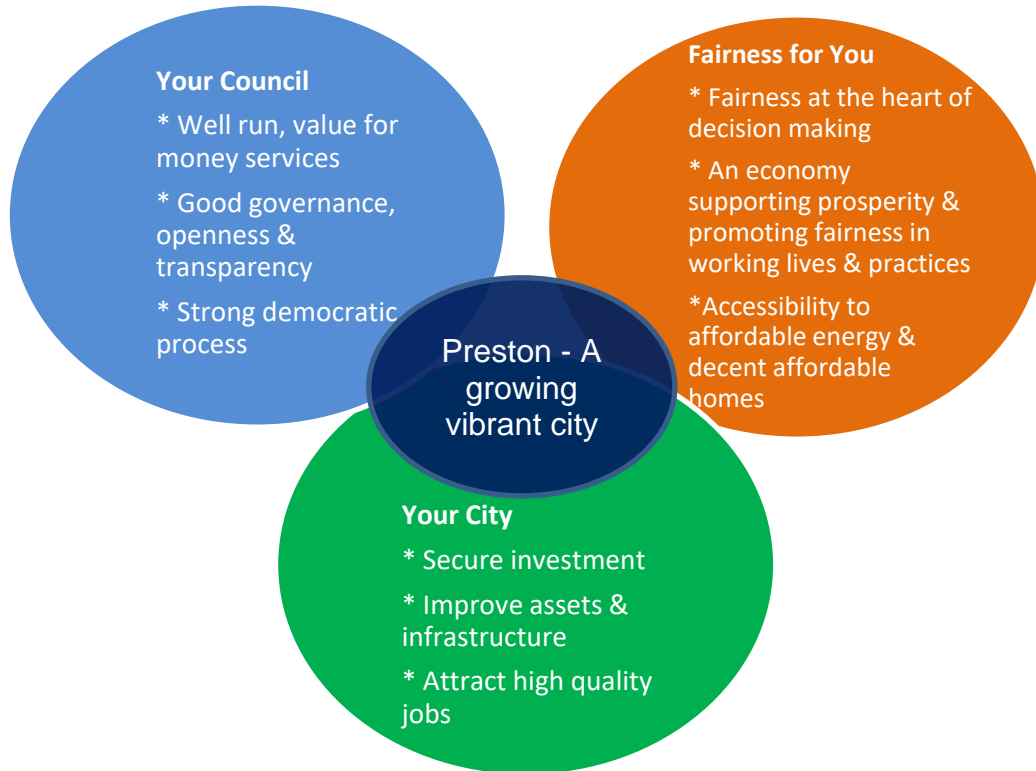


ACHIEVING PRESTON'S PRIORITIES



Budget and Policy Proposals 2023/24

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FOREWORD

We continue to build back stronger and more resilient after the Covid pandemic and support our residents, communities, and businesses through what is still an extremely difficult time for many due to the current cost of living crisis with significant social, economic and health impacts. COVID and cost of living increases have exposed the vulnerability that inequalities in terms of ethnicity, gender, income and disability have caused, and this is something the Council continues to address going forward.

Through our partnership working with external agencies such as Public Health and the NHS, we are in a stronger position than before, as relationships strengthen, and this is of great benefit to the Council and residents alike. Through working with our most vulnerable residents, we understand their needs better than ever and have built up trust with people who have reached out to the Council to help them through difficult times. We didn't let them down and continue to support all of our residents who need help navigating through what is still a challenging time.

We continue to pursue our ambitious regeneration agenda for Preston by progressing our Towns Fund Bid projects, particularly Animate, The MET, Harris Re-Imagining project, our support for the proposed Preston Youth Zone and the renewal of other Harris Quarter assets such as Amounderness House.

We also embark on delivering Preston's £5.2m funding allocation from the government's UK Shared Prosperity Fund which will help us to invest in our communities, address the climate emergency, strengthen local business, the economy and innovation ecosystem, and support our most vulnerable residents back into employment.

We also maintain 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. Our work to promote the 'Preston Model', is just one strand of our Fairness Agenda, which includes important work across the city with projects and initiatives such as revising a progressive social value procurement framework, promoting a Real Living Wage, working with the Leighton Street Traveller Site Co-operative, Advancing a Shared Economy in Preston initiative, and many other community-based and co-operative and collaborative working activities. We are proud to be progressing the Climate Change Agenda in Preston and our Climate Policy Officer continues to reach out to colleagues and our city-wide partners to better understand what role we can play to tackle the climate crisis.

We continue to face unprecedented levels of financial and economic uncertainty as we continue our pandemic recovery and tackle the current cost of living crisis. Yet

despite the difficult budget challenges we have had to face in recent years, I believe that we continue to deliver high-quality frontline services to Preston's residents.

Our ambition and unfailing dedication to Preston remains high. We continue to strive for a vibrant, successful future and are proud to serve this City and of the work we, alongside our 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 –



Animating the city centre, driving footfall to support the high street and celebrating the rich diversity of Preston has been delivered through the Council's events programme. Last year saw the return of the ever-popular Egg Rolling, following a two-year absence due to Covid with record numbers attending and high levels of visitor satisfaction. The summer offer included a range of events including the annual favourites delivered by external organisations: Preston City

Mela, Caribbean Carnival, Rockprest, Windrush and Pride interspersed with Wrestling, Harris Fashion Show and films chosen by the community. Last year also saw the Platinum Jubilee celebrations with the lighting of the beacon from the steps of the Harris, the national Commonwealth Games Baton Relay travelling through the city, and the proclamation for the new King, King Charles III on behalf of Lancashire.

The Mobile Event Tent (MET) launched last year, firstly on the former Markets site with a range of local artist commissions and events and then moving to UCLan Square in September and in partnership with the university hosted a range of public and student events, forming part of the Welcome week offer to welcome new students to Preston. This provided a real opportunity to pilot the venue and inform the future use, operation and programme.

The Encounter festival was hosted over the weekend of 16-18 September animating the MET, Bus Station apron, Flag Market, markets and Winckley Square. Saturday night hosted a torchlight procession, including a tribute to Her Majesty the Queen culminating in a finale projection show and live choir from the bus station. Attracting an estimated 35,000 people, showcasing 150 artists and hosting 1,200 participants.

Looking ahead to 2023/24 the city's events programme will further develop with the annual Egg Rolling returning followed by partnerships to support the development of community led events including: Mela, Carnival, Windrush, Pride and Jazz Festival with an aim to increase their reach and support the growth of the individual annual favourites. Funding has been applied for to support the delivery of the MET in Ribbleton and then back to the UCLan Square, working with local communities to co-produce and curate a programme for the venue. Funding has also been applied to deliver the Encounter festival in September and as a minimum the torchlight procession will be held.

The Harris has been awarded Arts Council England, National Portfolio Organisation (NPO) funding from April 2023 which will continue to support a Marketing Assistant, Contemporary Art Curator, Assistant Curator and Partnerships and Development Officer. In addition, funding will support the delivery of the Harris Activity Plan.

The Cultural Framework Board have been working with the Council's web team to improve the what's on marketing approach for the city, supporting the development of a health and wellbeing project on Ashton Park, subject to an Arts Council application and working with Arts Lancashire to develop a bespoke programme of support for the local independent creative sector to roll in January 2023.

UK Shared Prosperity Funding will be used during 2023/24 and in 2024/25 to fund a series of major events in the city to mark the re-opening of the Harris, the opening of the Animate leisure complex and the inauguration of the Youth Zone.

Re-imagining the Harris – Harris Your Place



Over the Course of 2022/23 the Harris Your Place project has grown from a £10m project to a £16m project, securing a range of funding from Arts Council, DCMS, Wolfson and Garfield Weston. Further funding secured from PCC, LCC and existing project funders has resulted in the full scope of project works being delivered, despite the pressures of inflation and rising material costs. Conlon Construction have been appointed as the main contractor and they have started work on the

internal strip out, building protection, asbestos removal and external scaffolding. The Fit Out and Showcase contractor have been appointed and the AV contractor is subject to Council approvals. The project is on programme with a re-opening date planned for 2024.

Looking ahead to 2023/24 the Fit-Out contractor will return a delivery programme and market cost for the scheme to be finalised in spring 2023, build works for the showcases and fit out will commence and the construction side of the project is due to complete April 2024. Further procurement for mount making, conservation and furniture will take place throughout the course of the year.

Community outreach, engagement and marketing will increase in activity over the course of 2023 leading into re-opening. A new Marketing Assistant and Collections Apprentice will be appointed, funded through the National Lottery Heritage Fund. The internal Harris team will be actively working to plan for reopening including staff training, programming and operational plans.

Preston City Investment Plan and Towns Fund Programme –



In March 2021 Preston was awarded £20.9m Towns Fund grant which was accepted by the Towns Fund Board and the Council acting as accountable body. This contributes towards £200m public and private sector investment going into the Harris Quarter. The 6 supported projects are:

- Harris Your Place (Re-Imagining the Harris)
- Animate (Cinema and Leisure Scheme)
- Preston Youth Zone
- Illuminate & integrate (Public realm and lighting enhancement within the Harris Quarter)
- Renewal of Harris Quarter Assets (Refurbishment and re-use of PCC-owned buildings)
- Educate Preston (Careers, Employment Information Advice & Guidance (CEIAG))

Detailed business cases and summary documents for each of the projects have now been approved with projects commencing from late 2022 onwards. The grant award payments for 2022/23 were

received in late June 2022. Following approval of the Harris Your Place business case governance structures, monitoring and evaluation strategies, project and programme management and multi-disciplinary project teams, the overall scheme commenced on-site in September 2022.

The Amounderness House project team continue to work towards the appointment of a tenant for the scheme, having undertaken an initial expression of interest exercise following by a further round of targeted advancement of bids. The project team are now in the final stages of appointing a tenant, following Council approval in December, with a view to making an announcement early in 2023. Separately the Council's developer partner, Maple Grove Developments, is in pre-application discussions with the planning department.

Illuminate and Integrate project has continued to be advanced with a design and costing exercise undertaken to meet the budget. Stakeholder consultation and progression on the technical aspects are planned over the next few months; a start on site is programmed for mid-2023. The first phase of the project focusing on improvements to Old Vicarage Road will complement the delivery of the Animate project.

Alongside the Towns Fund programme, progress is also being made on the delivery of the wider City Investment Plan priorities which are reported elsewhere in this update.

The City Investment Plan, a 15-year vision for how the city should inclusively grow, 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 programme).
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.
7. Achieve a step change in sustainable movement and accessibility in the city by delivering Preston's Transport Plan.

The Council is in advanced discussions with anchor partners in the city (Lancashire County Council and UCLan) to develop and establish a 'place based' partnership approach to regeneration in the City to help deliver the wider City Investment Plan priorities. The PBP will be comprised of a Board and Delivery Group, the latter of which has recently been working to establish the former – it is hoped the first meeting of the Board will take place in the first quarter of 2023. One of the first actions of the group is to deliver a refresh of the City Investment Plan and associated priorities – the Council has now engaged the services of Hatch Associates to facilitate this process, which is expected to reach a conclusion in March 2023.

Along with the other projects described in this section of the APP, more details of these projects and their current status can be found on the new Council-led website <https://www.investprestoncity.com/>

Animate (Harris Quarter Cinema & Leisure Scheme) –



In November 2022 Council gave final approval to the c£45m scheme allowing officers to work towards completion of the Developer Funding Agreement allowing the agreement between the Council and Maple Grove Developments to become unconditional. The Developer Funding Agreement became unconditional in December, and construction of the scheme commenced on

9 January 2023.

The Council has previously announced that a cinema operator (the Arc) and bowling facility (Hollywood Bowl) have signed up as the anchor tenants. In November 2022 the Council announced that a trio of restaurant operators had also signed up to the scheme; Zizzi, Las Iguanas and Cosmo. The remaining

units are in advanced negotiations. This is a key City Centre scheme which will support regeneration and community wealth building with the asset in local public ownership.

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 has been 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.

Construction works for Phase 1 (Corporation Street North) have been completed. Phase 2 Ringway commenced in February, and works on Phase 3 (Friargate) commenced soon after. The works include improvements to the Peace Garden. As such the scheme is now partially complete and fully under construction. More details of the project can be seen at www.lancashire.gov.uk/fnr.

Elsewhere in the City Centre there will be further improvements to public realm within the Harris Quarter brought forward by the City Council as part of the Illuminate & Integrate Towns Fund project. To promote active and more sustainable travel, UKSPF funding will be used to commission feasibility studies for a cycle hire scheme in the city and for extending public electric vehicle charging infrastructure on council sites.

Preston Railway Station -



The Council approved the final Station Quarter Regeneration Framework in August which focuses on Railway Station led regeneration seeking 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. The Framework will encourage and guide the regeneration

of this part of the City Centre and is now a consideration in the determination of any planning applications.

The anchor partnership working practices which the Station Quarter Regeneration Framework utilised are now actively being progressed toward the establishment of a wider place-based partnership and commitment to regeneration across the city and delivery of the City Investment Plan priorities.

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.

A planning application was submitted in August 2022. More details on the project can be viewed here www.lancashire.gov.uk/CottamStation.

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 developers, landowners and investors are taking place as part of ongoing engagement and implementation of the strategy. The expanded City Living prospectus promotes 27 sites in the City Centre and inner urban areas of Preston.

Following the City Living Strategy winning the prestigious Editor's Choice Award and the national Planning Awards last September, the Strategy has gone on to win further success in national awards. In April 2021, it won the national Royal Town Planning Institute category award for Excellence in Plan Making Practice with the following comments being made:

'The judges said that this Strategy was extremely impressive. The plan and the practice in implementing it is innovative and leading, especially insofar as it is a planning document which seeks to involve itself with the practicalities of delivering development. Additionally, the planners had a proactive approach to addressing a wide range of issues such as de-risking brownfield sites to attract public and private investment, which is very transferable. The judges particularly commended the inclusion of a human rights impact assessment within the Strategy, which is over and above the call of duty for planning:

Furthermore, the City Living Strategy went on to win the overall Excellence in Planning Award 2021, the RTPI Silver Jubilee Cup, with the judges commenting:

'The team who worked on the Preston City Living Strategy have taken a pro-active approach and have acted beyond the boundaries to make positive and impactful improvements to the city. The team introduces innovative mechanisms to involve and engage with the local community, as well as de-risking the deliverables. The human rights impact assessment is a unique addition to the Strategy, that leaves no-one behind, setting a really positive tone for how planning can benefit all in a variety of ways. This project is highly relevant to the levelling up agenda for the North and the experience is transferable across the UK. The judges applauded this project as an exemplary case of innovative planning and a worthy winner of the Silver Jubilee Cup.'

Council officers are now in discussion with consultants regarding an update to the City Living Strategy, which will be undertaken in this financial year. An update to the schedule of sites is currently underway.

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.

Council officers have now successfully secured capacity funding to progress and enhance our evidence base relating to the assembly and delivery of regeneration in the St Johns and Oakham Court area, which comprises the city centre gateway to Stonegate. This work will be commissioned and undertaken by the end of this financial year.

City Deal and Preston Western Distributor (PWD) Road –



Work on the PWD continues to make good progress with completion/opening expected in April 2023. Work is also progressing 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 and this is expected to open at the same time as the PWD.

Promoting the City –



Opportunities to promote the City through initiatives such as the City Investment Plan, Towns Fund projects, Levelling Up fund bid, City Living Preston and draft Station Quarter Regeneration Framework have been made the most of during 2021 and 2022 to date, with significant positive media coverage at local and regional levels. Significant progress on both Harris Your Place and Animate projects has created regular positive media coverage that has continued throughout 2022 to date. The Harris Quarter Pop Ups Programme, in particular the unveiling of the Wallace and Gromit statue, created worldwide media coverage.

A comprehensive and ambitious communications plan is proposed for the Towns Fund projects, and separately for the Animate scheme specifically. Limitless PR have now been commissioned to produce the communications plan, in partnership with the Council and Towns Fund Board, and to support implementation of the plan for the next three years. This will ensure continued positive promotion of the city throughout 2023 and beyond.

The Preston Partnership website has been created to promote activity within the city and reinforce its role as an influential ambassador for the city <https://www.prestonpartnership.org/>

UKPSF funding during 2023/24 and 2024/25 will provide the Preston Partnership with some pump priming to grow its membership and increase its capacity to promote the city.

Parks and Leisure Strategy 2019 - 2029 –



The Parks and Green Spaces Strategy 2021 – 2031 has been formally adopted and will now provide a strategic framework for the Parks Service to work with its partners and stakeholders to develop and implement key recommendations over the next 10 years. The strategy will run alongside the recommendations within the Central Lancashire Playing Pitch and Open Spaces Strategy as there will be cross over and joined up thinking across locations and themes. During 2023/24 and 2024/25, the UKPSF will fund a competitive community grants scheme for voluntary and community groups to encourage greater participation in outdoor activities in the city's parks and green spaces as well as a programme of improvements to green spaces within the city commissioned by the Council's Parks Service.

Tree Strategy 2022 – 2037



A tree strategy is being developed to establish how the Council's tree stock will be maintained and developed over a 15-year period. The strategy will consider maintenance issues such as Ash Dieback and enhancements to assist meeting the Council's pledge to be carbon neutral by 2030. It is anticipated that the final version of the strategy will be available for adoption in Spring 2023.

A UKSPF funded community tree planting programme delivered during 2023/24 and 2024/25 will increase tree and woodland cover in the city. This will improve biodiversity and contribute to the delivery of Preston's net zero commitments whilst strengthening a sense of community and improving health and wellbeing through participation in outdoor activities.

Levelling Up Fund – 'Active Preston: Transforming our Community Infrastructure'



The Council has been successful with its £20m Levelling Up Fund bid to government, which will lever in an additional £4m of investment, resulting in a total financial package of £24m. The bid called Active Preston: Transforming our Community Infrastructure includes the development and refurbishment of 4 major openspaces. The proposals include the delivery of new, high quality and more accessible community sports facilities and pitches, pavilions, public realm and safety and infrastructure improvements to key heritage buildings.

Ashton Park: the major redesign and renewal of the 32ha park, a new community sports hub and sports pavilion, 3G sports pitch and several adult and junior football pitches, with associated landscaping.

Moor Park (Grade II* listed): heritage and public realm improvement works including lake restoration, bridge works and new phase 2 visitor facilities (phase 1 funded by National Lottery Heritage Fund (HLF)).

Waverley Park: a range of sports, visitor and community facilities and access improvements.

Grange Park: accessibility and lighting improvements to support the re-opening of a building to support community use.

The proposals also include investment in new and enhanced works to improve the active travel infrastructure in the city:

- a new cycle/footbridge over the River Ribble to replace the Old Tram Bridge
- new cycle paths and walkways making them greener and safer and more user friendly - this includes segregated routes along Queen Street and Avenham Lane
- major public realm works at Friargate South
- a new mobility hub to provide a secure cycling facility at Preston bus station

The Rugby League World Cup (RLWC) 2021 –



Preston successfully hosted the Wales men's RLWC team ahead of and during this year's tournament. The build up to this included three trophy tours around the City featuring visits to UCLan sports arena, UCLan square, Preston Market and Arch Bishop Temple high school who now have a boys and girls rugby league offering.

The business breakfast at Preston Marriott on 28th September, supported by North & Western Lancashire Chamber of Commerce, was well attended with over 100 registrations. Feedback from RLWC was that it was one of the best they had hosted with lots of interest and involvement from local

businesses, raising the profile of rugby league in the City and Preston as a destination. Jody Cunningham and James Simpson spoke at the event and both made the first team for England in the women's and wheelchair events. An inspiring morning.

The civic reception on 11 October was a fabulous occasion with BBC sports correspondent Richard Askam hosting the event, some fabulous speakers from RLWC including the coach, captain and players. Footage from the event including the vocals from amazing quartet featured on BBC1 ahead of Wales opening game against Tonga. Feedback from the team was that they were quite overwhelmed by their welcome to Preston and thoroughly enjoyed this special night.

As the games kicked off complimentary tickets were allocated to sports clubs and community groups, school children and to those who promote and support sport in the City. Working with PNE rugby league development officer tickets were provided to 184 school children including some from Newman and Preston colleges. Children from St Joseph's and St Andrews made it on to the pitch at Leigh Sports village as a guard of honour for the Wales team. Tickets were also given to Sports Awards winners following the event at Preston Town Hall on 26 September. These tickets were offered to Typhoons RLFC, Christ the King High School, St Andrew's Primary school and individual winners Lucas Charnley and Tomas Woods. Tomas is a UK champion in wheelchair motocross and tickets were given to Tomas and his parents to attend the RLWC wheelchair final.

A RLWC ticket and merchandise giveaway was hosted by the Council during October, again to promote the sport and what Preston can offer in terms of these large-scale events. There were approximately 150 entrants.

Other tickets were taken up by Sahara, Disability Equality NW, Fishwick Rangers and Preston Sports Forum and UCLan allocated their share to students. A mammoth task but the intention was to get people to the games that would not normally have such an opportunity, and I think this was successfully achieved.

The Wales team were so well looked after that as they left, Papa New Guinea men's team stayed and trained in Preston ahead of their quarter-final against England. The team were really impressed with the facilities on offer.

Overall, a hugely successful event and a great opportunity to showcase Preston.

Preston Guild Hall –



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 Fund Board** – sub-group of the Preston Partnership established to oversee the preparation and implementation of the City Investment Plan and Towns Fund bid/grant.
- **Preston Place Based Partnership Board** - a board of senior officers and Members from PCC, LCC and UCLan to be established in the first quarter of 2023 with a remit to guide regeneration and housing growth within the city regeneration priority areas and to help to deliver the wider City Investment Plan priorities.
- **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.

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 2023/24 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 the City Investment Plan setting out the challenges ahead and the way in which we want to achieve socially and economically inclusive regeneration and green sustainable development of the City over the next 14 years. The City Investment Plan underpins the £20m Towns Fund grant that helps secure the delivery of £200m worth of new inclusive development in the city centre to help deliver improved connections through the Harris Quarter and a vastly improved leisure and cultural offer in addition to enhancing the education, training and employment prospects for our residents. Detailed business cases and summary documents for each of the Towns Fund projects have now been approved with projects being delivered from late 2022 onwards.

- Despite the challenges to the leisure industry created by the Covid pandemic, the Council has made remarkable progress on the delivery of the Animate Cinema and Leisure scheme with the Development and Funding Agreement (DFA) having been signed with Maple Grove Developments, the first anchor tenants, Hollywood Bowl and The Arc Cinema, have been signed up. Significant progress has also been made with the restaurant tenants and work started on site January 2023. In addition to the physical regeneration of this part of the city, it is hoped that the Animate scheme will increase footfall and general city centre usage/dwell time delivering linked benefits to existing businesses. The Animate scheme, alongside other regeneration interventions should help to boost the city's profile further as a place to live, work and visit.
- Utilising grant money under the Transforming Cities Fund, the £15m Transforming Friargate North and Ring Way public realm improvements is now underway. The project aims to significantly improve the public realm and environment for those moving around this part of the city by foot and/or bicycle, whilst not detrimentally impacting on the importance of the Ringway corridor as a vehicular connection across the city. A planning application has now been submitted to Lancashire County Council for the £25m Cottam Parkway Railway Station located immediately west of Lea Road and accessed from the Cottam Link Road. It is hoped that the new railway station will provide further sustainable transport options for the thousands of new residents in the north and western areas of the city reducing the need to travel into the city by car thereby helping to reduce congestion and carbon emissions.
- Working alongside Homes England and other major stakeholders, the Council is helping to facilitate the redevelopment and regeneration of a number of key residential sites in the Stoneygate area. The aim is to deliver, new affordable housing in a welcoming 'urban village' environment close to the city centre.
- The grant funding from the Heritage Lottery and Towns Funds for the Harris Your Place project has been confirmed and work started on site in late 2021. The project will make the Harris, the UK's first blended museum, art gallery and library and will revolutionise the cultural offer of this key city centre asset and bring the facilities available into the twenty first century. It is intended that the Harris will become more accessible to a wider population.
- At UCLan the Student Centre, new public square and highway were completed during 2021, marking a significant milestone in the delivery of the university's £200m masterplan. As well as the physical regeneration of this part of the city, the works will help to transform the student experience as well as increasing the attractiveness of pedestrian movement into the city centre.
- Work on the Preston Western Distributor Road is progressing on schedule and due to be completed by 2023. The new road will significantly ease traffic congestion on the existing road network in the north of Preston, improve accessibility and facilitate future growth to the west of Preston.
- A strategic regeneration framework for the Station Quarter has been drafted and consulted upon working in partnership with Lancashire County Council and UCLan. It is envisaged that this work will help to foster a broader place-based partnership approach to regeneration across the city, and specifically help to deliver transformational regeneration to land around the railway station offering new and improved job opportunities for local people and building on the significant job investment in the area and to facilitate housing led regeneration within Stoneygate.

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.

Community Wealth Building : Leading Resilience and Recovery in Preston -



We continue to progress this agenda through innovative and progressive dialogue and action with anchor institutions and community partners.

Key work streams within this agenda include:

- **Social Value**

Social value plays an integral role in the Council's Community Wealth Building Agenda. Significant strides have been made in progressing this work over the last 12 months, working with partners to establish the Preston Towns Fund Social Value Framework and ongoing work with local NHS partners to develop an anchor network focused on delivering social value across Central Lancashire. A Social Value Procurement Framework to deliver social value through the Council's own procurement activity will be launched in 2023 and we continue to lead the long-standing Procurement Practitioners group with members from our anchor institutions. The delivery of social value through the Central Lancashire Employment and Skills Supplementary Planning Document is being actively monitored to ensure that local residents benefit from the training opportunities which developers commit to as part of the planning process.

- **Co-operatives**

The Council's commitment to co-operative development has focused on social and economic inclusion, including working in partnership with black and minoritised communities. A new programme, Advancing a Shared Economy on Preston, is exploring cooperative and collaborative approaches to promote decarbonisation, address social needs and promote cooperative education in Preston. The establishment of the Leighton Street Traveller Site co-operative is a significant achievement.

- **Real Living Wage**

The Council is 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 working to increase the number of Preston businesses and organisations paying their employees a fair wage and to drive the ambition for Preston to become a Living Wage City.

Mutual Bank –



The North West Mutual Bank is currently seeking interested parties to move forward the business plan. The North West Mutual is a community bank and its aim is to create a new, ethical, trustworthy, customer owned bank serving all the people, small businesses and local organisations of the North West of England.

Financial Inclusion –



Those organisations in receipt of Financial Inclusion Grants continue to provide local communities with support and advice.

Help in Preston (HIP) website

From 23 June to 30 November 2022, HIP has attracted 15,879 page views. There continues to be approximately 75% returning users (1,466) and 25% new users (1,295).

Cost-of-Living Hub (COLH)

Help in Preston was established in 2019, over the last four years the site has developed considerably, and we were well placed to develop and publish a COLH area towards the end of August. This area has seen a high level of traffic, notably a big upturn in people looking for food support.

For example, from 23 September to 30 November (9 weeks) enquiries for food support totalled 1,523 (169 pw). Whilst the COLH was not established until end August it is possible to compare this level of traffic with the numbers of people seeking food support during June- August which was approximately 67 per week.

HIP Noticeboard and Events Pages continue to develop content and we plan to publish an equality events calendar in Spring.

Advice Services provide a free and confidential telephone service offering in depth advice on welfare benefits and debt.

Financial inclusion surgeries are held at St Matthews, Pukhar, Ascension Church, Sion Park, Children & Family Wellbeing Centre, Millbank, Community Gateway Association Harbour House, Deepdale Hub and Tanterton Community Centre. The officer also attends appointments booked by other referring organisations, for example, primary schools and community organisations.

The advisers continue to support clients through the benefit and debt journey, including representation at tribunals and face-to-face tribunals starting to be scheduled.

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 Vulnerable Support line continues to be manned by Advice Services staff and the Contact Centre.

A third round of funding was made available to Local Authorities for Household Support Fund 3 and Preston were the first local authority to go live on 9 November 2022. The Household Support Fund 3 will close on 31 March 2023. The award from the DWP was £610,000 with the criteria set that each council must take a proactive approach towards clients who have not received any other Cost of Living Payment through the Department for Works and Pension (DWP).

Total spend figures are not available, as the scheme has not come to an end but indications are that a full spend will be achieved helping people with energy/food and wider essentials.

The government has announced that funding will be made available from April 2023 until March 2024 but no figures or final guidance has been provided to Local Authorities.

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.

We continue to support staff to complete Equality & Human Rights Impact Assessments and to provide updates to the project management area on Cityspace.

We are in the process of developing a:-

- Retrospective Equality and Human Rights Impact Assessment (EHRIA) – Preston’s response to Covid 19
- Cost-of-Living EHRIA.

We are currently working with the Inclusion Reference Group (IRG) Chairs to amalgamate with the members of the Financial Inclusion Group (FIG) and will be inviting members to meetings in February/ March 2023 where we will share the above documents.

We are currently developing a corporate equality calendar which will highlight the key events the council supports including national Holocaust Memorial Day and Remembering Srebrenica commemoration.

Preston City Council together with the Preston & Western Lancashire Racial Equality and Diversity Council continue to work in partnership with Show Racism the Red Card (SRTRC) and Preston North End Community and Education Trust (PNECET) to offer free anti-racist workshops for pupils and teachers to Preston schools. The delivery schedule of these sessions is November 2022 – March 2023. We will update in the Spring on the main outputs from these sessions.

We continue to work with our partners to mark other key equality events, including Wellfest which incorporates WMHD etc.

Making Homes from Houses –



Activity has started to resume post COVID and the successful partnership with Community Gateway Housing Association (CGA) continues. In total 34 properties have been acquired so far and are undergoing refurbishment; of these 27 are already reoccupied. A further 7 properties are under offer or going through conveyancing. Prior to Making Homes from Houses bringing these houses back into use, these properties had been empty for a total of 112 years, one property alone had been empty for 13 years.

To date, the Council have invested £820k of developer contributions into this project. Alongside the investment of £3.3 m from CGA and Homes England, this is a significant boost to the provision of affordable housing in Preston. The national Empty Homes Network have recognised the excellent and innovative work of the Council in delivering this project with three awards, including Partnership of the Year.

Looking ahead, phase 3 of the project was retendered and awarded to CGA in 2022. This phase will continue until the allocated sum of £800k is fully committed.

Affordable Warmth -



Preston continues to support vulnerable households in fuel poverty. During 2020/22 107 households were assisted, bringing the total for the last three-year funding stream to 910 households now living in warmer, more energy efficient homes. The measures installed included the provision of new boilers and central heating systems, cavity wall insulation and loft insulation, representing £600k of funding levered into the City.

Looking ahead, various funding streams are in place through to the end of 2022/23 so that more Preston households will continue to benefit, although the types of measures being funded are now moving away from fossil fuel heating systems to a wider range of alternative forms of heating and more efficient insulation. The Affordable Warmth Fund from LCC will be delivered over the winter months to complement existing funding streams and in the first few weeks had already replaced defective boiler and heating systems in 5 homes. During 2023/24 and 24/25 the UKSPF will provide additional funding for Preston households.

Installations of these new measures commenced in Lancashire in August 2022 and continue to grow in number. Final data on the completed measures is expected to be available soon. The measures currently being installed require the use of specialist contractors; all those appointed are based in Lancashire, and one in Preston, which also adds a community wealth building perspective to the current programme of work.

All work in this area is delivered via the Lancashire collaborative partnership of CHiL, Cosy Homes in Lancashire. The contract for a delivery partner to work with CHiL expires early in 2023 so a full procurement exercise is currently underway to ensure a smooth transition between contracts is in place and there is no interruption to the delivery of this vital programme.

In 2023/24 and 2024/25 UKSPF funding will be used to support community providers of energy efficiency advice to households facing the current cost of living crisis.

Accessible and Affordable Leisure Services -



Preston City Council continues to work with the Leisure Operator Better (GLL) to ensure that accessible leisure facilities are provided at a local level.

As an advocate for our communities we support all opportunities to access grant funding from the Government, National Governing bodies and industry partners to improve leisure facilities in the city.

Partnership working to end Rough Sleeping -



The Council has recently received confirmation that all of the RSI Yr4 funding has been approved and will be provided to the Council in the form of a ring-fenced grant. 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 online through the Rough Sleeper Accommodation Programme. It has been indicated that there will be an RSI year 5 with a potential for this to be a two or even three-year programme; all partners are currently reviewing delivery to identify what funding would be required in the longer term to deliver on reducing rough sleeping in the City.

The Council has recently been notified and invited to submit a 3-year funding application to continue the work around rough sleeping and the government’s agenda to reduce the experience and length of time an individual spends sleeping rough. The application will contain a self-assessment tool and

detailed plans for the next 3 years. A main focus will be extending the range of accommodation options with support and developing a complex needs pathway with partners and a pathway for female rough sleepers, all underpinned by a trauma informed care approach.

Years 5, 6 and 7 were confirmed over the summer and will allow us to continue to build on the pathways away from rough sleeping linking into a recovery model and trauma informed care approach. Roles have been extended to include prevention workers to work with those in accommodation not linked to the current RSI pathway but to prevent future homelessness for single people therefore prevent them hitting the streets this will be a vital element link to the cost-of-living crisis. We continue to work with Public Health on a specific commissioned drug and alcohol team which provides a fast track into detox and rehab both to prevent a service user losing RSI accommodation and those unable to access due to substance misuse levels. This team work specifically with RSI service users. We now employ a Service User Involvement Worker who will work across all pathways to engage service users into training, education and employment with volunteering opportunities and a focus of meaningful use of time to assist in the recovery model.

The focus as we approach year 6 will be to build new partnerships to develop further accommodation options, these will be developed through co-production with service users and incorporate aspects learned from a recent consultation exercise with those currently on the streets who struggle to access the current pathway options. This will look at developing a First Steps project which service users can access nightly with support offered to address issues preventing access to more permanent accommodation. Year 6 will also see a focus on developing interventions from Adult Social Care for those with more complex needs requiring specialist interventions and support.

To further support accommodation and support options the government launched the Supported Housing Accommodation Programme in December plans are currently being developed with partners to look at a scheme for women and expand our housing first model.

Accommodation for Offenders –



The Council was recently successful in applying for monies from the Department of Levelling Up, Housing and Communities (DLUHC) to work with ex-offenders to access the private rented sector. The Council have commissioned Calico to provide support to this client group and source accommodation within the private rented sector. This is a funded 12-month programme which commenced 1 January 2022 until 31 December 2022.

This funding came to an end on 31 December 2022; unfortunately, due to the lack of private rented sector options the programme of work has not been as successful as we envisaged mainly as landlords are selling their properties and looking at other client groups, mainly those in employment or with a rent guarantor. The fund was specifically for ex-offenders to access the private rented sector.

Though this programme with Calico recently ended the opportunity arose to develop a different approach using the original principles of providing access to private rented accommodation for ex-offenders. Confirmation has been received, 3 January 2023 that the proposals for a new project have been accepted; this is a funded programme for 2 years totalling £122,000 with £61,000 being received each year. This will build on developing relationships with the private rented sector offering incentives to accept ex-offenders. The programme aims to employ a Support Officer on a Fixed Term Contract for 2 years to work closely on the Reducing Reoffending agenda, prisons and National Probation.

Changing Futures Programme –



The Council has recently approved a funded budget increase in response to the award of funding from DLUHC to deliver the Changing Futures Programme. The fund is for local organisations to work in partnership to better support those who experience, multiple disadvantages, including homelessness, substance misuse, mental health issues, domestic abuse, and contact with the criminal justice system. The aim is to deliver improvements at both the individual, service and system level through stabilising then improve the individual's situation, transform local services to provide a person-centred approach and therefore reduce crisis, and test a different approach to funding, accountability and engagement between local commissioners and services.

The delivery model will be based around integrated Hubs using existing provisions. The commissioned service is now in place. Red Rose Recovery will provide the team of Navigators with live experience support and will engage with an identified cohort. This team will take on role of lead professionals linking service users with the other elements around the Changing Futures programme which includes health, housing, substance misuse services, probation and other wider partners. This programme will run from April 2022 through to December 2023.

The programme went live 1 April 2022 with a Lived Experience Team managed by Red Rose Recovery. We now have our first small hub in Preston and the team are working across the Central and West locality providing a different approach to support services with a trauma informed care approach. We have twice weekly professional meetings to discuss cases and referrals through a multi-disciplinary approach, the aim being to provide a wraparound service for our most vulnerable and challenging citizens. Those receiving the support are referred to as beneficiaries as they take control of their own recovery. The next phase of this programme is the element which will provide the legacy, System Changes. All partners involved have a desire to embed this change.

Since going live in April 2022 the programme has had 187 referrals, 157 of which have been accepted onto the programme, with 27 seen exiting the programmes following contact from the Team. At present the team are supporting 130 beneficiaries and even with the expansion of the team referrals had to be closed for the last 2 weeks of December. Due to delays in aspects of the programme and partners unable to recruit we are in a position to look to repurpose the programmes and will be adding a Social Worker and Housing Specialist to the team. The aim as we approach the final year of funding is to look at sustainability and the legacy of system changes.

Supported Housing Improvement Programme (SHIP) –



It was recently announced that we were successful in our joint bid with Lancaster City Council in applying for funds to look at improving the growing number of supported accommodation across both cities. There is little strategic input as these providers don't require permission to develop supported housing, a model mainly built on shared housing located in some of our more deprived wards with an increase being seen in ASB and criminal activity. The funding will cover a 3-year programme of work; we are currently in the mobilisation phase. The approach will consist of a specialised team made up of a Housing Benefit Officer, Housing Standards Officer and Housing Support Officer. The aim is to work proactively to ensure good practice across this sector and ensure the more vulnerable residents accessing this type of accommodation receive the support that is being funded through housing benefits and introduce regulations into an area of housing vastly unregulated.

EMPLOYABILITY AND UPSKILLING COMMUNITIES

Work clubs -



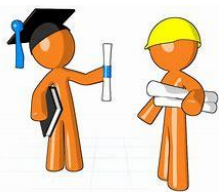
The Community Engagement team continue to support a network of 8 work clubs across the city run by various partner organisations and volunteers and also develop new work clubs where appropriate (since the last APP update, the number has reduced from 9 to 8 as a result of a change at Millbank Wellbeing Centre who continue to offer employability support but not in the form of a workclub). 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. We continue 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.

A work club network group meeting is hosted by the Community Engagement officer, bringing training providers, work clubs, housing organisations and community partners together to share best practice, information and inform partners about local training opportunities.

We are currently working with community partners in Fishwick and Plungington to support them in developing more activities around employability.

We are also exploring the opportunities of delivering Job Fairs at the Community Hub in Fishwick, Intact and with Community Gateway Association.

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. Calico will provide assessment, implementation and monitoring of Employment and Skills Statements. This service, for which developers will be charged, will ensure that they meet their commitments and that conditions attached to the approval of planning permissions are adhered to. 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. We continue to circulate new employment opportunities as part of the weekly bulletin, and we are aware that this has resulted in work club participants gaining employment.

We continue to support Lancashire Teaching Hospital Foundation Trust (LTHFT) with their recruitment community outreach. In October a second Job Fair was held at Sahara which was well attended (the first was in March as detailed in the last APP update). 28 people in total from Fishwick and St Matthews wards gained employment as a result of the jobs fair and in addition, a further 36 from outside those two wards. In December, we supported LTHFT to do an outreach session on the Flag Market using their LIFE bus which was well attended by the public despite being close to Christmas.

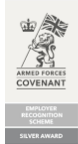
Discussions took place with HR, Chamber of Commerce and Job Centre Plus to set up Kickstart opportunities within the Council to create new work opportunities for 16-24 year olds on Universal Credit who are at risk of long-term unemployment. Four young people were given Kickstart placements in total, one within the Communications Team and three with the Harris Museum. Unfortunately, none of them were able to secure a permanent position at the end of their placement but did gain valuable experience to support their CV and future job applications.

Officers have continued to work in partnership with officers from LCC Schools Department, and also with Community Gateway, attending events at nurseries and schools to promote the Help in Preston

website and refer parents to the relevant support such as jobs bulletins/work clubs/food support/finance advice pages.

UKSPF funding in 2023/24 will be used to extend projects delivered by Active Lancashire, Selnet and the Lancashire colleges to support those facing the greatest barriers to employment in Preston, including young people not in education, training or employment.

ARMED FORCES COVENANT



Proudly supporting those who serve

Officers have applied for the Armed Forces Employers Recognition scheme and have been awarded the Silver award in June 2022. This demonstrates PCC's commitment to supporting service personnel and the armed forces community, ensuring they are not unfairly disadvantaged as part of recruitment and selection processes. Preston City Council is the first local authority in Lancashire to deliver the 'One Voice' training, with two sessions which were delivered to staff in November with 42 officers attending. Further sessions will be held over the forthcoming months with eventually all staff having the opportunity to part. The updated Covenant document requires signing and publicising to raise awareness.

Officers are working in partnership with the Armed Forces Covenant Hub and DWP to offer an Ex-Forces Work and Health Fair to the whole Armed Forces community across Lancashire. 15 DWP offices from across the county will be attending the event which will be held at UCLan on 15 February and will be open to all the armed forces community, not just ones in receipt of benefits.

FOOD INSECURITY

A briefing report is being compiled to inform an internal discussion about the future of food insecurity work. Once agreed, this section will be updated accordingly.

Crisis Food Provision -



Work is ongoing to maximise opportunities to deliver wrap around support (such as debt/financial advice and employment support) to those experiencing food crisis. During January supported Sahara with financial inclusion sessions alongside their food provision.

Increase knowledge of cooking skills, healthy food and increase community food related resources.

Increase knowledge of cooking skills, health food and increase community food related resources –

- Food Hub Network –



A Preston Food Hub Network, including a dedicated WhatsApp 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.

In November 2022 we released the 3rd round of the Household Support Grant. We are currently providing grants to 6 food banks, 7 hot meal providers, 5 food

pantries and 19 holiday markets. St Georges Church in the city centre and Sound Skills in Brookfield have recently joined the network and are now in receipt of the grant.

We are liaising with Deepdale United to explore ways in which PCC can continue to support with their hot meal van, providing Halal meals to families, and in partnership with Sahara.

Figures September to December: 2,520 families supported, 40,320 parcels provided, and providing a total estimate of 483,840 meals (6 food banks, 7 hot meal providers, 5 food pantries and 19 holiday markets).

- Local Authority Food Development Network -



PCC have formed a network with local authority officers working to address the food insecurity agenda to enable an opportunity to share good practice and join up resources where feasible. At present monthly meetings take place between PCC, Lancashire County Council, Lancaster City Council, South Ribble Council, Burnley Council, Pendle Council, Rossendale Council and more recently, Wyre Council. One area which has been discussed has been a need to have demographic information on food insecurity ward by ward, and how as a network this can be carried out as part of a Lancashire wide piece of work. PCC has already created an online map to highlight where all the food hubs are operating from. We are now exploring any gaps in provision, particularly within rural communities.

PCC have formed a network with local authority officers working to address the food insecurity agenda to enable an opportunity to share good practice and join up resources where feasible. At present monthly meetings take place between PCC, Lancashire County Council, Lancaster City Council, South Ribble Council, Burnley Council, Pendle Council, Rossendale Council and more recently, Wyre Council. One area which has been discussed has been a need to have demographic information on food insecurity ward by ward, and how as a network this can be carried out as part of a Lancashire wide piece of work. PCC has already created an online map to highlight where all the food hubs are operating from. We are now exploring any gaps in provision, particularly within rural communities.

- Community Cooking -



Preston City Council has set up a new network to specifically support groups and organisations wishing to develop community cooking classes and provide an educational programme for both children and parents in areas such as cooking on a budget and healthy eating. We are currently working closely with the NHS Recovery College/UCLan Nutritional Department, Lancashire Adult Learning, Lets Grow Preston, Recycling Lives, Deepdale Grannies and Kind Communities to provide a health and wellbeing programme of activity. This area of work is also part of a national network Food for Life Get Together, led by the UK Soil Association <https://www.foodforlife.org.uk/about-us> The Council is continuing to liaise with LCC Public Health in supporting and increasing the uptake of Healthy Start Scheme.

Develop and Enhance the Local Food Economy -



Conversations continue to take place between a number of community members who are interested in moving this piece of work forward.

Tackle Food Insecurity in Children and Families -



Monthly zoom meetings with LCC Public Health and the Community Engagement Team are continuing to help forward plan collaborative work. Updated information on the Healthy Start Scheme is now available on the Help in Preston website and on the newly printed food access flyers, which also provides information on how to access other support services. In partnership with UCLan we are also exploring *Experts by experience*: working more closely with young people and families who are directly affected by food poverty.

YOUTH EMPLOYABILITY



Community Engagement Officers continue to work alongside Preston’s youth support organisations through the Youth Forum and across the city to enhance opportunities for young people to gain employment. The Community Engagement team—continue 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. Officers 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.

EMERGING COMMUNITIES



The pandemic identified a gap in engagement with communities who have settled in the city. The Engagement team are working hard to make links and forge new relationships with new community contacts.

PREVENTION OF SUICIDE & SELF HARM



Work is ongoing to develop and deliver a Prevention of Suicide & Self Harm plan for both Preston City Council and the city. Work will reflect the county strategy being delivered by LCC’s Public Health team.

COST OF LIVING



The Engagement Team are working closely with the communications team to deliver a co-ordinated approach to the cost-of-living crisis. A joint plan has been delivered with the aim to:

- raise awareness of the services already available to help people
- promote new and additional services that may be launched to help those in

need

- working together, building relationships and supporting community partners to deliver front line services.
- support a long-term response to building resilience in the community, through wider messaging around Community Wealth Building and Climate Action initiatives that directly impact and help our residents.

The engagement objectives are to:

- To enable the council to support existing VCFS stakeholders on their delivery COL support to our communities;
- To maintain the councils good working relationship with the VCFS stakeholders in Preston;

- To identify and develop new relationships with emerging stakeholders who may be offering COL or would like to offer COL support to communities;
- To work with the VCFS stakeholders to maximise the awareness of the COL support available to residents and businesses;
- To enable the VCFS to provide feedback to the council on the impact that the COL is having on our communities;
- To provide the council with an opportunity to liaise with the VCFS on its response to the COL and the impact of any activity.

Two stakeholder events have taken place (one in person at the Gujerat Hindu Society Centre and the second on Zoom). Leaflets and social media posts have been created to promote the availability of support and the Help in Preston website has been updated to reflect the support available to residents and is being promoted widely. The LCC Warm Hub grant and charter have been promoted and the engagement team continue to identify community groups and agencies who are providing a warm space to residents.

CONNECTED COMMUNITIES



Conversations are taking place with UCLan to re-establish the Connected Communities project following the pandemic.

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.
- **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.
- **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. UKSPF funding will be used during 2023/24 and 2024/25 to support the work of the partnership.

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 2023/24 and beyond we are making a significant impact in the City working alongside our partners:

- Host regular virtual meetings to provide Cost of Living briefings and consult with community groups.
- Increase the number of affordable housing completions.
- Attract significant funding from the Ministry of Housing Communities and Local Government towards Homelessness and Rough Sleeping.
- See an increase in the procurement spend in Preston by its anchor institutions.
- Attract external funding for energy efficiency improvements in private homes.
- Provide targeted debt and welfare advice and passport DWP and Department of Health funds to help residents struggling with the cost-of-living crisis and assist them to regain control of their finances and to maximise their entitlement to benefits.
- Deliver Preston's investment plan for the UK Shared Prosperity Fund including investing in our communities, addressing the climate emergency, strengthening the local business and innovation ecosystem and supporting our most vulnerable residents back into employment.

What actions are we taking?

Digital Agenda - Service Improvement Board –



Good progress has been made on several digital transformation projects:-

Preston365 Project

These workstreams are now complete: -

- Migration of applications from 'on-premise' to the Microsoft 365 Cloud (Office, Outlook)
- Migration of home drive data to OneDrive
- Development of a new intranet in SharePoint online
- Development of self-service forms with automatic processing using PowerApps and Flow.

The following projects were also completed in the last months: -

- Virtual Desktop Infrastructure project
- Corporate migration to Teams Calling as a Service and the decommission of Skype for Business
- Migration to a new Contact Centre Call System
- Corporate rollout of Multi-Function Devices
- Improved connectivity to remote sites
- Migration to Intune Mobile Device Management software
- New Markets website [Preston Markets](#)

Coming up

- The migration of remaining shared drive data to Teams will be a prime focus in 2023.
- Essential upgrade of on-premise servers to Server 2019/22. We have several back-office applications using these servers so, the upgrades involve both Preston City Council ICT and Supplier staff as well as an additional supplier cost for each system.
- The Council's VMWare Enterprise Licence Agreement is due for renewal in June 2023. A requirements review will take place in the New Year to determine expected costs. Later in the year we will also be preparing for the renewal of the Council's Microsoft Enterprise Licence Agreement in February 2024.
- The Wi-Fi hardware in the Town Hall is now End of Life so we plan to replace with equipment removed from the Harris Museum and Art Gallery which would otherwise go unused while the building is closed.
- Connectivity improvements at Riversway Docks Control and Riversway Managed Workshops.
- Work will continue to develop the new intranet and self-service forms.
- Following substantial project work on the Council's websites, either developing new sites or rebranding, work in the New Year will involve reviewing, maintenance and further development of all the sites. The Council also has a Wedding website in the pipeline.

A County Deal for a Greater Lancashire –



The Council has a bold ambition to deliver a better form of local government with improved powers from government and the better funding to deliver much more for our residents. To underpin and support these ambitions, we are committed to working in partnership with authorities across Lancashire in order to achieve the necessary changes. This unified approach is enabling significant advanced preparatory work to be undertaken. This is expected to outline the concept of ‘County Deals’ to provide devolution and funding proposals to Shire Counties. We maintain our commitment to effective partnership working with our fellow authorities across Lancashire in order to maximise the beneficial impact from any ‘devolution deal’ from Whitehall. Whilst the government has stated that it is not considering any further tranches of local government reorganisation for the time being, the Council remains firm in its belief that a Central Lancashire unitary authority, including Chorley, South Ribble, West Lancashire and Preston would provide the best opportunity to deliver the brightest future for our residents, communities and businesses.

Fleet Review -



The fleet review is ongoing. The fleet consists of nearly 125 vehicles and plant and a significant number of these will be replaced within 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 possible and low emission vehicles are being considered where practicable.

Responding to the Climate Emergency -



Preston City Council declared a Climate Emergency in April 2019, setting a target for the Council to reach net zero emissions by 2030. In August 2021, the Council was awarded the One Carbon World’s Neutral International Standard and in December we published an Interim Action Statement highlighting actions taken to date, as well as the Overview and Scrutiny Member Task and Finish Group’s report. A study to establish a carbon emission baseline for the Council was completed in March 2022 and a dedicated Climate Policy Officer appointed in April. Since then, work has gathered pace within the Council and in partnership with other local authorities, anchor partners and community organisations in Preston.

A cross-directorate officer working group is advising the Climate Policy Officer on the development of the Council’s Climate Action Plan which will be published early in 2023. This will include clear actions to reduce the impact of the Council’s operations and services on the climate and will be supported with a dedicated capital budget.

The Council continues to work with anchor partners across a range of projects to address the climate agenda and is actively seeking external funding opportunities and other support to progress this critical work stream. For example the Council’s investment plan for the UK Shared Prosperity Fund included many local interventions to address the Climate Emergency. For example, the Council’s investment plan for the UK Shared Prosperity Fund included many local interventions to address the Climate Emergency including funding for a Climate Assembly, feasibility studies to extend sustainable travel options in the city, community tree planting, energy efficiency measures for fuel poor households and support for local businesses to reduce their carbon emissions and to develop low carbon innovations. During 2022/23 the Council has also supported community initiatives to respond to the climate crisis, including the Climate Emergency Centre and Preston Pedals.

Working in partnership

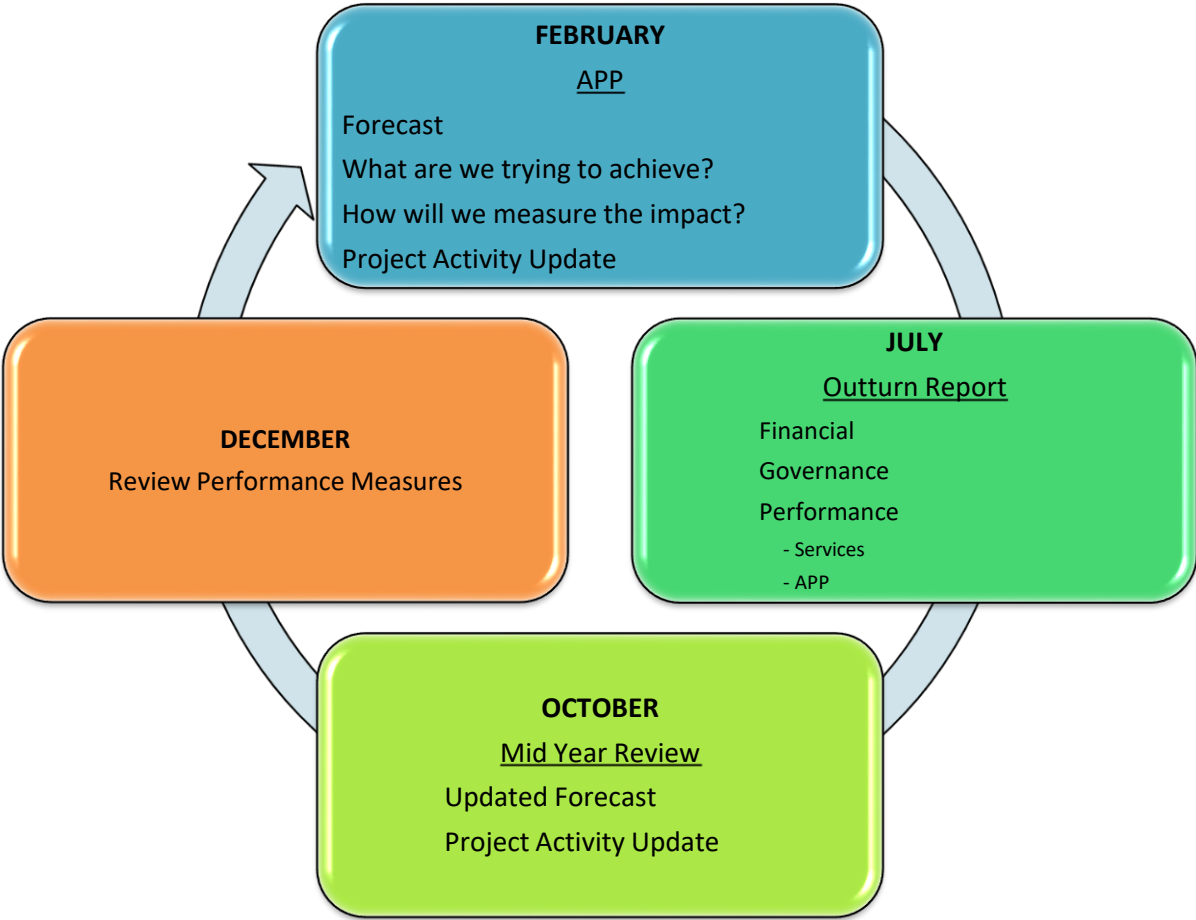
- Inclusion Reference Group
- Shadow Combined Authority / Lancashire Leaders

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 2023/24 and beyond we are making a significant impact in the City working alongside our partners:

- Reduce costs and deliver further value for money by increasing online transactional access to more services.
- Improve the effectiveness of our service delivery by implementing cost effective technologies such as Interactive Voice Recognition software.
- Progress working towards making the Council sustainable in the long term.
- We continue to provide accessible services to the public.

APP PERFORMANCE REPORTING



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 (2022/22) and projections for the years 2023/24 to 2026/27 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 (2022/23) and projections for the years 2023/24 to 2026/27. 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 financial period for major development plans, the vehicle replacement programme, the core and major asset maintenance

plan, long-term investment and 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:-



The Council is implementing improvements to Performance Management.

THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2023/24 AND UPDATE ON FUTURE GOVERNMENT FUNDING

1. On 6 February 2023, the Government published the Local Government Finance Settlement for 2023/24. The announcement included funding for 2023/24 only.
2. Appendix E sets out the funding from Government. For 2023/24 a grant which is usually received separately has been rolled into the main funding allocation, called the Settlement Funding Assessment, as Revenue Support Grant. The Government is providing an additional one-off funding guarantee to ensure all Councils receive a minimum of 3% increase in spending power before making local decisions. The one-off grant is £0.476m in 2023/24. The Council is also receiving a Services Grant of £0.225m. Assumptions have been included to estimate Government funding from 2024/25 onwards however actual allocations for this period are currently unknown.
3. The **Council Tax referendum principles** allow the Council to increase Council Tax by up to 3% in 2023/24, for 2022/23 it was 2%. This means if the Council sets a Council Tax of 3% or above it would have to hold a referendum to agree the increase. These principles do not include Parish Councils.
4. The Cabinet proposals include a **2.99% Council Tax increase** for 2023/24; a new Band D charge of £343.60.
5. Council tax collection rates and Council Tax support levels have fluctuated over the last couple of years. During Covid collection rates reduced and Council Tax support increased. Collection rates then started to recover, and Council Tax numbers started to reduce. Recently however, the Cost of Living crisis is having an impact and collection rates are starting to reduce again. The Council is proactively assisting residents and communities during this next crisis.
6. The collection rate for business rates income has increased following the reduction seen during Covid. At the moment the collection rates have not been impacted, however this is being closely monitored during the Cost of Living crisis.
7. The Council is remaining out of the Lancashire Business Rates pool in 2022/23 and 2023/24. This is based on the reduced protection (i.e., no individual safety net) of the Lancashire Business rates pool.
8. The Government have published **New Homes Bonus allocations** for 2023/24. This is a one-year only payment. The future position on New Home Bonus or if there will be a replacement scheme is still unknown. The Council has previously paid its New Homes Bonus into the City Deal.

2023/24 CABINET BUDGET PROPOSALS

1. The Cabinet have put forward the following budget strategy in working towards setting the 2023/24 Budget and Council Tax:

- **Council Tax Increase** – it is proposed to increase Council Tax in **2023/24** by **2.99%**.

Savings Proposals

- **Vacancy Savings Challenge** – Ongoing savings of **£100k** per annum from staffing budgets by increasing the vacancy savings target in line with current turnover and vacancy rates.
- **Revenues and Benefit Shared Service with Lancaster City Council** – Ongoing savings of **£140k** per annum (split 50/50) **£70k** for the Council, from staffing restructure.
- **Planning Service- £25k in 2023/24 rising to £50k 2024/25 onwards** from removal of a vacant post in the Planning Department.
- **Short-term reduction in non-staffing budgets** – Savings of **£100k** in 2023/24 and **£200k** in 2024/25. As a result of the recent successful Government grant bids a couple of the Council's non statutory services will be reprogrammed to concentrate delivery on the projects within the bids. This is temporary and does not impact on staffing budgets. The budgets will be reintroduced following completion of schemes and when capacity allows schemes to go ahead.
- **Corporate Management Team Efficiency Challenge - £200k from 2023/24 onwards** – efficiency challenge review looking at underspends and more efficient ways of working,
- **Re-phasing of Capital Programme** – reduction in Minimum Revenue Provision budget over the life of the forecast by delaying the implementation of capital schemes.

Growth Proposals

- **Housing/Licensing Feasibility Study** – A budget provision of **£40k** in **2023/24** for a feasibility study.
- **Climate Change Feasibility Studies** - **£50k** in **2023/24** to allow feasibility studies to be undertaken on a number of climate change schemes.

Contribution to Earmarked Reserves

- **Contribution to the next Guild 2032** – the Council is contributing an annual percentage of council tax to set aside funds towards the next Preston Guild 2032.

Capital Proposals

1. The Council has undertaken a review of capital schemes and has rescheduled the programme to take into consideration the major work on the Towns Funds schemes and the need for borrowing against the schemes. The borrowing saving from rescheduling a number of schemes is partially offsetting the increase in borrowing costs from increased interest rates.

Continuation of Previous Budget Plans

1. The Council continues 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.
2. The Council's strategy is continuing to have a **planned release of non-earmarked reserves** to fund the shortfall in financing during the period of the financial forecast.
3. **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.

Stakeholder Consultation

1. Cabinet carry out stakeholder consultations on the proposals including raising Council Tax by 2.99%. The results of the consultation will be provided to Members at the Budget Council meeting.
2. Any 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.
3. The Budget Working Group who consists of Cabinet, 3 backbenchers and Corporate Management Team will meet during 2023 to work towards formulating the next efficiency plan to identify savings of £600k required in 2024/25. Consultation on the next savings plan will be carried out during the next budget process.

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 2022/23 Revenue Budget and set a Council Tax increase of 1.99% at the Budget Council meeting in February 2022. The forecast at that time showed general fund reserves being used over the life of the forecast and a saving requirement of £0.5m per annum from 2023/24. 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 highlighted within the appendices. During 2022/23 the economy has been volatile with interest rates increasing, inflation at a high, costs of construction and steel increasing significantly along with utilities costs and fuel. The forecast position is constantly moving and therefore it is difficult to forecast with any certainty the medium to long-term finances of the Council. Whilst the Government publishing a budget announcement which covered a two-year period the Council has only received finance

allocations for 2023/24. This is a further challenge to effective forecasting of the Council's finances.

4. The forecast has been updated to reflect the underspend position in 2021/22, slippage of budget from 2021/22 into 2022/23, 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:	2022/23 £m
Original Budget: set at Budget Council February 2022 (see appendix A)	22,620
Impact of 2021/22 Outturn (slippage of budget into 2022/23)	2,125
Other forecast issues included in this update	-2,181
Latest Estimate : Revenue Budget 2022/23 (see appendix E)	22,564

4. **General Fund (GF) Monitoring** - The Council has embedded financial monitoring procedures and processes. The latest financial projections are incorporated into the latest financial forecast.
5. The financial forecast approved at Budget Council February 2022 showed a savings requirement of £500k from 2023/24 onwards. This latest forecast has been further updated with latest financial projections and the Cabinet budget proposals for 2023/24.
6. The latest forecast sets out a savings requirement of £600k in 2024/25. 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.
7. The Budget Working Group which consists of Cabinet, 3 backbenchers and Corporate Management Team will work on formulating the next budget efficiency plan during 2023. These plans will take into consideration the £600k savings requirement in 2024/25. The savings target may change depending on the current economic position. If prices do not increase as projected then the target may reduce, however if costs continue to increase the target may need to increase. This will be closely monitored during 2023.

RESERVES AND PROVISIONS

1. 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 2022: £11.441m	Balance 31 March 2022: £32.415m

Appendix E contains the latest forecast for General Fund reserves.

2. The Cabinet Member for Resources is updated with the Reserves and Balances. 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.
3. In line with previous agreed budget proposals the Council has been using available reserves to enable a managed phased programme of savings and a balanced forecast. 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.
4. Recently the Council's earmarked reserves have been significantly higher than in previous years by up to £16m. Members should note this is mainly due to the technical accounting treatment for NNDR business rates compensation funding received from Government during Covid. The income had to be recognised in the year of receipt, however, the deficit on the collection fund from not receiving the NNDR business rates income during Covid is only being recovered over the period 2021/22 to 2023/24.

This has distorted the level of earmarked reserves held by the Council. A contribution from the earmarked reserves is being brought into the forecast to match the recovery of the deficit in each of the financial years and this element of the reserve is not available for other purposes.

EXTERNAL AUDIT

1. During the Audit of the 2020/21 Accounts a national issue arose regarding the audit of infrastructure assets. Specifically, where authorities had incurred expenditure on the replacement or enhancement of existing infrastructure assets. Grant Thornton along with other audit firms began to liaise with the Financial Reporting Council and CIPFA on this issue. At the time of the Audit meeting on 27 April 2022, the issuing of all local government audit opinions had been put on hold until further guidance had been published. The Council reviewed its infrastructure assets during 2022 and following some adjustments the 2020/21 accounts were presented to Audit Committee in December 2022 for approval after receiving an unqualified opinion from the external auditors.
2. The statutory date for the Section 151 Officer to sign off the 2021/22 accounts was 31st July 2022. However, due to the outstanding issue of accounting for infrastructure assets the accounts were not signed off at that date in instead a notice was published on the Council's website explaining the reason. The accounts were signed off during

December 2022 and the external audit is currently underway and is planned to be concluded by end of February 2023. The final 2021/22 accounts are to be presented to Audit Committee during March 2023 for approval. The delay and issue with Infrastructure Assets has been the case with quite a high % of Councils throughout the country.

3. As part of the Audit, Grant Thornton is required to report a Value for Money and financial resilience conclusion. The Value for Money conclusion was reported to a December Audit Committee for 2020/21 accounts. The Value for Money conclusion for the 2021/22's accounts is expected to be reported to March 2023 Audit Committee.

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.
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.

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 into the City Deal would come from the following:- Community Infrastructure Levy (CIL) receipts from residential and retail developments, Section 106 Contributions - assumption of additional revenue from development, New Homes Bonus and business rates growth.

Impact for the Financial Forecast of the City Deal

1. Since the start of the City Deal there has been increased building of new housing which brings in additional council tax for the Council, Lancashire County Council and the other 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 has been paid over to the City Deal.
3. The Council has been receiving a community provision allocation.

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

1. The Capital Programme assumes that Community Infrastructure Levy (CIL) receipts received from developers will be paid over to the City Deal. 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.

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 (NDR). 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 2022 was £2.520m. This deficit is being shared between the Council (15%), Lancashire County Council (70%), the Police and Crime Commissioner (11%) and the Fire and Rescue Authority (4%) in 2022/23 and 2023/24.
2. The balance is expected to be a surplus as at 31 March 2023 to £0.636m. This is due to an increase in the overall Council Tax base because of the amount of new homes and a fall in the previous year's bad debt provision due to a return to normality after Covid 19. The Council's share of the forecast surplus is £0.107m.

Business Rates (NNDR)

1. Under the Business Rates Retention 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%). The Council is not part of any Business Rates Pool for 2022/23.
2. As at 31 March 2022 there was an accumulated deficit on the Collection Fund for NNDR of £4.753m. The deficit is being shared between the City Council, the County Council, the Fire and Rescue Authority and Central Government in 2022/23 and 2023/24. The City Council's share of the deficit is £1.902m. The deficit was mainly due to the reliefs granted to business by central government in response to the Covid 19 pandemic, which meant that many businesses did not have to pay Business Rates during 2021/22. Section 31 Government Grant is received by the Council to compensate for the new NNDR reliefs the Council is statutorily obliged to grant, but this accounted for outside the Collection Fund. The Council received £7.853m of Section 31 grant to cover these reliefs in 2021/22 and a reconciliation of the reliefs given, and grant received will take place during 2022/23.
3. The latest forecast for 2022/23 is anticipating an in-year surplus and figures will be set out in the document presented to Budget Council.
4. 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 2022/23 TO 2026/27

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. Further details can be found in the investment strategy and the capital strategy.
4. 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.

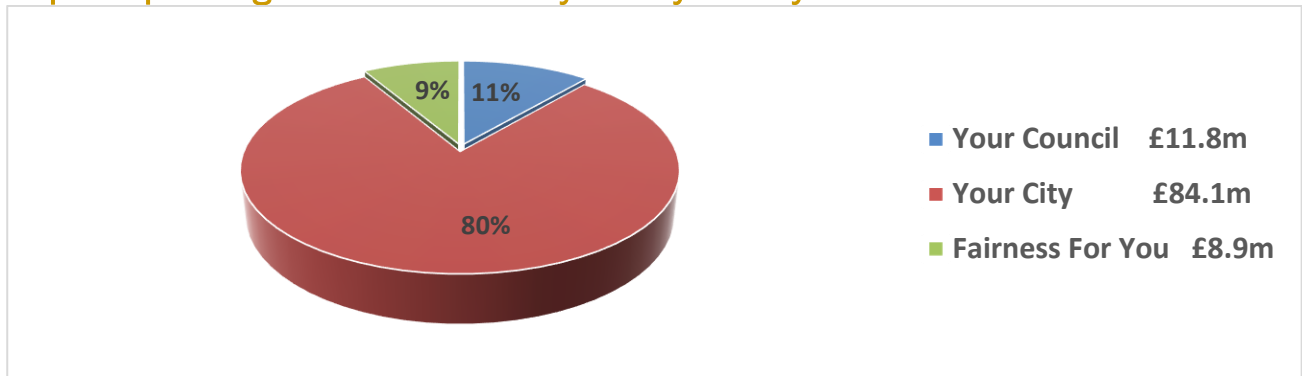
Background to the Capital Programme

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**. 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 2021:

Table: Capital Investment Programme Summary 2022/23 to 2026/27:
The table below highlights spend in relation to the Council's key priorities.

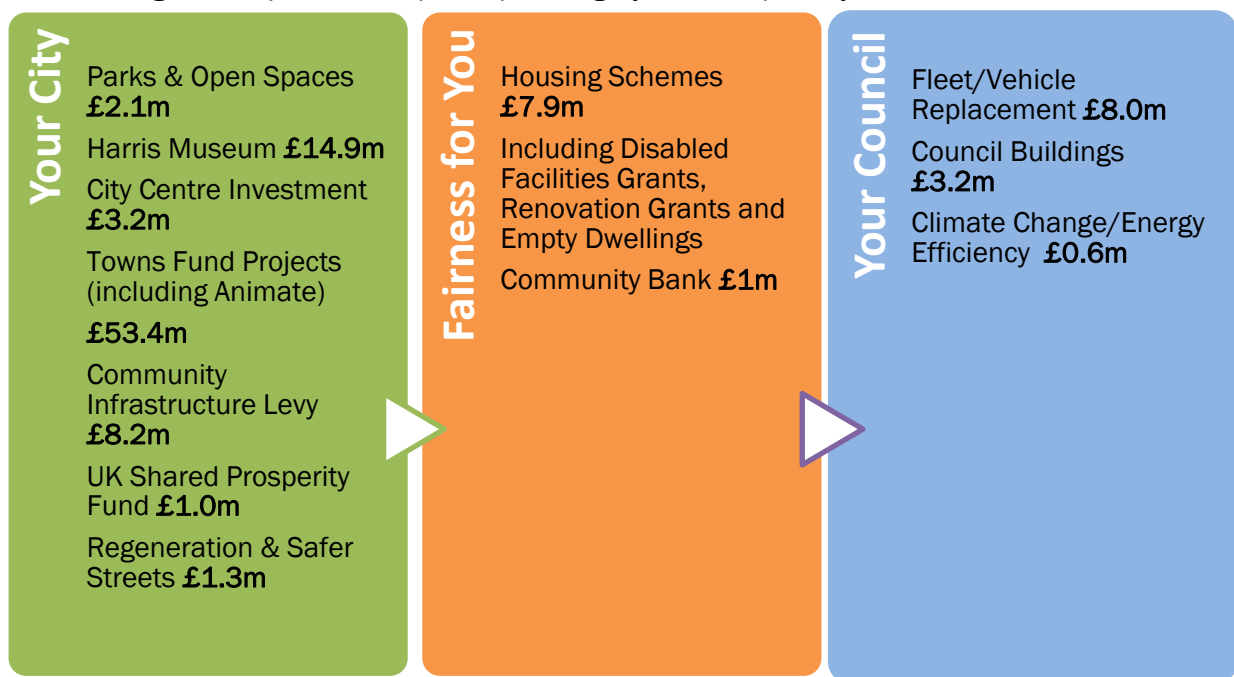
Priority Area	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Your Council	1.1	6.0	2.1	2.3	0.3	11.8
Your City	15.8	56.1	10.5	1.4	0.0	84.1
Fairness for You	2.3	2.4	2.6	1.7	0.4	8.9
Estimated Expenditure	19.2	64.5	15.2	5.4	0.7	104.8

Capital spending over the next five years by Priority:



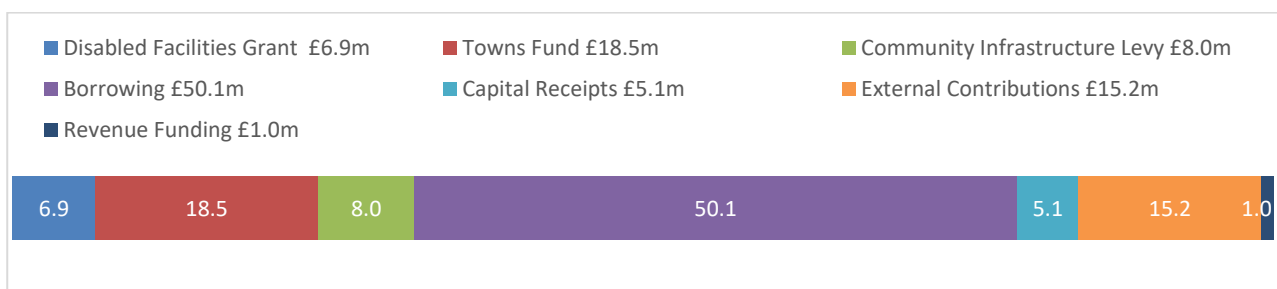
Examples of capital schemes by Council Priority:

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 Capital Strategy reports 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. Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework as summarised in the Capital Strategy appendix.

CONCLUSIONS – CAPITAL PROGRAMME

1. The Capital Programme reflects the latest reported position which includes the Towns Fund Schemes. Members should note the Levelling Up Fund schemes are not yet included. A separate report will be presented at Budge Council requesting approval of the Levelling Up Fund Memorandum of Understanding. On approval the schemes will be included within the Capital Programme.
2. An annual strategic review of the Capital Programme including a review of the Council's investment assets and operational assets is undertaken. 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. In addition, the Council reviews the financing of the programme including levels of prudential borrowing and available capital receipts.
3. The CIPFA accounting code of practice requires that any Community Infrastructure Levy (CIL) payments made by the Council are 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 is prepared in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. The strategy fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

3. This report sets out the proposed Treasury Management Strategy for 2023/24 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 Treasury Management Strategy is fully set out within the appendices to this document.

Investment Strategy

1. The investment strategy, in line with statutory guidance, covers service investments (lending or buying shares in other organisations to support public services) and commercial investments.
2. The Council does not currently 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. The Government announced a two-year deal during December 2022 however for the period 2023/24 to 2024/25 the Local Government Finance Settlement published 7 February 2023 had actual allocations for 2023/24 only.
2. The current reported forecast sets out that ongoing savings of £600k from 2024/25 are required to be identified to ensure a balance 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 2023.
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 were possible first.
4. 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. External expert advice is sought when necessary. The forecast is reviewed for sensitivities in underlying long-term assumptions.
5. 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 holds a number of earmarked reserves which may be used as a last resort to phase in future saving requirements. The earmarked reserves have been unusually

high due to the business rates compensation funding received from the Government during Covid, a majority of which is being refunded to Government imminently. This has distorted the level of earmarked reserves available for use by the Council for its own purposes.

6. The forecast includes a proposed 2.99% Council Tax increase in 2023/24 and thereafter. The capping rules allow for setting the Council Tax up to the 3% in 2023/24. If the Council set Council Tax above this percentage, then it would be required to hold a referendum which would cost in excess of £110k.

7. The Council carefully considers and monitors the risks set out in this report and in the Corporate Risk Register.

8. Financial Assurance Statement

8.1 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 2023 on the robustness of the Council's budget and the adequacy of reserves.

8.2 I have considered the major items of expenditure and income and their sensitivity to change, such as the current economic position, high inflation, the Cost of Living Crisis, unknown levels of future Government funding, the financial risks associated with the major City Centre regeneration, 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 climate.

8.3 I can confirm the recommendations contained in this report will provide the Council with a robust financial position in 2023/24. 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 a high level of uncertainty. The current economic position of high inflation and interest rates changes means the Council's financial forecast position is constantly changing. Depending on the shift/outcome of these risks there could be a major movement on the financial forecast set out at Appendix E. The major development in the City Centre Harris Quarter is bringing major regeneration to the City however it does bring a higher level of financial risk. Risk mitigations have been adopted where possible and Towns Fund governance and monitoring arrangements have been put in place. There are a number of contingent liabilities which, if they materialise will have a significant impact, these are closely monitored. The Budget Working Group will be working to formulate the plans for identifying the £600k savings requirement during 2023 and will continue monitoring the current economic position.

Initial Forecast February 2022

Financial Forecast - February 2022 Budget Cabinet Proposals

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Adv (A)/ Fav (F)
Forecast agreed February 2021	22,017	21,388	20,747	20,830	20,830	
Forecast Changes	- 1,076	888	1,710	536	1,051	(A)
Growth Proposals		344	302	302	302	(A)
Total Expenditure	20,941	22,620	22,759	21,668	22,183	
Financed by:						
Lower Tier Services Grant	237	254	-	-	-	
Services Grant - NEW		383				
Business Rates Baseline Funding	5,560	5,560	5,560	5,560	5,560	
New Homes Bonus (contributes to City Deal)	1,405	1,866				
Council Tax	12,579	13,249	13,685	14,114	14,554	
	19,781	21,312	19,245	19,674	20,114	
Call on Reserves	1,160	1,308	3,514	1,994	2,069	
General Fund Reserves						
Balance of Reserves b/f	9,880	8,720	7,412	4,398	2,904	
Less transfer to/(-)from reserves to Revenue in Year	- 1,160	- 1,308	- 3,514	- 1,994	- 2,069	
Savings requirement (to ensure £1.1m minimum balance)			500	500	500	
Year End Balance	8,720	7,412	4,398	2,904	1,335	
Band D Council Tax	£327.13	£333.63	£340.26	£347.03	£353.93	
Council Tax Increase	1.99%	1.99%	1.99%	1.99%	1.99%	

General Fund Forecast Assumptions

Key Area	Assumption	Comment
Pay Award	£1,925 for 2022/23. 4.5% for 2023/24 then 2% annually	The assumption for the pay award £1,925 on each salary point for 2022/23 then 4.5% 2023/24 and 2% p.a. thereafter. For information, an additional 1% pay award increase equates to c£225k per annum.
General Prices Inflation		Freeze on all general revenue expenditure with the exception of pay, fuel, insurance, utility budgets and maintenance costs. High inflation increases in these areas.
Slippage	£2.055m initially included in 2022/23 and a further £0.070m subsequently agreed	Underspend from 2021/22 agreed by Cabinet (July 2022) slipped into 2022/23.
Employers Pension Contribution	Currently includes 18.4% pa plus deficit recovery payment for 2022/23. Includes 12.8% pa including surplus for 2023/24 to 2025/26.	Figures included as per the outcome of the 2019 Triennial Review which covers 2020/21 to 2022/23 and draft figures for the 2022 Triennial Review covering the period 2023/24 to 2025/26 which is currently being finalised.
Employer National Insurance Contributions	Employer's standard rate reduced back to 13.8% from November 2022.	9.4% is the average employer's percentage for the Council in 2023/24. The previous increase of 1.25% to the standard rate announced by Government for 2022/23 is reversed from November 2022.
Government Grant Support	Based on the Local Government Settlement figures	Based on the Local Government Finance Settlement figures received February 2022 for 2022/23 and figures received in February 2023 for 2023/24 onwards.
Council Tax Increase	1.99% in 2022/23 2.99% in 2023/24 to 2026/27	The increase set for 2022/23 was 1.99%. This council tax principles have been amended to allow District Councils to increase the council tax up to 3% for 2023/24 onwards.
New Homes Bonus Grant	One off allocation for 2022/23 One-off allocation for 2023/24 (draft)	The income received from New Homes Bonus reflects the Government's allocations as announced February 2022 and .
Fees and Charges	Various	The 2023/24 Fees and Charges are in the process of being reviewed by the Cabinet Members. Increases to fees and charges are agreed by Cabinet Members annually in line with delegations.
Vacancy Savings	£350k per annum from 2023/24 Plus an additional £100k pa put forward in Savings proposals	Estimated savings from vacant posts. Forecast increased to £675k for 2022/23 then to £350k pa ongoing based on current vacancy rate. It is also put forward in the Savings proposals to increase this by a further £100k per annum from 2023/24.
Capital Borrowing	Various	Provision has been made for all Capital Programme borrowing unless indicated in the Programme.

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

Latest Forecast Changes

	Key Area	2022/23 £0002	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Adv (A)/ Fav (F)
	Impact of Outturn 2021/22 and forecast extension						
i	Slippage from 2021/22	2,125	0	0	0	0	(A)
ii	2026/27 Forecast Extension - Salary	0	0	0	0	450	(A)
	Other unavoidable spending pressures & changes to assumptions						
iii	Release of Earmarked Reserves	-876	0	0	0	0	(F)
iv	Underspend challenge	-300	0	0	0	0	(F)
v	Fuel Costs	200	100	100	100	100	(A)
vi	Utilities	0	809	809	809	809	(A)
vii	Insurance	105	105	105	105	105	(A)
viii	Audit Fees	50	50	50	50	50	(A)
ix	Increased in vehicle maintenance costs and vehicle hire	315	170	40	40	40	(A)
x	Contribution from vehicle set aside to fund additional costs	-315	-170	-40	-40	-40	(F)
xi	Other Price Inflation	10	32	32	32	32	(A)
xii	National Insurance % increase reversal	-52	-124	-124	-124	-124	(F)
xiii	Pay Award	820	1,463	1,463	1,463	1,463	(A)
xiv	Pensions Triennial Review Revaluation	0	-900	-900	-900	-500	(F)
xv	Added Years & AVC Savings	-35	-67	-67	-67	-67	(F)
xvi	Urgent additional tree maintenance	-70	70	0	0	0	
xvii	Reports to be brought to Members	94	82	82	82	82	(A)
xviii	Interest payable and MRP rephasing	-671	-974	778	738	129	
xix	Investment Income increases	-887	-394	0	0	0	(F)
xx	Transfer to Treasury Reserve for future borrowing costs	887	394	0	0	0	(A)
xxi	Fees and charges	-35	-12	-12	-12	-12	(F)
xxii	Vacancy savings	-500	-175	-175	-175	-175	(F)
xxiii	New Homes Bonus	0	1,614	0	0	0	(A)
xxiv	Business Rates Revaluation 2023	0	42	42	42	42	(A)
xxv	Business Rates - Harris	0	-67	-30	0	0	(F)
xxvi	City Centre Assets	-150	-433	584	591	588	(A)
xxvii	IT Strategy Reserve	0	25	150	150	150	(A)
xxviii	Rephasing and project slippage	-290	240	50	0	0	
xxix	Technical adjustment, release of contingency, & misc	-481	-396	-277	-295	-295	(F)
xxx	New Local Council Tax Support Fund	0	315	0	0	0	(A)
xxxi	New Local Council Tax Support Fund Grant	0	-315	0	0	0	(F)
		-56 (F)	1,484 (A)	2,660 (A)	2,589 (A)	2,827 (A)	

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 2021/2022 and forecast extension	
i	Slippage from 2021/2022	Slippage of £2.125m relating to underspends in 2021/22.
ii	2026/27 Forecast Extension	The impact of adding a year to the financial forecast
ii	Other unavoidable spending pressures & changes to assumptions	
iii	Release of Earmarked Reserves	Use of Earmarked Reserves to fund income losses and additional expenditure
iv	Underspend challenge	£300k increase in underspend target in addition to the existing £350k pa target for 2022/23 to reflect savings achieved in preceding years. Savings proposal to increase this by £200k pa to £500k pa from 2023/24.
v	Fuel costs	Increasing fuel costs associated with operational vehicle fleet
vi	Utilities	Utility costs are to rise significantly from next financial year
vii	Insurance	Insurance costs have risen significantly due to market conditions and inflation
viii	Audit Fees	External Audit fees are rising as part of the national contract award process led by PSAA Ltd.
ix	Increased in vehicle maintenance costs and vehicle hire	Increase in vehicle maintenance costs as a result of the fleet being not yet being replaced and incurring higher unscheduled maintenance costs
x	Contribution from vehicle set aside to fund additional costs	This set aside is for funding the borrowing costs of vehicles however as delays to the purchasing the vehicle means the fund has not been called upon fully therefore available for funding the above costs.
xi	Other Price Inflation	General price inflation, particularly on maintenance costs
xii	National Insurance % increase reversal	The increase set by the Government last year as been reversed
xiii	Pay award	The national local government pay award negotiations resulted in a £1,925 increaser on all salary scales.
xiv	Pensions Triennial Review Revaluation	The 2022 revaluation of the Pension Fund has resulted in a surplus eliminating the need for additional payments previously required to cover the deficit.
xv	Added Years & AVC Savings	Savings due to changes in assumptions for retired pensioners, and existing staff AVC salary sacrifice scheme
xvi	Urgent additional Tree maintenance	Rephasing of urgent tree maintenance required
xvii	Reports to be brought to Members	The impact of various reports brought to members during 2022/23
xviii	Interest payable and MRP re-phasing	Re-phasing of interest and MRP budgets
xix	Investment Income increases	Increase in investment income returns due to increase in interest rates set by the Bank of England
xx	Transfer to Treasury Reserve for future borrowing costs	Transfer of additional investment income returns to Treasury Reserve to fund future borrowing costs

xxi	Fees and charges	Various minor changes to fees and charges budgeted income
xxii	Vacancy savings	Increase in vacancy savings target over the forecast period
xxiii	New Homes Bonus	New Homes Bonus set aside for future investment
xxiv	Business Rates Revaluation 2023	Impact of the 2023 business rates valuation list changes on our own properties
xxv	Business Rates - Harris	Reduction in Business Rates due to the Harris Museum being closed for refurbishment
xxvi	City Centre Assets	Cost of city centre regeneration schemes
xxvii	ICT – Strategy Reserve	Transfer to the ICT Strategy Reserve to fund future investment in ICT infrastructure
xxviii	Rephasing and project slippage	Rephasing of 2022/23 budgets to future years where projects have been delayed
xxix	Technical adjustment, release of contingency, & misc.	Various budget adjustments including technical accounting changes, corrections to budgets, transfers from earmarked reserves and release of contingency amounts not required
xxx	New Council Tax Support Fund	Expenditure relating to the new government Local Council Tax Support Fund
xxxi	New Council Tax Support Fund Grant	Grant income relating to the new government Local Council Tax Support Fund

General Fund Forecast

Financial Forecast - February 2023 Council

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Adv (A)/ Fav
Forecast agreed February 2022	22,620	22,759	21,668	22,183	22,183	
Forecast Changes	- 56	1,484	2,660	2,589	2,827	(A)
Savings		- 510	- 790	- 535	- 445	(F)
Growth Proposals		90				(A)
Guild fund contribution		69	137	206	276	(A)
Technical Adjustment - LCTS grant now in baseline funding		193	193	193	193	(A)
Total Expenditure	22,564	24,085	23,868	24,636	25,034	
Financed by:						
Lower Tier Services Grant	254	-	-	-	-	
Services Grant	383	225	225	200	200	
Minimum Funding Guarantee		476				
Revenue Support Grant	1	212	212	-	-	
Business Rates Baseline Funding	5,560	5,768	5,768	5,768	5,768	
New Homes Bonus (contributes to City Deal)	1,866	1,614				
Council Tax	13,249	14,228	14,738	15,379	16,045	
	21,313	22,523	20,943	21,347	22,013	
Call on Reserves	1,251	1,562	2,925	3,289	3,021	
General Fund Reserves						
Balance of Reserves b/f	11,441	10,190	8,628	6,303	3,614	
Less transfer to/(-)from reserves to Revenue in Year	- 1,251	- 1,562	- 2,925	- 3,289	- 3,021	
Savings requirement (to ensure £1.1m minimum balance)			600	600	600	
Year End Balance	10,190	8,628	6,303	3,614	1,193	
Band D Council Tax	£333.63	£343.60	£353.87	£364.45	£375.34	
Council Tax Increase	1.99%	2.99%	2.99%	2.99%	2.99%	

Savings & Growth Proposals

Savings Proposals

	Key Area	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Adv (A)/ Fav (F)
i	Vacancy Savings Challenge	-100	-100	-100	-100	(F)
ii	Planning vacancy saving - £50k	-25	-50	-50	-50	(F)
iii	Shared Service - Revenues & Benefits restructure	-70	-70	-70	-70	(F)
iv	Reschedule of non statutory services programme (non staffing)	-100	-200	0	0	(F)
v	CMT Efficiency Challenge - underspends and efficiencies	-200	-200	-200	-200	(F)
vi	Rescheduling Capital Schemes - short term borrowing costs saving	-15	-170	-115	-25	(F)
		-510	-790	-535	-445	

Growth Proposals

	Key Area	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Adv (A)/ Fav (F)
i	Housing/Licensing Feasibility Study	40	0	0	0	(A)
ii	Climate Change Feasibility Studies	50	0	0	0	(A)
		90	0	0	0	

Capital Financing Statement

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total 2022/23 - 2026/27 £'000
Estimated Expenditure						
Schemes in Progress	14,128	22,582	5,940	2,765	50	45,465
Harris Quarter Cinema and Leisure Scheme (Animate)	4,777	29,426	4,793	551	0	39,547
Schemes Awaiting Approval	208	1,188	3,486	2,110	575	7,567
New Schemes	58	11,239	964	0	0	12,261
Total Capital Payments	19,171	64,435	15,183	5,426	625	104,840
Estimated Resources						
Direct Revenue Finance	181	27	0	0	0	208
Disabled Facilities Grant	1,908	1,619	1,680	1,680	0	6,887
Towns Fund	3,809	13,470	961	0	0	18,240
Town Deal Accelerated Funding	105	121	0	0	0	226
Other External Finance	2,667	7,497	5,084	0	0	15,248
Community Infrastructure Levy	4,675	2,810	534	0	0	8,019
Prudential Borrowing	1,471	6,115	3,896	2,292	625	14,399
Prudential Borrowing - Animate	3,755	22,264	1,297	551	0	27,867
Prudential Borrowing - Vehicle Replacement	245	5,152	1,601	803	0	7,801
Capital Reserves	0	360	100	100	0	560
Earmarked Reserves	255	0	0	0	0	255
Capital Receipts	100	5,000	30	0	0	5,130
Total Resources	19,171	64,435	15,183	5,426	625	104,840
Total surplus(-)/shortfall in year	0	0	0	0	0	0
Cumulative total surplus(-)/shortfall	0	0	0	0	0	0

Capital Programme 2022/23 to 2026/27

▼	Payback schemes
■	ICT Strategy Fund
TF	Towns Fund Programme

Scheme Cost Centre	Schemes in Progress	Key	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total 2022/23 - 2026/27 £'000
	PCC Schemes							
2103	Harris Museum & Library - Internal Works		0	12				12
2117	Town Hall Internal Areas Refurbishment		13					13
2137	General Car Park Repairs Ph 2		7					7
2143	Town Hall - Window Replacement				199			199
2146	Town Hall - New roof installation & Membrane		14					14
2149	Miller Park Offices - Rebuilding of WC & Mess Room		20	59				79
2151	Core & Major Assets Review 2019/2020 to 2022/2023		50		315	52	50	467
2153	City Centre Asset Management		0	128				128
2155	Moor Park Lighting		50					50
2156	St. Paul's Depot Security Works		48					48
3219	Traffic Management Schemes					55		55
3220	Rough Hey Road					150		150
3236	The Guild Wheel					25		25
3238	Riversway Lock Gates		44	14				58
5651	Alleygating			18				18
5952	Making Homes From Houses		355	694				1,049
6980	Ashton Park Drainage Scheme		1					1
7310	ICT - Virtual Desktop Infrastructure	n	19					19
7313	ICT - iLAP replacement project		3					3
7315	Server, Storage, Backup and Disaster Recovery		9					9
7316	Upgrade of Power Supply and Fire Suppression - ICT Suite		10					10

Scheme Cost Centre	Schemes in Progress	Key	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total 2022/23 - 2026/27 £'000
7946	Brockholes Brow Landslip - Design & Construction Works		550					550
7947	Grange Farm Essential Repairs		226					226
7952	City Centre Investment Fund		220					220
7961	COVID Recovery / Climate Change Schemes			500				500
7966	Riversway Managed Workshops - Security Improvement Works		50					50
8317	Vehicle Replacement Scheme 2022 to 2026		465	5,152	1,601	803		8,021
	Total PCC schemes		2,154	6,577	2,115	1,085	50	11,981
	Schemes funded wholly/partly by External Finance or Government Grants							
2431	Winckley square Townscape Heritage Initiative		25					25
3221	Grimsargh Cycle Route			100	253			353
5056	Safer Streets Initiative		86	11				97
5930	Disabled Facilities Grants		1,908	1,619	1,680	1,680		6,887
6342	Re-Imagining the Harris - Delivery Ph 1	TF	2,593	6,253	552			9,398
6343	Re-Imagining the Harris - Ph 2 Towns Fund	TF	1,016	762	15			1,793
6344	Re-imagining the Harris Ph 4 External Masonry Work	TF	287	516				803
6345	Re-Imagining the Harris Ph 5 Special Exhibition	TF	137	448				585
6346	Re-Imagining the Harris - Additional works	TF	100	1,715				1,815
6347	Harris Changing Places Facility			30				30
6354	Re-Imagining the Harris Ph 3 2nd Floor Galleries		52	398				450
6350	Preston Youth Zone (approved interim costs)	TF	369					369
6351	Renewal of Harris Quarter Assets (interim costs)	TF	52					52
6352	Harris Quarter Cinema and Leisure Scheme (Animate)	TF	4,777	29,426	4,793	551		39,547
6353	Illuminate & Integrate	TF		991				991
6355	Towns Fund Programme Management	TF	116	100	100			316

Scheme Cost Centre	Schemes in Progress	Key	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total 2022/23 - 2026/27 £'000
6967	Drainage & Enhancement Scheme - Football Pitches		45					45
6975	Replacement of Balustrades - Avenham & Miller Park		5					5
6976	Conway Park - Perimeter Footpath Project		4					4
6977	Highgate Woods - Boardwalk Reconstruction Project		29	1				30
6978	Moor Park Changing Places Facility			50				50
6979	Conway Park Play Area Phase 2 Refurbishment		34					34
6982	Levelling Up Parks Fund		48					48
7970	UK Shared Prosperity Fund		137	201	691			1,029
7967	Music Venue Loan		150					150
7963	Rapid Re-Housing Pathway Funding							-
7964	Community Infrastructure Levy		4,675	2,810	534			8,019
7965	Preston Towns Fund - Harris Quarter Pop Ups	TF	105					105
			16,751	45,431	8,618	2,231	-	73,031
	Total of Schemes in Progress		18,905	52,008	10,733	3,316	50	85,012

Scheme Cost Centre	Schemes awaiting Approval	Key	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total 2022/23 - 2026/27 £'000
capua1	Avenham Car Park - Lift Replacement		130					130
capua2	Moor Park Football Pavilion - Refurbishment			0		75		75
capua10	Investment Property Refurbishment Programme		38	30	30			98
capua11	Fishergate Hill Parks Fund			140				140
capua13	Parks Electrical, Heating & Security Upgrades			0			235	235
capua15	Community Bank			100	900			1,000
capua16	Town Hall - Window Replacement			0	0	200	220	420
capua17	Energy Efficiency works			113				113
capua18	Avenham Car Park Security	s		100				100
capua20	City Centre Asset Management			0	2,214	466		2,680
capua22	Core & Major Assets 2021/2022 - Parks & Open Spaces			485	242	0	120	847
capua23	Core & Major Assets 2021/2022 - Operational Buildings			0	0	1,269		1,269
capua25	Riversway Managed Workshops		40					40
capua26	Community Related Asset Infrastructure			220	100	100		420
	Total of Schemes Awaiting Approval		208	1,188	3,486	2,110	575	7,567
	Towns Fund Programme - subject to approval of business cases							
6350	Preston Youth Zone	TF	0	3,270	550			3,820
6351	Renewal of Harris Quarter Assets	TF	8	7,091				7,099
6353	Illuminate & Integrate	TF	50	878	414			1,342
	Total New Schemes		58	11,239	964	0	0	12,261
	Capital Programme Total		19,171	64,435	15,183	5,426	625	104,840

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	
Business Rates & Future Government Funding	Medium	High	
The Government delayed the change in the Business Rates scheme. It is still unknown how the Business Rates scheme will operate from 2024/25 onwards. Future detailed allocations and splits between two-tier authorities are still unknown. The outcome of the fair funding consultation carried out early in 2018 is the suggested basis of the baseline calculation. Until further information is known we are highlighting this as a significant financial risk 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
Cost of Living	High	High	
Expected increase in the demand on services due to the impact of the cost of living increases on residents, such as delivering energy rebate and grants schemes, along with financial risk that could impact future years such as impact on council tax collection rates, impact on NNDR collection rates, increase in the cost of council tax support. The Council is also seeing increases in its own utility costs and general costs of supplies and services.			This has an unknown impact and is difficult to estimate.
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.
Impact on forecast from delays in identifying and implementing savings plans	Medium	High	
Savings plans to be identified to achieve the required target to balance the forecast. If there are delays to the identification and implementation of the savings targets this could have a negative impact on the forecast.			Savings plans are reviewed by CMT and Budget Working Group.
New Homes Bonus (NHB)	Medium	Medium	
The Government indicated that NHB legacy payments will be honoured but the scheme for 2023/24 will be a one-year allocation. We are still awaiting confirmation for future funding, whether there will be an allocation for 2024/25 or if alternative funding will be put in place.			Changes to NHB is closely monitored.

Pension Triennial Review	Medium Medium	
<p>The Triennial Review covering the period 2023/24 to 2025/26 is currently being finalised, although a surplus is forecast. Pension costs continue to be a future risk for the Council.</p>		<p>An estimate for potential pension costs from the next triennial review has provisionally been included.</p>
Council Tax Support Scheme	High Medium	
<p>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. Covid-19 and the cost-of-living crisis has impacted on the levels of council tax support and the scheme has seen significant increases in recent years. The risks associated with the scheme remain:-</p> <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. 		<p>The Council closely monitors Council Tax collection rates.</p>
Stock Transfer Issues	Low High	
<p>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.</p>		<p>These risks continue to be monitored</p>
Preston Bus Pension Guarantee	Low Medium	
<p>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>		<p>The Council continues to monitor the situation.</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.

Universal Credit

Medium Medium

The Government is consolidating a number of current welfare benefit allowances into a revised Universal Credit Scheme which went live in July 2018 in Preston. One of these is Housing Benefits which is currently administered by the Council. The new Universal Credit Scheme will be provided on-line and administered by Department of Work and Pensions with support required from the Council. The scheme is being rolled out in stages and has had minimal impact on the Council's operations to date.

This is being monitored closely including seeking information on how the introduction of universal credit has impacted in those authorities where it was introduced earlier.

Pay Inflation

Medium High

The forecast includes the agreed pay award of £1,925 on all salary points for 2022/23 and an estimate for a 4.5% for 2023/24 and 2% from 2024/25 onwards. Any variation above this estimate will impact on the Council's resources. The cost of an additional 1% increase is c£225k per annum. This will be kept under review and the assumption in the forecast may need to be changed.

The agreed offer for 2022/23 is £1,925 on all salary points which exceeds our previous forecast.

Income Streams

Medium Medium

Some income streams continue to face pressure as a result of the cost-of-living crisis. These are being monitored closely.

All income streams continue to be closely monitored within the budget monitoring to Budget holders, CMT and Cabinet Members

Council Tax Administration Grant

Medium Medium

The Council previously received a combined Housing and Council Tax Administration grant of approximately £0.7m per annum paid by the Department of Work & Pensions (DWP) and Department of Levelling Up, Housing and Communities (DLUHC). The Council Tax element has now been "rolled up" into our baseline funding assessment from 2023/24 onwards.

Vehicle Fleet	Medium	High	
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.		The Council has a 10 year vehicle replacement plan in place which monitors costs of vehicle replacements and if funds are sufficient.	
Guild Hall	High	High	
The Guild Hall is a major asset which incurs significant costs.		The Council seeks to mitigate the financial risk of all assets.	
Towns Fund and City Centre Projects - Impact on Revenue Budget	High	High	
Volatile markets, changing interest rates, changing project scope and increasing construction costs are impacting on the borrowing costs of the major Towns Fund and City Centre projects.		The Council will continue to engage its expert Treasury advisors to ensure borrowing is taken at the optimum time and ensure all funding options are considered in order to minimise costs.	
KEY AREAS OF FINANCIAL RISK (CAPITAL)			
The following risks are relevant in respect of the Capital Programme:			
Vehicle Replacement Programme	High	Medium	
The Council has a large vehicle fleet which requires replacing on a rolling programme. The procurement of vehicles can take a significant length of time which can mean delays in replacing the fleet and result in additional revenue costs from ad hoc maintenance costs.		A review of the replacement programme is carried out annually resulting a list being compiled of those vehicles ready for replacement.	
City Centre Assets	Medium	High	
The Council has ambitious plans for the City and has been successful in achieving significant levels of external funding. The Council will be accountable body for these funding streams and therefore this brings risk of clawback and requires the Council to have strong governance arrangements in place.		The Council is putting in place specific governance arrangements for the Towns Fund scheme on top of the existing controls.	

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. This results in an inherent risk in the forecast level of programmed resources particularly in the latter years of the Programme.			Updates on potential sale of assets is supplied by Property Services
Disabled Facilities Grant (DFG)	Medium	Low	
From 2015/16 the budget became the responsibility of the Department of Health who incorporated the Disabled Facilities Grant (DFG) 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 has agreed to transfer the funding allocations to the Districts in line with grant received. Any future reduction in DFG received by the Council will 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.
Towns Fund and City Centre Projects	High	High	
The Council is currently undertaking a major programme of Towns Fund and city centre development schemes which bring with them significant financial and operational risk. There is the potential for cost increases, delays and project overruns, and an impact on the capacity of officers. Furthermore, there are substantial monitoring and reporting requirements in relation to Towns Fund schemes which must be met.			The Council closely monitors progress on capital schemes. Additionally, the Towns Fund has its own Board responsible for delivery and a sub-board responsible for Monitoring and Evaluation of the schemes.
TREASURY MANAGEMENT RISKS	High	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 expert external treasury advisors.

Capital Strategy Report 2023/24

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 2023/24, the Council is planning capital expenditure of £64.4m summarised in Table 1.

Table 1 Prudential Indicator: Estimates of Capital Expenditure

Priority Area	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Your Council	1.1	6.0	2.1	2.3	0.3	11.8
Your City	15.8	56.1	10.5	1.4	0.4	84.1
Fairness for You	2.3	2.4	2.6	1.7	0.0	8.9
Estimated Expenditure	19.2	64.4	15.2	5.4	0.6	104.8

The table above highlights planned capital spend in relation to the Council's key priorities. Work is ongoing in relation to the Harris Quarter Cinema and Leisure (Animate) scheme and the £104.8m capital programme includes the full capital costs for this scheme (£39.5m).

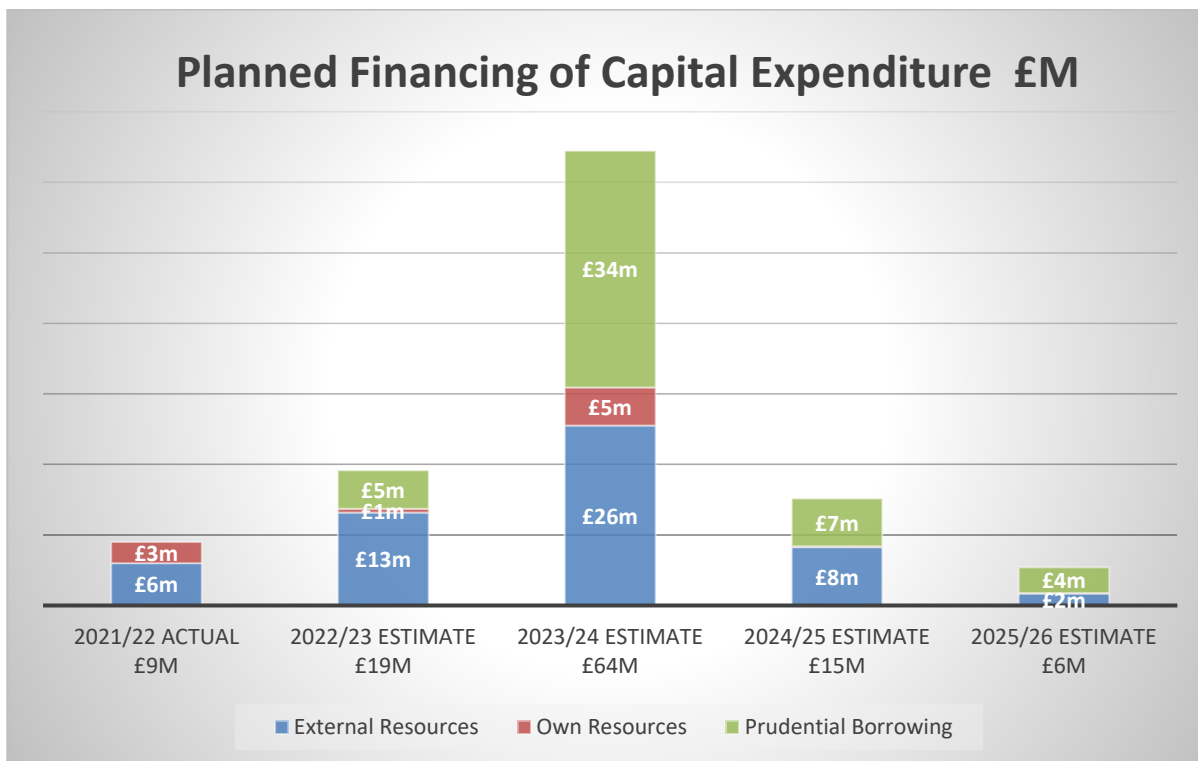
Governance: A strategic review of the Capital Programme including a review of the Council's investment assets and operational assets is carried out annually. The reviews take into consideration works identified from stock condition surveys (over a ten-year time frame) and investments/capital expenditure. The normal process is for bids to be 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 strategic 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.

During 2022/23, due to the additional work commitments in relation to major investment schemes such as the Towns Fund programme, any new capital requirements have been dealt with by individual council reports. Examples of schemes approved are Harris Quarter Cinema and Leisure Scheme, Conway park refurbishment (Phase 2), Riversway Lock gates plus grant funded schemes including; Safer Streets Initiative, UK Shared Prosperity Fund and Levelling Up Parks Fund.

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

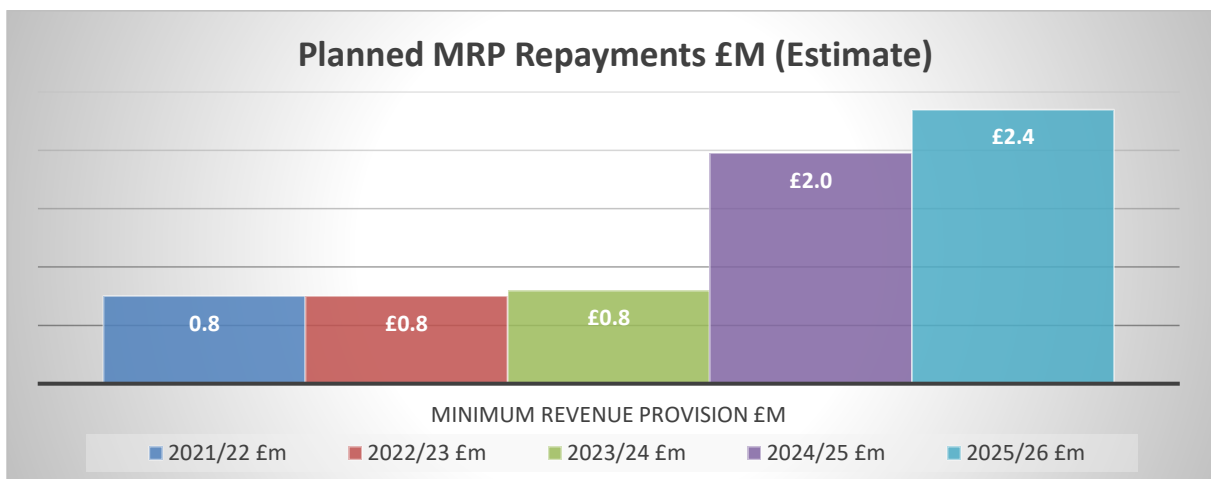
All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council’s own resources (revenue, reserves, and capital receipts) or debt (borrowing or leasing). The planned financing of the expenditure in Table 1 is as follows:

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

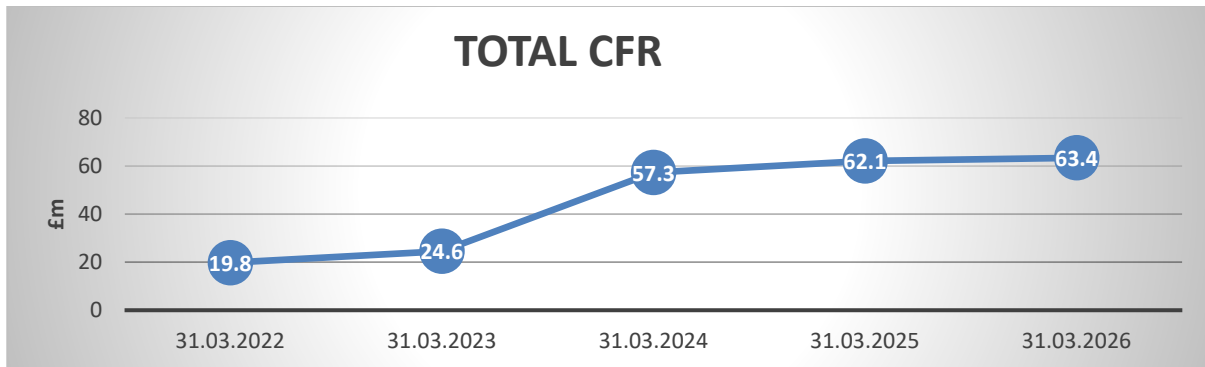


The overall trend of MRP is increasing due to the cost of financing the Capital Programme.

- 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. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Estimates of Capital Financing Requirement



The CFR increases significantly in the year 2023/24 as capital expenditure on the Animate project accelerates.

Asset management: To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy.

A review of the future capital requirements of the council's investment and operational assets has recently been carried out and updates made to the capital programme. Further work is planned during 2023 to review the Investment Properties long term requirements along with regeneration and development opportunities.

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 is also permitted to spend capital receipts on service transformation projects until 2022/23. The Council plans to receive £5.1m of capital receipts in the coming financial year as follows:

Table 5: Capital Receipts

	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	Total Estimate £m
Asset sales*	0.8	0.3	1.5	2.0	1.5	6.1
Right to Buy Receipts	0.7	0.5	0.1	0.1	0.1	1.5
TOTAL	1.5	0.8	1.6	2.1	1.6	7.6

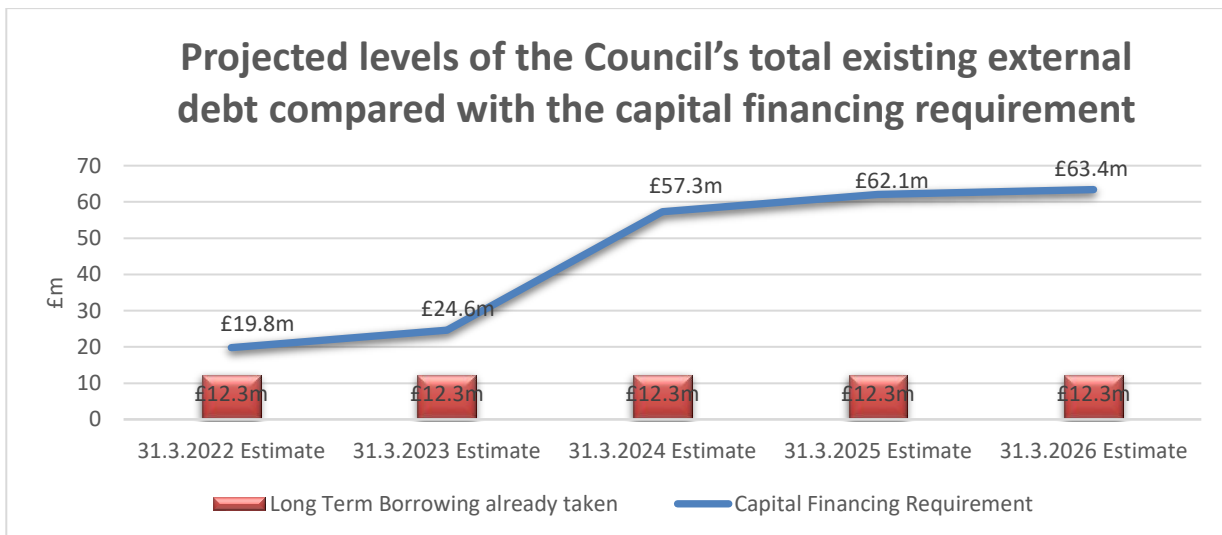
- Further details of financing from capital receipts are included within the capital programme in Appendix G
- The Council has formally agreed to the flexible use of capital receipts however there are no specific plans to use capital receipts to fund efficiency plan revenue expenditure in the budget's forecasts.
- The Council has recently agreed to review sale opportunities to obtain a higher level of capital receipts thereby reducing the borrowing requirement. However, some capital receipts may be achieved from restructuring existing leases. In addition, the Council is negotiating outstanding rent reviews which may reduce the level of capital receipts requirement.

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 is 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%.
- The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.
- Projected levels of the Council's total outstanding debt are shown below, compared with the capital financing requirement.

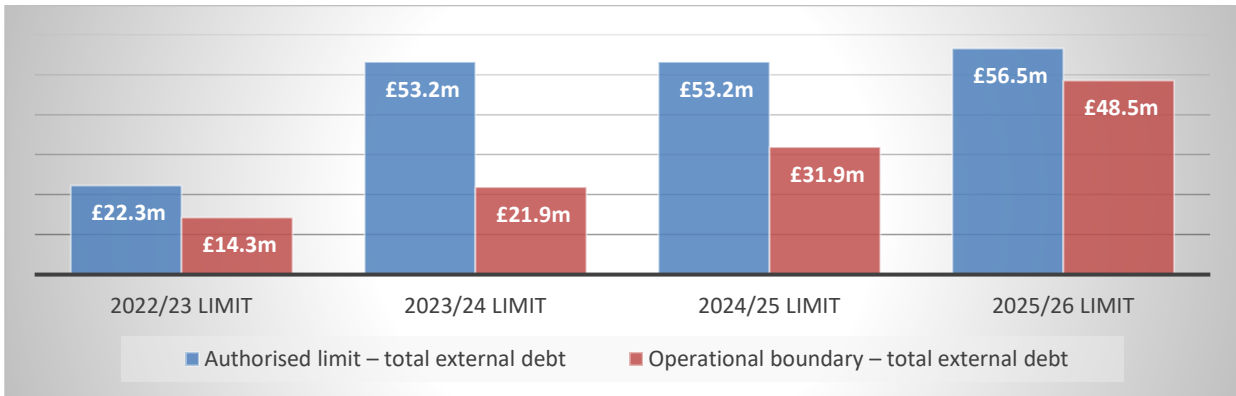
Table 6: Actual Debt and the Capital Financing Requirement



Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term and 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 and is based on the Council's estimate of most likely but not worst-case scenario and should equate to the maximum level of external debt projected by this estimate.

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

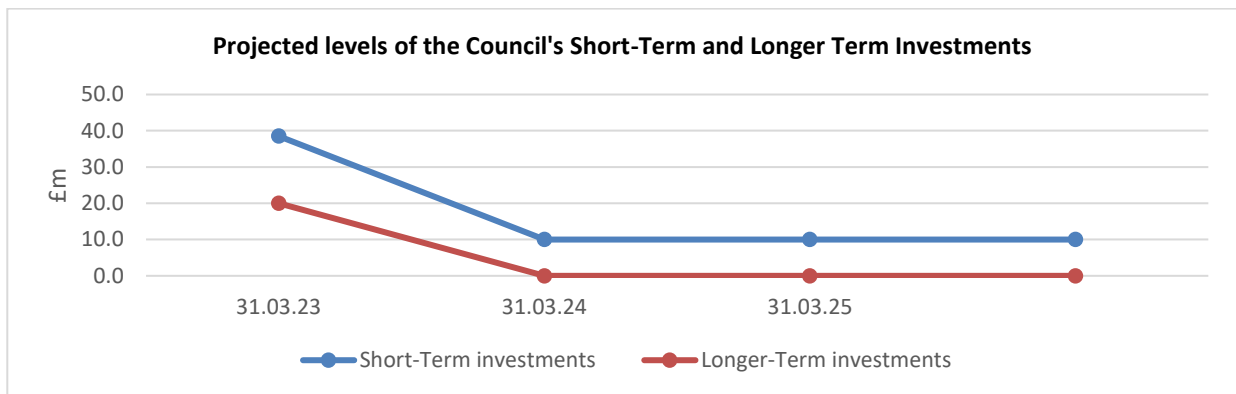


Further details on borrowing are in the treasury management strategy (Appendix J)

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 in that order with an ethical approach. 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 and the treasury management prudential indicators 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 Cabinet Member for Resources. The Audit Committee is responsible for scrutinising treasury management.

4. 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 Taxpayers. The commercial investments are currently valued at £40.6m and providing a net return after all costs of 5.08%.

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 Resources. 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 along with regeneration opportunities all within the Preston area.

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 as appropriate. The Director of Resources is responsible for ensuring that adequate due diligence is carried out before an investment is made. 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)

5. 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 £72.6m at 31st March 2022). It has also set aside £3.4m (as at 31st March 2022) 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 2020/21 statement of accounts see

https://www.preston.gov.uk/thecouncil/Councilspending/statement_of_accounts/.

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. A change in the Prudential Code 2021 means that investment income has been removed from the calculation of financing costs so the amounts in the Table below are higher as a result of this accounting change. The financing costs increase in 2024/25 due to a forecast increase in interest payable and MRP costs due to the Animate project.

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

	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
Financing costs/(income) (£m)	1.4	1.8	4.4	4.8
Proportion of net revenue stream	6.3%	8.1%	21.4%	22.5%

- 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.

6. 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 (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 Director of Resources 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, Jonas Lang LeSalle (JLL) as property consultants on the Animate development scheme. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills

Treasury Management Strategy 2023/24

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 2021 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 investment balances are available to fund all of the Council's approved capital schemes.

2. Economic background

The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

The Bank of England increased Bank Rate to 3.50% in December 2022, the largest rate hike since 1989 and the eighth successive rise since December 2021 when the Bank Rate was 0.25%.

The November quarterly Monetary Policy Report forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than previously forecast, due in part to the government's support package for household energy costs, inflation is expected to remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

Interest rate forecast: the Bank Rate is forecast to increase again and peak at 4.25% in June 2023. Longer term investment yields and borrowing rates are forecast to remain broadly steady over the medium term although there may be continued volatility across shorter time periods.

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 2023	4.00	4.40	3.60	4.40	4.65	4.40
Jun 2023	4.25	4.40	3.80	4.60	4.65	4.40
Sep 2023	4.25	4.40	3.80	4.60	4.65	4.40
Dec 2023	4.25	4.35	3.80	4.60	4.65	4.40
Mar 2024	4.25	4.30	3.70	4.50	4.65	4.40
Jun 2024	4.00	4.25	3.60	4.40	4.65	4.40
Sep 2024	3.75	4.00	3.50	4.30	4.65	4.40
Dec 2024	3.50	3.75	3.40	4.20	4.65	4.40
Mar 2025	3.25	3.50	3.30	4.10	4.65	4.40
Jun 2025	3.25	3.40	3.30	4.10	4.65	4.40
Sep 2025	3.25	3.40	3.30	4.10	4.65	4.40
Dec 2025	3.25	3.40	3.30	4.10	4.65	4.40

3. Treasury Balances Forecast

On 31st December 2022, the Authority held £12.3m of borrowing and £95.3m of investments. This is set out in further detail in Table 2.

Table 2 – Existing Investment & Debt Portfolio Position at 31.12.22	Actual Portfolio £M
External Borrowing:	
Public Works Loan Board	1.9
Bank Loans	10.4
Total External Borrowing	12.3
Treasury investments:	
Short Term	
Banks	4.7*
Local Authorities	22.0
Money Market Funds	31.5
HM Treasury	17.1
Long Term	
Other pooled funds	
- Cash Funds	16.5
- Bond Funds	3.5
Total Treasury Investments	95.3
Net Lending (Investments less borrowing)	83.0

*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

The forecast balances below in Table 3 show the impact on the treasury balances of the Council's existing approved Capital Programme.

	31.03.23 Forecast £M	31.03.24 Forecast £M	31.03.25 Forecast £M	31.03.26 Forecast £M	Notes
Capital Financing Requirement (CFR)	24.6	57.3	62.1	63.4	1
Less: External Borrowing already taken	(12.3)	(12.3)	(12.3)	(12.3)	2
Cumulative Borrowing Requirement	12.3	45.0	49.8	51.1	3
Usable Reserves and Provisions at 31 st March	49.6	38.9	33.7	26.9	4
Working Capital	21.6	11.5	11.5	3.0	5
Less: Internal Borrowing	(12.3)	(45.0)	(49.8)	(51.1)	6
Treasury Investments by 31st March or (New Borrowing)	58.9	5.4	(4.6)	(21.2)	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. The CFR increases significantly during 2023/24 due to the capital expenditure that is being incurred on the Animate project.
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 2022/23 to 2026/27 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 31st March 2023 and significant cash sums held on behalf of the Collection Fund (being the County Council, Preston City 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. The forecast shows that using internal borrowing is not sustainable over the life of the forecast and during 2024/25 the Council will need to externally borrow.
7. This is the forecast amount of cash available for investment after allowing for the funding of Internal Borrowing and amounts in brackets indicate how much new external borrowing is required.

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 in the short-term 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. Based on current forecasts, the Authority will be required to borrow externally up to £21.2M over the forecast period.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should remain lower than the highest forecast CFR over the next three years. Table 3 shows that the Authority expects to comply with this recommendation during 2023/24.

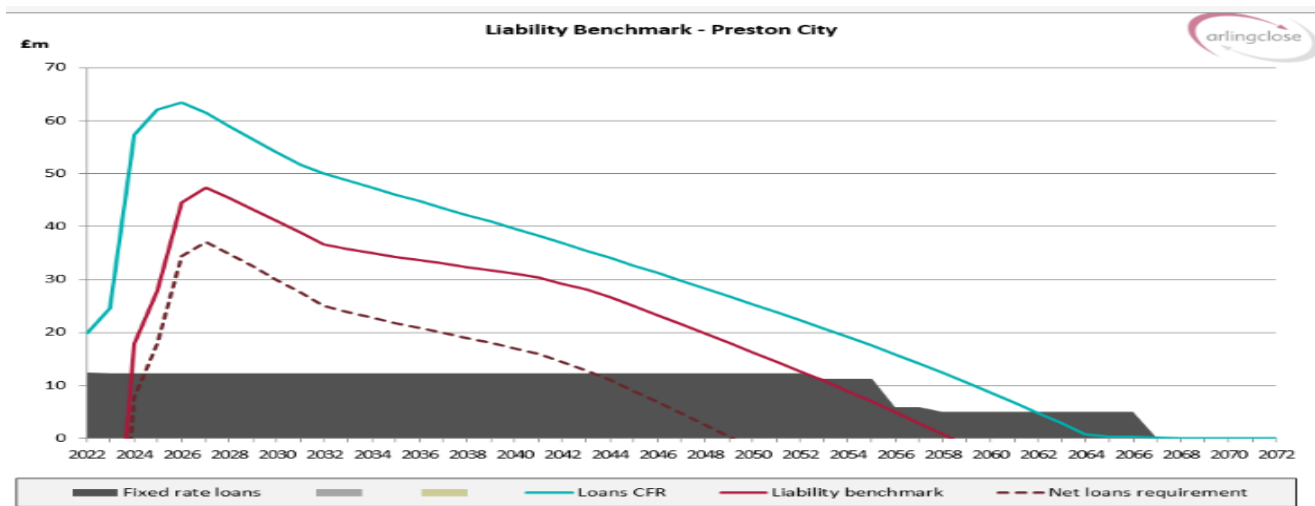
The CIPFA Prudential and Treasury Management Codes have introduced a new Prudential Indicator known as the **Liability Benchmark**. The liability benchmark is a measure of how well the existing loans portfolio matches the Authority's planned borrowing needs. It tells the Authority how much it needs to borrow, when, and the maturity of investments needed to match the planned borrowing needs. It is made up of four balances:

- Existing borrowing
- CFR – projected into the future
- Net loans requirement – a forecast of the Authority's net loan debt (net of investments for treasury management purposes)
- Liability benchmark – a forecast of the Council's gross loan debt

Table 4 Liability Benchmark

	31.03.22 Actual £m	31.03.23 Estimate £m	31.03.24 Estimate £m	31.03.25 Estimate £m	31.03.26 Estimate £m
Loans CFR	19.8	24.6	57.3	62.1	63.4
Less: Usable Reserves & Provisions / Balance Sheet Resources	(85.8)	(71.2)	(50.4)	(45.2)	(29.9)
Net loans requirement	(66.0)	(46.6)	6.9	16.9	33.5
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	(56.0)	(36.6)	16.9	26.9	43.5

Using the forecasts in Table 4, the long-term liability benchmark includes capital expenditure that is funded by borrowing, the minimum revenue provision on capital expenditure, and includes expenditure and reserves (all increasing by inflation of 2.5% in the longer term from 2027). This is shown in the Arlingclose chart below over a 50-year period together with the maturity profile of the Authority's existing borrowing.



Any years where actual fixed rate loans are less than the liability benchmark indicate a future borrowing requirement. Any years where actual fixed rate loans exceed the benchmark represent an overborrowed position which will result in excess cash requiring investment. The liability benchmark suggests that the Authority will need to borrow from 2024 for a period of up to 30 years and the actual timing of this borrowing will depend on whether the Council’s spending plans proceed as planned.

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 expects to borrow to fund the Capital Programme. The Authority may however borrow to pre-fund future years’ requirements, providing this does not exceed the authorised limit for borrowing of £53.1m in 2023/24.

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 Authority’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 Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Arlingclose will assist the Authority with determining when to borrow with a view to keeping long-term interest costs low. The Authority may borrow short-term to cover unexpected cash flow movements.

The Authority 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 Authority intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

The Authority 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 and is based on the Authority’s estimate of most likely but not worst-case scenario and should equate to the maximum level of external debt projected by this estimate. The Operational Boundary and the Authorised Limit are increasing to allow sufficient headroom for new external borrowing for the approved Capital Programme which includes significant new borrowing for the Animate project.

Table 5 Prudential Indicators: Authorised limit and Operational Boundary for External Debt

	2022/23 Limit £M	2023/24 Limit £M	2024/25 Limit £M	2025/26 Limit £M
Authorised Limit – maximum external debt	22.3	53.2	53.2	56.5
Operational Boundary – total external debt	14.3	21.9	31.9	48.5

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 Authority’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
- Private Finance initiative
- Sale and leaseback and similar arrangements

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

5. Investment Strategy

The Authority 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. At 31st December 2022 the Authority had treasury investments of £95.3m but these are expected to diminish in the forthcoming years as cash is required to fund the Capital Programme.

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. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy: The Council will continue to adopt a prudent approach to investment management to ensure that cash balances are readily available to fund capital projects and meet revenue needs.

ESG Policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors’ decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority’s ESG policy does not include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Investment.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in Table 6 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 6: 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	£18m in Total for 6 months
UK Local Authorities	n/a	n/a	£5m each for periods of up to 1 year £7m each for overnight/call deposits
Investment Rated A-	£2m each for 6 months	£4m each for 1 year	n/a
Building Societies (unsecured) (Note 2)	£1m each (maximum of £2m) for 3 months	n/a	n/a
Money Market Funds (Note 5)	£3.5m per Fund		
Cash Plus Funds (Note 5)	£6m per Fund (£20m in Total)		
Bond Funds (Note 5)	£5m in Total		
Registered Providers (Preston area) (Note 6)	£1m in Total for 5 years		
Any other organisation (Note 7)	£200k each for 5 years		

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

Notes to Table 6

- 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 and building societies 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.

4. **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.
5. **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.
6. **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.
7. **Other organisation:** This is subject to an external credit assessment and specific advice from the Council's treasury management adviser.
8. **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.
9. **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 £2m. 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.
10. **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.
11. **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.

12. 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 its liquid cash over a number of providers (e.g., 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 Prudential 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 7 Maturity Structure of Debt

Refinancing Risk Indicator	Lower Limit	Upper Limit
Under 12 months	0%	40%
12 months to 2 years	0%	50%
2 years to 5 years	0%	85%
5 years to 10 years	0%	90%
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. Time periods start on the first day of each financial year.

Long Term Treasury Management Investments: The Council’s only investment that can be considered as long term for Prudential Indicator purposes is a historic £3.5M investment in the Payden bond fund. The following indicator is set to control the Authority’s exposure to the risk of incurring losses by seeking early repayments of this investment. The monies in the bond fund are forecast to reduce as cash is required to fund the capital programme. The timings of any withdrawals will be planned based on cash flow forecasts and in conjunction with treasury advisors. The prudential limit on the long-term treasury management investments will be:

Table 8 Price Risk Indicator

Price Risk Indicator	2023/24	2024/25	2025/26
Limit on principal invested beyond year end	£3.5m	£2.5m	£1.5m

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

Table 9 Interest Rate Risk Indicator

Interest rate exposures: The following indicator shows the sensitivity of the Authority’s existing investments and borrowing to a change in interest rates.

Interest rate risk indicator	Sums subject to variable interest rates:	Impact of a 1% rate rise			Impact of a 1% rate fall		
		2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m	£m	£m
Investments	67.7	(0.41)	(0.64)	(0.67)	0.41	0.64	0.67
Borrowing	n/a	All existing borrowing is at a fixed rate.					

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

- **Policy on Use of Financial Derivatives** – the Authority 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.
- **Markets in Financial Instruments Directive** – the Authority has opted up to professional client status with its providers of financial services allowing it access to a greater range of services but with the greater regulatory protections afforded to individuals and small companies. This is the most appropriate status given the size and range of the Council’s treasury management activities.

Financial Implications

The budget for investment income in 2023/24 is £0.61m based on an average inhouse investment portfolio of £10m at 3.5% and an external investment portfolio of £20M (for the first four months after which time cash may be redeemed to fund the capital programme) at an interest rate of 3.5%. The budget for debt interest payable in 2023/24 is £1.0m based on an existing debt portfolio of £12.3m at an average fixed interest rate of 4.8% and new borrowing of up to £8.5m at an interest rate of 4.9%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Where investment income exceeds budget or debt interest paid falls below budget then the revenue savings will be transferred to a treasury management earmarked reserve to cover the risk of higher interest rates payable in future years for the Council’s capital projects.

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 and Deputy Leader, 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 will 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 will be higher	Increased risk of losses from credit related 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

Investment Strategy

1. Introduction

The Council 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 2023/24 meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

2. Treasury Management Investments

The Council 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 Council is to support effective treasury management activities.

Full details of the Council's policies and its plan for 2023/24 for treasury management investments are covered in the treasury management strategy (see Appendix J).

3. Commercial Investments

Service Investments: Loans

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

The Council does not currently hold any loans to or shares in other organisations that will provide a commercial investment return. During 2022/23, Council approved a 'loan in principle' of £0.15m to a Community Benefit Society to facilitate the purchase of the freehold of a local music venue, secured against the freehold of the property. Interest will be charged on the loan in line with the requirement for Local Authorities, legal and financial due diligence checks have been undertaken and an offer outstanding.

Contribution: The Council may lend money to local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth. For example, the Council participates in a Cycle to Work scheme for employees to enable them to hire a

bike to encourage them to cycle to work, and as stated above, the Council has approved in principle a loan to a Community Benefit Society.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows in Table 1.

Table 1: Loans for service purposes

Category of borrower	31.3.2022 actual	2023/24 forecast
	Balance owing £m	Approved Limit £m
Local businesses	nil	0.15

The Council has not made any loans for service purposes in 2022/23 and has set an approved limit of £0.15m for 2023/24. The loans amount made to employees are negligible.

Commercial Investments: Property

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

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.

In accordance with government guidance, the Council 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 Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2022/23 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 Council **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.

Table 2: Property held for Investment Purposes

Property	Actual	31.03.21 Value in accounts £m	31.03.22 actual		Note
	Purchase Cost £m		Value in accounts £m	Cumulative Gains/(Losses) £m	
Agriculture Land & Buildings	0.6	1.1	1.1	0	
Ground Leases	18.1	30.9	30.4	(0.5)	1
Industrial Land & Property	4.1	6.1	6.8	0.7	1
Retail Property	1.1	1.6	1.6	0.1	
Other Investment Land & Buildings	1.5	1.0	1.0	0	
TOTAL	25.4	40.7	40.9	0.3	

Note 1: The reduction in the cumulative value of Ground leases is due to the sale of Barry House during 2021/22.

4. Proportionality

The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. Table 3 below shows the extent to which the expenditure planned to meet the service delivery objectives is dependent on achieving the expected net profit from property investments over the lifecycle of the Medium-Term Financial Plan. Should it fail to achieve the expected net profit, the Council has a contingency plan of efficiency savings which it can call upon to continue providing the Council's services.

Table 3: Proportionality of Property Investments

	2021/22 Actual £m	2022/23 Budget £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m
Investment Income	2.8	2.9	2.8	2.8	2.8
Gross Service Expenditure	55.4	58.7	54.0	56.2	58.4
Proportion	5.05%	5.00%	5.24%	5.03%	4.84%

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

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 Director of Resources/S151 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, 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. Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator in the table below shows the Council's total exposure to potential investment losses. The valuation of Property assets takes place at the end of the financial year and information is not currently available to forecast the value of these assets in future years so the forecast value shown for Property in the Table below for later years is the position as at 31 March 2022.

Table 4: Total Investment Exposure

Investment Exposure	31.03.2022 Actual £m	31.03.2023 Forecast £m	31.03.2024 Forecast £m
Treasury management investments	79.2	71.0	10.0
Commercial investments: Property	40.9	40.9	40.9

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Major capital expenditure on investment properties is typically funded through prudential borrowing which is incorporated into the five-year capital programme. The Council is a major partner in the £45m Animate leisure and entertainment complex but this project meets the definition of Regeneration under PWLB rules and is not considered a commercial investment. Expenditure on investment properties that has been funded by prudential borrowing and which is reported in the table below includes expenditure on car parks and agricultural properties. The Council is currently reviewing its property investment programme and it has managed to reduce the impact of borrowing through the use of capital receipts.

Table 5: Investments Funded by Borrowing

Investments funded by borrowing	31.03.2022 Actual £m	31.03.2023 Forecast £m	31.03.2024 Forecast £m
Commercial investments: Property	Nil	0.40	0.13

Rate of return received: This indicator shows the 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 6: Investment Rate of Return (net of all costs)

Investments net rate of return	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
Treasury management investments	0.24%	1.71%	3.50%
Commercial investments: Property	5.08%	4.96%	4.92%

The rate of return on Treasury management investments are increasing due to the rising Bank rate.

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 taxpayers.
- 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 useful life of the relevant 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 capital expenditure incurred on the Council led Cinema and Leisure Scheme (Animate), MRP will be determined by charging the principal repayment on an annuity basis, over the assets useful life, with an annuity rate equivalent to the average relevant PWLB rate for the year of expenditure. The annuity asset life method takes account of the time value of money (whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The annuity asset life method matches the repayment profile to show how the benefits of the asset financed by borrowing are consumed over its useful life. As MRP is not required by the government guidance to be charged until the asset is in use, the development period will not result in an MRP charge to the Council.
- 2.4 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.
- 2.5 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from the principal repayments to reduce the capital financing requirement 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.
- 2.6 Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25 or later.

2.7 Based on the Council's latest estimate of its capital financing requirement (CF) on 31st March 2023, the budget for MRP has been set as follows:

	31.03.2023 Estimated CFR £m	2023/24 Estimated MRP £m
Capital expenditure before 01.04.2008	13.1	0.3
Unsupported capital expenditure after 31.03.2008	11.5	0.4
Total	24.6	0.8