640 | 3,045 |
| Contributions | - | - | - | - | - | - | - |
| Earmarked Reserves | 282 | 290 | - | 100 | 100 | 100 | 590 |
| Major Repairs Reserve | 3,490 | 2,768 | 4,143 | 3,997 | 3,696 | 3,664 | 18,268 |
| TOTAL FINANCING | 4,330 | 3,543 | 4,783 | 4,737 | 4,436 | 4,404 | 21,903 |
| SHORTFALL/(SURPLUS) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT
For Consideration by Council 24 February 2021

| | Balance as at 31/03/20 | Contributions | | | Balance as at 31/03/21 | Contributions | | | Balance as at 31/03/22 | Contributions | | | Balance as at 31/03/23 | Contributions | | | Balance as at 31/03/24 | Contributions | | | Balance as at 31/03/25 |
|-------------------------------------|------------------------|-----------------------------|--------------------|------------------|------------------------|-----------------------------|--------------------|------------------|------------------------|-----------------------------|--------------------|-----------------|------------------------|-----------------------------|--------------------|-----------------|------------------------|-----------------------------|--------------------|-----------------|------------------------|
| | | To the Reserve from Revenue | From the Reserve | | | To the Reserve from Revenue | From the Reserve | | | To the Reserve from Revenue | From the Reserve | | | To the Reserve from Revenue | From the Reserve | | | To the Reserve from Revenue | From the Reserve | | |
| | | £ | To Capital | To Revenue | | £ | To Capital | To Revenue | | £ | To Capital | To Revenue | | £ | To Capital | To Revenue | | £ | To Capital | To Revenue | |
| HRA General Balances | 2,858,619 | 476,300 | | | 3,334,919 | | | (999,700) | 2,335,219 | | | (490,900) | 1,844,319 | 18,600 | | | 1,862,919 | 238,900 | | | 2,101,819 |
| Earmarked Reserves: | | | | | | | | | | | | | | | | | | | | | |
| Business Support Reserve | 8,097,023 | | (218,000) | (122,000) | 7,757,023 | | | (36,000) | 7,721,023 | | | (3,000) | 7,718,023 | | | (1,600) | 7,716,423 | | | | 7,716,423 |
| Major Repairs Reserve | | 2,772,300 | (2,772,300) | | | 4,147,500 | (4,147,500) | | | 4,001,500 | (4,001,500) | | | 3,700,500 | (3,700,500) | | | 3,668,500 | (3,668,500) | | |
| Flats - Planned Maintenance | 692,225 | 133,000 | (72,000) | (22,900) | 730,325 | 133,000 | | (22,900) | 840,425 | 133,000 | (100,000) | (22,900) | 850,525 | 133,000 | (100,000) | (22,900) | 860,625 | 133,000 | (100,000) | (22,900) | 870,725 |
| ICT and Systems Improvement | 582,836 | | | (24,900) | 557,936 | | | (1,000) | 556,936 | | | (1,000) | 555,936 | | | | 555,936 | | | | 555,936 |
| Office Equipment Reserve | 39,009 | | | | 39,009 | | | | 39,009 | | | | 39,009 | | | | 39,009 | | | | 39,009 |
| Sheltered - Equipment | 374,590 | 36,400 | | (44,100) | 366,890 | 21,000 | | (52,100) | 335,790 | 15,000 | | (28,900) | 321,890 | 10,100 | | (15,400) | 316,590 | 8,700 | | (58,100) | 267,190 |
| Sheltered - Planned Maintenance | 283,185 | 72,600 | | (15,300) | 340,485 | 42,000 | | (40,300) | 342,185 | 29,900 | | (15,300) | 356,785 | 20,300 | | (15,300) | 361,785 | 17,200 | | (15,300) | 363,685 |
| Sheltered Support Grant Maintenance | 509,306 | 36,400 | | | 545,706 | 21,000 | | | 566,706 | 15,000 | | | 581,706 | 10,100 | | | 591,806 | 8,700 | | | 600,506 |
| Total Earmarked Reserves | 10,578,175 | 3,050,700 | (3,062,300) | (229,200) | 10,337,375 | 4,364,500 | (4,147,500) | (152,300) | 10,402,075 | 4,194,400 | (4,101,500) | (71,100) | 10,423,875 | 3,874,000 | (3,800,500) | (55,200) | 10,442,175 | 3,836,100 | (3,768,500) | (96,300) | 10,413,475 |

Equality Impact Assessment

This **online** equality impact assessment should:

An equality impact assessment should take place when considering doing something in a new way. Please submit your completed EIA as an appendix to your committee report. Please remember that this will be a public document – do not use jargon or abbreviations.

Service

Title of policy, service, function, project or strategy

Type of policy, service, function, project or strategy: Existing New/Proposed

Lead Officer

People involved with completing the EIA

Step 1.1: Make sure you have clear aims and objectives

Q1. What is the aim of your policy, service, function, project or strategy?

Q2.

Who is intended to benefit? Who will it have a detrimental effect on and how?

The setting of council housing rents, and the budgeting process which derives from it, affects council tenants and other residents within the district. The aims of the housing service involve tenancy and asset management, but also an investment in communities and neighbourhoods and the delivery of social value. Prudent rent setting underpins this. The potential for a detrimental impact exists in as much as an increase in rent will put pressure on those individuals in, or at risk of, financial hardship. It should be noted that rent levels (set at 'social rent') will remain well below both market rent and 'affordable rent' (80% of market) and well below the Local Housing Allowance (LHA) level for the district. The LHA is the maximum amount payable through Housing Benefit or the housing element of Universal Credit. Where tenants are at risk of detriment the Council's in-house Income Management Team takes a pro active, supportive approach to preventing rent arrears and promoting financial inclusion through money advice, referrals for support, and assistance in maximising income (through benefit claims, or advice on management of other debts, for example). The Income Management Team is Housing Quality Network (HQN) accredited and delivers a best practice approach in this area. The team also works closely with internal colleagues and external partner organisations to support tenants.

Step 1.2: Collecting your information

Q3. Using existing data (if available) and thinking about each group below, does, or could, the policy, service, function, project or strategy have a negative impact on the groups below?

| Group | Negative | Positive/No Impact | Unclear |
|------------|--------------------------|-------------------------------------|--------------------------|
| Age | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Disability | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Equality Impact Assessment

| | | | |
|---|--------------------------|-------------------------------------|--------------------------|
| Faith, religion or belief | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Gender including marriage, pregnancy and maternity | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Gender reassignment | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Race | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Sexual orientation including civic partnerships | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Other socially excluded groups such as carers, areas of deprivation | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Rural communities | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Step 1.3 – Is there a need to consult!

Q4. Who have you consulted with? If you haven't consulted yet please list who you are going to consult with? Please give examples of how you have or are going to consult with specific groups of communities

As a key part of the rent setting process we have consulted with the District Wide Tenants Forum; a group made up of council officers, councillors, and residents from across the district. The group discussed and debated the proposed rent increase and the future plans of the Council Housing Service and were broadly supportive of the decision to propose an increase in rents for 21/22 of CPI +1%. They were also in support of the priorities and key areas of spending outlined in the HRA Budget Report.

Step 1.4 – Assessing the impact

Q5. Using the existing data and the assessment in questions 3 what does it tell you, is there an impact on some groups in the community?

| |
|---|
| Age: No significant impact |
| Disability: No significant impact |
| Faith, Religion or Belief: No significant impact |
| Gender including Marriage, Pregnancy and Maternity: No significant impact |
| Gender Reassignment: No significant impact |
| Race: No significant impact |
| Sexual Orientation including Civic Partnership: No significant impact |
| Rural Communities: No significant impact |

Step 1.5 – What are the differences?

Q6. If you are either directly or indirectly discriminating, how are you going to change this or mitigate the negative impact?

No areas of discrimination based on protected characteristics have been identified, though it is recognised that individuals in challenging financial circumstances could be indirectly discriminated against by the rent increase outlined in the HRA Budget Report. Mitigation is outlined in Q2, through proactive support being provided by the Income Management Team, in partnership with internal colleagues and external partner organisations.

Q7.
Do
you

need any more information/evidence eg statistic, consultation. If so how do you plan to address this?

No

Equality Impact Assessment

Step 1.6 – Make a recommendation based on steps 1.1 to 1.5

Q8. If you are in a position to make a recommendation to change or introduce the policy, service, function, project or strategy, clearly show how it was decided on.

The Equality Impact Assessment concludes no adverse impact on individuals on the basis of a protected characteristic as above. However, it is noted that individuals and groups may be adversely impacted by a rent increase. As per Q2, above, where individuals are adversely affected there is mitigation in place.

Q9.
If

you are not in a position to go ahead, what actions are you going to take?

N/a

Q10. Where necessary, how do you plan to monitor the impact and effectiveness of this change or decision?

Continuous weekly monitoring of rent accounts takes place to highlight areas of negative impact. A process of pre-tenancy assessment, advice, and support is in place to identify those at risk of detriment prior to tenancy commencement.



Capital Strategy and Capital Programme 2021/22 to 2024/25

24 February 2021

Report of Cabinet

PURPOSE OF REPORT

To present Cabinet’s final budget proposals in order that the City Council can approve a General Fund Capital Programme for 2021/22 to 2024/25 and a Capital Strategy 2021/22.

This report is public.

RECOMMENDATIONS:

- (1) That the General Fund Capital Programme be approved, as set out at Appendix A subject to recommendation 2 below**
- (2) That the Portfolio Holder for Finance be given delegated authority to update the capital programme and associated documents to reflect the outcome of the current external funding bid.**
- (3) That the Capital Strategy at Appendix B be approved.**

1.0 INTRODUCTION

1.1 Following its meeting on 09 February Cabinet has now finalised its budget framework proposals for the General Fund Capital Programme. These are all now reflected in the recommendations of this report.

2.0 BACKGROUND

2.1 Capital expenditure generally comprises the buying, construction, or improvements of physical assets such as buildings, land, vehicles, and other miscellaneous items. The expenditure can also include grants and advances which the Council pays to other bodies or individuals for capital spending purposes.

2.2 There are several funding resources available to support the Capital Programme which can include:

- Capital receipts – monies received from the sale of a capital asset.

- Revenue contributions – monies set aside in specific reserves to support and fund schemes.
- External grants and contributions – monies received from third parties to fund schemes. These monies normally include conditions on what they can be used for.
- External borrowing – the Council is free to make its own borrowing decisions according to what is affordable, sustainable, and prudent as set out in the Prudential Code.

3.0 CAPITAL PROGRAMME

- 3.1 The proposed General Fund investment programme for the period to 2024/25 is included at **Appendix A** and summarised in table 1 below.

Table 1

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total |
|------------------|---------------|---------------|---------------|--------------|--------------|---------------|
| | £M | £M | £M | £M | £M | £M |
| Approved Schemes | 11.968 | 9.518 | 3.227 | 0.755 | 2.021 | 27.489 |
| Development Pool | 0.298 | 33.820 | 22.523 | 6.900 | 5.065 | 68.606 |
| Total | 12.266 | 43.338 | 25.750 | 7.655 | 7.086 | 96.095 |

- 3.2 The current year's revised net programme now stands at £12.266M. During the next 4 years, a further £83.829M of investment is currently planned, giving a total net 5-year programme from 2020/21 to 2024/25 of £96.095M.
- 3.3 Recent changes to Public Works Loan Board (PWLB) borrowing have had significant implications for the Capital Programme, with investment primarily for yield now being constrained. These changes may require a different approach to capital investment, and while, given the social motives of the Council, the majority of the planned schemes appear eligible, further work is being undertaken to ensure the alignment of the programme with the new criteria. Should any revisions to the programme, or supporting strategies be required these will be brought forward for approval in line with the Council's constitutional requirements.
- 3.4 Development pool schemes provision is included where work is being undertaken to develop schemes, but the provision will not be dispersed until full business cases have been considered and approved via the relevant decision-making governance
- 3.5 A number of significant schemes are included in the development pool including Canal Quarter, general fund housing schemes, Heysham Gateway development as well as investment in solar and renewable energy. All these schemes will require significant capital expenditures and borrowing but each business case will have to show that income arising from the capital investment is capable of covering all borrowing costs and delivering a positive return to the Council.
- Public Sector Decarbonisation Scheme (PSDS)
- 3.6 In November 2020, officers submitted a high-level £6.8M bid to SALIX under the PSDS to install air source heat pumps (ASHP) at Salt Ayre Leisure Centre along with retrofit glazing improvements to improve the thermal efficiency of the building. The bid also included an optimized solar farm and battery on the adjacent disused

landfill to provide electricity to the leisure centre via a direct wire. Such a scheme would be expected to generate significant CO2 reductions.

- 3.7 Funding of £6.8M has initially been offered and Cabinet authorisation to formally accept this funding, subject to outstanding due diligence checks being carried out was obtained 09 February 2021. Officers aim to conclude their checks shortly and report their finding to members of Executive Team.
- 3.8 Within the capital programme there is provision for the Council to “self fund” the scheme should the bid be unsuccessful, or the accompanying terms and conditions be disadvantageous or prohibitive. It is the adjustments to these areas that is reflected in the recommendation.
- 3.9 Overall the capital programme is balanced, allowing for a decrease in the underlying need to borrow (known as the Capital Financing Requirement or CFR), over the period to 2024/25. The Council makes a revenue provision for the repayment of borrowing known as Minimum Revenue Provision (MRP) which reduces the CFR.
- 3.10 In setting the capital programme the Council must have regard to affordability and the Treasury Management Strategy sets out through a series of prudential indicators the impact of the Council’s Capital Programme on its borrowing to ensure that all borrowing is affordable, prudent, and sustainable.

4.0 CAPITAL STRATEGY

- 4.1 The Prudential Code 2017 requires all Council’s to adopt a Capital Strategy and this is included as **Appendix B**. The strategy is an over-arching corporate document which deals with the key areas of strategic context, corporate priorities, capital investment ambition, available resources, affordability, capacity to deliver, risk appetite, risk management and determining an appropriate split between non-financial and treasury management investments in the context of ensuring the long-term financial sustainability of the authority.
- 4.2 The Capital Strategy sets out core principles that underpin the Capital Programme. These are
- Capital investment decisions will reflect the priorities included within the Council Plan: Strategic Priorities and supporting strategies including Funding the Future and the Asset Management Plan.
 - Schemes to be added to the Capital Programme will be subject to a gateway process following completion of a capital bid which will be scored against criteria set to measure strategic, economic, financial and management criteria. These will be reviewed by a corporate Capital Strategy Group comprising key Officers alongside the Finance Portfolio Holder and Chairs of Budget and Performance Panel and Overview and Scrutiny Committee.
 - The Capital Strategy Group will also oversee capital financing to ascertain that all capital expenditure is affordable, prudent, and sustainable as set out in the Treasury Management Strategy.
- 4.3 The Council recognises that it will play a pivotal role in key projects which will enable to district to thrive and grow. Further development of the Capital Programme is needed in order to properly encapsulate these major local development projects. An Economic Prosperity Plan is currently being developed by the Director of Economic Growth and

Regeneration setting out an overarching coherent medium term plan for the district. As the plan develops individual capital schemes contributing to its delivery will be identified and brought forward to Capital Strategy Group for its assessment. Similarly other strategies under development in the coming months which have capital expenditure implications will also be considered by the group.

5.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

5.1 Capital Investment and Programming

For capital, Council may adjust its capital investment and financing proposals taking account of spending commitments and priorities, but its proposals for 2021/22 must balance.

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

6.0 CONCLUSION

6.1 This report addresses the actions required to complete the budget setting process for capital, and for updating the Council’s associated financial strategy.

| |
|--|
| <p>RELATIONSHIP TO POLICY FRAMEWORK The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.</p> |
| <p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) No additional impact identified – any specific issues have been (or will be) considered as part of the relevant aspect of the policy framework or individual budget proposals, etc.</p> |
| <p>FINANCIAL IMPLICATIONS As set out in the report</p> |
| <p>OTHER RESOURCE IMPLICATIONS Human Resources / Information Services / Property / Open Spaces: Various budget proposals have resource implications, and these have been taken account of in Cabinet’s consideration of budget options as far as possible at this stage. Their implementation would be in accordance with council policies and procedures, as appropriate.</p> |
| <p>SECTION 151 OFFICER’S COMMENTS</p> <p>Affordability of Capital Spending Plans The s151 Officer is responsible for ensuring that when setting and revising Prudential Indicators, including borrowing limits, all matters to be taken into account are reported to Council for consideration.</p> <p>In considering affordability, the fundamental objective is to ensure that the Council’s capital investment remains within sustainable limits, having particular regard to the impact on</p> |

council tax for General Fund. Affordability is ultimately determined by judgements on what is 'acceptable' - this will be influenced by public, political, and national influences.

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

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

In considering and balancing these factors, the capital proposals to date are based on levels of "prudential borrowing" or CFR over the period to 2024/25. The bulk of this relates to schemes to support delivery of the Council's key Strategic Priorities and Outcomes such as Climate Emergency, Economic Prosperity and Regeneration and Housing as outlined in the Capital Programme. A minimum revenue provision is set aside each year for the repayment of debt and this reduces the CFR. The Treasury Management Strategy prudential indicators provide an assurance that the Council's borrowing is, at all times, affordable sustainable and prudent.

Like all Councils, Lancaster City faces increased financial pressures and uncertainty because of the impact of COVID-19 and Brexit. Current spending plans are sustainable in the short term through prudential borrowing. However, in the medium term based on current projections they are not, and it is of the utmost importance that Members and Officers work together to support the Council's Funding the Future Strategy and start to deliver tangible financial returns on many of its significant capital investments. Outcomes Based Resourcing is a core priority for all Officers in the coming financial year, and it will be expected to deliver significant inroads into the deficit which will in turn assist in the affordability of its capital investments.

LEGAL IMPLICATIONS

Legal Services have been consulted and are content with the report but will consider further the development and implementation of relevant budget proposals in due course to ensure legal aspects are fully considered.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Cabinet 09/02/2021
Budget & Performance Panel 16/02/2021

Contact Officer: Paul Thompson
Telephone: 01524 582603
E-mail: pthompson@lancaster.gov.uk

General Fund Capital Programme

Council 24/02/21

| Service / Scheme | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | | 2024/25 | | | 5 YEAR PROGRAMME | | |
|---|--------------|------------------|---------------|--------------|------------------|---------------|--------------|------------------|---------------|--------------|------------------|---------------|--------------|------------------|---------------|-----------------------|------------------------|---------------------|
| | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Total Gross Programme | Total External Funding | Total Net Programme |
| Communities and Environment | £ | £ | £ | £ | £ | £ | | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Vehicle Renewals | 1,505,000 | | 1,505,000 | 2,684,000 | | 2,684,000 | 1,167,000 | | 1,167,000 | 184,000 | | 184,000 | 1,983,000 | | 1,983,000 | 7,523,000 | 0 | 7,523,000 |
| 2 x Electric Refuse Vehicles | | | 0 | 400,000 | | 400,000 | | | 0 | | | 0 | | | 0 | 400,000 | 0 | 400,000 |
| Pool Cars | 174,000 | | 174,000 | | | 0 | | | 0 | | | 0 | | | 0 | 174,000 | 0 | 174,000 |
| Electronic Vehicle Charging Points - Phase 2 | 58,000 | (30,000) | 28,000 | | | 0 | | | 0 | | | 0 | | | 0 | 58,000 | (30,000) | 28,000 |
| Phase 1 1MW Solar Farm | 50,000 | | 50,000 | 1,350,000 | | 1,350,000 | | | 0 | | | 0 | | | 0 | 1,400,000 | 0 | 1,400,000 |
| One Million Trees | 25,000 | | 25,000 | 25,000 | | 25,000 | 30,000 | | 30,000 | 30,000 | | 30,000 | | | 0 | 110,000 | 0 | 110,000 |
| Happy Mount Park Pathway Replacements | 112,000 | | 112,000 | | | 0 | | | 0 | | | 0 | | | 0 | 112,000 | 0 | 112,000 |
| Far Moor Playing Fields s106 Scheme | 72,000 | | 72,000 | | | 0 | | | 0 | | | 0 | | | 0 | 72,000 | 0 | 72,000 |
| Disabled Facilities Grants | 1,724,000 | (1,724,000) | 0 | 2,939,000 | (2,939,000) | 0 | 1,890,000 | (1,890,000) | 0 | 1,890,000 | (1,890,000) | 0 | 1,890,000 | (1,890,000) | 0 | 10,333,000 | (10,333,000) | 0 |
| Half Moon Bay Car Park Extension | | | 0 | 60,000 | | 60,000 | | | 0 | | | 0 | | | 0 | 60,000 | 0 | 60,000 |
| Salt Ayre Boiler Replacement | | | 0 | 300,000 | | 300,000 | | | 0 | | | 0 | | | 0 | 300,000 | 0 | 300,000 |
| Salt Ayre Asset Management Plan | | | 0 | 1,757,000 | | 1,757,000 | 511,000 | | 511,000 | 124,000 | | 124,000 | 38,000 | | 38,000 | 2,430,000 | 0 | 2,430,000 |
| Customer Contact System | 115,000 | | 115,000 | 85,000 | | 85,000 | | | 0 | | | 0 | | | 0 | 200,000 | 0 | 200,000 |
| Mellishaw Park | | | 0 | 480,000 | | 480,000 | 240,000 | | 240,000 | 240,000 | | 240,000 | | | 0 | 960,000 | 0 | 960,000 |
| Economic Growth and Regeneration | | | | | | | | | | | | | | | | | | |
| Sea & River Defence Works & Studies | 6,034,000 | (5,846,000) | 188,000 | 3,000 | (3,000) | 0 | | | 0 | | | 0 | | | 0 | 6,037,000 | (5,849,000) | 188,000 |
| Units at White Lund Industrial Estate | 9,100,000 | | 9,100,000 | | | 0 | | | 0 | | | 0 | | | 0 | 9,100,000 | 0 | 9,100,000 |
| Lancaster Heritage Action Zone | 193,000 | (88,000) | 105,000 | 850,000 | (294,000) | 556,000 | 1,558,000 | (646,000) | 912,000 | 274,000 | (127,000) | 147,000 | | | 0 | 2,875,000 | (1,155,000) | 1,720,000 |
| Coastal Revival Fund - Morecambe Co-Op Building | 11,000 | (11,000) | 0 | | | 0 | | | 0 | | | 0 | | | 0 | 11,000 | (11,000) | 0 |
| Morecambe Co-Op Building Renovation | 0 | | 0 | 425,000 | | 425,000 | | | 0 | | | 0 | | | 0 | 425,000 | 0 | 425,000 |
| Coastal Revival Fund - Morecambe Winter Gardens | 92,000 | (92,000) | 0 | | | 0 | | | 0 | | | 0 | | | 0 | 92,000 | (92,000) | 0 |
| Morecambe Winter Gardens Loan | 103,000 | | 103,000 | | | 0 | | | 0 | | | 0 | | | 0 | 103,000 | 0 | 103,000 |
| Canal Quarter Site Acquisition | | | 0 | 290,000 | | 290,000 | | | 0 | | | 0 | | | 0 | 290,000 | 0 | 290,000 |
| Lancaster Square Routes | 26,000 | (21,000) | 5,000 | | | 0 | | | 0 | | | 0 | | | 0 | 26,000 | (21,000) | 5,000 |
| Lancaster District Empty Homes Partnership | 4,000 | | 4,000 | 69,000 | | 69,000 | | | 0 | | | 0 | | | 0 | 73,000 | 0 | 73,000 |
| S106 Highways Works | 70,000 | | 70,000 | | | 0 | | | 0 | | | 0 | | | 0 | 70,000 | 0 | 70,000 |
| Hale Carr Lane Cemetery Chapel | 8,000 | | 8,000 | | | 0 | | | 0 | | | 0 | | | 0 | 8,000 | 0 | 8,000 |
| Lancaster City Museum Boiler | | | 0 | 127,000 | | 127,000 | | | 0 | | | 0 | | | 0 | 127,000 | 0 | 127,000 |
| 1 Lodge Street Urgent Structural Repairs | 6,000 | | 6,000 | 490,000 | | 490,000 | | | 0 | | | 0 | | | 0 | 496,000 | 0 | 496,000 |
| Palatine Recreation Ground Pavillion | | | 0 | 116,000 | | 116,000 | | | 0 | | | 0 | | | 0 | 116,000 | 0 | 116,000 |
| Dalton Square | | | 0 | 169,000 | | 169,000 | | | 0 | | | 0 | | | 0 | 169,000 | 0 | 169,000 |
| Corporate Services | | | | | | | | | | | | | | | | | | |
| ICT Systems, Infrastructure & Equipment | 123,000 | | 123,000 | 105,000 | | 105,000 | 337,000 | | 337,000 | | | 0 | | | 0 | 565,000 | 0 | 565,000 |
| ICT Laptop Replacement & e-campus screens | 60,000 | | 60,000 | 30,000 | | 30,000 | 30,000 | | 30,000 | 30,000 | | 30,000 | | | 0 | 150,000 | 0 | 150,000 |
| ICT Telephony | 115,000 | | 115,000 | | | 0 | | | 0 | | | 0 | | | 0 | 115,000 | 0 | 115,000 |
| Development Pool | | | | | | | | | | | | | | | | | | |
| Palatine Hall | | | 0 | 150,000 | | 150,000 | | | 0 | | | 0 | | | 0 | 150,000 | 0 | 150,000 |
| Old Fire Station Development Works | | | 0 | 250,000 | | 250,000 | | | 0 | | | 0 | | | 0 | 250,000 | 0 | 250,000 |
| Williamson Park Ashton Memorial | | | 0 | | | 0 | | | 0 | | | 0 | 225,000 | | 225,000 | 225,000 | 0 | 225,000 |
| Improvements to Ashton Hall | | | 0 | 300,000 | (40,000) | 260,000 | 150,000 | | 150,000 | | | 0 | | | 0 | 450,000 | (40,000) | 410,000 |
| Cable Street Christmas Lights | 24,000 | | 24,000 | | | 0 | | | 0 | | | 0 | | | 0 | 24,000 | 0 | 24,000 |

General Fund Capital Programme

Council 24/02/21

| Service / Scheme | 2020/21 | | | 2021/22 | | | 2022/23 | | | 2023/24 | | | 2024/25 | | | 5 YEAR PROGRAMME | | |
|--|-------------------|--------------------|-------------------|-------------------|---------------------|-------------------|-------------------|--------------------|-------------------|------------------|--------------------|------------------|------------------|--------------------|------------------|-----------------------|------------------------|---------------------|
| | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Gross Budget | External Funding | Net Programme | Total Gross Programme | Total External Funding | Total Net Programme |
| Heysham Gateway - Demolition & Removal of Tanks | | | 0 | 487,000 | | 487,000 | | | 0 | | | 0 | | | 0 | 487,000 | 0 | 487,000 |
| Heysham Gateway Development | | | 0 | 1,513,000 | | 1,513,000 | | | 0 | | | 0 | | | 0 | 1,513,000 | 0 | 1,513,000 |
| Canal Quarter (including General Fund Housing) | | | 0 | 10,000,000 | | 10,000,000 | 9,000,000 | | 9,000,000 | 5,000,000 | | 5,000,000 | | | 0 | 24,000,000 | 0 | 24,000,000 |
| Flood Resilience and coastal defence projects | | | 0 | | | 0 | 300,000 | | 300,000 | | | 0 | | | 0 | 300,000 | 0 | 300,000 |
| BGV - Contribution | | | 0 | 300,000 | | 300,000 | 300,000 | | 300,000 | 300,000 | | 300,000 | 300,000 | | 300,000 | 1,200,000 | 0 | 1,200,000 |
| BGV - Project Development/ Acquisitions | | | 0 | 4,000,000 | | 4,000,000 | 4,000,000 | | 4,000,000 | | | 0 | | | 0 | 8,000,000 | 0 | 8,000,000 |
| Morecambe Regeneration | | | 0 | 2,500,000 | | 2,500,000 | | | 0 | | | 0 | | | 0 | 2,500,000 | 0 | 2,500,000 |
| Caton Road Surface Water (Engineers) | | | 0 | 300,000 | | 300,000 | | | 0 | | | 0 | | | 0 | 300,000 | 0 | 300,000 |
| Burrow Beck 2.5MW Solar Farm & Battery | | | 0 | 3,600,000 | | 3,600,000 | | | 0 | | | 0 | | | 0 | 3,600,000 | 0 | 3,600,000 |
| Roof Mounted Solar Array - Gateway, White Lund | | | 0 | 1,400,000 | | 1,400,000 | | | 0 | | | 0 | | | 0 | 1,400,000 | 0 | 1,400,000 |
| Roof Mounted Solar Array - City Labs | | | 0 | 23,000 | | 23,000 | | | 0 | | | 0 | | | 0 | 23,000 | 0 | 23,000 |
| SALC - optimised solar farm, air source heating pumps & glazing efficiency | | | | 6,828,000 | (6,828,000) | 0 | | | 0 | | | 0 | | | 0 | 6,828,000 | (6,828,000) | 0 |
| Potential Contribution SALC bid (see above) | | | | 3,845,000 | | 3,845,000 | | | 0 | | | 0 | | | 0 | 3,845,000 | 0 | 3,845,000 |
| Next Steps Accommodation Programme Property Purchases | | | 0 | | | 0 | 1,000,000 | | 1,000,000 | | | 0 | | | 0 | 1,000,000 | 0 | 1,000,000 |
| VMU Brake Rollers | | | 0 | 36,000 | | 36,000 | | | 0 | | | 0 | | | 0 | 36,000 | 0 | 36,000 |
| Engineers Electric Vehicle | | | 0 | 15,000 | | 15,000 | | | 0 | | | 0 | | | 0 | 15,000 | 0 | 15,000 |
| Platform reinvestment | | | 0 | | | 0 | | | 0 | | | 0 | 200,000 | | 200,000 | 200,000 | 0 | 200,000 |
| Salt Ayre Leisure Centre reinvestment | | | 0 | | | 0 | | | 0 | | | 0 | 375,000 | | 375,000 | 375,000 | 0 | 375,000 |
| Lancaster Town Hall reinvestment | | | 0 | | | 0 | 100,000 | | 100,000 | | | 0 | 2,400,000 | | 2,400,000 | 2,500,000 | 0 | 2,500,000 |
| CityLab reinvestment | | | 0 | | | 0 | | | 0 | | | 0 | 165,000 | | 165,000 | 165,000 | 0 | 165,000 |
| The Storey reinvestment | | | 0 | | | 0 | 300,000 | | 300,000 | 200,000 | | 200,000 | | | 0 | 500,000 | 0 | 500,000 |
| Ryelands Park - Ryelands House | | | 0 | 500,000 | | 500,000 | 200,000 | | 200,000 | | | 0 | | | 0 | 700,000 | 0 | 700,000 |
| Williamson Park Pavilion Replacement | | | 0 | | | 0 | 3,500,000 | | 3,500,000 | | | 0 | | | 0 | 3,500,000 | 0 | 3,500,000 |
| White Lund Depot Project | | | 0 | 1,000,000 | | 1,000,000 | 2,000,000 | | 2,000,000 | | | 0 | | | 0 | 3,000,000 | 0 | 3,000,000 |
| Morecambe Town Hall reinvestment | | | 0 | | | 0 | | | 0 | | | 0 | 400,000 | | 400,000 | 400,000 | 0 | 400,000 |
| Edward St Coach House Area Improvement | | | 0 | 84,000 | | 84,000 | | | 0 | | | 0 | | | 0 | 84,000 | 0 | 84,000 |
| Lancaster Heritage Action Zone - St John's Church | | | 0 | | | 0 | 500,000 | | 500,000 | | | 0 | | | 0 | 500,000 | 0 | 500,000 |
| Morecambe High Streets Provision | 274,000 | | 274,000 | 750,000 | | 750,000 | 1,000,000 | | 1,000,000 | 1,000,000 | | 1,000,000 | 1,000,000 | | 1,000,000 | 4,024,000 | 0 | 4,024,000 |
| Museums Redevelopment | | | 0 | 136,000 | | 136,000 | 110,000 | | 110,000 | 400,000 | | 400,000 | | | 0 | 646,000 | 0 | 646,000 |
| Williamson Park Development | | | 0 | 1,000,000 | | 1,000,000 | | | 0 | | | 0 | | | 0 | 1,000,000 | 0 | 1,000,000 |
| LLFN Network Bids | | | 0 | 11,135,000 | (9,464,000) | 1,671,000 | 421,000 | (358,000) | 63,000 | | | 0 | | | 0 | 11,556,000 | (9,822,000) | 1,734,000 |
| GENERAL FUND CAPITAL PROGRAMME | 20,078,000 | (7,812,000) | 12,266,000 | 62,906,000 | (19,568,000) | 43,338,000 | 28,644,000 | (2,894,000) | 25,750,000 | 9,672,000 | (2,017,000) | 7,655,000 | 8,976,000 | (1,890,000) | 7,086,000 | 130,276,000 | (34,181,000) | 96,095,000 |

Lancaster City Council

Capital Strategy 2021/22

February 2021

To be reviewed and approved annually by Council

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1. Introduction

- 1.1 The Capital Strategy gives a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services. It also outlines how associated risk is managed and the implications for future financial sustainability.
- 1.2 The Strategy is set within the framework of The Prudential Code for Capital Finance in Local Authorities and the Treasury Management Code, both of which were updated in 2017. Key objectives are to demonstrate that the Council's capital investment plans are affordable, prudent and sustainable; that local strategic planning, asset management planning and proper option appraisal are supported; and that treasury management decisions are taken in accordance with good professional practice.

The District

- 1.3 Lancaster City and District is unique in containing a diverse mix of City, Coast and Countryside locations, including Lancaster, Morecambe, Heysham and Carnforth and coastal and rural villages.

The Council

- 1.4 The Council is a highly complex organisation that has to meet a variety of needs and objectives. It has a gross general fund revenue budget approaching circa £45M and has a capital programme that can vary in size but typically can be around c£25M per annum.
- 1.5 Whilst the Council is one entity, financially it has two elements – the General Fund, which is financed by Council Tax and the Housing Revenue Account, which is financed by tenant's rents, service charges and other smaller income streams. The Council is only one of two in Lancashire that has retained its housing stock and as such the approach and capital financing arrangements around this part of the organisation are more distinct than the General Fund. This is partly due to regulation and legislation but also the differing financial challenges that each of these sections face. Primarily the General Fund is subject to a reduction in financial resources due to the challenges that central government is setting in order to reduce the Country's financial debt obligations.

2. Context

Strategic Aims, Objectives and Priorities

- 2.1 The Council Plan sets out the authority's key priorities and its ambitions to optimise opportunities to ensure that the district is a great place to live, work and visit. Our strategic priorities are detailed in the diagram overleaf.
- 2.2 The Medium Term Financial Strategy supports and informs the Council's vision and strategic priorities as set out over the next four years. It also incorporates the key principles of the "Funding the Future" strategy which takes a proactive approach to building the future financial resilience of the Council by:
 - Developing and implementing a commercial strategy
 - Focusing efforts around efficiency
 - Adopting an outcomes approach to budgeting
- 2.3 The Council's Asset Management Strategy sets out the strategic direction for the management of the Council's property portfolio. It seeks to align the asset portfolio with corporate objectives and informs the Capital Strategy.

- 2.4 The Capital Strategy sets out how the Council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite within the overarching context outlined above. Its aim is to ensure that all elected Members fully understand the overall long-term policy objectives and resulting strategy requirements, governance procedures and risk appetite.

| Priorities | A Sustainable District | An Inclusive and Prosperous Local Economy | Healthy and Happy Communities | A Co-operative, Kind and Responsible Council |
|---|---|--|--|--|
| Themes | | | | |
| <p>Climate Emergency <i>Taking action to meet the challenges of the climate emergency</i></p> | <ul style="list-style-type: none"> ➤ net zero carbon by 2030 while supporting other individuals, businesses and organisations across the district to reach the same goal | <ul style="list-style-type: none"> ➤ supporting the development of new skills and improved prospects for our residents within an environmentally sustainable local economy | <ul style="list-style-type: none"> ➤ supporting wellbeing and ensuring local communities are engaged, involved and connected | <ul style="list-style-type: none"> ➤ listening to our communities and treating everyone with equal respect, being friendly, honest, and empathetic |
| <p>Community Wealth-Building <i>Building a sustainable and just local economy that benefits people and organisations</i></p> | <ul style="list-style-type: none"> ➤ moving towards zero residual waste to landfill and incineration ➤ increasing the amount of sustainable energy produced in the district and decreasing the district's energy use ➤ transitioning to an accessible and inclusive low-carbon and active transport system | <ul style="list-style-type: none"> ➤ advocating for fair employment and just labour markets that increase prosperity and reduce income inequality ➤ supporting new and existing enterprises in sustainable innovation and the strengthening of local supply networks | <ul style="list-style-type: none"> ➤ addressing health and income inequality, food and fuel poverty, mental health needs, and loneliness ➤ focused on early-intervention approaches and involving our communities in service design and delivery ➤ (re)developing housing to ensure people of all incomes are comfortable, warm and able to maintain their independence | <ul style="list-style-type: none"> ➤ working in partnership with residents, local organisations and partners recognising the strengths and skills in our community ➤ investing in developing the strengths and skills of our staff and councillors |
| <p>Community Engagement <i>Drawing on the wealth of skills and knowledge in the community and working in partnership</i></p> | <ul style="list-style-type: none"> ➤ supporting our communities to be resilient to flooding and adapt to the wider effects of climate change ➤ increasing the biodiversity of our district | <ul style="list-style-type: none"> ➤ using our land, property, finance and procurement to benefit local communities and encouraging residents, businesses, organisations and institutions to do the same ➤ securing investment and regeneration across the Lancaster and South Cumbria Economic Region | <ul style="list-style-type: none"> ➤ improving access to the arts, culture, leisure and recreation, supporting our thriving arts and culture sector ➤ keeping our district's neighbourhoods, parks, beaches and open space clean, well-maintained and safe | <ul style="list-style-type: none"> ➤ focused on serving our residents, local organisations and district ➤ embracing innovative ways of working to improve service delivery and the operations of the council ➤ providing value for money and ensuring that we are financially resilient and sustainable |

Council Priorities Update 2020

3. Our Assets

- 3.1 The Council has a range of assets which it utilises to deliver its wide range of services throughout the District. The total valuation of these at the start of the financial year 2020/21 was £278.68M. The main constituents of these assets are as follows

| Asset Type | £M |
|--------------------------------|---------------|
| Council Housing & Other Assets | 131.42 |
| Property Plant & Equipment | 100.62 |
| Community Assets | 8.58 |
| Investment Property | 28.36 |
| Heritage Assets | 9.52 |
| Intangible Assets | 0.18 |
| Total | 278.68 |

Council Housing

- 3.2 At the start of the financial year the Council held 3,677 dwellings in total within its Housing Revenue Account. These dwellings include 1, 2, 3 & 4 bedroomed, houses, bungalows, flats maisonettes and bedsits.

| Number and Type of Dwellings | | |
|-------------------------------------|---------------------|--------------|
| Bedsits | | 77 |
| 1 Bedroom | Houses & Bungalows | 654 |
| | Flats & Maisonettes | 548 |
| 2 Bedroom | Houses & Bungalows | 480 |
| | Flats & Maisonettes | 665 |
| 3 Bedroom | Houses & Bungalows | 1,163 |
| | Flats & Maisonettes | 6 |
| 4 or more bedroomed dwellings | | 84 |
| Total Dwellings | | 3,677 |

Property Plant & Equipment

- 3.3 These are assets which the Council predominately uses to deliver its services. These assets include Municipal Buildings, works depot, leisure centre and car parks. It also includes its refuse collection and vehicle fleet as well as various land holdings. The value of these assets at the start of 2020/21 financial year is provided in the table below

| Land & Buildings | Vehicles, Plant Furniture & Equipment | Infrastructure Assets | Surplus Assets | Assets Under Construction | Total |
|-----------------------------|--|------------------------------|-----------------------|----------------------------------|--------------|
| £M | £M | £M | £M | £M | £M |
| 56.76 | 6.26 | 32.63 | 0.95 | 4.02 | 100.62 |

Investment Assets

3.3 This type of Council asset is held primarily to generate income and comprise a mix of office and retail lets together with agricultural and commercial land and commercial buildings. Further detail in respect of the Council's investment properties is given in section 6.

| Investment Asset Type | £M |
|--------------------------|--------------|
| Office | 4.14 |
| Retail | 2.85 |
| Agriculture & Allotments | 1.47 |
| Commercial Land | 4.83 |
| Commercial Building | 6.76 |
| Mixed Commercial | 8.31 |
| Total | 28.36 |

Heritage Assets

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

Intangible Assets

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

Asset Management

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

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

Valuations

3.7 The Council is required by accounting regulations to value its assets on a regular basis and currently values its General Fund assets on a rolling 3 year cycle. It is required to undertake a formal valuation of its HRA assets every 5 years in line with Ministry of Housing Communities and Local Government (MHCLG) requirements. The last formal valuation was undertaken 1 April 2016 and so is not due until 1 April 2021. A desktop revaluation is undertaken for HRA assets in the intervening years to ensure that values are current.

- 3.8 All valuations are performed “in house” by qualified valuer’s within the Council’s Property Services Team. The valuations are performed using appropriate stipulations as detailed by the Royal Institute of Chartered Surveyors (RICS) and presented in the Council’s Statement of Accounts within accord of the Statement of Recommended Practice (SORP).
- 3.9 The details of the assets are held and recorded in a variety of sources in order to meet the operational and management requirements of the Council. This enables a bespoke management system of operation so that maximum utilisation of the asset can be developed. Whilst services have bespoke arrangements for the assets held under their responsibility the Financial Services maintains the prime records that are used for the production of the Council’s Statement of Accounts. These are reconciled on a regular basis to ensure accuracy and relevance

4. Capital Expenditure

Capital Programme

- 4.1 The Council plans to spend approximately £130.28M on General Fund and £21.90M on HRA capital schemes between 2020/21 – 2024/25.

| Capital expenditure | 2019/20 Actual £m | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | 7.16 | 10.98 | 62.91 | 28.64 | 9.67 | 8.98 |
| Housing Revenue Account (HRA) | 4.08 | 3.54 | 4.78 | 4.74 | 4.44 | 4.40 |
| Commercial activities/non-financial investments* | 4.92 | 9.10 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 16.16 | 23.62 | 67.69 | 33.38 | 14.11 | 13.38 |

Affordability & Financing

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

| Capital expenditure | 2019/20 Actual £m | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Financed by | | | | | | |
| Capital receipts | (0.72) | (0.49) | (0.64) | (0.64) | (0.64) | (0.64) |
| Capital grants | (5.22) | (7.81) | (19.57) | (2.89) | (2.02) | (1.89) |
| Capital reserves | (3.13) | (2.77) | (4.14) | (4.09) | (3.80) | (3.76) |
| Revenue | (0.62) | (0.58) | (1.11) | (0.39) | (0.36) | (0.04) |
| Net financing need for the year | 6.47 | 11.97 | 42.23 | 25.37 | 7.29 | 7.05 |

- 4.3 This table shows a net need for financing the Capital Programme of £93.91M which would require the Council to undertake additional borrowing. Additional borrowing would only be used only to finance capital expenditure in respect of General Fund.
- 4.4 The Council sets its level of capital investment in line with the statutory requirements of prudence, affordability and sustainability as set out in the Prudential Code for Capital Finance issued by CIPFA.
- 4.5 The Council assesses the affordability of the General Fund programme by looking at the financing costs of borrowing (interest and loan repayments) as a proportion of its net revenue stream. For general fund these are expected to increase over the life of the capital programme.
- 4.6 The Housing Revenue Account capital programme has its prudence, affordability and sustainability set out in a thirty year business plan.
- 4.7 Further details on the impact of the Capital Programme on the Council's borrowing is included within Section 5

Decision Making & Governance

Property Transactions Team (PTT)

- 4.8 An officer group with relevant expertise from economic development, property, legal and finance supported by external expertise which considers all potential capital investments in the first instance and brings forward proposals for consideration of the Capital Strategy Group.

Capital Strategy Group (CSG)

- 4.9 Constituted with representation from Cabinet, Executive, Property Transactions Team (PTT) and the Chairs of both Budget & Performance Panel (B&PP) and Overview & Scrutiny (O&S). CSG is a Member and Officer working group and as such is only advisory and does not have any formal decision-making authority. The group has priority areas of work which although distinct from one another should be considered in an integrated manner. These are:
 - a) Capital Programme – overseeing the Council's capital programme which includes assessing initial bids all the way through to delivering the programme and assessing its effectiveness in respect of corporate priorities.
 - b) Asset Management – overseeing the implementation of the Asset Management Plan (AMP) to ensure that the Council gets the most from its asset inventory having regard to effective utilisation and ongoing maintenance and investment needs.

Following consideration of each business case it may make recommendations to budget holders in relation to due diligence costs and other matters. It may also make final recommendations to Cabinet regarding each proposal and, will determine whether projects will be admitted into the full capital programme or placed into the development pool.

Cabinet

- 4.10 Is responsible for submitting the Budget Framework to Council which includes this Capital Strategy and capital programme. It is responsible for considering and making decision within the Budget & Policy Framework for all capital investment on receipt of a full business case

which takes account of the due diligence and which shows compliance with the prudential code and investment guidance provisions.

Overview and Scrutiny

- 4.11 Is represented on the CSG via the Chair's membership of this group. The early involvement of scrutiny at the pre-decision stage will allow them to add value by informing a decision rather than an after-the-event critique under the traditional process. This intention and their active involvement does not remove or negate the right to call in any decision made by Cabinet in this area.

Budget and Performance Panel

- 4.12 Will review the financial and operational performance of this strategy as part of their budget framework scrutiny role

Council

- 4.13 Is responsible for agreeing the Capital Programme as part of the Budget Framework each February and will be required to approve any material changes. Council will also receive half yearly reports on the performance of the strategy.

Capital Investment Priorities and compilation of Capital Bids

- 4.14 The Council's capital investment priorities are to:

- deliver the Council's Priorities as set out in 'Ambitions' Council Plan
- ensure that council services can be effectively and efficiently delivered
- support the Asset Management Plan by ensuring that assets are effectively utilised and maintained
- identify opportunities for using capital investment to provide more effective arrangements as set out in Funding the Future
- ensure that the Council meets statutory, legal and health and safety requirements

- 4.15 All bids for capital resources are put forward on a standard capital bid template, based upon the HM Treasury Business Case Guidance covering strategic, economic, commercial, financial and management dimensions. The bid template has been designed to draw out the proposal's strategic fit against the capital investment priorities and facilitate the scoring of schemes against each other using a scoring matrix. The template also considers:

- whether staff and project resources are available to start the project,
- alternative options for delivery,
- scheme phasing,
- cost (including estimated revenue consequences)
- procurement.

- 4.16 Given the diverse nature of potential capital schemes four separate scores are developed separately assessing:

Fit against statutory, legal and health and safety requirements

Determining whether the scheme is required to fulfil a statutory obligation, prevent a failure to meet a legislative or health and safety requirement. The main focus being on what would be the impact of not progressing the proposal.

Fit against Corporate Priorities

Determining which priority or priorities in the 'Ambitions' corporate plan the proposal contributes to and to what extent ascertaining measurable outcomes and impacts.

Contribution to Funding the Future strategy

Identifying whether the proposal will achieve financial efficiencies, contribute to the Council's commercial strategy, leveraging in funding from other organisations or create an "invest to save" opportunity.

Project Risk & Risk Mitigation

Establishes to what extent risks have been realistically identified and what steps have been taken to mitigate these. It focuses on factors which may cause the project to fail or be delayed, any internal or external factors which may impact the project and considers how sensitive the forecast costs are to both internal and external risk.

Future Plans

- 4.17 The Council recognises that it will play a pivotal role in key projects which will enable the district to thrive and grow. Further development of the Capital Programme is needed particularly in years 3 – 5 in order to properly encapsulate these major local development projects. An Economic Prosperity Plan is currently being developed by the Director of Economic Growth and Regeneration setting out an overarching coherent medium term plan for the district. As the plan develops individual capital schemes contributing to its delivery will be identified and brought forward to Capital Strategy Group for its assessment. Similarly other strategies under development in the coming months which have capital expenditure implications will also be considered by the group.

5. Treasury Management

- 5.1 Treasury management deals with the management of cash flows resulting from the Council's day to day operations. It ensures that the cash flows are adequately planned with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 5.2 The Treasury management service also covers the funding of the Council's capital plans which provide a guide to the borrowing need of the Authority.

Governance & Scrutiny

- 5.3 The Council's Treasury Management Strategy including its Prudential and Treasury indicators is approved annually by full Council. Council also receives and approves a mid-year treasury management report which sets out in year progress of the treasury position and an annual treasury report which sets out how actual treasury operation compared to the estimates within the strategy.
- 5.4 Both Cabinet and Budget and Performance Panel scrutinise the above reports before they are presented to and approved by Council.
- 5.5 The Section 151 officer and his staff have delegated authority to make decisions in respect of detailed investment and borrowing acting in line with the framework set out in the treasury management strategy.

Investment

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

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

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

5.8 The Council's Investments at 31.03.2020 were:

| Balance 31.03.2020 | £M | Liquidity |
|--------------------------|--------------|----------------|
| Money Market Funds | 16.00 | Instant Access |
| Other Local Authorities | 24.00 | Fixed Term |
| Total Investments | 40.00 | |

Borrowing

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

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

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

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

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

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

| | 2019/20 Actual £m | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|-----------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| External Debt | | | | | | |
| Actual gross debt at 31 March | 62.13 | 61.08 | 101.05 | 121.63 | 124.56 | 125.62 |
| The Capital Financing Requirement | 86.70 | 95.87 | 134.88 | 155.47 | 157.28 | 158.70 |
| Under Borrowing | (24.57) | (34.79) | (33.83) | (33.84) | (32.72) | (33.08) |

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

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

| | 2019/20 Actual £M | 2020/21 Estimate £M | 2021/22 Estimate £M | 2022/23 Estimate £M | 2023/24 Estimate £M | 2024/25 Estimate £M |
|------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| General Fund MRP | (1.60) | (1.76) | (2.18) | (3.73) | (4.44) | (4.58) |
| HRA MRP | (1.04) | (1.04) | (1.04) | (1.04) | (1.04) | (1.04) |
| Total | (2.64) | (2.80) | (3.22) | (4.77) | (5.48) | (5.62) |

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

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

| | 2020/21 Estimate £M | 2021/22 Estimate £M | 2022/23 Estimate £M | 2023/24 Estimate £M | 2024/25 Estimate £M |
|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Operational Boundary | 95.87 | 134.88 | 155.47 | 157.28 | 158.70 |

| | | | | | |
|------------------|--------|--------|--------|--------|--------|
| Authorised Limit | 103.00 | 112.00 | 151.00 | 171.00 | 173.00 |
|------------------|--------|--------|--------|--------|--------|

6. Commercial Activity

Current Position

- 6.1 The Council's existing investment property portfolio generates approximately £0.842M per annum to support the General Fund Revenue Budget. It is comprised of a mix of office and retail lets together with agricultural and commercial land and commercial buildings as set out below:

| Investment Asset Type | £M |
|--------------------------|--------------|
| Office | 4.14 |
| Retail | 2.85 |
| Agriculture & Allotments | 1.47 |
| Commercial Land | 4.83 |
| Commercial Building | 6.76 |
| Mixed Commercial | 8.31 |
| Total | 28.36 |

- 6.2 The majority of this portfolio has been accumulated by the Council over a number of years rather than actively acquired. Tenancy agreements are produced by the Council's Estates Management Team in consultation with Legal Services and range from leases, licences and other agreements such as easements, wayleaves and rights of way
- 6.3 The Council is obliged to obtain the best price it reasonably can for its commercial lets. Most properties have rents which are set based upon market conditions and comparable evidence to support the decision making process includes that from local agents, rents associated with other Council properties, recent transactions, inflation etc.

Performance Monitoring

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

Future Plans

- 6.5 Recent changes to Public Works Loan Board (PWLB) borrowing have had significant implications for the Capital Programme, with investment primarily for yield now being constrained. These changes may require a different approach to capital investment, further work is being undertaken to ensure the alignment of the programme with the new criteria.

7. Knowledge & Skills

- 7.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.
- 7.2 The key decision-making officers within the Executive Team include Kieran Keane, Chief Executive and the Council's, Section 151 Officer Paul Thompson are qualified accountants with many years' experience. The Director for Economic Growth & Regeneration, Jason

Syers is a qualified Chartered Surveyor and Town Planner with over 20 years' public and private sector experience of delivering complex development and regeneration projects in the UK and internationally.

- 7.3 Underpinning the Executive Team are teams of experienced finance, property and legal professionals.
- 7.4 Where the appropriate level of knowledge and skills required is not available in-house the Council will use external advisers and consultants that are specialists in their field. The Council currently uses Link Asset Services, Treasury solutions as treasury management advisors.



**Treasury Management Strategy 2021/22
24 February 2021**

Report of Cabinet

PURPOSE OF REPORT

This report sets out the 2021/22 Treasury Management framework for Council’s approval.

This report is public.

RECOMMENDATIONS:

- (1) **That the Council notes the report and approves the Treasury Management Framework and associated Prudential Indicators as set out in Appendices A to C.**

1.0 INTRODUCTION

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

2.0 TREASURY MANAGEMENT STRATEGY

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

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

2.3 The main objective of these reforms was to respond to the major expansion of local authority investment activity over the last few years into the purchase of non-financial investments, particularly property held for primarily for yield. As noted in section 4 above this has impacted the Council’s capital programme and elements of its Funding the Future Strategy. The proposed Treasury Management Strategy fully complies current regulation and guidance. However, officers are exploring options around future funding of capital schemes and any revisions to the programme or supporting strategies will be brought forward for approval in line with the Council’s constitution.

- 2.4 The proposed Strategy for 2021/22 to 2024/25 is set out at **Appendix A**. The document contains the necessary details to comply with both the Code and Government investment guidance. Responsibilities for treasury management are set out at **Appendix B** and the policy statement is presented at **Appendix C**.

3.0 BORROWING ASPECTS OF THE STRATEGY

Capital Financing Requirement (CFR)

- 3.1 The Council's CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's CFR is set to increase from the current estimated 2020/21 position £95.87M to £158.70M in 2024/25.
- 3.2 The CFR does not increase indefinitely as a statutory annual charge to revenue known as Minimum Revenue Provision (MRP), approximately reduces the borrowing need in line with each asset's life.
- 3.3 Based on the capital programme, the overall physical borrowing position of the Council is projected to increase significantly over the next three to five years from its current position of £61M to £101M (2021/22) potentially raising to £126M (2024/25) as the Council looks to move forward with several ambitious schemes to enable delivery of its Strategic Priorities.
- 3.4 This level of borrowing is assessed for affordability, sustainability and prudence in line with the Council's Treasury Management Strategy and requires annual approval by Council following consultation with Budget & Performance Panel
- 3.5 Changes in the Council's Capital Financing Requirement and forward borrowing projections are summarised in tables 1 and 2 below.

Table 1: Capital Financing Requirement

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

Table 2: Borrowing Projections

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Actual | Estimate | Estimate | Estimate | Estimate | Estimate |
| | £m | £m | £m | £m | £m | £m |
| External Debt | | | | | | |
| Debt at 1 April | 63.17 | 62.13 | 102.09 | 122.67 | 125.60 | 126.66 |
| Expected change in Debt | (1.04) | (1.04) | (1.04) | (1.04) | (1.04) | (1.04) |
| Other long-term liabilities (OLTL) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Expected change in OLTL | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Actual gross debt at 31 March | 62.13 | 61.08 | 101.05 | 121.63 | 124.56 | 125.62 |

The Operational Boundary

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

Table 3 Operational Boundary

| Operational boundary | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Debt* | 81.78 | 81.94 | 121.23 | 142.10 | 144.19 |
| Other long term liabilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Commercial activities/non-financial investments | 4.92 | 13.93 | 13.65 | 13.37 | 13.09 |
| Total | 86.70 | 95.87 | 134.88 | 155.47 | 157.28 |

The Authorised Limit for External Debt

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

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

Table 4: Authorised Limit

| Authorised Limit | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Debt | 97.00 | 97.00 | 136.00 | 157.00 | 159.00 |
| Other long term liabilities | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Commercial activities/non-financial investments | 5.00 | 14.00 | 14.00 | 13.00 | 13.00 |
| Total | 103.00 | 112.00 | 151.00 | 171.00 | 173.00 |

4.0 INVESTMENT ASPECTS OF THE STRATEGY

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

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

5.0 CONSULTATION

5.1 Officers have liaised with Link Asset Services, the Council's Treasury Advisors, in developing the proposed framework. The framework was considered by Budget and Performance Panel at its meeting on 16 February 2021.

6.0 CONCLUSION

6.1 The Treasury Management Framework must fit with other aspects of the budget, such as such as commercial investments together with traditional deposit interest estimates and underlying prudential borrowing assumptions, feeding into Prudential and Treasury Management Indicators

6.2 Any alternative proposals or amendments to the proposed Strategy in **Appendix A** would have to be considered in light of legislation, professional and economic factors, and importantly, any alternative views regarding the Council's approach to risk.

RELATIONSHIP TO POLICY FRAMEWORK

The proposed Treasury Management framework forms part of the Council's budget and policy framework, and fits into the Medium Term Financial Strategy.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc) No direct implications arising.

FINANCIAL IMPLICATIONS

The Strategy is in support of achieving the borrowing cost and investment interest estimates included in the budget.

OTHER RESOURCE IMPLICATIONS

None directly arising.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has authored this report and his comments and advice are reflected in its content.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Cabinet 09 February 2021
Budget & Performance Panel 16 February 2021

Contact Officer: Paul Thompson
Telephone: 01524 582603
E-mail: pthompson@lancaster.gov.uk

Treasury Management Strategy 2021/22 to 2024/25

For Consideration by Council 24 February 2021

1 INTRODUCTION

1.1 Background

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

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

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

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

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

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

1.2 Reporting Requirements

Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2021-22, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

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

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

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments are reported through the former. This ensured the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

On 26 November 2020 a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had the purchase of assets for yield in its three-year capital programme. Following this prohibition commercial assets were removed from the Authority's capital programme. Any such assets referred to in the following report were purchased in 2019/20 and in 2020/21 before the restriction was introduced.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

Treasury Management Reporting

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

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

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

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

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

In addition, Members will receive high level update reports for Quarters 1 and 3.

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

1.3 Treasury Management Strategy for 2021/22

The strategy for 2021/22 covers two main areas:

Capital Issues

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

Treasury Management Issues

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

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate associated training. This especially applies to Members responsible for scrutiny. A training session was held for members on 5 December 2019 supplemented by further internal briefings on 16 and 22 January 2020 and further training will be arranged during 2021/22. The training needs of treasury management Officers are periodically reviewed.

1.5 Treasury Management Consultants

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

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

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

The scope of investments within the Council's operations has included, up until November 2020, both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments such as investment properties. The commercial type investments require specialist advisers. The Council used Carigiet Cowan Chartered Surveyors in relation to this activity.

2 CAPITAL PRUDENTIAL INDICATORS 2020/21 – 2024/25

The Council's capital expenditure plans are the key driver of treasury management activity. The plans are reflected in various prudential indicators, as determined under regulation, to assist Members in their overview of such capital expenditure planning.

2.1 Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below provides that summary, showing how the plans are being financed by capital or revenue resources. Any shortfall of resources results in an underlying borrowing or financing need.

| Capital expenditure | 2019/20 Actual £m | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| General Fund | 7.16 | 10.98 | 62.91 | 28.64 | 9.67 | 8.98 |
| Housing Revenue Account (HRA) | 4.08 | 3.54 | 4.78 | 4.74 | 4.44 | 4.40 |
| Commercial activities/non-financial investments* | 4.92 | 9.10 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 16.16 | 23.62 | 67.69 | 33.38 | 14.11 | 13.38 |
| Financed by: | | | | | | |
| Capital receipts | (0.72) | (0.49) | (0.64) | (0.64) | (0.64) | (0.64) |
| Capital grants | (5.22) | (7.81) | (19.57) | (2.89) | (2.02) | (1.89) |
| Capital reserves | (3.13) | (2.77) | (4.14) | (4.09) | (3.80) | (3.76) |
| Revenue | (0.62) | (0.58) | (1.11) | (0.39) | (0.36) | (0.04) |
| Net financing need for the year | 6.47 | 11.97 | 42.23 | 25.37 | 7.29 | 7.05 |

*Commercial activities/non-financial investments related to areas such as capital expenditure on property investments

The net financing need for commercial activities/non-financial investments included in the above table against expenditure is shown below:

| Commercial activities/non-financial | 2019/20 Actual | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate |
|--|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | £m | £m | £m | £m | £m | £m |
| Capital | 4.92 | 9.10 | 0.00 | 0.00 | 0.00 | 0.00 |
| Financing Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net financing need for the year | 4.92 | 9.10 | 0.00 | 0.00 | 0.00 | 0.00 |
| Percentage of total net financing need % | 76.04 | 76.02 | 0.00 | 0.00 | 0.00 | 0.00 |

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely. This is because the Minimum Revenue Provision (MRP), which is a statutory annual charge to revenue, broadly reduces the borrowing need in line with each asset's life.

The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no leases within the CFR.

Members are asked to approve the CFR projections below:

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

| | | | | | | |
|---|--------------|--------------|---------------|---------------|---------------|---------------|
| Total CFR | 86.70 | 95.87 | 134.88 | 155.47 | 157.28 | 158.70 |
| Movement in CFR | | | | | | |
| Non Housing | (0.05) | 1.21 | 40.33 | 21.91 | 3.13 | 2.75 |
| Housing | (1.06) | (1.04) | (1.04) | (1.04) | (1.04) | (1.04) |
| Commercial activities/non-financial investments | 4.92 | 9.00 | (0.28) | (0.28) | (0.28) | (0.28) |
| Net Movement in CFR | 3.81 | 9.17 | 39.01 | 20.59 | 1.81 | 1.42 |

| | | | | | | |
|--|-------------|-------------|--------------|--------------|-------------|-------------|
| Movement in CFR represented by | | | | | | |
| Net financing need for the year (above) re Non Housing | 6.47 | 11.97 | 42.23 | 25.37 | 7.29 | 7.05 |
| Less MRP/VRP and other financing movements | (2.66) | (2.80) | (3.22) | (4.78) | (5.48) | (5.63) |
| Net Movement in CFR | 3.81 | 9.17 | 39.01 | 20.59 | 1.81 | 1.42 |

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures and details above demonstrate the scope of this activity and, by approving these figures, consider the scale proportionate to the Authority's remaining activity.

2.3 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to 'pay off' an element of the accumulated General Fund CFR each year through a revenue charge (the minimum revenue provision - MRP), and it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

Government Regulations require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision being made. In approving this Strategy, Council approves the following MRP Statement:

From 1 April 2008 for all unsupported borrowing the MRP will be:

- **Asset life method** – MRP will be based on the estimated life of each asset created as a result of the related capital expenditure, in accordance with the Regulations (this option must also be applied for any expenditure capitalised under a Capitalisation Direction).

This option provides for a reduction in the borrowing need over the approximate life of the asset concerned.

In line with Government guidance, the MRP in respect of capital expenditure incurred before 01 April 2008 will be charged over a period of 60 years.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

Repayments included in annual finance leases are applied as MRP.

MRP Overpayments – A change introduced by the revised Government MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision, voluntary revenue provision or overpayments, can, if needed be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until 31 March 2020 the total VRP overpayments were £8.33m

2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments, unless resources are supplemented each year from new sources (e.g. asset sales). The following table provides estimates of the year end balances for each resource and anticipated year end cash flow balances from other day to day activities:

| Year End Resources | 2019/20 Actual £m | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|-----------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fund balances / reserves | 33.82 | 26.02 | 25.05 | 25.07 | 23.94 | 24.29 |
| Capital receipts | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Provisions | 6.23 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 |
| Total core funds | 40.05 | 32.02 | 31.05 | 31.07 | 29.94 | 30.29 |
| Working capital* | 23.95 | 9.18 | 9.18 | 9.18 | 9.18 | 9.18 |
| Under borrowing | (24.57) | (34.79) | (33.83) | (33.84) | (32.72) | (33.08) |
| Expected investments | 39.43 | 6.41 | 6.40 | 6.41 | 6.40 | 6.39 |

*Working capital balances shown are estimated year end; these may be higher mid-year

2.5 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. Members are asked to approve the following indicators:

2.6 Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

| | 2019/20 Actual % | 2020/21 Estimate % | 2021/22 Estimate % | 2022/23 Estimate % | 2023/24 Estimate % | 2024/25 Estimate % |
|---|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| General Fund | 17.42 | 12.87 | 19.97 | 27.75 | 29.45 | 29.24 |
| HRA | 21.05 | 20.18 | 19.41 | 18.61 | 17.86 | 17.41 |
| Commercial activities/non-financial investments | 0.00 | 20.15 | 24.40 | 23.79 | 23.58 | 23.58 |

The estimates of financing costs include current commitments and the proposals in this budget report.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

| | 2019/20 Actual £m | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| External Debt | | | | | | |
| Debt at 1 April | 63.17 | 62.13 | 102.09 | 122.67 | 125.60 | 126.66 |
| Expected change in Debt | (1.04) | (1.04) | (1.04) | (1.04) | (1.04) | (1.04) |
| Other long-term liabilities (OLTL) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Expected change in OLTL | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Actual gross debt at 31 March | 62.13 | 61.08 | 101.05 | 121.63 | 124.56 | 125.62 |
| The Capital Financing Requirement | 86.70 | 95.87 | 134.88 | 155.47 | 157.28 | 158.70 |
| Under Borrowing | (24.57) | (34.79) | (33.83) | (33.84) | (32.72) | (33.08) |

Within the above figures the level of debt relating to commercial activities/non financial investment is:

| | 2019/20 Actual £m | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|--|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| External Debt for commercial activities / non-financial investments | | | | | | |
| Actual debt at 31 March £m | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Percentage of total external debt % | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

There are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Head of Financial Services reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

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

| Operational boundary | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Debt* | 81.78 | 81.94 | 121.2 3 | 142.1 0 | 144.1 9 |
| Other long term liabilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Commercial activities/non-financial investments | 4.92 | 13.93 | 13.65 | 13.37 | 13.09 |
| Total | 86.70 | 95.87 | 134.8 8 | 155.4 7 | 157.2 8 |

- *The term debt in this instance is CFR minus the effect of leases*

The Authorised Limit for External Debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all

councils' plans, or those of a specific council, although this power has not yet been exercised.

2. Council is asked to approve the following authorised limit:

| Authorised Limit | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Debt | 97.00 | 97.00 | 136.00 | 157.00 | 159.00 |
| Other long term liabilities | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Commercial activities/non-financial investments | 5.00 | 14.00 | 14.00 | 13.00 | 13.00 |
| Total | 103.00 | 112.00 | 151.00 | 171.00 | 173.00 |

3.3 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided forecasts on 11.08.2020. However, following the conclusion of the review of PWLB margins over gilt yields on 25.11.20, all forecasts have been reduced by 1%. These are forecasts for certainty rates, gilt yields plus 80 bps:

| | Mar-21 | Mar-22 | Mar-23 | Mar-24 |
|---------------------------|--------|--------|--------|--------|
| Bank Rate | 0.10 | 0.10 | 0.10 | 0.10 |
| 3 Month average earnings | 0.10 | 0.10 | 0.10 | 0.10 |
| 6 Month average earnings | 0.10 | 0.10 | 0.10 | 0.10 |
| 12 Month average earnings | 0.20 | 0.20 | 0.20 | 0.20 |
| 5yr PWLB rate | 0.80 | 0.90 | 0.90 | 1.00 |
| 10yr PWLB rate | 1.10 | 1.20 | 1.20 | 1.30 |
| 25yr PWLB rate | 1.50 | 1.60 | 1.70 | 1.80 |
| 50yr PWLB rate | 1.30 | 1.40 | 1.50 | 1.60 |

Additional notes by Link on this forecast table: -

- Please note that we have made a slight change to our interest rate forecasts table above for forecasts for 3, 6 and 12 months. Traditionally, we have used LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that all LIBOR rates up to 6m are currently running below 10bps, using that convention would give negative figures as forecasts for those periods. However, the liquidity premium that is still in evidence at the short end of the curve means that the rates actually being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 10 bps is achievable for 3 months, 10bps for 6 months and 20 bps for 12 months.*
- During 2021, Link will be continuing to look at market developments in this area and will monitor these with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR. This is likely to*

be an iteration of the overnight SONIA rate and the use of compounded rates and Overnight Index Swap (OIS) rates for forecasting purposes.

- *We will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis.*

Further commentary on economic prospects provided by Link: -

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 16th December, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged. These forecasts were based on an assumption that a Brexit trade deal would be agreed by 31.12.20: as this has now occurred, these forecasts do not need to be revised.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

Investment and borrowing rates

- **Investment returns** are likely to remain exceptionally low during 2020/21 with little increase in the following two years.
- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England; indeed gilt yields up to six years were negative during most of the first half of 2020/21. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure
- As a consequence of these increases in margins, many local authorities decided to refrain from PWLB borrowing unless it was for HRA or local infrastructure financing, until such time as the review of margins was concluded.
- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme

- While this authority will not be able to avoid borrowing to finance £68.7m, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns) to any new short or medium-term borrowing that causes a temporary increase in cash balances

3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's provisions, reserves, balances and working capital has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Section 151 Officer, under delegated powers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing would be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE borrowing rates than that currently forecast, perhaps arising from an acceleration 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 be re-appraised*

Any decisions will be reported to Cabinet at the next available opportunity.

3.5 Maturity Structure of Borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following indicators and limits:

| Maturity structure of fixed interest rate borrowing 2020/21 | £m | Current % | Lower % | Upper % |
|--|-----------|------------------|----------------|----------------|
| Under 12 months | 1.04 | 1.70 | 0 | 100 |
| 12 months and within 24 months | 1.04 | 1.70 | 0 | 100 |
| 24 months and within 5 years | 3.12 | 5.11 | 0 | 100 |
| 5 years and within 10 years | 5.20 | 8.51 | 0 | 100 |
| 10 years and within 20 years | 10.40 | 17.03 | 0 | 100 |
| 20 years and within 30 years | 1.08 | 1.08 | 0 | 100 |
| 30 years and within 40 years | 39.20 | 64.18 | 0 | 100 |
| 40 years and within 50 years | 0.00 | 0.00 | 0 | 100 |

3.6 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, allowing for authorised increases, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.7 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100bps in November 2020.

If rescheduling was done it would be reported to Cabinet at the earliest meeting following its action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).

Council's investment policy has regard to the following:

- MHCLG Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's investment priorities will be security first, liquidity second, then return.

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long term ratings.
2. **Other Information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this the council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. The authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in **annex B2** under the categories of 'specified' and 'non-specified' investments.
 - **Specified investments** are those with a high level of credit quality and subject of a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or more complex instruments which require greater consideration by members and officers before being authorised for use.
5. Non-specified investments limit. The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio. (see paragraph 4.3)
6. Lending limits (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2
7. Transaction limits are set for each type of investment in 4.2
8. The Council will set a limit for the amount of its investments which are invested for longer than 365 days (see paragraph 4.4)
9. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating (see paragraph 4.3)
10. The Council has engaged external consultants (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in sterling.
12. As a result of the change in accounting standards for 2020/21 under IFRS9, the authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund

The Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.

The above criteria are unchanged from last year

4.2 Creditworthiness Policy

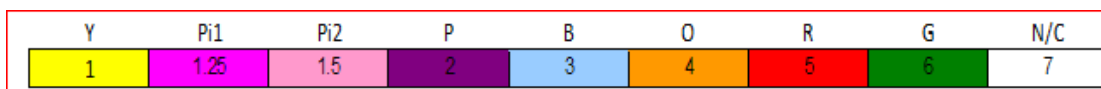
This Council will apply the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three

main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- **Yellow (Y)** up to but less than 1 year
- **Dark pink (Pi1)** liquid - Ultra-Short Dated Bond Funds with a credit score of 1.25
- **Light pink (Pi2)** liquid – Ultra-Short Dated Bond Funds with a credit score of 1.5
- **Purple (P)** up to but less than 1 year
- **Blue (B)** up to but less than 1 year (only applies to nationalised or part-nationalised UK Banks)
- **Orange (O)** up to but less than 1 year
- **Red (R)** 6 months
- **Green (G)** 100 days
- **No colour (N/C)** not to be used



| | Colour (and long term rating where applicable) | Money Limit | Time Limit |
|---|--|----------------|------------|
| Banks /UK Govt. backed instruments* | yellow | £12m | ≤1 year |
| Banks | purple | £6m | ≤1 year |
| Banks | orange | £6m | ≤1 year |
| Banks – part nationalised | blue | £12m | ≤1 year |
| Banks | red | £6m | ≤6 mths |
| Banks | green | £3m | ≤100 days |
| Banks | No colour | Not to be used | |
| Limit 3 category – Council's banker (for non-specified investments) | n/a | £1m | 1 day |
| DMADF | AAA | unlimited | ≤6 months |

| Local authorities | n/a | £12m | ≤1 year |
|--|------------------|----------------------|------------|
| | Fund rating** | Money and/or % Limit | Time Limit |
| Money Market Funds CNAV | AAA | £6m | liquid |
| Money Market Funds LVNAV | AAA | £6m | liquid |
| Money Market Funds VNAV | AAA | £6m | liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.25 | Dark pink / AAA | £6m | liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.5 | Light pink / AAA | £6m | liquid |

* the yellow colour category includes UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt –see Annex A2.

** “fund” ratings are different to individual counterparty ratings, coming under either specific “MMF” or “Bond Fund” rating criteria.

The creditworthiness service uses a wider array of information other than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency’s ratings.

Typically the minimum credit ratings criteria (built in) that the Council use will be a Short Term rating of F1 and a Long Term rating of A- (Fitch, or equivalents). There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council’s minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council’s lending list.

Sole reliance will not be placed on the use of this external service. In addition, the Council will also use to some limited extent market data and market information, information on sovereign support for banks and the credit ratings of that supporting government to help support its decision making process.

Creditworthiness

Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30.6.20 due to upcoming risks to banks’ earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks

made provisions for *expected* credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on *actual* levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK banking sector to “somewhat less than £80bn”. It stated that in its assessment, “banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC’s central projection”. The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC’s projection, with unemployment rising to above 15%.

All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. Nevertheless, prices are still elevated compared to end-February 2020. Pricing is likely to remain volatile as uncertainty continues. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

4.3 Country Limits

Due care will be taken to consider the exposure of the Council’s total investment portfolio to non-specified investments, countries, groups and sectors

- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from other countries with a minimum sovereign credit rating of AAA (Fitch) or equivalent from each of the credit rating agencies. This list will be added to, or deducted from, by Officers should ratings change in accordance with this policy.

4.4 Investment Strategy

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

In-house Funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be reliably identified that could be invested for longer periods the value to be obtained from longer term investments will be carefully assessed.

Investment Returns Expectations: Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

The suggested budgeted investment earnings rates for returns on investments place for periods up to about three months during each financial year are:

- 2020/21 0.10%
- 2021/22 0.10%
- 2022/23 0.10%
- 2023/24 0.10%
- 2024/25 0.25%

The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by the deal agreed as part of Brexit.

There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations.

Negative investment rates

While the Bank of England said in August/ September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

Investment treasury indicator and limit - the total principal funds that can be invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. Council is asked to approve the following treasury indicator and limit:

| Maximum principal sums invested > 365 days | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| Principal sums invested > 365 days | Nil | Nil | Nil | Nil | Nil |

4.5 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

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. As from 21 July 2018 there will be three structural options for existing money market funds – Public Debt Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV)
- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.
- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.
- **Link Asset Services** – Link Asset Services are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.
- **Yield** – see Gilts

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

ANNEX A2

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

| | Minimum credit criteria / colour band | Max % of counterparty limit - *Specified | Max % of counterparty limit – **Non - Specified | Max. maturity period |
|---|---------------------------------------|--|---|----------------------|
| DMADF – UK Government | N/A | 100% | N/A | 6 months |
| UK Government gilts | UK sovereign rating | 100% | N/A | 1 year |
| UK Government Treasury bills | UK sovereign rating | 100% | N/A | 1 year |
| Bonds issued by multilateral development banks | AAA | 100% | N/A | 6 months |
| Money Market Funds CNAV | AAA | 100% | N/A | Liquid |
| Money Market Funds LVNAV | AAA | 100% | N/A | Liquid |
| Money Market Funds VNAV | AAA | 100% | N/A | Liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.25 | AAA | 100% | N/A | Liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.5 | AAA | 100% | N/A | Liquid |
| Local authorities | N/A | 100% | N/A | 1 year |
| Term deposits with banks and building societies | Yellow | 100% | 20% | Up to 1 year |
| | Purple | 100% | 20% | Up to 1 year |
| | Blue | 100% | N/A | Up to 1 year |
| | Orange | 100% | 20% | Up to 1 year |
| | Red | 100% | 20% | Up to 6 Months |
| | Green | 100% | 20% | Up to 100 days |
| Certificates of Deposit and corporate bonds with banks and building societies | No Colour | 0% | 0% | Not for use |
| | Yellow | 20% | 0% | Up to 1 year |
| | Purple | 20% | 0% | Up to 1 year |
| | Blue | 20% | 0% | Up to 1 year |
| | Orange | 20% | 0% | Up to 1 year |
| | Red | 0% | 0% | Up to 6 Months |
| Green | 0% | 0% | Up to 100 days | |
| No Colour | 0% | 0% | Not for use | |

***SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the quality criteria as applicable.

****NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the specified investment criteria. A maximum of up to 20% ** will be held in aggregate in relevant non-specified investments (as at the trade date of investing).

ANNEX A3

Background information on credit ratings

Credit ratings are an important part of the Authority's investment strategy. The information below summarises some of the key features of credit ratings and why they are important.

What is a Credit Rating?

A credit rating is:

- An independent assessment of an organisation;
- It gauges the likelihood of getting money back on the terms it was invested;
- It is a statement of opinion, not statement of fact;
- They help to measure the risk associated with investing with a counterparty;

Who Provides / Uses Credit Ratings?

There are three main ratings agencies, all of which are used in the Authority's treasury strategy.

- Fitch
- Moody's Investor Services
- Standard & Poor's

The ratings supplied by these agencies are used by a broad range of institutions to help with investment decisions, these include:

- Local Authorities;
- Other non-financial institutional investors;
- Financial institutions;
- Regulators;
- Central Banks;

Rating Criteria

There are many different types of rating supplied by the agencies. The key ones used by the Authority are ratings to indicate the likelihood of getting money back on terms invested. These can be split into two main categories:

- 'Short Term' ratings for time horizons of 12 months or less. These may be considered as the most important for local authorities.
- 'Long Term' ratings for time horizons of over 12 months. These may be considered as less important in the current climate.

In addition, the agencies issue sovereign, individual and support ratings which will also feed into the investment strategy.

Rating Scales (Fitch, Moody's and Standard & Poor's)

The table below shows how some of the higher graded short and long term ratings compare across the agencies; the top line represents the highest grade possible. (There are other ratings that go much lower than those shown below, and ratings for other elements).

| Short Term | | | Long Term | | |
|------------|---------|------|-----------|---------|-----|
| Fitch | Moody's | S&P | Fitch | Moody's | S&P |
| F1+ | P-1 | A-1+ | AAA | Aaa | AAA |
| F1 | P-1 | A-1 | AA | Aa2 | AA |
| F2 | P-2 | A-2 | A | A2 | A |

TREASURY MANAGEMENT FRAMEWORK DOCUMENTS AND RESPONSIBILITIES

For consideration by Council 24 February 2021

| DOCUMENT | RESPONSIBILITY |
|---------------------------------------|--|
| CODE of PRACTICE | To be adopted by Council (as updated 2017). |
| POLICY STATEMENT | The Code of Practice recommends a specific form of words to be used, to set out the Council's objectives within the Policy Statement for its Treasury Management activities. It is the responsibility of Council to approve this document, and then note it each year thereafter if unchanged. This reflects the revised code issued in 2017. |
| TREASURY MANAGEMENT STRATEGY | The Strategy document breaks down the Policy Statement into detailed activities and sets out the objectives and expected market forecasts for the coming year. This also contains all the elements of an Investment Strategy as set out in the Government guidance; it is the responsibility of Council to approve this document, following referral from Cabinet. |
| TREASURY MANAGEMENT INDICATORS | These are included within the Strategy Statement as part of the framework within which treasury activities will be undertaken. It is the responsibility of Council to approve these limits. |
| INVESTMENT STRATEGY | The Investment Strategy is included within the Treasury Management Strategy. It states which types of investments the Council may use for the prudent management of its treasury balances during the financial year. Under existing guidance the Secretary of State recommends that the Strategy should be approved by Council. |
| TREASURY MANAGEMENT PRACTICES | <p>These are documents that set out the procedures that are in place for the Treasury Management function within the Council. The main principles were approved by Cabinet following initial adoption of the Code of Practice; they include:</p> <ul style="list-style-type: none"> TMP 1: Risk management TMP 2: Performance measurement. TMP 3: Decision-making and analysis. TMP 4: Approved instruments, methods & techniques. TMP 5: Organisation, clarity and segregation of responsibilities, and dealing arrangements. TMP 6: Reporting requirements & management information requirements. TMP 7: Budgeting, accounting & audit. TMP 8: Cash & cash flow management. TMP 9: Money laundering. TMP 10: Staff training & qualifications. TMP 11: Use of external service providers. TMP 12: Corporate governance. <p>It is the Section 151 Officer's responsibility to maintain detailed working documents and to ensure their compliance with the main principles. The content of the TMPs will be reviewed during 2021/22, in view of the recent changes to the treasury management regulatory framework.</p> |
| FINANCIAL REGULATIONS | The Financial Regulations must contain four specific clauses. These are substantially unchanged in the 2017 Code; it is the Section 151 Officer's responsibility to ensure their inclusion. |

LANCASTER CITY COUNCIL
TREASURY MANAGEMENT POLICY STATEMENT

For consideration by Council
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.

COUNCIL**Councillors' Allowances Scheme: Review
24 February 2021****Report of the Head of Democratic Services****PURPOSE OF REPORT**

To present the report and recommendations of the Independent Remuneration Panel (IRP), which Council must give due regard to in setting its Councillors' Allowances Scheme from May 2021.

This report is public.

RECOMMENDATIONS

- (1) That the report and recommendations of the IRP be taken into consideration regarding the Councillors' Allowances Scheme, noting that any changes Council chooses to make to its Scheme would come into effect from 1st May 2021

The IRPs recommendations are set out in full in the Panel's report and the summary of recommendations is shown below:

With regard to the Basic Allowance:

- (1) That the basic allowance be increased, year on year, in line with Employee Pay Awards, unless the IRP recommends otherwise. Should the IRP recommend otherwise, its recommendation will be put to Council at the appropriate time.***

With regard to Special Responsibility Allowances:

- (2) That the figure of £4,370.70 per annum be recommended to Council as the appropriate allowance for the Licensing Committee Chair;***
- (3) That £1,000pa be allocated for SRAs for the Council's Champions to be divided equally between serving Champions up to a cap of £250 each Champion per annum; and***
- (4) That all SRAs be reassessed during the full review in 2022/23.***

With regard to Travel Allowances:

(5) That no change be made to the arrangements for travel outside the district and that Councillors be encouraged to use public transport wherever possible.

(6) That the list of approved duties remain as it is currently, without the addition of Champion's duties.

1.0 Introduction

1.1 Local authorities are required to establish and maintain an Independent Remuneration Panel to provide them with recommendations on a scheme of allowances to be paid to members and others. The authority must have regard to the recommendations of its IRP before it makes or amends its members' allowance scheme.

2.0 The Review

2.1 The IRP has carried out a light touch review, as required at this point in the electoral cycle. A full review is only carried out in the year before the City Council's elections, which will be 2022/23. The methodology and findings are set out in the report.

3.0 Conclusion

3.1 Members are requested to have regard to the report of the IRP when setting a scheme for Members' Allowances to come into effect in May 2021.

| |
|---|
| <p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) There are no direct implications as a result of this report.</p> |
|---|

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|--|
| <p>FINANCIAL IMPLICATIONS The recommendations of the IRP, if approved, would result in a minimal increase to Councillors allowances in 2021/22 of £250.</p> |
|--|

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|--|
| <p>LEGAL IMPLICATIONS The relevant regulation is set out in the IRP's report.</p> |
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| <p>SECTION 151 OFFICER'S COMMENTS The Section 151 Officer has been consulted and has no comments.</p> |
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| <p>MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no comments.</p> |
|--|

| | |
|---------------------------------|---|
| <p>BACKGROUND PAPERS</p> | <p>Contact Officer: Debbie Chambers Telephone: 01524 582057 E-mail: dchambers@lancaster.gov.uk</p> |
|---------------------------------|---|

Report To: Lancaster City Council

From: The Independent Remuneration Panel



**Recommendations for Councillors Remuneration
for the Municipal Year 2021/2022**

Report to Council on Wednesday 24th February 2021

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1.0 PANEL REMIT

- 1.1 Lancaster City Council's Independent Remuneration Panel (IRP) was established in accordance with Local Authorities (Members' Allowances) (England) Regulations 2003.
- 1.2 A local authority is required to establish and maintain an Independent Remuneration Panel to provide it with recommendations on a scheme of allowances to be paid to members and others. The authority must have regard to the recommendations of its IRP before it makes or amends its members' allowance scheme.
- 1.3 The allowances payable under a local authority scheme of allowances are as follows:
- **Basic Allowance** (*Each local authority **must** make provision in its scheme of allowances for a basic, flat rate allowance payable to all members of the authority which must be the same for each member*).
 - **Special Responsibility Allowance** (*Each authority **may** also make provision for payment of special responsibility allowances for those members who have significant responsibilities e.g. leader of the council, member of the cabinet, chairing committees, acting as spokesperson for a political group*).
 - **Dependents' Carers' Allowance** (*Each authority **may** also provide for the payment of a dependents' carers' allowance to those members who incur expenditure for the care of children or other dependents whilst undertaking particular duties*).
 - **Travelling and Subsistence Allowance** (*Each authority **may** also provide for the payment of a travelling and subsistence allowance to its members, including co-opted members*).
 - **Co-optees' Allowance** (*Each authority **may** also provide an allowance to any co-opted and appointed members of a council's committees or sub committees*).

2.0 PANEL MEMBERSHIP

- 2.1 There are currently three members on the panel:

Mr Ryan Hyde (Chair) was appointed to the Panel on 30th September 2020. Mr Hyde has a law degree and works as a Governance professional. He is currently also a member of Wyre Borough Council's Independent Remuneration Panel.

Mrs Harsha Shukla was appointed to the Panel on 15th July 2015. Mrs Shukla the President of Lancaster and Morecambe Hindu Society, and a member of the Faith in Lancaster Group and Communities Together.

Mr Ameer Hakim was appointed to the Panel on 29 July 2020 and is employed as an ICT/Finance professional in the finance sector. Mr Hakim is currently a Public Governor on the Board of Governors for University Hospitals of Morecambe Bay NHS Foundation Trust.

3.0 SUMMARY OF RECOMMENDATIONS

Several suggestions were made/issues raised by Councillors and the Head of Democratic Services. These were considered by Panel members (see paragraph 6 for details) and are reflected in their recommendations:

With regard to the Basic Allowance:

- (1) That the basic allowance be increased, year on year, in line with Employee Pay Awards, unless the IRP recommends otherwise. Should the IRP recommend otherwise, its recommendation will be put to Council at the appropriate time.***

With regard to Special Responsibility Allowances:

- (2) That the figure of £4,370.70 per annum be recommended to Council as the appropriate allowance for the Licensing Committee Chair;***
- (3) That £1,000pa be allocated for SRAs for the Council's Champions to be divided equally between serving Champions up to a cap of £250 each Champion per annum; and***
- (4) That all SRAs be reassessed during the full review in 2022/23.***

With regard to Travel Allowances:

- (5) That no change be made to the arrangements for travel outside the district and that Councillors be encouraged to use public transport wherever possible.***
- (6) That the list of approved duties remain as it is currently, without the addition of Champion's duties.***

4.0 BACKGROUND

- 4.1 The current Councillors' Allowances Scheme is reviewed on a regular basis whenever issues are raised, with a full review every four years, before the City Council elections. The last full review took place during 2018. All the recommendations of the IRP were approved by Council on 19 December 2018, with the revised scheme taking effect from May 2019.
- 4.2 The Regulations require an authority before the beginning of each year to 'make' the Scheme for the payment of allowances in that year. In light of this, the Panel was due to undertake an annual 'light touch' review for 2020/21, however when two members of the panel resigned following the last full review, the Panel became inquorate. Despite efforts to recruit, it was not possible to review the scheme for 2020/21.
- 4.3 On 29th July 2020, the Council appointed Mr Ameer Hakim. To assist with future recruitment, the Council also resolved:
- That £1,500 per annum be allocated for remuneration for Independent Remuneration Panellists to be divided equally between serving panellists up to a cap of £300 each per annum. **
- 4.4 In September, recruitment efforts proved successful and, with the recruitment of Mr Ryan Hyde, the Panel is now quorate once more. The new Panel met in November to consider any issues outstanding. This is the Panel's report and recommendations to allow the Council to 'make' its scheme for 2021/22.
- 4.5 The Regulations require an authority to publish its scheme if it changes and to publish the amounts of allowances paid to individual Members every year. The Head of Democratic Services arranges this.

5.0 APPROACH OF THE PANEL

5.1 Context

- 5.2 This was a 'light touch' review by a newly constituted Panel. It was not a full review; these are carried out every four years, the next one being due in Autumn 2022 to take effect after the City Council elections in May 2023. A full review would involve meaningful engagement with Councillors through interviews as well as benchmarking allowance schemes of similar sized district councils and other district councils in Lancashire.

5.3 Methodology

- 5.4 The Panel were issued with the current Councillors' Allowances Scheme for their information.
- 5.5 The Panel met via MS Teams on 27 November 2020 when the Head of Democratic Services provided information regarding the current Scheme's history and rationale.

* It should be noted that not all the Panel members claim the allowance offered.

- 5.6 Prior to the Panel meeting, the Head of Democratic Services had emailed all Councillors to ask if there were any issues that they wished the Panel to address, or any suggestions they would like the Panel to consider. Two responses were received raising four issues in total, as set out in the report.
- 5.7 In addition to the four issues raised, the Head of Democratic Services asked the Panel to consider the level of the allowance for the Chair of Licensing, for the reasons set out in paragraph 6.8 of this report.
- 5.8 For the reasons set out in paragraph 6.17, it was decided to hold a further meeting for interviews with the Council's Champions. This was held on 12 January 2021 and the Panel would like to thank the Council's Champions, Councillors Mel Guiding and Roger Dennison, for meeting remotely to discuss their roles.

6.0 ISSUES CONSIDERED

6.1 Basic Allowance

- 6.2 All 60 Members receive a Basic Allowance of £3,628.53 per annum. In accordance with the Regulations, this allowance is intended to recognise the time commitment of Councillors including the inevitable calls on their time such as meetings with officers and constituents. It is also intended to cover relevant incidental costs.
- 6.3 On 19th December 2018, Council approved all the recommendations of the IRP including:
- *That the basic allowance be increased, year on year, in line with Employee Pay Awards, unless Council votes against an increase.*
- 6.4 The effect of this resolution is that when an Employee Pay Award is agreed, a report is put to Council asking Councillors to vote for or against a matching increase. A Councillor had suggested to the new Panel that any increase in line with an Employee Pay Award be applied automatically in future, without the need to refer back to Council for a vote.
- 6.5 IRP members considered this request at their meeting and concluded that there would be no necessity for this to be put to the vote in future, unless the IRP had reason to recommend otherwise. The Panel therefore makes the following recommendation with regard to the basic allowance:
- *That the basic allowance be increased, year on year, in line with Employee Pay Awards, unless the IRP recommends otherwise. Should the IRP recommend otherwise, its recommendation will be put to Council at the appropriate time.*

6.6 Special Responsibility Allowances (SRAs)

- 6.7 The current range of SRAs is as follows:

| Allowance | Amount (pa) |
|--|-------------|
| Leader of the Council and Chair of the Cabinet | £11, 281.20 |

| | |
|---|-----------|
| Deputy Leader of the Council | £6,660.60 |
| Cabinet Members | £5,640.60 |
| Overview and Scrutiny Committee Chair | £4,227.90 |
| Budget and Performance Panel Chair | £3,381.30 |
| Planning Committee Chair | £4,370.70 |
| Licensing Committee Chair | £4,370.70 |
| Licensing Act Hearings Sub Committee Chair | £443.70 |
| Personnel Committee Chair | £3,335.40 |
| Audit Committee Chair | £2,325.60 |
| Appeals Committee Chair | £295.80 |
| Council Business Committee Chair | £1,428 |
| Standards Committee Chair | £1,234.20 |
| Leader of Opposition Groups (allocated on a pro rata basis according to the policy set out in the scheme) | £5,640.60 |

- 6.8 The Panel was asked to consider the SRA made to the Chair of the Licensing Committee by the Head of Democratic Services, who explained that two former Committees (“Licensing Act” and “Licensing Regulatory”) had been merged into one “Licensing Committee”, during a review of the Constitution. This had taken place when the IRP was inoperative, therefore the higher of the two SRAs had been paid to the Chair of the new Licensing Committee without reference to a quorate Panel. The Head of Democratic Services explained that the Licensing Committee Chair’s allowance was the same as the SRA for the Chair of Planning, which seemed equitable, however the Panel was asked for its views, to allow Council to formally determine the SRA. The Panel is satisfied that the allowance for the Licensing Committee Chair should match that of the Planning Committee Chair.
- 6.9 A further suggestion had been received to request that SRAs be increased automatically in line with any Employee Pay Awards, in the same way as the basic allowance, to hold their value. However, the Panel feel that SRAs should be re-assessed during the full review due during 2022.
- 6.10 The Panel recommends:
- ***That the figure of £4,370.70 per annum be recommended to Council as the appropriate allowance for the Licensing Committee Chair; and***
 - ***That all SRAs be reassessed during the full review in 2022/23.***
 - ***(see also paragraph 6.18 below, regarding Champions)***
- 6.11 Travel Allowances**
- 6.12 The Scheme sets out arrangements to enable members to claim the costs of travel and subsistence associated with undertaking approved duties.
- 6.13 Two suggestions had been submitted for consideration. One was to allow Councillors to use their cars and claim 45p per mile mileage for journeys outside the district when public transport is not convenient or available to certain destinations. Currently the policy states that “for journeys outside the Council’s administrative area, the lower of

the mileage allowance or the relevant standard class rail fare will be paid". The policy also states that taxi fares will be reimbursed plus any reasonable gratuity paid, "in cases of urgency or where there is no reasonably available public transport." This covers instances where a train station is some distance away from a destination.

- 6.14 The Panel feel that the Scheme has more than adequate provision for reimbursement of travel outside the district. Panel members agree that the use of public transport should be encouraged, rather than car use. The exception to this being a car-sharing arrangement if the cost of taking one car would be lower than the cost of several train fares. The current Scheme does allow for this.
- 6.15 The second suggestion was to extend the list of 'approved duties' at Annex 1 and 2 of the Scheme to include 'Champions duties'. The Panel note that the list of approved duties is very limited and quite specific and that approved duties must be 'formally structured and diarised elements of Council business.' In view of this Panel members feel that 'Champions duties' is too vague to be included.
- 6.16 When considering this issue of Champions, the Panel felt that, if a Champion's role demanded significant travel out of the administrative area of the Council, there could be a case to be made for a Special Responsibility Allowance for that role to help with any associated costs. Panel members extended an invitation to the current Champions to discuss their role and the case for recommending a SRA.
- 6.17 On 12 January 2021, the Veterans' Champion and Disability Champion both met remotely with two Panel Members to talk about their role.
- 6.18 It is clear to Panel Members that both the Council's Champions are passionate and enthusiastic about the areas they work in. They each have significant knowledge and expertise in their roles and act as the Council's 'ambassadors' for their specialist area. Champions also bear some costs, such as travelling expenses which cannot be claimed back under the Scheme as described in paragraph 6.15 above, which could leave them out of pocket. This seems unfair; therefore Panel Members recommend that a modest SRA of £250 per annum be paid to Champions. In making this recommendation, the Panel notes that this is not out of the ordinary; other Councils also attach a small SRA to Champion roles in recognition that they carry the responsibility of an ambassador-style role and that this can entail additional expenditure.
- 6.19 However, the Panel are mindful that, should the Council decide to expand the number of Champions in the future, SRA expense would grow. In view of this, the Panel recommend that there be a cap on the SRA budget for Champions of £1,000 per annum. Effectively, this means that £250pa will be paid to each Champion unless the Council appoints more than four Champions. If there are more than four Champion roles at any point in the future, the £1,000pa total will be divided equally between the serving Champions.
- ***That no change be made to the arrangements for travel outside the district and that Councillors be encouraged to use public transport wherever possible.***
 - ***That the list of approved duties remain as it is currently, without the addition of Champion's duties.***

- ***That £1,000pa be allocated for SRAs for the Council's Champions to be divided equally between serving Champions up to a cap of £250 each Champion per annum.***

7.0 Financial Implications

- 7.1 The Panel is not recommending any significant increases in allowances. The Scheme states that no Councillor may claim more than one SRA at any time. Currently one of the Council's Champions is also a Licensing Sub-Committee Chair, so would continue to claim that allowance, leaving one of the two Champions allowances unclaimed. There would be an additional financial implication of £250pa for the Council in 2021/22 if these recommendations are approved. In any event, there is always the potential for costs to be slightly lower or higher than the estimated budget for 2021/22. Costs are affected by seats left vacant whilst by-elections are held, for example, or if more than one Special Responsibility post is held by the same Member.

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| COUNCIL |
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Medium Term Financial Strategy 2021/22 – 2024/25 24 February 2021

Report of Chief Finance Officer

| |
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| PURPOSE OF REPORT |
| To provide an update of the Council's Medium Term Financial Strategy for 2021/22 to 2024/25. |
| This report is public. |

RECOMMENDATIONS:

- (1) **That the Medium-Term Financial Strategy (MTFS) estimates as set out in the report are noted.**

1.0 INTRODUCTION

- 1.1 The previous reports on this agenda considered the annual process for setting the Council's revenue and capital budgets for 2021/22. This report sets out the context in which future decisions on resource allocation and budgeting will be taken.
- 1.2 The Medium-Term Financial Strategy (MTFS) sets out how Lancaster City Council will manage its finances to deliver against its corporate priorities, whilst protecting its financial standing and responding to the many challenges it faces, which will in turn inform the future budget setting process.

2.0 STRATEGIC CONTEXT

- 2.1 Like all Council's we continue to face a time of unprecedented change, which in turn puts significant pressure on the ability to forecast into the medium and long term. Specific areas of uncertainty and change are around
- an accelerated pace of change in the funding regimes, formula and budget and accounting requirements of Central Government,
 - fewer system-wide reviews, and a much greater number of issue specific consultations, reviews and changes some of which are resulting in in-year changes, and even retrospective changes to previously agreed budgetary forecasting and funding distribution formula;
 - External factors such as the pandemic and EU Exit which fundamentally alter both the priorities for and use of Council resources and the context of our income from taxation, rates, fees and charges.

- Changes to PWLB borrowing criteria have curtailed all Council's ability to borrow for yield and impacted the potential to obtain income from commercial investments.
- The Government is proposing a range of Local Government Reorganisation initiatives which could have a significant implications for the nature of future funding and the way any deficit is addressed. Issues such as the proportion of council and business rates awarded to different priorities across public services and bodies and our working arrangements need to be explored in order to ensure future sustainability

3.0 FINANCIAL CONTEXT

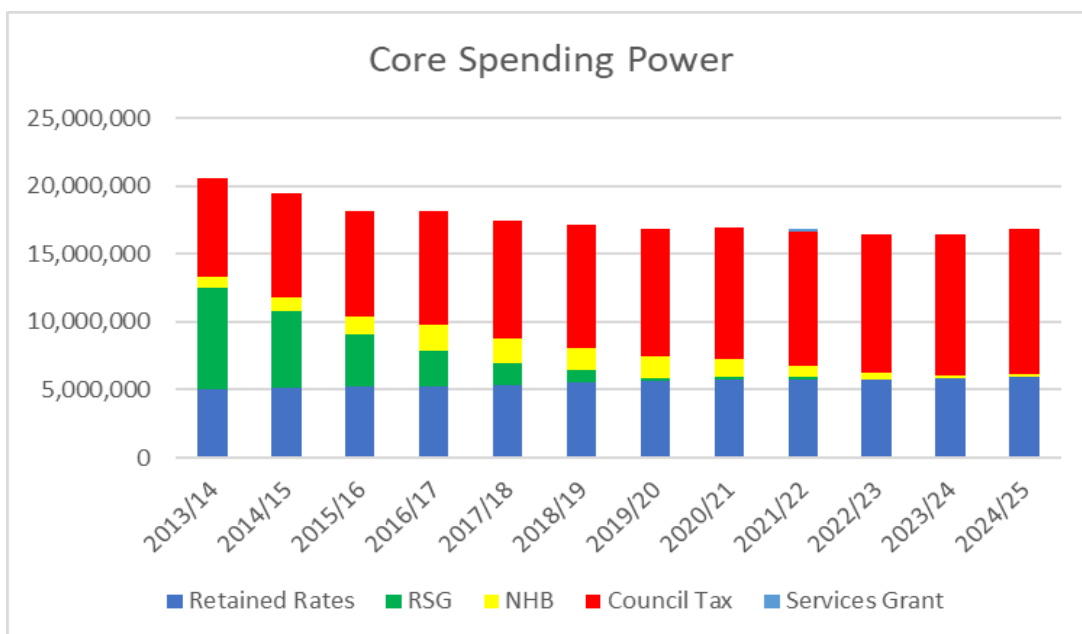
3.1 The major aspects of the local government provisional settlement for 2021/22 and beyond are set out below

- The calculation of Core Spending Power
- The level of Council Tax increase (excluding social care) beyond which a referendum is required remains at 2% or £5 whichever is the greater for 2021/22
- Delay of the Spending Review and Fair Funding Review. The Government is currently in the process of reviewing the components of the business rates retention system, and the role they can play in providing an incentive for local authorities to grow the business rates in their area. This was originally planned to be implemented in 2020/21 but has been delayed due to the COVID-19 pandemic.
- Continuation of New Homes Bonus but it is likely the scheme will not exist in its current form from 2023/24, as it is being reviewed as part of the spending and fair funding review.
- The Government's intention to phase out Revenue Support Grant by 2022/23.

Core Spending Power

3.2 Previously, Government stated that Core Spending Power reductions between financial years was limited to a maximum reduction and additional grant was provided to those authorities to ensure that they did not experience losses greater than this maximum reduction. This was amended for 2021/22 following the impact of COVID – 19 on Council finances, with the Government announcing that for 2021/22 no local authority will have a core spending power less than in 2020/21, and as a result a one-off Lower Tier Services Grant has been awarded to Councils.

3.3 The calculation of Core Spending Power has changed over the years and is not limited to general government revenue grant and business rates but has also included Council Tax receipts, New Homes Bonus, and other specific grants.



- 3.4 As the graph above shows the Council is now almost entirely reliant on Council Tax and Business Rates to fund net expenditure and it is therefore important to provide regular estimates of these important funding streams.

Council Tax

- 3.5 Council Tax is now the Council's primary source of funding and is calculated by multiplying the taxbase taking account of exemptions, discounts, reliefs, and council tax support (expressed in band D equivalents), by the level of the City Council precept which is agreed each year. Growth in housing numbers inevitably increases the taxbase and therefore Council Tax income
- 3.6 The Council recognises the impact that Council Tax has on its residents and will always take their ability to pay into consideration when setting Council Tax levels. However, the Council should adopt an approach where local sources of funding are maximised as far as is reasonably practicable to do so and so the maximum allowable under current Government guidance has been factored into the medium-term financial forecast. The table below shows Council Tax forecasts for the next four years.

Table 1: Council Tax Forecast

| | 2020/21 Actual | 2021/22 Budget | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast |
|---|-------------------|-------------------|---------------------|---------------------|---------------------|
| Tax Base | 41,700 | 41,500 | 41,707 | 42,124 | 42,546 |
| Tax Base Growth | 0.72% | -0.48% | 0.50% | 1.00% | 1.00% |
| Band D Level | 231.95 | 236.95 | 241.95 | 246.95 | 251.95 |
| Band D % increase | 2.20% | 2.15% | 2.11% | 2.07% | 2.02% |
| CTAX Income | 9,672,315 | 9,833,425 | 10,091,009 | 10,402,522 | 10,719,465 |
| Above Assumptions | | | | | |
| £5 increase in band D throughout the medium term, 0.5% growth in 2022/23 and 1% growth thereafter | | | | | |
| Scenario A: No increase in Council Tax over period of MTFS | | (207,500) | (417,070) | (631,860) | (850,920) |
| Scenario B: 1% drop in council tax collection rate | | (99,647) | (102,137) | (156,250) | (213,468) |
| Scenario C: No growth in tax base | | N/A | (50,084) | (154,097) | (263,540) |
| Scenario D: 0.5% growth in tax base | | N/A | 0 | (51,356) | (105,915) |

- 3.7 Although historically the taxbase has increased, for 2021/22 it has reduced by 0.48%. The scenarios in the sensitivity analysis above show the impacts on the budget of slower and quicker growth in the taxbase.

Business Rates

3.8 Business rates is now a fundamental part of the local government finance settlement and together, with Council Tax, accounts for the majority of local government financing. There are three main elements to the system:

- **Business rates funding baseline** – this is an amount set by the Government based on assessed needs which the Council is permitted to retain from business rates payers. It has no correlation whatsoever to the level of rates paid.
- **Business rates growth retention** – this is the share of business rates growth above a pre-set baseline which the Council is permitted to retain.
- **Renewable Energy ‘Disregard’** – Councils are incentivised to support renewable energy businesses and get to keep 100% of business rates which are paid by hereditaments associated with renewable energy production.

3.9 Given the current level of uncertainty forecast levels of Business Rates have been set at baseline levels. The table below shows Business Rates forecasts for the next four years together with a range of scenarios.

Table 2: Business Rates Forecasts

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|------------------|------------------|------------------|------------------|
| | Forecast | Forecast | Forecast | Forecast |
| Non Domestic Ratings Income (incl. s31 grants) | 25,330,884 | 25,584,193 | 25,840,035 | 26,098,435 |
| Tariff | -19,594,122 | -19,790,063 | -19,987,964 | -20,187,843 |
| Retained Rates | 5,736,762 | 5,794,130 | 5,852,071 | 5,910,592 |
| Baseline | 5,736,762 | 5,794,130 | 5,852,071 | 5,910,592 |
| Growth before Levy | 0 | 0 | 0 | 0 |
| Levy (50%) | 0 | 0 | 0 | 0 |
| Growth Retained | 0 | 0 | 0 | 0 |
| <u>Business Rates Income per analysis</u> | | | | |
| Baseline | 5,736,762 | 5,794,130 | 5,852,071 | 5,910,592 |
| Retained Growth | 0 | 0 | 0 | 0 |
| Net Cap Compensation | 300,301 | | | |
| Green Energy Disregard | 3,011,477 | 3,041,592 | 3,072,008 | 3,102,728 |
| Forecast Business Rates Income (excluding impact of prior year deficit) | 9,048,540 | 8,835,721 | 8,924,079 | 9,013,319 |
| Above Assumptions: | | | | |
| Assume inflation at CPI on baseline, tariff and renewable energy income and anticipate no growth in net rates | | | | |
| 0.5% decline in net rates each year | -63,327 | -63,960 | -64,600 | -65,246 |
| 1% decline in net rates each year | -126,654 | -127,921 | -129,200 | -130,492 |
| 5% decline in net rates each year | -633,272 | -639,604 | -646,000 | -652,461 |
| Baseline reset at 21/22 NNDDR1 levels in 2022/23 | | -1,008,910 | -1,018,999 | -1,029,189 |
| Baseline reset at 21/22 NNDDR1 levels in 2023/24 | | | -950,968 | -960,478 |

3.10 The Government has delayed its fair funding review and it is now not expected to be implemented until at least 2023/24. A number of assumptions that will arise from this review have been included in the scenario's above:

- Continuation of the Governments Renewable/ Green Energy Disregard. Currently the Council benefits around £3M per year, which is one of the highest levels of such hereditaments in the UK.
- Cap compensation (compensation for past Government decisions not to increase business rates by inflation) to be rolled into a revised funding baseline.

- A business rates growth baseline reset effectively removing all growth from the system by setting the business rates baseline to equal 2021/22 actual rates levels. This could result in a loss to Lancaster of about £1M per year

3.11 Taken together the above would have a substantially detrimental impact on business rates income which result in a significant forecast reduction. It is therefore vitally important that the assumptions and corresponding estimates are reviewed as soon as the Government releases the results of its Fair Funding review and that the Business Rates Retention reserve is reviewed and maintained at an appropriate level to help manage these volatilities.

New Homes Bonus (NHB)

3.12 NHB is a reward grant which is calculated from Council taxbase figures. Councils are rewarded to build homes or bring back into use existing stock. In addition, an enhanced rate is paid for social housing. NHB was originally paid for 6 years but was reduced to 5 years in 2017/18 and was further reduced to 4 years from 2018/19 onwards. This was applied retrospectively to existing NHB allocations. The scheme was further amended in 2020/21 and it is likely the scheme will not exist in its current form from 2022/23, as it is being reviewed as part of the spending and fair funding review. There is a risk that the Government will seek to further reduce the grant in future years which would increase the budget gap at the Council. Table 3 below provides details of the current forecasts.

Table 3: New Homes Bonus

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--|-----------|---------|----------|----------|----------|
| Annual Reward | 466,299 | 234,137 | 230,000 | 230,000 | 230,000 |
| Previous years rewards | 1,035,682 | 635,281 | 274,251 | | |
| New Homes Bonus | 1,501,981 | 869,418 | 504,251 | 230,000 | 230,000 |
| Above Assumptions: NHB remains in place with modest housing growth over the MTFS period with no new legacy payments from 2020/21 | | | | | |
| Following the one year spending round for 2020/21 which phased out legacy payments, the government has published (10 February 2021) a consultation seeking views on the future of NHB from 2022/23 onwards. The following scenarios are included in that consultation. | | | | | |
| Scenario: raising the baseline from 0.4% to 0.6% of housing growth since preceding year | | | -153,000 | -153,000 | -153,000 |
| Scenario: raising the baseline from 0.4% to 0.8% of housing growth since preceding year | | | -230,000 | -230,000 | -230,000 |
| Scenario: raising the baseline from 0.4% to 1% of housing growth since preceding year | | | -230,000 | -230,000 | -230,000 |
| Scenario: setting baseline at authorities average past performance over 5 years | | | -201,000 | -201,000 | -201,000 |
| Scenario: changing the split between tiers to 50:50 | | | -84,000 | -84,000 | -84,000 |

Revenue Support Grant (RSG)

3.13 Government had intended to phase out RSG for 2021/22, it is now expected to be rolled into the Council's business rates baseline from 2022/23. Table 4 below provides details of our RSG allocations and future forecasts.

Table 4 Revenue Support Grant

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-----------------------|---------|---------|---------|---------|---------|
| Revenue Support Grant | 202,944 | 204,067 | 0 | 0 | 0 |

Public Sector Pay

3.14 Government announced that public sector pay rises will be frozen for 2021/22 with workers earning less than £24,000 receiving a minimum £250 increase. These changes have been modelled into the current and future projections any revisions will result in additional costs being incurred.

Pensions

3.15 The Council is a member of the Lancashire County Pension Fund. Every 3 years the Pension Fund revalues the assets and liabilities of the fund for each Council so that contribution and deficit payment rates are updated to ensure the fund remains sustainable

- 3.16 In April 2020 the Council made a one-off prepayment £8,459,600 to the Pension Fund to cover future service costs and deficit recovery payments for the period 2020/21 to 2022/23. This prepayment not only generated significant savings over the period but provided greater certainty for budgeting and forecasting purposes. The next triannual valuation is not due until 2023, if no similar arrangement is offered contribution are expected to increase to 17.4% for 2023/24, however this has been factored into future budgets

4.0 COVID-19 PANDEMIC

- 4.1 The true impact of the COVID-19 pandemic on the 2021/22 budget and future years is unknown. Government assistance through various grant payments and the extension of the furlough scheme is helping to support the local economy, however it is unclear what the impact will be once these support packages end.

- 4.2 To attempt to mitigate the impact on Council finances government introduced a number of financial measures during 2021/22. These consist of

Collection Fund Deficit

- 4.3 The Government announced its intention to extend the recovery of 2020/21 Collection Fund deficits from the current 2 year to 3-year period. Currently the estimated surplus/deficit on the collection fund for the 2020/21 financial year (calculated January 2021) will be recovered in 2021/22 and the difference between the estimated and final outturn will be recovered in 2022/23.

- 4.4 Under the new proposals the estimated surplus/deficit calculated as at January 2021 will be spread over three financial years in equal proportions. The variance between the estimated surplus/deficit and the final outturn will continue to be recovered in 2022/23. Authorities do not have the discretion to opt out of this scheme and it is compulsory to spread any deficit.

75% Collection Fund Compensation Scheme

- 4.5 As part of the November 2020 spending review the Government announced an intention to compensate local authorities for 75% of irrecoverable Collection Fund losses, with Council's funding the remaining 25% of the loss.

- 4.6 The compensation guarantee for Council Tax is expected to cover Council Tax liability budgeted for in 2020/21 subject to certain conditions. The guarantee for Business Rates includes the movement in bad debt provision between NNDR 1 estimate and NNDR 3 actual and will also include any prior year adjustments effected in 2020/21.

- 4.7 Government expects all Council's to continue appropriate collection and enforcement action for outstanding Collection Fund debt in the usual way. The final amount of compensation will be based on the 2020/21 Quarter 4 Return of Council Taxes, National Non-Domestic Rates (NNDR) & Localised Council Tax Support (LCTS), which will be completed in the new financial year.

- 4.8 *Sales, Fees and Charges Compensation Scheme*

The sales, fees and charges compensation scheme has been extended to June 2021/22. The scheme provides compensation for income losses more than 5% of the Council's planned income from sales, fees and charges with Government providing 75p for every pound lost

5.0 CAPITAL INVESTMENT AND FINANCING

Capital Investment

- 5.1 Through its capital programme the Council plans to invest £96M to support the delivery of its key Strategic Priorities and Outcomes such as Climate Emergency, Economic Prosperity and Regeneration and Housing as well as refurbishment or replacement of existing property or facilities to deliver services, or to meet legislative requirements.
- 5.2 The programme is split between approved schemes, that is those which have a fully formed business case in line with Treasury Green Book requirements and those within the development pool for which a provision has been made whilst work is undertaken to fully develop schemes. The provision will not be dispersed until full business cases have been considered and approved via the relevant decision-making governance. Details of the current 5-year capital programme is given at table 5 below.

Table 5 Capital Programme

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total |
|------------------|---------------|---------------|---------------|--------------|--------------|---------------|
| | £M | £M | £M | £M | £M | £M |
| Approved Schemes | 11.968 | 9.518 | 3.227 | 0.755 | 2.021 | 27.489 |
| Development Pool | 0.298 | 33.820 | 22.523 | 6.900 | 5.065 | 68.606 |
| Total | 12.266 | 43.338 | 25.750 | 7.655 | 7.086 | 96.095 |

Capital Financing

- 5.3 The Council's Capital Financing Requirement (CFR) is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's CFR is set to increase from the current estimated 2020/21 position £95.87M to £158.70M in 2024/25. Table 6 below sets out the Council's CFR

Table 6: Capital Financing Requirement

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

- 5.4 Based on the capital programme, the overall physical borrowing position of the Council is projected to increase significantly over the next three to five years from its current position of £61M to £101M (2021/22) potentially raising to £126M (2024/25). Table 7 below provides further details

Table 7 Forecast Borrowing Position

| | 2019/20 Actual £M | 2020/21 Estimate £M | 2021/22 Estimate £M | 2022/23 Estimate £M | 2023/24 Estimate £M | 2024/25 Estimate £M |
|------------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Debt at 1 April | 63.17 | 62.13 | 102.09 | 122.67 | 125.60 | 126.66 |
| Expected change in Debt | (1.04) | (1.04) | (1.04) | (1.04) | (1.04) | (1.04) |
| Other long-term liabilities (OLTL) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Expected change in OLTL | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Actual gross debt 31 March | 62.13 | 61.08 | 101.05 | 121.63 | 124.56 | 125.62 |

- 5.5 The Council is required to repay an element of the accumulated General Fund CFR each year through a revenue charge known as the minimum revenue provision (MRP) together with the interest charges associated with the borrowing. Council is asked to formally approve the MRP policy annual as part of the Treasury Management Strategy. The current policy is based on the estimated life of each asset created as a result of the related capital expenditure. Table 8 provides forecast levels of annual capital financing charges to the revenue budget.

Table 8: Forecast Capital Financing Charges

| | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M |
|----------|---------------|---------------|---------------|---------------|
| Interest | 0.632 | 0.964 | 1.026 | 1.058 |
| MRP | 2.175 | 3.730 | 4.443 | 4.584 |
| | 2.807 | 4.694 | 5.469 | 5.642 |

- 5.6 The capital programme is subject to annual approval by Council and so any amendment may increase, or reduce the CPR, borrowing position and subsequently the annual MRP charge to revenue.

6.0 THE MEDIUM-TERM BUDGET GAP AND THE NEXT STEPS

- 6.1 The Government funding and income forecasts covered previous together with the budget expenditure estimates that have been calculated as part of the revenue budget process provide a forecast of the budget gap over the next three years. This is shown in the table below

Table 9: Budget Gap

| | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M |
|--|---------------|---------------|---------------|---------------|
| Original Forecast Budget Gap MTFS 26 February 2020 | 1.558 | 1.234 | 1.270 | N/A |
| Revised Forecast Budget Gap MTFS 24 February 2021 | 0 | 2.183 | 4.223 | 4.668 |

- 6.2 The gap is structural in nature and reflects anticipated changes in Government funding, the uncertainties presented by the current pandemic and future capital investment proposals. The 2021/22 budget has been balanced through prudent allocation of funding from the Councils reserves, however, based on current projections this is strategy is not sustainable in the medium term.

Reserves

- 6.3 Reserves are an essential part of good financial management, as they help the Council cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for the Council as part of the Medium-Term Financial Strategy (MTFS).
- 6.4 Reserves and balances can be held for three main purposes:
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing these are generally referred to as 'general or unearmarked balances.
 - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of 'general balances'
 - A means of building up funds, to meet known or predicted levels of expenditure commonly referred to as earmarked reserves.
- 6.5 Within the existing statutory and regulatory framework, it is the responsibility of the Section 151 Officer to advise the Council about the level of reserves this has been considered as part of the revenue budget setting process with the level of unallocated reserves increased to £3.5M.
- 6.6 The Council's forecast level of reserves is impacted by historic as well as current decisions. Table 10 below provides details of our current forecast level of reserves excluding funding the deficit from reserves. Table 11 show the impact of funding the deficit purely from Council reserves.

Table 10: Current Forecast Level of Reserves & Balances

| General Fund | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Unallocated Balances | 4.529 | 4.529 | 4.529 | 4.529 |
| Earmarked Reserves | 11.067 | 10.034 | 8.884 | 9.248 |
| Total Combined Level of Reserves | 15.596 | 14.563 | 13.413 | 13.777 |

Table 11: Impact of Funding the Deficit from Reserves

| General Fund | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Unallocated Balances | 6.796 | 4.529 | 3.500 | 3.500 |
| Funding of Deficit from Reserves | -2.267 | -2.183 | -4.223 | -4.668 |
| Review of Earmarked Reserves to maintain required minimum level | 0 | 1.154 | 4.223 | 3.871 |
| Estimated Unallocated | 4.529 | 3.500 | 3.500 | 2.703 |
| Earmarked Reserves | 12.885 | 11.067 | 8.880 | 3.507 |
| Historic Decisions | -1.818 | -1.033 | -1.150 | 0.364 |
| <i>Sub Total</i> | 11.067 | 10.034 | 7.730 | 3.871 |
| Review of Earmarked Reserves to maintain required minimum level | 0 | -1.154 | -4.223 | -3.871 |
| Revised Earmarked Reserves | 11.067 | 8.880 | 3.507 | 0 |
| Total Combined Level of Reserves | 15.596 | 12.380 | 7.007 | 2.703 |

- 6.7 Although there are many variables contained within the calculation of the deficit as table 11 clearly demonstrates funding purely from the Council's reserves is **not** an option as it does not address the underlying structural issues. Reserves can however be utilised to help to ensure the smooth transition of a number of initiatives aimed at eliminating the deficit.
- 6.8 The vast majority of local authorities are facing significant challenges in terms of structural deficits, and while there is significant work to be done, the relative position of our reserves due to the back payments for the Walney substation green energy disregard means that we have been able to focus on the pandemic this year and can focus on addressing the structural deficit next year.

Funding the Future

- 6.9 The Council is committed to the fundamental principles of its Funding the Future strategy to tackle these issues and taking steps to significantly improve its financial resilience by means of a strategy. The strategy has four key elements or *pillars*, which, taken together, will deliver a significant difference to viability, these being: -
- Developing proposals for revisiting and effectively zero basing the budget using an outcomes-based approach.
 - Pursuing efficiency with rigour right across the Council.
 - Developing and implementing a Commercial Strategy
 - Where allowable investing for a return or to save on cost whilst adding to wealth building in the area.

- 6.10 Several initiatives supporting these pillars have already commenced including a review of our procurement and payment processes leading to the staged introduction of Procure to Pay across the Council. Work has been ongoing to establish Local Authority Trading Companies to deliver the required level of strategic freedoms and flexibilities needed to operate on a more commercial basis in certain areas.
- 6.11 Although Outcomes Based Budgeting (OBR) principles have been applied as part of the 2021/22 budget process it is a core priority for all Officers in the coming financial year, and it will be expected to deliver significant inroads into the deficit. It will be further considered by the Financial Resilience Group alongside ongoing work to embed the Council's new priorities and outcomes during 2021/22
- 6.12 The potential implications of Local Government reorganisation on the Financial Strategy are significant and budgetary provision has been made to allow for work to ensure that reorganisation is aligned with the development of an effective Financial Strategy and the delivery of Council priorities.

7.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

- 7.1 The risks to the Council are contained throughout the report and as the report is for noting, no alternative proposals have been put forward.

8.0 CONCLUSION

- 8.1 There remain significant uncertainties in terms of Local Government funding over the next couple of years. These uncertainties have been exacerbated by current COVID-19 and Brexit situations which have severely hampered the ability to forecast accurately with many key estimates and assumptions likely to change in the coming months.
- 8.2 However it must be recognised that the overall size of the challenge the Council faces in addressing its underlying structural deficit is significant and the formulation of a balanced budget over the medium and longer term will require the delivery of considerable savings.
- 8.3 Continued focus on the delivery of its Funding the Future Strategy and the application of Outcomes Based Resourcing principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. The Council must recognise that it will face a number of key decisions affecting the way it delivers its services over the next financial year.

RELATIONSHIP TO POLICY FRAMEWORK

The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)
 No additional impact identified – any specific issues have been (or will be) considered as part of the relevant aspect of the policy framework or individual budget proposals, etc.

FINANCIAL IMPLICATIONS

The financial implications are as set out in the report

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

Various budget proposals have resource implications, and these have been taken account of in consideration of budget options as far as possible at this stage. Their implementation would be in accordance with council policies and procedures, as appropriate.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has authored this report

LEGAL IMPLICATIONS

Legal Services have been consulted and are content with the report but will consider further the development and implementation of relevant budget proposals in due course to ensure legal aspects are fully considered.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Cabinet 09/02/2021
Budget & Performance Panel 16/02/2021

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COUNCIL**Appointments to Outside Bodies – Lancashire Enterprise Partnership Joint Scrutiny Committee****24 February 2021
Report of the Head of Democratic Services****PURPOSE OF REPORT**

To make an appointment to the Lancashire Enterprise Partnership Joint Scrutiny Committee.

This report is public

RECOMMENDATION

- (1) That Members note the request to make an appointment to the Lancashire Enterprise Partnership Joint Scrutiny Committee.
- (2) That Council decides the basis of any such appointment and whether this be referred to the O&S Committee to appoint; be by virtue of position, such as O&S or B&PP chair, or by nominations and voting at Council.
- (3) If the basis is nominations and voting at Council, nominations are sought at this meeting to make an appointment until the next City Council Elections in May 2023.

1.0 Introduction

- 1.1 The Lancashire Enterprise Partnership Joint Scrutiny Committee is a new body which will include one elected Member representative for each of the fifteen Lancashire Authorities. The City Council, as one of those Lancashire Authorities is therefore asked to make an appointment to the Joint Scrutiny Committee.

2.0 The LEPJSC

- 2.1 The Terms of Reference for the LEPJSC, in draft form, are attached for information. It is likely these will be considered at the first meeting of the new body.
- 2.2 Dates and times of meetings are not yet known, nor is the venue when face to face meetings are permitted again; however the JC will meet at least twice per year.

3.0 Basis of Appointment

3.1 Councillors are asked to consider whether the appointment should be made by nominations and voting at this meeting or some other way. These would include, but are not restricted to:

- Referring the matter to the O&S Committee for that committee to make an appointment;
- Making an appointment by virtue of position, such as the chair of the O&S or B&PP committee.

3.2 If Council decides to make an appointment by nomination and voting at this meeting, it is usual for nominations to scrutiny bodies to be from non-Cabinet members only; however this is not required by the draft terms of reference for this scrutiny JC.

6.0 Conclusion

6.1 Council is asked to decide the basis of appointment to this new body, and, if appropriate, vote on an appointment at the meeting.

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| <p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None directly arising from this report.</p> | |
| <p>LEGAL IMPLICATIONS None directly arising from this report.</p> | |
| <p>FINANCIAL IMPLICATIONS Members of outside bodies are entitled to travel expenses. Costs resulting from any appointment should be minimal and would be met from existing democratic representation budgets.</p> | |
| <p>OTHER RESOURCE IMPLICATIONS – None identified.</p> | |
| <p>SECTION 151 OFFICER’S COMMENTS The s151 Officer has been consulted and has no further comments.</p> | |
| <p>MONITORING OFFICER’S COMMENTS The Monitoring Officer has been consulted and has no further comments.</p> | |
| <p>BACKGROUND PAPERS None</p> | <p>Contact Officer: Debbie Chambers Telephone: 01524 582057 E-mail: dchambers@lancaster.gov.uk Ref:</p> |

Lancashire Enterprise Partnership – Joint Scrutiny Committee
Governance Structure and Terms of Reference

Composition

1. The Joint Scrutiny Committee shall comprise of one elected representative from each of the 15 councils in Lancashire plus an Independent Private Sector Representative who will act as Chairman.
2. The Members of the Joint Scrutiny Committee, as at the date of adoption of these Terms of Reference, is as follows:

Independent Private Sector Representative
Blackpool Council
Blackburn with Darwen Borough Council
Burnley Borough Council
Chorley Borough Council
Fylde Borough Council
Hyndburn Borough Council
Lancashire County Council
Lancaster City Council
Pendle Borough Council
Preston City Council
Ribble Valley Borough Council
Rossendale Borough Council
South Ribble Borough Council
West Lancashire Borough Council
Wyre Council

Each council shall nominate one member each who must be a Councillor. Existing Lancashire Enterprise Partnership Directors also cannot be members of the Joint Scrutiny Committee.

There are no requirements for the committee to adhere to political balance rules.

Members can nominate substitute representatives, with written notification provided to the Clerk in advance of the meeting, provided that they meet the criteria for membership as specified above. Substitutes will be counted towards the quorum and will be entitled to vote. The use of substitutes shall be by exception rather than rule.

In addition to the 15 Lancashire Council Members set out above there shall, in accordance with Government guidance for Local Enterprise Partnerships, be one representative from the business sector (nomination to be confirmed). The representative from the business sector cannot be an existing Lancashire Enterprise Partnership Director or Committee Member.

Observers

3. The Joint Scrutiny Committee may invite any persons it sees fit to attend meetings as observers. Observers shall be subject to the Lancashire Local Assurance Framework protocol on observer attendance at meetings.

Chairman and Deputy Chairman

4. The Joint Scrutiny Committee shall approve the appointment of the independent person to act as Chairman ("Chairman") in accordance with the fixed term as set out at point 7.
5. The Chairman shall not have a casting vote.
6. The Joint Scrutiny Committee shall appoint one of its number to act as Deputy Chairman ("Deputy Chairman") on an annual basis.
7. The appointment of the Chairman shall be for a fixed term of no longer than three years (plus in exceptional circumstances a further three years) in line with the fixed terms applicable to LEP Directors.

The role of the Chairman (and in his/her absence the Deputy Chairman)

8. The role of the Chairman (and in his/her absence the Deputy Chairman) shall be:
 - To set the Agendas for meetings, having regard to the advice of support officers.
 - To develop a draft Annual Work Programme, having regard to the advice of support officers.
 - To facilitate the smooth running of each meeting.
 - To ensure that Members of the Committee have an equal voice and an opportunity to discuss and debate items of interest.
 - To ascertain the sense of the meeting and ensure realistic recommendations are developed.
 - To ensure the committee maintains its independence.
 - To resolve any dispute in meetings through the exercise of his/her powers.
 - To be a point of contact with regard to scrutiny of the Lancashire Enterprise Partnership.
 - To lead the Committee in its role as critical friend to the Lancashire Enterprise Partnership; and
 - To be a champion for the role of scrutiny.

Quorum

9. The quorum for Joint Scrutiny Committee meetings shall be 3 and shall comprise, as a minimum, the Independent Chairman, one Upper Tier authority and one District Council.
10. If within 15 minutes from the time appointed for the holding of a Joint Scrutiny Committee meeting a quorum is not present, the meeting shall be adjourned. The Secretary shall arrange for the meeting to take place within 2 weeks and if at that meeting a quorum is not



present within 15 minutes from the time appointed for holding the meeting the Members present shall be a quorum.

Secretary

11. The Company Secretary of the Lancashire Enterprise Partnership (or their nominee) shall serve as the Secretary ("The Secretary") to the Joint Scrutiny Committee.
12. The Secretary shall produce minutes of all meetings of the Joint Scrutiny Committee and will maintain a list of conflicts of interests, in accordance with the Lancashire Local Assurance Framework. Joint Scrutiny Committee agendas will include a standing item requiring declarations to be made in relation to specific items of business.

Declarations of interest

13. Declarations of interest will be made in accordance with Government Guidance.

Joint Scrutiny Committee Members are subject to the Code of Conduct for Elected Members adopted by the constituent authority that nominated them including the requirement to declare relevant interests at formal meetings of the Joint Scrutiny Committee. All Members, including the business sector representative are also subject to the Code of Conduct for Lancashire Enterprise Partnership Committee Members as set out in the Lancashire Local Assurance Framework.

Voting

14. In principle recommendations will be reached by consensus, but if a vote is required it will be by a simple majority of all members present.

Meeting Frequency

15. The Joint Scrutiny Committee shall meet at least twice a year in accordance with business needs as and when required.

Remit

16. The objective is to make positive recommendations for how future decisions of the LEP can be effectively implemented.
17. To increase transparency of the decisions made by the LEP and to give further assurance by providing an independent committee that is able to explore and interrogate the rationale for decisions taken by the Lancashire Enterprise Partnership with particular regard to investment decisions including, but not limited to, Growth Deal and Growing Places allocations.
18. To make reports or recommendations to the Lancashire Enterprise Partnership Board, and its Committees, as necessary with respect to the discharge of any functions which are undertaken by the Lancashire Enterprise Partnership.



19. To hold general strategy and policy reviews and to assist in the development of future strategies and policies of the Lancashire Enterprise Partnership and to make recommendations to the Lancashire Enterprise Partnership Board as appropriate.
20. To invite to any meeting of the Committee and permit to participate in discussion and debate, but not to vote, any person whom the Committee considers would assist it in carrying out its functions.
21. To require any Lancashire Enterprise Partnership Chairman, Director or Officer nominated to attend any meeting of the Committee to explain the performance of the Lancashire Enterprise Partnership and / or any particular decision or series of decisions.
22. The Committee does not have the power to delay or refer back the LEP's decision, but it will be able to publicise its conclusions and to make recommendations for improvements to the LEP's decision making processes.

Governance Relationship with the Lancashire Enterprise Partnership

23. The Lancashire Enterprise Partnership is responsible for agreeing the Terms of Reference of the Joint Scrutiny Committee and has the power to vary the same.
24. The Joint Scrutiny Committee shall review its Terms of Reference on an annual basis, and as deemed necessary, and report their findings to the Lancashire Enterprise Partnership Board.
25. The Joint Scrutiny Committee shall make recommendations to the Lancashire Enterprise Partnership as appropriate.

Duty to attend, cooperate and respond

26. The Joint Scrutiny Committee may, as set out in its remit, require by invitation that any Lancashire Enterprise Partnership Chairman, Director or Officer nominated appear before it to explain (in relation to all aspects of the Committee's work) the performance of the Lancashire Enterprise Partnership and / or any particular decision or series of decisions.

Following each meeting of the Joint Scrutiny Committee, the Committee's recommendations will be submitted to the Lancashire Enterprise Partnership Board for consideration. The Board will be required to consider those recommendations at its next meeting, and respond to the Joint Scrutiny Committee indicating what (if any) action the Board proposed to take. The response should be made within 28 days of the Board meeting and will be published.

Additional Scrutiny

27. The formation of this Joint Scrutiny Committee does not preclude any Lancashire Local Authority Scrutiny Committee requesting a review of the work of the Lancashire Enterprise



Partnership in accordance with the Lancashire Local Assurance Framework but there shall be no Sub Committees formed of the Joint Scrutiny Committee.

Publication of Papers

28. The agendas and papers of the Joint Scrutiny Committee will be published on the Lancashire Enterprise Partnership website in accordance with the Lancashire Local Assurance Framework.

Meeting Arrangements

29. Meetings of the Joint Scrutiny Committee shall be webcast from an appropriate venue capable of facilitating webcasting.

DRAFT

COUNCIL**Executive Arrangements****24 February 2021****Report of the Director of Corporate Services****PURPOSE OF REPORT**

To inform Council of a change to the membership of Cabinet and a small change to a portfolio.

This report is public

RECOMMENDATION

(1) That the report be noted.

1.0 Background

1.1 Amendments to the Scheme of delegation relating to Executive functions may be made by the Leader in accordance with Paragraph 4(b) of section 2 of Part 3 of the Constitution. Any amendments that are made by the Leader are reported to the Director of Corporate Services, and any other officers concerned. The Director of Corporate Services then presents a report to the next ordinary meeting of Council setting out the changes made by the Leader.

2.0 Cabinet Member for Arts, Culture, Leisure and Wellbeing

2.1 On 9 February 2021, the Portfolio holder for Arts, Culture, Leisure and Wellbeing, Councillor Jean Parr resigned from that role. The Leader appointed Councillor Colin Hartley to take that portfolio on.

2.2 The Leader informed all Councillors by email on 9 February; this report is to formally report the change to Council.

3.0 Adjustment to an existing portfolio

3.1 The area of Food Poverty has been added to Councillor Gina Dowding's portfolio, Sustainable Neighbourhoods. The full list of portfolio responsibilities is attached for information.

4.0 Conclusion

4.1 This report is required in accordance with the Constitution and is simply for noting.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

None directly arising from this report.

LEGAL IMPLICATIONS

None arising from this report.

FINANCIAL IMPLICATIONS

None arising from this report.

OTHER RESOURCE IMPLICATIONS

Human Resources, Information Services, Property and Open Spaces:

None

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments.

BACKGROUND PAPERS

None

Contact Officer: Debbie Chambers

Telephone: 01524 582057

E-mail: dchambers@lancaster.gov.uk

Ref:

Cllr Dr Erica Lewis – Leader – Strategic Initiatives, Partnerships & Emergency Responses

- Principal spokesperson, communications & press office
- Lead on establishment & achievement of council priorities & principles
- Community & stakeholder engagement & development
- Emergency response, community resilience & recovery
- Governance
- Human Resources
- Customer & Advice Services
- Soft Facilities Management

Cllr Anne Whitehead – Finance & Resources

- Strategic control of financial resources
- Treasury Management
- Procurement & Fair Trade
- Audit
- Financial Services
- Revenues & Benefits
- Democratic, civic & mayoral support
- Elections
- Legal services

Cllr Colin Hartley – Arts, Culture, Leisure & Wellbeing

- Arts, Culture, Festivals, Events & Museums
- Visitor Information Centres
- Sport & Leisure
- Community health & wellbeing
- Equalities & social justice initiatives including age; disability; race; religion or belief; sex, gender or gender identity.
- Community safety

Cllr Caroline Jackson – Housing

- Council Housing
- Homelessness
- Private sector housing
- Social Housing
- Caravan sites
- Traveller sites
- Refugee housing
- Household support & resilience

Cllr Janice Hanson – Deputy Leader – Economic Regeneration & Planning

- Economic regeneration
- Planning including local plan
- Conservation & urban design
- Development & building control
- Compulsory purchase
- Climate change resilience
- Neighbourhood Plans
- Transport policy & Parking

Cllr Merv Evans – Economic Recovery & Resilience

- Tourism & Marketing
- Hospitality
- Community wealth building
- Fair work charter - good jobs & fair pay

Cllr Tim Hamilton-Cox – Sustainable Economic Prosperity

- Responsible & resilient businesses & industry
- Asset & property management
- Green jobs & skills
- Digital strategy & ICT
- Markets
- Hard facilities management

Cllr Dave Brookes – Natural Environment

- Waste & recycling
- Parks & green spaces
- Street cleansing
- Commons, reserves, open spaces
- Water including rivers, coast, & flooding
- Nature conservation
- Biodiversity

Cllr Gina Dowding – Sustainable Neighbourhoods

- Active transport & modal shift
- Environmental health & enforcement including air quality
- Allotments, food production & food waste
- Council owned community facilities
- Food poverty

Cllr Kevin Frea – Climate Action

- Community action
- Climate partnerships
- Renewable Energy Production & Energy Efficiency
- Rural communities & AONB

Reflecting new ways of working across the council, cabinet members will increasingly work in & across the SDG clusters (social, environmental, economic & governance) this should help manage inevitable cross-overs and provide back up in case of sickness or absence. All portfolio holders will work to meet the climate emergency, build community wealth, reduce inequalities & increase well-being, as well as to increase community engagement & power

CABINET

11.00 A.M.

8TH DECEMBER 2020

PRESENT:- Councillors Erica Lewis (Chair), Dave Brookes, Tim Hamilton-Cox, Caroline Jackson, Jean Parr and Anne Whitehead

Apologies for Absence:

Cllr Janice Hanson

Officers in attendance:

| | |
|-----------------|---|
| Kieran Keane | Chief Executive |
| Mark Davies | Director for Communities and the Environment |
| Sarah Davies | Director of Corporate Services |
| Jason Syers | Director for Economic Growth and Regeneration |
| Paul Thompson | Chief Financial Officer (Head of Finance & Section 151 Officer) |
| Luke Gorst | Head of Legal Services and Monitoring Officer |
| Debbie Chambers | Head of Democratic Services and Deputy Monitoring Officer |
| Fiona Clark | Planning Officer (Policy) |
| Liz Bateson | Principal Democratic Support Officer, Democratic Services |

88 MINUTES

The minutes of the meeting held on Tuesday 24 November 2020 were approved as a correct record.

89 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

The Chair advised that there were no items of urgent business.

90 DECLARATIONS OF INTEREST

The following Councillors declared an 'other' interest in the report on Residential Conversions and Houses in Multiple Occupation: It was noted they had declared an 'other' interest when a previous report concerning Houses of Multiple Occupation was tabled at October's Cabinet meeting (Minute 63 refers) and it was confirmed that their 'other' interest did not preclude them from voting on the item.

- Councillors Brookes, Jackson, Parr & Whitehead lived in one of the areas affected.
- Councillor Hamilton-Cox owned a property within the area affected.

91 PUBLIC SPEAKING

Members were advised that there had been no requests to speak at the meeting in accordance with Cabinet's agreed procedure.

At this point the Chair requested that standing order 17 (Cabinet Procedure Rule 17) be suspended to allow for questions to be taken from all members as the reports were introduced. The proposal was moved by Councillor Brookes, seconded by Councillor Hamilton-Cox and there was no dissent to the proposal.

Resolved unanimously:

(1) That Standing Order 17 (Cabinet Procedure Rule 17) be suspended.

92 RESIDENTIAL CONVERSIONS AND HOUSES IN MULTIPLE OCCUPATION

(Cabinet Member with Special Responsibility Councillor Hanson)

Cabinet received a report from the Director for Economic Growth & Regeneration which sought a resolution from Cabinet to formally adopt the Residential Conversion and Houses in Multiple Occupation Supplementary Planning Document. The Supplementary Planning Document (SPD) had been through two stages of consultation and the views raised had been considered in the drafting of the final version. The report outlined the content of the SPD, and the Consultation Statement attached to the report outlined the stages of consultation and how the responses were taken into account and sought a resolution to adopt the SPD as a material consideration for the determination of planning applications.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

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| Option 1 - Adoption of the Residential Conversions and Houses in Multiple Occupation Supplementary Planning Document |
| Advantages: The SPD will provide guidance for determining planning applications for HMOs, particularly in respect of the way in which the percentage of HMOs in an area will be calculated and the standards expected for HMOs. The SPD will be afforded weight in decision making. |
| Disadvantages: No disadvantages. |
| Risks: No risks. |
| Option 2: Do not adopt the Residential Conversions and Houses in Multiple Occupation Supplementary Planning Document |
| Advantages: No advantages. |
| Disadvantages: There will be a lack of clarity with regard to the calculation of the percentage of HMOs in an area and the standards required. The SPD will not be afforded weight in decision making. |
| Risks: No risks. |

The officer preferred option is Option 1 – Adoption of the Residential Conversions and Houses in Multiple Occupation Supplementary Planning Document. Adoption of the SPD will ensure the contents can be given weight in decision making.

Councillor Lewis proposed, seconded by Councillor Jackson:-

“That the recommendation, as set out in the report, be approved.”

Councillors then voted:-

Resolved unanimously:

- (1) That the Residential Conversions and Houses in Multiple Occupation Supplementary Planning Document be adopted.
- (2) That the necessary measures be undertaken to publicise the adoption of the Residential Conversions and Houses in Multiple Occupation Supplementary Planning Document in accordance with national legislation.

Officer responsible for effecting the decision:

Director for Economic Growth & Regeneration

Reasons for making the decision:

The decision is consistent with the ambition within the Corporate Plan to enhance community cohesion. The SPD builds upon policies in the Local Plan, particularly policy DM13, which aims to ensure a balanced community. The SPD will support the implementation of this policy. The SPD, in conjunction with policy DM13 and proposals to designate an Article 4 Direction seek to address the detrimental impacts of concentration of HMOs in accordance with the ambitions of the Corporate Plan and the Local Plan.

93 LOCAL GOVERNMENT REFORM PROPOSAL FOR THE BAY AREA

(Cabinet Member with Special Responsibility Councillor Lewis)

Cabinet received a report from the Chief Executive to request Cabinet's endorsement of the full proposal for a unitary council for the Bay area. At meetings on 5 November 2020, Cabinet endorsed, and full Council authorised the submission of an outline proposal for a unitary authority for the Bay to the Ministry of Housing, Communities and Local Government and the subsequent preparation of a full proposal. The report presented that full proposal for approval. If approved, the Barrow, South Lakeland and Lancaster councils would present the full proposal to Government, demonstrating how a unitary council would be an effective driver and enabler of economic, social and environmental benefits for the area's residents, businesses and visitors, realise the strategic potential of the area and enable transformation of public services.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

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| Option 1: Submit the proposal to government by 9 December 2020 |
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| <p>Advantages: The Bay unitary option remains on the table to be considered by government. The preferences of our residents and stakeholders are supported. Builds on the strong relationship with the Bay authorities and partners. Potential for benefits and opportunities for our residents and businesses, opportunities for shared priorities and outcomes across the Bay area, more sustainable services working with connected communities, integrated health and social care reform. Provides a greater opportunity to deliver the economic prosperity and growth identified in The Bay Prosperity and Resilience Strategy, sooner and at scale Potential for a louder voice with government</p> |
|--|

with opportunities to influence policy developments, funding priorities and investment. Potential for a coordinated Bay wide approach to climate change action. Potential for more devolved funding and responsibilities as a unitary council within a Combined Authority area.

Disadvantages: Moving forwards, a great deal of work will be required but there will be the opportunity to plan and resource this well.

Risks: There is a risk that the Bay proposal is not supported by government. All possible steps have been taken to ensure a strong proposal is made.

Option 2: Do not submit the proposal to government

Advantages: None. No obvious advantages, particularly as the option to remain as a single district is unlikely to continue as local government reorganisation and devolution plans develop at the national government level.

Disadvantages: The Bay unitary proposal will not be considered by government and the district will have significantly less influence on any future unitary developments. Lost opportunity to deliver benefits and outcomes for our residents and businesses, develop for shared priorities and outcomes across the Bay area, more sustainable services working with connected communities, integrated health and social care reform. The unitary proposal preferred by most residents cannot be progressed. Reduced opportunity to achieve a louder voice with government to influence policy developments, funding priorities and investment. The Council's influence on local government reorganisation would be significantly reduced. Lost opportunity to bring additional devolved funds and responsibilities into the district and the wider Bay area sooner than would otherwise be possible. Lost opportunity for a coordinated Bay wide approach to climate change action.

Risks: If the Bay proposal is not submitted, early discussions for reorganisation in Lancashire suggest the district could become part of a NW Lancashire potential unitary. Although not fully assessed this model does not present opportunities to build on shared economic functioning areas, Travel to Work/ Learn areas or a shared health footprint. The case therefore carries uncertainty and risk.

Councillor Lewis proposed, seconded by Councillor Parr:-

“That the recommendations, as set out in the report, be approved.”

Councillors then voted:-

Resolved unanimously:

- (1) That Cabinet approves the full proposal for a unitary council for the Bay area, as set out in Appendix 1 to the report, and recommends it to Council for their consideration and approval before submission by the Leader and Chief Executive to the Government by 9 December 2020.
- (2) That the Chief Executive, in consultation with the Leader, be authorised to approve any minor amendments that may arise following consideration of the proposal by Barrow Borough and South Lakeland District Councils, prior to submission.

Officer responsible for effecting the decision:

Chief Executive

Reasons for making the decision:

Exploring the case for reform has taken account of the benefits a change to local government could deliver and relates to all services delivered by the council as well as the outcomes for our communities. In addition, a new unitary council would have access to additional resources and a greater degree of influence over sub regional and national policy. Developing the case for reorganisation and reform has required consideration of the benefits a change to local government could deliver for economic prosperity and resilience within Morecambe Bay and the opportunities to improve and maximise the wellbeing of residents and positively reduce inequalities. This accords with the Council's priorities of working across boundaries to deliver economic prosperity, strong and involved communities, community wealth, health and well-being, social value and tackling the climate emergency.

Chair

(The meeting ended at 12.00 p.m.)

**Any queries regarding these Minutes, please contact
Liz Bateson, Democratic Services - email ebateson@lancaster.gov.uk**

MINUTES PUBLISHED ON WEDNESDAY 9 DECEMBER 2020

EFFECTIVE DATE FOR IMPLEMENTING MINUTE 92 THURSDAY 17 DECEMBER 2020

MINUTE 93 WAS NOT SUBJECT TO CALL-IN AS IT WAS REFERRED TO THE EXTRA ORDINARY COUNCIL MEETING HELD LATER THE SAME DAY.

CABINET

5.00 P.M.

19TH JANUARY 2021

PRESENT:- Councillors Erica Lewis (Chair), Dave Brookes, Gina Dowding, Merv Evans, Kevin Frea, Tim Hamilton-Cox, Janice Hanson, Caroline Jackson, Jean Parr and Anne Whitehead

Officers in attendance:

| | |
|------------------|---|
| Kieran Keane | Chief Executive |
| Mark Davies | Director for Communities and the Environment |
| Sarah Davies | Director of Corporate Services |
| Jason Syers | Director for Economic Growth and Regeneration |
| Paul Thompson | Chief Financial Officer (Head of Finance & Section 151 Officer) |
| Luke Gorst | Head of Legal Services and Monitoring Officer |
| Debbie Chambers | Head of Democratic Services and Deputy Monitoring Officer |
| Joanne Wilkinson | Head of Housing (Minute 105) |
| Paul Rogers | Senior Regeneration Officer (Minute 100) |
| Fiona Clark | Planning Officer (Policy) (Minutes 98 & 99) |
| Liz Bateson | Principal Democratic Support Officer |

94 MINUTES

The minutes of the meeting held on Tuesday 8 December 2020 were approved as a correct record.

95 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

The Chair advised that there were no items of urgent business.

96 DECLARATIONS OF INTEREST

No declarations were made at this point.

97 PUBLIC SPEAKING

Members were advised that there had been no requests to speak at the meeting in accordance with Cabinet's agreed procedure.

At this point the Chair requested that standing order 17 (Cabinet Procedure Rule 17) be suspended to allow for questions to be taken from all members as the reports were introduced. The proposal was moved by Councillor Brookes, seconded by Councillor Hamilton-Cox and there was no dissent to the proposal.

Resolved unanimously:

(1) That Standing Order 17 (Cabinet Procedure Rule 17) be suspended.

98 VIABILITY PROTOCOL SUPPLEMENTARY PLANNING DOCUMENT

(Cabinet Member with Special Responsibility Councillor Hanson)

Cabinet received a report from the Director for Economic Growth & Regeneration to consider the draft Viability Protocol Supplementary Planning Document (draft SPD) and seek authorisation for the Service Manager – Planning and Housing Strategy to proceed with informal and statutory consultation.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

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| Option 1: Progress the draft SPD through informal and statutorily defined consultation process. |
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| Advantages: |
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| The consultation process will provide engagement with stakeholders and allow them to influence the content of the draft SPD. Consultation and appropriate consideration of the responses will ensure that the SPD can be afforded weight when determining planning applications. |
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| Disadvantages: |
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| No disadvantages. |
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| Risks: |
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| No risks. |
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| Option 2: Do not progress the draft SPD through informal and statutorily defined consultation process. |
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| Advantages: |
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| No advantages. |
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| Disadvantages: |
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| Additional guidance about the criteria within planning policies will not be available for prospective applicants or as a decision-making tool. |
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| Risks: |
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| Processing the draft SPD without the necessary consultation will reduce any weight which could be attached to it in the decision-making process. |
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The officer preferred option is Option 1 - Progress the draft SPD through informal and statutorily defined consultation process to ensure that if adopted it can be given weight in decision making.

Councillor Hanson proposed, seconded by Councillor Brookes:-

“That the recommendations, as set out in the report, be approved.”

Councillors then voted:-

Resolved unanimously:

- (1) That the draft SPD be approved, and that authority be delegated to the Service Manager – Planning and Housing Strategy to advance the draft SPD through informal and statutory defined consultation processes.
- (2) That the SPD will then be adopted unless the consultation results in any significant changes to the SPD which will be reported back to Cabinet for final endorsement.

Officer responsible for effecting the decision:

Director for Economic Growth & Regeneration

Reasons for making the decision:

The decision is consistent with the Council Plan 2018-2022 which includes ambitions to improve access to quality housing. The Corporate priorities (updated January 2020) set out a priority to develop housing to ensure people of all incomes are comfortable, warm and able to maintain their independence. The Lancaster Local Plan includes policies which seek to ensure that the new housing developments include a proportion of affordable housing and provide the necessary infrastructure contributions. The draft SPD will support the implementation of policies within the Local Plan.

99 MEETING HOUSING NEED SUPPLEMENTARY PLANNING DOCUMENT**(Cabinet Member with Special Responsibility Councillor Hanson)**

Cabinet received a report from the Director for Economic Growth & Regeneration to consider the draft Meeting Housing Need Supplementary Planning Document (draft SPD) and sought authorisation for the Service Manager – Planning and Housing Strategy to proceed with informal and statutory consultation.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

Option 1:
Progress the draft SPD through informal and statutorily defined consultation process.

Advantages:

The consultation process will provide engagement with stakeholders and allow them to influence the content of the draft SPD.

Consultation and appropriate consideration of the responses will ensure that the SPD can be afforded weight when determining planning applications.

Disadvantages:

No disadvantages.

Risks:

No risks.

Option 2:
Do not progress the draft SPD through informal and statutorily defined consultation process.

Advantages:
 No advantages.

Disadvantages:
 Additional guidance about the criteria within planning policies will not be available for prospective applicants or as a decision-making tool.

Risks:
 Processing the draft SPD without the necessary consultation will reduce any weight which could be attached to it in the decision-making process.

The officer preferred option is Option 1 - Progress the draft SPD through informal and statutorily defined consultation process, to ensure that if adopted it can be given weight in decision making.

Following a question with regard to service charges and affordable housing it was agreed that a response would be circulated to all Councillors for information.

Councillor Hanson proposed, seconded by Councillor Parr:-

“That the recommendations, as set out in the report, be approved.”

Councillors then voted:-

Resolved unanimously:

- (1) That the draft SPD be approved and authority be delegated to the Service Manager – Planning and Housing Strategy to advance the draft SPD through informal and statutory defined consultation processes.
- (2) That the SPD will then be adopted unless the consultation results in any significant changes to the SPD which will be reported back to Cabinet for final endorsement.

Officer responsible for effecting the decision:

Director for Economic Growth and Regeneration

Reasons for making the decision:

The decision is consistent with the Council Plan 2018-2022 which includes ambitions to enhance community cohesion and improve access to quality housing. The Corporate Priorities (updated January 2020) set out a priority to develop housing to ensure people

of all incomes are comfortable, warm and able to maintain their independence. The Lancaster Local Plan includes policies which seek to ensure that the new housing developed in the district meets the identified need in terms of the size, type and location. It provides policies which seek to ensure the delivery of affordable housing, housing which meets specific rural local needs, homes for the elderly, gypsies and travellers and sets out internal size and accessibility standards. The draft SPD will support the implementation of policies within the Local Plan.

100 CANAL QUARTER, LANCASTER - USE OF RESERVES

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Cabinet received a report from the Director for Economic Growth and Regeneration to consider the route and approach to implement the economic regeneration of key council land interests, particularly the area known as Cooper's Fields which is dominated by the Upper and Lower St. Leonard's Gate surface car parking and bounded by Lodge Street, Alfred Street, Seymour Street / Edward Street and St Leonards Gate. Cabinet was requested to approve the use of Reserve Funds to commission a full professional services master planning team to deliver the next key phase of the Canal Quarter project.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

| | Option 1: Approve £120K to procure a master-planning team through an existing Framework Agreement to progress the council's preferred masterplan/development solution | Option 2: Approve £120K to procure a master-planning team through open competitive tender to progress the council's preferred masterplan/development solution |
|--------------------|--|---|
| Advantages | Officers are experienced in progressing UK directive compliant tenders via Frameworks to appoint masterplan/design teams for projects. Use of a pre-approved UK directive compliant Framework will reduce the administrative burden on officers in managing a legally compliant tender process. | Greater likelihood of securing a high-quality team and detailed design solution for the project. Greater "reach" in securing interest from a range of design practices. Enables a wider range of national and international practices to participate. |
| Disadvantages | "Reach" of the council's tender may not be wide enough to secure innovative thinking or creative solutions from smaller firms if a Framework is used. | Officer resource commitment would be higher particularly under an open competition with an element of negotiation/dialogue. |
| Risks / Mitigation | A quality design team would be appointed who progress a feasible masterplan / design | Officers are experienced in securing design teams to the requirements of UK public |

| | | |
|--|---|---|
| | <p>solution to meet the council's and community's objectives as expressed through the CQSRF.</p> <p>The risks are therefore around whether the Framework route delivers the best possible range of expertise.</p> | <p>procurement law.</p> <p>While the demands on officer time will be higher, a wider range of national and international practices will be able to participate.</p> |
|--|---|---|

Option 2 is the preferred option. There is an onus on the council to drive forward economic regeneration initiatives as part of the pandemic recovery process. The high degree of Member, public and commercial interest (including from MCHLG and Homes England) and the complexity of addressing key issues raised through CQSRF consultation (such as car parking, traffic movement and integrating open space provision) means the progression of a detailed development masterplan is essential to make further progress.

The funds for the detailed work will be sourced from the Canal Quarter Reserve (agreed under the Outcome-Based Budgeting process of as part of the Regeneration Development Reserve) and split over the current financial year and early part of next financial year (refer to Financial Implications).

Following completion of the procurement stage the recommended master-planning team will be contracted and the work undertaken. However, the work will be supported by structured engagement with Cabinet, continued input from the existing community stakeholder group, and wider public consultation.

On conclusion of the work a report will be made to Cabinet to consider the next stages and approval of any funding from the Canal Quarter Reserve required to progress the masterplan/design ideas to investment readiness through the protocols outlined in the council's emerging Capital Investment Strategy.

Councillor Hamilton-Cox proposed, seconded by Councillor Whitehead:-

"That the recommendations, as set out in the report, be approved."

Councillors then voted:-

Resolved unanimously:

- (1) That approval be given to allocate up to £120K of the Council's Canal Quarter Reserve for the management and progression of site investigations, surveys, development of a detailed masterplan, phased development delivery strategy, and feasibility appraisals for key areas of the Canal Quarter as outlined in the report.
- (2) That Tender material is prepared by officers for issue.
- (3) That following completion of the procurement stage the recommended master planning team be contracted and the work undertaken.

- (4) That the work be supported by structured engagement with Cabinet, continued input from the existing community stakeholder group, and wider public consultation.

Officer responsible for effecting the decision:

Director for Economic Growth and Regeneration

Reasons for making the decision:

The Canal Quarter site is a long-standing allocation within the Lancaster Local Plan and is identified via Policies ER4 and ER5 of the Lancaster District Core Strategy (adopted in 2008) and Policy SG5 of the Strategic Policies & Land Allocations DPD.

In terms of the potential future development proposals the outcomes, impacts and issues will be explored and tested through the master-planning phase, adhering to the principles of the council's Local Plan and Canal Quarter SRF and taking into account any further objectives as defined by the council in its master-planning brief. This will have an early focus on developing options and resolving the key issues and points of contention raised through the stakeholder / community consultation including (but not limited to) the most appropriate physical solution to issues of movement and connectivity, car parking provision and open space provision (including the relationship of development and access to the canal) .

At this point and with the agreement of the meeting the Chair adjourned the meeting for 15 minutes. The meeting reconvened at 5.50pm.

101 CORPORATE FEES & CHARGES POLICY REVIEW 2021/22

(Cabinet Member with Special Responsibility Councillor Whitehead)

Cabinet received a report from the Director of Corporate Services to endorse the Fees and Charges Policy for 2021/22 and consider the freezing of charges across all areas.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

The policy attached to the report remains substantively unchanged and it is considered that it remains fit for purpose (at least in the short term) and it adequately covers Cabinet's budget proposals. As such, no options are presented and Cabinet is simply requested to endorse the policy, with a review being undertaken next year.

With regard to charges in general, it is proposed to freeze charges for the forthcoming financial year and the impact has been fed into the draft general fund budget for 2021/22. Should Members wish to apply inflation, further work to determine charging levels would need to take place and be fed into the budget setting process as appropriate.

The introduction of the new Housing Improvement Charge is subject to Member agreement and as such is included as a recommendation within this report.

Councillor Whitehead proposed, seconded by Councillor Parr:-

“That the recommendations, as set out in the report, be approved.”

Councillors then voted:-

Resolved unanimously:

- (1) That Cabinet endorses the Fees and Charges Policy as set out at Appendix A to the report, and during 2021/22 as part of the mid-year budget strategy review determines whether any other areas of income generation be explored further for 2022/23 onwards.
- (2) That Cabinet endorses the freezing of charges across all areas, and notes the areas of significant reduction, as reported as part of the current 2021/22 budget setting process.
- (3) That Cabinet endorses the implementation of the new charges as reported as part of the current 2021/22 budget setting process.

Officers responsible for effecting the decision:

Director of Corporate Services
 Director for Communities and the Environment
 Director for Economic Growth & Regeneration

Reasons for making the decision:

Traditionally as part of the annual budget process all relevant fees and charges would be increased by inflation for the following year, in line with the annual inflationary review. However, largely due to the pandemic 2020/21 has been a totally indifferent year and key areas of income have been subject to government support equating to 75% of lost revenue, once a 5% relevant budget deduction has been applied. Whilst an inflationary freeze on fees across all areas will create further strain on the revenue budget the client base is considered to be extremely fragile at the moment. Temporary base budget reductions have prudently been included in key areas such as car parking and Salt Ayre Leisure Centre as they are not expected to return to pre-pandemic levels for budgetary purposes until 2022/23.

102 BUDGET & POLICY FRAMEWORK UPDATE

(Cabinet Member with Special Responsibility Councillor Whitehead)

Cabinet received a report from the Director of Corporate Services that provided an update on the Council's budget strategy for 2021/22 and financial outlook up to 2024/25. Specifically, the report considered the budget and council tax proposals for 2021/22.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

Regarding the budget strategy, Cabinet may approve the proposals as set out, or require changes to be made to the suggested approach. The overriding aim of any

budget setting process is to approve a balanced budget by statutory deadlines, allocating resources to help ensure delivery of the Council's corporate and service ambitions. The proposed approach is in line with that broad aim and any changes that Cabinet puts forward should also be framed in that context.

In term of the actual budget position, this report puts forward a balanced budget. If Cabinet agrees the budget it will form their proposal to Budget Scrutiny Panel on 26 January 2021. The feedback from this meeting will be considered by Cabinet and incorporated into a final budget proposal which will be considered at the Cabinet meeting on 09 February 2021 and recommended to Council on 24 February 2021.

Councillor Whitehead proposed, seconded by Councillor Parr:-

"That the recommendations, as set out in the report, be approved."

Councillors then voted:-

Resolved unanimously:

- (1) That Cabinet make recommendations to Council regarding the Lancaster City Council element of the Council Tax as set out in paragraph 3.4 (option one) of the report which is a £5 increase to the Band D Council Tax (from £231.95 to £236.95).
- (2) That Cabinet makes recommendations regarding its initial budget proposals as set out in section 4 and appendix A of the report.
- (3) That the recommendations and proposals in this report be referred for scrutiny to the Budget and Performance Panel on 26 January and to full Council on 27 January for initial consideration in order that any feedback can be provided to Cabinet at its 09 February meeting.

Officers responsible for effecting the decision:

Director of Corporate Services
Chief Finance Officer

Reasons for making the decision:

The budget represents in financial terms what the Council is seeking to achieve through its Framework and incorporates measures to make progress in addressing the climate emergency and digital improvements as well as activities to address wellbeing, health and community safety. The decision enables Cabinet to make recommendations to Council in order to complete the budget setting process for 2021/22.

103 APPOINTMENT TO OUTSIDE BODIES

(Cabinet Member with Special Responsibility Councillor Lewis)

Cabinet received a report from the Chief Executive to make appointments to the vacancies on 3 outside bodies following the resignation from Cabinet of Councillor Sinclair. The vacancies related to the Lancaster Community Fund Grants Panel, the

Community Safety Partnership and to the Health and Wellbeing Partnership and Cabinet were recommended that the appointments be aligned as closely as possible to individual Cabinet Members' portfolios.

It was proposed by Councillor Lewis, seconded by Councillor Parr and resolved unanimously when put to the vote:

Resolved unanimously:

- (1) That Councillor Lewis be appointed to the Lancaster Community Funds Grants Panel and Councillor Parr appointed to both the Community Safety Partnership and the Health & Wellbeing Partnership.
- (2) That the outside bodies be notified of the revised appointments.

Officer responsible for effecting the decision:

Chief Executive

Reasons for making the decision:

Representation on Outside Bodies is part of the City Council's community leadership role and is consistent with the Council's Plan and Priorities.

104 EXCLUSION OF THE PRESS AND PUBLIC

It was moved by Councillor Parr and seconded by Councillor Hanson:-

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

Members then voted as follows:-

Resolved unanimously:

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

The 'live' Teams meeting concluded at 6.48pm and Cabinet convened in a private Teams meeting to consider the exempt item.

105 DISPOSAL OF SOUTH LODGE

(Cabinet Member with Special Responsibility Councillor Jackson)

Cabinet received a report from the Director for Communities and the Environment which

sought authorisation to dispose of South Lodge. The report was exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.

The options, options analysis, including risk assessment and officer preferred option, were set out in the exempt report.

Resolved unanimously:

- (1) The resolution is set out in a minute exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act, 1972.

Officer responsible for effecting the decision:

Director for Communities and the Environment

Reasons for making the decision:

The decision is consistent with the Council's priorities. Exactly how the decision fits with Council priorities is set out in the exempt minute.

Chair

(The meeting ended at 6.57 p.m.)

**Any queries regarding these Minutes, please contact
Liz Bateson, Democratic Services - email ebateson@lancaster.gov.uk**

MINUTES PUBLISHED ON 22 JANUARY 2021.

**EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES:
1 FEBRUARY, 2021.**