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COUNCIL

WEDNESDAY, 26TH FEBRUARY, 2020, 6.00 PM

SHIELD ROOM, CIVIC CENTRE, WEST PADDOCK, LEYLAND, PR25 1DH

AGENDA

1 Apologies for absence

2 Declarations of Interest

Members are requested to notify Democratic Services, by 4.00pm on the day of the meeting, of any items on the agenda in which they have an interest and the nature of the interest. They should do so by email to democraticservices@southribble.gov.uk.

Members are reminded that if the interest is a Disclosable Pecuniary Interest (as defined in the Members' Code of Conduct) they must leave the room for the whole of the item.

Where the interest is not a Disclosable Pecuniary Interest, but is such that a member of the public could reasonably regard it as being so significant that it is likely that it would prejudice a Member's judgment of the public interest (as explained in the Code of Conduct) then they may stay in the meeting to make representations, answer questions or give evidence relating to the item but then must withdraw from the meeting for the remainder of that item. Where such an interest is in an item to be discussed in exempt session, members are reminded that they must withdraw from the meeting for the whole of that item.

3 Minutes of meeting Wednesday, 29 January 2020 of Council (Pages 5 - 16)

Minutes of the Council meeting held on 29 January 2020 for signing by the Mayor.

4 Mayors Announcements

5 Member Champion Appointment

To receive and consider the proposal for Councillor Alan Ogilvie to be appointed as Deputy Armed Forces Champion.

"South Ribble Borough Council notes the recent proposals published by Our Health, Our Care regarding the future of Accident & Emergency services in the Chorley and South Ribble and Hospital. The report indicates that any A&E provision at Chorley & South Ribble Hospital would not be viable. The Council strongly opposes any proposal to close Chorley & South Ribble Accident and Emergency department.

The Council believes such a proposal would have a detrimental impact on the quality of local health care for the local population and health care for our residents Lancashire wide and even further. This was evidenced when Chorley and South Ribble A&E closed in 2016. South Ribble Borough Council believes that Chorley & South Ribble Hospital needs a 24 hour Accident & Emergency department.

This Council resolves:

- To oppose any closure or downgrading of A&E services across the County of Lancashire.
- To instruct the Chief Executive to write to the Prime Minister and Secretary of State for Health asking for them to intervene and invest in strengthening and enhancing all current A&E provision across Lancashire.
- To write to the Chief Executive and Board of Lancashire Teaching Hospitals Trust asking them to address the reasons why the A&E at Chorley and South Ribble Hospital is not deemed viable rather than simply propose to close the unit"

16 Questions to the Leader of the Council

17 Questions to Members of the Cabinet

18 Questions to Chairs of Committees and My Neighbourhood Areas

19 Questions to Member Champions and Representatives on Outside Bodies

Gary Hall
INTERIM CHIEF EXECUTIVE

Electronic agendas sent to Members of the Council Councillors Harry Hancock (Mayor), Jane Bell (Deputy Mayor), John Rainsbury, Carol Chisholm, Will Adams, Jacky Alty, Renee Blow, Damian Bretherton, Aniela Bylinski Gelder, Matt Campbell, Colin Clark, Colin Coulton, Malcolm Donoghue, Bill Evans, James Flannery, Derek Forrest, Paul Foster, Mary Green, Michael Green, Jon Hesketh, Mick Higgins, David Howarth, Cliff Hughes, Susan Jones, Chris Lomax, Jim Marsh, Keith Martin, Christine Melia, Caroline Moon, Jacqui Mort, Peter Mullineaux, Alan Ogilvie, Colin Sharples, David Shaw, Margaret Smith, Phil Smith, David Suthers, Stephen Thurlbourn, Michael Titherington, Caleb Tomlinson, Matthew Tomlinson, Matthew Trafford, Angela Turner, Karen Walton, Ian Watkinson, Gareth Watson, P Wharton-Hardman, Carol Wooldridge and Barrie Yates

The minutes of this meeting will be available on the internet at www.southribble.gov.uk

Forthcoming Meetings
6.00 pm Wednesday, 15 April 2020 - Shield Room, Civic Centre, West Paddock, Leyland, PR25 1DH

MINUTES OF	**COUNCIL**
MEETING DATE	**Wednesday, 29 January 2020**
MEMBERS PRESENT:	Councillors Harry Hancock (Mayor), Jane Bell (Deputy Mayor), John Rainsbury, Carol Chisholm, Will Adams, Jacky Alty, Renee Blow, Damian Bretherton, Aniela Bylinski Gelder, Matt Campbell, Colin Clark, Colin Coulton, Malcolm Donoghue, Bill Evans, Derek Forrest, Paul Foster, Mary Green, Michael Green, Jon Hesketh, Mick Higgins, David Howarth, Cliff Hughes, Chris Lomax, Jim Marsh, Keith Martin, Christine Melia, Caroline Moon, Jacqui Mort, Peter Mullineaux, Alan Ogilvie, Colin Sharples, David Shaw, Margaret Smith, Phil Smith, David Suthers, Stephen Thurlbourn, Michael Titherington, Caleb Tomlinson, Matthew Tomlinson, Matthew Trafford, Angela Turner, Karen Walton, Ian Watkinson, Gareth Watson, P Wharton-Hardman, Carol Wooldridge and Barrie Yates
OFFICERS:	Gary Hall (Interim Chief Executive), Paul Hussey (Director of Customer and Digital), Jennifer Mullin (Director of Neighbourhoods and Development), Jonathan Noad (Director of Planning and Property), Jane Blundell (Interim Section 151 Officer), Dave Whelan (Shared Services Lead - Legal & Deputy Monitoring Officer) and Dianne Scambler (Democratic and Member Services Team Leader)
PUBLIC:	7

79 Thank you and Birthday Wishes

The Mayor on behalf of the Council wished the Deputy Mayor, Councillor Jane Bell a happy 75th birthday.

The Mayor also thanked Dianne Scambler, the Democratic and Member Services Team Leader who was attending her last meeting of the Council and wished her all the best in her new job.

80 Apologies for absence

Apologies were received from Councillor James Flannery.

The Leader of the Council also submitted apologies on behalf of Councillors Ken and Susan Jones. Councillor Ken Jones was gravely ill, and Council extended their thoughts and prayers to the family.

81 Declarations of Interest

Councillors Michael Green, Jim Marsh and Barrie Yates declared a personal interest as Lancashire County Councillors on item 19 – Future of City Deal.

82 Minutes of meeting Wednesday, 27 November 2019 of Council

In response to Councillor Alan Ogilvie, the Leader of the Council committed to circulating a copy of the borough wide tree planting maps to all Members.

RESOLVED (Unanimously):

That the minutes of the Council meeting held on 27 November 2019 be held as a correct record for signing by the Mayor.

83 Mayoral Announcements

The Mayor provided an update on the events he had recently attended and his forthcoming engagements.

84 Cabinet

Members considered the general report of the Cabinet meeting held on 22 January 2020.

The Leader of the Council reported that the Cabinet had accepted all of the recommendations of the cross party Working Group on the Community Involvement Review. He gave thanks to Councillor Stephen Thurlbourn, the Vice Chair of the Climate Emergency Task Group for his support to the Chair, Councillor Ken Jones and requested Members familiarise themselves with the Lancashire XX Care Strategy to help give them a better understanding of the need for the development of Extra Care schemes across the Borough.

The Leader also accepted that the 5% criteria weighting placed against Environmental Impact when procuring tenders was too low, especially considering the Council's commitment to be carbon neutral by 2030 and made a commitment to review this.

In response to a question from Councillor Trafford, the Leader explained that the other party (Leyland St Mary's) of the dual use agreement at the Penwortham Leisure Centre, had confirmed their commitment to pay for those elements that they were responsible for.

The Leader of the Council also explained that a recent audit had identified that an annual amount of £5-6K had been paid since 2013, for a facility at Leyland St Marys that wasn't there, and the Council would be seeking to recover this money.

Councillor Stephen Thurlbourn asked if the Council would consider moving their carbon neutrality target to 2050 following his attendance at a Climate Emergency conference. However, the Leader reiterated that it was still the aspiration of the administration to aim for 2030 and that every available resource would be given, to try.

RESOLVED that the report be noted.

85 Governance Committee

Members considered a general report of the Governance Committee meeting held on 27 November 2019.

The Chair of the Committee, Councillor Ian Watkinson reported that five internal audit reviews were at draft report stage awaiting finalisation, a further four had commenced and two had been completed. The completed reviews were on performance management information with a limited assurance rating and review of the Improvement Reference Group / annual governance statement without an assurance rating. In order to ensure the audit plan is completed an additional auditor had been appointed.

The Chair also reported that the Committee had received a report on why the performance management information had a limited assurance rating at its meeting the night before, however as the governance report related to business that had been considered at its November meeting and the minutes for the Committee meeting held on 28 January had not yet been done, it was considered inappropriate by Council to deliberate these items further.

It was proposed by the Chair of Governance Committee, Councillor Ian Watkinson, seconded by Councillor Christine Melia, and subsequently

RESOLVED that the report be noted.

86 Scrutiny Committee

Members considered a general report of the Scrutiny Committee meeting held on 23 January 2020.

The Chair, Councillor David Howarth highlighted key findings within the report that related to the South Ribble Partnership and Worden Hall project.

RESOLVED That the report be noted.

87 Standards Committee

Members considered a general report of the Standards Committee meeting held on 21 January 2020.

The Chair, Councillor Carol Wooldridge highlighted key findings within the Annual Standards report and thanked the Independent Persons who regularly provided support and advice to the Committee.

RESOLVED That the report be noted

88 Approval of the Council Tax Support Scheme to be adopted for 2020/21

Council considered a report of the Director of Customer and Digital that updated on the outcome of the consultation exercise carried out with preceptors and residents in relation to proposed changes to the Council Tax Support Scheme (CTSS). The consultation exercise had informed the proposals for introducing an amended scheme for 2020/21.

The new administration is proposing the removal of the minimum £3.50 charge for passported claimants as part of their commitment to protect the most vulnerable applicants.

Councillor Caroline Moon, expressed her disappointment of the amended scheme, believing that the Council could have been more radical by empowering people to help themselves as opposed to taking them back to a state of dependency. This was not a view shared by many Members across the Chamber who wholeheartedly supported the amended scheme and Councillors David Howarth, Paul Foster, Mick Titherington, Matthew Tomlinson, Matthew Trafford, Will Adams and David Forrest spoke in favour of the proposals.

Councillor Michael Green argued that this decision was a wholly ideological one from the Labour Group and that it could make the current situation more difficult, it could also have a detrimental impact on County budgets, and he warned the Council to be aware of unintentional consequences.

It was proposed by Councillor Aniela Bylinski Gelder, seconded by Councillor Derek Forrest and subsequently

RESOLVED (Yes 24: No 23):

1. That the outcome of the report be noted.
2. That Council approves the amended scheme to reflect the removal of the minimum (£3.50 charge for passported claimants).
3. That Council notes the further work being undertaken in relation to the second homes and empty homes premium.
4. That Council notes the budget implications.

89 Contract Procedure Rules

Council considered a report of the Shared Services Lead – Legal, that sought authority to amend the Council's Contract Procedure Rules as they are part of the Council's Constitution.

It was noted that the appendices attached to the report were in the wrong order.

Councillor Colin Clark congratulated the work of the Constitution Task Group on this piece of work.

RESOLVED (Unanimously):

That the updated provisions of the Council's Contract Procedure Rules be approved.

90 Nomination of Mayor Elect and Deputy Mayor Elect 2020/21

Council considered a report of the Assistant Director of Scrutiny and Democratic Services that sought approval of the nominations for the Mayor Elect and Deputy Mayor Elect for 2020/21.

It was proposed by the Leader of the Council, Councillor Paul Foster, seconded by the Deputy Leader of the Council, Councillor Mick Titherington and subsequently

RESOLVED (Unanimously):

1. That Councillor Jane Bell be elected as the Mayor Elect for 2020/21.
2. That Councillor David Howarth be elected as the Deputy Mayor Elect for 2020/21.

Councillor Jane Bell took the opportunity to thank everyone for their birthday wishes and for voting to elect her as Mayor next year. Councillor Bell said that being Mayor would be a great privilege and honour and that she hoped that she could be of some value to the lives of the residents.

91 Amendments to Committee Appointments

The Council considered a report of the Assistant Director of Scrutiny and Democratic Services that sought approval to make appointments to the Council's Committee's and Working Groups.

The Leader of the Council explained that it was only down to the circumstances surrounding Councillor Ken Jone's illness, that he was having to make these changes and asked for the Leader of the Opposition not to take this opportunity to try to seek an amendment to the political composition of the Committee's.

It was proposed by Councillor Paul Foster, seconded by Councillor Mick Titherington that

1. Councillor James Flannery replace Councillor Ken Jones on the Licensing and Public Safety Committee;
2. Councillor James Flannery be appointed the Chair of the Licensing and Public Safety Committee;
3. Councillor Colin Sharples replace Councillor Ken Jones on the Governance Committee;
4. Councillor Colin Sharples be appointed the Vice Chair of Governance Committee;
5. Councillor Keith Martin replaces Councillor Ken Jones as the Chair of the Climate Emergency Task Group

Whilst the Leader of the Opposition, Councillor Margaret Smith had every sympathy with Councillor Jones's situation, she felt that the report before her had to be dealt with and said that she did intend to propose an amendment.

Councillor Smith explained that Councillor Damian Bretherton was appointed to the Governance Committee in May and had since become an active member, attending every meeting and attending various conferences. The Local Government Association's best practice guidance was for the Vice Chair of the Committee to be a member of the opposition, as was evidenced at Chorley Council.

An amendment to the motion was proposed by Councillor Margaret Smith, seconded by Councillor Phil Smith, to appoint Councillor Damian Bretherton to Vice Chair of Governance Committee.

Upon being put to the vote, the amendment to the motion was lost (Yes: 23, No: 24).

A vote on the substantive motion was then taken and was subsequently

RESOLVED (Yes: 24:, No: 23) that the recommendations be approved.

92 Member Development Update

The Leader of the Council, Councillor Paul Foster updated Members on the work of the Member Development Steering group and gave an appraisal of the training and development opportunities that have recently been delivered.

Several Member Briefings had taken place on policy development and compulsory training on GDPR and Safeguarding had been well attended. The Leader thanked the Democratic Services team for the delivery of the ‘Lights, Camera, Action’ session that had taken place prior to Council, in response to members’ requests.

Councillor Moon asked if a scheme for transferrable skills could be explored for those members able to evidence attendance on external training courses with other organisations on topics such as safeguarding. The Leader agreed to this, if the session covered all relevant aspects as it was recognised that there could be differences across different sectors.

RESOLVED that the report be noted.

93 Questions to the Leader of the Council

No questions were received.

94 Questions to Members of the Cabinet

Questions to the Deputy Leader and Cabinet Member (Health, Wellbeing and Leisure).

Councillor Alan Ogilvie asked the Cabinet Member if he could provide an update on the safe and secure parking arrangements for the Leyland Festival.

In response, the Cabinet Member assured the ward member that he had due regard to residents when considering any proposals relating to car parking in his role on the Leyland Festival Committee and that he hoped to have a detailed proposition soon that he will be able to share with the local councillors.

A member of the public asked the Cabinet Member what view the Council would be taking at the Lancashire County Council Health Scrutiny Committee meeting on 4 February at County Hall on the Our Health Our Care proposal for a complete closure of a viable A&E department at Chorley and South Ribble hospital.

The Cabinet Member responded to say that he was not the Council’s representative on the Lancashire County Council’s Health Scrutiny Committee so was unable at this stage to share the Council’s view, however, he added that he was deeply concerned about the proposals and urged all Members to fully consider the implications of such a decision.

Questions to the Cabinet Member (Community Engagement, Social Justice and Wealth Building).

Councillor Karen Walton asked the Cabinet Member, that when she writes out to the Chairs of the Neighbourhood Forums, if they replied to request a change to the boundaries, would this go to Council for approval?

The Cabinet Member responded to say that the changes to the boundaries of the Neighbourhood Forums had already been determined at the first Council meeting of the 2019/20 municipal year and the Deputy Monitoring Officer confirmed that this had been the case. Any subsequent amendments to the delivery of the Forums would be considered by Governance Committee and then taken to Council for approval.

Councillor Karen Walton also asked the Cabinet Member how many Neighbourhood Forums and Parish Councils the Community Involvement Task Group had attended and consulted upon.

The Cabinet Member commented that Councillor Walton was a member of the cross-party working group so already knew this information and that the officers who supported the meetings had the full details.

Councillor Michael Green asked the Cabinet Member how she intended to change the standing orders of the Parish Councils to allow members of the Neighbourhood Forums to participate in their meetings as they were quite stringent. Councillor Green also asked the Cabinet Member if she was aware that the Western Parishes had four parish councils in its neighbourhood area, so any changes to standing orders or terms of references would be a formidable task.

The Cabinet Member responded to say that it was the intention of the Working Group to write to all the Chairs of the Neighbourhood Forums to ask for their ideas on how the Forums and Parish Councils could better work together for the benefit of the communities they serve and that the administration was prepared to work with the Forums for a trial 12 month period before any permanent changes were worked through and constitutionally changed.

All the Parish Councils had been invited to a meeting and two representatives had attended from most, a mixture of Chairs and Clerks. The meeting had been well received and feedback had indicated that the relationship between the borough and the parishes could be greatly improved upon.

Councillor Paul Wharton-Hardman asked the Cabinet Member if she knew the differences between the many parish councils and whether the Group had consulted LALC.

The Cabinet Member committed to providing a written response.

Councillor John Rainsbury asked the Cabinet Member if every parish council was represented at the meeting held between the Cabinet Member and the Parish Councils, as part of the Community Involvement Review. It was his understanding, that the Clerk had attended on behalf of Hoole Parish Council but had no mandate to speak on the subject, as it had not been discussed at the Hoole Parish Council meeting. He was also under the impression that most of the people in attendance were Parish Clerks and not Councillors.

Councillor Margaret Smith asked the Cabinet Member if she was aware of what takes place currently between the Western Parishes Neighbourhood Forum and the four parish councils, stating that the Borough and Parish Councillors are in regular attendance at both meetings.

The Cabinet Member for Finance, Property and Assets interjected to say that he thought that the there was a general misunderstanding by members of the opposition on what the cross-party working group were trying to achieve and asked Members to engage with the proposals around the Neighbourhood Forums, as this was an opportunity to do things differently and make much needed improvements.

Councillor David Howarth also spoke in support of the proposals adding that not every Town and Parish Council worked in the same way and that there was an urgent need to review the current format of Neighbourhood Forums.

The Cabinet Member finished by explaining that whilst she accepted that she was not the most knowledgeable Councillor on the subject of parish councils, she did realise that there are conflicts and just wants to explore different and better ways of working over the next 12 months for the benefits of residents.

Questions to the Cabinet Member (Finance, Property and Assets).

Councillor Colin Clark submitted a written question to the Cabinet Member as follows:

The Conference and Business Centre project was designed in 2 phases.
Phase 1 was designed to modernise and improve the existing facilities in the Council Chamber and address the need for an additional meeting room to replace the Oaks Room.

The proposals for Phase 2 were formulated with the intention of creating a traded and commercial service, encompassing the existing kitchen and Coppice restaurant, and including a new secured access at the rear of the building.

The delivery of Phase 1 was scheduled for April to May 2019 with Phase 2 following on later during 2019/20.

Whilst Phase 1 has now been completed, Phase 2 has yet to be implemented.

What is the current position on this project?

During the interim period the refurbishment of offices on the south side of the Centre has taken place, with additional fixtures and fittings being provided, but this work did not feature in either of the 2 phases.

How was this work approved and how was it financed?
Were the new fixtures and fitting justified and what were their costs?
What was the total cost of this additional work?

The Cabinet Member gave the following response:

Considerable work has now been completed as part of the planned phased 1 work to the Civic centre. This has included

a. The revamping of the civic rooms including the council chamber
b. The purchase and installation of new Audio and visual systems including new tables to the conference and business centre to support and enhance our Civic meetings but also to enhance our offer to commercial hirers
c. The revamping and improvements to the reception area of the building making a much more pleasant environment for our residents
d. Introduction of new Screens at reception to direct people through to the Conference and Business facilities
e. Refurbishment of toilets Facilities across the civic centre
f. Introduction of new shower facilities to the building for the benefit of all staff in the building

Work is now taking place on refurbishing the South Wing of the building. The cost is £47,000 and this is been funded out of existing repair and maintenance budgets which were underspent. The work is long overdue with some areas having had no redecoration for 25 years plus. The work is been welcomed by staff who will have a much more pleasant work environment.

From an environmental point of view, we are also committing funds to improve the efficiency of the building notably through the introduction of Solar Panels and LED lighting with a view to reducing our energy costs. This has been funded through capital funds and approved through the delegated decision process as the amounts involved are less than £100,000

On the question of phase 2 there was no actual final Cabinet decision to carry out the remodelling of the Canteen and Kitchen and to introduce a second entrance to the Business and Conference part of the Civic Centre. However, this work has now been reactivated and a proposed sum of Capital money has been put in the draft Capital programme for 20/21. A report will be brought to Cabinet on this scheme soon.

Finally, it is worth noting that external income for the Civic Centre this financial year has risen by 40%. This is partly down to the number of elections held but also an increase in external bookings. Through existing resources, we have also restructured the Facilities team to provide more resilience and support to the Civic centre and provide more capacity to properly market and promote our Conference and business facilities to South Ribble and beyond.

Questions to the Cabinet Member (Environment).

Councillor Alan Ogilvie asked the Cabinet Member what actions she would be implementing to improve the parking issues on the Worden estate around Runshaw College. Although aware of the recent focus campaign by the Council, the situation had not improved. Councillor Ogilvie also enquired if the parking enforcement officers could assist in this issue and why the overflow car park was open at the weekend but closed in the week when the college was open.

The Leader of the Council responded to say that parking was a top priority for the Cabinet Member and that she intended to work with Councillors Ogilvie and Moon on the issues on the Worden Estate and that they were also looking to develop a Car Parking Strategy for the Borough.

The Council had shared enforcement powers with Lancashire County Council and the Cabinet Member was currently looking into how this could be better managed, the Leader urged Members to lobby their fellow County Councillors regarding this matter.

The overflow car park at Worden Park had been severely damaged by students of Runshaw College at a cost of £120k. Once fully repaired the Council would be looking to reassess its future use.

Questions to the Cabinet Member (Planning, Regeneration and City Deal).

Councillor Phil Smith asked the Cabinet Member to provide an update on the Leyland Town Deal, particularly in relation to the Leyland Town Board.

The Cabinet Member reported that the Board had held its first meeting at the British Commercial Vehicle Museum in Leyland on 28 January. The makeup of the Board was prescribed by government and was business focused. The meeting was very well attended with many local businesses represented and following discussions, they had chosen to concentrate on improvements around the Market area of the town. The next step would be appointing a Chair form within the group, in the meantime the Council would continue to provide support and advice.

95 Questions to Chairs of Committees and My Neighbourhood Areas

Questions to the Chairs of Committee’s

No questions received.

Questions to the Chairs of My Neighbourhood Areas

Councillor David Howarth asked the Chair of the Western Parishes Neighbourhood Forum, if he would agree that the Forum could undertake more joint meetings with the four parish councils in their area to promote better working relations.

The Chair of the Neighbourhood Forum, Councillor Colin Coulton responded, yes.

96 Questions to Member Champions and Representatives on Outside Bodies

Questions to Member Champions

Councillor Stephen Thurlbourn asked the Armed Forces Member Champion if he had managed to progress a request to commemorate the 75th anniversary of VE day with the Kings Royal Hussar’s.

The Armed Forces Member Champion responded to say that he was having some difficulty contacting the unit but was hopeful that they would be able to organise an event sometime in May.

Questions to representatives of Outside Bodies.

No questions were received.

97 Exclusion of Press and Public

RESOLVED (Unanimously):

That the press and public be excluded from the meeting during the consideration of the following item of business as it involved the discussion defined as exempt from publication under paragraphs 3 and 5 of Part 1, of schedule 12A of the Local Government Act 1972, 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)' and 'Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings' and in which public interest in maintaining the exemption outweighed the public interest in disclosing it.

Councillors Michael Green, Jim Marsh and Barrie Yates left the meeting.

98 Future of City Deal

Council considered a confidential report of the Director of Planning and Property that advised on progress made with discussions regarding the City Deal since its meeting on 25 September 2019. The report also provided Members with the opportunity to support a bid for external funding which would aid the City Deal.

The report was debated at length with Members on both sides of the Chamber having significant concerns around the City Deal finance model whereby costs, particularly for the major highway infrastructure have risen substantially. There is a realisation by all Councillors that the Preston, South Ribble and Lancashire City Deal is at a critical point in shaping its future and it is felt that if it was to continue, new arrangements will need to be agreed between the partners.

The Leader of the Council advised Council that a joint letter from the Leaders of all the City Deal Partners had been sent to Central Government to request what action they intended to take to fulfil their responsibilities under the current Heads of Terms.

The emerging revised Heads of Terms will place a significant continued financial risk on the Council. However, there are a number of current external funding bids under development or consideration for City Deal projects, which if successful will assist significantly in meeting the financial funding gap and reducing the risk to South Ribble Borough Council.

One such example is the Homes England Small Sites Fund which could add additional income into the City Deal model but is contingent on further housing coming forward in both South Ribble and Preston over a longer time period.

If the Council did not support the Homes England SSF bid, it would clearly put at risk the potential to draw in significant funding in to the City Deal and may also put at risk other funding bids which are being used to match such finance and the Interim Chief Executive advised, that if the Council did not support this recommendation, it would pose a significant financial risk to the Council and that is of the upmost importance.

The Leader of the Opposition, Councillor Margaret Smith asked for a short adjournment to allow the Conservative Group to discuss the amended recommendations further considering the debate and the advice of the Interim Chief Executive. The Mayor agreed to adjourn the meeting at 9.25pm for a five-minute period.

Upon the return of the Conservative Group to the Chamber at 9.30pm, an amendment to the motion, to include ‘subject to final Council approval at the end of the first recommendation, was proposed by the Leader of the Council, Councillor Paul Foster, seconded by Councillor Mick Titherington and subsequently

RESOVED (Unanimously):

1. That Council supports the bid from the City Deal partners in to the Homes England Small Sites Fund (SSF) and agree to contribute an additional 3,900 homes on appropriate sites from South Ribble in to the SSF Bid, subject to final Council approval.
2. That Council agree to the allocated Safeguarded Land and a Garden Village concept being modelled in principle, only as contributors to the 3,900 homes on the understanding that this does not prejudge the outcome of the Local Plan or any future planning applications.
3. That a further report come to full Council following discussions on a revised City Deal.

Chair Date

Report of Cabinet

1. Any Cabinet recommendations on the reports that required a decision by full Council appear as separate items on the agenda.

GENERAL REPORT OF THE MEETING HELD ON 12 FEBRUARY 2020

Quarter 3 Performance Monitoring Report

2. Cabinet considered a report of the Interim Chief Executive that provided an update on the first period of performance against the objectives of the Corporate Plan 2019-23. Those present were advised that Quarter 3 and Period 1 of the Performance Monitoring would be aligned in the new municipal year.

3. Cabinet were pleased to note that the majority of projects were on track and particular thanks were given to the Cabinet Member for Community Engagement, Social Justice and Wealth Building, Councillor Aniela Bylinski-Gelder and officers for the improvements made to call waiting times in Gateway.

4. An update was provided on the anti-idling campaign; Councillor Susan Jones, Cabinet Member for Environment reported that the project had fallen behind due to resource issues, however since the appointment of a new member of staff this project was being delivered as a priority. Work would include appealing to motorists in hotspot areas around the borough and a meeting was scheduled with Runshaw College to address the issue at the site. Members discussed how improvements to traffic light sequencing could also help to improve air quality in the borough.

5. Cabinet noted that the performance summary outlined in the report starts a new reporting period, referred to as period 1. This reflects the deliverables and priorities of the Corporate Plan approved by Council in September 2019.

Redundancy Policy

6. Cabinet considered a report of the Interim Chief Executive which informed members of the revised Redundancy Policy for consideration. The council's redundancy policy was last reviewed in 2014, at this time the number of weeks payable increased by a multiple of 2.2. This was incrementally removed over two years and the policy now only pays redundancy compensation for both Compulsory and Voluntary redundancy on the statutory number of weeks entitlement.

7. It was proposed to reintroduce the multiplier of 2.2 for compulsory redundancies and give the Head of Paid Service delegated authority, for those seeking voluntary redundancy, to enhance the compensation payment up to equivalent of 2.2.

8. Cabinet approved the inclusion of the revised redundancy policy in the Pay Policy to be approved by Council.

Pay Policy 2020/21

9. Cabinet considered the report of the Interim Chief Executive which informed the Cabinet of the Annual Pay Policy Statement so that it can be agreed and published to allow the Council to comply with legislative requirements. The Pay Policy sets out the

current approach to the remuneration of all posts within the Council and specifies certain mandatory requirements that must be detailed within the policy.

10. Cabinet commended the policy under the council's commitment as a Real Living Wage employer, in particular, the changes for apprentices. The changes will ensure that with effect from 1 April 2020, an apprentice will receive the National Minimum Wage for the upper age band of 25 and over, regardless of the age of the apprentice (currently £8.72 per hour). Subject to satisfactory performance in the workplace and satisfactory progress on qualification, the apprentice will move onto the Living Wage hourly rate for the second year of the apprenticeship. It was confirmed that Leisure Centre and FCC Environment staff would be considered in Phase 2.

11. Cabinet approved the Pay Policy Statement 2020/21 to be approved by Council.

Budget Monitoring 2019/20 – Quarter 3

12. Cabinet considered the report of the Interim Section 151 Officer which provided members with an update on the Council's overall financial position as at the end of December 2019, which is quarter 3 of the financial year 2019-20. The report also provided a forecast of the projected outturn to 31 March 2020 compared to the current approved budget.

13. Members discussed the recommendation to create a Credit Union Reserve to ensure the most vulnerable residents have access to credit. A proposed cost of £150,000 would be required to set up the Reserve for three years.

14. Following discussion, the Cabinet Member clarified that the council would be working with an existing Credit Union to establish a base at South Ribble. This was a not for profit scheme to meet a recognised need within the borough and would be funded through forecast budget underspend before becoming self-financing after the initial three years.

15. Cabinet noted, reviewed and commented on the contents of the report and approved the creation of a Credit Union Reserve and earmarked £150,000 from the forecast budget underspends to pay into this reserve.

2020/21 Budget and Medium-Term Financial Strategy 2020/21 to 2023/24

16. Cabinet considered the proposed 2020/21 Revenue Budget for Council and the Medium-Term Financial Strategy for the next four years and sought approval and recommendation to Council on various elements. The financial plan for the Council aligned with the Corporate Plan which sets out the Council's ambitions and priorities for the residents and businesses in the borough.

17. Cabinet approved the recommendations in the report to be approved by Council.

Worden Hall project Update

18. Cabinet considered the update report on the capital and revenue costings associated with bringing Worden Hall back into use and provided plans of what the refurbished Hall would look like. These plans would form the basis of an application for planning permission to take the refurbishment project forward.

19. Following queries, the Cabinet Member for Finance confirmed that a long-term business plan had been produced. This had been supported in the public consultation and future maintenance had been considered through the asset maintenance plan. A sensitivity analysis had been undertaken and it was agreed this could be circulated with Members. The Cabinet and Members present extended their thanks to officers for their hard work on this project.

20. Cabinet agreed that subject to the approval of the capital programme as part of the budget approval process that Cabinet approves the capital and revenue costs contained within Appendix 1 to bring Worden Hall back into use with the aim to generate an annual operational surplus. We also approved the submission of a planning application for Worden Hall based upon the plans outlined in the appendix.

Recommendation

21. To note the report

COUNCILLOR PAUL FOSTER
LEADER OF THE COUNCIL

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South Ribble Borough Council

Council Meeting – 26 February 2020

Report of the Governance Committee

The Governance Committee met on the evening of Tuesday, 28 January 2020 and discussed the following items:

1. **Audit Progress Report and Sector Update**

   Simon Hardman from the Council's External Auditor, Grant Thornton, presented the audit progress report and sector update.

   It was reported that the 2018-2019 audit work was still ongoing. Members were further advised that the Council's annual Housing Benefit Subsidy claim audit was now complete and no issues had been found. Simon Hardman thanked the benefit's team for their assistance throughout the process.

   Reference was also made to Grant Thornton's review of fees in light of changes made to audit quality and local government financial reporting by the Financial Reporting Council (FRC). Discussions would be undertaken with the Council's Section 151 Officer, including any proposed variations to the fees set by PSAA Limited, before communication with the Governance Committee.

   A discussion took place on when the 2018/19 audit deliverables would be complete. It was reported that the 2018/19 deliverables were still ongoing due to the work being undertaken by the Council's Internal Audit. Following the work of Internal Audit, the Draft Annual Governance Statement would need to be refreshed before being presented to Committee, for Grant Thornton to start their work.

2. **Internal Audit Plan Progress Report as at 31 December 2019**

   The Committee considered a report of the Interim Head of Shared Assurance which provided a summary of the Internal Audit work undertaken for the period 1 April 2019 to 31 December 2019.

   Members were advised that the internal audit was currently 52% completed. However, when considering the work in progress and reports waiting review this figure was 73%. The Internal Head of Shared Assurance explained that temporary staffing resource had been extended to March 2020 and there were weekly progress meetings in place to monitor the situation. The Interim Head of Shared Assurance advised that the completion rate at the end of March 2020 would be between 80-90%.

   Following a member query, it was confirmed that any issues which received a limited rating would be reported back to the Committee. However, due to the frequency of the Governance Committee meetings it would be a challenge to bring issues back

In response to an enquiry about the rating of Commercial Properties, the Interim Head of Shared Assurance explained that the audit carried forward for 2018/19 used a different approach when auditing. The Assistant Director of Property and Housing had anticipated the limited rating and had commissioned an external gap review to be undertaken. This resulted in a 73-point action plan. Following a period of implementation, Internal Audit would revisit the work area and provide an update to the Committee.

3. **Internal Audit Reports – Assurance Opinion Limited Issue Quarter 3**

The Council's Interim Head of Shared Assurance presented a report which provided the complete audit reports for 2019/20 where the opinion was of limited assurance.

The first audit report presented was performance management. Members were advised that there were significant areas of weaknesses. Internal Audit looked at a number of performance indicators and found 18/31 definitions were ineffective, and no evidence was found to support officer data. Since the audit, management actions had been devised with Leadership Team and the Policy and Performance Manager with some work now completed.

Following a member query, it was confirmed that some actions contained within the management plan would remain ongoing throughout the year.

In response to a member enquiry regarding data owners' responsibilities, the Interim Head of Shared Assurance confirmed that Leadership Team were responsible for the data owned with the Policy and Performance Manager responsible for ensuring that a Data Quality framework was in place.

The Interim Head of Shared Assurance presented the second audit report on General Data Protection Rules (GDPR). Members were advised that the report focused on implementation and compliance with GDPR and performed a gap analysis. There were two opinions formed, both of which had a limited rating. The Interim Head of Shared Assurance advised members that the action plan did not yet contain agreed actions due to sickness and annual leave. The management actions would be brought back to Committee in March.

It was provided that Internal Audit had conducted spot checks and found several issues with the way that data contained on paper was being stored, such as boxes being left in open areas. Although it had been noted the data held on computers was stored better, computers were locked by staff when away from desks.

In response to a member enquiry, the Interim Chief Executive explained that a wider culture change was needed in order to become more compliant, it was recognised that there was a need for the Council to become paperless to reduce risk. Members were advised that the Senior Risk Information Officer (SIRO) had now been appointed and senior officers were now recognising the importance of data management.

Following an enquiry, members were advised that the internal audit report on GDPR was available publicly.

I hereby commend the report to the Council

Councillor Ian Watkinson

Chair of the Governance Committee

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Report of Scrutiny Committee

1. This report summarises the business considered at the meeting of the Scrutiny Budget and Performance Panel held on 10 February 2020 and the meetings of the Scrutiny Committee held on 11 February and 13 February 2020.

SCRUTINY BUDGET AND PERFORMANCE PANEL – 10 FEBRUARY

Period 1 Performance Monitoring Report

2. The Leader of the Council, Councillor Paul Foster, and the Interim Chief Executive, Gary Hall, presented a report on the performance of the Corporate Plan at the end of Period 1.

3. The report set out the performance between October and December 2019 against the delivery of the Corporate Plan projects and objectives that was approved in September 2019.

4. We were pleased that the current timescales of 43 out of 46 projects have been met or are within the agreed targets.

5. Although we were concerned that the Council's pledge of carbon neutrality by 2030 was off-track as the scope for the climate emergency working group had not been agreed, we were assured that progress was ongoing as a climate change officer had been appointed and a further report on climate change was due to be considered at Full Council in June 2020.

6. We were satisfied with the significant improvements in the performance of the Council's business and conference centre and queried whether the income target should be increased as a result. This would be reviewed, and we asked for further information on the hire fees for the centre.

7. In response to our queries around the Apprentice Factory, we were informed that nine apprentices were recruited within a 12-month period and that this exceeded a target of 7 apprentices per annum. Information on the total number of apprentices recruited since the Apprentice Factory was established was requested.

8. We were pleased that some recommendations of the Scrutiny Review, 'Mind the Gap', were being implemented to support the borough's most vulnerable residents. A particular example of this was the holiday hunger project which was piloted in Bamber Bridge, Leyland and Penwortham. An update on the progress of the wider review was requested for the next meeting of the Panel.

9. We also received further information on call-waiting times, as requested at the previous meeting. We were pleased to note the work undertaken to reduce waiting times for residents who contact the Council by telephone and we welcomed these improvements.

10. We noted the report and I thanked the Leader and Gary Hall for their attendance

Budget Monitoring 2019/20 – Quarter 3

11. The Cabinet Member for Finance, Property and Assets, Councillor Matthew Tomlinson, and the Interim Section 151 Officer, Jane Blundell, presented a report on the Council's overall financial position at the end of December 2019.

12. We were informed that an underspend of £272,000 was forecasted for the end of the financial year and that significant work had been undertaken to reduce this forecasted figure over the last quarters.

13. In response to our queries around the forecasted staffing underspend, we were assured that the Council was actively trying to fill vacancies and that there has been an increase in staff recruitment. Although there had been a slight impact on performance as a result of staff vacancies, improvements were anticipated following the development of shared service arrangements with Chorley Council over the course of 2020.

14. We were pleased to note that the council would remain part of the Lancashire Business Rates Pool for 2020/21, although arrangements for the following year have not yet been confirmed.

15. As the borough investment reserve accounted for a significant amount of the forecasted underspend, we queried the governance procedures for changing the Investment Property Strategy to enable expenditure and were informed that amendments would be subject to the approval of Full Council.

16. We requested further information on the following areas:

    - a breakdown of the budget by service area
    - a further update on the progress of the Green Links project at Shruggs Wood in Leyland.

17. We noted the report and I thanked the Cabinet Member and the Interim Section 151 Officer for their attendance.

SCRUTINY COMMITTEE – 11 FEBRUARY

Cabinet Agenda Item 9 - Strategic Review of Community Involvement, including My Neighbourhoods Final Report

18. We held a special meeting of the Scrutiny Committee on this date following receipt of a call-in request, relating to the Cabinet decision to implement the recommendations of the Strategic Review of Community Involvement, including My Neighbourhoods Final Report.

19. I began the meeting by explaining the role of the Scrutiny Committee and how it has powers to call-in a Cabinet decision before it was implemented. The Scrutiny Committee would look at whether the decision made complied with the Council's decision-making process. If the Committee believed that this had not been complied with, it could then refer the matter back to Cabinet for reconsideration.

20. The Leader of the Conservative Group, Councillor Margaret Smith, and Councillors Gareth Watson and John Rainsbury explained that they had signed the call-in request as they felt that the decision did not maintain the principles of openness and

transparency, that there had not been sufficient consultation with parish/town councillors, My Neighbourhood Forum members and group leaders, and that it constituted a key decision as there would be budget implications over £100,000 and would affect more than two wards within the borough.

21. The Leader of the Council, members of the Cabinet, the Director of Neighbourhoods and Development, Jennifer Mullin, and the Assistant Director of Scrutiny and Democratic Services, Darren Cranshaw, were in attendance to answer questions of the Committee.

22. Confirmation was provided by officers that this was not a key decision as it did not meet the £100,000 value threshold and, as the report was high-level, it was not felt that the decision would have a significant effect on residents in two or more wards. Any individual recommendations would be developed further and formal approval sought from Cabinet or Council as appropriate.

23. In response to queries regarding consultation undertaken around the recommendations, it was clarified that the working group was formed of representatives from all political parties and existing and previous parish/town councillors.

24. Councillor Bylinski Gelder, the Leader of the Council and the Assistant Director of Scrutiny and Democratic Services had met with Chairs and clerks of each parish council and member and staff workshops were held in November 2019.

25. Councillor Bylinski Gelder had also attended meetings of Leyland My Neighbourhood Planning Forums to gain the views of colleagues.

26. After careful consideration, a motion was moved by Councillor Michael Green, seconded by Councillor Stephen Thurlbourn, that the decision be referred back to the Cabinet for consideration.

27. Upon taking a vote, it was RESOLVED by the Chair's casting vote that **the motion was lost** and the request for call-in was subsequently dismissed.

SCRUTINY COMMITTEE – 13 FEBRUARY

Worden Hall Project Update

28. The Cabinet Member for Finance, Property and Assets, Councillor Matthew Tomlinson, and the Assistant Director of Property and Housing, Peter McHugh, presented a report which provided an update on the progress of the Worden Hall project.

29. We were pleased to note the indicative timescale and costings for the project and welcomed the proposals for the opening of the Hall in autumn 2021.

30. Discussion focused around the following areas:

    - We queried the demographic of the 500 respondents to the consultation. Responses had largely been submitted online but there had been substantial attendance at open days. Although some users of Worden Park are not South Ribble residents, a significant number of respondents resided in Leyland.

- We queried the social value of the project and were pleased that the demographic of customers and visitors would be assessed to understand the appeal and uses of the Hall.

- We had some concerns about the possibility of overspending o the project and were assured that the timescale for delivery of the project would be carefully managed and that the Council would appoint external agencies to provide professional expertise where required. It was good to note that officers have also allowed for contingencies within the project's budget.

- We were pleased to hear that by the next meeting of the Scrutiny Committee in March 2020, the funding for the project will have been considered by Full Council and work on the planning application for the Hall will be ongoing.

31. We noted the report and I thanked Councillor Tomlinson and Peter for their attendance.

2020/21 Budget and Medium-Term Financial Strategy 2020/21 to 2023/24

32. The Cabinet Member for Finance, Property and Assets (Councillor Matthew Tomlinson) and the Interim Section 151 Officer (Jane Blundell) presented a report that set out the Council's proposed Revenue Budget for 2020/21 and Medium-Term Financial Strategy for 2020/21-2023/24.

33. The report outlined the Council's proposals including a 1.99% increase in council tax, which we were told would enable the Council to reduce charges to residents around green waste collection and replacement bin charges and would provide some extra funding to projects like the Holiday Hunger Scheme, that reserve accounts would remain unused for a 12-month period and that reserves for City Deal and business rates would be retained.

34. Discussion focused around the following areas:

    - Funding gaps were highlighted within the report and we sought clarification on the measures being taken to reduce these.

    - We queried business rate risk.

    - The second phase implementation of the council's status as a living wage employer, which would mean that the council would require partner companies and organisations to pay the living wage. This would be contained within the budget for 2021/22.

    - The rationale for a 1.99% increase in council tax.

    - The deliverability of the Capital Strategy.

    - The significant forecasted increase in expenditure for leisure and sport included within the Capital Programme.

    - The impact of Brexit on the budget and on businesses in South Ribble.

- We queried the consultation undertaken on the budget proposals.

- We queried the rationale for several projects in identified in the budget such as Hurst Grange Coach House in Penwortham, a new entrance to the conference and business centre and a loan for a village hall in Hoole. An updated figure for Hurst Grange Coach House would be provided to the committee once the funding sum was confirmed as well as detailed plans for the business centre entrance.

35. We hope to undertake deeper examination of individual directorates and their budgetary forecasts throughout the financial year.

36. I thanked the Cabinet Member and Interim Section 151 Officer for their attendance.

Recommendations
That Council note the report.

COUNCILLOR DAVID HOWARTH
CHAIR OF THE SCRUTINY COMMITTEE
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REPORT TO	ON
COUNCIL	Wednesday, 26 February 2020

TITLE	PORTFOLIO	REPORT OF
Redundancy Policy	**Leader of the Council**	**Interim Chief Executive**

Is this report a **KEY DECISION** (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	Y
Is this report on the **Statutory Cabinet Forward Plan**?	**Yes**
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council? This should only be in exceptional circumstances.	**Yes**
Is this report confidential? If **Yes**, insert details of the relevant exclusion paragraph(s). These are listed in the Constitution Part 4, page 25 (Access to Information Procedure Rules)	**No**

PURPOSE OF THE REPORT

1. To inform members of the revised Redundancy Policy for consideration

PORTFOLIO RECOMMENDATIONS

2. To approve the inclusion of the revised redundancy policy in the Pay Policy

REASONS FOR THE DECISION

3. The changes to the redundancy policy will support the wellbeing of employees faced with a redundancy situation.

CORPORATE OUTCOMES

4. The report relates to the following corporate priorities: (tick all those applicable):

Excellence, Investment and Financial Sustainability	x
Health, Wellbeing and Safety	x
Place, Homes and Environment	

Projects relating to People in the Corporate Plan:

Our People and Communities	x

BACKGROUND TO THE REPORT

5. Redundancy payment is based upon a specific number of weeks' pay, in accordance with the age of an employee and length of service. It is calculated in line with the statutory calculation. The Council last reviewed the redundancy policy in 2014, at this time the number of weeks payable was increased by a multiple of 2.2. This was incrementally removed over two years and the policy now only pays redundancy compensation for both Compulsory and Voluntary redundancy on the statutory number of weeks entitlement.

PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)

6. The proposal is to reintroduce the multiplier of 2.2 for compulsory redundancies, and give the Head of Paid Service delegated authority, for those seeking voluntary redundancy, to enhance the compensation payment, up to equivalent of 2.2.

7. Since 2014, as shown in the table below, there has only been two compulsory redundancies, and therefore the impact of reintroducing would not greatly impact the Council but provide great reassurance to all employees.

YEAR	Voluntary	Compulsory
14/15	4	0
15/16	0	0
16/17	0	0
17/18	6	0
18/19	3	2

8. On occasion it may be greatly beneficial for the Council and employee to leave employment on grounds of voluntary redundancy. For the Head of Paid Service to have the authority to apply discretion, when there is a clear justification to do so, to enhancement to the standard compensation, will assist both the Council and Employees leaving employment.

9. A commitment to outplacement support for employee leaving the Council has also been included in the revised policy – this would be support for job search, job interview, coaching etc.

CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

10. Unison have been consulted and are supportive of the revised policy.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

11. No alternatives have been considered.

AIR QUALITY IMPLICATIONS

12. Relevant details to be inserted here following liaison with the appropriate Environmental Health Officer

RISK MANAGEMENT

13. None risks have been identified.

EQUALITY AND DIVERSITY IMPACT

14. Any additional compensation awarded for Voluntary redundancy should consider any Equality factors.

COMMENTS OF THE STATUTORY FINANCE OFFICER

15. There are no immediate financial implications of approving the revised policy, however clearly the increase in the multiplier proposed may increase the cost of any redundancy payments approved in the future. As with any potential redundancy situation, the financial and budgetary implications will need to be addressed at the time and funding identified.

COMMENTS OF THE MONITORING OFFICER

16. In accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 states that if a Local Authority decides to change their policy, they must publish a statement of the amended policy and may not give effect to any policy change until one month after the date of publication.

17. An Equality Impact Assessment should be undertaken to ensure that the Council follows a transparent process about the changes to the Redundancy Policy.

There are no background papers to this report

APPENDICES
Appendix A - Revised Draft Redundancy Policy and Procedure

Gary Hall
Chief Executive

Report Author:	Telephone:	Date:
Gail Collins (HR Manager)	01772 625268	20/01/2020

South Ribble Borough Council

Redundancy Policy and Procedure

CONTENTS

1. POLICY STATEMENT

1.1 The council aims to ensure as far as possible, security of employment for its employees. However, it also recognises that there may be circumstances when the Council has to reduce the number of employees. Such changes may mean that some jobs are redundant or must be substantially changed to improve service efficiency.

1.2 In this event the Council will seek to minimise the effects of redundancies by seeking suitable volunteers and will support employee finding alternative employment through the redeployment. Where compulsory redundancies are unavoidable, the council will handle the redundancies in the most fair, consistent and sympathetic manner.

2. CONSULTATION

2.1 The council will inform the recognised Trade Union of staffing requirements and any potential redundancy situation. When change becomes necessary, consultation with the Trade Union and individual employees who are affected will commence at the earliest practicable opportunity.

Failure to consult employees in a redundancy situation, will almost certainly be unfair. Collective consultation rules must be followed if there are 20 or more employees redundant within any 90-day period at a single establishment. The Redundancy Payments Service must be notified before consultation starts by completing HR1 form.

- Consultation will start at least 30 days before the first dismissal takes effect if 20 to 99 employees are to be made redundant over a period of 90 days or less
- And at least 90 days before the first dismissal takes effect if 100 or more employees are to be made redundant over a period of 90 days or less.

2.2 If redundancies are expected then the Council will provide information to the Trade Union on:

i) The reasons for the proposals.

ii) The numbers and descriptions of employees involved.

iii) The selection criteria to be used.

iv) Procedures to be used in carrying out the dismissals including the period over which dismissals are to take effect.

v) How redundancy payments will be worked out

2.3 Consultation with employees affected will involve

i) Giving as much warning as practicable of the change and its implications.

ii) Consideration for redeployment.

iii) Consideration of any relevant matters they wish to raise.

3. MEASURES TO AVOID OR MINIMISE REDUNDANCY

3.1 Every effort will be made by the Council to reduce the number of possible redundancies bu considering:

i) Freezing vacancies or restricting the recruitment of permanent staff.

ii) Reducing the use of temporary employees.

iii) Reducing or eliminating overtime.

iv) Short time working

v) Volunteers for early retirement or voluntary redundancy.

It is important that the Council retains the balance of skills and experience within the remaining workforce. Consideration will only be given to volunteers for redundancy if this is not detrimental to the Council.

4. SELECTION CRITERIA

4.1 If having taken any of the above steps, the number of employees still exceeds the requirements, selection criteria may have to be applied. The criteria to be considered will be based on objective assessment of

i) Performance/capability

ii) Skills and experience

iii) Length of service

iv) Attendance

v) Personal circumstances

These criteria will be applied without discrimination.

5. ALTERNATIVE WORK

5.1 This is dealt with in detail in the redeployment policy.

6. GIVING NOTICE

6.1 You must give staff notice and agree a leaving date once you've finished the redundancy consultations.

Give staff at least the statutory notice period, based on how long they have worked.

Length of service	Notice period
1 month to 2 years	At least a week

2 years to12 years	A weeks' notice for every year employed
12 or more years	12 weeks

For staff with continuous service prior to 1 June 2015 there are protection arrangements for notice periods and therefore the notice period in the contract of employment must be applied.

6.2 Pay in lieu of notice

The employment contract does not allow included a payment in lieu of notice clause to allow you to terminate the employment contract with no notice. However, it can be agreed with the employee to terminate the contract without notice and payment will be made to cover the notice period they would have worked.

These payments must have tax and National Insurance deducted.

7. OUTPLACEMENT SUPPORT

7.1 Employees who are under notice of redundancy and qualify for a statutory redundancy payment have statutory rights to reasonable time off to look for work and arrange for training for new employment. Where possible assistance will be given to support individuals to adjust to the next stages of their career – e.g. job search, interview techniques etc.

8. REDUNDANCY PAYMENTS

8.1. Employees that are made redundant might be entitled to redundancy pay.

To be eligible, an individual must:

- be an employee working under a contract of employment
- have at least 2 years' continuous service
- have been dismissed, laid off or put on short-time working - those who opted for early retirement do not qualify

A redundant employee also has the right to a written statement setting out the amount of redundancy payment and how you worked it out.

8.2 This payment will be calculated using a formula which comprises of a defined number of weeks' pay based on an employee's age and length of employment and are counted back from the date of dismissal.

8.3 Employees get:

- 1.5 weeks' pay for each full year of employment after their 41st birthday
- a week's pay for each full year of employment after their 22nd birthday
- half a week's pay for each full year of employment up to their 22nd birthday

Length of service is capped at 20 years

8.4 The calculation will be based on an employee's actual week's pay, rather than the statutory limit. The weeks pay will include all regular payments, such as first aid, unsocial hours, honorarium that have been paid for a minimum of 3 months. Overtime payments, organisational pension contributions and essential car user payments are not included.

8.5 The calculation will be based on continuous local government service with any other local authority or employer covered by the Redundancy Payments Modification Order.

8.6 If the redundancy is compulsory the number of weeks' pay entitled to under the statutory provision will be multiplied by 2.2

8.7 The Head of Paid Service can apply discretion to enhance a redundancy payment where an employee has elected to take voluntary redundancy, up to a maximum of 2.2 mutipler on the week's entitlement. There must be a demonstratable and objective reason for this to be the best interest of the Council.

8.8 In addition to the redundancy compensation payment specified above, employees aged 55 and over, who have at least three months membership of the LGPS, will receive immediate payment of an unreduced pension and lump sum based on their accrued contributory service at the date their employment is terminated.

8.9 Employees leaving employment on grounds of redundancy may also be offered:

i) The option of payment in lieu of any outstanding leave. There is no payment for flexi or TOIL credit.

9. APPEALS

9.1 Where an employee believes that the selection criteria has been unfairly applied in their case, they will have the right to appeal to the Appeals Committee within 10 working days of being notified that they have been selected for redundancy.

10. REVIEW

10.1 The policy will be subject to a review every 12 months.

Version	3.0
Updated by	Gail Collins
Date	February 2020

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REPORT TO	ON
COUNCIL	Wednesday, 26 February 2020

TITLE	PORTFOLIO	REPORT OF
Pay Policy 2020/21	**Leader of the Council**	**Interim Chief Executive**

Is this report a **KEY DECISION** (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	**Yes**
Is this report on the **Statutory Cabinet Forward Plan**?	**Yes**
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council? This should only be in exceptional circumstances.	**No**
Is this report confidential?	**No**

PURPOSE OF THE REPORT

1. To inform Cabinet and Council of the Annual Pay Policy Statement so that it can be agreed and published to allow the Council to comply with legislative requirements

PORTFOLIO RECOMMENDATIONS

2. The Council approves the Pay Policy Statement 2020/21

REASONS FOR THE DECISION

3. The Localism Act 2011 requires all local authorities to set out its position on a range of issues relating to the remuneration of its employees. The Policy must be approved by the Council in open forum, by the end of March each year and then be published on its website

CORPORATE OUTCOMES

4. The report relates to the following corporate priorities: (tick all those applicable):

Excellence, Investment and Financial Sustainability	X
Health, Wellbeing and Safety	
Place, Homes and Environment	

Projects relating to People in the Corporate Plan:

Our People and Communities	

BACKGROUND TO THE REPORT

5. The purpose of the Pay Policy statement is to ensure there is transparency as to how pay and remuneration is set by the Council, for all its employees and particularly for its most senior level posts.

PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)

The Pay Policy sets out the current approach to the remuneration of all posts within the Council. It specifies certain mandatory requirements that must be detailed within the Policy. This refers to:

- The pay structure of the Council and how it is set.
- Chief officer remuneration
- The recruitment arrangements for a Chief Officer.
- The relationship between the salaries of Chief Officers and other employees.
- Details of the lowest paid posts within the Council
- Other details to how employees will be paid

The Pay Policy also details local arrangements and provisions. The 2020/21 policy now includes committed to pay Real Living Wage and this has been extended to include payment for casual staff at Events, rather than time of in lieu as a method of renumeration.

CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

6. N/A.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

7. N/A – The Pay Policy must be agreed and published annually.

AIR QUALITY IMPLICATIONS

8. There are no direct implications of the report of policy on Air Quality

RISK MANAGEMENT

9. We are obliged under legislation to produce and publish this document.

EQUALITY AND DIVERSITY IMPACT

10. There are no Equality and Diversity impact of this report

COMMENTS OF THE STATUTORY FINANCE OFFICER

11. The staffing budget forecasts in the 2020/21 budget and the Medium-Term Financial Strategy are based on the pay and remuneration in the 2020/21 Pay Policy Statement.

COMMENTS OF THE MONITORING OFFICER

12. Full Council must consider and agree its Pay Policy each year. This document must be published. The legislative provisions are contained within the Localism act 2011.

There are no background papers to this report

APPENDICES

Appendix A – Pay Policy Statement 2020/21

Gary Hall
Interim Chief Executive

Report Author:	Telephone:	Date:
Gail Collins (HR Manager)	01772 625268	17/01/20

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PAY POLICY STATEMENT- 2020/21

1. Introduction

The Localism Act 2011 – [Chapter 8 - Pay Accountability] requires all local authorities in England and Wales to produce a pay policy statement from 2012/13 and for each financial year thereafter and must do so with regard to any guidance from the Secretary of State for Communities and Local Government.

The Policy must be agreed by the Full Council and be publicly available.

2. Policy Objective

The purpose of the Pay Policy is to provide transparency regarding the Council's approach to the setting of pay for all its employees and therefore identifies:

- The methods by which salaries of all employees are determined
- The details of the remuneration of its most senior employees, i.e. Chief Officers
- The relationship between the salary of its Chief Officers and other employees within the Council.
- Details relating to the lowest paid employees.
- Who is responsible for ensuring that the Pay Policy is consistently complied with throughout the Council.

3. South Ribble Borough Council's Responsibility

It is the Council's responsibility to ensure that:

- A policy is produced for each financial year
- The policy is publicly available through its website
- The policy is applied fairly and consistently and complies with all relevant legislation

4. Scope

The pay policy covers the remuneration of all employees of the Council including temporary employees. Individuals engaged through employment agency arrangements would also be covered by the policy in compliance with the Agency Workers Regulations 2010.

The policy also covers employees who are within the Shared services arrangements with Chorley Council, but are directly employed by South Ribble Borough Council.

5. Pay Structure

In determining the pay and remuneration of its employees the Council will comply with all relevant employment legislation. This includes the Equality Act 2010 and the Part-time Regulations 2008.

The Council uses the nationally negotiated pay spine as the basis for its local pay structure, with the exception being those most senior level posts referred to within the Policy. The Council also adheres to the national pay bargaining arrangements in respect of increases to the nation pay spine.

The pay spine is used to determine the salaries of all council employees, apart from the Chief Officers and senior officers, which are addressed separately within this policy. The grading structure of most posts was established as part of the Single Status job evaluation process and subsequent pay grade structure was adopted following Council approval in April 2007. This also addressed the Council's approach to the job evaluation of posts and the harmonisation of key terms and conditions of employment. Since 2007 all new posts and posts that have changed significantly are evaluated in accordance with the same Job Evaluation Scheme. The Council operates the GLPC [Greater London Provincial Council] Scheme

All other pay related enhancements and payable allowances/expenses are the subject of either nationally or locally negotiated and/or determined rates.

The Council complies with all relevant legislation and statutory guidance, including the Criminal Finances Act 2017 and the Intermediaries Regulation 35 (IR35), to ensure that all employees and workers engaged to cover Council posts pay the correct rates of tax and National Insurance at source.

6. Senior Management Remuneration

The Localism Act refers to the position of Chief Officer and Deputies, states that this refers to: the Head of Paid Service; Statutory Chief Officers; non-statutory Chief Officer posts and their direct reports (known as Deputy Chief Officers). It should be noted that this definition is very broad and takes account of Metropolitan and County Councils as well as District Councils with far fewer management levels.

Therefore, for the purpose of this policy for South Ribble Borough Council, Chief Officers are:

- The Chief Executive (Head of Paid Services)
- Shared Director of Governance
- Director of Neighbourhoods and Development
- Director of Planning and Housing
- Director of Customer and Digital

In addition, the Shared service Lead - Legal, Shared service lead – Communication and Events, Assistant Director of Neighbourhoods, Assistant Director of Projects and Development, Assistant Director of Property and Housing and Assistant Director Democratic Services and Scrutiny

Chief Executive

Prior to the appointment of a Chief Executive, full council will determine the salary of the post to be advertised. Appointment to the post is undertaken by the Appointments and Employment Panel, the membership of which is agreed annually by full council and the panel would make a recommendation to appoint, which must then be approved by full council.

The level of salary for the Chief Executive, who is the Head of Paid Services, is between £103,925 to £122,728 (over 11 incremental points). The Chief Executive Appointment panel can negotiate a starting salary prior to appointment, which must also be approved by full Council. Thereafter, progression through the incremental points is annual based on satisfactory performance review. The salary is increased annually in line with the JNC negotiated national agreement.

The Chief Executive also receives an essential car user lump sum and the reimbursement of professional subscription fees where membership of a professional organisation/s is required to carry out the full role of the post.

The Chief Executive will also take on the role of Returning Officer for any Local, National and European elections, payment for which will be in accordance with the statutory calculation.

Any other allowances relating to the post are the same as for all other posts within the Council, for example, reimbursement of fuel expenditure from business travel.

Deputy Chief Executive

This is a shared position with Chorley Council and Chorley are the employer and therefore the details of remuneration are contained within the Chorley Council pay policy.

Director and Assistant Director Senior Officer Remuneration

There are three posts of Director, one shared director post, two Shared Service Leads and four Assistant Directors.

The following posts are appointed by the Appointment and Employment Panel, as these positions hold a statutory function.

- Shared Corporate Director of Governance (Monitoring officer)
- Shared Service Lead – Legal Services (Deputy Monitoring Officer)

The following are Officer led appointments, overseen by the Head of Paid Services:

- Director of Planning and Property
- Director of Customer and Digital
- Director Neighbourhoods and Development
- Assistant Director Neighbourhoods
- Assistant Director Scrutiny and Democratic Services
- Assistant Director Property and Housing
- Assistant Director Projects and Development
- Shared Service Lead – Communications and Events

The level of salary for the above post are as follows:

Job Title	Salary range
Shared Corporate Director of Governance	Spot salary £75,000
Shared Service Leads	Spot Salary £60,000
Director	£62,411 to £66,300 (5 incremental points)
Assistant Director	£48,007 to £51,000 (5 incremental points)

Any other allowances relating to the posts are the same as for all other posts within the Council, for example, reimbursement of fuel expenditure from business travel.

Annual increases are in line with NJC Terms and Conditions

Specialist Experts Positions

In order to attract and retain the most specialist or expert skills in may be necessary to negotiate a pay rate outside of the Senior Management pay structure. Such pay rates are determined based upon the current market rate for the specialist skills.

Recruitment to such posts may be directly or via recruitment agencies. Contract procedure rules must be applied when considering these contracts. It is expected that most specialist contracts are inside IR35 and therefore the Council is responsible for the payment of Tax and NI for the individual, although the Contract may not necessarily be on the same terms and conditions of an employee.

Currently there is one senior position which is a specialist post: - the Interim Head of Shared Assurance. The Shared Assurance function is subject to review and this specialist post is required to help lead that process.

7. Recruitment of Chief Executive and Chief Officers

Under Section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit” where there is a requirement to recruit to the post of Chief Executive or Chief Officer.

The appointment to the Council’s Chief Executive and statutory officer posts will be dealt with by the Appointment and Employment Panel and in accordance with the Council’s constitution.

All other senior positions are appointed under the delegated powers of the Head of Paid services.

8. Relationship between Chief Executive/Chief Officer Pay and other Employees

Under the provisions of the Code of Recommended Practice for Local Authorities on Data Transparency, issued by the Ministry for Housing, Communities and Local Government (MHCLG) (formerly Department of Communities & Local Government – DCLG) under section 2 of the Local Government Planning and Land Act 1980, the Council is expected to publish its “pay multiple”, i.e. the ratio between the highest paid salary and median average salary of the whole of the Council’s workforce.

The relationship between the maximum average salaries of the Chief Executive and Chief Officers and the median salary of £25,047 (*the 2020/21 pay award is pending these figures are based upon 19/20 salaries and will be updated when the pay award is announced)

Post	Ratio
Chief Executive salary	1:4.8
Shared Director	1:2.99
Directors salary	1:2.65
Assistant Directors salary	1:2
Shared services lead	1:2.4

The relationship between the maximum salaries or spot points and the lowest paid salary of £17,942

Post	Ratio
Chief Executive salary	1:6.7
Shared Director	1:4.2
Directors salary	1:3.7
Assistant Directors salary	1:2.84
Shared services lead	1:3.34

9. Gender Pay Information

The Council is requirement to report annually on gender pay gap statistics as part of the public sector equality duty. These statistics are published on its website.

10. Lowest Paid Employees

The basic pay of the Council's lowest paid employees comprises a locally agreed grade range implemented in April 2007 and derived from the national pay spine, as set out in the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service.

However, the Council is committed to becoming a Living Wage accredited employer. Therefore, an hourly supplement is payable to the lowest paid staff to ensure that the Council complies with the minimum hourly rate determined by the Living Wage Foundation. The Living wage is determined annually in November and is implemented from the following 1 April. The current rate is £9.30 per hour which is an annual salary of £17,942.41

11. Apprentices

There are several apprentices currently employed by South Ribble Council on fixed terms contracts. This is usually a two-year period but may be longer.

With effect from 1st April 2020 an apprentice will receive the National Minimum Wage for the upper age band of 25 and over, regardless of the age of the apprentice. This is currently £8.72 per hour.

Subject to satisfactory performance in the workplace and satisfactory progress on for the qualification, the apprentice will move onto the Living wage hourly rate for the second year of the apprenticeship.

There are also a number of employees who are undertaking apprenticeships as part of their permanent role. Where employees meet the criteria for an apprenticeship, this route is the preferred option, rather than the Council funding qualification courses. The employee will continue to receive the same pay grade for their job roles.

12. Other conditions Relating to Chief Officers and other Employees

Performance-related Pay

The Localism Act requires Councils to provide details of any performance related pay for its Chief Officers. However, South Ribble Borough Council does not have any such arrangements.

Bonuses

There are no schemes in relation to the payment of bonuses for any employees, including Chief Officers.

Payments on the termination of employment

The Council's Redundancy Policy applies equally to all employees regardless of their grade.

Pension Arrangements

All employees, including Chief Officers, are entitled to join the Local Government Pension Scheme if they so wish. No alternative options are available should employees not wish to join the scheme.

Starting Salary

For all appointments, including internal appointments and any employee re-graded, negotiations will commence on the lowest point of a grade, however where there is strong justification of the need for a higher starting point this will be considered. This justification must be supported by both the appropriate Director and Human Resources.

Grade Progression

Each grade consists of several incremental salary points, through which employees may progress until the top of the grade is reached. Progression within each grade will normally be by annual increment at 1 April each year subject to the maximum of the grade. However, Directors have the discretion to advance an individual employee's incremental progression within the grade on the grounds of special merit or ability to assist in the retention of able professional or other staff.

Market Supplements

The Council also has a process by which it can consider paying market supplements where there have been difficulties in recruiting to the posts or the market demand/supply reflects the need. By taking account of external pay levels in the labor market in order to attract and retain employees with particular skills, knowledge and experience. On such occasions the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using data sources available from within the local government sector and outside, as appropriate. All market supplements have to be agreed with *Human Resources* and the relevant Director and are reviewed regularly.

On Call Payments

In order to fulfil our statutory functions employees are asked to participate in on call rotas.
For Senior Management on the Strategic Duty officer rota there is no additional payments. However, for other services (e.g. Neighbourhoods, Homelessness) payment is made as follows:

Supervisory role	£295.28 per week and an additional £29.53 for bank holiday. If the employee is called out there is no additional payments made.
Neighbourhood operative	£110.90 per week and an additional £28.97 for bank holidays. If they are called out overtime payment will be made to a minimum of 2 two hours.

Mechanics £97.39 per week, plus overtime payment on an hourly rate if called out.

Emergency Daily standby (when floods, strong winds are expected) £25.60 is paid on a daily rate.

These amounts increase annually in line with the NJC pay award.

Professional Subscriptions

Several employees are member of professional organisations in connection with their employment at the Council. Where there is a direct link to the employee's role, the council will reimburse the employee.

Honorariums

The council has guidelines on the use of honoraria for substantial additional duties and responsibilities. Any additional payments are subject to regular reviews and must be agreed in advance of payment with the relevant Director and HR Manager.

Relocation Allowance

Guidance on relocation allowance provides for up to £4,000 for actual relocation. This can be used for rent, removals, travel connected to relocation etc, provided the relocation from a minimum distance of 80 miles from the Civic Centre and is within the South Ribble area, within a set period.

Casual Employment for Events and Elections

The Council historically has relied upon the goodwill of existing staff to support the successful running of Council led events. In order to create a bank of casual staff, a payment of £9.30 per hour will be paid for all staff (either existing members of staff or new casual workers) for working on Events. This will be paid for general event duties. A higher rate per hour will be paid for worker those with additional responsibility such as staff supervision, or those holding a position of responsibility at the Event.

Where the planning, coordination and management of an Event falls within an employee's job role there is no additional payments, but there may accrue Time of in Lieu or additional flexi leave.

Staff or casual workers supporting Elections Services receive set rates where the work is outside of their normal job role, e.g. canvassing, at polling stations, postal votes, vote counts etc.

Overtime payments

Advice from ACAS is that "workers should usually receive the same pay while they are on annual leave as they normally receive whilst they are at work" and that "all types of overtime, including voluntary, must be included when calculating a workers statutory holiday pay entitlement, apart from overtime that is only worked on a genuinely occasional and infrequent basis"

An additional 7.69% is added to overtime payment to accommodate the required to reflect overtime in holiday pay calculations.

Overtime payments are paid in accordance with the NJC terms and conditions of employment. In addition were it is necessary for continued service provision and of best value with the delegated approval of Head of Paid services, Directors are able to agree to overtime for more senior officers where the NJC terms only allows overtime for lower paid staff. For example, for IT officers to attend when the office is closed for system upgrades that can't be carried out during the working week.

13. <u>Publication of the Policy</u>

The Policy will be published on the Council's Website, prior to April 2020.

14. <u>Review of Pay Policy</u>

The HR Manager is responsible to ensure that the Pay Policy is consistently applied.

The Policy will be subject to annual review and must be approved by the Council prior to 31 March each year. If there is a need to amend the Policy between reviews, then any such amendments will be considered by the Cabinet, prior to approval by the Council.

REPORT TO	ON
COUNCIL	Wednesday, 26 February 2020

TITLE	PORTFOLIO	REPORT OF
2020/21 Budget and Medium-Term Financial Strategy 2020/21 to 2023/24	**Cabinet Member (Finance, Property and Assets)**	**Interim Section 151 Officer**

Is this report a **KEY DECISION** (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	**Yes**
Is this report on the **Statutory Cabinet Forward Plan**?	**Yes**
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council? This should only be in exceptional circumstances.	**Yes**
Is this report confidential?	**No**

PURPOSE OF THE REPORT

1. The purpose of this report is to set out the proposed 2020/21 Revenue Budget for Council and the Medium-Term Financial Strategy for the next 4 years approved by Cabinet on 12th February 2020. This is the financial plan for the Council for the next 4 years and is aligned to the Corporate Plan which sets out the Council's ambitions and priorities for the residents and businesses in the borough.

RECOMMENDATIONS

2. Council approve the revenue budget for 2020/21 as set out in Appendix A.

3. Council approve the 4-year Medium Term Financial Strategy (MTFS) 2020/21 to 2023/24 as set out in Appendix A.

4. Council approve a Council Tax increase of 1.99%.

5. Council approve the Capital Strategy and its proposed funding as set out in Appendix C.

6. Council approve the Treasury Strategy, Prudential Indicators and the Annual investment Strategy as attached at Appendix D.

7. Council approve the Investment Property Strategy attached at Appendix E

8. Council note the outcome of the budget consultation process.

9. To approve in principle a community loan to Hoole Village Hall for £150,000, subject to completion of a due diligence process. There will be a further report to Cabinet setting out the details and making recommendations once this process is concluded.

REASONS FOR THE DECISION

10. Cabinet have provided initial consideration to the budget and associated matters and made appropriate recommendations to Full Council which is the decision-making body.

EXECUTIVE SUMMARY

11. The report sets out the Council's financial plan for the next 4 years and includes:

- An overview of the 2020/21 LG Finance Settlement
- The updated revenue budget deficit position for the 2020/21 Medium Term Financial Strategy (MTFS) to 2023/24 and key assumptions
- Revenue savings targets
- Links to the Corporate Plan priorities
- The Capital Strategy and financing
- The Treasury Strategy
- Reserves forecasts

CORPORATE OUTCOMES

12. The report relates to the following corporate priorities: (tick all those applicable):

Excellence, Investment and Financial Sustainability	√
Health, Wellbeing and Safety	√
Place, Homes and Environment	√

Projects relating to People in the Corporate Plan:

Our People and Communities	√

13. BACKGROUND TO THE REPORT

The current budget and Medium-Term Financial Strategy was approved in February 2019. The forecasts have been updated in line with the revised Corporate Plan and also reflect changes in services, revised income forecasts, pension contributions, funding (business rates and New Homes Bonus), inflation rates and any approvals for new budgets during 2019/20.

14. 2020/21 LOCAL GOVERNMENT FINANCE SETTLEMENT

On 20th December 2019, the Ministry of Housing, Communities and Local Government published the consultation the 2020-21 provisional local government finance settlement. The consultation ran for four weeks from 20 December 2019 to 17 January 2020. The council

was waiting for the outcome of this consultation at the time of writing this report and an update will be provided at the meeting.
A summary of the proposals in the provisional settlement which affect South Ribble Borough Council (and its partners) are:

- a **one-year spending round for 2020-21** & plans for a more substantial Spending Review exercise in time for 2021-22 including a full reset of business rates baselines (therefore significant uncertainty on funding from 2021/22 onwards)
- **Business rates retention pilots** agreed for 2019-20 these will finish at the end of the financial year (therefore 75% Lancashire pilot will revert to 50% in 2020/21).
- a core **council tax referendum principle of up to 2%** (reduced from 3% in 2018/19) or £5 on a band D.
- retained top-slice of Revenue Support Grant to fund **New Homes Bonus in 2020-21.** (however, there is a change to the current scheme of legacy funding for 4 years – i.e. this is a one-year funding allocation only - which has significant implications for City Deal). The NHB baseline (under which no Bonus will be paid) has been retained at 0.4%. This baseline equates to c200 properties for South Ribble.
- maintaining existing **Better Care Fund funding** at 2019-20 levels, as well as rolling the Winter Pressures Grant into the Better Care Fund, with the same distribution as this year (therefore Disabled Facilities Grant capital funding will continue)

Table 1 – Settlement Funding Assessment (Provisional)

	Current Year 2019/20 £000	**Provisional 2020/21 £000**	***Notes***
Revenue Support Grant	0	0	*No RSG funding for SRBC since 2017/18*
Business Rates Baseline Funding Level	(2,309)	(2,346)	*Council's share of income less tariff*
Total Settlement Funding Assessment	**(2,309)**	**(2.346)**	

Nationwide there are 27 approved Business Rates Pools for 2020/21. South Ribble Borough Council will continue to be in the Lancashire Business Rates Pool in 2020/21. There are 11 local authorities in the pool; 10 of the 12 Lancashire Districts (Lancaster and Preston have opted out for 2020/21) plus Lancashire County Council.

The 2020/21 forecast retained business rates is **£5.0m**, compared to **£5.7m** forecast in the Original estimate for 2019/20. The main reason for the reduction is that in 2019/20 only, the Council benefited from an increased share of business rates growth through the 75% business rate pilot. The Safety Net was set at 95% (an increase from 92.5%), to reflect the additional risk locally that 75% retention introduced, and this was applied pilot wide and not to individual authorities; and, no levy was required to be paid.

Table 2 below shows the provisional New Homes Bonus (NHB) payment for 2020/21. The £660k receivable in 2020/21 includes legacy payments in relation to 2017/18 to 2019/20 of £366k and a **one-year** payment of £294k for 2020/21.There will be no legacy payments in future years in relation to the 2020/21 allocation. The Minister of State for Housing has stated that any funding beyond 2020/21 is subject to the 2020 Spending review and that the government intend to consult on the future of NHB in the Spring.

Table 2 – New Homes Bonus allocations

Payments	11/12 £000	12/13 £000	13/14 £000	14/15 £000	15/16 £000	16/17 £000	17/18 £000	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000
Year 1	165	165	165	165	165	165						
Year 2		169	169	169	169	169						
Year 3			177	177	177	177	177					
Year 4				114	114	114	114					
Year 5					471	471	471	471				
Year 6						648	648	648	648			
Year 7							254	254	254	254		
Year 8								19	19	19	19	
Year 9									93	93	93	93
Year 10										294		
20/21 SRBC Total (80%)										**660**		
LCC (20%)										165		

15. UPDATED REVENUE BUDGET FORECAST TO 2023/24

The budget forecasts have been constantly reviewed and updated over the last few weeks each time business matters have changed, and new information has come to light.

The key assumptions in the MTFS are as follows: -

- Pay inflation 3% 20/21, 2% future years
- Non- pay inflation - contracts only
- Living Wage employer from 1/4/20 (applied to Apprentices)
- Shared Services implementation from April 2020
- Turnover saving - annual provision £150k
- No other savings targets
- £492k pa from City Deal income included
- Council Tax increase 1.99% pa
- Council Tax base 0.5% growth
- Council Tax Collection 98%
- Council Tax Support Scheme removal of £3.50
- Council Tax income forecasts reflects changes to policies re Empty Homes and 2nd Homes
- The continuation of the BRR Lancashire Pooling Arrangements
- Impact of Pension Fund Revaluation and saving from prepayment of contributions
- Contributions to Third Parties – Continuation of funding (CAB) plus additional support in Corporate Plan
- This budget model assumes the impact of the Leisure Review is cost neutral although there is a potential budgetary saving on contract renewal
- New Leisure Facility Deferred to 2023/24
- Capital Programme reflects new Corporate plan priorities and re-phasing and related revenue net financing cost changes
- Reductions to fees and charges with respect to changes in charging policy for Garden Waste and replacement bins

The revenue summary position is set out in Table 3 below and set out in more detail in Appendix A. As previously reported, there is significant uncertainty on funding from

2021/22 onwards and therefore the funding for 2021/22 is purely indicative and based on 20/21 funding levels.

Table 3 – MTFS REVENUE SUMMARY

	Forecasts 2020-21	**Forecasts 2021-22**	**Forecasts 2022-23**	**Forecasts 2023-24**
	£000	**£000**	**£000**	**£000**
Net Cost of Services	**14,677**	**13,808**	**14,112**	**14,625**
Funding				
Retained Business Rates / Section 31 Grant	(5,310)	(5,043)	(5,129)	(5,216)
Council Tax	(8,596)	(8,684)	(8,891)	(9,103)
New Homes Bonus	(660)	(112)	(93)	(93)
Total Funding	**(14,566)**	**(13,839)**	**(14,113)**	**(14,412)**
Forecast Budget (Surplus) / Deficit	**111**	**(31)**	**(1)**	**213**
Transfers to /(from) Earmarked reserves	(111)	313	400	310
Funding Gap	**0**	**282**	**399**	**523**

16. MTFS PLANNING: FORECAST BUDGET DEFICITS

The revenue budget forecasts in the MTFS show a balanced budget in 2020/21 (assuming the proposed Council Tax increase and other budget proposals are accepted) and a deficit of £282,000 in 2021/22 which is forecast to increase to £523,000 in 2023/24, as shown above. The total deficit has reduced from a forecast of £1.373m reported to Cabinet on 12th February to £1.204m, a saving of £0.169m. This reflects the additional cost saving to the council of making an upfront payment of the pension fund contributions for 2020/21 to 2022/3. The £1.204m total forecast deficit will need to be funded from general reserves unless additional income or budget savings can be identified; this is clearly not sustainable in the longer-term.

With regard to having a strategy to address these financial challenges, some of the initiatives already in place or being considered have the potential to generate additional income or realise cashable budget savings. These initiatives include:

- Extending Shared Services
- Joint procurement
- Digital Strategy
- Affordable housing/house building programme
- Worden Hall
- Investment property rent reviews
- Leisure Contract renewal – cost neutral

- Rationalisation of leisure provision
- Income generation e.g. events

In addition, some budget savings could be identified through a thorough base budget review and challenge exercise.

It is therefore proposed that the budget savings targets set out below are approved for 2021/22 to 2023/24 and that work is undertaken during 2020/21 to determine how these can be achieved to ensure a balanced budget position going forward. This strategy assumes that, of the total forecast deficit of £1.204m, £0.600m will be met from budget savings and the balance (£0.604m) will be funded from general reserves. This will result in a forecast balance in general reserves of £4.198m at the end of the MTFS.

	Current Revenue Estimates			
	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000
Forecast Budget Gap	**0**	**282**	**399**	**523**
Budget savings targets – 21/22	**0**	**(100)**	**(100)**	**(100)**
Budget savings targets – 22/23	**0**	**0**	**(100)**	**(100)**
Budget savings targets – 23/24	**0**	**0**	**0**	**(100)**
Transfer from General Reserves	**0**	**(182)**	**(199)**	**(223)**
Balanced Budget & MTFS	**0**	**0**	**0**	**0**

It is important to note that if the Council’s future funding allocations are reduced as a result of the Government’s planned funding review then this deficit position could worsen significantly. (For example, a change to the BRR scheme such as the removal of the business rates pools would result in South Ribble losing in the region of £1-1.2m of retained income annually). **If that is the case then the savings targets will need to be more challenging going forward to achieve a sustainable, balanced budget position.**

17. LINKS TO THE CORPORATE PLAN PRIORITIES AND POLICY CHANGES

The following key projects are being undertaken and have an impact on the MTFS and budget for 2020/21 and beyond: -

- Council Tax Strategy
- Strategic Shared Services partnership with Chorley Council
- Regeneration/Town Deal funding bid
- City Deal
- Worden Hall development
- Extra Care scheme
- Provision of affordable homes
- Review of Leisure Services
- External Review of Assets – when complete this will need to be incorporated into future proposals and strategy including the Council’s Property Investment Strategy and application of the Borough Investment reserve
- Investment in the delivery of Digital Strategy projects with potential for future efficiency savings
- Other Corporate Plan projects

The Corporate Plan and priorities are supported by the budget and determine where cash resources are invested. Therefore, the approved corporate plan projects and policy decisions taken (such as Council Tax support and Garden Waste charges) have financial implications which have been reflected in the budget forecasts presented. The Corporate Plan also influences the Capital Programme, and this has been updated and any revenue implications of capital projects is also included in the forecasts.

The revenue budget adjustments for Corporate Plan projects are detailed in Appendix B.

18. RESOURCES

The salaries forecasts have been updated to reflect:

- the assumptions in relation to pay increases (3% for 20/21 and 2% thereafter)
- the impact of being a Living Wage employer (only affects the Apprentice grades)
- approved establishment changes during 2019/20
- the proposed additional resource requirements to support the Corporate Plan

New posts which have been funded from savings/additional income elsewhere in the budget are as follows:

Conferences and Bookings Officer	Graduate Engineer
Facilities Team Leader	IDOX system Supervisor
Communications Officer	Licensing Officer
Environmental Health Climate Change Officer	2 Mechanics (SRBC/Chorley waste services)

In addition, the following posts that have been included in the forecasts to support the delivery of the Corporate plan:

- Cyber Security Officer
- 2 Community Development Officers
- Housing Enforcement Officer

The forecast savings from the approved expansion of the Shared Services arrangements with Chorley Council are currently shown in the efficiency target line in the revenue summary for information. They will be allocated to specific service lines within the revenue budgets for monitoring purposes.

It is important to note that the costs of being a Living Wage Employer which have been included in these revenue forecasts, do not include any implications to the Council of extending this requirement to individuals providing services to the Council through contracts, such as Waste and Leisure. Therefore, this is a potential budget pressure which may need to be considered going forward.

19. COUNCIL TAX INCREASE

The Council has the ability to increase council tax levels to fund on-going expenditure. The Provisional Local Government Finance Settlement includes a core council tax referendum principle of up to 2% increase (reduced from 3% in 2018/19) or £5 on a band D. The implications of these increases on a Band D property and in terms of the additional income generated are set out below:

Potential increase	Band D 2020/21	Annual Increase	Forecast Additional Income
No increase	£218.88	NIL	NIL
1.99% increase	£223.24	£4.36	£157,000
£5 per Band D (2.28%)	£223.88	£5.00	£180,000

The budget forecasts are based on a 1.99% increase in 2020/21 generating £157,000 of additional revenue. Cabinet recommend this increase to Council.

20. CAPITAL STRATEGY 2020/21 – 2023/24

The Capital programme has been updated to reflect:

- the allocation of budgets to specific schemes in 2020/21
- re-phasing of expenditure
- the impact of the planned Corporate Plan projects

The detailed Capital Programme and Financing is set out in Appendix C to this report. A summary of the capital forecasts is set out in Table 4 below:

Table 4 – Capital Programme Summary

Corporate Priority or Scheme Name	Budget 2020/21 £'000	Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000	TOTAL £'000
Health, Wellbeing and Safety					
Green Links	468	200	200	200	1,068
Worden Park and Hall	848	1,850	200	232	3,130
Other Parks and Open Spaces	1,095	733	40	-	1,868
Sport and Leisure	1,146	4,100	1,300	19,000	25,546
Place					
Affordable Housing	2,090	700	-	-	2,790
Housing Grants	866	757	757	757	3,137
Extra Care	-	5,000	4,000	1,000	10,000
Masterplanning/regeneration	185	2,000	2,000	-	4,185
Community Grants	100	-	-	-	100
Churchyard/other	220	80	-	-	300
Excellence, Investment & Financial Sustainability					
Civic Centre, Corporate Buildings	325	150	100	100	675
ICT & digital	290	200	200	200	890
Vehicles, Plant & equipment	2,461	950	400	100	3,911
Expenditure Total	**10,094**	**16,720**	**9,197**	**21,589**	**57,600**

21. RESERVES

During a period where financial risk profiles are increasing (e.g. uncertainty in relation to future Business Rates Retention scheme and NHB funding), it is necessary to retain adequate reserves in order to mitigate against that risk. A summary of the reserves brought forward and the future forecasts is set out in table 5 below.

Table 5 – Projected Reserves over the life of the MTFS

RESERVES FORECAST-SUMMARY	Actual 31/3/19 £000	Forecast 31/3/20 £000	Forecast 31/3/21 £000	Forecast 31/3/22 £000	Forecast 31/3/23 £000	Forecast 31/3/24 £000
General Fund Balance	**(4,680)**	**(4,802)**	**(4,802)**	**(4,621)**	**(4,421)**	**(4,198)**
Earmarked Reserves						
Apprenticeship Reserve	(267)	(267)	0	0	0	0
Borough council elections	(114)	0	(40)	(80)	(120)	(5)
Borough Investment account	(4,594)	(4,594)	(3,944)	(2,274)	(2,274)	(2,274)
Business rates retention reserve	(2,751)	(2,686)	(2,935)	(2,870)	(2,805)	(2,790)
Capital Funding Reserve	(3,073)	(3,108)	(703)	(276)	(526)	(776)
CIL admin	0	(149)	(149)	(149)	(149)	(149)
City Deal	(1,711)	(1,844)	(1,844)	(1,844)	(1,844)	(1,844)
Housing needs survey	(83)	(103)	(83)	(103)	(123)	(143)
Local Plans	(255)	(255)	(157)	(131)	(106)	(62)
My Neighbourhoods reserve	(54)	(54)	(54)	(54)	(54)	(54)
Organisational restructure costs	(27)	(27)	(27)	(27)	(27)	(27)
Performance Reward Grant	(47)	0	0	0	0	0
Repairs and Maintenance Fund	(500)	(500)	0	(250)	(500)	(750)
Section 106 Reserve	0	0	0	0	0	0
Climate Change	0	0	(250)	(250)	(250)	(250)
Credit Union	0	(150)	(150)	(150)	(150)	(150)
Transformation Reserve	(500)	(290)	0	0	0	0
Other earmarked reserves	(863)	(593)	(308)	(189)	(155)	(155)
sub total	**(14,839)**	**(14,619)**	**(10,643)**	**(8,645)**	**(9,081)**	**(9,427)**
Total reserves	**(19,519)**	**(19,421)**	**(15,445)**	**(13,266)**	**(13,502)**	**(13,625)**

22. This summary reflects:

- Actual Reserves brought forward at 1st April 2019
- Use of General reserves to fund forecast budget deficits (£0.604m forecast reduction)
- Planned use of capital reserves to fund capital programme
- Contributions from revenue into reserves in future years (21/22 onwards) to provide funding for Capital and R&M expenditure in the capital programme in future years
- Use of Transformation Reserve to fund Digital Strategy projects
- Funding of Worden Hall refurbishment and Community Loan from Borough Investment Account

- Contributions from reserves to fund revenue expenditure (e.g. Central Lancashire Local Plan, elections, Youth Support initiative, housing survey)
- The creation of two new reserves: a Climate Change reserve to fund future projects; and a Credit Union reserve to fund initial costs in relation to this proposal.
- The release of the balance of the Apprenticeship reserve – this was originally set up to fund apprenticeship costs. The apprenticeship posts have now been included in the budgeted establishment.
- Retention of the City Deal Reserve to mitigate the impact of any changes to the current deal. The revenue forecasts include £492k annual income from City Deal which under the current 10-year deal will only be paid until 2023/24.
- The continued need for a Business Rates Equalisation reserve to manage uncertainty in the BRR system.

The Borough Investment reserve was originally set up as a fund to purchase investment property to generate revenue returns (commercial rents) to the Council. This has not been possible to achieve and therefore the purpose of the reserve in the future needs to be re-defined. In the MTFS it has been applied to two capital items: The proposed investment in Worden Hall and to cashflow a community loan (Hoole Village Hall). Although both of these initiatives should generate a small payback to the Council, it is not at a commercial rate of return. The community loan has been included in the forecasts but is subject to a due diligence process and will need Full Council approval. Unlike Worden Hall, which is a council owned asset, it is proposed that both the capital and interest on the Hoole Village Hall funding is repaid back into the Borough Investment Reserve.

23. Council are asked to approve in principle a community loan to Hoole Village Hall for £150,000, subject to completion of a due diligence process. There will be a further report to Cabinet setting out the details and making recommendations once this process is concluded.

24. ASSET MANAGEMENT & INVESTMENT PROPERTY STRATEGY

It is important that the Council has a robust approach to managing its assets in order to ensure that they are well maintained, returns on investment properties are maximised, managed and mitigated, and a clear process is put in place to address any under-performing or under-utilised assets.

In January, Cabinet approved a review to be undertaken of the Council's commercial investment property portfolio which will assess the performance of assets, develop the asset management plan and inform strategy for acquisitions and disposals. It is essential that the Council adopts a pro-active approach to managing and minimising any risks which are highlighted through the review. The review should provide greater clarity and assurance in relation to the performance of the commercial asset portfolio. Following the review, there may be financial implications which will need to be considered and any budgetary implications addressed within the context of the overall MTFS.

In addition, the 2020/21 budget includes a revenue budget provision for a Stock Condition survey. This will involve undertaking physical surveys of the council's assets purpose to clarify the investment needs of the Councils asset portfolio and the production of a long-term repairs and maintenance plan including the identification of any backlog of catch up works which will need to be prioritised.

In its budget for 2017/18, the Council identified investment in commercial property as an opportunity to increase its income whilst protecting its capital. An income target was established, and a Borough Investment Fund created in the council's earmarked reserves.

The current balance on the Council's Borough Investment reserve is £4,594,000. The Property Investment Strategy has been reviewed and updated to reflect how the reserve will be used to fund investments in the proposed MTFS and in the future (see Appendix E attached). Council are asked to approve the revised Strategy.

25. TREASURY MANAGEMENT STRATEGY

The Treasury Management Policy Statement attached to this Medium Term Financial Strategy is produced annually and approved by the Council as part of the budget setting process.

The Treasury Management Policy Statement and the Capital Strategy are closely linked. The Capital Programme identifies the funding needs of the Council over a medium term period. The Treasury Management Policy Statement considers these longer-term cash flow needs and sets out how the Council will manage these cash requirements. This may involve arranging investments and loans taking decisions on whether they should be short or long-term having regard to prevailing and forecast interest rates. The Treasury Management Policy Statement will also consider the Council's cash surpluses and how these should be managed. At times it may be beneficial to defer borrowing and use these cash surpluses to avoid lending and thereby save paying interest costs. The Council has successfully pursued a policy of internal borrowing using its cash surpluses whilst simultaneously keeping a close watch over interest rates for signs that they may increase. In terms of increasing interest rates, the Council will continue to monitor markets in relation to investing surplus cash against the requirements of the capital programme expenditure.

26. Borrowing Limits

The Capital Programme assumes a level of borrowing that will need to be taken out to fund the overall programme. The Council will continue to seek alternative funding sources to mitigate borrowing. In the event of having to borrow the Council will seek to maximise spend to save / earn opportunities such that debt repayment is covered from service efficiency or new income streams. In the event the council enters into external borrowing requirements the Prudential Code requires authorities to set two limits at its Full Council meeting for external debt each year:

1) **Authorised limit** - this represents the maximum limit for external debt, including PFI liabilities, taking account of fluctuations in day to day cash requirements

2) **Operational Boundary** - this limit is based on the authority's estimate of most likely amount of borrowing required. The Council is currently not borrowing as a result of pursuing an internal borrowing policy for the last few years to reduce financing costs.

27. Minimum Revenue Provision

The Council has a statutory requirement to set aside a prudent amount each year as a provision for the repayment of debt, known as the Minimum Revenue Provision (MRP). The amount to be set aside as MRP is governed by statutory guidance, however in practice it is left for each authority to determine what a prudent amount should be. The Council calculates MRP broadly in relation to the expected life of the assets being funded from borrowing either internally or externally; any detailed MRP Strategy to be approved by the Council will set out the full policy.

28. Financial (Treasury Management) Investments

When the Council has surplus cash this may be invested to earn a return. The Treasury Management Policy Statement sets out how the Council manages risk associated with its investments. Investments are anticipated to be in the region of £40 million at the end of

2019/20. Beyond this date it is difficult to predict what investments may be held as that will depend on what happens to the interest rates and how the Council intends to spend its reserves and other unallocated funds. The Council may decide to invest in other models to deliver its strategic outcomes.
Additional reports will be presented at the time decisions will need to be made.

29. Governance
Treasury Management activity is governed by the requirements of the CIPFA Treasury Management Code. The Council complies with all aspects of the Code; an annual Strategy Statement is approved by Full Council as part of the budget setting process, a mid-year update report is provided to Governance Committee and an outturn report produced in June. The Governance Committee is responsible for the oversight and governance of all Treasury Management activity.

30. Approach to Managing Risk
Risk is inherent with any investment or commercial activity and whilst it cannot be entirely eliminated the Council can adopt a strategic approach to its management by establishing a clear policy setting out what risk level it is prepared to tolerate. This will be the Council's risk appetite. The Council's risk appetite is to balance risk and return in pursuit of its corporate objectives. In this way the Council has an understanding of the adverse aspects of risk and can take steps to mitigate it when making decisions.
It should be noted, however, that the risk referred to in the Capital Strategy is only one part of the Council's overall risk management arrangements and needs to be seen in the context of the overall risk management framework, the governance arrangements and the monitoring and reporting procedures. With regard to general risks the Council produces a Corporate Risk Register and to manage risk capacity has reserves. Other key business risk alignment processes include: the MTFS, internal audit, budget setting and monitoring framework, treasury management arrangements, performance management framework, and external audit.
The Council is exposed to a number of investment and commercial risks:

- **Financial** risk relating to the investment of cash, market volatility, currency markets. Transparent decisions will be made utilising appropriate due diligence. The council will apply the principles of Security, Liquidity and Yield with all investments. The Council has no appetite for volatile, currency or high-risk markets.
- **Economic** risk relating to whether the local / national economy is growing or contracting. The Council will have a balanced approach for this area allocating funds to employment, housing and property investment. Some projects will yield good financial returns with others less so whilst creating economic growth. There is little appetite for projects that have identified interest rate and inflationary pressures.
- **Counterparty** risk relating to investments, loans to third parties and business transactions based on robust due diligence and Treasury policy management.
- **Operational** the Council have a low appetite for risk arising from transactions, service delivery, IT security, etc
- **Strategic** risk relating to the decisions taken by the Council in pursuit of its corporate objectives identified in the Corporate Plan, i.e. the purchase of major new assets including vehicles for service delivery.
- **Reputational** the Council has no appetite for risk relating to the adverse impact of the Council's dealings
- **Environmental and social** the Council has no appetite to risks arising from the adverse impacts of its investment.
- **Governance** risk relating to the transparency and accountability of decisions and decision-makers.

31. Knowledge and Skills
Both the Capital Programme and the Treasury Management Strategy are managed by teams of professionally qualified accountants with considerable experience of local

government finance. Officers maintain and develop their skills and knowledge through a programme of Continuous Professional Development and by attending various courses and conferences held by CIPFA and other sector experts on an on-going basis.
The Interim Section 151 Officer is also a professionally qualified accountant. The Section 151 Officer has the overall responsibility for ensuring the proper management of the Council's finances including the Capital Programme and Treasury Management activity. The property elements of the programme are also led by a group of professionally qualified officers including RICS supported by external advisors to ensure valuation and rental values are appropriately assessed.

The Governance Committee is the body which oversees all aspects of the Capital Strategy. Internal and external training is available to Members of the Committee to ensure that they have the skills and understanding required to make capital and treasury decisions. When required internal skills and knowledge will be supplemented by external advisors. For example, the Council uses LINK Asset Services to provide advice on Treasury Management issues.

32. SUMMARY ISSUES FOR FUTURE FINANCIAL PLANNING

1. Some of the key issues, opportunities and financial challenges to the council's MTFS are as follows: **Finance Settlement and future funding** – uncertainty that the one-year settlement and the reduction in NHB funding creates and the implications for City Deal.

2. **Council Tax Strategy** – Forecasts assume 1.99% increase p.a. Council Tax income is currently the most significant and secure funding stream for the council and is also a factor within the allocation of national local government funding calculations. It is therefore critical that this is considered when determining a Council Tax strategy.

3. **Leisure Service Review** – A decision to progress the options available in respect of delivering a new service model, this will require an up to date, detailed and robust business model to satisfy the requirements of sound governance arrangements and the decision-making process. This is an opportunity to both invest in the leisure facilities in the borough and also secure ongoing revenue savings through new contract arrangements and a review of the facilities.

4. **Worden Hall** – Cabinet report in January 2020 which included investment proposals and a costed business case. This is an opportunity to invest in and market this council asset facility for both community and commercial use and generate an income to cover or potentially exceed running costs over the medium-term.

5. **House Building and Extra Care provision** – Affordable Housing receipts are being utilised to fund the building of affordable homes to rent at Station Road and the McKenzie Arms site in Bamber Bridge. Work is also underway to consider an Extra Care provision in the borough to meet the demand for this type of facility which could also provide an additional revenue for the council once operational.

6. **Use of General Reserves** – balancing the budget using general reserves is not sustainable and therefore budget savings need to be found to address the forecast budget deficits from 2021/22.

7. **Efficiency Targets** - Shared Services savings forecast included in MTFS assuming 1 April implementation (£155k year 1/£320k year 2) as well as an allowance for salaries budget savings from staff turnover (£150k). Previous targets for Leisure (£500k) and Investment Property income (£150k) removed from base budget. New savings targets required to balance budget in medium-term.

8. **Review of Assets** – Budget includes provision for the external review of assets held which may impact on the MTFS in future years (e.g. on investment requirements, rental income and potential capital receipts if any assets are sold). No assumptions have been made in the current MTFS.

9. **City Deal** – There is a funding shortfall in the City Deal due to higher infrastructure costs and changes in government funding (NHB). The council is working with City Deal partners to address these issues. Annual funding of £492k is received from City Deal which is due to end in 2023/24 and therefore the impact of this will need to be addressed. There is however £1.8m which has been set aside in the City Deal reserve to mitigate against this.

10. **Brexit** – Revenue grant funding has been provided and set aside to assist in the preparations for leaving the EU however the ongoing impact of this cannot be determined at this stage.

33. ROBUSTNESS OF ESTIMATES

Under Section 25 of the Local Government Act 2003, the Authority's Chief Finance Officer, the Interim s151 Officer, is required to report on the robustness of the estimates made for the purposes of the Council's annual budget. This also extends to the assumptions contained in the Council's Medium-Term Financial Strategy (MTFS) and the financing and resourcing assumptions set out in the approved Capital Programme.

Section 25(2) of the 2003 Act requires the Council to have regard to this report in approving the annual budget and setting the council tax.

In order to provide assurances that the budget estimates are robust, the Chief Finance Officer has had regard to the following factors:

- The available resources (support from central government and locally raised income)
- The deliverability and sustainability of the budget decisions to be taken in the proposed budget
- The anticipated budget pressures arising from demand-led services
- The forecast impact of inflation, anticipated pay awards and pay restructure
- Progress in delivering previous budget decisions and the anticipated outturn for 2019/20
- The financial standing of the Council and the effectiveness of the financial management arrangements in place
- The affordability and sustainability of the capital expenditure and investment plans arising from the Council's Capital Strategy
- The management of risks on an ongoing basis

In order to provide that reasonable assurance, the Chief Finance Officer has had regard to a number of factors and assumptions as part of the budget planning process which are set out in the body of the report.

CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

34. Consultation with partners and stakeholders has been undertaken in the formulation of the Council's priorities as set out in the approved Corporate Plan. The council's Medium-Term Financial Strategy is the financial plan to support the delivery of those Corporate Plan priorities and projects.

35. In addition, consultation on the proposed budget for 2020/21 commenced following publication of the budget report. A summary of the budget consultation responses will be provided.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

36. In preparing the revised forecasts, the potential for a reduction in core funding as a result of the government's planned Fair Funding formula review and possible Business Rates Reset has been considered. However, as it is not possible to assess the implications at this stage with any certainty, the business rates retention forecasts in the MTFS for 2021/22 onwards have been prepared based on the funding regime in the 2020/21 Finance Settlement and the council continuing to benefit from being in the Lancashire business rates pool.

37. When the funding changes are announced, the financial implications and the impact on the council's MTFS forecasts will be assessed and reported. It is possible that any changes introduced may include transitional arrangements to lessen the impact of any reduction in funding and allow local authorities to adjust future spending. The Business Rates Retention reserve has also been maintained to mitigate the impact of any significant movements in forecasts.

AIR QUALITY IMPLICATIONS

38. It is encouraging to see the commitment to tackle the air quality issues within the borough through the provision of an additional post with in the Environmental Health Department to assist in completion of the Air Quality Action Plan. Along with the commitment to set a separate budget to assist with the Council's corporate target of ensuring the borough is carbon neutral by 2030.

RISK MANAGEMENT

39. With regard to delivering the council's planned programme of work, relevant staff have undertaken specialised training in project management and the corporate system 'Inphase'. Each project has definitive project plans, timescales, responsible officers for delivery and risk assessments.

40. In developing the budget and MTFS, some resources have been targeted at specific risk. The level of reserves held is to ensure that the Council can adequately deal with unexpected major events.

EQUALITY AND DIVERSITY IMPACT

41. The continued investment in Health, Wellbeing and Safety, will have a positive impact on all residents across the borough. The resources identified for Place will deliver and improve the physical infrastructure of towns and villages for residents and businesses and funds are also earmarked for the delivery of new affordable housing and extra care facilities. Initiatives in relation to Council Tax support and reducing Garden Waste charges will financially benefit a significant number of residents in the borough. Investments in the council's business, including the programme of digital improvements will improve access to the council's services for businesses and residents of the borough. Other initiatives, such as the development of a Youth Council, changing the approach to Community Involvement, and supporting the South Ribble Dementia Action Alliance will improve links between the Council and the wider community.

COMMENTS OF THE STATUTORY FINANCE OFFICER

42. This report sets out the budget proposals for 2020/21 and the Council's Medium-Term Financial Strategy for 2020/21 to 2023/24. These plans underpin the delivery of the Corporate Plan priorities and desired outcomes. The forecast financial implications and benefits of the capital investment proposed in the Capital Strategy for 2020/21 to 2023/24 are incorporated into the revenue forecasts and reserves forecasts which are set out in this report.

43. This report sets out the detailed budget proposals, risks and assumptions for delivering a Balanced Budget and Medium-Term Financial Strategy. As required under Section 25 of the Local Government Act 2003, I confirm that in my opinion the estimate forecasts are robust and there is an adequate level of balances to support the risks associated with this council.

COMMENTS OF THE MONITORING OFFICER

44. As Members are aware we are required on an annual basis to set a budget and decide whether to change Council Tax. There are a number of other closely associated decisions that need to be made such as the agreeing of a Capital Strategy and Treasury Strategy. It is for Cabinet to provide initial consideration to such matters and then to make recommendations to full Council. It is for full Council to make the relevant decisions.

BACKGROUND DOCUMENTS

Cabinet 12 Feb 2020 - 2020/21 Budget and Medium-Term Financial Strategy 2019/20 to 2022/23

APPENDICES

Appendix A: MTFS Revenue Summary
Appendix B: Revenue Budget Adjustments for Corporate Plan projects
Appendix C: Capital Strategy 2020/21 to 2023/24
Appendix D: Treasury Strategy, Prudential Indicators and the Annual investment Strategy
Appendix E: Investment Property Strategy

LT Member's Name: Jane Blundell
Interim Section 151 Officer

Report Author:	Telephone:	Date:
Jane Blundell	01772 625245	27/01/20

APPENDIX A

MTFS REVENUE SUMMARY

	Forecasts 2020-21	Forecasts 2021-22	Forecasts 2022-23	Forecasts 2023-24
Directorates	**£000**	**£000**	**£000**	**£000**
Chief Executive	871	891	892	918
Neighbourhoods & Development	7,230	7,303	7,348	7,461
Planning & Property	633	(22)	(157)	(201)
Finance & Assurance	1,425	1,450	1,482	1,490
Legal, HR & Democratic Services	1,667	1,703	1,737	1,931
Customer Experience and Ops	2,394	2,535	2,612	2,655
Budgets Not in Directorates				
Debt Repayment	649	363	516	483
Efficiency Targets	(155)	(320)	(320)	(320)
Staff turnover	(150)	(150)	(150)	(150)
Interest	(170)	(165)	(85)	100
Parish Precepts	432	432	432	432
Pensions contributions	1,239	1,217	1,264	1,313
Pensions costs offset	(1,388)	(1,430)	(1,458)	(1,487)
Net Cost of Services	**14,677**	**13,808**	**14,112**	**14,625**
Funding				
Retained Business Rates	(3,715)	(3,535)	(3,595)	(3,656)
Business Rates Section 31 Grant	(1,595)	(1,508)	(1,534)	(1,560)
Council Tax	(8,596)	(8,684)	(8,891)	(9,103)
New Homes Bonus	(660)	(112)	(93)	(93)
Reserves	(111)	313	400	310
Total Funding	**(14,677)**	**(13,526)**	**(13,713)**	**(14,102)**
Forecast Budget (Surplus) / Deficit	**0**	**282**	**399**	**523**
Funded by: Budget savings targets	**0**	**(100)**	**(200)**	**(300)**
Transfer to/(from) General Reserve	**0**	**(182)**	**(199)**	**(223)**
Forecast Balanced Budget position	**0**	**0**	**0**	**0**

APPENDIX B

REVENUE BUDGET ADJUSTMENTS FOR CORPORATE PLAN PROJECTS

	FORECAST 2020-21 £000s	FORECAST 2021-22 £000s	FORECAST 2022-23 £000s	FORECAST 2023-24 £000s
CORPORATE PLAN PROJECTS & POLICY FINANCIAL IMPLICATIONS:				
Organisational Development Budget - taken out in revised Corporate Plan	(50)	(50)	(50)	(50)
Shared Services forecast savings	(155)	(320)	(320)	(320)
Revised Council Tax support scheme	44	44	44	44
Council Tax – removal of empty properties discount and increase in 2nd homes premium	(17)	(17)	(17)	(17)
Volunteering and active citizens	1	1	1	1
Garden Waste reduction in annual charge	134	134	134	134
Offset by Garden Waste increase in take up	(134)	(134)	(134)	(134)
Central Lancashire Local Plan development	55	50	13	-
Business and Employment support:				
Apprentice Factory Phase 2	20	20	20	20
Implement Phase 2 of the Employment and Skills Plan (Cuerden)	5	5	5	5
Prepare and implement a Central Lancashire Economic Strategy	20	-	-	-
Prepare strategy for supporting new and small businesses	50	50	50	50
Living Wage Employer	46	46	46	46
Review Community Involvement approach (additional resource)	36	37	38	39
South Ribble Partnership - time credits contribution (1-year pilot)	13	-	-	-
Develop a Youth Council to strengthen the voice of young people in the community (additional resource)	36	37	38	39
Creating better places for nature for the benefit of wildlife and people - new meadows	10	10	10	10
Develop options for improving Leisure provision	5	45	-	-
Implementation of the Council's Digital Strategy	136	204	212	212
Provide residents and businesses with the skills, expertise and resources to interact with the Council and other organisations digitally	7	7	7	7
Mind the Gap' recommendations - Holiday Hunger project	15	15	15	-

Removal of charges for replacement bins	20	20	20	20
	2020-21	**2021-22**	**2022-23**	**2023-24**
	£000s	**£000s**	**£000s**	**£000s**
To provide quality homes that people can afford to live in whether they choose home ownership or rental accommodation (McKenzie Arms Affordable rental scheme)	-	(60)	(60)	(60)
Support the South Ribble Dementia Action Alliance and delivery of its annual Action Plan	2	2	-	-
Strategic asset review / asset consultancy	50	-	-	-
Reduce the number of homeless through developing a health and prevention focused approach - Housing Enforcement (3 yr. project)	43	44	45	-
Activities to reduce crime and disorder - Youth support programme (2-year pilot)	120	85	-	-
A clear vision and plan to bring Worden Hall back in to use.	-	40	20	0
First class advice services – Increased Support to Citizens' advice	30	30	30	30
Net budget increase/(saving) from Corporate Projects/Priorities	**542**	**345**	**167**	**76**
Less budgets reallocated to fund new initiatives:				
Funding for Youth Support from Other reserves (accumulated Sports Development funding)	(120)	(85)	-	-
Reallocation of Personal Budget support budget to support Citizens Advice	(30)	(30)	(30)	(30)
Place Promotion budget reallocated to fund business and employment support	(100)	(100)	(100)	(100)
Net budget increase/(saving)	**292**	**130**	**37**	**(54)**

CAPITAL STRATEGY 2020/21 to 2023/24 **APPENDIX C**

Corporate Priority or Scheme Name	Budget 2020/21 £'000	Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000	TOTAL £'000
Health, Wellbeing and Safety					
Green Links					
Shruggs Wood	68	-	-	-	68
Green Links - Penwortham Holme to Howick	250	-	-	-	250
Leyland Loop	150	-	-	-	150
Green Links - unallocated	-	200	200	200	600
Worden Park and Hall					
Arboretum landscaping	30	-	-	-	30
Craft Units windows and security grills	40	-	-	-	40
Farmyard Cottages windows	25	-	-	-	25
Farmyard Cottages heating	50	-	-	-	50
Ice House front façade	10	-	-	-	10
Overflow carpark	80	-	-	-	80
Sewerage pumping station and sceptic tanks	40	-	-	-	40
Shaw Brook weirs and banks	40	-	-	-	40
Shaw Wood footpaths	33	-	-	-	33
Walled garden pot house - replace the building frame and base walls	-	100	-	-	100
Worden Hall refurbishment	500	1,670	-	-	2,170
Worden Park fountain	-	80	-	-	80
Worden Park Paths	-	-	200	232	432
Other Parks and Open Spaces					
Hurst Grange Park drainage	25	-	-	-	25
Hurst Grange Park Paths	-	40	-	-	40
Hurst Grange Coach House Phase 2 (subject to lottery funding)	440	350	-	-	790
Open Spaces - Bent Lane	55	-	-	-	55
Playground - Worden Park	50	-	-	-	50

Playground - Seven Stars	75	-	-	-	75

Corporate Priority or Scheme Name	Budget 2020/21 £'000	Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000	TOTAL £'000
Playground - Leadale Green	75	-	-	-	75
Playgrounds - Haig Avenue, Hurst Grange, Bellis Way, Bent Lane	300	200	-	-	500
Tarn Wood, Penwortham	20	-	-	-	20
A tree for every resident	40	53	40	-	133
Other Parks - Footpaths (Fossdale Moss, Priory, Valley Road)	15	30	-	-	45
Withy Grove Park - western side	-	60	-	-	60
Sport and Leisure					
Leisure Facility	-	-	-	19,000	19,000
Leisure Centres Refurbishments	1,000	1,100	-	-	2,100
Sport Pitch Hub	-	3,000	1,300	-	4,300
King George V Playing Fields, Higher Walton	25	-	-	-	25
Lostock Hall Football Facility	122	-	-	-	122
Place					
Affordable Housing at Station Road, Bamber Bridge	563	-	-	-	563
Affordable Housing at former McKenzie Arms, Bamber Bridge	1,527	700	-	-	2,227
Church Road, Bamber Bridge	-	40	-	-	40
Disabled Facilities Grants	791	682	682	682	2,837
Leyland Train Station Ticket Office	60	-	-	-	60
Masterplan delivery - Leyland	-	2,000	-	-	2,000
Masterplanning and regen - Penwortham	50	-	2,000	-	2,050
New Longton regeneration	75	-	-	-	75
Car Park resurfacing, Ryefield Avenue, Penwortham	-	40	-	-	40
Private Sector home improvement grants	75	75	75	75	300
Extra Care Scheme	-	5,000	4,000	1,000	10,000
Hoole Village Hall	200				200

St Mary's, Penwortham - Churchyard wall repairs	120	-	-	-	120
Corporate Priority or Scheme Name	**Budget 2020/21 £'000**	**Budget 2021/22 £'000**	**Budget 2022/23 £'000**	**Budget 2023/24 £'000**	**TOTAL £'000**
Excellence, Investment and Financial Sustainability					
Civic Centre - new entrance for the conference centre	150	-	-	-	150
Civic buildings refurbishment	75	50	-	-	125
Corporate Buildings and Asset Management Planning	100	100	100	100	400
IT Programme - Digital Strategy	250	200	200	200	850
IT - Idox upgrade	40	-	-	-	40
Vehicles and Plant replacement programme	2,439	950	400	100	3,889
Polling Booths	22	-	-	-	22
	-	-	-	-	
Expenditure Total	**10,094**	**16,720**	**9,197**	**21,589**	**57,600**
Capital Financing					
Grants - DFG	791	682	682	682	2,837
Grants - Other	530	73	-	-	603
City Deal –Public Transport Corridors/ town centres (Penwortham)	50	-	2,000	-	2,050
External Contributions (Homes England)	-	3,000	-	-	3,000
Section 106 - Affordable Housing	2,000	2,700	-	-	4,700
Section 106 - Other	1,135	516	-	-	1,651
CIL	250	57	-	-	307
Capital Receipts	75	349	75	75	574
Revenue Reserves:	-	-	-	-	
- Borough Investment Reserve	650	1,500	-	-	2,150
- Capital Reserve	2,431	676	-	-	3,107
- Repairs and Maintenance Reserve	500	-	-	-	500
- Transformation Reserve	290	-	-	-	290
- Other Reserve	30	-	-	-	30
Borrowing	1,363	6,997	6,440	20,832	35,592

Financing Total	**10,094**	**16,720**	**9,197**	**21,589**	**57,600**

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Treasury Management Policy Statement 2020/21

1. PURPOSE OF THE REPORT

To present the Prudential and Treasury Indicators and Treasury Management and Investment Strategies for 2020/21 to 2023/24, and the Minimum Revenue Policy Statement for 2020/21.

2. BACKGROUND TO THE REPORT

2.1 For each financial year the Council sets a balanced budget so that cash income raised during the year is sufficient to meet all its cash expenditure commitments. One of the key functions of the Council's treasury management activity is to ensure that these cash flows are effectively managed, so that cash is available when it is needed. Surplus cash is invested having regard to risk, liquidity and yield.

2.2 A further key function of the treasury management activity is to ensure that the Council has sufficient funds to pay for its capital and other investment plans. These capital plans, which are set out in the Capital Programme, identify the borrowing needs of the Council over a longer time horizon than the current year. In managing its longer-term cash flow requirements for capital expenditure, the Council will take out loans or alternatively use its cash flow surpluses in lieu of external borrowing. This latter practice is referred to as "internal borrowing". In managing its loans, it may at times be advantageous for the Council to repay or restructure its borrowings to optimise interest payments or achieve a balanced debt portfolio.

2.3 Having regard to these activities, the Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

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

2.4 As treasury management decisions involve borrowing and investing substantial sums of money, the Council is exposed to potentially large financial risks, including the loss of invested funds and the revenue effect of changing interest rates. The identification, control and monitoring of risk are therefore integral elements of treasury management activity.

2.5 The Treasury Management Policy Statement for 2020/21 is based upon the Chief Finance Officer and Treasury Officers' views on interest rates supplemented by leading market forecasts. The policy statement covers:

a) The policy for managing capital borrowing and debt rescheduling
b) The annual investment strategy for treasury management investments
c) Reporting arrangements
d) Training arrangements
e) Performance indicators
f) Minimum Revenue Provision (MRP) Policy
g) Use of treasury management advisors

2.6 Council of 27 February 2019 approved the Treasury Management Strategy for 2019/20, including Prudential and Treasury Indicators, the Treasury Management and Investment Strategies, and the annual Minimum Revenue Provision (MRP) Policy Statement for 2019/20. Treasury Management activities during the year have been overseen by the Governance Committee.

2.7 One change to Investment Counterparties is proposed, i.e. the removal of the restriction of the use of non-UK banks to those within the EU (see paragraph 8.3). The criteria in respect of the credit ratings for the individual country and institution would remain unchanged, as would the overall limits for investments in non-UK banks. No changes to counterparty limits are proposed.

2.8 This report updates Prudential and Treasury Indicators for financial years 2019/20 to 2023/24. It presents updated Treasury Management and Investment Strategies and proposes the Minimum Revenue Policy Statement for 2020/21.

3. TREASURY MANAGEMENT STRATEGY 2020/21

3.1 The strategy for 2020/21 covers two main areas:

Capital issues
- the capital plans and the Prudential Indicators;
- the Minimum Revenue Provision (MRP) policy.

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

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

3.3 The Statutory Guidance on Minimum Revenue Provision remains the 3rd edition, as issued by the Ministry of Housing, Communities & Local Government on 2 February 2018.

4. TRAINING

4.1 The CIPFA Code requires the Responsible Officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training will be provided on the implications of the revised CIPFA Prudential and Treasury Management Codes, and the revised MHCLG Investment Guidance and MRP Guidance.

4.2 The training needs of treasury management officers are reviewed periodically. Both CIPFA and Link Asset Services provide workshops and seminars.

5. TREASURY MANAGEMENT CONSULTANTS

5.1 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors. The advisors provide access to specialist skills and resources including

- Technical support on treasury matters and capital finance issues.
- Economic and interest rate analysis.
- Debt services, which includes advice on the timing of borrowing.
- Debt rescheduling advice surrounding the existing portfolio.
- Generic investment advice on interest rates, timing and investment instruments.
- Credit ratings/market information service comprising the three main credit rating agencies.

5.2 The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon our external service providers.

5.3 The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented and subjected to regular review.

6. CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2023/24 AND MRP STATEMENT

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

6.2 **Capital expenditure**

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

Table 1 - Capital Expenditure	2019/20 Estimate £000	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Health, Leisure & Wellbeing	3,788	1,911	3,557	6,713	1,740	19,432
Place	2,516	939	3,461	8,497	6,757	1,757
Excellence & Financial Stability	6,604	1,279	3,076	1,300	700	400
Carried forward from 2018/19 programme	486	0	0	0	0	0
Capital Expenditure Total	**13,394**	**4,129**	**10,094**	**16,510**	**9,197**	**21,589**

The table below summarises the above capital expenditure plans identified in the Capital & Investment Strategy and the Capital Programme and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a borrowing requirement.

Table 2 - Capital Financing	2019/20 Estimate £000	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Capital expenditure from Table 1	13,394	4,129	10,094	16,510	9,197	21,589
Capital Receipts	(240)	(85)	(75)	(349)	(75)	(75)
Grants & Contributions	(2,414)	(1,838)	(4,755)	(7,028)	(2,682)	(682)
Revenue and Reserves	(7,273)	(982)	(3,901)	(2,176)	0	0
Funding C/F from 2017/18 program	(486)	0	0	0	0	0
Net financing needed for year	**2,981**	**1,224**	**1,363**	**6,957**	**6,440**	**20,832**

The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes:

Table 3 - Capital Financing Requirement	2019/20 Estimate £000	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Opening CFR	3,843	3,740	4,202	4,916	11,510	17,434
Net financing need for the year (Table 2)	2,981	1,224	1,363	6,957	6,440	20,832
Less MRP/VRP	(835)	(762)	(649)	(363)	(516)	(484)
Closing CFR	**5,989**	**4,202**	**4,916**	**11,510**	**17,434**	**37,782**

6.3 Minimum Revenue Provision (MRP)

The Council has a statutory requirement to set aside each year part of their revenues as a provision for the repayment of debt, called the Minimum Revenue Provision (MRP). The provision is in respect of capital expenditure incurred in previous years and which has been financed by borrowing.

The statutory requirement per the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [SI 2008/414] is for each local authority to determine an amount of MRP which it considers to be "prudent".

As "prudence" is not defined in the regulations, the MHCLG had issued accompanying statutory guidance which explains that the broad aim of a "prudent provision" is to ensure that the debt is repaid over a period that is either, reasonably commensurate with the period over which the capital expenditure provides benefit, or, in the case of borrowing supported by formula grant, reasonably commensurate with the period implicit in the determination of that grant. Each authority must determine what they consider is a prudent amount while having regard to the guidance.

The guidance also recommends that each local authority prepare an annual statement of its strategic policy on making MRP, to be approved by the full Council. A variety of options are provided to councils in the regulations, so long as there is a prudent provision.

For capital expenditure incurred before 1 April 2008 Option 1 is applied.

This provides for local authorities to continue to calculate MRP in line with the minimum existing statutory charge of 4% of outstanding debt related to supported borrowing only, less an adjustment that ensures consistency with previous capital regulatory regimes no longer in force.

From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be Option 3 – Asset Life Method

This method is appropriate for calculating MRP in relation to debt incurred as unsupported borrowing (also known as prudential borrowing) and must be used for revenue expenditure capitalised by direction or regulation. Under this option there are two methods available:

- (Equal instalment method. This generates a series of equal annual amounts over the life of each asset that is financed by borrowing, with the life determined upon acquisition. This means that the charge to revenue closely matches the period of economic benefit of the asset.
- Annuity method. This method links the MRP to the flow of benefits from an asset where the benefit is expected to increase in later years.

Under this option, authorities should consider the type of assets that they finance through prudential borrowing, as the type of asset and its useful life may have a significant impact on the level of MRP charged. Where expenditure is capitalised by direction or regulation, the guidance specifies certain maximum lives to be used in the calculation.

Finance Leases and PFI
The guidance indicates that for finance leases and on-balance sheet PFI contracts, the MRP requirement could be met by making a charge equal to the element of the finance lease rental that goes to write down the balance sheet liability under proper accounting practices.

6.4 **Affordability prudential indicators**

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

Ratio of financing costs to net revenue stream

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

Table 4 - Ratio of Financing Costs to Net Revenue Stream	2019/20 Estimate %	2019/20 Revised %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %	2023/24 Estimate %
Ratio	4.96	2.78	2.46	1.43	3.05	4.05

The estimates of financing costs include current capital commitments and the proposals in the Budget and Capital and Investment Strategy reports. The increasing ratio for the remainder of the budget period reflects the additional level of borrowing required to finance the Council's planned Capital Programme. However, the intention for schemes funded through borrowing is that they will, where possible, deliver a financial return and therefore contribute to the sustainability of the Council's debt financing costs.

6.5 **Core funds and expected investment balances**

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

Table 5 - Year-End Resources	2019/20 Estimate £000	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Core Funds/Working Balances	(30,000)	(46,914)	(40,369)	(33,204)	(32,595)	(34,150)
Under/(over) borrowing (Table 6)	2,637	3,880	4,173	5,584	11,628	22,691
Expected investments	**(27,363)**	**(43,034)**	**(36,196)**	**(27,620)**	**(20,967)**	**(11,459)**

7. BORROWING

7.1 The capital expenditure plans set out in paragraph 6.2 above provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant Treasury / Prudential Indicators, the current and projected debt positions and the annual Investment Strategy.

7.2 **Current portfolio position**

7.3 The Council's treasury portfolio position at 31 March 2019, with forward projections, is summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 6 - Portfolio Position	2019/20 Estimate £000	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Debt at 1 April	0	0	0	743	5,926	5,806
Other long-term liabilities (OLTL)	687	602	322	0	0	0
Total gross debt 1 April	687	602	322	743	5,926	5,806
Expected change in Debt	2,981	0	743	5,183	(120)	9,285
Expected change in OLTL	(316)	(280)	(322)	0	0	0
Expected change in gross debt	2,665	(280)	421	5,183	(120)	9,285
Gross debt 31 March	3,352	322	743	5,926	5,806	15,091
Capital Financing Requirement (Table 3)	5,989	4,202	4,916	11,510	17,434	37,782
Under / (over) borrowing	**2,637**	**3,880**	**4,173**	**5,584**	**11,628**	**22,691**

7.4 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

7.5 The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

7.6 **Treasury Indicators: limits to borrowing activity**

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

Table 7 - Operational Boundary	2019/20 Estimate £000	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Debt	2,981	0	750	6,000	6,000	15,500
Other long-term liabilities	371	322	0	0	0	0
Operational Boundary	**3,352**	**322**	**750**	**6,000**	**6,000**	**15,500**

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

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

Table 8 - Authorised Limit	2019/20 Estimate £000	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Debt	5,981	3,000	3,750	9,000	9,000	18,500
Other long-term liabilities	371	322	0	0	0	0
Authorised Limit	**6,352**	**3,322**	**3,750**	**9,000**	**9,000**	**18,500**

7.7 **Maturity structure of borrowing**

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

Table 9 - Maturity Structure of Borrowing		
Maturity structure of fixed interest rate borrowing 2020/21		
	Lower	**Upper**
Under 12 months	0%	0%
12 months to 2 years	0%	0%
2 years to 5 years	0%	0%
5 years to 10 years	0%	0%
Over 10 years	0%	100%

It is not anticipated that any borrowing will be taken at variable interest rates.

7.8 **Control of interest rate exposure**

Please see paragraphs 7.9, 8.4 and Appendices D1-3.

Appendix D3 compares the forecast of a year ago with that prepared for the mid-year review, and the current forecast.

7.9 **Borrowing strategy**

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported at the next available opportunity.

7.10 **Policy on borrowing in advance of need**

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

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

8. ANNUAL INVESTMENT STRATEGY

8.1 **Investment Policy**

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be **S**ecurity first, portfolio **L**iquidity second, and only then return (**Y**ield).

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

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

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

Treasury Management Practice 1 (TMP1) deals with credit and counterparty risk management. In applying this practice, the following limits are relevant:

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

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of £6m will be held in aggregate in non-specified investments, specifically term deposits with UK local authorities.

8.2 Creditworthiness policy

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

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

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

Yellow	5 years
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.

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

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

All credit ratings will be monitored weekly and will be checked at the time of placing investments. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service, and has access to the websites of Fitch, Moody's and Standard & Poor's.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, information on any external support for banks to help support its decision-making process.

Investment Counterparties 2020/21

Category	Institutions	LAS Colour Code	Maximum Period	Limit per Institution
Banks & Building Societies: Call Accounts /Term Deposits / Certificates of Deposit (CDs)				
Government related/guaranteed	DMADF (DMO) UK Local Authority	Yellow Yellow	6 months 2 years	Unlimited £6m per LA
UK part-nationalised institutions	Royal Bank of Scotland group	Blue	1 year	£6m per group
UK-incorporated Institutions	UK banks and building societies of high credit quality	Orange Red Green	1 year 6 months 3 months	£6m per group (or independent institution)
Non-UK Banks	Non-UK banks of high credit quality	Orange Red Green	1 year 6 months 3 months	£4m per group (or independent institution); £8m in total for this category
Money Market Funds				
Money Market Funds	MMFs of high credit quality - AAA rated		Instant access	£5m per fund

8.3 **Country limits**

In the 2019/20 Strategy, the Council determined that, in addition to UK counterparties, it would use non-UK banks, but only those which are in EU countries with a minimum sovereign credit rating of *AA-* from Fitch. This provision has been in place since 2015/16, when the Council first reintroduced allowance for the use of non-UK counterparties. This has been reviewed and it is recommended that, while all other criteria, i.e.:

- the requirement for the country concerned to have minimum sovereign rating of AA-,
- the requirement for the individual institution to have a high credit rating (see 8.2), and
- the overall limits on non-UK banks of £4m per institution/group and £8m in total in this category of investment,

shall remain unchanged, the restriction to only EU countries be removed. This is based on advice received in respect of the latest assessments of the strength of the regulatory frameworks in those countries.

The list of eligible countries at the date of this report would then be as shown below. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

In operational terms, the change is likely to have only limited impact. The only non-UK counterparty used in the last three years is the German bank Landesbank Hessen-Thüringen Girozentrale (Helaba). The Council currently has the maximum amount of £4m invested with this counterparty.

APPROVED COUNTRIES FOR INVESTMENTS – United Kingdom plus the following:

AAA

Australia
Canada
Denmark
Germany
Luxembourg
Netherlands
Norway
Singapore
Sweden
Switzerland

AA+

Finland
U.S.A.

AA

Abu Dhabi (UAE)
Hong Kong
France

AA-

Belgium

8.4 **Investment strategy**

In-house funds
Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations
Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2019/20 0.75% Was 1.25% in 2019/20 Treasury Strategy report
- 2020/21 0.75% Was 1.50%
- 2021/22 1.00% Was 2.00%
- 2021/22 1.25%

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

	Now	2019/20 report
2019/20	0.75%	0.90%
2020/21	0.75%	1.25%
2021/22	1.00%	1.50%
2022/23	1.25%	1.75%
2023/24	1.50%	2.00%
2024/25	1.75%	2.75%
Later years	2.25%	2.75%

The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture. The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.

Investment Treasury Indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

Table 10 - Maximum Principal Sums Invested > 365 Days	2019/20 Revised £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2022/23 Estimate £000
UK Government	0	0	0	0	0
UK Local Authorities	6,000	6,000	6,000	6,000	6,000
UK Banks & Building Societies	0	0	0	0	0
Non-UK Banks	0	0	0	0	0
Total	**6,000**	**6,000**	**6,000**	**6,000**	**6,000**

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

8.5 **Investment Risk Benchmarking**

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7-day LIBID plus 1.5%.

8.6 **End of Year Investment Report**

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

8.7 **Accounting treatment of investments**

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, officers will review the accounting implications of new transactions before they are undertaken.

9. BACKGROUND DOCUMENTS

CIPFA Treasury Management in the Public Services: Code of Practice & Cross-Sectoral Guidance Notes (December 2017 edition)
CIPFA Treasury Management in the Public Services: Guidance Notes for Local Authorities (July 2018 edition)
CIPFA Prudential Code for Capital Finance in Local Authorities (December 2017 edition)
CIPFA Standards of Professional Practice: Treasury Management
MHCLG Guidance on Local Government Investments
MHCLG Guidance on Minimum Revenue Provision

APPENDIX D1 – Economic Background
APPENDIX D2 – Interest Rate Forecasts
APPENDIX D3 – Comparison of Interest Rate Forecasts

ECONOMIC BACKGROUND

Advice from Link Asset Services:

UK: Brexit. The formal departure of the UK from the EU took place on 31 January 2020, but remains much uncertainty in respect of the detail of the country's future trading relationship with the bloc, with the trade deal to determine this will need to be negotiated by the currently scheduled end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This is a challenging timeframe for such major negotiations and a failure to complete them on time would leave open two possibilities; i.e. the need for an extension of negotiations, perhaps of as much as two years, or a no deal outcome at the end of December 2020.

UK: GDP growth has taken a hit from Brexit uncertainty during 2019; although quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth, probably to around zero. The economy is likely to tread water in 2020, with only limited growth around about 1% until there is more certainty after the trade deal deadline has passed.

While the Bank of England did produce its regular **Quarterly Inflation Report** (now renamed the Monetary Policy Report) on 7 November, this was always to be overtaken by events, to one extent or another, given the then-current uncertainties associated with the then-forthcoming general election. The Bank did make a change in their Brexit assumptions, to now include a deal being eventually passed. Possibly the most significant message was that of an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain the Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or if uncertainties associated with Brexit intensify, then a rate cut would become more likely. Conversely, if risks recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for future trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

The MPC meeting of 19 December repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined'. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term". The voting pattern of 7-2 in favour of keeping rates on hold was again repeated at February's MPC meeting, with some increased optimism around the stabilisation of the global economy, an easing in global trade tensions and some improved domestic data, but with continuing concerns about the short- and medium-term prospects for growth.

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore probably suggest that it would be up to the Chancellor to provide help to support growth, by way of a fiscal boost, e.g. through tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects. The Government has already made moves in this direction with significant promises in its election manifesto to increase government spending by up to £20bn p.a. (adding approximately 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be confirmed in the next Budget, in February or March 2020. The Chancellor also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5% and then again to 1.3% in December. It is likely to remain close to or under 2% over the next two years and so does not pose any immediate concern to the MPC. However, if there was a hard or no deal conclusion to the trade talks with the EU, then inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market,** growth in numbers employed had been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October, with growth of 24,000, indicating that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4 and fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was caused exclusively by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to start buying Treasuries again, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long-term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy, so this would indicate that further cuts are unlikely.

Investor confidence has been seriously unsettled by the progressive increases in tariffs President Trump has made on Chinese imports, to which China has responded with increases in tariffs on its imports from the USA. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.
However, in November / December, progress was made on agreeing a phase one deal between the US and China to roll back some of the tariffs; giving some hope of resolving this dispute.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then

+0.2% q/q, +1.1% in quarter 3. There appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a failure of the UK/EU trade talks, which would depress exports further and also if President Trump were to impose tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018. This meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity, designed to support world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but which aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a **third** round of TLTROs; which provides banks with cheap borrowing every three months from September 2019 until March 2021. This means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum. At its meeting on 12 September the ECB cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt for an unlimited period. At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by 'growth friendly' fiscal policy.

There were no policy changes in the December meeting, which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be downbeat about the economy; making it likely that there will be further monetary policy stimulus to come in 2020. It was also announced that there is to be a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take the whole of 2020 to complete.

On the political front, Austria, Spain and Italy have seen the formation of **coalition governments,** with some unlikely combinations of parties, which in turn raises questions around their likely endurance. The latest results of German state elections has put further pressure on the German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus. Medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of

China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high-tech areas and production of rare earth minerals. It is achieving this by massive financial support (i.e. subsidies) to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from a dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.

The trade war between the US and China is a major concern to financial markets due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited options available, in terms of monetary policy measures, when rates are already very low in most countries (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 and 2020, due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to provide a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth, to deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations with the EU on a future trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash, as there has been a major increase in consumer and other debt, due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy (i.e. the rate that is neither expansionary nor deflationary) is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over- or under-do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy, which has brought to power a much more EU friendly government. This has eased the pressure on Italian bonds. Only time will tell whether this new coalition, based on an unlikely alliance of two very different parties, will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections, but the SPD has done particularly badly, and this has raised a major question mark over continuing to

support the CDU. Angela Merkel has stepped down from being the CDU party leader, but intends to remain as Chancellor until 2021.

- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Comparison of Interest Rate Forecasts – Treasury Strategy 2019/22 – 2022/23 (Feb 2019), and Treasury Strategy 2020/21 – 2023/24 (Jan 2020)

	Bank Rate %			PWLB Borrowing Rates % (including 0.20% certainty rate adjustment)											
				5 year			10 year			25 year			50 year		
	Jan-20	Nov 19	Jan 19	Jan 20	Nov 19	Jan 19	Jan 20	Nov 19	Jan 19	Jan 20	Nov 19	Jan 19	Jan 20	Nov 19	Jan 19
Mar-20	0.75	0.75	1.25	2.30	2.50	2.30	2.50	2.80	2.80	3.00	2.60	3.20	2.90	3.30	3.00
Jun-20	0.75	0.75	1.25	2.30	2.60	2.40	2.50	2.90	2.90	3.00	2.70	3.30	2.90	3.40	3.10
Sep-20	0.75	0.75	1.25	2.40	2.70	2.50	2.60	3.00	2.90	3.10	2.80	3.30	3.00	3.50	3.10
Dec-20	0.75	1.00	1.50	2.40	2.70	2.50	2.60	3.00	3.00	3.20	2.90	3.40	3.10	3.60	3.20
Mar-21	0.75	1.00	1.50	2.50	2.80	2.60	2.70	3.10	3.00	3.30	3.00	3.40	3.20	3.60	3.20
Jun-21	1.00	1.00	1.75	2.60	2.90	2.60	2.80	3.20	3.10	3.40	3.00	3.50	3.30	3.70	3.30
Sep-21	1.00	1.00	1.75	2.70	3.00	2.70	2.90	3.30	3.10	3.50	3.10	3.50	3.40	3.80	3.30
Dec-21	1.00	1.00	1.75	2.80	3.00	2.80	3.00	3.30	3.20	3.60	3.20	3.60	3.50	3.80	3.40
Mar-22	1.00	1.25	2.00	2.90	3.10	2.80	3.10	3.40	3.20	3.70	3.30	3.60	3.60	3.90	3.40
Jun-22	1.25			2.90			3.10			3.80			3.70		
Sep-22	1.25			3.00			3.20			3.80			3.70		
Dec-22	1.25			3.00			3.20			3.90			3.80		
Mar-23	1.25			3.10			3.30			3.90			3.80		

The February 2019 forecasts were included in Treasury Strategy 2019/20 to 2022/23.
Link Asset Services provided an updated forecast in January 2020.

APPENDIX E

Investment Property Strategy 2020/21

PURPOSE

1. The purpose of this report is to seek Council approval for a revised Investment Property Strategy.

BACKGROUND

2. In its budget for 2017/18, the Council identified investment in commercial property as an opportunity to increase its income whilst protecting its capital. An income target was established, and a Borough Investment Fund created in the council's earmarked reserves. Governance arrangements were developed over the following months and agreed at Cabinet on 6 December 2017. At that meeting it was agreed to procure specialist advice.

3. Professional advisors LSHIM were subsequently procured to seek out external property investment opportunities and appointed in March 2018. In April 2018 workshops were held at the Civic Centre with LSHIM, Members of the Cabinet and the Asset Working Group outlining the staged approach to identifying and selecting investment opportunities. The Investment Strategy was revised following those workshops and approved by Cabinet on 21 June 2018.

4. The Investment Property Strategy is just one element of the Council's property strategy that is solely for investment purposes. In January, Cabinet approved a review to be undertaken of the Council's commercial investment property portfolio which will assess the performance of assets, develop the asset management plan and inform strategy for acquisitions and disposals.

5. The Borough Investment reserve was originally set up as a fund to purchase investment property to generate revenue returns (commercial rents) to the Council. The key themes in the approved strategy are for this funding be aimed at low risk, long term investments with a sustainable income stream that preserves capital. Despite employing professional advisors for two years to identify and assess potential acquisitions, since the strategy was approved no suitable investments have been identified that meet all these key criteria.

PROPOSALS

6. The council actively manages its cash investments within the parameters of the Treasury Management and Investment Strategies. The bank rate is currently at 0.75% and, as set out in the Treasury Management and Investment Strategies, the forecast rise in the next couple of years is minimal. In order to secure better returns on the Council's cash resources long-term, other investment options need to be identified.

7. There is therefore an opportunity to re-define the purpose and future application of the Borough Investment reserve, which currently has a balance of £4,594,000.

8. Where the previous strategy was focussed purely on achieving a commercial rate of return, albeit whilst still seeking to protecting the council's finances, there is an opportunity to still achieve a better return on the Council's investments but with added benefits to the local community and with a consideration of the environmental impacts. It is proposed that the funding is restricted to investment inside the Borough only.

INVESTMENT PROPERTY STRATEGY – CORE PRINCIPLES

9. This revised Investment Property is based on the following set of principles:

a) Funding will only be applied to investments in the Borough
b) The Borough Investment Fund will only be applied to schemes which improve the Borough and are revenue generating
c) The expected return on the investment must be more than the average interest rate which could be earned if the cash was placed with approved investment counterparties
d) The Borough Investment Fund is a recurring fund and returns must be repaid back into this reserve

10. Whilst the main criteria in assessing the attractiveness of the investment will be in respect to financial return and risk, the Council should give due consideration to those property investments which display higher levels of environmental sustainability.

FUTURE INVESTMENT OPPORTUNITIES

11. In the MTFS it is proposed that part of the Borough Investment reserve is applied to two capital items:

(i) the investment in Worden Hall, and
(ii) to cashflow a community loan (Hoole Village Hall)

These schemes are subject to Council approval as part of this agenda.

12. Both initiatives are expected to generate a payback to the Council which would be repaid back into the Borough Investment reserve. If approved, the community loan will include annual repayment of capital and interest. By repaying these returns into the reserve, this recycling of the funds invested will serve to maintain the reserve in the longer-term and therefore ensure it be available for future investment opportunities in the Borough.

13. It is forecast that after funding these two initiatives, there will be a balance of £2,274,000 in the Borough Investment Fund.

14. Regarding the funds held, a few areas of work have been identified which could be considered for future investment.

- Leyland town centre potential site acquisition and commercial development
- Purchase of homes for homebuild project
- Purchase of further commercial properties in Borough
- Joint investments with other Lancashire authorities aimed at items in the emerging Greater Lancashire Plan

SUMMARY

15. Back in 2017/18, investment in commercial property was identified as a potential sustainable income stream for the Council and funding was earmarked for such investment. An income target was also included in the approved revenue budgets.

16. The revised strategy recognises that the scope needs to be widened to incorporate investments which, as well as providing a return and a repayment back into the Borough Investment Fund, also have broader social and community benefits.

17. Maintaining the Borough Investment Fund provides opportunities for further investment and potential additional returns which could provide sustainable income streams in the future.

BACKGROUND DOCUMENTS

Cabinet 21 June 2018 – Investment Property Strategy

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REPORT TO	ON
COUNCIL	Wednesday 26 February 2020

TITLE	PORTFOLIO	REPORT OF
Council Tax Setting 2020-21	Cabinet Member (Finance, Property and Assets)	Director of Customer and Digital

Is this report a **KEY DECISION** (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	**Yes**
Is this report on the **Statutory Cabinet Forward Plan**?	**Yes**
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council? This should only be in exceptional circumstances.	**Yes**
Is this report confidential?	**No**

PURPOSE OF THE REPORT

1. The purpose of this report is to enable the Council to calculate and set the Council Tax for 2020/21.

PORTFOLIO RECOMMENDATIONS

2. That the Council approve the formal Council Tax resolution appended to this report (Appendix A) and in doing so, approve the Council's budget for 2020/21.

REASONS FOR THE DECISION

3. At its meeting on 12th February 2020, the Cabinet considered the updated financial strategy and draft budget proposals for the coming year. The Cabinet has made a number of recommendations concerning the budget for 2020/21, which included a proposal to increase the Council Tax by 1.99%. Taking into consideration the proposal to increase the Band D Council Tax by 1.99% to £223.24 (excluding parish and town council precepts), the draft resolution, incorporating the recommendations from the Cabinet, is now appended to this report for consideration and approval.

   As the "Billing Authority" for the South Ribble area, the Council also collects the Council Tax on behalf of the County Council, Police and Crime Commissioner, Combined Fire Authority and Parish/Town Councils. The appropriate share of the money collected is paid over to these organisations to help pay for the services they are responsible for delivering. The Council Tax which is already agreed separately by each of these organisations, and for which they are individually accountable, is set out below and in the draft resolution.

Town & Parish Councils

The Town & Parish Council Precepts for 2020/21 are detailed together with a comparison with 2019/20 in Appendix C and total £432,331.

The changes included within The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, mean that these precepts take into account the cost of localised Council Tax Support.

There has been an overall increase in the average Band D Council Tax for Town and Parish Councils of 7.9% and this results in an average Band D Council Tax figure of £11.98 for 2020/21.

Lancashire County Council

Lancashire County Council met on 13th February 2020 and set their precept at £50,514,723, in addition a contribution of £661,050 will be made from the surplus in the Collection Fund. This results in a Band D Council Tax of £1,400.32, which is an increase of 3.99% when compared to the current year's charge. Following an offer from the Secretary of State for Communities and Local Government, Lancashire County Council has decided to increase their 2020/21 Council Tax by an additional 1% (up to a total of 3.99%) without being required to hold a referendum, to assist the authority in meeting expenditure on adult social care.

Police and Crime Commissioner for Lancashire

The Police and Crime Commissioner for Lancashire are due to meet on 20th February 2020 and will agree to set a precept of £8,250,055, in addition a contribution of £98,893 will be made from the surplus in the Collection Fund. This results in a Band D Council Tax of £228.70, an increase of 13.53% on the current year's charge.

Lancashire Combined Fire Authority

Lancashire Combined Fire Authority are due to meet on 24th February 2020 and set their precept at £2,581,073, in addition a contribution of £34,108 will be made from the surplus in the Collection Fund. This results in a Band D Council Tax of £71.55, an increase of 2.99% when compared to the current year's charge.

As these meetings are still due to take place, all figures in yellow are indicative at this stage.

	2019/20	2020/21	Increase/Decrease
South Ribble Borough Council	£218.88	£223.24	1.99%
Lancashire County Council	£1,346.59	£1,400.32	3.99%
Police and Crime Commissioner for Lancashire	£201.45	£228.70	13.53%
Lancashire Combined Fire and Rescue Authority	£69.48	£71.55	2.99%
Sub Total	**£1,836.40**	**£1,923.80**	**4.76%**
Town & Parish Council Average	£11.10	£11.98	7.93%
Total	**£1,847.50**	**£1,935.78**	**4.78%**

CORPORATE OUTCOMES

4. The report relates to the following corporate priorities: (tick all those applicable):

Excellence, Investment and Financial Sustainability	X
Health, Wellbeing and Safety	X
Place, Homes and Environment	X

Projects relating to People in the Corporate Plan:

Our People and Communities	X

BACKGROUND TO THE REPORT

5. This report is presented to allow determination of the Council Tax requirement and Council Tax for South Ribble Borough Council for 2020/21. The Council Tax provides the financial resources to help pay for all of the Council's services. It is fundamental in supporting the delivery of all our corporate priorities.

PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)

6. Please see Appendix A for the full list and breakdown of proposals.

CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

7. There is no legal requirement to consult on the setting of Council Tax. However, the SRBC element of the Council Tax has been included in the recent 2020/21 Budget consultation.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

8. None.

AIR QUALITY IMPLICATIONS

9. None.

RISK MANAGEMENT

10. Any failure to set the Council Tax could result in loss of income, significant administrative costs as well as reputational damage. There is a further risk that a failure to set a Council Tax in a timely fashion could result in intervention from the Secretary of State.

EQUALITY AND DIVERSITY IMPACT

11. Failure to set the Council Tax would adversely affect provision of the services to some of the most vulnerable in society All relevant Equality implications need to be identified.

COMMENTS OF THE STATUTORY FINANCE OFFICER

12. The draft resolution in Appendix A to the report comprises the formal approval the Council's Council Tax requirement for 2020/21. The 2020/21 budget for approval includes a proposal to increase the Council Tax for South Ribble Borough Council by 1.99%. The Council Tax Requirement for 2020/21 is £8,485,424 (as set out in Appendix A). This is the forecast amount to be raised from Council Tax in 2020/21 and includes Parish Precepts.

COMMENTS OF THE MONITORING OFFICER

13. The Local Government Finance Act 1992 requires billing authorities to fix the Council Tax for a financial year by the 11th of March in the preceding financial year.

14. Clearly it is absolutely imperative that the council should set a Council Tax. Any failure in this regard could result in major adverse consequences for the council – both in terms of reputational damage as well as loss of income.

BACKGROUND DOCUMENTS

Council Tax Base 2020/21 Delegated Decision on 29th January 2020
Council Tax Support Scheme report as approved by Council on 29th January 2020
Budget Report as approved by Cabinet on 12th February 2020
Precept letters/emails from:-
Lancashire County Council
Police and Crime Commissioner for Lancashire
Lancashire Combined Fire Authority
Parish/Town Councils

APPENDICES

Appendix A – Council Tax Setting Resolution
Appendix B – Council Tax Totals (inc. parishes)
Appendix C – Parish Precepts

Paul Hussey
Director of Customer and Digital

Report Author:	Telephone:	Date:
Andrew Bamber (Revenues & Benefits Manager)	01772 625346	07/02/2020

APPENDIX A

THE COUNCIL IS RECOMMENDED TO RESOLVE AS FOLLOWS

1. That the following be approved:-

(a) The revenue estimates for 2020/21.

(b) The capital programme for 2020/21.

2. It be noted that on the 29th January 2020 under a delegated decision the Council calculated the Council Tax Base based on information held as at the 30th November 2019 as required by legislation for 2020/21 as follows:-

(a) For the whole of Council area as 36,073.7 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; and

(b) For dwellings in those parts of its area to which Parish precepts relates as attached in Appendix C.

3. Calculate that the Council Tax requirement for the Council's own purposes for 2020/21 (excluding Parish precepts) is £ 8,053,093.

4. The following amounts be calculated for the 2020/21 in accordance with Sections 31 to 36 of the Act:

(a) £ 47,700,218 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish and Town Councils.

(b) £ 39,214,794 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £ 8,485,424 being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).

(d) £ 235.22 being the amount at 4(c) above (Item R), all divided by Item T (2(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

(e) £ 432,331 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix B).

(f) £ 223.24 being the amount at 4(d) above less the result given by dividing the amount at 4(e) above by Item T (2(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

5. To note that the County Council, the Lancashire Police and Crime Commissioner and the Fire Authority have issued Precepts to the Council in accordance with Section 42A of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the tables below.

6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2020/21 for each part of its area and for each of the categories of dwellings.

South Ribble Borough Council

Valuation Bands							
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
£148.83	£173.63	£198.44	£223.24	£272.85	£322.46	£372.07	£446.48

Lancashire County Council

Valuation Bands							
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
£933.55	£1,089.14	£1,244.73	£1,400.32	£1,711.50	£2,022.68	£2,333.87	£2,800.64

Police and Crime Commissioner for Lancashire

Valuation Bands							
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
£152.47	£177.88	£203.29	£228.70	£279.52	£330.34	£381.17	£457.40

Lancashire Combined Fire Authority

Valuation Bands							
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
£47.70	£55.65	£63.60	£71.55	£87.45	£103.35	£119.25	£143.10

7. In accordance with Section 59A of South Ribble Borough Council's Council Tax Support Scheme and the decision taken by Council on 29th January 2020, that Council determine the reduction in Council Tax Support applicable to working age claimants with effect from the 1st April 2020 xxxxxxxx.

8. South Ribble Borough Council's basic amount of Council Tax for 2020/21 is not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992.

APPENDIX B

Council Tax Schedule	Bands							
2020/21	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
South Ribble Borough Council	£148.83	£173.63	£198.44	£223.24	£272.85	£322.46	£372.07	£446.48
Lancashire County Council	£933.55	£1,089.14	£1,244.73	£1,400.32	£1,711.50	£2,022.68	£2,333.87	£2,800.64
Lancashire Police Authority	£152.47	£177.88	£203.29	£228.70	£279.52	£330.34	£381.17	£457.40
Lancashire Combined Fire Authority	£47.70	£55.65	£63.60	£71.55	£87.45	£103.35	£119.25	£143.10
Total Unparished Areas	**£1,282.55**	**£1,496.30**	**£1,710.06**	**£1,923.81**	**£2,351.32**	**£2,778.83**	**£3,206.36**	**£3,847.62**
Farington	£15.86	£18.50	£21.15	£23.79	£29.08	£34.36	£39.65	£47.58
Farington and South Ribble BC	£164.69	£192.13	£219.59	£247.03	£301.93	£356.82	£411.72	£494.06
Farington Total	**£1,298.41**	**£1,514.80**	**£1,731.21**	**£1,947.60**	**£2,380.40**	**£2,813.19**	**£3,246.01**	**£3,895.20**
Hutton	£15.94	£18.60	£21.25	£23.91	£29.22	£34.54	£39.85	£47.82
Hutton and South Ribble BC	£164.77	£192.23	£219.69	£247.15	£302.07	£357.00	£411.92	£494.30
Hutton Total	**£1,298.49**	**£1,514.90**	**£1,731.31**	**£1,947.72**	**£2,380.54**	**£2,813.37**	**£3,246.21**	**£3,895.44**
Little Hoole	£18.30	£21.35	£24.40	£27.45	£33.55	£39.65	£45.75	£54.90
Little Hoole and South Ribble BC	£167.13	£194.98	£222.84	£250.69	£306.40	£362.11	£417.82	£501.38
Little Hoole Total	**£1,300.85**	**£1,517.65**	**£1,734.46**	**£1,951.26**	**£2,384.87**	**£2,818.48**	**£3,252.11**	**£3,902.52**
Longton	£24.73	£28.85	£32.97	£37.09	£45.33	£53.57	£61.82	£74.18
Longton and South Ribble BC	£173.56	£202.48	£231.41	£260.33	£318.18	£376.03	£433.89	£520.66
Longton Total	**£1,307.28**	**£1,525.15**	**£1,743.03**	**£1,960.90**	**£2,396.65**	**£2,832.40**	**£3,268.18**	**£3,921.80**
Much Hoole	£33.78	£39.41	£45.04	£50.67	£61.93	£73.19	£84.45	£101.34
Much Hoole and South Ribble BC	£182.61	£213.04	£243.48	£273.91	£334.78	£395.65	£456.52	£547.82
Much Hoole Total	**£1,316.33**	**£1,535.71**	**£1,755.10**	**£1,974.48**	**£2,413.25**	**£2,852.02**	**£3,290.81**	**£3,948.96**
Penwortham	£15.02	£17.52	£20.03	£22.53	£27.54	£32.54	£37.55	£45.06
Penwortham and South Ribble BC	£163.85	£191.15	£218.47	£245.77	£300.39	£355.00	£409.62	£491.54
Penwortham Total	**£1,297.57**	**£1,513.82**	**£1,730.09**	**£1,946.34**	**£2,378.86**	**£2,811.37**	**£3,243.91**	**£3,892.68**
Samlesbury and Cuerdale	£10.67	£12.44	£14.22	£16.00	£19.56	£23.11	£26.67	£32.00
Samlesbury and Cuerdale and South Ribble BC	£159.50	£186.07	£212.66	£239.24	£292.41	£345.57	£398.74	£478.48
Samlesbury and Cuerdale Total	**£1,293.22**	**£1,508.74**	**£1,724.28**	**£1,939.81**	**£2,370.88**	**£2,801.94**	**£3,233.03**	**£3,879.62**

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APPENDIX C

Parish Precepts

Parish/Town Council	2019/20			2020/21		
	Precept £	Tax Base Band D Equivalent Properties	Band D Equivalent £	Precept £	Tax Base Band D Equivalent Properties	Band D Equivalent £
Farington	50,000	2,297.0	21.77	56,500	2,375.1	23.79
Hutton	22,000	910.9	24.15	22,500	941.0	23.91
Little Hoole	22,500	807.8	27.85	22,500	819.6	27.45
Longton	116,000	3,119.6	37.18	116,000	3127.6	37.09
Much Hoole	8,604	722.6	11.91	36,831	726.9	50.67
Penwortham	170,000	7,532.3	22.57	170,000	7546.8	22.53
Samlesbury & Cuerdale	8,000	503.0	15.90	8,000	499.9	16.00
Total	**397,104**	**15,893.2**		**432,331**	**16,036.9**	

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REPORT TO	ON
Full Council	26/02/2020

SOUTH RIBBLE BOROUGH COUNCIL
forward with South Ribble

TITLE	PORTFOLIO	REPORT OF
Adoption of the Central Lancashire Memorandum of Understanding on Housing Provision and Distribution	**Cabinet Member for Planning, Regeneration and City Deal**	**Director of Planning and Property**

Is this report a **KEY DECISION** (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	**Yes**
Is this report on the **Statutory Cabinet Forward Plan**?	**Yes**
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council? This should only be in exceptional circumstances.	**No**
Is this report confidential? If **Yes**, insert details of the relevant exclusion paragraph(s). These are listed in the Constitution Part 4, page 25 (Access to Information Procedure Rules)	**No**

PURPOSE OF THE REPORT

1. To approve the Memorandum of Understanding and Statement of Co-operation (Relating to the Provision and Distribution of Housing Land) which has been subject to consultation.

RECOMMENDATIONS

2. It is recommended that Full Council:

3. Approve the Memorandum of Understanding and Statement of Co-operation between the Central Lancashire authorities as set out in Appendix 2 of this report, to take effect immediately following the approval by Preston City Council, South Ribble Borough Council and Chorley Council;

4. Delegate authority to the Deputy Chief Executive to amend the revised Memorandum of Understanding and Statement of Co-operation by way of minor alterations which do not effect the substance or general content of the said document prior to it taking effect;

5. Note that on the date of effect, the Memorandum of Understanding and Statement of Co-operation will be implemented for Development Management purposes in the determination of planning applications; and

6. To agree the preparation of a single five year housing land supply for the purposes of determining planning applications & appeals which will include sharing information about specific sites.

EXECUTIVE SUMMARY

7. This report seeks approval of the Memorandum of Understanding and Statement of Co-Operation in relation to housing numbers across Central Lancashire. The Memorandum of Understanding has been subject to a consultation period, which is detailed in this committee report. All relevant documentation is attached at Appendix 1 and 2.

CORPORATE PRIORITIES

8. The report relates to the following corporate priorities:

Excellence and Financial Sustainability	
Health and Wellbeing	
Place	x

Projects relating to People in the Corporate Plan:

People	

BACKGROUND TO THE REPORT

9. The first MOU for Central Lancashire was prepared and adopted in 2017 following the publication of new housing evidence, namely the Strategic Housing Market Assessment (SHMA). The SHMA produced a housing need and distribution which reflected the existing distribution of housing as specified within policy 4 of the Central Lancashire Core Strategy 2012. Further, as the aggregated annual housing need identified within the SHMA exceeded the figure within policy 4, it was appropriate at that time that the three councils should commit to continuing the annual housing distribution of 417, 417 and 507 for Chorley, South Ribble and Preston Councils respectively.

10. The more recent introduction of the Standard Housing Method for Local Housing Need by the government has changed how the annual housing requirement is to be calculated.

11. In February 2019 the Government published a revised National Planning Policy Framework (NPPF). This requires Local Planning Authorities to assess the minimum number of homes needed through a local housing need assessment conducted using a standard methodology. Furthermore, the revised NPPF states that where strategic housing requirement policies are more than five years old, the five year supply of deliverable housing ought to be assessed against the local housing need assessment. In October 2019, the Central Lancashire Housing Study by Iceni was published.

12. The Draft new MoU was considered by Full Council in November 2019. Although the adoption of the MoU was delegated at that meeting since then the consultation period has been extended and the other two Central Lancashire authorities have decided to send the report of the consultation to their respective Full Council meetings. For the sake of consistency the final MoU and the report of consultation is now being referred back to Full Council.

PROPOSALS

13. The relevant development plan policy relating to the supply of housing in Central Lancashire was adopted in 2012, the Central Lancashire authorities proposed to apply the standard method formula to calculate the aggregate minimum number of homes needed across the area. This is in accordance with the National Planning Policy Framework and National Planning Practice Guidance.

14. The standard method housing requirement figure for the Central Lancashire equates to 1,026 per annum (provision of 18,268 dwellings over the period 2018 -2036) - it is recognised this is a minimum figure.

15. This would be achieved by a **Joint Memorandum of Understanding** (MOU) and **Statement of Co-Operation** (SOC) and when approved the Councils will work together to monitor housing completions and five-year housing land supply positions against these requirements.

16. The three Councils intend to implement a distribution of housing based on robust evidence. The evidence contained within the Central Lancashire Housing Study produced by consultants Iceni recommends that the most appropriate distribution of the minimum number of homes needed in the area is as follows, this will be reviewed as the new local plan emerges and the spatial development policies are prepared.

Preston City Council	40%
South Ribble Borough Council	32.5%
Chorley Council	27.5%
Total	**100%**

17. This results in a local annual housing need of 1,026 dwellings per annum, comprising
    - 410 Homes per annum in Preston
    - 334 Homes per annum in South Ribble; and
    - 282 Homes per annum in Chorley.

18. This is intended to provide an interim basis for agreeing how the HMA's housing needs might be distributed.

19. Once the Memorandum of Understanding is approved the three councils will set out the 5 year forwarded looking supply and calculate each council's 5 year supply position in line with the distribution set out in the Memorandum of Understanding at paragraph 11. At 31 March 2019 the 5 year supply for Chorley is 6.6 years, Preston City Council 7.4 years and

South Ribble Borough Council 11.4 years. A copy of the Memorandum of Understanding can be found at Appendix 1.

Consultation Carried Out and Outcome of Consultation

20. The Central Lancashire Authorities consulted on the revised Joint Memorandum of Understanding over a period of 7 weeks. The first consultation was between 4th November 2019 and 15th November 2019 (2 full calendar weeks, 10 working days). Feedback form this initial consultation suggested the consultation period was too short. These comments were taken on board. The consultation was re-opened between 9th December 2019 and 13th January 2020 (5 calendar weeks, 22 working days).

21. The following stakeholders were consulted for both consultations:

- Developers and agents (as registered on the Central Lancashire Developer Forum Mailing List)
- All Parish Councils within Preston, South Ribble and Chorley;
- All Elected Members with Preston, South Ribble and Chorley;
- All County Councillors representing Preston, South Ribble and Chorley.

22. The Consultation was also publicised on the Central Lancashire Planning Policy Team website and on the websites of the 3 Central Lancashire Authorities.

Responses Received to the Consultation

23. A total of 37 responses have been received to the consultation on the MOU and Statement of Consultation including members of the public, parish councils, councillors, neighbouring authorities, housebuilders, agents and organisations. 27 of these were received during the initial consultation, and 10 further responses were received during the 2nd consultation. In addition to this, three additional responses were also received during the 2nd consultation which provided additional or replacement comments to previous submissions. The full list of respondents is shown at Appendix 2.

24. Of the 37 responses received 5 generally supported the approach, whilst 32 put forward comments covering a number of key issues/themes, as shown at paragraph 16 of this report. Further analysis of the responses showed that 5 responses agreed with the proposed housing distribution, 22 responses disagreed, and the remaining 10 did not clearly specify either way. 18 responses disagreed with the adequacy of the consultation (e.g. length/methodology etc.), whilst 19 responses didn't clearly specify either way. 18 responses also raised concerns that the evidence base was not sufficiently robust to justify the proposed distribution, whilst 19 didn't clearly specify either way.

25. The key themes identified in the consultation are shown below. These issues are expanded upon in the Response Document at Appendix 2, with an Officer response to each issue raised.

- **Failure to consult properly**:
  - The consultation fails to meet the Sedley principles (meaningful & fair);
  - The length/period of consultation was inadequate;
  - The scope of the consultation / number of people consulted was insufficient and unjustified; and
  - The purpose / intention of the consultation was confused and unclear.

- **Pre-determination of the outcome of consultation**:
  - Insufficient time was allowed for to consider the responses to the consultation before decisions to adopt the MOU were made at the Cabinet(s);
  - Adoption of the MOU would conflict with the current stage of the Local Plan and would pre-determine the outcome of the Issues and Options consultation.

- **The soundness of the new Local Plan will be brought into question.**
  - Any new housing requirement should be set out in Local Plan policies and have been subject to examination, and sustainability appraisal. An “MOU” circumvents this approach and is not the correct procedure for decisions which will result in policy consequences. It is unlawful promulgation of policy (which ought to be within a DPD), through an unrecognized, non-statutory mechanism.
  - An MOU is not the correct procedure for decisions which result in policy consequences and is therefore unlawful.
  - PPG refers instead to a Statement of Common Ground (SOCG), which has to include certain elements.

- **The housing need/requirement/distribution set out in the MOU is not in accordance with either an up to date Local Plan or the standard method.**
  - Exceptional circumstances to deviate from the standard method (the MOU is a deviation) have not been demonstrated, and it is therefore unlawful.
  - The MOU cannot be used for measuring five year housing land supply, or the Housing Delivery Test.

- **Failure to establish a true housing “requirement”**
  - The MOU is only a partial review - there is a lack of robust evidence to justify the overall housing need for Central Lancashire, or to justify the re-distribution to/from each individual district.
  - The Local housing need figure should be a “policy off” figure for each Council – not a “policy on” figure which has incorrectly considered policy constraints when assessing housing need (a local housing need figure must be derived without the application of any additional exercise of policy).
  - The assumption that Central Lancashire still operates as a single HMA needs to be re-visited.

- **The proposed housing distribution is imbalanced and unjustified**.
  - The identified housing need is too low & needs increasing - for Central Lancashire as a whole, and for the individual districts (Chorley in particular).
  - It is contrary to the Core Strategy and national policy.
  - The standard method for assessing local housing need only provides a minimum starting point in determining the number of homes needed in an area. The housing needs are greater than the standard method indicates.
  - Consideration should be given to growth strategies and strategic infrastructure projects such as the City Deal, etc.
  - A lower figure than the Core Strategy will stifle sustainable economic growth and does not align with the growth ambitions of the LEP & the City Deal etc.
  - A lower figure will also render Policies 1 and 4 out of date, which will engage the tilted balance in favour of sustainable development for decision taking.

- **The MOU does not adequately take into consideration key elements** such as;
  - Historic under-delivery;
  - Meeting un-met need from other areas; affordable housing need (especially where it is most needed, e.g. Chorley); and

- Specialist housing such as homes for older people, etc.
- There is also a need to concurrently bring forward alternative avenues to home ownership, and
- Further evidence is needed in terms of the scale and geography of demand.

- **The Councils should not rely on the Pear Tree Lane appeal decision.**
  - Further, the more recent Chain House Lane appeal decision does not take precedence over all other appeal decisions.

- **Brownfield land has not been adequately considered**.

- **There are inaccuracies in the Iceni report**.

Memorandum of Understanding for Adoption

26. The Memorandum of Understanding and Statement of Co–operation (Relating to the Provision and Distribution of Housing Land) for approval is shown at Appendix 1.

27. There is a risk that if the MOU is not approved by the Central Lancashire Councils, it will be difficult to control the amount of development in an area and therefore officers will not be able to rely on a combined Central Lancashire 5 year housing supply to determine planning applications.

28. In taking this option the Central Lancashire authorities should secure greater planning control over development that is not in accordance with the development plan. In addition, in order to accord with the Framework and Planning Practice Guidance, it is considered a three-stage process to housing need and distribution, in a joint plan-making area, ought to be taken i.e. firstly identifying each local authority's minimum need, secondly aggregating that and thirdly distributing that across and between the relevant Local Authorities.

FINANCIAL IMPLICATIONS

29. Please see the comments from the Statutory Finance Officer below.

LEGAL IMPLICATIONS

30. Please see the comments from the Monitoring Officer below.

AIR QUALITY IMPLICATIONS

31. There are no air quality implications to this report.

COMMENTS OF THE STATUTORY FINANCE OFFICER

32. The development of the Memorandum of Understanding and Statement of Co-operation between the Central Lancashire authorities is part of the Central Lancashire Local Plan work. The council's share of the costs of this work is budgeted for in the Local Plan revenue budgets.

COMMENTS OF THE MONITORING OFFICER

33. A number of issues have emerged from the consultation exercise that has been carried out. One issue relates to the consultation process itself –it is alleged that in the circumstances it was inadequate for what it was trying to achieve. Clearly it must be pointed out that the consultation period was expanded. Further the exercise carried out was extensive and robust. Hence it is not considered that this criticism is reasonable or fair.

34. Likewise, the criticism of pre determination seems hard to fathom. It is only now that the Council is being asked to make a final decision.

35. It is difficult to see how the proposed MOU will impact on the soundness of the Local Plan. The use of MOUs in these circumstances is not unusual. It is an interim measure to deal with the situation as of today. It will not prejudice or predetermine the Local Plan coming forward. This approach we have done in the past.

36. Clearly there are a number of other criticisms articulated. They will not be addressed individually in these comments. Pease though see Appendix 2 which does set out a thorough response to all the issues raised. Speaking generally – and by way of conclusion - on balance it is considered that the councils have acted in a balanced, reasonable and proportionate manner.

OTHER IMPLICATIONS:

▶ **HR & Organisational Development**	None
▶ **ICT / Technology**	None
▶ **Property & Asset Management**	None
▶ **Risk**	None
▶ **Equality & Diversity**	None

BACKGROUND DOCUMENTS

There are no background papers to this report.

APPENDICES (or There are no appendices to this report)

Appendix 1 – Central Lancashire Memorandum of Understanding
Appendix 2 – Responses Report to Consultation

Jonathan Noad
Director of Planning and Property

Report Author:	Telephone:	Date:
Rachel Peckham	01772 625388	13/02/2020

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Central Lancashire Local Plan

Memorandum of Understanding and Statement of Co-Operation:

Relating to the Provision and Distribution of Housing Land

February 2020

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Parties to the Memorandum

Preston City Council

South Ribble Borough Council

Chorley Council

Signed on behalf of Preston City Council

Chris Hayward (Director of Development)

Date:

Signed on behalf of South Ribble Borough Council

Jonathan Noad (Director of Planning and Property)

Date:

Signed on behalf of Chorley Council

Chris Sinnott (Deputy Chief Executive)

Date:

1. Background

1.1 Central Lancashire is defined as the area covered by the following three Local Planning Authorities (‘the Council’s’):

- Preston City Council
- South Ribble Borough Council
- Chorley Council.

1.2 The Council’s, together with Lancashire County Council (which provides strategic planning functions in relation to highways, minerals and waste), have a history of joint working which reflects the compact nature of this part of Lancashire, focussed on the urban core. Joint working is formally constituted in a Joint Advisory Committee of the Councils, which was established in 2008.

1.3 Overall, the Councils cover an area of some 458km^2 (177 square miles) with a combined population of 367,518. Importantly, in this context, the area functions as one integrated local economy and travel to work area and is a single Housing Market Area. Containment levels approach 80% for travel to work and exceed 80% for housing moves when long distance moves are excluded.

1.4 Journey times by rail from Preston to Leyland are 6 minutes and to Chorley 14 minutes. Rail journey times between Chorley and Leyland are 8 minutes. Both Chorley and Leyland are within 20 minutes journey time by road from Preston and 15 minutes between the two.

2. The Current Development Plan

2.1 The history and depth of joint working by the Councils is reflected in the current development plan. The principal spatial plan is the Central Lancashire Core Strategy, adopted by the Councils in July 2012. The plan covers the administrative areas of all three Councils.

2.2 Beneath that plan are three individual Local Plans (or Site Allocation Plans), all adopted in July 2015, as well as Area Action Plans and Neighbourhood Plans (all listed in **Appendix 1**).

2.3 Central Lancashire Core Strategy Policies 1 and 4 are of particular relevance to the provision of housing land. Policy 1 sets out the overall spatial pattern of development, being concerned with locating growth across Centre Lancashire. Policy 4 contains the housing requirements for each of the Councils:

Preston:	507 dwellings pa
South Ribble:	417 dwellings pa
Chorley:	417 dwellings pa
Total:	**1,341 dwellings pa**

2.4 The Council's consider that maintaining the use of the housing requirements set out in Policy 4, which is now out of date, until such a time as the review of the Local Plan is complete, is not appropriate and has been superseded by the standard housing methodology, as explained below.

3. The 2017 Memorandum of Understanding

3.1 In September 2017, following the completion of the Central Lancashire Strategic Housing Market Assessment (undertaken by consultants on behalf of the three Councils), a Memorandum of Understanding (MOU) was entered into in relation to the distribution of housing prior to the adoption of new Local Plan.

3.2 The Central Lancashire Strategic Housing Market Assessment (SHMA) was published in August 2017 and identified that the Objectively Assessed Need (OAN) for new homes in Central Lancashire as 1,184 dwellings per annum, from a base date of April 2014, distributed as follows:

Preston:	225 dwellings pa
South Ribble:	440 dwellings pa
Chorley:	519 dwellings pa
Total:	**1,184 dwellings pa**

3.3 The above figures represent the OAN for each Council taking account of economic growth forecasts at that time. The SHMA also produced a slightly lower Central Lancashire OAN figure based only on demographic growth, albeit with a different distribution across the three Councils.

3.4 Given the Central Lancashire yearly OAN overall was not found to be radically dissimilar to the housing requirements of Policy 4 (albeit with the exclusion of any historic under or over delivery), the 2017 MOU agreed to a continuation of the use of the Policy 4 housing requirement and distribution. This decision was based on the need to continue to prioritise a pattern of development which supported the growth of strategic sites and locations, namely Cottam and North West Preston.

3.5 Furthermore, at the time, it was considered that a continuation of the application of Policy 4 would help to address net out-migration from Preston to other parts of the Housing Market Area.

3.6 In November 2017 the MOU process was subject to assessment on appeal in relation to a development at Pear Tree Lane, Euxton, Chorley (Appeal Ref: APP/D2320/W/17/3173275). Although national policy has moved on substantively since this time (covered in Section 4 of this document), the fundamental principles of this decision remain pertinent.

3.7 In this case the Inspector deliberated the legitimacy of the MOU in apportioning dwellings from one part of the Central Lancashire Housing Market Area (HMA) to another, given this would be outwith the development plan process. In conclusion the Inspector sited the *'proven track record of joint working across the HMA'* (Paragraph 27) and concluded an apportionment of OAN to elsewhere in the HMA, in accordance with the principles of the MOU, would be acceptable (Paragraph 32 and 33).

4. Changes to the National Planning Policy Context

4.1 The changes to the National Planning Policy Framework (the Framework) since the 2017 MOU have been significant.

4.2 In February 2019, the Ministry of Housing, Communities & Local Government (MHCLG) published the revised Framework. From the date of its publication, the revised Framework, and the policies and guidance contained therein, are material considerations to be taken into account in determining planning applications and guide the content of new Local Plans.

4.3 Paragraph 60 of the revised Framework states that in order to determine the minimum number of homes needed, policies should be informed by a local housing need assessment conducted using the standard method in national planning guidance. This approach ought to be used, unless exceptional circumstances justify an alternative approach. Paragraph 60 also states that any needs which cannot be met in neighbouring authorities should also be taken into account.

4.4 National Planning Practice Guidance (PPG) prescribes the standard method formula, which calculates the minimum number of homes which must be planned for. The formula establishes a baseline, by taking the latest Office for National Statistics (ONS) household growth projections, and, applying an affordability adjustment, based on an authority's median workplace-based affordability ratio (PPG Para 2a-004-20190220).

4.5 Until such a time as Government produces revised PPG, Local Planning Authorities (LPAs) must use the 2014 based ONS household projections in calculating the minimum number of homes which need to be planned for (PPG Para 2a-005-20190220).

4.6 PPG provides scenarios whereby planning for higher levels of housing need in a particular authority may be appropriate. Paragraph 2a-010-20190220 of PPG states that in circumstances where actual housing need may exceed an authority's standard method calculation, entering into a statement of common ground with neighbouring authorities to agree to take unmet need would be an appropriate course of action to take.

4.7 PPG states that in circumstances where local housing needs assessments cover more than one area, for example where LPAs are working jointly on strategic plans, the housing need for the defined area should at least be equal to the sum of the minimum number of homes needed in each LPA. Furthermore, PPG advises that it is a matter for the relevant LPAs to determine the distribution of the total minimum number of homes needed across the plan area (PPG Para 2a-013-20190220).

4.8 Paragraph 73 of the Framework states that:

'Local planning authorities should identify and update annually a supply of specific deliverable sites sufficient to provide a minimum of five years' worth of housing against their housing requirement set out in adopted strategic policies, or against their local housing need where the strategic policies are more than five years old.'

4.9 Footnote 37 to Paragraph 73 of the Framework states that:

'Unless these strategic policies have been reviewed and found not to require updating. Where a local housing need is used as the basis for assessing whether a five year supply of specific deliverable sites exist, it should be calculated using the standard method set out in national planning guidance.'

4.10 The above approach is clarified further in PPG (PPG Para 68-005-20190722).

5. Standard Method & Central Lancashire

5.1 Whilst the Central Lancashire Core Strategy was adopted in July 2012 (hence is now over seven years old), the Councils have collectively continued to use the housing requirements contained within Policy 4 in order to ensure the OAN across Central Lancashire continued to be met, as established in the SHMA.

5.2 The approach set out in paragraph 5.1 was agreed in the 2017 MOU. This revised MOU is necessitated as a result of the significant shift in national policy since 2017.

5.3 Adopting the standard method formula to Central Lancashire, the following shows a breakdown of the minimum number of homes (in accordance with the formula at the time of adoption) which need to be planned for currently:

Preston:	241 dwellings pa (23%)
South Ribble:	206 dwellings pa (20%)
Chorley:	579 dwellings pa (57%)
Total:	**1,026 dwellings pa (100%)**

5.4 The standard method formula would therefore suggest that the minimum number of homes which need to be delivered in Central Lancashire is currently 1,026 every year. A figure, in overall terms, which is similar to the 1,184 OAN figure from the 2017 SHMA.

5.5 The current standard method formula is predicated on ONS based household projections, which are published every two years, the resultant minimum number of homes needed is a fluctuating amount.

5.6 The next ONS household projections are scheduled for publication in Summer 2020. These will have a base date of April 2018.

6. Distribution of Housing Provision in Central Lancashire

6.1 In order to embrace the requirements of national policy, the Councils have embarked on a review of the development plan. The aspiration of the Council's is to have a new Central Lancashire Local Plan in place by the end of 2022. The first formal consultation, an 'Issues and Options' document, will be subject to public consultation from November 2019.

6.2 In order to inform the new Central Lancashire Local Plan the Councils have, over the last two years, commissioned a significant amount of evidence to underpin the policies and proposal which will form part of the new plan. A key part of the evidence base is an update to the 2017 SHMA, in order to account for changes to national policy in the intervening period.

6.3 In April 2019, the Council's commissioned consultants Iceni to advise on the implications of the standard method on the housing need, provision and distribution in Central Lancashire. This evidence was required in order to inform the preparation of new planning policy, but also to inform a new interim arrangement, as outlined in this MOU.

6.4 The Central Lancashire Housing Study (the Study) produced by Iceni has been completed and is available to view here.

6.5 In accordance with the Framework and PPG, the Study concludes that the relevant minimum number of homes needed in Central Lancashire every year is currently 1,026. This revised MOU therefore redistributes the minimum local housing need figures generated by the standard method.

6.6 Section 4 of the Study specifically deals with the matter of housing distribution in Central Lancashire. Paragraphs 4.1 to 4.43, along with the associated tables and figures (Page 13 to 20), assess various factors influencing the most appropriate distribution of housing need, namely:

- *Population Distribution*: With Preston accounting for 38% of the Central Lancashire population.
- *Workforce Distribution*: Proportionally, the distribution of workforce replicates that of the population.
- *Jobs Distribution*: Almost half (48%) of jobs are located in Preston, less than a quarter (22%) are located in Chorley.
- *Affordability*: Preston is the most affordable place to live of the three authorities.
- *Constraints*: Chorley has the highest proportion of land covered by significant constraints, such as Green Belt.
- *Urban Capacity*: Taking account of land and site availability across Central Lancashire, there is potentially capacity for over 77,000 homes, with the highest proportions being in Preston and South Ribble.

6.7 The Study demonstrates that applying the standard method figure to each individual authority, as calculated, would be significantly at odds with the distribution of people, jobs and services. However, further than that, applying the standard method figure to each individual authority, as calculated, would serve to undermine the key principles underpinning the Preston, South Ribble and Lancashire City Deal (the City Deal). The City Deal, agreed in 2013, is a growth deal with Government, securing investment in infrastructure to support housing an economic growth.

6.8 To date, the City Deal has unlocked the development potential of land in Preston and South Ribble and will continue to support significant housing growth in both authority areas. A distribution of housing in Central Lancashire which is more reflective of City Deal aspirations is therefore a key outcome of this revised MOU.

6.9 With regards housing distribution, the findings of the above analysis are presented in tabular form within the Study as follows:

Table 1: Recommended Housing Distribution

Variable	CBC	PCC	SRBC
Jobs Distribution	22%	48%	30%
Population Distribution	32%	38%	34%
Affordability Distribution	36%	28%	36%
Workforce Distribution	32%	38%	30%
Nominal Urban Capacity	18%	42%	40%
Existing Spatial Strategy	30%	40%	30%
Land not Subject to National Constraints	20%	86%	33%
Recommended Distribution (%)	**27.5%**	**40%**	**32.5%**

6.10 The Study therefore makes robust recommendations on the distribution of housing need, and concludes, at paragraphs 4.44 to 4.53 (Page 23 to 25), that an evidence-based distribution of housing need would recommend that 40% of need is met in Preston, 32.5% in South Ribble and 27.5% in Chorley, as shown in **Table 1** (above).

6.11 Reflective of the above analysis, the overall purpose and effect, in planning terms, of this revised MOU is clear. The Central Lancashire authorities have aggregated the minimum annual local housing need figure calculated using the standard method and redistributed this to reflect the most sustainable pattern of development in the sub-region, as well as to align with City Deal growth aspirations in Preston and South Ribble specifically.

7. Current Requirements

7.1 The implications of applying the recommended distribution to the local housing need within Central Lancashire (at April 2019) is set out in **Table 2**, alongside the original distribution as calculated through the application of the standard methodology.

Table 2: Implications of Recommended Distribution

	CBC	PCC	SRBC	Total
Local Housing Need (Standard Method)	579	241	206	1,026
% of Local Housing Need (Standard Method)	57%	23%	20%	100%
Recommended Distribution (%)	**27.5%**	**40%**	**32.5%**	**100%**
Local Housing Need (Iceni Analysis)	**282**	**410**	**334**	**1,026**

7.2 The actual minimum local housing need figures shown in Table 2 (above) provide a snapshot for the current monitoring year (2019/20). Given the standard method formula relies on ONS household growth projections, the actual figures are subject to change on an annual basis.

7.3 In taking the decision through this MOU to adopt the minimum number of homes (albeit redistributed in accordance with the evidence), PPG is clear that past under delivery of new homes should not be taken into account, as the relevant affordability adjustment specifically addresses that point (PPG Para 2a-011-20190220).

8. Agreement

8.1 Preston City Council, South Ribble Borough Council and Chorley Council hereby agree:

(a) to adopt the use of the standard method formula to calculate the minimum number of homes needed in Central Lancashire (1,026 pa as at April 2019), in accordance with national policy, in replacement of the out-of-date housing requirements set out in Policy 4 of the Central Lancashire Core Strategy.

(b) to apply the recommended distribution of homes as follows:

Preston:	40%
South Ribble:	32.5%
Chorley:	27.5%
Total:	**100%**

(c) to review the recommended distribution of homes set out in (b) no less than every three years or upon the adoption of a new Central Lancashire Local Plan, whichever is sooner, unless new evidence that renders this document out of date emerges.

(d) to produce a Statement of Common Ground annually to update the actual minimum housing requirements across Central Lancashire, in accordance with the agreed distribution set out in (b) until adoption of a new Central Lancashire Local Plan. At April 2019, these requirements are as follows:

Preston:	410 dwellings pa
South Ribble:	334 dwellings pa
Chorley:	282 dwellings pa
Total:	**1,026 dwellings pa**

(e) to co-operate in the performance and monitoring of the MOU generally and to monitor housing completions and each Council's respective five-year housing land supply position against the requirements set out in (d) (or subsequent Statements of Common Ground) with immediate effect.

Appendix 2

RESPONSE DOCUMENT TO THE MOU CONSULTATION

20. A summary of the Main Issues and Officers responses is shown below:

Theme: Failure to consult properly:
Issue 1: The consultation fails to meet the Sedley principles (meaningful & fair). It is established law that where consultation takes place upon documentation which will inform administrative decisions, then such consultation must be both meaningful and fair. The Sedley principles established that: - First, that consultation must be at a time when proposals are still at a formative stage. - Second, that the proposer must give sufficient reasons for any proposal to permit of intelligent consideration and response. - Third, … that adequate time must be given for consideration and response and, - Fourth, that the product of consultation must be conscientiously taken into account in finalising any statutory proposals. The MOU approach would fail all 4 of the Sedley principles.
Officer response to the above issue: The consultation exercise undertaken is considered to have been proportionate and adequate for the purposes intended by the three councils. It was both meaningful and fair, and it is considered that all 4 of the Sedley principles have been met. See also response to 2 below.
2.The length/period of consultation was inadequate. The MOU will introduce a fundamental change to the adopted development plan and the short time that was given to consider and respond (including reviewing the evidence to support it - i.e. the Iceni Report) was wholly inadequate. [Should be a minimum (uninterrupted?) period of 4 weeks? / **6 weeks**? / 12 weeks? .. all suggested]. The extended period of consultation also ran over the Christmas period, and a general election was also held in December.
Officer response: There is no statutory requirement to consult on the proposed content of a MOU. Consultation on the proposed housing distribution took place between 1st November 2019 and 15th November 2019. Feedback from this consultation suggested the initial consultation period was too short. This was taken on board, and the consultation was re-opened between 9th December 2019 and 13th January 2020. This is considered a reasonable approach given the 3 authorities are seeking an interim position in terms of housing land supply prior to adoption of the new Local Plan. The length / period of consultation is therefore considered to be adequate and reasonable.

3. <u>The scope of the consultation / number of people consulted was insufficient and unjustified.</u> The consultation was highly selective, and only a very small number (35 organisations) were consulted.
<u>Officer response</u>: There is no statutory requirement to consult on the proposed content of a MOU, and the consultation was targeted at developers who had registered an active interest in the Central Lancashire Developer Forum (CLDF). The bespoke CLDF database had previously been put together by contacting everyone on the generic master Central Lancashire consultation mailing list and inviting people to register on the CLDF mailing list. In addition, Councillors (at District level, and at County level), Parish Councils, and Neighbouring Authorities were also consulted, and the consultation was publicised on the Central Lancashire website as well as the websites of the 3 Central Lancashire local authorities, and anyone could submit comments. When the consultation period was re-opened on 9th December 2019, anyone who was subsequently added to the CLDF database was also consulted. The scope of the consultation is therefore considered to have been sufficient and justified.
4. <u>The purpose / intention of the consultation was confused and unclear.</u> The true motives and policy consequences of the consultation were not made clear, and the housing study evidence was pre-supposed to be “robust” without having been tested or consulted upon. The previous MOU was not displayed on the website, nor the text of the proposed new MOU. The consultation was only seeking comments on the proposed approach/distribution, and not the evidence, which was pre-supposed to be robust. Nor does the website draw the reader’s attention to earlier versions of the Strategic Housing Market Assessment. The consultation page of the website does not actually explain the policy consequences of the intended adoption of the distribution in the draft MoU or SoC (the actual intention / motive is to establish real policy consequences outside of the Local Plan process).
<u>Officer response</u>: The purpose of the consultation was clear. The consultation was intended to seek comments about the proposed housing distribution to be included in the proposed MOU - it was not a consultation seeking detailed comments on the Iceni report. It is not common practice to consult on evidence. The Iceni evidence was published concurrently as that evidence has informed the MOU and the proposals for the redistribution of housing across Central Lancashire. Local Planning Authorities do not routinely consult on evidence. The news page of the website was updated in a timely fashion, and the previous MOU was also subsequently added to the website. The primary purpose of the revised joint MOU is to arrive at an agreed percentage distribution of figures. The overall purpose and effect, in planning terms, of this revised joint MOU is clear. The Central Lancashire authorities have aggregated the minimum annual local housing need figure

calculated using the standard method and redistributed this to reflect the most sustainable pattern of development in the sub-region, as well as to align with City Deal growth aspirations in Preston and South Ribble specifically.
Theme: Pre-determination of the outcome of consultation: Insufficient time was allowed for to consider the responses to the consultation before decisions to adopt the MOU were made at the Cabinet(s). Adoption of the MOU would conflict with the current stage of the Local Plan and would pre-determine the outcome of the Issues and Options consultation.
5. <u>Insufficient time was allowed for to consider the responses to the consultation before decisions to adopt the MOU were made at the Cabinet(s).</u> The MOU consultation closed on 15/11/19, yet Cabinet meetings were held at: • Chorley Council on 19th November 2019, • South Ribble Council on 27th November 2019, and • Preston Council on 19th December 2019. Before the Iceni report was considered at the 3 Council meetings it should have been finalised & amended where necessary, to take into consideration the findings of the consultation.
<u>Officer response</u>: In response to initial representations, the Councils subsequently agreed to extend the consultation to enable further representations. The MOU will be approved through the relevant delegation/ Full Council approval processes for each Council.
6. <u>Adoption of the MOU would conflict with the current stage of the Local Plan and pre-determine the outcome of the Issues and Options consultation.</u> The Iceni report is effectively still a draft because it is still being consulted on through the Issues and Options consultation, so the MOU cannot be adopted until after that consultation closes in Feb 2020. Adopting the MOU in advance of the closure of the I&O consultation on the foundation for the “approach” of the proposed housing distribution derived from it undermines the credibility of such consultation. Adopting new housing requirements outside the plan making process before the end of the Issues and Options consultation would conflict with the position set out in the Issues and Options and it pre-determines this aspect of the Local Plan review process.
<u>Officer response</u>: Adopting new interim housing requirements in an MOU outside the plan making process before the end of the I&O consultation does not conflict with the position set out in the I&O and does not pre-determine this aspect of the Local Plan review process. As preparation of the new Local Plan progresses, further assessments and other evidence may influence both the scale and distribution of housing development in the forthcoming Local Plan. These issues will thus be reviewed in due course and will be reflected in the new Local Plan. The housing requirement / need for the new Local Plan Period will therefore emerge as the plan progresses through the key stages and preferred policy options are developed and will be assessed at the Local Plan Examination. The I&O consultation is a separate consultation to the MOU consultation, therefore the timescales for the I&O consultation are not material to this MOU consultation.
Theme: The soundness of the new Local Plan will be brought into question. Any new housing requirement should be set out in Local Plan policies and have been subject to

examination, and sustainability appraisal. An MOU is not the correct procedure for decisions which result in policy consequences and is unlawful. PPG refers instead to a Statement of Common Ground (SOCG).

7. <u>The soundness of the new Local Plan will be brought into question. It is unlawful promulgation of policy (which ought to be within a DPD), through an unrecognized, non-statutory mechanism</u>. <u>Any new housing requirement should be set out in Local Plan policies and have been subject to examination, and sustainability appraisal. The MOU circumvents this approach.</u>

The MOU could have significant implications on the evidence base and overall soundness of the forthcoming Local Plan. The MoU effectively seeks to introduce a new interim housing requirement / strategic policy for the 3 authorities outside of the development plan process. There is no support in the Framework or Guidance for doing this, and such an approach is **unlawful**. To promulgate what should be a DPD, through a non-statutory route, is to unlawfully circumvent the statutory regime and has been <u>repeatedly held to be unlawful, e.g.</u>

R (Miller Homes) v Leeds CC [2014] EWHC 82

RWE v Milton Keynes [2013] EWHC 751 (Admin)

R (Abdul Wakil) v Hammersmith and Fulham LBC [2012] EWHC 1411(QB)

R (Howsmoor) v South Gloucestershire [2008] EWHC 262(Admin)

R (on the application of Houghton and Wyton PC) v Huntingdonshire DC [2013] EWHC 1476(Admin)

Westminster v Great Portland Estates [1985] AC 661

Any new housing requirement for the three authorities should be properly assessed through the Local Plan process & be set out in strategic policies, with the policies and evidence having been tested through rigorous **examination** and found sound by an Inspector.

Further, a **Sustainability Appraisal** would require the express consideration of **reasonable alternatives** (which have not been considered as part of the MOU).

[*refer to paragraph 68-028 of the PPG*]

<u>Officer response</u>:

National policy and guidance now requires the starting point for determining housing requirement to be the standard method. The MOU is an interim position, based on the standard method, and distributed in accordance with an up to date housing study (the Iceni report). Given the relatively recent introduction of the standard method for assessing housing need, and given the current Local Plan is over 5 years old. The MOU will be an interim material consideration, prior to adoption of new housing policies in the new Local Plan. The evidence contained within the Iceni report is considered robust justification for the proposed re-distribution.

This is not a “new” policy. The MoU simply updates the split provided in the existing one (and supported during recent planning appeal decisions) pending the progression of the Local Plan. The evidence base for the 2017 MoU has changed and it is appropriate to amend the figures. There have been no challenges put forward on the principle of the existing MoU. The MoU will not therefore introduce a new housing requirement / strategic policy for the 3 authorities outside of the development plan process. The Iceni study, which underpins the suggested distribution in the MOU, doesn't say that 1,026 is the local housing need or housing requirement. It says it is the minimum starting point, as per national policy and guidance.

The housing requirement for the new Local Plan Period will emerge as the plan progresses through the key stages and preferred policy options are developed. It is for the plan-making process in due course to consider/ test alternative housing requirement scenarios; and to assess whether a housing requirement in the new Local Plan should be above/ below the standard method. As preparation of the new Local Plan progresses, further assessment of land availability, urban capacity and other sources of supply, alongside other evidence may influence both the scale and distribution of housing development in the forthcoming Local Plan. These issues will thus be reviewed in due course.

The new Local Plan will consider reasonable alternatives and will be subject to sustainability appraisal and public examination before adoption.

8. <u>A MOU is not the correct procedure for decisions which will result in policy consequences and is therefore unlawful. PPG refers instead to a Statement of Common Ground (SOCG).</u>

PPG has not been followed. The approach of simply recording an agreement in a MoU is an approach no longer favoured in national guidance in PPG.

Further, a SOC (Statement of Co-operation) is not a term which is described anywhere in national planning policy or practice guidance.

Instead of an MOU, a SOCG (Statement of Common Ground) is advised in PPG.

<u>Officer response</u>:

The NPPF is supportive of the preparation of joint local plans (NPPF Para 17). The adoption of the MOU will result in the application of a policy to redistribute the housing requirement across Central Lancashire. It is reasonable and appropriate for local authorities to work together in plan-making and in meeting the housing requirement across the Central Lancashire housing market.

Although MOU is no longer a term used in PPG, Planning authorities are subject to the Duty to Cooperate, and is expected to happen throughout the plan-making process. Councils are required to both develop and maintain Statements of Common Ground by Para 27 in the NPPF which makes reference to these being available throughout the plan-making process. The PPG states that these are expected to address the distribution of needs in the area as agreed through the plan-making process (PPG 61-005, Bullet f) and record agreements which have been reached. The proposed MOU will demonstrate effective and ongoing joint working consistent with Para 27 in the Framework.

In the recent Chain House Lane appeal decision [APP/F2360/W/19/3234070], the Inspector endorsed the use of the standard method as the minimum housing figure for Central Lancashire, and recognized the approach being taken in the MOU.

9. <u>A SOCG has to include certain elements.</u>

The substantive elements to be contained within a SOCG includes;

- What **each district's capacity** actually is; and

- Evidence of the extent to which each authority has capacity to meet its own needs, and the extent of **unmet need** which can't be met within its area.

SOCG's are not intended to be simply a memorandum of what has been agreed, but rather are intended to contain specific matters which are expressly directed towards plan-making. A check list of what should be contained in a SOCG is set out which includes: *"e. …, the housing requirements in any adopted and (if known) emerging strategic policies relevant to housing within the area covered by the statement;* *f. distribution of needs in the area as agreed through the plan-making process, or the process for agreeing the distribution of need (including unmet need) across the area;* *g. a record of where agreements have (or have not) been reached on key strategic matters, including the process for reaching agreements on these*;" PPG states: "*What information will a statement of common ground be expected to contain about the distribution of identified development needs?* *When authorities are in a position to detail the distribution of identified needs in the defined area, the statement will be expected to set out information on:* *a. the capacity within the strategic policy-making authority area(s) covered by the statement to meet their own identified needs;* *b. the extent of any unmet need within the strategic policy-making authority area(s); and* *c. agreements (or disagreements) between strategic policy-making authorities about the extent to which these unmet needs are capable of being redistributed within the wider area covered by the statement*." [refer to PPG Paragraph: 011 Reference ID: 61-011-20190315]
<u>Officer response</u>: The MOU is not a Statement of Common Ground, the 3 Councils will look to prepare a Statement of Common Ground when the evidence has been finalised, and any agreements have been formalised. Any SOCG in respect of this would also need the signatory of Lancashire County Council.
Theme: The housing need/requirement/distribution set out in the MOU is not in accordance with either an up to date Local Plan *<u>or</u>* the standard method. Exceptional circumstances to deviate from the standard method have not been demonstrated, and it is unlawful. The MOU cannot be used for measuring five year housing land supply, or the Housing Delivery Test.
10. <u>The housing need/requirement/distribution set out in the MOU is not in accordance with either an up to date Local Plan or the standard method. Exceptional circumstances to deviate from the standard method (the MOU is a deviation) have not been demonstrated, and it is therefore unlawful.</u> There is not sufficient information put forward within the Study to justify the split and deviation from the standard method for Chorley. Exceptional circumstances justifying a departure from standard method can only be applied through the Local Plan process. Any departure from the Local Plan or standard method needs to demonstrate exceptional circumstances. These have not been demonstrated. The figures/distribution as set out in the MOU are therefore unlawful. The distribution would be a deviation from the adopted Core Strategy; the existing MOU (which is based on the 2017 SHMA & retains the Core Strategy distribution); AND from the Standard Method. It would be a deviation from the standard methodology in each of the three individual

districts (in Chorley in particular, which would have significantly lower figures than the minimum need using the standard method). For this to be justified, exceptional circumstances must be demonstrated. Any deviation (either from the development plan, or from the standard method) must be justified as part of the Local Plan examination process and needs to be subject to examination and sustainability appraisal and be found sound. The distribution as set out in the MOU is not being adopted through the plan making process / examination, nor have exceptional circumstances been demonstrated, so the MOU is fundamentally flawed. It is not appropriate to determine the spatial distribution of housing need and create housing requirements at this point in time as there is a clear need to provide robust evidence to support the intended requirement figures, and for this evidence to be rigorously tested at examination, following the Local Plan processes.
<u>Officer response</u>: Central Lancashire has an adopted Joint Core Strategy covering the Central Lancashire area, and is in the process of preparing a new Local Plan for the area. PPG 2a-013 is clear that where local housing needs assessment cover more than one area, in particular where strategic policies are being produced jointly – as is the case in Central Lancs – the housing need for the defined area should be at least the sum of the local housing need for each LPA within the area, and it will be for the relevant strategic policy-making authority to distribute the total housing requirement which is then arrived at across the plan area. Exceptional circumstances need to be demonstrated where authorities are deviating from use of the standard methodology in particular where this results in a lower housing need figure than identified using the standard method. This is not the case here, where Central Lancs housing need as assessed using the standard method is intended to form the basis of the MOU; and thus it is not necessary to demonstrate that exceptional circumstances exist. Planning authorities are subject to the Duty to Cooperate and is expected to happen throughout the plan-making process. The NPPF is supportive of the preparation of joint local plans (NPPF Para 17). Councils are required to both develop and maintain Statements of Common Ground by Para 27 in the NPPF which makes reference to these being available throughout the plan-making process. The PPG states that these are expected to address the distribution of needs in the area as agreed through the plan-making process (PPG 61-005, Bullet f) and record agreements which have been reached. The proposed MOU will demonstrate effective and ongoing joint working consistent with Para 27 in the Framework. The proposed distribution within the MOU is based on a reasonable set of factors, has been consulted upon, and is not significantly different to the current Core Strategy distribution. The PPG [61-011, 61-012] provides specific provision for considering the distribution of housing need including through setting out that Statements of Common Ground ("SOGC") are expected to address the distribution of housing needs within an area. The PPG [61-020] states that such SOCGs should be prepared and maintained on an ongoing basis. The PPG [2a-013] also sets out that in instances where: "assessments may cover more than one area…the housing need for the defined area should at least be the sum of the local housing need for each local planning authority within the area". The approach taken by the housing study to assess local housing need is therefore not an "alternative approach". It arrives at a figure of 1,026 homes for the study area using the standard method.

As per the PPG [2a-013], it is then for the relevant strategic policy making authorities to distribute the total housing requirement across the plan area. This distribution exercise has been undertaken by the housing study to arrive at a recommended distribution.

11. The figures in the MOU cannot be used for measuring five year housing land supply.

There is no provision in the Framework or Guidance for measuring five year housing land supply against a figure which is neither the adopted housing requirement (i.e. Core Strategy) nor the local housing need figure (i.e. standard method).

The factors which have led to the recommended distribution involve constraining the supply within one area because of factors such as green belt policy and directing those needs to another area. Such an approach is perfectly legitimate to promote and test within the confines of a Local Plan examination, but unless and until it becomes adopted policy it is not an appropriate basis for assessing 5 year land supply.

> *[**Footnote 37** of the Framework* explains that unless the housing requirement set out in the strategic policy has been reviewed and found not to require updating, local housing need will be used for assessing whether a five year supply of specific deliverable sites exists using the standard method set out in the PPG once the strategic policy is more than five years old.]

Officer response:

The three councils will measure the five year housing land supply collectively, applying the distribution of housing need as set out in the MOU, which is based on the standard housing method as required by national policy and guidance.

The Central Lancashire authorities have and continue to work collaboratively to develop and review strategic policies. There is an existing adopted Joint Core Strategy setting out housing requirements (consistent with Para 17). In applying NPPF Para 73 in assessing the five year housing land supply, it is therefore appropriate to adopt a consistent approach of looking first at the housing needs of Central Lancashire.

The Framework (see Para 3) should be read as a whole, as should Planning Practice Guidance. Para 26 in the Framework is clear that effective and ongoing cooperation between authorities delivers effective planning. Para 27 states that authorities should prepare and maintain statements of common ground documenting cross-boundary matters addressed and progress made, which the PPG clarifies includes on the distribution of development. NPPF Para 27 is clear that these should be made available throughout the plan-making process. The proposed approach is consistent to this. It is reasonable that the authorities collaborate in appraising the level and distribution of development.

An MOU agreeing the distribution of housing needs in Central Lancashire (in that case against the SHMA figures) has been in place since 2017, and the principle of this has been accepted at appeal as relevant in assessing five year housing land supply. The principles of a revised MOU taking account of the Iceni Housing Study and the consultation which has occurred have also been supported in principle by an appeal inspector. [Appeal Ref: APP/F2360/W/19/3234070. Land to the South of Chain House Lane, Whitestake, Preston]

There is no conflict of the approach with Para 73 or Footnote 37 in the Framework as the needs of Central Lancashire have been calculated using the standard method.

12. <u>The Housing Delivery Test will not be measured against the figures in the MOU.</u> Similarly, the **Housing Delivery Test** for each authority would be measured against whichever is the lower of either the adopted housing requirement or the local housing need under the standard method, and NOT the figures set out in the draft MoU. The Housing Delivery Test (HDT) Measurement Rule Book (July 2018) explains that HDT is calculated as a percentage of net homes delivered against whichever is lower of either the adopted housing requirement, OR the local housing need. It will NOT be measured against a figure that an authority has agreed to adopt outside of the plan-making process in a MOU.
<u>Officer response</u>: The three councils will measure the five year housing land supply collectively, applying the distribution of housing need as set out in the MOU, which is based on the standard housing method as required by national policy and guidance. It is the view of the three LPAs that for the purposes of the HDT, Central Lancashire delivery should be considered as one area.
Theme: Failure to establish a true housing "requirement". There is a lack of robust evidence to justify the overall housing need for Central Lancashire, or to justify the re-distribution to/from each individual district. The Local housing need figure should be a "policy off" figure for each Council – not a "policy on" figure (a local housing need figure must be derived without the application of any additional exercise of policy). The assumption that Central Lancs still operates as a single HMA also needs to be re-visited.
<u>13. Failure to establish a true housing "requirement": The MOU relies on an un-tested, unjustified and insufficiently robust evidence base (the Iceni Housing Study); the MOU would therefore only be a partial review of housing need in the area, and does not establish a housing "requirement".</u> The MOU would only be a partial review of housing need in the area. The standard method identifies a minimum annual "housing need" figure, it does not produce a housing "requirement". The housing need / distribution set out in the MOU is therefore unlawful. The Iceni Housing Study / Evidence base is not robust enough to underpin the MOU. It is inadequate to provide a robust evidence base from which to test overall housing requirement scenarios and distribution. The MOU has only considered the Government's standard method for assessing housing need, and not whether this should be increased to consider for example City Deal, infrastructure improvements or the economic growth set out in the SHMA. The MOU cannot be adopted until this is done.
<u>Officer response</u>: The proposed MOU will provide an interim assessment of housing needs which the authorities acknowledge will need to be reviewed as plan-making progresses, including to take account of new/updated evidence. The NPPF in Para 73 and Footnote 37, together with the Housing Supply and Delivery PPG, is clear that for development management purposes that where adopted strategic policies are

more than five years' old (and have not been reviewed and found not to require updating), which is the case in Central Lancashire, that the five year housing land supply should be assessed against the local housing need using the standard method. It is for the plan-making process, as it progresses, in due course to consider/ test alternative housing requirement scenarios; and to assess whether a housing requirement in the new Local Plan should be above/ below the standard method. In bringing together evidence through the plan-making process, the authorities recognise that they will need to further consider whether high housing provision should be made to support the economy, infrastructure delivery or affordable housing. The proposed distribution is considered to take account of a range of factors including population, workforce and jobs distribution and strategic constraints including Green Belt. It is considered to be based on a reasonable set of criteria, and this has been supported in the recent Land at South of Chain House Lane, Whitestake appeal decision. [Appeal Ref: APP/F2360/W/19/3234070. Land to the South of Chain House Lane, Whitestake, Preston]
14. <u>The Local housing need figure should be a "policy off" figure for each Council – not a "policy on" figure which has incorrectly considered policy constraints when assessing housing need (a local housing need figure must be derived without the application of any additional exercise of policy).</u> It is only once the full housing need has been established, that policy constraints such as Green belt should be applied to assess the capacity of each of the three boroughs. The determination of housing need should not assess land availability, as this is a separate consideration as confirmed in the PPG (para 2a-001-20190220). In determining the housing need it is not appropriate to consider the land availability. A local housing need figure must be derived without the application of any additional exercise of policy, such as reducing it in order to take account of constraints such as Green Belt, since the assessment of a "policy on" scenario is the task of the Local Plan examination and not the individual Council or decision maker. The correct approach, where the adopted housing requirement is more than five years old and has not been reviewed and found not to require updating, is to use the "policy off" standard method figure for each Council area and not another figure which is derived from the type of policy judgments which underpin the recommendations of the Iceni study. The study does not refer to / take into consideration transport infrastructure / studies; nor does it take into consideration safeguarded land; nor does it identify where new homes will be built, or which are the best areas to be developed. Paras 4.23 to 4.42 outline the approach taken to the consideration of significant development constraints and current urban capacity upon the distribution of housing need. However, it is not appropriate for the urban capacity to be calculated without considering significant constraints such as Flood Zone 3. The urban capacity therefore cannot be relied upon as a basis for the distribution of the housing requirement. Sites within the current urban capacity i.e. brownfield sites are notoriously difficult to develop and are often significantly constrained. The report therefore fails to acknowledge that urban capacity can only provide one part of the overall supply. It is therefore not a sound approach to place too much reliance on the existing urban capacity. Rather, it is necessary to consider other sources of supply, such as greenfield and Green Belt sites. The Report fails to provide justification as to

why Green Belt release has not been considered to ensure that a sufficient level of housing delivery across Central Lancashire is secured. The urban capacity of the settlements, presence of constraints or historic planning strategies do not have a bearing on assessing the housing needs to be met in the context of a reviewed Plan. Rather, the inclusion clouds the judgement of meeting the need for housing as close as possible to where it is needed. (When inappropriate variables are removed from Table 4.12 of the Iceni report, the results are very different). Table 4.12 should be revised to include weighting to each indicator. This would provide a more accurate reflection of housing distribution. Each indicator is relevant, however should be given proportionate weight according to its significance in determining the housing requirement distribution. Given the national affordable housing crisis, the greatest weight should be attributed to affordable housing provision. Significant weight should also be attributed to the local housing need prior to re-distribution and the distributions of the population and workforce. The distribution should also acknowledge the importance of the location of past completions.
<u>Officer response</u>: The authorities are working collaboratively to plan for the development needs of Central Lancashire. The local housing need has been assessed as 1,026 dpa across Central Lancashire, using the standard method. This is not a policy-on figure and takes no account of policy constraints/capacity. National policies and guidance are clear that the distribution of the housing needs of Central Lancashire within the area are matters for the authorities to consider through the Duty to Cooperate, as took place in the development of the existing Core Strategy. As explained, the NPPF and PPG expect this to be set out in a Statement of Common Ground. Para 2a-013 in the PPG confirms that where plans cover more than one area, as here, the area's local housing need is the sum of the need for each LPA, and it will be for the authorities to distribute this. Collectively the authorities are meeting Central Lancashire's housing need in full consistent with national policy. The Iceni Study has brought together a range of considerations including the distribution of population, workforce and jobs, and strategic constraints in recommending a distribution of homes. This does not represent the application of policy constraints to the area's housing need and has been considered after the area's (i.e. Central Lancs) housing need has been assessed. The Councils do not accept that the base standard method figures for individual authorities necessarily provide an appropriate distribution of development, as they are influenced by historical demographic growth which has been influenced by historical planning policies, infrastructure constraints and housing delivery; which is not a fair reflection of relative need or sustainable distribution of development looking forwards. As preparation of the new Local Plan progresses, further assessment of land availability including locations for development, safeguarded land, urban capacity and other sources of supply will progress; and alongside other evidence including transport studies and assessments may influence both the scale and distribution of housing development in the forthcoming Local Plan. These issues will thus continue to be considered as the preparation of the Local Plan progresses with further opportunities for consultees to input and comment.

<u>15. The “assumption” in the Housing Study that Central Lancashire is still a single Housing Market Area (HMA) needs to be questioned / re-visited.</u>

The evidence within the Iceni report (including Table 3) raises questions as to whether the assumption about the area being a single housing market area (HMA) is correct. This needs to be re-visited. The data shows that Preston sits away from the other two local authorities and the relationship in respect of house prices between Preston and Chorley/South Ribble is actually relatively weak. The study should have reviewed the HMA in the first instance. The SHMA set out the methodology for defining its HMA, but as this was undertaken in 2017, it is now considerably out of date particularly in light of the changes to national planning policy and guidance. A review of the HMA is essential. A distribution based largely on the availability of housing land does not accurately and robustly reflect the need for housing across the three areas.

The assumption does not reflect how the Central Lancashire market operates, as shown in the review of the house price and migration data, and affordability ratios (e.g. the market and affordable housing needs in Chorley, including specific groups, are not met). Chorley’s affordable housing need should be met in Chorley and redistributing it to Preston will not meet that need.

Further evidence will need to demonstrate the consideration given to house price differentials/data, migration flows, affordability, travel to work relationships, and existing and planned infrastructure pressures. This evidence should also highlight the importance of retaining an appreciation of locally-based needs which should take into account more qualitative factors, such as school catchment areas and the desires of people to remain close to families.

The SHMA was only published in 2017. If this is considered up to date enough to rely on in terms of establishing the HMA, then the SHMA should also be considered up to date enough in terms of the housing requirement / distribution that it identified (but the MOU proposes a requirement / distribution far below those set out in the SHMA).

There is a clear correlation between the distribution of the workforce and the distribution of the population. These indicators (as shown in Tables 4.1 and 4.2 of the Iceni report) are fundamental to assessing where new homes are required – as they provide a clear picture of where the bulk of the population, and the workforce are located.

<u>Officer response</u>:

There has been no change in Planning Practice Guidance regarding how housing market areas are defined between the publication of the SHMA in 2017 and now (early 2020). The evidence base supporting the identification of the Central Lancs HMA is set out in Section 2 of the SHMA.

The SHMA considered national and regional research on housing market geographies, both of which supported the identification of a Central Lancs housing market. It considered housing price dynamics, migration and travel to work patterns finding that triangulation of the sources strongly supports placing Chorley, Preston and South Ribble within a common and unique Housing Market Area. Besides house prices, much of the detailed core local data considered in that report remains the most recent available.

Preston’s urban area and the main urban areas in South Ribble (including Penwortham and Bamber Bridge) are in close proximity to one another, and there is clear and strong migration and commuting relationships between the three authorities. Average house price differentials are influenced by the mix of homes sold, which varies by area, and by urban/ rural distinctions.

Prices by type across the three areas are relatively similar, as for instance Tables 5.1 and 5.2 in the Iceni Study show.

In contrast to the approach to defining housing markets, the PPG has revised the approach to be used in assessing local housing need through the introduction of the standard method. This constitutes a new and revised approach to calculating the overall need for housing. The 2017 SHMA does not therefore provide an appropriate basis for quantifying Central Lancashire's objectively assessed need for housing and the OAN figures in the 2017 SHMA are therefore out-of-date.

Theme: The proposed housing distribution is imbalanced and unjustified. The identified housing need is too low & needs increasing - for Central Lancashire as a whole, and for the individual districts (Chorley in particular). Consideration should be given to growth strategies and strategic infrastructure projects such as the City Deal, etc. A lower figure will stifle sustainable economic growth and does not align with the growth ambitions. It will also render Core Strategy Policies 1 and 4 out of date.

16. The proposed housing distribution is imbalanced and unjustified.

The rationale as to why the precise proportions have been attributed to each authority is not clear. There is a lack of weight given to some key factors, such as the delivery of affordable housing, which are currently underpinning the national housing crisis and there is no robust evidence to support the proposed distribution.

It is not clear from the evidence provided why the precise proportions that have been proposed are as they are. It is not clear for example why greater consideration should be given to the existing spatial strategy, the urban capacity or land not subject to national constraints over the evidence in relation to the local housing need identified for each authority or to the level of historic completions.

It is unclear why the Councils have not chosen to pursue a housing requirement more reflective of the delivery levels that they are capable of achieving, and to align with the regional growth strategies for the area and national commitment to delivering housing across England.

Officer response:

The approach adopted to the distribution has sought to balance a range of factors as set out in Para 4.45 of the Iceni Report. This takes account of factors considered relevant and justified by national planning policies in the NPPF. Paragraphs 4.46 – 4.49 set out the rationale for the proportion attributed to individual authorities.

The conclusions on the recommended distribution of housing within Central Lancashire for the purposes of the MOU have taken account of the distribution of jobs, population, and workforce and the relative affordability of the three areas are considered to support in particular sustainable patterns of development at the scale at which the issue is being considered. Nominal urban capacity and land subject to national constraints have also informed the distribution recommended in the Iceni Report.

Past delivery levels have been influenced by land availability and infrastructure constraints which have affected the level and pace/phasing of development in different areas, with for instance delivery of Buckshaw Village in particular leading to significant development in Chorley. This is clear in comparing the distribution of development over the 2009-14 period which fed into the standard method (Iceni Report Table 4.5), and clearly influences the distribution of need shown therein between the three authorities, as against the more recent distribution of development

(Iceni Table 4.6). There is no clear planning reason as to why the appropriate distribution moving forwards should necessarily closely mirror development trends between 2009-14. Further consideration of sustainable patterns and the distribution of development will be undertaken as the preparation of the local plan progresses, taking account of further evidence.
17. <u>The overall housing need figure for Central Lancashire is too low and is contrary to the Core Strategy and national policy. The housing needs are greater than the standard method indicates (consideration should be given to growth strategies and strategic infrastructure projects such as the City Deal, etc.), and this is contrary to the Government's ambitions of boosting the supply of housing.</u> The MoU is seeking to re-distribute development contrary to that set out within the Core Strategy. A reduction in overall housing requirement across Central Lancashire (when compared to the Core Strategy requirement) does not align with a wider commitment to growth in the region and is contrary to national policy. The standard method for assessing local housing need only provides a minimum starting point in determining the number of homes needed in an area. Utilising the standard method calculation, Chorley has the highest housing requirement (579dpa), followed by Preston (241dpa) and South Ribble (206dpa). It must therefore be questioned how it can be a justified approach to inverse the ranking for Chorley– awarding the authority the lowest housing requirement under the proposed distribution. The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behavior. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates. This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of: - growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals); - strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or - an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground; There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests. Firstly, there is a growth strategy for the area where funding is in place to promote and facilitate additional growth. "City Deal" is an agreement between the Government and four local partners; Lancashire County Council, Lancashire Enterprise Partnership, Preston City Council and South Ribble Borough Council. A total of £434m new investment will lead to the expansion and improvement of the transport infrastructure in Preston and South Ribble at an unprecedented rate, enabling a forecast 20,000 new jobs and 17,420 new homes to be created over a 10 year period. The 17,420 dwellings over a 10 year period in South Ribble and Preston is significantly

higher than the standard method and the draft MoU propose. Within this context, it is surprising that there is no reference to the City Deal in the draft Iceni report. Secondly and linked to the City Deal there are several strategic roads and other infrastructure improvements, which are being delivered in the area that will drive an increase in the number of homes needed. Thirdly, it is not known at this stage whether any unmet need from neighbouring authorities could be delivered in Central Lancashire. The draft Iceni report makes no reference to this having been considered. Finally, there is a recent SHMA in Central Lancashire, which was only published two years ago and considers that the housing needs in the area are significantly greater than the outcome of the standard method. This is due in part to the economic growth in Chorley and South Ribble, which has not been considered in the draft Iceni report. The local housing need figure shows a reduction from the Core Strategy of 1,341 to 1,026 (a 24% reduction). This is not contributing to the Government's aim of 'boosting the supply of housing', in fact it is planning for significantly less housing and is contrary to the Government's ambitions.
<u>Officer response</u>: The Core Strategy housing requirement figures set out in Core Strategy Policy 4 are out-of-date. They were based on the now revoked Regional Spatial Strategy for the North West (the RS). This was based on evidence of housing needs which was prepared in 2003, prior to the RS adoption in 2008. It does not provide a reliable basis against which to assess current or future housing needs. The NPPF sets out that for plan-making, the strategic policies should be informed by a local housing need assessment conducted using the method in the PPG (NPPF Para 60); whilst Para 73 states that where the housing requirement in adopted strategic policies (i.e. in the Core Strategy) is more than 5 years old, five year housing land supply should be assessed against the local housing need. The NPPF and PPG have been revised to replace the methodology for assessing an 'objectively assessed housing need' in the 2012 NPPF and associated 2014 PPG with the standard methodology, addressing Government's objectives of creating a simpler, quicker and more transparent means of identifying housing needs. This renders the assessment of OAN (i.e. the specific OAN figures) within the 2017 SHMA out-of-date and inconsistent with current national policy/guidance. The PPG does set out circumstances in Para 2a-010 in which it might be appropriate to plan for higher levels of housing provision than the minimum figures generated by the standard method. These are however considerations for the plan-making process, not decision-making. For decision making, the PPG on Housing Supply and Delivery is clear that five year housing land supply should be assessed against the standard method. The authorities propose to do this, and the proposed housing requirement figures in the MOU are based on distributing the local housing need derived from the standard method. As the plan-making process progresses, the authorities recognise that they will need to take account of future data releases and evidence, and engagement on what level of housing provision should be planned for in Central Lancashire. The outcomes of this may in time require

the level or distribution of housing provision to be updated either through the revision of the MOU or the preparation of the new Local Plan. Issues of unmet need from other authorities are also considerations which may need to be taken into account as the preparation of the new Local Plan progresses but are not relevant to the calculation of five year land supply for development management purposes. The Councils will continue to engage actively in discussions with authorities in neighbouring areas as appropriate through the plan-making process. The standard method figures for individual authorities have been significantly influenced by the distribution of development over the 2009-14 period which influenced migration and demographic growth in the 2014-based Household Projections. This is clear from the analysis of housing completions in Section 4 of the Iceni Study. Planning on the basis of these figures would perpetuate the distribution of development seen over this five year period in which there were particular constraints to development in Preston and South Ribble which funding for major strategic infrastructure is now addressing. The more recent distribution of development in Central Lancashire (Iceni Table 4.6) has been notably different. The Central Lancashire City Deal is clear that this was about accelerating the delivery of development in Preston and South Ribble which was planned for through the Central Lancashire Core Strategy. It established an Infrastructure Delivery Programme and Investment Fund to deliver the critical infrastructure required to enable the full development of significant housing and commercial development schemes. The City Deal did not suggest or indicate an acceptance of a higher level of housing need, it's focus was bringing forward delivery of the housing numbers in the Central Lancashire Core Strategy. A review of the City Deal has been undertaken and it is clear that this has been a success in increasing the rate of housebuilding in Preston and South Ribble, through delivering the earlier provision of infrastructure to enable development, providing certainty and increasing market confidence. However, the cost of providing the significant infrastructure required have increased and it will be necessary to both extend the City Deal period and consider ambitious housing targets in order to ensure this infrastructure is fully funded. Consideration of whether it is appropriate to plan for higher housing figures, or provide additional supply to facilitate delivery above minimum requirement figures (subject to market demand) are issues for the new Local Plan to consider, and are not considered relevant to the MOU and the assessment of five year housing land supply in advance of the adoption of a new plan.
18. A lower figure than the Core Strategy will stifle sustainable economic growth and does not align with the growth ambitions of the LEP and the City Deal & other strategic infrastructure projects, etc. There should be some alignment between the ambitions of the LEP to increase the number of jobs and the level of housing growth set out in the Housing Study, and the infrastructure as part of the City Deal. Without this alignment, a housing figure less than the current Core Strategy figure is likely to stifle future growth, rather than support it. To accept a housing requirement below that which was previously adopted, seems illogical and at odds with Central Lancashire's aspirations to be a driver of sustainable economic growth for the region.
<u>Officer response</u>: The Government has removed the requirement to align evidence and strategies for homes and jobs, recognising that forecasting future economic performance was one of the most complex

and disputed elements of determining an area's OAN. Following the approach outlined in the NPPF and PPG, it is not relevant to five year housing land supply calculations in advance of the adoption of a new local plan. The City Deal is not part of the Development Plan; rather it assists in supporting investment into infrastructure delivery programme for Preston, South Ribble and Lancashire. It is not embodied in policy, is not identified in the NPPF or Guidance as a consideration in assessing five year land supply in advance of the Local Plan adoption. The City Deal has undergone a mid-term review and the outcome of that will be considered through the new Local Plan. The alignment of other evidence and strategies for housing and employment will also be considered through the plan-making process as further evidence is prepared. The LEP is for instance in the process of preparing a new Local Industrial Strategy, a Greater Lancashire Plan is to be prepared, and the authorities will take account of further evidence through the plan-making process as it progresses.
19. <u>The re-distribution figures for the districts (Chorley in particular) is too low and is contrary to both the Core Strategy AND the minimum number required (Chorley in particular) using the Standard Method. The housing needs are greater in the districts than the standard method indicates.</u> The housing numbers for each district as a result of the proposed re-distribution in the MOU, are not the same as the minimum housing need set out in the standard method. In particular, the figure for Chorley is significantly BELOW the minimum needed if using the standard method.
<u>Officer response</u>: Central Lancashire has an adopted Joint Core Strategy covering the Central Lancashire area, and is in the process of preparing a new Local Plan for the area. PPG 2a-013 is clear that where local housing needs assessment cover more than one area, in particular where strategic policies are being produced jointly – as is the case in Central Lancs – the housing need for the defined area should be at least the sum of the local housing need for each LPA within the area, and it will be for the relevant strategic policy-making authority to distribute the total housing requirement which is then arrived at across the plan area. The PPG is clear that such a distribution should be agreed through the Duty to Cooperate and set out in a Statement of Common Ground, which is what the authorities are proposing. The proposed housing distribution meets Central Lancashire's housing needs as assessed using the standard method for Central Lancashire as a whole and is considered to be consistent with national policy. There are considered to be based on the current evidence and a reasonable set of criteria. The standard method figures for Chorley are influenced in particular by housing provision over a five year period (2009-14) which fed into the 2014-based Household Projections, which in turn was influenced by the economic recession and delivery of the Buckshaw Village strategic site; together with infrastructure constraints which inhibited housing delivery in Preston and South Ribble. As the Iceni Study shows, the distribution of development in more recent years has differed. The authorities do not consider that the standard method distribution is an appropriate and sustainable distribution of homes which should be replicated moving forwards.
20. <u>A lower figure than the Core Strategy will render Policies 1 and 4 out of date, which will engage the tilted balance in favour of sustainable development for decision taking.</u>

The draft MoU would render policies 1 and 4 of the Core Strategy out-of date. This means the tilted balance to the presumption in favour of sustainable development set out within paragraph 11 of the Framework would be engaged.
Officer response: No. The evidence shows that the Core Strategy provides a policy framework which is capable of meeting housing need in full based on the latest evidence. Whilst the housing requirement figures in Policy 4 are considered out-of-date, the authorities are able to maintain a 5 year housing land supply against the latest evidence of need consistent with the framework set out in Para 73 in the NPPF. Furthermore, the housing requirement figures set out in the MOU for each of the authorities are below that in the CLCS. By implication the housing need is capable of being met and five year land supply maintained in a way which is consistent with the spatial strategy in the CLCS. Policies 1 and 4 are not therefore considered out-of-date, and the presumption in NPPF Para 11 is not considered to be engaged on this basis.
Theme: The MOU does not adequately take into consideration key elements such as historic under-delivery; meeting un-met need from other areas; affordable housing need (especially where it is most needed, e.g. Chorley); and specialist housing such as homes for older people, etc. There is a need to concurrently bring forward alternative avenues to home ownership, and further evidence is needed in terms of the scale and geography of demand.
21. The MOU does not adequately take historic under-delivery into consideration. There are historic under-delivery issues in Preston dating back to the old RSS period (from 2003), which has resulted in a substantial backlog. There is still a significant backlog that should be accounted for when setting the housing requirement target going forward. Whilst taking account of such shortfall is not a requirement when using the standard methodology, the suppressed household formation resulting from this under delivery will be reflected/ baked into the housing projections which inform the standard method, which is a further strong reason to support an uplift. Accordingly, it is clear that the housing need is actually considerably higher than that provided by the standard method.
Officer response: Historic under-delivery of housing and affects of this such as supressed household formation or constrained in-migration is captured within the affordability adjustment within the standard method as set out in the PPG (Paras 2a-006 and 2a-011) which sets out that it is therefore not a specific requirement to specifically address under delivery separately. There is a historic under-delivery of 288 dwellings across Central Lancashire over the period from the start of the Core Strategy in 2010 to 2019. This is more than addressed in the affordability adjustment applied within the standard method (which increases the need by 125 dpa relative to the household projections, and equivalent for instance to 1250 dwellings over a 10 year period across Central Lancs).
22. The MOU is silent on identifying and meeting unmet need. Central Lancashire's position on whether they will take any unmet housing need does not appear to be confirmed. It is a matter which needs to be considered and potentially taken into account when establishing the housing requirement figure for Central Lancashire.

Wyre Council, which adjoins Preston City Council to the north, has unmet housing needs that it was unable to accommodate in its own administrative boundaries. Paragraph 1.4.4 of the adopted Wyre Local Plan (February 2019) also confirms that Lancaster City Council have issues with unmet need.
<u>Officer response</u>: Issues of unmet need are issues for the plan-making process, not the calculation of five year housing land supply in advance of the adoption of a new local plan. The authorities will continue to engage as appropriate with neighbouring authorities on such issues. Wyre sits within a different housing market area, for the Fylde Coast, with Blackpool and Fylde. It adopted a Local Plan in Feb 2019 which includes a review mechanism in Policy LPR1 which commits Wyre to an early partial review of the Plan commencing in 2019 with submission of the review for examination by early 2022 to address the shortfall against the identified OAN. Policy LPR1 sets out that this early review will include considering updated evidence of housing need, a review of transport and highways issues, and the allocation of sites within Wyre to meet the full OAN taking this into account. The Central Lancashire authorities will continue to engage with Wyre through the Duty to Cooperate through the preparation process of the authorities' respective plans. In respect of Lancaster, the emerging Local Plan (which is at a main modification stage) proposes a housing requirement of 522 dpa against an objectively-assessed housing need of 650-700 dpa for a 2011-34 plan period. Lancaster's local housing need as assessed using the standard method is 411 dpa, and the Council's emerging Local Plan would meet this in full. The Central Lancashire authorities will continue to engage as appropriate on issues of unmet need with Lancaster CC as appropriate as the plan making process progresses. The Central Lancashire authorities will also engage with other neighbouring authorities, such as those within Greater Manchester, as appropriate through the Duty to Cooperate as the plan making process progresses.
<u>**23. The need for affordable housing will not be met, especially where it is most needed (it will actually be redistributed away from where it is most needed, e.g. Chorley).**</u> Affordable housing need will not be met and will be directed away from where it is needed most (e.g. Chorley). The affordability adjustment, to take account of market signals, clearly evidences that the need for affordable housing is significant within all three authorities, with the greatest affordability concerns within Chorley. This indicator demonstrates a significant need for more affordable housing to be provided in Chorley to meet the needs of the population. Gross need for affordable housing needs to be given significant weight, as do household growth projections, when determining housing distribution. Current affordable housing delivery policy in the Core Strategy also needs to be considered when assessing whether the affordable housing need will be met where it is needed. It is important for local planning authorities to consider the implications the standard method will have on delivering affordable housing need in full. If it becomes clear that affordable housing need will not be delivered in full then an increase to the total housing figures should be considered. The affordable housing need will not be met, particularly where it is most needed. Table 4.4 applies an affordability adjustment, to take account of market signals. The table clearly evidences that the need for affordable housing is significant within all three authorities, with the greatest affordability concerns within Chorley. This indicator demonstrates a significant need for more affordable housing to be provided in Chorley to meet the needs of the population.

Para 5.41 indicates a demand for alternative types of affordable housing, but the analysis derives a contradictory conclusion that if a family can afford to rent, they can also afford cheaper housing stock (however, this might not be suitable to meet their needs).

Further, paras 5.45 to 5.49 of the MoU makes an assumption that a terraced house can equally meet the needs of a growing family. This is flawed. The evidence indicates a need to concurrently bring forward alternative avenues to home ownership such as Discount to Market or Starter Homes in order assist those moving from the PRS sector.

The gross need for affordable housing, as outlined in Table 5.9 of the report, should be given significant weight in the determination of the housing distribution. The table indicates that South Ribble has the highest need, followed by Chorley. It should be noted that both of these authorities have a gross need considerably higher than Preston. It would be a significant oversight not to factor this into the overall distribution of the housing requirement.

Another factor essential in the consideration of affordable housing need is household growth projections, as outlined in Table 3.1 of the Report. The table highlights that Chorley has the highest annual household growth projections (498) – over twice the figures projected for Preston (225) and South Ribble (178).

The affordable housing requirement, as currently outlined in Policy 7 of the Core Strategy must also be considered in the determination of the housing distribution. Applying the current planning policy requirement (30%) to the proposed housing requirements would not allow the annual affordable housing need, as set out above, to be met in either Chorley or South Ribble. This is apparent without any reference to the fact that some sites e.g. small sites will be exempt from affordable housing provision, further diminishing the number of affordable homes provided. The distribution of the housing requirement is unjustified as it will not deliver sufficient affordable housing to meet the population's needs. It also fails to take account of and address relative affordability, particularly within Chorley which has the highest affordability ratio.

<u>Officer response</u>:

The Iceni report shows a net need for rented affordable housing (Table 5.6) but does not show a need for additional affordable home ownership products (Table 5.10) in quantitative terms. Assessments of affordable housing need should take into account both the gross need and supply, as the Iceni Study does. The affordable housing need however represents a need for a specific type of housing and does not have a direct influence of the overall need for housing, as Para 5.47 within the report sets out.

There is a relative similarity between the distribution of affordable housing need between the authorities and the proposed (as shown below).

	Chorley	Preston	SR	Total
Affordable Housing Need (Table 5.6)	132	250	208	590
	22%	42%	35%	100%
Proposed distribution of Standard Method LHN	282	410	334	1026
	27.5%	40%	32.5%	100%

Affordability has been one of the considerations in assessing the proposed distribution but should (and has) been considered alongside other factors. Affordability ratios are partly influenced by the existing mix of properties sold. Through the plan-making process, the affordable housing need will be a consideration in assessing what level of overall housing provision and housing supply to plan for through the new Local Plan – consistent with the approach set out in the PPG. These are however issues for plan-making, and not for assessing the five year housing land supply where Government policy/guidance is clear that the standard method should be used.
24. Specialist housing need, such as housing for older people, will not be met. With regards to specialist housing – such as for older people - the Housing Study does not take into account and fully consider the actual need in each authority and how this will be accommodated by the proposed housing requirement and the proposed distribution of that requirement. Open market age restricted housing (to meet the lifetime homes standard) is not referred to in Para 7.9. Indeed, it is omitted from consideration in the report entirely. The needs of older persons will continue to go unmet.
Officer response: The Iceni Study considers the needs of older persons in Section 7. The needs identified include for open market age restricted housing as shown in Tables 7.10 – 7.13 (under the housing with support leasehold category). The need for homes build to Part M4(2) accessible and adaptable standard is also considered.
25. There is a need to concurrently bring forward alternative avenues to home ownership. When establishing the housing requirement figure for Central Lancashire, there is also a need to concurrently bring forward alternative avenues to home ownership such as Discount to Market or Starter Homes.
Officer response: These issues are considered within the Iceni Report in Section 5.
26. Further evidence is needed in terms of the scale and geography of demand. Further work is required to properly establish evidence on the scale and geography of demand. For example, so that the distribution of custom self-build homes can be agreed.
Officer response: Needs for self- and custom-build development in Central Lancashire and its constituent authorities are considered in Section 9 of the Iceni Report. The evidence is considered sufficient to inform planning policies through the new Local Plan.
Theme: The MOU relies on data which is out of date; the household projections used are contrary to specific PPG guidance; it does not reconsider previous assessments of need (e.g. the 2017 SHMA) and it does not model or test alternatives.
27. The evidence relies on Land registry and VOA data, which is out of date, and is contrary to PPG. It does not reconsider previous assessments of need (e.g. the 2017 SHMA, which should especially be considered if it is being relied upon in terms of

<u>establishing the HMA), nor it does not model or test the implications of any alternative distributions.</u>

Table 3.2 of the Iceni report derives the housing requirement for the three authorities based upon the 2014 household projections as advised by PPG. The report then goes on to assess the calculation of the standard methodology using the 2016 household projection figures from under the heading “sensitivity testing”. It states that it is prudent to do so because they are more recent official projections, before pointing out that the use of the 2016 figures for this purpose is expressly disavowed by PPG and then advising that the figure to be used for the CLA is 1026. What is therefore proposed is a deviation from the standard methodology in each of the three districts, namely:

- Chorley: a reduction from 579 to 282 – i.e. a reduction of 51% compared to the standard methodology;

- Preston: an increase from 241 to 410 – i.e. an increase of 70% compared to the standard methodology;

- South Ribble: an increase from 206 to 334 – i.e. an increase of 63% compared to the standard methodology.

The housing study calculates the minimum housing requirement for the HMA using the standard method but stops short of considering whether there is justification for a higher housing requirement. It is therefore incomplete. It does not consider the possibility of higher housing need above the standard method by testing the robustness of the **2014** based household projections.

It does not reconsider previous assessments of need (e.g. the **2017 SHMA**);

It does not model and test alternative distributions/apportionment figures; or the potential negative impacts of the combined standard method figure being lower than the combined adopted Core Strategy requirement.

Nor does it consider higher growth to align with City Deal and economic-led objectives and aspirations.

Furthermore, it only tests use of **2016** based household projections notwithstanding that national guidance (PPG) *expressly* indicates that they are <u>not</u> to be used.

<u>Officer response</u>:

The assessment of need is based on the Government’s standard method consistent with the PPG and using the data sources set out therein. It uses the 2014-based Household Projections in calculating Central Lancashire’s local housing need, as the PPG specifies. This is used to define the scale of housing need across Central Lancashire, consistent with the PPG (including Para 2a-013). The authorities have then considered how this is best distributed consistent with the approach envisaged in the PPG through the Duty to Cooperate. In doing so, the Iceni Housing Study has considered a number of alternative bases for distribution of the need.

As set out in the response to previous questions, the housing need will be kept under review as the plan making process progresses including taking account of additional evidence and public consultations on the emerging plan. This will include considering (through the plan-making process) whether justification exists for the new Local Plan to set a higher housing requirement or provide sufficient supply to enable higher housing delivery than the standard method.

The objectively assessed housing need (OAN) figures within the 2017 SHMA was based on the approach set out in the 2014 PPG which has been since amended and revised by Government and is therefore out-of-date.
Theme: The Councils should not rely on the Pear Tree Lane appeal decision. Further, the more recent Chain House Lane appeal decision does not take precedence over all other appeal decisions.
28. <u>The Councils should not rely on the Pear Tree Lane appeal decision [Appeal Ref: APP/D2320/W/17/3173275] at Euxton. The more recent Chain House Lane appeal decision [Appeal Ref: APP/D2320/W/17/3173275] does not take precedence over all other appeal decisions.</u> In the Pear Tree Lane appeal decision [Appeal ref: APP/D2320/W/17/3173275], the Inspector confirmed it would not be unreasonable to continue using the unchanged housing requirement figure and unchanged apportionment in the adopted Core Strategy. More importantly it is a decision which pre-dated the up to date approach of the use of the standard method. The proposed draft MoU circumvents that approach by declaring that it intends to revise the housing distribution and promote a new ‘policy-on’ approach to calculating five year supply well in advance of that distribution being properly tested through the Local Plan review examination process. The more recent Chain House Lane appeal decision [Appeal Ref: APP/D2320/W/17/3173275, Land at Pear Tree Lane, Euxton] does not take precedence over all other appeals.
<u>Officer response</u>: The Pear Tree Lane appeal inspector gave weight to the fact that the authorities have a shared core strategy and proved track record of joint working; an evidence base that considered housing needs across the Central Lancashire housing market area; and an approach to the apportionment of the HMA’s housing needs which had been considered and agreed by the three Central Lancashire local authorities. The principles of the revised MOU, once it has been consulted upon and endorsed by the three authorities, have also been supported in a recent (Dec 2019) appeal decision regarding Land to the South of Chain House Lane, Whitestake, Preston. [Appeal Ref: APP/F2360/W/19/3234070, Land to the South of Chain House Lane, Whitestake]. This includes the housing need calculation using the standard method for Central Lancashire and the criteria considered in assessing the proposed distribution, which the Inspector found to not different significantly from the Core Strategy distribution.
Theme: Brownfield land.
<u>29. Brownfield land has not been adequately considered.</u> The NPPF Section 11 seeks to encourage more Brownfield reuse, and the identification of all brownfield land in the brownfield registers is important. CPRE is urging Government to invest more in our wasted Brownfield land. Preston needs much needed investments as do the existing towns of South Ribble and Chorley. It is possible that a more comprehensive search for previously used sites is necessary as regeneration should be at the heart of the Local Plan for Central Lancashire. The Brownfield Registers appear to have overlooked some sites, or classed them as ‘unsuitable’, when in reality they have potential that should be unlocked by relevant stakeholders. If more brownfield land was recorded and higher density development provides

more housing, the need to build on countryside, particularly that afforded Green Belt protection would be avoided.

Officer response:

The Iceni Study has sought to arrive at a nominal 'broad urban capacity figure' by taking the total quantum of untested SHELAA housing submissions and removing those submissions which fall wholly within the Green Belt or within open countryside. At this point in time, on the basis of the current evidence base and the SHELAA process, it is recognised that there will be opportunities for sites to be reconsidered subject to further testing/ analysis as the plan-making process progressed.

The Housing Study is clear at paragraph 4.36 that "The [SHELAA] assessment is not expected to determine which of these sites are most suitable to meet those requirements however; as this is the role of the Local Plan." The study also emphasises at paragraph 4.40 that "this figure [housing capacity] has not been subject to detailed constraints testing and the figures set out are not an indication of deliverable or developable supply. For instance, some of the sites included within the Table below are situated within the Green Belt or Flood Zone 3. There is also the possibility that there is an element of double counting in the sits submitted to the SHELAA process which have yet to be filtered out".

As the plan-making process continues to progress, the Councils will give further consideration to the suitability of brownfield and greenfield sites; setting the deliverability of these sites against the criteria clearly stated in national planning policy and guidance.

The Call for Sites 3 is requesting brownfield sites and the Councils will continue to look for brownfield sites.

The Councils are not considering a Green Belt review. The Local Plan will apply a sequential / hierarchical approach i.e. brownfield sites first. A Green Belt review would only be considered if there are not enough deliverable sites to meet the identified need.

The 3 authorities keep their Brownfield Registers up to date. Additional sites can be submitted on the Brownfield Registers – please let us know about any brownfield sites so they can be added if appropriate.

Theme: Inaccuracies in the Iceni Report.

30. There are inaccuracies in the Iceni Report:

Table 4.12

Even if the inclusion of all of the proposed variables as being relevant for informing the distribution are accepted as relevant, the average (mean) of the percentages presented in each column do not result in the recommended percentage split at the bottom of the column. It is noted that **the average of the numbers would not necessarily equate to a proportion of housing** (i.e. add to 100) the 'Land Not Subject to National Constraints' row does not total 100%. However, even when prorated the numbers still do not match the recommended split in Table 4.12. **While these differences are small they show that the evidence being relied upon is not entirely accurate**. As a side, it is noted that the population distribution row does not add to 100%.

The inclusion of 'Nominal Urban Capacity', 'Existing Spatial Strategy', and 'Land not Subject to National Constraints' as determining factors in the proportioning of the housing requirement of Central Lancashire. The urban capacity of the settlements, presence of constraints or historic planning strategies do not have a bearing on assessing the housing needs to be met in the context of a reviewed Plan. Rather, the inclusion clouds the judgement of meeting the need for housing as close as possible to where is arises in a sustainable manner. **When the 3 inappropriate variables are removed the results of table 4.12 are different.**

Table 4.12 should be revised to include weighting to each indicator. This would provide a more accurate reflection of housing distribution. Each indicator is relevant, however should be given proportionate weight according to its significance in determining the housing requirement distribution. Given the national affordable housing crisis, the greatest weight should be attributed to affordable housing provision. Significant weight should also be attributed to the local housing need prior to re-distribution and the distributions of the population and workforce. The distribution should also acknowledge the importance of the location of past completions.

Tables 3.1 and 5.9

Two other factors are essential in the consideration of affordable housing need, namely the household growth projections, as outlined in Table 3.1 of the Report and the need for affordable housing, as outlined in Table 5.9.

The table highlights that Chorley has the highest annual household growth projections (498) – over twice the figures projected for Preston (225) and South Ribble (178). This identifies that the greatest increase in household numbers is anticipated within this authority. The gross need for affordable housing should also be given significant weight in the determination of the housing distribution. The table indicates that South Ribble has the highest need, followed by Chorley. It should be noted that both of these authorities have a gross need considerably higher than Preston. The delivery of affordable housing within these authorities is therefore vital. It would be a significant oversight not to factor this into the overall distribution of the housing requirement.

The affordable housing requirement, as currently outlined in Policy 7 of the Core Strategy must also be considered in the determination of the housing distribution. Applying the current planning policy requirement (30%) to the proposed housing requirements would not allow the annual affordable housing need, as set out above, to be met in either Chorley or South Ribble. This is apparent without any reference to the fact that some sites e.g. small sites will be exempt from affordable housing provision, further diminishing the number of affordable homes provided. The distribution of the housing requirement is unjustified as it will not deliver sufficient affordable housing to meet the population's needs. It also fails to take account of and address relative affordability, particularly within Chorley which has the highest affordability ratio.

Officer response:

In respect of Table 4.12, the Iceni Study is clear at paragraph 4.46 that the Table sets out "the various variables which have influenced our recommendation on the distribution of housing need". It is intended that the distribution should recognise the need to maximise urban capacity; locate homes close to jobs in order to build a strong and response economy; and respond to the extent of nationally significant constraints in Chorley and South Ribble.

This approach is reflective of the Framework's emphasis on promoting sustainable patterns of development. It is however noted that the population distribution does not add up to 100%. The split should in fact read: Chorley: 32%, Preston: 38% and South Ribble: 30%.

It should be stressed that the variables of 'Nominal Urban Capacity', 'Existing Spatial Strategy', and 'Land not Subject to National Constraints' do not influence the assessment of local housing need; but do influence the distribution of the local housing need. This is considered to be fully justified by the PPG [2a-013] which enables authorities planning on a joint basis to distribute the sum of the local housing need for each planning authority.

The variables set out in the Housing Study are considered to support sustainable patterns of development in accordance with national policy and guidance; and an appropriate basis for which to arrive at a distribution of the total local housing need figure for the joint plan area.