



**Committee:** CABINET

**Date:** TUESDAY, 24 NOVEMBER 2020

**Venue:** THIS WILL BE A VIRTUAL MEETING

**Time:** 5.00 P.M.

## A G E N D A

1. **Apologies**

2. **Minutes**

To receive as a correct record the minutes of Cabinet held on Tuesday, 27th October and Wednesday 5 November 2020 (previously circulated).

3. **Items of Urgent Business Authorised by the Leader**

To consider any such items authorised by the Leader and to consider where in the agenda the item(s) are to be considered.

4. **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.

5. **Public Speaking**

To consider any such requests received in accordance with the approved procedure.

Reports from Overview and Scrutiny

None

Reports

6. **Delivering our Ambitions Quarter 2** (Pages 4 - 19)  
**(Cabinet Member with Special Responsibility Councillor Whitehead)**  
Report of Director of Corporate Services
7. **Budget and Policy Framework Update - Revision to 2020/21 Budget** (Pages 20 - 30)  
**(Cabinet Member with Special Responsibility Councillor Whitehead)**  
Report of Chief Finance Officer (Report published on 20 November 2020)
8. **Treasury Management Mid Year Review** (Pages 31 - 47)  
**(Cabinet Member with Special Responsibility Councillor Whitehead)**  
Report of Chief Finance Officer
9. **Localised Council Tax Support Scheme 2020/21** (Pages 48 - 59)  
**(Cabinet Member with Special Responsibility Councillor Whitehead)**  
Report of Head of Shared Services (Revenues & Benefits) (Report published on 18 November 2020)

#### **ADMINISTRATIVE ARRANGEMENTS**

**(i) Membership**

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

**(ii) Queries regarding this Agenda**

Please contact Liz Bateson, Democratic Services - email [ebateson@lancaster.gov.uk](mailto:ebateson@lancaster.gov.uk).

**(iii) Apologies**

Please contact Democratic Support, telephone 582170, or alternatively email [democraticsupport@lancaster.gov.uk](mailto:democraticsupport@lancaster.gov.uk).

KIERAN KEANE,  
CHIEF EXECUTIVE,  
TOWN HALL,  
DALTON SQUARE,  
LANCASTER, LA1 1PJ

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**Lancaster City Council | Report Cover Sheet**

<b>Meeting</b>	Cabinet	<b>Date</b>	24 November 2020
<b>Report</b>	Delivering Our Ambitions: Q2 2020/21		
<b>Report of</b>	Director of Corporate Services		
<b>Purpose of Report</b>			
To provide members with an update on performance, projects, and resources during the second quarter of 2020/21 (July – September 2020).			
<b>Key Decision (Y/N)</b>	<b>N</b>	<b>Date of Notice</b>	<b>N/A</b>
<b>Exempt (Y/N)</b>	<b>N</b>		

**Report Summary**

The appendices to this report provide information on performance, projects, and resources.

**Recommendations of Councillor Anne Whitehead**

That Cabinet

- (1) Consider the update on performance, projects, and resources for Quarter 2 2020/21.
- (2) Continue to lobby central government for the funding necessary to cope with the demands and new burdens presenting because of COVID-19.

**Relationship to Policy Framework**

Performance, project, and resource monitoring provides a link between the Council Plan and operational achievement, by providing regular updates on the impact of operational initiatives against strategic aims.

**Conclusion of Impact Assessment(s) where applicable**

<b>Climate</b>	<b>Wellbeing &amp; Social Value</b>
<b>Digital</b>	<b>Health &amp; Safety</b>
<b>Equality</b>	<b>Community Safety</b>

The content of this report has no impact in itself.

**Details of Consultation**

No specific consultation around this report.

**Legal Implications**

No legal implications directly arising from this report.

**Financial Implications**

No financial implications directly arising from this report.

**Other Resource or Risk Implications**

No other implications directly arising from this report.

<b>Section 151 Officer's Comments</b>	
The Section 151 Officer contributed to this report in his role as Head of Financial Services.	
<b>Monitoring Officer's Comments</b>	
The Monitoring Officer has been consulted and has no further comments.	
<b>Contact Officer</b>	Paul Thompson (Head of Financial Services)
<b>Tel</b>	01524 582603
<b>Email</b>	pthompson@lancaster.gov.uk
<b>Links to Background Papers</b>	

## 1.0 Introduction

- 1.1 The appendices to this report provide information on the Council's progress against its priorities, via updates on performance, projects, and resources.

## 2.0 Performance Scorecard

- 2.1 As Cabinet and the Council's priorities continue to develop, success measures will be updated accordingly to align with the priorities. Members will be aware that work to create a revised suite of measures is currently progressing. However, given the current circumstances and until this work is complete reporting has been suspended.

## 3.0 Project Updates

- 3.1 As a result of COVID 19 many of the Council's projects have been placed on hold and reporting has been suspended.

## 4.0 Financial Monitoring

- 4.1 All portfolios are required to examine their revenue budgets regularly and reports are submitted to Cabinet and Budget & Performance Panel for review. To enable Portfolio Holders to meet this requirement Financial Services continually reviews and refreshes how it presents the Council's Corporate Monitoring information. Portfolio holder budget packs have been developed and distributed to enable discussions with their relevant budget holders.
- 4.2 In an attempt to aid understanding Members should note that where **projected variances** values are presented with brackets ( ) this reflects a negative, or adverse movement from the budgeted position. Conversely, projected variances accompanied with a + sign represents a positive, or favourable movement from the budgeted position.

The following financial appendices accompany this report

- Appendix A: General Fund Service Analysis
- Appendix B: General Fund Subjective Analysis
- Appendix C: HRA Service Analysis
- Appendix D: HRA Subjective Analysis
- Appendix E: General Fund Capital Projects
- Appendix F: HRA Capital Projects
- Appendix G: Reserves Projected Outturn

### General Fund Summary Position

- 4.3 Quarter 2 (Q2) monitoring covers the period for July – September 2020 and provides Members with details of the effect on the Council's finances of the COVID-19 pandemic. The most significant variance is the loss of revenue from Car Parking, Salt Ayre, and the Platform.
- 4.4 The monitoring includes the impact of the Government's recent Sales, Fees and Charges (SFC) compensation scheme which involves a 5% deductible rate, whereby the Council will absorb losses up to 5% of our planned 2020/21 sales, fees and charges income. The Government then provides compensation of 75p in every pound of relevant losses. Further information is available on the governments website <https://www.gov.uk/guidance/local-government-income-compensation-scheme-for-lost-sales-fees-and-charges>
- 4.5 At the end of Q2 (September 2020) we are currently projecting an overall year end surplus against budget of **£2.078M**. However, Members need to be aware that this is a result of a formal statutory adjustment within the Collection Fund to recognise the Green Energy Disregard monies with the Council's General Fund. Member's would be advised to note that this classification is subject to confirmation and so is currently **at risk**. Further explanation is provided at paragraphs 4.12 – 4.17 below.
- 4.6 The underlying General Fund position is showing overspend of **(£1.491M)** (Q1 £1.709M). This amount equates to approximately **8.32%** (Q1 9.54%) of the Council's approved Net Revenue Budget of **£17.903M**.
- 4.7 A summary of the Q2 revenue position for the main service accounts of the Council is set out in table 1 below. Appendix A: General Fund Service Analysis covers this information in more detail with commentary on significant variances (£100K+/-) provided within the following paragraphs.

Table 1 Quarter 2 Financial Monitoring – Service Analysis

	Original Budget 2020/21 £'000	Q2 Actual 2020/21 £'000	Projected Outturn 2020/21 £'000	Projected Variance 2020/21 £'000
Communities and Environment	5,516	2,435	6,438	(921)
Economic Growth and Regeneration	4,192	3,084	4,076	113
Corporate Services	5,592	6,619	6,707	(1,115)
Chief Executive	1,023	491	974	49
Other Items	2,691	(2,677)	2,322	369
<b>Sub Total</b>	<b>19,014</b>	<b>9,952</b>	<b>20,517</b>	<b>(1,505)</b>
Net Recharges to Housing Revenue Account	(1,008)	0	(1,008)	0
RMS Capital Charges (now Housing Revenue Account)	(113)	2,167	(113)	0
Reserve funded items included in above analysis	10	592	0	14
Estimated Refund from Government re: loss of income	0	0	0	0
<b>Sub Total</b>	<b>(1,111)</b>	<b>2,759</b>	<b>(1,121)</b>	<b>14</b>
<b>General Fund Revenue Budget</b>	<b>17,903</b>	<b>12,711</b>	<b>19,396</b>	<b>(1,491)</b>
Revenue Support Grant	(203)	(106)	(203)	0
Net Business Rates Income	(8,028)	371	(11,597)	3,569
<b>Council Tax Requirement</b>	<b>9,672</b>	<b>12,976</b>	<b>7,596</b>	<b>2,078</b>

Communities and Environment (£0.921M Adverse)

- 4.8 Services within Communities and Environment have borne the brunt of income losses due to COVID-19. Although the reported figures are net of savings and the governments compensation scheme significant losses have been experienced by the closure, or reduction in operating capacity of Salt Ayre Leisure Centre (£0.317M), the Council's Markets (£0.096M) and Williamsons Park (£0.130M). Also, as expected Car Parking (£0.540M) and Trade Waste (£0.205M) have seen significant reductions in demand during the first half of the year.

Economic Growth and Regeneration (£0.113M Favourable)

- 4.9 The repurposing of the Platform to host the food bank has provided savings £0.224M. However, the Regeneration Team have requested an increased budget (£0.175M) to further support delivery of the Funding the Future strategy. In addition, the adverse variance within Development Control (£0.219M) is due to an increase in the CAPITA contract, additional legal fees, and a reduction in Planning Fee/ Pre-Application income.

Corporate Services (£1.115M Adverse)

- 4.10 Changes to the way we account for the staff turnover target has resulted in what appears to be a large variance (£0.591M) within the central corporate accounts, although this is offset by savings elsewhere within the Council's services. Other significant variances relate to Human Resources (£0.136M) predominately due to additional staffing costs for various new posts within the department and Legal Services (£0.102M) reflecting reduced search fee income as well as increased staff and external legal costs. Revenues and Benefits (£0.406M) because of reductions in Housing Benefit overpayments and legal costs recovered.

Other Items (£0.369M Favourable)

- 4.11 A reduction in the Council's charge for Minimum Revenue Provision (+£0.347M) because of the 2019/20 Capital Outturn and revisions to the 2020/21 Capital Programme.

Business Rates Income (£3.569M)

- 4.12 Under the Business Rates Retention scheme the amount of income the Council can recognise in its General Fund is fixed in January of the preceding financial year. This is necessary so that Central Government, the County Council and Fire Authority can take into account their expected share of business rates.
- 4.13 The Council is allowed to retain 100% of any business rates income from renewable energy projects for which they grant planning permission. During the collation of the return (NNDR 1) which determines the relative shares for 2020/21 in January 2020 Walney Sub Station extension was identified as potentially qualifying for the Green Energy Disregard. It was, however, necessary at this stage to obtain both internal and specialist external advice to support the classification. Whilst the City Council dealt with the planning permission it is a national infrastructure project. It was not possible to obtain this within the required timescales for the return.
- 4.14 Expert external advice supported the view that the £2.085M income did qualify for the disregard. It was, therefore, included in our final accounts for 2020/21 for the Collection Fund and in the submission of the actual outturn to central government.

- 4.15 Although the green energy disregard monies are income to the General Fund they are recognised as expenditure in the Collection Fund. This created a deficit on the fund, the City Council's share of which is £0.789M. This will not be recognised in the General Fund until 2021/22. In January 2020 it was anticipated that there would be a surplus on the Collection Fund, the City Council's share of which is £1.183m and it is this amount which is recognised in the General Fund for 2020/21.
- 4.16 Our monitoring position and revised budget reflect the full impact of treating the substation as a green energy property. The resulting favourable variance will help to offset the effect of the exceptional in-year deficit on the Collection Fund created by the impact of COVID-19 and the Council's share of the actual deficit brought forward of £0.789m. The Council's share of the in-year deficit is estimated to be £1.227M (central government have recently enacted legislation to enable authorities to spread the effect of the exceptional deficit over the three years 2021/22-2023/24).
- 4.17 Members must be aware that a risk does remain that central government may not agree with the green energy classification. Should our assessment be challenged the £2.085m would be reclassified as Business Rates "growth" of which the Council would only be able to retain 40%, c.£0.800m. Once central government resets the Council's funding baseline this benefit would cease.
- 4.18 Members would be advised not to use this fortuitous gain to fund the current underlying structural deficit and continue to review and address the deficit through the processes prescribed within the Funding the Future Strategy.

#### Subjective Analysis

- 4.19 The revenue position provided within table 1 above is analysed across the Councils subjective headings is set out in table 2 below.

Table 2 Quarter 2 Financial Monitoring – Subjective Analysis

	<b>Working Budget 2020/21 £'000</b>	<b>Q2 Actual 2020/21 £'000</b>	<b>Projected Outturn 2020/21 £'000</b>	<b>Projected Variance 2020/21 £'000</b>
Employees	21,285	18,235	23,365	(2,078)
Premises Related	5,522	2,792	5,433	89
Transport Related	1,235	650	1,230	5
Supplies and Services	10,910	5,880	10,756	154
Transfer Payments (Housing Benefits)	24,327	8,969	24,327	0
Support Service Recharges	132	(10)	125	7
Capital Charges	17	0	17	0
Interest Payments	1,158	349	1,158	0
Appropriations	3,118	0	2,714	400
Customer Fees and Charges	(16,480)	(6,001)	(9,848)	(6,632)
Government Grants	(26,753)	(16,787)	(27,061)	308
Interest	(130)	(53)	(88)	(42)
Other Grants and Contributions	(1,474)	(907)	(5,342)	3,868
Recharges Inc	(3,553)	(3,165)	(5,969)	2,416
Capital Related Income	(300)	0	(300)	0
<b>Sub Total</b>	<b>19,014</b>	<b>9,952</b>	<b>20,517</b>	<b>(1,505)</b>
Net Recharges to Housing Revenue Account	(1,008)	0	(1,008)	0
RMS Capital Charges (now Housing Revenue Account)	(113)	2,167	(113)	0
Reserve funded items included in above analysis	10	633	0	14
<b>Sub Total</b>	<b>(1,111)</b>	<b>2,800</b>	<b>(1,121)</b>	<b>14</b>
<b>General Fund Revenue Budget</b>	<b>17,903</b>	<b>12,752</b>	<b>19,396</b>	<b>(1,491)</b>

Employee's (£2.078M Adverse)

- 4.20 Consisting of several values the movement predominantly relates to accounting for the 3-year pensions prepayment made by the Council early this year (£2.740M) with a corresponding entry within the Recharges variance (+£2.416M).

Customer Fee's & Charges (£6.632M Adverse)

- 4.21 Reflecting the impact of COVID-19 has had on the various income streams within the Council, as outlined previously.

Other Grants & Contributions (£3.868M Favourable)

- 4.22 Consisting of several balances with the most significant being the full year forecast of the reimbursement by MHCLG of relevant Council's losses under the Sales, Fees and Charges Compensation scheme (+£3.917M) as noted in para 4.4

- 4.23 *Appendix B: General Fund Subjective Analysis* covers this information in more detail

**Housing Revenue Account Summary Position**

- 5.0 As at the end of Q2 we are currently projecting a year end underspend against budget of **£0.795M**. A summary of the Q2 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 2 Financial Monitoring – HRA Service Analysis

	<b>Original Budget 2020/21 £'000</b>	<b>Q2 Actual 2020/21 £'000</b>	<b>Projected Outturn 2020/21 £'000</b>	<b>Projected Variance 2020/21 £'000</b>
Policy & Management	1,347	603	1,340	7
Repairs & Maintenance	5,604	306	5,425	179
Welfare Services	(163)	(245)	(223)	60
Special Services	156	168	174	(18)
Miscellaneous Expenses	596	322	645	(49)
Capital Charges	5,572	0	5,571	1
Appropriations	549	0	(271)	820
Income Account	(14,537)	(6,830)	(14,337)	(200)
<b>Sub Total</b>	<b>(876)</b>	<b>(5,676)</b>	<b>(1,676)</b>	<b>800</b>
<b>Net Recharges to General Fund</b>	<b>876</b>	<b>4</b>	<b>881</b>	<b>(5)</b>
<b>Housing Revenue Account Budget</b>	<b>0</b>	<b>(5,672)</b>	<b>(795)</b>	<b>795</b>

- 5.1 The forecast surplus is due to saving within Repairs & Maintenance (+£0.179M) and associated salary savings due to carrying vacant posts as well as reduced use of subcontractors during lockdown. Also reduced funding requirement for capital expenditure (+£0.820M) deferred due to pandemic offset by some additional consultancy expenditure.

- 5.2 Unfortunately income from dwelling rents and service charges is forecast to reduce (£0.145M & £0.031M). Although the Council has worked to reduce the number of void properties, increased re-let times due to pandemic has had an impact.



- 5.3 *Appendix C: Housing Revenue Account Service Analysis* covers this information in more detail.

Subjective Analysis

- 5.4 The HRA revenue position provided within table 3 above is analysed across the Councils subjective headings is set out in table 4 below.

Table 4 Quarter 2 Financial Monitoring – HRA Subjective Analysis

	Original Budget 2020/21 £'000	Q2 Actual 2020/21 £'000	Projected Outturn 2020/21 £'000	Projected Variance 2020/21 £'000
Employees	1,816	801	1,700	116
Premises Related	6,239	689	6,115	124
Transport Related	9	2	9	0
Supplies & Services	732	183	708	24
Recharges Exp	122	0	122	0
Capital Charges	2,773	0	2,772	1
Interest Payments	1,757	0	1,757	0
Appropriations	1,590	0	771	819
Income	(15,914)	(7,353)	(15,631)	(283)
<b>Total</b>	<b>(876)</b>	<b>(5,678)</b>	<b>(1,677)</b>	<b>801</b>
Net Recharges to General Fund	876	4	881	(5)
<b>GRAND TOTAL</b>	<b>0</b>	<b>(5,674)</b>	<b>(796)</b>	<b>796</b>

- 5.5 *Appendix D: Housing Revenue Account Subjective Analysis* covers this information in more detail.

Capital Projects (General Fund & HRA)

- 6.0 At Q2 we are currently projecting a year end slippage against budget of **£12.405M** (General Fund **£11.378M** & HRA **£1.027M**). Summary details for both the General Fund and HRA are set out in table 5 below.

Table 5 Quarter 2 Financial Monitoring – Capital Projects

	Original Budget 2020/21 £'000	Budget Amendments 2020/21 £'000	Revised Budget 2020/21 £'000	Q2 Actual 2020/21 £'000	Projected Outturn 2020/21 £'000	Projected Variance 2020/21 £'000
<b>Communities and Environment</b>						
Business Support	4,169	0	4,169	51	1,679	2,490
Customer Involvement & Leisure	948	0	948	(23)	0	948
Public Protection	0	0	0	0	0	0
Disabled Facilities Grants	0	0	0	(2,155)	0	0
Public Realm	5,938	112	6,050	77	2,750	3,300
<b>Total</b>	<b>11,055</b>	<b>112</b>	<b>11,167</b>	<b>(2,050)</b>	<b>4,429</b>	<b>6,738</b>
<b>Economic Growth and Regeneration</b>						
Planning & Place	801	70	871	0	252	619
Economic Development	0	0	0	0	0	0
Property, Investment and Regeneration	20,021	(244)	19,777	3,751	16,548	3,229
<b>Total</b>	<b>20,822</b>	<b>(174)</b>	<b>20,648</b>	<b>3,751</b>	<b>16,800</b>	<b>3,848</b>
<b>Corporate Services</b>						
ICT	479	(96)	383	156	394	(11)
Corporate Services Development Pool	803	0	803	0	0	803
<b>Total</b>	<b>1,282</b>	<b>(96)</b>	<b>1,186</b>	<b>156</b>	<b>394</b>	<b>792</b>
<b>Central Services</b>						
Chief Executive	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GENERAL FUND - TOTAL</b>	<b>33,159</b>	<b>(158)</b>	<b>33,001</b>	<b>1,857</b>	<b>21,623</b>	<b>11,378</b>
<b>Housing Revenue Account</b>						
Adaptations	300	0	300	58	300	0
Energy Efficiency / Boiler Replacement	755	0	875	174	850	25
Kitchen / Bathroom Refurbishment	888	0	888	8	27	861
External Refurbishment	277	0	277	55	310	(33)
Environmental Improvements	552	0	587	149	379	208
Re-roofing / Window Renewals	792	0	970	193	995	(25)
Rewiring	84	0	84	0	84	0
Lift Replacement	0	0	0	0	0	0
Fire Precaution Works	145	0	164	4	164	0
Housing Renewal & Renovation	537	0	425	59	434	(9)
<b>HOUSING REVENUE ACCOUNT - TOTAL</b>	<b>3,793</b>	<b>0</b>	<b>4,145</b>	<b>642</b>	<b>3,109</b>	<b>1,027</b>
<b>GRAND TOTAL</b>	<b>36,952</b>	<b>(158)</b>	<b>37,146</b>	<b>2,499</b>	<b>24,732</b>	<b>12,405</b>

**General Fund £11.378M (Favourable)****Communities and Environment £6.738M (Favourable)**

- 6.1 Schemes which have been reprofiled, or are unlikely to progress 2020/21 include the purchase of Electric Vehicles (+£2.090M), Salt Ayre Boiler & Equipment Replacement (+£0.948M) and Mellishaw park redevelopment (+£0.240M). Addition there are a number of schemes within the development pool (+£3M) which have not been brought forward to CSG and so are likely to slip into 2021/22.

Economic Growth & Regeneration £3.848M (Favourable)

- 6.2 Several schemes have been impacted by COVID-19 including works on Lancaster Town Hall (+£1.107M), Pallatine Hall (+£0.122M) and the Queen Victoria Monument (+£0.169M). In addition there a number of schemes which expect to slip in to 2021/22 including Caton Road Flood(+£0.659M), 1 Lodge Street (+£0.396M) and Heysham Gateway (+£0.487M).

Corporate Services £0.792M (Favourable)

- 6.3 Schemes currently within the development pool not yet brought forward to CSG and so likely to slip into 2021/22

Housing Revenue Account £1.027M (Favourable)

- 6.4 No activity expected this financial year, apart from snagging issues relating to 2019/20 installations around Kitchen & Bathroom programme (£+£0.801M) and Environmental Improvement (+£0.208M).
- 6.5 *Appendix E General Fund Capital Projects & Appendix F HRA Capital Projects* provide further information and summary commentary.

Reserves

- 7.1 Provisional outturn has seen the Councils level of reserves reduce; we are currently projecting the Council's combined level of usable reserves to decrease to **£16.225M** against the budgeted balance of **£18.174M**.
- 7.2 Summary details for both the General Fund and HRA are set out in table 5 below.

Table 5 Quarter 2 Financial Monitoring - Reserves

**Reserves Statement (Including Unallocated Balances)**

	<----- ORIGINAL BUDGET ----->					<----- PROJECTED OUTTURN ----->				
	31 March 2020	From Revenue	To / (From) Capital	To Revenue	31 March 2021	31 March 2020	From Revenue	To / (From) Capital	To Revenue	31 March 2021
	£	£	£	£	£	£	£	£	£	£
<b>Unallocated Balances</b>	(5,045,000)	(226,000)			(5,271,000)	(5,045,000)	(225,980)		2,000,000	(3,270,980)
<b>Earmarked Reserves:</b>										
<b>Total Earmarked Reserves</b>	(15,319,700)	(1,797,800)	943,000	3,271,700	(12,902,800)	(15,319,700)	(3,743,200)	295,000	5,773,800	(12,954,100)
<b>Total Combined Reserves</b>	(20,364,700)	(2,023,800)	943,000	3,271,700	(18,173,800)	(20,364,700)	(3,969,180)	295,000	7,773,800	(16,225,080)

- 7.3 General Fund Unallocated Balances are forecast to reduce from the budgeted position of **£5.271M** to **£3.271M** to reflect the Council's allocation of **£2M** to support vulnerable people and local businesses during the pandemic.
- 7.4 Earmarked Reserves are showing a projected balance of **£12.954M**, an overall increase against budget (**£12.903M**) of **£0.052M**.
- 7.5 The use of the Council's reserves to manage fluctuations in expenditure and income will be key to the delivery of the Council's stated priorities and outcomes over the next 4 years and will be kept under review by Officers and Members.
- 7.6 *Appendix G: Reserves Projected Outturn* provides further detailed analysis.

**QUARTER 2 FINANCIAL REVENUE MONITORING - GENERAL FUND SERVICE ANALYSIS 2020/21**

		Original Budget 2020/21 £'000	Q2 Actual 2020/21 £'000	Projected Outturn 2020/21 £'000	Projected Variance 2020/21 £'000
<b>Communities and Environment</b>					
<u>Business Support</u>	White Lund Depot	(11)	(8)	(10)	(1)
	Vehicle Maintenance	41	76	10	31
	Customer Services	815	377	744	71
	Leisure	33	11	33	0
<u>Customer Involvement &amp; Leisure</u>	Salt Ayre	486	1,248	803	(317)
	Environmental Health	1,212	567	1,161	51
	Emergency Planning	64	24	60	4
<u>Public Protection</u>	Housing Standards	115	(129)	96	19
	Licensing	(92)	29	(87)	(5)
	Safety	175	46	111	64
	GF Housing	37	(2)	0	37
<u>Housing Services</u>	Home Improvement Agency	(143)	(335)	(81)	(62)
	Housing Options	301	(1,209)	225	76
	Strategic Housing	217	52	190	27
	Cemeteries	177	76	191	(14)
	Grounds Maintenance	(135)	181	(64)	(71)
	Household Waste Collection	2,214	559	2,052	162
	Markets	(158)	92	(62)	(96)
<u>Public Realm</u>	Parking	(2,127)	140	(1,587)	(540)
	Parks	939	223	937	2
	Public Conveniences	167	107	168	(1)
	Public Realm Highways	72	19	68	4
	Service Support	351	161	347	4
	Street Cleaning	1,130	557	1,161	(31)
	Trade Waste	(595)	(703)	(390)	(205)
	Williamson Park	232	276	362	(130)
		<b>5,517</b>	<b>2,435</b>	<b>6,438</b>	<b>(921)</b>
<b>Economic Growth and Regeneration</b>					
<u>Planning &amp; Place</u>	Building Control	173	62	235	(62)
	Conservation & Environment	50	(1)	52	(2)
	Development Control	(352)	108	(133)	(219)
	Local Plan	679	270	606	73
	AONB	25	44	30	(5)
	Economic Development	364	124	290	74
	Marketing & Comms	276	123	278	(2)
<u>Economic Development</u>	Grants	220	98	220	0
	The Platform	46	57	(178)	224
	Tourism & Events	443	181	386	57
	Museums	578	282	546	32
	Highways	0	0	0	0
<u>Property, Investment and Regeneration</u>	Regeneration	812	911	964	(152)
	Sea Defence & Land Drainage	322	98	259	63
	Property	549	582	539	10
	Building Cleaning	4	145	(18)	22
		<b>4,189</b>	<b>3,084</b>	<b>4,076</b>	<b>113</b>
<b>Corporate Services</b>					
<u>Corporate Accounts</u>	Central Expenses	(31)	7,312	560	(591)
<u>Democratic</u>	Democratic Services	962	367	848	114
<u>Finance</u>	Finance	1,202	(458)	1,155	47
<u>HR</u>	HR	812	514	948	(136)
<u>ICT</u>	ICT	1,367	966	1,443	(76)
<u>Internal Audit</u>	Internal Audit	198	11	163	35
<u>Legal</u>	Legal Services	397	245	499	(102)
<u>Revenues &amp; Benefits</u>	Revenues & Benefits	685	(2,338)	1,091	(406)
		<b>5,592</b>	<b>6,619</b>	<b>6,707</b>	<b>(1,115)</b>
<b>Central Services</b>					
<u>Chief Executive</u>	Executive Team	741	335	692	49
	Grants to other bodies	282	156	282	0
		<b>1,023</b>	<b>491</b>	<b>974</b>	<b>49</b>
<b>Other Items</b>					
	New Homes Bonus	(1,502)	(3,150)	(1,502)	0
	Revenue Funding of Capital	1,021	0	295	726
	Minimum Revenue Provision	2,107	0	1,760	347
<u>Other Items</u>	Interest Payable	1,157	349	1,157	0
	Interest Receivable	(82)	(53)	(50)	(32)
	Notional Charges	0	177	0	0
	Contributions to Reserve	2,023	0	3,969	(1,946)
	Contributions from Reserve	(1,012)	0	(3,012)	2,000
	Capital Contributions from Reserve	(1,021)	0	(295)	(726)
		<b>2,691</b>	<b>(2,677)</b>	<b>2,322</b>	<b>369</b>
	Net Recharges to Housing Revenue Account	(1,008)	0	(1,008)	0
	RMS Capital Charges (now Housing Revenue Account)	(113)	2,167	(113)	0
	Revenue Reserve funded items included in above analysis	14	633	0	14
<b>General Fund Revenue Budget</b>		<b>17,905</b>	<b>12,752</b>	<b>19,396</b>	<b>(1,491)</b>
Core Funding :	Revenue Support Grant	(203)	(106)	(203)	0
	Net Business Rates Income	(8,028)	371	(11,597)	3,569
<b>Council Tax Requirement</b>		<b>9,674</b>	<b>13,017</b>	<b>7,596</b>	<b>2,078</b>
<b>Memorandum Items (nil impact on bottom line)</b>					
Pandemic :	Income	0	(39,211)	(37,654)	37,654
	Expenditure	0	33,582	32,230	(32,230)
<b>Memorandum Items Total</b>		<b>0</b>	<b>(5,629)</b>	<b>(5,424)</b>	<b>5,424</b>

**Notes:**

1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

**QUARTER 2 FINANCIAL REVENUE MONITORING - GENERAL FUND SUBJECTIVE ANALYSIS 2020/21**

		Original Budget 2020/21 £'000	Q2 Actual 2020/21 £'000	Projected Outturn 2020/21 £'000	Projected Variance 2020/21 £'000
Employees	Direct Employee Expenses	20,187	17,796	22,381	(2,194)
	Indirect Employee Expenses	1,096	496	984	112
	Cleaning and Domestic Supplies	403	47	369	34
	Energy Costs	700	166	632	68
	Fixtures and Fittings	1	0	1	0
	Grounds Maintenance Costs	1,529	447	1,354	175
	Operational Bldgs Allocation	96	44	89	7
Premises Related Exp	Other Premises Costs	0	0	0	0
	Premises Insurance	142	221	219	(77)
	Rates	1,226	1,330	1,324	(98)
	Rents	76	38	84	(8)
	Repair and Maintenance	1,025	280	1,065	(40)
	Water Services	324	219	296	28
	Car Allowances	20	8	20	0
	Contract Hire Operating Leases	47	41	66	(19)
Transport Related Exp	Direct Transport Costs	1,048	521	1,056	(8)
	Other Transport Costs	0	0	0	0
	Public Transport	23	0	9	14
	Transport Insurance	97	80	79	18
	Catering	63	1	10	53
	Clothing Uniform and Laundry	82	45	82	0
	Communications and Computing	1,392	985	1,323	69
	Contribution to Provisions	200	0	300	(100)
Supplies and Services	Equip Furniture and Materials	1,318	481	991	327
	Expenses	613	175	368	245
	General Office Supplies	351	93	207	144
	Grants and Subscriptions	1,173	400	1,164	9
	Miscellaneous Expenses	723	1,074	888	(165)
	Services	4,995	2,641	5,423	(428)
Transfer Payments	Housing Benefit	24,327	8,984	24,327	0
Support Services	Recharges Exp	132	(10)	125	7
Capital Charges	Amortisation of Def Chgs	0	0	0	0
	Depreciation	17	0	17	0
Capital Financing Costs	Interest Payments	1,158	349	1,158	0
Appropriations	Appropriations	3,118	0	2,718	400
	Customer Fees and Charges	(16,480)	(6,011)	(9,848)	(6,632)
Income	Government Grants	(26,753)	(16,757)	(27,061)	308
	Interest	(130)	(53)	(88)	(42)
	Other Grants and Contributions	(1,474)	(907)	(5,342)	3,868
	Recharges Inc	(3,553)	(3,165)	(5,969)	2,416
Capital Financing Inc	Capital Related Income	(300)	0	(300)	0
	Net Recharges to Housing Revenue Account	(1,008)	0	(1,008)	0
	RMS Capital Charges (now Housing Revenue Account)	(113)	2,167	(113)	0
	Reserve funded items included in above analysis	14	633	0	14

<b>GRAND TOTAL</b>	<b>17,905</b>	<b>12,752</b>	<b>19,396</b>	<b>(1,491)</b>
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**Memorandum Items (nil impact on bottom line)**

Pandemic :	Expenditure	0	(39,211)	(37,654)	37,654
	Income	0	33,582	32,230	(32,230)

<b>Memorandum Items Total</b>	<b>0</b>	<b>(5,629)</b>	<b>(5,424)</b>	<b>5,424</b>
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**Notes:**

1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

**QUARTER 2 FINANCIAL REVENUE MONITORING - HRA SERVICE ANALYSIS 2020/21**

	Original Budget 2020/21 £'000	Budget Amendments 2020/21 £'000	Working Budget 2020/21 £'000	Q2 Actual 2020/21 £'000	Projected Outturn 2020/21 £'000	Projected Variance 2020/21 £'000
<b>Communities and Environment</b>						
Policy & Management	1,347	0	1,347	603	1,340	7
Repairs & Maintenance	5,604	0	5,604	306	5,425	179
Welfare Services	(163)	0	(163)	(245)	(223)	60
Special Services	156	0	156	168	174	(18)
Miscellaneous Expenses	596	0	596	322	645	(49)
<a href="#">Housing Revenue Account</a>						
Income Account	(14,537)	0	(14,537)	(6,830)	(14,337)	(200)
Capital Charges	5,572	0	5,572	0	5,571	1
Appropriations	549	0	549	0	(271)	820
Gain/Loss on Asset Sales	0	0	0	0	0	0
Gain/Loss on Asset Sales(Move)	0	0	0	0	0	0
	<b>(876)</b>	<b>0</b>	<b>(876)</b>	<b>(5,676)</b>	<b>(1,676)</b>	<b>800</b>
Net Recharges to General Fund	876	0	876	4	881	(5)
<b>Housing Revenue Account Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,672)</b>	<b>(795)</b>	<b>795</b>

Notes:

1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

**QUARTER 2 FINANCIAL REVENUE MONITORING - HRA SUBJECTIVE ANALYSIS 2020/21**

		Original Budget 2020/21 £'000	Budget Amendments 2020/21 £'000	Working Budget 2020/21 £'000	Q2 Actual 2020/21 £'000	Projected Outturn 2020/21 £'000	Projected Variance 2020/21 £'000
Employees	Direct Employee Expenses	1,754	0	1,754	776	1,629	125
	Indirect Employee Expenses	62	0	62	25	71	(9)
	Cleaning and Domestic Supplies	76	0	76	3	76	0
	Energy Costs	163	0	163	70	163	0
	Fixtures and Fittings	0	0	0	0	0	0
	Grounds Maintenance Costs	318	0	318	53	273	45
Premises Related Exp	Operational Bldgs Allocation	0	0	0	0	0	0
	Premises Insurance	216	0	216	288	290	(74)
	Rates	32	0	32	36	46	(14)
	Rents	0	0	0	0	0	0
	Repair and Maintenance	5,386	0	5,386	228	5,219	167
	Water Services	48	0	48	11	48	0
	Car Allowances	9	0	9	2	9	0
Transport Related Exp	Contract Hire Operating Leases	0	0	0	0	0	0
	Direct Transport Costs	0	0	0	0	0	0
	Public Transport	0	0	0	0	0	0
	Transport Insurance	0	0	0	0	0	0
	Catering	0	0	0	0	0	0
	Clothing Uniform and Laundry	2	0	2	2	2	0
	Communications and Computing	76	0	76	66	79	(3)
	Contribution to Provisions	159	0	159	0	161	(2)
Supplies and Services	Equip Furniture and Materials	53	0	53	6	53	0
	Expenses	0	0	0	0	0	0
	General Office Supplies	52	0	52	14	52	0
	Grants and Subscriptions	24	0	24	16	19	5
	Miscellaneous Expenses	66	0	66	18	66	0
	Services	300	0	300	61	276	24
Transfer Payments	Housing Benefit	0	0	0	0	0	0
Support Services	Recharges Exp	122	0	122	0	122	0
Capital Charges	Amortisation of Def Chgs	0	0	0	0	0	0
	Depreciation	2,773	0	2,773	0	2,772	1
Capital Financing Costs	Interest Payments	1,757	0	1,757	0	1,757	0
Appropriations	Appropriations	1,590	0	1,590	0	771	819
	Customer Fees and Charges	(15,504)	0	(15,504)	(7,349)	(15,266)	(238)
Income	Government Grants	0	0	0	0	0	0
	Interest	(24)	0	(24)	0	(24)	0
	Other Grants and Contributions	(82)	0	(82)	(4)	(81)	(1)
	Recharges Inc	(304)	0	(304)	0	(260)	(44)
Capital Financing Inc	Capital Related Income	0	0	0	0	0	0
		<b>(876)</b>	<b>0</b>	<b>(876)</b>	<b>(5,678)</b>	<b>(1,677)</b>	<b>801</b>
Net Recharges to General Fund		876	0	876	4	881	(5)
<b>GRAND TOTAL</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,674)</b>	<b>(796)</b>	<b>796</b>

**Notes:**

1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable



**QUARTER 2 FINANCIAL CAPITAL MONITORING - SERVICE ANALYSIS 2020/21**

	Original Budget 2020/21 £'000	Budget Amendments 2020/21 £	Working Budget 2020/21 £	Q2 Actual 2020/21 £'000	Projected Outturn 2020/21 £'000	Projected Variance 2020/21 £'000	
<b>Communities and Environment</b>							
<a href="#">Business Support</a>	Purchase Of Vehicles	3,595	0	3,595	0	1,505	2,090
	2 x Electric RCVs	400	0	400	0	0	400
	Pool Cars	174	0	174	51	174	0
<a href="#">Customer Involvement &amp; Leisure</a>	SALC additional enhancements	0	0	0	10	0	0
	Salt Ayre Boiler	300	0	300	0	0	300
	Salt Ayre Equipment Programme	648	0	648	0	0	648
	SASC Developer Partnership	0	0	0	(33)	0	0
<a href="#">Public Protection</a>		0	0	0	0	0	0
<a href="#">Housing Services</a>	Disabled Facilities Grants	0	0	0	(2,155)	0	0
	Williamson Park Play Area	0	0	0	5	0	0
	Happy Mount Park Footpaths	0	112	112	0	112	0
	Far Moor Playing Fields Scheme	70	0	70	0	70	0
	Williamson Park Development	1,000	0	1,000	0	1,000	0
	Electronic Vehicle Charging Points - Phase 2	28	0	28	0	28	0
<a href="#">Public Realm</a>	Half Moon Bay Car Park Extension	60	0	60	0	0	60
	White Lund Depot Security	0	0	0	1	0	0
	Solar Installation Phase 1 SALC	1,400	0	1,400	6	1,400	0
	One Million Trees	25	0	25	0	25	0
	Customer Contact System	0	115	115	65	115	0
	Mellishaw Park	240	0	240	0	0	240
	Communities & Environment Devpt Pool	3,115	(115)	3,000	0	0	3,000
		<b>11,055</b>	<b>112</b>	<b>11,167</b>	<b>(2,050)</b>	<b>4,429</b>	<b>6,738</b>
<b>Economic Growth and Regeneration</b>							
<a href="#">Planning &amp; Place</a>	Cable Street Christmas Lights	24	0	24	0	0	24
	S106 payments to Lancs County Council	0	70	70	0	0	70
	Tank demolition & removal - Heysham Gate	487	0	487	0	0	487
<a href="#">Economic Development</a>	Canal Quarter	290	0	290	0	252	38
	Lancaster Town Hall	485	0	485	0	0	485
	Palatine Recreation Ground - Veterans CI	114	2	116	0	114	2
	Palatine Hall	122	0	122	0	0	122
	Edward Street Dance Studio	90	(6)	84	0	0	84
	Other Cemeteries	6	2	8	(3)	6	2
	Royal Albert PF – Pavilion	75	0	75	0	0	75
	Rylands Park - Rylands House	0	4	4	0	0	4
	Energy Efficiency Works	311	0	311	0	311	0
	1 Lodge Street Urgent Structural Repairs	497	(1)	496	0	100	396
	Queen Victoria Memorial	169	0	169	0	0	169
	LTH Second Lift & Associated Works	622	0	622	0	0	622
	Lancaster City Museum	0	127	127	0	0	127
	Strategic Monitoring Baywide	0	0	0	0	0	0
<a href="#">Property, Investment and Regeneration</a>	Artle Beck Improvements	0	0	0	0	0	0
	Slynedale Culvert	0	0	0	(6)	0	0
	Lancaster Square Routes Project	0	5	5	(18)	0	5
	Lancaster HS Heritage Action Zone	0	132	132	23	105	27
	Wave Reflection Wall Construction	0	0	0	0	0	0
	Lancaster District Empty Homes Partnersh	73	0	73	0	4	69
	Canterbury Avenue Flood Relief	0	0	0	(1)	0	0
	Caton Road Flood Relief Scheme	423	(235)	188	3,751	(469)	657
	Morecambe Winter Gardens	0	0	0	(89)	0	0
	Economic Growth & Regen Devpt Pool	16,931	(12,224)	4,707	0	4,574	133
	Units at White Lund Industrial Estate	0	9,100	9,100	0	9,100	0
	Units at Caton Road Industrial Estate	0	2,600	2,600	0	2,600	0
	Morecambe Co-op Renovation	0	250	250	0	0	250
	Morecambe Winter Gardens Loan	103	0	103	104	103	0
	Coastal Revival Fund - Morecambe Co-op	0	0	0	(10)	0	0
		<b>20,822</b>	<b>(174)</b>	<b>20,648</b>	<b>3,751</b>	<b>16,800</b>	<b>3,848</b>
<b>Corporate Services</b>							
<a href="#">Corporate Accounts</a>		0	0	0	0	0	0
<a href="#">Democratic</a>		0	0	0	0	0	0
<a href="#">Finance</a>		0	0	0	0	0	0
<a href="#">HR</a>	PRG Grant	0	0	0	(40)	0	0
<a href="#">ICT</a>	I.T.Strategy	155	(53)	102	78	155	(53)
	Application System Renewal	4	(4)	0	0	4	(4)
	I.S. Desktop Equipment	60	(39)	21	118	60	(39)
	ICT Telephony	200	0	200	0	115	85
	ICT Laptop Replacement & E-campus screens	60	0	60	0	60	0
	Corporate Services Development Pool	803	0	803	0	0	803
<a href="#">Internal Audit</a>		0	0	0	0	0	0
<a href="#">Legal</a>		0	0	0	0	0	0
<a href="#">Revenues &amp; Benefits</a>		0	0	0	0	0	0
		<b>1,282</b>	<b>(96)</b>	<b>1,186</b>	<b>156</b>	<b>394</b>	<b>792</b>
<b>Central Services</b>							
<a href="#">Chief Executive</a>		0	0	0	0	0	0
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GRAND TOTAL</b>		<b>33,159</b>	<b>(158)</b>	<b>33,001</b>	<b>1,857</b>	<b>21,623</b>	<b>11,378</b>

**Notes:**

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- Expenditure is expressed as a positive figure
- Projected Variances are expressed as negative ( ) for adverse and positive + for favourable



## Council Housing Capital Programme 2020/21

	2020/21 Original Budget	2020/21 Working Budget	2020/21 P6 Actual	2020/21 Projected Outturn	2020/21 Variance (Working v Projected)	Comments (Original Budget to Projected Outturn)
	£	£	£	£	£	
<b>EXPENDITURE</b>						
Adaptations	300	300	58	300	0	Works paused during lockdown, demand expected to utilise full budget
Energy Efficiency / Boiler Replacement	755	875	174	850	25	Boiler replacement contract expected to utilise full budget, contractor behind with invoicing, loft insulation budget combined with re-roofing below
Kitchen / Bathroom Refurbishment	888	888	8	27	861	No activity expected this financial year, apart from snagging relating to 2019/20 installations
External Refurbishment	277	277	55	310	-33	Additional works to be undertaken by RMS, to utilise operatives released from kitchens programme
Environmental Improvements	552	587	149	379	208	Balcony railings works paused during lockdown, spend relates to completion of works commenced in 2019/20, programme for 2020/21 delayed
Re-roofing / Window Renewals	792	970	193	995	-25	Inclusion of loft insulation budget from above
Rewiring	84	84	0	84	0	Works underway, expect to utilise full budget
Lift Replacement	0	0	0	0	0	
Fire Precaution Works	145	164	4	164	0	Works underway, expect to utilise full budget
Housing Renewal & Renovation	537	425	59	434	-9	Additional costs to finalise property conversions carried out in 2019/20, funded from Business Support Reserve
<b>TOTAL EXPENDITURE</b>	<b>4,330</b>	<b>4,570</b>	<b>701</b>	<b>3,543</b>	<b>1,027</b>	

# Reserves Statement (Including Unallocated Balances)

<----- ORIGINAL BUDGET ----->

<----- PROJECTED OUTTURN ----->

	31 March 2020	From Revenue	To / (From) Capital	To Revenue	31 March 2021	31 March 2020	From Revenue	To / (From) Capital	To Revenue	31 March 2021
	£	£	£	£	£	£	£	£	£	£
<b>Unallocated Balances</b>	<b>(5,045,000)</b>	<b>(226,000)</b>			<b>(5,271,000)</b>	<b>(5,045,000)</b>	<b>(225,980)</b>		2,000,000	<b>(3,270,980)</b>
<b>Earmarked Reserves:</b>										
<b>Amenity Improvements</b>	<b>(29,000)</b>			29,000		<b>(29,000)</b>				<b>(29,000)</b>
<b>Business Rates Retention</b>	<b>(7,376,900)</b>			815,100	<b>(6,561,800)</b>	<b>(7,376,900)</b>			814,500	<b>(6,562,400)</b>
<b>Canal Quarter</b>	<b>(69,100)</b>			24,400	<b>(44,700)</b>	<b>(69,100)</b>			26,200	<b>(42,900)</b>
<b>Capital Support</b>	<b>(258,200)</b>		73,000	185,200		<b>(258,200)</b>		4,000	185,200	<b>(69,000)</b>
<b>Corporate Priorities</b>	<b>(2,152,700)</b>	(882,800)	444,000	930,800	<b>(1,660,700)</b>	<b>(2,152,700)</b>	(882,200)		1,105,000	<b>(1,929,900)</b>
<b>Corporate Property</b>	<b>(338,500)</b>				<b>(338,500)</b>	<b>(338,500)</b>				<b>(338,500)</b>
<b>Covid 19 Support</b>							(2,000,000)		1,775,000	<b>(225,000)</b>
<b>Economic Growth</b>	<b>(126,000)</b>	(117,500)		136,900	<b>(106,600)</b>	<b>(126,000)</b>	(117,500)		35,900	<b>(207,600)</b>
<b>Elections</b>		(40,000)			<b>(40,000)</b>		(40,000)			<b>(40,000)</b>
<b>Homelessness Support</b>	<b>(110,800)</b>	(6,600)			<b>(117,400)</b>	<b>(110,800)</b>	(23,000)			<b>(133,800)</b>
<b>Invest to Save</b>	<b>(1,397,000)</b>	(60,800)		782,600	<b>(675,200)</b>	<b>(1,397,000)</b>	(29,400)		842,300	<b>(584,100)</b>
<b>Local Plan</b>										
<b>Morecambe Area Action Plan</b>	<b>(27,300)</b>			27,300		<b>(27,300)</b>			27,300	
<b>Museums Acquisitions</b>	<b>(21,300)</b>	(3,000)			<b>(24,300)</b>	<b>(21,300)</b>	(3,000)			<b>(24,300)</b>
<b>Planning Fee Income</b>	<b>(74,600)</b>			31,200	<b>(43,400)</b>	<b>(74,600)</b>				<b>(74,600)</b>
<b>Renewals Reserves</b>	<b>(380,600)</b>	(481,800)	356,000	42,100	<b>(464,300)</b>	<b>(380,600)</b>	(481,800)	149,000	155,200	<b>(558,200)</b>
<b>Restructure</b>	<b>(530,700)</b>			66,000	<b>(464,700)</b>	<b>(530,700)</b>				<b>(530,700)</b>
<b>Revenue Grants Unapplied</b>	<b>(827,400)</b>	(5,300)		189,300	<b>(643,400)</b>	<b>(827,400)</b>	(4,700)		415,700	<b>(416,400)</b>
<b>S106 Commuted Sums - Open Spaces</b>	<b>(28,400)</b>			11,800	<b>(16,600)</b>	<b>(28,400)</b>			11,800	<b>(16,600)</b>
<b>S106 Commuted Sums - Affordable Housing</b>	<b>(564,800)</b>				<b>(564,800)</b>	<b>(564,800)</b>			375,000	<b>(189,800)</b>
<b>S106 Commuted Sums - Highways, Cycle Paths etc</b>	<b>(611,600)</b>	(200,000)	70,000		<b>(741,600)</b>	<b>(611,600)</b>	(161,600)	142,000	4,700	<b>(626,500)</b>
<b>Welfare Reforms</b>	<b>(324,900)</b>				<b>(324,900)</b>	<b>(324,900)</b>				<b>(324,900)</b>
<b>Reserves Held in Perpetuity:</b>										
<b>Graves Maintenance</b>	<b>(22,200)</b>				<b>(22,200)</b>	<b>(22,200)</b>				<b>(22,200)</b>
<b>Marsh Capital</b>	<b>(47,700)</b>				<b>(47,700)</b>	<b>(47,700)</b>				<b>(47,700)</b>
<b>Total Earmarked Reserves</b>	<b>(15,319,700)</b>	<b>(1,797,800)</b>	<b>943,000</b>	<b>3,271,700</b>	<b>(12,902,800)</b>	<b>(15,319,700)</b>	<b>(3,743,200)</b>	<b>295,000</b>	<b>5,773,800</b>	<b>(12,954,100)</b>
<b>Total Combined Reserves</b>	<b>(20,364,700)</b>	<b>(2,023,800)</b>	<b>943,000</b>	<b>3,271,700</b>	<b>(18,173,800)</b>	<b>(20,364,700)</b>	<b>(3,969,180)</b>	<b>295,000</b>	<b>7,773,800</b>	<b>(16,225,080)</b>

**Lancaster City Council | Report Cover Sheet**

<b>Meeting</b>	Cabinet	<b>Date</b>	24 November 2020
<b>Report</b>	Budget and Policy Framework Update - Revision to 2020/21 General Fund Budget		
<b>Report of</b>	Chief Finance Officer		
<b>Purpose of Report</b>			
This report provides an update on the Council's financial position to help inform development of Cabinet's corporate planning and budget proposals			
<b>Key Decision (Y/N)</b>	<b>N</b>	<b>Date of Notice</b>	<b>N/A</b>
<b>Exempt (Y/N)</b>	<b>N</b>		

**Report Summary**

This report provides an update on the Council's general budgetary position for current and future years in view of the impact of COVID-19. Given that at the time of writing, neither the Government's Spending Review nor the Local Government Settlement had been announced, and other budgetary work is not yet scheduled for completion, the report is an interim update only primarily for information.

**Recommendations of Councillor Anne Whitehead**

That Cabinet considers

- (1) The revised budgetary position 2020/21 which is fixed for future monitoring purposes.
- (2) The draft future years estimates as set out in the report as the latest information available, accepting that this is an interim position.
- (3) That the update be referred on to December Council for information.

**Relationship to Policy Framework**

Performance, project, and resource monitoring provides a link between the Council Plan and operational achievement, by providing regular updates on the impact of operational initiatives against strategic aims.

**Conclusion of Impact Assessment(s) where applicable**

Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety

The content of this report has no impact in itself.

**Details of Consultation**

No specific consultation around this report.

**Legal Implications**

No legal implications directly arising from this report.

**Financial Implications**

As set out in the report	
<b>Other Resource or Risk Implications</b>	
No other implications directly arising from this report.	
<b>Section 151 Officer's Comments</b>	
The Section 151 Officer contributed to this report in his role as Head of Financial Services.	
<b>Monitoring Officer's Comments</b>	
The Monitoring Officer has been consulted and has no further comments.	
<b>Contact Officer</b>	Paul Thompson (Head of Financial Services)
<b>Tel</b>	01524 582603
<b>Email</b>	pthompson@lancaster.gov.uk
<b>Links to Background Papers</b>	

## 1.0 INTRODUCTION

- 1.1 This report provides an update on the Council's budgetary position in view of the impact of COVID-19. Given that at the time of writing, neither the Government's Spending Review nor the Local Government Settlement had been announced, and other budgetary work is not yet scheduled for completion, the report is an interim update only primarily for information.

## 2.0 SUMMARY POSITION

- 2.1 In support of the existing Corporate Plan, at Council on 26 February 2020 Members approved the current year's budget at **£17.903M**, excluding parish precepts, giving rise to a council tax requirement of **£9.672M**. Since then, various changes have become apparent through monitoring and more significantly through the impact of COVID-19.
- 2.2 To draw the changes together, an in-depth update of the current year budget has now been completed, the results of which are included at Appendices A and B. We are currently projecting an overall year end surplus against budget of **£2.078M**. However, Members need to be aware that this is a result of a formal statutory adjustment within the Collection Fund to recognise the Green Energy Disregard monies with the Council's General Fund. Member's would be advised to note that this classification is subject to confirmation and so is currently at risk. Further explanation is provided at paragraphs 3.3 – 3.7 below.

### 3.0 GENERAL FUND REVENUE BUDGET: SUMMARY

#### CURRENT YEAR POSITION

- 3.1 The underlying General Fund budget forecast is for net spending of **£19.396M** giving a projected net overspend of (£1.491M). The position is explored further in section 3.4 of this report. This revised position is now fixed and anything that changes now will be treated as an under /overspend.
- 3.2 A summary of the forecast General Fund revenue position for the main service accounts of the Council is set out in table 1 below with further details provided at appendix A.

Table 1 General Fund Service Analysis

	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Projected Variance 2020/21 £'000
Communities and Environment	5,516	6,438	(922)
Economic Growth and Regeneration	4,192	4,076	116
Corporate Services	5,592	6,707	(1,115)
Chief Executive	1,023	974	49
Other Items	2,691	2,322	369
<b>Sub Total</b>	<b>19,014</b>	<b>20,517</b>	<b>(1,505)</b>
Net Recharges to Housing Revenue Account	(1,008)	(1,008)	0
RMS Capital Charges (now Housing Revenue Account)	(113)	(113)	0
Reserve funded items included in above analysis	10	0	10
<b>Sub Total</b>	<b>(1,111)</b>	<b>(1,121)</b>	<b>10</b>
<b>General Fund Revenue Budget</b>	<b>17,903</b>	<b>19,396</b>	<b>(1,495)</b>
Revenue Support Grant	(203)	(203)	0
Net Business Rates Income	(8,028)	(11,597)	3,569
<b>Council Tax Requirement</b>	<b>9,672</b>	<b>7,596</b>	<b>2,078</b>

#### 3.3 Net Business Rates Income Green Energy Disregard

The Council is allowed to retain 100% of any business rates income from renewable energy projects for which they grant planning permission. During the collation of the return (NNDR 1) which determines the relative shares for 2020/21 in January 2020 Walney Sub Station extension was identified as potentially qualifying for the Green Energy Disregard. It was, however, necessary at this stage to obtain both internal and specialist external advice to support the classification. Whilst the City Council dealt with the planning permission it is a national infrastructure project. It was not possible to obtain this within the required timescales for the return.

- 3.4 Expert external advice supported the view that the **£2.085M** income did qualify for the disregard. It was, therefore, included in our final accounts for 2019/20 for the Collection Fund and in the submission of the actual outturn to central government.

- 3.5 Our monitoring position and revised budget reflect the full impact of treating the substation as a green energy property. The resulting favourable variance will help to offset the effect of the exceptional in-year deficit on the Collection Fund created by the impact of COVID-19 and the Council's share of the actual deficit brought forward of **£0.789M**.
- 3.6 Members must be aware that a risk does remain that central government may not agree with the green energy classification. Should our assessment be challenged the **£2.085M** would be reclassified as Business Rates "growth" of which the Council would only be able to retain 40%, c **£0.800M**. Once central government resets the Council's funding baseline this benefit would cease.
- 3.7 Members would be advised not to use this fortuitous gain to fund the current underlying structural deficit and continue to review and address the deficit through the processes prescribed within the Funding the Future Strategy. However, it is accepted that in these exceptional times it is difficult to not to utilise in this and the next financial year as it provides a simplistic opportunity to balance the budget in the short term. Table paragraph 7.1 table 3 incorporates this money for ease of analysis.

#### **4.0 VARIANCE ANALYSIS: WHY HAVE BUDGET PROJECTIONS CHANGED**

- 4.1. It should be noted that the Delivering our Ambitions (DoA) Q2 and revised budget were set in conjunction with each other as the latest known position at that time. The variances have been considered by both Cabinet and Budget & Performance Panel as part of their consideration of the DoA Q2 report.
- 4.2 The forecasting includes the impact of the Government's recent Sales, Fees and Charges (SFC) compensation scheme which involves a 5% deductible rate, whereby the Council will absorb losses up to 5% of our planned 2020/21 sales, fees and charges income. The Government then provides compensation of 75p in every pound of relevant losses.
- 4.3 Projected loss of income from fees & charges is **£5.671M** with estimated compensation **£3.910M** resulting in a forecast loss **£1.761M**. The estimated compensation has been included in the revised estimates.
- 4.4 As at the time of writing the report we have not been made aware of any intention to extend this compensation or any other scheme and so future levels of Sales, Fees and Charges income have been significantly reduced in future years estimates.

#### **5.0 PROVISIONS, RESERVES AND BALANCES**

- 5.1 2019/20 provisional outturn has seen the Councils level of reserves reduce; we are currently projecting the Council's combined level of usable reserves to decrease to **£16.225M** against the budgeted balance of **£16.369M** and so remain relatively healthy. Table 2 below provides summary analysis

Table 2 Reserves

Reserves Statement (Including Unallocated Balances)										
	<----- ORIGINAL BUDGET ----->					<----- PROJECTED OUTTURN ----->				
	31 March 2020	From Revenue	To / (From) Capital	To Revenue	31 March 2021	31 March 2020	From Revenue	To / (From) Capital	To Revenue	31 March 2021
	£	£	£	£	£	£	£	£	£	£
<b>Unallocated Balances</b>	(5,713,800)	(226,000)			(5,939,800)	(5,045,000)	(225,980)	2,000,000		(3,270,980)
<b>Earmarked Reserves:</b>										
<b>Total Earmarked Reserves</b>	(12,846,400)	(1,797,800)	943,000	3,271,700	(10,429,500)	(15,319,700)	(3,743,200)	295,000	5,773,800	(12,954,100)
<b>Total Combined Reserves</b>	(18,560,200)	(2,023,800)	943,000	3,271,700	(16,369,300)	(20,364,700)	(3,969,180)	295,000	7,773,800	(16,225,080)

- 5.2 General Fund Unallocated Balances are forecast to reduce from the budgeted position of **£5.940M** to **£3.271M** to reflect the Council's allocation of **£2M** to support vulnerable people and local businesses during the pandemic and the impact of 2019/20 outturn. Members should note this does not include the appropriation into reserves of the forecast surplus. Current s151 officer advice would be to transfer any 2020/21-year end surplus into unallocated reserves.
- 5.3 Earmarked Reserves are showing a projected balance of **(£12.954M)**, an overall increase against budget **(£10.430M)** of **£2.525M**.
- 5.4 The use of the Council's reserves to manage fluctuations in expenditure and income will be key to the delivery of the Council's stated priorities and outcomes over the next 4 years and will be kept under review by Officers and Members.
- 5.5 In addition the s151 Officer is required to make an annual assessment of the adequacy of the Council's level of reserves as well as setting a minimum level of unallocated reserves, which is currently set at **£2.5M**.
- 6.0 GOVERNMENT FUNDING PROSPECTS**
- 6.1 Members will be aware that Local Government funding has changed significantly over recent years. Significant reductions in central funding have taken place and Revenue Support Grant which accounted for more than half of Lancaster City Council's funding in 2010/11.
- 6.2 As a result 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.
- Comprehensive Spending Review
- 6.3 Government are due to announce the outcome of its Spending Review, 25 November 2020. However, it has abandoned its long-term Comprehensive Spending Review (CSR) amid the economic uncertainty caused by the Covid-19 pandemic and will restrict the announcement to a one-year settlement.
- 6.4 The decision to limit this year's Spending Review to a single year, rather than the usual three or four, could be considered a sensible one. The uncertainties created by COVID-19 are too great to provide a realistic set of spending plans for the next three or four years as inevitably they will need to be revisited.

- 6.5 However, setting budgets for only one year significantly reduces the level of certainty needed to plan effectively and efficiently, and arguably adds to the large degree of uncertainty already hanging over both the public sector and the wider economy.
- 6.6 The CSR itself only provides useful headline messages on what Local Government's funding prospects are over the next few years but it does not provide information at individual authority level. The level of detail required for Council's be gained through the Local Government Settlement, but at the time of writing this report it was not yet known when it is due to be announced.
- 6.5 A briefing note will be produced for all Members once the Settlement has been received and its impact assessed and will be reported into January's Cabinet meeting.

## 7.0 BALANCING THE BUDGET TO 2024/25

- 7.1 Officers have undertaken a detailed review of the current and future years budgets reported to Council 26 February 2020. This review included incorporated approved and known changes as well as, a comprehensive salary and inflation reviews. The outcome of this review and the current draft position are provided in table 3 below.

Table 3: General Fund Revenue Budget Projections

<b>General Fund Revenue Budget Projections 2020/21 to 2024/25</b>					
For Consideration by Council					
	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
<b>Revenue Budget/Forecast as at 26 February 2020</b>	17,903	18,493	19,066	20,091	20,493
<b>Base Budget Changes</b>					
Operational Changes	1,491	2,176	461	683	523
Latest Budgetary Position	<b>19,394</b>	<b>20,669</b>	<b>19,527</b>	<b>20,774</b>	<b>21,016</b>
<b>Outcomes Based Resourcing Proposals:</b>					
Maintaining Service at Functional Levels	-	-	-	--	
Savings/Growth Proposals	-	-	-	--	
Contributions from Reserves re Budget Proposals	-	-	-	--	
Revenue Implication of New Capital Schemes	-	-	-	--	
Contribution to/(from) GF Unallocated Reserve	-	-	-	--	
<b>General Fund Revenue Budget</b>	<b>19,394</b>	<b>20,669</b>	<b>19,527</b>	<b>20,774</b>	<b>21,016</b>
Core Funding:					
Revenue Support Grant	(203)	-	-	-	-
Net Business Rates Income	(11,597)	(9,995)	(8,467)	(8,556)	(9,055)
<b>Council Tax Requirement</b>	<b>7,594</b>	<b>10,674</b>	<b>11,060</b>	<b>12,218</b>	<b>11,961</b>
<b>Estimated Council Tax Income -</b> (Increases based on £x for 21/22 then max allowable)	<b>9,672</b>	<b>9,881</b>	<b>10,140</b>	<b>10,453</b>	<b>10,771</b>
<b>Resulting Base Budget (Surplus)/Deficit</b>	<b>(2,078)</b>	<b>793</b>	<b>920</b>	<b>1,765</b>	<b>1,190</b>
<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>(2,078)</i>	<i>(765)</i>	<i>(314)</i>	<i>+495</i>	<i>N/A</i>

- 7.2 Further supporting details are provided at Appendix B



Outcomes Based Resourcing

- 7.3 In line with the Council’s Funding the Future Strategy we have commenced with Outcomes Based Resourcing (OBR). This is a method of budgeting which funds are allocated according to a set of predefined outcomes, or priorities using a zero-based approach, that is to say as if the decision is being made as if for the first time.
- 7.4 Like most Council’s we have applied incremental budgeting techniques for many years, and this can encourage a restrictive mindset limiting ambition in respect of what we can afford. OBR turns incremental thinking on its head and first considers ambition and then directs resources towards those ambitions, diverting them from areas which are no longer the priority they were.
- 7.5 All existing Council services will sub-divided into one of eight areas within each subjected to several key questions. Service subsets and example questions are provided at table 4 below

Table 4

Service Classification	Key Questions
<ul style="list-style-type: none"> <li>• Trading services</li> <li>• Break-even services</li> <li>• Property holdings</li> <li>• Other income</li> <li>• Support Services</li> <li>• Statutory Services</li> <li>• Required Services</li> <li>• Discretionary Services</li> </ul>	<ul style="list-style-type: none"> <li>• Does service meet our (circles) aims?</li> <li>• What is impact of service? (what would be the impact of ceasing the service?)</li> <li>• How does cost of service benchmark with other similar authorities?</li> <li>• Could the service be shared / operated via an LATCo or some other vehicle?</li> </ul>

- 7.5 Based on the results of these questions the Council might wish to consider the following actions to those services
- Grow the service(s)
  - Sustain / Protect the service(s)
  - Re-focus – retain budget but change focus towards corporate priorities
  - Retreat – managed withdrawal
  - Stop

Comprehensive Spending Review

- 7.6 Given that the Settlement announcement is imminent, and the current level of uncertainty there is little benefit to be gained from spending significant time on modelling different funding scenarios; real information is needed at this stage in the process
- 7.7 Nonetheless, some preliminary high-level work has been done to update the budget scenarios, in order that we do not to lose sight of how uncertain and challenging the underlying position is.

- 7.8 This has taken the updated and revised budgets as reflected several assumptions such as general inflation and the Local Government Pay Settlement as well as sources of financing.

### Council Tax

- 7.9 Council tax is the Council's primary source of funding and is calculated by multiplying the taxbase, the number of eligible residential properties (expressed in band D equivalents), by the level of the district council precept which is determined each year. Previous forecasts have included 1% of growth within the Council Tax base. Considering current circumstances, we are currently reviewing the potential for growth.
- 7.10 Government's referendum criteria which limits increases in the Council's element of Council Tax to 2% or £5, whichever is greater. For the purposes of forecasting, it has been assumed that the Council will increase council tax by £5, the maximum allowed, in each of the next three years.

### Business Rates

- 7.11 Business rates is now a fundamental part of the local government finance settlement and, with council tax, accounts for the majority of local government financing.
- 7.12 The Government delayed its fair funding review and it was expected to implement from 2021/22. It is unclear if this is still proceeding or when implementation will happen. Several assumptions could arise from this review these need to be modelled into future forecasts including
- Reductions in Settlement Funding Assessment (SFA)
  - Removal or variations to Cap compensation
  - A business rates growth reset which will effectively remove all existing growth from the system.
- 7.13 In addition to those above the impact of COVID-19 on previous forecasts for business growth needs revisited as previous assumption have been for continued growth of between 0.5% - 1%.
- 7.14 As noted previously a risk remains around our classification of Walney Sub Station Extension under the Governments green energy classification. Modelling will undertaken to reflect both scenarios.

### New Homes Bonus

- 7.15 New Homes Bonus is a reward grant which is calculated from council taxbase figures. 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.

## **8.0 OPTIONS AND OPTIONS ANALYSIS**

- 8.1 As the report is for consideration no alternative options are put forward, the Cabinet could make supplementary recommendations regarding any matters.

**9.0 CONCLUSION**

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 situation. Once more clarity is available following the CSR and Local Government Settlement more detail will be shared with Cabinet and presented to Council at the earliest opportunity.

**GENERAL FUND SERVICE 2021/22 BUDGET PROCESS (LATEST DRAFT ESTIMATES)**

	2020/21 ORIGINAL £'000	2020/21 REVISED £'000	2020/21 VARIANCE £'000	2021/22 ORIGINAL £'000	2021/22 PROJECTED £'000	2021/22 VARIANCE £'000
<b>Communities and Environment</b>						
<a href="#">Business Support</a>	(11)	(10)	(1)	(16)	(14)	(2)
	+41	+10	+31	+44	+19	+25
<a href="#">Customer Involvement &amp; Leisure</a>	+815	+744	+71	+830	+753	+77
	+33	+33	0	+34	+33	+1
	+486	+804	(318)	+359	+1,700	(1,341)
<a href="#">Public Protection</a>	+1,192	+1,161	+31	+1,177	+1,196	(19)
	+64	+60	+4	+66	+62	+4
	+115	+96	+19	+104	+100	+4
	(92)	(87)	(5)	(95)	(88)	(7)
	+194	+111	+83	+201	+175	+26
<a href="#">Housing Services</a>	+37	0	+37	0	+31	(31)
	(143)	(81)	(62)	(139)	(145)	+6
	+301	+225	+76	+304	+289	+15
	+217	+190	+27	+225	+224	+1
<a href="#">Public Realm</a>	+177	+191	(14)	+183	+187	(4)
	(135)	(64)	(71)	(155)	(157)	+2
	+2,214	+2,052	+162	+2,251	+1,986	+265
	(158)	(62)	(96)	(163)	(62)	(101)
	(2,127)	(1,587)	(540)	(2,153)	(929)	(1,224)
	+939	+937	+2	+973	+967	+6
	+167	+168	(1)	+167	+168	(1)
	+72	+68	+4	+74	+74	0
	+351	+347	+4	+230	+264	(34)
	+1,130	+1,161	(31)	+1,188	+1,144	+44
	(595)	(390)	(205)	(641)	(570)	(71)
	+232	+362	(130)	+240	+247	(7)
	<b>+5,516</b>	<b>+6,439</b>	<b>(923)</b>	<b>+5,288</b>	<b>+7,654</b>	<b>(2,366)</b>
<b>Economic Growth and Regeneration</b>						
<a href="#">Planning &amp; Place</a>	+173	+235	(62)	+30	(7)	+37
	+50	+52	(2)	+51	+50	+1
	(335)	(133)	(202)	(312)	(89)	(223)
	+679	+606	+73	+678	+708	(30)
<a href="#">Economic Development</a>	+29	+30	(1)	+30	+44	(14)
	+363	+290	+73	+410	+391	+19
	+276	+278	(2)	+279	+286	(7)
	+220	+220	0	+225	+220	+5
	+46	(178)	+224	(7)	+73	(80)
	+443	+386	+57	+451	+506	(55)
	+578	+547	+31	+590	+583	+7
<a href="#">Property, Investment and Regeneration</a>	0	0	0	0	0	0
	+812	+964	(152)	+851	+832	+19
	+322	+259	+63	+411	+423	(12)
	+549	+538	+11	+150	(50)	+200
	+4	(18)	+22	+3	(3)	+6
	<b>+4,209</b>	<b>+4,076</b>	<b>+133</b>	<b>+3,840</b>	<b>+3,967</b>	<b>(127)</b>
<b>Corporate Services</b>						
<a href="#">Corporate Accounts</a>	(31)	+560	(591)	(45)	+13	(58)
<a href="#">Democratic</a>	+962	+848	+114	+970	+923	+47
<a href="#">Finance</a>	+1,202	+1,155	+47	+1,245	+1,205	+40
<a href="#">HR</a>	+812	+956	(144)	+869	+1,149	(280)
<a href="#">ICT</a>	+1,367	+1,443	(76)	+1,401	+1,507	(106)
<a href="#">Internal Audit</a>	+198	+163	+35	+206	+198	+8
<a href="#">Legal</a>	+397	+490	(93)	+401	+346	+55
<a href="#">Revenues &amp; Benefits</a>	+685	+1,091	(406)	+754	+950	(196)
	<b>+5,592</b>	<b>+6,706</b>	<b>(1,114)</b>	<b>+5,801</b>	<b>+6,291</b>	<b>(490)</b>
<b>Central Services</b>						
<a href="#">Chief Executive</a>	+741	+692	+49	+735	+725	+10
	+282	+282	0	+288	+282	+6
	<b>+1,023</b>	<b>+974</b>	<b>+49</b>	<b>+1,023</b>	<b>+1,007</b>	<b>+16</b>
<b>Other Items</b>						
	(1,502)	(1,502)	0	(1,352)	(1,336)	(16)
	+943	+295	+648	+450	+1,178	(728)
	+2,107	+1,760	+347	+2,872	+2,323	+549
	+1,157	+1,157	0	+1,164	+1,164	0
<a href="#">Other Items</a>	(82)	(50)	(32)	(107)	(61)	(46)
	0	0	0	0	0	0
	+2,023	+3,969	(1,946)	0	+922	(922)
	(1,012)	(3,012)	+2,000	0	(108)	+108
	(943)	(295)	(648)	0	(1,178)	+1,178
	<b>+2,691</b>	<b>+2,322</b>	<b>+369</b>	<b>+3,027</b>	<b>+2,904</b>	<b>+123</b>
Net Recharges to Housing Rever Recharges GF	(1,008)	(1,008)	0	(1,015)	(1,015)	0
RMS Capital Charges (now Housing Revenue Account)	(113)	(113)	0	(139)	(139)	0
Revenue Reserve funded items included in above analysis	(5)	0	(5)	(21)	0	(21)
<b>General Fund Revenue Budget</b>	<b>17,905</b>	<b>19,396</b>	<b>(1,491)</b>	<b>17,804</b>	<b>20,669</b>	<b>(2,865)</b>
Core Funding :						
Revenue Support Grant	(203)	(203)	0	0	0	0
Net Business Rates Income	(8,028)	(11,597)	3,569	(6,593)	(9,995)	3,402
<b>Council Tax Requirement</b>	<b>9,674</b>	<b>7,596</b>	<b>2,078</b>	<b>11,211</b>	<b>10,674</b>	<b>537</b>

**Notes:**

1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

**GENERAL FUND SERVICE 2020/21 BUDGET PROCESS**

	2020/21 ORIGINAL £'000	2020/21 REVISED £'000	2021/22 PROJECTED £'000	2022/23 PROJECTED £'000	2023/24 PROJECTED £'000	2024/25 PROJECTED £'000
<b>Communities and Environment</b>						
<a href="#">Business Support</a>	(11)	(10)	(14)	(14)	(14)	(14)
	+41	+10	+19	+20	+21	+21
	+815	+744	+753	+772	+807	+827
<a href="#">Customer Involvement &amp; Leisure</a>	+33	+33	+33	+33	+34	+35
	+486	+804	+1,700	+607	+679	+707
	+1,192	+1,161	+1,196	+1,252	+1,331	+1,374
	+64	+60	+62	+64	+67	+70
<a href="#">Public Protection</a>	+115	+96	+100	+66	+61	+119
	(92)	(87)	(88)	(65)	(77)	(56)
	+194	+111	+175	+182	+193	+199
	+37	0	+31	+5	+7	+9
<a href="#">Housing Services</a>	(143)	(81)	(145)	(130)	(127)	(128)
	+301	+225	+289	+292	+297	+304
	+217	+190	+224	+233	+240	+245
	+177	+191	+187	+198	+212	+219
	(135)	(64)	(157)	(151)	(132)	(123)
	+2,214	+2,052	+1,986	+2,065	+2,161	+2,210
	(158)	(62)	(62)	(162)	(163)	(165)
	(2,127)	(1,587)	(929)	(2,112)	(2,149)	(2,194)
<a href="#">Public Realm</a>	+939	+937	+967	+973	+1,015	+1,035
	+167	+168	+168	+168	+172	+176
	+72	+68	+74	+74	+76	+78
	+351	+347	+264	+280	+299	+311
	+1,130	+1,161	+1,144	+1,181	+1,235	+1,270
	(595)	(390)	(570)	(577)	(616)	(630)
	+232	+362	+247	+264	+285	+296
	<b>+5,516</b>	<b>+6,439</b>	<b>+7,654</b>	<b>+5,518</b>	<b>+5,914</b>	<b>+6,195</b>
<b>Economic Growth and Regeneration</b>						
	+173	+235	(7)	(11)	(14)	(17)
<a href="#">Planning &amp; Place</a>	+50	+52	+50	+50	+52	+53
	(335)	(133)	(89)	(115)	(119)	(137)
	+679	+606	+708	+739	+775	+799
	+29	+30	+44	+47	+51	+54
	+363	+290	+391	+403	+421	+434
<a href="#">Economic Development</a>	+276	+278	+286	+296	+311	+322
	+220	+220	+220	+220	+226	+231
	+46	(178)	+73	(40)	(93)	(94)
	+443	+386	+506	+518	+540	+555
	+578	+547	+583	+602	+626	+643
	0	0	0	0	0	0
	+812	+964	+832	+873	+924	+956
<a href="#">Property, Investment and Regeneration</a>	+322	+259	+423	+463	+481	+492
	+549	+538	(50)	(307)	(668)	(612)
	+4	(18)	(3)	(2)	+2	+10
	<b>+4,209</b>	<b>+4,076</b>	<b>+3,967</b>	<b>+3,736</b>	<b>+3,515</b>	<b>+3,689</b>
<b>Corporate Services</b>						
<a href="#">Corporate Accounts</a>	(31)	+560	+13	(103)	(108)	(111)
<a href="#">Democratic</a>	+962	+848	+923	+941	+977	+1,000
<a href="#">Finance</a>	+1,202	+1,155	+1,205	+1,243	+1,298	+1,337
<a href="#">HR</a>	+812	+956	+1,149	+1,167	+1,205	+1,241
<a href="#">ICT</a>	+1,367	+1,443	+1,507	+1,550	+1,606	+1,652
<a href="#">Internal Audit</a>	+198	+163	+198	+208	+216	+223
<a href="#">Legal</a>	+397	+490	+346	+368	+392	+411
<a href="#">Revenues &amp; Benefits</a>	+685	+1,091	+950	+1,025	+1,084	+1,078
	<b>+5,592</b>	<b>+6,706</b>	<b>+6,291</b>	<b>+6,399</b>	<b>+6,670</b>	<b>+6,831</b>
<b>Central Services</b>						
<a href="#">Chief Executive</a>	+741	+692	+725	+749	+784	+806
	+282	+282	+282	+282	+288	+295
	<b>+1,023</b>	<b>+974</b>	<b>+1,007</b>	<b>+1,031</b>	<b>+1,072</b>	<b>+1,101</b>
<b>Other Items</b>						
	(1,502)	(1,502)	(1,336)	(1,205)	(931)	(931)
	+943	+295	+1,178	+390	+364	+38
	+2,107	+1,760	+2,323	+3,386	+3,863	+3,992
	+1,157	+1,157	+1,164	+1,171	+1,179	+1,179
<a href="#">Other Items</a>	(82)	(50)	(61)	(67)	(76)	(74)
	0	0	0	0	0	0
	+2,023	+3,969	+922	+1,344	+1,659	+733
	(1,012)	(3,012)	(108)	(609)	(926)	0
	(943)	(295)	(1,178)	(390)	(364)	(38)
	<b>+2,691</b>	<b>+2,322</b>	<b>+2,904</b>	<b>+4,020</b>	<b>+4,768</b>	<b>+4,899</b>
Net Recharges to Housing Revenue Accot Recharges GF	(1,008)	(1,008)	(1,015)	(1,038)	(1,026)	(1,026)
RMS Capital Charges (now Housing Revenue Account)	(113)	(113)	(139)	(139)	(139)	(139)
Revenue Reserve funded items included in above analysis	(5)	0	0	0	0	0
<b>General Fund Revenue Budget</b>	<b>17,905</b>	<b>19,396</b>	<b>20,669</b>	<b>19,527</b>	<b>20,774</b>	<b>21,550</b>
Core Funding :						
Revenue Support Grant	(203)	(203)	0	0	0	0
Net Business Rates Income	(8,028)	(11,597)	(9,995)	(8,467)	(8,556)	(9,055)
<b>Council Tax Requirement</b>	<b>9,674</b>	<b>7,596</b>	<b>10,674</b>	<b>11,060</b>	<b>12,218</b>	<b>12,495</b>

## Lancaster City Council | Report Cover Sheet

<b>Meeting</b>	Cabinet	<b>Date</b>	24 November 2020
<b>Report of</b>	Chief Finance Officer		
<b>Purpose of Report</b>			
This report seeks Cabinets consideration of various matters in connection with the Treasury Management Mid-Year Review 2020/21.			
<b>Key Decision (Y/N)</b>	<b>N</b>	<b>Date of Notice</b>	<b>Exempt (Y/N)</b> <b>N</b>

<b>Report Summary</b>
<p>This report provides Cabinet with</p> <ul style="list-style-type: none"> <li>Performance information in relation to the Council's Treasury Management Activities for the period 1<sup>st</sup> April to 30<sup>th</sup> September 2020 (Appendix A).</li> </ul>

<b>Recommendations of Councillors</b>
<p>That Cabinet</p> <ol style="list-style-type: none"> <li>Consider the various matters in connection with the Treasury Management Mid-Year Review 2020/21</li> <li>Forward the Mid-Year Review 2020/21 on to Budget &amp; Performance Panel and Full Council for consideration in accordance with CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).</li> </ol>

<b>Relationship to Policy Framework</b>	
Treasury Management forms part of the Councils budget framework	
<b>Conclusion of Impact Assessment(s) where applicable</b>	
Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety
<p><b><i>A Thriving &amp; Prosperous Economy:</i></b></p> <p><b><i>Clean Green &amp; Safe Neighbourhoods:</i></b></p> <p><b><i>A Smart &amp; Forward-Thinking Council:</i></b></p> <p>Effective Treasury Management and use of the Councils' resources is fundamental to the delivery of its priorities and outcomes</p>	
<b>Details of Consultation</b>	
Consultation has been undertaken with the Council's external Treasury Management Advisors	

<b>Legal Implications</b>	
None directly arising from this report	
<b>Financial Implications</b>	
There are no financial implications arising directly from this report.	
However, although currently impacted by COVID-19 areas of capital investments may require additional borrowing and other associated costs. Financial due diligence and assessment will ensure that all the appropriate costs are considered for each proposal and external advice considered ahead of any borrowing being incurred.	
<b>Other Resource or Risk Implications</b>	
There are no additional resource or risk implications	
<b>Section 151 Officer's Comments</b>	
The s151 Officer has written this report in his role as Chief Finance Officer	
<b>Monitoring Officer's Comments</b>	
The Monitoring Officer has been consulted and has no further comments	
<b>Contact Officer</b>	Paul Thompson
<b>Tel</b>	01524 582603
<b>Email</b>	pathompson@lancaster.gov.uk
<b>Links to Background Papers</b>	

## 1.0 INTRODUCTION

- 1.0 The Council's Treasury Management Activities are regulated the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued under the Local Government Act 2003
- 1.1 During 2020/21 the minimum reporting requirements are that the Full Council should receive the following reports:
- an annual treasury strategy in advance of the year (Council 26 February 2020)
  - a mid-year (minimum) treasury update report (This report).
  - an annual review following the end of the year describing the activity compared to the strategy
- 1.2 In addition, Members will receive treasury management update reports on which are presented to Cabinet and Budget and Performance Panel.

## 2.0 BACKGROUND

- 2.1 The Mid-Year Review (Appendix A) sets out the performance of treasury operations for the first six months of the 2020/21 financial year in terms of long- and short-term borrowing, investment activities and relevant borrowing limits and prudential indicators.
- 2.2 Under CIPFA's Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) it is a requirement that an information report on these matters be presented to Cabinet and full Council.

## 3.0 SUMMARY DETAILS

### Investments

- 3.1 The average level of funds available for investment purposes over the six-month period was £41.0M. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.
- 3.2 The Council's investments returned an average rate 0.05% on deposit generating c£51K of interest against a budget of c£54K.

### Borrowing

- 3.3 The Council has **not** undertaken any new borrowing which currently stands at £61.084M. This figure is split between the General Fund (£39.215M) and Housing Revenue Account (£22.869M). All current borrowing is via the Public Works Loan Board (PWLb) and is a mixture of Maturity and Equal Interest & Principal (EIP) loans with interest rates ranging from 3.03% - 7.87%.
- 3.4 Although COVID-19 has impacted the Council's capital programme it may be necessary to undertake some new borrowing during this financial year to deliver on its Priorities and Outcomes. This will be considered when the need arises and will be in consultation with the Council's external advisors.



Changes to Prudential Indicators

- 3.5 In compliance with the Prudential Framework the Council sets an annual Treasury Management Strategy including key indicators, determined under regulation, to assist Members in assessing the affordability of borrowing and in determining that it is prudent and sustainable.
- 3.6 This table shows the current estimates for the General Fund and Housing Revenue Account capital programmes, compared to the original estimates

Capital Expenditure by Service	2020/21	
	Original Estimate £m	Quarter 2 Position £m
Communities and Environment	9.57	3.58
Economic Growth and Regeneration	6.26	7.01
Corporate Services	0.28	0.30
Development Pool	13.13	0.30
<b>Total for General Fund</b>	<b>29.24</b>	<b>11.18</b>
<b>Council Housing (HRA)</b>	<b>4.12</b>	<b>3.54</b>
<b>Commercial activities/non-financial investments</b>	<b>16.00</b>	<b>16.00</b>
<b>Total Capital Expenditure</b>	<b>49.36</b>	<b>30.72</b>

- 3.7 Capital Expenditure by service is in line with figures provided with the published Q2 monitoring (Delivering our Ambitions Q2). The reduction in capital expenditure reflects programmes placed on hold due to COVID-19.
- 3.8 This table shows the changes in the financing of the capital programmes, and the level of borrowing required.

Capital Expenditure	2020/21	
	Original Estimate £m	Quarter 2 Position £m
<b>Total capital expenditure</b>	<b>49.36</b>	<b>30.72</b>
Financed by:		
Capital receipts	0.57	0.56
Capital grants	12.09	7.56
Capital reserves	4.51	3.27
Revenue	0.00	0.01
<b>Total Financing</b>	<b>17.17</b>	<b>11.40</b>
<b>Borrowing Requirement</b>	<b>32.19</b>	<b>19.33</b>

- 3.9 The Capital Financing Requirement (CFR) measures the Council's underlining need to borrow for capital purpose, i.e. its borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue

<b>Capital Financing Requirement</b>	<b>2020/21</b>	
	<b>Original Estimate £m</b>	<b>Quarter 2 Position £m</b>
General Fund	57.67	45.05
HRA	37.25	37.25
Commercial activities/non-financial investments	30.75	20.93
<b>Total Capital Financing Requirement</b>	<b>125.67</b>	<b>103.23</b>
<b>Net movement in CFR</b>	<b>38.97</b>	<b>-22.45</b>

- 3.10 The table shows that the capital financing requirement (CFR) is £22.42M lower than the original estimate due to the 2020/21 Budget being set prior to the coronavirus outbreak and subsequent lockdowns which have prevented progress and restricted spending on non-urgent works.
- 3.11 A key control over treasury management activity is to ensure that over the medium term, net borrowing (borrowings less investments) will only be for capital purposes. Gross external borrowing should not, except in the short term, exceed the total capital financing requirement.
- 3.12 The table below shows compliance with this control as the Council's external borrowing £61.09M compared to its CFR £103.23M

<b>External Debt v Borrowing Need (CFR)</b>	<b>2020/21</b>	
	<b>Original Estimate £m</b>	<b>Quarter 2 Position £m</b>
External Debt	62.13	62.13
Other long term liabilities	-1.04	-1.04
Expected Change in Other long term liabilities	33.00	0.00
<b>Total Debt</b>	<b>94.09</b>	<b>61.09</b>
<b>Compared to current :</b>		
<b>Capital Financing Requirement</b>	<b>125.67</b>	<b>103.23</b>
<b>Operational Boundary:-</b>		
Debt	125.67	125.67
<b>Authorised Limit:-</b>		
Debt	142.00	142.00

**4.0 OPTIONS AND OPTIONS ANALYSIS**

4.1 As the report is for consideration and progressing to Council no alternative options are put forward.

**5.0 CONCLUSION**

5.1 Consideration of Treasury Management Mid-Year Review and presentation to Full Council will ensure the Council complies with CIPFA's Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

**Treasury Management Strategy Statement and Annual  
Investment Strategy**

**Mid-Year Review 2020/21**

**Report of Chief Finance Officer**

## 1. Background

### Capital Strategy

In December 2017 CIPFA (Chartered Institute of Public Finance and Accountancy) issued revised Prudential and Treasury Management codes. As from 2020/21, all local authorities will be required to prepare a Capital Strategy which is intended to provide:

- a high-level 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

A report setting out our Capital Strategy was taken to Council on 26 February 2020.

### Treasury Management

The Council operates a balanced budget, which broadly means that cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management services 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 the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and, on occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

“the management of the local authority's borrowing, 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. Introduction

This report has been written in accordance with the requirements of CIPFA's Code of Practice for Treasury Management.

The primary requirements of the Code are as follows:

- (i) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- (ii) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

- (iii) Receipt by full council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a Mid-year Review Report and an Annual Report, covering activities during the previous year.
- (iv) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- (v) Delegation by the council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Budget and Performance Panel.

This mid-year report covers the following:

- An economic update for the first part of the 2020/21 financial year
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators
- A review of the Council's investment portfolio for 2020/21
- A review of the Council's borrowing strategy for 2020/21
- A review of any debt rescheduling undertaken during 2020/21
- A review of compliance with Treasury and Prudential Limits for 2020/21

### 3. Economics update (provided by Link Asset Services)

*As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6<sup>th</sup> August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:*

- *The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.*
- *The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.*
- *It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.*

*It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance.*

The MPC expected the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

There will be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

One key addition to **the Bank’s forward guidance** was a new phrase in the policy statement, namely that “it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably”. That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years’ time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate

#### 4. Interest Rate Forecast

The Council’s treasury advisor, Link Asset Services, has provided the following forecast:

Link Group Interest Rate View		11.8.20									
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-	
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-	
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-	
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10	
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70	
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50	

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 meeting on 6<sup>th</sup> August (and the subsequent September meeting), 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 within the forecast horizon ending on 31<sup>st</sup> March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged

## 5. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy (TMS) for 2020/21, which includes the Annual Investment Strategy, was approved by the Council on 26 February 2020. There are no policy changes to the TMS; the details in this report update the position in light of the updated economic position and budgetary changes already approved.

## 6. Investment Portfolio

The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. As shown by forecasts in section 4, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31<sup>st</sup> March 2023, investment returns are expected to remain low.

Officers confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2020.

The average level of funds available for investment purposes over the six month period was **£41.0M**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.

In terms of performance against external benchmarks, the return on investments compared to the 7 day LIBID and bank rates at the end of the period is as follows. This is viewed as reasonable performance, given the need to prioritise security of investments, and liquidity (i.e. making sure that the Council's cashflow meets its needs):

Base Rate	0.10%
7 day LIBID	-0.06%
Lancaster City Council investments	0.05%





### **Investment Counterparty criteria**

The current investment counterparty criteria selection approved in the TMS is meeting the requirement of the treasury management function.

## **7. Borrowing**

The Council's capital financing requirement (CFR) for 2020/21 was forecast as £125.67M as set out at **Annex A**. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council currently has borrowings of £61.08M. It intended to utilise £31.59M of cash flow funds in lieu of borrowing and take out new borrowing of £33M. The current forecast CFR at quarter 2 is, however, £103.23M as some capital expenditure funded by unsupported borrowing is now expected to slip.

Due to the increase in PWLB margins over gilt yields in October 2019, and the subsequent consultation on these margins by HM Treasury - which ended on 31<sup>st</sup> July 2020 - the Authority has refrained from undertaking new long-term PWLB borrowing for the present and has met its requirements for additional borrowing by using short-term borrowing until such time as new PWLB margins are finally determined. In addition, the effect of coronavirus on the capital programme objectives are being assessed. Therefore, our borrowing strategy will be reviewed and then revised in order to achieve optimum value and risk exposure in the long-term.

It may remain necessary to undertake some new borrowing during this financial year.

## **8. Debt Rescheduling**

Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

## **9. Compliance with Treasury and Prudential Limits**

During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy and in compliance with the Council's Treasury Management Practices.

It is a statutory duty for the Council to determine and keep under review its affordable borrowing limits. During the half year ended 30<sup>th</sup> September 2020, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2020 and no difficulties are envisaged for the current or future years in complying with these indicators.

## 10. Other Issues

### **Changes in risk appetite**

The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or to other types of investment instruments this change in risk appetite and policy should be brought to members' attention in treasury management update reports. There are no such changes to report.

**PRUDENTIAL INDICATORS - MID YEAR REVIEW**

There details in this annex update relevant prudential indicators to reflect the impact of the recommended investments

**Prudential Indicator for Capital Expenditure**

This table shows the current estimates for the General Fund and Housing Revenue Account capital programmes, compared to the original estimates.

Capital Expenditure by Service	2020/21	
	Original Estimate £m	Quarter 2 Position £m
Communities and Environment	9.57	3.58
Economic Growth and Regeneration	6.26	7.01
Corporate Services	0.28	0.30
Development Pool	13.13	0.30
<b>Total for General Fund</b>	<b>29.24</b>	<b>11.18</b>
Council Housing (HRA)	4.12	3.54
Commercial activities/non-financial investments	16.00	16.00
<b>Total Capital Expenditure</b>	<b>49.36</b>	<b>30.72</b>

**Changes to the Financing of the Capital Programmes**

This table shows the changes in the financing of the capital programmes, and the level of borrowing required.

Capital Expenditure	2020/21	
	Original Estimate £m	Quarter 2 Position £m
<b>Total capital expenditure</b>	<b>49.36</b>	<b>30.72</b>
Financed by:		
Capital receipts	0.57	0.56
Capital grants	12.09	7.56
Capital reserves	4.51	3.27
Revenue	0.00	0.01
<b>Total Financing</b>	<b>17.17</b>	<b>11.40</b>
<b>Borrowing Requirement</b>	<b>32.19</b>	<b>19.33</b>

### Changes to the Capital Financing Requirement

The following table shows that the capital financing requirement (CFR) is £22.42M lower than the original estimate due to the 2020/21 Budget being set prior to the coronavirus outbreak and subsequent lockdowns which have prevented progress and restricted spending on non urgent works.

Capital Financing Requirement	2020/21	
	Original Estimate £m	Quarter 2 Position £m
General Fund	57.67	45.05
HRA	37.25	37.25
Commercial activities/non-financial investments	30.75	20.93
<b>Total Capital Financing Requirement</b>	<b>125.67</b>	<b>103.23</b>
<b>Net movement in CFR</b>	<b>38.97</b>	<b>-22.45</b>

External Debt v Borrowing Need (CFR)	2020/21	
	Original Estimate £m	Quarter 2 Position £m
External Debt	62.13	62.13
Other long term liabilities	-1.04	-1.04
Expected Change in Other long term liabilities	33.00	0.00
<b>Total Debt</b>	<b>94.09</b>	<b>61.09</b>
<b>Compared to current :</b>		
<b>Capital Financing Requirement</b>	<b>125.67</b>	<b>103.23</b>
<b>Operational Boundary:-</b>		
Debt	<b>125.67</b>	<b>125.67</b>
<b>Authorised Limit:-</b>		
Debt	<b>142.00</b>	<b>142.00</b>

**Definitions:**

**Operational Boundary**

The limit beyond which external debt is not normally expected to exceed is known as the operational boundary.

**Authorised Limit for External Debt**

A further prudential indicator controls the overall level of borrowing. This is the authorised limit which represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, whilst not desired, could be afforded in the short term, but it is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements.



## Lancaster City Council | Report Cover Sheet

<b>Meeting</b>	Cabinet	<b>Date</b>	24.11.20
<b>Title</b>	Localised Council Tax Support Scheme 2021/22		
<b>Report of</b>	Head of Shared Service		
<b>Purpose of the Report</b>			
To enable Cabinet, to consider the existing Localised Council Tax Support (LCTS) and the options available, ahead of formal consideration and approval by Council for application in 2021/22.			
<b>Key Decision (Y/N)</b>	<b>N</b>	<b>Date of Notice</b>	<b>Exempt (Y/N)</b> <b>N</b>

### Report Summary

Cabinet's views are sought as to whether to retain the existing Localised Council Tax Support Scheme for 2021/22 (Option 1) subject to future consequential minor amendments following changes in housing benefit rules; or whether to amend it to reduce entitlement. (Option 2).

### Recommendations

- (1) That Cabinet considers the Localised Council Tax Support Scheme for 2021/22 and the associated options included at Appendix A to be presented to Full Council for their deliberation and approval.

### Relationship to Policy Framework

The LCTS scheme is developed in support of ambitions within the Council Plan regarding "Healthy and Happy Communities" to optimise access for those that need it most, together with welfare benefits and related support.

### Conclusion of Impact Assessment(s), where applicable

Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety

The ambition is to continue with a LCTS scheme for the Council, which supports the objective of simplicity, but protects the most vulnerable residents in the district. The Council must continue to ensure that it has due regard to equality in making its local scheme, including how it will minimise disadvantage.

The Equality and Human Rights Impact Assessment has been reviewed and can be found as part of **Appendix B**.

### Details of Consultation

Members have indicated a preference to retain the existing LCTS scheme in its present format, subject to the scheme principles listed in **Appendix A**. As such, legally there is no need to consult on changes to the scheme at this stage. However, should “Option 2” be the preferred option of the Council, alternative scheme options will need to be developed for consideration by Council early next year, following a swift consultation exercise.

Under Option 1, the Council will write to major precepting authorities setting out the principles of the scheme for 2021/22, acknowledging the fact that they will share the financial cost and risk of any changes made. Their preference has always been for a cost neutral scheme that limits the financial pressure on their budgets as an alternative to cutting essential services.

**Legal Implications**

The Local Government Finance Act 1992 (as amended) provides that the Council, as the billing authority, must consider whether to revise its LCTS scheme, or replace it with another scheme by 11<sup>th</sup> March every year. However, it is beneficial for the Council to determine the principles of its LCTS scheme early, in order to build estimates into its Tax Base calculations.

Before a Council can determine to revise or replace its LCTS scheme it must consult any major precepting authority which has the power to issue a precept to it and such other persons as it considers are likely to have an interest in the operation of the scheme. However, these consultation rules do not apply if the Council approves the recommendation to “retain” its existing LCTS scheme.

Likewise, if Council is not proposing to change the existing LCTS scheme then technically there is no requirement to seek approval from full Council. However, it is considered good practice for Council to ratify the existing scheme, given the annual upratings in April each year to adjust benefits and personal allowances, and any other consequential amendments.

**Financial Implications**

Currently the LCTS system is estimated to cost £11.2M each year, but this is affected by council tax rates and claimant caseload, as well as the decisions of Council. Due to Covid-19 the cost of the scheme has increased, albeit temporarily. Of this estimated cost, approximately £1.3M falls to the City Council, with the remainder being covered predominantly by the other major precepting authorities (County, Fire, Police) and a small element being met by Parish and Town Councils.

Should Council approve Option 2 and reduce support levels there would be related savings to the Council and major preceptors (County, Fire, Police), subject to level of reduction. Any impact on parishes would be negligible.

Since the introduction of the LCTS scheme, the Government has rolled the Council Tax Support Grant into mainstream Government funding thereby making it difficult to separately identify.

**Other Resource or Risk Implications**



<b>Section 151 Officer's Comments</b>	
The Section 151 Officer has contributed to the production of financial comments.	
<b>Monitoring Officer's Comments</b>	
The Monitoring Officer has been consulted and has no further comments.	
<b>Contact Officer</b>	Adrian Robinson
<b>Tel</b>	01772 906023
<b>Email</b>	a.robinson@preston.gov.uk
<b>Links to Background Papers</b>	

## 1.0 Background

- 1.1 Following the abolition of the national Council Tax Benefit (CTB) system back in 2013, each billing authority now has a legal duty to adopt a Localised Council Tax Support (LCTS) scheme.
- 1.2 Each authority is also under a legal obligation to consider, for each year, whether to revise its scheme or to replace it with another scheme. The history of the Council's arrangements is summarised below:
- The first local scheme was adopted in January 2013 for implementation in 2013/14. The Council chose not to reduce support levels at that time, unlike most other local authorities.
  - In reviewing its scheme since then, Council has decided to retain basic council tax support levels, meaning that working age claimants on low incomes may still be awarded support to cover up to 100% of their council tax bills.
  - The Council has applied other comparatively minor changes over the years, on the basis that entitlement criteria for LCTS should generally remain in line with other key benefits, most notably Housing Benefit (HB) and Universal Credit (UC).
- 1.3 If a Council does wish to alter its scheme, it must approve any changes by 11 March, otherwise the existing scheme will continue to apply. There is currently no provision for changing a scheme in-year.

## 2.0 Overview of the Council's current scheme

- 2.1 As laid down by Government, there are three general principles that all Local Council Tax Support (LCTS) schemes must follow:
- pensioners should be fully protected;

- vulnerable groups should be protected as far as possible, as determined locally; and
  - local schemes should support the positive work incentives being introduced through Universal Credit for working age people.
- 2.2 The Council's existing scheme meets these principles, giving protection for certain groups and helping to support work incentives. It provides additional protection for vulnerable people through other income disregards, premiums and allowances. It also provides for annual uplifts associated with inflation, etc.
- 2.3 Under current legislation, pensioners are protected from any locally driven scheme changes, and so any Council decisions impact only on working age claimants.
- 2.4 As Council has so far maintained general support levels, this means that if entitled, a claimant would receive 100% support to cover their council tax bill. Of the 326 schemes in operation nationally, currently the Council is one of the few remaining Councils that still provides full levels of Council Tax Support for working age claimants, depending on their circumstances.
- 2.5 A hardship fund of £40k is built into the LCTS scheme to protect those suffering exceptional hardship. This initiative is financially supported by a contribution from the major precepting authorities, although given that general support levels are maintained, demand against this continues to be minimal.
- 2.6 The Department for Work and Pensions (DWP) operates a "full" Universal Credit (UC) service in this district, and the Council's existing LCTS scheme accommodates this development. The Council's current LCTS scheme principles are set out in **Appendix A** to this report.
- 2.7 For 2020-21, all working age recipients with something to pay has received a further reduction in their annual Council Tax bill of up to £300, funded by government and offered by the Council, to support vulnerable people and households affected most by coronavirus. The scheme ends on 31 March 2021 and is unlikely to be extended with current expenditure to date amounting to £881k
- 2.8 This report sets out a recommendation that the LCTS scheme for 2020/21 be 'retained' in its present form, subject to minor consequential amendments to accommodate the annual uprating of similar applicable amounts in the Housing Benefit Scheme.

### 3.0 Options and Options Analysis (including risk assessment)

3.1 The challenge for the Council is to adopt a scheme that fits with its ambitions and priorities and is considered fair, deliverable and affordable, given statutory obligations and competing pressures for resources. Council is presented with two basic options:

#### 3.2 Option 1:

**Retain the existing Localised Council Tax Support (LCTS) scheme, subject to minor consequential amendments to match changes in Housing Benefit rules.**

- The existing scheme is considered soundly structured and works well, and offers maximum support for low income families, who may otherwise find themselves in mounting debt.
- The current forecast assumes the continuation of the existing LCTS system and as such, maintaining current levels of support would normally have no impact on the Council's financial forecast. However, caseload is on the increase due to Covid-19, and it's expected that take-up will remain higher than usual through the early part of next year.
- Retaining existing policy principles of keeping various positive entitlement provisions for LCTS in line with other key welfare benefits promotes equality.

#### 3.3 Option 2:

**Make changes to the existing Localised Council Tax Support (LCTS) Scheme to reduce benefit entitlement for working age claimants.**

- Whilst caseload numbers are on the increase month by month due to the impact of Covid-19 with a current level of 11,249 residents claiming Council Tax Support in the Lancaster district, they have gradually reduced over the years from a high of 12,202 in April 2014. As pensioners make up 36% (3,995) of claimants, it means any cut in the level of support provided falls on the remaining 64% (7,253) of working age people on low incomes, indicating an increase in number from (6,601) in the previous year.
- A reduction in the levels of support provided could arguably provide claimants with further incentives to work, reducing their reliance on benefits, although the jobs market is particularly deflated at this difficult time.
- This option will have greater adverse financial impact on working age households, but would help protect other Council services by requiring less savings to be made by them.

- If levels of support are reduced, the Council would be tasked with the difficulty of collecting this debt from the more vulnerable members of our society, increasing workloads and costs associated with council tax recovery.
- Additional costs associated with developing new scheme options, consultation exercise, legal changes to scheme etc.

## **4.0 Conclusion**

The Council's existing LCTS scheme works well in terms of providing support, but at a cost, particularly for the County Council. To date the Council has attached a high priority to maintaining council tax support levels available to working age claimants (pensioners being unaffected by Council's decision).

Adoption of a particular option should be informed by Council's views regarding the relative priority of LCTS, compared with other services and activities in support of future corporate priorities.

**Lancaster City Council**  
**Summary Principles of the Council Tax Support Scheme**

The Council Tax Support Scheme is based upon the following principles and will:

1. be calculated as a means tested discount, defined primarily by the terms of the former Council Tax Benefit (CTB) Scheme;
2. match/reflect as appropriate specific wider welfare reforms introduced by the Government, such as those that impact upon housing benefits and/or universal credit;
3. protect pensioners (a Government requirement);
4. help protect the most vulnerable members of society as far as possible, as determined locally;
5. retain a local arrangement for war pensions to be disregarded in full;
6. support positive work incentives that are built in to benefit those who find work;
7. include a hardship fund to help claimants who suffer exceptional hardship as a result of council tax support changes; and
8. not include a second adult rebate reduction for working age claimants.

Class of persons

The scheme sets out rules for working age claimants. Regulations prescribe a scheme for claimants of state pension credit age and prescribe certain classes of persons who are not eligible to claim council tax support.

Eligibility for council tax support is determined by reference to means testing i.e. the income and capital of the claimant and any partner; and by the income and number of non-dependants in the household.

Eligibility for council tax support is defined by the terms of this scheme. The scheme sets out how council tax support is claimed, calculated and paid, except where amendments are required by statute under the Local Government Finance Act 2012 and/or accompanying legislation.

## Class of reductions

The scheme aligns with the basic principle of the need to create work incentives.

The scheme is based on the system of making deductions from the eligible council tax for each non-dependant person in the household. The categories of non-dependency are set out in the scheme. Income brackets may be altered in line with the general up-rating arrangements in the scheme, usually adjusted annually to include personal allowances.

Changes will be reflected in the scheme, as considered appropriate, to reflect the Government's ongoing welfare benefits reforms, such as those affecting housing benefit and universal credit as examples.

## Applications

An application will be required for all new claims. An appropriate means of application will be decided by the authority and may be revised as required. A review process may be implemented by the local authority for new and existing awards. Awards may be reviewed in a time period to be determined by the authority and failure of the claimant to fulfil any request during a review of their award may result in the termination of that award.

## General administration of the scheme

Apart from where statutorily required, advice of any award granted, removed or revised will be by an adjustment to the council tax bill and the bill itself will be the formal notification. The authority reserves the right to include additional notifications.

## Changes in Circumstances

Matters relating to the duty for a claimant to notify the Local Authority of a change in circumstances shall generally replicate those that applied to the former CTB Scheme.

## Appeals process

Claimants will submit any appeals to the Council in the first instance for a reconsideration of a relevant decision. Once notified of the outcome of this review, the claimant will have a period of two months from the date of the notification to submit an appeal to the Valuation Tribunal.

## Backdating

Council Tax Support can be backdated, providing continuous good cause is shown for the delay in claiming.

## Up-rating

Following commencement of the scheme, with effect from 1st April each year any figures set out in the scheme may be up-rated by the consumer price index, retail price index or other rate of inflation set out in the preceding September, or by another rate determined with reference to provisions made for Housing Benefit and Universal Credit, or as decided by the authority.

## Other Matters

The scheme may be amended to take into account any circumstances subsequently identified, whether through government statute, or other means.



**Lancaster City Council's Equality Impact Assessment**  
**Localised Council Tax Support Scheme 2021/22**

**Section 1: Details:**

<b>Service</b>	Revenues & Benefits Shared Service Resources
<b>Title and brief description (if required)</b>	Localised Council Tax Support Scheme
<b>New or existing</b>	Existing
<b>Author/officer lead</b>	Lead – Head of Shared Service / Benefits Manager
<b>Date</b>	16 <sup>th</sup> November 2020

**Does this affect staff, customers or other members of the public?**

Yes

**Section 2: Summary:**

**What is the purpose, aims and objectives?**

The Local Government Finance Act 1992 as amended, sets out measures requiring all billing authorities to introduce and maintain a LCTS scheme for each financial year.

The main aims of the LCTS scheme are to ensure fairness and consistency, and to help reduce confusion for claimants.

**Who is intended to benefit and how?**



Under any scheme, support for pensioners must remain at existing levels, and the scheme must be delivered through a national framework of criteria and allowances.

For working age claimants, Councils can choose, through the design of their scheme, whether to alter support entitlements in some way.

Policies and procedures are structured to ensure that all customers receive the correct amount of support and that every claim is considered on its own merits and in accordance with legislation and Government guidance.

**Section 3: Assessing impact**

<b>Is there any potential or evidence that this will or could:</b>		
• Affect people from any protected group differently to others?	Yes	
• Discriminate unlawfully against any protected group?		No
• Affect the relations between protected groups and others?		No
• Encourage protected groups to participate in activities if participation is disproportionately low (won't always be applicable)?		No
• Prevent the Council from achieving the aims of its' Equality and Diversity Policy?		No

We hold household and income details of current Council Tax Support recipients and we have access to wider population statistics and can assess equality monitoring data available as part of the survey.	
Age including older and younger people and children	Positive re: pensioners - as they are protected from any changes, as directed by Government.  The scheme impacts upon working age claimants only.
Disability	Disabled customers are not adversely affected by the LCTS scheme and are not disadvantaged in comparison to other groups.
Faith, religion or belief	Neutral.
Gender including marriage, pregnancy and maternity	No specific evidence. We do not anticipate this scheme will have a particular equality impact on this protected group.
Gender reassignment	We do not anticipate this scheme will have a particular equality impact on this protected group.
Race	Potentially but if so, very marginally – BME populations seem to be over- represented in unemployment figures and so this may feed through into LCTS claims and entitlement.

Sexual orientation (Including Civic Partnerships)	No specific evidence. We do not anticipate this scheme will have a particular equality impact on this protected group.
Rural communities	No specific evidence. We do not anticipate this scheme will have a particular equality impact on this protected group.
People on low incomes	The scheme relates predominantly to this group, but numbers affected by the specific proposals are expected to be very low.

**Section 4: Next steps:**

**Do you need any more information/evidence eg statistics, consultation? If so, how do you plan to address this?**

No further evidence required.

The proposal is to retain the existing scheme, which works well and offers 100% support.

**How have you taken/will you take the potential impact and evidence into account?**

This Equality Impact Assessment forms part of the Council report to be presented to Members at full Council in December 2020.

**How do you plan to monitor the impact and effectiveness of this change or decision?**

Applications to the Discretionary Hardship fund will be analysed to establish if any group is suffering extreme detriment under the retained LCTS scheme to enable action to be taken.

The Council has a Hardship Fund, available to assist vulnerable customers, experiencing difficulty in meeting their Council Tax liability.