

CABINET

Provisional Revenue, Capital, and Treasury Management Outturn 2019/20 15 September 2020

Chief Finance Officer

PURPOSE OF REPORT			
This report provides summary information regarding the provisional outturn for 2019/20, including treasury management. It also sets out information regarding the carry forward of capital slippage and other matters for Members' consideration.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
Officer Referral			X
Date of notice of forthcoming key decision		N/A	
This report is public.			

RECOMMENDATIONS OF COUNCILLOR WHITEHEAD:

- (1) That the provisional outturn for 2019/20 be endorsed, including the transfers to and from Reserves and Balances actioned by the Chief Finance Officer as set out in 5.1 and Appendix 5.
- (2) That Cabinet approve the treatment of year end overspends and endorse the do-nothing approach in-light of the current pandemic situation.
- (3) That the requests for capital slippage and the adjustments to reflect accelerated capital spending on projects as set out at Appendix 7 be endorsed, with the Capital Programme being updated accordingly.
- (4) That the Annual Treasury Management report and Prudential Indicators as set out at Appendix 2 be noted and referred on to Council for information.

1. BACKGROUND

- 1.1. All local authorities have a legal duty to produce annual Statement of Accounts. For 2019/20 the requirements and timeline for the approval of a Local Authority's Statement of Accounts have changed. In accordance with the amended Regulations, the draft Accounts must now be published on the Council's website and submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for the conclusion of the audit is now 30 November 2020 rather than 31 July 2020.
- 1.2. It is pleasing to report that the statutory deadline of 31 August 2020 was met, and the Statement of Accounts was completed and signed off prior to that date by the Chief Finance Officer. The audit of accounts by Deloitte is not yet underway and for information the draft Statement itself is freely available on the Council's website.

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

2. PROVISIONAL REVENUE OUTTURN: SUMMARY

- 2.1 A summary of the revenue outturn position for the main service accounts of the Authority is set out below.

General Fund Revenue Outturn

	2019/20			Remove Reserve Funded Variances £000	Variance from Working Budget £000	Appendix 1 Note
	Original Budget £000	Working Budget £000	Actual £000			
Expenditure:						
Central Services	270	575	615	(3)	43	
Communities & Environment	9,733	10,027	9,503	(431)	(93)	1
Economic Growth & Regeneration	6,223	6,383	6,323	(152)	92	2
Corporate Services	4,845	4,821	6,042	(77)	1,298	3
Other Corporate Income & Expenditure Items	(5,134)	(5,869)	(5,878)	663	(672)	4
NET REVENUE EXPENDITURE	15,937	15,937	16,605	-	668	

- 2.2 After allowing for various year-end adjustments, there has been a net overspend of £668K against the Original Budget for 2019/20 which has been transferred from the General Fund unallocated reserve
- 2.3 The overspending represents 4.2% of the Council's net revenue budget (*2018/19 comparative: £647K underspend, 4.0% of budget*) or 7.1% of the council tax requirement. If compared with the Council's gross budget, however, which is in the region of £100M+, the level of net overspending is less than 1%.
- 2.4 Information circulated to Members regarding the quarter 3 monitoring position indicated a General Fund projected net overspend of £320K.
- 2.5 Details of the significant variances and a detailed explanation of the major differences between provisional outturn and the quarter 3 monitoring position is provided at **Appendix 1**.

3. TREASURY MANAGEMENT

- 3.1 We are required by statute to report our annual treasury management performance. This report is attached at **Appendix 2** and sets out the performance of treasury operations for 2019/20. The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council 27 February 2019. This document identifies the investment and borrowing policies of the Council specifying various criteria for investment counterparties, maximum duration and the amount of investments together with the framework for any future borrowing.

3.2 Investments

- 3.2.1 In 2019/20 the Council had a comparatively low risk appetite towards investments. The average daily amount invested increased slightly to £36.829M (£34.62M 2018/19) with short term investments on 31 March 2020 (all held in the balance sheet as cash and cash equivalents) totalling £40.000M (£16.000M 2018/19). The overall return on investments was £0.273M at an average interest rate of 0.74% (£0.211M and 0.61% 2018/19).

3.3 Borrowing

- 3.3.1 The Council undertook a limited amount of short term borrowing in 2019/20 to facilitate prepayments of the Governments Small Business Fund Grant scheme ahead of the receipt of

funding. Two loans totalling £15M were undertaken 24 March 2020, these were fully repaid April 2020 incurring a total interest charge of approximately £8K.

- 3.3.2 Total long-term debt at 31 March 2020 amounted to £61.08M (£63.239M 2018/19) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months.

4 HOUSING REVENUE ACCOUNT (HRA)

- 4.1 A summary of the HRA provisional outturn is included at **Appendix 3**. Discounting any notional and presentational variances, the main items of interest are as follows:

	£000
Salary savings from staff turnover and vacant posts	54
Repairs & Maintenance costs	43
Reassessment of contribution to the Bad Debt Provision	75
Increased Rental Income from tenants	114
Reduced use of Reserves	(216)
Net reduction in Capital funded from Revenue	937
Other minor variances	12
	1,019

- 4.2 Carrying on from previous good work, the empty property re-let time saw further improvement with an average of 23.8 days across a total of 323 re-lets, equating to void rent loss of 0.96%. This translates to additional income of £81K in 2019/20.

- 4.3 At outturn the HRA's financial standing still remains sound. As at 31 March its Balances stood at £10.578M, this being £339K higher than budgeted. A summary of all its Balances & Reserves is included at **Appendix 4**.

5 USABLE RESERVES AND BALANCES

- 5.1 The General Fund net overspending of £668K has been transferred from Balances. This means that as at 31 March 2020 General Fund Balances amounted to £5.045M, and the overall level of Usable Revenue Reserves £20.503M (2018/19 £20.660M). Summary details of these movement are provided in the table below. Further details of this work and analysis of the Council's Reserves is provided at **Appendix 5**.

	£000	£000
Estimated Balance at 31.3.20		18,560
Add:		
Transfer to BRR	1,460	
Budgeted earmarked reserves allocations not used in 2019/20	836	
Revenue Grants Unapplied:		
- Covid Support Grant not yet utilised	81	
- Brexit Support Grants not yet utilised	156	
- Community Housing fund additional grants received	79	
		2,612
Less:		
General Fund Overspend	(669)	
		(669)
Balance at 31.3.20		20,503

6 CARRY FORWARD OF UNDERSPENDINGS AND OVERSPENDINGS

6.1 Under the financial strategy, provisions exist to adjust budgets between years by carrying forward under or over spendings. These arrangements help to:

- provide some flexibility in delivering the Council's stated objectives
- remove the incentive to spend up budgets unnecessarily by year end, and
- promote good financial management.

6.2 With regard to the carry forward of revenue underspend, and given the overall outturn position, there are no requests for Cabinet to consider.

6.3 With regard to overspendings, arrangements require that

- any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Director (or their nominated representative) will be automatically carried forward to the following year as part of the closure of accounts process except where the relevant Director and the S151 Officer agree that it does not make operational sense to do so, or where the overspending is trifling in value.
- The S151 Officer will report to Cabinet on overspendings and their treatment as part of year-end reporting. Such reporting will also include the reasons for any overspend occurring and details of any actions taken to prevent the situation recurring.

Given the current pandemic situation it is proposed not to carry forward any overspend made within the 2019/20 accounts.

7 CAPITAL OUTTURN

7.1 **Appendix 6** includes a provisional capital expenditure and financing statement for the year, which is summarised in the following tables:

Capital Expenditure

Service	A	B	C	D	E
	2019/20 Gross Budget £000	2019/20 Expenditure £000	Variance £000	(Slippage)/ Accelerated Expenditure £000	Final Over/(Under) spend £000
			(B-A)		(C-D)
Communities & Environment	2,717	2,713	(4)	(4)	-
Economic Growth & Regeneration	20,043	9,050	(10,993)	(1,026)	(9,967)
Corporate Services	197	294	97	97	-
Development Pool	19	24	5	5	-
Total General Fund Programme	22,976	12,081	(10,895)	(928)	(9,967)
Housing Revenue Account	4,841	4,086	(755)	(240)	(515)
Total Council Capital Programme	27,817	16,167	(11,650)	(1,168)	(10,482)

Capital Financing

Service	Grants & Contributions £000	Earmarked Reserves £000	Major Repairs Reserve £000	Capital Receipts £000	Unsupported Borrowing £000	Total £000
Communities & Environment	2,367	246	-	11	89	2,713
Economic Growth & Regeneration	2,811	4	-	-	6,235	9,050
Corporate Services	-	166	-	-	128	294
Development Pool	-	-	-	-	24	24
Total General Fund Programme	5,178	416		11	6,476	12,081
Housing Revenue Account	41	208	3,126	711	-	4,086
Total Council Capital Programme	5,219	624		722	6,476	16,167

7.2 Capital Slippage

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

8 DETAILS OF CONSULTATION

8.1 As reflected above, the statutory arrangements regarding the public's rights in relation to the accounts provide for a fixed 30 working day period, which commenced on 1st September for this year.

9 OPTIONS AND OPTIONS ANALYSIS

9.1 The Council has a legal requirement to ensure that its expenditure is fully funded and to produce accounts in accordance with proper accounting practice. In addition, the Prudential Indicators are a statutory requirement linked to the budgetary framework. For these aspects, therefore, there are no alternative options for Cabinet to consider. Members are being asked to endorse certain actions taken by the Chief Finance Officer, and Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification.

9.2 The report requests Cabinet to consider a number of revenue overspending, capital slippage and other budget adjustment matters. The framework for considering these is set out in the report but basically Cabinet may:

- Endorse any number of the items / requests, in full or part.
- Refuse various requests and if commitments have already been incurred, require alternative funding options to be identified. Cabinet should note, however, that this may impact on other areas of service delivery.
- Request further information regarding them, if appropriate.

10 OFFICER PREFERRED OPTION AND JUSTIFICATION

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

11 CONCLUSION

11.1 Despite the financial challenges faced by the Council and the associated reductions in Government funding, the financial standing of the Council remains relatively healthy as at 31 March 2020. Officers are undertaking several pieces of work to understanding the areas of significant variance and where appropriate undertake corrective action going forward. This will lead to further improvements to the Council's budget setting and financial monitoring processes.

RELATIONSHIP TO POLICY FRAMEWORK

The Outturn and Statement of Accounts report on all the financial resources generated and/or used by the Council in providing services or undertaking other activities under the Policy Framework.

CONCLUSION OF IMPACT ASSESSMENT

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

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

LEGAL IMPLICATIONS

There are no legal implications directly arising.

FINANCIAL IMPLICATIONS

As set out in the report

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

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

SECTION 151 OFFICER'S COMMENTS

The report has been written by the Section 151 Officer.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

None.

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Appendix 1: General Fund Revenue Outturn

Section One - General Fund Revenue Outturn as at 31st March 2020

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

	2019/20			Remove Reserve Funded Variances £000	Variance from Working Budget £000	Appendix 1 Note
	Original Budget £000	Working Budget £000	Actual £000			
Expenditure:						
Central Services	270	575	615	(3)	(43)	
Communities & Environment	9,733	10,027	9,503	(431)	93	1
Economic Growth & Regeneration	6,223	6,383	6,323	(152)	(92)	2
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Other Corporate Income & Expenditure Items	(5,134)	(5,869)	(5,878)	663	672	4
NET REVENUE EXPENDITURE	15,937	15,937	16,605	-	(668)	

Note 1 Communities & Environment

Employee Costs (£147K underspend)

See also 'Provision for Staff Turnover' in the 'Corporate Services' section below. The directorate undertook a restructure at management level within the previous financial year and achieved the £151K savings target which was included in the base budget and subsequently contributed £147K to the corporate staff turnover target, once redundancy costs, supplementary agency workers plus income not achieved through turnover relating to externally funded initiatives had been accounted for.

Salt Ayre Repairs & Maintenance (£103K cost, no overall variance)

Repairs to poolside columns paid directly from SALC but utilising budgets held within Economic Growth & Regeneration (Property Services) where a corresponding underspend can be seen. All future R&M spend for the centre has now been mapped out, including a fully funded asset management plan, and is controllable within the budget framework.

Disabled Facilities Grant Income (£90K additional income)

The core capital DFG has been increasing year on year and for 2019/20 was £1.89M. Grants are allocated, and an 18% admin fee is levied on completion. More money has meant an increased number of grant allocations and streamlined procedures have increased the number of completed jobs hence the subsequent rise in admin fee income.

Nurseries (£51K overspend)

Long term absence of a key staff member and also the pandemic led to income targets not being achieved (from contract work and the retail outlet). In the short term this also meant plants last summer were bought in at a higher cost and not grown in-house, which increased costs. A plan for future delivery has been developed (grassland management plan) and will provide a streamlined, more cost-effective service.

Note 2 Economic Growth & Regeneration

Works in Default (£75K overspend)

Mainly relates to emergency works required to a dangerous building in Carnforth which is subject to a land charge. Action will be taken to recover the costs but it is not known at this juncture as to when this will happen.

Planning Fee Income and Local Plan (£319K shortfall)

Uncertainty ahead of local plan adoption deterring developers and impact of pandemic lockdown in the final quarter led to the delay in the submission of other applications leading to a £277K shortfall in fee income. Evidence gathering and examination costs for local plan slipped from the previous financial year at a cost of £42K.

Property, Investment and Regeneration Services (£320K underspend)

As the Building Condition Works Programme draws to a close, and a lot of the essential upgrade works completed to the Council's buildings, the amount spent on one off repairs has reduced again by £86K across the service and this has been utilised to fund the repairs at SALC together with net savings of £21K on building cleaning across the municipal buildings. The drive to increase rental income also resulted in an additional £139K rental income for the year, including new property purchased at 17-21 Penny Street and the Bus Station. Additional staff time charged to the Caton Road FRMS project also resulted in a saving of £41K.

Note 3 Corporate Services

Provision for Staff Turnover (£518K reversal, £380K shortfall)

Each year the Council sets a target to be included within the budget to meet turnover relating to employee costs which therefore benefits the budgets and enables the support of other funding decisions. The target set was based on historic performance in this area.

Previously, the target was apportioned across services but starting this financial year, the turnover target of £518K was held centrally resulting in staffing variances being directly attributable to the appropriate directorate and not net of their turnover target. Performance on employee costs once restructuring costs, supplementary agency workers, locums and consultants plus income not achieved through turnover relating to externally funded initiatives had been accounted for, is shown in the table below :-

	£000
Communities & Environment	147
Economic Growth & Regeneration	45
Corporate Services	(20)
Central Services	(34)
Total	138

The employee savings of £138K achieved therefore result in a shortfall of £380K against the corporate turnover target of £518K. However, it should be noted that throughout the year, capacity was identified to deliver on corporate objectives which caused some higher one off costs in key areas, for instance specialist staff/consultants.

Bad Debt Provision (£155K increase)

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

Legal Services (£165K overspend)

Due to long delays in the recruitment of replacement and new Lawyers the Legal Services needed to employ several Legal Agency Locums during the year (£69K) and engage more external professional advice (£51K). The service for 2020/21 is now fully staffed. There was also a fall in the number of Search Fees of £35K.

Housing Benefit Overpayments (£218K shortfall)

There was a reduction in 2019/20 in Housing Benefit Overpayment Recoveries of £540K as the number of claimants and overpayments reduced as more people move across to Universal Credit leaving a net cost of £218K after net spend on benefits awarded and in year overpayments are taken into account.

Collection Fund Court Cost Recovery (£167K shortfall)

There was a reduction in Court Costs income of £167K. Difficult to budget for Council Tax/NNDR Court Cost income as numbers of court cases can vary quite significantly year on year and estimates are based on previous years' numbers. 2019/20 was based on a large number of cases which didn't materialise. Reductions may be required in 2020/21.

Note 4 Other Corporate Income & Expenditure

Green Energy Disregard (£2.081M credit)

The Council have benefitted from Renewable Energy payments due, largely from Walney Sub-Station which weren't included in estimates throughout the year. Further amounts due will be included in future income projections.

Business Rates Appeals (£1.449M provision)

An assessment of potential future appeals relating to business rates was undertaken and in particular the Power Station was scrutinised for planned maintenance programmes and possible outages, which inevitably could lead to lower income levels receivable. On this basis and following external advice, further provision was made which demonstrates prudence and should the provision not be required, it can be brought back into general fund and utilised differently at that point.

Section Two - Quarter 3 Monitoring Position versus Provisional Outturn

As part of the revenue closedown process an exercise to understand the differences between the quarter 3 monitoring position and provisional outturn was undertaken. The table below summarises the differences at directorate level and the notes below provide a detailed explanation for each movement in variance. Any differences between the amount listed in the table and the sum of the explanations below are attributable to notional or minor variances.

	Variance from Q3 Monitoring £000	Variance from Provisional Outturn £000	Movement £000	Appendix 1 Note
Expenditure:				
Central Services	69	(43)	(112)	a
Communities & Environment	386	93	(293)	b
Economic Growth & Regeneration	(386)	(92)	294	c
Corporate Services	(298)	(1,298)	(1,000)	d
Other Corporate Income & Expenditure Items	(91)	672	763	e
NET REVENUE EXPENDITURE	(320)	(668)	(348)	

Note a Central Services (£112K adverse)

Assistant Chief Executive Position (£99K)

Reserve contribution provided for Assistant Chief Executive not required in 2019/20 as post

remained vacant. Alterations to monitoring processes will prevent this type of variance from occurring again.

Note b Communities & Environment (£293K adverse)

Nurseries (£51K)

As detailed in section one, the long term absence of a key member of staff resulted in plants not being grown in-house which had a detrimental impact on stock levels which alongside loss of income were not appreciated until during the closedown process.

Car Parking Income (£59K)

The pandemic hit in mid-March and a combination of lockdown and decision not to charge locally for the use of our off-street car parks was taken resulting in less income received in the final two weeks of the financial year.

Williamson Park Utilities (£29K)

During the final quarter it came to light that wastewater charges at the park had increased following a re-assessment of status by WaterPlus. This increase is currently under challenge by Officers and any refund gained will be accounted for in the 2020/21 financial year.

SALC Pool Pillar Repairs (£103K)

As detailed in section one, this variance is offset by a corresponding variance in the 'Economic Growth & Regeneration' section below, resulting in no variance overall.

Note c Economic Growth & Regeneration (£294K favourable)

Planning Fee Income (£248K)

No variance reported at quarter 3 monitoring. Uncertainty ahead of local plan adoption deterring developers and impact of COVID-19 lockdown in quarter 4 delaying submission of other applications into 2020/21.

Community Housing Lune Valley/Halton £199K

Grant payments reported as a £199K cost in quarter 3 monitoring were realistically a nil cost due to it being reserve funded. Alterations to monitoring processes will result in this type of variance from not occurring again.

Additional Property Rent £139K

Rental Income for new property purchased at 17-21 Penny Street of £58K not budgeted for at the time and additional recharges for Bus Station of £66K not included together with other minor variances.

Staff Time Chargeable to Capital £41K

Higher levels of staff time charged for the Caton Road FRMS project (and in particular charged within quarter 4) not previously included in the budget or reported at quarter 3 monitoring.

SALC Pool Pillar Repairs £103K

See above explanation in Communities & Environment section.

Note d Corporate Services (£1,000K adverse)

Staff Turnover (£518K)

Positive staffing variances were included in the quarter 3 monitoring position but an oversight was made not to reverse the staff turnover target to compensate and demonstrate the true position. This has been addressed within the quarter 1 monitoring report for 2020/21.

Revenues & Benefits (£212K)

As the number of claimants reduce and transfer across to Universal Credit the number of overpayments and therefore Housing Benefit overpayment recoveries has reduced by £140K more than anticipated. The amount of Legal Fees recovered from summonses in 2019/20 also reduced by a further £40K more than estimated. Both of these areas are difficult to predict during the year.

Bad Debt Provision (£155K)

The review of the bad debt provision did not take place until the closedown process.

Note e Other Corporate Income & Expenditure Items

Green Energy Disregard (£2.081M)

Whilst the monies were received during quarter 3, officers were unsure of its financial treatment and it was confirmed later in the year that it was to be classified as income.

Business Rates Appeals (£1.449M)

The review of the business rates appeals did not take place until the closedown process. It is hoped that in the future, collection fund monitoring information is included within the normal monitoring arrangements.

Annual Treasury Management Report
2019/20

For Noting by Cabinet 15 September 2020

Annual Treasury Management Review 2019/20

Purpose

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2019/20 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 28 February 2018)
- a mid-year (minimum) treasury update report
- an annual review following the end of the year describing the activity compared to the strategy (this report).

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

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

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

Introduction and Background

This report summarises the following:-

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

1. The Council's Capital Expenditure and Financing 2019/20

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

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

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

General Fund (GF) £M	2018/19 Actual	2019/20 Estimate	2019/20 Actual
Capital expenditure	7.27	24.08	12.08
Financed in year	(5.67)	(3.29)	(5.60)
Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)	1.60	8.06	6.48

HRA £M	2018/19 Actual	2019/20 Estimate	2019/20 Actual
Capital expenditure	3.99	4.77	4.08
Financed in year	(3.99)	(4.77)	(4.08)
Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)	0.00	0.00	0.00

2. The Council's Capital Financing Requirement 2019/20

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2019/20 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury function organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWL] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to

make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs in purpose from other treasury management arrangements, which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

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

The Council's 2019/20 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2019/20 on 27 February 2019.

The Council's CFR for the year is shown below, and represents a key prudential indicator. No borrowing is actually required against these schemes, however, as cash supporting the Council's reserves, balances and cash flow has been used as an interim measure.

CFR (£M): General Fund	31 March 2019 Actual	31 March 2020 Estimate	31 March 2020 Actual
Opening balance	43.61	43.15	43.55
Add unfinanced capital expenditure (as above)	1.60	20.79	6.48
Less MRP	(1.66)	(1.57)	(1.60)
Less finance lease repayments	0.00	0.00	0.00
Closing balance	43.55	62.37	48.43

CFR (£M): HRA	31 March 2019 Actual	31 March 2020 Estimate	31 March 2020 Actual
Opening balance	40.39	39.35	39.33
Add unfinanced capital expenditure (as above)	0.00	0.00	0.00
Less Debt Repayment	(1.06)	(1.04)	(1.06)
Closing balance	40.33	38.31	38.27

CFR (£M): Combined	31 March 2019 Actual	31 March 2020 Estimate	31 March 2020 Actual
Opening balance	84.00	82.50	82.88
Add unfinanced capital expenditure (as above)	1.60	20.79	6.48
Less Debt Repayment, Finance Leases and MRP	(2.72)	(2.61)	(2.66)
Closing balance	82.88	100.68	86.70

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

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2018/19) plus the estimates of any additional capital financing requirement for the current (2019/20) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2019/20. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

£M	31 March 2019 Actual	31 March 2020 Estimate	31 March 2020 Actual
Gross borrowing position	63.17	62.13	62.13
CFR	82.88	100.68	86.70

The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Council has maintained gross borrowing within its authorised limit.

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

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2019/20 Actual
Authorised limit	£117.00M
Maximum gross borrowing position	£63.17M
Operational boundary	£100.68M
Average gross borrowing position	£62.82M
Financing costs as a proportion of net revenue stream - GF	16.30%
Financing costs as a proportion of net revenue stream - HRA	21.10%

3. Treasury Position as at 31 March 2020

The Council's debt and investment position is administered to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2019/20 the Council's treasury position was as follows:

DEBT PORTFOLIO	31 March 2019 Principal £M	Average Rate %	Average Life yrs	31 March 2020 Principal £M	Average Rate %	Average Life yrs
Fixed rate funding:						
PWLB	63.17	4.66	34	62.13	4.69	33
Total debt	63.17			62.13		
CFR	82.88			86.70		
Over / (under) borrowing	(20.76)			(24.58)		

The loan repayment schedule is as follows:

	31 March 2020 Actual £M
Under 12 months	1.04
12 months and within 24 months	1.04
24 months and within 5 years	3.12
5 years and within 10 years	5.20
10 years and within 20 years	5.20
20 years and within 30 years	7.31
More than 30 years	39.22

All investments were placed for under one year.

INVESTMENT PORTFOLIO	31 March 2019 £M	31 March 2019 %	31 March 2020 £M	31 March 2020 %
Money Market Funds	4.11	16.37	16.00	40.00
Other Local Authorities	21.00	83.63	24.00	60.00
Total investments	25.11		40.00	

The average rate of interest payable on PWLB debt in 2019/20 was 4.69%. A total of £2.89M interest was incurred during the year, of which £1.89M was recharged to the HRA.

Interest Payable

	2019/20
Estimate	£2.89M
Actual	£2.89M

Prudential Indicators also provide exposure limits that identify the maximum limit for variable / fixed interest rate exposure, based upon the debt position. The table below shows that the outturn position was within the limits set by Members at the beginning of the year. The Council currently only has fixed interest rate debt, although again this could change in future if market conditions warrant or facilitate it.

Fixed/Variable rate limits

	Prudential Indicator (%)	Actual (%)
Fixed Rate	100	100
Variable Rate	30	0

4. The Strategy for 2019/20

Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that the Bank Rate would stay at 0.75% during the year as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled, but would only rise to 1.0% during 2020.

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

Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer term rates were significantly higher than shorter term rates during the year, value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

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

Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%.

Link Asset Services Interest Rate View 31.3.20		Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID		0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID		0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID		0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PVLIB Rate		1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PVLIB Rate		2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PVLIB Rate		2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PVLIB Rate		2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50

6. Borrowing Strategy and Control of Interest Rate Risk

During 2019/20, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement set out in paragraph 2), was not fully funded with loan debt. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

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

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

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

Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2019/20 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

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



	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2019	1.46%	1.52%	1.84%	2.41%	2.24%
31/03/2020	1.90%	1.95%	2.14%	2.65%	2.39%
Low	1.17%	1.00%	1.13%	1.73%	1.57%
Date	03/09/2019	08/10/2019	03/09/2019	03/09/2019	03/09/2019
High	2.47%	2.45%	2.76%	3.25%	3.05%
Date	21/10/2019	19/03/2020	19/03/2020	19/03/2020	31/12/2019
Average	1.83%	1.77%	2.00%	2.56%	2.40%

7. Borrowing Outturn for 2019/20

Borrowing

No long-term borrowing was undertaken during the year.

Rescheduling

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

8. Investment Outturn for 2019/20

Investment Policy – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 27 February 2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

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

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

Balance Sheet Resources (£M)	General Fund		HRA		TOTAL	
	31/03/19	31/03/20	31/03/19	31/03/20	31/03/19	31/03/20
Balances	5.71	5.05	2.24	2.86	7.95	7.91
Earmarked reserves	14.84	15.32	10.54	10.59	25.38	25.91
Provisions	4.04	6.23	0.00	0.00	4.04	6.23
Working Capital	6.88	21.06	2.30	2.89	9.18	23.95
Total	31.47	47.66	15.08	16.34	46.55	64.00
Amount Over/(Under) Borrowed						(24.58)
Baseline Investment Balances						39.42
Actual Investment Balances						

Investments held by the Council - the Council maintained an average investment balance of £36.8M of internally managed funds. The average rate of interest earned for the year as a whole was 0.74%. The weighted average rate of interest being earned on the investment portfolio at the end of both years is also given. These rates are compared to the base rate and average 3-month LIBID rate at the end of the year.

	2018/19	2019/20
Lancaster CC Investments full year	0.61%	0.74%
Lancaster CC Investments weighted average at 31 March	0.87%	0.80%
Base Rate	0.75%	0.10%
3 Month LIBID	0.67%	0.70%

The actual interest earned in 2019/20 was £272K.

10. Other Risk Management Issues

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

The Authority’s Investment Strategy is designed to engineer risk management into investment activity by reference to credit ratings and the length of deposit to generate

a pool of counterparties, together with consideration of other creditworthiness information to refine investment decisions. The Council is required to have a strategy is required under the CIPFA Treasury Management Code, the adoption of which is another Prudential Indicator. The strategy for 2019/20 complied with the latest Code of Practice (December 2017) and relevant Government investment guidance.

LANCASTER CITY COUNCIL
TREASURY MANAGEMENT POLICY STATEMENT

Last reported to Council on 26 February 2020

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

1. This organisation defines its treasury management activities as:

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

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

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

Treasury Management Glossary of Terms

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

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

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

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

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

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

HOUSING REVENUE ACCOUNT OUTTURN 2019/20

For Consideration by Cabinet 15 September 2020

	Original Budget £	Actual £	Variance £	Adjusted Variance £
INCOME			(Adverse) / Favourable	(Adverse) / Favourable
Rental Income - Council Housing	(13,529,700)	(13,643,402)	113,702	113,702
Rental Income - Other (Shops and Garages etc.)	(290,900)	(276,066)	(14,834)	(14,834)
Charges for Services & Facilities	(1,553,000)	(1,595,716)	42,716	42,716
Grant Income	(7,700)	(7,736)	36	36
Contributions from General Fund	(105,000)	(86,237)	(18,763)	(18,763)
Total Income	(15,486,300)	(15,609,157)	122,857	122,857
EXPENDITURE				
Repairs & Maintenance	5,141,600	5,124,432	17,168	17,168
Supervision & Management	3,342,400	3,694,674	(352,274)	162,720
Rents, Rates & Insurance	193,300	159,913	33,387	33,387
Contribution to Provision for Bad and Doubtful Debts	183,800	108,776	75,024	75,024
Depreciation & Impairment of Fixed Assets	2,786,100	6,154,103	(3,368,003)	(399,707)
Debt Management Costs	1,100	0	1,100	1,100
Total Expenditure	11,648,300	15,241,898	(3,593,598)	(110,308)
NET COST OF HRA SERVICES	(3,838,000)	(367,259)	(3,470,741)	12,549
Capital Grants and Contributions Receivable	0	(40,774)	40,774	40,774
Interest Payable & Similar Charges	1,845,000	1,889,173	(44,173)	(44,173)
Premiums & Discounts from Earlier Debt Rescheduling	0	0	0	0
Interest & Investment Income	(72,900)	(89,829)	16,929	16,929
Pensions Interest Costs & Expected Return on Pensions Assets	177,800	199,434	(21,634)	0
Self Financing Debt Repayment	1,041,400	1,041,366	34	34
(SURPLUS) OR DEFICIT FOR THE YEAR	(846,700)	2,632,111	(3,478,811)	26,113
Adjustments to reverse out Notional Charges included above	0	(2,968,296)	2,968,296	0
Net Charges made for Retirement Benefits	0	(536,628)	536,628	0
Transfer to/(from) Earmarked Reserves - for Revenue Purposes	142,700	249,479	(106,779)	(106,779)
Capital Expenditure funded from Major Repairs Reserve	1,099,200	0	1,099,200	1,099,200
Transfer from Earmarked Reserves - for Capital Purposes	(405,000)	(207,828)	(197,172)	(197,172)
Financing of Capital Expenditure from Earmarked Reserves	405,000	207,828	197,172	197,172
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	395,200	(623,334)	1,018,534	1,018,534
Housing Revenue Account Balance brought forward	(2,010,436)	(2,235,286)	0	0
HRA BALANCE CARRIED FORWARD	(1,615,236)	(2,858,620)	1,018,534	1,018,534

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

HRA RESERVES BUDGET SUMMARY - 2019/20 OUTTURN

2019/20					
HOUSING REVENUE ACCOUNT	Balance as at 31/03/19 £	Contributions to Reserve	Contributions from Reserve		Balance as at 31/03/20 £
		From Revenue £	To Capital £	To Revenue £	
HRA General Balance	(2,235,285)	(623,334)	0	0	(2,858,619)
Earmarked Reserves:					
Business Support Reserve	(8,265,179)	0	168,156	0	(8,097,023)
Major Repairs Reserve	0	(3,145,231)	3,145,231	0	0
Flats - Planned Maintenance	(611,874)	(133,000)	39,672	12,976	(692,226)
I T Replacement	(574,889)	(57,000)	0	49,053	(582,836)
Office Equipment Reserve	(39,009)	0	0	0	(39,009)
Sheltered - Equipment	(343,582)	(47,734)	0	16,725	(374,591)
Sheltered - Planned Maintenance	(196,369)	(95,467)	0	8,651	(283,185)
Sheltered Support Grant Mtce	(505,624)	(47,734)	0	44,051	(509,307)
Total Earmarked Reserves	(10,536,524)	(3,526,166)	3,353,059	131,456	(10,578,175)

Appendix 5 General Fund Usable Reserves

General Fund Usable Reserves				
	31/03/2019 £000	Transfer (From) Reserve £000	Transfer To Reserve £000	31/03/2020 £000
General Fund Balance	5,714	(670)		5,044
Earmarked Reserves				
Business Rates Retention Reserve	6,283	(367)	1,461	7,377
Corporate Priorities Reserve	2,532	(379)		2,153
Invest to Save Reserve	1,450	(53)		1,397
S106 Commuted Sums Reserve	1,147	(357)	415	1,205
Revenue Grants Unapplied Reserve	694	(121)	254	827
Restructure Reserve	531			531
Corporate Property Reserve	372	(33)		339
Welfare Reforms Reserve	349	(24)		325
Renewals Reserves	330	(434)	485	381
Economic Growth Reserve	204	(445)	367	126
Other Earmarked Reserves	951	(347)	55	659
Total Earmarked Reserves	14,843	(2,560)	3,037	15,320
Total Usable Revenue Reserves	20,557	(3,230)	3,037	20,364
Capital Receipts Reserve	0		36	36
Capital Grants Unapplied Reserve	103		0	103
Total Usable Capital Reserves	103	0	36	139
Total Usable Reserves	20,660	(3,230)	3,073	20,503

Lancaster City Council - Capital Expenditure 2019/20

For consideration by Cabinet 15 September 2020

HOUSING REVENUE ACCOUNT	Revised Estimate	Expenditure in 2019/20	Expenditure to be financed in 2019/20	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANTS & CONTRIBUTIONS	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
COUNCIL HOUSING										
Adaptations	250,000	319,199.95	319,200					0	319,200	
Energy Efficiency boiler Replacements	685,000	652,012.24	652,012					259,661	392,351	
Internal Refurbishments	958,000	840,653.19	840,653					840,653	0	
External Refurbishments	252,000	0.00	0					0	0	
Environmental Improvements	615,000	545,539.60	545,540	2,259		39,672		503,609	0	
Re-roofing & Window Renewals	1,378,000	1,199,466.35	1,199,466	22,884				1,176,583	0	
Rewiring	48,000	46,355.73	46,356					46,356	0	
Fire Precaution Works	180,000	115,598.40	115,598					115,598	0	
Housing Renewal & Renovation	475,000	367,436.56	367,437			168,156		199,281	0	
Lift Replacements	0	0.00	0	15,631				-15,631	0	
TOTAL - HRA	4,841,000	4,086,262	4,086,262	40,774	0	207,828	0	3,126,110	3,374,711	

GENERAL FUND	Revised Estimate	Expenditure in 2019/20	Expenditure to be financed in 2019/20	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANTS & CONTRIBUTIONS	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
COMMUNITIES AND ENVIRONMENT										
Vehicle Renewals	94,000	96,623.37	96,623.37					0.00	96,623.37	
Electronic Vehicle Charging Points	14,000	6,000.00	6,000.00	6,000.00				6,000.00	0.00	
Happy Mount Park Pathway Replacements	112,000	0.00	0.00					0.00	0.00	
Cable Street Car Park Extension	4,000	3,850.00	3,850.00					0.00	3,850.00	
Vehicle Maintenance Unit Plant	75,000	73,211.50	73,211.50			73,211.50		73,211.50	0.00	
Beech Avenue Play Area	58,000	58,235.50	58,235.50	36,985.50		21,250.00		58,235.50	0.00	
Disabled Facilities Grants	2,208,000	2,323,594.22	2,323,594.22	2,323,594.22				2,323,594.22	0.00	
Salt Ayre Play Area and Outdoor Café	152,000	151,916.05	151,916.05			151,916.05		151,916.05	0.00	
Sub-Total	2,717,000	2,713,430.64	2,713,430.64	2,366,579.72	0.00	246,377.55	0.00	2,612,957.27	100,473.37	
ECONOMIC GROWTH AND REGENERATION										
Sea & River Defence Works & Studies	4,350,000	3,500,841.22	3,500,841.22	2,758,214.18				2,758,214.18	742,627.04	
Amenity Improvement Works (Morcambe Promenade)	1,000	0.00	0.00					0.00	0.00	
Lancaster Square Routes	8,000	13,851.20	13,851.20	13,851.20				13,851.20	0.00	
Lancaster District Empty Homes Partnership	4,000	4,069.00	4,069.00			4,000.00		4,000.00	69.00	
S106 Highways Works	70,000	0.00	0.00					0.00	0.00	
Coastal Revival Fund - Morecambe Co-op Building	41,000	30,154.66	30,154.66	30,154.66				30,154.66	0.00	
Coastal Revival Fund - Morecambe Winter Gardens	9,000	2,928.00	2,928.00	2,928.00				2,928.00	0.00	
Canal Qtr	260,000	254,500.00	254,500.00					0.00	254,500.00	
1 Lodge Street Urgent Structural Repairs	3,000	3,859.83	3,859.83					0.00	3,859.83	
Caton Road/Kingsway - Bridg End Depot	0	896.31	896.31					0.00	896.31	
Dukes Play House	0	1,693.27	1,693.27					0.00	1,693.27	
Hale Carr Lane Cemetery Chapel	126,000	0.00	0.00					0.00	0.00	
King Street Properties	0	-6,900.00	-6,900.00					0.00	-6,900.00	
Lancaster City Museum	0	19,166.47	19,166.47					0.00	19,166.47	
Lancaster Town Hall - Banqueting Suite Ceiling	0	4,936.07	4,936.07					0.00	4,936.07	
Lancaster Town Hall Steps	40,000	43,500.00	43,500.00					0.00	43,500.00	
Other Cemeteries	0	123,962.84	123,962.84					0.00	123,962.84	
Palatine Recreation Ground Pavilion	11,000	8,998.58	8,998.58					0.00	8,998.58	
Queen Victoria Memorial	81,000	82,810.07	82,810.07	6,000.00				6,000.00	76,810.07	
Royal Albert Playing Field Pavilion	7,000	5,605.77	5,605.77					0.00	5,605.77	
Rylands Park - Rylands House	32,000	28,372.09	28,372.09					0.00	28,372.09	
Williamson Park - Ashton Memorial	0	1,703.89	1,703.89					0.00	1,703.89	
Investment Acquisition	15,000,000	4,925,014.50	4,925,014.50					0.00	4,925,014.50	
Sub-Total	20,043,000	9,049,963.77	9,049,963.77	2,811,148.04	0.00	4,000.00	0.00	2,815,148.04	6,234,815.73	
CORPORATE SERVICES										
ICT Systems, Infrastructure & Equipment	197,000	293,678.50	293,678.50			166,000.00		166,000.00	127,678.50	
Sub-Total	197,000	293,678.50	293,678.50	0.00	0.00	166,000.00	0.00	166,000.00	127,678.50	
DEVELOPMENT POOL										
Demolition of Edward Street Dance Studio	19,000	24,772.25	24,772.25					0.00	24,772.25	
Tank Demolition & Removal - Heysham Gate	0	-675.00	-675.00					0.00	-675.00	
Sub-Total	19,000	24,097.25	24,097.25	0.00	0.00	0.00	0.00	0.00	24,097.25	
TOTAL - GENERAL FUND	22,976,000	12,081,170	12,081,170	5,177,727.76	0.00	416,377.55	0.00	5,594,105.31	6,487,064.85	

GENERAL FUND HOUSING REVENUE ACCOUNT	Revised Estimate	Expenditure in 2019/20	Expenditure to be financed in 2019/20	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANT	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
	22,976,000	12,081,170.16	12,081,170.16	5,177,727.76	0.00	416,377.55	0.00	5,594,105.31	6,487,064.85	
	4,841,000	4,086,262.02	4,086,262.02	40,773.51	0.00	207,827.76	0.00	3,126,109.55	711,551.20	
TOTAL CAPITAL EXPENDITURE & FINANCING	27,817,000	16,167,432.18	16,167,432.18	5,218,501.27	0.00	624,205.31	0.00	3,126,109.55	7,198,616.05	

2019/20 CAPITAL EXPENDITURE FINANCING			
	Housing Revenue Account	General Fund	Grand Total for all Funds
	£	£	£
Amounts to be financed by General Capital Resources	711,551.20	6,487,064.85	7,198,616.05
Financed by:			
Underlying Borrowing Need - Increase in Capital Financing Requirement	0.00	6,476,064.85	6,476,064.85
Usable Capital Receipts	711,551.20	11,000.00	722,551.20
General Grants Unapplied	0.00	0.00	0.00
Total Financing from General Capital Resources	711,551.20	6,487,064.85	7,198,616.05

Appendix 7 - Slippage and Accelerated Expenditure

	Slippage Reason for slippage
	£
Communities & Environment	
Happy Mount Park Footpaths	112,000 Delay to contractor availability due to Covid-19
Economic Growth & Regeneration	
S106 payments to Lancs County Council	70,000 Payment awaiting trigger point or evidence of scheme
Caton Road Flood Relief Scheme	845,000 Actual works in year less than originally anticipated
Morecambe Winter Gardens	6,000 Delayed awaiting advice from Historic England
Coastal Revival Fund - Morecambe Co-op	11,000 Knock on effect of delays in resolving basement flooding
Palatine Recreation Ground - Veterans Club	2,000 Minor delay
Rylands Park - Rylands House	4,000 Minor delay
Other Cemeteries	2,000 Minor delay

1,052,000

Housing Revenue Account	
Re-roofing / Window Renewals	178,000 Works temporarily halted due to Covid-19 lockdown
Balcony Railings	35,000 Works temporarily halted due to Covid-19 lockdown
Fire Precaution Works	19,000 Works temporarily halted due to Covid-19 lockdown
Sheltered Scheme Conversion - Melling	8,000 Works temporarily halted due to Covid-19 lockdown, scheme funded from HRA Business Support Reserve

240,000

1,292,000

Accelerated Reason for accelerated expenditure Expenditure

Communities & Environment	
Disabled Facilities Grants	(116,000) More rapid turnover in grant applications in year than originally anticipated
Economic Growth & Regeneration	
Lancaster Square Routes Project	(6,000) Required to replace large monolith to Horseshoe Corner as a result of damage
Lancaster City Museum	(19,000) Completion of roofing project
1 Lodge Street Urgent Structural Repairs	(1,000) Architects fees higher than expected due to additional surveys
Corporate Services	
I.T.Strategy	(53,000) Fortigate Hardware, Protection & support
Application System Renewal	(5,000) Microsoft Teams Room systems solution
I.S. Desktop Equipment	(39,000) Expenditure incurred in advance due to Covid-19
Development Pool	
Edward Street Dance Studio	(6,000) Expenditure in year higher than originally anticipated

(245,000)

Total Net Slippage & Accelerated Expenditure **1,047,000**