

ACHIEVING PRESTON'S PRIORITIES



Budget and Policy Proposals 2022/23

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FOREWORD

For almost two years now, we have faced the challenges of an ever-changing landscape. Working alongside both new and long-established partners we have supported our residents, communities, and businesses through an extremely difficult situation with significant social, economic and health impact; and it is clearly not over yet.

These past months have required Preston City Council to adapt and evolve like never before, flexibly taking on new work streams to meet the shifting needs of the City. Notably, we have facilitated various iterations of business and support grants, hosted community-testing sites, managed a local test and trace system and supported two dozen food hubs within the community. We have also continued to work with key partners to support the safe and successful reopening of the high street as the restrictions allow.

Despite the extremely challenging circumstances, I am proud to say that we have continued to deliver quality services across the board. This includes essential services which have faced significant impact, such as waste collection, environmental health, parks, Preston Markets, cemetery, and crematorium.

Alongside this, we continue to pursue our ambitious agenda for Preston through large scale projects such as the Harris Quarter Towns Fund Investment Programme, Harris Your Place project and other key areas of work to ensure we regenerate our city centre and beyond for the benefit of our whole community.

Early 2021 we launched our revised Community Wealth Building strategy – Community Wealth Building 2.0 – Leading Resilience and Recovery in Preston – which puts delivery and collaboration at the heart of this extremely important agenda. From this we have been able to progress multiple work streams, unlock external funding and work closely with the NHS to develop an anchor network focused on delivering social value across Central Lancashire. With a focus on inclusive recovery, environmental justice and a more democratic local economy, the themes of this strategy are factored into all our major decisions and continues to influence the future of Preston.

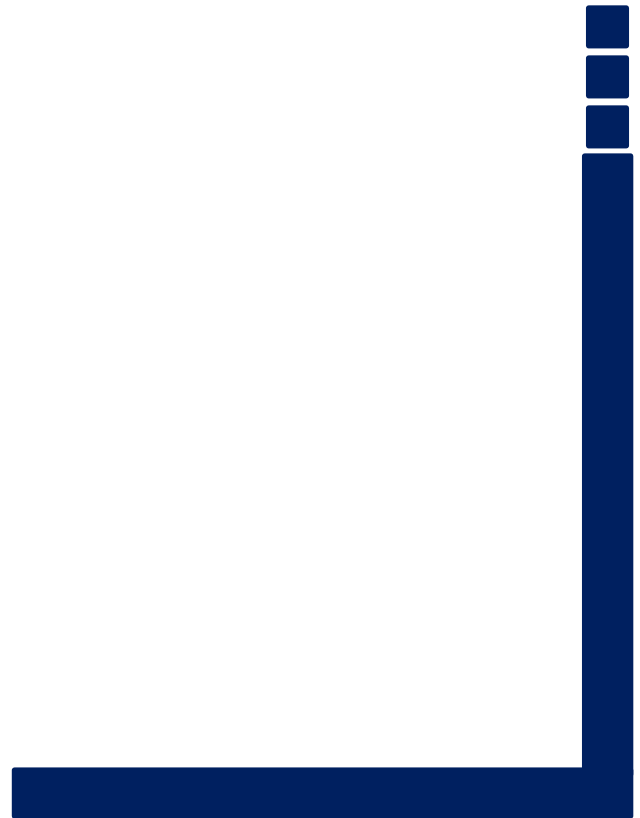
Our work with Community Wealth Building is just one strand of our Fairness Agenda, which also includes important work across the City with projects and initiatives such as the Holiday Markets, Connected Communities and Somewhere Safe to Stay which saves families money on food during term times, tackles rough sleeping and embeds community knowledge. We are proud to be working with a wide range of diverse community partners to meet the needs of our residents and communities – within the context of the pandemic, this includes our ongoing work with Community Champions and other targeted work to support the national testing and vaccination programmes on a local footprint.

Currently being woven through all areas of our work is our response to the Climate Emergency. Having published an Interim Climate Statement late 2021, we are working hard behind the scenes to establish baseline data and develop a robust climate strategy and accompanying action plan, addressing the carbon emissions of the Council as well as working with key partners to tackle the climate emergency on a citywide footprint.

Despite the difficult budget decisions that we have had to make in recent years, I believe that we are delivering high-quality frontline services to Preston's residents. Unfortunately, we are faced with unprecedented levels of financial and economic uncertainty as we continue to support our residents, communities and businesses through the various phases of the pandemic. We continue to look to government for a sustainable funding model that would better enable us to effectively plan beyond the immediate future.

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

Councillor Matthew Brown
Leader of the Council



PART 1: Achieving Preston's Priorities

How are we doing?

Your City

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

What Actions are we taking?

HARRIS QUARTER

Culture and Leisure –



Events have slowly started to return to the City across the summer including Rockprest on Moor Park, Cancer Research Race for Life, Preston City Mela on the Flag Market, and Making a Mark across the Flag Market and the Harris.

The Encounter Festival has returned in September 2021 with an expanded Brief Encounter programme running across three weekends in order to manage audience numbers and build consumer confidence out of Covid. Attendance and engagement has been strong so far demonstrating the appetite from the public for cultural activity to return. The final weekend of the festival featured the Mayor's Thank You Parade to acknowledge and thank key workers for their efforts across the past 18 months.

Something's Brewing – the new 12-year Cultural Strategy has been completed and shared with the sector in September ahead of a formal launch later in 2021. The strategy identifies key priority areas to shape the vision and approach to culture in the city, accompanied by a dynamic action plan led by the Cultural Framework Board and reviewed on an annual basis.

Looking ahead to 2022 the aim is to return the full event programme to the City, starting with Egg Rolling on Easter Monday and positioning this Preston tradition as an Easter festival for Lancashire to attract visitors from across the County. A full summer programme will animate key spaces in the City from the Flag Market to Winckley Square to the Bus Station, alongside the launch of the new Mobile Event Tent (MET) featuring a programme of community and creative sector led events and activities. Encounter festival returns in full in September with a torchlight procession and weekend packed with events attracting visitors from near and far.

The Cultural Framework Board with its reinvigorated membership will lead the delivery of the Something's Brewing Cultural Strategy with sub groups set up to lead on each priority area and progress monitored and evaluated by the board.

Re-imagining the Harris –



The Project team and the Council team have been progressing RIBA stage 4 designs for completion by the end of 2021. Procurement for the main contractor, evaluation services and decant have been completed and contracts awarded. The Towns Fund Business Case has been developed and approved. Further funding applications have been developed to extend the scope of works to include gallery works on the second floor and further external works.

The Harris closed to the public on 2 October 2021 and decant has started with the internal team. Harris home from home has moved into the Guild Hall Arcade in October offering the lending library, public computers, activity space and pop-up shop. During the closure, a series of Harris activity will be delivered with partners across the City to retain engagement with current audiences and build new audiences, taking the Harris on tour.

The building will be emptied by April 2022 and be handed over to the main contractors in May 2022 when construction work will commence. Care of collections, maintaining the library and IT service and delivering a full activity programme will occupy 2022-23.

Preston City Investment Plan and Town Deal Bid –



In March 2021 Preston was awarded £19.9m Towns Fund grant which was accepted by the Towns Fund Board and the Council acting as accountable body. The 6 supported projects are:

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

Detailed business cases for each of the projects have been prepared and are being assessed with a view to projects being delivered from 2022 onwards. The Harris Your Place business case has been approved and signed off by the Towns Fund Board and the Council, acting as accountable body, approved the Towns Fund grant allocation in December 2021. To deliver the projects the Council, acting as both accountable body for whole programme and as project deliverer for 4 of the 6 projects, has set up governance structures, monitoring and evaluation strategies, project and programme management and multi-disciplinary project teams, all of which are now active and working intensively on the Towns Fund programme delivery.

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 groundbreaking approach to community health and well-being in the city.
5. Expand and diversify the housing supply to significantly boost city centre living.
6. Achieve a step change in sustainable movement and accessibility in the city by delivering Preston's Transport Plan.

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/>

Harris Quarter Pop Ups -



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

The 6 Pops Up projects are:

- **MET (Mobile Event Tent)** which can be used for live performances, screenings, exhibitions and craft events and can be easily moved to different locations in the City. The MET will be initially sited on the cleared former Indoor Market site to support city centre events activity following the lifting of Covid restrictions. Future locations for the MET have still to be determined.
- **Wallace and Gromit Bench Sculpture** - The bench sculpture was unveiled in September 2021 and is proving to be a very popular attraction for the Markets.
- **Animate Hoardings** – The 300m of hoardings surrounding the cleared Indoor Market site have been decorated with attractive colourful designs.
- **Public Art Murals** - Local artists have been commissioned to create 4 wall murals in locations around the Harris Quarter and wider city centre of which 1 has so far been completed on Bolton's Court off Church Street.
- **Telephone Boxes** - The 9 iconic listed telephone boxes alongside the former Post Office on Market Street have been falling into disrepair over recent years. The Council has acquired the boxes to put to creative use forming part of the growing collection of attractions in this part of the City centre – watch this space!
- **Public Realm upgrade** - These improvements will now be delivered as part of Illuminate & Integrate, one of the main Towns Fund projects, which will create upgraded spaces and streets.

The Harris Quarter Pops Up projects will be completed in the first half of 2022.

Animate (Harris Quarter Cinema & Leisure Scheme) –



The Council signed the Development and Funding Agreement with Maple Grove Developments in November 2021 which was significant milestone in the delivery of this project. Following this, a revised planning application has been submitted and the first anchor tenant, Hollywood Bowl, has been signed-up. Further tenants will be announced early in 2022 including the anchor cinema operator.

Construction is expected to start on site during 2022. This key City Centre scheme 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 is being designed to improve access and journey times in and out of Preston city centre, including to the railway and bus stations, and the

university, by bus and other active travel modes such as cycling, particularly from north, west and south Preston and neighbouring districts. It will also enhance this area of Preston improving accessibility and public realm to create a more attractive and vibrant area for shopping and eating.

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

Construction of the facilitating works on Corporation Street commenced in late 2021 and a main start on Friargate and Ring Way is expected in early 2022. 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 brought forward as part of the Illuminate & Integrate Towns Fund project.

Preston Railway Station -



A Preston Station Quarter Board has been established and is attended by senior representatives from PCC, LCC and UCLan. The Board has authorised the development of a masterplan-led regeneration framework centred on the Railway Station designed to capitalise on the opportunities afforded by the arrival of HS2 trains. The creation of a new commercial district in Preston Station Quarter is one of the key priorities of the City Investment Plan. A consultant team has been appointed and is working on the regeneration framework which is expected to be consulted upon and completed in early 2022.

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 is due to be submitted in 2022. More details on the project can be viewed here www.lancashire.gov.uk/CottamStation

Winckley Square Townscape Heritage Initiative (THI) –



Due to delays caused by the Covid pandemic the Winckley Square THI programme has been extended again to allow an existing scheme that is on-site to be completed and to explore further opportunities for shop front improvements on Cannon Street. A shopfront scheme on Cannon Street was successfully completed during 2020 and a final one is under construction. The street is seeing further investment through the implementation of residential

schemes following the transformational public realm works that were undertaken earlier in the programme.

University of Central Lancashire –



Completion of the £60m Student Centre, new public square and the extensive highway remodelling at the front of the main campus are completed and fully open. Together with the Engineering Innovation Centre which opened in 2019, this comprises the completion of the most transformational elements of the £200m UCLan masterplan.

City Living Preston and Stoneygate –



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

A fully updated and expanded City Living Prospectus was launched at an online event in October 2020 attended by over 100 people from the development and investment community. Follow-up discussions with 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. Over the last 18 months over 400 new homes have been completed in the inner part of the City (out of a total of 1,121 across the whole borough), approximately 450 are currently under construction and a further 1,500 have planning permission.

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 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.'

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

Shankly Hotel - the former Post Office –



Following acquisition of the grade II listed building from the Council, conversion of the former Post Office into a boutique hotel and conference/wedding venue is ongoing by Signature Living. When complete the conversion will bring this important heritage asset back to life, enhancing the townscape and wider historic environment. The hotel and new facilities will complement surrounding

uses and boost the local economy.

City Deal and Preston Western Distributor (PWD) Road –



Work on the PWD has been underway for over 2 years and good progress continues to be made with completion still expected in 2023. Work is 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.

Promoting the City –



Opportunities to promote the City during 2021 have been significantly reduced as a result of the Covid pandemic. Nonetheless, opportunities that have arisen through initiatives such as the City Investment Plan and Towns Fund bid, City Living Preston and Harris Your Place have been made the most of, 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 is anticipated to continue throughout 2022.

Following the progress that the other Towns Fund projects are also making, these too will be central to the promotion of the City throughout 2022.

The unveiling of the Wallace & Gromit bench sculpture received wide media coverage with both regional TV news networks showing regular items on their bulletins and programmes throughout the day. There were also positive articles in national and international printed media, as well as wide coverage across all social media platforms.

The ongoing restrictions in relation to the pandemic prevented the Preston Partnership resuming its regular programme of events as had been anticipated. These are now planned to resume in 2022 following a consultation exercise in January 2022 which will inform how the partnership develops over the coming months and years. 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/>

Parks and Green Spaces Strategy 2021 - 2031 –



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.

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.

Heritage Lottery Funding (HLF) Moor Park –



This is currently on hold as we are unable to submit a HLF bid due to the Harris Museum HLF bid being a priority for the City. Once HLF and Council funding are available approval will be sought to take forward a HLF phase 2 bid for Moor Park.

The Rugby League World Cup (RLWC) 2021 –



The Rugby League World Cup 2021 will now take place between 15 October 2022 - 19 November 2022, but it will still retain 2021 status. Preston will still host the Welsh Dragons as part of the City Host Status and training camp programme.

Preston Guild Hall –



The tenant of the Guild Hall, Preston Guild Hall Limited, went into administration in 2019 and the Council took the decision to forfeit the lease. The decision was taken with the agreement of the appointed Administrator. Following the forfeiture, the Council took steps to seek a suitably qualified and experienced theatre/venue operator who could reinvigorate the closed venue. However, those efforts have been undermined by proceedings being issued against the Council and the company in administration in December 2019 challenging the Council's decision to forfeit the lease, and by the ongoing pandemic. The Guild Hall is a significant City centre landmark and the Council continues working to achieve a positive outcome for it.

Working in partnership

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

What impact are we making?

[The Achieving Preston's Priorities document](#) sets out the impact the Council hopes to make in each of its strategic priority areas. During 2021/22 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 a route map for the development of the City over the next 14 years. The City Investment Plan underpins the £20m Towns Fund grant that help secure the delivery of £200m worth of new development in the city centre.
- Preston Markets continues to evolve and recent improvements such as the walkway canopies are providing a much-improved local shopping facility. Traders have demonstrated great resilience through the Covid pandemic by maintaining an important source of fresh food for Preston residents.

- 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 tenant, Hollywood Bowl, signed up and terms agreed with a leading cinema operator, the other anchor tenant. Significant progress has also been made with the restaurant tenants and, subject to the satisfaction of the DFA conditions, work will start on site in mid-2022.
- Utilising grant money under the Transforming Cities Fund, a start on site has been made on the £15m Transforming Friargate North and Ring Way public realm improvements and public consultation on the £25m Cottam Parkway Railway Station is taking place.
- City Living Preston has been fully updated and expanded to include 27 residential sites across the city centre and inner Preston with a number of sites now coming forward for development. The updated City Living Prospectus was launched in October 2020.
- Working alongside Homes England, the Council is helping to facilitate the redevelopment and regeneration of a number of key residential sites in the Stoneygate area.
- The Heritage Lottery Funded Winckley Square Townscape Heritage Initiative has been extended again to allow further schemes to be completed.
- 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.
- 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.
- Work on the Preston Western Distributor Road is progressing on schedule in spite of the challenges presented by poor weather and the Covid pandemic and is due to be completed in 2023.

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. This is in addition to the long-standing Procurement Practitioners group we lead with members from our anchor institutions.

- **Co-operatives**

Much of the Council's continuing commitment to cooperative development has focused on social and economic inclusion, including working in partnership with black and minoritised communities, Preston's Food Hub Network, young people and the criminal justice system. Raising wider awareness of the cooperative model and providing specialist expertise to support the start-up worker cooperatives remains a priority and the Council has worked closely with the Preston Cooperative Development Network and the Centre for SME Development at UCLan to achieve both these objectives.

- **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 leading the Preston Real Wage initiative to promote and increase the number of Preston businesses and organisations paying their employees a fair wage and we are working towards Preston becoming 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 adapt their services to offer online/telephone support to clients. Through conversations with these organisations we know that they continue to support both existing and new clients who are recently unemployed who are negotiating benefit systems for the first time. We anticipate that there will continue to be a significant increase in demand for these services now that the furlough

scheme has ended.

We incorporated Financial Inclusion services into our community champions network, a conservative estimate of the number of families and individuals who have been supported into appropriate services including debt management is over 150.

The Help in Preston website has attracted 9,182 visitors from 14 April 2021 to 21 September 2021 – 83.9% new users and 16.1% returning visitors. The main areas people are visiting are:

Weekly Jobs Bulletin	4,303	Health & Wellbeing	1,010
Services in Preston	1,765	Millbank	956
Volunteering	1,707	Sahara in Preston	635
Learning, Working & Volunteering	1,084	Food Access	553
CAB	1,080	Furniture & Household items	508

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

Financial inclusion surgeries have been reinstated in full at St Matts/Pukhar/Ascension Church/Sion Park/Children & Family Wellbeing centre/Millbank 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 and whilst not as busy at the height of the pandemic, we are still dealing with approx. 100 queries per week.

The Household Support fund launched on the 23 November 2021 to assist residents of Preston that are struggling during the winter period. The award to PCC from the DWP was £420k. Spend to date is £125,186.27 – assisting people with clothing/utilities/food/carpets/flooring/household goods and furniture. The fund has made 951 awards from 843 applications.

The scheme is due to end on 31/03/2022.

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. Once agreed this will be shared with the Inclusion Reference Group for comment. After this, the document will be available on the council’s website and Help in Preston website encouraging representatives of protected characteristic groups to supply relevant information on how the pandemic has/is affecting their clients.

We continue to support the national Holocaust Memorial Day and Remembering Srebrenica commemoration.

The theme for Holocaust Memorial Day 2022 is ‘One Day’ and we will be working with the Holocaust Memorial Day Trust to promote throughout all of our communities. Subject to the restrictions that may be in place in January, we will find the most appropriate way to mark this event.

We have recently started to work with ‘Show Racism the Red Card’ and are planning to invite some local schools to engage in their anti-racism programme.

We continue to work with our partners to mark other key equality events, most recently we actively supported the Wellfest World Suicide Prevention Day on 10 September and are planning for World Mental Health Day and Alcohol Awareness week later in the year.

Making Homes from Houses –



Covid has had a detrimental impact on delivery of this scheme as the Council’s Empty Homes team were redeployed to other duties. However, activity has started to resume and the successful partnership with Community Gateway Housing Association (CGA) continues. In total 30 properties have been acquired so far and are undergoing refurbishment; of these 21 are already reoccupied. Prior to

Making Homes from Houses bringing these houses back into use, these 21 properties had been empty for a total of 90 years.

To date, the Council have invested £630k of developer contributions in to the first two phases of this project. Alongside the investment of £2.9m from CGA and Homes England, this is a significant boost to the provision of affordable housing in Preston. The Council were also shortlisted as Council of the Year by the National Housing Awards for developing this innovative scheme.

Looking ahead, the Council has agreed for a third phase to be retendered, which is imminent, and allocated a further £800k of its commuted sums for affordable housing to fund the next contract.

Affordable Warmth -



Preston continues to support vulnerable households in fuel poverty. During 2020/21 92 households were assisted, bringing the total for the last three year funding stream to 893 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 £490k of funding levered into the City.

Looking ahead, new funding streams are now in place through to the end of 2022 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 first installations of these new measures commenced in Lancashire in August. 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.

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. “Preston Wall” recently opened at the Better (GLL) West View centre featuring state of the art roped climbing and bouldering facilities.

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 on line through the Rough Sleeper Accommodation Programme. It has been indicated that there will be a 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.

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 commencing 1 January 2022 ending 31 December 2022.

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 individuals 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. A tender will soon be advertised on the Chest for a team of Navigators with lived experience support 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.

IMPROVING EMPLOYABILITY AND UPSKILLING COMMUNITIES

Work clubs -



The Community Engagement team continue to support a network of 9 work clubs across the City run by various partner organisations and volunteers. Our aim is to provide practical support to ensure work clubs are set up successfully, able to deliver their aims and improve employment prospects for Preston residents. During the Covid 19 pandemic, two work clubs have had to close temporarily, with seven moving to online support. All 9 remaining work clubs have now reopened. One work club has had to close completely due to staffing issues and lack of room availability, support has been offered to restart if/when they are able. We have continued to circulate our weekly email alert with up to date Preston job opportunities, training, volunteering and apprenticeship vacancies to all work clubs who share this with their members. The Help in Preston website is also updated weekly, with links to live, local vacancies. We are supporting work clubs with their transition into recovery following the pandemic, supporting their digital engagement offer and sharing best practice amongst organisations on how to deliver socially distanced activity.

Maximising new employment opportunities -



The Community Engagement team continues to work with the Planning Department and relevant partners to provide support to developers in completing the adopted Central Lancashire Employment and Skills Supplementary Planning Document. It has now been approved by Cabinet that 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. New discussions are taking place with Lancashire Teaching Hospitals NHS Trust and partners, to identify employment opportunities resulting from the pandemic, such as the urgent need for extra cleaning staff in local hospitals. Training is being sourced to upskill local unemployed people with guaranteed interviews to help them to secure local jobs. Officers are currently working with NHS, Sahara and Lancashire Adult Learning, to set up an event to support the NHS with their recruitment for Health Care Assistants. This will give people the opportunity to apply for HCA vacancies or upskill if required to meet the required criteria.

We were involved in discussions with Royal Mail, who recruited approximately 317 seasonal vacancies across Preston. Support sessions, with training providers, were set up at two community centres and also the JCP office in Preston to help people with their applications for jobs.

Discussions are taking place with HR, Chamber of Commerce and JCP to set up Kick-start opportunities within the Council. This will create new work opportunities for 16 to 24 year olds on Universal Credit who are at risk of long-term unemployment. One opportunity has already been advertised.

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



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

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

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

During July, Council officers supported Sahara in Preston in organising a recent jobs fair, which was attended by over 200 visitors, who were able to apply for live job/volunteering opportunities on the day. Another jobs fair is being planned at the moment, for January 2022, with a focus on supporting Young People.

In November, Council officers supported Sahara in Preston in setting up a Hospitality Jobs Fair, focusing on job opportunities within the hospitality industry, which has suffered due to the pandemic. The event was well attended, with approximately 100 visitors on the day, gaining access to live job opportunities and being offered interviews following on from the event.

We are currently also supporting Sahara to become a Youth Hub for DWP with JCP staff working outreach in the centre. Discussions are taking place with DWP to take this forward.

FOOD POVERTY

Holiday Markets -



A Holiday Market 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. This network has been instrumental in delivering the Covid 19 food response and enabling those most in need to access food during the pandemic. The work carried out by Preston communities during this difficult time has been outstanding and continues to make a huge difference to families and individuals within the City. One of the priority areas for the network is the development of a new strategy to reflect the work being developed to address food poverty across the City. A draft copy is currently being developed by PCC in partnership with Preston Food Hub Network.

- **Figures Dec to March:** 2,100 families supported. 27,300 parcels provided, 327,600 meals provided (8 food banks, 3 hot meal providers, 4 food pantries, 19 holiday markets). These groups are funded via the Government Emergency Assistance Grant.
- **Figures April to May** to cover Easter and Ramadan: 2,820 families supported, 22,560 parcels delivered, 270,720 meals provided (10 food banks, 3 hot meal providers, 5 food pantries, 29 holiday markets).
- **Figures June to August:** 2,340 families supported, 28,080 parcels provided, 336,9600 meals provided (8 food banks, 2 hot meals, 5 food pantries, 24 holiday markets).
- **Figures Sept to December:** 1860 families supported, 22,320 food parcels provided, 267,840 meals provided. (5 food banks with 1 project partner coordinating fresh produce from local allotments, 5 food pantries, 1 hot meal provider and 19 Holiday Markets).

The additional Household Support Grant funding will see an increase in groups wishing to operate including 2 additional food banks, 3 hot meal providers, and 6 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, and South Ribble 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.

Neighbourhood Food Hubs -



PCC continues to develop work with community groups in Fishwick and St Matthews and the Ingol area to establish how food poverty activity can be coordinated across a geographic community. The Council is supporting the Preston Community Hub in the Fishwick/St Matthews wards in the development of a consortium and business plan to develop and deliver a wider programme of food poverty activity, including the development of a community kitchen. There is scope to extend the nature of this work in Broadgate and Deepdale and discussion are taking place with appropriate partners to explore potential developments.

Community Food Activity -



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

During November and December cooking classes were able to recommence and PCC Community Engagement team, alongside Intact's food pantry were able to provide wrap around sessions to inform residents of further support available via the Council.

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 Lancashire Adult Learning, Intact, Recycling Lives, Lets Grow Preston, UCLan, local schools, community and voluntary sector organisations. Several family cooking classes have already taken place in schools in Fishwick, St Matthews and Ingol including Ingol Primary, St Joseph's Primary and Mill Bank Wellbeing Centre Places for People Housing Association. 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 Vouchers. Monthly zoom meetings with LCC Public Health and the Community Engagement Team have started to help forward plan collaborative work, following the easing of social restrictions. During October half term PCC supported the distribution of over 280 'Veg Boxes' and information on Healthy Start vouchers via Lets Grow Preston and LCC Public Health.

Cooperatives UK provided some seed funding for a 12-week project to pilot the Cooperation Town model of food buying groups in Preston. The three groups involved were: Preston Windrush, Preston United Youth Development and Fishwick Rangers. We are now continuing to support the groups in the development of a co-operative model.

A central online database for all food hubs to record data on the distribution of food parcels has been developed following 6 months of development and trial runs with the network. A new DBS and GDPR check has been set up on the database and the system is now being rolled out.

Experts by experience: working more closely with young people and families whom are directly affected by food poverty. Discussions are underway with 'They Eat Culture' to explore a creative way of presenting peoples stories and experiences.

Wraparound service for all food hubs are now being delivered, working closely with other PCC services to provide advice on issues such as financial inclusion and links to the work clubs across the City. To support this PCC have produced a food access flyer which provides essential information on where to access emergency food provision and financial support.

Breakfast Provision -

Big Breakfast: Development of a schools breakfast initiative is currently being explored, inviting local food suppliers / supermarkets / food pantries and public health to set up cook and taste breakfast demonstrations for children and parents alongside a child voucher system enabling children access to free fruit. We are currently liaising with Sustain – national alliance for better food and farming to explore how they can support and connect with local suppliers and food cooperatives.



Queen Elizabeth II Platinum Jubilee – Big Lunch Sunday 5th June 2022 –



The Lancashire Lieutenancy Office in collaboration with the Eden Project [NW] and Preston City Council Community Engagement Team are working together to develop and support local communities in the development of a Big Lunch which this year will incorporate the Platinum Jubilee Celebrations as part of its theme and Preston's celebration of 20th year of City Status. The official Big Lunch national programme of activities will take place on the 5th June 2022.

Youth Engagement –



Officers continue to work alongside Preston's youth support organisations through the Youth Forum. Members of the Forum have shared information, experience and resources including activity ideas and training offers to help young people in Preston with the impact of the pandemic over the last year. From developing connections, the group is exploring how it can maximise support for young people by creating more opportunities for mentors and new youth workers in Preston. Also a rejuvenated

Lancashire County Council Children and Families service has found the hub a good place to start to reach out to young people in Preston and are working with Youth Forum organisations to start to plug gaps in the provision. In the New Year, the group will be exploring further ways to increase provision across the city for young people, including exploring whether some community groups find it difficult to engage with teenagers and if so what may assist them in to do so.

The Forum also has a sub group that is dedicated to developing pathways to education and employment (Preston Youth Aspiration, Education, Training and Employment) which works with the colleges, university, DWP and non-formal education providers like PVC and PNE, which has since the summer focussed on supporting young people leaving school and college. Unfortunately this group has not been able to meet since the summer although partners have been sharing information and knowledge via email and telephone. This has been vital to partners in the group, as it has expanded knowledge of opportunities for young people and has increased the information they can give parents and students. The shared knowledge also helped the colleges and other partners develop good mental health support after the last year.

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.

GENERAL COMMUNITY ENGAGEMENT ACTIVITY

Connected Communities -



The Connected Communities project in Plungington has restarted after a hiatus caused by the Covid restrictions. Speaking to local organisations and residents this is still very much wanted and felt useful in the area. There have been changes in the last year, so reconnecting to relevant people and new people has been done and UCLan are now in the process of organising a steering group meeting to get the project rolling. This of course may be affected by any Covid restrictions development.

The Broadgate Community Connector group continues. A new development officer is now in place following the original officer stepping down due to a change in family circumstances. The new officer continues to develop new projects to bring residents together. The groups is working with PCC and

LCC to help find resources for an environmental project with the school, develop a community safe space and launch the Broadgate walk. PCC will also support the funding raising effort that the development officer is hoping to carry out.

Working in partnership

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

What impact are we making?

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

- Supported the development of 2 new cooperatives through the Open Society Foundation project led by the University of Central Lancashire, including the Preston Cooperative Education Centre.

- Hosted regular meetings of BAME and migrant community anchors to share experience and learning from 2020/2021 piloting cooperative community initiative.
- Delivered a series of cooperative themed webinars in partnership with the PCDN, the Centre for SME Development at UCLan and Coops UK.
- Cross-directorate participation in the climate-focused Place-Based Action Network, through the University of Central Lancashire.
- Hosted regular virtual meetings to provide urgent Covid 19 briefings and consult with the Faith the Faith Covenant and representative of community groups.
- Working with Coops UK and the PCDN, secured £20,000 to pilot food buying cooperatives with BAME community organisations within Preston's Food Hub network.
- Established 'Bringing the Preston Model to Justice' with partners from the Ministry of Justice, the NHS and UCLan to pilot a new cooperative based approach to supporting the social and economic integration of people leaving prison.
- Increased the number of affordable housing completions.
- Attracted significant funding from the Ministry of Housing Communities and Local Government towards Homelessness and Rough Sleeping.
- Seen an increase in the procurement spend in Preston by its anchor institutions.
- Attracted external funding for energy efficiency improvements in private homes.
- Provided targeted debt and welfare advice to help clients regain control of their finances and to maximise their entitlement to benefits.

What actions are we taking?

Digital Agenda - Service Improvement Board –



Preston365

The migration to Office365 has progressed steadily during the last few months.

- User mailboxes have all been migrated to Office365
- Users set up with Multi Factor Authentication (MFA)
- Email journals migrated to the new cloud solution
- Teams and OneDrive training sessions commenced
- Shared drive migration to Teams for 2 service areas
- Home drive migrations to OneDrive following training

The coming months will see the migration of shared mailboxes and the rollout of more training and data migration of more service areas to Teams.

New Service Desk System

Following a short implementation period, the ICT team have just gone live with a new Service Desk system 'Halo'. This replaces a system that had been in place since 2005 and was lacking the required functionality to be IT Infrastructure Library (ITIL) compliant. The new system has already enabled improvements in the following areas: -

- Self-service portal
- Knowledgebase
- Configuration Management Database (asset management)
- Contract Management
- Dashboards and reporting
- Greater visibility over incidents/service requests/change requests

We have plans to further develop our use of the new system during phase 2 of the implementation which will commence in March 2022.

Websites

The new look Visit Preston and Invest Preston websites recently went live.

[Visit Preston Home - Visit Preston](#)

[Invest Preston - Invest Preston \(investprestoncity.com\)](#)

Corporate Printing

Following several months of research and a thorough audit of the Council's printer/multi-functional device (MFD) estate, a Cabinet report will be presented in January recommending a new 5-year leasing contract. The new agreement will upgrade the current fleet, which is between 5 and 17 years' old, rationalise the number of devices down and standardise the number of models and therefore consumable types required.

The new devices are capable of automated fulfilment reducing admin costs, and wastage of consumables, secure printing to comply with GDPR and mobile printing, allowing users to print from Council mobile devices such as iPads.

The new devices will also use less power and there is an industry-accepted average of a 20-30% reduction of wastage/print volumes by deploying a print management software application such as our preferred solution 'PaperCut'. Less paper being used/wasted, thus improved carbon footprint by default.

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. During January and February 2022 all 15 local authorities in Lancashire approved a report at their full councils meetings to support the establishment of a County Deal. We are still awaiting publication by the Government of the Local Government/ Levelling Up White Paper. 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.

Carbon Neutral -



Preston City Council declared a Climate Emergency in April 2019, setting a target for Net Zero in 2030. In August 2021, Preston City Council was awarded the One Carbon World's Neutral International Standard, and further work to establish a comprehensive carbon emission baseline for the Council is currently underway. In December 2021, the Council published an Interim Action Statement highlighting actions taken thus far, as well as the Overview and Scrutiny Member Task and Finish Group's report.

Together these documents inform and guide the cross-directorate officer working group as they develop the Climate Action Plan which will be published later this year. This plan will establish clear, measurable actions for the Council to take to reduce the effect of our operations and services on the environment and has a dedicated capital budget as initial funding.

The Council continues to work with anchor partners across a range of projects that consider and address various elements of the Climate Agenda and actively seeks to unlock potential funding or support opportunities to progress this important work stream.

Fleet Review -



The fleet review is ongoing. The fleet consists of nearly 140 vehicles and plant and a significant number of these will be replaced 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 practical and low emission vehicles are being considered where practicable.

Working in partnership

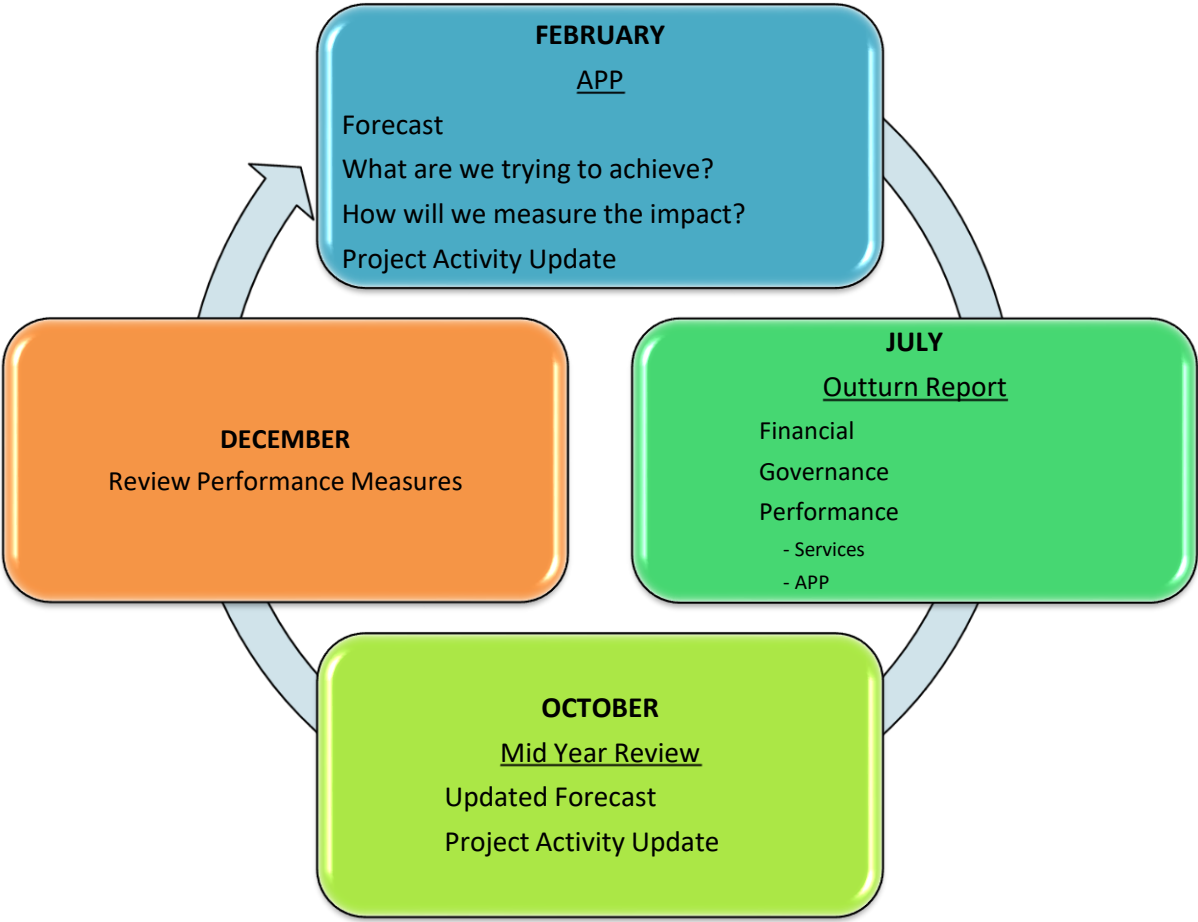
- Inclusion Reference Group
- Shadow Combined Authority / Lancashire Leaders

What impact are we making?

[The Achieving Preston's Priorities document](#) sets out the impact the Council hopes to make in each of its strategic priority areas. During 2021/22 and beyond we are making a significant impact in the City working alongside our partners:

- We have reduced costs and delivered further value for money by increasing online transactional access to more services
- We have improved the effectiveness of our service delivery by implementing cost effective technologies such as Interactive Voice Recognition software
- We have made 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)

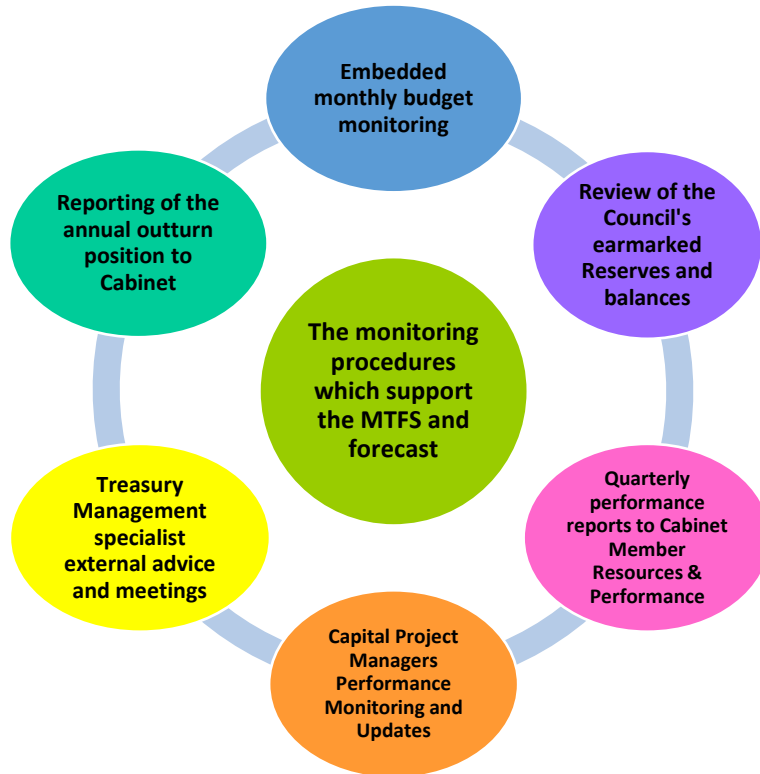
1. The Council's Financial Strategy provides the strategic framework and corporate financial policy document for managing the Council's finances over the medium term and ensuring sound governance and compliance with best practices. The MTFS updates Members on the key financial assumptions for the current year budget position (2021/22) and projections for the years 2022/23 to 2025/26 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 (2021/22) and projections for the years 2022/23 to 2025/26. 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.

COVID 19

1. The global pandemic has continued to have a significant impact on the financial strategy. The original estimates reported at the February 2021 Budget Council meeting have been updated to reflect the ongoing financial pressure/costs of Covid 19 and the government funding.
2. Throughout the pandemic the Council has been working with key partners and has been supporting communities and businesses. The Council has received various forms of grant funding and has helped businesses through the payment of business grants; paid individuals test and trace support payments and distributed funding to communities. During 2021/22 the Council has continued to receive additional funding to ease the financial pressures which have arisen during, and for delivering the community response to, the pandemic:-
 - From DLUHC, we have received £992k of additional revenue grant funding, and £142k of income compensation funding to cover our general costs of delivering the pandemic response and to cover the loss of income we have incurred. An additional £185k has been received to improve vaccine take up in the city through the Community Vaccine Champion Fund and £50k was received to ensure the May 2021 elections were delivered in a Covid safe manner.
 - From the Department for Health and Social Care, we have received an additional £256k to enable us to deliver our public health response in areas such as the Track and Trace service, providing Covid testing centres, support for the most vulnerable in the community, assistance for those in self-isolation and for environmental health compliance and enforcement to ensure the public are protected.
 - We have also received a further £366k from DLUHC to enable us to continue delivering the government's Business Grant schemes ensuring over £11m of grants are distributed to local businesses and granting over £17m of mandatory and discretionary Business Rates Reliefs.
 - We have also worked with Lancashire County Council to make £420k of funding available to households suffering hardship as a result of the pandemic and have continued to pay out Self Isolation Grants totalling over £800k.
3. The Covid 19 pandemic has provided an opportunity for the Council to review the way in which it works and how it uses its buildings. A team has been set up to review hybrid working planning for staff to ensure a safe flexible return to the offices. This may involve the purchase of equipment such as screens or changing the office layout.

THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23 AND UPDATE ON FUTURE GOVERNMENT FUNDING

1. On 7 February 2022, the Government published the Local Government Finance Settlement for 2022/23. The announcement included funding for 2022/23 only.

2. The Finance Settlement sets out that the main funding allocation will be £5.6m, the same as in the previous two years. The Government have published two additional grant allocations for 2022/23 (i) the Lower Tier Services Grant allocation 2022 to 2023 is £0.254m (this is the 2nd year of funding) and a new Services Grant of £0.383m which is for one year only and is being granted to authorities in recognition of the vital services delivered.
3. The **Council Tax referendum principles** allow the Council to increase Council Tax by up to 2% in 2022/23. This means if the Council sets a Council Tax of 2% or above it would have to hold a referendum to agree the increase. These principles do not include Parish Councils.
4. The Cabinet proposals include a **1.99% Council Tax increase** for 2022/23; a new Band D charge of £333.63.
5. During the initial period of Covid 19 collection rate levels for Council Tax significantly reduced along with a sharp rise in the levels of council tax support numbers. During 2021/22, collection rates started to recover however; they are still not at pre Covid 19 levels. The Council Tax Support numbers have also started to reduce during the financial year.
6. Businesses in the Retail and Leisure Sector have received business rate relief during the Covid 19 pandemic. The Council has received compensation for this loss of business rate income. The collection rate for business rates income collection is down against pre Covid 19 levels. The current pandemic is having a major impact on the collection of business rates.
7. The Council is remaining out of the Lancashire Business Rates pool in 2021/22 and 2022/23. This is based on the reduced protection (i.e. no individual safety net) of the Lancashire Business rates pool and the current risks from Covid such as the reduced collection rates, current level of outstanding appeals and unknown outcome of rateable challenges.
8. The Government have published **New Homes Bonus allocations** for 2022/23. In 2020/21 the grant was to be phased out, which meant receiving a one-year only payment for 2020/21 and 'legacy payments' relating to previous year's allocations. However, the Government paid an allocation for 2021/22 and have published a one-year allocation for 2022/23. The future position on New Home Bonus or if there will be a replacement scheme is still unknown. The Council pays its New Homes Bonus into the City Deal.

2022/23 CABINET BUDGET PROPOSALS

1. The Cabinet have put forward the following budget strategy in working towards setting the 2022/23 Budget and Council Tax:
 - **Council Tax Increase** – it is proposed to increase Council Tax in **2022/23** by **1.99%**.

Growth Proposals:

- **Avenham Pavilion Café** – A budget provision of **£85k** to enable the Café remains open to the public.
- **Tree Strategy and annual Tree Maintenance** - **£180k** in **2021/21** and **£138k** **2023/24 onwards** to fund the Tree Strategy and the ongoing tree maintenance of the trees within the Council's ownership on parks and open spaces.
- **ICT Strategy and IT increased costs** - **£86k** per annum – contribution to enable the ICT Strategy Fund to have sufficient funds to finance the one-off costs of implementing schemes as part of the Digital First Strategy.
- **Capacity funding** – use of the vacancy savings to fund essential Finance/Legal/Property Services support costs during the implementation of the Towns Fund and City Centre schemes.

Capital Proposals

1. The Council proposes to split the **£500k** Investment Fund which was re-designated to a scheme to fund **Covid recovery** (capital spend) and **Climate change** schemes 50:50 between the two schemes. It is proposed that the **£250k** Covid recovery is allocated for spend on Parks and Open Spaces. A report will be presented to Cabinet in the near future setting out further details.

Continuation of Previous Budget Plans

1. The Council will continue with **the Digital First Strategy** agenda to deliver further service improvements for customer service and roll out the digital agenda to the other departments through the Service Improvement Board.
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 **1.99%**. 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.

- The Budget Working Group who consists of Cabinet, 3 backbenchers and Corporate Management Team will meet during 2022 to work towards formulating the next efficiency plan to identify savings of £500k required in 2023/24. Consultation on the next savings plan will be carried out during the next budget process.

THE GENERAL FUND REVENUE FORECAST

- 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 2021/22 Revenue Budget and set a Council Tax increase of 1.99% at the Budget Council meeting in February 2021. The forecast at that time showed general fund reserves being used over the life of the forecast. The Council maintains a £1.1m minimum working balance in the General Fund.
- The Council reviews key financial assumptions on an on-going basis and identifies material changes highlighted within the appendices. During the Covid 19 pandemic, there have been more significant changes to the forecast than would usually occur. It is therefore difficult to forecast with any certainty the medium to long-term finances of the Council. In addition, the Government publishing one-year local government finance settlements instead of multi-year settlements is a further challenge to effective forecasting of the Council's finances.
- The forecast has been updated to reflect the underspend position in 2020/21, slippage of budget from 2020/21 into 2021/22, 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:	2021/22 £m
Original Budget: set at Budget Council February 2021 (see appendix A)	22,017
Impact of 2020/21 Outturn (slippage of budget into 2021/22)	1,875
Other forecast issues included in this update	-2,941
Latest Estimate : Revenue Budget 2021/22 (see appendix E)	20,941

- General Fund (GF) Monitoring** - The Council has continued to submit monthly financial management returns to Government setting out the Covid 19 spend the Council is incurring and Government grant it is receiving. The financial information is incorporated into the latest financial forecast.
- The financial forecast approved at Budget Council February 2021 showed a savings requirement from 2022/23 onwards. This latest forecast has been further updated with latest financial projections and the Cabinet budget proposals for 2022/23.
- The latest forecast sets out a savings requirement of £500k in 2023/24. The Council has previously agreed to the use of reserves to fund the shortfall between 'the amount the Council spends on providing its services' against 'the funding the Council receives to fund the net budget in order to achieve the minimum balance by the end of the forecast. For reference, the Council has a required minimum working balance of £1.1m.

- The Budget Working Group which consists of Cabinet, 3 backbenchers and Corporate Management Team will work on formulating the next budget efficiency plan during 2022. These plans will take into consideration the £500k savings requirement in 2023/24 and will consider the updated position for Covid 19 and future Government funding.

RESERVES AND PROVISIONS

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

General Fund Reserve	Earmarked Reserves and Provisions
<ul style="list-style-type: none"> A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing As a contingency to cushion the impact of unexpected events or emergencies 	<ul style="list-style-type: none"> Monies set aside for future events or liabilities
Balance 31 March 2021: £9.880m	Balance 31 March 2021: £41.13m

Appendix E contains the latest forecast for General Fund reserves.

- 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. Reserves may be needed to be called upon to assist with the financial impact from Covid 19. The updated policy will include details of those approved for release or if there will be an additional call on the reserves.
- 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.
- There has been a significant increase in earmarked reserves as at 1 April 2021. This is as a result of the technical accounting treatment of NNDR business rates in the 2020/21 accounts. The Council recognised the compensation funding for NNDR rates relief granted from Government in the year of receipt as required in line with accounting rules, however the deficit on the collection fund as a result of not receiving the NNDR business rates income, is only being recovered in 2021/22 to 2023/24. A contribution from the earmarked reserves will be brought into the forecast to match the recovery of the deficit in each of the financial years. The reserves will not be used for other purposes.

EXTERNAL AUDIT

1. The Council has an embedded planned approach to financial management and corporate governance, safeguarding public monies and ensuring accountability. The Council's appointed Auditors, Grant Thornton have presented a draft audit opinion to the January 2022 Audit Committee however there are some audit queries outstanding. Grant Thornton plan to have the audit fully concluded by the end of January 2022. The Audit Committee delegated to the Chair of Audit Committee the signing off, of the Accounts. This is subject to no material items being identified. The statutory date for authorities to approve their accounts was 30 September 2021 and the Council published reasons on the website explaining why the deadline was not being met.
2. As part of the Audit, Grant Thornton are required to report a Value for Money and financial resilience conclusion. Work is being finalised in relation to the 2020/21 accounts and the latest financial year. A conclusion is expected within the next few weeks. For the previous year's accounts 2019/20 Grant Thornton concluded that Preston City Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources and did not identify any new value for money risks in relation to Covid 19 and issued an unqualified value for money conclusion at that time.

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. It is expected that a report will be presented to Members during spring/summer 2022.
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 is shown to be paid over to the City Deal during the current financial forecast period.
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 totalling 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 (NNDR). The fund records all of the transactions for billing, exemptions and discounts granted, provision for bad debts and appeals, and payments made to the Council's General Fund, the County Council, Police and Crime Commissioner and Fire and Rescue precept authorities and Central Government.

Council Tax

1. The deficit on the Collection Fund for Council Tax as at 31 March 2021 was £2.952m. This deficit is being shared between the Council (16%), Lancashire County Council (70%), the Police and Crime Commissioner (11%) and the Fire and Rescue Authority (4%) in 2021/22 and 2022/23.
2. The deficit balance is expected to decrease at 31 March 2022 to £0.909m because of a slight increase in the collection rate following a move towards normality compared to the previous year and Covid 19. The latest forecast is for a slight increase in the in-year collection rate from 91.0% to 91.5%. The Council's share of the forecast deficit is £0.150m.

Business Rates (NNDR)

1. Prior to 2013/14, the Council collected NNDR on behalf of Central Government. All the NNDR income was paid directly into a central pool which was re-distributed to individual councils according to a needs-based formula. This system was replaced by the Business Rates Retention Scheme. Under this scheme the Council retains a 40% share of its NNDR. The remaining income is shared between Central Government (50%), the County Council (9%) and the Fire and Rescue Authority (1%).
2. As at 31 March 2021 there was an accumulated deficit on the Collection Fund for NNDR of £29.426m. The deficit is being shared between the City Council, the County Council, the Fire and Rescue Authority and Central Government in 2021/22 and 2022/23. The City Council's share of the deficit is £11.570m. The deficit is 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 2020/21. 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 £30.035m of Section 31 grant to cover these reliefs in 2020/21 and a reconciliation of the reliefs given and grant received will take place during 2021/22.
3. The latest forecast for 2021/22 is for an in-year deficit of £10.079m (still to be confirmed), of which the Council's share is £4.032m. This is largely due to an expected increase in retail reliefs given due to Covid 19. The in-year collection rate is expected to increase slightly from 92.2% to 93.0% as a result of Covid 19 restrictions being lifted.
4. Funding is being set aside in an earmarked reserve to smooth peaks and troughs over the life of the forecast. The set aside as at 31 March 2021 was unusually high due to the receipt of the Section 31 grant in 2020/21 to fund the business rates relief. This will be used to cover the deficit arising from reduced collection of NNDR receipts only being recovered in the following years. A contribution from the fund will be brought into the accounts to fund the deficit recovery in 2021/22 and 2022/23.

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

Capital Programme and Core Major Asset Plan

1. The Council strategically manages its operational properties through the Core and Major Asset Plan. The Council's operational properties include office accommodation, depots, yards and venues such as the markets and open space facilities. In addition the City has a Victorian legacy of the Grade I listed Harris Museum, cemetery, urban parks and dock estate.
2. The Core and Major Asset Plan is informed by regular stock condition surveys to establish a rolling programme of improvement and refurbishment. In addition we have a major repairs programme. Both of these take account of the need for efficiency and environmental impact issues.
3. The Council has an investment property portfolio managed to generate income to support the revenue budget and maximise opportunities for regeneration. Performance of this portfolio is reported quarterly to the Cabinet Member. 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

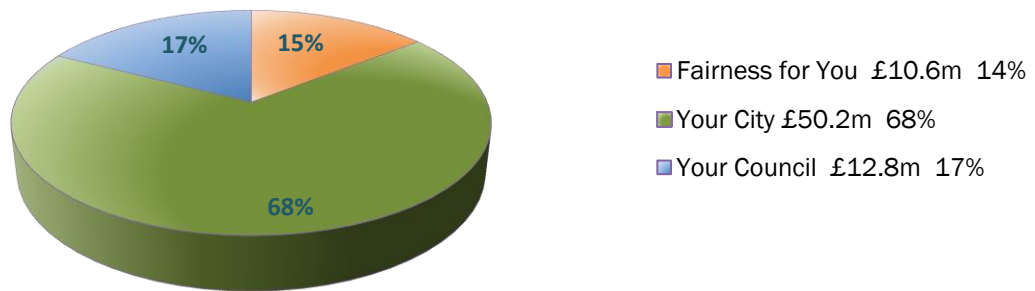
affordability of capital investment and the impact on revenue forecasts when formulating its capital spending plans.

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 2021/22 to 2025/26:
The table below highlights spend in relation to the Council's key priorities.

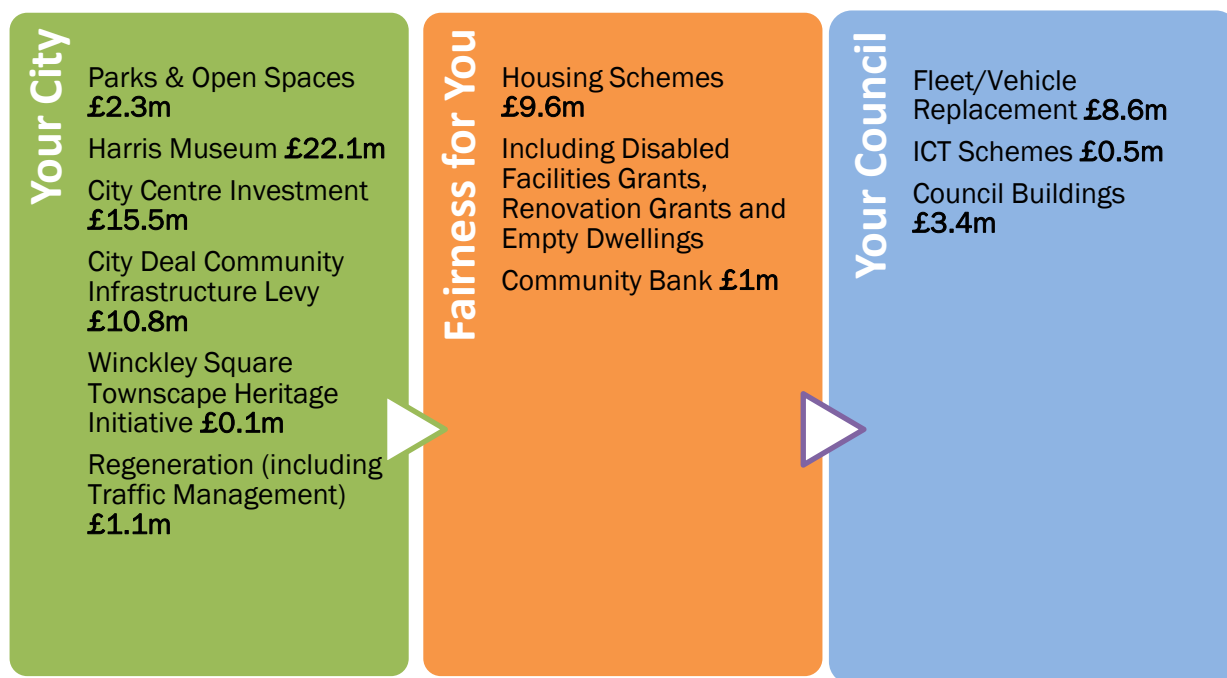
Priority Area	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Your Council	1.6	6.7	2.7	1.1	0.7	12.8
Your City	6.1	19.2	20.4	4.5		50.2
Fairness for You	1.7	2.6	2.9	1.7	1.7	10.6
Estimated Expenditure	9.4	28.5	26.0	7.3	2.4	73.6

Capital spending over the next five years by Priority:



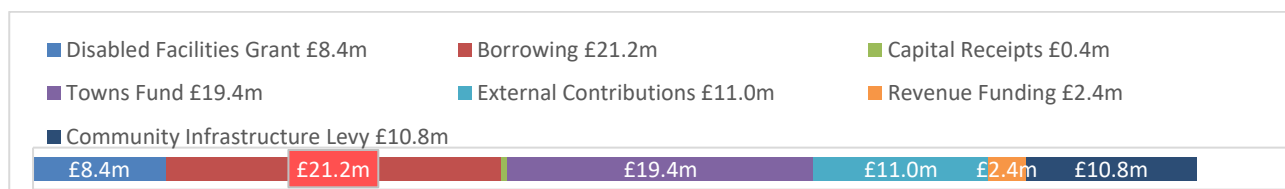
Examples of capital schemes by Council Priority:

The following shows planned capital spending by Council priority:



Capital Programme - Financing the Capital Programme

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



The Capital Strategy

1. The full Capital Strategy will be included within the Achieving Preston's Priorities document which is being presented to Budget Council in February 2022.
2. In formulating the Cabinet's budget proposals the Budget Working Group are proposing that:
 - The £500k Covid Recovery and Climate Change capital scheme is split 50:50 and £250k Covid recovery is allocated for spend on the Council's Parks and Open Spaces.
3. During 2022, Budget Working Group will review the long-term capital requirements and any new schemes presented during the next budget process. Members have made a number of individual decisions during 2021/22 on City Centre schemes and Health and Safety schemes.

CONCLUSIONS – CAPITAL PROGRAMME

1. The Capital Programme reflects the latest reported position. Members should note that there is no surplus on the Capital Programme and this assumes £21m of prudential borrowing. Note, this excludes any borrowing for the City Centre leisure scheme. The Capital Programme to be updated following final approval of the scheme planned for summer.
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 how the financing of the programme including levels of prudential borrowing and available capital receipts. The Towns Fund and City Centre Asset Schemes are being presented to Members as individual decisions/reports during 2021/2022 along with a number of urgent health and safety schemes.
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.
3. This report sets out the proposed Treasury Management Strategy for 2022/23 to be approved, as required by CIPFA. It includes the Council's borrowing and investment strategies, together with the treasury management prudential indicators which seek to ensure that the Council's borrowing levels remain both sustainable and affordable.
4. The Council's borrowing strategy continues to use internal resources (also known as internal borrowing) as a more cost effective approach in the short term although borrowing limits have been increased to facilitate any potential borrowing on the Animate Capital project.
5. The Treasury Management Strategy is fully set out within the appendices to this document.

Investment Strategy

1. The investment strategy will be fully set out in appendices to the Achieving Preston's Priority document being presented at Budget Council February 2022. It will be in line with statutory guidance that covers service investments (lending or buying shares in other organisations to support local public services) and commercial investments.
2. The Council does not hold any loans or shares in other organisations that provide a commercial investment return.
3. The Council invests in land and property within its boundary with the intention of facilitating economic development and regeneration.

OVERALL CONCLUSIONS

1. The forecast includes a number of significant risk areas which are set out within the document. Assumptions have been made on the long-term impact of Covid 19 however this position will need to be closely monitored and the forecast updated accordingly when more information on the longer-term impact is known. There was an announcement of a three-year spending review in October 2021 however the draft Local Government Finance Settlement published in December 2021 is allocating funding for a one-year period only 2022/23. This brings significant risk as it is difficult to forecast with any certainty the future Government funding levels. Depending on the shift/outcome of these risks there could be a major movement on the financial forecast set out at **Appendix E**.
2. The current reported forecast sets out that ongoing savings of £500k from 2023/24 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 2022.
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. Members should be aware that the Council has ambitions for the City Centre and City Centre Assets, aiming for the ultimate achievement of regeneration and growth in the City. The impact of Covid 19 means that there will be a higher level of financial risk going forward and therefore it will be paramount that any major projects/spending areas are fully evaluated and have business cases which have input from external expert advisors to ensure the Council is being prudent in its ambitious decisions.
5. The Council undertakes longer term financial planning when considering major schemes, business cases are prepared covering a long-term period such as 30 to 40 years. The Council considers whether spend is affordable and how sensitive it is to changes both external and internal. The Council has a 10-year vehicle replacement programme and a 10-year capital expenditure forecast and treasury plans are reviewed

over the length of the remaining borrowing terms. The forecast is also reviewed for sensitivities in underlying long-term assumptions.

6. The ultimate aim for the Council is to work towards bridging the gap (shortfall between how much the Council spends and how much the Council receives in funding) over the long term to ensure long-term sustainability for the Council and an ongoing balanced budget. The Council currently has a significant level of non-earmarked reserves, however these are shown to reduce over the forecast to minimum recommended levels. The Council hold a number of earmarked reserves which may be used as a last resort to phase in future saving requirements.
7. The forecast includes a proposed 1.99% Council Tax increase in 2022/23 and thereafter. The capping rules allow for setting the Council Tax up to the 2% in 2022/23. 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.
8. The Council carefully considers and monitors the risks set out in this report and in the Corporate Risk Register.

9. Financial Assurance Statement

- 9.1 In setting the budget the Council must act in accordance with its statutory duties and set a balanced budget for the following financial year by the statutory deadline. As the Council's designated Finance Officer, I have a legal duty to report to Full Council in February 2022 on the robustness of the Council's budget and the adequacy of reserves.
- 9.2 I have considered the major items of expenditure and income and their sensitivity to change especially taking into consideration the impact of the Covid 19 Pandemic, Government funding, Towns Fund and 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.
- 9.3 I can confirm the recommendations contained in this report will provide the Council with a robust financial position in 2022/23. I am of the view that the Council is pursuing a sound financial strategy in the context of the challenging financial position. However, there is still a significant level of uncertainty from the major risks, e.g. long-term impact of Covid 19 on the economy, unknown levels of future Government funding. There is major development in the Harris Quarter and City Centre which will assist in major regeneration and growth for the City of Preston however this will also bring a higher level of financial risk. Additional governance and monitoring arrangements are being put in place to help mitigate this risk. There are also a number of contingent liabilities which, if they materialise will have a significant impact. The Budget Working Group will be working to formulate the plans for identifying the £500k savings requirement during 2022 and will continue monitoring the Covid 19 impact and the Towns Fund scheme.

Appendix A Initial Forecast February 2021

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Adv (A)/ Fav (F)
Forecast agreed February 2020	20,562	20,632	21,021	21,021	
Forecast Changes - Combined	1,370	738	- 288	- 169	(A)
Savings	- 150	- 150	- 150	- 150	(F)
Growth Proposals	235	168	164	128	(A)
Total Expenditure	22,017	21,388	20,747	20,830	
Financed by:					
Lower Tier Services Grant	237	-	-	-	
Business Rates Baseline Funding	5,560	5,360	5,360	5,360	
New Homes Bonus (contributes to City Deal)	1,405	576			
Council Tax (based on City Deal projections)	12,579	13,121	13,502	13,942	
	19,781	19,057	18,862	19,302	
Call on Reserves	2,236	2,331	1,885	1,528	
General Fund Reserves					
Balance of Reserves b/f	7,283	5,047	3,316	2,031	
Less transfer to/(-)from reserves to Revenue in Year	- 2,236	- 2,331	- 1,885	- 1,528	
Savings requirement (to ensure £1.1m minimum balance)		600	600	600	
Year End Balance	5,047	3,316	2,031	1,103	
Band D Council Tax	£327.13	£333.63	£340.26	£347.03	
Council Tax Increase	1.99%	1.99%	1.99%	1.99%	

Appendix B

General Fund Forecast Assumptions

Key Area	Assumption	Comment
Pay Award	2% annually	The forecast assumes an annual pay award of 2% p.a. For information, an additional 1% pay award increase equates to c£200k per annum. The pay award for 2021/22 has still not reached agreement.
General Prices Inflation		Freeze on all general revenue expenditure with the exception of pay, fuel & utility budgets.
Slippage	£1.875m included in 2021/22	Underspend from 2020/21 agreed by Cabinet (July 2021) slipped into 2021/22.
Employers Pension Contribution	Currently includes 18.4% pa plus deficit recovery payment.	Figures included as per the outcome of the 2019 Triennial Review which covers 2020/21 to 2022/23.
Employer National Insurance Contributions	Employer's rate is 9.1% from April 2020.	9.1% is the average employer's percentage for the Council. Increase being included for 2022/23 onwards.
Government Grant Support	Based on the Local Government Settlement figures	Based on the Local Government Finance Settlement figures received February 2021 for 2021/22 and figures received December 2021 for 2022/23; In addition the Council has received various grant allocations relating to Covid 19
Council Tax Increase	1.99%	The Increase in 2021/22 was 1.99% The increase proposed for 2022/23 is 1.99%, as this is the maximum increase the Government have indicated the Council Tax Principles will allow in 2022/23.
New Homes Bonus Grant		The income received from New Homes Bonus reflects the Government's allocations as announced in December 2021.
Fees and Charges	Various	The 2021/22 Fees and Charges have been reviewed in line with the fees and charges policy and approved by the Cabinet Members. The 2022/23 Fees and Charges are currently being reviewed.
Vacancy Savings	£150k per annum	Estimated savings from vacant posts £150k pa ongoing. An additional savings amount of £550k for 2020/21.
Redundancy Costs	In line with the savings plan	The forecast includes revenue budget redundancy cost estimates for 2021/22 to 2024/25. An earmarked reserve holds a set aside for these costs.
Capital Borrowing	Various	Provision has been made for all Capital Programme borrowing unless indicated in the Programme.

Appendix C

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

	Key Area	2021/22 £000	2022/23 £0002	2023/24 £000	2024/25 £000	2025/26 £000	Adv (A)/ Fav (F)
	Impact of Outturn 2020/21 and forecast extension						
i	Slippage from 2020/21	1,875	0	0	0	0	(A)
ii	2025/26 Forecast Extension - Salary	0	0	0	0	430	(A)
	Impact of Covid-19						
iii	Test, track and trace, shielding, etc	135	0	0	0	0	(A)
iv	Homelessness including rough sleeping	300	0	0	0	0	(A)
v	Other Covid-19 associated costs	767	-100	0	0	0	(A)
vi	Loss of Fees and Charges Income	189	-50	-50	0	0	(A)
vii	Covid Marshalls	210	0	0	0	0	(A)
viii	COMF covid funding	-626	0	0	0	0	(F)
ix	Covid government grant	-805	0	0	0	0	(F)
x	Compensation for income losses	-45	0	0	0	0	(F)
	Other unavoidable spending pressures & changes to assumptions						
xi	Underspend challenge	-100	-100	-100	-100	-100	(F)
xii	Brockholes Brow Traffic Management & Borrowing costs	55	24	24	24	24	(A)
xiii	Utilities and Insurance costs	-50	310	310	310	310	(A)
xiv	National Insurance % increase	0	124	124	124	124	(A)
xv	CIL Admin contribution	-75	-75	-75	-75	-75	(F)
xvi	August Council meeting - Leisure Scheme re-phasing	0	-418	388	-35	-45	(F)
xvii	New burdens funding	-1,496	0	0	0	0	(F)
xviii	Increased in vehicle maintenance costs and vehicle hire	241	51	51	51	51	(A)
xix	Contribution from vehicle set aside to fund additional costs	-241	0	0	0	0	(F)
xx	Urgent additional Tree maintenance	50	0	0	0	0	(A)
xxi	New Homes Bonus additional to City Deal	0	1,290	0	0	0	(A)
xxii	Reports - Grange farm / Ashton Park bowling / Equipment	17	18	18	18	18	(A)
xxiii	DWP Subsidy - impact of supported accommodation	200	200	200	200	200	(A)
xxiv	Interst payable and MRP rephasing	-297	-621	706	126	86	
xxv	IT systems - anti virus / email	0	47	47	47	47	(A)
xxvi	Fees and charges	-37	-85	-85	-85	-85	(F)
xxvii	city deal - waste collection contingency	-322	-139	-137	-135	0	(F)
xxviii	Vacancy savings / underspends	-500	0	0	0	0	(F)
xxix	Capacity staffing financed from vacancy savings	0	160	160	0	0	(A)
xxx	Slippage, release of contingency, technical adjustment & misc	-521	252	129	66	66	(F)
		-1,076 (F)	888 (A)	1,710 (A)	536 (A)	1,051 (A)	

Appendix D

General Fund Forecast Adjustments (details)

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

	Key Area	Comment
	Impact of Outturn 2020/2021	
i	Slippage from 2020/2021	Slippage of £1.875m relating to underspends in 2020/21.
ii	Impact of Outturn 2020/21 and forecast extension	
	Impact of Covid 19 Pandemic:	
iii	Test, Track and Trace, shielding	Costs associated with providing the Test, Track and Trace service, and shielding.
iv	Homeless and Rough Sleepers	The cost of providing accommodation for Homeless and Rough Sleepers during Covid net of housing benefits
v	Covid 19 associated costs	Costs associated with Covid 19
vi	Loss of Fees and Charges during Covid	Reduction in sales, fees and charges during the Covid pandemic including reduced car parking income
vii	Covid Marshalls	The cost of providing Covid marshals throughout the pandemic
viii	COMF funding	Government funding
ix	Government Covid funding	Government grant towards the Covid costs incurred by the Council.
x	Compensation for income losses	The Council is being compensated for a proportion of lost fees and charges income.
	Other unavoidable spending pressures & changes to assumptions:	
xi	Underspend challenge	£100k per annum has been included to reflect removal of ongoing underspends
xii	Brockholes Brow Costs	Traffic management costs & borrowing costs to fund the works agreed by Full Council
xiii	Utilities and Insurance Costs	Utility costs and insurance costs are estimated to rise significantly in the next 12 months
xiv	National Insurance % increase	Increase set by the Government
xv	CIL Admin contribution	Contribution from Community Infrastructure Levy (CIL) receipts towards administration of the CIL
xvi	August Council meeting – re-phasing	Re phasing of the Animate Scheme estimates
Xvii	New Burdens funding	Various New Burdens Grants received from Government
xviii	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
xix	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.
xx	Urgent additional Tree maintenance	Urgent tree maintenance required

xxi	Transfer of New Home Bonus to City Deal	Transfer of the New Homes Bonus Allocation for 2022/23 to the City Deal
xxii	Implications of Reports approved by Members	Various reports agreed by Members during 2020/21
xxiii	DWP Supported Accommodation	Net cost impact of increased supported housing in the Preston Area note fully refunded by DWP subsidy
xxiv	Interest payable and MRP re-phasing	Re-phasing of interest and MRP budgets
xxv	IT systems – antivirus / email	Inflation and increased costs of IT systems – IT strategy fund financed original implementation period
xxvi	Fees and Charges	Inflationary increase in Cemetery and Crematorium (includes previous years inflation increase not in budget) subject to Cabinet Member approval
xxvii	City Deal – waste collection contingency	Contingency amount for additional waste collection round from City Deal housing not yet required.
xxviii	Vacancy Savings / underspends	Increase in vacancy savings and underspends during 2021/22
Xxix	Capacity resources – Towns Fund	Use of vacancy savings to fund staffing costs of support services to the Towns Fund (Legal, Finance and Property)
xxx	Slippage/release contingency/technical adjustments	Various budget adjustments including slippage from 2020/21 into 2022/23, transfer from earmarked reserves, release of contingency amounts not required, increase in staffing costs from increments/regrades.

Appendix E General Fund Forecast

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%	

Appendix F Savings and Growth Proposals

Key Area	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £0003	Adv (A)/ Fav (F)
Avenham Paviliion Café - operation from April 2022 onwards	78	78	78	78	(A)
Increasing resource in Council budgets:-					
Trees Strategy and Annual Tree Maintenance	180	138	138	138	(A)
ICT strategy & IT increased costs	88	88	88	88	(A)
Capacity staffing – Towns Fund – Legal / Finance / Property <i>(to be financed from vacancy savings)</i>	0	0	0	0	
	346 (A)	304 (A)	304 (A)	304 (A)	

Appendix G - Capital Programme

Capital Financing Statement

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total Estimate 2021/22 - 2025/26 £000
Estimated Expenditure						
Schemes in Progress	9,373	17,680	13,020	4,331	723	45,128
Schemes Awaiting Approval	48	4,380	2,371	816	0	7,615
New Schemes	0	6,485	10,542	2,194	1,680	20,901
Total Capital Payments	9,421	29,445	25,933	7,341	2,403	73,644
Estimated Resources						
General Fund :						
Direct Revenue Finance	400	128	0	0	0	528
Disabled Facilities Grant	1,393	1,967	1,680	1,680	1,680	8,400
Towns Fund	289	8,367	9,436	1,324	0	19,416
Other External Finance	1,505	3,831	5,390	311	0	11,036
Community Infrastructure Levy	2,800	3,262	2,491	2,255	0	10,808
Prudential Borrowing	1,623	5,585	4,541	695	0	12,444
Prudential Borrowing - Vehicle Replacement	823	3,985	1,945	810	723	8,286
Prudential Borrowing - Pay Back Schemes	0	0	0	0	0	0
Prudential Borrowing - COVID Recovery / Climate Change Schemes	0	500	0	0	0	500
Capital Reserves	137	38	0	0	0	175
Earmarked Reserves	373	773	330	166	0	1,642
IT Strategy Fund	30	0	0	0	0	30
Capital Receipts	50	108	120	100	0	378
Total Resources	9,422	28,545	25,933	7,341	2,403	73,644
					0	
Total surplus(-)/shortfall in year	0	0	0	0	0	0
Cumulative total surplus(-)/shortfall	0	0	0	0	0	0

Capital Programme 2021/22 to 2025/26

Key

s	Payback schemes
n	ICT Strategy Fund
TF	Towns Fund Programme

Scheme Cost Centre	Schemes in Progress	Key	Est. Total Cost of Scheme £'000	Total Actual to 31.03.21 £'000	Current Estimate 2021/22 £'000	Forecast slippage 2021/22 £'000	Revised Budget 2021/22 £'000	2022/23 Original £'000	2022/23 including slippage/ new schemes £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total 2021/22 to 2025/26 £'000
	PCC Schemes												
2043	CCTV Replacement Camera Project		114	114	6		0						
2045	New Burial Ground Within Existing Cemetery		180	163	9		17						17
2046	Re-Lining of the Cremators		83		87		83						83
2103	Harris Museum & Library - Internal Works		30	18	12	(12)	0		12				12
2111	Leisure Site Residual Remedial Repair Works		285	285	37		0						
2117	Town Hall Internal Areas Refurbishment		71	50	21	(7)	14		7				21
2137	General Car Park Repairs Ph 2		101	83	18		18						18
2143	Town Hall - Window Replacement		200	1			0	199	199				199
2146	Town Hall - New roof installation & Membrane		150	136	14		14						14

Scheme Cost Centre	Schemes in Progress (cont'd)	Key	Est. Total Cost of Scheme £'000	Total Actual to 31.03.21 £'000	Current Estimate 2021/22 £'000	Forecast slippage 2021/22 £'000	Revised Budget 2021/22 £'000	2022/23 Original £'000	2022/23 including slippage/ new schemes £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total 2021/22 to 2025/26 £'000
2149	Miller Park Offices - Rebuilding of WC & Mess Room		80	1			0	79	79				79
2150	Harris Building Replacement of Fire Alarm System		107	3	97		104						104
2151	Core & Major Assets Review 2019/2020 to 2022/2023		491	4	88	(68)	20	227	295	120	52		487
2153	City Centre Asset Management		150	22	128	(128)	0		128				128
2155	Moor Park Lighting		50		50	(25)	25		25				50
3219	Traffic Management Schemes		291	236			0	55	55				55
3220	Rough Hey Road		200	50			0	150	150				150
3236	The Guild Wheel		428	403	25	(25)	0		25				25
3238	Riversway Lock Gates		184	48	136	(36)	100		36				136
5651	Alleygating		281	263	18	(18)	0		18				18
5952	Making Homes From Houses		1,601	412	489	(195)	294	400	595	300			1,189
6980	Ashton Park Drainage Scheme		25		25	(1)	24		1				25
7310	ICT - Virtual Desktop Infrastructure	n	465	415	50	(20)	30		20				50
7315	Server, Storage, Backup and Disaster Recovery		526	486	112		40						40
7316	Upgrade of Power Supply and Fire Suppression - ICT Suite		133	3	130	(9)	121		9				130
7317	Installation of Fibre Optic Cable - Preston Crematorium		63		62		63						63

Scheme Cost Centre	Schemes in Progress (cont'd)	Key	Est. Total Cost of Scheme £'000	Total Actual to 31.03.21 £'000	Current Estimate 2021/22 £'000	Forecast slippage 2021/22 £'000	Revised Budget 2021/22 £'000	2022/23 Original £'000	2022/23 including slippage/ new schemes £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total 2021/22 to 2025/26 £'000
7318	AV Upgrades for Council Chamber		200		195		200						200
7942	Killingsough Farm - Repair Works		32	16	16		16						16
7945	Brockholes Brow Landslip - Emergency Works		126		125	(38)	88		38				126
7946	Brockholes Brow Landslip - Design & Construction Works		550		550	(495)	55		495				550
7947	Grange Farm Essential Repairs		216		216	(216)	0		216				216
7952	City Centre Investment Fund		8,915	8,654	262		261						261
7961	COVID Recovery / Climate Change Schemes		500		250	(250)	0	250	500				500
7966	Riversway Managed Workshops - Security Improvement Works								50				50
8317	Vehicle Replacement Scheme 2016 to 2021		4,795	980	957		957	2,858	2,858				3,815
8317	Vehicle Replacement Scheme 2022 to 2026		4,825				0	1,347	1,347	1,945	810	723	4,825
	Sub-total PCC schemes				4,185	(1,543)	2,544	5,565	7,158	2,365	862	723	13,652
	Schemes funded wholly/partly by External Finance or Government Grants												
2431	Winckley square Townscape Heritage Initiative		1,054	957	97		97						97
3221	Grimsargh Cycle Route		755	402			0	353	353				353
5930	Disabled Facilities Grants		8,512	5,482	1,680	(287)	1,393	450	737	450	450		3,030
6342	Re-Imagining the Harris - Delivery Ph 1	TF	9,083		689	(383)	306	4,692	3,499	4,818	460		9,083

Scheme Cost Centre	Schemes in Progress (cont'd)	Key	Est. Total Cost of Scheme £'000	Total Actual to 31.03.21 £'000	Current Estimate 2021/22 £'000	Forecast slippage 2021/22 £'000	Revised Budget 2021/22 £'000	2022/23 Original £'000	2022/23 including slippage/ new schemes £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total 2021/22 to 2025/26 £'000
6354	Re-Imagining the Harris - Delivery Ph 2	TF	1,951				0		1,286	620	45		1,951
6343	Re-Imagining the Harris - Additional works (design fees)	TF	200		112		112		88				200
6350	Preston Youth Zone (approved interim costs)	TF	380		380	(360)	20		360				380
6351	Renewal of Harris Quarter Assets (approved interim costs)	TF	150		150	(24)	126		24				150
6352	Harris Quarter Cinema and Leisure Scheme (Animate)	TF	4,333		903		903		895	2,276	259		4,333
6967	Drainage & Enhancement Scheme - Football Pitches		203	53	150	(16)	134		16				150
6971	Conway Park - Phase 1 Play Area Refurbishment		2				2						2
6972	Ribbleton (Waverley) Park Lighting Improvements		26	26	1		0						
6973	Tanterton Green Play Area Refurbishment		53	47	1		6						6
6974	Haslam Park Play Area Refurbishment		0		1		2						2
6975	Replacement of Balustrades - Avenham & Miller Park		60		60	(2)	58		2				60
6976	Conway Park - Perimeter Footpath Project		38		38		37						37
6977	Highgate Woods - Boardwalk Reconstruction Project		20		20		22						22
7963	Rapid Re-Housing Pathway Funding		135	124	11		11						11

Scheme Cost Centre	Schemes in Progress (cont'd)	Key	Est. Total Cost of Scheme	Total Actual to 31.03.21	Current Estimate 2021/22 £'000	Forecast slippage 2021/22 £'000	Revised Budget 2021/22 £'000	2022/23 £'000	2022/23 including slippage/ new schemes £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total 2021/22 to 2025/26 £'000
7964	Community Infrastructure Levy		24,752	13,944	2,328	472	2,800	3,734	3,262	2,491	2,255		10,808
7965	Preston Towns Fund - Harris Quarter Pop Ups	TF	1,000	199	801	0	801						801
	Sub-total grant funded schemes				7,422	(601)	6,829	9,229	10,522	10,655	3,469		31,475
	Total of Schemes in Progress				11,607	(2,144)	9,373	14,794	17,680	13,020	4,331	723	45,128
Scheme Cost Centre	Schemes awaiting Approval	Key	Est. Total Cost of Scheme	Total Actual to 31.03.21	Current Estimate 2021/22 £'000	Forecast slippage 2021/22 £'000	Revised Budget 2021/22 £'000	2022/23 £'000	2022/23 including slippage/ new schemes £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total 2021/22 to 2025/26 £'000
capua1	Avenham Car Park - Lift Replacement							130	130				130
capua2	Moor Park Football Pavilion - Refurbishment									75			75
capua10	Investment Property Refurbishment Programme				8	(8)		30	38	30	30		98
capua11	Fishergate Hill Parks Fund				140	(140)			140				140
capua13	Parks Electrical, Heating & Security Upgrades				120	(120)		75	195	40			235
capua15	Community Bank				100	(100)		900	1,000				1,000
capua16	Town Hall - Window Replacement									200	220		420

capua17	Energy Efficiency works						113	113				113	
capua18	Avenham Car Park Security	s			100	(100)		100				100	
capua20	City Centre Asset Management						1,784	1,784	430	466		2,680	
capua22	Core & Major Assets 2021/2022 - Parks & Open Spaces				565	(565)	40	605	242			847	
capua23	Core & Major Assets 2021/2022 - Operational Buildings				369	(369)	546	915	354			1,269	
capua25	Riversway Managed Workshops				40	(40)		40				40	
capua26	Community Related Asset Infrastructure				120	(120)	100	220	100	100		420	
capua30	St. Paul's Depot Security Works <i>(Funded scheme - awaiting Cabinet approval)</i>						48					48	
	Total of Schemes Awaiting Approval				1,562	(1,562)	48	3,718	5,280	1,471	816	7,615	
	Funded budget increase												
5930	Disabled Facilities Grants - additional funding							1,230	1,230	1,230	1,680	5,370	
	Towns Fund Programme - subject to approval of business cases												
6350	Preston Youth Zone	TF						980	2,290	550		3,820	
6343	Re-Imagining the Harris - Additional works	TF						500	1,675			2,175	
6351	Renewal of Harris Quarter Assets	TF						3,500	3,694			7,194	
6353	Illuminate & Integrate	TF						275	1,653	414		2,342	
	Total New Schemes							6,485	10,542	2,194	1,680	20,901	
	Capital Programme Total				13,169	(3,706)	9,421	18,512	28,545	25,933	7,341	2,403	73,644

Appendix H Risks

Key Areas of Financial Risk (Revenue)

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

High Risk

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

Medium Risk

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

Low Risk

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

Medium Term Financial Strategy Risks	Level of Risk		Risk Mitigation
	Likelihood	Impact	
Impact of Covid 19	High	High	
The risks associated with the Global pandemic Covid 19 are being monitored through the Council's corporate risk register. There are significant financial risks such as impact on council tax collection rates, impact on NNDR collection rates, increase in the cost of council tax support, reduced car parking income, reduced planning application fee income, costs associated with making buildings Covid 19 compliant, PPE, increased waste collection costs. Members will be kept updated on the Covid 19 impact for the Council and the impact on the economy.			The Council has received Government funding in 2020/21 and 2021/22 however the long-term impact is currently uncertain and a high level risk.
Business Rates & Future Government Funding	Medium	High	
The Government has delayed implementing a scheme as previous planned following the Fair Funding Review. A one-year only allocation has been set for 2022/23. It is still unknown how the Business Rates scheme will operate from 2023/43 onwards. Future allocations and splits between two-tier authorities are still unknown. 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
E U Exit	Medium	Medium	
The Council will closely monitor the aftereffects of the UK's exit from the European Union such as supplies and workforce.			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.
New Homes Bonus (NHB)	Medium	Medium	
The Government indicated that NHB legacy payments will be honoured but the scheme for 2021/22 and 2022/23 be a one-year allocation. Any NHB due to the Council now transfers to the City Deal therefore any change to the current system will impact on the City Deal. We are still awaiting confirmation if there will be an alternative scheme			Changes to NHB is closely monitored.

Pension Triennial Review	Medium Medium	
<p>The Pension Fund Actuaries (Valuers) issued final figures for their pension triennial review, covering the period 2020/21 to 2022/23. The deficit on the fund reduced significantly from the previously reported deficit due to the positive performance of the fund. However, pension costs continue to be a future risk for the Council. Covid 19 may impact on investments held by the Fund.</p>		<p>An estimate for potential increased 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. The scheme is in the eighth year. Covid 19 has impacted on the levels of council tax support and the Council saw a sharp increase during 2020/21 however recently this has been reducing. 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>Covid 19 is seeing a significant increase in council tax support numbers</p>		<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>GLL</p> <p>Under the terms of the Leisure Transfer agreement with GLL, Preston City Council are the Pension Fund guarantor, in perpetuity, for former Council employees who transferred to GLL.</p>		<p>The Council continues to monitor the situation.</p>

Universal Credit	Medium Medium	
<p>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.</p>		<p>This is being monitored closely.</p>
Pay Inflation	Low Medium	
<p>The forecast includes an estimate for a 2% pay award from 2021/22 onwards. Any variation above this estimate will impact on the Council's resources. The cost of an additional 1% increase is c£200k per annum. This will be kept under review and the assumption in the forecast may need to be changed.</p>		<p>The current offer proposal is 1.75% which is within the estimate limit. However, this offer has not yet been agreed by the unions.</p>
Income Streams	High High	
<p>Income streams are under considerable pressure as a result of Covid 19. Notable examples include income from car parking charges, planning application fees, licensing fees, cultural and leisure fees. These are being monitored closely.</p>		<p>All income streams continue to be closely monitored within the budget monitoring to Budget holders, CMT and Cabinet Members</p>
Council Tax Administration Grant	Medium Medium	
<p>The Council currently receives a combined Housing and Council Tax Administration grant of approximately £0.7m per annum paid by the Department of Work & Pensions (DWP) and Ministry of Housing, Communities and Local Government (MHCLG). It is expected that this grant will reduce as it is under review as part of the Government's Welfare Reforms.</p>		
Vehicle Fleet	Medium High	
<p>The vehicle fleet requirements continue to be evaluated, linked to future service needs. However, a risk remains that current revenue provision may be insufficient to meet future long-term requirements.</p>		<p>The Council has a 10 year vehicle replacement plan in place which monitors costs of vehicle replacements and if funds are sufficient.</p>

Guild Hall	High	High	
There is an outstanding legal challenge following the forfeit of the lease on the Guild Hall			The Council seeks to mitigate the risk by having expert legal advisors in place.
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 adhoc 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 has approved 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	
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.

Covid 19 Impact on Schemes	High	Medium	
A number of schemes are being delayed due to the Global pandemic. These include disabled facilities grants and a number of the City Centre schemes.			The Council closely monitors progress on capital schemes
TREASURY MANAGEMENT RISKS	Medium	High	
<p>The main risks to the Medium Term Financial Strategy as a result of Treasury Management activity are:</p> <ul style="list-style-type: none"> • Unexpected movement in cash flow - income not received or delayed and/or unplanned payments made. • Unexpected movement in interest rates – generated by changes made by the Bank of England. • Difference between actual interest rates and rates used in the forecast – actual investment returns or borrowing costs may differ from the forecasts used to set budgets. • Security of monies invested with counterparties – in the event of a collapse of a financial institution with whom the Council has invested funds e.g. Icelandic banks. 			The Council has external treasury advisors.

Capital Strategy Report 2022/23

1. Introduction

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

2. Capital Expenditure and Financing

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

In 2021/22, the Council is planning capital expenditure of £9.4m summarised in Table 1.

Table 1 Prudential Indicator: Estimates of Capital Expenditure

Priority Area	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Your Council	1.6	6.7	2.7	1.1	0.7	12.8
Your City	6.1	19.2	20.4	4.5		50.2
Fairness for You	1.7	2.6	2.9	1.7	1.7	10.6
Estimated Expenditure	9.4	28.5	26.0	7.3	2.4	73.6

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, however the £73.6m capital programme above does not include the full costs for this scheme at this stage. A report to members detailing the scheme costs and funding is planned, and if approved, the scheme costs and financing will be incorporated into the capital programme and revenue budgets.

Governance: A strategic review of the Capital Programme including a review of the Council's investment assets and operational assets is carried out annually. The reviews take into consideration works identified from stock condition surveys (over a ten-year time frame) and investments/capital expenditure as a result of the Efficiency Savings Plan. 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 service priorities against financing costs. The final capital programme is then presented along with the Cabinet budget proposals in January and to Council in February each year.

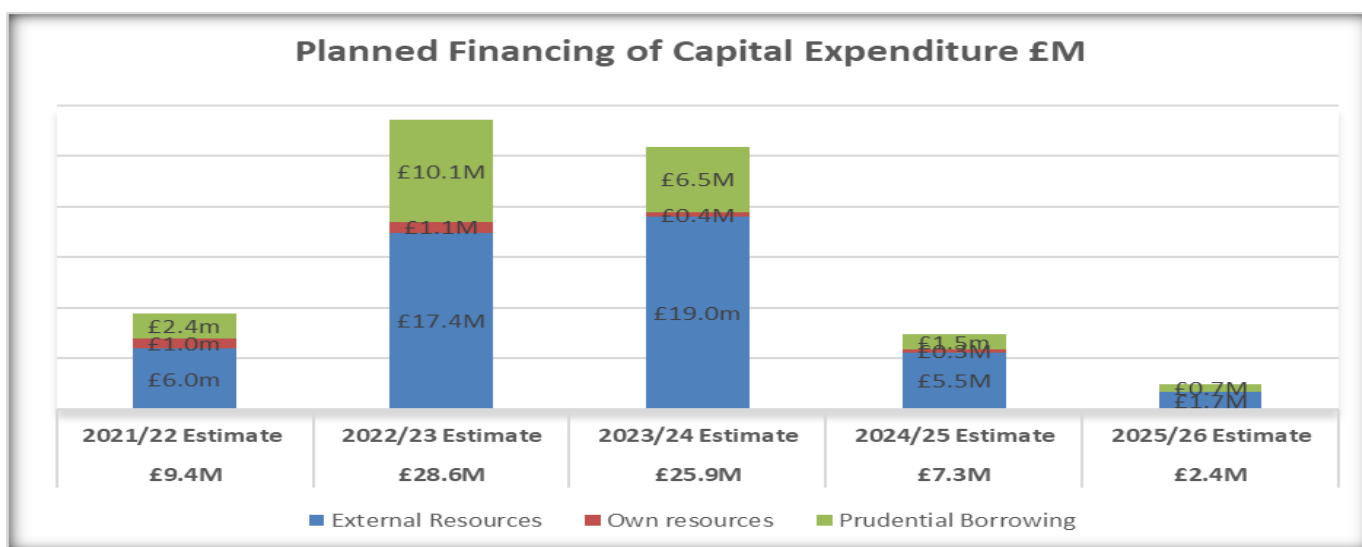
During 2021/22, due to the additional work commitments in relation to major investment schemes such as the Towns Fund programme and Covid grant payments etc., any new capital requirements have been

dealt with by individual council reports. Examples of schemes approved are Grange Farm Essential Improvements, and Riversway Managed Workshops - Security Improvement Works.

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

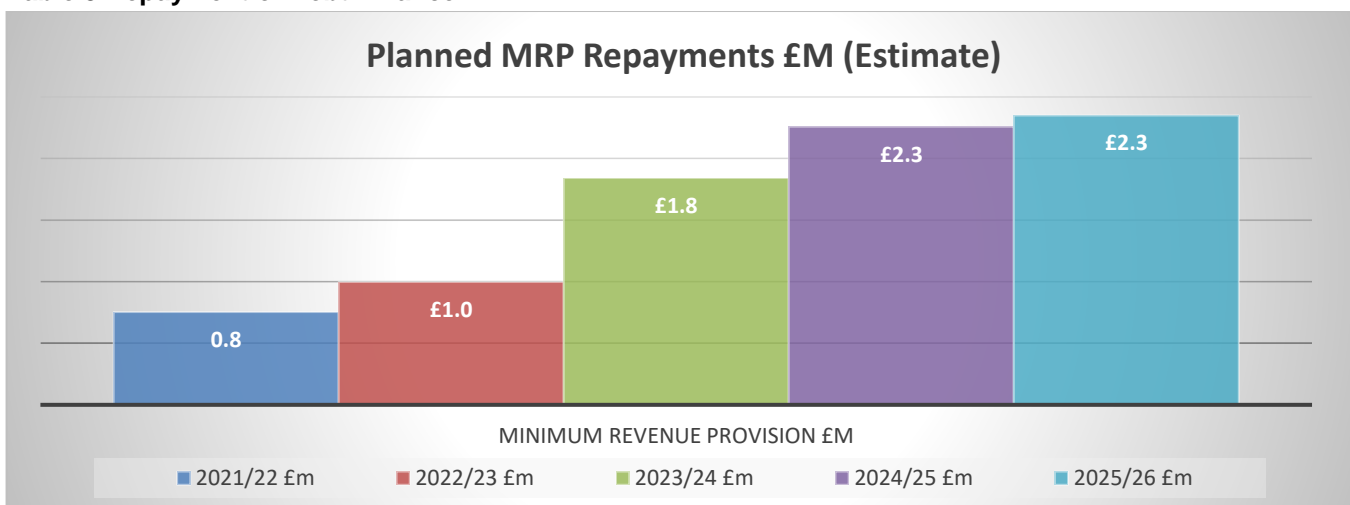
All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council’s own resources (revenue, reserves, and capital receipts) or debt (borrowing or leasing). The planned financing of the expenditure in Table 1 is as follows:

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

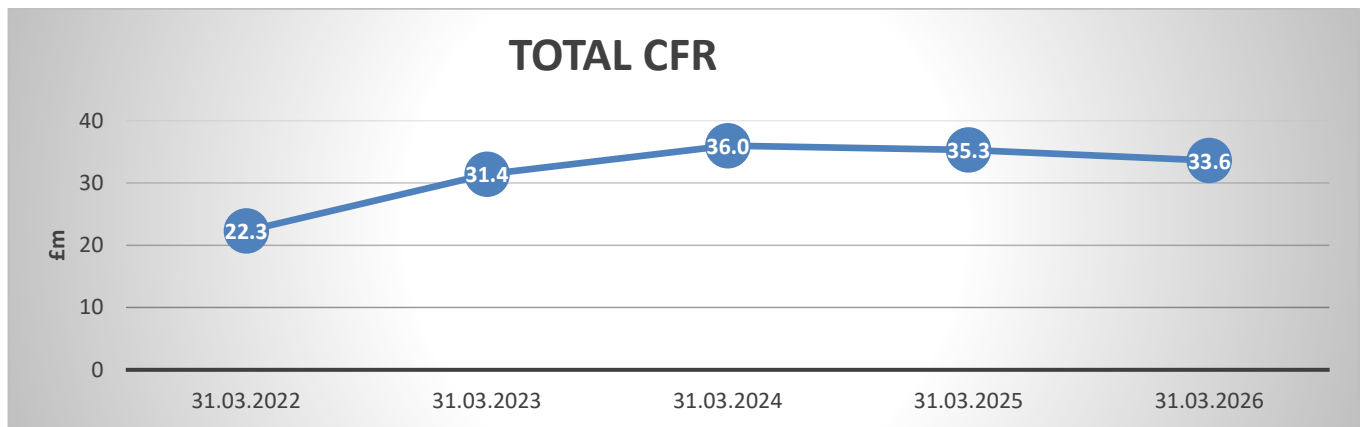


The overall trend of MRP is increasing due to the cost of financing the Capital Programme.

- 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



Asset management: To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy. An external review was previously undertaken by specialist property advisors Cushman and Wakefield. The review looked at the Councils investment property portfolio and performance of the Property Services section. An action plan setting out recommendations was previously agreed by Members however this will be revisited by Budget Working Group during 2022. Part of the initial brief was to investigate opportunities to dispose or repurpose property assets for development and explore other opportunities to maximise the return on the existing investment property portfolio income from re-investment of receipts.

A full review of the future capital requirements of the council’s investment and operational assets is planned to be carried out during 2022/23.

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 currently also permitted to spend capital receipts on service transformation projects until 2022/23. The Council plans to receive £1.2m of capital receipts in the coming financial year as follows:

Table 5: Capital Receipts

	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	Total Estimate £m
Asset sales	0.8					0.8
Right to Buy Receipts	0.4	0.1	0.1	0.1	0.1	0.8
TOTAL	1.2	0.1	0.1	0.1	0.1	1.6

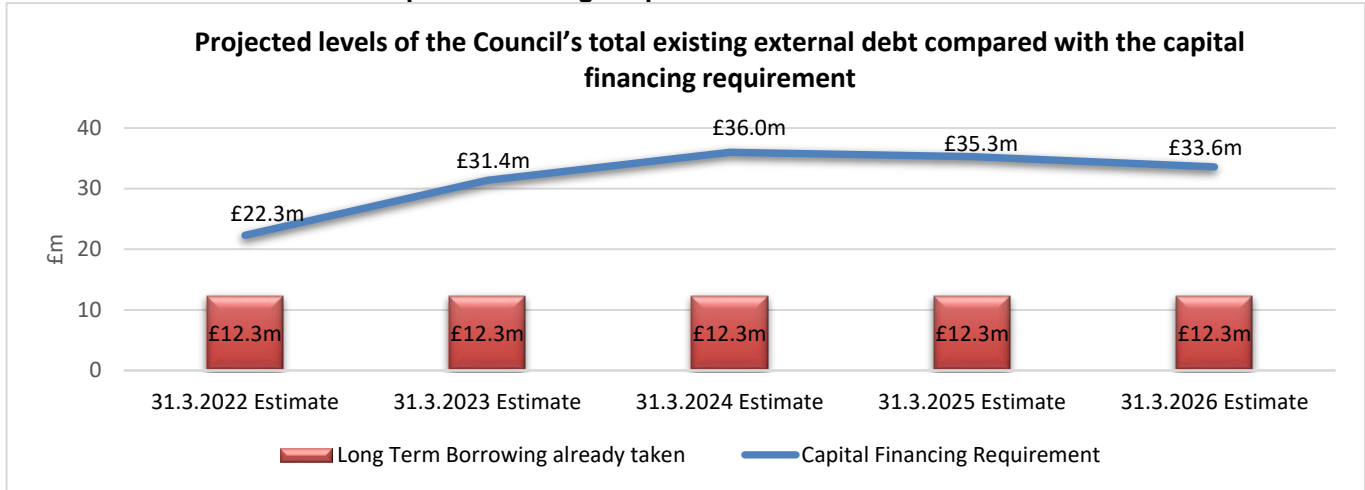
- Further details of financing from capital receipts are included within the capital programme in Appendix G

3. Treasury Management

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

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

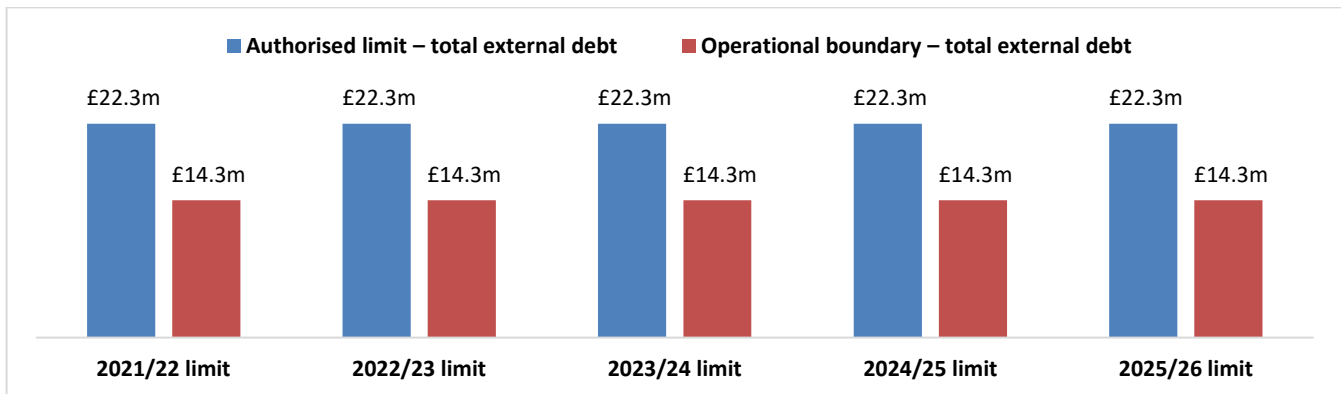
Table 6: Actual Debt and the Capital Financing Requirement



Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term 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



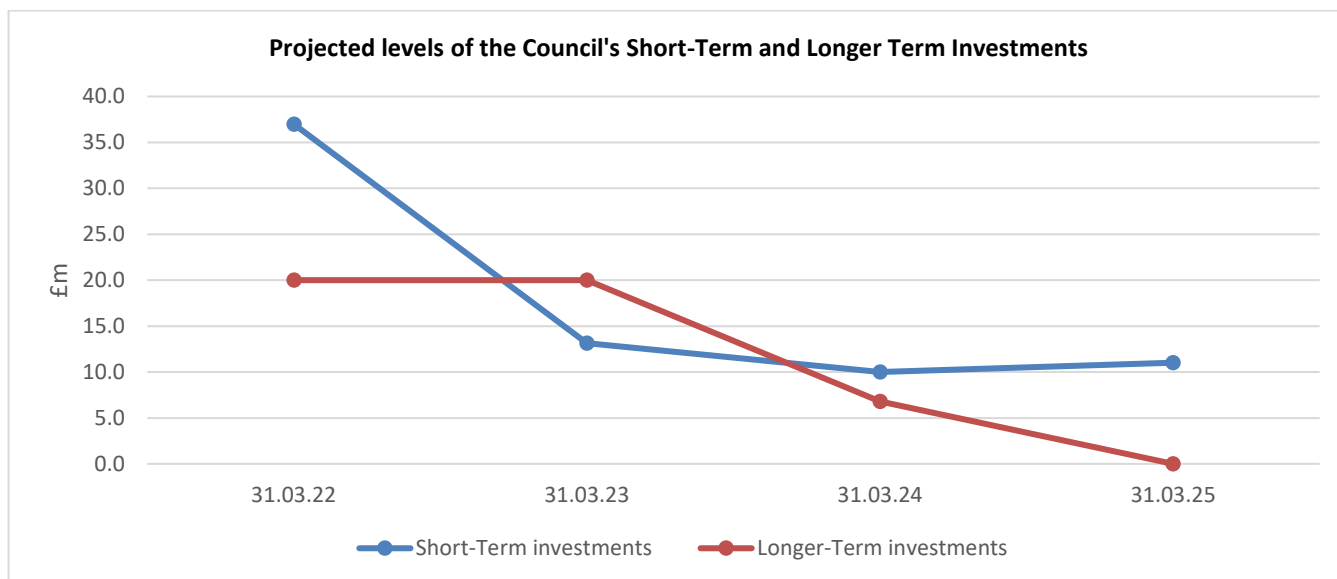
Further details on borrowing are in the treasury management strategy (Appendix J)

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. That is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and

longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy, and the Council may request its money back at short notice.

Table 8: Treasury Management Investments



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

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer (City Treasurer) 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. Investment Fund (COVID recovery/Climate Change)

The Council previously agreed an Investment Fund originally designed to aid unlocking wider economic growth in Preston through small capital projects. However, the Council agreed to re-designate this scheme to fund Covid recovery (capital spend) and Climate change schemes 50:50 between the two schemes. It is proposed that the £250k Covid recovery is allocated for spend on Parks and Open Spaces. A report will be presented to Cabinet in the near future setting out further details.

The Council is currently undertaking business appraisal options for a potential investment into the North West Mutual Bank project and has provisionally included £1m within the Capital Programme in 2022/2023 and 2023/2024. Further work will be required to evaluate this proposal further along with an options appraisal and seeking. This will be classed as capital expenditure and subject to being allowable inline with the latest capital and treasury rules and will require approval by full Council.

Governance: Decisions on service investments are made by the relevant service manager in consultation with the City Treasurer and must meet the criteria and limits laid down in the investment fund strategy.

Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

5. Commercial Activities

The Council has a property portfolio which it has held historically from regeneration in the Preston Area or via transfers of land and assets from Government Bodies. Whilst the main aim is regeneration the Council will always seek to achieve financial gain from these assets 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 5.25%.

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. An approach is currently being review for the potential to reuse capital receipts from asset disposals for re-investment into existing Council land assets with the aim or regeneration and increasing future returns. A programme of works has been developed which have achieved a review of the managed workshops, undertaking of rent reviews, and identifying surplus areas of land and freeholds to maximise the rental returns and achieve future capital receipt. Further portfolio update reports will be presented to Cabinet during 2022/23.

There have been no acquisitions via Prudential Borrowing.

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. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

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

6. Liabilities

In addition to debt of £12.3m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £97.7m at 31st March 2021). It has also set aside £4m (as at 31st March 2021) 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 (City Treasurer). 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/statementofaccounts/>.

Revenue Budget Implications

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

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

	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
Financing costs (£m)	1.2	1.5	2.4	2.9
Proportion of net revenue stream	6.0%	7.0%	12.5%	14.8%

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

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

7. Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Resources (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, Cushman & Wakefield as

property consultants, 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 commensurate with its risk appetite.

Treasury Management Strategy 2022/23

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 (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. In December 2021 CIPFA published a revised Treasury Management Code of Practice which takes immediate effect except that the Council may defer introducing the revised reporting requirements until the 2023/24 financial year.

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

The current investment strategy is to seek to ensure sufficient liquidity so that longer term investment balances are available to fund capital schemes such as the Harris Quarter Cinema and Leisure Scheme (Animate). At the present time the Development Funding Agreement for the Animate project is still conditionally.

2. Economic background

The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to a rise in inflationary pressure, but disrupted factors of supply are also amplifying the effects which increases the likelihood of lower growth rates in the future.

UK Consumer price Inflation was 5.4% for December 2021 and is expected to rise higher in the short term. The level of inflation has prompted the Monetary Policy Committee to raise the Bank Rate from 0.10% to 0.25% in December 2021 and again to 0.50% in February 2022.

Interest rate forecast: the Bank Rate is forecast to increase again to 0.75% in March 2022 and then to 1.00% in May 2022. Longer term investment yields and borrowing rates are forecast to remain broadly flat from current levels.

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 2022	0.75	0.85	1.20	2.00	2.35	2.00
Jun 2022	1.00	1.20	1.20	2.00	2.35	2.00
Sep 2022	1.00	1.25	1.20	2.00	2.35	2.00
Dec 2022	1.00	1.15	1.20	2.00	2.35	2.00
Mar 2023	1.00	1.10	1.20	2.00	2.35	2.00
Jun 2023	1.00	1.10	1.20	2.00	2.35	2.00
Sep 2023	1.00	1.10	1.15	1.95	2.35	2.00
Dec 2023	1.00	1.10	1.15	1.95	2.35	2.00
Mar 2024	1.00	1.10	1.15	1.95	2.35	2.00
Jun 2024	1.00	1.10	1.15	1.95	2.35	2.00
Sep 2024	1.00	1.10	1.15	1.95	2.35	2.00
Dec 2024	1.00	1.10	1.15	1.95	2.35	2.00

3. Treasury Balances Forecast

On 31st December 2021, the Authority held £12.3m of borrowing and £96.0m of investments. This is set out in further detail in Table 2.

Table 2 – Existing Investment & Debt Portfolio Position at 31.12.21	Actual Portfolio £M
External Borrowing:	
Public Works Loan Board	1.9
Bank Loans	10.4
Total External Borrowing	12.3
Treasury investments:	
<u>Short Term</u>	
Banks	10.7*
Local Authorities	27.0
Money Market Funds	35.0
HM Treasury	3.3
<u>Long Term</u>	
Other pooled funds	
- Cash Funds	16.5

- Bond Funds	3.5
Total Treasury Investments	96.0
Net Lending (Investments less borrowing)	83.7

*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.

	31.03.22 Forecast £M	31.03.23 Forecast £M	31.03.24 Forecast £M	31.03.25 Forecast £M	Notes
Capital Financing Requirement (CFR)	22.3	31.4	36.0	35.3	1
Less: Long Term Borrowing already taken	(12.3)	(12.3)	(12.3)	(12.3)	2
Cumulative Borrowing Requirement	10.0	19.1	23.7	22.9	3
Usable Reserves and Provisions at 31 st March	57.0	44.7	37.4	31.0	4
Working Capital	10.0	7.5	4.0	3.0	5
Less: Internal Borrowing	(10.0)	(20.0)	(23.7)	(22.9)	6
Investments by 31st March	57.0	33.2	17.7	11.0	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 from 2022/23 onwards due to capital schemes such as the vehicle replacement programme.
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 2021/22 to 2025/26 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 2022 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. Over the life of this forecast, the total amount of internal borrowing is £22.9m by 2025.
7. This is the forecast amount of cash available for investment after allowing for the funding of Internal Borrowing.

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

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

Statutory guidance is that the Authority's total debt should remain lower than the forecast CFR, except in the short-term. Table 3 shows that the Authority expects to comply with this recommendation during the medium term.

The budget for investment income in 2022/23 is £0.30m at an average interest rate of 1.3% and the budget for debt interest payable in 2022/23 is £0.59m based on an existing debt portfolio of £12.3m at an average interest rate of 4.8%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

4. Borrowing Strategy

The Authority currently holds £12.3m of loans as part of its strategy for funding previous years' capital programmes. The Treasury Balances Forecast in Table 3 shows that the Authority may need 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 £22.3m.

In November 2020 the Public Works Loan Board (PWLB) published new rules that prevent councils borrowing for the primary purpose of generating yield, and they will not lend to an authority that has such a scheme in its capital programme. CIPFA introduced in December 2021 a ban on borrowing to invest for the primary purpose of financial return.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over

the period for which funds are required. The flexibility to renegotiate loans in the event that the Council’s long-term plans change is a secondary objective.

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

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

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

Alternatively, the Council 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.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages. 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 4 Prudential Indicators: Authorised limit and Operational Boundary for External Debt

	2021/22 Limit £M	2022/23 Limit £M	2023/24 Limit £M	2024/25 Limit £M
Authorised Limit – maximum external debt	22.3	22.3	22.3	22.3
Operational Boundary – total external debt	14.3	14.3	14.3	14.3

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

- HM Treasury’s PWLB lending facility (formerly the Public Works Loan Board)
- Any institution approved for investments (see below)

- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Lancashire County Pension Fund as it is the Council's own pension fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

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

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

5. Investment Strategy

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

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

Strategy: The Council will continue to adopt a prudent approach to investment management to ensure that cash balances are readily available to fund the Animate project.

It is a requirement that the Council's investments follow the government guidance on local government investments and the CIPFA Treasury Management Code of Practice. To comply with this, the Council must prioritise security, liquidity and yield in that order.

The Council has declared a climate change emergency to tackle the drivers and impact of climate change. The Council recognises that it may further enhance its efforts through its investments decisions. Ethical investing is an approach to investing which considers values as well as returns but at the present time there is no financial regulation and different investment managers take different approaches making the information provided inconsistent, subjective, and difficult to compare. Regulators are beginning to introduce measures to standardise how companies report their environmental impact. The UK Financial Conduct Authority (FCA) has introduced enhanced climate-related financial disclosures for listed companies and FCA regulated asset managers and asset owners with the first disclosures made in early 2022. The Council will consider ethical

investments opportunities as they arise but they must first meet all statutory investment guidance considerations.

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

Table 5: Approved investment counterparties and limits

Investment Type / Minimum Credit Rating (Note 1)	Banks Unsecured (Note 2)	Banks Secured (Note 3)	Government (Note 4)
UK Government	n/a	n/a	£ Unlimited 50 years
UK Treasury Bills	n/a	n/a	£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
UK Unrated Building Societies (Note 5)	£1m each (maximum of £2m) for 3 months		
Money Market Funds (Note 6)	£3.5m per Fund		
Cash Plus Funds (Note 6)	£6m per Fund (£20m in Total)		
Bond Funds (Note 6)	£5m in Total		
Multi Asset Funds (Note 7)	£5m per Fund (£10m in Total)		
Property Funds and Real Estate Investment Trusts (Note 7)	£2m in Total		
Registered Providers (Preston area) (Note 8)	£1m in Total for 5 years		
Any other organisation (Note 9)	£100k each for 5 years		

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

Notes to Table 5

- Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- Banks unsecured:** Includes accounts, deposits, certificates of deposit and unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- Banks secured:** Includes covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are

secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

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. **Building Societies:** The Building Societies regulatory framework and insolvency regime means that in the unlikely event of a Building Society liquidation, the Authority's deposits would be paid out in preference to retail depositors. Most Building Societies do not have a credit rating, therefore, a credit analysis will be undertaken by Treasury Advisor's Arlingclose which will determine a preferred list of Building Societies with whom to invest.
6. **Pooled Funds:** These Funds are shares in diversified investment vehicles which invest in any of the investment types above (Notes 2 to 4), plus equity shares and property. These funds provide wide diversification, together with the services of a professional Fund Manager. The Money Market Funds offer same-day liquidity and very low volatility and are used as an alternative to instant access bank accounts. There is no sector limit applying to Money Market Funds although the Council will take care to diversify its liquid investments over a variety of providers to ensure The Cash Plus and Bond Funds may be used for investments for a longer period and the value of these investments may change in line with market prices but offer enhanced returns over the longer term. These funds have no defined maturity date but are available for withdrawal after a short notice period.
7. **Multi-Asset and Property Funds:** Multi-Asset funds are similar to the funds outlined in Note 6 and invest in a combination of cash, bonds, equity and property to diversify risk and enhance return. These funds will only be introduced and used following a review of the risks and rewards which would be first reported to the Cabinet Member of Resources and Deputy Leader. Property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. These funds have no defined maturity date, but are more suitable to a minimum investment period of at least three to five years. As with property funds, Real Estate Investment Trusts offer enhanced returns over the longer term but are more volatile in terms of share price and the underlying value of the property.
8. **Registered providers:** These are longer term loans or bonds that are secured or guaranteed on the assets of Registered Providers of Social Housing. These bodies are highly regulated by the Homes and Communities Agency and are likely to receive government support if needed.
9. **Other organisation:** This is subject to an external credit assessment and specific advice from the Council's treasury management adviser.
10. **Foreign Countries:** Investments with institutions domiciled in foreign countries rated AA+ or higher will be limited to £2m per foreign country. This limit does not apply to Pooled

Funds as these funds spread their investments over many countries in order to reduce risk.

- 11. Operational bank accounts:** The Council's own bank account which is used for all of the Council's operational activities will have a minimum credit rating of BBB- and assets greater than £25 billion. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. The balances in the Council's own bank account will ideally be kept below £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.
- 12. Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where a credit rating agency announces that a counterparty of the Council is on review for a possible credit rating downgrade (so that it may fall below the approved rating criteria), then only investments that can be withdrawn on the next working day will be made until the outcome of the review is announced. This policy will not apply to credit rating 'negative outlooks' which indicate a long-term trend rather than an imminent change of credit rating.
- 13. Other information on the security of investments:** Credit ratings are not the only predictors of investment default. Other information is also used to assess the credit quality of counterparties. This information includes credit default swap prices, financial statements, potential government support and reports in the financial press. This information is analysed by the Council's treasury advisors and no investments will be made with an organisation if there are doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.
- 14. Liquidity management:** The Council uses a detailed daily cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

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

6. Treasury Management Indicators

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

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

Table 6 Maturity Structure of Debt

	Lower Limit	Upper Limit
Under 12 months	0%	40%
12 months to 2 years	0%	50%
2 years to 5 years	0%	75%
5 years to 10 years	0%	100%
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.

Long Term Treasury Management Investments: The Council does not have any investments that are for a fixed term longer than one year. The Council's investments that have been categorised as 'longer term' are held and invested by external fund managers and the funds can be accessed and withdrawn within a few days' notice. Investments have not been made for a period longer than one year so that cash is available to fund the Council's Capital Programme.

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

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

- **Policy on Use of Financial Derivatives** – the Council will only use financial derivatives (such as swaps, forwards, futures and options) where it can be clearly demonstrated to reduce the level of financial risks that the Council is exposed to. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- **Markets in Financial Instruments Directive** – the Council 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.

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

Investment Strategy Report 2022/23

1. Introduction

The Authority invests its money for three broad purposes:

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

This investment strategy for 2022/23 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 Authority typically receives its income in cash (e.g., from taxes and grants) before it pays for its expenditure in cash (e.g., through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy.

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

Full details of the Authority's policies and its plan for 2022/23 for treasury management investments are covered in the treasury management strategy (see Appendix J).

3. Commercial Investments

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

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

The Council invests in land and property within its boundary with the intention of facilitating economic development and regeneration. These investment assets provide a financial return that produces a profit that is spent on local public services.

Table 1: Property held for investment purposes in £ millions

Property	Purchase Cost £m	31.03.2020	31.03.21 actual	
		Value in accounts £m	Value in accounts £m	Cumulative Gains/(Losses) £m
Agriculture Land & Buildings	0.629	1.080	1.080	0.451
Ground Leases	18.127	31.214	31.282	13.155
Industrial Land & Property	4.095	5.694	5.688	1.593
Retail Property	1.172	1.579	1.577	0.405
Other Land & Buildings	1.477	0.988	0.988	-0.489
TOTAL	25.500	40.555	40.615	15.115

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

A **fair value** assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2021/22 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

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

Compared with other investment types, property is relatively difficult to sell and convert to cash (**liquidity**) at short notice and can take a considerable period to sell in certain market conditions.

4. Proportionality

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

Table 2: Proportionality of Property Investments

	2019/20 Actual	2020/21 Actual	2021/22 Forecast	2022/23 Forecast
Gross Service Expenditure	43.288	51.810	50.617	49.227
Investment Income	2.930	2.982	2.891	2.909
Proportion	6.77%	5.76%	5.71%	5.91%

The proportion is the property investment income divided by the gross service expenditure. During 2020/21 and 2021/22, gross expenditure is higher than previously forecast due to the impact of COVID-19.

5. 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, Cushman & Wakefield and Eckersley & Co as property consultants for valuation of land, and 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.

6. Commercial deals

The Council undertakes business case analysis of potential investments which are considered at Corporate Management team and elected member budget working groups to consider future developments which will achieve major development in the City Centre and Preston Area.

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

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

7. Funding of Property Investments

Major capital expenditure on investment properties is typically funded through prudential borrowing which is incorporated into the five-year capital programme. For example, in recent years the Council has undertaken a roof replacement programme on its Roman Way industrial units at an estimated cost of £1.2m to preserve the life span of the assets and secure the rental income it receives. 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 3: Investments in Property funded by borrowing in £millions

Investments funded by Borrowing	2019/20 Actual	2020/21 Actual	2021/22 Forecast	2022/23 Forecast
	£m	£m	£m	£m
Investment Property	0	0	0.05	0.02
Total Funded by Borrowing	0	0	0.05	0.01

8. Returns on Property Investment

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

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

Investments net rate of return	Actual	Actual	Forecast	Forecast
	2019-20	2020-21	2021-22	2022-23
Investment property	5.56	4.82	5.06	5.25

Statement of Policy on the Minimum Revenue Provision

1. Introduction

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

2. MRP Policy

- 2.1 Capital expenditure incurred before 1st April 2008 – MRP will be charged in equal instalments over a 50 year asset life. The 50 year repayment period is considered a reasonable average assumption for the lives of the assets funded by this expenditure.
- 2.2 Capital expenditure incurred after 31st March 2008 – the Council will charge MRP based on the expected life of the asset in equal annual instalments. This method may be reviewed in the future and the option to charge MRP based on an annuity asset life method may be taken if it is deemed to be prudent.
- 2.3 For assets acquired by leases MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- 2.4 For capital expenditure loans to third parties no MRP will be charged but the capital receipts generated by the annual repayments on the loans will be put aside to repay debt instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.
- 2.5 Capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.