

ACHIEVING PRESTON'S PRIORITIES



Budget and Policy Proposals 2021/22

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FOREWORD

For almost a year now, we have found ourselves navigating an ever-changing landscape, working tirelessly to support our residents, communities, and businesses through an extremely difficult situation with significant social, economic and health impact. Covid has exposed the vulnerability that inequalities in terms of ethnicity, gender, income and disability have caused. This is something the Council will seek to address going forward.

It has not been “business as usual” for Preston City Council, it has been business as never before. We have adapted to the evolving situation, working closely with partners from across the county to protect and support our residents. The Council leadership has consistently argued for effective interventions whether local control of contact tracing, the self-isolation grant or tackling the virus in educational setting. As key workers, our staff have worked flexibly and many redeployed as we implemented new areas of work such as the Preston Together Locality Hub, urgent accommodation for rough sleepers, various iterations of business and support grants, hosting community testing sites and providing local support for the national test and trace system.

I am proud to say that we have gone above and beyond wherever possible. This has included supporting the 24 food hubs hosted by local schools, faith and community groups throughout Preston during the national lockdown. We have engaged closely with both community and faith leaders, ensuring a genuine two way dialogue with our diverse communities so residents have the support and information they need. We also continue to work with key partners to support the safe and successful reopening of the high street as the restrictions allows.

Alongside the urgent Covid work we have undertaken, we have continued to pursue our ambitious agenda for Preston by progressing our Towns Fund Bid, Harris Re-Imagining Project and other key areas of work. We maintained high quality services across the board – including waste collection, environmental health, parks, Preston Markets, cemetery and crematorium services.

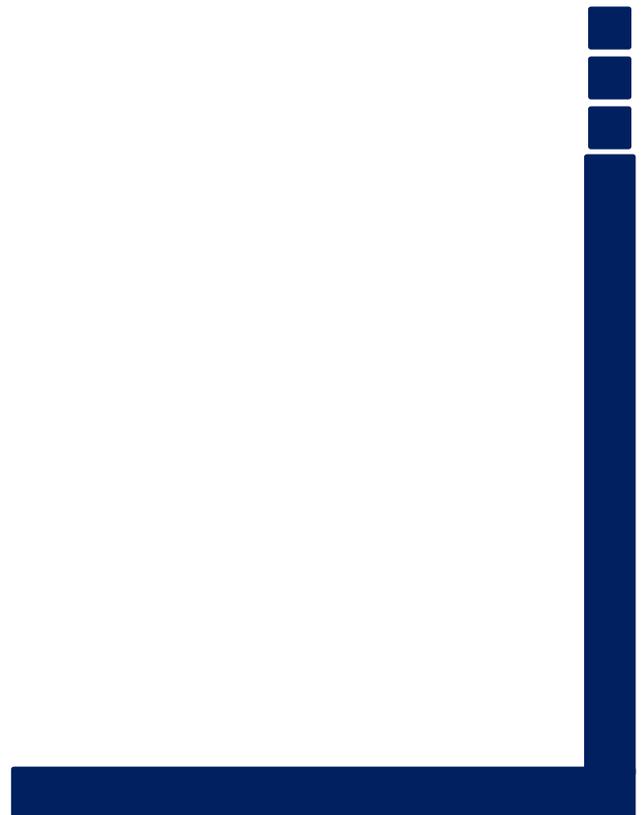
We remain committed to our ambitious Community Wealth Building Agenda to address local inequalities and put ownership in a wider number of hands post Covid. Our revised Community Wealth Building strategy which will be launched late February 2021, we outline our intentions to strengthen this area of work based on an inclusive recovery and environmental justice, factoring into all our major decisions and will continue to influence the future of Preston.

Our work with Community Wealth Building is just one strand of our Fairness Agenda, which also includes important work across the City with projects and initiatives such as the Holiday Markets, Connected Communities and Somewhere Safe to Stay which saves families money on food during term times, tackles rough sleeping and embeds community knowledge. We are proud to be progressing the Climate Change Agenda in Preston as we work with partners to better understand what role we can play to tackle the climate crisis.

Despite the difficult budget decisions that we have had to make in recent years, I believe that we are delivering high-quality frontline services to Preston's residents. Unfortunately we are faced with unprecedented levels of financial and economic uncertainty as we continue to support our residents, communities and businesses through the pandemic and prepare for the recovery phase.

Our ambitions remain high and we are proud to serve this City and of the work we, alongside partners, continue to achieve.

Councillor Matthew Brown
Leader of the Council



PART 1: Achieving Preston's Priorities

How are we doing?

Your City

- Securing investment; improving assets and infrastructure; attracting high quality jobs; creating a city with a strong cultural and leisure offer.

What Actions are we taking?

HARRIS QUARTER

Culture and Leisure –



Outdoor Events continued to be suspended whilst Preston remains under Covid restrictions. Planning is underway for alternative approaches to event delivery building on the live streamed music events piloted in 2020 and when permitted Covid safe delivery of events and public programme to resume.

Encounter Festival has been rescheduled to September 2021, the festival business plan developed and a steering group formed to help manage the development of the planning. The Festival Producer continues to oversee the management of the event and building the infrastructure for delivery. The festival will remain within the local authority for the immediate term, whilst the funding landscape is assessed.

The Preston Cultural Framework Board has recently appointed the Council's Head of Culture as the Chair and is seeking to broaden the board membership from the independent arts sector and targeted sectors. The board is working collaboratively with the independent arts sector to develop a new 12 year Cultural Strategy for the City, the publication has been delayed due to Covid and is now due to be published in the spring of 2021. The strategy will align with the new City Investment Plan and aim to support the Covid recovery of the City.

Re-imagining the Harris –



The Round two National Lottery Heritage Fund application for £4.5m has been submitted and a decision is due in March. Planning Permission and Listed Building Consent has been approved by the Planning Committee in early January. Fundraising continues with the launch of a public giving campaign and applications to Trusts and Foundations. Upon a successful award from the Heritage Fund the delivery phase of the project will start from April 2021 and run through to 2024.

Harris Museum and Art Gallery –



The Harris continues to offer a restricted public service under the current Covid restrictions with limited library services and bookable IT sessions available. The majority of the programme has moved online and is available on the Harris website and social media, planning continues around new ways of delivering the offer. When possible the team is ready to re-open to the public and has the necessary infrastructure to ensure a Covid safe environment.

Preston City Investment Plan and Town Deal Bid –



Preston was one of 101 towns and cities identified for a potential allocation of up to £25m, a government regeneration initiative. A Board of community representatives, businesses and other organisations has been established and a City Investment Plan and Towns Deal bid was submitted in July 2020. The priorities are focussed in and around the Harris Quarter and the City Centre.

The City Investment Plan is based on 6 key priorities for the city:

1. Transform Preston's cultural infrastructure, focusing on our cultural and leisure facilities, spaces and programmes. (basis of Town Deal submission)
2. Supporting Preston's economic recovery, skills, growth and resilience.
3. Delivering a new commercial district at Preston Station Quarter.
4. Deliver a ground-breaking approach to community health and well-being in the city.
5. Expand and diversify the housing supply to significantly boost city centre living.
6. Achieve a step change in sustainable movement and accessibility in the city by delivering Preston's Transport Plan.

The bid to the Towns Fund was for £25m covering 9 projects:

1. Re-Imagining the Harris
2. Animate (Cinema and Leisure Scheme)
3. Renewal of Harris Quarter Assets
4. Harris Quarter Illuminate and Integrate
5. Animation of Public Spaces
6. Preston Youth Zone
7. Inspiring Preston (Careers and Employment Information Hub)
8. Cultural Capacity Building
9. Health and Well-Being Capacity Building

At the time of writing, the Council was still awaiting the outcome of the bid. Subject to a positive response from the government, detailed business cases will be put together for the successful projects and the projects started during 2021.

Harris Quarter Pop Ups -



Also under the Towns Fund initiative, the government has offered the Council a grant of £1m accelerated funding to be spent in 2021. The Towns Fund Board elected to put the grant towards kick-starting the revitalisation of the Harris Quarter by commissioning a series of projects to attract people back into the city centre in a safe environment.

The main initiative is the creation of a Mobile Temporary Events Space that can host performances or other events that can be initially sited in the Harris Quarter, but which can be readily moved to other locations in due course.

The Harris Quarter Pops Up project will be largely completed by the end of the year.

Animate (Harris Quarter Cinema & Leisure Scheme) –



Progress on the scheme during 2020 was inevitably delayed by the Covid pandemic, but there is commitment from all parties to pick up momentum again in 2021 once the pandemic subsides. This key city centre scheme will support regeneration and community wealth building with the asset in local public ownership. It is anticipated that during 2021 agreements will be signed with the developer and lead operators, which will be followed by a revised planning application.

Transforming Friargate North and Ring Way and City Centre Public Realm –



In March 2020, LCC was awarded £40m from the Transforming Cities Fund to invest in public and sustainable transport and connectivity. £15m of this award has been allocated to Transforming Friargate North and Ring Way.

The scheme is being designed to improve access and journey times in and out of Preston city centre, including to the railway and bus stations, and the university, by bus and other active travel modes such as cycling, particularly from north, west and south Preston and neighbouring districts. It will also enhance this area of Preston improving accessibility and public realm to create a more attractive and vibrant area for shopping and eating.

It will reduce the impact of Ring Way to make it easier for pedestrians and cyclists to move between the Harris Quarter and UCLan and include the pedestrianisation of Friargate, with enhanced cycling provision, a transformative new signal controlled crossing point at Friargate/Ring Way junction, new bus interchange stops at this junction alongside bus priority at the Corporation Street junction, a bus gate on Corporation Street, a new cycle hub, cycle paths along Ring Way, and a cycle route along Butler Street, linking the Railway Station to Avenham and Millar Parks and beyond.

Design work and initial consultation with local stakeholders is underway and it is expected that formal public consultation will commence later in 2021.

Elsewhere in the city centre there will be further improvements to public realm brought forward subject to funding from the Towns Fund Bid.

Preston Railway Station -



A Preston Station Quarter Board has been established and is attended by senior representatives from PCC, LCC and UCLan. The Board has authorised the development of a masterplan-led regeneration framework centred on the Railway Station designed to capitalise on the opportunities afforded by the arrival of HS2 trains. The creation of a new commercial district in Preston Station Quarter is one of the key priorities of the City Investment Plan. It is anticipated that the framework will have been prepared, consulted upon and completed by the end of 2021.

Cottam Parkway Railway Station -



The remaining £25m of the £40m Transforming Cities Fund award has been allocated to the delivery of a new station at Cottam that will improve access and journey times in and out of Preston city centre by rail and active travel modes, from northwest Preston. The station will be accessed from the Preston Western Distributor road which is currently under construction.

The station will serve both existing residential areas and the North West Preston strategic housing area where over 5,300 houses are being built through the City Deal programme. It is anticipated that between

3 and 5 train services an hour could call at the new station, providing a frequent service to Preston and Blackpool, direct local connections to Blackburn, Burnley, Leyland and Chorley and further connections to Greater Manchester and the airport, Liverpool, Leeds, York, the Midlands and London. Approximately 1,000 passengers per day could use the station.

Design work and stakeholder engagement on the project will continue throughout 2021.

Winckley Square Townscape Heritage Initiative (THI) –



Due to delays caused by the Covid pandemic the Winckley Square THI programme has been extended again to September 2021 to allow an existing scheme that is on-site to be completed and to explore further opportunities for shop front improvements on Cannon Street. A shopfront scheme on Cannon Street was successfully completed during 2020 and the street has seen further investment following the transformational public realm works that were undertaken earlier in the programme.

University of Central Lancashire –



Completion of the £60m Student Centre, new public square and the extensive highway remodelling at the front of the main campus are due to be completed during 2021. Together with the Engineering Innovation Centre which opened in 2019, this will see the completion of the most transformational elements of the £200m UCLan masterplan.

City Living Preston and Stoneygate –



The Preston City Living Strategy was originally launched in 2017 and has been instrumental in kick-starting an impressive turnaround in city centre living as numerous residential schemes have come forward since that time.

A fully updated and expanded City Living Prospectus was launched at an online event in October 2020 attended by over 100 people from the development and investment community. Follow-up discussions with 21 developers have taken place and are continuing into 2021. The expanded City Living prospectus promotes 27 sites in the city centre and inner urban areas of Preston. Over the last 18 months over 400 new homes have been completed in the inner part of the city (out of a total of 1,121 across the whole borough), approximately 450 are currently under construction and a further 1,500 have planning permission.

In September 2020 the Preston City Living Strategy won the prestigious Planning for Increased Housing Delivery Award and the overall Editor's Choice Award at the national Planning Awards 2020 with the judges commenting that the strategy delivers 'real social and environmental benefits', 'real benefits for local people' and is an 'exemplar approach to kick starting brownfield sites'.

The principal area of focus for City Living Preston is the Stoneygate area of Preston where is the potential for over 1,600 new homes on brownfield sites ranging in size from over 300 new dwellings to small sites for a handful of units.

The Stoneygate Regeneration Framework was completed and launched in 2019. The Framework, which promotes an Urban Village concept, demonstrates how a residential-led strategy will transform this underused part of the City Centre into a thriving and vibrant mixed use quarter.

A Supplementary Planning Document (SPD), which translates the principles of the Framework into planning policies that will influence all future planning applications in the area, was adopted in June 2020.

Implementation of the Stonegate Regeneration Framework and SPD is being delivered through the City Living Strategy and in partnership with Homes England.

Shankly Hotel - the former Post Office –



The conversion of the former Post Office into a boutique hotel and conference/wedding venue has continued through 2020 and is expected to be completed during 2021.

City Deal and Preston Western Distributor (PWD) Road –



Work on the PWD has been underway for over 12 months and good progress continues to be made despite challenges presented by poor weather and the Covid pandemic. Completion is still expected in 2023. Work has also started on

the 2-mile East-West Link Road that will connect the PWD to Lightfoot Lane, opening up further residential sites within the North West Preston strategic housing area.

Other recent City Deal projects include the completion of the Fishergate Central Gateway public realm improvements linking the railway station and bus station and Cottam Parkway Railway station as referenced above.

Promoting the City –



Opportunities to promote the City during 2020 were significantly reduced as a result of the Covid pandemic. Nonetheless, opportunities that have arisen through initiatives such as the City Investment Plan and Towns Fund bid, the launch of City Living Preston and Reimagining the Harris have been made the most of, with significant positive media coverage at local and regional levels.

Subject to a positive response from the Government, the new City Investment Plan and Towns Fund projects will be central to the promotion of the City throughout 2021.

The focus for the Preston Partnership during 2020 was the creation and operation of the Towns Fund Board. In 2021 it is envisaged that the Preston Partnership will resume its regular programme of events, establish a new dedicated website to promote activity within the City and reinforce its role as an influential ambassador for the City.

Parks and Leisure Strategy 2019 - 2029 –



Following a procurement process Knight Kavanagh & Page (KKP) Consultants were successful and were awarded the contract in January 2020 to develop the Parks and Leisure Strategy. An initial planning meeting took place with PCC Parks team in February 2020 outlining the structure of the strategy and planned approach moving forward. This has since been delayed due to the Covid-19 situation and the Government lockdown approach, which has meant the

consultation process of the strategy is currently unable to be achieved. This piece of work will be completed by March 2021 with a draft copy presented to Council in April 2021 to be signed off and approved.

Heritage Lottery Funding (HLF) Moor Park –



The Council is looking for funding towards Moor Park Phase 2 which would include the restoration of the Serpentine lake, improved play area facilities, and restoration of a number of historical significant features.

The Rugby League World Cup (RLWC) 2021 –



Recent announcement in June 2020 that the Welsh Dragons (Men's Team) have been allocated to Preston as their training base camp for the RLWC 2021. The announcement was also the official 500 day count down to the start of the tournament. From September 2020 onwards planning discussions will take place between Preston and the Welsh team in preparation for their arrival in September

2021. A virtual Planning meeting with representatives from the City and the Welsh Dragons took place late November 2020 and everything is in place as we build up to the event in October 2021. Preston North End Football Trust have now also successfully appointed a full time Rugby League Development Officer for the City and they have started work within local schools.

Preston Guild Hall –



The tenant of the Guild Hall, Preston Guild Hall Limited, went into administration in 2019 and the Council took the decision to forfeit the lease. The decision was taken with the agreement of the appointed Administrator. Following the forfeiture, the Council took steps to seek a suitable qualified and experienced theatre/venue operator who could reinvigorate the closed venue. However, those

efforts have been undermined by proceedings being issued against the Council and the company in administration in December 2019 challenging the Council's decision to forfeit the lease and by the ongoing pandemic. The Guild Hall is a significant City centre landmark and the Council continues working to achieve a positive outcome for it.

Working in partnership

- **Preston Partnership** – independent, private-sector led organisation for bringing together people from all sectors who are passionate about the City.
- **City of Preston Town** – sub-group of the Preston Partnership established to oversee the preparation and implementation of the City Investment Plan and Towns Fund bid/grant.
- **Preston Station Quarter Board** – a board of senior officers from PCC, LCC and UCLan to oversee the strategic case and delivery of commercial development within the Preston Station Quarter.
- **UCLAN Campus** – a Preston City Council, Lancashire County Council and UCLAN partnership working together to regenerate and improve the campus and surrounding area.
- **City Deal Executive and Stewardship Board** - a board with representation from Preston City Council, Lancashire County Council and South Ribble Borough Council which governs investment of the City Deal money.
- **Lancashire Enterprise Partnership (LEP)** - collaboration of leaders from business, universities and local councils, who direct economic growth and drive job creation.
- **Winckley Square Community Interest Company** - a not-for-profit organisation established in 2011 to help drive the revival of Preston's historic Winckley Square.
- **Shadow Lancashire Combined Authority (LCA)** - focused around key themes such as Prosperous Lancashire, Connected Lancashire, Skilled Lancashire, Better Homes for Lancashire, Joined up Public Services for Lancashire.
- **Key Cities** - the Council is a founder member of the Key Cities Group.
- **Cultural Framework** – with our creative partners in the City we have established a Cultural Framework Board. The board is leading on the cultural vision for the City linking to our broader place making agenda.

a Preston City Council, Lancashire County Council and UCLAN partnership working together to regenerate and improve the campus and surrounding area

What impact are we making?

[The Achieving Preston's Priorities document](#) sets out the impact the Council hopes to make in each of its strategic priority areas. During 2020/21 and beyond we are making a significant impact in the City working alongside our partners:

- Working alongside the Towns Fund Board, the City Council has produced a new City Investment Plan setting out the challenges ahead and a route map for the development of the City over the next 15 years. The City Investment Plan underpins the £25m bid that has been made to government under the Town Deal.

- Preston Markets continues to evolve and recent improvements such as the walkway canopies are providing a much improved local shopping facility. Traders have demonstrated great resilience through the Covid pandemic by maintaining an important source of fresh food for Preston residents. A new internal canopy roof has been installed to help with temperature control in the Market Hall.
- Despite the challenges to the leisure industry created by the Covid pandemic, a positive dialogue on the delivery of Animate (Harris Quarter Cinema and Leisure Scheme) has continued throughout the year between the Council, Maple Grove Developments and the key operators with a view to momentum being picked up again in 2021 once the pandemic has subsided.
- The Preston Shankly Hotel is due to open in 2021.
- Work on the design and delivery £40m Transforming Cities Fund projects (Cottam Parkway Railway Station and Transforming Friargate North and Ring Way) got underway.
- The public realm works around Preston Bus Station were completed to complement the building refurbishment that was finished the previous year.
- City Living Preston has been fully updated and expanded to include 27 residential sites across the city centre and inner Preston. The City Living Prospectus was launched in October 2020.
- The development framework for Stoneygate was adopted as a Supplementary Planning Document (SPD). Implementation of the development framework and SPD is underway.
- The Heritage Lottery Funded Winckley Square Townscape Heritage Initiative has been extended again to allow further schemes to be completed.
- The Stage 2 Heritage Lottery submission for Re-imagining the Harris project was made in November 2020.
- At UCLan significant progress was made on the Student Centre, new public square and highway remodelling which are all due for completion during 2021.
- Work on the Preston Western Distributor Road has been underway for over a year and is progressing on schedule in spite of the challenges presented by poor weather and the Covid pandemic.

Fairness for you

- Fairness at the heart of decision making; an economy supporting prosperity and promoting fairness in working lives and practices; accessibility to affordable energy and decent affordable homes.

What actions are we taking?

Embedding Fairness in the Council's Strategic Planning –



The Council is committed to ensuring that its budget and strategic decision making processes reflect the principles of fairness and ensure that the budget reflects the priorities set out in the Achieving Preston's Priorities. The principles in the Fairness Charter underpin all of the Council's activities.

Social Value Policy –



This is under review as part of the development of a wider Community Wealth Building Strategy.

Community Wealth Building –



The Council remains committed to its ambitious Community Wealth Building agenda, putting residents and communities at the heart of economic development for the City.

In February 2021 the Council will launch Community Wealth Building 2.0: Leading Resilience and Recovery in Preston, recognising and proactively addressing the significant social, economic and health impact of the pandemic. We continue to progress this agenda through innovative and progressive dialogue and action with anchor institutions and partners.

Making Spend Matter URBACT Project –



During 2020 we continued to meet with our European and local partners and continued to explore the use of social and environmental criteria in public procurements, how to better engage with businesses, and how to develop strategic procurement plans. Meetings have taken place digitally over the last few months due to Covid-19.

In September 2020, we held an exchange and learning session which brought together all the activities which we have undertaken since the start of the project. Preparations are underway for the final conference, which will take place online 24 March (time to be confirmed). Coinciding with the launch is the release of the complete Making Spend Matter Toolkit which is aimed at supporting cities in their procurement journeys. Elements of the toolkit, including a video and the Spend Analysis Guide, are already available on our website.

Living Wage –



The Council is a proud to be an accredited Living Wage Foundation Employer and actively encourages other employers to join us in paying the Real Living Wage. Together with partners, we are leading the Preston Real Wage initiative to promote and increase the number of Preston businesses and organisations paying their employees a fair wage. Read more at

<https://www.preston.gov.uk/article/987/Preston-Living-Wage>

Co-ops –



This has been a significant area of progression in 2020, through working with key partners such as the Preston Cooperative Development Network University of Central Lancashire, Cooperatives UK and Stir to Action, as well as a wide range of local partners. We are continuing to advance the Open Society Foundation project, in partnership with the University of Central Lancashire, which will support 10 new cooperatives in total. Additionally, we are working closely with community organisations to promote opportunities and information about cooperatives.

Community Bank –



The plans for a North West Community Bank continue to move forward in partnership with Preston City Council, Liverpool City Council and Wirral Council. A business case has been prepared which will be presented to all three Cabinets and Councils. Following this a due diligence exercise will be carried out.

Financial Inclusion –



Those organisations in receipt of Financial Inclusion Grants continue to adapt their services to offer online/telephone support to clients. We continue to have conversations with the groups who are confirming that they continue to support both existing and new clients who are recently unemployed who are negotiating benefit systems for the first time. We continue to anticipate that there will be a significant increase in demand for these services in the coming months.

The Help in Preston website has attracted 8,936 visitors from 1 July 2020 to 31 December 2020 - 84.2% new users and 15.8% returning visitors. The main areas people are visiting are :-

| | | | |
|----------------------------------|-------|-----------------------------|-------|
| Food Access | 3,003 | Weekly Jobs Bulletin | 3,326 |
| Service Page | 1,869 | Volunteering | 1,542 |
| Learning, Working & Volunteering | 1,033 | Millbank | 1,127 |
| Health & Wellbeing | 1,082 | Covid-19 | 629 |
| Citizens Advice | 618 | Furniture & Household items | 585 |

Advice Services provide a free and confidential phone/appointment service offering in depth advice on welfare benefits and debt. In recent times Covid-19 has focussed attention on those most in need and the team formed the foundation stone of the Council’s response to the crisis, in the form of a Vulnerable Support line, covering personal budgeting support and welfare, together with many other needs (isolation, foodbank, prescriptions etc.).

The team has now re-launched its support service to customers with debt and welfare advice, form completion and tribunal work, albeit from a distance. Hopefully previous surgeries at Rosemere Cancer Unit, the Prison and many other Outreach locations can be resurrected in time, given the opportunity to engage directly with those most in need.

Equality, Fairness & Social Justice –



Equality, Fairness and Social Justice are key principles for Preston City Council. We have always worked to ensure that we provide excellent, accessible services to our communities.

Over the last few months we supported staff to complete Equality & Human Rights Impact Assessments and to provide updates to the project management area on Cityspace.

We continue to develop a dynamic EHRIA – Preston’s response to Covid 19. This will be a live document and once agreed by will be shared with the Inclusion Reference Group for comment. After this the document will be available on the council’s website and Help in Preston website encouraging representatives of protected characteristic groups to supply relevant information on how the pandemic is affecting their clients.

We continue to support the national Holocaust Memorial Day and Remembering Srebrenica commemoration. This year’s Holocaust Memorial Day Commemorative service will be online and organised by the Holocaust Memorial Day Trust. We will be promoting this service to staff, partners and wider community. The Harris and Market will be lit up on 27 January and the flag will be at half-mast.

Making Homes from Houses –



The successful partnership with Community Gateway Housing Association continues; 25 properties have been acquired and are undergoing refurbishment and reoccupation. The service was stood down in the early stages of the pandemic but is now operational so a further 2 properties are in the process of being assessed and acquired.

Looking ahead, the Council still has over a year to run on the contract with CGA.

Affordable Warmth -



Preston continues to support vulnerable households in fuel poverty. During 2019 to 2021 91 households have been assisted, bringing the total for the last two year funding stream to 740 households now living in warmer, more energy efficient homes. The measures currently available include the provision of new boilers and central heating systems, cavity wall insulation and loft insulation, representing £200k of funding levered into the City.

Looking ahead, the current funding is in place through the early part of 2021 so that more Preston households will continue to benefit. The Council continues to promote the availability of this funding where possible.

Accessible and Affordable Leisure Services -



The partnership with Greenwich Leisure Limited (GLL) has been developing well and up to the point of Covid-19 GLL were presenting major successes in the sustainability of the centres. Since the Covid-19 pandemic GLL have had to close all leisure facilities nationally and are currently following Government guidelines on the re-opening of leisure centres. PCC are working closely with GLL to submit a funding application to the Government National Leisure Facilities Recovery Fund, which should help in the short term sustainability of leisure centre facilities in the City.

Partnership working to end Rough Sleeping -



2019/20 resulted in some really good partnership working between the Council and The Foxton Centre and Community Gateway Association to put together a positive accommodation pathway for rough sleepers. This saw 28 people housed in CGA 1 bed flats with support funded via the Rough Sleeper Initiative and the Rapid Rehousing Pathway. This included developing a “Somewhere Safe to Stay” hub which operates 24/7 and can accommodate up to 8 people.

2020/21 The Council and partners were successful in bidding into the RSI Yr3 funding, which combined the two funding streams of the RSI and RRP. Despite the disruption caused by the pandemic there are still good opportunities to further develop access into 1 bedroom accommodation.

The Council has been informed that the Rough Sleeper Initiative (RSI Yr4) funding will continue in 21/22 this is a really good opportunity to ensure that there are a maximum number of positive move on options for those people who were accommodated through the “Everyone In” response to the Covid-19 situation. This will be enhanced via the accommodation being brought on line through the Rough Sleeper Accommodation Programme.

The Ministry of Housing, Communities and Local Government (MHCLG) have announced a new Homeless Prevention Grant that combines two other funding streams into one and give each Local Authority a ring fenced funding stream to look to enhance the support to single people and families to prevent homelessness.

Making Every Adult Matter (MEAM) -



The MEAM cohort continued to be supported to access services and to address their multiple and complex needs.

2020/21 The focus will continue to be on challenging service delivery to ensure that they are flexible and suit the needs of the people they were commissioned to provide for.

The MEAM continues to support and challenge service delivery the plan going forward is to challenge other agencies to work in a MEAM approach linking into the rough sleeper partnerships.

IMPROVING EMPLOYABILITY AND UPSKILLING COMMUNITIES

Work clubs -



The Community Engagement team continue to support a network of 13 work clubs across the City run by various partner organisations and volunteers. Our aim is to provide practical support to ensure work clubs are set up successfully, able to deliver their aims and improve employment prospects for Preston residents. During the Covid-19 pandemic, two work clubs have had to close temporarily, with eight moving to online support. Another three have managed to continue/are starting to return to work in a Covid-safe way. We have continued to circulate our weekly email alert with up to date Preston job opportunities, training, volunteering and apprenticeship vacancies to all work clubs who share this with their members. The Help in Preston website is also updated weekly, with links to live, local vacancies. We are supporting work clubs with their transition into recovery following the pandemic, supporting their digital engagement offer and sharing best practice amongst organisations on how to deliver socially distanced activity.

Maximising new employment opportunities -



The Community Engagement team continues to work with the Planning Department and relevant partners to provide support to developers in completing the adopted Central Lancashire Employment and Skills Supplementary Planning Document. Providing this support increases the engagement of developers and thereby increases the opportunities for Preston residents to obtain appropriate training and employment through new developments. Unfortunately, development of this work has not progressed as much as hoped due to the pandemic.

We continue to circulate new employment opportunities as part of the weekly bulletin and we are aware that this has resulted in workclub participants gaining employment. New discussions are taking place with Lancashire Teaching Hospitals NHS Trust and partners, to identify employment opportunities resulting from the pandemic, such as the urgent need for extra cleaning staff in local hospitals. Training is being sourced to upskill local unemployed people with guaranteed interviews to help them to secure local jobs.

Fishwick & St Matthews (FAM, formerly known as FOFS)–



As a result of restructure, the Big Local Partnership group in Fishwick and St Matthews has now formally separated from the FOFS local community group with the Big Local group now known as FAM. The Council continues to work with FAM and remains one of their designated Local Trusted Organisations. (We will also support the FOFS group in due course.)

The four FAM Partnership priority themes, 'Skills & Jobs', 'Environment & Play', 'Health & Wellbeing' and 'Financial Inclusion & Poverty' have now become three, with Skills & Jobs merging with the Inclusion group.

FOFS has continued their part-time funding contribution of a Community Engagement Officer to support the group in improving the employment and training prospects of residents within the area and the officer has supported the Sahara work club attendees to obtain Covid-19 specific jobs (such as those in health, care and retail) during the pandemic.

FOOD POVERTY

Holiday Markets -



The Holiday Market concept was developed by Preston Council to start to address the needs surrounding holiday hunger. The markets are supported by Preston City Council but delivered by schools, faith and community organisations across the City and therefore independent of the Council.

A Holiday Market Network including a dedicated What's App group with over 50 active members continues to be supported by the Council. The Network offers support to the volunteers by improving communication and sharing best practice and surplus food between markets and other food providers. This network has been instrumental in delivering the Covid-19 food response and enabling those most in need to access food during the pandemic. The work carried out by Preston communities during this difficult time has been outstanding and has made a huge difference to families and individuals within the City. Supporting the food providers will continue throughout 2021, during the pandemic and beyond when we may have space to develop new work with providers.

- **Figures March to Sept:** 1,440 families supported, 47,520 food parcels provided, 570,240 meals provided (Holiday Markets)
- **Figures October to Dec:** 1,200 families supported, 12,000 food parcels provided, 144,000 meals provided (Holiday Markets)
- ***Figures Dec to March (estimate):** 2,100 families supported. 27,300 parcels delivered, 327,600 meals provided (8 food banks, 3 hot meal providers, 4 food pantries, 19 holiday markets). These groups are funded via the Government Emergency Assistance Grant.

Neighbourhood Food Hubs -



PCC continues to develop work with community groups in Fishwick and St Matthews and the Ingol area to establish how food poverty activity can be coordinated across a geographic community. The Council is supporting the Preston Community Hub in the Fishwick/St Matthews wards in the development of a consortium and business plan to develop and deliver a wider programme of food poverty activity, including the development of a community kitchen. Unfortunately, the Covid pandemic has slowed progress down but this will be stepped up as soon as capacity allows.

Youth and Food Activity -



Conversations are ongoing with youth activity providers in key areas of the City to find out how food can become part of their youth activity provision, particularly during the school holiday periods. As a pilot during the 6 weeks school holiday, Preston City Council was due to work in partnership with PNE, Lets Grow Preston, a small number of schools and community and faith organisations to provide a packed lunch alongside structured youth activity on 3 days per week across the full school holiday period. However due to the reintroduction of social restrictions only 3 weeks of delivery took place as opposed to 6 weeks. Development of this work will re-start once social restrictions allow.

The development of Youth Food Champions and Experts by Experience programmes in partnership with UCLan, LAL, local schools and Barnardo's, has paused due to Covid-19 pandemic, although conversations with key partner organisations have remained ongoing.

Community Food Activity -



PCC is supporting INTACT in its development of its Thrifty Kitchen project which aims to educate people on how to cook on a budget. Although Covid-19 meant that workshops were unable to be delivered as originally planned, online cookery demonstrations and recipe cards were produced and distributed with food parcels.

Cooperatives UK have now confirmed funding for a project to pilot the Cooperation Town model of food buying groups in Preston. Three community anchors will establish one or two food buying groups within their community, learning in the process about what works and what doesn't work so well. As it is a pilot, is very much 'learning by doing' to establish 'proof of concept'.

The Council is continuing to liaise with LCC Public Health in supporting and increasing the uptake of Healthy Start Vouchers. An information leaflet on support services including access to Healthy Start Vouchers was produced and distributed via the Food Banks during Christmas & New Year. Monthly zoom meetings with LCC Public Health and the Community Engagement Team have started to help forward plan collaborative work, following the easing of social restrictions.

Breakfast Provision -



Unfortunately, this work has paused as a result of the Covid-19 pandemic period, however once the pandemic abates, the Community Engagement team will continue conversations with LCC in line with their team around the school methodology currently being introduced. A new partnership has been developed with Neighbourly who are interested in how they can help provide produce to support the Breakfast Provision.

Youth Engagement -



Officers are working with Preston's youth support organisations, who have come together as the Preston Youth Forum, bringing together skills and experience from partners to develop ways of engaging young people in the City and district. The group are coordinating their efforts in order to maximise the chances of a successful Youth Endowment Fund application in 2021. Over the summer, Preston United, Active Lancashire and Community Gateway delivered activities that helped young people through the Covid restrictions, including video diaries, outdoor arts and sports activities.

The Forum also has a sub group that is dedicated to developing pathways to education and employment (Preston Youth Aspiration, Education, Training and Employment) which works with the colleges, university, DWP and non-formal education providers like PVC and PNE, which has since the summer focussed on supporting young people leaving school and college.

The Community Engagement team have begun to circulate a Young People's email alert on a monthly basis, which helps to promote volunteer/work and training opportunities suitable for Young People who may find themselves struggling with their next steps due to the pandemic. We are also having regular conversations with DWP and other partner organisations as to how we will set up Youth Hubs, offering outreach support in Preston for 18-24 year olds, in a more joined up way.

GENERAL COMMUNITY ENGAGEMENT ACTIVITY

Connected Communities -



UCLan have finished interviews with the stakeholder organisations in the Plungington area and will review how the community researcher training can be carried out given social restrictions. The Covid restrictions has impeded this but it is still developing and has interest in the locality.

The Broadgate Community Connector group's dedicated development officer has been retained and is developing further projects to bring residents together. They are working with PCC and LCC to help find resources for an environmental project with the school, develop a community safe space and launch the Broadgate walk. PCC will also support the funding raising effort that the development officer is hoping to carry out.

Working in partnership

- **Faith Covenant** - a joint commitment between faith communities and local authorities to a set of principles that guide engagement, aiming to remove some of the mistrust that exists and to promote open, practical working on all levels.
- **Procurement Practitioners Group** - a group of procurement, policy and economic development practitioners which seeks to progress procurement policy and practices by sharing knowledge and experience, while developing common actions.
- **The Black and Minority Ethnic (BME) Forum** - a group formed to act as a focus for a BME voice and activity and to promote co-operation.
- **Social Forum** - is an opportunity for people with an interest in the City to get together and discuss and influence issues around equality and fairness in Preston.
- **Shadow Lancashire Combined Authority (LCA)** - focused around key themes such as Prosperous Lancashire, Connected Lancashire, Skilled Lancashire, Better Homes for Lancashire, Joined up Public Services for Lancashire.
- **Central Lancashire Health & Wellbeing Partnership** – aimed at building strong and effective partnership working between Preston, Chorley and South Ribble Councils, the NHS bodies, Lancashire County Council, the Voluntary Community and Faith Sector and other public bodies to improve local people's health and wellbeing.
- **Preston Children's Board** - a partnership which comes together to take forward actions to improve the lives of children and young people.
- **Community Safety Partnership** - working with neighbouring Councils across the Police Division footprint a partnership which comes together to take action on the priorities it has identified for Preston such as: reducing offending and re-offending; harm reduction and support to communities particularly those most vulnerable and prevention and early intervention.

What impact are we making?

[The Achieving Preston's Priorities document](#) sets out the impact the Council hopes to make in each of its strategic priority areas. During 2020/21 and beyond we are making a significant impact in the City working alongside our partners:

- Supported the development of 2 new cooperatives through the Open Society Foundation project
- Hosted Community Anchors: A Cooperative Recovery Programme, with a range of BAME and migrant community organisations.
- Successfully supported a bid by the University of Central Lancashire, to the Place-Based Action Network for the “Integrating climate resilience and social justice into a Framework for recovery in Preston after Covid-19” project.
- Hosted regular virtual meetings to provide urgent Covid-19 briefings and consult with the Faith the Faith Covenant and representative of community groups.
- Working with Coops UK and the PCDN, secured £20,000 to pilot food buying cooperatives with BAME community organisations within Preston’s Food Hub network.
- Established ‘Bringing the Preston Model to Justice’ with partners from the Ministry of Justice, the NHS and UCLan to pilot a new cooperative based approach to supporting the social and economic integration of people leaving prison.
- Increased the number of affordable housing completions.
- Attracted significant funding from the Ministry of Housing Communities and Local Government towards Homelessness and Rough Sleeping.
- Seen an increase in the procurement spend in Preston by its anchor institutions.
- Attracted external funding for energy efficiency improvements in private homes.
- Provided targeted debt and welfare advice to help clients regain control of their finances and to maximise their entitlement to benefits.

Carbon Neutral -



A notice of motion to declare a climate change emergency has been agreed by the Council. A task and finish working group has been set up to consider options on how the Council can become carbon neutral by 2030. The work of the group has been hampered during the year by the Covid emergency, but the group has responded by establishing working via virtual meetings. Investigatory interviews have been held with key council officers to help inform and establish a baseline position for the Council and to recommend any necessary changes to policies and operating procedures. There are a number of investigation strands ongoing and the group has sought additional resources to help progress its work at a faster pace. The group is currently formulating a decision matrix that will support the Council in prioritising and implementing carbon reduction actions over the next 10 years and ensure that the Council's resources are prioritised to have the greatest carbon reduction impact.

Fleet Review -



The fleet review is ongoing. The fleet consists of nearly 140 vehicles and plant and a significant number of these will be replaced with the next 12 months in order to assist in reducing carbon emissions and minimise vehicle downtime due to mechanical failure. The fleet is being reduced in size where practical and low emission vehicles are being considered where practicable.

Working in partnership

- Inclusion Reference Group
- Shadow Combined Authority / Lancashire Leaders

What impact are we making?

[The Achieving Preston's Priorities document](#) sets out the impact the Council hopes to make in each of its strategic priority areas. During 2020/21 and beyond we are making a significant impact in the City working alongside our partners:

- We have reduced costs and delivered further value for money by increasing online transactional access to more services
- We have improved the effectiveness of our service delivery by implementing cost effective technologies such as Interactive Voice Recognition software
- We maintain high opinions of our financial and legal services, unqualified external audit opinion
- We have made progress working towards making the Council sustainable in the long term
- We continue to provide accessible services to the public



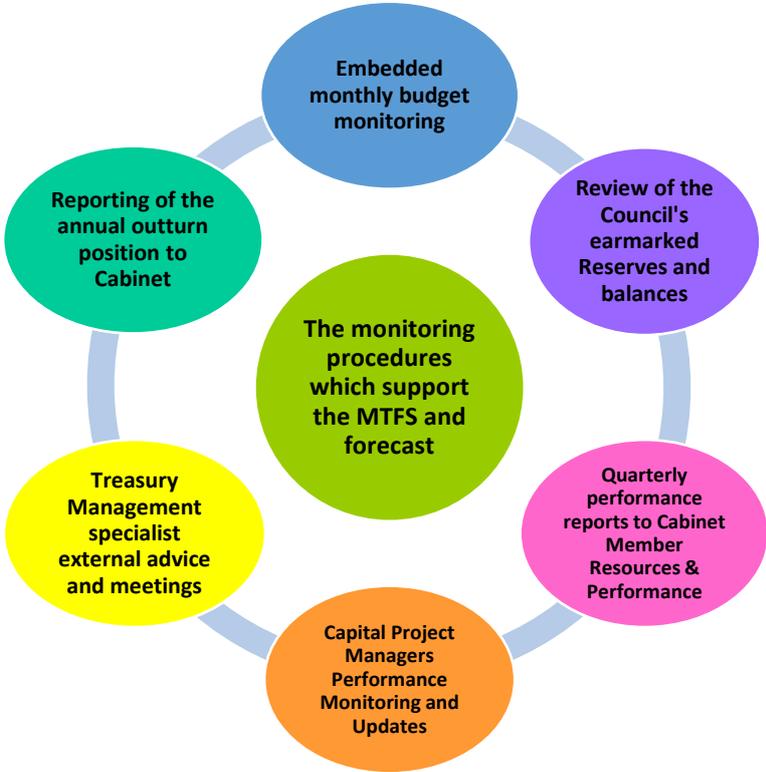
PART 2: Medium Term Financial Strategy (MTFS)

1. The Council's Financial Strategy provides the strategic framework and corporate financial policy document for managing the Council's finances over the medium term and ensuring sound governance and compliance with best practices. The MTFS updates Members on the key financial assumptions for the current year budget position (2020/21) and projections for the years 2021/22 to 2024/25. The MTFS sets out the financial Revenue Strategy, the Capital Strategy, the five year Capital Programme, Treasury Strategy, Investment Strategy and identifies the key financial risks for the Council.
2. The purpose of the MTFS is to:
 - (i) Deliver a budget which is robust
 - (ii) Ensure long term financial sustainability
 - (iii) Enable the Council to deliver the Council's priorities including City Centre regeneration, continuing with the work on the Fairness agenda and delivering the Council's essential services to the best it can within the resources available.
3. The key influences in formulating the update to the financial strategy are:



4. The Council reviews all key financial assumptions on an on-going basis and identifies whether there are any material changes which need to be incorporated. These may include changes in assumptions made, either as a direct result of changes in external factors, economic climate, legislation or decisions made locally.
5. This report updates Council on the key financial assumptions for the current year budget position (2020/21) and projections for the years 2021/22 to 2024/25. All major changes to forecast assumptions and implications for the financial forecast are included within the appendices to this report.
6. Set out in the MTFS are the general fund revenue forecast, Capital Strategy, five year Capital Programme, and Treasury Management Strategy including prudential indicators, Investment Strategy and Minimum Revenue Provision Statement. It builds on the platform of the previous strategy. The longer term view of the Council's financial position enables the Council to effectively forward plan.

- 7. The Council reviews its finances over a longer term period for major development plans, the vehicle replacement programme, the core and major asset maintenance plan, long term borrowing decisions and individual business case decisions.
- 8. The financial strategy is supported by a number of monitoring procedures to ensure the basis for formulating estimates are up to date and reflect all current factors such as changes in levels of fees and charges, increases in costs etc. These are as follows:-



In addition to the financial monitoring procedures the Council is currently implementing improvements to Performance Management.

- 9. The CIPFA Financial Management Code (FM code), has been introduced to help assist local authorities to embed statutory responsibilities for sound financial administration. The Council has assessed the requirements of the Code. The majority of the FM Code requirements are already embedded in the Council's own financial management arrangements. A couple of areas of improvements have been identified such as improvements to the budget monitoring process. Plans are being formulated to implement the improvements and these will be identified within the Service Delivery Plan of the Finance Department.
- 10. The global pandemic has had a significant impact on this financial strategy. The original estimates reported at the February 2020 budget council meeting have been updated to reflect the financial pressures on the Council as a result of the pandemic. The Council has received various forms of Government Covid-19 funding towards meeting the costs.

COVID-19

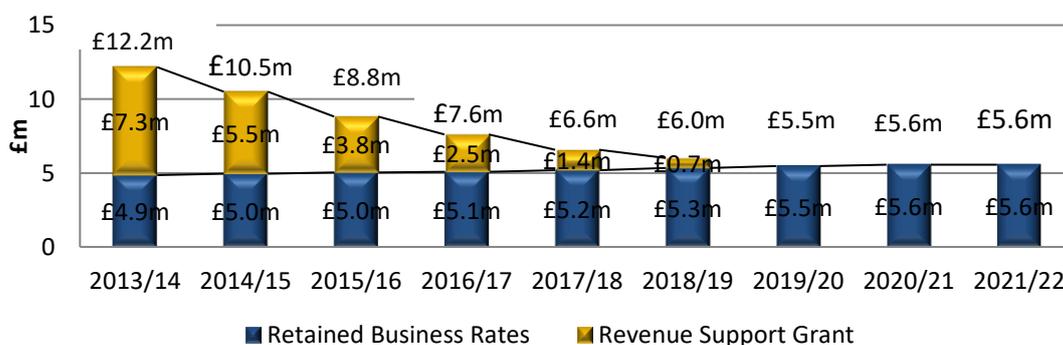
1. As a result of the emerging pandemic the Lancashire Resilience Forum met in March 2020 to agree a Lancashire-wide emergency response. This resulted in the Lancashire Resilience Forum establishing a command structure for Lancashire to target key crisis areas. The Council's senior managers played a key role within the respective areas ensuring that a local response was put in place.
2. The Council swiftly implemented its Business Continuity plan. This involved Covid-19 Corporate Management Team response meetings and all departments having a Service Area Co-ordinator. These were fundamental in leading the Council through actions such as mobilising the Council's workforce to begin to move from 'business as usual activity' to emerging new priorities such as the humanitarian response through the establishment of a Community Hub established to support those on the NHS shielding list and the vulnerable, to a system of administering grants to local businesses.
3. The Council provided sound leadership during the crisis with the ability to move resources around to ensure that it had the capacity to respond. Teams whose usual work ceased during lock down were moved into new areas of activity, with much achieved through agile working, for example, the dedicated call centre for the Community Hub was operated remotely by staff working from home, with IT solutions put into place to enable this to happen. This was operated not only in usual business hours, but also during the evenings and weekends. The ICT department provided an excellent service in enabling staff to work from home. Furthermore all the Council's activities were risk assessed and additional control measures were put in place such as social distancing in offices, extra PPE, hand sanitizers, screens, and implementing new changes to work patterns.
4. To enable decisions to be made during the crisis delegated powers were given to the Chief Executive in consultation with the Leader and Group Leaders. This meant that the Council was able to respond to urgent issues swiftly.
5. Since the start of the pandemic the Council has:-
 - Implemented emergency powers to enable the Council to respond to the Global pandemic.
 - Been a key member of the Lancashire Resilience Forum which is enabling to a Lancashire wide response to the pandemic.
 - Enabled the Council to hold meetings virtually.
 - Enabled a high majority of staff to work from home through effective IT systems.
 - Kept the residents of Preston updated with key messages on social media.
 - Supported the vulnerable and provided food parcels through the dedicated Community Hub.
 - Provided accommodation for homeless and rough sleepers.
 - Paid over £41m in Business Support grant payments to local businesses.
 - Granted business rates retail relief of approximately £32m
 - Allocated £1.6m council tax hardship fund.

- Made discretionary business payments totalling £2.5m to local businesses.
 - Granted over £0.3m of rent relief to the Council's investment property tenants.
 - Worked with City Centre businesses to ensure that the city centre safely re-opened after the lock down.
 - Set up and operated two walk-in testing sites in Preston.
 - Administering the self-isolation grant payment scheme.
 - Carried out test and tracing through the a dedicated team of outbreak containment tracers
 - Environmental Health have been contacting businesses giving advice to ensure they remain Covid compliant. They have also taken an enforcement role.
 - Emergency grant assistance has been made available for the vulnerable
 - A venue has been made available for Covid-19 testing for businesses in the City Centre
6. Throughout the pandemic the Council has been working with key partners.
 7. The Covid-19 pandemic provides an opportunity for the Council to review the way in which it works, how it uses its buildings and consideration of environmental factors both for the Council and the whole Preston Area. The Council's climate change agenda will form a key part of the financial strategy going forward however this will need investment.

THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2021/22 AND UPDATE ON FUTURE GOVERNMENT FUNDING

1. On 4 February 2021 the Government published the Final Local Government Finance Settlement for 2021/22. The announcement included funding for 2021/22 only.
2. The chart below shows the core Government funding for Preston over the period 2013/14 to 2021/22. For 2021/22 the main allocation has been set at the same level as in 2020/21.

Core Government Funding



3. The Government have published a new funding allocation for 2021/22: Lower Tier Services Grant allocations 2021 to 2022. The allocation is provided specifically to lower tier authorities with a one-off minimum funding floor. The allocation for Preston is £236,834. It is expected that this funding can contribute to the Council's finances to help towards the cost of Covid-19.
4. **Local Council Tax Support** – the Government are to provide authorities with additional funding in 2021/22. They have stated that they expect that the funding will meet the additional costs associated with increases in local council tax support. We are to receive a lump sum amount in April 2021.
5. The **Council Tax referendum principles** allow the Council to increase Council Tax by up to 2% in 2021/22. This means if the Council sets a Council Tax of 2% or above it would have to hold a referendum to agree the increase. These principles do not include Parish Councils.
6. The Cabinet proposals include a **1.99% Council Tax increase** for 2021/22; a new Band D charge of £327.13.
7. Covid-19 is having an impact on the levels of council tax being collected. The Council has seen a sharp increase in the levels of council tax support numbers, the collection rates are down compared with previous years and requests have been made to arrange different payment terms.
8. The current pandemic is having a major impact on the collection of business rates. The Government announced that businesses in the Retail and Leisure Sector would be granted 100% business rate relief for 2020/21. This means that approximately 50% of businesses who usually pay businesses rates have been granted business rate relief. The Government are compensating the Council for the relief granted in 2020/21. The Council is also seeing a reduction in the collection level of those rates which have been billed.
9. The Council made a decision to remain out of the Lancashire Business Rates pool during 2020/21. The Council had been part of a Lancashire Business Rates Pool in the previous year 2019/20 when the 75% business rates pilots were held. However, the 75% pilots were for only one year and therefore the scheme reverted to the previous scheme which offered less protection. Current projections show that the Council will need to call on the safety net for 2021/22 however this is dependent on the final business rates position at the end of March 2021. The Council will remain out of a Pool in 2021/22.
10. The Government have published **New Homes Bonus allocations** for 2021/22. In 2020/21 the grant was to be phased out, which meant receiving a one year only payment for 2020/21 and 'legacy payments' relating to previous year's allocations. However, the Government has announced an allocation for 2021/22 and are currently consulting on the future of New Homes Bonus. The Council pays its New Homes Bonus into the City Deal.
11. **Local tax income guarantee for 2020-21** - the Government have confirmed they will compensate local authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020/21. New regulations have recently been implemented to allow the 2020/21 collection fund (business rates and collection fund) surplus/deficit to be spread over three years not the usual two years.

2021/22 CABINET BUDGET PROPOSALS

1. The Cabinet have put forward the following budget strategy in working towards setting the 2021/22 Budget and Council Tax:
 - **Council Tax Increase** – it is proposed to increase Council Tax in **2021/22** by **1.99%**.
 - **Use of earmarked reserves** –an earmarked reserve is available to fund expenditure on land previously transferred to the Council. It is proposed to part fund the grounds maintenance expenditure on this land through an annual contribution.
 - Use of the discretionary business grant funding to assist the Preston Businesses for **Covid recovery**.

Growth Proposals:

- **Community Wealth Building** – A budget provision of **£100k** is being set aside for Community Wealth Building. A report will be presented to Cabinet at a future date setting out scheme(s) details.
- **Community Wealth Building** - **£50k** in **2021/21** and **2022/23** is being made available to fund a fixed term post dedicated for working on the community wealth building agenda.
- **City Growth and Housing** Post - **£25k** part contribution toward funding a post dedicated to working on the City Growth agenda and affordable housing.
- **Towns Fund Project manager** - **£50k** contribution to fund a post which will be appointed for the period of the Towns Fund. This is subject to confirmation from Government if the Council has been successful in its Towns Fund bid.
- **Revenue cost of funding the capital programme new schemes.** A number of the capital schemes being proposed required borrowing to fund the scheme. There will be an annual cost on the revenue budget from funding these costs.

Capital Proposals

1. A number of capital schemes have been identified which require priority works to be undertaken during 2021/22 and 2022/23. These are highlighted within the capital programme pages of this document. They include works on the Parks and Open spaces including necessary works to steps. A couple of schemes have been added to the final year when the capital programme was updated to reflect the inclusion of the additional year 2024/25. These include vehicle replacements which the Council already has available revenue funding to finance the borrowing costs.
2. In addition to the new schemes the **£500k** Investment Fund is being re-designated to a scheme which will fund **Covid recovery** (capital spend) and **Climate change** schemes. Reports will be presented to Members at a later date setting out further details.

3. The Council will continue with **the Digital First Strategy** agenda to deliver further service improvements for customer service and roll out the digital agenda to the other departments through the Service Improvement Board.
4. The Council's strategy is to continue to have a **planned release of non-earmarked reserves** to fund the shortfall in financing during the period of the financial forecast.
5. **Contingency Plans** – the Council has a list of contingency savings circa £1.3m which could be called upon in the event that significant risk materialises or further savings are required. This list contains non-statutory services. However, the Council will seek to find alternative efficiency savings and opportunities for income generation before these savings were called upon.
6. The Budget Working Group who consists of Cabinet, three back benchers and Corporate Management Team will meet during 2021 to work towards formulating the next efficiency plan to identify savings of £600k required in 2022/23.

Stakeholder Consultation

1. Cabinet carry out stakeholder consultations on the proposals including raising Council Tax by 1.99%. The results of the consultation will be provided to Members at the Budget Council meeting.
2. All savings proposals are subject to an Equality Impact Assessment (EIA). The EIAs consider the effect on people within all the equality strands in relation to the wider community; and, if and how one group is disproportionately disadvantaged by the savings and growth in relation to other groups.

THE GENERAL FUND REVENUE FORECAST

1. The General Fund Revenue Forecast includes the budget for the day to day running costs associated with the delivery of the Council's services. The Council agreed the original 2020/21 Revenue Budget and set a Council Tax increase of 1.99% at the Budget Council meeting in February 2020. The forecast at that time showed general fund reserves being used over the life of the forecast. The Council maintains a £1.1m minimum working balance in the General Fund.
2. The Council reviews key financial assumptions on an on-going basis and identifies material changes which are highlighted within the appendices. The significant change for the mid-year forecast is the impact of the Covid-19 pandemic. Whilst estimates have been included it is still too early to realistically forecast the full impact of the Pandemic.
3. The forecast has been updated to reflect the underspend position in 2019/20, slippage of budget from 2019/20 into 2020/21, additional spending as a result of Covid-19, funding from Government and other organisations and in-year budget decisions made by Members. The latest estimated position is included in the table below:

| Revenue Budget: | 2020/21 £m |
|---|---------------|
| Original Budget: set at Budget Council February 2020 (see appendix A) | 22,231 |
| Impact of 2019/20 Outturn (slippage of budget into 2020/21) | 1144 |
| Other forecast issues included in this update | -1,468 |
| Latest Estimate : Revenue Budget 2020/21 (see appendix E) | 21,097 |

- General Fund (GF) Monitoring** - The Council has submitted monthly financial management returns to Government setting out the Covid-19 spend the Council is incurring and Government grant it is receiving. The financial information has been incorporated into the latest financial forecast.
- The financial forecast approved at Budget Council February 2020 showed a balanced financial position over the life of the forecast with no further savings requirement other than those savings already identified. A mid-year forecast was then presented to October 2020 Council which adjusted the financial position to reflect the impact of Covid-19 however this was based on projections at that point in time. This latest forecast has been further updated with latest financial projections and the Cabinet budget proposals for 2021/22.
- The latest forecast sets out a savings requirement of £600k in 2022/23. The Council has previously agreed to the use of reserves to fund the shortfall between 'the amount the Council spends on providing its services' against 'the funding the Council receives to fund the net budget in order to achieve the minimum balance by the end of the forecast. For reference, the Council has a required minimum working balance of £1.1m.
- The Budget Working Group which consists of Cabinet, three back benchers and Corporate Management Team will work on formulating the next budget efficiency plan during 2021. These plans will take into consideration the £600k savings requirement in 2022/23 and will also consider the updated position for Covid-19 and future Government funding.

RESERVES AND PROVISIONS

- The Council holds a General Fund Reserve and a number of Earmarked Reserves and Provisions. These are held for various purposes:-

| General Fund Reserve | Earmarked Reserves and Provisions |
|---|---|
| <ul style="list-style-type: none"> A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing As a contingency to cushion the impact of unexpected events or emergencies | <ul style="list-style-type: none"> Monies set aside for future events or liabilities |
| Balance 31 March 2020: £8.822m | Balance 31 March 2020: £23.5m |

Appendix E contains the latest forecast for General Fund reserves.

- An updated Reserves and Balances Policy is presented to the Cabinet Member (Resources & Performance). In line with the policy the current level of Balance Sheet

provisions and earmarked reserves will be reviewed to take into consideration any proposed call on the reserves during this financial year. Reserves may be needed to be called upon to assist with the financial impact from Covid-19. The updated policy will include details of those approved for release or if there will be an additional call on the reserves.

3. In line with previous agreed forecasts the Council is using available reserves to fund the shortfall between the income receivable against revenue expenditure incurred in the day to day running of the Council's services. This is in order to achieve a balanced forecast position over the medium term. Other earmarked reserves may be used to (i) act as a contingency if the savings targets are not achieved; and (ii) be used for any significant one-off costs arising from the budget plan.

EXTERNAL AUDIT

1. The Council has an embedded planned approach to financial management and corporate governance, safeguarding public monies and ensuring accountability. The Council's External Auditors, Grant Thornton have recently completed the annual external audit of the 2019/20 accounts. They gave an "unqualified opinion". The signing of the accounts and the audit had been delayed due to the global pandemic.
2. As part of the Audit Grant Thornton are required to give a Value for Money and financial resilience conclusion. The conclusion on the 2019/20 accounts was Grant Thornton were satisfied that in all significant respects the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Grant Thornton give an unqualified opinion on the Value for Money and financial resilience conclusion for the 2019/20 audit.

THE PRESTON, SOUTH RIBBLE AND LANCASHIRE CITY DEAL

1. The Preston, South Ribble and Lancashire City Deal was signed in September 2013 and is an ambitious programme of work that aims to ensure that the City Deal area continues to grow by addressing strategic transport infrastructure challenges to deliver new jobs and housing.
2. To deliver the City Deal, partners established an infrastructure delivery and investment programme worth £430m over the lifetime of the Deal. The programme facilitates a significant commercial development (more than 20,000 net new private sector jobs) and housing (approximately 17,400 homes); this includes four highway schemes and local community infrastructure required to support the scale of such ambitious development. As set out in the programme, a fundamental review of the City Deal has been undertaken and discussions are still ongoing. A report will be presented to Members during 2021.
3. The City Deal Infrastructure Delivery Programme (IDP) is funded through pooled local and national private and public sector resources. This includes Community Infrastructure Levy (CIL), s.106 contributions, local major transport schemes, Homes

and Communities Agency land receipts, New Homes Bonus, business rates, local authority capital programme resources and land receipts. The original target number of new homes in Preston on the City Deal sites is 9,579 which includes an additional 1,000 properties not allocated to specific sites. More information about the City Deal can be found on the Lancashire Economic Partnership (LEP) website.

4. The City Deal Infrastructure Delivery Programme sets out the projects and programmes to be funded and the forecast resources. Lancashire County Council are the accountable body. They project manage the schemes, take responsibility for the cash flow of the overall plan, and ultimately have the majority of the financial risk.
5. The City Deal's Executive and Stewardship Board initiated a comprehensive review in March 2018. This decision was driven by a number of factors, one of which being the commitment to review the Deal in its fifth year of implementation as per the original agreement with Government. Partners are currently considering the outcome of that review and are progressing a revised Heads of Terms for future working. Reports updating on the latest position are being presented to each of three main authorities. The final agreement for the revised Heads of Terms will require full Council approval.

City Deal Programme for Preston

1. Within the original IDP there is £56.3m allocated for the delivery of community infrastructure projects over the lifetime of the City Deal programme, for schemes such as health, education and leisure to support new residents and the jobs that will be created. For Preston the original funding allocation for community infrastructure is £36.2m.
2. Allocations from the community infrastructure fund have previously been agreed/spent on a cycling strategy/upgrades to the Guild Wheel links and a number of City Centre schemes. Any future requests require formal approval by the City Deal Executive Board prior to spend.
3. In addition to the above the Council has been receiving £8.03m in the form of annual payments.

Income Transferred to the City Deal

1. When the City Deal model was formed it was anticipated that the contribution of income from Preston City Council would come from the following sources:-
 - Community Infrastructure Levy (CIL) receipts from residential and retail developments £33m
 - CIL Plus Contributions - assumption of additional revenue from development £7m
 - New Homes Bonus £28m
 - Business Rates £5m (if additional growth from City Deal)

Impact for the Financial Forecast of the City Deal

1. As a result of the City Deal the financial forecast includes additional Council Tax income. As new housing is built the additional Council Tax income will increase and will also bring in additional Council Tax resources for the major precept authorities. Additional costs associated with serving the new housing have been built into the forecast however annual Council Tax income is estimated to outweigh these annual costs.
2. New Homes Bonus received by the Council is shown to be paid over to the City Deal during the current financial forecast period.
3. At this point in time we have received income totalling £4.4m for community provision.

Capital Programme – Community Infrastructure Levy & Community Infrastructure for City Deal

1. The Capital Programme assumes that Community Infrastructure Levy (CIL) receipts totalling £13.3m received from developers will be paid over to the City Deal in the period 2020/21 to 2024/25. The CIL is a charge on most forms of built development; it allows a charging authority to levy a charge on owners or developers carrying out built development so that they contribute to the costs of providing the infrastructure needed to support development of the area. The CIL funds infrastructure projects such as transport, education, leisure, and health and open space provision set out in a published list, known as a Regulation 123 list.
2. When spending plans have been agreed for the community infrastructure allocation, subject to approval by the City Deal Executive Board, the schemes will be included within the Capital Programme.

COLLECTION FUND

1. The Council is required to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and National Non Domestic Rates (NNDR). The fund records all of the transactions for billing, exemptions and discounts granted, provision for bad debts and appeals, and payments made to the Council's General Fund, the County Council, Police and Crime Commissioner and Fire and Rescue precept authorities and Central Government.

Council Tax

1. The deficit on the Collection Fund for Council Tax as at 31 March 2020 was £1.112m. This deficit is being shared between the Council (17%), Lancashire County Council (69%), the Police and Crime Commissioner (10%) and the Fire and Rescue Authority (4%) in 2020/21 and 2021/22.

2. The deficit balance is expected to increase at 31 March 2021 to £2.046m because of a reduction in the collection rate and an increase in council tax support in 2020/21 as a result of Covid
- 19. The latest forecast is for a reduction in the in-year collection rate from 93.6% to 91.0%. A number of alternative payment plans have been agreed, allowing payments to be deferred to the next financial year. The Council's share of the forecast deficit is £0.332m.

Business Rates (NNDR)

1. Prior to 2013/14, the Council collected NNDR on behalf of Central Government. All the NNDR income was paid directly into a central pool which was re-distributed to individual councils according to a needs-based formula. This system was replaced by the Business Rates Retention Scheme. Under this scheme the Council retains a 40% share of its NNDR. The remaining income is shared between Central Government (50%), the County Council (9%) and the Fire and Rescue Authority (1%).
2. As at 31 March 2020 there was an accumulated surplus on the Collection Fund for NNDR of £1.138m. The surplus is being shared between the City Council, the County Council, the Fire and Rescue Authority and Central Government in 2020/21 and 2021/22. The City Council's share of the surplus is £0.694m.
3. The latest forecast for 2020/21 is for an in-year deficit of £2.516m, of which the Council's share is £1.006m. This is largely due to an expected increase in empty property relief and an increase in the provision set aside for appeals. The in-year collection rate is expected to reduce from 95.6% to 92.2% as a result of Covid-19. It should be noted that recent information has been received from the Valuation Office which is being considered by our external advisors which may significantly increase the deficit.
4. Section 31 Government Grant is received by the Council to compensate for the new NNDR reliefs the Council is statutorily obliged to grant. Funding is being set aside in an earmarked reserve to smooth peaks and troughs over the life of the forecast.

THE FIVE YEAR CAPITAL PROGRAMME 2020/21 TO 2024/25

Capital Programme and Core Major Asset Plan

1. The Council strategically manages its operational properties through the Core and Major Asset Plan. The Council's operational properties include office accommodation, depots, yards and venues such as the markets and open space facilities. In addition the City has a Victorian legacy of the Grade I listed Harris Museum, cemetery, urban parks and dock estate.
2. The Core and Major Asset Plan is informed by regular stock condition surveys to establish a rolling programme of improvement and refurbishment. In addition we have a major repairs programme. Both of these take account of the need for efficiency and environmental impact issues.

3. The Council has an investment property portfolio managed to generate income to support the revenue budget and maximise opportunities for regeneration. Performance of this portfolio is reported quarterly to the Cabinet Member. As part of the efficiency plan work we engaged external property advisors to undertake a review of all property and land assets held by the Council, with the aim of identifying opportunities for disposal of assets for development and other available options. The disposal of freeholds or changes to leases on existing buildings producing potential receipts was also considered. An action plan was developed and is in the process of being implemented to maximise the investment returns and potential capital receipts from the portfolio.
4. The Cabinet have already agreed the sale of previous operational city centre assets which results in a capital receipt and reduces the annual cost burden of maintaining empty operational properties.
5. The opportunity for new schemes to be added to the Capital Programme is limited. This is due to the continued reduction in capital funding and the pressure on the revenue budget which limits the capacity to fund borrowing repayments. The Council has a five year programme; however the core and major asset programme extends over 10 years. There is a significant amount of capital expenditure required in the future which is outside the current programme.

Background to the Capital Programme

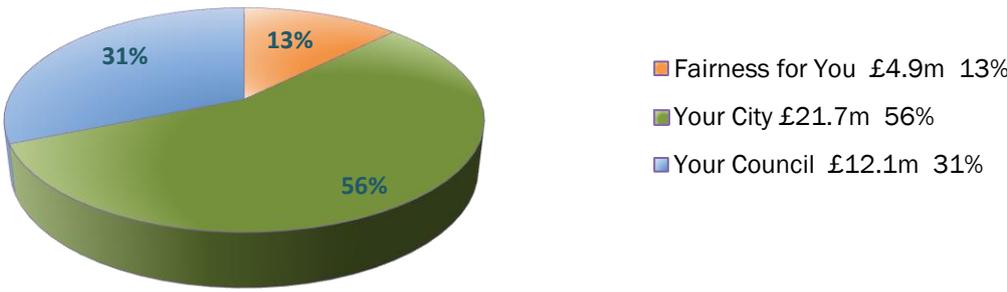
1. The Council has a five year capital spending programme. The programme includes capital expenditure scheduled for the Council's operational assets. The Council ensures all capital expenditure is directly linked to the Council's priorities, affordable and delivered through key corporate projects. Any spend on the Council's operational assets is scheduled in line with the Council's Core Major Asset Plan. Expenditure in respect of grants or financial assistance is included if the nature of expenditure, when incurred by the Council, is classed as capital expenditure.
2. Capital expenditure is usually of a one-off nature, it can be a significant amount and can span over a number of financial years. Examples of capital schemes include the purchase and installation of a new lift or major construction works that includes extending the life of a building e.g. new waterproof roof. Other examples include the purchase of a new vehicle or the refurbishment of a park & open space.
3. The Capital Programme is updated continually for agreed changes and reported to the Cabinet Member (Resources & Performance) during the financial year on a quarterly basis and to Cabinet and Council as part of any financial forecast updates. A prudent approach is taken when preparing the programme to ensure that financing resources are only estimated for when there is relative certainty that they will be received.
4. In accordance with CIPFA's Prudential Code the Council's Chief Finance Officer is required to have full regard for affordability, sustainability and prudence when making recommendations about the Council's future capital programme. Such consideration includes the level of long term revenue commitments. The Council considers the affordability of capital investment and the impact on revenue forecasts when formulating its capital spending plans.

- 5. Capital schemes are directly linked with the Council’s priorities. Major items of enhancement or renewal are identified via the Council’s Core and Major Asset Plan.
- 6. The latest Capital Programme is attached at **Appendix G** and totals £38.7m. The planned spend over the life of the programme is continuously reviewed and any scheme profiling changes are reflected in quarterly update reports. The table below sets out the latest Capital Programme summary. This has been updated for agreed changes up to the end of December 2020:

Table: Capital Investment Programme Summary 2020/21 to 2024/25:
The table below highlights spend in relation to the Council’s key priorities.

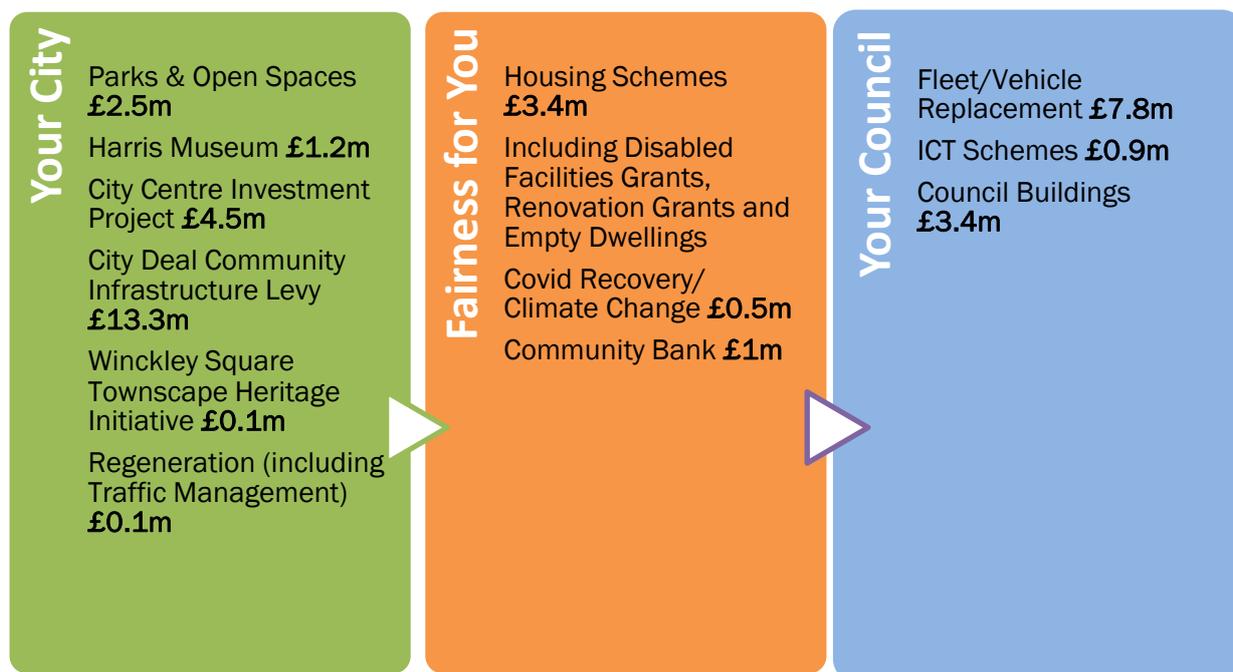
| Priority Area | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m | Total £m |
|------------------------------|---------------|---------------|---------------|---------------|---------------|-------------|
| Your Council | 1.6 | 4.3 | 4.4 | 1.0 | 0.8 | 12.1 |
| Your City | 4.5 | 4.3 | 6.7 | 3.3 | 2.8 | 21.7 |
| Fairness for You | 1.5 | 0.8 | 1.6 | 0.5 | 0.5 | 4.3 |
| Estimated Expenditure | 7.6 | 9.4 | 12.7 | 4.8 | 4.1 | 38.7 |

Capital spending over the next five years by Priority:



Examples of capital schemes by Council Priority:

The following shows planned capital spending by Council priority:



Capital Programme - Financing the Capital Programme

The Council has estimated the following financing sources will be available to fund the capital investment programme:



The Capital Strategy

1. The full Capital Strategy is included at **appendix I**, the following provides a summary of the work undertaken by the Budget Working Group in formulating the Cabinet's capital budget proposals.
2. The Council's Budget Working Group have undertaken a review of the financing of the five year capital programme. The proposals are:
 - To have a fully funded programme with no financing surplus to reduce the impact of borrowing costs within the revenue budget forecasts;
 - Re-designate the Investment Strategy Scheme of £500k for the purpose of Covid Recovery and Climate Change.

- Removal of the Moor Park Avenue & Argyll Road Depot schemes due to the withdrawal of the Local Authority Accelerated Construction Housing programme (LAAC) funding offer from Homes England.
3. A review of the phasing of schemes was undertaken to produce a more accurate projection of expenditure and reduce the impact of financing costs within the 5 year programme.
 4. A review of proposed new schemes was undertaken to examine the future requirements Not only within the current five year programme but in the years beyond. Budget Working Group has produced proposals for new schemes to be added to the current five year programme along with their financing proposals below.

Capital Programme Proposed Schemes

| New Schemes | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | Total £'000 |
|--|------------------|------------------|------------------|------------------|------------------|----------------|
| Vehicle Replacement Programme additions 2024/2025 | | | | | 495 | 495 |
| Core & Major Assets - Parks & Open Spaces | 60 | 565 | 40 | 242 | - | 907 |
| Core & Major Assets - Operational Buildings | | 447 | 546 | 354 | | 1,347 |
| Investment Property Refurbishment Programme | | | | | 30 | 30 |
| Riversway Managed Workshops | | 40 | | | | 40 |
| Community Related Asset Infrastructure | | 120 | 100 | 100 | 100 | 420 |
| Total New Schemes | 60 | 1,172 | 686 | 696 | 625 | 3,239 |

CONCLUSIONS – CAPITAL PROGRAMME

1. The Capital Programme has been updated to reflect the latest reported position. Members should note that there is no surplus on the Capital Programme and this assumes £17m of prudential borrowing.
2. A strategic review of the Capital Programme including a review of the Council's investment assets and operational assets has been carried out. The annual review takes into consideration; works identified from stock condition surveys (over a 10 year time frame), impact of savings proposals e.g. inclusion of capital receipts from potential sale of assets, and whether any of the Council's operational assets transferred etc. There has also been a full review of how the programme is financed to reduce the levels of prudential borrowing and utilise receipts and reserve balances to create savings in the revenue budget.
3. The CIPFA accounting code of practice requires that any Community Infrastructure Levy (CIL) payments made by the Council should be recorded in the Capital Programme. The

Capital Programme includes a scheme for CIL payments to be made to Lancashire County Council as part of the City Deal, the scheme is financed by CIL payments from developers within the City Deal areas.

TREASURY MANAGEMENT STRATEGY

1. Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates.
2. The Treasury Management Strategy has been prepared in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice.
3. This report sets out the proposed Treasury Management Strategy for 2021/22 to be approved, as required by CIPFA. It includes the Council's borrowing and investment strategies, together with the treasury management prudential indicators which seek to ensure that the Council's borrowing levels remain both sustainable and affordable.
4. The Council's borrowing strategy continues to use internal resources (also known as internal borrowing) as a more cost effective approach in the short term.
5. The Treasury Management Strategy is fully set out within the appendices to this document.

Investment Strategy

1. The investment strategy (set out within the appendices of this document) is in line with statutory guidance that covers service investments (lending or buying shares in other organisations to support local public services) and commercial investments.
2. The Council does not hold any loans or shares in other organisations that provide a commercial investment return.
3. The Council invests in land and property within its boundary with the intention of facilitating economic development and regeneration.

OVERALL CONCLUSIONS

1. The forecast includes a number of significant risk areas which are set out within the document. Assumptions have been made on the long term impact of Covid-19 however this position will need to be closely monitored and the forecast updated accordingly when more information on the longer term impact is known. The Final Local Government Finance Settlement has allocated funding for a one-year period only 2021/22 therefore it is difficult to forecast with any certainty future Government

funding levels. The Government have indicated there may be a multi-year settlement for 2022/23 onwards which would assist towards accurately forecasting future Government funding for the Council. Depending on the shift/outcome of these risks there could be a major movement on the financial forecast set out at **Appendix E**.

2. The current reported forecast sets out that ongoing savings of £600k from 2022/23 are required to be identified to ensure a balanced budget over the life of the forecast. The Budget Working Group will closely monitor the highlighted risk and will work towards formulating the next savings plan during 2021.
3. The Council has previously identified a contingency list of savings which can be called upon in the event that savings are urgently required. However, the Council would seek to implement further efficiencies through its' digital agenda and Investment Property Action Plan where possible first.
4. Members should be aware that the Council has ambitions for the City Centre and City Centre Assets, aiming for the ultimate achievement of regeneration and growth in the City. The impact of Covid-19 means that there will be a higher level of financial risk going forward and therefore it will be paramount that any major projects/spending areas are fully evaluated and have business cases, input from external expert advisors to ensure the Council is being prudent in its ambitious decisions.
5. The Council undertakes longer term financial planning when considering major schemes, business cases are prepared covering a long term period such as 30 to 40 years. The Council considers whether spend is affordable and how sensitive it is to changes both external and internal. The Council has a 10 year vehicle replacement programme and a 10 year capital expenditure forecast and treasury plans are reviewed over the length of the remaining borrowing terms. The forecast is also reviewed for sensitivities in underlying long term assumptions.
6. The ultimate aim for the Council is to work towards bridging the gap (shortfall between how much the Council spends and how much the Council receives in funding) over the long term to ensure long term sustainability for the Council and an ongoing balanced budget. The Council currently has a significant level of non-earmarked reserves, however these are shown to reduce over the forecast to minimum recommended levels. The Council hold a number of earmarked reserves which may be used as a last resort to phase in future saving requirements.
7. The forecast includes a proposed 1.99% Council Tax increase in 2021/22 and thereafter. The capping rules allow for setting the Council Tax up to the 2% in 2021/22. If the Council set Council Tax above this % then it would be required to hold a referendum which would cost in excess of £110k.
8. The Council carefully considers and monitors the risks set out in this report and in the Corporate Risk Register.
9. Financial Assurance Statement
 - 9.1 In setting the budget the Council must act in accordance with its statutory duties and set a balanced budget for the following financial year by the statutory deadline. As the Council's designated Finance Officer, I have a legal duty to report to Full Council in February 2021 on the robustness of the Council's budget and the adequacy of reserves.

- 9.2 I have considered the major items of expenditure and income and their sensitivity to change especially taking into consideration the impact of the Covid-19 Pandemic, Government funding, the Cabinet budget proposals and the level of reserves. It is my opinion that the estimates have been prepared and reviewed utilising the most up to date and accurate information available and that all assumptions made are reasonable in the current unprecedented time during this global Pandemic.
- 9.3 I can confirm the recommendations contained in this report will provide the Council with a robust financial position in 2021/22. I am of the view that the Council is pursuing a sound financial strategy in the context of the challenging financial position. However there is still a significant level of uncertainty from the major risks, e.g. long term impact of Covid-19 on the economy, unknown levels of future Government funding. The major development in the Harris Quarter, whilst assisting the Council with the ultimate aim of regeneration and growth in the City, brings with it a higher level of financial risk than ever before. In addition there are a number of contingent liabilities which, if they materialise will have a significant impact. The Budget Working Group will be working to formulate the plans for identifying the £600k savings requirement during 2021 and will be monitoring the Covid-19 impact.

Appendix A Initial Forecast February 2020

Financial Forecast February 2020 - 2019/20 to 2023/24

| | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | Adv (A)/ Fav (F) |
|--|-----------------|-----------------|-----------------|-----------------|---------------------|
| Forecast agreed February 2019 | 21,020 | 21,697 | 22,030 | 22,030 | |
| Forecast Changes | 1,216 | - 1,063 | - 1,319 | - 930 | (F) |
| New Cabinet Proposals | - 75 | - 82 | - 89 | - 89 | (F) |
| Additional Spend Proposals | 70 | 10 | 10 | 10 | (A) |
| Total Expenditure | 22,231 | 20,562 | 20,632 | 21,021 | |
| Financed by: | | | | | |
| Revenue Support Grant | - | - | - | - | |
| Business Rates Baseline Funding (risk 2021/22 onwards) | 5,560 | 5,426 | 5,426 | 5,426 | |
| New Homes Bonus (contributes to City Deal) | 2,240 | 994 | 576 | | |
| Council Tax (based on City Deal projections) | 12,568 | 12,976 | 13,417 | 13,871 | |
| | 20,368 | 19,396 | 19,419 | 19,297 | |
| Call on Reserves | 1,863 | 1,166 | 1,213 | 1,724 | |
| General Fund Reserves | | | | | |
| Balance of Reserves b/f | 7,422 | 5,559 | 4,393 | 3,180 | |
| Less transfer to/(-)from reserves to Revenue in Year | - 1,863 | - 1,166 | - 1,213 | - 1,724 | |
| Savings requirement (to ensure £1.1m minimum balance) | | | | | |
| Year End Balance | 5,559 | 4,393 | 3,180 | 1,456 | |
| Band D Council Tax | £320.75 | £327.13 | £333.63 | £340.26 | |
| Council Tax Increase | 1.99% | 1.99% | 1.99% | 1.99% | |

Appendix B

General Fund Forecast Assumptions

| Key Area | Assumption | Comment |
|---|--|---|
| Pay Award | 2.75% in 2020/21, 2% thereafter. | 2.75% has been agreed for 2020/21. The assumption for the pay award is 2% p.a. from 2021/22 onwards. For information, an additional 1% pay award increase equates to c£200k per annum. |
| General Prices Inflation | | Freeze on all general revenue expenditure with the exception of pay, fuel & utility budgets. |
| Slippage | £1.144m included in 2020/21 | Underspend from 2019/20 agreed by Cabinet (August 2020) slipped into 2020/21. |
| Employers Pension Contribution | Currently includes 18.4% pa plus deficit recovery payment. | Figures included as per the outcome of the 2019 Triennial Review which covers 2020/21 to 2022/23. |
| Employer National Insurance Contributions | Employer's rate is 9.1% from April 2020. | 9.1% is the average employer's percentage for the Council. |
| Government Grant Support | Based on the Local Government Settlement figures | Based on the Local Government Finance Settlement figures received February 2020 for 2020/21 and figures received December 2020 for 2021/22; In addition the Council has received various grant allocations relating to Covid-19 |
| Council Tax Increase | 1.99% | The Increase in 2020/21 was 1.99% The increase proposed for 2021/22 is 1.99%, as this is the maximum increase the Government have indicated the Council Tax Principles will allow in 2021/22. |
| New Homes Bonus Grant | | The income received from New Homes Bonus reflects the Government's allocations as announced in December 2020. |
| Fees and Charges | Various | The 2020/21 Fees and Charges have been reviewed in line with the fees and charges policy and approved by the Cabinet Members. The 2021/22 Fees and Charges are currently being reviewed. |
| Vacancy Savings | £150k per annum | Estimated savings from vacant posts £150k pa ongoing. An additional savings amount of £550k for 2020/21. |
| Redundancy Costs | In line with the savings plan | The forecast includes revenue budget redundancy cost estimates for 2020/21 to 2023/24. Budget Council agreed to fund any shortfall from Earmarked Reserves. |
| Capital Borrowing | Various | Provision has been made for all Capital Programme borrowing unless indicated in the Programme. |

Appendix C

Forecast Changes: including unavoidable Revenue Spending Pressures and changes to assumptions (£'000s)

| | Key Area | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | Adv (A)/ Fav (F) |
|---|--|-----------------|------------------|-----------------|-----------------|-----------------|---------------------|
| Impact of Outturn 2019/20 and forecast extension | | | | | | | |
| i | Slippage from 2019/20 | 1,144 | 0 | 0 | 0 | 0 | (A) |
| ii | 2024/25 Forecast Extension - Salary and Pensions | 0 | 0 | 0 | -500 | -131 | (F) |
| Impact of Covid-19 | | | | | | | |
| iii | Waste collection services | 164 | 0 | 0 | 0 | 0 | (A) |
| iv | Homelessness including rough sleeping | 951 | 0 | 0 | 0 | 0 | (A) |
| v | Homelessness - rough sleeping COVID grant | -271 | 0 | 0 | 0 | 0 | (F) |
| vi | Covid-19 associated costs | 1,004 | 0 | 0 | 0 | 0 | (A) |
| vii | Investment properties | 338 | 150 | 150 | 50 | 0 | (A) |
| viii | Loss of Fees and Charges Income | 1,134 | 340 | 200 | 200 | 0 | (A) |
| ix | Government grant available for funding COVID costs | -1,770 | 0 | 0 | 0 | 0 | (F) |
| x | MHCLG grant administering business grants | -170 | 0 | 0 | 0 | 0 | (F) |
| xi | Compensation for income losses | -585 | -98 | 0 | 0 | 0 | (F) |
| xii | Other Covid grants | -448 | 0 | 0 | 0 | 0 | (F) |
| Ongoing adjustments | | | | | | | |
| xiii | Underspends | -500 | -255 | -255 | -255 | -255 | (F) |
| xiv | City Centre Asset costs | 0 | 355 | 0 | 0 | 0 | (A) |
| xv | Minor ongoing adjustments | 95 | 178 | 192 | 192 | 192 | (A) |
| xvi | Investment income reduction in interest rates | 0 | 25 | 25 | 25 | 25 | (A) |
| One-off and time limited budget items: | | | | | | | |
| xvii | June council report - Harris quarter scheme | 100 | 0 | 0 | 0 | 0 | (A) |
| xviii | Vacancy savings | -550 | 0 | 0 | 0 | 0 | (F) |
| xix | Other Minor Adjustments inc re-phasing | -476 | 441 | 0 | 0 | 0 | (F) |
| xx | Rephasing of Minimum Revenue Provision (MRP) | -249 | -177 | 426 | 0 | 0 | |
| xxi | Interest Payable saving | -163 | 0 | 0 | 0 | 0 | (F) |
| xxii | Audit Fees | 28 | 0 | 0 | 0 | 0 | (A) |
| xxiii | Revenues and Benefits Shared Service | -100 | 0 | 0 | 0 | 0 | (F) |
| | | -324 (F) | 959 (A) | 738 (A) | -288 (F) | -169 (F) | |
| xxiv | City Deal Adjustments : New Homes Bonus payment | 0 | 411 | 0 | 0 | 0 | (A) |
| | | -324 (F) | 1,370 (A) | 738 (A) | -288 (F) | -169 (F) | |

Appendix D

General Fund Forecast Adjustments (details)

The following notes relate to the adjustments made to the forecast set out in **appendix C**:

| | Key Area | Comment |
|------|--|---|
| | Impact of Outturn 2019/2020 | |
| i | Slippage from 2019/2020 | Slippage of £1.144m relating to underspends in 2019/20. |
| ii | 2024/25 forecast extension – pensions and salaries | Additional financial year added to forecast – adjustment to include an assumed 2% pay award in 2024/25 and an adjustment to extend the pension savings reported in the February 2020 forecast. |
| | Impact of Covid-19 Pandemic: | |
| iii | Additional Waste collection costs | Additional costs including agency cover, vehicle hire, PPE. |
| iv | Homeless and Rough Sleepers | The cost of providing accommodation for Homeless and Rough Sleepers during Covid lock down and throughout the Pandemic net of housing benefits |
| v | Covid-19 Rough Sleeping Grant | One off Government grant of £271k towards the cost of providing accommodation during the lock down |
| vi | Covid-19 associated costs | Additional costs incurred during the Pandemic including purchasing PPE, IT costs to enable staff to work from home and enabling virtual meetings, costs associated with processing the business support and business discretionary grants and Community Hub and providing food parcels and support. |
| vii | Rent free periods for investment properties | Cost of providing rent free periods for the Council’s City Centre investment properties & adhoc requests |
| viii | Loss of Fees and Charges Income | Estimated loss of Fees and Charges Income including Planning application fees, car parking income, licensing income, cultural and leisure receipts |
| ix | Government Covid-19 grant | Covid-19 Government grant to fund the costs of Covid. Note only the net use of the grant funding has been included at this time. |
| X | MHCLG Government grant administering grants | Grant received from the Ministry of Housing, Communities and Local Government towards administering the business support grants |
| Xi | Compensation for income losses | Government compensation scheme. Funding available towards part funding the loss of fees and charges |
| xii | Other Covid grants | Grants contributions towards specific Covid schemes |
| | Ongoing Forecast Adjustments: | |
| xiii | Underspends | Estimated underspends as a result of the Council downsizing and not requiring contingency |
| xiv | City Centre asset costs | Increased costs on City Centre assets |
| xv | Minor ongoing adjustments | These include adjustments to budgets as a result of the latest budget process |
| xvi | Investment income reduction in interest rates | Impact from the Bank of England change to interest rates |
| | One-off and time limited budget items: | |
| xvii | One-off payment as per Council June report | One-off contribution as per report presented to Council in June 2020 |

| | | |
|-------|---|---|
| Xviii | Vacancy savings | A high number of posts have been vacant during the financial year however a number of these are now filled therefore this has been included as a one-off adjustment |
| Xix | Other Minor Adjustments including re-phasing | Various minor adjustments identified as part of the budget process. |
| Xx | Re-phasing of Minimum Revenue Provision (MRP) | Re-phasing of MRP as a result from rescheduling works on capital schemes |
| Xxi | Interest Payable saving | Interest savings |
| Xxii | Audit Fees | Increase in audit fees |
| Xxiii | Revenues and Benefits Shared Service | £100k savings from vacant posts |
| | | |
| xxiv | City Deal Adjustment – New Homes Bonus | Adjustment to reflect payment of the New Homes Bonus allocation to City Deal |

Appendix E General Fund Forecast

Financial Forecast Cabinet Budget Proposals

| | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | Adv (A)/ Fav (F) |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Forecast agreed February 2020 | 22,231 | 20,562 | 20,632 | 21,021 | 21,021 | |
| Forecast Changes - Combined | - 324 | 1,369 | 738 | - 288 | - 169 | (A) |
| Savings | | - 150 | - 150 | - 150 | - 150 | (F) |
| Growth Proposals | | 235 | 168 | 164 | 128 | (A) |
| Total Expenditure | 21,907 | 22,016 | 21,388 | 20,747 | 20,830 | |
| Financed by: | | | | | | |
| Lower Tier Services Grant | - | 237 | - | - | - | |
| Business Rates Baseline Funding | 5,560 | 5,560 | 5,360 | 5,360 | 5,360 | |
| New Homes Bonus (contributes to City Deal) | 2,240 | 1,404 | 576 | | | |
| Council Tax (based on City Deal projections) | 12,568 | 12,579 | 13,121 | 13,502 | 13,942 | |
| | 20,368 | 19,780 | 19,057 | 18,862 | 19,302 | |
| Call on Reserves | 1,539 | 2,236 | 2,331 | 1,885 | 1,528 | |
| General Fund Reserves | | | | | | |
| Balance of Reserves b/f | 8,822 | 7,283 | 5,047 | 3,316 | 2,031 | |
| Less transfer to/(-)from reserves to Revenue in Year | - 1,539 | - 2,236 | - 2,331 | - 1,885 | - 1,528 | |
| Savings requirement (to ensure £1.1m minimum balance) | | | 600 | 600 | 600 | |
| Year End Balance | 7,283 | 5,047 | 3,316 | 2,031 | 1,103 | |
| Band D Council Tax | £320.75 | £327.13 | £333.63 | £340.26 | £347.03 | |
| Council Tax Increase | 1.99% | 1.99% | 1.99% | 1.99% | 1.99% | |

Appendix F Savings and Growth Proposals

Growth Proposals

| | Key Area | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | Adv (A)/ Fav (F) |
|-----|---|-----------------|-----------------|-----------------|-----------------|---------------------|
| i | Community Wealth Building | 100 | 0 | 0 | 0 | (A) |
| ii | Community Wealth Building post | 50 | 50 | 0 | 0 | (A) |
| iii | City Growth and Housing post (part funded via vacant posts) | 25 | 25 | 25 | 25 | (A) |
| iv | Towns Fund Project manager post (subject to a successful Towns Deal and for the period of the Towns Deal) | 50 | 50 | 50 | 0 | (A) |
| v | new capital schemes - cost of borrowing | 10 | 43 | 89 | 103 | (A) |
| | | 235 (A) | 168 (A) | 164 (A) | 128 (A) | |

Savings Proposals

| | Key Area | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | Adv (A)/ Fav (F) |
|---|--|-----------------|-----------------|-----------------|-----------------|---------------------|
| i | Contribution from reserve to part fund grounds maintenance expenditure | -150 | -150 | -150 | -150 | (F) |
| | | -150 (F) | -150 (F) | -150 (F) | -150 (F) | |

Appendix G - Capital Programme

| Scheme Cost Centre | Schemes in Progress | Est. Total Cost of Scheme | Total Actual to 31.03.20 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | Total 2020/21 - 2024/25 £'000 |
|--------------------|---|---------------------------|--------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------------|
| | PCC Schemes | | | | | | | | |
| 2043 | CCTV Replacement Camera Project | 120 | 101 | 19 | - | - | - | | 19 |
| 2044 | Repair to Cemetery Gates | 42 | 35 | 7 | - | - | - | | 7 |
| 2045 | New Burial Ground Within Existing Cemetery | 172 | 7 | 165 | - | - | - | | 165 |
| 2103 | Harris Museum & Library - Internal Works | 30 | 18 | 0 | 12 | 0 | 0 | | 12 |
| 2111 | Leisure Site Residual Remedial Repair Works | 322 | 279 | 0 | 43 | 0 | 0 | | 43 |
| 2117 | Town Hall Internal Areas Refurbishment | 71 | 38 | 33 | 0 | 0 | 0 | | 33 |
| 2137 | General Car Park Repairs Ph 2 | 101 | 74 | 0 | 27 | 0 | 0 | | 27 |
| 2143 | Town Hall - Window Replacement | 200 | 0 | 0 | 0 | 200 | 0 | | 200 |
| 2144 | Door Access System Replacement & Upgrade | 62 | 60 | 2 | 0 | 0 | 0 | | 2 |
| 2146 | Town Hall - New roof installation & Membrane | 150 | 135 | 15 | 0 | 0 | 0 | | 15 |
| 2149 | Miller Park Offices - Rebuilding of WC & Mess Room | 80 | 0 | 0 | 0 | 80 | 0 | | 80 |
| 2150 | Harris Building Replacement of Fire Alarm System | 100 | 0 | 70 | 30 | 0 | 0 | | 100 |
| 2151 | Core & Major Assets Review 2019/2020 to 2022/2023 | 491 | 0 | 0 | 92 | 227 | 120 | 52 | 491 |
| 2153 | City Centre Asset Management | 150 | 21 | 129 | 0 | 0 | 0 | | 129 |
| 5651 | Alleygating | 281 | 263 | 18 | 0 | 0 | 0 | | 18 |
| 5952 | Affordable Housing Scheme | 801 | 273 | 528 | 0 | 0 | 0 | | 528 |
| 6340 | Re-Imagining the Harris - Development Ph1 | 529 | 127 | 402 | 0 | 0 | 0 | | 402 |
| 7310 | ICT - Virtual Desktop Infrastructure | 465 | 403 | 62 | 0 | 0 | 0 | | 62 |
| 7315 | Server, Storage, Backup and Disaster Recovery | 599 | | 599 | | | | | 599 |
| 7316 | Upgrade of Power Supply and Fire Suppression - ICT Suite | 133 | | 133 | | | | | 133 |
| 7317 | Installation of Fibre Optic Cable - Preston Crematorium | 62 | | 62 | | | | | 62 |
| 7942 | Killingsough Farm - Repair Works | 32 | | 32 | | | | | 32 |
| 7952 | City Centre Investment Fund | 8,916 | 8,222 | 612 | 82 | - | - | | 694 |
| 7961 | COVID Recovery / Climate Change Schemes | 500 | - | - | 250 | 250 | - | | 500 |
| 8317 | Vehicle Replacement Scheme 2016 to 2021 | 10,809 | 4,011 | 508 | 3,313 | 2,774 | 203 | | 6,798 |
| | | | | 3,394 | 3,849 | 3,531 | 323 | 52 | 11,149 |
| ▽ | Payback schemes | | | | | | | | - |
| ■ | ICT Strategy Fund | | | | | | | | - |
| | | | | | | | | | - |
| Scheme Cost Centre | Schemes funded wholly/partly by External Finance or Government Grants | Est. Total Cost of Scheme | Total Actual to 31.03.20 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | Total 2020/21 - 2024/25 £'000 |
| 2431 | Winckley square Townscape Heritage Initiative | 1,054 | 944 | 110 | - | - | - | | 110 |
| 2432 | Moor Park Avenue Sites - LAAC | 0 | - | - | - | - | - | | - |
| 3219 | Traffic Management Schemes | 291 | 236 | - | - | 55 | - | | 55 |
| 3220 | Rough Hey Road | 200 | 50 | - | - | 150 | - | | 150 |
| 3221 | Grimsargh Cycle Route | 755 | 402 | - | - | 353 | - | | 353 |
| 3236 | The Guild Wheel | 403 | 392 | 11 | - | - | - | | 11 |
| 5930 | Disabled Facilities Grants | 6,922 | 4,132 | 990 | 450 | 450 | 450 | 450 | 2,790 |
| 6959 | Moor Park Restoration | 2,226 | 2,222 | 4 | - | - | - | | 4 |
| 6963 | Jubilee Park Capital Project | 133 | 102 | 31 | - | - | - | | 31 |
| 6966 | Grange Park Play Area Refurbishment | 106 | 100 | 6 | - | - | - | | 6 |
| 6967 | Drainage & Enhancement Scheme - Football Pitches | 171 | 0 | 171 | - | - | - | | 171 |
| 6968 | Tower Lane Bridge Repair Works | 43 | 37 | 6 | - | - | - | | 6 |
| 6970 | Fishwick Road Recreation Ground - Play Area | 32 | 31 | 1 | - | - | - | | 1 |
| 6971 | Conway Park - Phase 1 Play Area Refurbishment | 42 | 33 | 9 | - | - | - | | 9 |
| 6972 | Ribbleton (Waverley) Park Lighting Improvements | 27 | 26 | 1 | - | - | - | | 1 |
| 6973 | Tanterton Green Play Area Refurbishment | 48 | 47 | 1 | - | - | - | | 1 |
| 6974 | Haslam Park Play Area Refurbishment | 40 | 0 | 40 | - | - | - | | 40 |
| 7963 | Rapid Re-Housing Pathway Funding | 135 | 124 | 11 | - | - | - | | 11 |
| 7964 | Community Infrastructure Levy | 24,752 | 11,433 | 1,737 | 3,102 | 3,734 | 2,491 | 2,255 | 13,319 |
| 7965 | Preston Towns Fund - Harris Quarter Pop Ups | 1,000 | - | 1,000 | | | | | 1,000 |
| | | | | 4,129 | 3,552 | 4,742 | 2,941 | 2,705 | 18,069 |
| | Total of Schemes in Progress | | | 7,523 | 7,401 | 8,273 | 3,264 | 2,757 | 29,218 |

| Scheme Cost Centre | Schemes in Progress | Est. Total Cost of Scheme | Total Actual to 31.03.20 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | Total 2020/21 - 2024/25 £'000 |
|--------------------|---|---------------------------|--------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------------|
| ua1 | Avenham Car Park - Lift Replacement | | - | - | - | 130 | - | | 130 |
| ua2 | Moor Park Football Pavilion - Refurbishment | | - | - | - | - | 75 | | 75 |
| ua3 | Town Hall Refurbishment | | - | - | - | - | - | | - |
| ua5 | Re-Imagining the Harris - Implementation Ph2 | | - | - | 250 | 500 | - | | 750 |
| ua6 | Parks Electrical, Heating & Security Upgrades | | - | - | - | - | - | | - |
| ua7 | Cemetery & Crematorium | | - | - | - | - | - | | - |
| ua10 | Investment Property Refurbishment Programme | | - | 20 | 8 | 30 | 30 | | 88 |
| ua11 | Fishergate Hill Parks Fund | | - | - | 140 | - | - | | 140 |
| ua13 | Parks Electrical, Heating & Security Upgrades | | - | - | 120 | 75 | 40 | | 235 |
| ua15 | Community Bank | | - | - | 100 | 900 | - | | 1,000 |
| ua16 | Town Hall - Window Replacement | | - | - | - | - | 200 | 220 | 420 |
| ua17 | Energy Efficiency works | | - | - | - | 113 | - | | 113 |
| ua18 | Avenham Car Park Security | | - | - | 100 | - | - | | 100 |
| ua19 | Vehicle Replacement Programme additions 2020/2021 | | - | 31 | 134 | 220 | 101 | | 486 |
| ua20 | City Centre Asset Management | | - | - | - | 1,784 | 430 | 466 | 2,680 |
| | Total of Schemes Awaiting Approval | | | 51 | 852 | 3,752 | 876 | 686 | 6,217 |
| | New Schemes | | | | | | | | |
| ua21 | Vehicle Replacement Programme additions 2024/2025 | | | | | | | 495 | 495 |
| ua22 | Core & Major Assets 2021/2022 - Parks & Open Spaces | | | 60 | 565 | 40 | 242 | - | 907 |
| ua23 | Core & Major Assets 2021/2022 - Operational Buildings | | | | 447 | 546 | 354 | | 1,347 |
| ua24 | Investment Property Refurbishment Programme | | | | | | | 30 | 30 |
| ua25 | Riversway Managed Workshops | | | | 40 | | | | 40 |
| ua26 | Community Related Asset Infrastructure | | | | 120 | 100 | 100 | 100 | 420 |
| | Total New Schemes | | | 60 | 1,172 | 686 | 696 | 625 | 3,239 |
| | Grand Total | | | 7,634 | 9,425 | 12,711 | 4,836 | 4,068 | 38,674 |

| | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | Total Estimate 2020/21 - 2024/25 £000 |
|--|------------------|------------------|------------------|------------------|------------------|--|
| Estimated Expenditure | | | | | | |
| Schemes in Progress | 7,523 | 7,401 | 8,273 | 3,264 | 2,757 | 29,218 |
| Schemes Awaiting Approval | 51 | 852 | 3,752 | 876 | 686 | 6,217 |
| New Schemes | 60 | 1,172 | 686 | 696 | 625 | 3,239 |
| Total Capital Payments | 7,634 | 9,425 | 12,711 | 4,836 | 4,068 | 38,674 |
| Estimated Resources | | | | | | |
| General Fund : | | | | | | |
| Direct Revenue Finance | 138 | 0 | 0 | 0 | 0 | 138 |
| Disabled Facilities Grant | 990 | 450 | 450 | 450 | 450 | 2,790 |
| Other External Finance (see next page) | 2,161 | 0 | 353 | 0 | 0 | 2,514 |
| Community Infrastructure Levy | 1,737 | 3,102 | 3,734 | 2,491 | 2,255 | 13,319 |
| Prudential Borrowing | 1,236 | 1,624 | 4,545 | 1,241 | 518 | 9,164 |
| Prudential Borrowing - Vehicle Replacement | 508 | 3,313 | 2,774 | 304 | 495 | 7,394 |
| Prudential Borrowing - Pay Back Schemes | 0 | 0 | 0 | 0 | 0 | 0 |
| Prudential Borrowing - COVID Recovery / Climate Change | 0 | 250 | 250 | 0 | 0 | 500 |
| Capital Reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| Earmarked Reserves | 346 | 586 | 505 | 250 | 250 | 1,937 |
| IT Strategy Fund | 62 | 0 | 0 | 0 | 0 | 62 |
| Capital Receipts | 456 | 100 | 100 | 100 | 100 | 856 |
| Total Resources | 7,634 | 9,425 | 12,711 | 4,836 | 4,068 | 38,674 |
| Total surplus(-)/shortfall in year | 0 | 0 | 0 | 0 | 0 | 0 |
| Cumulative total surplus(-)/shortfall | 0 | 0 | 0 | 0 | 0 | 0 |

Appendix H Risks

Key Areas of Financial Risk (Revenue)

In considering this updated forecast Members should be aware that there are still a number of significant risks which are set out below. In assessing each risk the following has been taken into account:-

High Risk

- Potentially a significant sum;
- A high probability of occurrence;
- Relatively little mitigation available to spread or defer the impact; and,
- Probable need for major change to the forecast if it materialises.

Medium Risk

- Potentially a large sum with a medium probability of occurrence;
- Some mitigation possible to spread or defer the impact; and,
- Possible need for change to the forecast if it materialises.

Low Risk

- Potentially a substantial sum, with a low probability of occurrence;
 - Some mitigation possible to spread or defer the impact; and,
 - Impact should be capable of being dealt with without major forecast changes.
-

| Medium Term Financial Strategy Risks | Level of Risk | | Risk Mitigation |
|--|---------------|--------|---|
| | Likelihood | Impact | |
| Impact of Covid-19 | High | High | |
| The risks associated with the Global pandemic Covid-19 are being monitored through a number of sources. The Council's corporate risk register sets out this risk. There are significant financial risks which are highly likely to be an impact in future years:- such as the impact on the council tax collection rates, impact on NNDR collection rates, increase in the cost of council tax support, reduced car parking income and other income sources. This will have an impact on both the local and global economy. The Council has been receiving funding during 2020/21 and it has already been notified of funding available for 2021/22. Members will be kept updated on the Covid-19 financial impact both for the Council and the impact on the economy. | | | The Council is receiving Government funding in 2020/21 towards the cost of responding to the global pandemic. The financial impact is being closely monitored by the finance team in liaison with other managers and directors. |
| Business Rates & Future Government Funding | Medium | High | |
| The Government has published a one year settlement for 2021/22 and have not introduced a new scheme or reset the baseline like previously expected. Therefore, it is still unknown what scheme will be in place for 2022/23 onwards and what levels of future funding we will receive. Until further information is known we are highlighting this as one of the most significant financial risks for the Council. | | | Scenario analysis has been carried out on the financial forecast to evaluate the impact of future potential changes in business rate income |
| Council Tax income – new housing build not in line with projections | Medium | High | |
| The Council Tax income projections include increases based on housing projections. If the level of anticipated new housing build is less than expected Council Tax income projections may have to be reduced. | | | New house building is closely monitored as part of the City Deal. |
| New Homes Bonus (NHB) | Medium | Medium | |
| The Government previously indicated that any NHB legacy payments prior to 2020/21 will be honoured but the scheme for 2020/21 would be a one year allocation. However, in the recent Local Government Finance Settlement announcement the Government have made a one year allocation for 2021/22. Any NHB due to the Council now transfers to the City Deal therefore any change to the current system will impact on the City Deal. The Government are currently consulting on the future of New Homes Bonus. | | | Changes to NHB is closely monitored. |

| | | |
|---|---------------|--|
| Pension Triennial Review | Medium Medium | The Pension Fund consults with all local authorities in the Pension Fund. They have been high performing and have diversified investments. |
| The next Triennial review will be for the period 2023/24 to 2025/26. There is a risk that Covid-19 could have an impact on investments held by the Fund and thereby increase future pension costs therefore this is a highlighted risk. | | |
| Council Tax Support Scheme | High High | The Council closely monitors Council Tax collection rates. The Government have allocated additional funding in 2020/21 and 2021/22 for Council Tax Hardship. |
| The Council agreed a Council Tax Support Scheme which applies a 20% deduction to the amount of Council Tax support payable to working age claimants. The Council reluctantly approved the Local Scheme which was cost neutral to the Council when introduced in 2013. Whilst the Government did at the time transfer grant this has reduced over the years due to being incorporated with the Council's main Government grant allocation, therefore increases in council tax support impact on the Council and the other major precepting Authorities. | | |
| The main risks with the scheme are:- <ul style="list-style-type: none"> • an increase in claimant numbers resulting in greater number of discounts being allowed and thus reducing Council Tax collected • a reduction in Council Tax collection rates. | | |
| The impact of Covid-19 is seeing a significant increase in council tax support numbers. There is a significant risk that the numbers of Council Tax Support will continue increasing. | | |
| Stock Transfer Issues | Low High | These risks continue to be monitored |
| There are still a number of residual financial risks associated with the Council Housing stock transfer mainly (i)The Disposals Clawback Agreement provides that the Community Gateway Association (CGA) has a full warranty for land transferred in respect of ground conditions and (ii) The Council provided (as standard practice) a 35 year Asbestos Warranty (which ends in 2040) based on the criteria that the first £4.2m of any expenditure would be met by the Community Gateway Association (CGA); the next £5.8m would be shared 50/50 between the CGA and the Council; and, any expenditure above £10m would be met fully by the Council. An Asbestos Management Policy is in place. The Council is monitoring CGA's progress with asbestos removal from their properties; to date the cost of removal does not give cause for concern. Members should note the balance set aside in an earmarked capital reserve is currently £3.8m. | | |
| Preston Bus Pension Guarantee | Low Medium | The Council continues to monitor the situation. |
| Under the terms of the 1993 buyout agreement Preston City Council entered into an agreement to act as Pension Fund guarantor, in perpetuity, for former Council employees who transferred to Preston Bus (now owned by Rotala PLC). Rotala agreed to take on the pension liabilities of Preston Bus and have been making pension contributions in line with the Actuaries requirements. | | |

| | | |
|---|--------|--|
| <p>GLL Under the terms of the Leisure Transfer agreement with GLL, Preston City Council are the Pension Fund guarantor, in perpetuity, for former Council employees who transferred to GLL.</p> | | |
| Pay Inflation | Low | Medium |
| <p>The forecast includes an estimate for a net 2% pay award from 2021/22 onwards. This assumes higher levels of increases to those on lower grades and a smaller % for the remaining grades. The Government have indicated a pay freeze for 2021/22 however this has not been formally agreed. For reference the cost of an additional 1% increase is c£200k per annum. This will be kept under review and the assumption in the forecast may need to be changed.</p> | | <p>The forecast includes an estimate for % increases</p> |
| Income Streams | High | High |
| <p>Income streams are under considerable pressure as a result of Covid-19. Notable examples include income from car parking charges, licensing fees, cultural and leisure fees. These are being monitored closely. Planning Fee income is still on target in 2020/21 however there is a risk this may reduce in future years. We are receiving compensation grant towards a % recovery of lost income in 2020/21 and the first quarter of 2021/22.</p> | | <p>All income streams continue to be closely monitored within the budget monitoring to Budget holders, CMT and Cabinet Members.</p> |
| Council Tax Administration Grant | Medium | Medium |
| <p>The Council currently receives a combined Housing and Council Tax Administration grant of approximately £0.7m per annum paid by the Department of Work & Pensions (DWP) and Ministry of Housing, Communities and Local Government (MHCLG). It is expected that this grant will reduce as it is under review as part of the Government's Welfare Reforms.</p> | | |
| Vehicle Fleet | Medium | High |
| <p>The vehicle fleet requirements continue to be evaluated, linked to future service needs. However a risk remains that current revenue provision may be insufficient to meet future long term requirements.</p> | | <p>The Council has a 10 year vehicle replacement plan in place which monitors costs of vehicle replacements and if funds are sufficient.</p> |
| Guild Hall | High | High |
| <p>In June 2019 the Council forfeited the lease on the Guild Hall. This is subject to an outstanding legal challenge</p> | | <p>The Council has expert external legal representation.</p> |

| KEY AREAS OF FINANCIAL RISK (CAPITAL) | | |
|---|--------|--|
| The following risks are relevant in respect of the Capital Programme: | | |
| Capital Receipts | Medium | Medium |
| Capital receipts are a best estimate. The actual sales are dependent on future market conditions and cannot be predicted with certainty. | | Updates on potential sale of assets is supplied by Property Services. |
| Disabled Facilities Grant (DFG) | Low | Medium |
| The Disabled Facilities Grant (DFG) is incorporated into a much larger pooled social care and health fund known as the Better Care Fund (BCF). The DFG is paid to upper-tier authorities within their BCF allocation. However, the statutory duty is on the Local Housing Authorities to provide DFG to those that qualify. Currently Lancashire County Council transfers the funding allocations to the Districts in line with grant received. Any future reduction in DFG received by the Council would have a direct impact on the level of Capital Programme work that can be undertaken or would require additional resources from the Council. | | Updates are provided as part of the quarterly capital performance monitoring. In recent years the Council has received additional allocations not reduced amounts. |
| Covid-19 Impact on Schemes | High | Medium |
| A number of schemes are being delayed due to the Global pandemic. These include disabled facilities grants and a number of the City Centre schemes. | | The Council closely monitors progress on capital schemes |
| TREASURY MANAGEMENT RISKS | Medium | High |
| The main risks to the Medium Term Financial Strategy as a result of Treasury Management activity are: <ul style="list-style-type: none"> • Unexpected movement in cash flow - income not received or delayed and/or unplanned payments made. • Unexpected movement in interest rates – generated by changes made by the Bank of England. • Difference between actual interest rates and rates used in the forecast – actual investment returns or borrowing costs may differ from the forecasts used to set budgets. • Security of monies invested with counterparties – in the event of a collapse of a financial institution with whom the Council has invested funds e.g. Icelandic banks. | | The Council has external treasury advisors. |

Appendix I

CAPITAL STRATEGY REPORT 2021/22

1. Introduction

The capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

2. Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £20,000 are not capitalised and are charged to revenue in year.

In 2021/22, the Council is planning capital expenditure of £7.6m summarised in Table 1.

Table 1 Prudential Indicator: Estimates of Capital Expenditure

| Priority Area | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m | Total £m |
|------------------------------|---------------|---------------|---------------|---------------|---------------|-------------|
| Your Council | 1.6 | 4.3 | 4.4 | 1.0 | 0.8 | 12.1 |
| Your City | 4.5 | 4.3 | 6.7 | 3.3 | 2.8 | 21.7 |
| Fairness for You | 1.5 | 0.8 | 1.6 | 0.5 | 0.5 | 4.9 |
| Estimated Expenditure | 7.6 | 9.4 | 12.7 | 4.8 | 4.1 | 38.7 |

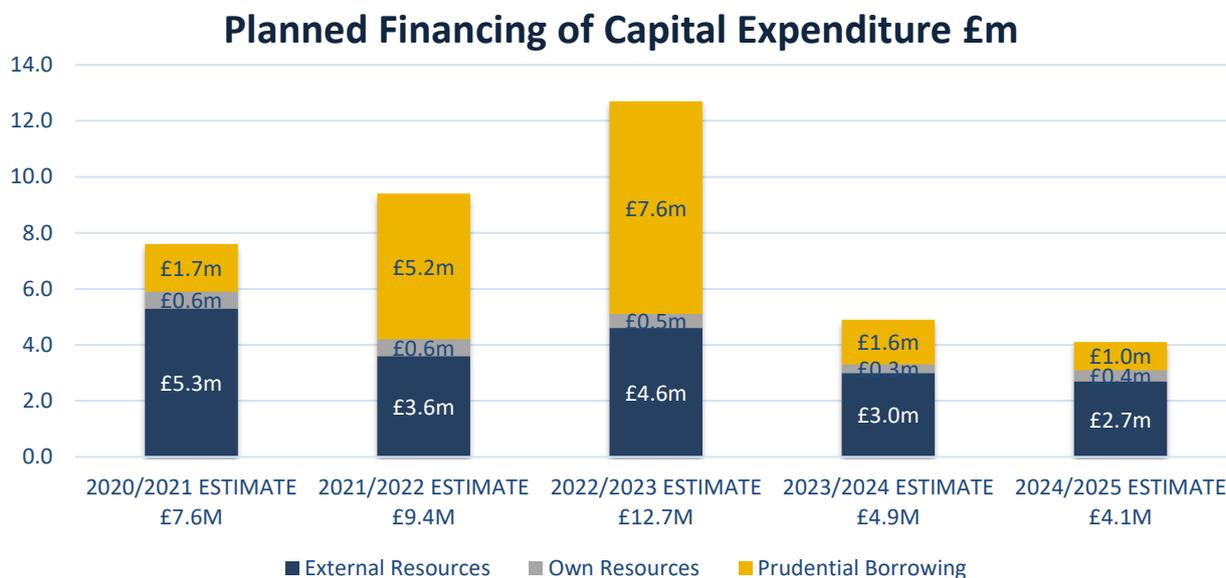
The table above highlights spend in relation to the Council's key priorities

Governance: A strategic review of the Capital Programme including a review of the Council's investment assets and operational assets is carried out annually. The reviews take into consideration works identified from stock condition surveys (over a ten year time frame) and investments/capital expenditure as a result of the Efficiency Savings Plan. Bids are formulated based on the outcome of reviews and recommends projects for inclusion in the Council's capital programme. Bids are collated by Finance who calculate the financing cost (which can be nil if the project is fully externally financed). The Budget Working Group consisting of Cabinet Members, backbenches and Corporate Management Team appraise all bids based on a comparison of service priorities against financing costs. The final capital programme is then presented along with the Cabinet budget proposals in January and to Council in February each year.

- For full details of the Council's capital programme see **Appendix G**

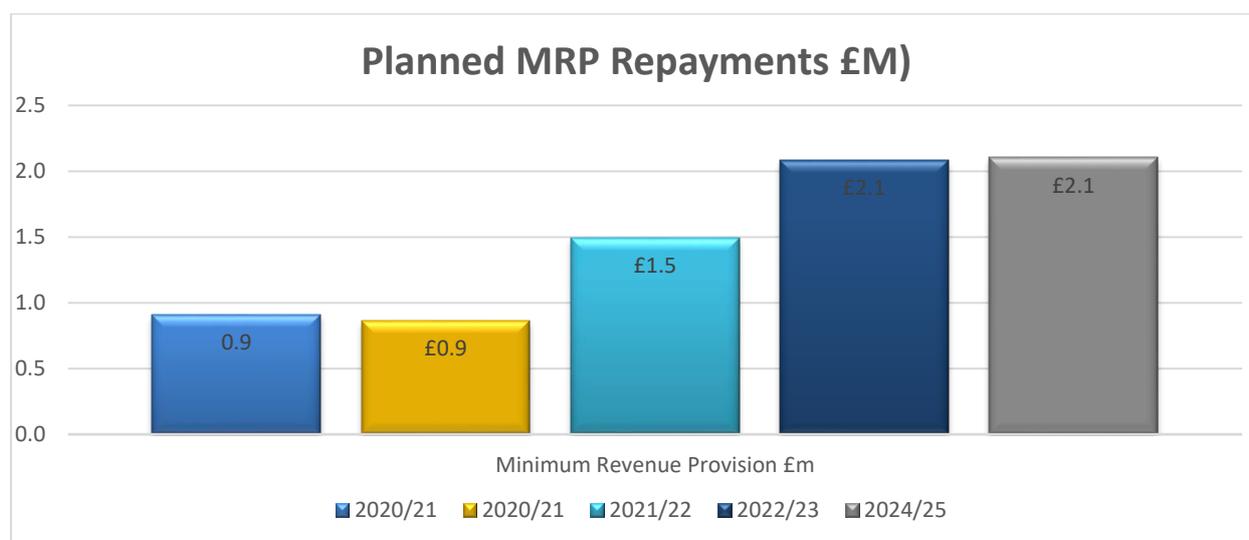
All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council’s own resources (revenue, reserves and capital receipts) or debt (borrowing or leasing). The planned financing of the expenditure in Table 1 is as follows:

Table 2 Capital financing



Prudential Borrowing is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Planned MRP repayments are as follows.

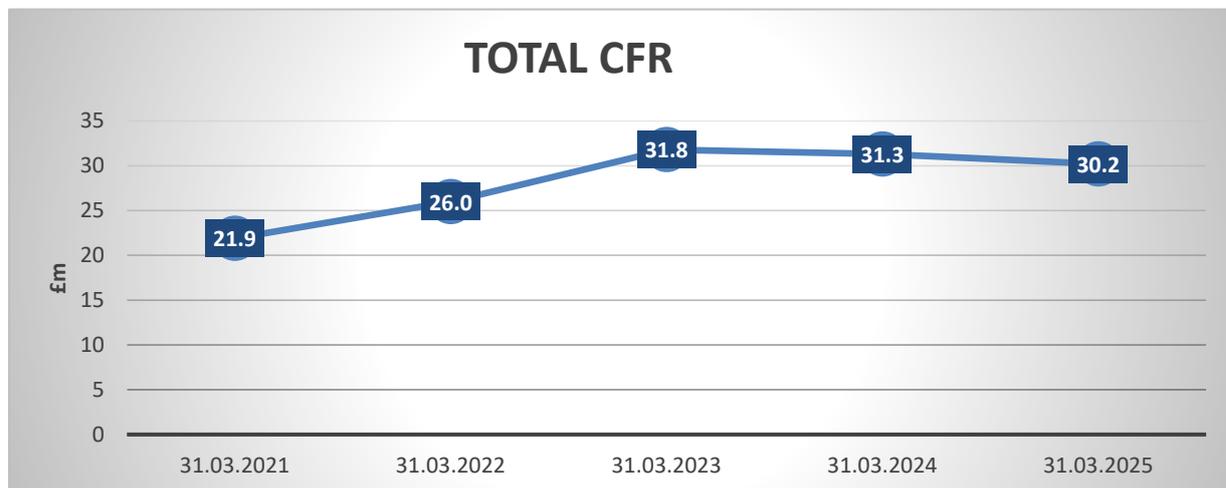
Table 3 Repayment of Debt Finance



- The Council’s Minimum Revenue Provision statement is available in **Appendix L**.

The Council’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts. The CFR is expected to increase by £0.8m during 2020/21. Based on the above figures for expenditure and financing, the Council’s estimated CFR is as follows:

Table 4: Estimates of Capital Financing Requirement



Asset management: To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy. This is currently being updated following the external review undertaken by specialist property advisors Cushman and Wakefield. The review looked at the Councils investment property portfolio and performance of the Property Services section. An action plan setting out recommendations has been agreed by Members and work is underway to implement all actions. Part of the initial brief was to investigate opportunities to dispose of property assets for development, and explore other opportunities to maximise the return on the investment property portfolio income or increase financial receipts. Property advisors have been procured to investigate these opportunities and a report setting out the future investment strategy will be brought to Members later in the year.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council plans to receive £0.5m of capital receipts in the coming financial year as follows:

Table 5: Capital Receipts

| | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m | Total Estimate £m |
|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|----------------------|
| Asset sales | | | | | | |
| Right to Buy Receipts | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 |
| TOTAL | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 |

- Further details of planned asset disposals are included within the capital programme in **Appendix G**

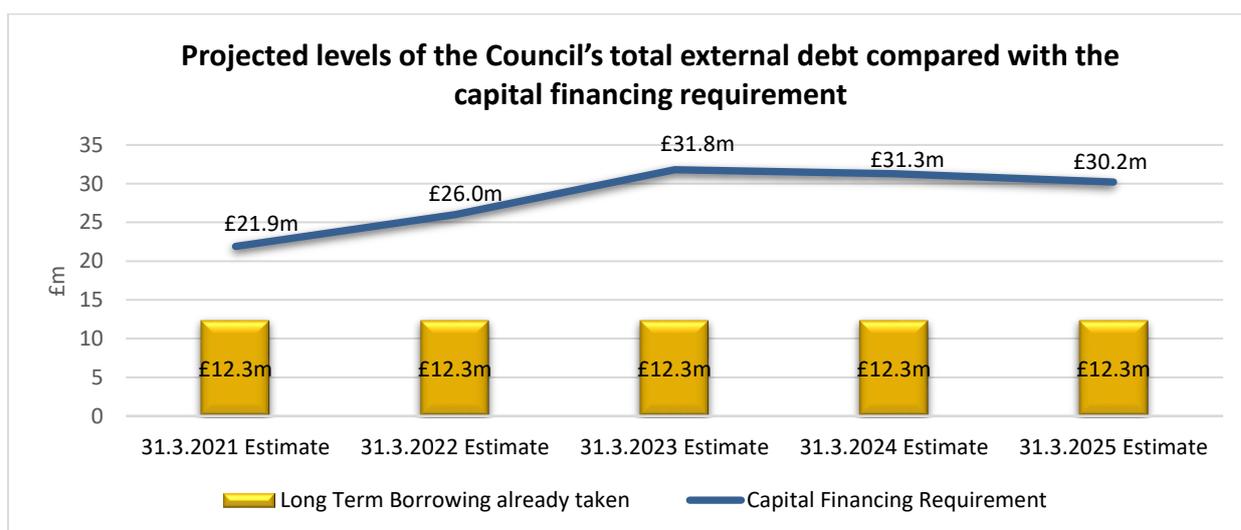
- The Council has formally agreed to the flexible use of capital receipts however there are no specific plans to use capital receipts to fund the efficiency plan revenue expenditure during 2021/22.
- The Council is developing a new policy to set aside capital receipts received from the sale of land and investment property for re-investment within the investment property portfolio. This policy once developed will be approved by the Councils Cabinet.

3. Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

- **Borrowing strategy:** The Council’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. Due to decisions taken in the past, the Council currently has £12.3m borrowing at an average interest rate of 4.8%
- Projected levels of the Council’s total outstanding debt are shown below, compared with the capital financing requirement.

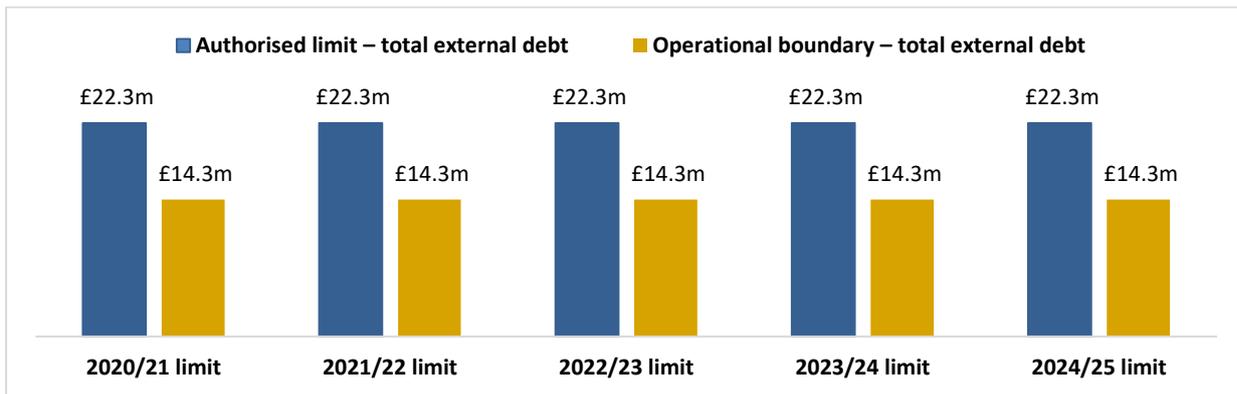
Table 6: Actual Debt and the Capital Financing Requirement



Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and Operational Boundary for External Debt

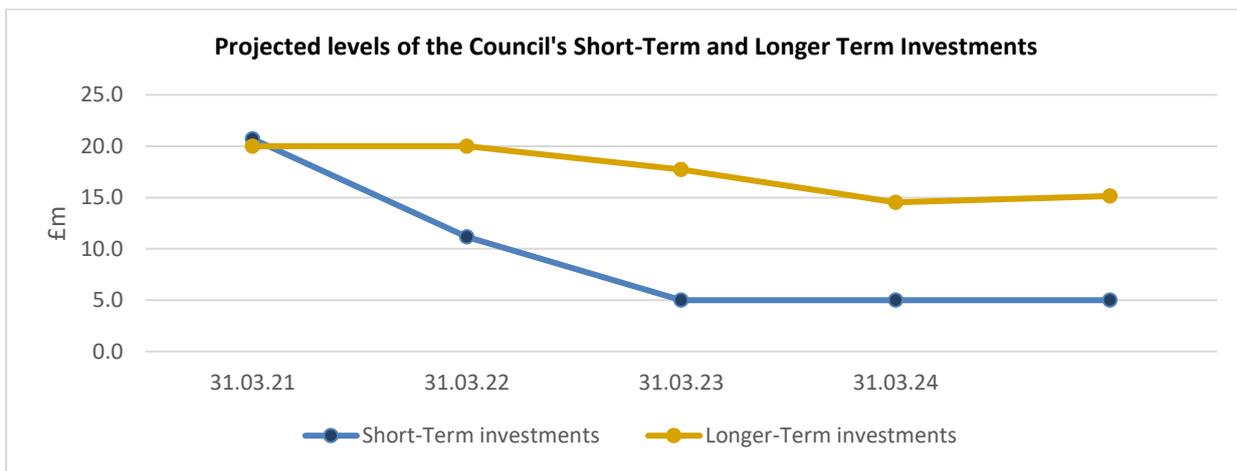


Further details on borrowing are in the treasury management strategy (**Appendix J**)

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council’s policy on treasury investments is to prioritise security and liquidity over yield. That is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury Management Investments



Further details on treasury investments are in the Treasury Management Strategy (see **Appendix J**).

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer (Director of Resources) who must act in line with the treasury management strategy approved by Council. Quarterly reports on

treasury management activity are presented to the Executive Member for Resources. The Audit Committee is responsible for scrutinising treasury management.

4. Investments for Service Purposes

The Council is currently undertaking business appraisal options for a potential investment into a Community Bank project and has included £1m within the Capital Programme in 2021/2022 and 2022/2023. The outcome of the options appraisal will be considered and will require approval by full Council.

Governance: Decisions on service investments are made by the relevant service manager in consultation with the Director of Resources and must meet the criteria and limits laid down in the investment fund strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

5. Commercial Activities

With central government financial support for local public services declining, the Council invests in commercial property mainly for the aim of regeneration of the Preston Area whilst seeking to achieve financial gain in order to produce a balanced overall financial budget and to minimise the charges to Council Tax payers. The commercial investments are currently valued at £40.5m and providing a net return after all costs of 5.35%.

With regeneration and financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include increased vacancies and potential fall in capital values. These risks are managed by Property Services team monitoring and actively seeking to lease vacant premises and effective monitoring of performance of investment portfolio including reports to the Cabinet Member for Performance and Resources. The Cushman & Wakefield report identified an Action Plan that is currently in the process of being adopted. This action plan sets a direction of travel towards a more commercial approach in the Councils asset management incorporating holding fewer, higher return assets; the reuse of capital receipts from asset disposals for future investment; identifying opportunities to grow the portfolio through investments in the Preston area and diversification of the portfolio to achieve performance and reduce risk. A programme of works has been developed which have achieved a review of the managed workshops, undertaking of rent reviews and identifying surplus areas of land and freeholds to maximise the rental returns and achieve future capital receipt. Further portfolio update reports will be presented to Cabinet during 2021/22.

Governance: Decisions relating to capital expenditure for all purposes, including for the acquisition of property assets, are made in accordance with the Financial Regulations of the Council, this requiring the approval of Full Council/Cabinet or Cabinet Member for Resources and Performance as appropriate. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

Further details on commercial investments and limits on their use are in the Investment Strategy (see **Appendix K**)

6. Liabilities

In addition to debt of £12.3m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £78m at 31 March 2020). It has also set aside £6m (as at 31 March 2020) in a Business Rates Appeal Provision to cover risks arising from the costs of Business Rates appeals as a consequence of the transference of such risks under the localisation of business rates arrangements introduced in 2013.

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

The Council also faces a number of contingent liabilities for which it has not set aside a specific sum. A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Governance: Decisions on incurring new discretionary liabilities are taken in consultation with the Section 151 Officer (Director of Resources). Further details on liabilities and guarantees are on pages 83 to 84 of the 2019/20 statement of accounts see <https://www.preston.gov.uk/thecouncil/Councilspending/statementofaccounts/>.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream

| | 2020/21 budget | 2021/22 budget | 2022/23 budget | 2023/24 budget |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Financing costs (£m) | 1.2 | 1.4 | 2.0 | 2.6 |
| Proportion of net revenue stream | 5.9% | 7.3% | 10.6% | 13.7% |

Further details on the revenue implications of capital expenditure are included within the Capital Programme **Appendix G**.

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years may extend for up to 50 years into the future. The Director of Resources is satisfied that the proposed capital programme is prudent, affordable and sustainable.

7. Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Resources is a qualified accountant with over 30 years' of Local

Government experience. The Council pays for accountancy staff to study towards relevant professional accountancy qualifications and the staff within the treasury team, whom are all qualified accountants, attend treasury seminars and workshops provided by CIPFA and other external service providers. Training is provided to Councillors as part of the financial management training delivered by the Section 151 Officer and more detailed treasury management training to Councillors on the Audit Committee by treasury management advisors Arlingclose Limited.

The Councils appoints external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, Cushman & Wakefield as property consultants, Jones Lang LeSalle (JLL) as property consultants on a major City development scheme. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Appendix J

TREASURY MANAGEMENT STRATEGY 2021/22

1. Introduction

Treasury management is the management of the Council’s cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council’s prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority’s legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy (see **Appendix K**).

The current investment strategy is to seek to ensure sufficient liquidity so that longer term investment balances are available to fund future capital schemes such as the Harris Quarter Leisure Scheme and until the full financial impacts of Coronavirus are known.

2. Economic background

The impact on the UK from coronavirus, lockdown measures, the rollout of vaccines, as well as the new trading arrangements with the European Union will remain a major influence on the Council’s treasury management strategy for 2021/22.

UK Consumer price Inflation was 0.3% for November 2020 year on year, down from 0.70% in the previous month. The most recent labour market data for the three months to October 2020 showed the unemployment rate rose to 4.9%.

Interest rate forecast: the forecast for the Bank Rate is 0.10% for the foreseeable future (see Table 1). Investment yields remain low due to the UK and global economic outlooks and are expected to remain low in the medium term.

Table 1 Arlingclose Interest Rate Forecast

| Quarter Ending | Bank Rate % | Investment Rates | | Borrowing Rates | | |
|----------------|-------------|------------------|----------|-----------------|-----------|-----------|
| | | 3 month % | 5 year % | 5 year % | 20 year % | 50 year % |
| Mar 2021 | 0.10 | 0.10 | 0.00 | 0.80 | 1.50 | 1.40 |
| Jun 2021 | 0.10 | 0.10 | 0.00 | 0.80 | 1.50 | 1.40 |
| Sep 2021 | 0.10 | 0.15 | 0.05 | 0.85 | 1.55 | 1.45 |
| Dec 2021 | 0.10 | 0.15 | 0.10 | 0.90 | 1.55 | 1.45 |
| Mar 2022 | 0.10 | 0.20 | 0.15 | 0.95 | 1.55 | 1.45 |

| | | | | | | |
|----------|------|------|------|------|------|------|
| Jun 2022 | 0.10 | 0.20 | 0.20 | 1.00 | 1.60 | 1.50 |
| Sep 2022 | 0.10 | 0.20 | 0.20 | 1.00 | 1.60 | 1.50 |
| Dec 2022 | 0.10 | 0.20 | 0.20 | 1.00 | 1.65 | 1.55 |
| Mar 2023 | 0.10 | 0.20 | 0.25 | 1.05 | 1.65 | 1.55 |
| Jun 2023 | 0.10 | 0.20 | 0.25 | 1.05 | 1.65 | 1.55 |
| Sep 2023 | 0.10 | 0.20 | 0.25 | 1.05 | 1.65 | 1.55 |
| Dec 2023 | 0.10 | 0.20 | 0.25 | 1.05 | 1.70 | 1.60 |

3. Treasury Balances Forecast

On 31 December 2020, the Authority held £12.3m of borrowing and £63.9m of investments. This is set out in further detail in Table 2.

Table 2 – Existing Investment & Debt Portfolio Position at 31.12.20

| | 31.12.20 Actual Portfolio £M |
|---|------------------------------------|
| External Borrowing: | |
| Public Works Loan Board | 1.9 |
| Bank Loans | 10.4 |
| Total External Borrowing | 12.3 |
| Treasury investments: | |
| <u>Short Term</u> | |
| Banks (unsecured) | 9.8* |
| Local Authorities | 17.5 |
| Money Market Funds | 16.6 |
| <u>Long Term</u> | |
| Other pooled funds | |
| - Cash Funds | 16.5 |
| - Bond Funds | 3.5 |
| Total Treasury Investments | 63.9 |
| Net Lending (Investments less borrowing) | 51.6 |

*This includes £2m in a green deposit investment to finance environmentally sustainable initiatives like renewable energy projects.

Forecast changes in these sums are shown in the balance sheet analysis in Table 3.

Table 3 Treasury Balances Forecast

| | 31.03.21 Forecast £M | 31.03.22 Forecast £M | 31.03.23 Forecast £M | 31.03.24 Forecast £M | Notes |
|--|----------------------------|----------------------------|----------------------------|----------------------------|-------|
| Capital Financing Requirement (CFR) | 21.9 | 26.0 | 31.8 | 31.3 | 1 |
| Less: Long Term Borrowing already taken | (12.3) | (12.3) | (12.3) | (12.3) | 2 |
| Cumulative Borrowing Requirement | 9.6 | 13.7 | 19.5 | 19.0 | 3 |
| Usable Reserves and Provisions at 31 March | 43.3 | 39.8 | 37.2 | 33.5 | 4 |
| Working Capital | 7.0 | 5.0 | 5.0 | 5.0 | 5 |
| Less: Internal Borrowing | (9.6) | (13.7) | (19.5) | (19.0) | 6 |
| Cash available for Investment | 40.7 | 31.1 | 22.7 | 19.5 | 7 |

Notes to Table 3

1. The CFR is the amount the Authority needs to borrow for a capital purpose. The CFR increases when Prudential Borrowing is used to finance the capital programme. The Authority's capital expenditure plans are the key driver of treasury management activity and are summarised in the Capital Strategy Report.
2. This is the amount of debt that the Authority has already borrowed.
3. This is the cumulative amount of new borrowing that is required to finance the Capital Programme. The timing of new borrowing will be determined by the profile of capital expenditure and the availability of Internal Borrowing (Note 7).
4. This line represents the amount of usable reserves, balances and provisions which are available as cash. The forecast changes to the amount of usable reserves and provisions are determined by the drawdown of reserves, balances and provisions as estimated in the Financial Forecast Update 2020/21 to 2024/25 and the Capital Programme.
5. Working Capital is a temporary surplus in day to day cash. The current balance represents an estimate of cash held at 31 March 2021 pending the outcome of NNDR appeals and cash held on behalf of the Collection Fund (being Preston City Council, the County Council, the Police Authority and the Fire Authority).
6. Internal Borrowing occurs when the Authority uses its own cash resources to finance capital expenditure rather than new external borrowing. This is a prudent approach when investment returns are low. The amounts shown are the cumulative amount of borrowing required for each year. Over the life of this forecast, the total amount of internal borrowing is £19.0m by 2024.
7. This is the forecast amount of cash available for investment after allowing for the funding of Internal Borrowing.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to the capital programme. The cash available for investing reduces as reserves are drawn down, working capital is depleted and internal borrowing is used to fund the Capital Programme.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 3 shows that the Authority expects to comply with this recommendation during 2021/22.

The budget for investment income in 2021/22 is £0.18m at an average interest rate of 1.2% and the budget for debt interest paid in 2021/22 is £0.59m based on an average debt portfolio of £12.3m at an average interest rate of 4.8%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

4. Borrowing Strategy

The Authority currently holds £12.3m of loans as part of its strategy for funding previous years' capital programmes. The Treasury Balances Forecast in Table 3 shows that the Authority does not expect to need to borrow in 2021/22. The Authority may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £22.3m.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans in the event that the Council's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly and this strategy will be reviewed if the outlook for borrowing rates indicates a significant risk of a rise in borrowing rates, with the outcome that external loans may be taken whilst borrowing rates are relatively cheap. The Council may borrow short-term to cover unexpected cash flow movements.

The Council has previously raised some of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities and will consider the possibility of issuing bonds and similar instruments in order to lower interest costs. PWLB loans are no longer available to local authorities who are planning to buy investment assets primarily for yield and the Council intends to avoid this activity in order to retain access to PWLB loans.

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 4 Prudential Indicators: Authorised limit and Operational Boundary for External Debt

| | 2020/21 Limit £M | 2021/22 Limit £M | 2022/23 Limit £M | 2023/24 Limit £M |
|--|------------------------|------------------------|------------------------|------------------------|
| Authorised Limit – maximum external debt | 22.3 | 22.3 | 22.3 | 22.3 |
| Operational Boundary – total external debt | 14.3 | 14.3 | 14.3 | 14.3 |

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Lancashire County Pension Fund as it is the Council's own pension fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as debt liabilities:

- Leasing
- Hire purchase
- Sale and leaseback and similar arrangements

All decisions on borrowing will be reported to the Cabinet Member for Resources in the Quarterly Treasury Management Report.

5. Investment Strategy

The Council holds significant invested treasury funds, representing income received in advance of expenditure, monies held on behalf of the Collection Fund (Lancashire County Council, the Police and Crime Commissioner for Lancashire and Lancashire Combined Fire Authority) plus balances and reserves held.

Objectives: The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Negative interest rates: The Covid-19 pandemic has increased the risk that the Bank of England will set the Bank Rate at or below zero. As investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Whilst the Council explores the regeneration strategy for the Harris Quarter, the Council will continue to adopt a prudent approach to investment management to ensure that cash balances are readily available to fund the Harris Quarter Leisure scheme and the response to the Covid-19 pandemic.

It is a requirement that the Council's investments follow the government guidance on local government investments and the CIPFA Treasury Management Code of Practice. To comply with this, the Council must prioritise security, liquidity and yield in that order. The Council has declared a climate change emergency to tackle the drivers and impact of climate change. The Council recognises that it may further enhance its efforts through its investments decisions. Ethical investing is an approach to investing which considers values as well as returns but at the present time there is no financial regulation and different investment managers take different approaches making the information provided inconsistent, subjective, and difficult to compare. Regulators are beginning to introduce

measures to standardise how companies report their environmental impact. The UK Financial Conduct Authority is considering introducing a set of principles to help firms deliver reliable and sustainable investment products that will help investors make better informed choices. Until that time, the Council will consider ethical investments opportunities as they arise but they must first meet all statutory investment guidance considerations.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in Table 5 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 5: Approved investment counterparties and limits

| Investment Type / Minimum Credit Rating (Note 1) | Banks Unsecured (Note 2) | Banks Secured (Note 3) | Government (Note 4) |
|---|--|------------------------|-------------------------------|
| UK Government | n/a | n/a | £ Unlimited 50 years |
| UK Treasury Bills | n/a | n/a | £13m in Total for 6 months |
| UK Local Authorities | n/a | n/a | £5m each for 1 year |
| Investment Rated A- | £2m each for 6 months | £4m each for 1 year | n/a |
| UK Unrated Building Societies (Note 5) | £1m each (maximum of £2m) for 3 months | | |
| Money Market Funds (Note 6) | £3m per Fund | | |
| Cash Plus Funds (Note 6) | £6m per Fund (£20m in Total) | | |
| Bond Funds (Note 6) | £5m in Total | | |
| Multi Asset Funds (Note 7) | £5m per Fund (£10m in Total) | | |
| Property Funds and Real Estate Investment Trusts (Note 7) | £5m in Total | | |
| Registered Providers (Preston area) (Note 8) | £5m in Total for 5 years | | |
| Any other organisation (Note 9) | £100k each for 5 years | | |

This table must be read in conjunction with the notes below.

Notes to Table 5

- Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- Banks unsecured:** Includes accounts, deposits, certificates of deposit and unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- Banks secured:** Includes covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.
- Government:** Includes loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts as a contingency in the event of a crisis.
- Building Societies:** The Building Societies regulatory framework and insolvency regime means that in the unlikely event of a Building Society liquidation, the Authority's deposits would be paid out in preference to retail depositors. Most Building Societies do not have a credit rating, therefore, a credit

analysis will be undertaken by Treasury Advisor's Arlingclose which will determine a preferred list of Building Societies with whom to invest.

6. **Pooled Funds:** These Funds are shares in diversified investment vehicles which invest in any of the investment types above (Notes 2 to 4), plus equity shares and property. These funds provide wide diversification, together with the services of a professional Fund Manager. The Money Market Funds offer same-day liquidity and very low volatility and are used as an alternative to instant access bank accounts. There is no sector limit applying to Money Market Funds although the Council will take care to diversify its liquid investments over a variety of providers to ensure The Cash Plus and Bond Funds may be used for investments for a longer period and the value of these investments may change in line with market prices but offer enhanced returns over the longer term. These funds have no defined maturity date but are available for withdrawal after a short notice period.
7. **Multi-Asset and Property Funds:** Multi-Asset funds are similar to the funds outlined in Note 6 and invest in a combination of cash, bonds, equity and property to diversify risk and enhance return. These funds will only be introduced and used following a review of the risks and rewards which would be first reported to the Cabinet Member of Resources. Property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. These funds have no defined maturity date, but are more suitable to a minimum investment period of at least three to five years. As with property funds, Real Estate Investment Trusts offer enhanced returns over the longer term but are more volatile in terms of share price and the underlying value of the property.
8. **Registered providers:** These are longer term loans or bonds that are secured or guaranteed on the assets of Registered Providers of Social Housing. These bodies are highly regulated by the Homes and Communities Agency and are likely to receive government support if needed.
9. **Other organisation:** This is subject to an external credit assessment and specific advice from the Council's treasury management adviser.
10. **Foreign Countries:** Investments with institutions domiciled in foreign countries rated AA+ or higher will be limited to £2m per foreign country. This limit does not apply to Pooled Funds as these funds spread their investments over many countries in order to reduce risk.
11. **Operational bank accounts:** The Council's own bank account which is used for all of the Council's operational activities will have a minimum credit rating of BBB- and assets greater than £25 billion. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The balances in the Council's own bank account will ideally be kept below £1m. Due to cash flow fluctuations this limit may be exceeded on occasion and if the limit is exceeded for more than three working days the Section 151 Officer will review.
12. **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where a credit rating agency announces that a counterparty of the Council is on review for a possible credit rating downgrade (so that it may fall below the approved rating criteria), then only investments that can be withdrawn on the next working day will be made until the outcome of the review is announced. This policy will not apply to credit rating 'negative outlooks' which indicate a long-term trend rather than an imminent change of credit rating.
13. **Other information on the security of investments:** Credit ratings are not the only predictors of investment default. Other information is also used to assess the credit quality of counterparties. This information includes credit default swap prices, financial statements, potential government support and reports in the financial press. This information is analysed by the Council's treasury advisors and no investments will be made with an organisation if there are doubts about its credit quality, even though it may meet the credit rating criteria.
When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government

treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

- 14. Liquidity management:** The Council uses a detailed daily cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium-term financial plan and cash flow forecast.

The Council spreads Yits liquid cash over a number of providers (eg. Bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

6. Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Maturity structure of borrowing: This indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 6 Maturity Structure of Debt

| | Lower Limit | Upper Limit |
|----------------------|-------------|-------------|
| Under 12 months | 0% | 40% |
| 12 months to 2 years | 0% | 50% |
| 2 years to 5 years | 0% | 50% |
| 5 years to 10 years | 0% | 60% |
| 10 years and above | 0% | 100% |

No lower limit is set in order to allow flexibility when managing the debt portfolio in the current economic conditions.

Table 7 Limits for Investments over 364 Days

Principal sums invested for periods longer than a year: This limit is set to ensure adequate liquidity of investments and is the maximum amount of funds the Council will invest longer term.

| | 2021/22 | 2022/23 | 2023/24 |
|-------------------------------------|---------|---------|---------|
| Limit for investments over 364 days | £8.3m | £8.3m | £8.3m |

- **Security** – the exposure to credit risk is monitored by measuring the average credit rating of its investment portfolio with a target rating of A-.
- **Liquidity** – the Authority will manage its cashflow so as not to go overdrawn.
- **Yield** – the benchmark for returns on investments is the Sterling Overnight Index Average (SONIA). Actual investment returns are monitored against budget.

There are a number of additional items that the Council is obliged to include in the Treasury Management Strategy. These are:

- **Policy on use of financial derivatives** – the Council will only use financial derivatives (such as swaps, forwards, futures and options) where it can be clearly demonstrated to reduce the level of financial risks that the Council is exposed to. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject

to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having consulted the Cabinet Member for Resources, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

| Alternative | Impact on income and expenditure | Impact on risk management |
|---|--|---|
| Invest in a narrower range of counterparties and/or for shorter times | Interest income may be lower | Lower chance of losses from credit related defaults, but any such losses may be greater |
| Invest in a wider range of counterparties and/or for longer times | Interest income may be higher | Increased risk of losses from defaults and reduced liquidity |
| Borrow additional sums at long-term fixed interest rates | Debt interest costs will rise; this is unlikely to be offset by higher investment income | Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain |
| Borrow short-term or variable loans instead of long-term fixed rates | Debt interest costs will initially be lower | Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain |
| Reduce level of borrowing | Penalties for repaying debt early will significantly impact on Revenue budgets | Long-term interest costs may be less certain |

Appendix K

INVESTMENT STRATEGY REPORT 2021/22

1. Introduction

The Authority invests its money for three broad purposes:

1. because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
2. to support local public services by lending to or buying shares in other organisations (**service investments**), and
3. to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy for 2020/21 meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy.

The **contribution** that these investments make to the objectives of the Authority is to support effective treasury management activities.

Full details of the Authority's policies and its plan for 2021/22 for treasury management investments are covered in the treasury management strategy (see **Appendix J**).

2. Commercial Investments

The MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.

The Council does not currently hold or plan to hold any loans to or shares in other organisations that will provide a commercial investment return.

The Council invests in land and property within its boundary with the intention of facilitating economic development and regeneration. These investment assets provide a financial return that produces a profit that is spent on local public services. The property portfolio in recent years has been subject to an external review by property consultants Cushman & Wakefield to optimise the return achieved and develop an action plan for developing a strategy for the disposal and acquisition of assets to continue to achieve financial returns.

Table 1: Property held for investment purposes in £ millions

| Property | Actual | 31.3.2019 | 31.3.2020 actual | | 31.3.2021 expected | |
|------------------------------|---------------|-------------------|-------------------|-----------------------------|----------------------------|-------------------|
| | Purchase cost | Value in accounts | Value in accounts | Cumulative Gains / (losses) | expected Gains or (losses) | Value in accounts |
| | £m | £m | £m | £m | £m | £m |
| Agriculture land & Buildings | 0.629 | 1.115 | 1.080 | 0.451 | 0.000 | 1.080 |
| Ground Leases | 18.127 | 30.307 | 31.214 | 13.087 | 0.000 | 31.214 |
| Industrial Land & Property | 4.095 | 5.217 | 5.694 | 1.599 | (0.285) | 5.409 |
| Retail Property | 1.172 | 1.688 | 1.579 | 0.407 | (0.079) | 1.500 |
| Other Land & Buildings | 1.477 | 1.019 | 0.939 | (0.538) | 0.000 | 0.939 |
| TOTAL | 25.500 | 39.346 | 40.506 | 15.006 | (0.364) | 40.142 |

In accordance with government guidance, the Authority considers a property investment to be **secure** if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

A **fair value** assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2020/21 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

The Authority **assesses the risk** of loss before entering into and whilst holding property investments by completing due diligence including full business cases and the use of expert external advisors, where necessary.

Compared with other investment types, property is relatively difficult to sell and convert to cash (**liquidity**) at short notice, and can take a considerable period to sell in certain market conditions. The review undertaken by Cushman & Wakefield property consultants has examined and proposed a plan to maximise asset returns through a structured disposal plan to generate funds that may be re-invested in future investment opportunities.

The above table includes a forecast for the potential impact of Covid19 upon future valuations and suggests that there may be some volatility within the Investment portfolio market due to the economic effect on businesses. At present the council has building into its Revenue Budget forecasts the potential loss of rental income.

3. Proportionality

The Authority aims to achieve profit generating investment activity to achieve a balanced revenue budget. Table 2 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Authority has a contingency plan of efficiency savings which it can call upon to continue providing the Council's services.

Table 2: Proportionality of Property Investments

| | 2018/19 Actual | 2019/20 Actual | 2020/21 Forecast | 2021/22 Forecast |
|---------------------------|-------------------|-------------------|---------------------|---------------------|
| Gross Service Expenditure | 40.919 | 43.288 | 47.286 | 42.146 |
| Investment Income | 2.743 | 2.93 | 2.982 | 2.891 |
| Proportion | 6.70% | 6.77% | 6.31% | 6.86% |

The proportion is the property investment income divided by the gross service expenditure

4. Capacity, Skills and Culture

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Section 151 Officer is a qualified accountant with over 30 years' of Local Government experience. The Council pays for accountancy staff to study towards relevant professional accountancy qualifications and the staff within the treasury team, whom are all qualified accountants, attend treasury seminars and workshops provided by CIPFA and other external service providers. Training is provided to Councillors as part of the financial management training delivered by the Section 151 Officer and more detailed treasury management training to Councillors on the Audit Committee by treasury management advisors Arlingclose Limited.

The Councils appoints external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers, Cushman & Wakefield as property consultants, Jonas Lang LeSalle (JLL) as property consultants on a major City development scheme. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

5. Commercial deals

The Council previously appointed Cushman & Wakefield to undertake a strategic review of the Council's investment portfolio. The focus of the review was to establish the extent to which the Council is getting value for money from the investment property assets it holds and whether its Property Services function is delivering value for money in its' management.

The Cushman & Wakefield report identified an Action Plan that is currently in the process of being adopted. This action plan set a direction of travel towards divesting low return assets and replacing with higher performing assets in the Preston Area. The Action Plan included the reuse of capital receipts from asset disposals for future investment; identifying opportunities to grow the portfolio through investments in the Preston area and diversification of the portfolio to achieve performance and reduce risk. To date a work has been undertaken to review of the managed workshops, carrying out rent reviews and identification of surplus areas of land and freeholds. These works have achieved additional rental income as shown in Table 2 above and could achieve future capital receipts.

The Council undertakes business case analysis of potential investments which are considered at Corporate Management team and elected member budget working groups to consider future developments and income streams that would reduce the current financial pressures on the authority.

In recent years the Council has not acquired any properties for the sole gain of generating a profit or return to contribute to net service costs.

Corporate Governance arrangements ensure that all decisions on Commercial investments are made in line with the criteria and limits approved by Council in line with Financial Regulations and the Constitution.

6. Funding of Property Investments

Capital expenditure on investment properties is typically funded through prudential borrowing which is incorporated into the five year capital programme. In recent years the Council has undertaken a roof replacement programme on its Roman Way industrial units at an estimated cost of £1.2m to preserve the life span of the assets and secure and enhance the rental income it receives. The council is currently reviewing its property investment programme and has a dedicated capital scheme set aside to fund future capital works up to a set level.

Table 3: Investments in Property funded by borrowing in £millions

| Investments funded by Borrowing | 2018/19 Actual | 2019/20 Actual | 2020/21 Forecast | 2021/22 Forecast |
|--|---------------------------|---------------------------|-----------------------------|-----------------------------|
| | £m | £m | £m | £m |
| Investment Property | 0.769 | 0 | 0.02 | 0.05 |
| Total Funded by Borrowing | 0.769 | 0 | 0.02 | 0.05 |

7. Returns on Property Investment

This indicator shows the property investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 4: Property Investment rate of return (net of all costs)

| Investments net rate of return | 2018/19 Actual | 2019/20 Actual | 2020/21 Forecast | 2021/22 Forecast |
|---------------------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Investment Property | 5.30% | 5.56% | 5.68% | 5.35% |

Appendix L

STATEMENT OF POLICY ON THE MINIMUM REVENUE PROVISION

1. Introduction

- 1.1 When capital expenditure is financed by debt, the Council must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP). The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for by council tax payers.
- 1.2 The statutory requirement is for local authorities to make a prudent level of provision and the government has issued statutory guidance which local authorities are required to 'have regard to' when setting a prudent level of MRP. The guidance gives local authorities the freedom to determine what would be a prudent level of MRP.
- 1.3 The statutory guidance recommends that local authorities draw up a statement of their policy on the MRP, for approval by full council in advance of the year to which it applies.

2. MRP Policy

- 2.1 Capital expenditure incurred before 1st April 2008 – MRP will be charged in equal instalments over a 50 year asset life. The 50 year repayment period is considered a reasonable average assumption for the lives of the assets funded by this expenditure.
- 2.2 Capital expenditure incurred after 31st March 2008 – the Council will charge MRP based on the expected life of the asset in equal annual instalments. This method may be reviewed in the future and the option to charge MRP based on an annuity asset life method may be taken if it is deemed to be prudent.
- 2.3 For assets acquired by leases MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- 2.4 For capital expenditure loans to third parties no MRP will be charged but the capital receipts generated by the annual repayments on the loans will be put aside to repay debt instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.
- 2.5 Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23.