

FINANCIAL PERFORMANCE

Financial Summary 2023/24

As per the previous years, the continued road to recovery following the pandemic has presented significant challenges from both internal and external pressures.

As part of the 2023/24 budget setting process, Members approved savings proposals to save the Council £2.423M in 2023/24. This represented significant transformational change for the Council and the process to deliver these savings is now underway and it is pleasing to note that £2.219M (91.6%) were achieved within the year.

However, although both the General Fund and Housing Revenue Account were able to respond to the financial challenges in 2023/24 and maintain balanced budget positions by utilising its reserves, this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget pressures were addressed. To put into context a budget gap of £1.4M is still forecast for 2025/26 and this rises annually to £4.6M in 2028/29 for which the cumulative effect is not sustainable.

General Fund

The General Fund accounts for income and expenditure associated with the day to day running of all the services that the Council provides, except for Council Housing. On 22nd February 2023 Council approved a General Fund Revenue Budget for 2023/24 of £21.091M (£21.254M 2022/23). In order for a balanced budget to be achieved, a contribution from unallocated reserves of £0.577M was required.

The table below provides details of the General Fund revenue income and expenditure for 2023/24 and shows variances for each service area. The format includes the removal of various accounting entries such as internal recharging, notional items such as pension adjustments and capital charges initially charged to service.

	2023/24			Remove Reserve Funded Variances	Variance from Working Budget	Note
	Original Budget	Working Budget	Actual			
	£000	£000	£000	£000	£000	
Expenditure:						
Environment & Place	10,840	10,655	11,653	32	(966)	1
Governance	1,372	1,498	1,619	(27)	(148)	2
Housing & Property	2,176	3,812	2,692	(1,191)	(71)	3
People & Policy	2,634	2,632	3,351	(51)	(770)	4
Planning & Climate Change	1,647	1,907	1,455	(247)	205	5
Resources	4,330	4,713	3,862	(264)	587	6
Sustainable Growth	2,165	2,431	1,369	(251)	811	7
Other Corporate Income & Expenditure Items	(3,497)	(4,646)	(3,560)	1,999	913	8
Contribution from General Fund Balance	(577)	(1,912)	(1,351)	-	(561)	9
NET REVENUE EXPENDITURE	21,090	21,090	21,090	-	-	

A core element of the Council's budget is salary driven and as part of the 2023/24 budget setting process, an inflationary uplift of 4% was included to salaries across all services of the Council. The National Employers' offer of an increase of £1,925 on all NJC pay points was accepted on 1st November 2023. The Chief Officer's pay award was agreed and included at 3.5%. This resulted in an estimated additional strain of £0.390M including oncosts and the relative variances are summarised in the table below and contribute in part to the notes to follow.

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Service/Section	SALARIES VARIANCE £000	PAY AWARD £000	AGENCY VARIANCE £000	OTHER VARIANCE £000	TOTAL VARIANCE £000	Note
Environment & Place	251	(274)	(359)	158	(224)	1
Governance	13	(13)	0	0	-	2
Housing & Property	358	(65)	(67)	81	307	3
People & Policy	(221)	(4)	0	51	(174)	4
Planning & Climate Change	395	(17)	0	(144)	234	5
Resources	391	(14)	(13)	(32)	332	6
Sustainable Growth	268	(3)	(2)	17	280	7
Approved Staffing Savings	(142)	0	0	0	(142)	4
Provision for Staff Turnover	(596)	-	-	-	(596)	8
TOTAL FAVOURABLE VARIANCE	717	(390)	(441)	131	17	

During the financial year the Council implemented a planned programme of restructuring which contributed towards previously approved savings. This resulted in transformational costs being incurred which were funded in part by the flexible use of capital receipts. The compulsory element of redundancy and any pension strain payments are eligible to be capitalised, as per the government directive. Redundancy payments (-£0.595M) are included within the People & Policy outturn figures and pension strain payments (-£0.507M) are included within Other Corporate & Expenditure Items. Capital receipts of +£0.477M were made available for these transformational purposes which resulted in a net cost of (-£0.625M) being covered from General Fund balances.

Since the energy budgets were prepared and approved in the previous financial year, there has been high price volatility within the sector. More recently prices appear to have settled allowing for a more accurate projection going forward. With regard to the outturn position, a saving of £0.541M was achievable in the financial year. These areas will continue to be closely monitored and the latest price and usage information has been included in the draft budget for the forthcoming year which is currently being prepared.

Service/Section	ELECTRICITY VARIANCE £000	GAS VARIANCE £000	TOTAL ENERGY VARIANCE £000	Note
Environment & Place	48	106	154	1
Housing & Property	215	73	288	3
Sustainable Growth	83	16	99	7
TOTAL FAVOURABLE VARIANCE	346	195	541	

Further explanations for variances excluding those listed in the above tables are detailed in the notes below.

Note 1 Environment & Place

- Net salary costs (-£0.224M) largely due to pay award (-£0.274M) however additional use of overtime and agency costs of (-£0.344M) largely due to unprecedented sickness levels within waste collection should be noted
- Energy savings +£0.154M
- Insurance savings +£0.063M
- Hire of portacabins at White Lund Depot and associated project work due to safety issues (-£0.108M)
- Transport costs have increased due to vehicle repairs & maintenance (-£0.262M) and associated hire costs (-£0.141M) arising from delayed delivery of new fleet. Lead-in times for delivery have increased dramatically over the last few years due to supply

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chain issues and this is expected to continue in the short term. Additional fuel costs due to stock write-off (-£0.075M)

- Additional trade waste disposal costs for recycling (-£0.132M) offset by increased income levels +£0.072M
- Williamson Park café and shop stock items have increased in cost (-£0.037M) and whilst prices have been addressed in year, they have not been increased by similar inflationary levels
- Car parks at Williamson Park no longer exempt from business rates and charging has been back-dated to 2017/18 (-£0.052M)
- Increase in the cost of supply of goods and services at Salt Ayre Leisure Centre due to increases in supplier costs over and above inflation (-£0.207M), particularly marketing support, Instructors fees, stock purchases, management and collection fees and tools & equipment plus additional (-£0.015M) delayed costs of Gym upgrade
- Budgeted income from promenade vendors and events had been reduced due to the expectation of sites not being available in 23/24. Delays have meant the reduction has not yet materialised resulting in the continuation of existing rentals +£0.044M

Note 2 Governance

- Increase in utilising specialist legal advice (-£0.036M) for more complex cases where expert opinion was required
- Cost of living and mortgage interest rate increase has resulted in a downturn in the housing market leading to a decline in search fee applications since late 22/23 (-£0.050M)
- Legal court costs recovery income not achieved (-£0.047M) due to nature of cases in year

Note 3 Housing & Property

- Net salary savings +£0.307M largely due to difficulties in recruiting and retaining staff
- Energy savings +£0.288M
- Insurance savings +£0.066M
- Building cleaning now coded directly to individual services (-£0.152M)
- Increased bed & breakfast costs due to higher number of homeless families (-£0.381M), to be funded from external grants +£0.383M
- Reduction in income due to ceasing of Housing Benefit subsidy (-£0.074M)
- Income shortfall from Disabled Facilities Grants (-£0.056M) due to reduced referrals from County mitigated by the team generating own referrals to compensate
- Additional costs relating to Mellishaw Park redevelopment including site clearance, insurance and loss of rent due to delays starting on site (-£0.113M)
- Compliancy consultancy relating to corporate and commercial buildings (-£0.041M)
- Rent shortfall and betterment costs in respect of 3 fire damaged units at Gateway (-£0.270M)
- Business rates payable due to vacant commercial unit at Hilmore Way (-£0.056M)

Note 4 People & Policy

- Net salary costs (-£0.174M) largely due to removal of approved corporate staffing savings target met elsewhere within services (see also note 7)
- Redundancy costs (-£0.595M) relating to transformational change financed partly +£0.257M by flexible use of capital receipts (see also note 8)

Note 5 Planning & Climate Change

- Net salary savings +£0.234M largely due to difficulties in recruiting and retaining staff inclusive of additional cost of Capita consultancy required to deliver building control (-£0.109M)
- Additional net fee income due to Capital consultancy being able to secure more work during the financial year +£0.034M
- Planning fee income has slowed down in-line with nationwide trend (-£0.084M)
- Legal/expert witness costs (-£0.079M) regarding planning appeals
- Net saving from delayed procurement of EDMS against purchase of new essential computer equipment +£0.042M
- Saving due to cessation of Lancaster South AAP +£0.024M

Note 6 Resources

- Net salary savings +£0.332M due to vacancies within Finance and ICT
- Management charges relating to externally funded schemes +£0.033M
- External audit fees payable savings +£0.028M
- ICT software and support savings +£0.049M
- Net Housing Benefit Support saving (increased overpayment recovery) +£0.097M
- Increase in court costs recovered from Council Tax/NNDR +£0.028M

Note 7 Sustainable Growth

- Net salary savings +£0.228M. Posts identified for deletion wef 30th September 2023 as part of the transformational process were not recruited to when vacant. Posts within service were deleted which contributed towards the approved savings (see note 4)
- Energy savings +£0.099M
- R&M expenditure savings +£0.094M in relation to sea defence works, bridge maintenance and land drainage. Part delayed spend and part reactive element not required
- Business rates revaluations largely relating to Museums and Car Parks +£0.293M
- Parking income exceeded the target by +£0.240M however this is offset by increased electronic payment expenses (-£0.037M) and management charges in respect of St Nics Arcade car park and by Lancashire County Council for enforcement (-£0.107M)

Note 8 Other Corporate Income & Expenditure Items

- The provision for staff turnover target (-£0.596M) is held within Corporate Services whilst the additional costs/savings generated are attributed to the individual service lines. The Council salary related position as a whole (including the additional pay award, agency and consultancy costs) was underspent by +£0.017M. However, it should be noted that the approved pay award has had a significant detrimental impact of (-£0.390M) which is included within the overall total
- An additional top-up pension payment in of (-£0.131M) is due in respect of 2022/23 actual pensionable pay (originally planned for in 2022/23 but notified after the IAS 19 schedule had been prepared by the actuary so not able to be recognised in that year)
- Projected pension strain payments (-£0.507M) relating to redundancies made through the year as per note 4
- The use of flexible capital receipts for transformational purposes offsets pension strain above and compulsory element of redundancy costs +£0.477M
- Increased contribution to insurance provision (-£0.462M) following numerous high-level claims/incidents in recent years

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- A reassessment of the bad debt provision (-£0.251M) includes a significant increase in allowances for rental income due from commercial properties, including (-£0.233M) for rental income due from building on Penny Street
- An amount of (-£0.232M) income from HRA relating to a proportion of recharged pension cost is not expected as this cost is now accounted for directly within HRA.
- The Council's minimum revenue provision (MRP) is underspending against budget +£0.262K due to slippage on capital programme schemes during 2022/23
- New borrowing has not been incurred as anticipated largely due to significant levels of slippage on schemes in the capital programme leading to higher levels of cash balances +£1.019M
- Interest rates on investment income are substantially higher than the 4% forecast in September 2022 due to increase in bank rate in response to inflationary pressures +£0.571M
- Additional contributions made to corporate priorities reserve (-£0.150M) and investment property maintenance reserve (-£0.050M)
- Government grants levy surplus payment and non-ringfenced new burden funding received in year +£0.134M
- Sale proceeds from de minimum asset sales +£0.080M

Note 9 Contribution to General Fund Balance

As detailed above, in order for a balanced budget to be achieved at budget setting time, a contribution from unallocated reserves of £0.577M was required. During the year, the unallocated reserve was used to fund the following areas whilst also addressing any under or overspend of General Fund revenue within the financial year.

	2023/24			Variance from
	Original Budget	Working Budget	Actual	Working Budget
Expenditure:	£000	£000	£000	£000
Contribution required to provide balanced budget	(577)	(577)	(419)	158
Supaskips Major Incident	-	-	(649)	(649)
Burrow Beck Solar Project	-	(180)	(214)	(34)
Gateway Repairs	-	(1,155)	(4)	1,151
General Fund Stock Condition Survey	-	-	(65)	(65)
NET REVENUE EXPENDITURE	(577)	(1,912)	(1,351)	561

With regard to items included in the above table, attention should be paid to the following areas where one-off expenditure items were funded from the General Fund unallocated reserve.

- A major incident which was declared by both the Lancashire Fire and Rescue Service and Lancaster City Council in December 2023, in respect of a fire at the former Supaskips building in Lancaster. The Council spent £1.479M within the financial year in respect of building clearance and demolition. A contribution of £0.765M was received from DLUHC and a further contribution of £0.065M was received from another key partner. The remaining £0.649M was funded from the unallocated reserve.
- A request to use the unallocated reserve for the Burrow Beck Solar project slipped from 2022/23 in respect of a contribution for surveys, reports & consultation to support the planning application for a 4.8MW solar scheme. This work has now taken place and £0.214M was funded within the financial year.
- The amount relating to Gateway repairs needs slipping into 2024/25 as the refurbishment works haven't taken place yet. A further report to Cabinet is being

considered to include the various current options available.

With regard to day to day income and expenditure, at the end of the financial year, the General Fund was underspent by £0.158M. However in real terms when adjusted for the budgeted contribution as above, the actual net overspend is £0.419M, which has been funded from the General Fund unallocated reserve.

Annual Treasury Management Report
2023/24

For Noting by Cabinet 10 September 2024

Annual Treasury Management Review 2023/24

Purpose

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2023/24 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 22 February 2023)
- a mid-year (minimum) treasury update report (Council 13 December 2023)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

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

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

Introduction and Background

This report summarises the following:-

- Capital activity during the year;
 - Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
 - The actual prudential and treasury indicators;
 - Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
 - Summary of interest rate movements in the year;
 - Detailed debt activity; and
 - Detailed investment activity.
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1. The Council's Capital Expenditure and Financing 2023/24

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

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

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

General Fund (GF) £M	2022/23 Actual	2023/24 Estimate	2023/24 Actual
Capital expenditure	10.44	23.97	7.60
Financed in year	(5.83)	(10.85)	(4.01)
Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)	4.61	13.12	3.59

HRA £M	2022/23 Actual	2023/24 Estimate	2023/24 Actual
Capital expenditure	5.31	7.22	6.76
Financed in year	(5.31)	(7.22)	(6.76)
Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)	0.00	0.00	0.00

2. The Council's Capital Financing Requirement 2023/24

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2023/24 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

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

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

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

The total CFR can also be reduced by:

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

The Council's 2023/24 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2023/24 on 22 February 2023.

The Council's CFR for the year is shown below, and represents a key prudential indicator.

No borrowing has actually been required against these schemes, however, as cash supporting the Council's reserves, balances and cash flow has been used as an interim measure

CFR (£M): General Fund	31 March 2023 Actual	31 March 2024 Estimate	31 March 2024 Actual
Opening balance	58.96	63.56	63.56
Add unfinanced capital expenditure (as above)	4.61	13.12	3.59
Less MRP	(0.01)	(2.63)	(2.66)
Less finance lease repayments	0.00	0.00	0.00
Closing balance	63.56	74.05	64.49

CFR (£M): HRA	31 March 2023 Actual	31 March 2024 Estimate	31 March 2024 Actual
Opening balance	36.18	35.13	35.13
Add unfinanced capital expenditure (as above)	0.00	0.00	0.00
Less Debt Repayment	(1.05)	(1.04)	(1.04)
Closing balance	35.13	34.09	34.09

CFR (£M): Combined	31 March 2023 Actual	31 March 2024 Estimate	31 March 2024 Actual
Opening balance	95.14	98.69	98.69

CFR (£M): Combined	31 March 2023 Actual	31 March 2024 Estimate	31 March 2024 Actual
Add unfinanced capital expenditure (as above)	4.61	13.12	3.59
Less Debt Repayment, Finance Leases and MRP	(1.06)	(3.67)	(3.70)
Closing balance	98.69	108.14	98.58

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

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2023/24. The table below highlights the Council's gross borrowing position against the CFR. The Treasury Management Strategy for 2023/24 estimated that some borrowing in advance may be undertaken but was within the forecast CFR for the next two years. The Council has, therefore, complied with this prudential indicator.

£M	31 March 2023 Actual	31 March 2024 Estimate	31 March 2024 Actual
Gross borrowing position	59.01	73.47	57.96
CFR	98.69	108.14	98.58

The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2023/24 the Council has maintained gross borrowing within its authorised limit.

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

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

	2023/24 Actual
Authorised limit	£115.00M
Maximum gross borrowing position	£57.96M
Operational boundary	£99.00M
Average gross borrowing position	£58.65M
Financing costs as a proportion of net revenue stream - GF	17.98%

Financing costs as a proportion of net revenue stream - HRA

17.52%

3. Treasury Position as at 31 March 2024

The Council's debt and investment position is administered to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2023/24 the Council's treasury position was as follows:

DEBT PORTFOLIO	31 March 2023 Principal £M	Average Rate %	Average Life yrs	31 March 2024 Principal £M	Average Rate %	Average Life yrs
Fixed rate funding:						
PWLB	59.01	4.78	30	57.96	4.81	29
Total debt	59.01			57.96		
CFR	98.69			98.59		
Over / (under) borrowing	(39.69)			(40.63)		

The loan repayment schedule is as follows:

	31 March 2024 Actual £M
Under 12 months	1.04
12 months and within 24 months	1.04
24 months and within 5 years	3.12
5 years and within 10 years	5.21
10 years and within 20 years	8.35
20 years and within 30 years	0.00
More than 30 years	39.20

All investments were placed for under one year.

INVESTMENT PORTFOLIO	31 March 2023 £M	31 March 2023 %	31 March 2024 £M	31 March 2024 %
Money Market Funds	4.00	17.00	0.50	5.00
Other Local Authorities	20.00	83.00	10.00	95.00
Total investments	24.00		10.50	

The average rate of interest payable on PWLB debt in 2023/24 was 4.82%. A total of £2.82M interest was incurred during the year, of which £1.68M was recharged to the HRA.

Interest Payable

	2023/24
Estimate	£2.82M
Actual	£2.82M

4. The Strategy for 2023/24

Investment returns picked up throughout the course of 2023/24 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

Starting April at 4.25%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August. By the end of the financial year, no further increases were anticipated.

The change in investment rates meant that local authorities continued to be faced with the challenge of pro-active investment of surplus cash, and this emphasised the need for a detailed working knowledge of cash flow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investments rates as duration was extended, became an ongoing feature of the investment landscape.

While the Council has taken a prudent approach to investing surplus monies, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Global Financial Crisis of 2008/09. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

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

Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

Markets have sought an end to central banks’ on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	UK	Eurozone	US
Bank Rate	5.25%	4%	5.25%-5.5%
GDP	-0.3%q/q Q4 (-0.2%y/y)	+0.0%q/q Q4 (0.1%y/y)	2.0% Q1 Annualised

Inflation	3.4%y/y (Feb)	2.4%y/y (Mar)	3.2%y/y (Feb)
Unemployment Rate	3.9% (Jan)	6.4% (Feb)	3.9% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no MPC members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that "the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures", conversely it noted that key indicators of inflation persistence remain elevated and policy will be "restrictive for sufficiently long" and "restrictive for an extended period".

Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative GDP growth of -0.3% while y/y growth was also negative at -0.2%.

But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – is now due to slide below the 2% target rate in April and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.

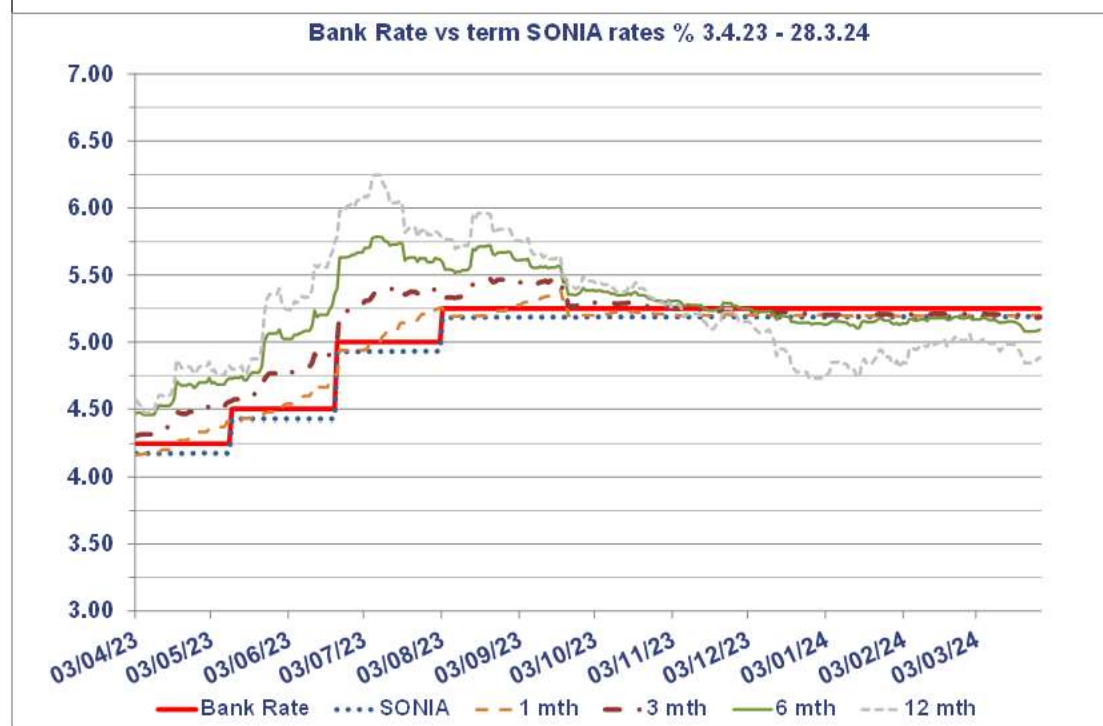
Shoppers largely shrugged off the unusually wet weather in February, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.

From a fiscal perspective, the further cuts to national insurance tax (from April) announced in the March Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.

As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.

Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2023/24



6. Borrowing Strategy and Control of Interest Rate Risk

During 2023/24, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement set out in paragraph 2), was not fully funded with loan debt. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2024 and 2025 as inflation concerns are dampened.

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

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

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

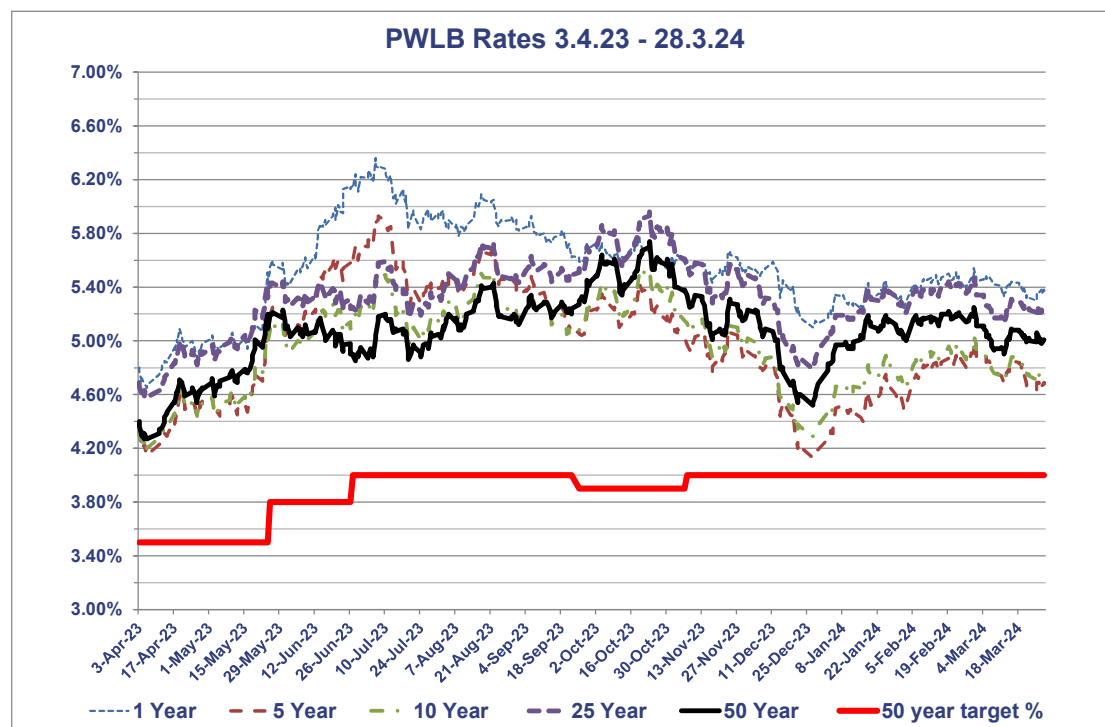
Interest rate forecasts initially suggested further gradual rises in short, medium and longer-term fixed borrowing rates during 2023/24. Bank Rate had initially been forecast to peak at 4.5% but is now expected to have peaked at 5.25%.

By January it had become clear that inflation was moving down significantly from its 40-year double-digit highs, and the Bank of England signalled in March 2024 that the next move in Bank Rate would be down, so long as upcoming inflation and employment data underpinned that view. Currently the CPI measure of inflation stands at 3.4% but is expected to fall materially below 2% over the summer months and stay there in 2025 and 2026. Nonetheless, there remain significant risks to that central forecast, mainly in the form of a very tight labour market putting upward pressure on wages, and continuing geo-political inflationary risks emanating from the prevailing Middle East crisis and the Russian invasion of Ukraine.

Forecasts at the time of approval of the treasury management strategy report for 2023/24 were as follows:

	Mar-23	Mar-24	Mar-25	Dec-25
Bank Rate	4.25	4.00	3.00	2.50
3 Month average earnings	4.30	4.00	3.00	2.50
6 Month average earnings	4.50	4.10	3.00	2.60
12 Month average earnings	4.70	4.20	3.10	2.70
5yr PWLB rate	4.20	3.90	3.40	3.10
10yr PWLB rate	4.30	4.00	3.50	3.30
25yr PWLB rate	4.60	4.20	3.70	3.50
50yr PWLB rate	4.30	3.90	3.50	3.20

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



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.54%	4.99%	4.97%	5.34%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

7. Borrowing Outturn for 2023/24

Borrowing

No long-term borrowing was undertaken during the year.

Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

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

8. Investment Outturn for 2023/24

Investment Policy – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 22 February 2023. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

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

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

Balance Sheet Resources (£M)	General Fund		HRA		TOTAL	
	31/03/23	31/03/24	31/03/23	31/03/24	31/03/23	31/03/24
Balances	11.68	10.33	0.62	0.75	12.30	11.08
Earmarked reserves	13.63	17.14	10.31	6.93	23.94	24.07
Provisions	4.74	3.98	0.00	0.00	4.74	3.98
Working Capital	15.06	7.28	3.96	3.58	19.02	10.86
Total	45.11	38.73	14.89	11.26	60.00	49.99
Amount Over/(Under) Borrowed						(40.61)
Baseline Investment Balances						9.38

Investments held by the Council - the Council maintained an average investment balance of £32.42M of internally managed funds. The average rate of interest earned for the year was 4.90%. The weighted average rate of interest being earned on the investment portfolio at the end of the year is also given. These rates are compared to the average base rate and average 7- day SONIA (Sterling Overnight Index Average).

	2023/24
Lancaster CC Investments full year	4.90
Lancaster CC Investments weighted average at 31 March	5.58
Base Rate	5.03
7 day SONIA rate	4.96

The actual interest earned in 2023/24 was £1.604M.

10. Other Risk Management Issues

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

The 2021 CIPFA codes and guidance notes have placed further importance on risk management. Where an authority changes its risk appetite e.g., for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports.

LANCASTER CITY COUNCIL
TREASURY MANAGEMENT POLICY STATEMENT

Last reported to Council on 28 February 2024

This reflects the revised CIPFA Treasury Management Code of Practice (Code updated in 2021)

1. This organisation defines its treasury management activities as:

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

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

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

Treasury Management Glossary of Terms

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

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

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

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

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

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

HOUSING REVENUE ACCOUNT OUTTURN 2023/24

For Consideration by Cabinet 10 September 2024

	Original Budget £	Working Budget £	Actual £
INCOME			
Rental Income - Council Housing	(15,487,200)	(15,487,200)	(15,304,493)
Rental Income - Other (Shops and Garages etc.)	(285,900)	(285,900)	(276,730)
Charges for Services & Facilities	(2,130,300)	(2,130,300)	(2,415,057)
Grant Income	(7,700)	(17,700)	(17,736)
Contributions from General Fund	(101,500)	(101,500)	(101,584)
Total Income	(18,012,600)	(18,022,600)	(18,115,600)
EXPENDITURE			
Repairs & Maintenance	7,104,400	7,789,900	7,802,940
Supervision & Management	5,698,900	6,109,000	5,675,245
Rents, Rates & Insurance	577,200	577,200	453,926
Contribution to Provision for Bad and Doubtful Debts	137,500	137,500	198,357
Depreciation & Impairment of Fixed Assets	2,771,700	2,771,700	9,144,430
Debt Management Costs	0	0	0
Total Expenditure	16,289,700	17,385,300	23,274,898
NET COST OF HRA SERVICES	(1,722,900)	(637,300)	5,159,298
(Gain)/Loss on disposal of non-current assets	0	0	(296,505)
Interest Payable & Similar Charges	1,640,300	1,640,300	1,687,788
Interest & Investment Income	(44,800)	(44,800)	(192,441)
Pensions Interest Costs & Expected Return on Pensions Assets	0	0	(308,381)
Capital Grants and Contributions Receivable	0	0	(649,868)
Premiums & Discounts from Earlier Debt Rescheduling	0	0	0
(SURPLUS) OR DEFICIT FOR THE YEAR	(127,400)	958,200	5,399,891
Self Financing Debt Repayment	1,041,400	1,041,400	1,041,366
Net Charges made for Retirement Benefits	0	0	363,607
Adjustments to reverse out Notional Charges included above	2,020,000	2,382,400	(2,159,800)
Transfer to/(from) Earmarked Reserves - for Revenue Purposes	(3,167,000)	(5,599,700)	(5,429,656)
Capital Expenditure funded from Major Repairs Reserve	0	984,700	658,125
Transfer from Earmarked Reserves - for Capital Purposes	(2,020,000)	(2,382,400)	(1,923,534)
Financing of Capital Expenditure from Earmarked Reserves	2,020,000	2,382,400	1,923,534
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	(233,000)	(233,000)	(126,467)
Housing Revenue Account Balance brought forward	(517,064)	(623,533)	(623,533)
HRA BALANCE CARRIED FORWARD	(750,064)	(856,533)	(750,000)

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

HRA RESERVES BUDGET SUMMARY - 2023/24 OUTTURN

2023/24					
HOUSING REVENUE ACCOUNT	Balance as at 31/03/23	Contributions to Reserve	Contributions from Reserve		Balance as at 31/03/24
	£000	From Revenue £000	To Capital £000	To Revenue £000	£000
HRA General Balance	(624)	(126)	-	-	(750)
Earmarked Reserves:					
Business Support Reserve	(5,869)	-	1,700	3,587	(582)
Major Repairs Reserve	(121)	(4,775)	4,117	-	(779)
Flats - Planned Maintenance	(788)	(33)	-	417	(405)
I T Replacement	(444)	(600)	-	70	(974)
Sheltered - Equipment	(273)	(74)	-	48	(299)
Sheltered - Planned Maintenance	(387)	(148)	224	27	(284)
Sheltered Support Grant Mtce	(492)	(74)	-	286	(279)
Total Earmarked Reserves	(8,374)	(5,703)	6,040	4,434	(3,603)

Appendix 5 General Fund Usable Reserves

General Fund Usable Reserves				
	31/03/2023 £000	Transfer (From) Reserve £000	Transfer To Reserve £000	31/03/2024 £000
General Fund Balance	11,678	(1,351)		10,327
Earmarked Reserves				
Revenue Grants Unapplied Reserve	644	(202)		442
Business Rates Retention Reserve	7,472	(1,632)	5,474	11,314
Corporate Priorities Reserve	421	(116)	150	455
Covid 19 Support Reserve	10			10
Invest to Save Reserve	303	(37)		266
S106 Commuted Sums Reserve	1,266	(38)	265	1,493
Restructure Reserve	521	(70)		451
Corporate Property Reserve	313			313
Welfare Reforms Reserve	325			325
Renewals Reserves	1,062	(127)	495	1,430
Homelessness Support Reserve	110			110
Lancaster District Hardship Fund	240	(135)		105
Other Earmarked Reserves	388	(164)	102	326
Total Earmarked Reserves	13,075	(2,521)	6,486	17,040
Total Usable Revenue Reserves	24,753	(3,872)	6,486	27,367
Capital Receipts Reserve	3	(3)		0
Capital Grants Unapplied Reserve	103			103
Total Usable Capital Reserves	106	(3)	0	103
Total Usable Reserves	24,859	(3,875)	6,486	27,470

Appendix 5a - Slippage and Accelerated Expenditure of Reserve Funded Projects

Reserve	Description	Slippage Amount £	Details
Unallocated Reserve	Gateway - Whitelund Roof	295,600	Roof and Cladding works at Gateway
	Local Plan Review	207,000	Review of the adopted Local Plan for Lancaster District
	Stock Condition Surveys	99,600	Stock condition surveys of the council's commercial and corporate estate
	Burrow Beck Feasibility Work	5,800	Contribution for surveys, reports & consultation to support the planning application for a 4.8MW solar scheme
Corporate Priorities Reserve	Teams Contact Centre	127,300	Required for Anywhere 365 Renewal
	Frontierland legal & financial due diligence	49,600	To support legal and financial/commercial due diligence across the procurement stages
	Museum Review - Resilient Heritage Match	30,000	National Lottery Heritage Fund match funding pending outcome of ongoing consultancy review of the Museums
	Digital Strategy	18,800	Required to support Lancaster Local Full Fibre Network & Data Centre feasibility work
	Works in Default	17,500	Reactive activity led allocation to support expenditure
Invest To Save Reserve	Heysham Gateway	109,400	Required to fund ongoing project and joint partnership arrangement with Lancashire County Council
	Regeneration Feasibility - Local Plan	49,600	Required to fund ongoing project work
Revenue Grants Unapplied Reserve (Council tax rebate new burdens)	Revenue Shared Service Support	117,900	Council tax rebate & business rate new burdens funding transferred into revenue grants unapplied at the end of 2023/24 and intended to be used during 2024/25 to support work of revenues shared service
Revenue Grants Unapplied Reserve (Community Housing & Brownfield)	Estimated Grant Payments (Lapwing & Co-op Buildings)	168,900	Ringfenced funding to be reallocated
S106 Commuted Sums	Lawson's Bridge s106 Scheme	63,000	Creation of a pedestrian/cycleway
Lancaster District Hardship Fund	Household support for residents suffering hardship	105,400	Balance of fund not yet utilised and remaining available to provide support
Renewals Reserve	Remove 2 x bridges over Burrow Beck	4,100	Works to be finalised
Restructure Reserve	Outcomes Based Resourcing Support	50,600	Required to fund Outcomes Based Resourcing support costs in 2024/25
	Total	1,520,100	

Reserve	Description	Accelerated Expenditure Amount £	Details
Revenue Grants Unapplied Reserve (Community Housing & Brownfield)	Estimated Grant Payments (Lapwing & Co-op Buildings)	-5,100	Ringfenced funding spent in advance
	Total	-5,100	

Total Net Slippage & Accelerated Expenditure

1,515,000

Appendix 6 - Housing Revenue Account Reserve Funded Projects Slipped from 2023/24

Reserve	Description	Slippage Amount £	Details
Business Support Reserve	Housing Renewal & Renovation capital expenditure	219,000	Alder Grove development due to complete January 2025
Business Support Reserve	Redevelopment Projects	328,600	Scheme design and development fees relating to Mainway and Coopers Fields redevelopment projects
Flats - Planned Maintenance Reserve	Fire Safety Works	44,200	Works required in communal areas of general needs flats (approved by Cabinet in October 2022)
ICT and Systems Improvement Reserve	System-related Projects	11,000	Software implementation, completed April 2024
Sheltered - Planned Maintenance Reserve	Reconfiguration Works	25,000	Works required in communal areas of independent living schemes
	Total	627,800	

Lancaster City Council - Capital Expenditure 2023/24

For consideration by Cabinet 10 September 2024

HOUSING REVENUE ACCOUNT	Revised Estimate	Expenditure in 2023/24	Expenditure to be financed in 2023/24	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANTS & CONTRIBUTIONS	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
COUNCIL HOUSING										
Adaptations	420,000	468,015.99	468,015.99	1,895.52				466,120.47	0.00	
Energy Efficiency Boiler Replacements	1,192,900	951,430.38	951,430.38	102,025.12				849,405.26	0.00	
Environmental Improvements	570,000	459,254.43	459,254.43					459,254.43	0.00	
External Refurbishments	162,000	85,987.22	85,987.22					85,987.22	0.00	
Fire Precaution Works	520,000	657,418.49	657,418.49	2,200.00		223,842.47		431,376.02	0.00	
Kitchen Bathroom Replacement	938,000	840,812.50	840,812.50					840,812.50	0.00	
Re-roofing & Window Renewals	726,000	385,869.96	385,869.96	-250.00				386,119.96	0.00	
Rewiring	124,800	93,456.86	93,456.86					93,456.86	0.00	
Whole House Improvements	639,000	589,300.65	589,300.65			108,754.46		408,297.13	72,249.06	
Construction	790,000	212,937.04	212,937.04	177,000.00		35,937.04			212,937.04	
Demolition	0	366,996.92	366,996.92	366,996.92					0.00	
Dwelling Acquisitions	0	90,000.00	90,000.00					90,000.00	0.00	
Mainway Regeneration Project	1,950,000	1,555,000.00	1,555,000.00			1,555,000.00			0.00	
TOTAL - HRA	8,032,700	6,756,480.44	6,756,480.44	649,867.56	0.00	1,923,533.97	0.00	4,110,829.85	6,684,231.38	

GENERAL FUND	Revised Estimate	Expenditure in 2023/24	Expenditure to be financed in 2023/24	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANTS & CONTRIBUTIONS	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
ENVIRONMENT & PLACE										
Vehicle Renewals	1,284,000	1,417,341.75	1,417,341.75					0.00	1,417,341.75	
Happy Mount Park Pathway Replacements	8,000	7,700.00	7,700.00					0.00	7,700.00	
UK Shared Prosperity Fund - The Streets Are Ours Public Realm	100,000	881.86	881.86	881.86					0.00	
Salt Ayre Asset Management Plan	259,000	264,470.01	264,470.01			124,000.00	5,470.01		135,000.00	
Sub-Total	1,651,000	1,690,393.62	1,690,393.62	881.86	0.00	124,000.00	5,470.01	0.00	130,351.87	
HOUSING & PROPERTY										
Mellishaw Park	1,900,000	1,826,651.07	1,826,651.07	960,000.00				960,000.00	866,651.07	
Disabled Facilities Grants	2,099,000	2,022,652.49	2,022,652.49	2,022,652.49					0.00	
HIA Purchase of Vehicles	0	86,865.00	86,865.00	86,865.00					86,865.00	
Next Steps Accommodation Programme	23,000	19,823.74	19,823.74					0.00	19,823.74	
1 Lodge Street Urgent Structural Repairs	422,000	0.00	0.00	3,212.55				3,212.55	-3,212.55	
Gateway Low Voltage Switchgear	102,000	151,690.50	151,690.50					0.00	151,690.50	
Lancaster City Museum Boiler	10,000	6,601.34	6,601.34	4,438.90				4,438.90	2,162.44	
Palatine Recreation Ground	0	-6,113.09	-6,113.09					0.00	-6,113.09	
UK Shared Prosperity Fund Lancs CVS Community Warm Hubs	26,000	26,407.00	26,407.00	26,407.00					0.00	
White Lund Deopt - Offices	838,000	0.00	0.00					0.00	0.00	
Coopers Fields - BLRF	0	82,791.73	82,791.73	82,791.73					0.00	
Sub-Total	5,420,000	4,217,369.78	4,217,369.78	3,186,367.67	0.00	0.00	0.00	0.00	1,031,002.11	
PEOPLE & POLICY										
UK Shared Prosperity Fund External Projects	269,000	255,425.93	255,425.93	255,425.93					0.00	
Rural England Prosperity Fund External Projects	125,000	101,743.82	101,743.82	101,743.82					0.00	
UK Shared Prosperity Fund Digital Tourism	50,000	29,674.60	29,674.60	29,674.60					0.00	
Sub-Total	444,000	386,844.35	386,844.35	386,844.35	0.00	0.00	0.00	0.00	0.00	
PLANNING & CLIMATE CHANGE										
SALC - optimised solar farm, air source heat pumps & glazing	17,000	7,014.14	7,014.14	7,014.14					0.00	
Sub-Total	17,000	7,014.14	7,014.14	7,014.14	0.00	0.00	0.00	0.00	0.00	
RESOURCES										
ICT Systems, Infrastructure & Equipment	221,000	66,840.01	66,840.01					0.00	66,840.01	
ICT Laptop Replacement & e-campus screens	124,000	7,955.34	7,955.34					0.00	7,955.34	
Local Full Fibre Network	1,041,000	417,633.05	417,633.05					0.00	417,633.05	
Sub-Total	1,386,000	492,428.40	492,428.40	0.00	0.00	0.00	0.00	0.00	492,428.40	
SUSTAINABLE GROWTH										
Lancaster Heritage Action Zone	1,148,000	750,956.26	750,956.26	264,798.50				264,798.50	486,157.76	
Caton Road Flood Relief Scheme	100,000	5,285.61	5,285.61	5,285.61					0.00	
Lawson's Bridge S106 Scheme	63,000	0.00	0.00					0.00	0.00	
Engineers Electric Vehicle	15,000	26,751.55	26,751.55					0.00	26,751.55	
Coastal Revival Fund - Morecambe Co-Op Building	11,000	350.00	350.00	350.00				350.00	0.00	
UK Shared Prosperity Fund Maritime Museum Access Improvement	13,000	16,360.00	16,360.00	13,500.00		2,860.00		16,360.00	0.00	
UK Shared Prosperity Fund Lodge St Environs Enabling Works	72,000	3,000.00	3,000.00	3,000.00				3,000.00	0.00	
Sub-Total	1,422,000	802,703.42	802,703.42	286,934.11	0.00	0.00	2,860.00	289,794.11	512,909.31	
SCHEMES UNDER DEVELOPMENT										
Our Future Coast	283,000	0.00	0.00					0.00	0.00	
Sub-Total	283,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL - GENERAL FUND	10,623,000	7,596,753.71	7,596,753.71	3,868,042.13	0.00	124,000.00	8,330.01	0.00	4,000,372.14	

	Revised Estimate	Expenditure in 2023/24	Expenditure to be financed in 2023/24	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANT	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	
GENERAL FUND	10,623,000	7,596,753.71	7,596,753.71	3,868,042.13	0.00	124,000.00	8,330.01	0.00	4,000,372.14	3,596,381.57
HOUSING REVENUE ACCOUNT	8,032,700	6,756,480.44	6,756,480.44	649,867.56	0.00	1,923,533.97	0.00	4,110,829.85	6,684,231.38	72,249.06
TOTAL CAPITAL EXPENDITURE & FINANCING	18,655,700	14,353,234.15	14,353,234.15	4,517,909.69	0.00	2,047,533.97	8,330.01	4,110,829.85	10,684,603.52	3,668,630.63

2023/24 CAPITAL EXPENDITURE FINANCING			Housing Revenue Account	General Fund	Grand Total for all Funds
			£	£	£
Amounts to be financed by General Capital Resources			72,249.06	3,596,381.57	3,668,630.63
Financed by:					
Underlying Borrowing Need - Increase in Capital Financing Requirement			0.00	3,593,508.21	3,593,508.21
Usable Capital Receipts			72,249.06	2,873.36	75,122.42
General Grants Unapplied			0.00	0.00	0.00
Total Financing from General Capital Resources			72,249.06	3,596,381.57	3,668,630.63

Appendix 8 - Slippage and Accelerated Expenditure

	Slippage £000	Reason for Slippage £000
Environment & Place		
Purchase of Vehicles	(172)	The lead times of some vehicles was longer than expected, these vehicles will be received in 2024/25
	<u>(172)</u>	
Housing & Property		
White Lund Depot - Offices	(838)	Project delayed awaiting revised plans to inform planning application
1 Lodge Street Urgent Structural Repairs	(422)	Project delayed
Disabled Facilities Grants	0	Marginally lower turnover (£76K) in grant applications in year than originally anticipated, however externally funded
Mellishaw Park	(73)	Scheme over ran due to delays with ENWL
	<u>(1,333)</u>	
Planning & Climate Change		
SALC Salix Funded Optimised Solar Farm	0	Required to cover contractor retention falling due in 2024/25. £10K slippage fully funded by Grant.
	<u>0</u>	
Resources		
ICT Systems, Infrastructure & Equipment including Lancaster Local Fibre Network	(862)	Changing corporate needs during 2023/24 including changes to staff working locations and new 5 year replacement cycle led to delays in expenditure
	<u>(862)</u>	
Sustainable Growth		
Lancaster Heritage Action Zone	(373)	net of £24K income requested to be slipped
Caton Road Flood Relief Scheme	0	£95K slippage requested, externally funded scheme
Lawson's Bridge S106 Scheme	(63)	
Coastal Revival Fund - Morecambe Co-Op Building	0	£11K required for planned final works in 2024/25, externally funded
	<u>(436)</u>	
Other Items		
REPF & UKSPF Schemes	0	Projects totalling £225K did not progress in line with original plans and will now take place in 2024/25. This has nil cost as fully financed from REPF/UKSPF funding
	<u>0</u>	
Schemes Under Development		
Our Future Coast	0	£283K slippage requested. Projects within the scheme did not progress in line with original plans. Will now commence in 2024/25, externally funded
	<u>0</u>	
Housing Revenue Account		
Housing Renewal & Renovation	(574)	Alder Grove development due to complete January 2025; works on major voids ongoing at year end
Energy Efficiency/Boiler Renewals	(425)	Match funding for Social Housing Decarbonisation Fund, committed at year end
Re-roofing/Window Renewals	(289)	Reroofing contract, committed at year end
Environmental Improvements	(128)	Works completed during the first quarter of 2023/24
Fire Precaution Works	(94)	Smoke alarm replacement contract, committed at year end
Rewiring	(22)	Consumer unit replacement contract, committed at year end
External Refurbishment	(21)	Door replacement contract, committed at year end
	<u>(1,553)</u>	
	<u><u>(4,356)</u></u>	

	Accelerated Expenditure £000	Reason for Accelerated Expenditure £000
Environment & Place		
Purchase of Vehicles	351	Lead in times of some vehicles was shorter than anticipated meaning vehicles were delivered in 2023/24 that were not expected until 2024/25
	<hr/>	351
Housing & Property		
HIA Purchase of Vehicles	0	Vehicles acquired earlier than originally anticipated at cost of £87K. However, vehicles were fully funded from external contributions.
Coopers Fields - BLRF	0	Expenditure incurred of £83K in advance of fully grant funded project being included in Capital Programme
	<hr/>	0
	<hr/>	351
Total Net Slippage & Accelerated Expenditure	<hr/> <hr/>	(4,005)