LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Committee: **CABINET**

Date: **THURSDAY, 7 MARCH 2024**

Venue: **LANCASTER TOWN HALL**

Time: **6.00 P.M.**

A G E N D A

1. **Apologies**

2. **Minutes**

   To receive as a correct record the minutes of Cabinet held on Tuesday, 20 February 2024 (previously circulated).

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

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

4. **Declarations of Interest**

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

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

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

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

5. **Public Speaking**

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

6. **Reports from Overview and Scrutiny**

   None.

   Reports

7. **Jubilee Court - Outcome of Homes England Audit Report** (Pages 4 - 9)

Whilst this report is public, the appendix is confidential, and notice is hereby given that the meeting is likely to move into private session if it is necessary to refer to the confidential appendix.

(Cabinet Member with Special Responsibility Councillor Caroline Jackson)

Report of Chief Officer Housing & Property

8. **Delivering our Priorities Q3 2023/24** (Pages 10 - 37)

Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Report of Chief Officer Resources

9. **Strategic Risk Management** (Pages 38 - 47)

Whilst this report is public, Appendix B is exempt, and notice is hereby given that the meeting is likely to move into private session if it is necessary to refer to the exempt appendix.

(Cabinet Member with Special Responsibility Councillor Phillip Black)

Report of Chief Executive

10. **Flexible use of Capital Receipts Strategy 2024-25** (Pages 48 - 56)

Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Report of Chief Officer Resources (report published 1.3.24)

11. **Medium Term Financial Strategy 2024/25 - 2028/29** (Pages 57 - 135)

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Report of Chief Officer Resources (report published on 7.3.24)

12. **Lancaster City Centre Parking Strategy** (Pages 136 - 183)

(Cabinet Member with Special Responsibility Councillor Parr)

Report of Chief Officer Sustainable Growth (report published on 29.2.24)

13. **Exclusion of the Press and Public**

This is to give further notice in accordance with Part 2, paragraph 5 (4) and 5 (5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 of the intention to take the following item in private.

Cabinet is recommended to pass the following recommendation in relation to the following item:-

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

Members are reminded that, whilst the following item has been marked as exempt, it is for Cabinet itself to decide whether or not to consider it in private or in public. In making the decision, Members should consider the relevant paragraph of Schedule 12A of the Local Government Act 1972, and also whether the public interest in maintaining the exemption outweighs the public interest in disclosing the information. In considering their discretion Members should also be mindful of the advice of Council Officers.

14. **Lancaster Canal Quarter Early Phase Housing Regeneration Proposals: Nelson Street Preferred Developer Tender** (Pages 184 - 298)

(Cabinet Member with Special Responsibility Councillor Wilkinson)

Report of Chief Officer Sustainable Growth (report published on 29.2.24)

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Phillip Black (Chair), Caroline Jackson, Joanne Ainscough, Gina Dowding, Tim Hamilton-Cox, Peter Jackson, Jean Parr, Catherine Potter, Nick Wilkinson and Jason Wood

(ii) Queries regarding this Agenda

Please contact Liz Bateson, Democratic Support - email ebateson@lancaster.gov.uk.

(iii) Changes to Membership, substitutions or apologies

Please contact Democratic Support, telephone 582000, or alternatively email democracy@lancaster.gov.uk.

MARK DAVIES,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER, LA1 1PJ

Published on 28 FEBRUARY, 2024.

CABINET

Jubilee Court – Outcome of Homes England Audit Report
Cabinet – 7th March 2024

Report of Chief Officer – Housing and Property

PURPOSE OF REPORT The report is to update Cabinet members on the recent audit report and recommendation made by Homes England.					
Key Decision		**Non-Key Decision**	X	**Referral from Cabinet Member**	
Date of notice of forthcoming key decision	N/A				
This report is public					

RECOMMENDATIONS OF COUNCILLOR CAROLINE JACKSON

(1) That Cabinet note the report.

1.0 Introduction

1.1 In October 2021, Cabinet received a report confirming that a bid had been successful under the Rough Sleeping Accommodation Programme (administered by DLUHC and Homes England) allowing the council to receive the funding and take forward the acquisition of Jubilee Court, Lancaster to provide 12 apartments designated for rough sleepers. The scheme completed in March 2023.

1.2 In order to receive the funding, the council had to acquire Investment Partner Status with Homes England initially and subsequently enter into contract with Homes England agreeing to the full terms of its Capital Funding Guide.

1.3 As part of the administration and monitoring arrangements, Homes England routinely undertake compliance audits to assess adherence with the Capital Funding Guide. As a new provider, Lancaster City Council was randomly selected for audit in 2023/24.

2.0 The Audit Process

2.1 The audit process requires each provider to appoint a suitably qualified and accredited external auditor to undertake the audit. KPMG was selected for this purpose. The checklist i.e. the series of audit questions was released to KPMG, and their auditing team worked closely with key officers (Kathy Beaton was the Project Lead supported by Rebecca Lord as Principal Accountant) to gather the evidence and submit their findings to Homes England.

2.2 Homes England has a traffic light scoring system to assess the audit findings:-

- Green – The Provider meets the requirements
- Amber – There is some failure by the Provider to meet the requirements
- Red – There is serious failure by the Provider to meet requirements (leading to sanctions/reclaiming of grant)

2.3 Homes England has now released the audit report setting out the awarded grade and judgement summary for Jubilee Court which is attached at Appendix 1. The awarded grade is Green. One minor breach was identified and detailed in the report. Namely that the original scheme cost input on to the system at the time of the original bid differed to the actual scheme cost.

2.4 The estimated scheme cost for Jubilee Court at the time of the bid was £1.273M comprising £1.05M acquisition cost and £253K for refurbishment costs. This figure was reported to Cabinet at their meeting on the 21st October 2021. Cabinet authorised a capital contribution of up to £750K and combined with the grant funding of £576K, resulted in a revised project cost of £1.326M at the commencement of the project. Cabinet authorised any additional costs to be funded from homelessness reserves. The actual cost reported at the time of the audit in 2023 was £1,346,317.48.

2.5 The audit report has highlighted that the final scheme cost should have been updated in the IMS system. The feedback is welcomed and constructive for the purposes of future bids. In terms of follow up actions, Homes England request that for any current bids in the IMS system, any changes to the original bid should be reviewed to ensure future compliance before the final grant claim is made. One further bid is live within IMS in respect of Alder Grove, Marsh, Lancaster, for the construction of four new properties. Officers will ensure that all information submitted at bid stage will be updated before the final grant claim is made.

3.0 Details of Consultation

3.1 Consultation has been limited to the council's external auditors KPMG and Homes England.

4.0 Options and Options Analysis (including risk assessment)

4.1 As the report is for noting, no options and options analysis is needed.

5.0 Conclusion

5.1 It is a requirement of Homes England to formally report the audit findings to Cabinet and within three months of receipt of the audit report, that the Provider inputs the date of the Cabinet meeting confirming acknowledgement of the audit report findings and recommendations.

RELATIONSHIP TO POLICY FRAMEWORK
The adopted Homes Strategy 20-25 sets out the council's housing and regeneration priorities over the Strategy period. Section 13 sets out the council's ambitions priorities and actions to tackle homelessness and rough sleeping including a clear intention to bid for future revenue and capital funding to bring forward longer term move on accommodation for rough sleepers.
CONCLUSION OF IMPACT ASSESSMENT

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

None

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

FINANCIAL IMPLICATIONS

As detailed in section 2.4 the actual cost reported at the time of the audit in 2023 was £1,346,317.48.

Subsequently, there has been further spend in 2023/24 which currently totals £11,479.74. This amount alongside further expected expenditure can be managed from the £23,000 capital slippage approved by Cabinet on 12th September 2024 (minute 24(4) refers).

OTHER RESOURCE IMPLICATIONS

Human Resources:

None known.

Information Services:

None known.

Property:

None known.

Open Spaces:

None known.

SECTION 151 OFFICER'S COMMENTS

This report concludes Home's England's audit regarding Jubilee Court. Although one minor area of noncompliance was highlighted during the audit the overall assessment was green confirming that the City Council had met the requirements of the scheme

MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has been consulted on the report. It is noted that there has been a procedural error with the input of the Jubilee scheme costs. Officers, as a matter of good governance and practice, should review the audit and consider how project management can be improved going forward.

BACKGROUND PAPERS https://modgov.lancaster.gov.uk/documents/s80630/Proposed%20Property%20Acquisition.pdf	**Contact Officer:** Kathy Beaton **Telephone: 01524 582724** **E-mail:** kbeaton@lancaster.gov.uk **Ref:**

CABINET

Delivering Our Priorities: Q3 2023/24
20 February 2024

Report of Chief Officer Resources

PURPOSE OF REPORT					
To provide members with an update on financial performance during the first three quarters of 2023/24 (April – December 2023).					
Key Decision	**N**	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision	N/A				
This report is public					

RECOMMENDATIONS OF COUNCILLOR HAMILTON-COX

That Cabinet

(1) Consider the update on financial performance for Quarter 3 2023/24.

1.0 INTRODUCTION

1.1 The primary purpose of this report is to present information relating to the council's financial performance for the period April-December 2023, which can be found within the appendices.

2.0 FINANCIAL MONITORING

2.1 The 2023/24 Budget and Medium-Term Financial Strategy (MTFS) 2022-2026 approved by Council in February 2023 set a balanced budget for the year based on the assumptions made at that time.

2.2 All portfolios are required to examine their revenue budgets and meet with their budget holders 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, with the Quarter 3 information distributed to Cabinet in February 2024.

2.3 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 the financial monitoring section of this report.

Appendix A: General Fund Service Analysis
Appendix B: General Fund Subjective Analysis
Appendix C: HRA Service Analysis
Appendix D: General Fund Capital Projects
Appendix E: HRA Capital Projects
Appendix F: Reserves Projected Outturn
Appendix G: Approved Savings Monitoring
Appendix H: Service Analysis
Appendix I: Treasury Management Quarter 3 Update

2.4 It should also be noted that **projected outturn figures are monitored against the working budget** and not the original budget within this report. The working budget includes approved virements and in-year budget adjustments. This reduces a number of variances in respect of items such as 'grossing-up' of grant income/expenditure and the movement of employees to different costs centres which is especially needed during times of service restructuring. It provides a more accurate up-to date forecast and eliminates the need for duplicate reporting at service and subjective levels.

3.0 COST OF LIVING / ENERGY PRICE CRISIS / EMERGENCY INCIDENT

3.1 Since the energy budgets were prepared and approved in the previous financial year, there has been high price volatility within the sector. More recently prices appear to have settled allowing for a more accurate estimated year-end outturn projection. Based on the latest price information available, projected variances have been included within the relevant service areas. For information, the estimated projected variance on energy budgets is £0.634M (£0.623M General Fund, £0.011M HRA). These areas will continue to be closely monitored and the latest price and usage information has been included in the draft budget for the forthcoming year which is currently being prepared.

3.2 As part of the 2023/24 budget setting process, an inflationary uplift of 4% was included to salaries across all services of the Council. The National Employers offer of an increase of £1,925 on all NJC pay points was accepted on 1st November 2023. This is estimated to result in an estimated additional strain of £0.517M (£0.399M General Fund, £0.118M HRA) including oncosts. All salary projections now include the latest approved rates and are included in the summary positions and tables below as appropriate. For information, the Chief Officers pay award was agreed and included at 3.5%.

3.3 On 3 December 2023 a major incident was declared by both the Lancashire Fire and Rescue Service and Lancaster City Council, in respect of a fire at the former Supaskips building in Lancaster. The Council have committed £0.912M from unallocated reserves (see section 8.2) to contribute to the initial stages of building clearance and demolition. Whilst efforts are being made by Members and Officers to reduce this amount via government aid or contributions from other key partners, only one substantial pledge (£0.065M) has been received. The net general fund position assumes no further amounts will be forthcoming.

For information, the expenditure is included within the 'Corporate Accounts' section of the service analysis. In the subjective analysis, a majority of the related expenditure is within 'Supplies and Services' and the contribution pledged is in 'Income.'

4.0 OUTCOMES BASED RESOURCING

4.1 As part of the 2023/24 budget setting process, Members approved savings proposals to save the Council £2.423M in 2023/24. The process to implement these savings is now underway and Appendix G details the progress of each proposal.

4.2 Several savings proposals impact on staffing which will incur restructuring costs. Severance payments (-£0.598M) are included within the People & Policy projected outturn figures and pension strain payments (-£0.393M) are included within Corporate Services. The financing of these costs is still to be finalised but there is the potential to utilise capital receipts to fund some of them (subject to asset disposals arising in year) or use the revenue restructuring reserve, which currently has a projected balance of £0.400M. The decision as to which method would be used will be made in the run up to the closedown process.

5.0 GENERAL FUND SUMMARY POSITION

5.1 Quarter 3 (Q3) monitoring covers the period for April – December 2023. At the end of Q3 (December 2023) a year end overspend of **£0.677M** is projected against the Council's approved original net revenue budget of **£21.091M**. Members will recall that, as part of the 2023/24 budget setting process, Council approved a significant contribution from reserves of **£0.577M** to produce a balanced budget. The latest position suggests that the projected amount required from reserves will be **£1.254M**.

5.2 A summary of the Q3 revenue position for the main service accounts of the Council is set out in table 1 below with commentary on significant variances provided in the following paragraphs.

Table 1 Quarter 3 Financial Monitoring – Service Analysis

	Original Budget 2023/24 £'000	Working Budget 2023/24 £'000	Q3 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Working Variance 2023/24 £'000
Communities & Leisure	2,895	2,700	2,201	2,737	(37)
Environment & Place	6,954	6,996	4,317	7,394	(398)
Governance	1,314	1,440	1,347	1,546	(106)
Housing & Property	991	1,199	(438)	1,349	(150)
People & Policy	2,169	2,047	2,111	2,738	(691)
Planning & Climate Change	1,705	1,705	968	1,664	+41
Resources	4,521	4,497	6,278	4,336	+161
Sustainable Growth	310	275	(442)	(313)	+588
Corporate Accounts	(135)	(135)	378	1,664	(1,799)
Other Items	1,538	1,538	(346)	100	+1,438
Sub Total	**22,262**	**22,262**	**16,374**	**23,215**	**(953)**
Net Recharges to Housing Revenue Account	(1,032)	(1,032)	(1,026)	(1,032)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	871	(139)	0
Revenue Reserve funded items included in above analysis	297	2,541	268	1,441	+1,100
Revenue Reserve funded items included in above analysis	(297)	(2,541)	108	(1,441)	(1,100)
Sub Total	**(1,171)**	**(1,171)**	**221**	**(1,171)**	**0**
General Fund Revenue Budget	**21,091**	**21,091**	**16,595**	**22,044**	**(953)**
Financing Income	(10,481)	(10,481)	7,953	(10,757)	+276
Council Tax Requirement	**10,610**	**10,610**	**24,548**	**11,287**	**(677)**

<u>Communities & Leisure (-£0.037M) Adverse</u>

5.3 Significant budget variances : -

- Estimated pay award additional cost (-£0.086M)
- Salary savings +£0.079M plus recharges to other local authorities for seconded officers +£0.152M
- Building cleaning now coded directly to individual services (-£0.105M)
- Rechargeable staff time to externally funded projects +£0.078M
- Insurance costs +£0.060M
- Business rates increases at Salt Ayre Leisure Centre (-£0.029M)
- Salt Ayre Leisure Centre income (-£0.093M) due to participation rates in Main Hall; increases in cost of goods and services across the centre (-£0.103M). Fortuitously changes to the VAT treatment of local authority leisure services will offset some of this shortfall and a VAT repayment claim is being prepared to submit to HMRC. The exact amount of the claim hasn't yet been determined.

Environment & Place (-£0.398M) Adverse

5.4 Significant budget variances : -

- Estimated pay award additional cost (-£0.222M)
- Additional salary costs across service (-£0.083M) which includes (-£0.194M) overspend in waste collection due to unprecedented high levels of long-term sickness.
- Energy price changes +£0.260M
- Insurance costs +£0.063M
- Hire of portacabins at White Lund Depot due to safety issues (-£0.120M) and topographical surveys required prior to capital works (-£0.030M)
- Transport costs have increased due to vehicle repairs & maintenance and associated hire costs arising from delayed delivery of new fleet (-£0.234M). Lead-in times for delivery have increased dramatically over the last few years due to supply chain issues and this is expected to continue in the short term. Fuel savings due to price fluctuations +£0.042M
- Williamson Park café and shop stock items have increased in cost (-£0.037M) and whilst prices have been addressed in year, they have not been increased by similar inflationary levels
- Car parks at Williamson Park no longer exempt from business rates and charging has been back-dated to 2017/18 (-£0.052M)
- Budgeted income from promenade vendors and events had been reduced due to the expectation of sites not being available in 23/24. Delays have meant the reduction has not yet materialised resulting in the continuation of existing rentals +£0.044M

Governance (-£0.106M) Adverse

5.5 Significant budget variances : -

- Estimated pay award additional cost (-£0.014M)
- Cost of living and mortgage interest rate increase has resulted in a downturn in the housing market leading to a decline in applications since late 22/23 (-£0.028M)
- Legal court costs recovery income not achieved (-£0.053M) due to nature of cases in year
- Members Allowance Expenses not increased in year +£0.018M
- Reimbursement of cost of Neighbourhood Plan Referendums +£0.020M
- No income expected from Street Trading as this is still under review (-£0.020M) and reduced Premises Licence income (-£0.019M)

Housing & Property (-£0.150M) Adverse

5.6 Significant budget variances : -

- Estimated pay award additional cost (-£0.038M)
- Salary savings +£0.251M largely due to vacancies within private sector housing section
- Energy price changes +£0.220M
- Increased bed & breakfast costs due to higher number of homeless families (-£0.479M), to be funded from external grants +£0.483M
- Reduction in income due to ceasing of Housing Benefit subsidy (-£0.082M)
- Additional costs relating to Mellishaw Park redevelopment including site clearance, insurance and loss of rent due to delays starting on site (-£0.126M)
- Compliance consultancy relating to corporate and commercial buildings (-£0.062M)
- Rent & service charge shortfall in respect of 3 fire damaged units at Gateway (-£0.256M)
- Business rates payable due to vacant commercial unit at Hilmore Way (-£0.056M)

People & Policy +£0.692M Adverse

5.7 Significant budget variance: -

- Salary savings +£0.048M
- Removal of approved staff savings target (-£0.142M) made elsewhere within services.
- Projected severance payments (-£0.598M) relating to redundancies in the year as detailed in section 4.2 above.

Planning & Climate Change +£0.042M Favourable

5.8 Significant budget variances: -

- Estimated pay award additional cost (-£0.017M)
- Salary savings +£0.361M which includes a high volume of long-term vacant planning positions.
- Additional cost of Capita consultancy required to deliver building control (-£0.143M)
- Planning fee income has slowed down in-line with nationwide trend (-£0.070M)
- Legal/expert witness costs (-£0.085M) regarding planning appeals

Resources +£0.160M Favourable

5.9 Significant budget variances: -

- Estimated pay award additional cost (-£0.013M)
- Salary savings +£0.281M including key accountancy and ICT vacancies.
- Increase in external audit fees payable (-£0.093M)
- Revenues shared service charges from Preston City Council reduced +£0.021M
- Reduction in Housing Benefit management fee grant (-£0.037M) received from central government.

Sustainable Growth +£0.587M Favourable

5.10 Significant budget variances: -

- Estimated pay award additional cost (-£0.008M)
- Salary savings +£0.252M which includes Economic Development Manager position to be deleted and various positions funded by UKSPF for an interim period.
- Consultancy costs (-£0.035M) for Canal Quarter and Frontierland not included in budget.
- Energy price changes +£0.135M
- Eden capacity funding shortfall (-£0.045M) which is potentially recoverable via government grant.
- Business rates revaluations largely relating to Museums and Car Parks +£0.293M
- Market income (-£0.021M) down on last year with a higher number of vacant stalls and units. A publicity drive and signage improvements are underway to encourage new stall holders.

Corporate Accounts (-£2.711M) Adverse

5.11 Significant budget variances: -

- The provision for staff turnover target (-£0.596M) is held within Corporate Services whilst the additional costs/savings generated are attributed to the individual service lines. The council salary related position as a whole (including the additional pay award, agency and consultancy costs) is expected to be underspent by +£0.006M. However, it should be noted that the approved pay award has had a significant detrimental impact of (-£0.399M) which is included within the overall total.
- An additional top-up pension payment in of (-£0.131M) is due in respect of 2022/23 actual pensionable pay (originally planned for in 2022/23 but notified after the IAS 19 schedule had been prepared by the actuary so not able to be recognised in that year)
- Projected pension strain payments (-£0.393M) relating to redundancies made through the year as detailed in section 4.2.
- A reassessment of the bad debt provision (-£0.446M) includes a significant increase in allowances for rental income due from commercial properties, including (-£0.233M for rental income due from building on Penny Street.
- An amount of (-£0.232M) income from HRA relating to a proportion of recharged pension cost is not expected as this cost is now accounted for directly within HRA.

Other Items +£1.438M Favourable

5.12 Significant budget variances: -

- The Council's minimum revenue provision (MRP) is underspending against budget +£0.285K due slippage on capital programme schemes during 2022/23.
- New borrowing has not been incurred as anticipated largely due to significant levels of slippage on schemes in the capital programme leading to higher levels of cash balances +£0.582M
- Interest rates on investment income are substantially higher than the 4% forecast in September 2022 due to increase in bank rate in response to inflationary pressures +£0.571M

Financing +£0.276M Favourable

5.13 Significant budget variances: -

- There is a back-dated one-off technical adjustment to retained business rates income which DHLUC employ relating to the 2023 rating revaluation. The same process occurred for the 2017 revaluation. The adjustment relates to the difference between the draft NNDR data used for 22/23 and the updated position following the submission of the NNDR3 form at the end of the financial year.

5.14 Appendix A: General Fund Service Analysis (Q3) set out the above information in more detail and provides summary percentage variations for variances +/- £30K. Appendix H provides additional analysis across individual service areas.

5.15 The revenue position provided within table 1 above is analysed across the Council's subjective headings and is set out in table 2 below.

Table 2 Quarter 3 Financial Monitoring – Subjective Analysis

	Original Budget 2023/24 £'000	Working Budget 2023/24 £'000	Q3 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Working Variance 2023/24 £'000
Employees	24,741	24,864	19,307	25,822	(958)
Premises Related Exp	6,967	6,973	5,104	6,164	+809
Transport Related Exp	1,656	1,656	1,175	1,836	(180)
Supplies and Services	12,934	13,097	10,325	16,207	(3,110)
Transfer Payments	21,977	21,977	14,854	21,977	0
Support Services	60	60	88	188	(128)
Capital Charges	17	17	0	17	0
Capital Financing Costs	2,152	2,152	1,413	1,570	+582
Appropriations	1,255	1,255	0	970	+285
Income	(49,197)	(49,489)	(35,892)	(51,236)	+1,747
Capital Financing Inc	(300)	(300)	0	(300)	0
Sub Total	**22,262**	**22,262**	**16,374**	**23,215**	**(953)**
Net Recharges to Housing Revenue Account	(1,032)	(1,032)	(1,026)	(1,032)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	871	(139)	0
Revenue Reserve funded items included in above analysis	297	2,541	268	1,441	+1,100
Revenue Reserve funded items included in above analysis	(297)	(2,541)	108	(1,441)	(1,100)
Sub Total	**(1,171)**	**(1,171)**	**221**	**(1,171)**	**0**
General Fund Revenue Budget	**21,091**	**21,091**	**16,595**	**22,044**	**(953)**
Financing Income	(10,481)	(10,481)	7,953	(10,757)	+276
Council Tax Requirement	**10,610**	**10,610**	**24,548**	**11,287**	**(677)**

5.16 Appendix B: General Fund Subjective Analysis covers this information in more detail.

6.0 HOUSING REVENUE ACCOUNT SUMMARY POSITION

6.1 As at the end of Q3, a year end overspend against budget of **(-£1.001M)** is projected. A summary of the Q3 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 3 Financial Monitoring – HRA Service Analysis

	Original Budget 2023/24 £'000	Working Budget 2023/24 £'000	Q3 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Working Variance 2023/24 £'000
Policy & Management	2,883	3,123	2,275	3,325	(202)
Repairs & Maintenance	7,272	7,958	5,548	8,400	(442)
Welfare Services	(20)	146	(239)	87	+59
Special Services	232	276	213	268	+8
Miscellaneous Expenses	1,027	977	668	948	+29
Income Account	(16,450)	(16,450)	(12,206)	(16,430)	(20)
Capital Charges	5,453	5,453	0	7,007	(1,554)
Appropriations	(914)	(2,000)	0	(3,121)	+1,121
Sub Total	**(517)**	**(517)**	**(3,741)**	**484**	**(1,001)**
Net Recharges to General Fund	517	517	517	517	0
Housing Revenue Account Budget	**0**	**0**	**(3,224)**	**1,001**	**(1,001)**

6.2 Significant budget variances: -

- Estimated pay award additional cost (-£0.118M)
- Reduction in buildings insurance premium +£0.156M
- Additional repairs costs relating to materials price increases and the use of subcontractors to cover trade vacancies (-£0.464M)
- Additional rent loss from voids due to ongoing capital projects (-£0.181M)
- Additional service charge income including increased uptake of furniture package service and due to volatility in energy costs +£0.232M
- Increase in depreciation charge (-£1.554M), partly off-set by net decrease in additional contribution to Major Repairs Reserve +£0.982M

6.3 Appendix C: Housing Revenue Account Service Analysis covers this information in more detail and provides summary percentage variations for variances +/- £30K.

7.0 CAPITAL PROJECTS (General Fund & HRA)

7.1 At Q3 a year end variance against budget of **+£9.401M** (General Fund +£8.966M, HRA +£0.435M is projected. Summary details for both the General Fund and HRA are set out in table 4 below.

Table 4 Quarter 3 Financial Monitoring – Capital Projects

	Original Budget 2023/24 £'000	Working Budget 2023/24 £'000	Q3 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Projected Variance 2023/24 £'000
General Fund					
Communities & Leisure	161	259	264	264	(5)
Environment & Place	1,239	2,643	568	1,292	+1,351
Housing & Property	2,283	3,275	(1,628)	1,379	+1,896
People & Policy	0	0	(40)	0	0
Planning & Climate Change	4,487	4,487	(240)	0	+4,487
Resources	965	1,141	298	1,197	(56)
Sustainable Growth	2,221	2,167	(5,002)	874	+1,293
GENERAL FUND - TOTAL	**11,356**	**13,972**	**(5,780)**	**5,006**	**8,966**
Housing Revenue Account					
Adaptations	300	300	310	420	(120)
Energy Efficiency / Boiler Replacement	999	1,193	478	1,216	(23)
Kitchen / Bathroom Refurbishment	938	938	680	938	0
External Refurbishment	357	282	45	138	+144
Environmental Improvements	150	570	302	585	(15)
Re-roofing / Window Renewals	557	726	171	671	+55
Rewiring	88	125	55	125	0
Lift Replacement	0	0	0	0	0
Fire Precaution Works	280	520	311	520	0
Housing Renewal & Renovation	577	1,263	292	1,219	+44
Mainway Pilot Scheme	1,950	1,950	869	1,600	+350
HOUSING REVENUE ACCOUNT - TOTAL	**6,196**	**7,867**	**3,513**	**7,432**	**435**
GRAND TOTAL	**17,552**	**21,839**	**(2,267)**	**12,438**	**+9,401**

7.2 The Capital Programme working budget has been adjusted as follows during quarter 3:

	£M
Working budget reported at quarter 2	13.434
White Lund Depot Improvement	0.538
Working budget at quarter 3	13.972

7.3 The underspending against budget relates principally to General Fund. Schemes currently in the Development Pool account for £4.8M of the underspend. Extended timescales for vehicle deliveries are expected to lead to £1.351M slippage in the vehicle replacement programme. £0.984M expenditure in respect of the Gateway Solar Array will not be completed until 2024/25 following a wider review of the asset. The allocation of £0.487M for Property De-Carbonisation works is now expected to commence in 2024/25. Delays in respect of planning permission for White Lund Depot improvements have meant that works cannot commence as originally planned leading to slippage of £0.838M. The £0.422M city council contribution to works at 1 Lodge Street is expected to be deferred into 2024/25 as other externally funded aspects of the works need to be completed by a 31 March 2024 deadline.

7.4 Two schemes are expected to utilise some of their 2024/25 capital budget during the current financial year as works are proceeding more quickly than originally anticipated. These are Lancaster Local Fibre Network (-£0.245M) and Mellishaw Park (-£0.168M). At its meeting on 5 December 2023, Cabinet released the £0.425M budget for Morecambe Co-op Renovation as the scheme is now being fully funded using Brownfield Land Release Fund grant.

7.5 Two schemes within the General Fund capital programme are currently expected to overspend largely as a result of unexpected costs. These are Mellishaw Park (-£0.256M), Gateway Low Voltage Switchgear (-£0.049M).

7.6 The overall projected favourable variance on the HRA Capital Programme of +£0.435M relates largely to the release of funds earmarked for the demolition of former Skerton High School which will now be fully funded using Brownfield Land Release Fund grant. This is alongside a virement to fund additional adaptation works, subject to ICMD approval.

7.7 Appendix D General Fund Capital Projects and Appendix E HRA Capital Projects provide further information and summary commentary.

8.0 RESERVES

8.1 The Council's unallocated balances are projected to be **£8.620M.** This takes account of the projected net overspend reported here. Overall, the combined level of usable reserves is forecast to decrease to **£20.970M**. Table 6 Quarter 2 Financial Monitoring – Reserves provides summary details for both Unallocated and Earmarked Reserves.

8.2 The increase in usage of unallocated balances since quarter 2 include the Council's contribution towards the major incident at the former Supaskips building in Lancaster city centre (-£0.912M) as detailed in section 5.3 together with (-£0.207M) to support the local plan review and (-£0.165M) to fund property stock condition surveys.

Table 6 Quarter 2 Financial Monitoring – Reserves

	<----- ORIGINAL BUDGET ----->					<----- PROJECTED OUTTURN ----->				
	31 March 2023 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2024 £	31 March 2023 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2024 £
Unallocated Balances	(9,145,100)				(9,145,100)	(11,678,400)			3,058,000	(8,620,400)
Total Earmarked Reserves	(11,497,500)	(2,591,000)	187,000	2,019,000	(11,882,500)	(13,074,500)	(2,852,000)	187,000	3,390,200	(12,349,300)
Total Combined Reserves	(20,642,600)	(2,591,000)	187,000	2,019,000	(21,027,600)	(24,752,900)	(2,852,000)	187,000	6,448,200	(20,969,700)

8.3 Appendix F: Reserves Projected Outturn provides further detailed analysis.

8.4 The Council's reserves are used to manage pressures such as the cost of living crisis and also support the work to address the underlying structural deficit through the OBR process. As a result, they are fundamental to ensuring the financial sustainability of the Council as it deals with these pressures and will be kept under review by Officers and Members.

9.0 COLLECTION FUND

Business Rates

9.1 At the Autumn Statement on 22 November 2023, the Chancellor announced a package of support worth £4.3 billion over the next 5 years to support small businesses and the high street. For 2024/25 the Chancellor announced that:

- The small business multiplier will be frozen at 49.9p
- The standard multiplier will be uprated in April by September's CPI figure (6.7%), increasing the multiplier from 51.2p to 54.6p
- The 2024/25 Retail, Hospitality and Leisure (RHL) scheme will be extended for a fifth year into 2024/25, retaining the existing scope and providing eligible properties with 75% relief, up to a cap of £110,000 per business

These changes will have effect from 1 April 2024.

Local authorities will be expected to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988) to grant Retail, Hospitality and Leisure relief in line with the relevant eligibility criteria. Authorities will be compensated for the cost of granting these reliefs via a section 31 grant from the government. No new legislation will be required to deliver this scheme. Business Rates Relief: 2024/25 Retail, Hospitality and Leisure Scheme - GOV.UK (www.gov.uk)

Section 1 of the Non-Domestic Rating Act 2023 created a mandatory relief to support business making improvements to properties they occupy. From 1 April 2024, businesses that have made qualifying improvements may benefit from 100% relief from higher bills for 12 months. The scheme will run until 1 April 2029.

9.2 The collection rate for Business Rates is currently 79.8%, which is ahead of the profiled target of 78.3%. The annual target is 98.0%.

Council Tax

9.3 The current collection rate for Council Tax is 81.9% which is slightly behind the profiled target of 83.8%. The annual target is 95.0%. The number of Local Council Tax Support claimants at Q3 is 9,597.

10.0 WRITE OFFS

10.1 Table 7 below provides details of the debts have been written off by the Council's Revenues and Benefits service in relation to Council Tax, Business Rates and Housing Benefits Overpayments.

Table 7: Write Offs

	Q1	Q2	Q3	Q4	Total
Council Tax	54,395	147,683	45,483		**247,561**
Business Rates	190,998	69,756	11,910		**272,664**
Housing Benefit Overpayments	0	38,126	15,560		**53,686**
Housing Rents (HRA)	31,577	17,452	57,436		**106,465**
Total	**276,970**	**273,017**	**130,389**	**0**	**680,376**

10.2 Debts are deemed non recoverable after all reasonable recovery steps have been taken and can be written off in accordance with the Council's Debt Management Policy in a number of circumstances such as unable to trace, uneconomical to pursue, insolvency as well as imprisonment and death.

11.0 TREASURY MANAGEMENT

11.1 Appendix I gives a quarterly update in respect of treasury management activities and the most recent economic prospects.

11.2 The average level of funds available for investment at the end of quarter 3 was £34.03M. In terms of performance against external benchmarks the return on investment at the end of the period was a follows:

Base Rate – 5.25%
7 day SONIA – 5.19%
Lancaster City Council – 5.40%

Details of investment holdings are set out in Appendix I

11.3 No new borrowing was undertaken during quarter 3 with balance sheet projections indicating that around £6M temporary borrowing may be required before the end of the financial year. The ultimate timing of this will depend on working capital cashflows in the run up to year end which are kept under close review.

11.4 The Council has operated withing the treasury and prudential indicators set out in its Treasury Management Strategy Statement for 2023/24. Appendix I gives and update in respect of prudential indicators showing the current forecast for the year against estimate and last year's actuals.

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

None directly identifiable, due to the high level nature of this report.

LEGAL IMPLICATIONS

There are no legal implications directly arising.

FINANCIAL IMPLICATIONS

As set out in the report.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

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

SECTION 151 OFFICER'S COMMENTS

The report has been written by the Section 151 Officer.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS	**Contact Officers:** Paul Thompson
None.	Chief Finance Officer & s151 Officer
	Telephone: 01524 582603
	E-mail: pthompson@lancaster.gov.uk
	Ref:

APPENDIX A

QUARTER 3 FINANCIAL REVENUE MONITORING - GENERAL FUND SERVICE ANALYSIS 2023/24

		Original Budget 2023/24 £'000	Budget Amendments 2023/24 £'000	Working Budget 2023/24 £'000	Q3 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Projected Variance 2023/24 £'000	*Variance +/- £30K %*
	Services							
	Community Connectors	279	0	279	229	318	(39)	*(14%)*
	Customer Services	576	0	576	455	542	34	*+6%*
	Facilities Management	426	31	457	609	528	(71)	*(16%)*
Communities & Leisure	Food Safety	796	(226)	570	217	378	192	*+34%*
	Pest Control	(31)	0	(31)	(27)	(28)	(3)	
	Salt Ayre Leisure Centre	545	0	545	482	695	(150)	*(28%)*
	VCFS	304	0	304	236	304	0	
	AONB & Nature Reserves	115	0	115	(78)	90	25	
	Environmental Protection	446	(52)	394	81	366	28	
	Fleet Management	36	0	36	215	38	(2)	
	Hospitality & Events Management	198	(44)	154	56	109	45	*+29%*
	Parks & Open Spaces	1,386	0	1,386	1,137	1,381	5	
Environment & Place	Service Support	639	138	777	491	765	12	
	Street Cleaning	1,607	0	1,607	1,194	1,669	(62)	*(4%)*
	Streetscape	92	0	92	34	73	19	
	Trade Refuse	(870)	0	(870)	(1,189)	(902)	32	*+4%*
	Waste Collection	2,849	0	2,849	2,149	3,234	(385)	*(14%)*
	Williamson Park	456	0	456	227	571	(115)	*(25%)*
	Democratic Support & Elections	1,027	0	1,027	838	973	54	*+5%*
Governance	Legal Services	395	126	521	517	626	(105)	*(20%)*
	Licensing	(108)	0	(108)	(8)	(53)	(55)	*(51%)*
	Commercial Land & Properties	(1,625)	0	(1,625)	249	(1,372)	(253)	*(16%)*
	Municipal Buildings	892	0	892	398	667	225	*+25%*
	Other Land & Buildings	108	0	108	42	85	23	
Housing & Property	GF Housing Schemes	103	0	103	148	210	(107)	*(104%)*
	Private Sector Housing	639	196	835	(1,877)	890	(55)	*(7%)*
	Property Group	750	12	762	515	749	13	
	Public Health Services	124	0	124	77	120	4	
	Repairs & Maintenance	0	0	0	10	0	0	
	Exec Support	557	0	557	493	646	(89)	*(16%)*
	HR & OD	889	(101)	788	1,082	1,391	(603)	*(77%)*
	Communications & Marketing	303	(21)	282	183	258	24	
People & Policy	Emergency Planning & CSP	90	0	90	52	92	(2)	
	Health & Safety	70	0	70	46	69	1	
	Projects & Performance	127	0	127	101	128	(1)	
	Visitor Information Centres	133	0	133	154	154	(21)	
	CCTV	58	0	58	58	58	0	
	Corporate Climate Change	125	0	125	90	154	(29)	
Planning & Climate Change	DM - Building Control	87	0	87	56	170	(83)	*(95%)*
	DM - Planning	583	0	583	230	477	106	*+18%*
	Planning & Housing Strategy	852	0	852	534	805	47	*+6%*
	Internal Audit	163	0	163	115	162	1	
Resources	Finance	1,598	(24)	1,574	949	1,439	135	*+9%*
	ICT	1,645	0	1,645	1,148	1,604	41	*+2%*
	Revenues & Benefits	1,115	0	1,115	4,066	1,131	(16)	
	Economic Development & Culture	492	(35)	457	274	365	92	*+20%*
	Markets	(47)	0	(47)	(93)	(43)	(4)	
	Museums	599	0	599	311	465	134	*+22%*
Sustainable Growth	Parking	(2,251)	0	(2,251)	(1,756)	(2,493)	242	*+11%*
	Regeneration	877	0	877	595	833	44	*+5%*
	Strategic Projects & Engineers	534	0	534	217	477	57	*+11%*
	The Platform	106	0	106	10	83	23	
		20,859	**0**	**20,859**	**16,342**	**21,451**	**(592)**	*(3%)*
	Corporate Services							
Corporate Accounts	Corporate Accounts	(135)	0	(135)	378	1,664	(1,799)	*(1333%)*
	Contributions from Reserves	(1,855)	0	(1,855)	0	(1,855)	0	
	Government Grants	(1,026)	0	(1,026)	(953)	(1,026)	0	
	Interest Payable	2,151	0	2,151	1,414	1,569	582	*+27%*
	Interest Receivable	(842)	0	(842)	(807)	(1,413)	571	*+68%*
Other Items	Minimum Revenue Provision	2,923	0	2,923	0	2,638	285	*+10%*
	Notional Charges	0	0	0	0	0	0	
	Pandemic Support	0	0	0	0	0	0	
	Revenue Funding of Capital	187	0	187	0	187	0	
	UKSPF	0	0	0	0	0	0	
		1,403	**0**	**1,403**	**32**	**1,764**	**(361)**	*(26%)*
Net Recharges to Housing Revenue Account		(1,032)	0	(1,032)	(1,026)	(1,032)	0	
RMS Capital Charges (now Housing Revenue Account)		(139)	0	(139)	871	(139)	0	
Revenue Reserve funded items included in above analysis (Revenue)		297	2,244	2,541	268	1,441	1,100	*+43%*
Revenue Reserve funded items included in above analysis (Appropriatic		(297)	(2,244)	(2,541)	108	(1,441)	(1,100)	*(43%)*
General Fund Revenue Budget		**21,091**	**0**	**21,091**	**16,595**	**22,044**	**(953)**	*(5%)*
Core Funding :	Revenue Support Grant	(406)	0	(406)	(309)	(406)	0	
	Additional New Homes Bonus	0	0	0	0	0	0	
	Supplementary Government Grants	0	0	0	0	0	0	
	Prior Year Council Tax Surplus	181	0	181	0	181	0	
	Net Business Rates Income	(10,256)	0	(10,256)	8,262	(10,532)	276	*+3%*
Council Tax Requirement		**10,610**	**0**	**10,610**	**24,548**	**11,287**	**(677)**	*(6%)*

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

APPENDIX B

QUARTER 3 FINANCIAL REVENUE MONITORING - GENERAL FUND SUBJECTIVE ANALYSIS 2023/24

		Original Budget 2023/24 £'000	Budget Amendments 2023/24 £'000	Working Budget 2023/24 £'000	Q3 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Projected Variance 2023/24 £'000	*Variance +/- £30K %*
Employees	Direct Employee Expenses	23,982	122	24,104	17,828	23,526	578	*+2%*
	Indirect Employee Expenses	759	0	759	1,479	2,296	(1,537)	*(203%)*
Premises Related Exp	Cleaning and Domestic Supplies	392	0	392	213	293	99	*+25%*
	Energy Costs	2,747	0	2,747	822	2,124	623	*+23%*
	Fixtures and Fittings	1	0	1	0	1	0	
	Grounds Maintenance Costs	44	0	44	24	59	(15)	
	Operational Bldgs Allocation	246	0	246	114	246	0	
	Other Premises Costs	0	0	0	0	0	0	
	Premises Insurance	421	0	421	290	299	122	*+29%*
	Rates	1,440	0	1,440	1,270	1,253	187	*+13%*
	Rents	61	0	61	84	74	(13)	
	Repair and Maintenance	1,268	0	1,268	2,025	1,452	(184)	*(15%)*
	Water Services	347	0	347	262	363	(16)	
Transport Related Exp	Car Allowances	3	0	3	8	7	(4)	
	Contract Hire Operating Leases	69	0	69	160	192	(123)	*(178%)*
	Direct Transport Costs	1,462	0	1,462	922	1,544	(82)	*(6%)*
	Other Transport Costs	0	0	0	0	0	0	
	Public Transport	21	0	21	8	17	4	
	Transport Insurance	101	0	101	77	76	25	
Supplies and Services	Catering	55	0	55	38	54	1	
	Clothing Uniform and Laundry	86	0	86	74	83	3	
	Communications and Computing	1,574	0	1,574	1,355	1,543	31	*+2%*
	Contribution to Provisions	250	0	250	0	696	(446)	*(178%)*
	Equip Furniture and Materials	1,436	0	1,436	1,341	1,717	(281)	*(20%)*
	Expenses	689	17	706	438	651	55	*+8%*
	General Office Supplies	255	(11)	244	223	252	(8)	
	Grants and Subscriptions	1,381	76	1,457	1,417	1,871	(414)	*(28%)*
	Miscellaneous Expenses	1,584	3	1,587	671	1,630	(43)	*(3%)*
	Services	5,624	78	5,702	4,768	7,710	(2,008)	*(35%)*
Transfer Payments	Housing Benefit	21,977	0	21,977	14,854	21,977	0	
Support Services	Recharges Exp	60	0	60	88	188	(128)	*(213%)*
Capital Charges	Amortisation of Def Chgs	0	0	0	0	0	0	
	Depreciation	17	0	17	0	17	0	
Capital Financing Costs	Interest Payments	2,152	0	2,152	1,413	1,570	582	*+27%*
Appropriations	Appropriations	1,255	0	1,255	0	970	285	*+23%*
Income	Customer Fees and Charges	(19,082)	0	(19,082)	(14,298)	(18,870)	(212)	*(1%)*
	Government Grants	(25,256)	(259)	(25,515)	(16,882)	(26,023)	508	*+2%*
	Interest	(887)	0	(887)	(807)	(1,610)	723	*+82%*
	Other Grants and Contributions	(1,926)	(26)	(1,952)	(2,958)	(2,822)	870	*+45%*
	Recharges Inc	(2,046)	0	(2,046)	(947)	(1,911)	(135)	*(7%)*
Capital Financing Inc	Capital Related Income	(300)	0	(300)	0	(300)	0	
Net Recharges to Housing Revenue Account		(1,032)	0	(1,032)	(1,026)	(1,032)	0	
RMS Capital Charges (now Housing Revenue Account)		(139)	0	(139)	871	(139)	0	
Revenue Reserve funded items included in above analysis (Revenue)		297	2,244	2,541	268	1,441	1,100	*+43%*
Revenue Reserve funded items included in above analysis (Appropriat		(297)	(2,244)	(2,541)	108	(1,441)	(1,100)	*(43%)*
General Fund Revenue Budget		**21,091**	**0**	**21,091**	**16,595**	**22,044**	**(953)**	*(5%)*
Core Funding :	Revenue Support Grant	(406)	0	(406)	(309)	(406)	0	
	Additional New Homes Bonus	0	0	0	0	0	0	
	Supplementary Government Grants	0	0	0	0	0	0	
	Prior Year Council Tax Surplus	181	0	181	0	181	0	
	Net Business Rates Income	(10,256)	0	(10,256)	8,262	(10,532)	276	*+3%*
Council Tax Requirement		**10,610**	**0**	**10,610**	**24,548**	**11,287**	**(677)**	*(6%)*

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

APPENDIX C

QUARTER 3 FINANCIAL REVENUE MONITORING - HRA SERVICE ANALYSIS 2023/24

		Original Budget 2023/24 £'000	Budget Amendments 2023/24 £'000	Working Budget 2023/24 £'000	Q3 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Projected Variance 2023/24 £'000	*Variance +/- £30K %*
	Housing Revenue Account							
Housing Revenue Account	Policy & Management	2,883	240	3,123	2,275	3,325	(202)	*(6%)*
	Repairs & Maintenance	7,272	686	7,958	5,548	8,400	(442)	*(6%)*
	Welfare Services	(20)	166	146	(239)	87	59	*+40%*
	Special Services	232	44	276	213	268	8	
	Miscellaneous Expenses	1,027	(50)	977	668	948	29	
	Income Account	(16,450)	0	(16,450)	(12,206)	(16,430)	(20)	
	Capital Charges	5,453	0	5,453	0	7,007	(1,554)	*(28%)*
	Appropriations	(914)	(1,086)	(2,000)	0	(3,121)	1,121	*+56%*
	Gain/Loss on Asset Sales	0	0	0	0	0	0	
	Gain/Loss on Asset Sales(Move)	0	0	0	0	0	0	
		(517)	**0**	**(517)**	**(3,741)**	**484**	**(1,001)**	*(194%)*
Net Recharges to General Fund		517	0	517	517	517	0	
Housing Revenue Account Budget		**0**	**0**	**0**	**(3,224)**	**1,001**	**(1,001)**	

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

APPENDIX D

QUARTER 3 FINANCIAL CAPITAL MONITORING - GENERAL FUND SERVICE ANALYSIS 2023/24

	Services	Original Budget 2023/24 £'000	Budget Amendments 2023/24 £'000	Working Budget 2023/24 £'000	Q3 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Projected Variance 2023/24 £'000	*Variance +/- £30K %*
Communities & Leisure	Salt Ayre Equipment Programme	161	98	259	264	264	(5)	
Environment & Place	Purchase Of Vehicles	1,239	1,396	2,635	1,002	1,284	1,351	*+51%*
	Electric Taxis	0	0	0	(342)	0	0	
	Happy Mount Park Footpaths	0	8	8	8	8	0	
	UKSPF-23-2(yr2) The Streets Are Ours Public Realm	0	0	0	(100)	0	0	
Housing & Property	Mellishaw Park	772	0	772	270	1,198	(426)	*(55%)*
	Disabled Facilities Grants	0	0	0	(2,039)	0	0	
	HIA Purchase of Vehicles	105	22	127	0	0	127	*+100%*
	Next Steps Accommodation Programme	0	23	23	8	23	0	
	1 Lodge Street Urgent Structural Repairs	422	0	422	(1)	0	422	*+100%*
	Lancaster City Museum	0	7	7	(1)	7	0	
	Low Voltage Switchgear & Solar Array - Gateway	984	102	1,086	141	151	935	*+86%*
	Palatine Recreation Ground - Veterans Cl	0	0	0	(6)	0	0	
	White Lund Depot Improvements	0	838	838	0	0	838	*+100%*
	UKSPF-23-24 (yr2) Lancs CVS Community Warm Hubs	0	0	0	0	0	0	
People & Policy	UKSPF - 23-24 (yr2) External Projects	0	0	0	(358)	0	0	
	UKSPF-23/24 (yr2) Digital Tourism Transformation	0	0	0	(30)	0	0	
	REPF 23/24 (yr1) External Projects	0	0	0	(125)	0	0	
	PRG Grant	0	0	0	(40)	0	0	
Planning & Climate Change	Heat De-carbonisation Programme	4,000	(4,000)	0	0	0	0	
	Burrow Beck Solar	0	4,000	4,000	0	0	4,000	
	Property De-carbonisation Works	487	0	487	(106)	0	487	*+100%*
	SALC Salix Funded Optimised Solar Farm	0	0	0	(134)	0	0	
Resources	Application System Renewal	0	32	32	18	30	2	
	I.S. Desktop Equipment	0	8	8	12	12	(4)	
	I.T.Strategy	135	19	154	18	54	100	*+65%*
	ICT Laptop Replacement & E-campus screens	30	94	124	4	33	91	*+73%*
	ICT Telephony	0	27	27	10	27	0	
	Lancaster Local Fibre Network	800	(4)	796	236	1,041	(245)	*(31%)*
Sustainable Growth	Artle Beck Improvements	0	0	0	0	0	0	
	Brownfield Land Release Fund	0	0	0	(2,769)	0	0	
	Caton Road Flood Relief Scheme	0	0	0	(1,663)	0	0	
	Coastal Revival Fund - Morecambe Co-op	0	0	0	(9)	0	0	
	Engineers Electric Vehicle	0	15	15	0	15	0	
	Economic Growth & Regen Devpt Pool	1,100	(300)	800	0	0	800	*+100%*
	Lancaster HS Heritage Action Zone	628	231	859	215	859	0	
	Lancaster Square Routes Project	5	0	5	(18)	0	5	
	Lawsons Bridge S106 scheme	63	0	63	0	0	63	*+100%*
	UKSPF-23-24 (yr2) Maritime Museum Access	0	0	0	(9)	0	0	
	Morecambe Co-op Renovation	425	0	425	0	0	425	*+100%*
	Centenary House Grant Funded Works	0	0	0	(749)	0	0	
		11,356	**2,616**	**13,972**	**(6,293)**	**5,006**	**8,966**	*+64%*
GRAND TOTAL		**11,356**	**2,616**	**13,972**	**(6,293)**	**5,006**	**8,966**	*+64%*

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

Council Housing Capital Programme 2023/24

	2023/24 Original Budget £	2023/24 Working Budget £	2023/24 Q3 Actual £	2023/24 Projected Outturn £	2023/24 Variance (Working v Projected) £	Comments (Working Budget to Projected Outturn)
EXPENDITURE						
Adaptations	300,000	300,000	309,518	420,000	(120,000)	Additional extension to facilitate needs of disabled tenant, to be funded by virement from External Refurbishment, subject to ICMD approval
Energy Efficiency / Boiler Replacement	999,000	1,192,900	477,926	1,215,600	(22,700)	Net additional cost to replace 3 failing communal boilers at Bruntons Warehouse
Kitchen / Bathroom Refurbishment	938,000	938,000	679,629	938,000	0	
External Refurbishment	357,000	282,000	45,344	137,600	144,400	£120K virement to Adaptations, subject to ICMD approval
Environmental Improvements	150,000	570,000	302,337	585,000	(15,000)	Additional professional fees relating to renewal of railings and concrete pathways
Re-roofing / Window Renewals	557,000	726,000	171,397	671,400	54,600	Net projected underspend based on awarded contract
Rewiring	88,000	124,800	55,380	124,800	0	
Lift Replacement	0	0	0	0	0	
Fire Precaution Works	280,000	520,000	311,265	520,000	0	
Housing Renewal & Renovation	577,000	1,263,400	291,659	1,219,200	44,200	Net underspend on property conversions and development
Mainway Regeneration Project	1,950,000	1,950,000	869,445	1,600,000	350,000	To reflect Brownfield Land Release Fund grant
TOTAL EXPENDITURE	**6,196,000**	**7,867,100**	**3,513,900**	**7,431,600**	**435,500**	

Note: Variances are expressed as negative ( ) for adverse and positive + for favourable

Reserves Statement (Including Unallocated Balances)

	<----- ORIGINAL BUDGET ----->					<----- PROJECTED OUTTURN ----->				
	31 March 2023 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2024 £	31 March 2023 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2024 £
Unallocated Balances	**(9,145,100)**				**(9,145,100)**	**(11,678,400)**			3,058,000	**(8,620,400)**
Earmarked Reserves:										
Corporate Priorities	**(84,600)**			84,600		**(421,200)**			402,900	**(18,300)**
Capital Support	**(73,000)**				**(73,000)**	**(73,000)**				**(73,000)**
Corporate Property	**(313,500)**				**(313,500)**	**(313,500)**				**(313,500)**
Covid 19 Support Reserve						**(9,700)**				**(9,700)**
Economic Growth										
Investment Property Maint	**(34,900)**				**(34,900)**	**(34,900)**				**(34,900)**
Invest to Save						**(301,700)**			228,200	**(73,500)**
Morecambe Area Action Plan										
Museums Acquisitions	**(34,300)**	(4,500)			**(38,800)**	**(36,300)**	(4,500)			**(40,800)**
Planning Fee Income	**(61,100)**				**(61,100)**	**(30,400)**				**(30,400)**
Restructure						**(520,900)**			121,000	**(399,900)**
To Support Revenue & Capital Expenditure	**(601,400)**	**(4,500)**		**84,600**	**(521,300)**	**(1,741,600)**	**(4,500)**		**752,100**	**(994,000)**
Renewals Reserves	**(1,084,900)**	(491,800)	124,000		**(1,452,700)**	**(1,061,900)**	(491,800)	124,000	7,000	**(1,422,700)**
General Renewals	**(746,400)**	(295,800)			**(1,042,200)**	**(775,500)**	(295,800)		7,000	**(1,064,300)**
Salt Ayre Leisure Centre	**(18,600)**	(150,000)	124,000		**(44,600)**	**(29,700)**	(150,000)	124,000		**(55,700)**
Williamson Park	**(80,200)**	(18,000)			**(98,200)**	**(29,000)**	(18,000)			**(47,000)**
Car Parks	**(135,200)**	(12,000)			**(147,200)**	**(123,200)**	(12,000)			**(135,200)**
Happy Mount Park	**(35,900)**	(14,000)			**(49,900)**	**(35,900)**	(14,000)			**(49,900)**
Arnside & Silverdale AONB	**(68,600)**	(2,000)			**(70,600)**	**(68,600)**	(2,000)			**(70,600)**
Elections	**(120,000)**	(40,000)		160,000		**(115,400)**	(45,000)		170,000	**9,600**
Homelessness Support	**(110,800)**				**(110,800)**	**(110,800)**				**(110,800)**
Business Rates Retention	**(6,784,100)**	(1,854,700)		1,632,400	**(7,006,400)**	**(7,471,700)**	(1,854,700)		1,632,400	**(7,694,000)**
Revenue Grants Unapplied	**(443,200)**			142,000	**(301,200)**	**(642,400)**			483,700	**(158,700)**
S106 Commuted Sums	**(1,552,200)**	(200,000)	63,000		**(1,689,200)**	**(1,266,400)**	(456,000)	63,000	105,000	**(1,554,400)**
Welfare Reforms	**(324,900)**				**(324,900)**	**(324,900)**				**(324,900)**
Lancaster District Hardship	**(377,100)**				**(377,100)**	**(240,500)**			240,000	**(500)**
Amenity Improvements	**(29,000)**				**(29,000)**	**(29,000)**				**(29,000)**
Reserves Held in Perpetuity:										
Graves Maintenance	**(22,200)**				**(22,200)**	**(22,200)**				**(22,200)**
Marsh Capital	**(47,700)**				**(47,700)**	**(47,700)**				**(47,700)**
Total ring-fenced/held against risk	**(10,896,100)**	**(2,586,500)**	**187,000**	**1,934,400**	**(11,361,200)**	**(11,332,900)**	**(2,847,500)**	**187,000**	**2,638,100**	**(11,355,300)**
Total Earmarked Reserves	**(11,497,500)**	**(2,591,000)**	**187,000**	**2,019,000**	**(11,882,500)**	**(13,074,500)**	**(2,852,000)**	**187,000**	**3,390,200**	**(12,349,300)**
Total Combined Reserves	**(20,642,600)**	**(2,591,000)**	**187,000**	**2,019,000**	**(21,027,600)**	**(24,752,900)**	**(2,852,000)**	**187,000**	**6,448,200**	**(20,969,700)**

GENERAL FUND - 2023/24 SAVINGS MONITORING (QUARTER 3)

Initiative	Budget	Actual to Date	Projected Outturn	Projected Variance	Progress
2023/24 APPROVED SAVINGS	**£'000**	**£'000**	**£'000**	**£'000**	
Communities & Leisure					
Children and Young People	9	5	9	0	template delivered - savings due from October
Community Connectors	69	17	69	0	template delivered - savings on track
Community Development	3	3	3	0	template delivered
Customer Services	23	11	23	0	restructure in place and savings due from October
SALC Gravity	3	3	3	0	template delivered
Pest Control Fees & Charges	26	20	26	0	template delivered - savings on track
Building Cleaning	51	25	51	0	restructure in place and savings due from October
Environment & Place					
Open Spaces (ad-hoc Councillor requests)	50	50	50	0	template delivered
Happy Mount Park (Splash Park Charging)	15	13	13	(2)	template delivered - shortfall in annual income due to summer weather not decision related
Public Conveniences Charging	20	6	8	(12)	template delivered - additional income being raised but not levels as anticipated
Trade Waste Price Review	20	15	20	0	template delivered - additional income being raised
Trade Waste Bin Hire Charging	80	60	80	0	template delivered - additional income being raised
Waste Collection Charging	20	12	16	(4)	template delivered - additional income being raised
Anti-Social Behaviour	21	21	21	0	template delivered
Public Protection Fees & Charges	3	3	3	0	template delivered - additional income being raised
Deletion of Vacant Post (Public Health Projects)	47	47	47	0	template delivered
Hospitality & Printroom	75	30	45	(30)	amended establishment model now in place in order to protect income targets and future bookings
Light Up Lancaster	35	35	35	0	template delivered
Vintage By The Sea	11	11	11	0	template delivered
Governance					
Staffing Review (Legal)	3	0	3	0	Part of bigger saving proposal from previous year and to be implemented later in year
Housing & Property					
Municipal Building Review	166	166	166	0	template delivered
Courier	14	10	14	0	template delivered - savings on track
People & Policy					
Senior Leadership Restructure	448	448	448	0	template delivered
Wellbeing (Mental Health)	10	10	10	0	template delivered
Projects, Performance & Risk	43	22	43	0	restructure in place and savings met from October
Communications	23	11	23	0	restructure in place and savings met from October
Commercial Marketing & Tourism	53	26	53	0	restructure in place and savings met from October
Deletion of Vacant Post (Democratic Services)	16	16	16	0	template delivered
Corporate Training	50	50	50	0	template delivered
Deletion of Vacant Post (HROD)	60	60	60	0	template delivered
Lancaster & Morecambe VIC's	116	54	107	(9)	now closed. Additional rent costs whilst future of MVIC considered (assumed to end of calendar year)
Planning & Climate Change					
Building Control Fees	10	3	10	0	template delivered - additional income being raised
Building Control Staffing	43	(47)	(94)	(137)	function now being delivered by Capita, costs have risen exponentially as a consequence. Officer review taking place
Planning Pre-Application Fees	9	8	9	0	template delivered - additional income being raised
Deletion of Vacant Post (Planning Policy)	60	60	60	0	template delivered
Resources					
MIAA Contract Extension	75	75	75	0	template delivered
Deletion of Vacant Post (ICT)	61	61	61	0	template delivered
Shared Service Operational Savings (Revenues & Benefits)	73	55	73	0	savings on track
Sustainable Growth					
The Platform	32	31	32	0	savings on track
Museums	147	147	147	0	template delivered
Growth Lancashire Subscription	13	13	13	0	template delivered
Business Support Team	100	100	100	0	template delivered
Regeneration Staffing	92	92	92	0	template delivered
Deletion of Vacant Posts (Engineers)	89	89	89	0	template delivered
Car Parking Permit Review	13	13	13	0	template delivered
Parking EV Charging	23	12	23	0	template delivered - savings on track
TOTAL	**2,423**	**1,972**	**2,229**	**(194)**	

APPENDIX H

GENERAL FUND SERVICE ANALYSIS 2023/24

		Original Budget	Q1 Projected	Q2 Projected	Q3 Projected	Q4 Projected
	Services					
Communities & Leisure	Community Connectors	279	263	316	318	
	Customer Services	576	576	561	542	
	Facilities Management	426	38	381	528	
	Food Safety	796	397	396	378	
	Pest Control	(31)	(27)	(29)	(28)	
	Salt Ayre Leisure Centre	545	717	717	695	
	VCFS	304	304	304	304	
Environment & Place	AONB & Nature Reserves	115	95	91	90	
	Environmental Protection	446	425	381	366	
	Fleet Management	36	25	68	38	
	Hospitality & Events Management	198	417	100	109	
	Parks & Open Spaces	1,386	1,353	1,354	1,381	
	Service Support	639	626	725	765	
	Street Cleaning	1,607	1,608	1,682	1,669	
	Streetscape	92	83	73	73	
	Trade Refuse	(870)	(897)	(906)	(902)	
	Waste Collection	2,849	3,114	3,143	3,234	
	Williamson Park	456	457	460	571	
Governance	Democratic Support & Elections	1,027	1,030	1,006	973	
	Legal Services	395	449	549	626	
	Licensing	(108)	(68)	(46)	(53)	
Housing & Property	Commercial Land & Properties	(1,625)	(1,599)	(1,326)	(1,372)	
	Municipal Buildings	892	1,185	760	667	
	Other Land & Buildings	108	108	83	85	
	GF Housing Schemes	103	103	196	210	
	Private Sector Housing	639	606	846	890	
	Property Group	750	705	779	749	
	Public Health Services	124	128	117	120	
	Repairs & Maintenance	0	0	0	0	
People & Policy	Exec Support	557	516	646	646	
	HR & OD	889	870	1,379	1,391	
	Communications & Marketing	303	286	258	258	
	Emergency Planning & CSP	90	92	92	92	
	Health & Safety	70	70	69	69	
	Projects & Performance	127	128	128	128	
	Visitor Information Centres	133	119	131	154	
Planning & Climate Change	CCTV	58	57	58	58	
	Corporate Climate Change	125	128	147	154	
	DM - Building Control	87	194	178	170	
	DM - Planning	583	603	544	477	
	Planning & Housing Strategy	852	833	819	805	
Resources	Internal Audit	163	163	162	162	
	Finance	1,598	1,455	1,500	1,439	
	ICT	1,645	1,604	1,575	1,604	
	Revenues & Benefits	1,115	1,115	1,131	1,131	
Sustainable Growth	Economic Development & Culture	492	179	377	365	
	Markets	(47)	(40)	(38)	(43)	
	Museums	599	597	459	465	
	Parking	(2,251)	(2,276)	(2,359)	(2,493)	
	Regeneration	877	768	832	833	
	Strategic Projects & Engineers	534	511	487	477	
	The Platform	106	109	74	83	
		20,859	**20,302**	**21,430**	**21,451**	**0**
	Corporate Services					
Corporate Services	Corporate Accounts	(135)	427	1,458	1,664	
Other Items	Contributions from Reserves	(1,855)	(1,855)	(1,855)	(1,855)	
	Government Grants	(1,026)	(1,026)	(1,026)	(1,026)	
	Interest Payable	2,151	2,151	1,569	1,569	
	Interest Receivable	(842)	(842)	(1,361)	(1,413)	
	Minimum Revenue Provision	2,923	2,638	2,638	2,638	
	Notional Charges	0	0	0	0	
	Pandemic Support	0	0	0	0	
	Revenue Funding of Capital	187	187	187	187	
	UKSPF	0	0	0	0	
		1,403	**1,680**	**1,610**	**1,764**	**0**
Net Recharges to Housing Revenue Account		(1,032)	(1,032)	(1,032)	(1,032)	
RMS Capital Charges (now Housing Revenue Account)		(139)	(139)	(139)	(139)	
Revenue Reserve funded items included in above analysis (Revenue)		297	857	1,418	1,441	
Revenue Reserve funded items included in above analysis (Appropriati		(297)	(857)	(1,418)	(1,441)	
General Fund Revenue Budget		**21,091**	**20,811**	**21,869**	**22,044**	**0**
Core Funding :	Revenue Support Grant	(406)	(406)	(406)	(406)	
	Additional New Homes Bonus	0	0	0	0	
	Supplementary Government Grants	0	0	0	0	
	Prior Year Council Tax Surplus	181	181	181	181	
	Net Business Rates Income	(10,256)	(10,256)	(10,423)	(10,532)	
Council Tax Requirement		**10,610**	**10,330**	**11,221**	**11,287**	**0**

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

APPENDIX I

Treasury Management Update

Quarter ended 31st December 2023

Report of Chief Resources and S151 Officer

2023/24 Treasury Management Update

Quarter Ended 31st December 2023

1. Introduction

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

2. Economic update (provided by Link Asset Services)

The third quarter of 2023/24 saw:

A 0.3% month on month decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%.

A sharp fall in wage growth, with the headline 3month year on year rate declining from 8.0% in September to 7.2% in October,

CPI inflation continuing its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November.

Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022.

The Bank of England holding rates at 5.25% in November and December.

A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.

CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.

The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.

Looking ahead, Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until the second half of 2024.

3. Interest Rate Forecast

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Link forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

4. Investing Activities

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 22nd February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the charts below and the interest rate forecasts in section 3, investment rates have remained elevated during 2023/24 but are now expected to have peaked.

There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of credit worthiness to ensure that only appropriated counterparties are considered for investment purposes.

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

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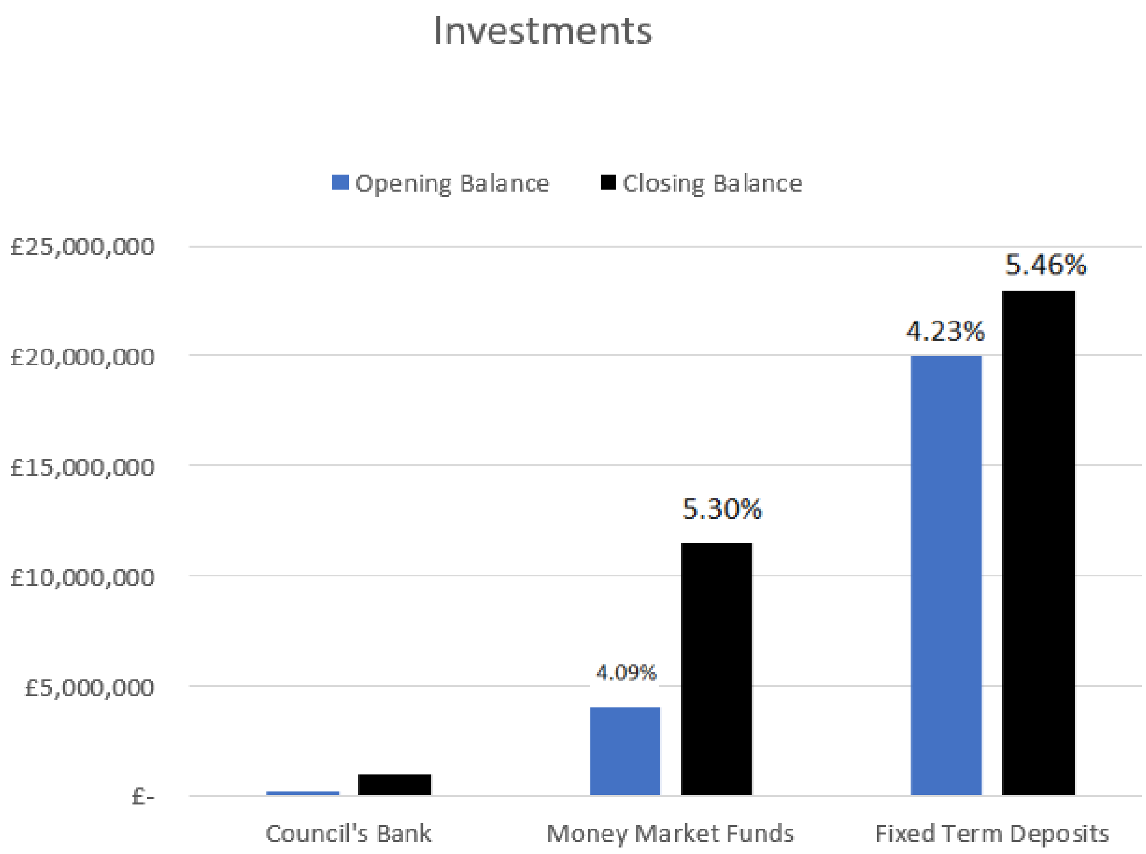
The average level of funds available for investment purposes to the end of quarter 3 was £34.03m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

In terms of performance against external benchmarks, the return on investments compared to the 7-day SONIA and bank rates at the end of the period is shown below. This is viewed as good performance given the need to prioritise the investments and liquidity (i.e. making sure that the Council's cash flow meets its needs).

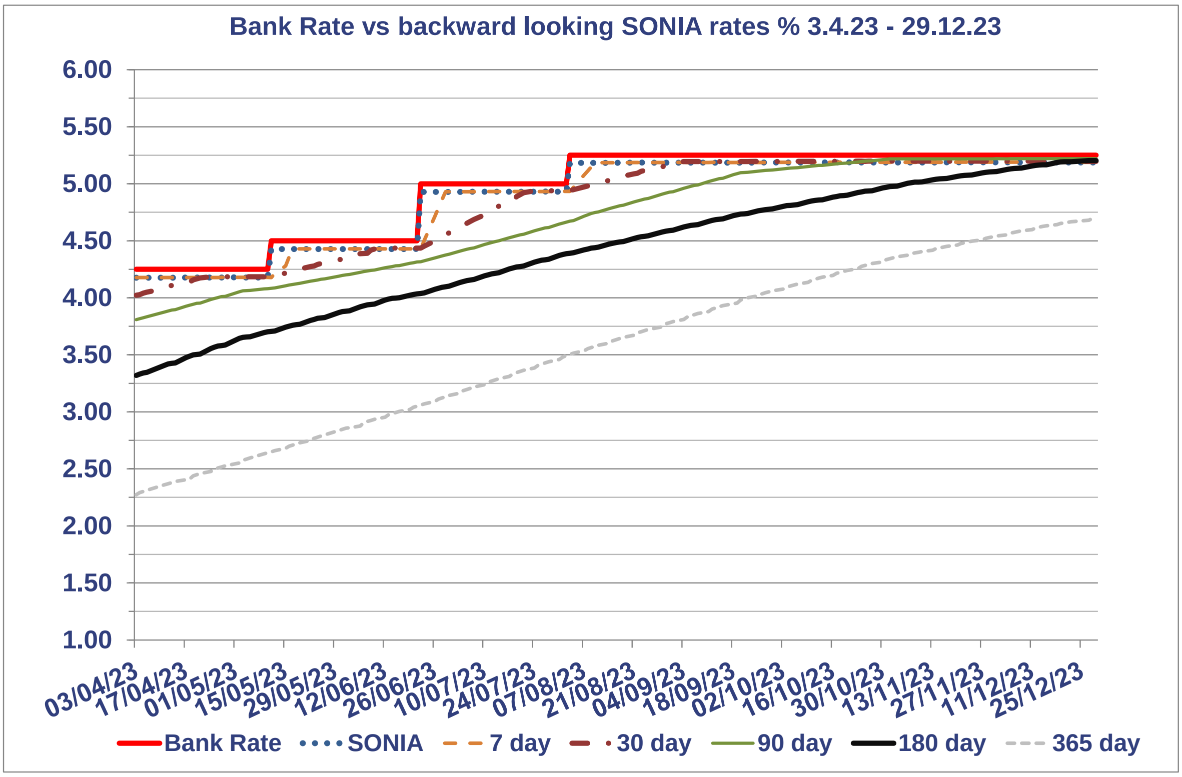
Base Rate	5.25%
7 day SONIA	5.19%
Lancaster City Council investments	5.40%

Investment Balances – quarter ended 31 December 2023

At the start of the quarter investments totalled £29.9m rising to £34.5m by 31 December. Fixed term investment with local authorities on 31 December were £23.0m whilst Money Market Fund balances were £11.5m.



Other Investments	Term	Maturity Date	Opening 1.4.23 £	Closing 31.12.2023 £	Indicative Rate (YTD)	Current Fixed Rate	Interest to Date £
Call Accounts							
Natwest (Cash Manager Plus)			244,000	487,000	0.01%		6,563
Money Market Funds							
Aberdeen Life Investments			0	0	5.27%		145,867
Blackrock Sterling Liquidity First Fund			4,000,000	5,500,000	5.32%		102,959
LGIM			0	6,000,000	5.34%		185,889
Insight			0	0	5.24%		43,212
Goldman Sachs			0	0	5.21%		7,045
Lancashire County Council			0	0	5.00%		2,147
Fixed Term Deposits							
London Borough of Newham	233 days	26/05/2023	5,000,000	0		3.50%	26,370
West Dunbartonshire	182 days	22/05/2024	5,000,000	5,000,000		5.55%	167,801
Halton Borough Council	186 days	20/11/2023	5,000,000	0		4.50%	135,260
Aberdeen City Council	92 days	03/08/2023	5,000,000	0		4.35%	68,849
Birmingham City Council	213 days	19/01/2024	0	5,000,000		5.05%	134,897
Bradford City Council	184 days	31/01/2024	0	5,000,000		5.50%	116,027
London Borough of Barking & Dagenham	153 days	30/01/2024	0	3,000,000		5.60%	57,074
Waltham Forest Council	189 days	30/05/2024	0	5,000,000		5.65%	30,185
Sub-total			**24,244,000**	**34,987,000**			**1,230,145**
						Budgeted income	**649,500**
							580,645

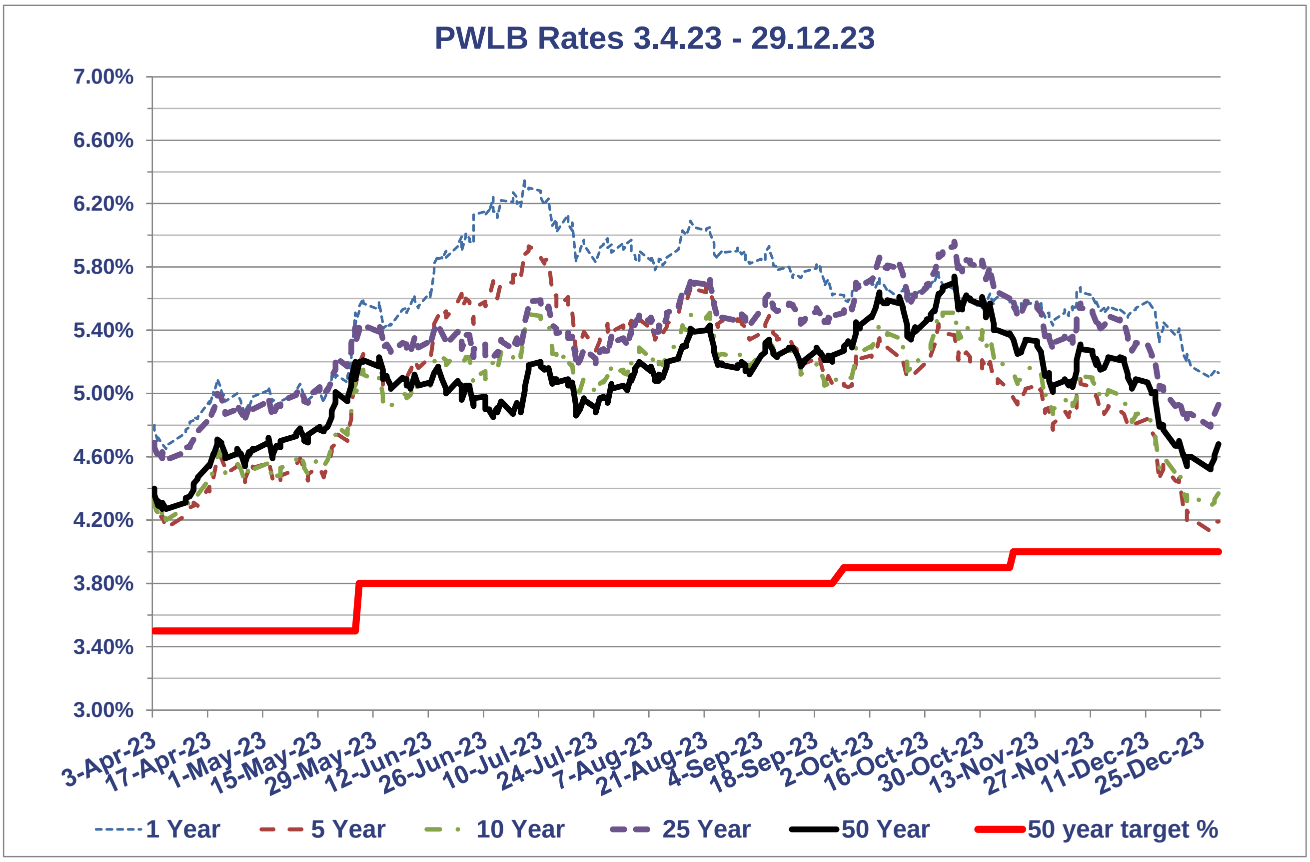


5. New Borrowing

No borrowing was undertaken during the quarter ended 31st December 2023. It is anticipated that further borrowing will be undertaken during this financial year. Balance sheet projections indicate that around £6M borrowing may be required before the end of the financial year. This is anticipated to be temporary borrowing. The ultimate timing will depend on exact working capital cashflows in the run up to year end which are kept under close review. These will continue to be monitored in the forthcoming financial year.

PWLB rates were on a rising trend from April through to October but dropped back significantly in November and December.

The 50-year PWLB target certainty rate for new long-term borrowing started 2023/24 at 3.50% before increasing to a peak of 4.00% in November. With rates elevated across the whole of the curve, it is advised to not borrow long-term unless the Authority wants certainty of rate and judges the cost to be affordable.



6. Debt Rescheduling

Debt rescheduling opportunities have increased significantly in the current quarter where gilt yields, which underpin PWLB rates and market loans, have risen materially. Members will be advised if there is value to be had by rescheduling or repaying a part of the debt portfolio.

7. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 31st December 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Chief Resources & S151 Officer reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

The Prudential and Treasury Indicators for 2023-24 as of 31st December 2023 are set out below:

Treasury Indicators	31.03.23 Actual £M	2023/24 Approved Estimate £M	2023/24 Quarter 3 Estimate
Authorised limit for external debt	115.00	124.00	117.00
Operational boundary for external debt	99.00	109.14	102.04
Gross external debt	59.01	73.47	63.97
Investments	(20.30)	(13.74)	(7.71)

Prudential Indicators – Non HRA	31.03.23 Actual £M	2023/24 Approved Estimate £M	2023/24 Quarter 3 Estimate £M
Capital expenditure *	10.44	23.97	10.62
Capital Financing Requirement (CFR) *	63.56	74.05	66.95
Annual change in CFR *	4.50	10.48	3.38
Ratio of financing costs to net revenue stream *	5.90%	22.96%	19.94%

Prudential Indicators – HRA	31.03.23 Actual £M	2023/24 Approved Estimate £M	2023/24 Quarter 3 Estimate £M
Capital expenditure *	5.31	7.22	8.33
Capital Financing Requirement (CFR) *	35.13	34.09	34.09
Annual change in CFR *	(1.04)	(1.04)	(1.04)
Ratio of financing costs to net revenue stream *	18.79%	17.00%	17.00%

8. Other Issues

Changes in risk appetite

The 2021 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 other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports.

CABINET

Strategic Risk Management
07 March 2024

Report of Chief Executive

PURPOSE OF REPORT					
To provide Cabinet with an update on the authority's progress in updating the Strategic Risk Register.					
Key Decision		**Non-Key Decision**	X	**Referral from Cabinet Member**	
Date of notice of forthcoming key decision	N/A				
This report is public, with appendix B being exempt by virtue of paragraph 3 of Schedule 12A the Local Government Act 1972.					

RECOMMENDATIONS OF THE LEADER

(1) Cabinet note the updated Strategic Risk Register, as shown as appendix A (public report) and appendix B (restricted report).

1.0 Introduction

1.1 Quarterly Strategic Risk Report as updated by Leadership Team to be seen by Cabinet to be noted.

2.0 Proposal Details

2.1 The attached appendices show the changes to the council's Strategic Risk Register since the report was last run on 10th November 2023. Changes are highlighted using red text in the appendices. A summary of the main changes are:

- The risk description has been updated to include links to the Council Plan 24-27 (previously the links were to Plan 2030).
- The risk categories have been updated to those from HM Treasury Orange Book, as set in December 2023.
- Control measures have been updated for individual risks.
- Action Plan items have been updates for individual risks.
- Action Plan Owners have been updated where needed.

- Risk reviews have been run and risk review comments added to help highlight the changes which have been made since the previous report was run.

3.0 Details of Consultation

3.1 No applicable

4.0 Options and Options Analysis (including risk assessment)

Not applicable

5.0 Officer Preferred Option (and comments)

5.1 Cabinet to note the Council's Strategic Risks.

6.0 Conclusion

6.1 Cabinet to note the Council's Strategic Risks.

RELATIONSHIP TO POLICY FRAMEWORK The Council have a Risk Management Policy, which is written to provide guidance on the management of risk. Risk Management is identified in the Council Plan 2024-27.
CONCLUSION OF IMPACT ASSESSMENT **(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)** No direct impact arising from this report, which provides an updated copy of the authority's Strategic Risk Register.
LEGAL IMPLICATIONS No direct legal implications arising from this report.
FINANCIAL IMPLICATIONS No direct financial implications arising from this report.
OTHER RESOURCE IMPLICATIONS **Human Resources:** No direct HR implications arising from this report. **Information Services:** No direct ICT implications arising from this report. **Property:** No direct property implications arising from this report.

Open Spaces:

No direct open spaces implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

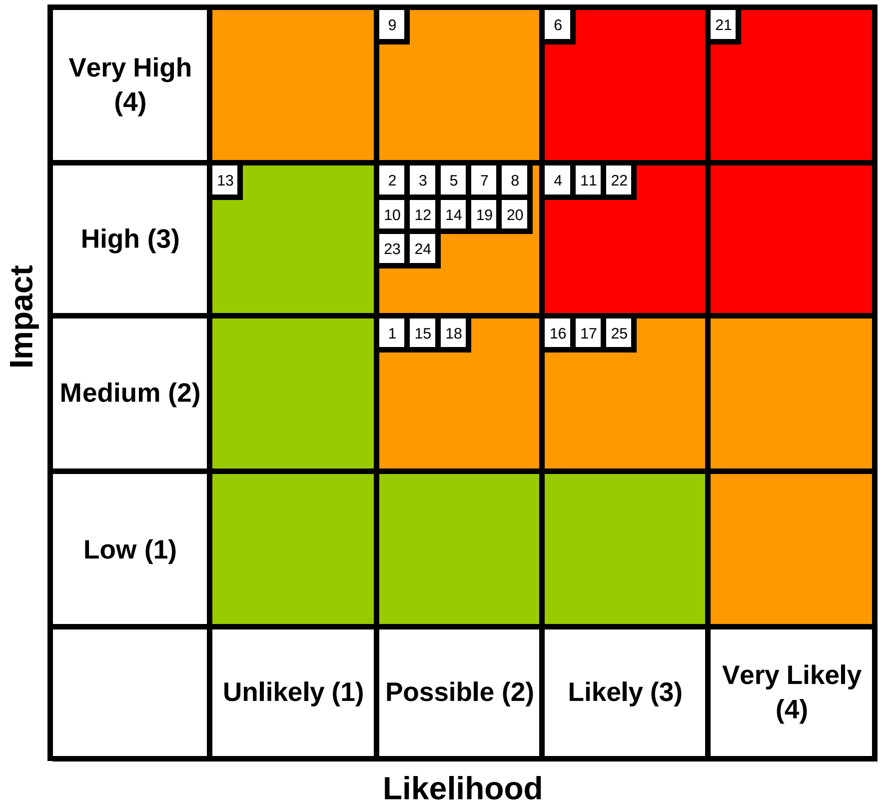
The Section 151 Officer has contributed to this report in his role as Chief Officer Resources, including responsibility for Internal Audit.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS Appendix A: Strategic Risk Report – 09.02.24 Appendix B: Strategic Risk Report – RESTRICTED – 09.02.24	**Contact Officer:** Claire Dubelbeis, Projects and Performance Manager **Telephone: 01524 582505** **E-mail:** CDubelbeis@lancaster.gov.uk **Ref:** N/A

Strategic Risk register - Risk Map 09.02.24



NOTE 1: All risks have been reviewed in the run up to 9th February 2024.
NOTE 2: Only risks which are unrestricted are shown.
NOTE 3: The numbers shown on the risk map relate to those on the next page in the first column, not the Strategic Risk (SR) numbers.

Strategic Risk Register, report created 09.02.24

Red text used to highlight changes since previous report

Risk No.	Risk	Risk Description	Residual Risk Score (impact x likelihood)	Risk Category	Existing Control Measure	Existing Control Measure Description	Target Risk Level (impact x likelihood)	Action Plan Title	Action Plan Description	Action Plan Owners	Action Plan Due Date	Review Date	Review Comment
1	SR01 Central Government funding is insufficient to provide the current level of service leaving the council unable to deliver the financial resilience initiative and achieve financial stability.	Central Government funding and/or revenues collected are insufficient to provide the current level of service leaving the council unable to deliver the financial resilience initiative and achieve financial stability. Link to Council Plan 24-27: 4.1 Value for Money	4 (2x2)	Financial	Officer/Member Working Groups	Capital Assurance Group (CAG) and Financial Resilience Group (FRG)	2 (2x1)	Outcomes Based Resourcing	Review of existing budgets to identify areas for realignment/ refocusing or cessation to deliver efficiencies but ensuring that Services remain aligned with the Councils Priorities.	Mark Davies	30/12/2024	22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
					Council Strategies	Outcome Based Resourcing (OBR), Investment Strategy, Reserves Strategy and Medium Term Financial Strategy		Funding the Future Strategy	The Strategy contains 4 Pillars to achieve Financial Stability. 1) Investment to reduce costs; 2) Pursuing efficiencies with vigour; 3) Outcomes based resourcing; and 4) Commercialisation	Paul Thompson	31/03/2024		
					Monthly income monitoring by applicable services	Monthly income monitoring by applicable services		Business Plans for Investments	Develop business plans for investment particularly in relation to decarbonisation and renewable energy generation.	Paul Thompson	31/03/2024	04/12/2023	Significant uncertainties remain around the future of government funding, with current views that it is unlikely to improve in the short or medium term. The Council is developing a series of plans to reduce its forecast deficit via its OBR workstreams
					Quarterly reporting	Formal quarterly reporting to Cabinet and Budget and Performance Panel		Fees and Charges Income Monitoring	Regular monitoring and forecasting by services of all fees and charges. To be undertaken by Heads of Service and Managers.	Paul Thompson	31/03/2024		
					Commercialisation	Development of other alternative service delivery vehicles to deliver efficiencies and/ or operational surpluses which can be reinvested into Council Services.							
2	SR02 The Council fails to meet the 2024/25 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects.	The Council fails to meet the 2024/25 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects. Link to Council Plan 24-27: 4.1 Value for Money	6 (3x2)	Financial	Budget and Performance Panel	Budget and Performance Panel	2 (2x1)	Outcomes Based Resourcing	Outcomes-Based Resourcing (OBR) approach focusing on where resources can have maximum impact on strategic priority areas. NOTE: This is also listed as a control measure as the programme is phased so has already delivered some savings with further outcomes and savings to follow.	Mark Davies	31/12/2024	22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
					Reserves Policy	Reserves Policy							
					Project Managers	Project Managers - suitably skilled PMs assigned to lead strategic projects							
					Programme Managers	Programme Managers in place for specific programmes							
					Programme Delivery Board	Programme Delivery Board							
					Cabinet	Cabinet							
					Portfolio Holder	Portfolio Holder							
					Outcomes Based Resourcing for 23/24 financial year	Outcomes Based Resourcing for 23/24 financial year							
					Project Delivery Board	Project Delivery Board - Consisting of Leadership Team to monitor delivery via quarterly reports and provide support and challenge to each project as required.							
					Projects and Performance Manager	Established to provide a central co-ordination point for all the Council's projects and performance. Responsible for co-ordination and monitoring.							
					Delivering Our Priorities Quarterly Monitoring Reports	Delivering Our Priorities Quarterly Monitoring Reports - Monitoring report linking Projects, Performance and Resources presented to Cabinet and Budget & Performance Panel.							
					Quarterly Cabinet Meetings	Quarterly Cabinet Meetings - Project and Financial information present to Cabinet/ Portfolio providing an opportunity for review and discussion of performance. As part of the Funding the Future Strategy, the Outcomes Based Resourcing exercise is commencing July 2022 to identify revenue savings for 2023/24 and beyond.							
					Outcomes Based Resourcing	Outcomes-Based Resourcing (OBR) approach focusing on where resources can have maximum impact on strategic priority areas.							
3	SR03 The Council fails to recruit and retain competent / key staff resulting in ineffective leadership, increased costs and failure to deliver	The Council fails to recruit and retain competent / key staff resulting in ineffective leadership, increased costs and failure to deliver effective services, projects and council priorities. Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities	6 (3x2)	People	New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk	New 3-year People Plan (2023-2026) with key deliverables to mitigate this risk	6 (3x2)					22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
					Annual Appraisal Process	Annual Appraisal Process embedded							

					Pay and Grading Structure	Pay and Grading Structure - The new pay and grading structure and job evaluation process ensures that all posts are objectively evaluated and then placed on a new pay and grading scale. Recent experience suggests that this assisted in attracting applicants with the desired skills and values.							
4	SR04 The use of council assets is not maximised leading to insufficient funding to meet the funding gap and deliver capital projects.	Future capital investment is dependent on capital receipts from the sale and utilisation of council assets. Link to Council Plan 24-27: 4.5 Innovative Public Service	9 (3x3)	Property, Financial	Use of Council Assets	Capital Strategy Group	6 (3x2)	Council Assets	To progress with disposals of council assets as outlined through 22/23 OBR process.	Joanne Wilkinson	29/03/2024	22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
					Use of Council Assets	Ongoing OBR workstream reviewing assets							
					Use of Council Assets	Performance monitoring of leases implemented		Council Assets	Updated Asset Management Plan to be developed to incorporate property performance.	Paul Mackie, Joanne Wilkinson, Dan Wood	31/10/2024		
					Use of Council Assets	Budget Monitoring							
					Use of Council assets	Implemented active asset management inc. financial modelling for stock rationalisation.							
					Use of Council assets	Appointed Eckersleys to support the council in asset disposal.							
					Use of Council Assets	Stock Condition Surveys for property group underway.		Council Assets	Climate Strategy for Housing and Property to be developed	Paul Mackie, Joanne Wilkinson	29/03/2024		
5	SR05 Council services are disrupted and / or additional services are required and costs are incurred as a result of local and national emergencies	Council services are disrupted and / or additional services are required and costs are incurred as a result of local and national emergencies.	6 (3x2)	Financial	Resourcing the emergency response function	The Council continues to adequately resource its emergency planning function, including maintaining its team of out of appropriately trained emergency response officers.	6 (3x2)	Financial Planning	Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.	Paul Thompson	31/03/2024	09/02/2024	Strategic Risk report discussed at Leadership Team on 06/02/24.
					District emergency	Lancaster District Emergency Plan and LRF (Lancashire Resilience Forum) plans that cover site or incident specific risks, including for example: an incident at Heysham Power Station, or a flooding/weather event.		Community Resilience	The Council supports community resilience through CEPGs and FLAG groups etc	Alex Kinch	31/03/2024		
					Business Continuity Plans	Business Continuity Plans		Adaptation Schemes	The Council appraises and potentially invests in schemes and activities that provide adaptation (eg Lune river defence)	Paul Blakeley, Jonathan Noad	31/03/2024		
					National Emergency (such as a pandemic)	LRF plans.							
					Financial Planning	Financial Planning - Adequate non earmarked reserves are maintained to allow for the impact of long term emergencies like the pandemic.							
					Business Resilience	Business Resilience - The Council continues to invest in resilience measures eg technology to facilitate remote working.							
					Partnerships	Partnerships - The Council continues to allocate resource to developing its key partnerships LRF, CSP (Community Safety Partnership) and local resilience partners.							
					County wide emergency (such as widespread loss of power and extreme weather events)	The LERP (Lancashire Emergency Response Plan) and plans as required from box 2 and box 3 plans, held in resilience direct.							
6	SR06 The Council fails to reduce its direct Co2 emissions to 'net zero' by 2030.	In January 2019 the Council declared a 'climate change emergency' and have now sought endorsement of an approach to reduce the Council's direct Co2 emissions to 'net zero' by 2030. Whilst an action plan is in place, costs associated with implementing the actions are considerable and are constantly under review. Link to Council Plan 24-27: 1.1 Carbon Zero	12 (4x3)	Financial	Delivery plan in place	Delivery plan in place	8 (4x2)	Delivery Plan	The Council continues to work on the delivery of its action plan. More details can be found on our website: https://www.lancaster.gov.uk/sites/climate-emergency/new-and-updates	Mark Davies	31/03/2024	22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
					Peoples Jury	Peoples Jury - The Council considers the recommendations of the Peoples Jury and builds recs that can be delivered directly by the Council into its plans		Local area energy plan	Local area energy plan (LAEP) has proceeded through procurement (Energy Systems Catapult, June 2023). This document will provide a high-level, costed roadmap to net zero for the district. The LAEP is a 12-month project that will involve Member, stakeholder and public engagement.	Mark Cassidy	30/06/2024		
7	SR07 The Council fails to deliver its key priorities due to the lack of an underpinning strategy setting out expected delivery / outcomes.	On the 29 January 2019, Full Council approved the Council's strategic priorities for the purpose of informing budget decisions for 2020-21 and future years. Link to Council Plan 24-27: Whole document.	6 (3x2)	Strategy	Carbon Zero +	More details can be found on our website: https://www.lancaster.gov.uk/sites/climate-emergency/new-and-updates	4 (2x2)	Local Development Plan	Local Development Plan	Mark Davies	30/09/2024	09/02/2024	Strategic Risk report discussed at Leadership Team on 06/02/24.
					Medium Term Financial Strategy (MTFS)	MTFS - in place to set out how the council proposes to manage its financial resources in line with corporate priorities.							
					Programme Management	Programme Management - in place to ensure strategy is followed and monitored on a regular basis.							
					Corporate Plan / Plan 2030	Corporate Plan / Plan 2030 - Updated in December 2021 to lay out the councils vision.							
8	SR08 The Council fails to deliver its key projects due to the lack of capacity and resources.	The Council has a number of key projects (Canal Quarter, Eden Project Morecambe, OBR, My Mainway, Heysham Gateway, Frontierland etc) all of which have detailed strategies for implementation. In order to deliver these key	6 (3x2)	People, Financial	Local Plan	Local Plan	3 (3x1)	Local Plan	Local Plan	Mark Davies	31/03/2024	06/02/2024	Staffing Capacity Action closed and replaced with People Plan action.
					Medium Term Financial Strategy (MTFS)	Medium Term Financial Strategy (MTFS)		Funding the Future Strategy	Funding the Future Strategy	Mark Davies	31/03/2024		
								Reserves	Adequate reserves are maintained to allow, due	Mark Davies,	31/03/2024	22/12/2023	Risks which contained a

		projects it is essential they are properly prioritised and resourced. Link to Council Plan 24-27: 4.5 Innovative Public Services			Investment Strategy	Investment Strategy			diligence of property investment, regeneration projects and key strategic planning strategies.	Paul Thompson			link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
					Capital Programme	Capital Programme		Capital Programme	Ensure capital programme is prioritised to facilitate match funding leverage and maximise the potential to attract external funding.	Mark Davies, Paul Thompson	31/03/2024		
					The Council continues to resource key service teams in Planning, economic development, regeneration, property investment	The Council continues to resource key service teams in Planning, economic development, regeneration, property investment and facilities management.		People Plan	3-Year People Plan in place and being delivered, which includes emphasis on upskilling and staff development, as well as initiative to support recruitment and retention.	Alex Kinch	31/03/2026		
					Collaborative Working	We work in collaboration with other stakeholders. For example, on the Eden Project we are working closely with the County Council.							
					Partnership Working	Many of our projects involve working in collaboration with other partners. For example, working with the County Council for the Eden Project Morecambe.							
10	SR10 Changes in Government policy impact on our ability to deliver major projects and programmes that would benefit our communities.	SR10 Changes in Government policy impact on our ability to deliver major projects and programmes that would benefit our communities. Link to Council Plan 24-27: 4.1 Value for money	6 (3x2)	Strategy	Continued monitoring and horizon scanning of Government policy	Continued monitoring and horizon scanning of Government policy	6 (3x2)					22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
					Clear and focused Council strategy to maximise alignment with Government policy and resourcing	Clear and focused Council strategy to maximise alignment with Government policy and resourcing							
					Strategic Plans	Strategic Plans - Continue to develop Council strategic plans and documentation in light of emerging Government policy							
11	SR11 International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses and communities.	SR11 International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses and communities. This risk is outside of the control of the Council. It can not be fully mitigated against but should still be recorded on the strategic risk register.	9 (3x3)	Strategy, Financial	Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues	Retention of in-house expertise to provide agility and resilience in rapidly-emerging issues	9 (3x3)					09/02/2024	Strategic Risk report discussed at Leadership Team on 06/02/24.
					Strategic responsiveness through continued risk management review	Strategic responsiveness through continued risk management review							
					Agility and Resilience	Agility and Resilience - Continue to develop agility and resilience across the organisation							
					Strategic risk management approach	Strategic risk management approach							
12	SR12 Budgetary proposals are brought forward / agreed that are then challenged, causing delays or changes to implementation.	SR12 Budgetary proposals are brought forward / agreed that are then challenged, causing delays or changes to implementation. Link to Council Plan 24-27: 4.5 Innovative Public Service	6 (3x2)	Strategy, Financial	Budget Development	Comprehensive, robust and transparent approach to budget development and service delivery.	4 (2x2)	OBR	Outcomes-Based Resourcing (OBR) approach to focusing on where resources can have maximum impact on strategic priority areas.	Mark Davies	31/12/2024	22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
13	SR13 The Council's reputation is damaged through its own actions or actions of others in the District	SR13 The Council's reputation is damaged through its own actions or actions of others in the District. Link to Council Plan 24-27: 3.4 Community Engagement	3 (3x1)	Strategy, People	Communications	Pro-active communications and transparency	3 (3x1)					22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
					Strategic Management of Activities	Strategic management of all Council activities to ensure continued high reputation							
					Delivery of Services	Delivery of Services - Continue to manage and deliver services in a way that supports the authority's reputation as a Co-operative, Kind and Responsible Council.							
					Strategic communication	Strategically communicate and engage with residents, partners and stakeholders to ensure actions align with reputation							
14	SR14 Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services.	SR14 Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services. Link to Council Plan 24-27: 4.1 Value for money	6 (3x2)	Operations, Financial	Budget and Performance Panel	Budget and Performance Panel	6 (3x2)	Move to sustainable solutions	Minimise exposure to cost spikes such as energy by moving to sustainable solutions independent of external pressures	Mark Davies, Paul Thompson	31/12/2024	22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan
					Reserves Policy	Reserves Policy							

					Continue financial forecasting	Continue financial forecasting and scenario planning e.g. for energy costs							which replaces Plan 2030.
15	SR15 The Council's infrastructure fails to meet the future needs of the organisation and the residents of the district.	SR15 The Council's infrastructure fails to meet the future needs of the organisation and the residents of the district. Link to Council Plan 24-27: 4.5 Innovative Public Services; 4.1 Value for money	4 (2x2)	Strategy	Asset Management Plan	Asset Management Plan	2 (1x2)	Asset Management Plan	Conduct a major review of Council infrastructure and assets, taking a future focused approach to asset management.	Mark Davies	27/09/2024	22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
					Continuous review of assets and infrastructure	Continuous review of assets and infrastructure							
16	SR16 The Council's services fail to adapt to socioeconomic and demographic trends within the district, resulting in failure to meet the needs of local residents and businesses.	SR16 The Council's services fail to adapt to socioeconomic and demographic trends within the district, resulting in failure to meet the needs of local residents and businesses. Link to Council Plan 24-27: 4.5 Innovative Public Services	6 (2x3)	Strategy	Corporate Plan	Corporate Plan	3 (1x3)					22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
					Policy Framework	Policy Framework							
					Continuous review of strategy and policy	Continuous review of strategy and policy, and alignment with service delivery.							
					LGA Workshop with Members	These took place in September 2023.							
17	SR17 Negligent or unlawful action by the Council, resulting in financial or other liabilities.	SR17 Negligent or unlawful action by the Council, resulting in financial or other liabilities. Link to Council Plan 24-27: 4.6 Openness	6 (2x3)	Legal	Corporate Governance	Corporate Governance	6 (2x3)	Training and development	Training and development to ensure staff and members are equipped to follow governance requirements	Luke Gorst	31/03/2024	09/02/2024	Strategic Risk report discussed at Leadership Team on 06/02/24.
					Continuous review of governance processes	Continuous review of governance processes to ensure they are fit for purpose							
					Annual Governance Statement and Code of Corporate Governance	The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts. The Council has recently reviewed and adopted an amended Code of Corporate Governance (dated April 2022). The Preparation and publication of this Annual Governance Statement is in accordance with the principles set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) (The Framework).							
18	SR19 Failure of the Canal Quarter programme to deliver regeneration through use of the Council's assets in the area.	SR19 Failure of the Canal Quarter programme to deliver regeneration through use of the Council's assets in the area. Link to Council Plan 24-27: 2.4 Investment and Regeneration	4 (2x2)	Project / Programme	Programme Management	Programme Management	2 (1x2)	Development of a Canal Quarter Masterplan	Development of a Canal Quarter Masterplan that sets out a route to successful regeneration of the area in line with local needs and the Council's priorities	Jonathan Noad	31/03/2024	22/12/2023	Risks which contained a link to "Plan 2030" have now been updated to show links to the new "Council Plan 24-27" which replaces Plan 2030.
19	SR20 Non compliance with Building Safety Executive for LCC owned high-rise buildings	LCC has three high rise buildings which now fall under the Building Safety Act 2022, and require registration with the Building Safety Executive (BSE). There are numerous risks around non-compliance. Link to Council Plan 24-27: 3.1 Access to Quality Housing	6 (3x2)	Property, Financial	Registration with BSE for high rise blocks	Fortnightly senior housing management meetings updating on risks and plans around building safety review.	2 (2x1)	Registration with BSE for high risk blocks	Safety Case files being prepared for submission to BSE.	Dennis Graham, Paul Mackie, Joanne Wilkinson	01/04/2024	09/02/2024	Strategic Risk report discussed at Leadership Team on 06/02/24.
					Registration with BSE for high rise blocks	Fire safety works being completed.							
					Registration with BSE for high rise blocks	Fire door audits being undertaken							
					Registration with BSE for high rise blocks	Monthly Compliance Steering Group comprising staff from across the Housing Service meet to discuss issues and tasks that are needed.		Registration with BSE for high risk blocks	Report to go to Cabinet around future of Bridge House for decision.	Joanne Wilkinson	06/02/2024		
					Registration with BSE for high rise blocks	Tenants Voice group established							
					Registration with BSE for high rise blocks	Registration of blocks with BSE complete							
					Registration with BSE for high rise blocks	On-going and regular campaigns on fire safety undertaken with residents.							
20	SR21 Non compliance with Regulator of Social Housing Standards	The Social Housing White Paper and subsequent amendments have highlighted a significant shift in requirements for social housing providers. This will be the biggest shift in a generation, with changes to standards and expectations. Failure to keep up with changes could result in unlimited fines / DLUHC, Regulator or Ombudsman intervention / bad publicity. Link to Council Plan 24-27: 3.1 Access to Quality Housing	6 (3x2)	Property, Financial	Social Housing Regulation	Attendance at benchmarking groups with the Regulator / Ombudsman to stay abreast of updates / developments / best practice / learning	2 (2x1)	Social Housing Regulation	To complete HQN self-assessment as a gap analysis against new standards	Joanne Wilkinson	01/04/2024	10/11/2023	Reviewed by Jo Wilkinson to update action plans
					Social Housing Regulation	Action planning within the service occurs in preparation for changes		Social Housing Regulation	Self-assess against proposed regulatory standards which have been released and action plan - aligned with work already undertaken around HQN self-assessment.	Pete Linsley, Joanne Wilkinson	29/02/2024		
					Social Housing Regulation	Quarterly reports available for portfolio holder outlining changes in the previous quarter produced.							
					Social Housing Regulation	Service Improvement Plan well established							

					Social Housing Regulation	Annual self assessment undertaken against current standards							
					Social Housing Regulation	Member advisory group for continued / wider input into the housing service established.							
22	SR23 Procurement of Health and Safety Consultations and recruitment to new role	H&S Consultations engaged since September '23, audit completed and action plan being implemented. Recruitment to new post of Senior Corporate H&S Manager in Q4. Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities	9 (3x3)	Legal	Health and Safety Checklist for New Starters	Health and Safety Checklist for New Starters	4 (2x2)	Procurement of Health and Safety Consultants	H&S consultants being procured to assess as is and implement changes to address shortfalls and support create of culture of collective ownership of Health and Safety.	Alex Kinch	29/02/2024	06/02/2024	Risk title and description amended at the request of the risk owner.
					Intranet guidance	Intranet guidance							
					Health and Safety Policy	Health and Safety Policy							
					Risk assessments	Risk assessments							
					H&S Training Courses	H&S Training Courses							
					DSE assessments	DSE assessments							
					H&S Committee established	Health and Safety Committee set up. First meeting took place in October 2023, the next meeting is due in December 2023.							
23	SR24 ICT Data Centre	Data Centre is dated and improvements needed to satisfy future demand. Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities	6 (3x2)	Technology	Air conditioning in place to keep the data centre at optimal temperature		2 (2x1)	Full Fibre Project		Nick Goulden	28/06/2024	10/11/2023	Reviewed by individual Chief Officers and discussed at Leadership Team on 7/11/23
					Back up Date Centre at SALC								
					Regular fire safety servicing carried out								
					Water ingress alerts	To alert all ICT senior managers to any water detected in data centre							
24	SR25 LCC Property Portfolio (non housing) does not meet its Health and Safety compliance obligations	The Council fails to effectively manage Property portfolio health and safety / compliance and meet statutory requirements. Risk is not managed and steps are not taken to protect workers and others from harm. A structure is not in place to ensure that compliance is prioritised and a proactive culture does not exist. Link to Council Plan 24-27: 4.3 Investing in Our Skills and Facilities	6 (3x2)	Property, Financial	Property Group Compliance	Regular reports shared with SLT highlighting current position.	1 (1x1)	Property Group compliance	New Asset Management Strategy to be developed	Paul Mackie, Joanne Wilkinson, Dan Wood	31/10/2024	27/01/2024	Significant progress being seen. Regular reports in place showing positive trend. Stock condition surveys now commenced. Asset OBR group to continue to meet to review property group work / property requirements. Budget included within 24/25 programme for compliance and capital works. Dedicated team established combining expertise from housing alongside property group team.
					Property Group Compliance	Dedicated Team established - combining expertise from Council Housing Compliance Team to monitor and address compliance within the service.							
					Property Group Compliance	Team employs sector expert to support overall approach to health and safety and compliance.							
					Property Group compliance	Establish accurate data recording and position statement through individual workbooks for assets.							
					Property Group Compliance	Full Stock Condition Survey authorised and being completed.							
					Property Group compliance	Budget secured within General Fund for compliance / asset management work.							
					Property Group compliance	OBR - Assets group established							
25	SR26 - Increasing costs of temporary accommodation for the homeless	In 23-24 we are forecasting the Council will be required to contribute an additional £500k towards the cost of B+B accommodation for homeless residents. Increase in costs is linked to increasing homelessness, reduced subsidy recovery from HB and reduced grant availability. Costs of accommodation also increasing and increase in larger families needing to be accommodated for longer. The subsidy can be met from within budgets this year, however this will need to be factored into future budgets moving forward. Funding temporary accommodation for those who need it is a stat requirement. Link to Council Plan 24-27: 3.1 Access to Quality Housing	6 (2x3)	Financial	Increasing homeless temporary accommodation costs	Budget reviews ongoing with service accountant.	2 (1x2)	Increasing homeless temporary accommodation costs	Letter to registered provider chief execs to be sent reminding of responsibility around consumer regulation and responsibilities to supporting local authorities around homelessness.	Joanne Wilkinson	29/03/2024	31/01/2024	Continue to see increasing numbers of residents presenting as homeless and requiring B+B accommodation due to lack of alternative accommodation. B+B reduction plan for DLUHC produced, new homelessness strategy approved by Cabinet. To look at more rigorous monitoring of costs and cost of spaces from providers.
					Increasing homeless temporary accommodation costs	Some access to grant funding to off-set costs (although limited and unpredictable).		Increasing homeless temporary accommodation costs	To work with finance to develop weekly spend sheets monitoring spend on accommodation	Sharon Parkinson	08/03/2024		
					Increasing homeless temporary accommodation costs	Bed and breakfast plan developed for DLUHC		Increasing homeless temporary accommodation	To review costs of accommodation with each provider to ensure reaching VFM	Sharon Parkinson	15/03/2024		
					Increasing homeless temporary accommodation costs	Regular case work management in team of cases in bed and breakfast							
					Increasing homeless temporary accommodation costs	All B+B placements passed by manager for approval							
					Increasing homeless temporary accommodation costs	New Homelessness Strategy approved by Cabinet Oct 2024							
26	SR27 - Waste Strategy	Increased revenue cost burden to the authority and failure to deliver in line with milestones set out by government (31st March 2026).		Strategy, Financial								09/02/2024	Strategic Risk report discussed at Leadership Team on 06/02/24.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

CABINET

Flexible Use of Capital Receipts Strategy 2024-25
7 March 2024

Report of Chief Finance Officer

PURPOSE OF REPORT

Statutory guidance from the Department for Levelling Up, Homes and Communities (DLUHC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) enables local authorities to make flexible use of capital receipts to fund projects which are likely to generate savings to the authority and / or other public bodies.

To make use of this provision, authorities must submit to the Secretary of State a Flexible Use of Capital Receipts Strategy setting out how the provision will be applied in the next financial year.

This report proposes a Flexible Use of Capital Receipts Strategy for 2024-25 to complement Phase 2 of the Council's Outcomes-Based Resourcing programme – Fit for the Future

This report is public.

RECOMMENDATION OF COUNCILLOR HAMILTON-COX

(1) To recommend that Full Council approves the Flexible Use of Capital Receipts Strategy 2024/25 set out in this report, in accordance with the relevant statutory guidance.

1.0 INTRODUCTION

1.1 All Councils are limited in their ability to utilise capital receipts, usually arising from the disposal proceeds from the sale of fixed assets. Statutory guidance issued under section 15(1) of the Local Government Act 2003 by the Ministry of Housing, Communities and Local Government (as amended) generally precludes capital receipts being used to fund revenue expenditure and requires them to be applied to either fund capital expenditure or repay debt. The Act also requires local authorities to have regard to other guidance as issued or directed by the Secretary of State – this currently includes the following guidance issued by the Chartered Institute of Public Finance and Accountancy [CIPFA]:

- The Prudential Code for Capital Finance in Local Authorities; and
- The Code of Practice on Local Authority Accounting.

1.2 The Government's Spending Review 2015 included a relaxation of these regulations allowing the use of capital receipts for a limited period, between 2016/17 and 2018/19, to fund revenue expenditure "***that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or improve the quality-of-service delivery in future years***". This announcement was implemented by the issuing of regulations in March 2016. The period over which these amended regulations applied has continued to be extended.

1.3 This was extended in an amended direction in December 2017 by a further three years up to and including 2021/22 to allow the continued flexible use of capital receipts for the above purposes. Further updated statutory guidance was issued by DLUHC in August 2022 which extended the scheme for the financial years 2022/23, 2023/24 and 2024/25.

1.4 Although there have been recommendation by bodies such as CIPFA for an enhanced capital flexibilities no formal guidance has been issued and so the current provision will cease 31st March 2025

2.0 THE GUIDANCE / DIRECTIVE

2.1 The guidance on the use of capital receipts flexibility was issued by the Secretary of State under section 15(1) of the Local Government Act 2003, and authorities are therefore required to have regard to it. The Guidance specified that:

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

- Local authorities cannot borrow to finance the revenue costs of the service reforms.

- The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality-of-service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's, or several authorities,' and/or to another public sector body's net service expenditure net service expenditure.

- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

3.0 REQUIREMENTS FOR THE STRATEGY

3.1 The guidance requires that authorities wishing to make use of this provision must submit their Strategy to the Secretary of State ahead of each financial year in which the provision is to be used; but that no approval or response is required from the Secretary of State for the Strategy to be implemented. Should Full Council approve the proposed Strategy, it will be submitted to the Secretary of State via the DELTA system.

3.2 The Strategy must as a minimum set out the projects which plan to make use of the provision, along with their projected savings and / or service transformation and a summary of the impact on the authority's Prudential Indicators for the forthcoming year and subsequent years. This information is set out in in sections 7 and 8.

3.3 The Strategy should also review use of any provision in previous years and report on the savings and / or transformation achieved through use of the provision so far. Lancaster City Council has not yet made use of the provision, and as such any benefits arising from this Strategy will be reported in subsequent years, this is set out in section 9.

3.4 The Strategy can be updated at any time during the financial year and re-submitted to the Secretary of State. Authorities must not exceed the amounts stated in their Strategy without first submitting an updated Strategy to the Secretary of State.

3.5 The Strategy must be made available to the public free of charge. This report, which is public, sets out Lancaster City Council's Flexible Use of Capital Receipts Strategy for 2024-25 in fulfilment of the above requirements.

4.0 MONITORING AND UPDATING THE STRATEGY

4.1 It is intended that the flexibility will be used to support the actions arising from the Outcomes-Based Resourcing/ Fit for the Future process. The legitimacy of the use of capital receipts will be determined by the Section 151 Officer to ensure eligibility and compliance with the requirements set out by the Secretary of State. Progress on delivery of the programme, including financial implications and the realisation of benefits, will be reported through Delivering Our Priorities quarterly monitoring via Cabinet and Budget & Performance Panel.

4.2 The Strategy may be updated within the financial year. Any updates will be proposed to Cabinet and then Council via a report, which subject to approval would then be submitted to the Secretary of State.

4.3 Adoption of the Strategy does not necessarily oblige the Council to utilise capital receipts and initiatives may still be financed in whole or in part from other sources, e.g., revenue budgets. This recognises that not all capital receipts may be realised and that decisions need to be taken in the context of the Council's overall revenue and capital financing position.

4.4 Inclusion in the Strategy also does not constitute approval to progress a project.

5.0 WHICH CAPITAL RECEIPTS ARE ELIGIBLE?

5.1 The guidance sets out the criteria by which capital receipts are eligible for flexible use, summarised in the below excerpt from the guidance:

"…a qualifying disposal is an asset sale made within the period for which the direction applies, by the local authority to an entity outside the local authority's group structure…

The intent of this condition is that capital receipts which are to be used by authorities under the flexibilities afforded by the direction should be from genuine disposals of assets by the authority. Where an authority retains some control of the assets, directly or indirectly, and retains exposure to the risks and rewards from those assets, the disposal does not give rise to a capital receipt that can be used in accordance with the direction."

5.2 It should be noted that the flexibility excludes Right-To-Buy capital receipts. It should also be noted that the Council's budget process has assumed that forecast capital receipts have not been relied upon to fund any future expenditure.

5.3 Forecast capital receipts from 2024/25 onwards have not been factored into the Council's Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure. The use of these receipts under this flexibility will, therefore, have no effect on the Council's Prudential Indicators.

6.0 WHICH EXPENDITURE IS ELIGIBLE?

6.1 The guidance also sets out the criteria by which expenditure would be considered eligible for flexible use of capital receipts. The guidance summarises as follows:

"Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

Set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure. In addition, one off costs, such as banking savings against temporary increases in costs/pay cannot be classified as qualifying expenditure. Under the direction the in force from April 2022, with respect to redundancy payments, qualifying expenditure will be limited to those amounts that are necessarily incurred as statutory redundancy payments provided the other requirements of qualifying expenditure are met. This restriction does not apply to other severance costs, including pension strain costs; the treatment of these costs remains unchanged from the previous direction."

6.2 The guidance provides a range of examples of expenditure which could be considered eligible, although the list is intended to be neither prescriptive nor exhaustive; based on the principles above, it is intended for each individual authority to consider whether a project should be eligible under the provision. The examples from the guidance are summarised below:

- Sharing back-office and administrative services with one or more other council or public sector bodies.
- Investment in service reform feasibility work, e.g., setting up pilot schemes.
- Collaboration between local authorities and central government departments to free up land for economic use.
- Funding the cost-of-service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation.
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations.
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training.
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
- Integrating public facing services across two or more public sector bodies (for example children's social care or trading standards) to generate savings or to transform service delivery.

7.0 THE COUNCIL'S PROPOSALS 2024/25

7.1 The Council intends to use its capital receipts flexibility to fund or part fund savings connected to its Fit for the Future process with the aim of successfully delivering priority outcomes for the Lancaster district whilst at the same time achieving long-term sustainability of finance and resources.

7.2 Within the revenue budget proposals for 2024/25 there are a number of savings and workstreams which underpin the corporate programmes listed in table 1 below. These programmes cover a wide range of areas such as the review of service operating models exploring opportunities around the increased use digital technologies, income generation as well the principals of Zero-Based Budgeting.

Table 1: Corporate Proposals for 2024/25

Project	Description	Estimated Investment/ Cost	Projected Savings £M
Service Levels & Efficiency	Revisions and rationalisation of levels of service offering efficiency measures, increased commercialisation, and review of income streams	TBC	TBC
Digitalization	Improvements to residents access reliable advice, consistent information, and efficient Council services Reduce failure demand and help the Council meet high volume, routine transactions in a cost-effective manner. Review the functionality and costs of each ICT system with the objective of maximising the use of the functionality available and reducing the total number of systems used.	TBC	TBC
Alternative Delivery Models & Partnerships	Shared service savings, opportunities, contract reviews & alternative options for achieving outcomes	TBC	TBC
Strategic Asset Management	Improved asset management planning, asset usage reviews, potential disposals, optimising use of operational assets and prospects for energy and carbon reduction measures.	TBC	TBC

7.3 Whilst these broad proposals are underpinned by a number of individual areas of which many are in their infancy and yet to be full costed. However, with all change programmes there will be a need for upfront investment in areas that will deliver capacity and objectivity.

7.4 As has been noted within both the Council's Medium Term Financial Capital Investment Strategies, the way the Council manages its assets will also play a significant part in not only delivering its services to its resident but also identify opportunities to fund both the Fit for the Future process but also its wider capital programme.

7.5 A significant amount of work has been undertaken by Officers to identify suitable assets and table 2 provides summary details of the class of assets currently being marketed by the Council.

Table 2: Assets for Disposal

Assets Currently Marketed 2024/25	Expected Capital Receipts 2024/25 £M
Investment Properties	1.205
Other Land & Buildings	0.180
Estimated Value of Applicable Capital Receipts	**1.385**

8.0 IMPACT ON PRUDENTIAL INDICATORS

8.1 As referenced in paragraph 5.3, forecast capital receipts from 2024/25 onwards have not been factored into the Council's Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure. The use of these receipts under this flexibility will, therefore, have no effect on the Council's Prudential Indicators.

9.0 MONITORING OF THE 2023/24 STRATEGY

9.1 The directive requires that progress against the strategy is reported and table 3 below summaries the level of savings identified as part of the 2023/24 budget process, with progress reported on a quarterly basis to Cabinet and B&PP as part the standard Delivering our Priorities quarterly reporting cycle.

Table 3: Savings Monitoring

Project	Description	Estimated Savings £M	Actual Savings £M	Variance £M
Service Levels & Efficiency	Revisions and rationalisation of levels of service offered efficiency measures and review of income streams	1.661	1.604	0.057
Alternative Delivery Models & Partnerships	Shared service savings, opportunities, contract reviews & alternative options for achieving outcomes	0.148	0.011	0.137
Organisational Structure & People	Senior leadership restructure, establishment review to ensure fitness for purpose, alignment with desired strategic outcomes, deletion of vacant posts	0.448	0.448	0
Strategic Asset Management	Improved asset management planning, asset usage reviews, potential disposals, optimising use of operational assets and prospects for energy and carbon reduction measures.	0.166	0.166	0
Total		**2.423**	**2.229**	**0.194**

9.2 To date £2.229M of the £2.443M (92%) of the savings identified within the 2023/24 budget have been achieved with associated eligible costs of £0.898M. The Council expects to receive £0.438M of associated capital receipts which is below the level of costs incurred, this has resulted in an additional cost pressure on the revenue budget of £0.459M this year. Table 4 below summaries the associated eligible costs, capital receipts received and the overall impact on the Councils General Fund.

Table 4: Eligible Costs and Capital Receipts

Eligible Costs Incurred 2023/24	**£M**
Statutory Redundancy	(0.239)
Pension Strain	(0.588)
Consultants	(0.070)
Total Eligible Costs	**(0.898)**
Capital Receipts Received April to December 2023/24	**£M**
Wyresdale Road Land	0.325
Misc Vehicle Sales	0.059
Grants Clawed back	0.012
Expected Capital Receipts Q4	0.042
Total Expected Capital Receipts	**0.438**
Impact on the Council's General Fund	**(0.459)**

10.0 DETAILS OF CONSULTATION

10.1 The Council has undertaken substantial consultation including public briefings and a survey in establishing its overall budget proposals for 2024-25 onwards. This Strategy contributes to the delivery of those proposals by making use of the financial flexibility available to the Council in implementing its Fit for the Future approach.

11.0 OPTIONS AND OPTIONS ANALYSIS (including risk assessment)

Option 1: Adopt the Strategy
Advantages The Council will be able to make use of the Flexible Capital Receipts provision in delivering its Fit for the Future programme.
Disadvantages None identified from this report.
Risks Capital receipts, savings and transformation benefits may not be realised as anticipated in the Strategy; the associated risks will be mitigated through the implementation of the Fit for the Future programme.
Option 2: Do not adopt the Strategy
Advantages None identified from this report.
Disadvantages The Council will be unable to consider funding savings initiatives and service transformation through use of capital receipts, and may therefore be unable to achieve the savings, outcomes and benefits anticipated from these projects.
Risks Not adopting a Flexible Use of Capital Receipts Strategy at this point would severely constrain the Council's ability to deliver its Fit for the Future programme.

13.0 OFFICER PREFERRED OPTION

13.1 The officer preferred option is Option 1, to enable the Council to make use of the Flexible Capital Receipts provision in supporting its savings and service transformation initiatives over the coming years.

14.0 CONCLUSION

14.1 This report, if approved, will enable the council to use capital receipts to fund savings and service transformation initiatives. Failure to adopt a Flexible Use of Capital Receipts Strategy will severely constrain the council's ability to pursue these initiatives.

RELATIONSHIP TO POLICY FRAMEWORK
If adopted, the Flexible Use of Capital Receipts Strategy would form part of the council's Policy Framework. From a strategic perspective, enabling the use of capital receipts to deliver savings and service transformation initiatives will give the council scope to pursue its Outcomes-Based Resourcing programme with greater flexibility and effectiveness.

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability etc)

No direct impact arising from this report. All initiatives supported by flexible use of capital receipts will be considered for their impact as appropriate.

FINANCIAL IMPLICATIONS
As outlined in the report, forecast capital receipts generated during the year will be used flexibly in compliance with the requirements of the Secretary of State to support projected savings identified as part of the Outcomes-Based Resourcing/ Fit for the Future process. Use will be determined by the s151 officer to ensure both eligibility and the impact on the Council's overall revenue and capital financing position.

SECTION 151 OFFICER'S COMMENTS
The s151 Officer has contributed to the writing of this report, however, he wishes to draw Members attention to the following.

Although there is the potential for further extensions and increased flexibilities to the use of capital receipts this has not been confirmed. Under the current proposals the flexibilities offered will cease 31st March 2025. Delays in planning, marketing, and disposal of assets to fund the 2023/24 savings programme has resulted in a cost the Council £0.459M. This will fall directly on the Councils revenue reserves.

LEGAL IMPLICATIONS
The Local Government Act 2003 ("the Act"), section 15(1) requires a local authority "… to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify …

". Two codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) contain guidance on capital receipts and local authority accounting that complement the Department for Levelling Up, Housing and Communities (DLUHC) guidance. These publications are:
- The Prudential Code for Capital Finance in Local Authorities
- The Code of Practice on Local Authority Accounting

Local authorities are required to have regard to the current edition of The Prudential Code for Capital Finance in Local Authorities by regulation 2 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and to the Local Authority Accounting Code as proper practices for preparing accounts under section 21(2) of the Act.

MONITORING OFFICER'S COMMENTS
The Monitoring Officer has been consulted and has no further comments to add.

BACKGROUND PAPERS	
 Council **Revenue Budget 2024/25** Agenda for Council on Wednesday, 28th February 2024, 6.00 p.m. - Lancaster City Council	**Contact Officer:** Paul Thompson **Telephone**: 01524 582603 **E-mail:** pthompson@lancaster.gov.uk **Ref:** N/A

FUCRD 2023/24 Agenda for Council on Wednesday, 15th March 2023, 6.00 p.m. - Lancaster City Council	

CABINET

Medium Term Financial Strategy 2024/25 – 2028/29

7 March 2024

Report of Chief Finance Officer

PURPOSE OF REPORT					
To provide Cabinet with an update final consolidated Medium Term Financial Strategy 2024/25 to 2028/29					
Key Decision		**Non-Key Decision**	**X**	**Referral from Cabinet Member**	
Date of notice of forthcoming key decision					

RECOMMENDATION OF COUNCILLOR HAMILTON-COX

1. That Cabinet

(1) Agrees that the Council's consolidated Medium Term Financial Strategy 2024/25 to 2028/29 be referred on to Council 13 March 2024 for information.

(2) Subject to final approval by Council 13 March 2024 the Flexible Use of Capital Receipts Strategy be included within the Medium-Term Financial Strategy 2024/25 to 2028/29

(3) Delegated authority be given to the Portfolio Holder and Chief Finance Officer to undertake any required amendments to reflect additional content and/ or presentational adjustments.

1.0 INTRODUCTION

1.1 The Council MTFS consists on a number of key and interlinked documents and strategies including.

- The Council Plan 2024-2027,
- Current and future budgetary projections,
- The Capital Strategy and accompanying and Capital Programme
- Treasury Management Strategy
- Reserves Policy and Forecasts
- Risk Management Policy

1.2 All of these documents and strategies, with the exception of the Flexible Use of Capital Receipts which considered elsewhere on the agenda have been presented to Cabinet, Council or appropriate Committee and have been approved in accordance with the Council's Constitutional requirements and so no further approval is required.

2.0 MEDIUM TERM FINANCIAL STRATEGY

2.1 On the basis that all of elements have already been subject to the appropriate approve this paper merely seeks to consolidate these documents into one single document. The MTFS demonstrates the linkages between the Council Plan 2024 – 27, its supporting financial strategies and our monitoring processes which are key to its delivery. The proposed MTFS is attached at appendix A

2.2 In regard to the Flexible Use of Capital Receipts Strategy 2024/25 currently included within the MTFS, the Council's Constitution (Part 3 Section 5 – Budget & Policy Framework) provides the following,

> *where either a new or existing plan/strategy/budget is being considered, the Overview and Scrutiny Committee or Budget and Performance Panel will have an opportunity to comment. If it considers it appropriate, Cabinet may then amend its proposals before submitting them to Council for consideration.*

2.3 Unfortunately, due a number of factors this strategy will not been considered by Budget & Performance Panel. As the approval of the strategy is a function of Full Council all Members, including those sitting on B&PP they may propose any changes, or amendments at that meeting and so Cabinet is asked to retain the strategy within the MTFS at this stage.

3.0 DETAILS OF CONSULTATION

3.1 The Council undertook substantial consultation including public briefings and a survey in establishing its overall budget proposals for 2024-25 onwards which were approved by Full Council 28 February 2024.

4.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

4.1 The risks to the Council are contained throughout the MTFS and support strategies as the report seeks to consolidate these areas Cabinet may accept the consolidation or not

5.0 OFFICER PREFERRED OPTION

5.1 That Cabinet accept the consolidated MTFS and refer it to Council.

6.0 CONCLUSION

6.1 This paper merely seeks to consolidate the various existing documents into one single strategy. The MTFS demonstrates the linkages between the Council Plan 2024 – 27, its supporting financial strategies and our monitoring processes which are key to its delivery.

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 (including Diversity, Human Rights, Community Safety, Sustainability etc) None identified at this stage

FINANCIAL IMPLICATIONS As set out in the report
S151 OFFICER COMMENTS The s151 Officer has authored this report.
LEGAL IMPLICATIONS Legal Services have been consulted and have no further comments.
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS Council Agenda for Council on Wednesday, 13th December 2023, 6.00 p.m. - Lancaster City Council Agenda for Council on Wednesday, 28th February 2024, 6.00 p.m. - Lancaster City Council Audit Committee Refreshed Risk Management Policy 22.03.23.pdf (lancaster.gov.uk)	**Contact Officer:** Paul Thompson **Telephone: 01524 582603** **E-mail:** pthompson@lancaster.gov.uk **Ref:** N/A

Medium Term Financial Strategy 2024/25 – 2028/29

<u>The Council Plan 2024-2027</u>

The Council published the Council Plan 2024-2027 in January 2023. The ambitious three-year plan sets out a strong vision for the future of the Lancaster district. Priority policies within the Council Plan 2024-2027 were agreed following the formation of our new Cabinet. The local government association (LGA) worked with Cabinet to develop the refreshed priority list to inform the new Council Plan.

A condensed 'plan on a page' details the refreshed priority polices within the Council Plan 2024-2027:

<u>Vision and Priorities</u>

The Council Plan 2024-2027 highlights the strategic direction of Lancaster City Council and enables us to work towards clearly defined strategic ambitions. The plan will be used as an internal business planning document that sets out the council's future and priority policies. Policies will remain flexible and adaptable to accommodate the changing needs of the district.

<u>Principles</u>

The Council Plan sets out 4 ***Principles.*** The ***Principles*** are the cornerstones of all that we do.

1: A Sustainable District
2: An Inclusive and Prosperous Local Economy
3: Healthy and Happy Communities
4: A Co-operative, Kind and Responsible Council

Themes

The Council Plan sets out 4 ***Themes.*** These ***Themes*** provide greater definition of the principles, to ensure strategy, policy, resources, and service delivery are focussed to effectively deliver the council's agreed outcomes for the district.

1: Action on the Climate Emergency: taking action to meet the challenges of the climate emergency
2: Community Wealth Building (Morecambe Bay Model): building a sustainable and just local economy that benefits people and organisations
3: Increasing well-being. Reducing Inequality: empowering and supporting healthy ways of living, and tackling the causes of inequality
4: Deliver Effective Services, Take Responsibility: bringing people together to achieve the best outcomes for our communities, in tandem with running efficient quality public services

Ambitions

The Council Plan sets out an ambitious vision of the future that will benefit the districts residents, our businesses and natural environment. There are 24 clearly defined ambitions and prioritised 1-6 aligned to the Priorities and Themes within the plan.

Financial Context - We will align budget and resource to deliver the prioritised ambitions.

The Council faces a significant financial challenge. Central government have withdrawn in the region of 40% of our funding over the last decade and millions of pounds of cost burden has been passed on to the local council taxpayers and businesses in the district. Despite this, the council has experienced a significant reduction in real terms spending power.

The council embarked on a programme called Outcomes-Based Resourcing (OBR) during 2023/24 and is now embarking on phase 2 of that process – Fit for the Future (FftF) where will see it examine every area of its budget and match resources more closely with its priorities. The OBR programme includes looking at ways the council can do things differently by utilising technology and being more efficient, as well as considering areas in which it can generate more income. By matching resources closely with priorities, we are successfully delivering services and the ambitions of the Council Plan.

THE PURPOSE, PRIORITIES AND PRINCIPLES OF THE MEDIUM-TERM FINANCIAL STRATEGY

What is the Medium-Term Financial Strategy?
The Medium-Term Financial Strategy (MTFS) outlines the approach to setting out the Council's financial future over the next five years (2024/25 to 2028/29). It estimates the additional costs and pressures that the Council is facing due to inflation, demand, and policy changes, alongside the estimated change in funding. The difference is the funding gap which must be closed to achieve a legally balanced budget.

Purpose and Priorities
The MTFS is a key part of the Council's Budget and Policy Framework which aims to ensure that all financial resources are directed towards the delivery of Council priorities as set out in the Council Plan 2024 – 2027 above. The Strategy describes the financial direction of the Council for financial planning purposes and outlines the financial pressures over a five-year period but is reviewed and updated annually to reflect the dynamic nature and continuing uncertainty of local government funding.

The MTFS establishes the estimated level of revenue resources available to the Council over the medium term and estimates the financial consequences of the demand for Council services. It improves financial planning and strategic financial management through providing the financial context within which the Council budget will be set.

The review also allows for consideration of the Council's reserves policy and level of reserves to ensure there is adequate protection against unforeseen events.

In the current financial climate, the Council's principal financial aim is to continue to effectively align scarce resources to support Council priorities.

The Council's strategic approach, provides a framework to demonstrate how the Council will work and make decisions in the future which will be policy and priority-led and help resource the Council Plan

The Council's MTFS sets out the financial context for the Council's resource allocation process and budget setting. The Councils Performance Management Framework supports the aims within the Strategy by aligning performance with the overall approach to the budget to support the financial sustainability for the Council ensuring that resources are deployed on the outcomes for the District.

There are huge financial pressures on not just Council resources, but those of partners, local businesses, and residents. The Council will continue to work with partners, other organisations, residents and communities to deliver positive outcomes within a reduced budget envelope.

To remain affordable and deliver sustainable public services, the MTFS has three main objectives: -

- Consider the scale of financial challenges over the medium term and take appropriate actions and interventions to achieve financial sustainability and a balanced budget year on year.

- Ensure the Council aligns its limited resources to deliver against priorities.

- Prioritise capital schemes based on deliverability of tangible outcomes whilst considering the context of the overall capital and revenue affordability.

APPROACH AND PRINCIPLES

The MTFS is consistent with the 24 priorities the Council is pursuing. The principles underlying the MTFS 2024/25 to 2028/29 are as follows:

- The overall financial strategy will be to ensure that the Council's resources are directed to the Council Plan. Financial sustainability will be achieved and maintained through a balance of demand management interventions, reducing costs and more efficient ways of working and targeted investment. The Council's MTFS will be reviewed on at least an annual basis.

- The Council will consider a range of delivery mechanisms and funding sources to support capital investment to deliver its priorities, including the use of capital receipts through asset rationalisation and prudential borrowing. Investment will ensure that the full costs associated with financing the investment are considered when investment decisions are taken.

- The Council will maintain its general reserve at a minimum of £5M to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.

- The Council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually.

- Overall Council spending should be contained within original budget estimates. If, following quarterly revenue monitoring, service budgets are projected to exceed original estimates, accountability and recovery plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates.

- The Council recognises the impact of increases in Council Tax levels and fees and charges in an area of relatively low income and low wealth and will therefore balance the need for increases against the delivery of the thrive framework and the need for services.

- The Council will meet its financial obligations and maintain financial sustainability through the setting of a balanced budget and the delivery of outturn within the overall budget each year

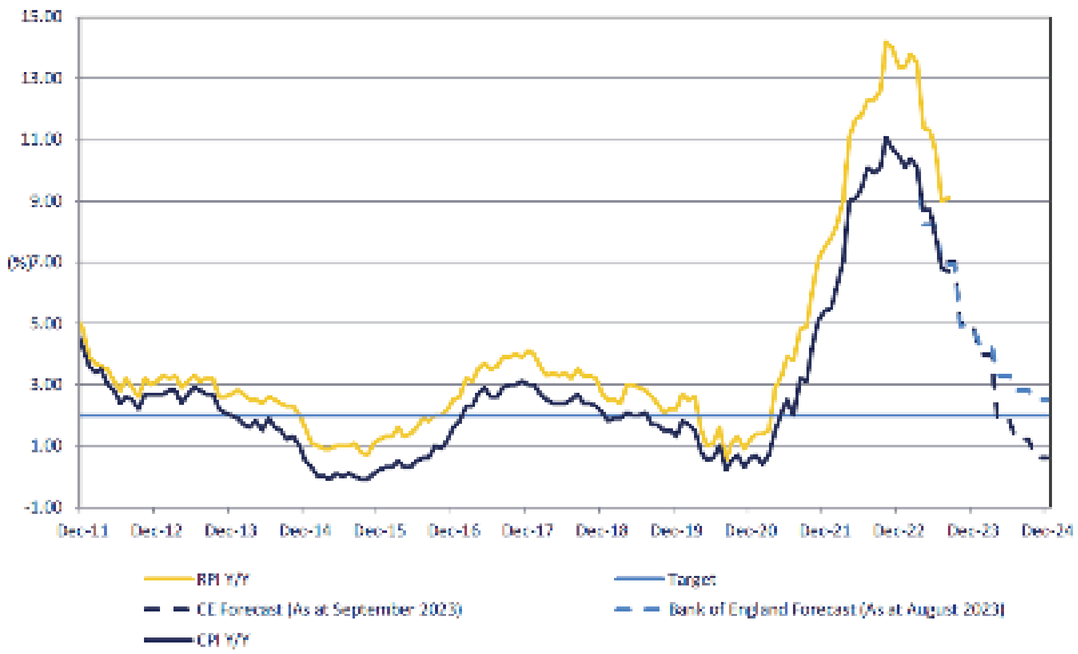
STRATEGIC & OPERATIONAL BACKDROP

The 2023/24 Budget has once again been set against the backdrop of significant change and economic volatility. This level change and volatility is likely to extend for a further 1 to 2 years, which increases the uncertainty around planning estimation and assumptions and puts significant pressure on the Council's limited resources.

Office for Budgetary Responsibility (OfBR) has noted that the medium-term fiscal outlook for the UK has materially worsened due to a weaker economy, higher interest rates and higher inflation. Economic activity has slowed considerably in recent years, with 2 successive quarters of negative growth in gross domestic product (GDP) the UK economy officially fell into recession at the end of 2023. Current commentary suggests a shallow recession with a slow upturn during 2024. Current forecasts from the OBR and Bank of England (BoE) anticipate growth of between 0.4% - 0.7% for 2024.

CPI inflation peaked at 11.1% in the final quarter of 2022/23 which was a 40 year high. Current rates and forecasts show inflation has reduced to 4% and is expected to reduce further returning to the 2% target in the following years.

UK Inflation



Bank Rate has been subject to a succession of increases during the current financial year and is believed to have now peaked at 5.25% which has led to a significant forecast increase in investment interest. Bank Rate is forecast to fall during 2024/25 to an anticipated 3.75% by March 2025 whilst the level of amounts available for investment is falling. In addition, the Council has a need to borrow at a time when PWLB and Local Authority lending rates are rising. This places pressures on the affordability of the Council's Capital Programme and the need to consider how it is funded.

UK Interest Rate Forecast

Bank Rate	NOW	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Link Group	5.25%	5.25%	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%
Capital Economics	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%	-	-	-
5yr PWLB Rate	**NOW**	**Dec-23**	**Mar-24**	**Jun-24**	**Sep-24**	**Dec-24**	**Mar-25**	**Jun-25**	**Sep-25**	**Dec-25**	**Mar-26**	**Jun-26**	**Sep-26**	**Dec-26**
Link Group	5.26%	5.10%	5.00%	4.90%	4.70%	4.40%	4.20%	4.00%	3.90%	3.70%	3.70%	3.60%	3.60%	3.50%
Capital Economics	5.26%	5.20%	5.10%	4.90%	4.80%	4.60%	4.40%	4.30%	4.10%	4.00%	3.90%	-	-	-
10yr PWLB Rate	**NOW**	**Dec-23**	**Mar-24**	**Jun-24**	**Sep-24**	**Dec-24**	**Mar-25**	**Jun-25**	**Sep-25**	**Dec-25**	**Mar-26**	**Jun-26**	**Sep-26**	**Dec-26**
Link Group	5.34%	5.00%	4.90%	4.80%	4.60%	4.40%	4.20%	4.00%	3.80%	3.70%	3.60%	3.60%	3.50%	3.50%
Capital Economics	5.34%	5.10%	4.80%	4.70%	4.60%	4.50%	4.30%	4.20%	4.10%	4.00%	3.90%	-	-	-
25yr PWLB Rate	**NOW**	**Dec-23**	**Mar-24**	**Jun-24**	**Sep-24**	**Dec-24**	**Mar-25**	**Jun-25**	**Sep-25**	**Dec-25**	**Mar-26**	**Jun-26**	**Sep-26**	**Dec-26**
Link Group	5.77%	5.40%	5.20%	5.10%	4.90%	4.70%	4.40%	4.30%	4.10%	4.00%	3.90%	3.80%	3.80%	3.80%
Capital Economics	5.77%	5.50%	5.10%	5.00%	4.90%	4.80%	4.60%	4.50%	4.40%	4.30%	4.10%	-	-	-
50yr PWLB Rate	**NOW**	**Dec-23**	**Mar-24**	**Jun-24**	**Sep-24**	**Dec-24**	**Mar-25**	**Jun-25**	**Sep-25**	**Dec-25**	**Mar-26**	**Jun-26**	**Sep-26**	**Dec-26**
Link Group	5.54%	5.20%	5.00%	4.90%	4.70%	4.50%	4.20%	4.10%	3.90%	3.80%	3.70%	3.60%	3.60%	3.60%
Capital Economics	5.54%	5.00%	4.90%	4.80%	4.70%	4.60%	4.50%	4.40%	4.30%	4.20%	4.00%	-	-	-

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction from the new Standard Loan rate of 100bps over Gilts effective as of the 26th November 2020.

Considering these economic challenges households in the district are especially impacted as they spend greater shares of their income on fuel and food. These include.

- Single people on low incomes (on benefits or in work)
- Families with children
- Pensioners
- Those with disabilities

To provide support for those in greatest hardship, Cabinet recently approved the continuation of the Council's 100% Council Tax Support scheme for 2024/25 which means households most in need can apply for full relief from Council Tax. Lancaster City Council will be one of only a handful of local authorities in the Northwest to continue to have a 100% Council Tax Support scheme in 2024/25.

Central Government released a single-year Finance Settlement resulting in difficulties in forecasting in the medium and longer term which is required when developing the Council's Medium Term Financial Strategy.

Further uncertainties remain around the future of Heysham 1 & 2 Power Stations and their decommissioning plans. Whilst Central Government provides a mechanism to limit the losses incurred by the Council, given they account for a significant proportion of the Council's Business Rates income this remains a considerable risk to the Council's financial position.

On 19th January 2023 the Council was successful in its bid to secure £50M from Department for Levelling Up towards the Eden Project Morecambe. This is excellent news and a great boost for the district. Securing Government funding was an important step, but much work still remains to be done by Eden and the project partners. It will naturally be some years before the impact of increased income from business rates and tourism filter through. In the meantime, officers are working with Eden and the other partners to implement the required governance and delivery mechanisms to ensure that the full benefits of the project are secured.

Lack of Funding Reform to Address Areas with High Needs/Low Tax Bases Longer-term reform of local government funding has been delayed until the next Parliament and a structural solution is needed to meet the many statutory duties and demands placed on all local authorities.

Local Government Finance Settlement 2024/25

The Government released the provisional local government finance settlement on 19 December 2023, with the final settlement released on 5 February 2024. The final settlement included an additional £0.190M in the funding guarantee and services grant above that announced in the provisional settlement. The main aspects of the settlement are set out below:

- The calculation of Core Spending Power
- The level of Council Tax increase (excluding social care) beyond which a referendum is required increased to 3% or £5 whichever is the greater for 2024/25
- The freezing of the small Business Rates "multiplier" for 2024/25 with the small and standard Business Rates multipliers now being de-coupled.
- Continuation of a number of funding streams including Revenue Support Grant, which was originally due to cease in 2020/21, Services Grant, although at a reduced level and New Homes Bonus. The future of New Homes Bonus in its current form remains uncertain.
- The Settlement includes a sector-wide Funding Guarantee grant to ensure that all Council's receive a minimum of 4% increase in spending power before making any local decisions on council tax.

A summary of the final settlement for Lancaster City Council is show in table one below. Assumptions have been included to estimate Government funding from 2025/26 onwards however actual allocations for this period are currently unknown.

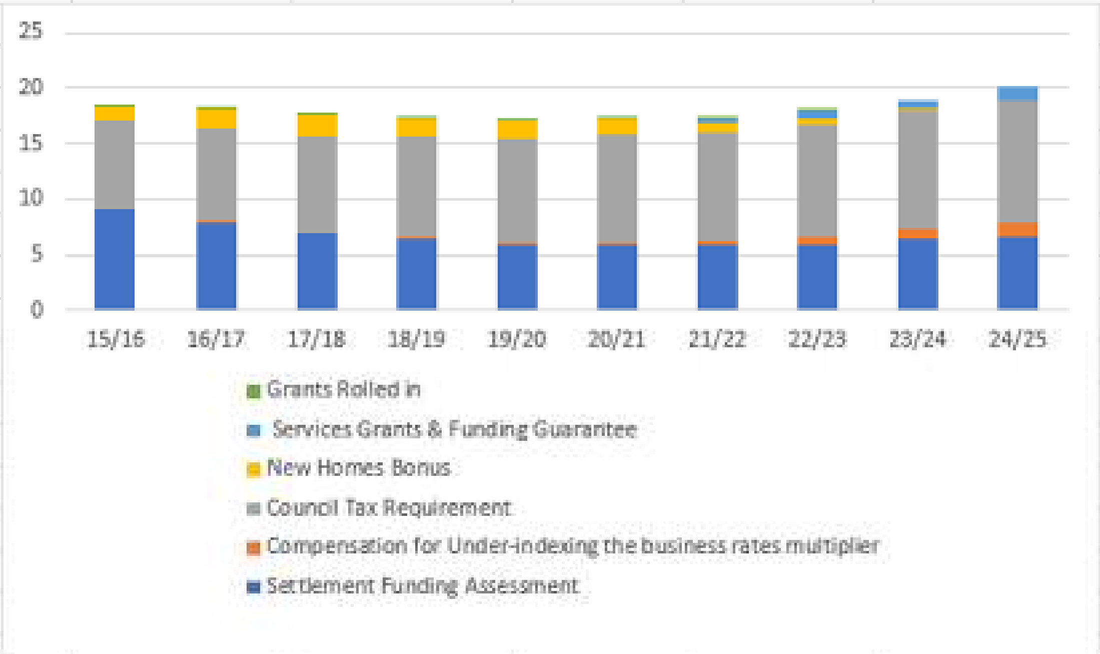
Final Settlement allocations for Lancaster City Council 2024/25

	Final Settlement £000	LCC Forecast £000	Difference £000
Settlement Funding Assessment Revenue Support Grant	433	406	27
New Homes Bonus	10	0	10
Funding Guarantee	1,188	605	583
Services Grant	40	232	(192)
Total Government Funding	**1,671**	**1,243**	**428**

Core Spending Power
Core Spending Power (CSP) is a measure used by the Government to set out the resources available to a Council to fund service delivery. The calculation of CSP has changed over the years and now combines certain grants payable to Council together with estimates of Business Rates and Council Tax, these estimates are based on Government assumptions.

On the basis of the provisional Settlement, the Council's CSP for 2024/25 will increase from £18.93M to £20.09M or 6.1% when compared to CSP in 2023/24 and includes an assumption by Government that Councils will increase their Council Tax by the maximum allowable. This is in comparison to the average increase in CSP for all Councils in England of 7.5%

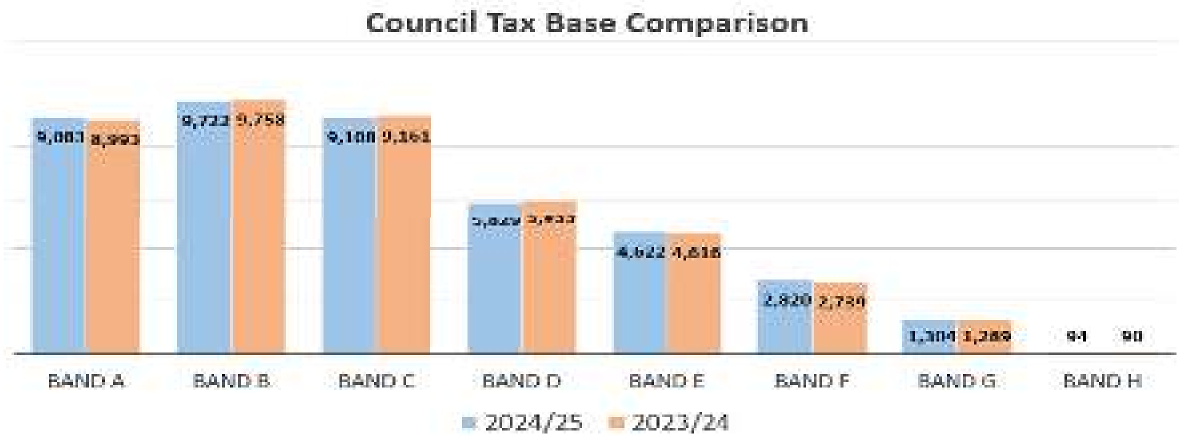
Core Spending Power 2015/16 – 2024/25



The table above compares the historic value of CSP, and shows the Council is now almost entirely reliant on Council Tax and Business Rates with a small amount of income from central government grants to fund net expenditure and it is, therefore, important to provide regular estimates of these key funding streams.

<u>Council Tax</u>
Council Tax is the Council's primary source of funding and is calculated by multiplying the tax base, the number of eligible residential properties (expressed in band D equivalents), by the level of the district council precept which is determined each year. Growth in housing numbers inevitably increases the taxbase and, therefore, Council Tax income.

The tax base for 2024/25 has been calculated as 42,583 Band D equivalent properties after allowing for a collection rate of 98.68%, the same as in previous years. This equates to a 0.01% increase in the tax base. There are three issues underlying the lack of growth which in previous years has been in the region of 1% increase per annum. Fewer new properties than forecast were completed during 2023/24 and the number of new properties forecast for 2024/25 is also reduced. There has also been an increase in exempt accounts together with an increase in the number of properties eligible for 25% occupancy reductions. From 2025/26 1% growth in the Tax base has been used for forecasting.



The Council recognises the impact that Council Tax has on its residents and will always take their ability to pay into consideration when setting Council Tax levels. It provides a 100% Local Council Tax Support Scheme. However, the Council should adopt an approach where local sources of funding are maximised as far as is reasonably practicable to do so.

Government's referendum criteria limits increases in the Council's element of Council Tax to 3% or £5, whichever is greater. For the purposes of forecasting, it has been assumed that the Council will increase council tax by 2.99%, the maximum allowed, before triggering a referendum in each of the next three years. The table below sets out Council Tax forecasts for the next four years including a sensitivity analysis showing the potential impact on council tax yield of different scenarios.

Council Tax Forecasts

	Actual 2023/24	**Forecast 2024/25**	**Forecast 2025/26**	**Forecast 2026/27**	**Forecast 2027/29**	**Forecast 2028/29**
Council Tax Band D 2.99% increase		£256.63	£264.31	£272.31	£280.35	£288.73
Council Tax Band D (£5 increase)	£249.18	£254.18	£259.18	£264.18	£269.18	£274.18
Tax base (1% growth from 2023/24)	42,579	42,583	43,009	43,439	43,873	44,312
Council Tax Income	**£10,610,019**	**£10,928,285**	**£11,367,591**	**£11,824,557**	**£12,299,892**	**£12,794,335**
Previous MTFS		£11,037,000	£11,480,000	£11,942,000	£12,422,000	£12,422,000
Difference Increase/(Decrease)		**(£108,715)**	**(£112,409)**	**(£117,443)**	**(£122,108)**	**(£122,108)**
Scenario 1 – no increase In Council tax over period Of MTFS		(£425,985)	(£762,875)	(£1,117,703)	(£1,489,460)	(£1,380,135)
Scenario 2 – Council Tax Band D £5 increase		(£213,070)	(£332,786)	(£466,120)	(£611,994)	(£272,334)
Scenario 3 – 1.5% increase in tax base growth & 2.99% increase in Council Tax Band D		(£108,715)	(£56,134)	(£79)	£61,469	£627,576

Business Rates
Business rates is now a fundamental part of the local government finance settlement and, along with Council Tax, accounts for the majority of local government financing. There are currently several significant uncertainties which make forecasting and planning extremely difficult, these are set out below. The Council uses its business rates retention reserve to mitigate against significant fluctuations in income levels and provide some budgetary stability.

Following on from the Chancellor's autumn statement, the small and standard business rates multipliers have been de-coupled for the first time. The small business rates multiplier has been frozen for the fourth year in a row whilst the standard multiplier has been uprated by the increase in CPI inflation of 6.7%. The potential level of inflation to build in for future years and S31 grant received to compensate for the freezing of the small business rates multiplier can be difficult to forecast with accuracy. The retained business rates calculation is also heavily dependent on the future tariff, baseline and safety net levels which drive it and these change in line with the Local Government Finance Settlement each year.

Heysham Power Stations
We are one of only a small number of Councils with a nuclear power station within its boundary. The rateable value of the Heysham1 and Heysham 2 nuclear reactors accounts for over 30% of the Council's total rateable value. Although the retained business rates scheme does have a safety net mechanism in place to ensure that an authority's income does not drop below more than a set percentage of its index linked spending baseline, the Council is vulnerable to swings in income levels relating to the power station' operations. Heysham 1 is shortly due to be decommissioned with its operators, EDF currently giving an end of generation date of March 2026 rather than the date of March 2024 previously given. There remains a level of uncertainty around the exact timing and whilst EDF have an ambition to continue generation for a further year past the March 2026 date they have also commented that the March 2026 date may not be achieved and remains dependent on future graphite inspection results.

Baseline Reset
It was expected that, at some point as part of government funding reviews, there would be a business rates growth reset effectively removing all growth from the system by setting the business rates baseline to equal actual rates levels. To date this has not taken place the year against which the reset would be referenced and how this may interact with the potential nuclear power station decommissioning timetable is an unknown.

Green Energy Disregard
The Council receives a 'disregard' for renewable energy hereditaments which means that 100% of the business rates for these properties is retained by the authority. It is estimated that in 2024/25, this will be worth £3.970M. There is, however, no absolute guarantee that the Government won't discontinue this advantageous arrangement at some point in the future.

The table below provides Business Rates forecasts for the next four years incorporating a number of assumptions. Current forecast assumptions are:

- Heysham 1 reactor to be decommissioned March 2026
- Growth of 2% in 2025/26 onwards together with a 2% uplift in baseline and tariff
- Continuation of the green energy disregard in its current form

Business Rates Forecasts

	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
Retained Business Rates	9,197,200	9,155,600	-	-	-
Safety Net Payment	-	-	7,333,900	7,556,500	7,731,600
Renewable Energy Disregard Income	3,969,900	4,049,300	4,130,300	4,212,900	4,297,200
Total net retained business rates	**13,167,100**	**13,204,900**	**11,464,200**	**11,769,400**	**12,028,800**

New Homes Bonus

New Homes Bonus is a reward grant which is calculated from Council Taxbase figures. There remains a risk that the Government will seek to further reduce the grant in future years which would increase the budget gap at the Council. The current forecast of levels of New Homes Bonus is set out in the table below.

New Homes Bonus

	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	2028/29 £000's
Annual Reward	10	90	90	90	90
Previous MTFS	188	188	188	188	188
Difference Increase/ (Decrease)	(178)	(98)	(98)	(98)	(98)

GENERAL FUND PROJECTIONS
The table below outlines the current forecast budgetary position for 2024/25 to 2028/29

General Fund Revenue Projections 2024/25 to 2028/29

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Revenue Budget Forecast 23 February 2023	**23,407**	**25,253**	**27,342**	**27,690**	**0**
Base Budget Changes					
Operational Base Budget Changes	878	1,524	1,953	2,195	31,035
Local Plan	423	98	0	0	0
	24,708	**27,075**	**29,295**	**29,885**	**31,035**
Outcomes Based Resourcing Proposals					
Savings & Income Proposals	(1,233)	(1,402)	(1,429)	(1,456)	(1,484)
Growth Proposals	125	51	52	53	54
Impact of Review of the Capital Programme	(105)	(574)	228	228	96
	23,495	**25,150**	**28,146**	**28,710**	**29,701**
Impact of Final Local Government Finance Settlement	(401)	(311)	(311)	(311)	(311)
Contribution to/ (from) Unallocated Reserves	1,914	1,168	(600)	(500)	
General Fund Revenue Budget 28th February 2024	**25,008**	**26,007**	**27,235**	**27,899**	**29,390**
Core Funding					
Revenue Support Grant	(433)				
Prior Year Council Tax (Surplus)/Deficit	141				
Prior Year Business Rates (Surplus)/Deficit	(621)				
Net Business Rates Income	(13,167)	(13,205)	(11,464)	(11,769)	(12,029)
Council Tax Requirement	**10,928**	**12,802**	**15,771**	**16,130**	**17,361**
Estimated Council Tax Income					
(Increase Based on 2.99% for 2024/25 then maximum allowable	**(10,928)**	**(11,367)**	**(11,824)**	**(12,300)**	**(12,794)**
Resulting Base Budget (Surplus)/ Deficit	**0**	**1,435**	**3,947**	**3,830**	**4,567**

Table shows that, despite of the work undertaken by Officers and Members to balance the budget for 2024/25, there still remains a significant challenge, with the Council facing a shortfall of £1.435M in 2025/26 with an estimated total shortfall of £4.567M over the 5-year period. This is position is further outlined in section 6.

Budget Principles and Assumptions

Within the revenue budget there are several principles and key assumptions underpinning the proposed revenue strategy. These are:

i. Annually, a balanced revenue budget will be set with expenditure limited to the amount of available resources.
ii. No long-term use of balances to meet recurring baseline expenditure.
iii. Resources will be targeted to deliver corporate ambitions and value for money. Any additional investment and spending decisions will be made to reflect Council priorities and strategic commitments.

The table below, lists the main assumptions that have been made within the MTFS with further details discussed in later paragraphs.

5 Year MTFS Planning Assumptions

	2024/25	2025/26	2026/27	2027/28	2028/29
Council Tax Base Growth	0.001%	1.00%	1.00%	1.00%	1.00%
Council Tax Increase	2.99%	2.99%	2.99%	2.99%	2.99%
Council Tax Collection Rate	98.67%	98.67%	98.67%	98.67%	98.67%
Small Business Rates Multiplier	Frozen	Frozen	Frozen	Frozen	Frozen
Fees & Charges	Various	Various	Various	Various	Various
Inflation – Pay	5.95%	3.50%	3.00%	3.00%	3.00%
Employer Pensions Contribution	16.30%	16.30%	16.30%	16.30%	16.30%
Inflation – Insurance	10.00%	10.00%	10.00%	10.00%	10.00%
Inflation Utilities	Gas: Current Price	Gas: Current Price	Gas: Current Price	Gas: Current Price	Gas: Current Price
	Electric: Current Price	Electric: Current Price	Electric: Current Price	Electric: Current Price	Electric: Current Price
Other inflation	2.80%	1.70%	2.50%	2.50%	2.50%
Interest Rate – investments	4.68%	3.00%	2.00%	2.00%	2.00%
Interest Rate – new borrowing	4.50%	3.80%	N/A	N/A	N/A

Savings and Income Generation Proposals
The budget savings, or income growth identified as part of the 2024/25 budget discussion relate to several areas where actions are being undertaken by the Council and are incorporated within the MTFS. Some of the key areas are summarised by Service in the table below, with more information included within the Budget and Policy Framework General Fund Revenue Budget 2024/25 item on the agenda

Directorate Summary Savings Proposals

-	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Council Wide (Fees & Charges)	(838)	(855)	(872)	(889)	(907)
Communities & Leisure	(113)	(160)	(163)	(166)	(169)
Environment & Place	(77)	(78)	(79)	(80)	(81)
Housing & Property	(15)	(115)	(117)	(119)	(121)
People & Policy	12	12	12	12	12
Planning & Climate Change	(72)	(73)	(74)	(75)	(76)
Resources	(30)	(31)	(32)	(33)	(34)
Sustainable Growth	25	(51)	(52)	(53)	(54)
Net Savings	**(1,108)**	**(1,351)**	**(1,377)**	**(1,403)**	**(1,430)**

Failure to deliver these savings will place additional pressure on the Council's resources and so as part of the Council's quarterly monitoring process (Delivering our Priorities), progress by Budget Holders against these targets will be monitored and reported to Members via Cabinet and Budget & Performance Panel.

Revenue Impact of Capital Programme Budget Process & Review
Cabinet and Strategic Leadership Team have considered new schemes for inclusion in the Capital Programme via the submission of strategic outline followed by full business cases during the budget process. The Council's previous Capital Programme has also been reviewed with a view to repositioning and reprofiling several capital schemes. This has altered the impact that capital projects have on revenue due to Minimum Revenue Provision (MRP) and interest costs. Details of the estimated additional expenditure or savings are detailed in the table below:

Revenue Impact of Capital Programme Budget Process & Review

	2024/25 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Revenue Impact of Capital Programme Changes	(105)	(574)	228	228	96

CAPITAL INVESTMENT AND FINANCING

Capital Investment

Through its capital programme the Council plans net investment of £32.326M between 2023/24 and 2028/29 with a further £6.883M currently planned up to 20232/33. This investment will support the delivery of its key Strategic Priorities and Outcomes such as Climate Emergency, Housing and Regeneration as well as investing in of existing property, facilities, and equipment to deliver services, or to meet legislative requirements.

The current programme is split between approved schemes, that is those which have a fully formed business case in line with Treasury Green Book requirements, and those still under development for which a provision has been made whilst work is undertaken to fully work up schemes. Schemes classified as Under Development have had strategic outline business cases approved in principle by Cabinet but **cannot** commence until full business cases have been considered, first by the Capital Assurance Group, and then approved by Cabinet.

Schemes which are in this section of the Capital Programme which will require significant capital expenditures and borrowing will need a business case to demonstrate that income arising from the capital investment can cover all borrowing costs and delivering a positive return to the Council's revenue budget.

Summary details of the current 5-year capital programme are given below

Capital Programme

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Approved Schemes							
Communities & Leisure	259	976	291	-	-	-	1,526
Environment & Place	1,292	1,301	5,067	630	1,073	1,761	11,124
Housing & Property	2,335	2,524	899	940	328	539	7,565
People & Policy	-	-	-	-	-	-	-
Planning & Climate Change	-	240	2,193	-	-	-	2,433
Resources	1,386	1,341	286	316	326	181	3,836
Sustainable Growth	937	115	530	30	30	0	1,642
Schemes Under Development	-	200	4,000	-	-	-	4,200
Total Net Capital Programme	**6,209**	**6,697**	**13,266**	**1,916**	**1,757**	**2,481**	**32,326**

Capital Financing

The Council's Capital Financing Requirement (CFR) is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's CFR is set to increase from the current estimated 2023/24 position of £101.04M to £112.54M in 2025/26 before decreasing in 2028/29 to £101.88M.

Capital Financing Requirement

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital Financing Requirement							
CFR – Non-Housing	63.56	66.95	70.47	80.54	77.81	74.99	73.00
CFR – Housing	35.13	34.09	33.05	32.00	30.96	29.92	28.88
Total CFR	**98.69**	**101.04**	**103.52**	**112.54**	**108.77**	**104.91**	**101.88**
Movement in CFR							
Non-Housing	4.50	3.38	3.52	10.07	-2.73	-2.82	-1.99
Housing	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Net Movement in CFR	**3.46**	**2.34**	**2.48**	**9.03**	**3.77**	**-3.86**	**-3.03**

Movement in CFR represented by							
Net financing need for the year (above) re Non-Housing	4.61	6.02	6.53	13.26	1.92	1.75	2.48
Less MRP/VRP and other financing movements	-1.15	-3.68	-4.05	-4.23	-5.69	-5.61	-5.51
Net Movement in CFR	**3.46**	**2.34**	**2.48**	**9.03**	**-3.77**	**-3.86**	**-3.03**

Based on the capital programme, the overall physical borrowing position of the Council is projected to increase by £21.87M over the next three years from its estimated current position of £59.00M to £80.88M at the end of 2025/26 in order to finance the Council's capital ambitions. It is then forecast to reduce slightly year on year reflecting repayments of the HRA self-financing loan. See table fourteen below.

Forecast Borrowing Position

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
External Debt							
Debt at 1 April	**60.05**	**59.01**	**63.97**	**71.93**	**80.88**	**79.84**	**78.80**
Expected change in Debt	**-1.04**	**4.96**	**7.96**	**8.95**	**-1.04**	**-1.04**	**-1.04**
Other long-term liabilities (OLTL)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Expected change in OLTL	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Actual gross debt at 31 March	**59.01**	**63.97**	**71.93**	**80.88**	**79.84**	**78.80**	**77.76**
The Capital Financing Requirement	**98.69**	**101.02**	**103.52**	**112.54**	**108.77**	**104.91**	**101.88**
Under Borrowing	**-39.69**	**-37.07**	**-31.59**	**-31.66**	**-28.93**	**-26.11**	**-24.12**

This level of borrowing is assessed for affordability, sustainability, and prudence in line with the Council's Treasury Management Strategy and requires annual approval by Council following consultation with Budget & Performance Panel. Council will be asked to formally approve the annual Treasury Management Strategy.

The Council is required to repay an element of the accumulated General Fund CFR each year through a revenue charge known as the minimum revenue provision (MRP) together with the interest charges associated with the borrowing. Council is asked to formally approve the MRP policy annual as part of the Treasury Management Strategy.

Tables fifteen and sixteen provide forecast levels of annual capital financing charges and their respective proportion of the revenue budget.

Revenue Impact of Capital Decisions

	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M
Interest	1.568	1.541	2.098	2.106	2.114	2.123
MRP	2.638	3.010	3.194	4.653	4.567	3.474
Total	**4.206**	**4.551**	**5.292**	**6.759**	**6.681**	**5.597**

Ratio of Financing Costs to Net Revenue Stream

	2022/23 Actual %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %
General Fund	5.90	19.94	18.20	20.20	24.65	23.79	22.30
HRA	18.79	17.00	16.22	16.25	15.99	15.75	15.75

As can be seen based on current General Fund capital programme and accompanying borrowing estimates debt financing costs within the General Fund are set to increase to just under a quarter of the Council's annual net revenue budget. Levels will, therefore, need to be closely monitored and the impact on affordability of new capital schemes carefully considered as part of the business case assessment and governance processes. Estimates within the HRA are currently seen to decrease as the borrowing undertaken as part of HRA self-financing is repaid.

The financing of capital projects can be from a variety of sources, such as external grants, the use of reserves, and the application of capital receipts. A significant workstream for the OBR Assets Group is to review and realign the Council's existing asset base to identify those assets which no longer met the Council's objectives and may be able to generate a capital receipt. However, the OBR process does provide a priority order for the use of capital receipts. Firstly, to fund transformation costs, that is costs that are associated with service transformation and delivery of efficiencies. Secondly, investment to reduce costs, which is not necessarily investing in a new asset; and given the levels of current financing costs, giving consideration to financing existing short life assets such as ICT and vehicles to reduce the MRP burden on the General Fund. Finally, the use of receipts to fund other schemes within the Capital Programme.

Details of the Councils Capital Programme, Capital Strategy and Treasury Management Strategy are included at Appendices A, B and C

THE SHORT & MEDIUM-TERM BUDGET GAP

Government funding and income forecasts covered previously within this report, together with the budget expenditure, savings and income estimates that have been calculated as part of the 2024/25 revenue budget process provide an updated forecast of the budget gaps over the next three years. This is shown below in the graph and Table seventeen

Cumulative Deficit as Percentage of Revenue Budget

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Revenue Budget (Estimate 20 February 2024)	25,008	26,007	27,235	27,899	29,390
Budget Gap (Incremental)	*0*	*1,435*	*3,947*	*3,830*	*4,567*
Percentage of Net Revenue Budget (Incremental)	0%	6%	14%	14%	16%

The forecast gaps are structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive, and this is compounded year on year. This position represents a significant challenge over the short and medium term. It is imperative that the Council's OBR process continues into its next phase – Fit for the Future. This will be fundamental in driving down budget gaps from 2024/25 and beyond and in realising financial sustainability.

It should be noted that this forecast is based on a series of estimates and assumptions and so is subject to change when more up to date information becomes available. However, it provides Members with a clear view of the extent of the challenge facing the Council over the coming years.

PROVISIONS, RESERVES AND BALANCES

A Council's reserves are an essential part of good financial management. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for the Council as part of the MTFS.

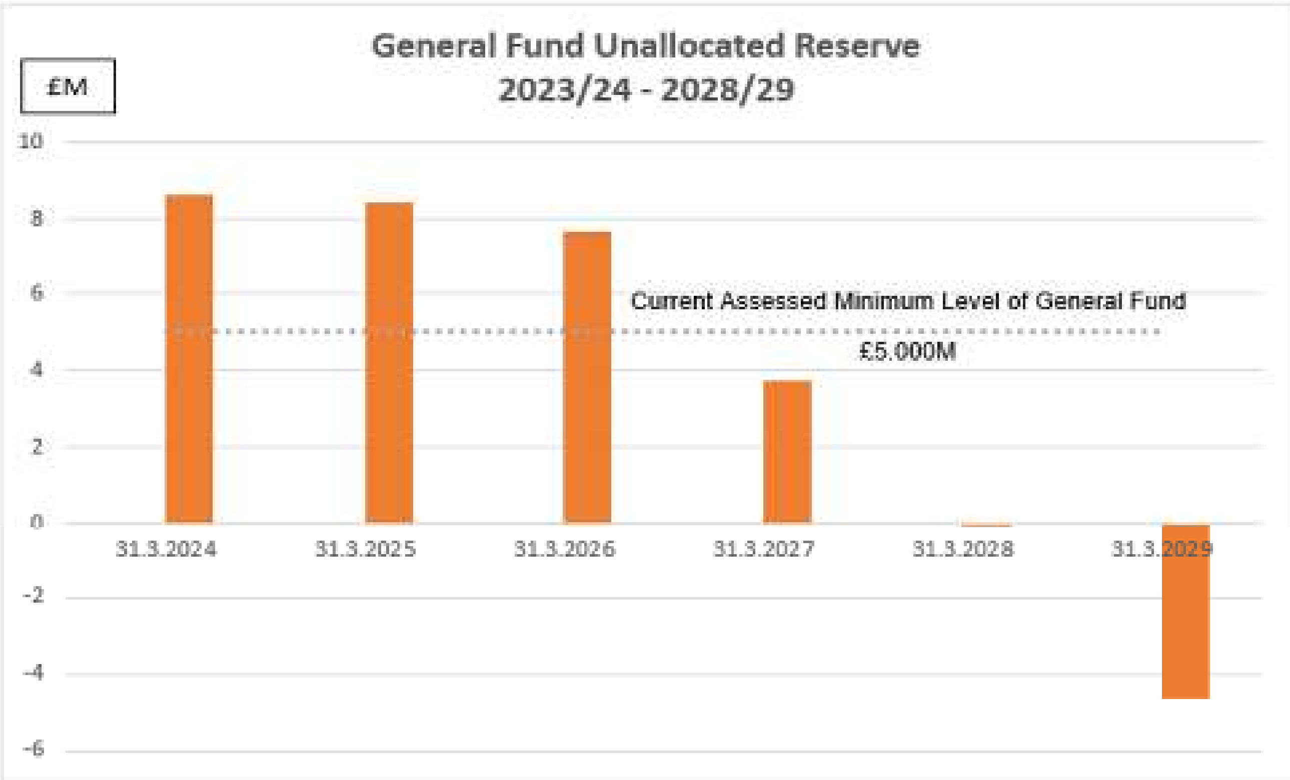
Councils generally hold two types of reserves, "Unallocated" to meet short term unexpected cost pressures or income reductions and "Earmarked". The latter can be held to provide for some future anticipated expenditure for identified projects, particularly in respect of corporate priorities, address specific risks such as the previously identified upcoming pressures on business rates retention reserve resulting from the decommissioning of H1 & H2, or to fund transitional arrangements resulting from the OBR process. They may also provide up-front funding for measures which specifically result in future efficiencies, cost savings or increased income, or to hold funding from other bodies, (mainly Central Government), for specified purposes.

Schedule of Earmarked Reserves

Reserve	**Purpose of the Reserve**
Business Rates Retention	To support the budget in the event that Business Rates Income does not reach budgeted levels or falls to Safety Net, due to fluctuations in appeals or other reductions in net income, and to hold any unbudgeted (surplus) rating income prior to use.
Planning Income	To hold surplus income generated as a result of the Government's 20% increase in planning fee income. To be used to fund additional costs/growth relating to Planning functions (in line with any regulatory guidance).
Capital Support	To provide cover for any revenue costs arising through shortfalls in capital financing (i.e. from capital receipts).
Elections	To even out the cost of holding City Council elections every four years.
Renewals	To provide for the renewal (replacement or upgrade) of existing facilities and infrastructure needed for service delivery, such as vehicles, plant, and equipment.
Amenity Improvements	To provide public realm amenity improvements.
Corporate Priorities	To provide resources to help finance capacity / feasibility / review and other development work in support of the Council's corporate priorities as adopted by Council in December 2023.
Corporate Property	To provide for feasibility studies, surveys and repair works to municipal buildings and facilities (in particular, for those that cannot be capitalised as part of the current works programme or are not otherwise budgeted for). In addition, to provide cover for any in-year rental shortfalls.
Invest to Save	To help finance any Invest to Save initiatives.
Investment Property Maintenance	A sinking fund to provide funds for future investment property maintenance
Restructure	To fund the costs associated with early termination of staff (in the interests of efficiency / redundancy) / Pay and Grading Review.
Revenue Grants Unapplied	Grants, usually for Government, which are provided for an expressed purpose.
Lancaster District Hardship Fund	To provide short term financial assistance for those in hardship and also address some of the reasons why people find themselves in acute financial hardship and provide discretionary support to prevent this.
S106 Commuted Sums	Three separate reserves to receive all sums paid to the Council from third parties for the maintenance of (1) open spaces adopted by the City Council (2) affordable housing schemes (3) other amenities such as cycle paths.
Museums Acquisitions	To acquire exhibition pieces for the City's museums.
Held in Perpetuity	Two small reserves that have a specific purpose which are administered by the Council. These are Graves Maintenance and Marsh Capital

By their nature reserves are finite and, within the existing statutory and regulatory framework, it is the responsibility of the s151 Officer to advise the Council about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use. In accordance with the S151 Officers advice the minimum level of General Fund unallocated reserve is £5M.

The graph and table below provide details of our current forecast level of General Fund Unallocated Balances including the impact of funding the forecast deficit from this reserve.

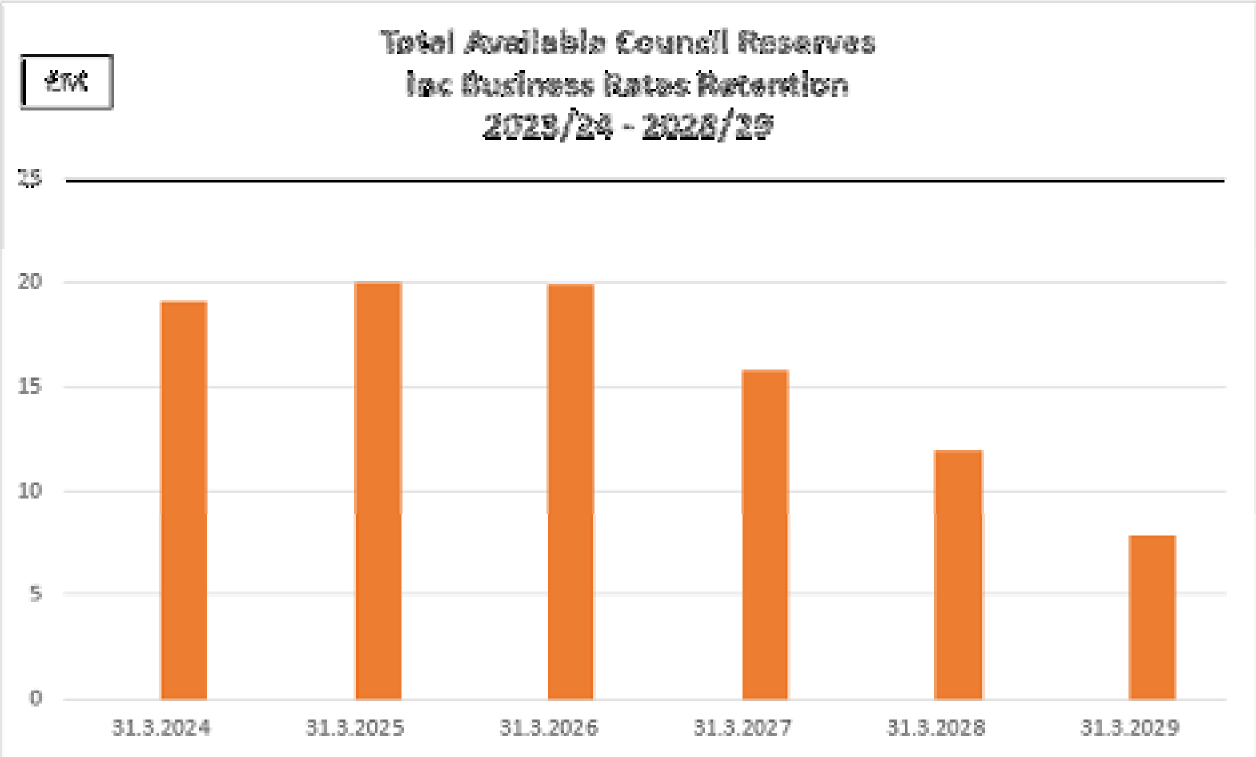


Estimated Level of General Fund Unallocated Reserves

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Balance brought forward	(11.678)	(8.620)	(8.412)	(7.699)	(3.752)	0.078
Forecast Overspend	0.677	0.000	1.435	3.947	3.830	4.567
Contributions (to)/from	2.381	0.458	(0.722)	0.000	0.000	0.000
Impact of 2023/24 budget decisions	0.000	(0.250)	0.000	0.000	0.000	0.000
Balance carried forward	**(8.620)**	**(8.412)**	**(7.699)**	**(3.752)**	**0.078**	**4.645**

The graph and supporting table below provide details of our current forecast level of all available Council reserves. The analysis excludes a number of essentially ring-fenced reserves such as s106, reserves held in perpetuity, revenue grants unapplied & elections it does include reserves such as Business Retention and Renewals Reserves.

The Business Rates Retention Reserve is a mandated reserve, its purpose is to manage the risk of fluctuations in business rates income, including changes in the Council's appeals provision and movements in forecast prior year surpluses or deficits. Whilst the transfers can be made to the general fund it is required to be maintained at a prudent level to manage the risks with business rates and not to support ongoing budget deficits. On this basis the graph below is used to underline the serious of the current situation against the Council's entire resource not only the general fund.



Estimated Combined Level of Reserves (excluding S106 Reserves & Reserves Held in Perpetuity etc)

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Balance brought forward	(22.308)	(19.085)	(20.005)	(19.836)	(15.785)	(11.950)
Forecast Overspend/Deficit	0.677	0	1.435	3.947	3.830	4.567
Contributions (to)/from	2.546	(0.670)	(1.266)	0.104	0.005	(0.495)
Impact of 2023/24 budget decisions	0	(0.250)	0	0	0	0
Balance carried forward	**(19.085)**	**(20.005)**	**(19.836)**	**(15.785)**	**(11.950)**	**(7.878)**

Whilst this position represents an improvement on the previously reported position, these tables clearly highlight the significant pressure the Councils reserves are under should funding from reserves be required due to the forecast level of overspend in future years not being addressed.

Reserves Policy

The Council's policy on reserves is as follows:

- The Council will maintain its general reserve at a minimum of £5M to cover any major unforeseen expenditure. The Council will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
- The Council will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed annually.
- The Council's general reserve is available to support budget setting over the period of the MTFS and usage should be linked to the achievement of financial sustainability over the medium term.

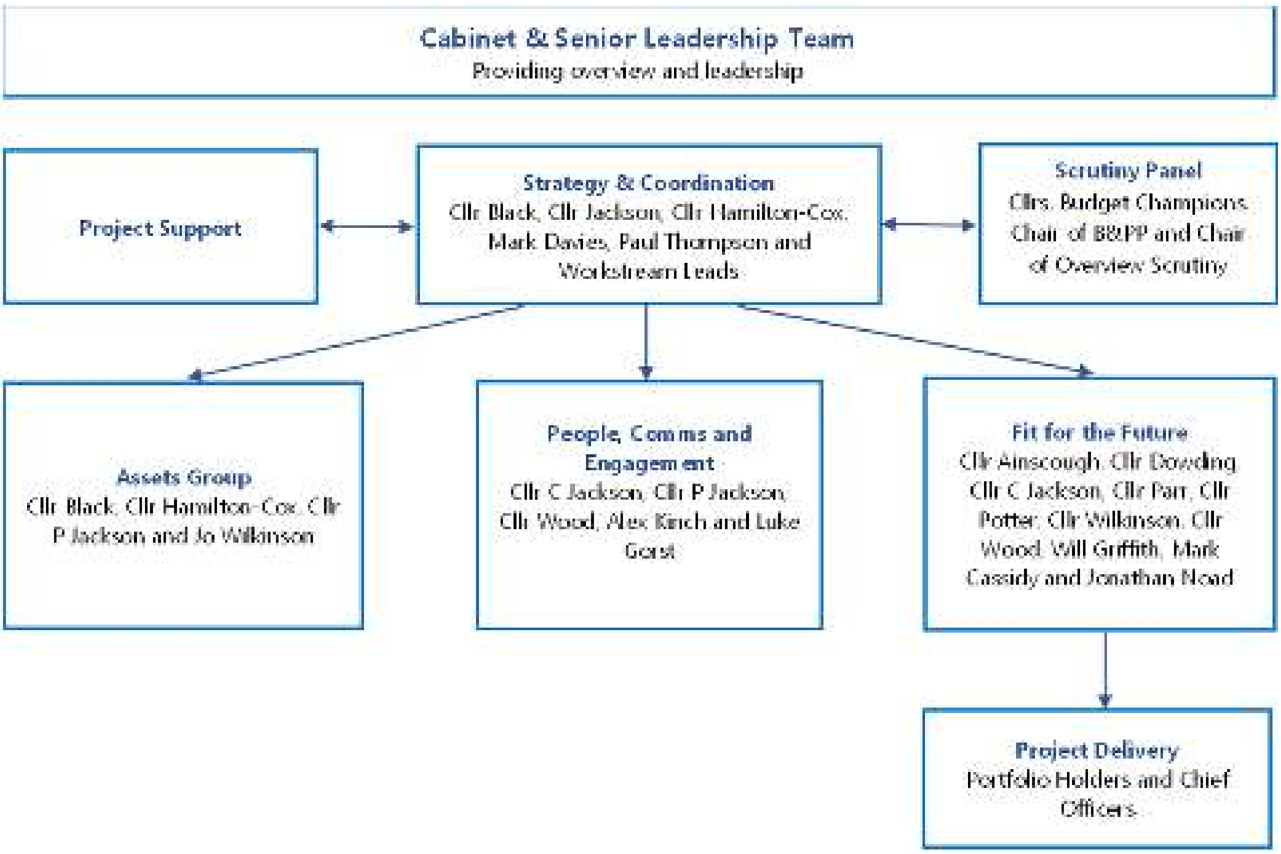
Governance Arrangements on the Use of Reserves
Given the continuing financial pressures and the need for the prudent use of reserves the following arrangements exist for the approval of reserves expenditure:

- All applications will need to be supported by a bid document setting out how expenditure funded from Reserves will deliver corporate priorities with a clear costing statement schedule of specific outcome measures. Details of the bid proforma document is attached
- Reserve bids should be agreed by Portfolio Holder in consultation with relevant Chief Officer.
- Once received bids will need to be formally agreed by the Leader of the Council, Chief Executive, Portfolio Holder for Finance and Resources, Monitoring Officer and the s151 Officer before expenditure is authorised and can be incurred.

These arrangements will be reviewed again as part of the annual revenue budget process. The monitoring of reserves is incorporated into the quarterly performance and financial monitoring reporting process. The Councils current detailed 5 year reserves forecast is included at Appendix C

THE WAY FORWARD – FIT FOR THE FUTURE & BALANCING THE BUDGET TO 2028/29
The Council embarked on its OBR process in 2022/23 with its intention to ensure that funds are allocated according to a set of predefined outcomes, or priorities in order to ensure that funds are directed toward the Council's key ambitions and statutory functions and away from areas which contribute less or not at all against the predetermined objectives.

The table below shows the operational structure of OBR – Fit for the Future process and its governance processes along with the key Member and Senior Officer involvement. The process is split into task groups each charged with a discreet area of responsibility.



Activity	When	Participants
Cabinet/Leadership Team Workshop • Monitor overall progress of OBR – Fit for the Future projects • Review regular quarterly performance reporting • Project spotlight sessions from officers on specific projects • Review of Council Plan	Every other month	Cabinet / Leadership Team
OBR Strategy and Coordination Group	Fortnightly	Cllr Black, Cllr Jackson, Cllr Hamilton-Cox + workstream leads and project support
Chief Officer / Portfolio Holder	Monthly (and ad-hoc)	Chief Officer / Portfolio Holder
Working Groups: Fit for the Future Assets People Comms and Engagement	Determined by each group	Cabinet and Leadership Team Members

Areas of Responsibility

Strategy & Coordination

Oversee and coordinate the OBR/ FftF programme.
Receive regular updates from working groups and projects.
Escalation for informal decisions, resource allocations.

Assets

Review entirety of General Fund assets.
Develop & propose costed short-, medium- and long-term plans for the council's main assets.

People, Comms and Engagement

Ensure alignment of all OBR – Fit for the Future projects with People Strategy.
Ensure appropriate governance for all OBR – Fit for the Future proposals.
Consider engagement with staff and residents where appropriate.
Support & liaise with the other groups to manage the project's communication & engagement.

Fit for the Future

Ensure capital programme projects are aligned with relevant Chief Officers / Portfolio Holders
Prioritise and deliver proposed projects.
Collect business cases, outcomes documents for projects.
Resource and plan projects.
Receive regular progress updates from projects.

The proposed actions through the OBR/ FftF process currently include:

- Exploration of closer working and collaboration with other Councils, Public Sector Bodies and Partner Institutions
- Application of alternative funding to deliver key Council outcomes.
- Detailed review and sensitivity analysis on all key and significant income streams
- Further rationalisation work on the Council's asset base
- Expansion of the investment to reduce cost principle.
- The potential use of capital receipts to finance existing projects.
- Capitalisation of transformation costs where appropriate

Given the size of the ongoing financial issues the Council faces this fundamental reshaping of the Council's services and realigning against its priorities through the OBR/ FftF process will be key to shrinking the estimated £4.567M budget gap and securing the financial sustainability of the Council going forward. It is imperative that the work, or similar principles continues. The application of OBR/ FftF across the Council will be a significant piece of work and to fully achieve its stated aims will take an estimated further 12 to 24 months. In light of this, balancing the budget both in the short and the medium term will be a tough task and we must recognise that despite the hard work undertaken to date there may well be a number of difficult but key decisions over the coming financial years which will affect the manner in which services are delivered.

Cabinet and Senior Leadership Team have agreed on principles and common goals as they continue to work through the OBR – Fit for the Future process.

- We need to continue tackle the structural deficit over the short medium and long term.
- We need to use reserves carefully to transition.
- We want to continue to deliver services that residents/ businesses need and rely on
- We want to achieve positive outcomes for our district.

Many of the financial pressures identified within the Councils General Fund are also present within the Housing Revenue Account (HRA). A full update on the HRA budget and financial outlook will be considered alongside the General Fund revenue budget including options to ensure that the service's 30-year business plan is viable and that its ongoing budget is balanced, whilst delivering value for money to tenants.

Flexible Use of Capital Receipts Strategy 2024-25

All Councils are limited in their ability to utilise capital receipts, usually arising from the disposal proceeds from the sale of fixed assets. Statutory guidance issued under section 15(1) of the Local Government Act 2003 by the Ministry of Housing, Communities and Local Government (as amended) generally precludes capital receipts being used to fund revenue expenditure and requires them to be applied to either fund capital expenditure or repay debt. The Act also requires local authorities to have regard to other guidance as issued or directed by the Secretary of State – this currently includes the following guidance issued by the Chartered Institute of Public Finance and Accountancy [CIPFA]:

- The Prudential Code for Capital Finance in Local Authorities; and
- The Code of Practice on Local Authority Accounting.

The Government's Spending Review 2015 included a relaxation of these regulations allowing the use of capital receipts for a limited period, between 2016/17 and 2018/19, to fund revenue expenditure "***that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or improve the quality-of-service delivery in future years***". This announcement was implemented by the issuing of regulations in March 2016. The period over which these amended regulations applied has continued to be extended.

This was extended in an amended direction in December 2017 by a further three years up to and including 2021/22 to allow the continued flexible use of capital receipts for the above purposes. Further updated statutory guidance was issued by DLUHC in August 2022 which extended the scheme for the financial years 2022/23, 2023/24 and 2024/25.

The guidance on the use of capital receipts flexibility was issued by the Secretary of State under section 15(1) of the Local Government Act 2003, and authorities are therefore required to have regard to it. The Guidance specified that:

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.
- Local authorities cannot borrow to finance the revenue costs of the service reforms.
- The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality-of-service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.
- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's, or several authorities,' and/or to another public sector body's net service expenditure net service expenditure.
- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

Set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure. In addition, one off costs, such as banking savings against temporary increases in costs/pay cannot be classified as qualifying expenditure. Under the direction the in force from April 2022, with respect to redundancy payments, qualifying expenditure will be limited to those amounts that are necessarily incurred as statutory redundancy payments provided the other requirements of qualifying expenditure are met. This restriction does not apply to other severance costs, including pension strain costs; the treatment of these costs remains unchanged from the previous direction."

The guidance provides a range of examples of expenditure which could be considered eligible, although the list is intended to be neither prescriptive nor exhaustive; based on the principles above, it is intended for each individual authority to consider whether a project should be eligible under the provision. The examples from the guidance are summarised below:

- Sharing back-office and administrative services with one or more other council or public sector bodies.
- Investment in service reform feasibility work, e.g., setting up pilot schemes.
- Collaboration between local authorities and central government departments to free up land for economic use.
- Funding the cost-of-service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation.
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations.
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training.
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
- Integrating public facing services across two or more public sector bodies (for example children's social care or trading standards) to generate savings or to transform service delivery.

Quite clearly many of the examples above align with the OBR/ FftF process and so subject to agreement by Council the intention to use its capital receipts flexibility to fund or part fund savings connected to its FttF process with the aim of successfully delivering priority outcomes for the Lancaster district whilst at the same time achieving long-term sustainability of finance and resources.

Corporate Proposals for 2024/25

Project	Description	Estimated Investment/ Cost	Projected Savings £M
Service Levels & Efficiency	Revisions and rationalisation of levels of service offering efficiency measures, increased commercialisation, and review of income streams	TBC	TBC
Digitalization	Improvements to residents access reliable advice, consistent information, and efficient Council services Reduce failure demand and help the Council meet high volume, routine transactions in a cost-effective manner. Review the functionality and costs of each ICT system with the objective of maximising the use of the functionality available and reducing the total number of systems used.	TBC	TBC
Alternative Delivery Models & Partnerships	Shared service savings, opportunities, contract reviews & alternative options for achieving outcomes	TBC	TBC
Strategic Asset Management	Improved asset management planning, asset usage reviews, potential disposals, optimising use of operational assets and prospects for energy and carbon reduction measures.	TBC	TBC

Whilst these broad proposals are consistent with the OBR/ FftF process they are underpinned by a number of individual areas of which many are in their infancy and yet to be full costed. However, with all change programmes there will be a need for upfront investment in areas that will deliver capacity and objectivity.

A significant amount of work has been undertaken by Officers to identify suitable assets and the table below provides summary details of the class of assets currently being marketed by the Council.

Assets for Disposal

Assets Currently Marketed 2024/25	Expected Capital Receipts 2024/25 £M
Investment Properties	1.205
Other Land & Buildings	0.180
Estimated Value of Applicable Capital Receipts	**1.385**

SERVICE, PROJECTS AND FINANCIAL PERFORMANCE
The Council reports its Financial, Projects and Service Performance (KPIs) through its quarterly Delivering our Priorities reporting cycle to Leadership team, Cabinet and Budget and Performance Panel.

Key Performance Indicators (KPIs)
The KPIs have been in place since 2018 and are to be reviewed and refreshed during the early part of 2024 to ensure the council has the correct indicators in place to support the progression of the Council Plan 24-27. The KPIs are support by a full suite of service indicators, which are held locally by each service and used to monitor the effectiveness of the service and make improvements when needed.

Priority				Measure
I				% of minor planning applications determined within 8 weeks or agreed time (National Target 70%)
I				% of other planning applications determined within 8 weeks or agreed time (National Target 70%)
I				% of major planning applications determined within 13 weeks or agreed time (National Target 60%)
	S			% of household waste recycled
	S			Kg of residual waste per household
	S			Number of parks and cemeteries achieving the Green Flag award*
	S			Number of volunteer groups supporting parks and open spaces*
	S			Exposure to air pollution away from roads*
	S			Exposure to pollution at roadside (nitrogen dioxide per cubic metre)*
	S			Diesel consumption of council vehicle fleet
	S			Cost/m2 energy across corporate buildings
	S			Gas KWH usage in council buildings
	S			Electricity KWH usage in council buildings
		H		Number of people statutorily homeless
		H		Number of Disabled Facilities Grants completed
		H		Number of properties improved
I		H		% of premises scoring 4 or higher on the food hygiene rating scheme
		H		Number of admissions to Salt Ayre Leisure Centre
		H		Average number of days taken to re-let Council houses (Internal KPI <28 days)
		H		Number of people recorded sleeping rough*
			R	Average number of days' sickness per full-time equivalent
			R	% occupancy rates for commercial properties
		H	R	Average time taken to process new Housing Benefit claims (days)

I	An inclusive and Prosperous Local Economy (Economy)
S	A Sustainable District (Environmental)
H	Healthy and Happy Communities (Social)
R	A Co-operative, Kind and Responsible Council (Governance)

Strategic Projects
Whilst the council faces financial challenges, Lancaster City Council continues to progress strategic projects to deliver improvements for residents and businesses within the district, in line with the council's Ambitions. These projects are outlined in the Council Plan 24-27.

A list of the Strategic Projects and the council principles they address is shown below:

Principle				Project Name
				Heritage Action Project
				Canal Quarter
				Our Future Coast
				Fair Work Charter
				1 Lodge Street Urgent Structural Repairs
				Centenary House
				Frontierland
				Heysham Gateway
				Canal Quarter - Coopers Field
				Eden Project Morecambe
				Lune Flood Protection, Caton Road
				Williamson Park (Café and Play Development)
				Burrow Beck Solar Farm
				Roof Mounted Solar Array – Gateway, White Lund
				Mellishaw Park
				My Mainway
				Extra Care Scheme
				LATCo - Housing Companies
				Outcomes Based Resourcing (OBR)
				UK Shared Prosperity Fund (UKSPF)
				High-Capacity Fibre Cable Network Provision
				5G Strategy

Eden Project Morecambe
This project involves a marine version of the Eden Project (Cornwall) being constructed on the seafront in Morecambe, close to the Midland Hotel. The Council is a stakeholder in this project, as it owns the land on which the development is proposed. The project will assist with:

- Regeneration of Morecambe
- Increased visitors to neighbouring area
- Greater tourism / visitors to area
- Making Morecambe and the surrounding area a more desirable place to live, work and visit.

Eden Project Morecambe awarded £50m from Government's Levelling Up Fund - Lancaster City Council
Eden Project Morecambe, UK | Eden Project (external site)

MyMainway
This is an exciting and ambitious project to improve the Mainway estate, Lancaster, for all residents.

- Refurbishment of Lune and Derby House: Creating a Modern Living Experience
- Skerton High School Site: Phase One of the Masterplan
  The Skerton school site has remained unused since its closure in 2014. It will be developed to include energy efficient flats and community space. Lancaster City Council will be the landlord.
- Looking Into The Future: A Vision for the Mainway Estate
  The Mainway Project's visionary outlook goes beyond Phase 1, encompassing the current homes across the entire Mainway Estate. The strategic approach involves building new homes on the school site to create new homes for existing Mainway residents to move into, before progressing with the development of other blocks of flats.

Mainway proposals take a step forward - Lancaster City Council (press release from February 2022)

UK Shared Prosperity Fund (UKSPF)
The UK Shared Prosperity Fund is a central pillar of the UK Government's Levelling Up agenda and provides £2.6 billion of funding for local investment up to March 2025. This fund replaces European Union structural funds. The fund is focused on building pride in place, supporting high quality skills training, supporting pay, employment and productivity growth and increasing life chances in local places.

Lancaster City Council has been allocated £5.3million which will be split between the following three core Priorities, as defined by Government:

- Communities & Place
- Supporting Business
- People & Skills

UK Shared Prosperity Fund - Lancaster City Council

Local organisations receive funding boost from UKSPF - Lancaster City Council

Financial Performance
Financial Performance is analysed across a number of general Corporate and Subjective headings as well as individual portfolio analysis. which reinforces the links between Council Plan and Service Financial Performance. The aim of the Delivering our Priorities Reports to provide clear linkages between the Council's Priorities as stated within Council Plan 2024-2027, financial performance as well as service and project performance. These reports can be seen on the council's website as part of the minutes for Cabinet.

RISK ASSESSMENT OF KEY THREATS
The Council has a strategic risk register which is reviewed quarterly by the Leadership Team, before being shared with Audit Committee, Budget and Performance Panel and Cabinet. Operational risk registers are also kept by each service and reviewed regularly. It is recognised that effective risk management is essential to the council's corporate governance arrangements. The Strategic Risk Register can be accessed via the minutes produced for Audit Committee: Audit Committee (lancaster.gov.uk).

The Councils Risk Management Policy can be found here: Risk Management Policy 22.03.23. It is due to be refreshed at the end of March 2024 and will incorporate the new management structure, responsibilities, revised risk categories and risk appetites the Council set in December 2023 based on the HM Treasury Orange Book: Management of Risk, Principles and Concepts.

A summary of the Council's key Financial Risks are shown below:

Risk Title	Control Measures
SR01 Central Government funding is insufficient to provide the current level of service leaving the council unable to deliver the financial resilience initiative and achieve financial stability.	Officer/Member working groups, Council strategies, Monthly income monitoring, Quarterly reporting, Commercialisation.
SR02 The Council fails to meet the 2024/25 funding gap as a result of ineffective delivery of the efficiency programme and failure to deliver on key projects.	Budget and Performance Panel, Reserves Policy, Project and Programme Managers, Programme Board, Cabinet, Portfolio Holder, OBR Project, Quarterly Reporting.
SR04 The use of council assets is not maximised leading to insufficient funding to meet the funding gap and deliver capital projects.	Use of council assets
SR05 Council services are disrupted and / or additional services are required and costs are incurred as a result of local and national emergencies	Resourcing the emergency response, district emergency, business continuity plans, National Emergency planning, Financial planning, Business Resilience plans, Partnerships, County wide emergency plans.
SR06 The Council fails to reduce its direct Co2 emissions to 'net zero' by 2030.	Delivery plan in place, Peoples Jury.
SR08 The Council fails to deliver its key projects due to the lack of capacity and resources.	Local plan, Medium Term Financial Strategy, Investment Strategy, Capital Programme, Resourcing Key Services, Collaborative and Partnership working.
SR11 International and national issues rapidly impact on the strategic and financial context of the Council and / or partners, businesses and communities.	Retention of in-house expertise, Strategic responsiveness, Agility and Resilience, Strategic risk management.
SR12 Budgetary proposals are brought forward / agreed that are then challenged, causing delays or changes to implementation.	Budget Development
SR14 Major, sudden unforeseen expenditure or income reduction arises, necessitating significant change or reduction to services.	Registration with BSE for high rise blocks, Reserves policy, Continue financial forecasting
SR20 Non compliance with Building Safety Executive for LCC owned high-rise buildings	Registration with BSE for high rise blocks
SR21 Non compliance with Regulator of Social Housing Standards	Social Housing Regulation
SR25 LCC Property Portfolio (non housing) does not meet its Health and Safety compliance obligation	Property Group Compliance
SR26 - Increasing costs of temporary accommodation for the homeless	Increasing homeless temporary accommodation costs

A comprehensive financial risk assessment is undertaken for the revenue and capital budget setting process to ensure that all risks and uncertainties affecting the Council's financial position are identified. These are reviewed each year as part of the refresh of the MTFS.

RISK & PESTEL

This is a strategic tool to evaluate the external environment of an organisation by breaking down opportunities and threats into several factors. The table below highlights some considerations impacting on the Councils medium term strategy and plans.

Political • Change in Government policy direction and regulation • Labour laws /National Living Wage can impact on legal views and costs • Environmental laws impact on planning, council buildings and costs • Stability of political parties will ensure policies do not change regularly • National infrastructure and transport links decisions can impact on local economy • PWLB rates can have a significant impact on capital projects and affordability • Brexit - Uncertainty of European Grants and unknown impacts on the economy • Welfare reform/Housing demands /Universal Credit- Governments changes are likely to have an impact in relation to potential bad debt of council tax income and housing rents and the services needed by residents. • Local Government Funding Reform – the aim to making councils more self-sufficient and less reliance on grants.
Economic • National and local economic growth rates • Energy prices increasing or decreasing • Price pressures/ supply chain pressures • Labour market availability and shifts • Exchange rates • Inflation rates both CPI and RPI - Levels of inflation and medium-term trajectories of it have an impact on capital and revenue investment projects on rising costs and contractual commitments. • Interest rates on investments, borrowing and debt • National and local Unemployment rates • The Council plays a strong role in ensuring a strong and vibrant local economy which can in turn lead to better jobs and skilled local people • Levels of employment influence the need for resident welfare support as well as other type of local government support.
Socio-cultural • Local health and Deprivation indices • Local population demographics – having a young, healthy workforce or aging population with complex needs changes service needs • Health of local workforce
Technological • Pace of change impacts on upgrades to systems and customer expectations for accessing services • Level of digital skills locally will determine who can access online services and who need more support such as telephone or face to face service provision. • Appetite for innovation can influence service adaptation to customer needs • New technology
Environmental • Weather and impacts • Local Climate Change Agendas • Government Climate Change Aspirations • Local Pollution • Aspirations to be Environmentally Friendly • Environmental impacts ripple through everything the Council does and as such all reports to Cabinet must consider these implications
Legal • Discrimination law • Consumer law • Employment law • Health & Safety laws • Changes in regulation and legislation in relation to local government • Licenses and permits

CONCLUSION
The factors and assumptions outlined above result in a forecast cumulative gap of £4.567M within the MTFS driven mainly by pay pressure and the cost of capital investment as well as the risk associated with the decommissioning of the power station and the impact on business rates.

Achieving sustainable finances represents a formidable challenge for the reasons outlined in this report and some tough choices will need to be taken to achieve long term sustainability. It is essential that the delivery of Council priorities and achievement of priority outcomes is linked to resource allocation in a sustainable way.

Sound and responsible financial management will provide a strong foundation to deliver against the challenges outlined throughout this document. The Council has a track record of financial performance and will continue to use resources in the best possible way to help residents of the District.

The Medium Term Financial Strategy of the Council will be kept under review to ensure that the financial context within which the Council operates is understood and informs effective decision making in a dynamic environment.

General Fund Capital Programme

Service / Scheme	2023/24 Gross Budget	2023/24 External Funding	2023/24 Net Programme	2024/25 Gross Budget	2024/25 External Funding	2024/25 Net Programme	2025/26 Gross Budget	2025/26 External Funding	2025/26 Net Programme	2026/27 Gross Budget	2026/27 External Funding	2026/27 Net Programme	2027/28 Gross Budget	2027/28 External Funding	2027/28 Net Programme	2028/29 Gross Budget	2028/29 External Funding	2028/29 Net Programme
Communities & Leisure	£	£	£		£	£	£	£	£	£	£	£	£	£	£	£	£	£
Salt Ayre Asset Management Plan	**259,000**		**259,000**	**976,000**		**976,000**	**291,000**		**291,000**			**0**			**0**			**0**
Environment & Place																		
Vehicle Renewals (including electrification of fleet)	**1,284,000**		**1,284,000**	**1,301,000**		**1,301,000**	**5,067,000**		**5,067,000**	**630,000**		**630,000**	**1,073,000**		**1,073,000**	**1,761,000**		**1,761,000**
Electric Taxis Scheme			**0**	**341,000**	(341,000)	**0**			**0**			**0**			**0**			**0**
Happy Mount Park Pathway Replacements	**8,000**		**8,000**			**0**			**0**			**0**			**0**			**0**
UK Shared Prosperity Fund - The Streets Are Ours Public Realm	**100,000**	(100,000)	**0**			**0**			**0**			**0**			**0**			**0**
UK Shared Prosperity Fund - Heysham Village Toilets			**0**	**99,000**	(99,000)	**0**			**0**			**0**			**0**			**0**
Housing & Property																		**0**
Mellishaw Park	**1,900,000**	(960,000)	**940,000**			**0**			**0**			**0**			**0**			**0**
Disabled Facilities Grants	**2,099,000**	(2,099,000)	**0**	**3,382,000**	(3,382,000)	**0**	**2,331,000**	(2,331,000)	**0**	**2,331,000**	(2,331,000)	**0**	**2,331,000**	(2,331,000)	**0**	**2,331,000**	(2,331,000)	**0**
Next Steps Accommodation Programme	**23,000**		**23,000**			**0**			**0**			**0**			**0**			**0**
Home Improvement Agency Vehicles			**0**	**127,000**		**127,000**			**0**			**0**			**0**			**0**
1 Lodge Street Urgent Structural Repairs	**422,000**		**422,000**			**0**			**0**			**0**			**0**			**0**
Gateway Low Voltage Switchgear	**102,000**		**102,000**			**0**			**0**			**0**			**0**			**0**
Gateway Solar Array			**0**	**984,000**		**984,000**			**0**			**0**			**0**			**0**
Lancaster City Museum Boiler	**10,000**		**10,000**			**0**			**0**			**0**			**0**			**0**
UK Shared Prosperity Fund Lancs CVS Community Warm Hubs	**26,000**	(26,000)	**0**	**37,000**	(37,000)	**0**			**0**			**0**			**0**			**0**
Property - Capital Works			**0**	**355,000**		**355,000**	**419,000**		**419,000**	**814,000**		**814,000**	**287,000**		**287,000**	**539,000**		**539,000**
Commercial Property - Capital Works			**0**	**62,000**		**62,000**	**480,000**		**480,000**	**126,000**		**126,000**	**41,000**		**41,000**			**0**
White Lund Depot - Offices	**838,000**		**838,000**	**996,000**		**996,000**			**0**			**0**			**0**			**0**
People & Policy																		
UK Shared Prosperity Fund External Projects	**269,000**	(269,000)	**0**	**598,000**	(598,000)	**0**			**0**			**0**			**0**			**0**
Rural England Prosperity Fund External Projects	**125,000**	(125,000)	**0**	**375,000**	(375,000)	**0**			**0**			**0**			**0**			**0**
UK Shared Prosperity Fund Digital Tourism Transformation	**50,000**	(50,000)	**0**	**22,000**	(22,000)	**0**			**0**			**0**			**0**			**0**
Planning & Climate Change																		
Property De-carbonisation Works			**0**	**500,000**	(260,000)	**240,000**	**4,625,000**	(2,432,000)	**2,193,000**			**0**			**0**			**0**
SALC -optimised solar farm, air source heating pumps & glazing	**17,000**	(17,000)	**0**			**0**			**0**			**0**			**0**			**0**
Resources																		
ICT Systems, Infrastructure & Equipment	**221,000**		**221,000**	**286,000**		**286,000**	**286,000**		**286,000**	**316,000**		**316,000**	**326,000**		**326,000**	**181,000**		**181,000**
ICT Laptop Replacement & e-campus screens	**124,000**		**124,000**			**0**			**0**			**0**			**0**			**0**
ICT Nimble			**0**	**300,000**		**300,000**			**0**			**0**			**0**			**0**
Local Full Fibre Network	**1,041,000**		**1,041,000**	**755,000**		**755,000**			**0**			**0**			**0**			**0**
Sustainable Growth																		
Lancaster Heritage Action Zone	**1,148,000**	(289,000)	**859,000**			**0**			**0**			**0**			**0**			**0**
Lancaster Heritage Action Zone - St John's Church			**0**			**0**	**500,000**		**500,000**			**0**			**0**			**0**
Caton Road Flood Relief Scheme	**100,000**	(100,000)	**0**	**1,569,000**	(1,569,000)	**0**			**0**			**0**			**0**			**0**
Centenary House Grant Funded Works			**0**	**749,000**	(749,000)	**0**			**0**			**0**			**0**			**0**
Lawsons Bridge S106 Scheme	**63,000**		**63,000**			**0**			**0**			**0**			**0**			**0**
Lancaster Square Routes			**0**	**21,000**	(16,000)	**5,000**			**0**			**0**			**0**			**0**
Engineers Electric Vehicle	**15,000**		**15,000**			**0**			**0**			**0**			**0**			**0**
Coastal Revival Fund - Morecambe Co-Op Building	**11,000**	(11,000)	**0**			**0**			**0**			**0**			**0**			**0**
City Museum Shop			**0**	**30,000**		**30,000**			**0**			**0**			**0**			**0**
Morecambe Sea Front Parapet Repair			**0**	**30,000**		**30,000**	**30,000**		**30,000**	**30,000**		**30,000**	**30,000**		**30,000**			**0**
Bare Outfall Flooding			**0**	**50,000**		**50,000**			**0**			**0**			**0**			**0**
UK Shared Prosperity Fund Maritime Museum Access Improvements	**13,000**	(13,000)	**0**			**0**			**0**			**0**			**0**			**0**
UK Shared Prosperity Fund Lodge St Environs Enabling Works	**72,000**	(72,000)	**0**			**0**			**0**			**0**			**0**			**0**
UK Shared Prosperity Fund Museums Accessible Engagement			**0**	**34,000**	(34,000)	**0**			**0**			**0**			**0**			**0**
Schemes Under Development																		
Burrow Beck Solar			**0**	**200,000**		**200,000**	**4,000,000**		**4,000,000**			**0**			**0**			**0**
Canal Quarter - Nelson St/St Leonardsgate			**0**	**2,769,000**	(2,769,000)	**0**			**0**			**0**			**0**			**0**
Our Future Coast	**283,000**	(283,000)	**0**	**62,000**	(62,000)	**0**	**63,000**	(63,000)	**0**	**85,000**	(85,000)	**0**			**0**			**0**
GENERAL FUND CAPITAL PROGRAMME	**10,623,000**	**(4,414,000)**	**6,209,000**	**17,010,000**	**(10,313,000)**	**6,697,000**	**18,092,000**	**(4,826,000)**	**13,266,000**	**4,332,000**	**(2,416,000)**	**1,916,000**	**4,088,000**	**(2,331,000)**	**1,757,000**	**4,812,000**	**(2,331,000)**	**2,481,000**

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Financing :						
Capital Receipts	**0**	**(127,000)**	**0**	**0**	**0**	**0**
Direct Revenue Financing	**0**	**0**	**0**	**0**	**0**	**0**
Earmarked Reserves	**(187,000)**	**(38,000)**	**0**	**0**	**0**	**0**
Increase/(Reduction) in Capital Financing Requirement (CFR)	**6,022,000**	**6,532,000**	**13,266,000**	**1,916,000**	**1,757,000**	**2,481,000**

General Fund Capital Programme

Service / Scheme	2029/30 Gross Budget	2029/30 External Funding	2029/30 Net Programme	2030/31 Gross Budget	2030/31 External Funding	2030/31 Net Programme	2031/32 Gross Budget	2031/32 External Funding	2031/32 Net Programme	2032/33 Gross Budget	2032/33 External Funding	2032/33 Net Programme	10 YEAR TOTAL Total Gross Programme	10 YEAR TOTAL Total External Funding	10 YEAR TOTAL Total Net Programme
Communities & Leisure	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Salt Ayre Asset Management Plan			0			0			0			0	1,526,000	0	1,526,000
Environment & Place															
Vehicle Renewals (including electrification of fleet)	5,543,000		5,543,000			0			0			0	16,659,000	0	16,659,000
Electric Taxis Scheme			0			0			0			0	341,000	(341,000)	0
Happy Mount Park Pathway Replacements			0			0			0			0	8,000	0	8,000
UK Shared Prosperity Fund - The Streets Are Ours Public Realm			0			0			0			0	100,000	(100,000)	0
UK Shared Prosperity Fund - Heysham Village Toilets			0			0			0			0	99,000	(99,000)	0
Housing & Property			0			0			0			0			
Mellishaw Park			0			0			0			0	1,900,000	(960,000)	940,000
Disabled Facilities Grants	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	24,129,000	(24,129,000)	0
Next Steps Accommodation Programme			0			0			0			0	23,000	0	23,000
Home Improvement Agency Vehicles			0			0			0			0	127,000	0	127,000
1 Lodge Street Urgent Structural Repairs			0			0			0			0	422,000	0	422,000
Gateway Low Voltage Switchgear			0			0			0			0	102,000	0	102,000
Gateway Solar Array			0			0			0			0	984,000	0	984,000
Lancaster City Museum Boiler			0			0			0			0	10,000	0	10,000
UK Shared Prosperity Fund Lancs CVS Community Warm Hubs			0			0			0			0	63,000	(63,000)	0
Property - Capital Works	147,000		147,000			0			0	17,000		17,000	2,578,000	0	2,578,000
Commercial Property - Capital Works			0	14,000		14,000	1,000		1,000			0	724,000	0	724,000
White Lund Depot - Offices			0			0			0			0	1,834,000	0	1,834,000
People & Policy															
UK Shared Prosperity Fund External Projects			0			0			0			0	867,000	(867,000)	0
Rural England Prosperity Fund External Projects			0			0			0			0	500,000	(500,000)	0
UK Shared Prosperity Fund Digital Tourism Transformation			0			0			0			0	72,000	(72,000)	0
Planning & Climate Change															
Property De-carbonisation Works			0			0			0			0	5,125,000	(2,692,000)	2,433,000
SALC -optimised solar farm, air source heating pumps & glazing			0			0			0			0	17,000	(17,000)	0
Resources															
ICT Systems, Infrastructure & Equipment	176,000		176,000	467,000		467,000	328,000		328,000	190,000		190,000	2,777,000	0	2,777,000
ICT Laptop Replacement & e-campus screens			0			0			0			0	124,000	0	124,000
ICT Nimble			0			0			0			0	300,000	0	300,000
Local Full Fibre Network			0			0			0			0	1,796,000	0	1,796,000
Sustainable Growth															
Lancaster Heritage Action Zone			0			0			0			0	1,148,000	(289,000)	859,000
Lancaster Heritage Action Zone - St John's Church			0			0			0			0	500,000	0	500,000
Caton Road Flood Relief Scheme			0			0			0			0	1,669,000	(1,669,000)	0
Centenary House Grant Funded Works			0			0			0			0	749,000	(749,000)	0
Lawsons Bridge S106 Scheme			0			0			0			0	63,000	0	63,000
Lancaster Square Routes			0			0			0			0	21,000	(16,000)	5,000
Engineers Electric Vehicle			0			0			0			0	15,000	0	15,000
Coastal Revival Fund - Morecambe Co-Op Building			0			0			0			0	11,000	(11,000)	0
City Museum Shop			0			0			0			0	30,000	0	30,000
Morecambe Sea Front Parapet Repair			0			0			0			0	120,000	0	120,000
Bare Outfall Flooding			0			0			0			0	50,000	0	50,000
UK Shared Prosperity Fund Maritime Museum Access Improvements			0			0			0			0	13,000	(13,000)	0
UK Shared Prosperity Fund Lodge St Environs Enabling Works			0			0			0			0	72,000	(72,000)	0
UK Shared Prosperity Fund Museums Accessible Engagement			0			0			0			0	34,000	(34,000)	0
Schemes Under Development															
Burrow Beck Solar			0			0			0			0	4,200,000	0	4,200,000
Canal Quarter - Nelson St/St Leonardsgate			0			0			0			0	2,769,000	(2,769,000)	0
Our Future Coast			0			0			0			0	493,000	(493,000)	0
GENERAL FUND CAPITAL PROGRAMME	8,197,000	(2,331,000)	5,866,000	2,812,000	(2,331,000)	481,000	2,660,000	(2,331,000)	329,000	2,538,000	(2,331,000)	207,000	75,164,000	(35,955,000)	39,209,000

	2029/30 Net Programme	2030/31 Net Programme	2031/32 Net Programme	2032/33 Net Programme	10 YEAR TOTAL Total Net Programme
Financing :					
Capital Receipts	0	0	0	0	(127,000)
Direct Revenue Financing	0	0	0	0	0
Earmarked Reserves	0	0	0	0	(225,000)
Increase/(Reduction) in Capital Financing Requirement (CFR)	5,866,000	481,000	329,000	207,000	38,857,000

APPENDIX B

Lancaster City Council

Investing in the Future: Our Capital Investment Strategy

This document represents the Councils Capital Strategy as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requirements.

To be reviewed and approved annually by Council

Contents

1. Introduction

1.1. Investing in the Future

The Council's goals for the success of the Lancaster district's people and environment are achieved through a broad range of different activities, characterised as:

- **Services:** Regular ongoing activities such as Planning, Council Housing, Public Realm, and Public Protection. These services are generally funded by continuous **'Revenue'** funding through the Council's regular funding streams such as Council Tax and Business Rates.
- **Projects:** One-off development activities in areas such as Regeneration, Housing, Carbon Zero or Culture & Heritage initiatives, which may complement or transform an existing service, or create new assets or capacity (such as land, property or cultural & social assets) for the district. Projects generally require a one-off **'Capital'** funding allocation, often over a number of years. Capital funding will be sourced from external contributions and grants, bids, or joint arrangements with partners where possible. In some cases, capital funding may require use of the Council's reserves, disposal proceeds or borrowing from an external source.
- **Asset Maintenance and Renewal:** Where there is a known, long term need to regularly invest in an asset (e.g. regular vehicle fleet, planned reroofing, refurbishment cycles, ICT, or leisure equipment renewals etc). These are presented initially as a project proposal, and then continue to make use of capital funding over a number of years. These may need periodic review or adjustment, and borrowing may be incurred to fund them. Because they either purchase, or add value to our assets, they are generally a capital funding allocation.
- **Review and Repurposing:** The Council holds a substantial number of assets to deliver it wide range services. Regular stock condition surveys will be undertaken and form the basis of the Council's asset management plan these will used to inform future investment decisions to ensure best value is achieved.

Capital investment funded through unsupported borrowing also has an impact on the Council's revenue budget, through the requirement of a **'Minimum Revenue Provision' (MRP)** to provide for repayments against borrowed funds.

This strategy for the period 2024-33 sets out a framework for how the Council wishes to invest in the future of the Lancaster district through ambitious, prudent use of capital funding, known as the Council's **'Capital Programme'**.

The strategy will be approved by Council each year at budget setting time, and any material changes will be presented to Council prior to implementation.

1.2. Sustainable, Strategic Investment

Capital expenditure must be carried out in a way that aligns with the Council's future financial sustainability; whilst also contributing to strategic aspirations around the district's environment, economy and communities, as expressed in the Council's strategic priorities, summarised below.

A range of investment proposals will be developed, contributing to each of the four priorities, as part of the Council's corporate planning activity. This will ensure that the Council can respond to all opportunities for external investment and grant funding with viable, innovative and impactful schemes that are ready for implementation.

Principles	1: A Sustainable District	2: An Inclusive and Prosperous Local Economy	3: Happy and Healthy Communities	4: A Co-operative, Kind and Responsible Council
Themes	**Climate Emergency |** *taking action to meet the challenges of the climate emergency*	**Community Wealth-Building (*Morecambe Bay Model*) |** *building a sustainable and just local economy that benefits people and organisations*	**Increasing Wellbeing, Reducing Inequality |** *empowering and supporting healthy ways of living, and tackling the causes of inequality*	**Deliver Effective Services, Take Responsibility |** *bringing people together to achieve the best outcomes for our communities, in tandem with running efficient quality public services*
Ambitions	**1.1 Carbon Zero** Achieving Net zero carbon by 2030 while supporting other individuals, businesses and organisations across the district to reach the same goal	**2.1 Social Use of Resources** Using our land, property, finance and procurement to benefit local communities and encouraging residents, businesses, organisations and anchor institutions to do the same	**3.1 Access to Quality Housing** Developing more housing, including affordable and council owned social housing, ensuring people of all incomes are comfortable, warm and able to maintain their independence	**4.1 Value for Money** Providing value for money and making good use of relevant data and analysis to ensure that we are financially resilient and sustainable
	1.2 Sustainable Energy Increasing the amount of sustainable energy produced in the district and decreasing the district's energy use	**2.2 Sustainable Innovation** Developing a sustainable industrial strategy to support new and existing enterprises, creating networks and promoting innovation	**3.2 Quality Public Spaces** Keeping our district's neighbourhoods, parks, beaches and open spaces clean, well-maintained, accessible and safe	**4.2 Partnership** Working in partnership with residents, local organisations, anchor institutions and partners recognising the skills in our community to build a powerful force working for and serving our district
	1.3 Climate Resilience Supporting our communities to grow more food, be resilient to flooding and adapt to the wider impacts of climate change	**2.3 Sustainable Skills** Supporting the development of new skills and improved prospects for our residents within and environmentally sustainable local economy	**3.3 Access to Culture and Leisure** Providing access to and involvement in arts, culture, leisure and recreation, supporting our thriving arts, culture and heritage sector	**4.3 Investing in Our Skills and Facilities** Having high standards for, and investing in our facilities, equipment, and people to enable us to deliver quality services and meet our wider ambitions
	1.4 Respecting Nature Increasing biodiversity, protect our district's unique ecology and ensure the habitat provided for wildlife is maintained and improved	**2.4 Investment and Regeneration** Securing investment and regeneration across our district	**3.4 Community Engagement** Ensuring local communities are active, engaged, involved and connected	**4.4 Listening and Empathy** Listening to our communities and treating everyone with equal respect, being friendly, honest and empathetic
	1.5 Reduced Waste Moving towards zero residual waste to landfill and incineration	**2.5 Inclusive Ownership** Promoting business ownership models that empower the local workforce, such as co-operatives, social enterprises and community ownership	**3.5 Reducing Inequality and promote wellbeing** Developing a healthy living strategy to support wellbeing. Tackling discrimination and reducing inequality, including food and energy poverty	**4.5 Innovative Public Services** Embracing innovative ways of working to improve service delivery and the operations of the council
	1.6 Low carbon and Active Transport Transitioning to an accessible and inclusive low-carbon and active transport system	**2.6 Fair Work** Advocating for fair employment and just labour markets that increase prosperity and reduce income inequality	**3.6 Early Intervention** Focusing on early-intervention approaches and involving our communities in service design and delivery	**4.6 Openness** Making responsible decisions which support our ambitions for the district whilst being open, accountable and rooted in evidence

The Capital Investment Strategy is designed to support overall strategic goals by providing clear guidance and a route by which projects and activities can be proposed, developed, and ultimately delivered through the prioritisation and allocation of capital funds. This strategy will therefore be strongly linked with the Council's wider framework of strategy and policy, including its:

- Medium Term Financial Strategy
- Asset Management Strategy
- Homes Strategy
- Climate Emergency and Carbon Zero initiatives
- Regeneration and Economic Development activity

1.3. Investment Models

The strategy recognises that there are various ways in which the Council can use capital funding to achieve strategic goals. These may include shared investment with partners of good financial and reputational standing.

Another route is for the Council to establish Local Authority Trading Companies (LATCos), which are entirely separate commercial entities able to independently access capital funding as part of their operations. The LATCo model also has the potential to create established, long-term income streams including commercial income.

A LATCo is subject to its own governance and decision-making, as a wholly separate entity from the Council. This strategy does not set out the terms on which a LATCo may invest to generate a commercial return. However, it does recognise that the LATCo model may contribute to the achievement of the Council's wider investment goals. As Lancaster's existing LATCos are wholly owned by the Council, they are Assets of the Council, and we may choose to invest in them in order to grow their Asset value.

1.4. Housing Provision and the Housing Revenue Account

The Council operates a separate funding stream for the provision of local authority housing, known as the Housing Revenue Account (HRA). It is a legal requirement for HRA funding to be ring-fenced for the sole purpose of housing provision.

Maintaining and developing the Council's housing provision requires a substantial HRA capital programme, which is largely funded by housing revenue. The HRA capital programme is delivered in line with the Council's HRA Business Plan, and determined via the Council's budget-setting process, with HRA matters considered separately from General Fund activities.

Where HRA investments may contribute to the Council's overall social, environmental and place-making ambitions, decision-making will recognise the statutory HRA ring-fencing requirements.

1.5. Aims of the Strategy

Maintaining a focus on the outcomes described in the Council's strategic priorities (summarised above), the Capital Investment Strategy seeks to:

- Define the process for proposing, developing and delivering projects which require capital funding, including the acquisition of land and property.
- Provide a systematic structure for considering the risks, benefits and outcomes associated with capital investment.
- Articulate the relevant governance, financial, and monitoring requirements to support capital investment proposals.
- Support opportunities for investment through LATCos and co-investment with partner organisations.

2. The Strategy: Four Investment Streams

Investing in the future via the Council's Capital Programme, will be achieved through four core Investment Streams. These will provide a structure within which the balance of the Capital Programme can be maintained in order to deliver against the widest range of strategic objectives.

For each Stream, financial returns and impacts on the Council's budget will be considered alongside a balanced scorecard which captures quantifiable measures in respect of broad economic, environmental, and social returns as defined by the Council's strategic Priorities and Outcomes. Where there is a negative financial return or an overall cost to the Council, this will be acknowledged as a growth impact on the revenue budget.

The four Streams, set out below, correspond to each of the Council's Strategic Priorities in turn.

1) A Sustainable District

This includes schemes developed to deliver demonstrable reduction to carbon emissions in line with the Council's goal of reaching net carbon zero by 2030, as well as other priority outcomes for climate change and the environment. Schemes may include, but are not limited to:

- Installation of solar panels,
- Investment in larger scale solar energy facilities,
- Decarbonising heat and improving thermal efficiency,
- Supporting agile working to reduce our carbon footprint,
- The increased electrification of our vehicle fleet,
- Climate resilience,
- Resource efficiency.

2) An Inclusive and Prosperous Local Economy

This includes schemes developed to provide regeneration benefits that meet the council's inclusive and prosperous local economy priority.

Schemes of this kind will assist the Council's lead role in place-making, regeneration and economic development activity, and the improvement of the district's town centres to improve economic performance and encourage future private sector investment. Investment in supporting the district's rich creative and heritage assets will also benefit local businesses and residents both economically and culturally.

The Council may use its own assets, such as public land and buildings, to achieve long-term socio-economic development in the district. This may also include the acquisition of land or property or other assets such as communications infrastructure. Any proposals to acquire land or property must be considered in accordance with the Prudential Framework as set out in the Council's Treasury Management Strategy.

LATCo investment may be utilised to deliver a financial return from long-term rental income, business rates and council tax growth to underpin the investment / borrowing and to allow for additional mitigation of risk, whilst also delivering regeneration and placemaking objectives. Council land and property may be transferred to a LATCo to facilitate scheme delivery and to enable the LATCo to be signatory to planning agreements.

The Council or LATCo may enter joint arrangements with commercial partners to share risks and rewards and to ensure that the council can benefit from relevant expertise and experience.

3) Healthy and Happy Communities

The Council's capital investments have the potential to generate significant social returns in the District by increasing wellbeing and improving access to local culture, heritage and leisure. Costs associated with these investments will be balanced against the achievement of the Council's wider goals for the wellbeing of its communities. Initiatives may include:

- Loans to third parties
- Investing in Social Capital
- Re-use of council assets
- Provision of additional, or enhanced housing outside or within the Housing Revenue Account (HRA)

Schemes developed to deliver improved housing in the district to the terms of the council's Homes Strategy may include the development of new housing, as well as purchase of existing housing with a view to improvements in quality and management. Schemes developed through this aspect of the Stream may be delivered via a LATCo to enable a long-term revenue income stream.

The council may also enter joint arrangements with commercial partners to share risks and rewards and to ensure that the council can benefit from relevant expertise and experience.

4) A Co-Operative, Kind and Responsible Council

Schemes and projects that sustain the day-to-day operational delivery of the Council's services and so underpin a broad range of Council priorities. Such schemes may include upgrades of key information and communication systems.

Transformation and 'Invest to Save' proposals provide one-off project funding to services to help services become more efficient and effective. These schemes may deliver a direct financial return through efficiencies and savings, or an indirect benefit through enhanced service provision in respect of the Council's strategic goals.

Capital investment in property may also be considered where it complies with the Capital Investment Regulations and Guidance and meets the Council's priorities. – LATCos and other forms of special purpose vehicle may also be established to generate income that can be invested in delivering Council priorities to reduce reliance on Council expenditure and therefore support the Council's financial sustainability.

3. Capital Investments Regulation & Guidance

Alongside the Council's strategic ambitions, the Local Government Act 2003 (the Act) and supporting regulations requires the Council to have regard to the **Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code**, the **CIPFA Treasury Management Code of Practice** (the Code) and **Investment Guidance** (the Guidance) issued by The Ministry of Levelling Up, Housing and Communities (LUHC) to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

Depending on the circumstances, the Council will fund acquisitions through grants, contributions or capital receipts; or by utilising borrowing, reserves, or a combination of both. It is worth noting that following the review of local authority borrowing from Public Works Loan Board (PWLB) it is no longer possible to utilise PWLB to fund investment for yield projects.

HM Treasury has issued guidance to local authorities as to the appropriate use of PWLB. The guidance details the characteristics of projects that would be supported, set out as follows:

- The project is addressing an economic or social market failure by providing services, facilities, or other amenities that are of value to local people and would not otherwise be provided by the private sector.
- The local authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment.
- The project involves or generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value.
- While some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services.

All capital schemes will follow the provisions of the Prudential Code, and where applicable other capital schemes will follow the DLUHC Investment Guidance. As a minimum the following will be kept under review:

- Transparency and Democratic Accountability
- Contribution
- Proportionality
- Prudential Indicators (Affordability & Sustainability)
- Borrowing in Advance of Need
- Capacity and Skills

A LATCo can source capital borrowing to fund investment for a commercial return as part of its activities, Although, the rates of any borrowing incurred to fund these projects would ordinarily reflect the prevailing financial market conditions to address any associated internal and external risks so likely exceed those available directly to the Council. In addition, as a wholly owned company the Council would be liable for any debt entered into by such a company and the financial statements of a LATCo are required to be consolidated into the Council's annual statement of accounts. Any investments seeking a commercial return could be delivered via a LATCo and considered under the LATCo's independent governance and decision-making structure.

3.1. Revised CIPFA Treasury Management Code and Prudential Code

CIPFA published the revised codes on 20th December 2021. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement, and also related reports during the financial year, which are taken to Full Council for approval. The revised codes have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address ESG issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to Treasury Management Practice 1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes:

Treasury Management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

4. Delivering the Strategy

4.1. The Capital Investment Lifecycle

Capital investment schemes across the four Investment Streams must be considered, prioritised and evaluated in a consistent way, ensuring a clear rationale for investment including:

- **Strategic Fit:** What is the proposal aiming to achieve, and how does this align with corporate priorities?
- **Financial:** What are the financial circumstances for the project, e.g. is funding readily available and is it affordable? Will the proposal deliver a return in line with the targets established for each Investment Stream?
- **Legislation and Compliance:** Is the proposal required in order to meet statutory or legislative requirements?
- **Risk:** What risks are identified, and how will the proposal mitigate and manage these?
- **Project Management:** How will the project be delivered in order to maximise its financial and social return in a timely way?

To achieve a capital funding allocation as part of the Capital Programme, all proposals will be subject to a comprehensive Business Case development process in five stages, known as the **'Capital Investment Lifecycle'**. The process will be designed to fit with the Council's corporate project management processes, to streamline the development and delivery of capital investment projects and allow for information to be shared and monitored consistently and effectively. Projects progressing through the stages will use the Council's project management systems and processes.

Stage 1: Inception

Prior to officer time being spent on scoping a project, a discussion will take place between the relevant Cabinet portfolio holder and officers, ensuring that the project fits with the Council's wider strategy before pursuing further development activity. The inception summary will provide advice on any capacity or funding associated with developing the project to Stage 2.

Stage 2: Scoping the Scheme and Preparing the Strategic Outline Case (SOC)

The purpose of this stage is to confirm the strategic context and provide a robust case for change. This stage will consider the strategic, economic, procurement, financial and management cases and include a financial analysis taking account of the targets set out for each Investment Stream. The SOC will also provide advice on the costs associated with developing the proposal to Stage 3. The SOC will be considered by the advisory Capital Assurance Group (CAG), which will provide comment to Cabinet and / or the relevant decision-making body. Approval of the SOC by Cabinet will confirm the project's position in the longlist of 'pipeline' schemes for which a full business case will be produced.

Stage 3: Full business case (FBC)

The purpose of this this stage is to propose a viable, feasible project. The FBC will

- Recommend the most economically advantageous offer
- Document any contractual arrangements
- Confirm funding sources and / or requirements
- Demonstrate compliance with the Prudential Framework and HM Treasury 'Green Book' investment appraisal guidance
- Set out the detailed management arrangements, costs and plans for successful delivery and post evaluation.

The FBC will be considered by CAG and Cabinet and / or the relevant decision-making body. Approval of the FBC by them will confirm the scheme's inclusion within the Capital Programme.

Stage 4: Implementation

The business case should be used during the implementation stage as a reference point for monitoring implementation, and for logging any material changes that the Council is required to make. The project will follow performance reporting protocols which will ensure that project progress, impact on outcomes and financial performance is measured throughout the project and following its completion.

Stage 5: Evaluation

The business case and its supporting documentation should be used as the starting point for post-implementation evaluation, both in terms of how well the project was delivered (project evaluation review) and whether it has delivered its projected benefits as planned (post implementation review) to the Council, in meeting strategic aims.

4.2. Governance Arrangements

All capital investment proposals must be subject to due diligence processes to ensure

- Transparency
- Democratic Accountability
- Ethical Responsibility
- Strategic Alignment

As part of the Capital Investment Lifecycle, proposals will be subject to a governance framework including the following elements:

Capital Assurance Group (CAG)

An advisory working group comprising representation from Cabinet, Strategic Leadership Team, Overview & Scrutiny, Budget & Performance Panel, Council Business Committee and relevant specialist officers. CAG will consider SOCs and FBCs and make advisory recommendations to budget holders. Comments from individual members will be provided to Cabinet. CAG's Terms of Reference can be found at Appendix B.

Capital Investments Appraisal Group (CIAG)

An officer group with relevant expertise from sustainable growth, housing & property, legal and finance, supported by external expertise and resource as required. The group will consider all potential capital investments in the first instance, following approval from the relevant Cabinet portfolio holder. The group will develop proposals for consideration by CAG. Proposals will first be brought to CAG at Stage 2 (see above), accompanied by an SOC. SOCs approved by Cabinet will return to CAG at Stage 3, accompanied by an FBC.

Assets Group

Aligned to the principles of the Council's Fit for the Future project, the Assets Group is a temporary Officer and Member group hosted by Cabinet Portfolio Holder Finance & Resources and chaired by the Chief Officer Property and Housing. The group consists of various Council officers and is tasked with reviewing the Council's entire asset base looking at a range of factors such as condition and associated costs of repair and maintenance, alternative use options including service delivery and commercial, as well as management issue such as rental income, debt levels, commercial market value. The group should report to CAG on its findings and any suggested courses of action.

Cabinet

Cabinet submits the annual Budget Framework to Council, including the Capital Investment Strategy and Capital Programme. It is responsible for consideration and decision-making on capital expenditure proposals within the Budget & Policy Framework and in line with the relevant guidance. Before officer time is spent on scoping a project, approval should be obtained from the relevant Cabinet portfolio holder.

Overview & Scrutiny (O&S)

Early involvement of the Chair of O&S in CAG meetings enables early scrutiny and added value through shaping of capital decision-making. This involvement does not remove or negate the right of O&S to call-in any decision made by Cabinet.

Budget & Performance Panel (B&PP)

The Panel will review the financial and operational performance of the Capital Investment Strategy as part of its Budget Framework scrutiny role.

Council

Full Council is responsible for approving the Capital Investment Strategy as part of the annual Budget Framework, including any material changes. Revisions to the Capital Programme and any associated financing requirements that are outside of the budget and policy framework may be presented for approval throughout the year. However, there is the expectation that this would be of limited application and only reflect urgent situations and given the need to amend various prudential code indicators and be aligned to the Treasury Management Report October/ November committee cycle

A half yearly report on compliance with the prudential framework and investment guidance will be considered by Cabinet, Budget & Performance Panel and Council.

4.3. Risk Management

Effective risk management will allow the council to adapt rapidly to change and develop innovative responses to challenges and opportunities. The risk management cycle for capital projects incorporates risk identification, risk analysis, risk control and action planning and risk monitoring and review.

All significant capital projects will comply with the council's project management process which follows good practice in the management of risk.

A full assessment of property risk will be carried out individually for each property acquisition proposal before entering any commitment. A further due diligence review will be undertaken in respect of a wide range of risk factors for all investment proposals which are taken forward.

The Council's asset portfolio will be risk managed through a regular, systematic asset challenge process which will review each asset's performance, investment requirements and ongoing viability within the portfolio. This process will be developed through a forthcoming Asset Management Strategy and managed through the Councils Fit for the Future Assets Group who will report into CAG.

4.4. Monitoring and Evaluation

Each capital proposal will set out targeted benefits aligned with the Council's strategic priorities. The performance of each proposal during the implementation and evaluation stages will be monitored to provide assurance on the achievement of its strategic and financial objectives.

The monitoring and evaluation process will include:

- **Delivering Our Priorities: Performance, Projects and Resources |** The capital programme will be regularly evaluated as part of overall performance monitoring which incorporates financial, project and performance measures. This information is reported quarterly to Cabinet and B&PP.
- **Capital Investment Strategy Monitoring |** As the strategy is key to delivering the Council's strategic goals, regular progress against the Council's Corporate Plan Priorities & Outcomes will take place to ensure resources are appropriately allocated.
- **LATCo Asset Monitoring |** Investments made by a LATCo for a commercial return will be considered by the LATCo's shareholder committee. The impact of the LATCo's financial return on the Council's financial position will be considered alongside other financial monitoring information.
- **Prudential Framework |** A half-yearly report on prudential indicators demonstrating the Capital Programme's ongoing prudence, affordability and sustainability will be considered by Council.

4.5. Capacity, Skills and Professional Advice

Guidance requires that elected members and officers involved in the investment decision-making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to approve a specific capital investment. In addition, it places a duty on the Council to ensure that advisors negotiating contracts on its behalf are aware of the core principles of the prudential framework and the regulatory regime in which the Council operates. This will be achieved by ensuring a proportionate and effective training programme, obtaining appropriate professional advice to inform the decision-making process and by ensuring that procurement arrangements provide relevant information to potential advisers of the specific principles, regulations and governance relevant to local government.

The council will appoint specialist advisors to provide training to ensure that relevant officers and members have the required skills to make informed decisions and assess the associated risks. This training will take place before any investment decisions associated with the Capital Investment Strategy are considered, and on a regular basis, to ensure that Officers are engaged in continual professional development in relation to property investment activity; and that Members, as decision makers, have the skills, knowledge and relevant information to effectively assist the decision-making process. This will include training for new Members of the Council.

Investing in land and properties to achieve business objectives and to generate returns is a specialist and potentially complex area. The Council employs professionally qualified and experienced staff in senior positions with responsibility for developing capital expenditure, borrowing and investment proposals. Where skills or capacity are lacking, the Council or LATCo will engage the services of professional property, legal and financial advisors, where appropriate, to access specialist skills and resources to inform the decision-making process associated with this Strategy. Ongoing measurement of the impact of investment decisions on borrowing and affordability through Prudential or other relevant indicators will ensure that the overall risk exposure remains within acceptable parameters. The Council currently uses Link Group, Treasury solutions as treasury management advisors.

5. Our Assets

The Council has a range of assets which it utilises to deliver its wide range of services throughout the District. The total valuation of these at the start of the financial year 2023/24 was £320.73M. The main constituents of these assets are as follows

Asset Type	£M
Council Housing & Other Assets	151.23
Property Plant & Equipment	110.53
Community Assets	8.67
Investment Property	40.76
Heritage Assets	9.52
Intangible Assets	0.02
Total	**320.73**

Council Housing

At the start of the financial year the Council held 3,644 dwellings in total within its Housing Revenue Account. These dwellings include 1, 2, 3 & 4 bedroomed, houses, bungalows, flats maisonettes and bedsits.

Number and Type of Dwellings		
Bedsits		86
1 Bedroom	Houses & Bungalows	653
	Flats & Maisonettes	545
2 Bedroom	Houses & Bungalows	471
	Flats & Maisonettes	663
3 Bedroom	Houses & Bungalows	1,114
	Flats & Maisonettes	8
4 or more bedroomed dwellings		90
Total Dwellings		**3,630**

Property Plant & Equipment

These are assets which the Council predominately uses to deliver its services. These assets include Municipal Buildings, works depot, leisure centre and car parks. It also includes its refuse collection and vehicle fleet as well as various land holdings. The value of these assets at the start of 2023/24 financial year is provided in the table below

Land & Buildings £M	Vehicles, Plant Furniture & Equipment £M	Infrastructure Assets £M	Surplus Assets £M	Assets Under Construction £M	Total £M
57.68	12.31	37.94	2.46	0.14	110.53

Investment Assets

This type of Council asset is held primarily to generate income and comprise a mix of office and retail lets together with agricultural and commercial land and commercial buildings. Further detail in respect of the Council's investment properties is given in section 8.

Investment Asset Type	£M
Office	4.10
Retail	6.73
Agriculture & Allotments	1.29
Commercial Land	8.07
Commercial Building	11.90
Mixed Commercial	8.67
Total	**40.76**

Heritage Assets

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

Intangible Assets

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

Asset Management

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

- Provide the right buildings in the right place and at the right time and cost to meet the current and future aims, objectives, policies and plans of the Council.

- Optimise and prioritise the level of investment in property assets to minimise maintenance backlog, improve fitness for purpose and optimise occupancy levels.

- Maximise the value received from our non-operational commercial portfolio.

- Continue to improve the environmental sustainability of the Council's property portfolio.

- Promote the innovative use of property by enabling urban regeneration and facilitating joint working with our partners and stakeholders.

- Challenge the use of land and buildings held by the Council to minimise revenue expenditure and maximise the generation of capital receipts.

Valuations

The Council is required by accounting regulations to value its assets on a regular basis and currently values its General Fund assets on a rolling 3-year cycle. It is required to undertake a formal valuation of is HRA assets every 5 years in line with Department for Levelling Up Housing & Communities requirements. The last formal valuation was undertaken 1st April 2021. A desktop revaluation is undertaken for HRA assets in the intervening years to ensure that values are current.

All valuations are performed "in house" by qualified valuers within the Council's Property Services Team. The valuations are performed using appropriate stipulations as detailed by the Royal Institute of Chartered Surveyors (RICS) and presented in the Council's Statement of Accounts within accord of the Statement of Recommended Practice (SORP).

The details of the assets are held and recorded in a variety of sources in order to meet the operational and management requirements of the Council. This enables a bespoke management system of operation so that maximum utilisation of the asset can be developed.
Whilst services have bespoke arrangements for the assets held under their responsibility the Financial Services maintains the prime records that are used for the production of the Council's Statement of Accounts. These are reconciled on a regular basis to ensure accuracy and relevance.

6. Capital Expenditure –

Capital Programme

The Council plans gross expenditure, which excludes grants from other bodies of approximately £58.96M on General Fund and £29.47M on HRA capital schemes between 2023/24 – 2028/29.

Gross Capital Expenditure	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	Total 2023/24 to 2028/29
General Fund	10.62	17.01	18.09	4.34	4.09	4.81	58.96
Housing Revenue Account (HRA)	8.33	4.77	3.93	3.90	4.19	4.35	29.47
Total	**18.95**	**21.78**	**22.02**	**8.24**	**8.28**	**9.16**	**88.43**

Financing & Affordability

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

Financed by:	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	Total 2023/24 to 2028/29
Capital receipts	-1.82	-0.16	-0.00	-0.00	-0.00	-0.00	-1.98
Capital grants	-4.92	-10.73	-4.83	-2.42	-2.34	-2.33	-27.57
Capital reserves	-3.72	-4.32	-3.93	-3.90	-4.19	-4.35	-24.41
Revenue	-2.47	-0.04	-0.00	-0.00	-0.00	-0.00	-2.51
Financing Total	**-12.93**	**-15.25**	**-8.76**	**-6.32**	**-6.53**	**-6.68**	**-56.47**
Net financing need for the year	**6.02**	**6.53**	**13.26**	**1.92**	**1.75**	**2.48**	**31.96**

This table shows a net need for financing the Capital Programme of £31.96M which would require the Council to undertake additional borrowing. Additional borrowing could be used only to finance capital expenditure in respect of General Fund and Housing Revenue Account.

The Council sets its level of capital investment in line with the statutory requirements of prudence, affordability and sustainability as set out in the Prudential Code for Capital Finance issued by CIPFA.

The Council assesses the affordability of the General Fund programme by looking at the financing costs of borrowing (interest and loan repayments) as a proportion of its net revenue stream. For general fund these are expected to increase over the life of the capital programme. The table below provides details of this key indicator

	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %
General Fund	19.94	18.20	20.20	24.65	23.79	22.30
HRA	17.00	16.22	16.25	15.99	15.75	15.75

This table shows that the cost of debt financing is estimated to be between 18.20% and 24.65% of the Council's general fund net revenue budget between 2023/24 and 2028/29.

The Housing Revenue Account capital programme has its prudence, affordability and sustainability set out in a thirty-year business plan.

Further details on the impact of the Capital Programme on the Council's borrowing are included below

7. Treasury Management

Treasury management deals with the management of cash flows resulting from the Council's day-to-day operations. It ensures that the cash flows are adequately planned with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The Treasury management service also covers the funding of the Council's capital plans which provide a guide to the borrowing need of the Authority.

Governance & Scrutiny

The Council's Treasury Management Strategy including its Prudential and Treasury indicators is approved annually by Full Council. Council also receives and approves a mid-year treasury management report which sets out in year progress of the treasury position and an annual treasury report which sets out how actual treasury operation compared to the estimates within the strategy.

Both Cabinet and Budget and Performance Panel scrutinise the above reports before they are presented to and approved by Council.

The Section 151 officer and his staff have delegated authority to make decisions in respect of detailed investment and borrowing acting in line with the framework set out in the treasury management strategy.

Investment

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

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

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

The Council's Investments at 30.12.2023 were:

Balance 31.12.2023	**£M**	**Liquidity**
Bank Accounts	0.48	Instant Access
Money Market Funds	11.50	Instant Access
Other Local Authorities	0.00	Instant Access
Money Market Funds	0.00	Fixed Term
Other Local Authorities	23.00	Fixed Term
Total Investments	**34.98**	

Borrowing

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

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

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

	2023/24 Estimate £M	**2024/25 Estimate £M**	**2025/26 Estimate £M**	**2026/27 Estimate £M**	**2027/28 Estimate £M**	**2028/29 Estimate £M**
CFR – Non-Housing	66.95	70.47	80.54	77.81	74.99	73.00
CFR – Housing	34.09	33.05	32.00	30.96	29.92	28.88
Total CFR	**101.04**	**103.52**	**112.54**	**108.77**	**104.91**	**101.88**

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

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

	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M
External Debt						
Debt at 1 April	59.01	63.97	71.93	80.88	79.84	78.80
Expected change in Debt	4.96	7.96	8.95	-1.04	-1.04	-1.04
Actual gross debt at 31 March	**63.97**	**71.93**	**80.88**	**79.84**	**78.80**	**77.76**
The Capital Financing Requirement	**101.04**	**103.52**	**112.54**	**108.77**	**104.91**	**101.88**
Under Borrowing	**-37.07**	**-31.59**	**-31.66**	**-28.93**	**-26.11**	**-24.12**

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

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

	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M
General Fund MRP	-2.64	-3.01	-3.19	-4.65	-4.57	-4.47
HRA MRP	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Total	**-3.68**	**-4.05**	**-4.23**	**-5.69**	**-5.61**	**-5.51**

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

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

	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M
Operational Boundary	102.04	104.52	113.54	109.77	105.91	102.88
Authorised Limit	117.00	120.00	129.00	125.00	121.00	118.00

8. Commercial Activity

Current Position

The Council's existing investment property portfolio is comprised of a mix of office and retail lets together with agricultural and commercial land and commercial buildings as set out below:

The majority of this portfolio has been accumulated by the Council over a number of years rather than actively acquired. Tenancy agreements are produced by the Council's Estates Management Team in consultation with Legal Services and range from leases, licences and other agreements such as easements, wayleaves and rights of way

The Council is obliged to obtain the best price it reasonably can for its commercial lets. Most properties have rents which are set based upon market conditions and comparable evidence to support the decision making process includes that from local agents, rents associated with other Council properties, recent transactions, inflation etc.

Performance Monitoring

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

Appendix C

Treasury Management Strategy 2024/25 to 2028/29

1 INTRODUCTION

1.1 Background

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

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

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

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

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

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

1.2 Reporting Requirements

Capital Strategy

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

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

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

Treasury Management Reporting

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

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

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

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

An annual treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

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

Quarterly reports - In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by Budget & Performance Panel.

1.3 Treasury Management Strategy for 2024/25

The strategy for 2024/25 covers two main areas:

Capital Issues

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

Treasury Management Issues

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

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate asssociated training. This especially applies to Members responsibe for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).

- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

A member training session has been arranged prior to Budget & Performance Panel on 14 February and further training will be arranged during the forthcoming year as required.

A formal record of the training received by officers central to the Treasury function will be maintained by the Accountancy Services Manager. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Chief Resources & S151 Officer.

The training needs of treasury management Officers are periodically reviewed.

1.5 Treasury Management Consultants

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

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

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

2 CAPITAL PRUDENTIAL INDICATORS 2023/24 – 2028/29

The Council's capital expenditure plans are the key driver of treasury management activity. The plans are reflected in various prudential indicators which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

2.1 Capital Expenditure

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

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

Capital expenditure	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
General Fund	10.44	10.62	17.01	18.09	4.34	4.09	4.81
Housing Revenue Account (HRA)	5.31	8.33	4.77	3.93	3.90	4.19	4.35
Total	**15.75**	**18.95**	**21.78**	**22.02**	**8.24**	**8.28**	**9.16**
Financed by:							
Capital receipts	-0.22	-1.82	-0.16	-0.00	-0.00	-0.00	-0.00
Capital grants	-5.15	-4.92	-10.73	-4.83	-2.42	-2.34	-2.33
Capital reserves	-4.94	-3.72	-4.32	-3.93	-3.90	-4.19	-4.35
Revenue	-0.83	-2.47	-0.04	-0.00	-0.00	-0.00	-0.00
Net financing need for the year	**4.61**	**6.02**	**6.53**	**13.26**	**1.92**	**1.75**	**2.48**

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

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

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

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

Members are asked to approve the CFR projections below:

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital Financing Requirement							
CFR – Non Housing CFR – Housing	63.56 35.13	66.95 34.09	70.47 33.05	80.54 32.00	77.81 30.96	74.99 29.92	73.00 28.88
Total CFR	**98.69**	**101.04**	**103.52**	**112.54**	**108.77**	**104.91**	**101.88**
Movement in CFR Non Housing Housing	 4.50 -1.04	 3.38 -1.04	 3.52 -1.04	 10.07 -1.04	 -2.73 -1.04	 -2.82 -1.04	 -1.99 -1.04
Net Movement in CFR	**3.46**	**2.34**	**2.48**	**9.03**	**-3.77**	**-3.86**	**-3.03**

Movement in CFR represented by							
Net financing need for the year (above) re Non Housing	4.61	6.02	6.53	13.26	1.92	1.75	2.48
Less MRP/VRP and other financing movements	-1.15	-3.68	-4.05	-4.23	-5.69	-5.61	-5.51
Net Movement in CFR	**3.46**	**2.34**	**2.48**	**9.03**	**-3.77**	**-3.86**	**-3.03**

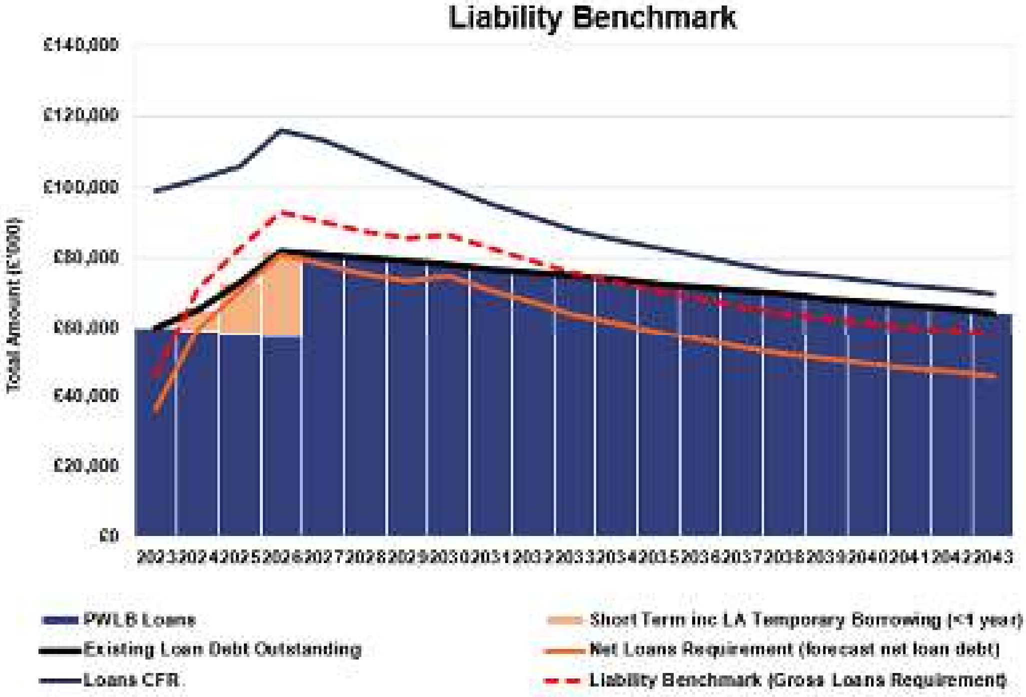
2.3 Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The Council's liability benchmark presented as a chart of the above four balances is shown below:



Any years where actual loans are less than the benchmark indicate a future borrowing requirement.

During 23/24 forecast levels of funds available for treasury investments is falling in line with cash flow forecasts and as overall levels of General Fund and HRA reserves decrease.

There is, therefore, a need to borrow to cover the net loans requirement. Given PWLB interest rates at present, temporary borrowing from other local authorities will be utlised until PWLB rates reduce.

It is intended that the gap between the net loans requirement and the liability benchmark (gross loans requirement) will be covered by day-to-day working cashflow surpluses.

2.4 Core Funds and Expected Investment Balances

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

Year End Resources	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Fund balances / reserves	33.85	24.78	25.20	26.91	27.69	27.84	27.76
Capital receipts	2.39	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	4.74	5.00	5.00	5.00	5.00	5.00	5.00
Total core funds	**40.98**	**29.78**	**30.20**	**31.91**	**32.69**	**32.84**	**32.76**
Working capital*	19.02	15.00	15.00	15.00	15.00	15.00	15.00
Under borrowing	-39.69	-37.07	-31.59	-31.66	-28.93	-26.11	-24.12
Expected investments	**20.31**	**7.71**	**13.61**	**15.25**	**18.76**	**21.73**	**23.64**

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

2.5 Minimum Revenue Provision (MRP) Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the Authority to calculate a prudent provision of MRP whilst having regard to the current MRP Guidance (2018). The broad aim of prudent provision is to ensure that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance gives four ready-made options for calculating MRP but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full Council approval in advance of each financial year.

It is recommended that Council approves the following MRP Policy Statement.

- Supported borrowing incurred before 1st April 2008 will apply the Asset Life Method using an annuity method over 60 years.
- Unsupported borrowing will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the average estimated useful life of the assets. An annuity method will be applied for the MRP calculation.
- Unsupported borrowing on vehicles will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the vehicles. An annuity method will be applied for the MRP calculation.

- The interest rate applied to the annuity calculations will reflect the market conditions at the time. For the current financial year the interest rate used will be the Authority's weighted average borrowing rate.
- MRP will commence in the financial year following the one in which the expenditure was incurred, or in the year after the asset becomes operational.
- MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the MRP guidance.
- MRP in respect of assets acquired under PFI or Finance Leases will be charged at a rate equal to the principal element of the annual lease rental for the year in question.
- MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory MRP, i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The VRP overpayments up to 31st March 2023 are £11.45M and relate to the repayment of the HRA self financing debt.
- On an annual basis the Section 151 officer shall review the level of MRP to be charged, to determine if this is at a level which is considered prudent based on the Authority's circumstances at that time, taking into account medium / long term financial plans, current budgetary pressures, current and future capital expenditure plans. Dependant on this review the Section 151 officer will adjust the annual MRP charge by making VRP or reclaiming previous VRP. The amount of MRP charged shall not be less than zero in any financial year.

2.6 Affordability Prudential Indicators

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

2.7 Ratio of Financing Costs to Net Revenue Stream

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

	2022/23 Actual %	2023/24 Estimate %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate 5
General Fund	5.90	19.94	18.20	20.20	24.65	23.79	22.30
HRA	18.79	17.00	16.22	16.25	15.99	15.75	15.75

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

3 BORROWING

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

3.1 Current Portfolio Position

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

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
External Debt							
Debt at 1 April	60.05	59.01	63.97	71.93	80.88	79.84	78.80
Expected change in Debt	-1.04	4.96	7.96	8.95	-1.04	-1.04	-1.04
Other long-term liabilities (OLTL)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	**59.01**	**63.97**	**71.93**	**80.88**	**79.84**	**78.80**	**77.76**
The Capital Financing Requirement	98.69	101.04	103.52	112.54	108.77	104.91	101.88
Under Borrowing	**-39.69**	**-37.07**	**-31.59**	**-31.66**	**-28.93**	**-26.11**	**-24.12**

There are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Resources & Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

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

Operational boundary	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Debt*	101.04	103.52	112.54	108.77	104.91	101.88
Other long term liabilities	1.00	1.00	1.00	1.00	1.00	1.00
Total	**102.04**	**104.52**	**113.54**	**109.77**	**105.91**	**102.88**

The Authorised Limit for External Debt

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

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

Authorised Limit	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Debt	116.00	119.00	128.00	124.00	120.00	117.00
Other long-term liabilities	1.00	1.00	1.00	1.00	1.00	1.00
Total	**117.00**	**120.00**	**129.00**	**125.00**	**121.00**	**118.00**

3.3 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided forecasts on 08.01.2024. These are forecasts for certainty rates, gilt yields plus 80 bps:

	Mar-24	Mar-25	Mar-26	Mar-27
Bank Rate	5.25	3.75	3.00	3.00
3 Month average earnings	5.30	3.80	3.00	3.00
6 Month average earnings	5.20	3.70	3.10	3.10
12 Month average earnings	5.00	3.60	3.10	3.20
5yr PWLB rate	4.50	4.10	3.60	3.50
10yr PWLB rate	4.70	4.20	3.80	3.70
25yr PWLB rate	5.20	4.60	4.20	4.10
50yr PWLB rate	5.00	4.40	4.00	3.90

Further commentary by Link on this forecast table: -

Our central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least the second half of 20-24. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is *a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months.*

Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recover in China as well as the ongoing conflict between Russia and Ukraine, and Gaza and Israel.

PWLB RATES

- *The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Eurozone. At the time of writing there is circa 70 basis points difference between the 5 and 50 year parts of the curve.*

Borrowing advice: *Our long-term (beyond 10 years) forecast for Bank Rate remains at 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.*

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's provisions, reserves, balances and working capital has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate remains elevated through to the second half of 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Section 151 Officer, under delegated powers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates* then borrowing would be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE borrowing rates* than that currently forecast, fixed rate funding would be drawn whilst interest rates are lower than they are projected to be in the next few years.

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

3.5 Maturity Structure of Borrowing

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

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

Maturity structure of fixed interest rate borrowing 2022/23	£m	Current %	Lower %	Upper %
Under 12 months	1.04	1.63	0	100
12 months and within 24 months	7.04	11.01	0	100
24 months and within 5 years	3.12	4.88	0	100
5 years and within 10 years	5.21	8.14	0	100
10 years and within 20 years	8.33	13.02	0	100
20 years and within 30 years	0.00	0.00	0	100
30 years and within 40 years	39.22	61.32	0	100
40 years and within 50 years	0.00	0.00	0	100

3.6 Policy on Borrowing in Advance of Need

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

3.7 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

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

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

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

Council's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

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

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but also to consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

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

1. Minimum acceptable **credit criteria** are appliedin order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor cournerparties are the short term and long term ratings.

2. **Other Information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this the council l will engage with its advisors to maintian a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. The authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in **annex B2** under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investements solely due to the maturity period exceeding one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified investments limit**. The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio. (see paragraph 4.3)

6. **Lending limits** (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2

7. **Transaction limits** are set for each type of investment in 4.2

8. The Council will set a limit for the amount of its investments which are invested for **longer than 365 days** (see paragraph 4.4)

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 4.3)

10. The Council has engaged **external consultants** (see paragraph 1.5), to provided expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling.**

12. As a result of the change in accounting standards for 2023/24 under IFRS9, the authority will consider the implications of investment instruments which could result in in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

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

Changes in risk management policy from last year.
The above criteria are unchanged from last year

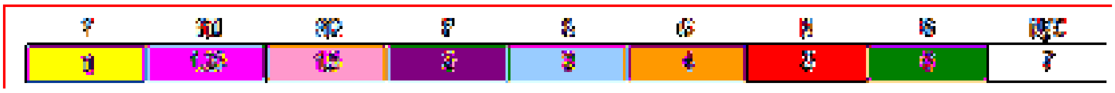
4.2 Creditworthiness Policy

This Council will apply the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

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

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



	Colour (and long term rating where applicable)	**Money Limit**	**Time Limit**
Banks /UK Govt. backed instruments*	**yellow**	**£12m**	**≤1 year**
Banks	**purple**	**£6m**	**≤1 year**
Banks	**orange**	**£6m**	**≤1 year**
Banks – part nationalised	**blue**	**£12m**	**≤1 year**
Banks	**red**	**£6m**	**≤6 mths**
Banks	**green**	**£3m**	**≤100 days**
Banks	**No colour**	**Not to be used**	
Limit 3 category – Council's banker (for non-specified investments)	**n/a**	**£1.5m**	**1 day**
DMADF	**UK sovereign rating**	**unlimited**	**≤6 months**
Local authorities	**n/a**	**£12m**	**≤1 year**
	Fund rating**	**Money and/or % Limit**	**Time Limit**

Money Market Funds CNAV	**AAA**	**£6m**	**liquid**
Money Market Funds LVNAV	**AAA**	**£6m**	**liquid**
Money Market Funds VNAV	**AAA**	**£6m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark pink / AAA**	**£6m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.5	**Light pink / AAA**	**£6m**	**liquid**

** the yellow colour category includes UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt – see Annex B2.*

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

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

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

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

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

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

Creditworthiness

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK.

CDS prices
Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

4.3 Country Limits

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

a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified invesments as being 20% of the total investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from other countries with a minimum sovereign credit rating of AAA (Fitch) or equivalent from each of the credit rating agencies. This list will be added to, or deducted from, by Officers should ratings change in accordance with this policy.

4.4 Investment Strategy

In-house Funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the propect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy would be appropriate to maximise returns.

While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be reliably identified that could be invested for longer periods the value to be obtained from longer term investments will be carefully assessed.

Investment Returns Expectations: The current forecast includes a forecast for Bank Rate to have peaked at 5.25%.

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

- 2023/24 5.30%
- 2024/25 4.55%
- 2025/26 3.10%
- 2026/27 3.00%
- 2027/28 3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

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

Maximum principal sums invested > 365 days						
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Principal sums invested > 365 days	Nil	Nil	Nil	Nil	Nil	Nil

4.5 End of year investment report

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

ANNEX B1

Treasury Management Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.

- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.

- **Call account** – instant access deposit account.

- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.

- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They currently analyse credit worthiness under four headings (but see changes referred to in the strategy):

    - **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.

    - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.

    - **Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.

    - **Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

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

- **DMADF and the DMO –** The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.

- **EIP –** Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.

- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like

shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.
E.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as 8%/1.45 = 5.5%.
See also PWLB.

- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.

- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.

- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status. As from 21 July 2018 there will be three structural options for existing money market funds – Public Debt Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV)

- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.

- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.

- **Link Asset Services** – Link Asset Services are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.

- **SONIA** (Sterling Overnight Index Average) – this reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. It is used as a replacement for LIBOR (and LIBID calculations), the publication of which ceased at the close of 2021.

- **Yield** – see Gilts

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

ANNEX B2

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

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

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

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

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

ANNEX B3

Background information on credit ratings

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

What is a Credit Rating?
A credit rating is:

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

Who Provides / Uses Credit Ratings?
There are three main ratings agencies, all of which are used in the Authority's treasury strategy.

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

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

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

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

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

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

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

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

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

Reserves Statement (Including Unallocated Balances)

	31 March 2023	From Revenue	To / (From) Capital	To Revenue	31 March 2024	From Revenue	To / (From) Capital	To Revenue	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026	From Revenue	To / (From) Capital	To Revenue	31 March 2027	From Revenue	To / (From) Capital	To Revenue	31 March 2028
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	**(11,678,400)**			3,058,000	**(8,620,400)**	(1,070,000)		1,277,500	**(8,412,900)**	(820,000)		97,500	**(9,135,400)**				**(9,135,400)**				**(9,135,400)**
Earmarked Reserves:																					
Corporate Priorities	**(421,200)**			402,900	**(18,300)**			82,700	**64,400**			82,700	**147,100**				**147,100**				**147,100**
Capital Support	**(73,000)**				**(73,000)**				**(73,000)**				**(73,000)**				**(73,000)**				**(73,000)**
Corporate Property	**(313,500)**				**(313,500)**				**(313,500)**				**(313,500)**				**(313,500)**				**(313,500)**
Covid 19 Support Reserve	**(9,700)**				**(9,700)**				**(9,700)**				**(9,700)**				**(9,700)**				**(9,700)**
Investment Property Maint	**(34,900)**				**(34,900)**				**(34,900)**				**(34,900)**				**(34,900)**				**(34,900)**
Invest to Save	**(301,700)**			228,200	**(73,500)**				**(73,500)**				**(73,500)**				**(73,500)**				**(73,500)**
Museums Acquisitions	**(36,300)**	(4,500)			**(40,800)**	(4,500)			**(45,300)**	(4,500)			**(49,800)**	(4,500)			**(54,300)**	(4,500)			**(58,800)**
Planning Fee Income	**(30,400)**				**(30,400)**				**(30,400)**				**(30,400)**				**(30,400)**				**(30,400)**
Restructure	**(520,900)**			121,000	**(399,900)**				**(399,900)**				**(399,900)**				**(399,900)**				**(399,900)**
To Support Revenue & Capital Expenditure	**(1,741,600)**	**(4,500)**		**752,100**	**(994,000)**	**(4,500)**		**82,700**	**(915,800)**	**(4,500)**		**82,700**	**(837,600)**	**(4,500)**			**(842,100)**	**(4,500)**			**(846,600)**
Renewals Reserves	**(1,061,900)**	(491,800)	131,000		**(1,422,700)**	(491,800)	38,000		**(1,876,500)**	(491,800)			**(2,368,300)**	(491,800)			**(2,860,100)**	(491,800)			**(3,351,900)**
General Renewals	**(775,500)**	(295,800)	7,000		**(1,064,300)**	(295,800)			**(1,360,100)**	(295,800)			**(1,655,900)**	(295,800)			**(1,951,700)**	(295,800)			**(2,247,500)**
Salt Ayre Leisure Centre	**(29,700)**	(150,000)	124,000		**(55,700)**	(150,000)	38,000		**(167,700)**	(150,000)			**(317,700)**	(150,000)			**(467,700)**	(150,000)			**(617,700)**
Williamson Park	**(29,000)**	(18,000)			**(47,000)**	(18,000)			**(65,000)**	(18,000)			**(83,000)**	(18,000)			**(101,000)**	(18,000)			**(119,000)**
Car Parks	**(123,200)**	(12,000)			**(135,200)**	(12,000)			**(147,200)**	(12,000)			**(159,200)**	(12,000)			**(171,200)**	(12,000)			**(183,200)**
Happy Mount Park	**(35,900)**	(14,000)			**(49,900)**	(14,000)			**(63,900)**	(14,000)			**(77,900)**	(14,000)			**(91,900)**	(14,000)			**(105,900)**
Arnside & Silverdale AONB	**(68,600)**	(2,000)			**(70,600)**	(2,000)			**(72,600)**	(2,000)			**(74,600)**	(2,000)			**(76,600)**	(2,000)			**(78,600)**
Elections	**(115,400)**	(45,000)		170,000	**9,600**	(45,000)			**(35,400)**	(45,000)			**(80,400)**	(45,000)			**(125,400)**	(45,000)		180,000	**9,600**
Homelessness Support	**(110,800)**				**(110,800)**				**(110,800)**				**(110,800)**				**(110,800)**				**(110,800)**
Lancaster District Hardship Fund	**(240,500)**			240,000	**(500)**				**(500)**				**(500)**				**(500)**				**(500)**
Business Rates Retention	**(7,471,700)**	(1,854,700)		1,632,400	**(7,694,000)**	(751,000)			**(8,445,000)**	(129,900)			**(8,574,900)**			600,000	**(7,974,900)**			500,000	**(7,474,900)**
Revenue Grants Unapplied	**(642,400)**			483,700	**(158,700)**			73,400	**(85,300)**			3,600	**(81,700)**				**(81,700)**				**(81,700)**
S106 Commuted Sums - Open Spaces																					
S106 Commuted Sums - Affordable Housing	**(218,800)**		63,000		**(155,800)**				**(155,800)**				**(155,800)**				**(155,800)**				**(155,800)**
S106 Commuted Sums - Highways, Cycle Paths etc.	**(1,047,600)**	(456,000)		105,000	**(1,398,600)**	(200,000)			**(1,598,600)**	(200,000)			**(1,798,600)**	(200,000)			**(1,998,600)**	(200,000)			**(2,198,600)**
Welfare Reforms	**(324,900)**				**(324,900)**				**(324,900)**				**(324,900)**				**(324,900)**				**(324,900)**
Amenity Improvements	**(29,000)**				**(29,000)**				**(29,000)**				**(29,000)**				**(29,000)**				**(29,000)**
Reserves Held in Perpetuity:																					
Graves Maintenance	**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**
Marsh Capital	**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**
Total ring-fenced/held against risk	**(11,332,900)**	**(2,847,500)**	**194,000**	**2,631,100**	**(11,355,300)**	**(1,487,800)**	**38,000**	**73,400**	**(12,731,700)**	**(866,700)**		**3,600**	**(13,594,800)**	**(736,800)**		**600,000**	**(13,731,600)**	**(736,800)**		**680,000**	**(13,788,400)**
Total Earmarked Reserves	**(13,074,500)**	**(2,852,000)**	**194,000**	**3,383,200**	**(12,349,300)**	**(1,492,300)**	**38,000**	**156,100**	**(13,647,500)**	**(871,200)**		**86,300**	**(14,432,400)**	**(741,300)**		**600,000**	**(14,573,700)**	**(741,300)**		**680,000**	**(14,635,000)**
Total Combined Reserves	**(24,752,900)**				**(20,969,700)**				**(22,060,400)**				**(23,567,800)**				**(23,709,100)**				**(23,770,400)**

CABINET

Lancaster City Centre Parking Strategy

7 March 2024

Report of Chief Officer Sustainable Growth

PURPOSE OF REPORT					
To consider the draft Lancaster City Centre Car Parking Strategy and Action Plan and the implications on achieving the city council's objectives as set out in the recently approved Council Plan 2024-27.					
Key Decision	X	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision	February 2024				
This report is public					

RECOMMENDATIONS OF Councillor Jean Parr

(1) **The draft Lancaster City Centre Car Parking Strategy and Action Plan is approved for consultation with statutory and community stakeholders and a report on consultation / final version is presented to Cabinet at a future meeting.**

(2) **Maintaining an optimal and efficiently managed quantity of public car parking provision in and around Lancaster city centre is a key priority for the city council, and its long-term provision, location and typology should form an explicit part of the sustainable travel and transport policy agenda for the city.**

(3) **The draft strategy provides Cabinet with sufficient comfort, in terms of the ongoing maintenance of city centre economic health, city centre accessibility and car user utility, for the release of the Nelson street car park for housing to be considered under the current live preferred developer tender process (refer to separate Cabinet agenda item).**

(4) **The following specific outcomes and actions contained in the draft Strategy document are noted:**

- **The ongoing maintenance of between 1300 and 1400 physical council operated and publicly available off-street**

parking spaces is considered optimal in order to continue to meet general and peak demand periods for the immediate future.

- **The feasibility and implementation of temporary additional parking provision is undertaken at specific city council owned sites, including within the Canal Quarter and Kingsway, to mitigate any short to medium term impacts arising from the potential disposal of the Nelson Street car park.**

(5) A request to utilise £15,000 of unallocated reserves is approved to fund the feasibility, design development and implementation of temporary car park provision and other short to medium term actions referred to in the Parking Strategy Action Plan.

(6) Future proposed development/disposal of surface car parks for other use / development is considered against the objectives of the wider city council policy framework as well as the following specific matters:

- **The aims and objectives of the Lancaster Parking Strategy and Action Plan.**
- **The outcomes from the proposed Lancaster City Centre Strategy and district Sustainable Travel Strategy.**
- **Ongoing and improved monitoring of car park usage.**
- **Progress in design development and delivery of temporary and permanent parking provision.**

(7) Officers prepare a business case for the introduction of Automatic Number Plate Recognition across the city council's parking portfolio to assist in developing the information base for future management and decisions.

(8) Officers prepare a report on actions required and timescale for the earliest possible reopening of the city council's Castle car park to be considered at a future Cabinet meeting

1.0 Introduction

1.1 The council has recently agreed its Council Plan 2024-2027 which identifies a range of aims and objectives centred on the following themes:

- *A Sustainable District* – centred on the theme of taking action to meet the challenges of the climate emergency.
- *An Inclusive and Prosperous Local Economy* – building a sustainable and just local economy that benefits people and organisations
- *Healthy and Happy Communities* – empowering and supporting healthy ways of living, and tackling the causes of inequality
- *A Co-Operative, Kind and Responsible Council* - bringing people together to achieve the best outcomes for our communities, in tandem with running efficient quality public services.

1.2 A number of policy strategies, initiatives and actions delivering against these objectives are either already agreed and ongoing or are subject to further strategy and policy work. Ongoing work includes actions agreed to progress the Canal Quarter Masterplan (adopted by Full Council in July 2023), intended to enhance Lancaster's role in the local economy and boosting its housing, commercial, cultural and leisure offer.

1.3 Over the next 10 to 15 years, it is envisaged that key under-utilised sites and dereliction across the Canal Quarter area will be addressed, and development progressed for a mix of uses that will complement the existing town centre and provide for balanced place-making. Crucially, it was agreed that the council's preference was to put selected surface car parking assets to housing development, with a focus on the provision of affordable and social housing. The council has progressed early phase housing initiatives for specific surface car parks under this policy direction.

1.4 The Canal Quarter Masterplan (and its underpinning Canal Quarter Supplementary Planning Document) were subject to wide stakeholder and community consultation and Member scrutiny. However, in late 2023 Members responded to concerns raised by Lancaster's business community on potential implications of the progression of the Canal Quarter regeneration plan, which implies a long-term net loss of car parking in the area in favour of housing delivery.

1.5 The local business concerns were both strategic and specific:

- Concerns were raised on the potential negative impact on the city economy and implications for city centre accessibility for those individuals/populations underserved by public transport and who depend on their car for business and leisure purposes.
- The needs and customer base of specific businesses, particularly cultural sector and evening economy, whose customer base tend to rely on private car in the absence of other alternatives.

1.6 Balancing the need and demand for accessible parking with the city's goals for sustainable transportation is a complex and multifaceted challenge. The Lancaster City Centre Parking Strategy and Action Plan (**Appendix 1**) is a document which seeks to both address business concerns, enable progress on and facilitate city council and wider public policy objectives, and to move the issue of car parking provision to the centre of the sustainable transport and travel discussion.

1.7 In preparing the Strategy officers have referred to a wide range of current policy documents. Reference has also been made to best practice including:

- Local Government Association – Travel Parking and Access toolkit
- Department for Transport – Active Travel: local authority toolkit

2.0 Background

2.1 The city council's public off-street commercial parking portfolio is one element of total publicly available car parking provision in the city centre. This includes private commercial provision, and both on-street parking and the Park & Ride (P&R) at the M6 junction 34 operated by Lancashire County Council.

2.2 The city's parking provision – and the city council's own role in it - has generally developed in an unplanned and ad hoc fashion. Multi-storey car parks (MSCPs), both private and publicly owned, are located centrally, being built alongside and to service major retail and commercial developments in the late 20th century. Public surface car parking provision is scattered in and around the edge of the city as a result of patchwork building demolition and, on the Canal Quarter, the mid-century public acquisition of buildings/land and clearance for an intra-urban highway scheme which never materialised. The P&R itself was initiated as part of the Bay Gateway plan to service Lancaster from the motorway but came with no supporting bus priority infrastructure along Caton Road.

2.3 City council provision is generally low to medium quality and structural repair requirements and maintenance issues are present in the council's existing MSCPs and surface car parking portfolio. The Castle car park is currently closed due to falling concrete. Major capital investment in the existing portfolio or new provision has not been considered in decades and the portfolio provides insufficient amenity for low emission modes such as electric vehicle charging or secure cycle storage.

2.4 The MSCPs offer poor customer experience, suboptimal vehicle ingress/egress, and confusing pedestrian circulation routes. The portfolio can be characterised as being in the wrong place – as it encourages polluting vehicle movement around the gyratory and city centre generally. However, from the point of view of pure accessibility and utility for the private car user – both for commuting and leisure purposes – the provision broadly functions well in spite of its quality shortcomings.

2.5 From an asset management perspective, the city council has mainly viewed the parking portfolio through a commercial lens, prioritising its role as a source of net income to support the range of city council statutory and non-statutory services. The role of car parking and public sector involvement in its provision, has not generally been considered against the wider objectives of either city council or any other public policy agenda. Perhaps surprisingly, approved sustainable transport and travel policy is relatively silent on where and how parking fits in with the district's future sustainable travel and transport vision.

2.6 The draft Strategy and Action Plan takes a view that car parking assets and the city council's role in provision should be treated the same as any publicly provided resource and considered for its role in meeting overall policy objectives under the remit of the ongoing Outcome Based Resource planning.

2.7 The Strategy does not consider income / revenue implications on the council's budget for 2 reasons (refer to **Financial Implications**):

- Where additional capacity exists in the current portfolio, a decision to remove a car park can – up to a point and where there is capacity - be viewed as broadly neutral to the council's overall budget. Users (and their payment) can substitute to those underutilised car park spaces remaining in the portfolio. Surface car parking assets put to productive development will generate, to a lesser or greater extent, direct income (such as capital receipt) and enable efficiency savings in management of the remaining portfolio mitigating any "leakage." Removal of a car parking asset is therefore not a "zero sum game" for the council's budget when considered against the wider portfolio of council commercial provision available
- In providing new car parking, it is assumed that (permanent or temporary) provision would be broadly viable from a commercial business case perspective – that is, borrowing costs for capital build and ongoing running costs would be covered by gross income and potentially deliver a net surplus. There would be nuances and other considerations depending on the scale and type of provision envisaged, the proposed lifetime of the new asset provided, city council borrowing headroom and other cost/income variables.

2.8 However, accepting these general principles can allow Members to better consider the role of car parking in terms of its impact and contribution to wider objectives rather than having to focus solely on the city council's budget and income imperatives.

3.0 Draft Lancaster City Centre Parking Strategy and Action Plan

3.1 The headline matters considered in the draft document in **Appendix 1** can be summarised as follows.

<u>Existing Capacity</u>
There is good availability and surplus capacity observed at most times of the day / week / year enabling the majority of drivers to find a free parking space both at their convenience and for most times. It is recognised however that officers are working with imprecise variables and information against an unplanned, poor-quality provision which is difficult to manage efficiently. Specific seasonal, school holiday and festival peaks put pressure on the portfolio, although little is done to mitigate or promote alternatives which could ease demand at these times. Some parts of the city centre portfolio are unpopular and underutilised (and vice versa), and the existing P&R and lack of bus priority and availability provides little incentive for its use in the face of broadly ample car parking provision for most car users.

<u>Policy Context</u>
Sub-regional and local policy is visionary in its consideration of the future direction of travel and transport for the city. There is broad agreement and encouragement in policy for: reducing car use and penetration into and around the city centre; fewer city centre vehicle trips and substitution to public transport and sustainable modes; improving air quality, pedestrian amenity, and reducing accidents. However, the practical resources and a funded action plan to deliver against this policy agenda – and, crucially, what specific actions to be implemented and when they will be done – is less clear. The levers and resources to deliver against the sustainable travel aims are generally outside of the control of the city council. Responsibility for strategy and major investment lies with Lancashire County Council as the local highway and transport authority with a major future role for improving public transport defined for the emerging Lancashire Combined County Authority.

Specific reference to car parking provision and its current/future role in the economy and sustainable transport and travel agenda is largely absent. However, it is implied in policy that the current location and ease of availability and location of Lancaster city centre parking is a major factor in facilitating congestion, harmful vehicle circulation, and does little to support alternative and lower emission travel modes.

<u>Demand Factors</u>
Car parking plays an important role in the city economy and accessibility particularly for less mobile/rural users and into the evenings where public transport options are limited or largely unavailable. Peak demand and use is broadly manageable with turnover largely allowing accommodation of vehicles without overt highway impact or impositions on driver utility. The role of car borne city users is important but can be overstated given the majority of city visitors arrive by foot or public transport and, on average, visit more often and spend more money (Lancaster city centre shopper survey 2019). However,

studies on city centre commuting and leisure use need to be updated to reflect the post-Covid pandemic world.

Accounting for future demand is complex due to the range of strategic, policy and local drivers in play. Increasing proportion of electric vehicles, use of mobile technology, adoption of autonomous vehicles sit alongside the broad policy agenda to “unclog” city centres and increase the number of trips made by low emission modes.

Most vehicle trips to Lancaster (and therefore parking demand) are local in nature, originating from the LA1, LA2 and LA4 postcodes. The majority of car trips are also single occupancy with low vehicle passenger numbers (source: Datashine and GPS data). While this suggests there are opportunities for modal shift, strategic public transport improvements are likely to be achieved over the long-term rather than short/medium term. With the current state of public transport, it feels quicker, easier, and cheaper for an individual to “default to car use” rather than consider alternative modes.

Ultimately, the continuing need for, and reliance, on private vehicles for many city visits into the immediate future must be accepted. As the various demand push and pull factors paly out demand for city car parking is therefore expected to be relatively consistent and needs to be accommodated.

Supply Factors
It is acknowledged that existing council provision is an important, albeit not sole, element of wider city centre parking provision. The council has also taken on the role of parking provider more by accident than design. There are specific issues / costs associated with maintaining the existing MSCPs and surface car parking portfolio developing which need to be addressed for the long-term. The strategy acknowledges the need for a reasonable and optimal quantum of parking provision for the city’s needs but also notes that developing future permanent, higher quality, more sustainable parking solutions in better locations will be challenging.

3.2 In moving towards a pragmatic and balanced way forward in the short term (up to 2 years) medium term (up to 7 years) and long term (10 years) the Strategy aims to ensure:

- Provision is in the right locations reducing need for circulation/penetration into, through and around the city centre by private vehicles
- Sufficient parking options are available to service the needs of the evening and cultural economy
- Provision is high quality, safe and attractive to customers
- Sufficient provision in good locations for blue badge holders with a target of 6% as per Department for Transport recommendation.
- Promotion of the optimum use of land in support of the broad aims and objectives of city, county council, and other public policy objectives
- Transport strategy, development decisions, and planning applications are informed by and recognise the continuing and necessary role of car parking provision for the city centre.
- Peak car park use is better managed and mitigated through practical action.

- The permanent car park offer is fit for the future; particularly for the use of electric vehicles and provision for alternative modes (cycle parking/car share hubs) and active / low emission travel amenity.

3.3 In all actions it is essential that the city council works closely with Lancashire County Council as the highways and transport authority on the long-term approach to improving transport conditions/public transport options locally and to explicitly bring the long term role, location and provision of car parking provision into the sustainable travel and action plan agenda. There is an intention to undertake work with the county council across 2024/25 on a Lancaster City Centre and Transport Vision strategy and this will be subject to approval of a future bid to use reserves. This will also inform the wider district Sustainable Travel Strategy being taken forward under the review of Lancaster's Local Plan.

3.4 The specific actions the draft Strategy and Action Plan advocates are as follows:

<u>Short to Medium Term</u>

- The city council aims to provide a portfolio of 1300 to 1400 publicly operated off-street spaces to meet to provide sufficient capacity for current identified peak demand.
- Fixing/changing utility of parts of the council's existing MSCPs and bringing back on-stream provision which is currently off-line (Castle car park)
- Temporary provision/replacement options developed and implemented while reflecting the aspiration for longer-term transport strategy improvements and permanent / better located car parking / transport hub provision planning
- Temporary edge of centre parking/movement solutions looked at to meet peak demands (e.g. for Festivals) and to encourage increased use of the existing P&R as "overflow"
- More efficient use of spaces by encouraging turnover and increased non-peak use to avoid "circulating" congestion on roads and waiting in car parks.
- Promotion of the use of modern technology for car parking payments

It is requested that an amount of £15,000 from unallocated reserves is made available to support the above, immediate short to medium term actions.

<u>Long Term Focus</u>

- Long term strategy for improved car parking provision and locations for city centre is agreed as part of wider public transport/alternative mode improvements and a strategic Lancaster Transport Vision
- Consider locations/business planning for replacement transport hubs/MSCPs at edge of centre locations
- Resolving strategic demand implications e.g. Eden Project Morecambe use of Park & Ride
- Implementing contingency plans for any economic/accessibility/ neighbourhood consequences of parking space loss
- Clarification of what role Canal Quarter land/uses to play in the

strategic provision of car parking spaces (either in retention of land in current use for parking and/or as an area to locate new/replacement transport hub/MSCP provision)

- Ongoing and improved monitoring of car park usage to inform future decisions

3.5 The Strategy and Action Plan does not impact on the continued availability of private parking provision, nor the availability of on-street parking provided by Lancashire County Council.

4.0 Details of Consultation

4.1 The draft Strategy and Action Plan will be issued for comment and discussion with business and community stakeholders and a report on the consultation responses and a final version of the Strategy and Action Plan will be presented to Cabinet at a future Cabinet meeting.

5.0 Options and Options Analysis (including risk assessment)

5.1 A summary of the options and analysis is presented below:

	Option 1: The draft Lancaster City Centre Car Parking Strategy and Action Plan is approved for consultation with statutory and community stakeholders.	**Option 2:** The draft Lancaster City Centre Car Parking Strategy and Action Plan is not approved for consultation with statutory and community stakeholders.
Advantages	Ensures that city centre parking and its long-term provision, location and typology forms an explicit part of the sustainable travel and transport policy discussion for the city as well as the council's OBR agenda. Provides comfort, in terms of the ongoing maintenance of city centre economic health, city centre accessibility and car user utility, for the release of the Nelson street car park for housing to be considered under the current live preferred developer tender process. Provides a benchmark and additional specific policy considerations to inform all future decisions regarding the city council's car parking portfolio. Provides a reasoned justification for the optimal number of city centre parking spaces provided by the city council to continue to meet general and peak demand periods for the immediate future. Provides comfort to business and community stakeholders that the council can mitigate any potential short-to medium impacts from any current and future proposed surface	No advantages identified.

	car park disposal policies. Provides impetus to improve and develop the council's asset management strategy around its current and future car parking portfolio within the OBR process.	
Disadvantages	Commits the city council to engaging in assessing the feasibility of and delivering new temporary parking provision and other actions which have future staff and budget implications. Requires the development and assessment of business cases, budget commitment to capital and revenue project development, particularly the investigation of temporary parking provision and car parking portfolio asset and other actions such as information improvements .	Leaves the role of city council car parking assets, and car parking generally, in future travel and transport policy discussions both ambiguous and underserved. Provides no comfort to business and community stakeholders that accessibility and car user utility can be maintained under current and wider public policy imperatives. No agreed policy benchmark for decisions regarding the city council's car parking portfolio. No justification for the city council's role in car parking provision other than in consideration of its income providing imperative. Provides no comfort to business and community stakeholders that the council can mitigate any potential short-to medium impacts from any current proposed surface car park disposal policies.
Risks/ Mitigation	Officers are dealing with imperfect information and future demand and supply variables are hard to predict. Ongoing and improved monitoring of car park usage to inform future decisions is essential to mitigate and review any impacts on car parking portfolio decisions Officers are experienced in the delivery of capital and revenue projects and will procure and manage the contract for abnormal works to the terms of the council's statutory procurement and project management requirements.	The issue of city centre car parking continues to be considered only in terms of its income and council budget imperative. No impetus to further consider current and future implications and issues arising within the council's car parking asset portfolio and as part of the council's OBR process.

6.0 Officer Preferred Option (and comments)

6.1 Following Members' consideration and confirmation the Strategy meets the council's objectives and its wider policy aspirations, **Option 1** is preferred.

7.0 Conclusion

7.1 Concerns from the business community, about the long-term provision of public parking, and general parking are understood. Through the draft

Lancaster City Centre Car Parking Strategy and Action Plan, alongside ongoing work with county council, the issue will be addressed at a strategic city-wide level, with appreciation of the statutory strategic policy imperatives the city council is working within.

7.2 Principally these are: its declared Climate Emergency, the Lancaster Highways and Transport Masterplan 2016, and the need to promote modal shift towards sustainable forms of transport such as cycling, walking and public transport. All of these matters have to be balanced pragmatically with the need to maintain sufficient car parking for general city centre economic health and accessibility.

7.3 The council recognises that having an appropriate level of car parking in the city is important to support the economy and provide a range and choice of transport options and to ensure accessibility for the less mobile and populations underserved by public transport. The draft Strategy and Action Plan is one element of the council's effort to continue to provide an appropriate number of parking spaces to support the local economy. This will include making best use of the spare capacity that already exists in other car parks within the city to reduce any potential impacts.

RELATIONSHIP TO POLICY FRAMEWORK

A Sustainable District – car parking provision and car use is a vital consideration in meeting the challenges of the council's declared Climate Emergency.
An Inclusive and Prosperous Local Economy – building a sustainable and just local economy that benefits people and organisations needs to consider car parking provision as a key feature of accessibility for certain groups and communities.
Healthy and Happy Communities – tackling car parking provision and some of the negative consequences inherent in the current portfolio will contribute to healthy and happy community objectives
A Co-Operative, Kind and Responsible Council – further consultation and ongoing discussion with stakeholders will achieve the best outcomes for in tandem with running efficient quality public services, of which car parking provision is a key service provision.

CONCLUSION OF IMPACT ASSESSMENT
(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

Asset health and safety and community safety should be improved with progression of the draft strategy Action Plan in the short, medium, and long-term. There are clear equity, sustainability, and rural proofing considerations when discussing elements of car park provision and the council's own car parking assets in particular given the intersection with public transport policy and issues with public transport availability and the sustainable travel and transport / Climate Emergency discussion. Business and community stakeholder consultation will further highlight issues and views for consideration in the final Strategy version to be considered at a future Cabinet meeting.

LEGAL IMPLICATIONS

No specific legal implications or legal risk arising from the report.

FINANCIAL IMPLICATIONS
The specific financial implication arising from the report is that an amount of £15K for

temporary parking feasibility design / planning / delivery from unallocated reserves is being requested.

There are no other specific financial considerations arising from adoption of the Strategy at this stage except that it should be noted that there is an intention to undertake work with the county council across 2024/25 on a Lancaster City Centre and Transport Vision strategy which will be subject to approval of a future bid to use reserves.

The main future financial implications lie in managing the cost/income impacts of the potential reduction in income arising from any decision to remove of city council car park assets across the area over the next 15 years and balancing these against the capital and revenue implications of any planned new temporary or permanent provision.

The assumption in the report is that any potential negative impact on the General Fund of removing car parking assets will not be a short to medium term concern given that enough capacity is believed to exist in the council car parking portfolio to absorb current car park users for most periods of time across the year. This would mean broadly that net income would be maintained against fewer physical spaces. When combined with the impact of potential capital receipts and potential efficiency savings the General Fund position is likely to be cost neutral with some car parking space loss.

The longer-term net income position may, however, be affected as other car parks may be brought forward under development over the next 7 to 15 years. The financial impact of any future decisions within this timeframe will need to be considered on a case-by-case basis and this will be assisted by better information on use and turnover within the car parking asset portfolio.

The assumption in the report is that for any new (permanent or temporary) car parking provision a commercial business case would be put forward demonstrating that borrowing costs for capital expenditure and ongoing revenue running costs would be covered by gross income with the potential to also deliver a net surplus. Such future business cases would be a matter for consideration as part of the development of the Council's future capital programme.

OTHER RESOURCE IMPLICATIONS

Human resources: Procurement and delivery of any project or work packages arising from the Strategy Action Plan will be led by officers from Sustainable Growth Regeneration Service services. Support will be required, including input from Property, Legal, and Financial Services,

Information Services: There may be Information Service implications arising from the review of improving car parking use /demand information.

Property: Feasibility and project development work will be undertaken to improve council parking assets.

Open Space Implications: No open space implications.

SECTION 151 OFFICER'S COMMENTS

Within the 2024/25 General Fund Revenue Budget car parking income amounts to approximately £3.89M and represents the largest single item of council, excluding Core Funding at around 20% of the council's total Fees & Charges income. In addition, there would also be a reasonable expectation that this would increase as the charges are reviewed. Whilst noted within the financial implications in the short term it is thought that there will be a minimal impact on this income stream care does need to be taken when considering car parking across the district in the longer term.

New or revised proposals will need to be carefully considered, not only from a financial perspective to maximise any future opportunities as they arise but also how it balances the various Council priorities.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments to add

BACKGROUND PAPERS	**Contact Officer:** Paul Rogers **Telephone: 01524 582334** **E-mail:** progers@lancaster.gov.uk **Ref:**

Lancaster City Centre Parking Strategy

March 2024

Final Consultation Draft v1.00 for issue

LANCASTER CITY COUNCIL

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Lancaster City Centre Car Parks: Council Owned Public Provision - Key Facts – Jan 2024

22 Council owned and operated public car parks

1,624 Council Owned spaces*

Largest – Castle 287 spaces*

Smallest – Wood Street 14 spaces

Average occupancy 70%

Peak occupancy December 95%

Lowest occupancy April 60%

*Includes Castle car park which is temporarily closed pending repairs and "permit only" spaces unavailable to all users.

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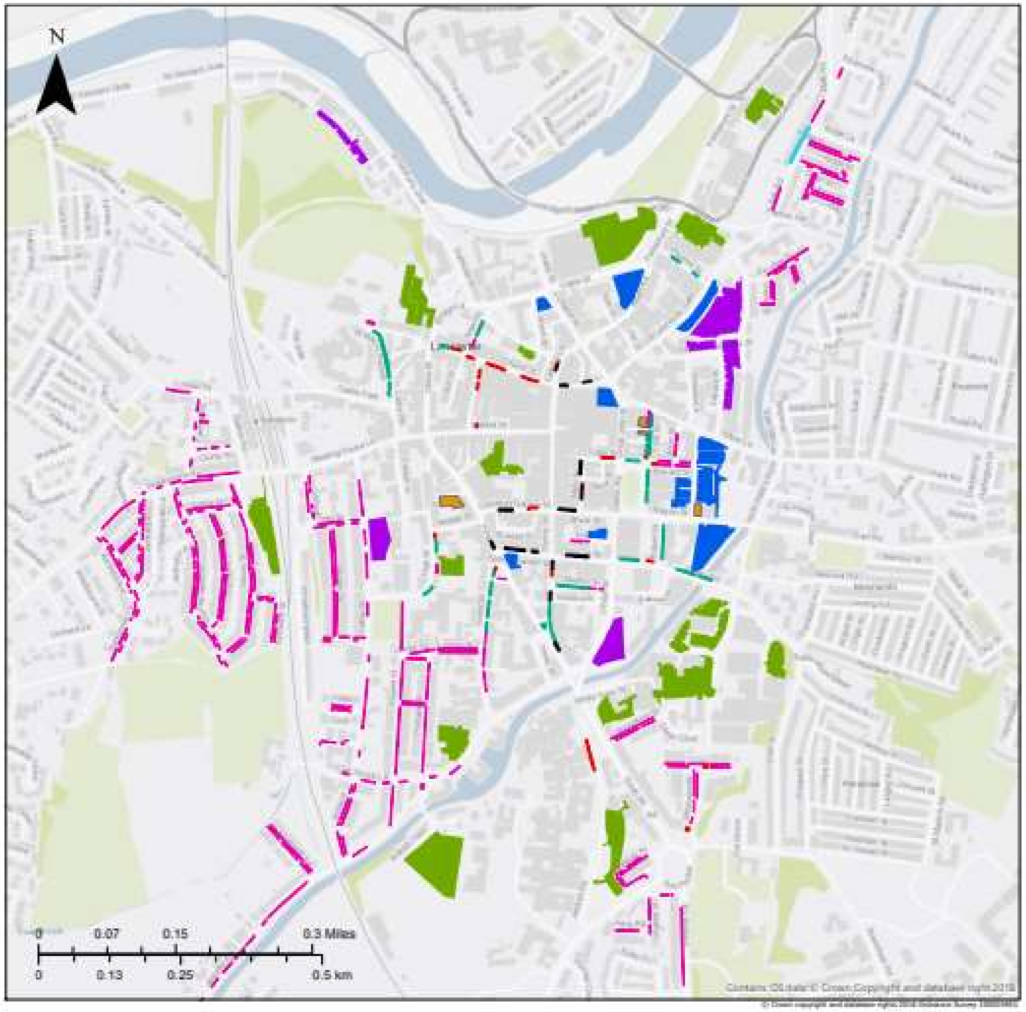
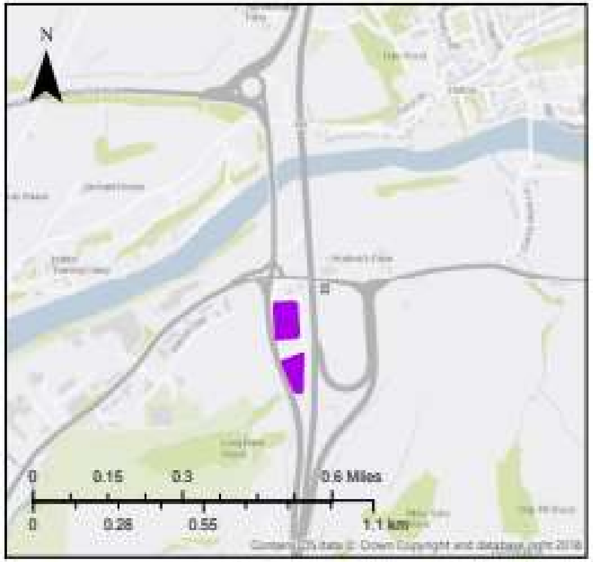
Lancaster City Centre – All Parking Provision





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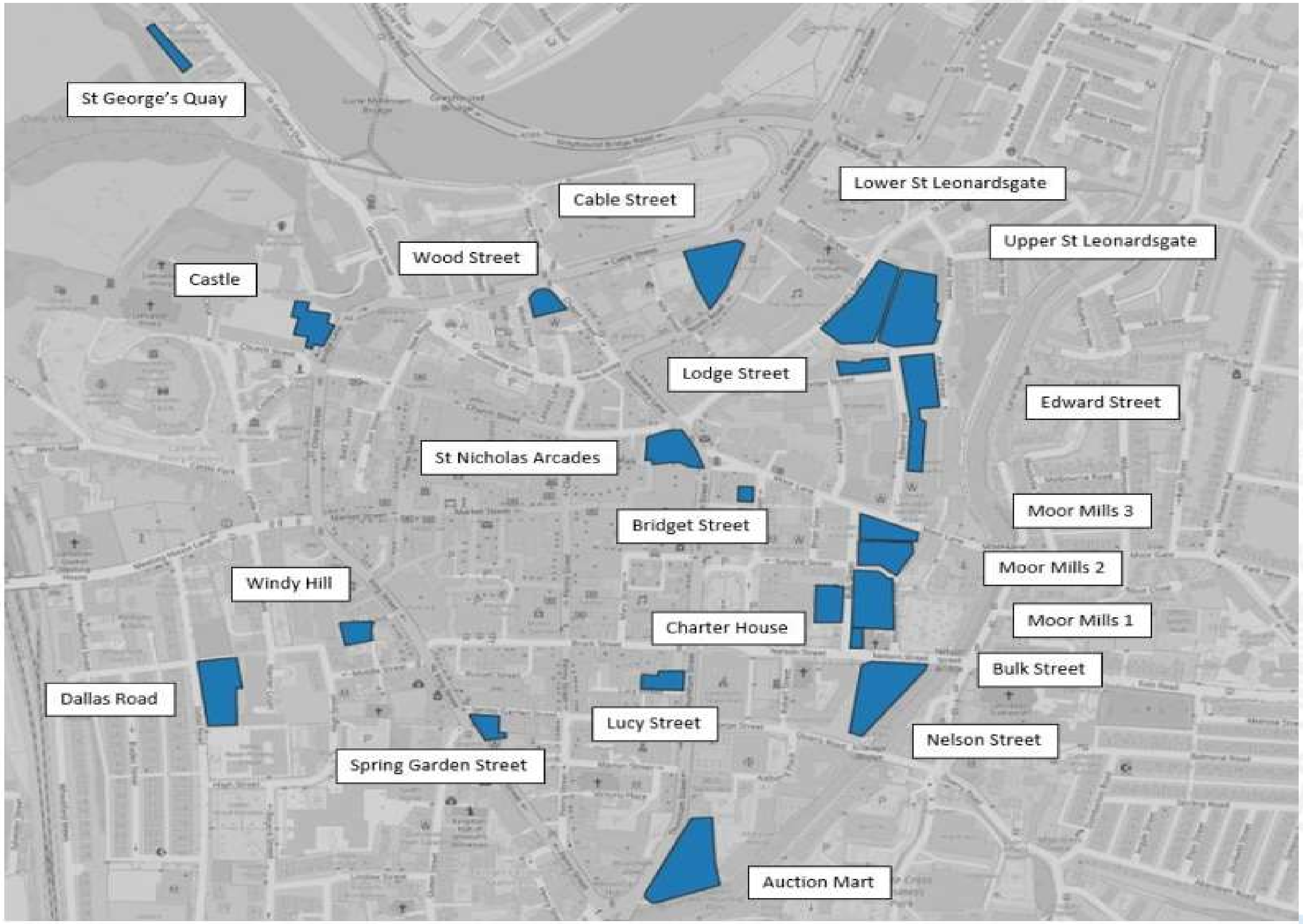
Council Owned Public Car Parks

All general use and “permit only” locations (1624 spaces)



Location	Spaces
Auction Mart	120
Cable Street	83
Castle car park	287
Charter House	41
Dallas Road	88
Edward Street	89
Lodge Street	34
Lower St Leonardsgate	70
Lucy Street	19
Moor Mills 1	67
Moor Mills 2	43
Moor Mills 3	39
Nelson Street	120
Spring Garden Street	19
St George's Quay	46
St Nicholas Arcades	277
Upper St. Leonardsgate	133
Wood Street	14
	1,589

General use (1589 spaces)

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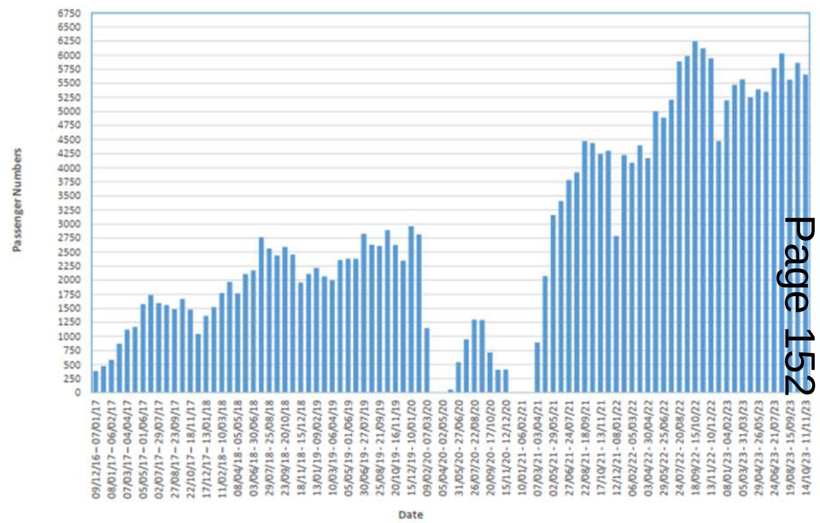
Complementary Provision

- 6 coach parking bays are provided at the city council's Upper St. Leonardsgate car park (no dedicated driver facilities).
- Coach visitor drop off is generally made at Lancaster Castle and Rail Station environs.
- Park & Ride located at the junction of Caton Road and the M6 Motorway (Junction 34).
- Operated by Lancashire County Council with capacity for 650 vehicles.
- Bus every 15 minutes between 06:05 am and 21:05 pm Mon - Sat.
- Eden Project Morecambe planning permission incorporates use of 400 spaces (arrangements for use and turnover/relationship to non-Eden users to be confirmed).
- Potential medium to long term opportunities to enhance revenue stream (solar / vehicle electricity charging) and capacity (decking).

Period	Passenger Numbers (per period	Average Passenger Numbers (per day)	Notes
30/05/21 - 26/06/21	3,409	213	Service runs 1hr later from 07/06/21
27/06/21 - 24/07/21	3,783	158	
25/07/21 - 21/08/21	3,915	163	
22/08/21 - 18/09/21	4,476	187	
19/09/21 - 16/10/21	4,439	185	
17/10/21 - 13/11/21	4,244	177	
14/11/21 - 11/12/21	4,302	179	
12/12/21 - 08/01/22	2,789	147	
09/01/21 - 05/02/22	4,224	176	
06/02/22 - 05/03/22	4,088	170	
06/03/22 - 02/04/22	4,397	183	
03/04/22 – 30/04/22	4,173	190	Easter holidays
01/05/22 – 28/05/22	5,002	217	Early May bank holiday
29/05/22 – 25/06/22	4888	222	Queen's Jubilee bank holidays
26/06/22 – 23/07/22	5208	217	
24/07/22 – 20/08/22	5,889	245	
21/08/22 – 17/09/22	5,988	280	
18/09/22 – 15/10/22	6,247	272	
16/10/22 – 12/11/22	6,121	255	
13/11/22 – 10/12/22	5,944	248	
11/12/22 – 07/01/23	4,472	213	Christmas and New Year
08/01/23 – 04/02/23	5,200	217	
05/02/23 – 04/03/23	5,474	228	
05/03/23 – 31/03/23	5,570	232	
01/04/23 – 28/04/23	5,250	239	Easter holidays
29/04/23 – 26/05/23	5,392	245	Early May and King's Coronation bank holidays
27/05/23 – 23/06/23	5,347	232	Spring bank holiday
24/06/23 – 21/07/23	5,772	241	
22/07/23 – 18/08/23	6,030	251	
19/08/23 – 15/09/23	5,565	242	
16/09/23 – 13/10/23	5,864	244	
14/10/23 – 11/11/23	5,656	238	
TOTAL (from contract start date 09/12/201	**253,472**		

Park & ride bus passenger numbers:



Complementary Provision

- Private parking (table to right).
- Limited on-street parking provision.
- A mix of short-and long-term opportunities manged by Lancashire County Council.
- Blue badge – 5% of total "off-street" capacity. On-street free for 3 hours.
- Motorcycles – Unrestricted and uncharged in city council car parks.
- Taxi rank adjacent to the bus station.

On-street parking at:

- Castle Hill;
- Church Street;
- Dalton Square;
- Friar Street;
- George Street;
- Quarry Road;
- Queen Street;
- High Street;
- Marton Street;
- New Road;
- Penny Street;
- Phoenix Street;
- Robert Street; and
- St Mary's Parade.

Sainsbury's, Cable Street	270	Free, customers only, maximum stay two hours.
Lancaster Station	165	Free up to 20 minutes, Daily: £12.00, Saturday: £4.00, Sunday: £4.00, Monthly: £166.00, Quarterly: £374.00, Annual: £1,200.00
Marketgate Shopping Centre	127	Mon-Sat: 08:00-18:00, Sun: 10:00-17:00. 0-1 hours: £2, 1-2 hours: £3, 2-3 hours: £4, 3-4 hours: £5, 4-6 hours: £10, 6-24 hours: £20
Kingsway Retail Park	91	Free, customers only
Aldi, Aldcliffe Road	80	Free, customers only, maximum stay 90 minutes. Mon-Sat: 08:00-22:00, Sun: 10:00-16:00. No restrictions outside these hours
Kings Yard	47	Up to 1 hour: £1.75, up to 3 hours: £3.00, up to 5 hours: £4.50, up to 10 hours: £6.50, up to 24 hours: £11.00. Maximum Stay 24 hours.
Damside Street	22	1 hour: £1.00, 2 hours: £2.00, 3 hours: £2.50, 12 hours: £6.00.

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Lancaster City Centre Parking Capacity Data

Summary of data findings and most recent survey information available (Refer to **Appendix 1**):

- Use across the year starts rising in Spring leading to peak occupancy during December Christmas period.
- Occupancy declines with the low point being early February.
- Peak occupancy in mid-December.
- Even at peak, car park spaces are available with relatively efficient turnover.
- Unused spaces in late winter are likely to be the least popular car parks: Castle, St. Georges, and Upper St Leonardsgate.
- Officers observe “popular” car parks at the peak periods tend to over-fill (vehicles waiting within the car. park for a space to become available and, potentially, circulating “looking for space”).
- Across the entire year capacity exists and generally it can be considered there is ample capacity at most times, albeit supply is stretched at seasonal, school holiday and specific festival peaks with some impact on driver utility.
- Caveats that the variables and information / survey base is imperfect due to various factors which contribute to the reality of either under- and over- occupancy at any one time.

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Lancaster City Centre Car Parks - Policy Context

- Climate Emergency declaration (in support of global and local action).
- District Highways and Transport Masterplan 2016 and Lancaster Local Plan (and Local Plan Review).
- Encouraging shift of trips to low emission modes.
- Reducing car penetration into, and circulation around, the city centre.
- Air quality/wider amenity improvement / accident reduction imperatives.
- Council net income/budget considerations.
- Canal Quarter Masterplan envisages surface car parks in phased release for housing over long-term.

- Local Plan seeks to provide an optimum number of public parking spaces which is: consistent with strategic policy imperatives; reflects changing transport needs; and supporting city economy/accessibility.
- County's Lancaster District Transport Masterplan (2016) broadly sets out an ambition to reduce car penetration into the city centre and encourage shift to sustainable and active travel.
- Sustainable Travel SPD (June 2022) – "*Car parks and their role should be rethought…Car parks should also be designed with the road user hierarchy as the foundation of design*" (although the SPD is relatively silent on further specifics).

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Lancaster City Centre Car Parks – Policy Context

Global View

"Bridging the Gap" report notes:

"Government policy for transport decarbonisation relies mainly on the transition to electric vehicles and renewable energy to drive carbon reduction. It does not seek to deliver carbon reduction through systemic changes in the way we travel, despite the CCC confirming in its 2023 progress report that demand reduction, and more specifically the need to reduce travel by cars, vans and HGVs, as being an important factor of the strategy needed to meet net zero mobility objectives."

Source: https://www.stantec.com/uk/ideas/topic/infrastructure/bridging-the-gap-understanding-uks-transport-decarbonisation-challenges.html

Local Plan

Local Plan Policy SG4, Lancaster City Centre - is key and includes the following narrative:

The Council will prepare a new car parking strategy for the City Centre which seeks to rationalise the number of car parking areas, allowing them to be managed more efficiently and reduce the flow of traffic into the gyratory system. The future strategy will address the location of car parking, the number of spaces required and the future role of the Junction 34 Park and Ride facility.

Sustainable Travel SPD (June 2022) – *"Car parks and their role should be rethought…Car parks should also be designed with the road user hierarchy as the foundation of design"*

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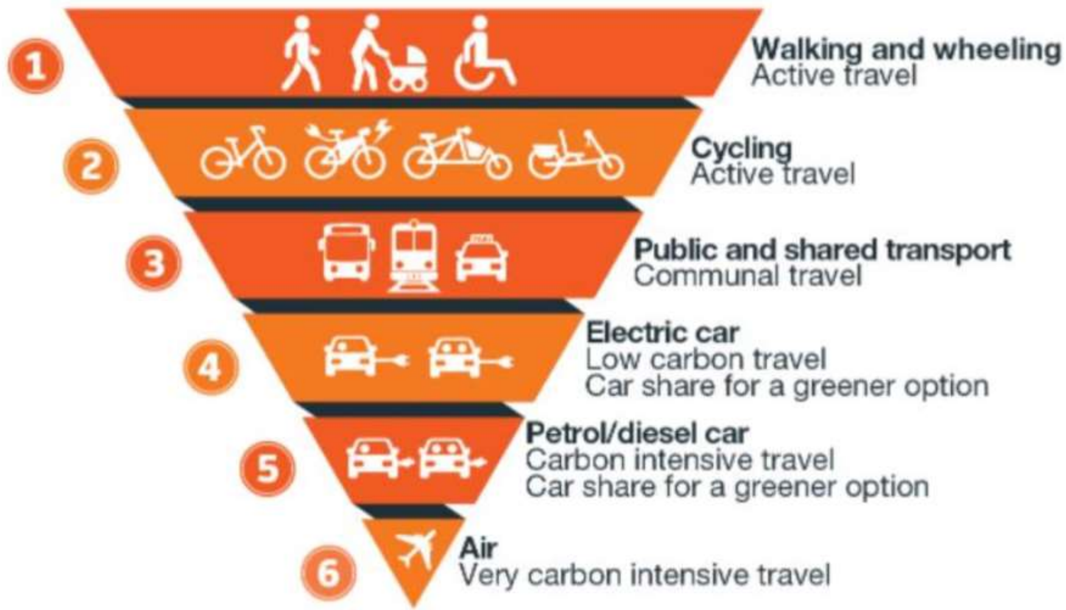
- The road user hierarchy sets out travel network users in order of vulnerability and priority.
- The city council has accepted that the design of travel networks should facilitate the safe travel of the different user groups, starting at the top of the hierarchy or designing first for walking and wheeling travel.
- Car parking should be provided in locations which supports and contributes to the hierarchy and the wide policy goal of long-term reduction in car penetration into the city centre and car use.



Source: Lancaster City Council Sustainable Travel SPD (June 2022)

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Parking Demand and Supply Considerations (1)

Strategic / Wider Economy

- Evolution of urban centres: traditional retail decline (although stabilising); continuing trend to e-commerce; growth in commercial leisure/night-time and cultural uses; increased community hub/services role; more homes/student accommodation.
- Post-Covid increase in home working has reduced overall day parking demand and brought more flexibility to working commute trip timing across the week.
- Cost of living crisis impacts on demand are uncertain and could work to both increase or supress demand for certain groups.
- Long term sustainable growth/housing ambitions may increase city parking demand, particularly if developments are progressed without sustainable travel improvements.
- Both natural and planned housing, education, commercial and leisure sector growth may increase demand.
- Eden Project Morecambe “rising tide lifts all boats” in sub-regional economic activity.

Location and Quality

- Parking provision developed in an unplanned, ad hoc way. P&R came with no supporting bus priority infrastructure.
- Provision is low quality and repair/maintenance problems - there are long term issues / costs associated with maintaining existing MSCPs and surface car parking portfolio as commercial assets.
- Parking portfolio provides limited options for cycle / car sharing and car clubs, and sustainable and low emission travel amenity.
- Parking portfolio can be characterised as not being in the right place, with poor accessibility and requiring significant investment .
- Alternative physical provision of car parking in more sustainable/better locations is likely to be costly with location and delivery options are not straightforward either physically nor commercially.

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Parking Demand and Supply Considerations (2)

Strategic Transport / Travel Factors

- Public transport is widely recognised as being insufficient for city business and community needs / demands particularly into evenings and services to rural areas.
- City council has limited control over major strategic public transport/highway improvement levers which could be employed to reduce car parking demand.
- Main levers are held by the county council as Highway and Transport Authority and (in future) the Combined County Authority.
- County council has obligations to improve city congestion/public transport (under the planning approval for M6 link).
- M6 link released city centre vehicle flow capacity – but perceived to be taken up by increased local traffic and may feed into the "default to car" as the more convenient / quicker travel option.
- M6 link has been strategically positive with major benefits for the city – but some potential negative externalities when looking at car parking and its relationship to commuter/leisure traffic flows.
- Absence of P&R/ordinary bus priority provides no incentive to use – P&R should be intercepting more "M6 / Caton Road origin" city trips than it currently does.
- Significant resources for infrastructure improvement and the mechanisms for improving availability of public transport are unlikely to be available in the short to medium term.
- Parking availability attracts vehicle movements and circulation to the city (commuting and leisure), although it is hard to disaggregate "through trips" from "destination leisure / commuting trips" in the flow count data.
- Future proportional increase in electric vehicles (car/buses) and autonomous vehicles use brings environmental benefits and lower emissions, although wide general uptake is delayed and promoting alternatives to car use is still desirable from the wider public policy perspective.

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Parking Demand and Supply Considerations (3)

Other Local Factors

- Car parking plays an important role in city economy and its accessibility (particularly for less mobile/rural users).
- Business concerns around net loss of parking, both for general impact on town centre economy and more specific impacts on individual businesses / evening economy as public transport options are limited at certain times and for rural places.
- Tendency to understate the importance of non-car users to city trade (2019 city centre survey) and the local economic benefits of putting surface car parks to housing use (2019 Lancaster City Survey and Government data – see **Appendix 2**).
- GPS data across October 2022 to October 2023 shows current use of city car parks predominantly derived from trips originating from the LA1, LA2, LA4 postcodes (**Appendix 3**).
- Car parking is ordinarily available, is relatively inexpensive and (discounting the costs of car ownership) cheaper than using buses for short stays and offers greater utility for long stays (see **Appendix 1** Heritage City cohort comparison).
- Major employers, such as the city council, drive disproportionate use of parking permits and lack "travel plans" to reduce car use.
- The city council has no control over use policies/opening times for the private parking but could seek engagement in support of wider objectives.
- On-street parking – temporary initiatives reduce availability and emerging plans may lead to reduction in capacity (Dalton Square improvements).
- Resident concerns over increasing ad-hoc use in edge of centre residential areas through net loss of parking in the city.
- Coach parking availability is relatively low for a city centre with ambitions to improve its position and offer to the heritage tourism market.

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Summary

- Car parking is a strategic transport lever / resource the city council can directly influence to achieve its objectives.
- Wider strategic car parking policy and its role in the sustainable travel agenda is unclear.
- There is good availability and capacity at most times of the day / week / year (notwithstanding specific peaks)
- Imprecise variables and information against an unplanned and poor-quality provision.
- There are opportunities for significant modal shift and desire in policy to reduce parking demand / car use.
- However, strategic public transport provision/infrastructure improvements are only likely to achieved over the long-term rather than short/medium term.
- Mass shift to sustainable and active modes of travel is unlikely and there are practical reasons to "default to car use".
- Demand / need for car parking is expected to be consistent for the immediate future and needs accommodating.
- With county council / Combined Authority engagement, in the medium to long-term, public transport options will improve.
- Historically parking has primarily been considered for its utility as a net income provider to the city council.
- Parking should be considered in a similar way to any other resource for its role in meeting council's overall policy objectives (Outcome Based Resourcing) as there are potentially significant future issues associated with the portfolio.
- The council's role in provision and its car park assets should be treated in the same way as any publicly provided resource and considered for its role in meeting council's overall policy objectives under the council's ongoing Outcome Based Resource based planning.

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Car Parking Strategy Positioning

Experts define two poles of public policy making for car parking:

Decide and Provide:
Where priority is given to measures that are most likely to deliver environmental and sustainability benefits, encourage modal shift and promote public transport use over and above providing for private car user utility.

Predict and Provide:
Ensuring sufficient parking capacity is provided to accommodate all predicted car borne demand and growth regardless of other public policy goals.

The council is taking a balanced approach between these poles :
Incorporating measures that best meet overall council policy objectives without significantly impacting and actively assisting otherwise potentially competing wider public policy aims.

The strategy takes a position between and elements of both “Decide and Provide” and “Predict and Provide”. However, achieving a balance needs much more discussion across the range of probable outcomes of policy actions. This can impact on pushing forward with other policy objectives.

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Lancaster City Centre Car Park Strategy - Key Aims

- Provision in the right locations reducing need for circulation/penetration into, through and around the city centre by private vehicles.
- Provide sufficient parking options to service the needs of the evening and cultural economy.
- Provide high quality and safe car parks (for both vehicles and users) which are attractive to customers.
- Ensure sufficient provision in good locations for blue badge holders, with a target of 6% as per Department for Transport recommendation.
- Promote the optimum use of land in support of the broad aims and objectives of city, county council, and other public policy objectives
- Help inform transport strategy, development decisions, and planning applications.
- Manage peak car park use by promoting alternative options.
- Ensuring the permanent car park offer is fit for the future; particularly use of electric vehicles and provision for alternative modes (cycle parking/car share hubs) and active travel amenity such as secure cycle storage.
- Provide a short term (up to 2 years) medium term (up to 7 years) and long term (10 years) action focus.

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Specific Short to Medium Term Impacts on Parking Supply

- Castle car park – 287 spaces temporarily unusable since June 2023 (although occupancy was low before closure).
- Nelson Street – Loss of 126 spaces from mid 2025 to proposed Canal Quarter housing development.
- Coopers Field – Loss of 181 spaces (Upper & Lower St. Leonardsgate), and 6 coach parking spaces, to proposed Canal Quarter social / affordable with early enabling works scheduled to be completed by 2026.
- Space loss under agreed policy is currently 307 spaces in the short to medium term.
- Depending on housing proposal progress, at late 2026/2027 spare capacity could be eroded as follows: (peak occupancy of 85% = 1,332 spaces) minus the capacity of 1,568 spaces = currently circa 236 spare peak capacity.
- This is fewer than the "lost" 307 spaces (a likely estimated deficit of 71 spaces compare to existing full capacity).
- Council intends to bring Castle car park back into use before any net space loss – looking to resolve by 2025.
- Net loss of spaces would not affect the continuing availability of private parking provision, nor the availability of on-street parking provided by Lancashire County Council.

<u>Potential Impacts</u>

- Demand may balance out as users change behaviour to more off-peak trips in response (flattening the peak).
- May be migration to on-street spaces, private sector car parks, Park & Ride, other modes (positive) or to surrounding residential neighbourhoods / informal uncontrolled streets surrounding the city centre (negative).
- Could be net income loss however, development of car parks is not a "zero sum game" and net position of General Fund unlikely to be negatively affected (as noted in consideration of the Nelson Street development proposal).
- However, the council is seeking pragmatic mitigation/management of the potential space loss.

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Lancaster City Centre Car Parks – Strategy (1)

- Due to the variables and information to hand, developing parking strategy is not an exact science.
- Strategy assumes close county council engagement in the short, medium and long-term approach to improving transport conditions/public transport options for the city (such as the ongoing work on Cycle and Walking Strategy).
- Need to better inform and engage stakeholders in strategic car parking and transport strategy work.

Short to medium term strategy focus:

- The city council aims to provide a portfolio of 1300 to 1400 publicly operated off-street spaces to provide sufficient capacity for currently identified peak demand periods.
- Gives context/flexibility to consider progression of early phase Canal Quarter development (particularly affordable housing) without risk of de-facto "moratorium" on agreed actions to relieve the housing crisis.
- Net income/position of General Fund should be maintained (although future decisions need to be based on the income situation at the time).
- Allows phased/controlled release of some surface car parks for housing development with the probability of no overt driver utility/neighbourhood issues.
- Impact of the approach will be closely monitored, and any negative impacts mitigated.

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Lancaster City Centre Car Parks – Strategy (2)

Short to medium term strategy depends on:

- Fixing/changing utility of parts of the council's existing MSCPs and bringing back on-stream provision which is currently off-line (Castle car park due to re-open in 2025).
- Temporary provision/replacement options developed for car and coach parking while reflecting the aspiration for longer-term transport strategy improvements and permanent / better located car and coach parking / transport hub provision planning.
- Making small gyratory located car parks short-stay (up to two hours only).
- Temporary edge of centre parking/movement solutions looked at to meet peak demands (e.g. for Festivals) and encourage increased use of existing Park & Ride as "overflow".
- More efficient use of spaces by encouraging turnover and increased non-peak use to avoid "circulating" congestion on roads and waiting in car parks.
- Promote the use of modern technology for car parking payments.

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Lancaster City Centre Car Parks – Strategy (3)

Long term focus

- Long term strategy for improved car parking provision and location for city centre agreed as part of wider public transport/alternative mode improvements and a strategic Lancaster City Centre Strategy and Transport Vision.
- Consider locations/business planning for replacement MSCP based transport hubs at edge of centre.
- Resolving strategic demand implications e.g. Eden Project Morecambe use of Park & Ride.
- Strategy for securing funding for strategic car parking improvements/delivery.
- Implementing contingency plans for any economic/accessibility/ neighbourhood consequences of parking space loss.
- Clarification of what role Canal Quarter land/uses to play in the strategic provision of car parking spaces (either in retention of land in current use for parking and/or as an area to locate new/replacement MSCP provision).
- Ongoing and better monitoring of car park usage to inform decisions.

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Action Categories

Practical actions in the Short/Medium/Long term can be grouped as follows:

- **Parking provision**
  - Short to medium term temporary "supply side" provision to ensure maintenance of good peak capacity against planned space loss.
  - Short to medium term ad-hoc provision and transport (e.g. in support of festivals and events).
  - Long term provision and plan for better located MSCP based "transport hubs".
- **Pricing and Tariffs**
  - Influencing user decisions, managing resource use/turnover, meet priority user needs.
  - Physical/on-line for under-utilised space/capacity, and efficient management of circulation.
- **Promoting active travel alternatives/communications**
  - For increased use of P&R, taxi, motorcycling, bus use, walking, and cycling (electric/traditional).
  - Major employer demand base reduction (includes city council).
- **Enforcement**
  - Maximising supply and efficient use of resource/turnover.
- **Cross-cutting technology**
  - Enabling/assisting the above actions (can be expensive but major dividends across all objectives).

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Lancaster City Centre Car Parks – Action Plan (Short term)

Action	Who	Outcome / When	Priority
1. Work with the Castle car park owners to repair and reopen as soon as possible	Landlords	By late 2024/early 2025	High.
2. Research ANPR occupancy systems	Parking Services	Detailed specification and tendered price within 2024	High.
3. Develop and implement off-set temporary additional car and coach parking options for projected loss of Nelson Street and St. Leonardsgate	City council officers	By early 2025 deliver circa 70 to 150 spaces on council land	Medium.
4. Work with County on P&R improvements/ strategy (linked to wider strategy for bus priority)	City & County officers	By 2027	Medium
5. Ongoing tariff reviews reflect wider strategy	City council officers	Annually	Medium
6. Kingsway Long stay expansion	City council officers	Net gain: between 20 and 70 long stay spaces	Medium
7. Car club expansion/vehicle share	City council officers	By late 2024/early 2025	Medium
8. City council parking permits review	City council officers	By late 2024/early 2025	Medium

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Lancaster City Centre Car Parks – Action Plan (Medium term)

Action	Who	Outcome / When	Priority
1. Develop a joint City & County Electric Vehicle charging strategy	Joint officer group & County Council	Within 3 years	High
2. Introduce ANPR enforcement when allowed by DfT	DfT	As legislation approves the use of ANPR to undertake penalty ticket enforcement.	Medium
3. Coordinate with city and county officers over the cycling & walking strategy	Joint officer group	Within 3 years	Medium
4. Information improvements including revamped wayfinding	Joint officer group & County Council	Within 3 years	Medium
5. Loss of space mitigation plan, i.e. convert three permit only car parks to short-stay	Joint officer group	Within 3 years	Medium
6. Managed and phased release of Edward Street to ensure limited "net loss"	Parking Services	Net gain: 42 (with a turnover parameter applied – 126). Balanced over 10-year project phasing	Medium

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Lancaster City Centre Car Parks – Action Plan (Long term)

Action`	Who	Outcome / When	Priority
1. Plan for delivering two new transport hubs – North & South of the City	Lancaster City Council	To replace the covered car parks and feasibility completed within 7 years	High
2. Implement strategic approach to car parking agreed in partnership with County and emerging transport improvements	Parking Services & County Council	On-going	High
3. Review Castle & St Nicholas MSCPs condition and future utility.	Parking Services	Within 10 years	High
4. Close all small surface car parks	Parking Services	To cut down on circulation/space-cruising. Within 15 years	Medium
5. Real time information on occupancy and strategic signage	Parking Services & County Council	Within 10 years	Medium
6. Integration with sustainable transport messaging	Parking Services & County Council	Within 10 years	Medium

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Appendix 1

Lancaster City Centre Capacity Data and Most Recent Survey Information

Data range: April 2021 to March 2022 full year.
Tariff change April 2022.

	Spaces Available month	Turnover Availability	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Grand Total
Auction Mart	3,720	4,464	3,327	3,696	3,568	3,829	3,882	3,821	4,759	4,260	4,233	3,997	4,130	4,493	47995
Cable Street	2,573	9,006	7,407	8,722	8,559	9,807	9,107	8,454	9,440	8,564	8,872	8,454	8,333	9,173	104892
Castle car park	8,897	4,449	1,420	1,449	1,292	1,364	1,466	1,145	1,540	1,756	2,025	1,512	1,545	1,628	18142
Charter House	1,271	4,449	3,182	3,563	3,548	3,542	3,293	3,324	3,261	4,078	4,571	4,023	3,512	4,045	43942
Dallas Road	2,604	5,468	3,193	3,610	3,416	4,008	3,499	3,642	4,268	3,744	3,467	3,269	3,388	3,824	43328
Edward Street	2,945	2,945	933	807	842	1,012	900	845	1,346	1,420	2,202	927	903	1,037	13174
Lodge Street	930	930	410	448	468	518	403	512	601	481	830	392	416	443	5922
Lower St Leonardsgat	2,046	5,524	2,939	3,345	2,786	4,183	3,327	3,747	4,097	3,731	4,874	3,493	3,553	4,038	44113
Lucy Street	558	2,120	1,774	2,153	2,056	2,168	2,122	2,075	2,027	1,921	1,908	1,919	1,939	2,093	24155
Moor Mills 1	2,077	6,231	4,220	4,225	4,080	4,784	4,183	4,027	4,966	5,073	5,574	4,551	4,240	4,832	54755
Moor Mills 2	1,333	5,332	3,393	3,703	3,757	4,148	3,643	3,614	3,936	3,906	4,681	3,575	3,317	3,898	45571
Moor Mills 3	1,178	4,712	2,503	2,773	2,775	3,147	3,060	2,992	3,441	3,271	3,766	3,233	3,063	3,513	37537
Nelson Street	3,906	9,765	4,547	4,858	4,964	5,946	5,302	5,231	6,294	6,919	8,961	6,099	5,739	6,571	71431
Spring Garden Street	589	2,062	1,680	1,971	1,932	2,133	2,196	2,106	2,110	2,016	1,796	2,193	2,016	2,225	24374
St George's Quay	1,364	682	222	232	228	230	270	181	349	243	277	181	285	245	2943
St Nicholas Arcades	8,556	16,256	10,082	10,386	9,376	12,777	13,357	12,848	14,353	13,364	14,652	10,106	9,408	12,242	142951
Upper St. Leonardgat	3,565	6,417	2,418	2,564	2,598	3,074	2,306	2,628	3,316	2,987	4,728	2,584	2,731	2,869	34803
Wood Street	496	2,480	1,960	2,372	2,490	2,335	2,252	2,283	2,310	2,177	1,955	2,240	2,252	2,601	27227

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Auction Mart	75%	83%	80%	86%	87%	86%	107%	95%	95%	90%	93%	101%
Cable Street	82%	97%	95%	109%	101%	94%	105%	95%	99%	94%	93%	102%
Castle car park	32%	33%	29%	31%	33%	26%	35%	39%	46%	34%	35%	37%
Charter House	72%	80%	80%	80%	74%	75%	73%	92%	103%	90%	79%	91%
Dallas Road	58%	66%	62%	73%	64%	67%	78%	68%	63%	60%	62%	70%
Edward Street	32%	27%	29%	34%	31%	29%	46%	48%	75%	31%	31%	35%
Lodge Street	44%	48%	50%	56%	43%	55%	65%	52%	89%	42%	45%	48%
Lower St Leonardsgat	53%	61%	50%	76%	60%	68%	74%	68%	88%	63%	64%	73%
Lucy Street	84%	102%	97%	102%	100%	98%	96%	91%	90%	91%	91%	99%
Moor Mills 1	68%	68%	65%	77%	67%	65%	80%	81%	89%	73%	68%	78%
Moor Mills 2	64%	69%	70%	78%	68%	68%	74%	73%	88%	67%	62%	[illegible]
Moor Mills 3	53%	59%	59%	67%	65%	63%	73%	69%	80%	69%	65%	75%
Nelson Street	47%	50%	51%	61%	54%	54%	64%	71%	92%	62%	59%	67%
Spring Garden Street	81%	96%	94%	103%	107%	102%	102%	98%	87%	106%	98%	108%
St George's Quay	33%	34%	33%	34%	40%	27%	51%	36%	41%	27%	42%	36%
St Nicholas Arcades	62%	64%	58%	79%	82%	79%	88%	82%	90%	62%	58%	75%
Upper St. Leonardgat	38%	40%	40%	48%	36%	41%	52%	47%	74%	40%	43%	45%
Wood Street	79%	96%	100%	94%	91%	92%	93%	88%	79%	90%	91%	105%

Caveats:

1. Short stay car parks “turnover” skews the ticket sales data. Raw ticket sales data implies smaller car parks have high % occupancy, but in practice spaces are regularly available
2. Over-stay/Under-stay may underestimate occupancy may reduce/increase capacity respectively.
3. Ticket transfer skews occupancy vs ticket sales.
4. Tickets can only be sold when the machine is working and therefore recorded sales data is directly linked to machine functionality.
5. RingGo sessions/permits not captured by the sales data.
6. Older pay & display machines with 3g modems have ceased sending data in busy car parks (St Nics x2 machines, Cable St and Lucy St) with a loss of sales data.
7. Car sitting. Vehicles with the driver present in the car park but no purchase of a ticket reduces occupancy without adding to the data set.
8. Post Covid impacts and cost of living crisis impacting on overall occupancy.

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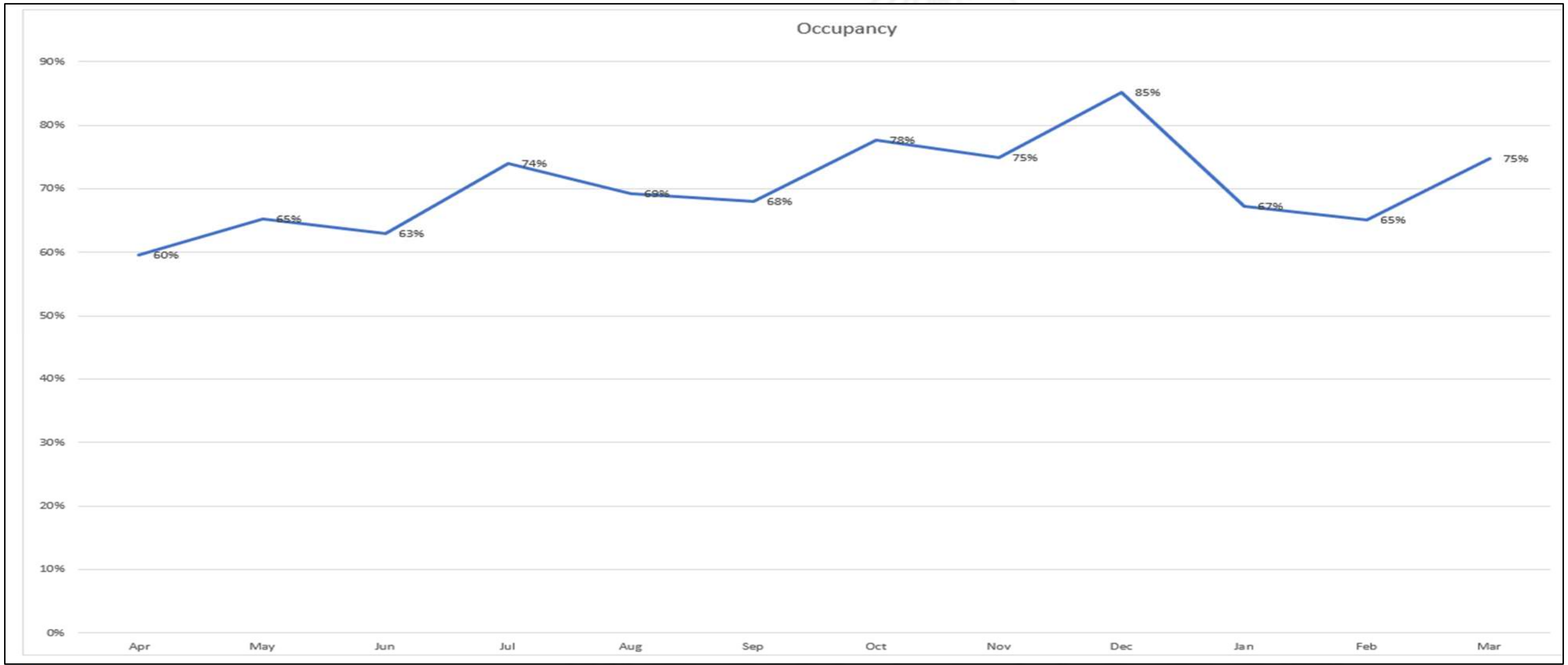
Appendix 1 (cont…)

Lancaster City Centre Capacity Data



Month	Capacity
Apr	**60%**
May	**65%**
Jun	**63%**
Jul	**74%**
Aug	**69%**
Sep	**68%**
Oct	**78%**
Nov	**75%**
Dec	**85%**
Jan	**67%**
Feb	**65%**
Mar	**75%**

Notes:
Data range: April 2021 to March 2022 full year.
Post Covid impacts and cost of living crisis impacting on overall occupancy.
Tariff change April 2022.

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Appendix 2

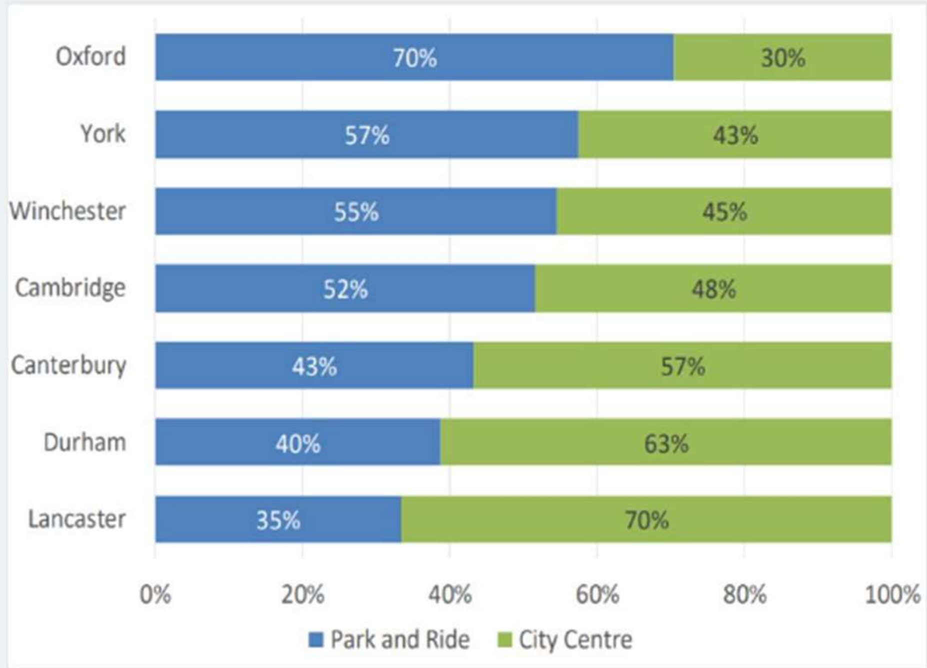
Comparison Tariffs / P&R – Heritage Cities Cohort

Short-stay city centre parking

City	Hourly Tariff (£)			
	1 hr	2 hrs	3 hrs	4 hrs
Oxford	5.50	8.60	11.60	14.30
Cambridge	3.30	6.40	9.60	13.80
York	3.10	6.20	9.30	12.40
Canterbury	2.50	5.00	7.50	10.00
Lancaster	2.20	3.30	4.40	N/A
Winchester	1.80	3.30	5.00	6.60
Durham	1.80	1.80	£2.60	3.40

Source: Officer analysis February 2024

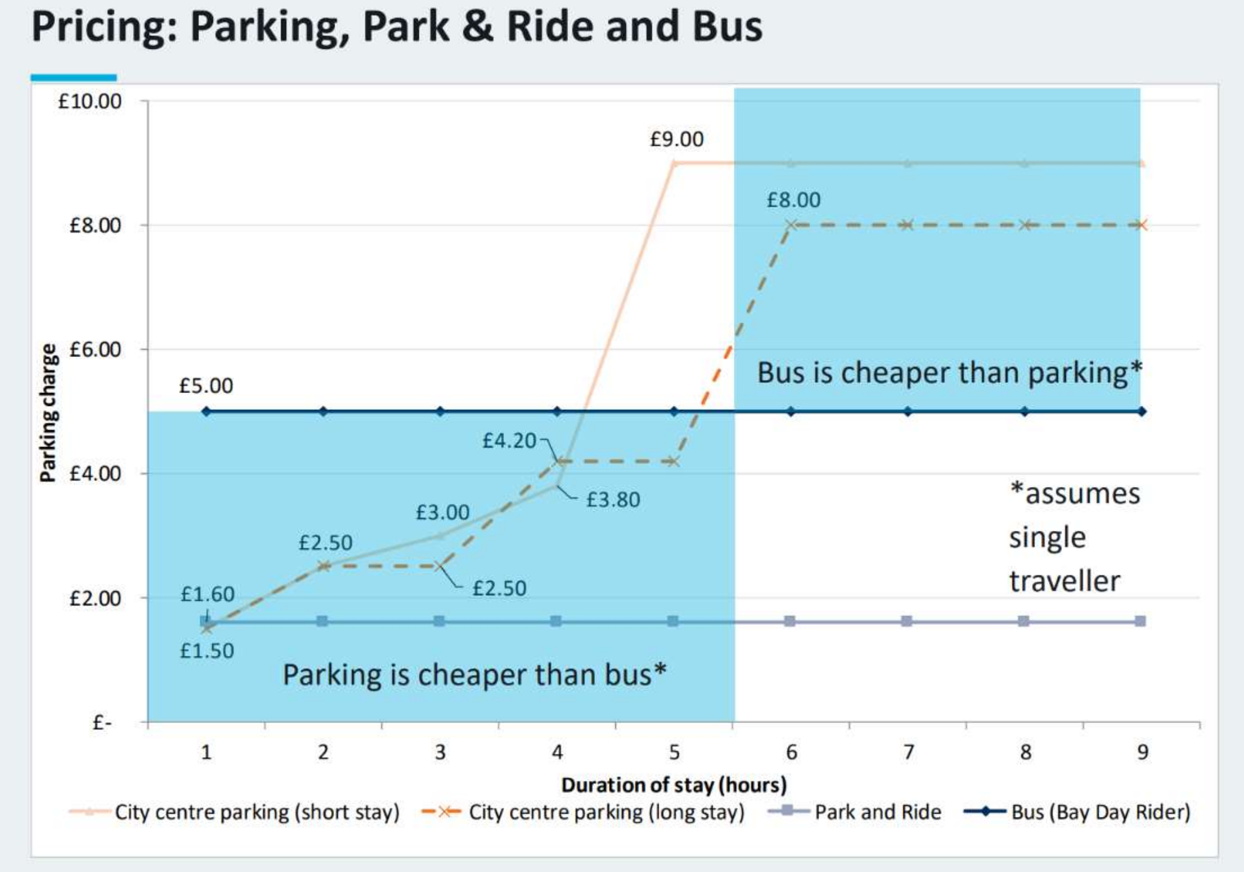
Split of Park and Ride / city centre parking provision



Source: 2019 Study

2019 Study – Other Survey Observations

- Notwithstanding consideration of the wider costs of car ownership/use parking is reasonably priced compared to other options.
- 700 permits issued, mostly for city centre car parks
- 5-day permits offer 57% discount vs daily payment
- City council staff permits (140 Lancaster based) offer 73% discount vs public permit
- 1 in 3 cars observed in city council operated car parks were using some form of permit
- 25% of respondents in the city centre for work



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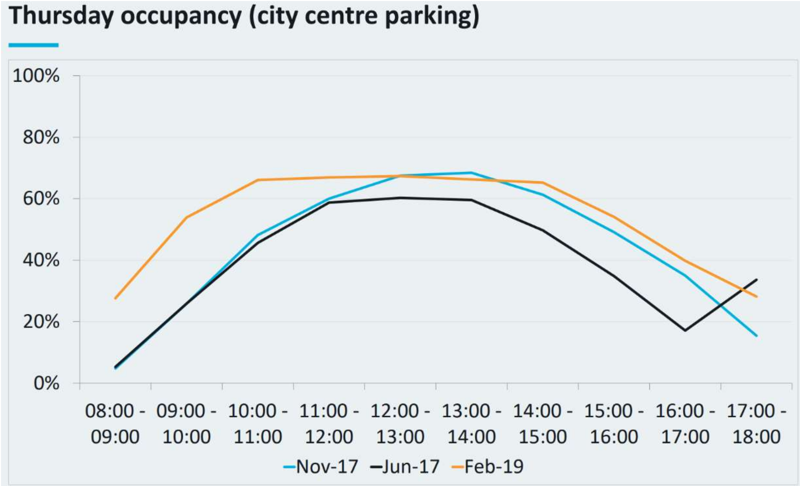
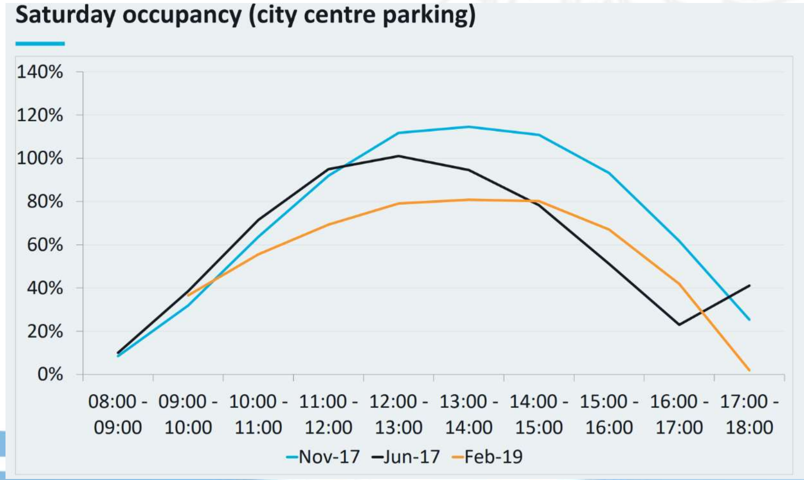
2019 Study / Survey Results





Thursday

- Peak occupancy 12:00 to 13:00
- 65% of spaces occupied
- 542 empty city spaces
- P&R survey 1pm 109 spaces occupied
- 541 empty P&R spaces

Saturday

- Peak occupancy 13:00 to 14:00
- 78% of spaces occupied
- 318 empty city spaces
- P&R survey 1pm 23 spaces occupied
- 627 empty P&R spaces

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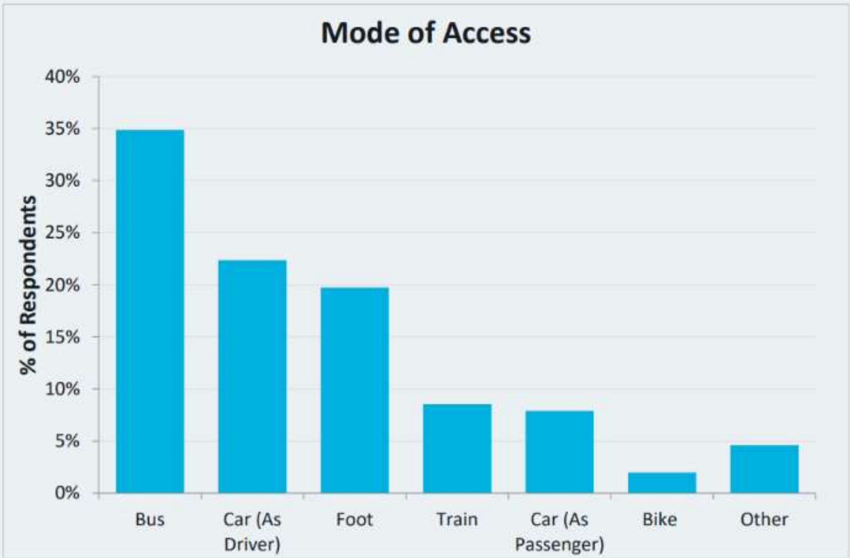
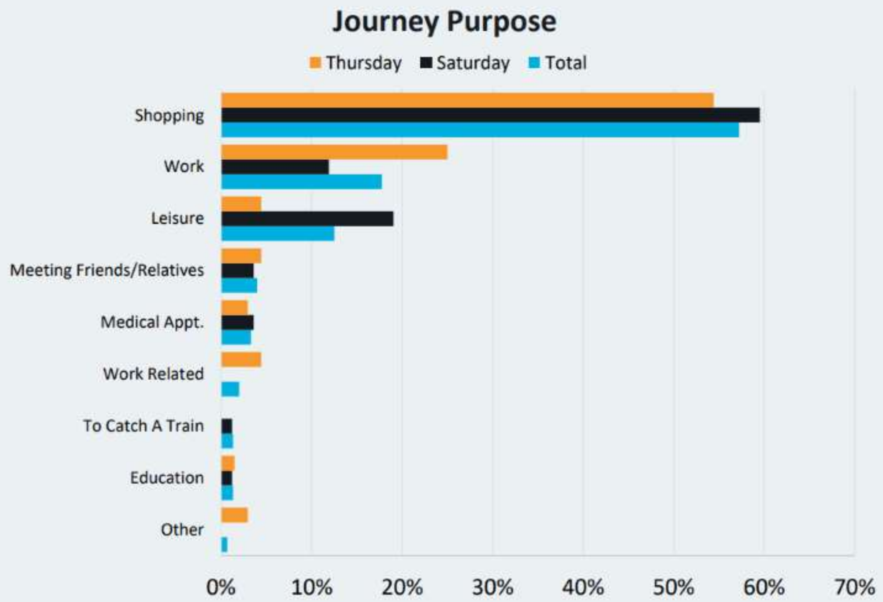
2019 Study / In Person Survey Results on City Centre Trips

- 170 respondents (small random sample but gives: 95% statistical confidence level, +/- 7% margin of error against a population of 44,000 footfall impressions (derived from average footfall MRI data)
- Most city users arrive by bus / walk
- Shopping is the main purpose
- More work journeys on Thursdays, more leisure on Saturdays
- Significant local demand – 71% live within 3 km
- Findings supported by Place Infomatics GPS study Oct 22 to Oct 23 (Car park user origin is mainly LA1 / LA2)





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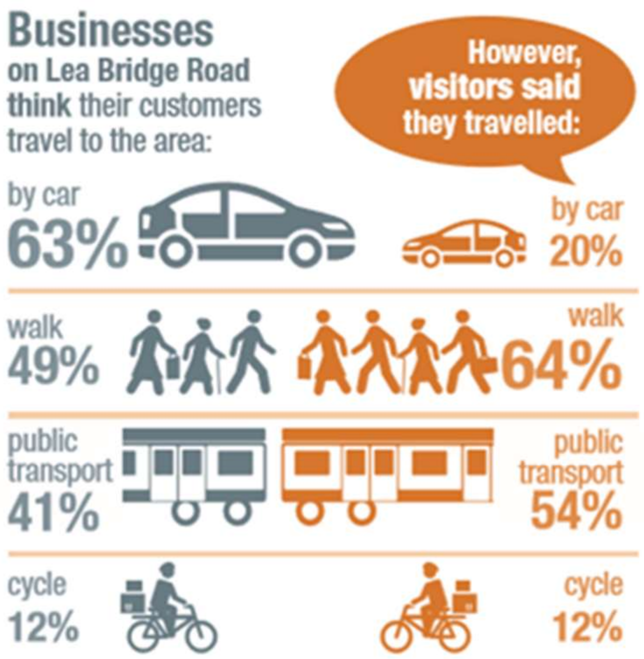
2019 Study / Survey Results

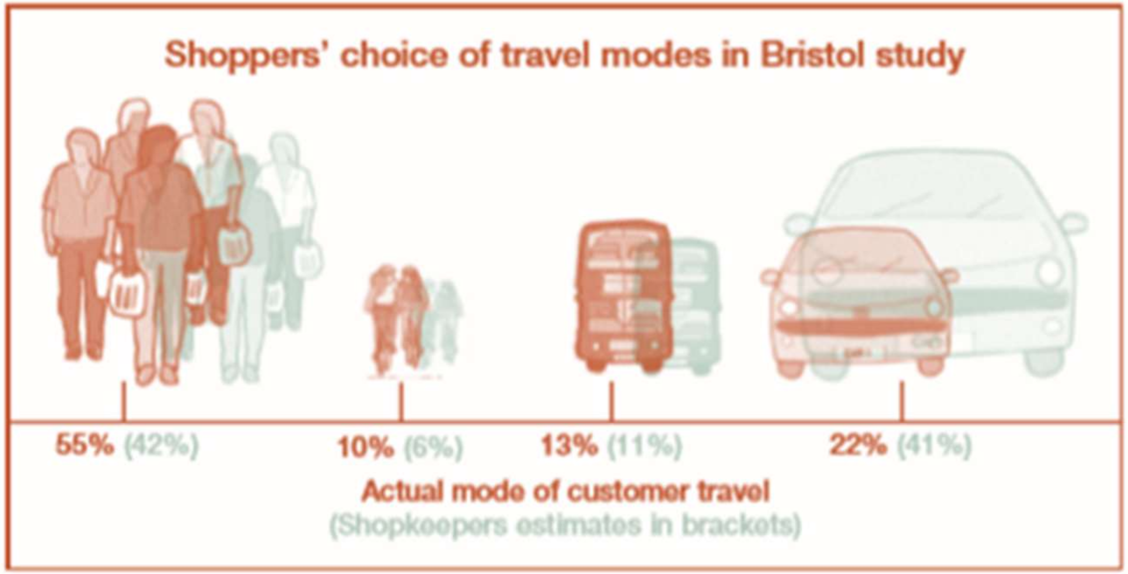
- Interviews conducted on spend (£)
- Majority of spend is by non-car users although car borne spend is still significant
- People who walk / cycle spend less but visit more often

	Share of spend (survey day)		
Mode used to access city centre	Thursday	Saturday	Overall
Car	28%	32%	31%
Public transport/taxi	59%	54%	55%
Walking/cycling	13%	14%	14%

Summary	**Share of spend (month)**		
Mode used to access city centre	Thursday	Saturday	Overall
Car	25%	35%	31%
Public transport/taxi	57%	37%	45%
Walking/cycling	17%	28%	24%

National Survey Support for Lancaster City Centre User Profile





Source: Department for Transport Active travel: local authority toolkit

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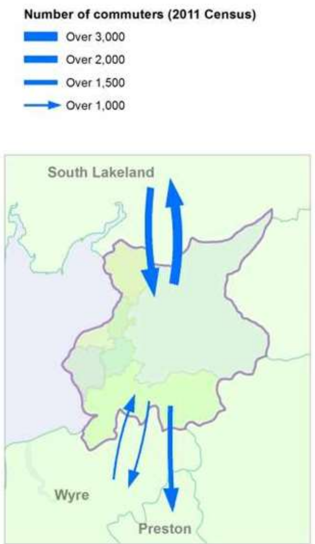
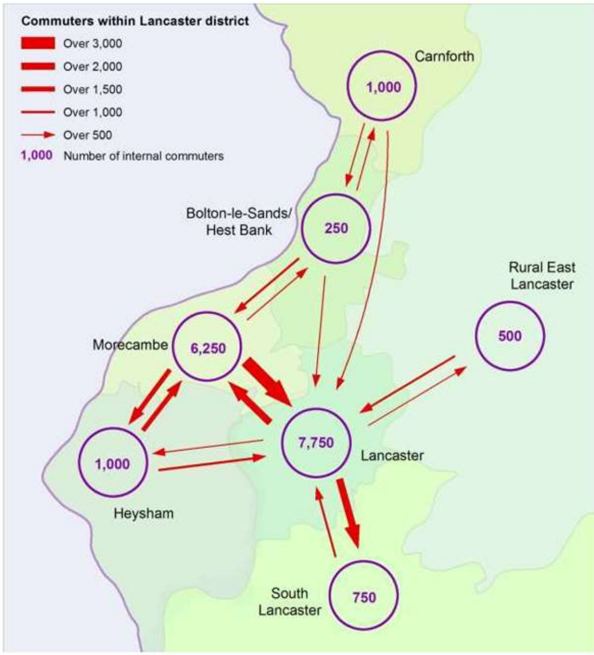
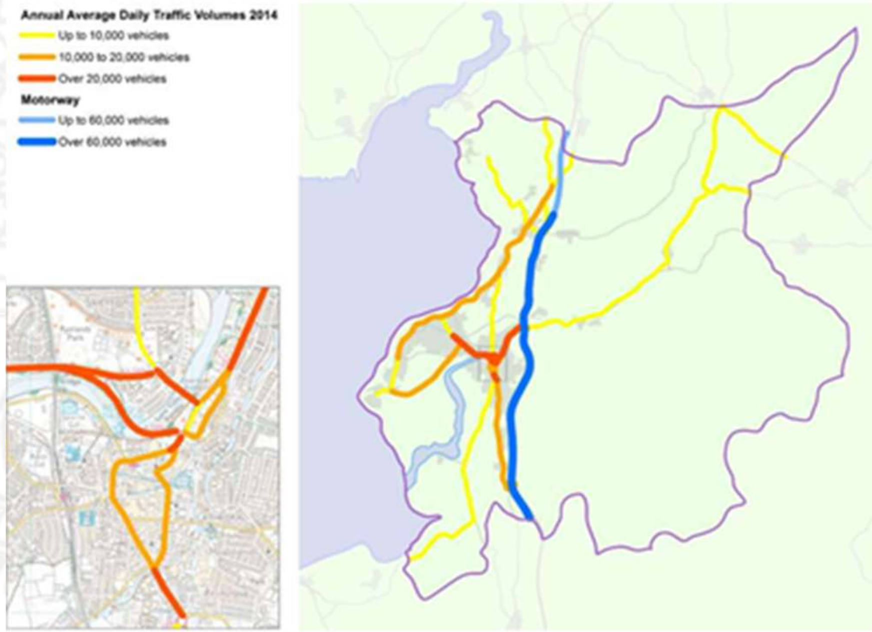
Appendix 3

General Commuting / Leisure Travel Patterns and Car Park Demand

Significant numbers of commuters travel between Morecambe, Heysham, Lancaster City, and South Lancaster as well as outside the district to South Lakeland to the north and Preston to the south. Overall, Lancaster is a net exporter of labour but 80% of locally employed residents live and work in Lancaster, and Lancaster University is a key element of this pattern. Confirmed by Datashine, which represents inbound commuting trips (in blue) and outbound commuting trips (in red)







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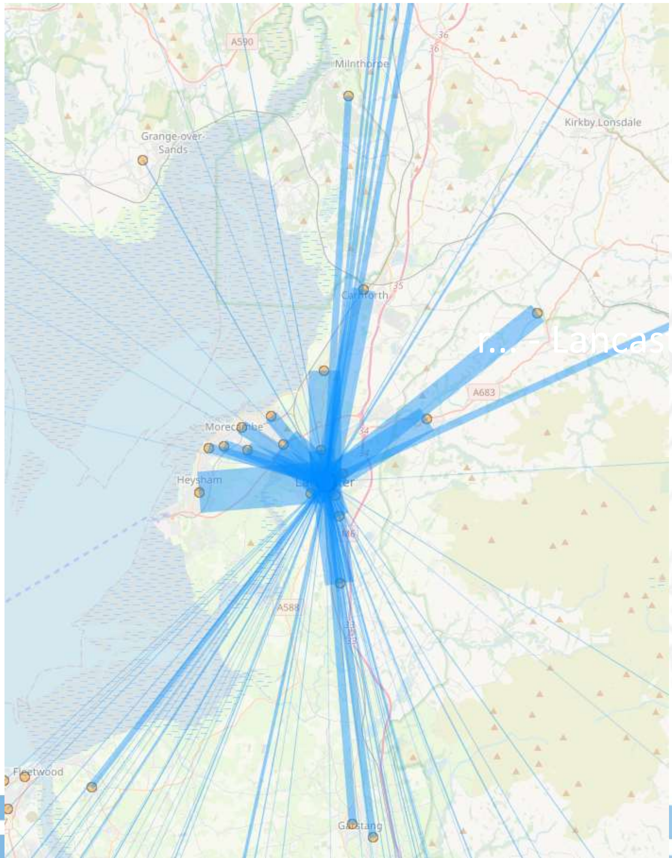
General Commuting Travel Patterns and Car Park Demand

DataShine Analysis Car journeys to Lancaster City Centre (from home)

As Driver



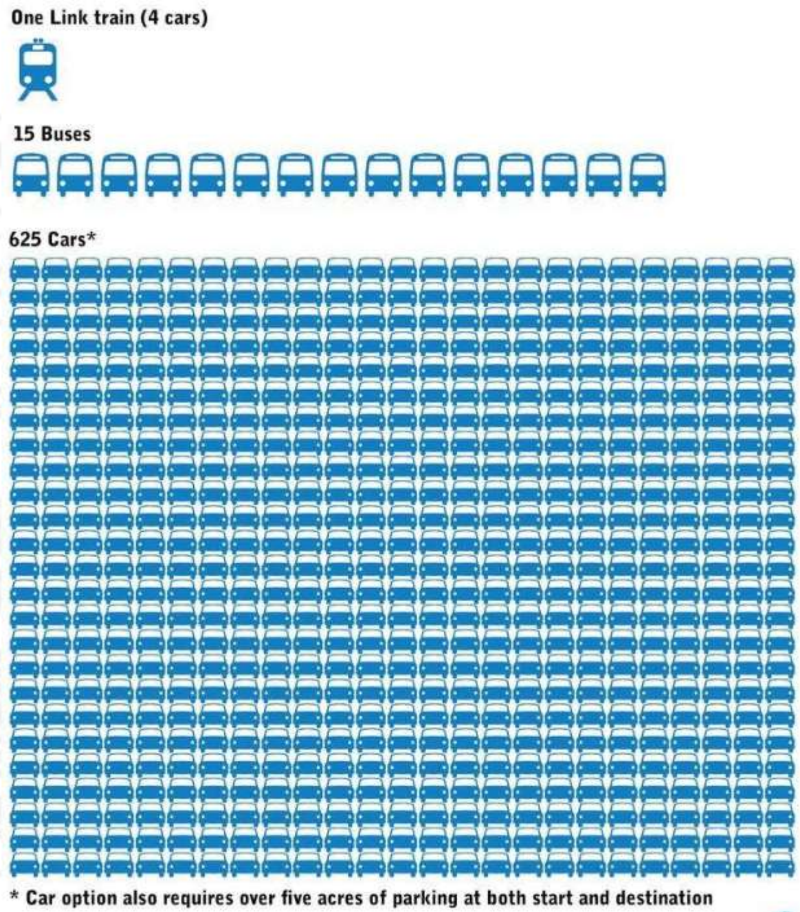
As Passenger

Local Postcodes

Illustration of Impacts and Relative Efficiency of Mode choice

Appendix 3 (cont …)

- Illustration of what it takes to move a 1000 people.
- Relative low number of passengers locally means illustration is likely accurate for the Lancaster city centre commuting pattern.
- Use of land for surface parking is inefficient compared to hosting car borne city users in multi-storey provision.
- Surface car parks are inefficient to monitor and manage.
- Contributes to a narrative that car borne users are the highest number users of the city centre due to space taken up on highway / car parks.
- Options to reduce flow volumes and car parking demand could prioritise "softer" car share and employer travel plan work as much as "hard" infrastructure to improve public transport priority.



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Resources

Local Government Association - Travel, Parking and Access toolkit

https://www.local.gov.uk/topics/economic-growth/revitalising-town-centres-toolkit-councils/function/travel-parking-and

Department for Transport

Active travel: local authority toolkit

https://www.gov.uk/government/publications/active-travel-local-authority-toolkit/active-travel-local-authority-toolkit

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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