



**Committee:** BUDGET AND PERFORMANCE PANEL

**Date:** TUESDAY, 1<sup>ST</sup> DECEMBER 2020

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

**Time:** 6.00 P.M.

## A G E N D A

1. **Apologies for Absence**

2. **Minutes**

Minutes of the Meeting held on 10<sup>th</sup> November 2020.

3. **Items of Urgent Business authorised by the Chair**

4. **Declaration of Interests**

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. **Delivering Our Ambitions Q2 - Financial Performance (July - September)** (Pages 3 - 20)

Report of the Director of Corporate Services.

6. **Budget and Policy Framework Update - Revision to 2020/21 Budget** (Pages 21 - 34)

Report of the Chief Finance Officer.

Amended Table 3 published on 26<sup>th</sup> November 2020.

7. **Treasury Management Mid Year Review 2020-21** (Pages 35 - 53)

Report of the Chief Finance Officer.

8. **Procurement Strategy 2020-24** (Pages 54 - 71)

Report of the Chief Finance Officer.

**ADMINISTRATIVE ARRANGEMENTS**

**(i) Membership**

Councillors Adrian Duggan (Chair), Tim Dant (Vice-Chair), Roger Dennison, Debbie Jenkins, Mandy King, David Whitworth, Jason Wood, Joanna Young and 1 Labour vacancy

**(ii) Substitute Membership**

Councillors Gina Dowding, Merv Evans, Colin Hartley, Tricia Heath, Cary Matthews and Stewart Scothern

**(iii) Queries regarding this Agenda**

Please contact Stephen Metcalfe, Democratic Services - email [sjmetcalfe@lancaster.gov.uk](mailto:sjmetcalfe@lancaster.gov.uk).

**(iv) Changes to Membership, substitutions or apologies**

Please contact Democratic Support email [democraticsupport@lancaster.gov.uk](mailto:democraticsupport@lancaster.gov.uk).

KIERAN KEANE,  
CHIEF EXECUTIVE,  
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DALTON SQUARE,  
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Published on Monday, 23<sup>rd</sup> November 2020.

**BUDGET AND PERFORMANCE PANEL****Delivering Our Ambitions  
Performance, Projects, and Resources Q2 2020/21  
01 December 2020****Report of Director of Corporate Services****PURPOSE OF REPORT**

To provide the Panel with an update on performance, projects, and resources during the second Quarter of 2020/21 (July - September 2020).

**This report is public**

**OFFICER RECOMMENDATIONS**

- (1) That Budget and Performance Panel considers the Cabinet Report dated 24 November 2020 and attached appendices, making any comments and recommendations considered necessary.

**1.0 DELIVERING OUR AMBITIONS 2020/21 - QUARTER 2**

- 1.1 The report attached at **Appendix 1**, presented to Cabinet on 24 November 2020, provides Members with a view of progress against the Council's agreed priorities for Quarter 2 of the 2020/21 performance monitoring cycle.
- 1.2 Budget and Performance Panel are asked to consider the Cabinet report and attachments in line with their Terms of Reference within the Constitution relating to the monitoring and review of the council's performance.

**CONCLUSION OF IMPACT ASSESSMENT**

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing): As set out in the relevant appendices.

**LEGAL IMPLICATIONS**

As set out in the relevant appendices.

**FINANCIAL IMPLICATIONS**

As set out in the relevant appendices.

**OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:**

As set out in the relevant appendices.

**SECTION 151 OFFICER'S COMMENTS**

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

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None.

**Contact Officer:** Paul Thompson  
Chief Finance Officer  
**Telephone:** 01524 582603  
**E-mail:** [pthompson@lancaster.gov.uk](mailto:pthompson@lancaster.gov.uk)  
**Ref:** N/A

## 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

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

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 Accou	(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)**

6.1

**Communities and Environment £6.738M (Favourable)**

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 **£16.369M**.
- 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 Reserve 2021	31 March 2020	From Revenue	To / From Capital	to Reserve 2021
Unallocated Balances	5,714,000	(200,000)		5,514,000	4,000,000	(200,000)	2,000,000	11,200,000
Earmarked Reserves								
Total Earmarked Reserves	(12,846,000)	11,700,000	842,000	3,211,700	(15,115,700)	(2,752,000)	295,000	4,772,800
Total Combined Reserves	(18,268,200)	12,023,800	842,000	3,211,700	(10,364,700)	(2,952,000)	2,000,000	16,222,800

- 7.3 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 any forecast year end surplus. Current s151 officer advice would be to transfer any 2020/21 year end surplus into unallocated reserves.
- 7.4 Earmarked Reserves are showing a projected balance of (**£12.954M**), an overall increase against budget (**£10.430M**) of **£2.525M**.
- 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)
<u>Public Protection</u>				
Environmental Health	1,212	567	1,161	51
Emergency Planning	64	24	60	4
Housing Standards	115	(129)	96	19
Licensing	(92)	29	(87)	(5)
Safety	175	46	111	64
<u>Housing Services</u>				
GF Housing	37	(2)	0	37
Home Improvement Agency	(143)	(335)	(81)	(62)
Housing Options	301	(1,209)	225	76
Strategic Housing	217	52	190	27
<u>Public Realm</u>				
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)
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
<u>Economic Development</u>				
AONB	25	44	30	(5)
Economic Development	364	124	290	74
Marketing & Comms	276	123	278	(2)
Grants	220	98	220	0
The Platform	46	57	(178)	224
Tourism & Events	443	181	386	57
<u>Property, Investment and Regeneration</u>				
Museums	578	282	546	32
Highways	0	0	0	0
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>				
<u>Other Items</u>				
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
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:

- Income is expressed as a negative figure in brackets
- Expenditure is expressed as a positive figure
- 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>

**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>

**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)
Premises Related Exp	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
	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
Transport Related Exp	Car Allowances	9	0	9	2	9	0
	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
Supplies and Services	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)
	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
Income	Customer Fees and Charges	(15,504)	0	(15,504)	(7,349)	(15,266)	(238)
	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
<a href="#">Property, Investment and Regeneration</a>	Strategic Monitoring Baywide	0	0	0	0	0	0
	Artle Beck Improvements	0	0	0	0	0	0
	Slyndale 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>	(5,713,800)	(226,000)			(5,939,800)	(5,045,000)	(225,980)		2,000,000	(3,270,980)
<b>Earmarked Reserves:</b>										
<b>Amenity Improvements</b>	(29,000)			29,000		(29,000)				(29,000)
<b>Business Rates Retention</b>	(5,916,400)			815,100	(5,101,300)	(7,376,900)			814,500	(6,562,400)
<b>Canal Quarter</b>	(24,400)			24,400		(69,100)			26,200	(42,900)
<b>Capital Support</b>	(258,200)		73,000	185,200		(258,200)		4,000	185,200	(69,000)
<b>Corporate Priorities</b>	(1,688,100)	(882,800)	444,000	930,800	(1,196,100)	(2,152,700)	(882,200)		1,105,000	(1,929,900)
<b>Corporate Property</b>	(335,200)				(335,200)	(338,500)				(338,500)
<b>Covid 19 Support</b>							(2,000,000)		1,775,000	(225,000)
<b>Economic Growth</b>	(19,400)	(117,500)		136,900		(126,000)	(117,500)		35,900	(207,600)
<b>Elections</b>		(40,000)			(40,000)		(40,000)			(40,000)
<b>Homelessness Support</b>	(107,900)	(6,600)			(114,500)	(110,800)	(23,000)			(133,800)
<b>Invest to Save</b>	(1,310,600)	(60,800)		782,600	(588,800)	(1,397,000)	(29,400)		842,300	(584,100)
<b>Local Plan</b>										
<b>Morecambe Area Action Plan</b>	(27,300)			27,300		(27,300)			27,300	
<b>Museums Acquisitions</b>	(19,500)	(3,000)			(22,500)	(21,300)	(3,000)			(24,300)
<b>Planning Fee Income</b>	(89,000)			31,200	(57,800)	(74,600)				(74,600)
<b>Renewals Reserves</b>	(194,300)	(481,800)	356,000	42,100	(278,000)	(380,600)	(481,800)	149,000	155,200	(558,200)
<b>Restructure</b>	(530,700)			66,000	(464,700)	(530,700)				(530,700)
<b>Revenue Grants Unapplied</b>	(661,700)	(5,300)		189,300	(477,700)	(827,400)	(4,700)		415,700	(416,400)
<b>S106 Commuted Sums - Open Spaces</b>	(28,400)			11,800	(16,600)	(28,400)			11,800	(16,600)
<b>S106 Commuted Sums - Affordable Housing</b>	(897,400)				(897,400)	(564,800)			375,000	(189,800)
<b>S106 Commuted Sums - Highways, Cycle Paths etc</b>	(315,000)	(200,000)	70,000		(445,000)	(611,600)	(161,600)	142,000	4,700	(626,500)
<b>Welfare Reforms</b>	(324,000)				(324,000)	(324,900)				(324,900)
<b>Reserves Held in Perpetuity:</b>										
<b>Graves Maintenance</b>	(22,200)				(22,200)	(22,200)				(22,200)
<b>Marsh Capital</b>	(47,700)				(47,700)	(47,700)				(47,700)
<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)

**BUDGET AND PERFORMANCE PANEL****Budget and Policy Framework Update  
01 December 2020****Report of Chief Finance Officer****PURPOSE OF REPORT**

This report provides the Panel with an update on the Council's financial position to help inform development of its corporate planning and budget proposals for 2021/22 and future years. The report is an interim update and primarily for information.

**This report is public**

**OFFICER RECOMMENDATIONS**

- (1) That Budget and Performance Panel considers the Cabinet Report dated 24 November 2020 and attached appendices, making any comments and recommendations considered necessary.

**1.0 BUDGET AND POLICY FRAMEWORK UPDATE**

- 1.1 This report provides an update on the Council's general budgetary position for current and future years reflecting DoA Q2 and the impact of COVID-19. In addition, it provides detail of the revised general fund budget which is now fixed for monitoring purposes as well as the accompanying variances.
- 1.2 The report also provides Members with information on various factors, such as Central Government funding prospects and the Comprehensive Spending Review as well steps taken to review future years budgets. It also outlines the uncertainties around various key aspects of core funding.
- 1.3 Given the uncertainties placed upon us by COVID-19 and 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 and primarily for information.

**CONCLUSION OF IMPACT ASSESSMENT**

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing): As set out in the relevant appendices.

**LEGAL IMPLICATIONS**

As set out in the relevant appendices.

**FINANCIAL IMPLICATIONS**

As set out in the relevant appendices.

**OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:**

As set out in the relevant appendices.

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has written this report in his role as Chief Finance Officer.

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

Appended to this report  
Cabinet 24-11-20

**Contact Officer:** Paul Thompson  
Chief Finance Officer  
**Telephone:** 01524 582603  
**E-mail:** [pthompson@lancaster.gov.uk](mailto:pthompson@lancaster.gov.uk)  
**Ref:** N/A

## 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>BUDGET PROJECTIONS</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 be 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 clarify 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:

- Income is expressed as a negative figure in brackets
- Expenditure is expressed as a positive figure
- 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>						
White Lund Depot	(11)	(10)	(14)	(14)	(14)	(14)
Vehicle Maintenance	+41	+10	+19	+20	+21	+21
<a href="#">Customer Involvement &amp; Leisure</a>						
Customer Services	+815	+744	+753	+772	+807	+827
Leisure	+33	+33	+33	+33	+34	+35
Salt Ayre	+486	+804	+1,700	+607	+679	+707
<a href="#">Public Protection</a>						
Environmental Health	+1,192	+1,161	+1,196	+1,252	+1,331	+1,374
Emergency Planning	+64	+60	+62	+64	+67	+70
Housing Standards	+115	+96	+100	+66	+61	+119
Licensing	(92)	(87)	(88)	(65)	(77)	(56)
Safety	+194	+111	+175	+182	+193	+199
<a href="#">Housing Services</a>						
GF Housing	+37	0	+31	+5	+7	+9
Home Improvement Agency	(143)	(81)	(145)	(130)	(127)	(128)
Housing Options	+301	+225	+289	+292	+297	+304
Strategic Housing	+217	+190	+224	+233	+240	+245
<a href="#">Public Realm</a>						
Cemeteries	+177	+191	+187	+198	+212	+219
Grounds Maintenance	(135)	(64)	(157)	(151)	(132)	(123)
Household Waste Collection	+2,214	+2,052	+1,986	+2,065	+2,161	+2,210
Markets	(158)	(62)	(62)	(162)	(163)	(165)
Parking	(2,127)	(1,587)	(929)	(2,112)	(2,149)	(2,194)
Parks	+939	+937	+967	+973	+1,015	+1,035
Public Conveniences	+167	+168	+168	+168	+172	+176
Public Realm Highways	+72	+68	+74	+74	+76	+78
Service Support	+351	+347	+264	+280	+299	+311
Street Cleaning	+1,130	+1,161	+1,144	+1,181	+1,235	+1,270
Trade Waste	(595)	(390)	(570)	(577)	(616)	(630)
Williamson Park	+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>						
<a href="#">Planning &amp; Place</a>						
Building Control	+173	+235	(7)	(11)	(14)	(17)
Conservation & Environment	+50	+52	+50	+50	+52	+53
Development Control	(335)	(133)	(89)	(115)	(119)	(137)
Local Plan	+679	+606	+708	+739	+775	+799
<a href="#">Economic Development</a>						
AONB	+29	+30	+44	+47	+51	+54
Economic Development	+363	+290	+391	+403	+421	+434
Marketing & Comms	+276	+278	+286	+296	+311	+322
Grants	+220	+220	+220	+220	+226	+231
The Platform	+46	(178)	+73	(40)	(93)	(94)
Tourism & Events	+443	+386	+506	+518	+540	+555
Museums	+578	+547	+583	+602	+626	+643
<a href="#">Property, Investment and Regeneration</a>						
Highways	0	0	0	0	0	0
Regeneration	+812	+964	+832	+873	+924	+956
Sea Defence & Land Drainage	+322	+259	+423	+463	+481	+492
Property	+549	+538	(50)	(307)	(668)	(612)
Building Cleaning	+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>						
Central Expenses	(31)	+560	+13	(103)	(108)	(111)
<a href="#">Democratic</a>						
Democratic Services	+962	+848	+923	+941	+977	+1,000
<a href="#">Finance</a>						
Finance	+1,202	+1,155	+1,205	+1,243	+1,298	+1,337
<a href="#">HR</a>						
HR	+812	+956	+1,149	+1,167	+1,205	+1,241
<a href="#">ICT</a>						
ICT	+1,367	+1,443	+1,507	+1,550	+1,606	+1,652
<a href="#">Internal Audit</a>						
Internal Audit	+198	+163	+198	+208	+216	+223
<a href="#">Legal</a>						
Legal Services	+397	+490	+346	+368	+392	+411
<a href="#">Revenues &amp; Benefits</a>						
Revenues & Benefits	+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>						
Executive Team	+741	+692	+725	+749	+784	+806
Grants to other bodies	+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>						
<a href="#">Other Items</a>						
New Homes Bonus	(1,502)	(1,502)	(1,336)	(1,205)	(931)	(931)
Revenue Funding of Capital	+943	+295	+1,178	+390	+364	+38
Minimum Revenue Provision	+2,107	+1,760	+2,323	+3,386	+3,863	+3,992
Interest Payable	+1,157	+1,157	+1,164	+1,171	+1,179	+1,179
Interest Receivable	(82)	(50)	(61)	(67)	(76)	(74)
Notional Charges	0	0	0	0	0	0
Contributions to Reserve	+2,023	+3,969	+922	+1,344	+1,659	+733
Contributions from Reserve	(1,012)	(3,012)	(108)	(609)	(926)	0
Capital Contributions from Reserve	(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 Account	(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>

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

For Consideration by Council 24 February 2021

BUDGET PROJECTIONS		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>	<b>17,903</b>	<b>18,131</b>	<b>18,322</b>	<b>18,883</b>	<b>19,261</b>
	<b>Base Budget Changes</b>					
	Operational Changes	1,494	2,538	1,205	1,891	2,289
	Latest Budgetary Position	<b>19,397</b>	<b>20,669</b>	<b>19,527</b>	<b>20,774</b>	<b>21,550</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>19,397</b>	<b>20,669</b>	<b>19,527</b>	<b>20,774</b>	<b>21,550</b>
	<b>Core Funding:</b>					
	Revenue Support Grant	(203)	-	-	-	-
	Net Business Rates Income	(11,597)	(9,995)	(8,467)	(8,556)	(9,055)
	<b>Council Tax Requirement</b>	<b>7,597</b>	<b>10,674</b>	<b>11,060</b>	<b>12,218</b>	<b>12,495</b>
	<b>Estimated Council Tax Income - (Increases based on £x for 21/22 then max allowable)</b>	<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>(2,075)</b>	<b>793</b>	<b>920</b>	<b>1,765</b>	<b>1,724</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>(2,075)</i>	<i>(765)</i>	<i>(314)</i>	<i>+495</i>	<i>N/A</i>

Note 1

General Fund Unallocated Balance	
BALANCES	£M
Original Projected Balance as at 31 March 2020	(5.392)
2019/20 Reverse Forecast Under/(Overspend)	(0.322)
2019/20 Actual (Under)/Overspend	+0.669
2020/21 Budgeted Contribution	(0.226)
2020/21 Forecast (Under)/Overspend	(2.075)
<b>Projected Balance as at 31 March 2021</b>	<b>(7.346)</b>
<b>Less Agreed Minimum Level of Balances</b>	<b>2.500</b>
<b>Available Balances</b>	<b>(4.846)</b>

### Note 1: Original Entries

	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>	<b>17,903</b>	<b>18,493</b>	<b>19,066</b>	<b>20,091</b>	<b>20,493</b>
<b>Base Budget Changes</b>					
Operational Changes	1,491	2,176	461	683	523
	<b>19,394</b>	<b>20,669</b>	<b>19,527</b>	<b>20,774</b>	<b>21,016</b>

<b>BUDGET AND PERFORMANCE PANEL</b>
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**Treasury Management Mid-Year Review 2020/21  
01 December 2020**

**Report of Chief Finance Officer**

<b>PURPOSE OF REPORT</b>
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To provide members with an update on various matters in connection with the Treasury Management Mid-Year Review 2020/21 and associated changes to the Council's Prudential Code Indicators.
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<b>This report is public</b>
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**OFFICER RECOMMENDATIONS**

- (1) That Budget and Performance Panel considers the Cabinet Report dated 24 November 2020 and attached appendices, making any comments and recommendations considered necessary.

**1.0 TREASURY MANAGEMENT MID YEAR-REVIEW**

- 1.1 The reports attached at **Appendix 1**, presented to Cabinet on 24 November 2020, provides performance information in relation to the Council's Treasury Management Activities for the period 1st April to 30th September 2020.
- 1.2 Budget and Performance Panel are asked to consider the Cabinet report and attachments in line with their Terms of Reference within the Constitution relating to the monitoring and review of the council's performance.

<b>CONCLUSION OF IMPACT ASSESSMENT</b>
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(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing): As set out in the relevant appendices.
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<b>LEGAL IMPLICATIONS</b>
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As set out in the relevant appendices.
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<b>FINANCIAL IMPLICATIONS</b>
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As set out in the relevant appendices.
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<b>OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:</b>
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As set out in the relevant appendices.
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**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has written this report in his role as Chief Finance Officer.

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None.

**Contact Officer:** Paul Thompson  
Chief Finance Officer  
**Telephone:** 01524 582603  
**E-mail:** [pthompson@lancaster.gov.uk](mailto:pthompson@lancaster.gov.uk)  
**Ref:** N/A

## 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 Cabinet's 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>

### Report Summary

This report provides Cabinet with

- 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).

### Recommendations of Councillors

That Cabinet

- (1) Consider the various matters in connection with the Treasury Management Mid-Year Review 2020/21
- (2) Forward the Mid-Year Review 2020/21 on to Budget & 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).

### Relationship to Policy Framework

Treasury Management forms part of the Council's budget framework

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

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

***A Thriving & Prosperous Economy:***

***Clean Green & Safe Neighbourhoods:***

***A Smart & Forward-Thinking Council:***

Effective Treasury Management and use of the Council's resources is fundamental to the delivery of its priorities and outcomes

### Details of Consultation

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	125.67	125.67
<b>Authorised Limit:-</b>		
Debt	142.00	142.00

#### Operational Boundary

##### Operational Boundary

The limit (original estimate) external debt is not normally expected to exceed the limit set 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.



**BUDGET AND PERFORMANCE PANEL****Procurement Strategy  
1 December 2020****Report of Chief Finance Officer****PURPOSE OF REPORT**

To provide Budget and Performance Panel with details of the Procurement Strategy as presented to Cabinet 14<sup>th</sup> July 2020. This will enable the panel to consider and comment on the proposal ahead of formal presentation to Council in accordance with the Council's constitution.

**This report is public.**

**RECOMMENDATIONS**

- (1) That the panel considers the Procurement Strategy presented to Cabinet 14<sup>th</sup> July 2020, making any comments and recommendations considered necessary for Cabinet to consider in line with the Council's constitution.

**1.0 INTRODUCTION**

- 1.1 In January 2020, Council adopted revised priorities which place an emphasis on addressing the climate emergency, declared a year earlier, as well as community wealth building. Additionally, the Government, in its National Procurement Strategy, has highlighted the importance of driving community benefits particularly in relation to local economic, social, and environmental well-being.
- 1.2 The revised Procurement Strategy responds to the local and national priorities to ensure that future spending decisions maintain good value for the taxpayer whilst delivering wider local economic, social, and environmental benefits.

**2.0 PROPOSAL DETAILS**

- 2.1 The Procurement Strategy and action plan will reset and implement the Council's objectives with respect to procurement over the next four years. Crucially, the strategy sets out key principles which will enable to the Council to buy local more often whilst maintaining a focus on value for money. This will be achieved by introducing the measurement of social value, particularly in relation to the climate emergency and local community wealth building, as part of the procurement assessment process.
- 2.2 The draft Procurement Strategy is included at **Appendix 1** of this report.

### 3.0 CONSULTATION

- 3.1 The Council's Constitution (Part 3 Section 5 – Budget & Policy Framework) requires that when a new or existing strategy is being considered, the Overview and Scrutiny Committee or Budget and Performance Panel have an opportunity to comment. If it considers it appropriate, Cabinet may then amend its proposals before submitting them to Council for consideration.

#### **CONCLUSION OF IMPACT ASSESSMENT**

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

None

#### **LEGAL IMPLICATIONS**

Legal Services has been consulted on this report and has no further comments.

#### **FINANCIAL IMPLICATIONS**

There are no financial implications arising directly from this report.

However, as noted within the report, the Council will spend around £19M on goods and services in 2020/21 and therefore effective procurement decisions will secure value for money from Council expenditure as well as the delivery of wider economic, social and environmental benefits.

#### **OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces**

It will be necessary to provide support to budget holders to maximise benefits from more proactive procurement. The action plan includes the development of a procurement toolkit including measures to show improved outcomes.

#### **SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has written this report in his capacity as Chief Finance Officer

#### **MONITORING OFFICER'S COMMENTS**

The Contract Procedure Rules and Financial Procedure Rules were not subject to the Council's Constitutional review in 2019. The power to amend both the Contract Procedure Rules and the Financial Procedure Rules lies with Audit Committee.

#### **BACKGROUND PAPERS**

Cabinet 14-07-20  
Appended to this report

**Contact Officer:** Paul Thompson  
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## Lancaster City Council | Report Cover Sheet

<b>Meeting</b>	Cabinet	<b>Date</b>	14 July 2020
<b>Title</b>	Procurement Strategy 2020-24		
<b>Report of</b>	Director of Corporate Services		
<b>Purpose of Report</b>			
To seek approval of the Procurement Strategy and action plan for 2020-2024.			
<b>Key Decision (Y/N)</b>	<b>Y</b>	<b>Date of Notice</b>	<b>15 06 20</b>
		<b>Exempt (Y/N)</b>	<b>N</b>

### Report Summary

The report seeks approval of a revised strategy and action plan for procurement to cover the next four years. Whilst the strategy maintains a focus on value for money in procurement decisions, it also sets out the importance of the Council's procurement to the local economy and an ambition to maximise expenditure with local organisations, enhance community wealth building and seek increased social value from spending decisions.<sup>A</sup>

### Recommendation of Councillor John Reynolds

1. Cabinet adopt the Procurement Strategy and action plan for 2020-2024.

### Relationship to Policy Framework

The Procurement Strategy will assist in the delivery of the Council's recently adopted priorities.

#### *An Inclusive and Prosperous Local Economy*

- *advocating for fair employment and just labour markets that increase prosperity and reduce income inequality*
- *supporting new and existing enterprises in sustainable innovation and the strengthening of local supply networks*

The objectives set out in the Procurement Strategy cover the maximisation of social value benefits. This will include incorporating adoption of fair work charter in the evaluation criteria. The objectives also set out how the Council will support local businesses and this will include developing local frameworks and supply chains.

#### *A Sustainable District*

- *net zero carbon by 2030 while supporting other individuals, businesses and organisations across the district to reach the same goal*

Minimisation of environmental impact will be incorporated into evaluation criteria.

#### *A Co-operative, Kind and Responsible Council*

- *providing value for money and ensuring that we are financially resilient and sustainable*

The objectives set out in the Procurement Strategy cover maximising value for money as well as delivering wider economic, environmental and social outcomes.



In addition to assisting the delivery of priorities, the Procurement Strategy will focus on the key corporate themes of Climate Emergency and Community Wealth Building via the adoption of relevant measures to be included in evaluation criteria.

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

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

#### **Details of Consultation**

#### **Legal Implications**

The adoption of the Procurement Strategy will inevitably result in changes to Standing Orders relating to Contracts and Financial Regulations in order to incorporate social value considerations into spending decisions.

#### **Financial Implications**

There are no direct financial implications arising from this report which covers approval of a Procurement Strategy. However, as the strategy indicates, the Council will spend around £19m on goods and services in 2020/21 and therefore effective procurement decisions will secure value for money from Council expenditure as well as the delivery of wider economic, social and environmental benefits.

#### **Other Resource or Risk Implications**

It will be necessary to provide support to budget holders in order to maximise benefits from more proactive procurement. The action plan includes the development of a procurement toolkit including measures to show improved outcomes.

#### **Section 151 Officer's Comments**

The s151 Officer has contributed to the writing of this report and to the development of the Procurement Strategy.

#### **Monitoring Officer's Comments**

The Contract Procedure Rules and Financial Procedure Rules were not subject to the Council's Constitutional review in 2019. The power to amend both the Contract Procedure Rules and the Financial Procedure Rules lies with Audit Committee.

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#### **Links to Background Papers**

Procurement Strategy (2020-2024) and action plan is appended to the report.

## **1.0 Introduction**

1.1 The Procurement Strategy and action plan will reset and implement the Council's objectives with respect to procurement over the next four years. Crucially, the strategy sets out key principles which will enable to the Council to buy local more often whilst maintaining a focus on value for money. This will be achieved by introducing the measurement of social value, particularly in relation to the climate emergency and local community wealth building, as part of the procurement assessment process.

## **2.0 Background**

2.1 In January 2020, Council adopted revised priorities which place an emphasis on addressing the climate emergency, declared a year earlier, as well as community wealth building. Additionally, the Government, in its National Procurement Strategy, has highlighted the importance of driving community benefits particularly in relation to local economic, social and environmental well-being.

2.2 The revised Procurement Strategy responds to the local and national priorities in order to ensure that future spending decisions maintain good value for the taxpayer whilst delivering wider local economic, social and environmental benefits.

2.3 The Strategy sets out the following key objectives:

- Support long term financial sustainability of the Council by ensuring Value for Money via efficient; effective; transparent, legally compliant and equitable procurement activities.
- Maximise social value benefits from procurement activities by ensuring that the climate emergency and community wealth building measures are included in procurement assessments.
- To support local businesses to bid, win and deliver Council contracts.
- To adapt and respond to the changing landscape of Local Government.

2.4 In order to achieve the above objectives, an action plan has been developed. It includes changes that will be required to standing orders relating to contracts and financial regulations; these changes will have to be considered by Audit Committee. It also includes the development of a toolkit which covers the full procurement cycle from identifying need, to selecting a supplier and recognising the procurement benefits including wider economic, social and environmental outcomes.

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

<b>Option 1: Cabinet endorse the Procurement Strategy and action plan.</b>
<b>Advantages:</b> This will allow early adoption and completion of the action plan which will enable more pro-active procurement which supports the delivery of wider community benefits which address the climate emergency and community wealth building aspirations.
<b>Disadvantages:</b> None identified.
<b>Risks:</b> Potential for sub-optimal procurement decisions if processes for incorporating social value are not clear and consistent.
<b>Option 2: Do not agree the Procurement Strategy and action plan.</b>
<b>Advantages:</b> No changes to existing processes which are well established which focus on cost and quality (but not social value) and make use of national frameworks to deliver a combination of low cost and quality.
<b>Disadvantages:</b> Council will miss out on opportunity to address key corporate themes including climate emergency and community wealth building in procurement decisions and the wider social, economic and environmental benefits which would accrue from their incorporation in the assessment process.
<b>Risks:</b> Council may be assessed as not meeting its own corporate priorities and those set out in the National Procurement Strategy.

#### 4.0. Officer Preferred Option (and comments)

- 4.1 The officer preferred option is Option 1. Approval of the Procurement Strategy will allow for the action plan to be implemented which will deliver a more proactive approach to procurement and demonstrable improvements in social value arising from expenditure decisions.

# Procurement Strategy

.....developed to establish the direction of how procurement should be organised in order to implement procurement policies.  
(CIPS)

**2020– 2024**

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## Introduction

The procurement strategy aims to help us deliver excellence in the procurement and commissioning of goods, works, and services. It supports the delivery of the council's priorities and strategies in areas such as equality, asset management, climate change emergency and Local Wealth Building.

Procurement covers the whole process from the initial identification of a need for a service or goods, decisions about how and who provides the service, through selecting a supplier or partner, receiving the goods or service, managing a contract, achieving the benefits expected, to finally disposing of an asset or ending a contract.

Good practice and legislation encourages staff to consider wider social, economic and environmental impacts and outcomes from procurement decisions. It also stresses the need to include the public, customers and people who are the ultimate users of services in their design, selection and delivery, where appropriate.

The Council has a good track record of working in partnership with others such as the County Council, other District Councils, professional buying organisations and with consultants. The procurement function will continue to encourage working in partnership.

## Aims

The procurement strategy will communicate to all stakeholders, including Council Members, Chief Officers and Council staff the Council's vision for the way forward in procuring its goods, works and services.

The document seeks to set out the Council's high level, strategic plans for how procurement will be organised and managed in support of the Values.

Flexibility is required to allow the Council to respond to the rapidly changing environment surrounding public sector procurement, taking into account our own experiences and those of others and to integrate improvements into our processes and systems.

## Setting the scene

Getting procurement right is important not only because it is about improving the delivery and cost effectiveness of quality public services to our customers across the district, but also because the choices we make on a contract or partnering agreement signifies the type of authority the Council wants to be and how we are perceived by residents, businesses and other stakeholders.

Lancaster City Council has largely devolved procurement activity, more than 200 officers are involved in the procurement process using Civica Purchasing. However, other orders are raised relating to municipal properties and Council housing stock via Tech Forge and TOTAL. Many more officers are involved in the bill payment process and in the procurement process as project, budget and contract managers.

In January 2020 Council adopted the outline Strategic Priorities (appendix A) the overarching Priorities and Themes will be taken forward within this procurement strategy.

On 30<sup>th</sup> January 2019 at Full Council, a Climate Emergency was declared, with the Council aiming to be net-zero carbon by 2030.

July 2018 saw the launch of a new national procurement strategy 'Delivering the Ambition'. This strategy focuses on three themes, which consultation has shown reflect local government's priorities:

- Showing leadership
- Behaving commercially
- Driving community benefits

Each theme has a number of key areas and four enablers have been identified:

- Developing Talent
- Exploring digital technology
- Enabling innovation
- Embedding change

Procurement will respond to the challenges of the corporate Priorities, Themes, Climate Emergency declaration and the National Procurement Strategy.

It should also be noted that work is being undertaken by the Lancashire Economic Development Officers Group (LEDOG) to progress the way in which Public Procurement with a particular focus on using standard processes to realise wider economic, social and environmental outcomes. Procurement will contribute and will work to regionally standardise processes and procedures across Lancashire, where this should benefit SME<sup>1</sup> suppliers

<sup>1</sup> SME – Small, Medium Enterprises definition, The category of micro, **small** and **medium**-sized **enterprises** (SMEs) is made up of **enterprises** which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.

## Objectives

This strategy aims to pull together Lancaster City Councils Priorities, Outcomes Based Budgeting Principles, the relevant National Procurement Strategy 2018 themes and enablers and to:

- to support the Council's long-term financial sustainability and drive efficiencies by ensuring all procurement activities are efficient; effective; transparent, legally compliant and equitable, thereby delivering value for money for the local economy and commercial and social benefits.
- to support local economic growth whilst responding to commissioning requirements, encouraging and supporting local organisations to bid, win and deliver Council contracts where possible.
- to optimise the social value deliverables and opportunities through contracting arrangements where appropriate and proportionate to do so, delivering wider social, economic and environmental benefits to the people and communities of the Lancaster district.
- Respond responsibly to the changing landscape of Local Government
- Support and contribute to the delivery of Lancaster's Outcomes Based Budgeting Principles, introducing, Climate Action, Community wealth Building, and Community engagement, in the evaluation of significant contracts.

It should be recognised that the environment is fast changing and that developments in the withdrawal from the EU, may require changes in strategy sometime in the period covered by this strategy. Any targets, recommendations and outcomes linked to this strategy will be delivered as resources allow and many be ongoing.



## Steps to Achieve the Procurement Strategy – Meeting Lancaster’s Values

Procurement is a small corporate resource with a vision to be an enabling function that supports the Council to be effective, providing value for money, supporting local business and achieving social value to meet the needs of Lancaster’s residents and business. In 2018/19 the budgets available for spend on goods, works and services was £20 million pounds and for 2019/20 was £19 million, highlighting that as a Council we need to do more for less and think of ways in which the Council can use its spending power to deliver further benefits to the district. In order to achieve the objectives of this Procurement Strategy Procurement staff, will provide high quality procurement support to individual officers and services in commissioning and procurement activities to shape the local economy to deliver community benefits, value for money and to support the Councils declaration to be carbon neutral by 2030. Whilst complying with regulations using the following as a framework to establish a work plan.

- Introduce local supply chain opportunities into our procurement activities.
- Develop and implement a Social Value Procurement Policy with supporting guidance for officers on the application and appropriateness of the National Social Value Measurement (TOMs) Framework. Provide suppliers with a toolkit to give guidance, information and support when considering social value in response to an opportunity.
- Work with first tier suppliers to create supply chain opportunities for Lancaster businesses.
- Work within legal frameworks to proactively source goods, works and services from suppliers within the District, where there is the capability, competence and competition, ensuring that best value is achieved.
- Measure local spend as a means of identifying and reducing barriers to SME and Micro-organisations.
- Introduce an Ethical Procurement Policy.
- Improve contract management across the Council.
- Ensure the potential for procurement fraud is minimised.
- Staff that show clear and visible personal commitment to all the council’s services and show enthusiastic tone and ethos.
- Insist on main contractors acting fairly with supply chains, mandating timely payment through contract clauses.
- Develop a baseline of council Expenditure and a commitment to increase spend in the local economy (or if this is a significantly high % already use ‘maintain’ instead)
- Promote council contracts through a single portal to make it easier for local SME’s to access more procurement opportunities.

- Provide commercial acumen to Services to assist with key projects and to identify improved procurement opportunities.
- Encourage early engagement of the procurement team with Services in strategic decision-making to maximise savings and service delivery.
- Review whether efficiencies could be achieved by joining up contract management teams.
- Ensure procurement has early engagement with services on re-procurements
- Explore opportunities to procure through existing routes to market.
- Ensure all significant contracts are effectively managed by improving our approach to Contract Management. Where applicable incorporate KPI's into contracts to measure contract outputs including Social Value outcomes and ensure competitiveness over the life of the contract.
- Maintain Lancaster's electronic capacity whilst working with suppliers to conduct more e-business. E.g. supporting the P2P project.
- Review our procurement processes, systems and tools to ensure they are fit for purpose.

Appendix B provides an action plan covering the above steps which will ensure that the objectives of the Procurement Strategy are delivered at the earliest opportunity.

## The Nation Procurement Strategy – Delivering the ambition

The Councils Procurement Strategy (2020 – 2024) builds upon the previous strategy and reflects both local and national priorities. It describes the ambition for Strategic Procurement and the role in which procurement officers will play in achieving the Councils priorities and Principles.

The 2018 national strategy is not about compliance or tactical issues, it focuses on three themes which reflect local government's priorities until 2022. The themes are broken down into several key areas. The themes are presented as maturity models to make objective setting and measurement easier. Councils are expected to use a toolkit to set local goals and assess progress against each of the theme's maturity level. Each Council will have differing objectives and levels of maturity they want to set as a target. Lancaster's Priorities and Theme's fit within the model of the National Procurement strategy and will support the level of maturity that Lancaster can attain.

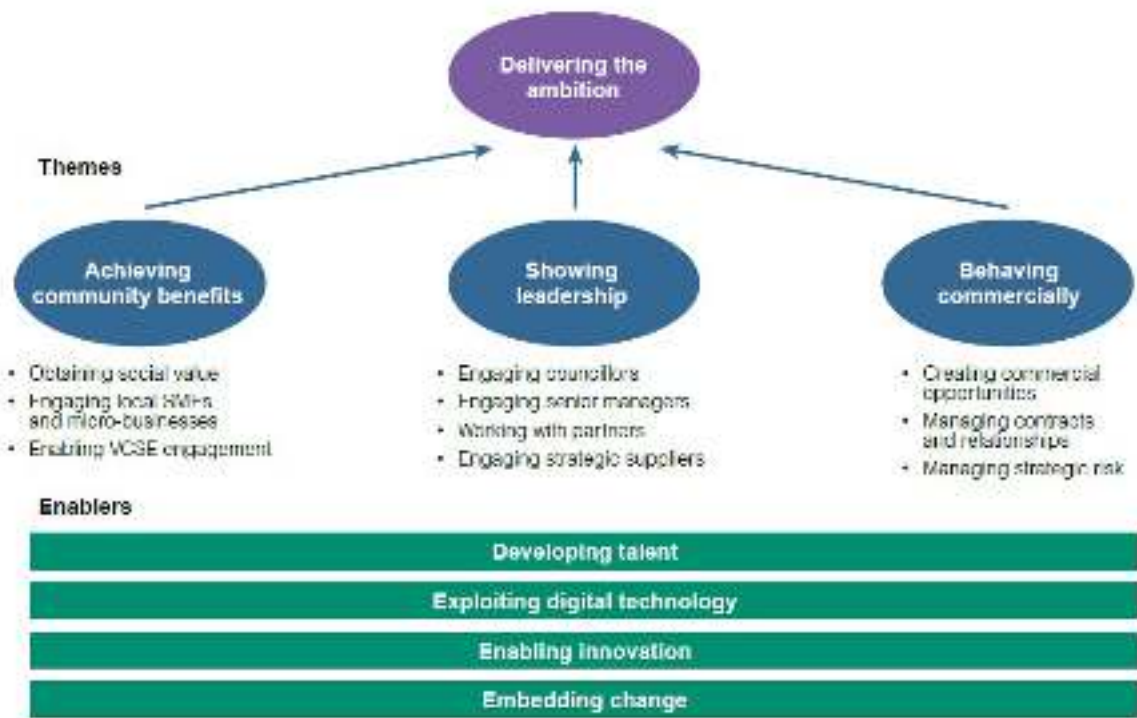
The strategy identifies four enablers which will address several cross-cutting issues that will need to be facilitated in order to realise our ambitions in the key areas

### Themes

- **Achieving community benefits**
- **Showing Leadership**
- **Behaving Commercially**

### Enablers

- **Developing talent**
- **Exploiting digital technology**
- **Enabling innovation**
- **Embedding change**



## Summary

In order for Lancaster City Council to achieve the ambitions of this procurement strategy a number of key changes, need to happen, be created or developed.

The key areas for the next four years will be to embed a philosophy/culture of achieving Local Wealth Building within the supply chain and directly apply social value criteria to all contracts over a value of £100k. Any opportunity below this threshold should always seek to extend the value of the public spend where appropriate and proportionate to do so.

Procurement will, in addition to the adoption of the Local Wealth Building philosophy and culture, seek to drive further improvement in the procurement discipline. Procurement has a significant part to play in the adoption of the P2P (Procure to Pay) process, work will continue to support this efficiency project, exploring new and underused technologies.

Procurement is a devolved activity with a large number of staff within the procurement process having very little relevant procurement experience beyond the administrative function. More senior officers undertake tendering processes as part of a multi-skilled role and are not classed as contract commissioners or managers. This situation limits the central resources ability to deliver a more strategic, corporate and aggregated approach.

The policies and procedures for the commissioning and procurement of goods, works or services will be reviewed and updated, introducing new policies in line with current best practice and in support of the Outcome Based Budgeting Principles. These will be, but not limited to-

- Ethical Procurement Policy
- Social Value procurement Policy
- Statements and guidance for suppliers on Lancaster City Councils commitment to Social Value and the role they can play in helping the Council achieve Local Wealth Building
- Revision of the Contract Procedure Rules to enforce Lancaster's Principles of Social Value in commissioning and procurement
- Production of a Social Value Toolkit for officers and suppliers.

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

## Appendix B – Procurement Strategy Priority Action Plan

Action	Responsibility	Timeline
<p>Consider the adoption of the following social value measures as part of the assessment process:</p> <ul style="list-style-type: none"> <li>· reduction of carbon emissions</li> <li>· reduction of consumption of raw material and the re-use and recycling of materials</li> <li>· creation and protection of good quality jobs with fair and decent working conditions (ie. fair work charter)</li> <li>· creation of quality targeted employment opportunities including apprenticeships for Lancaster district residents</li> </ul> <p>These measures and any others selected to be issued as a Responsible Procurement Policy appended to the Procurement Strategy</p>	<p>Director of Corporate Services working with the 'circle' groups for Community Wealth Building and Financial Resilience.</p>	<p>August 2020.</p>
<p>Create a process (as part of a toolkit) which allows social value measures to be included as part of each procurement assessment and for social value outcomes and benefits to be captured as part of performance monitoring.</p>	<p>Procurement Manager. Head of Finance.</p>	<p>October 2020.</p>
<p>Review and amend Standing Orders relating to Contracts and Financial Regulations in order to incorporate social value considerations alongside cost and quality in the assessment process.</p>	<p>Head of Finance in consultation with Head of Legal.</p>	<p>September 2020.</p>
<p>As part of the Outcome Based Budgeting process undertake an analysis of current and future procurement spend with a view to considering how future spend can be planned in order to balance VFM with achievement of wider economic, social and environmental benefits.</p>	<p>Director of Corporate Services.</p>	<p>October 2020.</p>
<p>As part of the above, create and issue (on the website) a 3 year procurement plan which sets out to all suppliers the Council's upcoming procurement decisions.</p>	<p>Procurement Manager.</p>	<p>November 2020.</p>
<p>As part of the Community Wealth Building circle work, undertake consultation with local business representatives on initiatives which would improve local suppliers' capacity to bid for Council work including:</p> <ul style="list-style-type: none"> <li>· notification of council procurements</li> <li>· establishment of Local Frameworks</li> <li>· Local supply chain development and management</li> <li>· Suppliers toolkit assisting suppliers understand Council's priorities in respect of climate emergency, Fair Work Charter, apprentices etc.</li> </ul>	<p>Head of Finance Procurement Manager Head of Economic Development.</p>	<p>November 2020.</p>
<p>Work with other Lancaster district 'anchor organisations' on joined up procurement aimed at supporting local economic growth and delivering economic, social and environmental benefits.</p>	<p>Head of Economic Development.</p>	<p>December 2020.</p>
<p>Taking account of the above, develop the procurement service as an intranet led advisory service using workflow and an internal toolkit to ensure that all spending officers follow good practice guidelines for procurement and aim to maximise wider local community benefits for all future procurement.</p>	<p>Procurement Manager.</p>	<p>December 2020.</p>