LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

Committee: **CABINET**

Date: **TUESDAY, 11 FEBRUARY 2025**

Venue: **MORECAMBE TOWN HALL**

Time: **6.00 P.M.**

Lancaster City Council welcomes members of the public to attend meetings. However, space in the public gallery is limited to 30 seats due to Fire Regulations. The seats are allocated on a first come, first served basis and no standing is permitted. Meetings are livestreamed please click HERE to access the meeting using Teams.

A G E N D A

1. **Apologies**

2. **Minutes**

   To receive as a correct record the minutes of Cabinet held on Tuesday, 14 January 2025 (previously circulated).

3. **Items of Urgent Business Authorised by the Leader** (Pages 4 - 12)

   To consider any such items authorised by the Leader and to consider where in the agenda the item(s) are to be considered.

4. **Declarations of Interest**

   To receive declarations by Councillors of interests in respect of items on this Agenda.

   Councillors are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

   Whilst not a legal requirement, in accordance with Council Procedure Rule 9 and in the interests of clarity and transparency, Councillors should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

   In accordance with Part B Section 2 of the Code Of Conduct, Councillors are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

5. **Public Speaking**

   To consider any such requests received in accordance with the approved procedure.

6. **Reports from Overview and Scrutiny**

None.

Reports

7. **Review of Lancaster City Council Housing Allocation Policy** (Pages 13 - 54)

(Cabinet Member with Special Responsibility Councillor Caroline Jackson)

Report of Chief Officer Housing and Property (report published on 7.2.25)

8. **General Fund Budget & Policy Framework 2025/26** (Pages 55 - 105)

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Report of Chief Officer Resources (report published on 7.2.25)

9. **General Fund Capital Programme & Capital Strategy** (Pages 106 - 133)

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Report of Chief Officer Resources (report published on 7.2.25)

10. **Housing Revenue Account and Capital Programme** (Pages 134 - 164)

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Joint Report of Chief Officer Housing & Property and Chief Officer Resources (report published on 7.2.25)

11. **Treasury Management Strategy** (Pages 165 - 194)

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Report of Chief Officer Resources (report published on 7.2.25)

12. **Medium Term Financial Strategy Update** (Pages 195 - 211)

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Report of Chief Officer Resources (report published on 7.2.25)

13. **Q3 Delivering our Priorities** (Pages 212 - 242)

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Report of Chief Officer Resources (report published on 7.2.25)

14. **Purchase of Housing Stock** (Pages 243 - 249)

(Cabinet Member with Special Responsibility Councillor Caroline Jackson)

Report of Chief Officer Housing & Property (report published on 7.2.25)

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Caroline Jackson (Chair), Peter Jackson, Martin Bottoms, Gina Dowding, Tim Hamilton-Cox, Paul Hart, Sally Maddocks, Sue Tyldesley and Nick Wilkinson

(ii) Queries regarding this Agenda

Please contact Liz Bateson, Democratic Support - email ebateson@lancaster.gov.uk.

(iii) Changes to Membership, substitutions or apologies

Please contact Democratic Support, telephone 582000, or alternatively email democracy@lancaster.gov.uk.

MARK DAVIES,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER, LA1 1PJ

Published on MONDAY 3 FEBRUARY, 2025.

CABINET

Flexible Use of Capital Receipts Strategy 2025-26

11 February 2025

Report of Chief Finance Officer

PURPOSE OF REPORT

Statutory guidance from the Department for Levelling Up, Homes and Communities (DLUHC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) enables local authorities to make flexible use of capital receipts to fund projects which are likely to generate savings to the authority and / or other public bodies.

To make use of this provision, authorities must submit to the Secretary of State a Flexible Use of Capital Receipts Strategy setting out how the provision will be applied in the next financial year.

This report proposes a Flexible Use of Capital Receipts Strategy for 2025-26 to complement the ongoing Council's Outcomes-Based Resourcing programme – Fit for the Future.

This report is public.

RECOMMENDATION OF COUNCILLOR HAMILTON-COX

(1) To recommend that Full Council approves the Flexible Use of Capital Receipts Strategy 2025/26 set out in this report, in accordance with the relevant statutory guidance.

1.0 INTRODUCTION

1.1 All Councils are limited in their ability to utilise capital receipts, usually arising from the disposal proceeds from the sale of fixed assets. Statutory guidance issued under section 15(1) of the Local Government Act 2003 by the Ministry of Housing, Communities and Local Government (as amended) generally precludes capital receipts being used to fund revenue expenditure and requires them to be applied to either fund capital expenditure or repay debt. The Act also requires local authorities to have regard to other guidance as issued or directed by the Secretary of State – this currently includes the following guidance issued by the Chartered Institute of Public Finance and Accountancy [CIPFA]:

- The Prudential Code for Capital Finance in Local Authorities; and
- The Code of Practice on Local Authority Accounting.

1.2 The Government's Spending Review 2015 included a relaxation of these regulations allowing the use of capital receipts for a limited period, between 2016/17 and 2018/19, to fund revenue expenditure "***that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or improve the quality-of-service delivery in future years***". This announcement was implemented by the issuing of regulations in March 2016. The period over which these amended regulations applied has continued to be extended.

1.3 This was extended in an amended direction in December 2017 by a further three years up to and including 2021/22 to allow the continued flexible use of capital receipts for the above purposes. Further updated statutory guidance was issued by DLUHC in August 2022 which extended the scheme for the financial years 2022/23, 2023/24 and 2024/25.

1.4 The Autumn Policy Statement made clear Governments intention to extend flexible use of capital receipts to 2030. The government will also remove the restriction with respect to redundancy costs, imposed from April 2022, that limits the use of the flexibility to statutory redundancy costs only. This will support authorities in taking forward transformation and invest-to-save projects.

2.0 THE GUIDANCE / DIRECTIVE

2.1 The guidance on the use of capital receipts flexibility was issued by the Secretary of State under section 15(1) of the Local Government Act 2003, and authorities are therefore required to have regard to it. The Guidance specified that:

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

- Local authorities cannot borrow to finance the revenue costs of the service reforms.

- It is a condition of the Secretary of State's direction that the flexible use of capital receipts in accordance with the direction only applies to capital receipts which have been received in the years to which the direction applies.

- The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality-of-service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's, or several authorities,' and/or to another public sector body's net service expenditure net service expenditure.

- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

3.0 REQUIREMENTS FOR THE STRATEGY

3.1 The guidance requires that authorities wishing to make use of this provision must submit their Strategy to the Secretary of State ahead of each financial year in which the provision is to be used; but that no approval or response is required from the Secretary of State for the Strategy to be implemented. Should Full Council approve the proposed Strategy, it will be submitted to the Secretary of State via the DELTA system.

3.2 The Strategy must as a minimum set out the projects which plan to make use of the provision, along with their projected savings and / or service transformation and a summary of the impact on the authority's Prudential Indicators for the forthcoming year and subsequent years. This information is set out in in sections 7 and 8.

3.3 The Strategy should also review use of any provision in previous years and report on the savings and / or transformation achieved through use of the provision so far. Lancaster City Council has not yet made use of the provision, and as such any benefits arising from this

Strategy will be reported in subsequent years, this is set out in section 9.

3.4 The Strategy can be updated at any time during the financial year and re-submitted to the Secretary of State. Authorities must not exceed the amounts stated in their Strategy without first submitting an updated Strategy to the Secretary of State.

3.5 The Strategy must be made available to the public free of charge. This report, which is public, sets out Lancaster City Council's Flexible Use of Capital Receipts Strategy for 2025-26 in fulfilment of the above requirements.

4.0 MONITORING AND UPDATING THE STRATEGY

4.1 It is intended that the flexibility will be used to support the actions arising from the Outcomes-Based Resourcing/ Fit for the Future process. The legitimacy of the use of capital receipts will be determined by the Section 151 Officer to ensure eligibility and compliance with the requirements set out by the Secretary of State. Progress on delivery of the programme, including financial implications and the realisation of benefits, will be reported through Delivering Our Priorities quarterly monitoring via Cabinet and Budget & Performance Panel.

4.2 The Strategy may be updated within the financial year. Any updates will be proposed to Cabinet and then Council via a report, which subject to approval would then be submitted to the Secretary of State.

4.3 Adoption of the Strategy does not necessarily oblige the Council to utilise capital receipts and initiatives may still be financed in whole or in part from other sources, e.g., revenue budgets. This recognises that not all capital receipts may be realised and that decisions need to be taken in the context of the Council's overall revenue and capital financing position.

4.4 Inclusion in the Strategy also does not constitute approval to progress a project.

5.0 WHICH CAPITAL RECEIPTS ARE ELIGIBLE?

5.1 The guidance sets out the criteria by which capital receipts are eligible for flexible use, summarised in the below excerpt from the guidance:

"…a qualifying disposal is an asset sale made within the period for which the direction applies, by the local authority to an entity outside the local authority's group structure…

The intent of this condition is that capital receipts which are to be used by authorities under the flexibilities afforded by the direction should be from genuine disposals of assets by the authority. Where an authority retains some control of the assets, directly or indirectly, and retains exposure to the risks and rewards from those assets, the disposal does not give rise to a capital receipt that can be used in accordance with the direction."

5.2 It should be noted that the flexibility excludes Right-To-Buy capital receipts. It should also be noted that the Council's budget process has assumed that forecast capital receipts have not been relied upon to fund any future expenditure.

5.3 Forecast capital receipts from 2025/26 onwards have not been factored into the Council's Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure. The use of these receipts under this flexibility will, therefore, have no effect on the Council's Prudential Indicators.

6.0 WHICH EXPENDITURE IS ELIGIBLE?

6.1 The guidance also sets out the criteria by which expenditure would be considered eligible for flexible use of capital receipts. The guidance summarises as follows:

"Qualifying expenditure is expenditure on any project that is designed to generate ongoing

revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

Set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure. In addition, one off costs, such as banking savings against temporary increases in costs/pay cannot be classified as qualifying expenditure. Under the direction the in force from April 2022, with respect to redundancy payments, qualifying expenditure will be limited to those amounts that are necessarily incurred as statutory redundancy payments provided the other requirements of qualifying expenditure are met. This restriction does not apply to other severance costs, including pension strain costs; the treatment of these costs remains unchanged from the previous direction."

However, with regard to the last point and as referred to in section 1.4 - the government will also remove the restriction with respect to redundancy costs, imposed from April 2022, that limits the use of the flexibility to statutory redundancy costs only. This will support authorities in taking forward transformation and invest-to-save projects. Whilst the updated guidance has not yet been confirmed, any qualifying expenditure will be 'at-risk' until confirmation has been received.

6.2 The guidance provides a range of examples of expenditure which could be considered eligible, although the list is intended to be neither prescriptive nor exhaustive; based on the principles above, it is intended for each individual authority to consider whether a project should be eligible under the provision. The examples from the guidance are summarised below:

- Sharing back-office and administrative services with one or more other council or public sector bodies.
- Investment in service reform feasibility work, e.g., setting up pilot schemes.
- Collaboration between local authorities and central government departments to free up land for economic use.
- Funding the cost-of-service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation.
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations.
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training.
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
- Integrating public facing services across two or more public sector bodies (for example children's social care or trading standards) to generate savings or to transform service delivery.

7.0 THE COUNCIL'S PROPOSALS 2025/26

7.1 The Council intends to use its capital receipts flexibility to fund or part fund savings connected to its Fit for the Future process with the aim of successfully delivering priority outcomes for the Lancaster district whilst at the same time achieving long-term sustainability of finance and resources.

7.2 Within the revenue budget proposals for 2025/26 there are a number of savings and workstreams which underpin the corporate programmes listed in table 1 below. These programmes cover a wide range of areas such as the review of service operating models exploring opportunities around the increased use digital technologies, income generation as well the principals of Zero-Based Budgeting.

Table 1: Corporate Proposals for 2025/26

Project	Description	Estimated Investment/ Cost	Projected Savings £M
Service Levels & Efficiency	Revisions and rationalisation of levels of service offering efficiency measures, increased commercialisation, and review of income streams	TBC	TBC
Digitalisation	Improvements to residents access reliable advice, consistent information, and efficient Council services Reduce failure demand and help the Council meet high volume, routine transactions in a cost-effective manner. Review the functionality and costs of each ICT system with the objective of maximising the use of the functionality available and reducing the total number of systems used.	TBC	TBC
Alternative Delivery Models & Partnerships	Shared service savings, opportunities, contract reviews & alternative options for achieving outcomes	TBC	TBC
Strategic Asset Management	Improved asset management planning, asset usage reviews, potential disposals, optimising use of operational assets and prospects for energy and carbon reduction measures.	TBC	TBC

7.3 Whilst these broad proposals are underpinned by a number of individual areas of which many are in their infancy and yet to be full costed. However, with all change programmes there will be a need for upfront investment in areas that will deliver capacity and objectivity.

7.4 As has been noted within both the Council's Medium Term Financial Capital Investment Strategies, the way the Council manages its assets will also play a significant part in not only delivering its services to its resident but also identify opportunities to fund both the Fit for the Future process but also its wider capital programme.

7.5 A significant amount of work has been undertaken by Officers to identify suitable assets and table 2 provides summary details of the class of assets currently being marketed by the Council or where a sale is progressing.

Table 2: Assets for Disposal

Assets Currently Marketed 2025/26	**Expected Capital Receipts 2025/26 £M**
Investment Properties	0.635
Other Land & Buildings	0.000
Estimated Value of Applicable Capital Receipts	**0.635**

7.6 It should be noted that whilst only £0.635M of Capital Receipts are currently expected in 2025/26 there are 2 property sales in progress totalling £1.780M that are aiming for completion on 31st March 2025. Should these sales fail to complete before the end of this financial year these will slip into 2025/26 and could bring the value of applicable capital receipts up to £2.415M.

8.0 IMPACT ON PRUDENTIAL INDICATORS

8.1 As referenced in paragraph 5.3, forecast capital receipts from 2025/26 onwards have not been factored into the Council's Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure. The use of these receipts under this flexibility will, therefore, have no effect on the Council's Prudential Indicators.

9.0 MONITORING OF THE 2024/25 STRATEGY

9.1 The directive requires that progress against the strategy is reported and table 3 below summaries the level of savings identified as part of the 2024/25 budget process, with progress reported on a quarterly basis to Cabinet and B&PP as part the standard Delivering our Priorities quarterly reporting cycle.

Table 3: Savings Monitoring

Project	**Description**	**Estimated Savings £'M**	**Latest Savings £'M**	**Variance £'M**
Service Levels & Efficiency	Revisions and rationalisation of levels of service offered efficiency measures and review of income streams	0.988	0.277	0.711
Alternative Delivery Models & Partnerships	Shared service savings, opportunities, contract reviews & alternative options for achieving outcomes	0.026	0.026	0.000
Organisational Structure & People	Senior leadership restructure, establishment review to ensure fitness for purpose, alignment with desired strategic outcomes, deletion of vacant posts	0.219	0.219	0.000
Strategic Asset Management	Improved asset management planning, asset usage reviews, potential disposals, optimising use of operational assets and prospects for energy and carbon reduction measures.	0.000	0.000	0.000
Total		**1.233**	**0.522**	**0.711**

9.2 To date £0.522M of the £1.233M (42%) of the savings identified within the 2024/25 budget are expected to be achieved with associated eligible costs of £0.220M. The Council expects to receive £1.933M of associated capital receipts which would be available to cover eligible expenditure. This is greater than the estimated level of costs incurred however, 2 property sales totalling £1.780M are expected to complete on 31st March and if these do not complete by that date, available capital receipts would only be £0.153M. Should this happen available receipts will be lower than the estimated level of cost incurred and result in an additional cost pressure on the revenue budget of £0.067M. Table 4 below summaries the associated eligible costs, capital receipts received and the overall impact on the Councils General Fund.

Table 4: Eligible Costs and Capital Receipts

Eligible Costs Incurred 2024/25	**£'M**
Statutory Redundancy	(0.040)
Pension Strain	(0.180)
Total Eligible Costs	**(0.220)**
Capital Receipts Received April to December 2024/25	**£'M**
Drainage easement at Brookhouse	0.045
Misc Vehicle Sales	0.004
Grants Clawed back	0.004
Expected Capital Receipts Q4	1.880
Total Expected Capital Receipts	**1.933**
Impact on the Council's General Fund	**0.220**

10.0 DETAILS OF CONSULTATION

10.1 The Council has undertaken substantial consultation including public briefings and a survey in establishing its overall budget proposals for 2025-26 onwards. This Strategy contributes to the delivery of those proposals by making use of the financial flexibility available to the Council in implementing its Fit for the Future approach.

11.0 OPTIONS AND OPTIONS ANALYSIS (including risk assessment)

Option 1: Adopt the Strategy
Advantages The Council will be able to make use of the Flexible Capital Receipts provision in delivering its Fit for the Future programme.
Disadvantages None identified from this report.
Risks Capital receipts, savings and transformation benefits may not be realised as anticipated in the Strategy; the associated risks will be mitigated through the implementation of the Fit for the Future programme.
Option 2: Do not adopt the Strategy
Advantages None identified from this report.
Disadvantages The Council will be unable to consider funding savings initiatives and service transformation through use of capital receipts, and may therefore be unable to achieve the savings, outcomes and benefits anticipated from these projects.
Risks

Not adopting a Flexible Use of Capital Receipts Strategy at this point would severely constrain the Council's ability to deliver its Fit for the Future programme.

13.0 OFFICER PREFERRED OPTION

13.1 The officer preferred option is Option 1, to enable the Council to make use of the Flexible Capital Receipts provision in supporting its savings and service transformation initiatives over the coming years.

14.0 CONCLUSION

14.1 This report, if approved, will enable the council to use capital receipts to fund savings and service transformation initiatives. Failure to adopt a Flexible Use of Capital Receipts Strategy will severely constrain the council's ability to pursue these initiatives.

RELATIONSHIP TO POLICY FRAMEWORK

If adopted, the Flexible Use of Capital Receipts Strategy would form part of the council's Policy Framework. From a strategic perspective, enabling the use of capital receipts to deliver savings and service transformation initiatives will give the council scope to pursue its Outcomes-Based Resourcing programme with greater flexibility and effectiveness.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

No direct impact arising from this report. All initiatives supported by flexible use of capital receipts will be considered for their impact as appropriate.

FINANCIAL IMPLICATIONS

As outlined in the report, forecast capital receipts generated during the year will be used flexibly in compliance with the requirements of the Secretary of State to support projected savings identified as part of the Outcomes-Based Resourcing/ Fit for the Future process. Use will be determined by the s151 officer to ensure both eligibility and the impact on the Council's overall revenue and capital financing position.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has authored this report and his comments are reflected within it

LEGAL IMPLICATIONS

The Local Government Act 2003 ("the Act"), section 15(1) requires a local authority "… to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify …

". Two codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) contain guidance on capital receipts and local authority accounting that complement the Department for Levelling Up, Housing and Communities (DLUHC) guidance. These publications are:

- The Prudential Code for Capital Finance in Local Authorities
- The Code of Practice on Local Authority Accounting

Local authorities are required to have regard to the current edition of The Prudential Code for Capital Finance in Local Authorities by regulation 2 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and to the Local Authority Accounting Code as proper practices for preparing accounts under section 21(2) of the Act.

MONITORING OFFICER'S COMMENTS	
The Monitoring Officer has been consulted and has no further comments to add.	
BACKGROUND PAPERS **<u>Council</u>** **Revenue Budget 2024/25** Agenda for Council on Wednesday, 28th February 2024, 6.00 p.m. - Lancaster City Council **FUCRD 2023/24** Agenda for Council on Wednesday, 15th March 2023, 6.00 p.m. - Lancaster City Council	**Contact Officer:** Paul Thompson **Telephone**: 01524 582603 **E-mail:** pthompson@lancaster.gov.uk **Ref:** N/A

CABINET

Review of Lancaster City Council Housing Allocation Policy
Cabinet meeting 11th February 2025
Report of Chief Officer Housing and Property

PURPOSE OF REPORT

To seek approval for the reviewed Housing Allocation Policy, which sets out the Council's approach to the allocations and lettings of Council accommodation and that of partner Registered Providers with whom nomination agreements exist.

Key Decision	X	Non-Key Decision		Referral from Cabinet Member	
Date of notice of forthcoming key decision	16th December 2024				
This report is public					

RECOMMENDATIONS OF CAROLINE JACKSON

(1) That the revised Housing Allocation Policy (as set out in this report and shared as a background paper) be adopted

1.0 Introduction

1.1 The requirement for all Local Authorities in England to have an allocation policy is contained within Part VI of The Housing Act 1996. The amendment through the Localism Act 2011 gave Councils the power to change their Housing Allocation Policies to support better management of waiting lists to meet local housing needs.

1.2 The Act provides that every local housing authority in England must have an allocation policy, which sets out the criteria and procedure for the allocation of social housing and nominations for to housing associations in the district. The Council will only admit those applicants for housing who meet the necessary eligibility criteria and who qualify on to its housing register.

1.3 There are a limited number of social housing units available each year and the demand outweighs supply. The key features of the policy are summarised as follows;

- Provides a fair and transparent system by which people are prioritised for social housing
- Helps those most in need of housing including homeless households
- Makes better use of the Council's housing stock
- Promotes the development of sustainable mixed communities

1.4 Section 166A (3) of the Act imposes a mandatory requirement on local authorities to ensure that their allocation schemes are framed so as to secure that reasonable preference is given to the following categories of persons;

- People who are homeless (within the meaning of part 7 of the Housing Act 1996. This includes applicants who are intentionally homeless.
- People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions.
- People who need to move on medical or welfare grounds (including any grounds relating to disability)
- People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)

1.5 Priority can be given, and allocations can be made to, categories of applicants who do not fall within the reasonable preference groups (for example current tenants who are under-occupying their current homes). However, we must ensure that the reasonable preference requirement is met, and we must ensure that any locally-determined priority categories do not dominate the Policy such that the statutory reasonable preference categories have relatively little chance of being rehoused.

2.0 Context and background

2.1 The Council's existing Housing Allocations Policy was last reviewed in 2020. A review is now required to ensure that the policy is in line with most recent guidance and continues to reflect local priorities. This 2024 review is 'light touch' and focusses on small changes and updates rather than the more comprehensive review carried out in 2020.

2.2 Many of the local challenges identified during the 2020 review remain relevant, such as;

- The numbers of cases presenting as homeless and the requirement for temporary accommodation this creates
- Continued increased demand for housing across the district and the pressure this places on limited social housing stock

2.3 In reviewing the policy local factors were taken into consideration, and guidance was followed from the Ministry of Housing, Communities and Local Government (MHCLG)[1] and from other sources of current policy guidance in the social housing sector including the Housing Quality Network.

3.0 Proposed Changes

3.1 The following additions have been made to the policy:

- 3.3.1 Local Connection addition reads: "They are a victim of domestic abuse who wants to move to the Lancaster district to escape violence or harm". Previously, local connection only applied where an applicant had *already fled* to the district.
- 3.3.1 Local Connection addition reads: "Any gap in a person's residence, which is not of their own choice (i.e. being detained in prison or under the Mental Health Act), will be disregarded". This relates to the qualifying period of time with regard to local connection. Previously this gap would count against the applicant's period of residence in the district.

[1] Allocation of accommodation: guidance for local authorities - Guidance - GOV.UK

3.2 The following amendments have been made to the policy:

- 3.3.1 Local Connection
  Previously read:
  "Is serving in the Regular Armed Forces or has served in the previous five years."
  Amended to:
  "Is serving or has served in the Regular Armed Forces."
- 3.3.1 Local Connection
  Previously read:
  "Is a social housing tenant in another Local Authority area who is needing to move to the Lancaster district to take up employment or apprenticeship opportunity within the district."
  Amended to:
  "Is a resident in another Local Authority area who needs to move to the Lancaster district to take up employment or apprenticeship opportunity within the district."
- 3.13 Assessing Medical Priority
  Band C: Medium housing need 10-15 medical points
  Previously read:
  "Alternative housing is required to prevent a significant and serious deterioration to their health and wellbeing in the short/ medium term (within 2 years)."
  Amended to:
  "Alternative housing is required to prevent a significant and serious deterioration to their health and wellbeing in the short/ medium term."

3.3 In line with Government guidance an amendment was considered that, when considering bedroom allocations, as a minimum, a single bedroom is suitable for a pair of adolescents, aged 10-20 years, of the same sex. Lancaster City Council's current allocation policy states that a single bedroom is suitable for two children of the same sex, under 16. Following internal consideration, and feedback through the consultation process, it was decided not to increase the suitable age for two children of the same sex to share a bedroom.

4.0 Details of Consultation

4.1 The consultation process began on 4th November 2024 and ran until 18th December 2024.

4.2 A phase 1 online consultation sought feedback on the current policy and any key areas we should be considering. This was circulated to key stakeholders including Ward Councillors, partner agencies across the district, and the council housing Tenant Voice group and other tenant and resident groups. Feedback was collated and informed phase 2 of the consultation

4.3 A phase 2 in person consultation event sought feedback on the changes proposed by the council following internal research and discussion, and feedback from the phase 1 consultation. This included circulation of a new draft policy, highlighting of proposed changes, and an opportunity to raise key concerns, questions or comments. The invitees for this event were Ward Councillors, partner agencies, current housing tenants and all current housing applicants.

4.4 A phase 2 online consultation which offered a final opportunity for those not attending the in-person event to provide feedback and have input into the re-drafted policy.

4.5 All consultees received feedback on the outcomes of the consultation

4.6 The final version of the policy included with this report takes into account all comments and feedback received during the two phases of consultation.

5.0 Options and Options Analysis (including risk assessment)

	Option 1: That the proposed allocation policy be adopted	**Option 2:** That the proposed allocation is not adopted
Advantages	Ensures the service is operating the allocation of council dwellings in a way which reflects current guidance, helps to deliver on local objectives, and is legally compliant	None
Disadvantages	None	An alternative approach to reviewing and developing a new allocation policy would need to be proposed which delivers the required policy framework
Risks	None	The Council continues working to the old version which requires update and doesn't reflect the necessary changes referred to in section 3.

6.0 Officer Preferred Option (and comments)

6.1 Option 1. The proposed allocation policy has been developed to reflect current requirements and guidance and has been the subject of legal review to ensure legislative compliance.

7.0 Conclusion

7.1 The allocation of council dwellings is carried out in an environment which creates a number of challenges, chiefly an under-supply of quality, affordable housing within the district.

7.2 Lancaster City Council's Housing Allocation Policy must support delivery of an allocations service which is fair and transparent, and responsive to the housing needs of applicants, whilst making best use of limited housing stock.

The proposed policy set out in this report is designed to balance these competing factors.

RELATIONSHIP TO POLICY FRAMEWORK

The Housing Allocation Policy is a statutory policy which sets out the Council's approach to the allocation and lettings of council homes. It is aligned with the wider district Tenancy Strategy produced and published by the Council.

CONCLUSION OF IMPACT ASSESSMENT
(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

Equality Impact Assessment included at Appendix A

LEGAL IMPLICATIONS

1. Subject to complying with Part VI of the 1996 Act authorities may allocate housing in any manner they consider appropriate, having regard to the guidance issued by the Secretary of State (the primary guidance document is referenced at the foot of p.2 of this policy; additional guidance may be found at Social housing allocations guidance - GOV.UK). Regard must also be had to the Homelessness code of guidance for local authorities - Guidance - GOV.UK. This policy takes into account the relevant guidance.
2. In addition to the requirement to have an allocations policy the Council must also publish information about it.
3. Any policy should be kept under review, and amended where appropriate, for the reasons summarised at para 2.1.
4. As a general principle the Council must follow its policy and relevant guidance (unless it has good reasons to depart from it), and failure to do so may give rise to a public law challenge.
5. A specialist housing solicitor, working in collaboration with the in-house team, has reviewed the draft policy prepared by the Housing & Property service; and is satisfied that the revised Housing Allocation Policy presented for approval is compliant with the relevant legislation and guidance.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report. The process of adopting and implementing the revised policy can be resourced from within existing budgets.

OTHER RESOURCE IMPLICATIONS

Human Resources:

None

Information Services:

None

Property:

None

Open Spaces:

None

SECTION 151 OFFICER'S COMMENTS

The S.151 Officer has been consulted and has no further comments to add

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments to add

BACKGROUND PAPERS Lancaster City Council Housing Allocation Policy Appendix A – Equality Impact Assessment	**Contact Officer:** Pete Linsley **Telephone:** 01524 586873 **E-mail:** plinsley@lancaster.gov.uk

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

HOUSING & PROPERTY

Lancaster City Council

Housing and Property: Council Housing

Housing Allocation Policy

23rd January 2025

Prepared by:	
Effective from	
Approved by	
Review date	
Revision number:	

(01524) 582929

councilhousing@lancaster.gov.uk

1. Introduction and Background

1.1. Introduction

1.1.1. Lancaster City Council must provide a policy on how we allocate residential accommodation from our own stock and from stock held by Private Registered Providers of Social Housing (PRPSH) whom we work in partnership with.

1.1.2. This document sets out Lancaster City Council's Allocation Policy. Lancaster City Council operates a district wide choice-based lettings scheme which is called Ideal Choice Homes. Ideal Choice Homes is the main route into accessing social housing in the Lancaster district.

1.1.3. This Allocation Policy has considered relevant legislation laid down by the UK Parliament, statutory guidance published by the UK Government, regulatory guidance issued by the Regulator of Social Housing (or its predecessor), judgments of the English Courts, and decisions made by the Housing Ombudsman or the Local Government and Social Care Ombudsman. The legislative provisions and guidance consulted include:

- Housing Act 1996, Part 6
- Allocation of Housing (Procedure) Regulations 1997
- Allocation of accommodation: guidance for local housing authorities in England (2012)
- Allocation of Housing and Homelessness (Review Procedures) Regulations 1999
- Allocation of Housing (England) Regulations 2002
- Allocation of Housing and Homelessness (Eligibility) (England) Regulations 2006
- Allocation of Housing and Homelessness (Miscellaneous Provisions) (England) Regulations 2006
- Allocation of Housing (Qualification Criteria for Armed Forces) (England) Regulations 2012
- Housing Act 1996 (Additional Preference for Armed Forces) (England) Regulations 2012
- Providing social housing for local people (2013)
- Right to Move and social housing allocations (2015)
- Allocation of Housing (Qualification Criteria for Right to Move) (England) Regulations 2015
- Homelessness Reduction Act 2017
- Improving access to social housing for victims of domestic abuse (2018)
- Improving access to social housing for members of the Armed Forces (2020)
- The Regulator of Social Housing's Tenancy Standard

(As amended/updated. The dates specified relate to the date originally enacted/published.)

1.1.4. A summary version of this policy is available on request. This policy will be reviewed on an annual basis by the Housing Allocation Review Steering Group to monitor its effectiveness.

1.2. Aims and Objectives

- To promote balanced and sustainable communities
- To meet the legal requirements for the allocation of social housing
- To make the best use of social housing stock in the district
- To allocate homes in a way that is compatible with the purpose, design or designation of the home.
- To tackle under-occupancy in social housing

- To improve the availability of accommodation for applicants with a local connection, and to facilitate their moving on from supported housing schemes in the district
- To reduce and prevent homelessness in the district.
- To provide a Choice Based Lettings scheme that allows choice, is accessible to all and is fair, transparent and accountable.
- To prevent and tackle tenancy fraud.
- To have a fair, reasonable, simple and accessible appeals process for allocation decisions.

1.3. Equal Opportunities

1.3.1. Lancaster City Council is committed to promoting equality, combating discrimination, and promoting balanced communities. We will ensure that discrimination does not take place in the allocation of properties and the service we provide.

1.3.2. Lancaster City Council is committed to:

- Making sure our services, and how they are delivered, meet the diverse needs of the local people.
- Making sure our buildings are as accessible as possible.
- Providing information about our services in accessible formats
- Promoting balanced communities
- Challenging unfairness and discrimination
- Engaging with all local communities to ensure their needs are identified and met.
- Valuing the important contribution the community and voluntary sector make to the Lancaster district.
- Working in partnership with other local authorities and PRPSHs to share good practice and promote a consistent approach.
- Actively seeking feedback to continually develop and improve our approach.

1.3.3. Lancaster City Council will regularly review its practices, policies, staff training and monitoring arrangements to ensure that applicants are treated fairly, regardless of their gender, age, ethnicity, disability, religion or belief or sexual orientation and that allocations are made in line with this policy on a non-discriminatory basis.

1.3.4. Lancaster City Council is subject to the public sector equality duty under the Equality Act 2010. When formulating this policy (and associated procedures and protocols) the following arrangements will be considered for each individual application and property:

a) Advertising opportunities for housing in a way, or variety of ways, which is accessible to potential applicants.
b) A property's accessible features being advertised.
c) A mechanism to identify the requirements of disabled applicants.
d) A mechanism to allow extra time for applicants with a disability if they need it.
e) A mechanism for providing support in making applications if it is needed.

1.3.5. This policy has been subject to an Equality Impact Assessment.

1.4. Data Protection and Information Sharing

1.4.1. Lancaster City Council is registered under the Data Protection Act 2018. The data provided on the application form will be held primarily for the purpose of allocating housing. Lancaster City Council has a legal duty to protect the public money it administers. As part of this duty, we take part in a National Fraud Initiative, a nationwide drive to reduce the amount of public money lost each year due to fraud. As a result, information applicants provide on their application may be shared with other bodies responsible for auditing or administering public funds. For further information see Lancaster City Council's website, contact Customer Services on (01524) 582000 or email nfi@lancaster.gov.uk.

1.4.2. Applicants can request a copy of all the information held about them, to which the Data Protection Act applies. Any request should be made in writing to Lancaster City Council, Dalton Square, Lancaster, LA1 1PJ.

1.4.3. There are several PRPSH who are partners in the Ideal Choice Homes scheme. If you bid or are nominated for a property that is owned by one of our PRPSH partners, then they may be provided with a copy of your application, and we will share any relevant information regarding your application with them.

1.4.4. Confidential information held about applicants will not be disclosed to third parties apart from:

- Where the individual has consented to the disclosure
- Where we are required by law to make such a disclosure
- Where disclosure is made in accordance with a recognised information sharing protocol or for reasons of public protection.

1.4.5. Lancaster City Council is subject to the information disclosure requirements of the Data Protection Act 2018. The administration of this Policy will ensure compliance with this legislation. For further information please refer to Lancaster City Council's Data Protection and Privacy Policy & Procedures (https://www.lancaster.gov.uk/assets/attach/517/data-protection-policy.pdf). Applicants will be advised of their right to make a complaint to the Office of the Information Commissioner (IOC) if they believe Lancaster City Council has failed to fulfil its obligations and responsibilities under the Data Protection Act 2018. Concerns can be reported by telephoning the IOC's helpline on 0303 123 1113 or online at https://ico.org.uk/concerns/.

1.5. Exceptional Circumstances

1.5.1. In exceptional circumstances Lancaster City Council reserves the right to depart from any aspect of this policy. The exercise of such discretion will be monitored to ensure that it is properly exercised within extremely limited bounds. Discretion will be exercised only by senior officers. A separate document ('Exercising discretion when Making Lettings Decisions') details the procedure for exercising discretion. This is available on request.

2. Applying to join Ideal Choice Homes

2.1. Making an application

2.1.1. Applicants need to complete an Ideal Choice Homes application to join the Lancaster Housing Register. The form can be completed online at www.idealchoicehomes.co.uk

2.1.2. If an applicant is unable to complete an online form or requires assistance, they should contact the Ideal Choice Homes team by telephoning (01524) 582005 or in person at Lancaster or Morecambe Town Hall. We can provide bespoke assistance to applicants who are unable to complete an online form or require help to do so. There are computers with internet access available at Lancaster and Morecambe Town Hall that applicants can use to make an application. Applicants can also access the internet for free at libraries throughout the Lancaster district.

2.1.3. All applicants who complete an application will make a declaration confirming that the information given is correct, and that they will notify Ideal Choice Homes of any change of circumstances; and confirm their consent to:

- Enquiries being made concerning eligibility for housing or priority. This may involve checks with the Home Office, Land Registry, Police, Probation Service, Social Services and other council departments.
- Allowing their information to be provided to a partner PRPSH in the scheme.
- Contact being made with their current or previous landlord(s) to provide information relating to their tenancy conduct.

2.1.4. Once an application is received, along with the supporting documentation required, an assessment will be made to see if an applicant is eligible and qualifies to join the Lancaster Housing Register.

2.1.5. Applicants with complex needs who are struggling to provide supporting documentation, such as proof of identification or income, can be provided with bespoke assistance to obtain this, so it does not prove an obstacle to being able to access social housing.

2.1.6. Applications will be processed within a reasonable period and applicants will be notified in writing of the outcome of their application within 21 days of making it and providing all the necessary supporting documentation.

2.2. What is a Household?

2.2.1. ‘Household’ means any other person who normally resides with the applicant as a member of his/her family, or any other person who might reasonably be expected to reside with the applicant.

2.2.2. If we receive a request to add a person to an application, we will usually require documentary evidence to confirm that they are or could reasonably be expected to be a permanent member of that household. We would normally expect that they have resided with the applicant for a minimum 12-month period to be an established household, unless there are reasons why a shorter timeframe should be considered.

2.2.3. If an applicant wishes to include a child on their application, that they do not have parental responsibility for, they will need to provide documentation which demonstrates that the child is expected to reside with them on a permanent basis e.g. residency order, special guardianship order. We may contact Social Services to verify any information provided.

2.2.4. A person can only be included on one application. You cannot be included as a member of a household on more than one application.

2.3. Giving false information

2.3.1. It is a criminal offence for anyone applying for housing, from a housing authority, to knowingly give false information or to withhold information which is relevant to their application. An offence is also committed if an applicant allows a third party to provide false information on their behalf.

2.3.2. Ground 5 in Schedule 2 of the Housing Act 1985 (as amended by s.146 of the 1996 Act) enables a housing authority to seek possession of a tenancy granted because of a false statement by the tenant or a person acting at the tenant's instigations.

2.3.3. Applicants who knowingly withhold information or mislead the local authority when making their application the council's intention will be to prosecute applicants under the Fraud Act 2006 and/or Forgery and Counterfeiting Act 1981.

3. Assessing Applications

3.1. Assessing applications to join the Lancaster Housing Register

3.1.1. Lancaster City Council will consider all applications that we receive. When considering applications, we will ascertain whether:

- The applicant is eligible for an allocation of accommodation, and
- If they qualify for an allocation of accommodation

3.2. Eligibility to join the Lancaster Housing Register

3.2.1. All applications will first be assessed to see if they are eligible for an allocation of accommodation and therefore able to join the Housing Register.

3.2.2. Under s160ZA of the Housing Act 1996, certain persons are ineligible to receive an allocation of housing.

3.2.3. The following classes of persons will be eligible to join the Housing Allocation Scheme:

- British citizens (constituting the nations of England, Scotland and Wales).
- Commonwealth citizens with a right of abode in the UK immediately before 01 January 1983 who have remained commonwealth citizens throughout (excluding non-British citizens from Pakistan and South Africa, but inclusive of citizens from Gambia and Zimbabwe).
- Irish citizens (constituting the nations of Northern Ireland and Republic of Ireland). From 24 August 2020 this will extend to a person who have limited leave to enter or remain in the UK as a family member of a person of relevant person of Northern Ireland, and that family member has been resident in the UK and a family member for at least five years, or the person of Northern Ireland is a worker, self-employed, self-sufficient, student, or have the right of permanent residence in the UK
- Isle of Man citizens.
- Channel Islands citizens.
- EEA nationals with extended rights of residence:
    - Jobseekers.

- Workers.
- Self-employed persons.
- Self-sufficient persons.
- Students.
- Family members of the persons referred to above.

- EEA nationals with permanent rights of residence:
  - EEA nationals in UK for a continuous period of five years.
  - Family members of the persons referred to above.
  - Workers or self-employed persons who have ceased activity.
  - Family members of the persons referred to above.
  - Persons who were a family member of the persons referred to above who has died and resided with them previously.
- Persons exempt from immigration control (e.g. diplomats and their family members based in the UK and some military personnel).
- Persons granted refugee status by the UK Government.
- Persons granted exceptional leave to enter or remain in the UK with condition that they and any dependents have recourse to public funds (e.g. humanitarian or compassionate circumstances).
- Persons with current leave to enter or remain in the UK with no condition or limitation, and who are habitually resident in the Common Travel Area (a person whose maintenance and accommodation is being sponsored must be resident in the Common Travel Area for five years since date of entry or date of sponsorship, unless the sponsor has died).
- Persons who have humanitarian protection granted under the Immigration Rules (e.g. a person whose asylum application has failed, but they face real risk of harm if they returned to their state of origin).
- Persons who are Afghan citizens with limited leave to enter or remain in the United Kingdom, who are habitually resident in the Common Travel Area.
- From 24 August 2020, persons who are habitually resident in the Common Travel Area and who have been granted leave to remain as a stateless person under Immigration Act 1971.

3.2.4. The following classes of person will not be eligible to join the Housing Allocation Scheme:

- Persons not habitually resident in the Common Travel Area, which consists of:
  - United Kingdom of Great Britain & Northern Ireland.
  - Republic of Ireland.
  - Isle of Man.
  - Channel Islands (Guernsey & Jersey).
- EEA nationals (job seekers or their family members) who have only an:
  - Initial right of residence for 3 months.
  - Derivative right of residence because the person is the primary carer of a British citizen.
  - Right to reside because of the persons deportation, expulsion or other removal by compulsion of law from another country to the UK (including EEA nationals exercising EU Treaty rights, who were previously settled in the UK prior to deportation).
- Persons whose only right to reside in the UK is an initial right for no more than 3 months, including those who would become an unreasonable burden on the social assistance system of the UK.
- Persons who are excluded by section 115 of the Immigration and Asylum Act 1999 to entitlement to universal credit under Part 1 of the Welfare Reform Act 2012 or to housing benefit.
- Other persons whom the Secretary of State deems to be ineligible for an allocation of housing accommodation.

3.2.5. A joint tenancy cannot be granted to two or more people if any one of them is not eligible for an allocation. If one person is eligible, a tenancy may only be granted to the eligible person.

3.2.6. Eligibility provisions do not apply to applicants who are already secure, introductory, or assured tenants of a Registered Provider seeking to transfer. Confirmation of immigration status of an applicant from abroad will be obtained, where necessary, from the Home Office by emailing: EvidenceandEnquiry@homeoffice.gsi.gov.uk

3.2.7. Even when a person is eligible for an allocation of social rented housing, only persons who are habitually resident in the Common Travel Area will be eligible for an allocation. The following tests will be carried out to confirm if an applicant is habitually resident:

- The degree of permanence in the person's residence in the United Kingdom of Great Britain and Northern Ireland, Republic of Ireland, Isle of Man or the Channel Islands.
- The association between a person and the place of residence.
- Whether a person has accumulated a continuous period of residence prior to making their application.
- Visits abroad for holidays or to visit relatives and other temporary periods of absence will be disregarded.
- Exemptions from the habitual residence test include EEA nationals and their family members who are workers or self-employed, or have certain permanent rights of residence, or have been removed from another country to the UK.

3.2.8. Persons who are subject to immigration control or are an ineligible person from abroad, will not be eligible for an allocation of social rented housing.

3.2.9. The Housing Allocation Scheme administrators will carry out appropriate checks on an applicant's eligibility to be allocated social rented housing but will ensure these checks are not discriminatory based on race, nationality, ethnic origin, or any other protected characteristic as defined by the Equality Act 2010. The Local Authority will monitor performance in screening housing applications for immigration status to ensure that members of ethnic minorities, who are eligible for an allocation of social rented housing, do not experience unreasonably long delays while their application is being considered. Where there is any uncertainty about an applicant's immigration status, housing allocation administrators shall contact the Home Office. Before doing so, applicants will be advised that such inquiries will be made to comply with data protection legislation. The administrators will be given training about housing allocation law and practice and the duties and responsibilities under the Equality Act 2010. Administrators shall ensure that language and interpretation support is available for applicants who have difficulty reading or speaking English.

3.2.10. The Local Authority is not subject to the duty arising from the Immigration Act 2014, part 3, chapter 1, to carry-out a 'right to rent' check on each letting. The Local Authority will only perform checks on the eligibility of any applicant, as per sections 3.2.3 – 3.2.9 of this Procedure.

3.3. Qualifying to join the Lancaster Housing Register

3.3.1. If an applicant is eligible to join the Lancaster Housing register, they will also need to qualify to join. The following qualification criteria will not apply to applicants who are accepted by the Local Authority as homeless and who we have a statutory duty to rehouse.

3.3.2. If an applicant makes a joint application, both parties to the joint tenancy must individually qualify to join Ideal Choice Homes and be eligible for an offer, or to bid for a property. If a joint tenancy is refused, a clear reason will be provided to the applicants in writing. Applicants can request a review of the decision if required.

3.3.3. In certain circumstances, joint tenancies may be granted to more than two people.

3.3.4. At the point of application, checks will be made to ascertain whether an applicant meets the qualification criteria. Once an application is included on the housing register, additional checks may be made to ensure that they continue to meet the qualification criteria. In addition, if an applicant is made an offer of accommodation additional checks may be undertaken by the social housing provider to ensure that they satisfy the qualification criteria.

3.4. Local Connection

3.4.1. If an applicant does not have a local connection to the Lancaster district, then they will not qualify to join the Housing Register. This will apply to all applicants on the housing register and may mean that existing applicants on the housing register will no longer qualify to remain on the housing register.

3.4.2. A local connection means that one or more of the following statements applies to the applicant:

- Lived continuously in the Lancaster district for the previous three years.
- You have previously lived in the Lancaster district for a minimum of 15 consecutive years. If this is the only local connection criterion that applies, then the applicant will be placed in Band E, regardless of whether any other factors in a higher band apply.
- Residence in a hospital, prison, residential school, student accommodation (where it is not their principal home), approved premises, residential rehabilitation facilities, supported accommodation and recovery house does not gain a local connection.
- Worked or provided a community contribution in the Lancaster district for the previous three years.
- Is serving or has served in the Regular Armed forces.
- Is a bereaved spouse or civil partner of a member of the Armed Forces and is having to leave Services Family Accommodation.
- Was previously living in Services Family Accommodation but is having to leave due to a relationship breakdown with a member of the Armed Forces
- Is an existing or former member of the reserve forces who are suffering from a serious injury, illness or disability which is wholly or partly attributable to their service.
- Is an adult child of service personnel who are no longer able to remain in the family home due to the impact of their family moving from base-to-base.
- Is resident in another Local Authority area who needs to move to the Lancaster district to take up employment or apprenticeship opportunity within the district.
- Is a social housing tenant who has a need to move to the Lancaster district to avoid hardship.
- Close family (i.e. mother, father, adult sibling or adult child), who currently live in the Lancaster district and have done so for the previous five years. If this is the only local connection criterion that applies, then the applicant will be placed in Band E, regardless of whether any other factors in a higher band apply.

- They have a continuing caring responsibility for someone who is resident in the Lancaster district, and that this care could not be provided unless they were resident in the district.
- They have moved to the Lancaster district to escape violence or harm.
- They are a victim of domestic abuse who has fled to the Lancaster district.
- They are a victim of domestic abuse who wants to move to the Lancaster District to escape violence or harm.
- Applicants from the travelling community who do not have a local connection to another local authority area.
- Asylum seekers who are granted refugee status or other form of leave (Exceptional leave to remain, humanitarian protection and discretionary leave) and were living in Home Office accommodation in the Lancaster district at the time their asylum claim was determined.
- They are a care leaver who has been looked after by Lancashire County Council and after care duties still apply under s.23C of the Children Act 1989.
- They are a care leaver aged under 21 who reside in the Lancaster district and have done so for at least two years, including some time before they turned 16.
- They need to be near special medical or support services which are only available in the Lancaster district.

3.4.3. Any gap in a person's residence, which is not of their own choice (i.e. being detained in prison or under the Mental Health Act), will be disregarded.

3.4.4. The only exception to this will be applicants who wish to move into and are eligible for, Independent Retirement Living (flatted accommodation only), where they will be placed in Band E and only be able to bid on this type of accommodation. See Appendix A for the local lettings plan for Independent Retirement Living Accommodation, which includes eligibility criteria.

3.4.5. The council may, in certain circumstances, agree some reciprocal arrangements with neighbouring authorities which may involve local lettings plans being entered into that will define an area outside the district boundary. This will only apply in limited circumstances, to meet local need and under duty to co-operate arrangements with other district councils.

3.5. Financial Resources

3.5.1. If the applicant has sufficient financial resources to rent privately or purchase a suitable property in the Lancaster district, then they will not qualify to join the Housing Register. If an applicant's circumstances change then they can make a new application, and a new assessment can be made. Any compensation for an injury or disability sustained on active service with the Armed Forces or Reserve Forces will be disregarded when calculating financial resources. Any mesne profit debts accrued by occupants of service families accommodation will be disregarded, subject to them providing a copy of their notice to vacate or Certificate of cessation of Entitlement to Service Families Accommodation (the Local Authority may contact the Ministry of Defence Loss of Entitlement team by emailing DIORDAccn-LOETeam@mod.gov.uk with any queries about the status of such applicants. Any applicant who has over £30,000 in savings will not be eligible to join the Housing Register.

3.5.2. If an applicant(s) needs one bedroom and has a gross household income of over £40,000 (excluding any benefits or tax credits), then they will not qualify to join the Housing Register.

3.5.3. If an applicant(s) needs two bedrooms and has a gross household income of over £50,000 (excluding any benefits or tax credits), then they will not qualify to join the Housing Register.

3.5.4. If an applicant(s) needs three or more bedrooms and has a household income of over £60,000 (excluding any benefits or tax credits), then they will not qualify to join the Housing Register.

3.5.5. The only exceptions to this will be applicants who require specialist fully adapted accommodation or Independent Retirement Living Accommodation (flatted accommodation only). These applications will be assessed on a case-by-case basis by the Choice Based Lettings Manager.

3.6. Owner-Occupiers

3.6.1. If an applicant owns, has an interest in a property or has signed over a property to someone else or sold a property in the previous five years, then they will not qualify to join the Housing Register.

3.6.2. This will apply to properties owned or previously owned both within and outside the United Kingdom.

3.6.3. The only exceptions to this will be:

- Where the applicant is requiring Independent Retirement Living Accommodation (flatted accommodation only).
- Where the applicant has a high medical award (25 or more points), and it is unreasonable for them to remain in their current accommodation on medical grounds and/or their housing problem cannot be resolved by adapting their present home or by selling it and purchasing or renting a more suitable home.
- Where the applicant is facing repossession as they are unable to pay the mortgage and there is no equity in the property. All avenues to remain in the property will need to have been exhausted and a possession order granted, for this exception to apply.
- Applicants who have had their property repossessed or sold within the previous five years (due to their property being unaffordable) and they have been left with less than £30,000 in capital from the sale of the property.
- Applicants whose name has been removed from a property as part of a separation or divorce settlement and they have less than £30,000 in capital from any financial arrangement.
- Where the applicant is unable to reside in the property due to domestic abuse and all options to reside safely in the property have been explored.

3.7. Unsuitable Behaviour

3.7.1. If an applicant, or member of their household has behaved in a way that would make them unsuitable to become a social housing tenant, in the opinion of Lancaster City Council, then they will not qualify to join the Housing Register.

3.7.2. Examples of unsuitable behaviour may include, but are not limited to:

- Applicants whose own actions, or the actions of a member of their household, have led to a previous landlord taking action against their tenancy.
- Applicants or members of their household, who have unspent convictions that would make them unsuitable tenants.
- Applicants or members of their household, who have damaged or neglected a current or previous property.
- Applicants or members of their household who have committed domestic abuse.
- Applicants or members of their household who have used a former or current home(s) for immoral or illegal purposes.
- Applicants or members of their household who have caused nuisance, alarm, distress or annoyance to their neighbours or local community.

3.7.3. Before a decision is made on whether they qualify to join the Housing Register under these criteria, applicants will be contacted and advised to provide further information in relation to this unsuitable behaviour and details of any mitigating circumstances. Applicants will be given eight weeks to provide this information, and it is their responsibility to provide this. If no information is provided by the applicant, then a decision will be made based on the information (however limited) that we have.

3.7.4. Applicants who do not qualify to join the Housing Register under these criteria will be written to and advised what they need to do to enable them to qualify to join the Housing Register in the future.

3.7.5. To qualify to join the Housing Register, applicants will need to demonstrate that they have taken steps to address their behaviour and would now make a suitable tenant. Prior to any offer being made, further checks will be made to ascertain that there have been no further incidents of unsuitable behaviour.

3.8. Rent Arrears and Housing-Related Debt.

3.8.1. If an applicant has a current tenancy or previous tenancy (within five years) with a private landlord and has rent arrears of more than eight weeks or have consistently not paid any shortfall for an eight-week period, then they may not qualify to join the housing register.

3.8.2. Before a decision is made on whether they qualify to join the housing register under these criteria, applicants will be contacted and advised to provide further information in relation to this. This will include details of the rent due, payments made, income and benefits received and details of any mitigating circumstances.

3.8.3. Applicants will be given eight weeks to provide this information, and it is their responsibility to provide this. If no information is provided by the applicant, then a decision will be made based on the information (however limited) that we have.

3.8.4. Applicants who do not qualify to join the housing register under these criteria will be written to and advised what they need to do to enable them to qualify to join the Housing Register.

3.8.5. To qualify to join the housing register, applicants will need to demonstrate that they have set up a repayment schedule, which has been agreed with their current or previous landlord and kept to this for a 12-month period, unless a shorter time is deemed suitable. Prior to any offer being made, further checks will be made to ascertain that the repayment schedule has been adhered to.

3.8.6. If the applicant has had a previous tenancy with Lancaster City Council or one of our partner PRPSHs within the previous five years and owes more than £1,000 in arrears and/or housing-related debt, then they will not qualify to join the Housing Register.

3.8.7. If the applicant has had a previous tenancy with Lancaster City Council or one of our partner related PRPSHs within the previous five years, and owes more than £250 but under £1000 in arrears and/or housing-related debt, but have made an agreement to repay the debt and has kept to it for a minimum six month period, then they will qualify to join the housing register. Applicants will need to continue to repay the debt in line with the agreement, and checks will be made at offer stage to ensure that the agreement has been adhered to. If applicants have not adhered to the agreement, then they will no longer qualify to remain on the housing register and any provisional offer will be withdrawn. To requalify they will need to have made a new agreement and adhered to it for a minimum three-month period.

3.9. Deliberate Worsening of Circumstances.

3.9.1. Applicants who have deliberately worsened their circumstances, will not qualify to join the housing register.

3.9.2. Examples of this include (but are not limited to):

- Selling a property that was affordable and suitable for their needs.
- Moving into insecure and/or overcrowded accommodation, where there was no good reason to do so.
- Transferring or gifting a property to another family member within the last five years. This will include social housing tenants who have assigned their tenancy to someone else where there was no reason for doing so.
- Where there is evidence that applicants have dispersed or deprived themselves of assets which could have reasonably been used to secure housing within the last five years from the date of application.
- Where an applicant has moved additional family or friends into their property resulting in overcrowded conditions, when suitable accommodation was available for them elsewhere.
- Moving into a property that was not affordable based on their income at the time of signing the tenancy.

3.9.3. Before a decision is made on whether they do not qualify to join the housing register under these criteria, applicants will be contacted and advised to provide further information and details of any mitigating circumstances. Applicants will be given eight weeks to provide this information, and it is their responsibility to provide this. If no information is provided by the applicant, then a decision will be made based on the information (however limited) that we have.

3.9.4. Applicants who do not qualify to join the housing register under these criteria will be advised of this in writing and will be able to make a new application 12 months from the date the decision was made.

3.10. Applicants Who Provide False or Misleading Information

3.10.1. Applicants who have provided false or misleading information on their application, will not qualify to join the Housing Register.

3.10.2. Examples of providing false or misleading information will include but are not limited to:

- Missing out tenancies or addresses from their application form.
- Using a different surname from a previous application and not declaring this.
- Not declaring a property that is owned or previously owned in the UK or abroad.
- Not declaring any unsuitable behaviour
- Not declaring rent arrears and any housing-related debt

3.10.3. Before a decision is made on whether they do not qualify to join the housing register under these criteria, applicants will be contacted and advised to provide further information and details of any mitigating circumstances. Applicants will be given eight weeks to provide this information, and it is their responsibility to provide this. If no information is provided by the applicant, then a decision will be made based on the information (however limited) that we have.

3.10.4. Applicants who do not qualify to join the housing register under these criteria, will be advised of this in writing and will be able to make a new application 12 months from the date the decision was made.

3.11. Current Lancaster City Council Tenants and Other Social Housing Tenants

3.11.1. If an applicant has been allocated a social housing tenancy in the previous 12 months, then they will not qualify to join the housing register. This applies to both introductory tenants and tenants with security of tenure.

3.11.2. This does not apply to moves that took place as a result of a mutual exchange, where the applicant has security of tenure.

3.11.3. If an applicant has been allocated a social housing tenancy in the previous 12 months, then they will not qualify to join the Housing Register. This applies to both introductory tenants and tenants with security of tenure.

3.11.4. This does not apply to moves that took place as a result of a mutual exchange, where the applicant has security of tenure.

3.11.5. The only exception to this will be an applicant who has been awarded exceptional needs status.

3.11.6. If an applicant is a Lancaster City Council tenant or other social housing tenant, then a reference may be sought from their landlord. If they do not meet the qualification criteria, then they will not be eligible to join the housing register.

3.11.7. If a Lancaster City Council tenant or other social housing tenant has rent arrears or any related housing debt, then their application will be deferred until these arrears or housing-related debt is cleared. The only exception to this would be if there is an exceptional or emergency need to move, and their landlord agrees to their tenant moving with outstanding rent arrears and/or other housing-related debt.

3.11.8. Lancaster City Council tenants who need to move from your existing home due to extensive repairs required, regeneration programmes or refurbishment as part of a planned maintenance programme.

3.11.9. If a Lancaster City Council tenant or other social housing tenant has rent arrears, which relate to them being unable to pay the rent due to under-occupying the property, then their application will not be automatically deferred. If the arrears are under £500 and the applicant has been taking all possible steps to address them and their landlord supports this, then they will be permitted to have an active application.

3.12. What application checks are made?

3.12.1. When an application is received, if the applicant meets the qualification criteria, they will need to provide the following documentary evidence:

- Proof that they are eligible for social housing if they are a person from abroad (e.g. proof of immigration status, proof that they are exercising a treaty right)
- Proof that they are habitually resident in the UK.
- Proof of identification for all household members (e.g. passport, driving licence, medical card).
- Proof of address for all adult household members (e.g. driving licence, recent utility bill, recent benefit award letter)
- Proof that any children included on their application reside with them on a permanent basis, (e.g. benefit letter relating to the children, residence order)
- Proof of their household income and any savings
- Proof of no rent arrears or confirmation of the amount of arrears (if applicable)

3.12.2. Applicants may also be required to provide further documentation relating to their application which will be detailed in the relevant sections.

3.12.3. Without documentary evidence, applicants will not be able to be fully assessed and will therefore be unable to bid on properties until this documentation is provided. If the applicant is unable to provide the documentation requested, they should contact a member of the Ideal Choice Homes team to agree other acceptable forms of documentation.

3.12.4. As detailed in section 2.1.3, checks may also be made with an applicant's current or previous landlord, Police, Probation Services, Social Services, Benefits Agency, Home Office or other council department.

3.12.5. If the applicant is successful in bidding on a property, we may carry out additional applicant checks to ensure that they still qualify for an offer of accommodation, that their circumstances have not changed and that they are placed in the correct band. This may include requesting a landlord reference.

3.13. Affordability checks

3.13.1. In addition, if an applicant is successful in bidding on a property the housing provider may require an affordability assessment. This will ensure that the tenancy is sustainable, and the applicant can afford to pay the rent considering their other outgoings. The housing provider will normally require some payment as rent in advance.

3.14. When will a home visit be required?

3.14.1. In certain circumstances it may be necessary to carry out a home visit, to check the housing circumstances are as described on the application form. Applicants are expected to allow council officers access to all parts of their home.

3.14.2. An appointment will be made before a home visit is arranged and all council officers will carry photographic identification. If the appointment is not convenient, the applicant can request one at a more suitable time.

3.14.3. Before an offer of accommodation is made, a home visit may be required to verify an applicant's circumstances and ensure that they are as described on their housing application.

3.14.4. If the applicant does not allow a home visit to take place, this may affect their banding or lead to a property not being offered to them, that they have been successful in bidding for.

3.15. When are applications reviewed?

3.15.1. All applications will normally be reviewed on an annual basis. Applicants will have to state that they wish to re-register and confirm that there have been no changes in their circumstances. If an applicant does not respond to this review request, then their application will be closed. If an applicant is on the assisted bidding list or has additional support needs, that are identified on their housing application, then we will make every effort to contact them before cancelling their application.

3.16. When are applications closed?

3.16.1. An application will be closed from the Housing Register under the following circumstances:

I. If the applicant requests this
II. If the applicant is no longer eligible for an offer of accommodation
III. If the applicant no longer qualifies for an offer of accommodation
IV. When an applicant is housed through Ideal Choice Homes
V. When an applicant completes a mutual exchange
VI. When an applicant fails to comply with the review process
VII. When an applicant moves and fails to update their application with this information
VIII. When the applicant does not respond to a request for further information within 28 days from a reminder letter being sent

3.16.2. In circumstances (II) and (III), the applicant will be notified in writing and informed of the reason why their application has been cancelled and of their right to request a review of that decision.

3.16.3. Should an applicant whose application is cancelled in circumstances (I), (VI), (VII) and (VIII) wish to re-join the Housing Register, they will need to complete a new application, using their previous application number and they will be given a new effective date. However, if an applicant contacts Lancaster City Council within 3 months of their application being closed, and the applicant still qualifies to join the Lancaster Housing Register, the applicant can be reinstated without the loss of their waiting time.

3.17. Changes in circumstances

3.17.1. It is the applicant's responsibility to notify the Ideal Choice Homes team at Lancaster City Council of any changes in their circumstances which could affect whether they qualify or are eligible to join the housing register or their priority for rehousing.

3.18. Ideal Choice Homes banding scheme

3.18.1. All applicants who qualify to join the housing register, will have their applications assessed under the Banding Scheme set out below. There are five bands, and these reflect the applicant's housing need.

- Band A – Emergency housing need.
- Band B – High housing need.
- Band C – Medium housing need.
- Band D – Low housing need.
- Band E – Very low or no housing need.
- Band F - Social and supported housing tenants moving to make the best use of the social housing stock.

3.18.2. Within each band there are several factors. Ideal Choice Homes will consider the facts of your application against each of these factors. If several factors apply to your case, you will be placed in the band containing the highest-ranking factors, within Band A to F.

Band A – Emergency housing need

- You have been assessed by Lancaster City Council as being homeless and in priority need.
- You have been assessed as having an emergency medical need.
- Your home is in emergency disrepair and a prohibition order has been served on your property.
- You are escaping violence or threats of violence of a traumatic event, where there is an immediate and serious risk to the household.
- You have another emergency housing need due to exceptional circumstances, as identified by the local authority, police, health authority or social services.

Band B – High housing need

- You have a high need for rehousing on social or welfare grounds – this is assessed in conjunction with information from another public agency e.g. police or social services.
- You have been assessed as having a high medical need for rehousing.
- You need two or more bedrooms than you currently have.
- You need to move because of a serious injury, medical condition or disability sustained as a result of your service in the armed forces. This will apply up to five years following discharge.
- Your home is in high disrepair.
- You have been assessed as being homeless but not in a priority need category.
- You have been assessed by the council as being intentionally homeless. This will not override the qualification criteria.
- You have been assessed by the council as being threatened with homelessness within 56 days.

- You have been served with a valid section 21 notice that expires in 56 days or less.
- You are currently in a refuge or other safe temporary accommodation for victims of domestic abuse in the Lancaster district.
- You are currently in a refuge or other safe temporary accommodation for victims of domestic abuse outside the Lancaster district, but there are special circumstances as to why you need to be rehoused in the Lancaster district.

Band C – Medium housing need

- You have a medium need for rehousing on social or welfare grounds – this is assessed in conjunction with information from another public agency e.g. Police or Social Services
- You have been assessed as having a medium medical need for rehousing.
- You have two people of different sexes included on your application who are not living together as partners, both aged over 10 who are sharing a bedroom.
- You need rehousing and have served or are serving in the Armed Forces
- You need to move nearer to someone to provide or receive support or to relieve some other hardship which can be addressed by the locality.

Band D – Low housing need

- You are sharing facilities (i.e. bathroom, kitchen, toilet) with family or people you are not related to.
- You have been assessed as having a low medical need for rehousing.
- You live in private rented accommodation.
- You live in a mobile home, caravan, or boat.
- You live in tied accommodation.
- You have a licence to occupy your current accommodation.
- You live in an above ground floor flat and have child(ren) aged under 16.

Band E- No housing need

- You are an owner-occupier who is moving into Independent Retirement Living Accommodation (flatted accommodation only)
- You do not have a local connection but wish to move into Independent Retirement Living Accommodation (flatted accommodation only)
- You are an owner-occupier who is facing repossession, are unable to pay your mortgage and have no equity in your home.
- You are a social housing tenant who is adequately housed.
- You have served or are serving in the Armed Forces and are adequately housed.

Band F – Social and supported housing tenants moving to make the best use of the social housing stock

- You are a Lancaster City Council tenant who needs to move from your existing home due to extensive repairs required, regeneration programmes or refurbishment as part of a planned maintenance programme.
- You are a Lancaster City Council tenant or tenant of one of our partner PRPSHs who advertise all their vacancies via the Ideal Choice Homes Scheme and have one or more bedrooms than you currently need. You will need to be affected by the changes to the size criteria for this to apply.
- You are a Lancaster City Council tenant or tenant of one of our partner PRPSHs who advertise all their vacancies via the Ideal Choice Homes Scheme and have succeeded to a property that is too large or unsuitable for your needs.

- You are a social housing tenant in the Lancaster district who is moving into Independent Living Accommodation from a general needs' property
- You are a social housing tenant in the Lancaster district who lives in a high demand adapted property, that you no longer require.
- You are a Lancaster City Council tenant or tenant of one of our partner PRPSHs who advertise all their vacancies via the Ideal Choice Homes Scheme, and you live in a property that we have high demand for or urgent use for.
- You have successfully completed your stay in supported accommodation, and you now need to move into general needs accommodation. This will need to be a supported accommodation scheme, who we have a current Service Level Agreement (SLA) with, and you will need to have been assessed under the SLA as being ready to move into general needs accommodation. This will not override the local connection qualification criteria.

3.19. Prioritising applications within bands

3.19.1. The banding scheme prioritises applicants by putting those in similar housing need in the same band. Within each band, applications are listed in date order. The "effective" date is the date of the first application, or the date which the applicant moved into a higher band. The "registration" date is the date the initial application was received.

3.19.2. Priority within each of the bands will be determined by the effective date. Where applicants in the same band bid for a property, the applicant with the earlier effective date has greater priority. If these applicants have the same effective date, the one with the earlier registration date has priority.

3.20. Movement within bands

3.20.1. Applicants can move between bands if:

- Their circumstances change.
- Additional information is received about medical or welfare issues which upon assessment by Lancaster City Council, leads to a higher or lower band being awarded to the applicant. If an applicant moves to a higher band, then their effective date will be replaced by the date they moved into that band. If an applicant moves into a lower band, then their effective date will remain the same.

3.21. Assessing Medical Priority

3.21.1. Medical priority will be awarded by the council's medical officer. If an applicant feels that there are medical reasons why they need to be rehoused they should complete the medical section on their application form, submit medical information by completing a medical self-assessment form or by providing information from a medical professional. This will then be assessed by the District Medical Officer who will award priority as follows:

3.21.2. Band A: **Emergency housing need 30 medical points**

- The current accommodation is so completely unsuitable, that should the applicant remain or return to it the effect on their health would be critical. This can only be averted by a move to alternative accommodation in the shortest time possible.

3.21.3. Band B: High housing need 20-25 medical points

- The housing situation is so severely affecting the applicant's health and wellbeing, that it is resulting in them being completely housebound, at risk of injury, relapse or unable to live independently.

- Alternative housing is required within a reasonable time frame to prevent serious risks to their health and wellbeing.

3.21.4. Band C: Medium housing need 10-15 medical points

- The housing situation is seriously affecting the applicant's health and wellbeing and is having an unacceptable impact on their ability to live independently.
- Alternative housing is required to prevent a significant and serious deterioration to their health and wellbeing in the short/ medium term.

3.21.5. Band D: Low housing need 5 medical points

- The housing situation is having a negative impact on the applicant's wellbeing, but it is not causing any significant deterioration to their health or ability to live independently.

3.21.6. Band E: 0 medical points

- Whilst it is recognised that there may be a health and wellbeing issue, this is not affected by the current accommodation. The applicant's health and wellbeing would not be improved by a move to alternative accommodation. Therefore, no housing need actually exists.

3.22. Assessing property size needed

3.22.1. Applications will be assessed to determine the size of property their household needs. A household is defined as any other person who normally resides with the applicant as a member of his/her family or any other person who might reasonably be expected to reside with the applicant. See section 2.2. for further information.

3.22.2. If an applicant is an approved foster carer or has had a child placed with them prior to adoption, then we can include them on their household. This will not increase their property size by more than one bedroom, regardless of how many children they foster. Documentary confirmation of this will be required from Social Services.

3.22.3. If an applicant has children who are in the armed forces but continue to live with their parents when they are not away on operations, they can be included when assessing the size of property a household needs. We will require a letter from the adult child's chain of command to confirm that they are away on operations.

3.22.4. Bedroom requirements are based on assumptions that a bedroom is suitable for:

- each adult couple
- any other person aged 16 or over.
- two children of the same sex aged under 16.
- two children, regardless of sex, aged under 10.
- any other child
- a disabled child or adult who needs their own bedroom on medical grounds.
- a carer, or team of carers, who has/have a home elsewhere, who use/s a bedroom on a regular basis to stay overnight because an adult member of the household requires overnight care.

3.22.5. If an applicant has been assessed as requiring a one-bedroom property and they are pregnant, we will amend their application so they can bid on two-bedroom properties from 12 weeks prior to their due date. This will be subject to an affordability assessment.

3.22.6. We do not make exceptions to this which means that:

- if an applicant shares care of their own child, the child will only be considered when calculating the property size needed for the designated "main carer". If care is shared exactly equally, the main carer will be the parent that receives the child benefit;
- applicants whose children visit but are not part of the household, are not assessed as needing an extra bedroom;
- applicants living together as a couple, who currently sleep in separate bedrooms for personal reasons, will only be allocated one bedroom. If there is a medical need for a separate bedroom this will be authorised by our medical officer. If an additional bedroom is sanctioned under medical grounds, an affordability assessment may be required.

3.22.7. We aim to make the best use of the social housing stock in the Lancaster district. Some of our three- and four-bedroom houses have additional living rooms, which can be utilised as a bedroom, effectively making them a four- or five-bedroom house. When these properties are advertised, applicants who require the extra room to be used as a bedroom, will be eligible to bid for them. These applicants are given priority within each band over those who do not require the extra room.

3.22.8. We may under-occupy properties where there is low demand. Low demand is classed as where we have advertised for a minimum one-week period and no suitable bids have been placed.

3.23. Requiring an additional bedroom on medical grounds

3.23.1. If a separate bedroom is required for a disabled child, disabled adult or a carer, they will need to provide supporting documentation regarding this. This will be submitted to our medical officer, and they will decide as to whether this is required on medical grounds. The applicant may be required to undertake an affordability assessment before proceeding with the offer.

3.24. Assessing disrepair

3.24.1. We work closely with Lancaster City Council's housing standards team when an applicant has stated that their current rented accommodation is in disrepair.

3.24.2. It will be expected that an applicant has already raised the problem with their landlord in writing before a Lancaster City Council officer visits. This will give the landlord the opportunity to carry out the necessary works before involving Lancaster City Council, and possible enforcement action.

3.24.3. Applicants will be made fully aware that if a Lancaster City Council officer visits and identifies serious defects with the property, that they are under a statutory duty to take appropriate steps to remedy the defects, and this will involve contacting the landlord and/or agent.

3.24.4. If an applicant is living in accommodation where the conditions pose an ongoing and serious threat to health and safety of the residents, and where there are Band A, Category 1 hazard(s) that have been found following an assessment by the council's housing standards team that cannot be resolved by the landlord, the applicant will be placed in Band B.

3.24.5. If an applicant's home is in emergency disrepair, and a prohibition order has been served on the property, the applicant will be placed in Band A.

3.25. Assessing social and welfare policy

3.25.1. If an applicant's household includes someone with a particular need for settled accommodation and who cannot be expected to find/afford suitable accommodation in the future, then they will be awarded priority under social and welfare.

3.25.2. The band you will be placed in will depend on whether this is assessed as being an urgent, high, or medium need. We will usually require information from another public agency such as the police or social services before awarding social and welfare priority. This priority is decided by the Choice Based Lettings Manager.

3.26. Employment

3.26.1. In the Lancaster district there are some social housing providers who have local lettings policies where certain properties are allocated to applicants in employment. We do not give additional priority to applicants in employment, but we do capture this information. This is to ensure only applicants in employment qualify to bid on these properties.

3.26.2. To be eligible for these properties an applicant or member of their household needs to be in permanent employment. Permanent employment will include self-employment and temporary contracts of more than 12 months, but not casual employment. This will include part-time employment, but it will need to be for a minimum of 16 hours per week or 70 hours per calendar month.

3.26.3. If an applicant is on a zero-hours contract but can demonstrate that on average (over a minimum three-month period) that they have been employed for a minimum 16 hours per week or 70 hours per calendar month), then they will be classed as being in employment.

3.26.4. The applicant will need to provide documentary confirmation of this.

3.26.5. This does not override the qualification criteria for local connection and income.

4. How the scheme operates

4.1. What properties are included in the Choice Based Lettings scheme.

4.1.1. Lancaster City Council properties and PRPSH Landlord properties to which we have nomination rights will be advertised to let through Ideal Choice Homes. This will include:

- General needs housing
- Independent Living
- Most properties with minor adaptations, e.g. wet room, level access.

4.1.2. Customers with active applications will be able to exercise choice by registering an interest on the property by "bidding" on them.

4.1.3. There will be some exceptions to this, including:

- Highly adapted properties

These will usually be offered to a household with matching needs. These properties may be assessed by an occupational therapist, who will assess their suitability before a formal offer is made.

- Management lets and direct offers.

These will be when we need to use a property for specific management purpose and the qualifying applicant will normally receive one reasonable offer of accommodation. Lancaster City Council tenants who need to move from their existing home due to extensive repairs required, regeneration programmes or refurbishment as part of a planned maintenance programme may receive direct offers.

4.2. Are there any lettings not covered by this policy?

4.2.1. The following are examples of lettings not covered by, or specifically excluded from the allocation scheme, under the provisions of the Housing Act 1996:

- Offers of non-secure tenancies to homeless persons pursuant to any duty under Part 7 of the Housing Act 1996
- The conversion of introductory tenancies into secure tenancies
- The conversion of secure tenancies into demoted tenancies
- Offers of tied accommodation made to council employees (service tenancies)
- Offers of or nominations to accommodation made at the council's own instigation rather than in response to an application, for example offers to tenants being decanted from their homes, to allow major works to take place.
- Assignments of, and successions to social housing tenancies
- Mutual exchanges
- Transfers of tenancies made by Court Order under the Matrimonial Causes Act 1973 or other family legislation
- Vesting or disposal of tenancies by order of a Court

4.3. Houses in the Lancashire District

4.3.1. Priority for two-bedroom houses will be given to applicants with children aged under 16. This is because within the social housing stock in the Lancaster district, there are two-bedroom flats that are suitable for applicants with no children in their household. Applicants without children who need two bedrooms, will be eligible to apply for two-bedroom houses but those with children aged under 16 will take priority.

4.3.2. This will only apply to two-bedroom houses. Other sized properties will be let in accordance with their bedroom and housing need.

4.4. Bungalows in the Lancashire District

4.4.1. To be eligible for an allocation of a non-Independent Living Scheme bungalow, an applicant will need to meet one of the following criteria:

- The applicant or one of the joint applicants will need to be aged 55 or over. An applicant's partner does not need to meet an age requirement but may not have a joint tenancy.
- The applicant or one of the joint applicants has been sanctioned a bungalow on medical grounds by the medical officer.

4.4.2. In addition, no member of the household should be aged under 30. The only exception to this will be where:

- An applicant or a member of their household is a full-time indoor wheelchair user, confirmed by a medical practitioner or occupational health therapist, regardless of age.

4.5. Low demand properties

4.5.1. If there is no demand for a property, we may re-advertise it to applicants who do not normally qualify for this size or type of property.

4.5.2. For example, a two-bedroom property may be re-advertised to enable applicants with a one-bedroom need to apply.

4.5.3. When this occurs, any local lettings policy in place will still apply. With bungalows and Independent Living properties, preference will be given to social housing tenants who are freeing up a high demand property.

4.5.4. Before any offer of accommodation is made, a financial assessment may be undertaken to ascertain whether the applicant will be able to financially sustain the tenancy.

4.6. Advertising vacancies

4.6.1. All Lancaster vacancies will be advertised through the Choice Based Lettings Scheme (known as Ideal Choice Homes), except those detailed in section 4.1.3. Each week a new list of current vacancies will be available.

4.6.2. The property adverts will contain information about, amongst other things, rent, number of bedrooms, heating type, suitable household size and whether pets are accepted, as well as giving information on local services and amenities. The advert will also indicate the priority band of applicant that preference will be given to. The advert will also state who the landlord of the property is.

4.6.3. Properties may be advertised during the notice period given by the outgoing tenant. If the notice is withdrawn by the tenant during this period, the property will therefore be unavailable to be let.

4.7. Quota system

4.7.1. To allow applicants in lower priority bands access to housing, a quota system will be used. This allows a proportion of vacancies to be advertised with priority to those applicants in a specific band. The system will be monitored to ensure that it does not operate to the detriment of those with a higher need for housing.

4.7.2. It is important that Lancaster City Council supports sustainable and balanced communities. This means that properties will be advertised on a percentage basis to each band to ensure that applicants in all bands, will have the opportunity to access social housing. The percentages used for the quota system will be reviewed on an annual basis. We will aim to prioritise 20% of properties to applicants in Band F, for the better management of the social housing stock within the Lancaster district.

4.7.3. Where a sensitive let or a particular balance is required in an area, a vacancy may be advertised as limited to specific types of households. The advert will include details of who can apply to ensure transparency and openness.

4.8. Local Lettings

4.8.1. Partners in the Choice Based Lettings Scheme may draw up local lettings policies and plans for an area, scheme, or estate to meet the specific needs of that local community. Local lettings policies may be used to tackle particular management problems and or to address imbalances in the community. Local lettings schemes will be publicised to ensure openness and transparency in the lettings process.

4.8.2. Lancaster City Council should be consulted by the PRPSH if they are considering implementing a new local lettings policy.

4.8.3. Further information on Lancaster City Council’s approach to local lettings can be found in the Local Lettings Policy.

4.9. Rural Village and Market Town Communities

4.9.1. There is a severe shortage of social housing in rural villages, and we aim to preserve rural communities. Therefore, we give additional priority to applicants who have a rural connection to a village, or the market town of Carnforth.

4.9.2. A rural connection means that the applicant has either:

- Lived in that village for at least six out of the past 12 months, or three out of the past five years.
- Previously lived in that village for at least five years.

- Has permanent employment in a village and has worked in the village for the previous six months.
- Has close family who live in the village and have done so for the previous six months. Close family includes parents, adult children and adult siblings.

4.9.3. Additional rural connection priority is given to applicants within bands but not between bands. This means that if we advertise a property to a given band, for example Band C, an applicant in Band C with a rural connection, will be given priority over an applicant in Band C with no rural connection.

4.9.4. We will state in the advert if additional priority will be given to an applicant with a local connection. Before selecting which band to use for the property will look at which applicants on the housing register have a rural connection to that the village and choose an appropriate band, based on housing need and demand.

4.9.5. Under the Planning Act some developments are subject to Section 106. This requires those properties to be let to customers with a local connection, which can be more demanding than the rural connection Lancaster City Council applies. Where this applies, only those applicants meeting the requirement of the Section 106 will be eligible for an offer of property. The advert will state if this applies to the property and provide details of the connection required.

4.9.6. For an applicant to have a rural connection, they will need to provide documentary evidence of this.

4.9.7. If there is limited or no social housing in the village to which an applicant has a rural connection, a rural connection will be given to the next surrounding village(s).

4.10. Bidding process

4.10.1. Applicants can bid for up to two properties per cycle that they meet the property criteria for.

4.10.2. Applicants can bid through the website, over the phone and in person at Lancaster and Morecambe Town Halls. Access to the Ideal Choice Homes website is available for applicants at Lancaster and Morecambe Town Hall.

4.10.3. For those applicants who are unable to bid for themselves and who do not have any family, friends or advocates who can bid on their behalf, we do have an assisted bidding scheme for vulnerable customers. This will mean that bids are placed on those applicant's behalf, based on the preferences they express.

4.10.4. By bidding, an applicant is simply expressing an interest in a property and telling us that they wish to be considered for it. Their position on the shortlist may change over the course of the bidding cycle. If an applicant comes top of a shortlist, there is no guarantee that they will be successful in being offered this property.

4.10.5. Further checks are made to ensure that they meet the criteria for the property and that the information supplied on their application form is still correct.

4.10.6. If an applicant is not offered this property a reason will be provided, and the applicant will be able to see this on their online account.

4.10.7. If an applicant requires adaptations to a property, an assessment of suitability will be undertaken. This may involve arranging an assessment by an occupational therapist and a technical officer from Lancaster City Council. If the property is not suitable to be adapted for the applicant and their household's needs, or in line with council Housing's Adaptation Policy, we will not undertake adaptations as we have other suitable properties that could be offered, they will not be offered the property that they have placed a bid on.

4.10.8. If an applicant bids on and is offered three suitable properties, that they subsequently refuse, they will remain in their current band, but they will lose their waiting time. Their application will be updated, and their effective date will change to the date of third refusal.

4.11. Shortlisting and offers

4.11.1. The Choice Based Lettings Scheme will identify applicants who have placed a bid on each vacancy. It will generate an ordered list based on band and the applicant's length of time on the waiting list, as well as considering any rural connection policy or adaptations that the property has.

4.11.2. Prior to an offer being made, additional verification checks will be undertaken of the applicant's eligibility and qualification to join the housing register and banding priority. This is to ensure that any changes in circumstances that might have occurred after the initial application, that we have not been made aware of, which might render the applicant not eligible, disqualified for an allocation of social housing or their priority has changed. An applicant's current landlord will normally be contacted to request a reference.

4.11.3. The applicant at the top of the list will normally be offered the property, subject to these checks and to meeting any additional criteria included in the advert.

4.11.4. If an applicant is a tenant of Lancaster City Council or one of our partner PRPSHs, then a check will be made with them, before any provisional offer of accommodation is confirmed.

4.11.5. Tenancy checks will be made to ensure that they meet the qualification criteria, that they have a clear rent account, can give vacant possession of the property, have no other housing-related debt, have not caused any damage to the property or made any unauthorised alterations and have conducted their tenancy in a satisfactory manner.

4.11.6. If the council or a partner PRPSH does not agree to the offer being confirmed due to unsatisfactory tenancy checks, then the provisional offer will be withdrawn. If the tenancy checks highlight any issues with the tenancy, this may result in them no longer qualifying to be on the Housing Register.

4.11.7. See section 3.8 for more information on rent arrears and social housing tenants.

4.11.8. Should the offer not be made to the applicant at the top of the list following the additional checks, or should it be refused, the offer is made the next eligible applicant on the shortlist. This process continues down the list until an offer of accommodation is accepted.

4.12. Homelessness

4.12.1. If an applicant advises that they are homeless or threatened with homelessness they will be encouraged to make a Housing Options appointment. An applicant will not be awarded homeless or threatened with homelessness withing 56 days priority, unless they have had this assessed by a member of the Housing Options team.

4.12.2. If an applicant has been assessed as homeless or threatened with homelessness within 56 days, they will be placed in Band B. However, this does not override the qualifying criteria.

4.12.3. If an applicant has been assessed as homeless but there is no priority need for rehousing and they have not made themselves intentionally homeless, they will be placed in Band B. This will not override the qualifying criteria.

4.12.4. If an applicant has been assessed as intentionally homeless, they will be placed in Band B. However, this does not override the qualifying criteria.

4.12.5. Where the council has

- Accepted a section 189(B) Relief duty; and
- The applicant is, at the point of that 189B duty being accepted, considered to be in priority need and unintentionally homeless, whether a decision to that effect has been made or not; and
- The applicant is in temporary accommodation provided by the council to meet a section 188 Interim Accommodation duty.

4.12.6. Then Band A will be awarded to the applicant, and this may override the qualifying criteria.

Homelessness and Direct Offers

4.12.7. If we have a statutory duty to rehouse an applicant because they are unintentionally homeless and in priority need, they will be placed in Band A for two weeks. They will be advised that they must bid for suitable properties, when they become available and how to bid. If they have not bid for properties or have been unsuccessful in bidding on properties, then they will receive a direct offer of suitable accommodation when one becomes available.

4.12.8. The housing pressures faced, limit the degree of choice that the council can offer, along with the responsibility the council has to some groups in urgent housing need and to reduce the financial impact of temporary accommodation on the council.

4.12.9. For all applicants eligible and registered under the scheme, the council believes that any applicant should be able to express a preference over the area in which they would like to live and the type of property they would ideally like but should be fully aware that the council's ability to satisfy their preference might be severely limited. Expressing a preference over where an applicant would prefer to live does not mean that the council will be able to meet that preference, or that the council will not offer suitable accommodation outside of a preferred area in order to meet the duty owed to any applicant under the section 189B(2) Relief of homelessness duty or the main section 193(2) duty under Part 7 of the Housing Act 1996.

4.12.10. There may be circumstances where for urgent operational or financial reasons there is a need to make a direct offer of housing outside the CBL, banding and date order criteria set out in this policy. Specifically, this would be where there may be urgent operational or financial reasons to allocate outside of the band and date order criteria namely:

4.12.11. Where an applicant is homeless and in temporary accommodation and owed a section 189B(2) Relief duty or 193(2) main duty and the council decides it needs to move applicants out of temporary accommodation to manage the budgetary impact on the council, the council may make a direct offer of suitable accommodation at any time, to reduce the financial burden on the council of the cost of temporary accommodation.

4.12.12. Furthermore, the council may restrict the time an applicant is therefore able to bid for accommodation in an area where they would prefer to live. The offer of accommodation would be in any area of the district that the council has assessed is suitable and safe for the applicant to live in.

4.12.13. A decision to make a direct offer of accommodation outside of the choice based letting band and date order system could therefore be:

a) Where an applicant is not being realistic in the areas they are bidding for accommodation and as a result they may be occupying a temporary accommodation unit that may be needed for another newly presenting homeless applicant.

b) To reduce the financial burden on the council of the cost of temporary accommodation

4.12.14. If the applicant does not feel that the property they are offered is suitable for them, they have 21 days from the date they are offered the property to request a review of the offer.

4.12.15. If it is decided that the property was not suitable, another direct offer of a suitable property will be made. If the applicant rejects this offer, there will not be any further offers of property made and the applicant will be removed from Band A. Their application will be reassessed, and they will be placed in the appropriate band.

4.13. Exceptional needs awards

4.13.1. If a council housing tenant is assessed as having an emergency need for rehousing, as assessed by the Exceptional Needs Panel, they will receive one direct offer of suitable accommodation.

4.13.2. Whilst we will look to rehouse in the tenant's preferred areas, if none are available or that area is not deemed safe by the panel, we will offer the next suitable available property. This could be any social housing property, anywhere within the Lancaster district area.

4.13.3. If they do not feel that the property they are offered is suitable for them, they have 7 days from the date they are offered the property to request a review of the offer. This will be reviewed by the Exceptional Needs panel.

4.13.4. If it is decided that the property was not suitable, another direct offer of a suitable property will be made. If the applicant rejects this offer there will not be any further direct offers of property made. Their application will be reassessed, and they will be placed in the appropriate band.

4.14. Band A applicants who are not homeless or given exceptional needs status

4.14.1. If applicants have been placed in Band A due to other emergency housing needs, they will either have the option to bid on properties for a two-week period before receiving a direct offer or they may just receive one direct offer of suitable accommodation. This will be explained to the applicant in writing when they are placed in this band.

4.14.2. If they do not feel that the property they are offered is suitable for them, they have 21 days from the date they are offered the property to request a review of the offer.

4.14.3. If it is decided that the property was not suitable, another direct offer of a suitable property will be made. If the applicant rejects this offer, there will not be any further offers of property made and the applicant will be removed from Band A. Their application will be reassessed, and they will be placed in the appropriate band.

5. Review and Complaints Process

An applicant has a right to request a review if:

- they have not been accepted onto the Lancaster City Council Housing Register; or
- their application has been removed from the Lancaster City Council Housing Register; or
- they disagree with how their application has been assessed and/or the band they have been placed into.

To request a review the applicant will need to put this in writing within 21 days of receiving our written decision. The applicant will need to give the reasons why they believe an incorrect decision has been made. If an applicant is unable to put their point across in writing, they can request a meeting with a senior officer.

The review will be undertaken by a senior officer who was not involved in making the original decision and will take account of information provided by the applicant. They will notify the applicant of the decision within 56 days of receiving the request.

Following the conclusion of a review, applicants will be notified of their right to apply for a judicial review on any point of law. Applicants will be notified of their right to make a complaint to the local authority, if they remain dissatisfied upon conclusion of any internal complaints investigation and their right to ask the Local Government and Social Care Ombudsman or the Housing Ombudsman to investigate claims of maladministration.

Appendix A

Local Lettings Plan - Independent Living Accommodation

Background

We have several properties, which are currently designated as Independent Living schemes.

Independent Living accommodation offer self-contained homes, with regular contact from a scheme manager during working hours and the reassurance of 24-hour emergency personal alarms.

Some of the schemes also offer communal lounges and other facilities for the benefit of tenants.

Allocation Criteria

To be eligible for an allocation of one of these properties, applicants will need to meet the following criteria:

- The applicant or their partner will need to be aged over 60 and be able to demonstrate that they would benefit from the key aspects of Independent Living accommodation. They will need to complete an additional application form, which will assess their need and suitability for the service.
- If a member of the household has a history of anti-social behaviour or unspent convictions, then they may be rejected if there is concern that their activities will affect other residents in the scheme.
- If a member of the household has support needs, they will only be accepted with a recognised support package and they will need a history of previous positive engagement.
- Applicants will need to be able to live independently and not have a requirement for specialist health services, personal or nursing care which cannot be met in a community-based setting.

Please note, where necessary, supporting information for applicants will be sought from a wider range of agencies/sources than usual.

Normal exclusion criteria will still apply as outlined in the allocation policy.

Under-occupation

Under-occupation for these properties may be considered where there are no suitable applicants who meet the additional criteria. In these circumstances we may refer the applicant(s) for a financial assessment to ensure the tenancy is affordable.

Review of Policy

This policy will be reviewed on an annual basis by the Housing Allocation Review Steering Group to monitor its effectiveness.

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

HOUSING & PROPERTY

Lancaster City Council

Housing and Property: Council Housing

Equality Impact Assessment: Housing Allocation Policy

23rd January 2025

Prepared by:	
Effective from	
Approved by	
Review date	
Revision number:	

(01524) 582929
councilhousing@lancaster.gov.uk

Equality Impact Assessment: Housing Allocation Policy review 2025

Service: Council Housing

Title of Policy: Housing Allocation Policy

Type of Policy: Amendment to existing

Lead Officer: Graeme Milce, Choice Based Lettings Manager

What is the aim of the policy?

To set out the policy and approach to the allocation of residential accommodation from the Council's own stock and from Private Registered Providers of Social Housing (PRPSH) who the Council works in partnership with.

Who is it intended to benefit? Who will it have a detrimental effect on and how?

The policy is relevant to any person seeking social housing in the Lancaster district, from applying to join the housing register, through to assessment of housing need and letting of a Council tenancy. Lancaster City Council operates a choice-based lettings scheme (Ideal Choice Homes) which is the main route into accessing social housing in the district.

Access to decent, safe, affordable housing is important in providing the basis of opportunity for people to play a full part in the community. The policy therefore has a significant impact as it has a direct effect on service users, many of whom are relatively disadvantaged or vulnerable.

There is no direct evidence of discrimination in respect of housing allocations in Lancaster, though it is recognised that the potential for discrimination (either directly or indirectly) exists and is monitored and mitigated as set out in the policy.

A range of personal information is collected on the Housing Application Form, in line with the Council Housing Privacy Notice, and details of application and lettings by each characteristic provide the basis for regular reporting, monitoring and oversight of the operation of the service area.

Does, or could, the policy have a negative impact on the groups below?

Group	Impact (negative, positive/no impact, unclear)
Age	Positive/no impact
Disability	Positive/no impact
Faith, religion or belief	Positive/no impact
Gender including marriage, pregnancy or maternity	Positive/no impact
Gender reassignment	Positive/no impact
Race	Positive/no impact
Sexual orientation (including civil partnerships)	Positive/no impact
Other socially excluded groups such as carers, areas of deprivation, etc	Positive/no impact
Rural communities	Positive/no impact

Who has been consulted with?

As part of the Allocation Policy review 2025 consultation has taken place with a range of stakeholders including waiting list applicants, tenants, tenants voice groups, other registered providers of housing, ward Councillors, Probation Service, Community Mental Health Service, Morecambe Bay Health Trust, The Police, Social Care, The Well, Inspire, Strawberry Fields, Positive Futures, CAB, LDHAS, West End Impact, Olive Branch, Morecambe Bay Food Bank, Global Link, local Community Centres, Refugee Advocacy Information and Support, and more.

The consultation consisted of two online consultations and an in-person workshop event. Feedback from consultation has been fully considered and has informed the reviewed policy, and the amendments and changes proposed.

Assessing the impact

Age	It is recognised that different age groups have different housing requirements. Certain groups may be more likely to require some support. IN addition, communication needs differ across age groups.
Disability	Housing options are more limited for applicants who require disabled adaptations. As described below the housing service has policies which ai to support the diverse needs of housing applicants and tenants.
Faith, religion, or belief	No significant impact directly related to this group is known
Gender including marriage, pregnancy or maternity	Expectant parents may experience a change to their housing needs.
Gender reassignment	No significant impact directly related to this group is known
Race	No significant impact directly related to this group is known
Sexual orientation including civil partnership	No significant impact directly related to this group is known
Rural communities	It is recognised that properties in rural locations are limited, whether social housing or in general, which makes support for rural communities challenging. There is low turnover within the small number of rural council dwellings which do not become available to let often.

How does the Council mitigate any potential negative impact?

Age: The Council has a stock of Independent Living Accommodation for those over 60, and bungalow accommodation for over 55's. The application process is designed to make these dwellings available appropriately, and with appropriate support in place to take up and successfully maintain a tenancy.

Disability: The Council has adapted stock for the use of applicants who have disabilities and makes best use of this by making offers to households with matching needs. The lettings team works closely with occupational therapists to ensure an assessment for suitability is carried out before a formal offer of accommodation is made. The Allocations Policy should be read in conjunction with the published Adaptations Policy to fully understand how this process is managed.

Pregnancy and maternity: When information is provided regarding pregnancy a housing application will be re-assessed to amend the housing need of the household. Most commonly this relates to bedroom need and the opportunity to seek rehousing becomes available 12 weeks prior to the pregnant applicant's due date.

Rural Communities: The Council's aim is to support and help preserve rural communities where possible, A limited amount of rural stock is available and the Policy allows for additional priority to be given to applicants who have a rural connection to a village, or the market town of Carnforth.

Communication: The Housing service remains committed to 'in person' communication where preferred or required, however also offers a wide range of other communication methods: by letter, text, email, through social media, through their housing application on the online portal, or via the Council's website.

It is the approach of the service to communicate b the customer's preferred method where possible.

Use of digital systems: In addition to the range of communication methods other mitigations are in place to support applicants where use of digital systems may present a barrier to accessing the allocations and letting process. For example: at application stage, on request an applicant can receive a home visit for assistance to complete the online application form. To express an interest in vacant dwellings advertised online 'auto bidding' is available for applicants who are unable to access or use the online system.

Conclusion

The information available does not identify any direct discrimination in the Council's Housing Allocation Policy, however as details in this EIA there does exist the potential for direct or indirect discrimination.

Along with regular operational report, a quarterly report is provided to the senior management team, and shared with the Housing Portfolio Holder, which considers the data available and reviews the delivery of the policy on an ongoing basis.

In addition, the Housing Allocations Policy Review Group meets quarterly to review and conder delivery of the policy strategically, and to see assurance around the impact of the delivery of the policy.

CABINET

Budget & Policy Framework
2025/26 – 2029/30
11 February 2025

Report of Chief Finance Officer

PURPOSE OF REPORT					
This report sets out the latest position in respect of the budget and policy framework and Cabinet's proposed General Fund revenue budget for 2025/26					
Key Decision	**X**	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision				16th December 2024	
This report is public however the Appendices B1 and B2 are exempt by virtue of paragraphs 2, 3 & 4 of Part 1 of Schedule 12A of the Local Government Act 1972					

RECOMMENDATION OF COUNCILLOR HAMILTON – COX

That Cabinet recommends the following for approval to Budget Council 26 February

(1) That the General Fund Revenue Budget of £27.201M for 2025/26 be approved, resulting in a Council Tax Requirement of £11.550M, excluding parish precepts, and a Band D basic City Council tax rate of £264.30.

(2) That the supporting General Fund Revenue Budget proposals be approved, as summarised at Appendices A, B, B1 and B2

(3) That the budget transfer (virements and carry forwards) limits be approved as set out in Appendix D

(4) That Council notes the Section 151 Officer's advice regarding robustness of budget estimates, the adequacy of reserves and balances, specifically the advice that the minimum level of balances be retained at £5.0M, to provide for added uncertainty.

1.0 INTRODUCTION

1.1 Under the Constitution, Cabinet has responsibility for developing corporate planning proposals and a balanced budget for Council's consideration.

1.2 The Council meeting on 22 January 2025 considered Cabinet's proposed revenue budget for 2025/26 and approved a City Council Tax increase of 2.99% together with a year-on-year target of the maximum allowable under the Government's local referendum thresholds for future years.

1.3 Since that report, further information has become available which has a financial impact on the General Fund Revenue budget and subsequently an updated position is being presented. This included:

- Changes to prior year and forecasted business rates income
- NIC compensation changes following the confirmation of the local government finance settlement
- Minor operational changes

1.4 This report sets out:

- The Operational and Strategic context in which the budget has been set. **(Section 2)**
- Cabinets final General Fund Revenue Budget proposals for 2025/26 including the outcomes of the Final Local Government Settlement **(Section 3)**
- A summary of the of Council Tax and Business Rates as reflected in the Council's Collection Fund. **(Section 4)**
- The s151 Officers Assessment of the Adequacy of the Council's Reserves Provision and Balances. **(Section 5)**

1.5 To provide an executive summary in relation to the above, the following analysis is provided which compares the projections considered by Council on 28 February 2024 against the latest projections provided for within this report :-

Table 1 – Executive Summary

	2025/26 Forecast £'M	2025/26 Latest £'M	Difference £'M	Report Section
Finance Settlement (Final)	(1.239)	(1.440)	(0.201)	2
General Fund Revenue	26.007	27.201	1.194	3
General Fund Revenue Budget Gap	1.435	0.000	(1.435)	3
Council Tax Income	(11.367)	(11.550)	(0.183)	4
Prior Year Council Tax Surplus	0.000	(0.280)	(0.280)	4
Business Rates Income	(13.205)	(14.275)	(1.070)	4
Prior Year Business Rates Surplus	0.000	(0.636)	(0.636)	4

As the table suggests, there is considerable movement within a few areas and these are discussed further within the relevant section of the report.

2.0 LOCAL GOVERNMENT FUNDING UPDATE

2.1 The government released the provisional local government finance settlement on 18 December 2024, and the final was received on 3 February 2025. There were no differences between the provisional and final settlements with the exception of the notification of the 'Employer NIC Contributions Grant. In the previous update report this was included at an estimated value of £0.400M however the actual amount to be received is £0.258M which is to contribute towards both the general fund and HRA additional staffing cost burden. A calculation has subsequently been performed and the general fund element is now included at £0.206M (£0.052M HRA).

2.2 A summary of the final settlement for Lancaster City Council highlighting the major differences from what was included in the previously approved budget forecast is shown in table 1 below. Assumptions have been included to estimate Government funding from 2025/26 onwards however actual allocations for this period are currently unknown.

Table 2 – Final Settlement allocations for Lancaster City Council

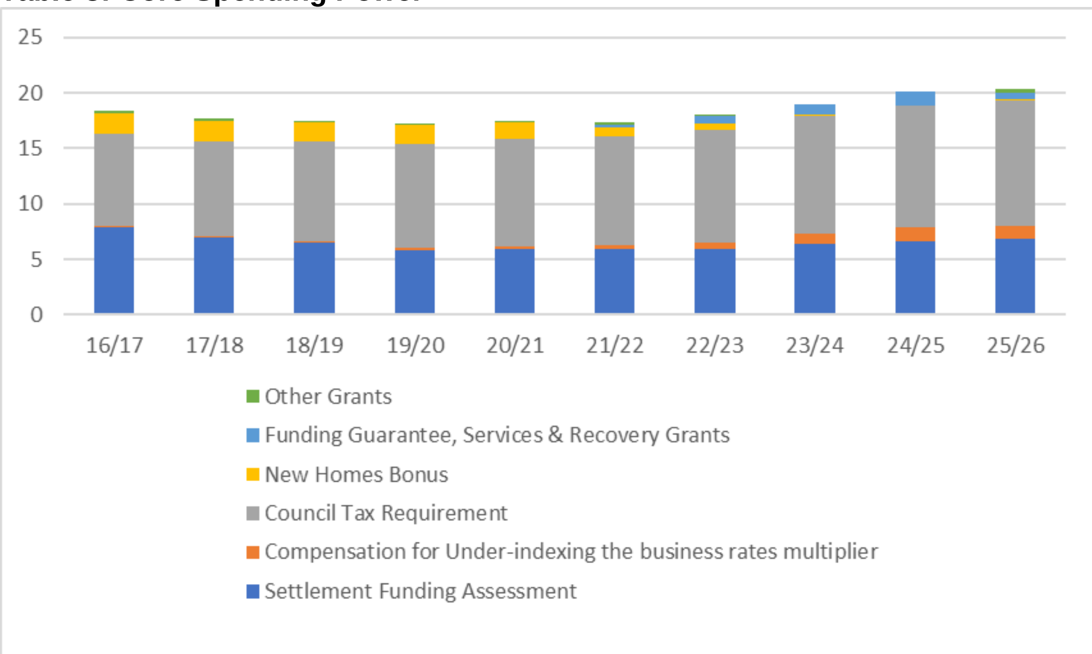
	Final Settlement £'M	LCC Forecast £'M	Difference £'M
Revenue Support Grant	0.460	0.000	0.460
New Homes Bonus	0.137	0.010	0.127
Funding Guarantee/Services Grant	0.000	1.229	(1.229)
Domestic/Recovery Grants	0.637	0.000	0.637
Employer NIC Contributions Grant	0.206	0.000	0.206
Total Government Funding	**1.440**	**1.239**	**0.201**

Core Spending Power

2.3 Core Spending Power (CSP) is a measure used by the Government to set out the resources available to a Council to fund service delivery. It combines certain grants payable to the Council together with estimates of Business Rates and Council Tax, these estimates are based on Government assumptions. CSP is used by the Government to make comparisons of the resources available to different Councils. As such, it is not necessarily the actual funding a Council will receive to fund service delivery.

Table 3 below compares the historic value of CSP, and shows the Council is now almost entirely reliant on Council Tax and Business Rates with a small amount of income from central government grants to fund net expenditure and it is, therefore, important to provide regular estimates of these key funding streams.

Table 3: Core Spending Power



Further analysis of the provisional settlement when considered against 2024/25 is provided in the following table :-

Table 4 – Core Spending Power (Breakdown)

	2024/25 £'M	2025/26 £'M
Compensation for under-indexing the business rates multiplier	1.162	1.209
Council tax requirement excluding parish precepts	11.005	11.315
Domestic Abuse Safe Accommodation Grant	-	0.034
Employer NIC Contributions Grant	-	0.206
Funding Guarantee	1.189	-
New Homes Bonus	0.010	0.137
Recovery Grant	-	0.603
Services Grant	0.040	-
Settlement Funding Assessment	6.682	6.804
Grand Total	**20.088**	**20.308**

2.4 On the basis of the final settlement, the Council's CSP for 2025/26 will increase from £20.09M to £20.31M, or 1.1%, when compared to CSP in 2024/25, and includes an assumption by Government that Councils will increase their Council Tax by the maximum allowable. This is in comparison to the average CSP for all Councils in England of 7.9% and in real terms is deemed to be a significant reduction on previously received amounts creating additional pressure to the net financial position of the general fund.

This is further compounded that the above analysis includes Employer NIC contributions which when excluded reduces the Council's CSP for 2025/26 to £20.10M, or 0.07%. against a previously reported average 6.0%, which again is deemed to be a significant reduction in real terms.

3.0 REVENUE BUDGET 2024/25

3.1 The General Fund Revenue Budget for 2025/26, summarised in Table 5, is included at ***Appendix A,*** with Service summary information given at ***Appendix B*** and more detailed budget savings proposals in exempt ***Appendices B1& B2***. The proposed budget is balanced, in line with statutory requirements, allowing for an additional contribution to the Council's reserves of £0.950M. As noted above the proposed budget takes account of the Final Local Government Finance settlement.

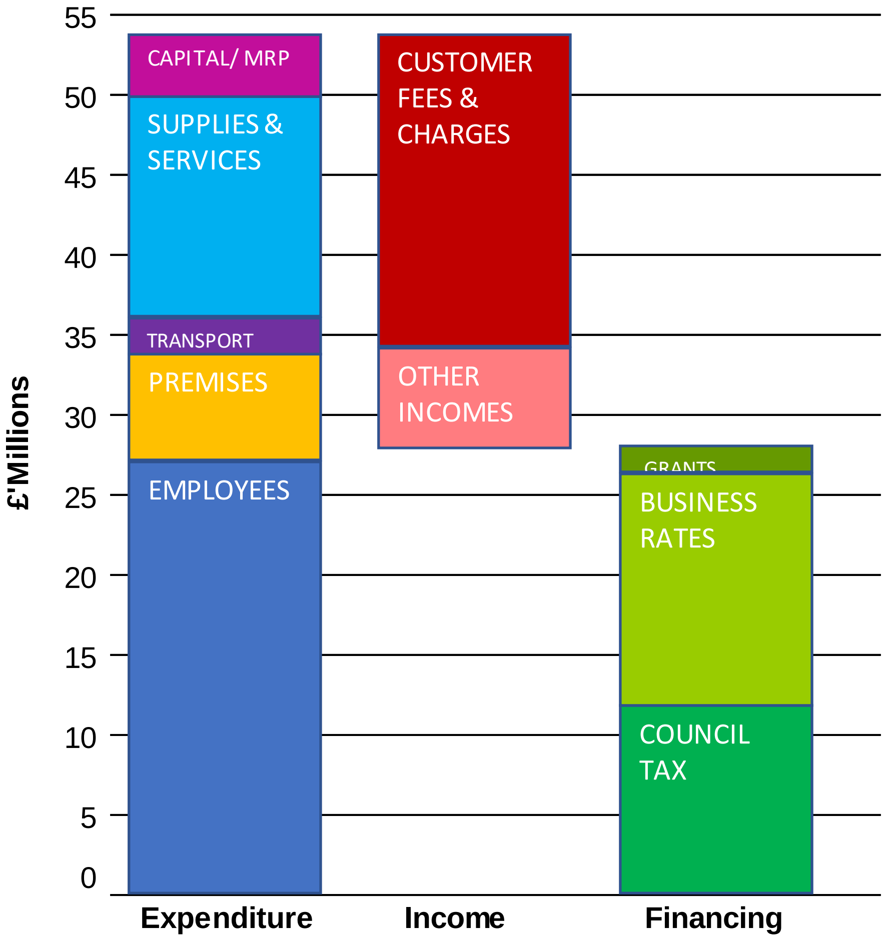
Table 5: General Fund Revenue Budget & Financing 2025/26

	2025/26 £'M
Revenue Budget Forecast as at 28 February 2024	**26.007**
Base Budget Changes Reported to Cabinet 3 December 2024	0.243
Revenue Budget Forecast as at 3 December 2024	**26.250**
Base Budget Changes	
Operational Base Budget Changes	(0.042)
Commercial & Corporate Property Review	1.541
Food Waste Collection (pEPR)	(0.764)
	26.985
Outcomes Based Resourcing Proposals	
Savings & Income Proposals	(0.051)
Growth Proposals	0.026
Impact of Review of the Capital Programme (MRP & Interest)	0.058
Impact of Review of the Capital Programme (Ongoing Revenue)	(0.076)
	26.942
Impact of Local Government Finance Settlement	0.259
General Fund Revenue Budget	**27.201**
Core Funding	
Revenue Support Grant	(0.460)
Prior Year Council Tax (Surplus)/Deficit	(0.280)
Prior Year Business Rates (Surplus)/Deficit	(0.636)
Net Business Rates Income	(14.275)
Council Tax Requirement	**11.550**
Estimated Council Tax Income	
(Increase Based on 2.99% for 2025/26 then maximum allowable)	**(11.550)**
Resulting Base Budget (Surplus)/ Deficit	**0.000**

3.2 The proposals set out in the Table 5 above produce a balanced revenue budget for 2025/26, which forms part of the recommendations of this report. Further details including the latest projections for future years to 2029/30 can be found at ***Appendix A.***

3.3 To provide further analysis of the proposed balanced revenue budget and it's financing the following Table 6 sets out the Council's revenue expenditure and subsequent income streams.

Table 6 – Revenue Budget for 2025/26



The above data confirms that, and shows the Council is now almost entirely reliant on Customer Fees & Charges, Other Incomes, Council Tax and Business Rates to meet the total expenditure proposed as part of this budget.

3.4 At its meeting on 28 February 2024 Council set its budget for 2024/25 and the base budget estimates for 2025/26 and future years. At the start of the budget setting process these “base” estimates are reviewed considering current circumstances and best information available and revised estimates produced before any saving, growth, or re-direction proposals are received. These estimates are under constant review during the budget setting process and often change as information comes forward.

3.5 Initial Operational and Base Budget changes for 2025/26 were reported to Cabinet 3 December and Council 11 December 2024. Since that reporting period further net changes have been required and a summary of these changes is given in the table 7 below:

Table 7 – Adjustments Since December 2024 Reporting to Cabinet & Council

	2025/26 £'M		Section
Resulting Base Budget (Surplus)/ Deficit as of 3 December 2024 (Cabinet)		**1.678**	
Minor Operational Changes	0.022		3.6
Building Control Contract	0.118		3.7
Fees & Charges Inflation	(0.182)		3.8
Commercial & Corporate Property Review	1.541		3.9
Waste Collection (pEPR payment)	(0.989)		3.10
Food Waste Collection	0.225		3.11
Impact of Provisional Local Government Settlement	0.259	0.994	2
Revenue Impact of Capital Programme Review (MRP & Interest)		0.058	3.12
Revenue Impact of Capital Programme Review (Ongoing Revenue)		(0.076)	3.13
Savings Proposals		(0.051)	App B1 & B2
Growth Proposals		0.026	App B1 & B2
Revenue Support Grant		(0.460)	2
Prior Year Council Tax (Surplus)/Deficit		(0.280)	4.2
Updated Council Tax Income Projection		(0.183)	4.3
Prior Year Business Rates (Surplus)/Deficit		(0.636)	5
Updated Net Business Rates Income		(1.070)	4.11
Resulting Base Budget (Surplus)/ Deficit as at 11 February 2025 (Cabinet)		**0.000**	

Operational Changes (£0.022M)

3.6 Minor operational changes have been identified since the initial draft budget was prepared and these changes have been built into the latest projections.

Building Control Contract £0.118M

3.7 The Council have recently gone out to tender to secure a provider to undertake its building control service, only one company provided a tender response. The previously reported draft budget included £0.372M per annum and the amount awarded is £0.490M. The costs of services have increased in line with the new regulatory requirements which have come out of the new Building Safety Act 2022 and Building Safety Regime. To part offset the additional costs, a proposal to increase fees is being considered (see Appendix B1 & B2) which will reduce the net cost of the service by an estimated £0.045M per annum.

Fees & Charges Inflation (£0.182M)

3.8 The figures reported to Cabinet on 11 December 2024 included a freeze on inflation for all fees and charges. Following review with Officers, where it is feasible that an inflationary increase can be achieved, inflation has been included at 2.6%.

Commercial & Corporate Property Review £1.541M

3.9 The Council manages an estate of 63 commercial and 49 corporate assets. An up-to-date condition survey was completed during 2024 identifying significant revenue and capital investment needed. The property team in discussion with the OBR Assets group and Cabinet have profiled an agreed programme of works over the next ten years and these amounts have been factored into both revenue and capital programmes. Further surveys and projects could result in some changes at agreed periods, and these will be reported as appropriate.

Waste Collection (pEPR payment (£0.989M)

3.10 With effect from 1 April 2025, the Council will receive a payment called Extended Producer Responsibility for packaging (pEPR), as a consequence of new government regulations being introduced. As a Waste Collection Authority (WCA), the payment covers estimated net efficient costs associated with collection of household packaging waste from kerbside and communal collections, and waste brought to bring sites only.

Food Waste Collection £0.225M

3.11 The collection of food waste from households is mandatory from 1 April 2026. The government have provided new burden funding in respect of capital set-up costs and these have been included within the capital programme. However, to meet this deadline it is anticipated that additional staffing and revenue costs will be required within 2025/26 in order to provide the service from that date.

Impact of Review of the Capital Programme (MRP & Interest) £0.058M

3.12 Further revisions to the draft capital programme have resulted in additional costs relating to budgetary provision for minimum revenue provision (MRP) and associated borrowing costs.

Impact of Review of the Capital Programme (Ongoing Revenue) (£0.076M)

3.13 Additions to the draft capital programme have resulted in savings to ongoing revenue as a consequence of alternate service delivery.

Budget Principles and Assumptions

3.14 Within the revenue budget there are several principles and key assumptions underpinning the proposed revenue strategy. These are:

i. Annually, a balanced revenue budget will be set with expenditure limited to the amount of available resources.
ii. No long-term use of balances to meet recurring baseline expenditure.
iii. Resources will be targeted to deliver corporate outcomes and value for money. Any additional investment and spending decisions will be made to reflect Council priorities and strategic commitments.

3.15 Table 8 below, lists the major assumptions that have been made for the 2025/26 budget.

Table 8: Major Assumptions within General Fund Revenue Budget 2025/26

	(2024/25)	2025/26
Council Tax Increase	2.99%	2.99%
Council Tax Collection Rate	98.67%	98.67%
Business Rates Multiplier: Small Business Rates	Frozen	Frozen
Business Rates Multiplier: Standard	6.70%	1.60%
Fees & Charges	Various	2.60%
Inflation – Pay	5.95%	2.50%
Employer Pensions Contribution	16.30%	16.30%
Electricity	28p/kWh	25p/kWh
Gas	5p/kWh	5p/kWh
Inflation – Insurance	10.00%	10.00%
Other inflation	2.80%	2.60%
Interest Rate – investments	4.68%	3.50%
Interest Rate – new borrowing	4.50%	3.90%

4.0 COUNCIL TAX & BUSINESS RATES

Council Tax

4.1 Legislation requires that separate estimates be made for any Collection Fund surpluses or deficits on the Collection Fund relating to the Council Tax and Business Rates.

4.2 The Council is expected to benefit from prior year surpluses to the collection fund account in respect of council tax. This amount is currently valued at £0.280M and is included within the council tax requirement calculation in 2025/26.

4.3 The Council Tax increase of 2.99% agreed by Council on 22 January 2025 means that the City element of Council Tax for a band D property will be £264.30 resulting in expected income of £11.550M for 2025/26. This is an increase of £0.183M on the position reported in February 2024.

Business Rates

4.4 The Council is required to submit its annual business rates return (NNDR1) to the Government by the end of January in which it estimates business rates income for 2025/26 and the estimated deficit or surplus as at the end of 2024/25.

4.5 The inherent risk associated with the NNDR1 is that the final outturn surplus or deficit position differs substantially from the estimate, and this has indeed been the case at the Council in recent years. Members will recall that the Business Rates Retention Reserve (BRRR) is used to manage the impact of surpluses and deficits and also to manage fluctuations in income levels in order to provide budgetary stability and smooth out year on year peaks and troughs. As part of the 2024/25 budget setting process, a contribution of £0.130M to the BRRR and a contribution of £0.820M to the unallocated reserve were included within 2025/26 and these contributions remain in place. All detailed contributions are included within the general fund net financial postion.

The Council is expected to benefit from prior year surpluses to the collection fund account in respect of business rates. This amount is currently valued at £0.636M and is included within the council tax requirement calculation in 2025/26.

4.6 Members will be aware of decommissioning plans for the Heysham 1 and Heysham 2 nuclear reactors which will have a significant impact on the Council's finances. Currently the rateable value of the reactor's accounts for a substantial proportion of the Council's total rateable value. Central Government operates a "safety net" system to protect those Councils which see their year-on-year business rate income fall by more than 7.5 per cent. Given the Council's exposure it is expected that it will inevitably fall into a safety net scenario and will need to rely on the Business Rates Retention Reserve to smooth operational shortfalls in the short term. This is currently expected to arise in 2027/28 in line with the current decommissioning date for Heysham 1 of March 2027. EDF Energy have indicated that there may be some scope to extend generation and are keeping this under review being unable to provide any certainty at this stage.

4.7 The local government finance settlement set out the tariff, baseline and safety net levels which drive the retained rates calculation and confirmed the final amount of the technical adjustment to the tariff relating to the 2023 revaluation. The modelling has been completed to reflect these and the impact of ongoing business rates monitoring.

4.8 Further work has been undertaken in respect of the forecast Section 31 grant compensation for future business rates under-indexation in future years, and in particular, that related to the years where it is anticipated that a safety net payment will be triggered. This has improved the position for future years, but Members are asked to note that this is not without its own complexity leaving some inevitable uncertainty which will remain subject to ongoing review as the date for the closure of Heysham 1 approaches.

4.9 The Council receives rating income from renewable energy schemes within the district, largely in relation to Walney Sub-Station. The value of this income is included as £4.004M in 2025/26 (£3.970M for 2024/25). A majority of the income currently falls outside of the main rate retention scheme, and so the Council retains the full benefit from it. Whilst it is evident that this 100% disregard will continue into 2025/26, there is a risk that the Government will discontinue this advantageous arrangement at some point in the future.

4.10 Council's make provision against future levels of appeals made by businesses against their Rateable Value. The timing and value of appeals is a matter of judgement informed by available data. Following the 2023 revaluation was a significant amount of uncertainty surrounding potential checks, challenges, and appeals but this is becoming more settled as we approach the next revaluation due in 2026. In addition, there is a disproportionate risk arising around the potential of any appeal or potential for outage at the Heysham Power Station. The uncertainties are managed by keeping the provision under review and retaining a buffer against risk in the business rates retention reserve. The appeals provision as at the end of 2025/26 is estimated at £9.137M with the City Council share being £3.655M.

4.11 The table below shows the income from the Business Rates Retention Scheme that will be recognised in the General Fund during 2025/26

Table 9: Income from the Business Rates Retention Scheme

	2025/26 £'M
Retained Business Rates	10.271
Renewable Energy Disregard Income	4.004
City Share of Prior Year Surplus	0.636
Total Retained Business Rates	**14.911**

The budget approved February 2024 included £13.205M in respect of 2025/26. The prior year surplus is a one-off income so when discounted from the above table an increased income level of £1.070M is predicted.

4.12 It should be noted that the Government have recently announced changes to come into effect from 1 April 2026 with regard to increasing the number of multipliers and introduction of new thresholds. As full details aren't yet available, the above information has been prepared on the existing rateable values and currently known multipliers. Further work will be undertaken when the systems offer the capability to output updated projections and will be included within the 2026/27 budget process.

The Government have also proposed to reset the baseline but haven't announced a timeline for this. The above analysis doesn't factor in any potential impact this may have on future projections and further information will be reported as appropriate when it becomes available.

5.0 PROVISIONS, RESERVES & BALANCES

5.1 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and balances.

5.2 The minimum level should be set to enable the Council to meet the current and forecast financial pressures it faces in regard to the structural deficit as referenced for several years. It is against this back drop the 2025/26 assessments are made.

Provisions

5.3 The bad debt and insurance provisions have been reviewed and are considered adequate at this time.

Reserves & Balances

5.4 Reserve levels and use of reserves are an important part of the budget framework. It is important that the Council maintains a healthy level of reserves in order to maintain financial resilience but balances this with the careful use of those reserves, usually on 'one-off' items in order to support corporate priority projects or emergency situations.

Annual Assessment of Reserves Levels

5.5 The Section 151 Officer's annual review of the adequacy of reserve balances is a statutory requirement. Although usable revenue reserve levels have increased in the last two years, the Council still faces significant inescapable financial pressures. Continuing uncertainties in respect of Local Government Funding levels, pay and general inflation and other factors creating the cost of living as well as the results of the Council's Fit for the Future process also remain. **Taking all of these risks into account, the Section 151 Officer's advice is that the minimum level of balances held in the General Fund should remain at £5M.**

5.6 The Section 151 Officer's latest advice on the adequacy of balances is based on the following observations:

- The General Fund Balance at 31/04/24 was £10.327M, Quarter 3 revenue budget monitoring forecasts an underspend of £0.332M in 2024/25. Once confirmed as part of the closedown process, the final net position will be transferred to the unallocated reserves
- Although Business rates retention volatility remains a risk to the Council in particularly the timing of the decommissioning of the Heysham nuclear reactors. This is managed via the Business Rates Retention Reserve, therefore, should not impact directly on the General Fund balance
- Although the Council is continuing to identify future efficiencies and savings via the Outcomes Based Resourcing programme, the Council's current Medium Term Financial Strategy (MTFS) suggests a structural budget gap in 2026/27 onwards of approximately £2.633M raising to £5.480M. If this is not closed, then balances will be required to make up the difference

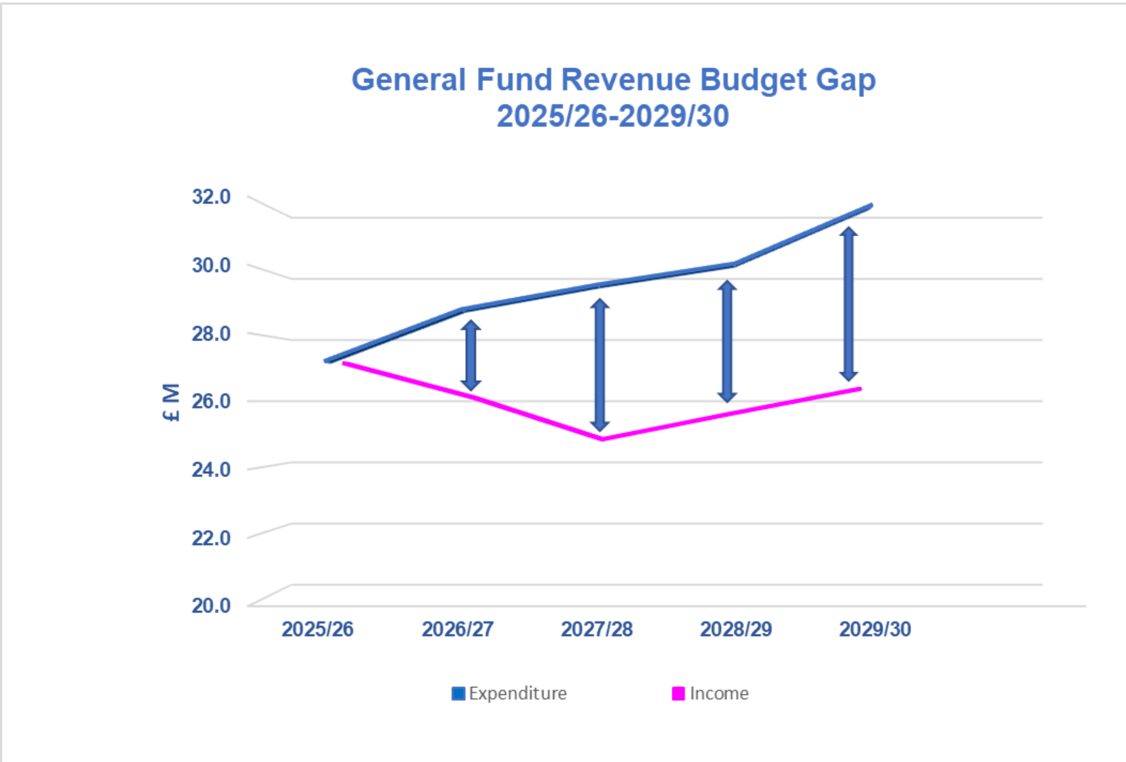


Table 10: Cumulative Deficit as Percentage of Revenue Budget

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Net Revenue Budget	27.201	28.749	29.489	30.118	31.873
Budget Gap (Incremental)	0.000	2.633	4.699	4.513	5.480
% of Net Revenue Budget (Incremental)	0%	9%	16%	15%	17%
Budget Gap (Cumulative)	0.000	2.633	7.332	11.845	17.325
% of Net Revenue Budget (Cumulative)	0%	9%	25%	39%	54%

5.7 The forecast gaps are structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive, and this is compounded year on year. This position represents a significant challenge over the short and medium term. It is imperative that the Council's OBR process continues and this will be fundamental in driving down budget gaps from 2026/27 and beyond and in realising financial sustainability.

5.8 It should be noted that this forecast is based on a series of estimates and assumptions and so is subject to change when more up to date information becomes available. However, it provides Members with a clear view of the extent of the challenge facing the Council over the coming years.

5.9 In calculating the minimum level of General Fund balance, an assessment of the risks that give rise to unanticipated expenditure or loss of income has been made and these are shown in Table 11 below.

Table 11: Risk Assessment

Risk	Symptom of Risk	Balance Required £'M
Increased demand for services	3% increase in net revenue expenditure	0.800
Recession results in additional uncompensated reduction in fees and charges income than budget	5% reduction in major fees and charges income	1.000
Recession results in additional reduction in Council Tax collection rates than budget	5% reduction in collection rate	0.550
Budget savings not achieved	50% under achievement	0.025
Natural disaster such as flood etc	Additional unexpected expenditure	0.500
Additional uncertainty with respect to Cost of Living	Additional unexpected expenditure	2.000
Aggregate overspend if all of the above risks were to happen		**4.875**

5.10 The analysis shows that, in the event of a 'Perfect Storm' of risks happening all within the next year, there are sufficient balances to meet all these risks in the short term which would give the Council time to adapt in the longer term.

5.11 The minimum level of balances will be kept under review as part of the MTFS and reported to Cabinet on a regular basis.

5.12 The analysis shows that, in the unlikely event of a 'Perfect Storm' of risks happening all within the next year, there are sufficient balances to meet all these risks in the short term which would give the Council time to adapt in the longer term.

5.13 The minimum level of balances will be kept under review as part of the MTFS and reported to Cabinet on a regular basis.

Planned use of reserves and estimated reserve balances over the medium term

5.14 The estimated levels of General Fund Unallocated and combined Earmarked reserves balances are shown in ***Appendix C*** with the impact of the inclusion of forecast overspends summarised in table 12 below.

Table 12: Estimated Combined Level of Reserves (Available Reserves Only)

	2024/25 £'M	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Unallocated Reserve	(7.867)	(8.693)	(8.595)	(8.595)	(8.595)	(8.595)
Other Non-Ring Fenced Reserves	(1.242)	(1.137)	(1.173)	(1.210)	(1.246)	(1.283)
Business Rates Retention Reserve	(12.064)	(12.344)	(11.744)	(11.244)	(11.244)	(11.244)
Renewals Reserve	(1.880)	(2.372)	(2.864)	(3.355)	(3.847)	(4.339)
Forecast Cumulative Deficit Funded From Reserves	(0.322)	+0.000	+2.633	+7.332	+11.845	+17.325
Projected Balance as at 31 March 2025-30	**(23.375)**	**(24.546)**	**(21.743)**	**(17.072)**	**(13.087)**	**(8.136)**
Less Recomended Minimum Level of Balances	+5.000	+5.000	+5.000	+5.000	+5.000	+5.000
Available Balances	**(18.375)**	**(19.546)**	**(16.743)**	**(12.072)**	**(8.087)**	**(3.136)**

5.15 This table clearly highlights the significant pressure the Councils reserves are under should funding of the forecast level of overspends in future years not be addressed.

Governance Arrangements on the Use of Reserves

5.16 Given the continuing financial pressures and the need for the prudent use of reserves the following arrangements exist for the approval of reserves expenditure:

- All applications will need to be supported by a bid document setting out how expenditure funded from Reserves will deliver corporate priorities with a clear costing statement schedule of specific outcome measures. Details of the bid proforma document is attached at ***Appendix D.***
- Reserve bids should be agreed by Portfolio Holder in consultation with relevant Chief Officer.
- Once received bids will need to be formally agreed by the Leader of the Council, Chief Executive, Portfolio Holder for Finance and Resources, Monitoring Officer and the s151 Officer before expenditure is authorised and can be incurred.

5.17 These arrangements will be reviewed again as part of the annual revenue budget process.

6.0 DETAILS OF CONSULTATION

6.1 Cabinet's initial budget proposals were presented for scrutiny to Budget and Performance Panel at it meetings of 15 and 29 January 2025, to Council 22 January 2025 and subject to public consultation 29 January 2025.

6.2 At the Budget and Performance Panel meetings of 15 and 29 January, a number of questions were raised by Members of the Panel which included the following (as noted in the draft minutes):-

- The structural deficit not being addresses
- The life extension of Heysham Power Station and subsequent financial impact on business rates
- A request for the Cabinet Member to provide a report back on the Council's commercial property income

6.3 The feedback from these meetings has been considered by Cabinet and incorporated into a final budget proposal which is presented within this report and subsequently be recommended to Council on 26 February 2025.

7.0 OPTIONS & OPTIONS ANALYSIS

Revenue Budget

7.1 Council may adjust its revenue budget proposals, so long as the overall budget for 2025/26 balances and fits with the proposed Council Tax level.

7.2 Other Budget Framework Matters (Reserves and Provisions)

Given known commitments, risks, and Council Tax restrictions there is little flexibility in financial terms, but Council could consider different budget strategies to be appraised for future years, or alternative arrangements for approving the use of various reserves, or different virement and/or carry forward limits. Overall, however, previous arrangements have worked reasonably well, and so no other fundamental changes are proposed.

7.3 Section 151 Officer's Comments and Advice

Council is required to note this formally in the minutes of the meeting; hence it is reflected in the recommendations.

7.4 Depending on the nature of any alternative proposals put forward, Officers may need time to assess the risks and implications. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision making.

8.0 OFFICER PREFERRED OPTION (AND COMMENTS)

Revenue Budget 2025/26 and Reserves Position

8.1 To agree the recommendations as presented as the proposals to be put forward by Cabinet should fit with any external constraints and the budgetary framework already approved. The recommendations as set out meet these requirements; the detailed supporting budget proposals are then a matter for Members.

9.0 CONCLUSION

9.1 This report addresses the actions required to complete the budget setting process for 2025/26, and for updating the Council's associated financial strategy.

RELATIONSHIP TO POLICY FRAMEWORK The budget framework in general sets out a financial plan for achieving the Council's corporate priorities and outcomes which incorporate the above cross cutting themes. Equalities impact assessments are undertaken for the relevant activities which are reflected in the budget.
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) The proposed budget incorporates measures to address the climate emergency and digital improvements as well as activities to address wellbeing, health, and community safety.
FINANCIAL IMPLICATIONS As set out in the report

SECTION 151 OFFICER'S COMMENTS

Robustness of Estimates and Adequacy of Council's Reserves

The Local Government Act 2003 places explicit requirements on the Section 151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves. A summary of the Section 151 Officer's advice to date is provided below for information, but it should be noted that some of this is provisional until Cabinet's final budget proposals are confirmed.

At Budget Council, Members will be recommended to note formally the advice of the s151 Officer.

Provisions, Reserves and Balances

Specific earmarked reserves and provisions are satisfactory at the levels currently proposed.
Unallocated balances of £5M for General Fund are reasonable levels to safeguard the Councils overall financial position, given other measures and safeguards proposed. This level assessment is consistent with that noted by Council 28 February 2024 and it reflects the uncertainty around the current economic climate and sensitivity of some of the underlying savings and income levels within the budget.

Robustness of Estimates

A variety of exercises have been undertaken to establish a robust budget for the forthcoming year. These include:

- producing a base budget, taking account of service commitments, pay and price increases and expected demand/activity levels as appropriate, and the consideration of key assumptions and risks such as levels of future Government funding for the pandemic and other areas.
- reviewing the Council's services and activities, making provision for expected changes.
- reviewing the Council's MTFS, together with other corporate monitoring information produced during the year.
- undertaking a review of the Council's borrowing needs to support capital investment, in line with the Prudential Code.

These measures ensure that, as far as is practical, the estimates and assumptions underpinning the base budget are robust.

Affordability of Spending Plans

In addition, the Section 151 Officer is responsible for ensuring that when setting and revising Prudential Indicators, including borrowing limits, all matters to be taken into account are reported to Council for consideration as part of the Treasury Management Framework.

In considering affordability, the fundamental objective is to ensure that the Council's capital investment remains within sustainable limits, having regard to the impact on Council Tax (for General Fund). Affordability is ultimately determined by judgements on what is 'acceptable' this will be influenced by public, political, and national influences.

The factors that have been taken into account in considering capital investment plans include the following.

- availability of capital resources, including capital grants, capital receipts, etc
- existing commitments and planned service / priority changes
- options appraisal arrangements and robust business cases for the chosen options
- revenue consequences of any proposed capital schemes, including interest and debt repayment costs of any borrowing
- future years' revenue budget projections, and the scope to meet borrowing costs.

- the likely level of government support for revenue generally
- the extent to which other liabilities can be avoided, through investment decisions.

In considering and balancing these factors, the capital proposals to date are based on levels of “prudential borrowing” or CFR over the period to 2029/30. The bulk of this relates to schemes to support delivery of the Council’s key Strategic Priorities and Outcomes such as Climate Emergency, Economic Prosperity and Regeneration and Housing as outlined in the Capital Programme.

Like all Councils, Lancaster City faces increased financial pressures and uncertainty because of the impact of the ongoing cost of living crisis and the effect it has on significant areas of expenditure such as energy costs as well as general and pay inflation. The Council has a level of reserves and benefits from the significant green energy disregard, both of which offers a degree of protection from volatilities.

Current spending plans are sustainable in the short term through the prudent allocation of funding from reserves. However, the current Medium Term Financial Strategy suggests a structural budget gap in 2026/27 onwards of approximately £2.633M raising to £5.480M. This is size of deficit is not sustainable and if not addressed by significant interventions and balances used, they will be quickly depleted. It is therefore of the utmost importance that Members and Officers work together and continue to support the Outcomes Based Resourcing/Fit for the Future programme as it must remain a core priority for the Council as it will be expected to deliver significant inroads into the deficit.

LEGAL IMPLICATIONS
Legal Services have been consulted and have no further comments.

MONITORING OFFICER’S COMMENTS
The Monitoring Officer has been consulted and has no comments.

BACKGROUND PAPERS	
BACKGROUND PAPERS Appendix A General Fund Revenue Budget 2024-25 Appendix B Service Summary Appendix B1 Exempt Appendix B2 Exempt Appendix C Reserves Summary Appendix D Budget Transfers Virements Carry Forwards **<u>Cabinet Papers</u>** **<u>Budget & Performance Papers</u>**	**Contact Officer:** Paul Thompson **Telephone: 01524 582603** **E-mail:** pthompson@lancaster.gov.uk **Ref:** N/A

General Fund Revenue Budget Projections 2025/26 to 2029/30

For Consideration by Cabinet 11 February 2025

	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
GF Revenue Budget/Forecast as at 28 February 2024	**26,007**	**27,235**	**27,899**	**29,390**	**30,272**
GF Revenue Budget/Forecast as at 3 December 2024	**26,250**	**26,695**	**27,893**	**29,212**	**30,205**
Base Budget Changes					
Further Operational Changes	22	47	67	5	71
Building Control Contract	118	132	134	180	185
Fees & Charges Inflation	(182)	(182)	(182)	(182)	(182)
Commercial & Corporate Property Review	1,541	1,053	856	299	888
Waste Collection (pEPR payment)	(989)	(1,009)	(1,029)	(1,050)	(1,071)
Food Waste Collection	225	1,009	1,029	1,050	1,071
Impact of Provisional Local Government Settlement	259	381	375	370	365
Latest Budgetary Position	**27,244**	**28,126**	**29,143**	**29,884**	**31,532**
Outcomes Based Resourcing Proposals:					
Growth/(Savings) Proposals					
Environment & Place	(5)	(30)	(30)	(30)	(30)
Housing & Property	(13)	(49)	(124)	(124)	(124)
People & Policy	26	27	27	28	28
Planning & Climate Change	(45)	(45)	(45)	(45)	(45)
Sustainable Growth	12	(14)	(17)	(16)	(17)
Revenue Impact of Capital Programme Review (MRP & Interest)	58	860	761	647	755
Revenue Impact of Capital Programme Review (Ongoing Revenue)	(76)	(126)	(226)	(226)	(226)
General Fund Revenue Budget	**27,201**	**28,749**	**29,489**	**30,118**	**31,873**
Core Funding:					
Revenue Support Grant	(460)	(460)	(460)	(460)	(460)
Prior Year Council Tax (Surplus)/Deficit	(280)				
Prior Year Business Rates (Surplus)/Deficit	(636)				
Net Business Rates Income	(14,275)	(13,641)	(11,832)	(12,145)	(12,411)
Council Tax Requirement	**11,550**	**14,648**	**17,197**	**17,513**	**19,002**
Estimated Council Tax Income - **(Increases based on 2.99% for 2025/26 then max allowable)**	**11,550**	**12,015**	**12,498**	**13,000**	**13,522**
Resulting Base Budget (Surplus)/Deficit	**0**	**2,633**	**4,699**	**4,513**	**5,480**
Incremental Deficit as Percentage of Net Revenue Budget	**0%**	**9%**	**16%**	**15%**	**17%**

Revenue Budget (Surplus)/Deficit as at 28 February 2024	**1,435**	**3,947**	**3,830**	**4,567**	**(0)**
Increase/(Decrease)	**(1,435)**	**(1,314)**	**869**	**(54)**	**5,480**

BALANCES

General Fund Unallocated Balance					
	£M	***£M***	***£M***	***£M***	***£M***
Balance as at 1 April 2025-29	**(8.189)**	**(8.693)**	**(5.963)**	**(1.264)**	**+3.249**
In Year allocations	**(0.504)**	**+0.097**	**+0.000**	**+0.000**	**+0.000**
Forecast (Under)/Overspend	+0.000	+2.633	+4.699	+4.513	+5.480
Other Adjustments	+0.000	+0.000	+0.000	+0.000	+0.000
Projected Balance as at 31 March 2026-30	**(8.693)**	**(5.963)**	**(1.264)**	**+3.249**	**+8.729**
Reserves	**(8.693)**	**(5.963)**	**(1.264)**	**+3.249**	**+8.729**
Less Recomended Minimum Level of Balances	**5.000**	**5.000**	**5.000**	**5.000**	**5.000**
Available Balances	**(3.693)**	**(0.963)**	**+3.736**	**+8.249**	**+13.729**

APPENDIX B

Savings and Budget Proposals 2025/26 to 2029/30

		2025/26	2026/27	2027/28	2028/29	2029/30
		£'000	£'000	£'000	£'000	£'000
SAVINGS PROPOSALS	***Environment & Place***	(5)	(30)	(30)	(30)	(30)
	Housing & Property	(13)	(49)	(124)	(124)	(124)
	Planning & Climate Change	(45)	(45)	(45)	(45)	(45)
	Sustainable Growth	12	(14)	(17)	(16)	(17)
	Total Savings	**(51)**	**(138)**	**(216)**	**(215)**	**(216)**
GROWTH	***People & Policy***	26	27	27	28	28
	Total Growth	**26**	**27**	**27**	**28**	**28**
	Net (Savings)/Growth	**(25)**	**(111)**	**(189)**	**(187)**	**(188)**

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Reserves Statement (Including Unallocated Balances)

	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026	From Revenue	To / (From) Capital	To Revenue	31 March 2027	From Revenue	To / (From) Capital	To Revenue	31 March 2028	From Revenue	To / (From) Capital	To Revenue	31 March 2029	From Revenue	To / (From) Capital	To Revenue	31 March 2030
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	**(8,189,200)**	**(820,000)**	**0**	**316,500**	**(8,692,700)**	**0**	**0**	**97,500**	**(8,595,200)**	**0**	**0**	**0**	**(8,595,200)**	**0**	**0**	**0**	**(8,595,200)**	**0**	**0**	**0**	**(8,595,200)**
Earmarked Reserves (Usable):																					
Amenity Improvements	**(29,000)**	0	0	0	**(29,000)**	0	0	0	**(29,000)**	0		0	**(29,000)**	0	0	0	**(29,000)**	0	0	0	**(29,000)**
Corporate Priorities	**(68,800)**	0	0	82,700	**40,900**	0	0	0	**40,900**	0	0	0	**40,900**	0	0	0	**40,900**	0	0	0	**40,900**
Capital Support	**(73,000)**	0	0	0	**(73,000)**	0	0	0	**(73,000)**				**(73,000)**				**(73,000)**				**(73,000)**
Corporate Property	**(313,500)**	0	0	0	**(313,500)**	0	0	0	**(313,500)**	0	0	0	**(313,500)**	0	0	0	**(313,500)**	0	0	0	**(313,500)**
Covid 19 Support Reserve	**(9,700)**	0	0	0	**(9,700)**	0	0	0	**(9,700)**	0	0	0	**(9,700)**	0	0	0	**(9,700)**	0	0	0	**(9,700)**
Homelessness Support	**(110,800)**	0	0	0	**(110,800)**	0	0	0	**(110,800)**	0	0	0	**(110,800)**	0	0	0	**(110,800)**	0	0	0	**(110,800)**
Investment Property Maint	**(84,900)**	0	0	0	**(84,900)**	0	0	0	**(84,900)**	0	0	0	**(84,900)**	0	0	0	**(84,900)**	0	0	0	**(84,900)**
Invest to Save	**(105,300)**	0	0	0	**(105,300)**	0	0	0	**(105,300)**	0	0	0	**(105,300)**	0	0	0	**(105,300)**	0	0	0	**(105,300)**
Museums Acquisitions	**(47,000)**	(4,500)	0	0	**(51,500)**	(4,500)	0	0	**(56,000)**	(4,500)	0	0	**(60,500)**	(4,500)	0	0	**(65,000)**	(4,500)	0	0	**(69,500)**
Restructure	**(400,000)**	0	0	0	**(400,000)**	0	0	0	**(400,000)**	0	0	0	**(400,000)**	0	0	0	**(400,000)**	0	0	0	**(400,000)**
SALC 3G Football Pitch	**0**	0	0	0	**0**	(32,000)	0	0	**(32,000)**	(32,000)	0	0	**(64,000)**	(32,000)	0	0	**(96,000)**	(32,000)	0	0	**(128,000)**
Business Rates Retention	**(12,064,400)**	(129,900)	0	0	**(12,344,300)**	0	0	600,000	**(11,744,300)**	0	0	500,000	**(11,244,300)**	0	0	0	**(11,244,300)**	0	0	0	**(11,244,300)**
Renewals Reserves	**(1,880,000)**	(491,800)	38,000	0	**(2,371,800)**	(491,800)	0	0	**(2,863,600)**	(491,800)	0	0	**(3,355,400)**	(491,800)	0	0	**(3,847,200)**	(491,800)	0	0	**(4,339,000)**
General Renewals	**(1,360,200)**	(295,800)	0	0	**(1,656,000)**	(295,800)	0	0	**(1,951,800)**	(295,800)	0	0	**(2,247,600)**	(295,800)	0	0	**(2,543,400)**	(295,800)	0	0	**(2,839,200)**
Salt Ayre Leisure Centre	**(167,700)**	(150,000)	38,000	0	**(317,700)**	(150,000)	0	0	**(467,700)**	(150,000)	0	0	**(617,700)**	(150,000)	0	0	**(767,700)**	(150,000)	0	0	**(917,700)**
Williamson Park	**(65,000)**	(18,000)	0	**0**	**(83,000)**	(18,000)	0	0	**(101,000)**	(18,000)	0	0	**(119,000)**	(18,000)	0	0	**(137,000)**	(18,000)	0	0	**(155,000)**
Car Parks	**(147,200)**	(12,000)	0	0	**(159,200)**	(12,000)	0	0	**(171,200)**	(12,000)	0	0	**(183,200)**	(12,000)	0	0	**(195,200)**	(12,000)	0	0	**(207,200)**
Happy Mount Park	**(63,900)**	(14,000)	0	**0**	**(77,900)**	(14,000)	0	0	**(91,900)**	(14,000)	0	0	**(105,900)**	(14,000)	0	0	**(119,900)**	(14,000)	0	0	**(133,900)**
Arnside & Silverdale AONB	**(76,000)**	(2,000)	0	0	**(78,000)**	(2,000)	0	0	**(80,000)**	(2,000)	0	0	**(82,000)**	(2,000)	0	0	**(84,000)**	(2,000)	0	0	**(86,000)**
Total Earmarked Reserves (Usable)	**(15,186,400)**	**(626,200)**	**38,000**	**82,700**	**(15,852,900)**	**(528,300)**	**0**	**600,000**	**(15,781,200)**	**(528,300)**	**0**	**500,000**	**(15,809,500)**	**(528,300)**	**0**	**0**	**(16,337,800)**	**(528,300)**	**0**	**0**	**(16,866,100)**
Earmarked Reserves (Ringfenced):																					
Elections	**(62,300)**	(45,000)	0	0	**(107,300)**	(45,000)	0	0	**(152,300)**	(45,000)	0	180,000	**(17,300)**	(45,000)	0	0	**(62,300)**	(45,000)	0	0	**(107,300)**
Lancaster District Hardship Fund	**(600)**	0	0	0	**(600)**	0	0	0	**(600)**	0	0	0	**(600)**	0	0	0	**(600)**	0	0	0	**(600)**
Planning Fee Income	**(10,600)**	0	0	0	**(10,600)**	0	0	0	**(10,600)**	0	0	0	**(10,600)**	0	0	0	**(10,600)**	0	0	0	**(10,600)**
Revenue Grants Unapplied	**(146,800)**	0	0	19,200	**(66,100)**	0	0	0	**(66,100)**	0	0	0	**(66,100)**	0	0	0	**(66,100)**	0	0	0	**(66,100)**
S106 Commuted Sums - Open Spaces	**0**	0	0	0	**0**	0	0	0	**0**	0	0	0	**0**	0	0	0	**0**	0	0	0	**0**
S106 Commuted Sums - Affordable Housing	**(218,800)**	0	0	0	**(218,800)**	0	0	0	**(218,800)**	0	0	0	**(218,800)**	0	0	0	**(218,800)**	0	0	0	**(218,800)**
S106 Commuted Sums - Highways, Cycle Paths etc.	**(1,411,400)**	(100,000)	0	0	**(1,511,400)**	(100,000)	0	0	**(1,611,400)**	(100,000)	0	0	**(1,711,400)**	(100,000)	0	0	**(1,811,400)**	(100,000)	0	0	**(1,911,400)**
Welfare Reforms	**(324,900)**	0	0	0	**(324,900)**	0	0	0	**(324,900)**	0	0	0	**(324,900)**	0	0	0	**(324,900)**	0	0	0	**(324,900)**
Reserves Held in Perpetuity:																					
Graves Maintenance	**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**				**(22,200)**
Marsh Capital	**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**				**(47,700)**
Total Earmarked Reserves (Ringfeced)	**(2,245,300)**	**(145,000)**	**0**	**19,200**	**(2,309,600)**	**(145,000)**	**0**	**0**	**(2,454,600)**	**(145,000)**	**0**	**180,000**	**(2,419,600)**	**(145,000)**	**0**	**0**	**(2,564,600)**	**(145,000)**	**0**	**0**	**(2,709,600)**
Total Combined Reserves	**(25,620,900)**				**(26,855,200)**				**(26,831,000)**				**(26,824,300)**				**(27,497,600)**				**(28,170,900)**

APPENDIX D

Budget Transfers (Virements, Carry Forwards & Reserves) 2025/26 Limits

Cabinet 11 February 2024

1 **Purpose and Scope**

1.1 Budget transfers (virements and carry forwards) enable the Cabinet and Chief Officers to manage budgets with a degree of flexibility within the overall policy framework determined by full Council, to optimise the use of resources and promote good financial management.

1.2 Other detailed operational guidance will be provided to budget holders, but Council approval is required for the basic limits, as proposed below.

2 **Virements**

2.1 The term covers in-year transfers between budget headings.

2.2 The Scheme of virement applies to revenue and capital budgets, and it allows only in-year, non-recurring budget adjustments.

2.3 Virement must not increase the Council's net budget; the first priority for any virements must be to address any expected budget overspendings.

2.4 Chief Officers (or their nominated representatives) may approve virements up to any limit within the specific cost centres in their control (or the equivalent level as set out in the budget book), as long as the virement does not substantially change how the activity is to be delivered, or have adverse impact on performance. For example, high staff turnover in a service area may result in an interim need to buy in additional external support or services. This would require a virement from the salaries budget, into the relevant supplies & services budget, as long as the virement does not increase the overall net cost for the service area.

2.5 With the agreement of the s151 Officer, Chief Officers (or their nominated representatives) may approve virements in budgets under their control, between cost centres (or the equivalent level as set out in the budget book), subject to the following limits:

Delegated limit	**2024/25**
Total virement on any **expenditure** heading in any one financial year must not exceed:	£10,000
Total virement on any **income** heading in any one financial year must not exceed:	£10,000

2.6 Proposed virements above these limits, that otherwise fall within the approved budget and policy framework, must be considered by Cabinet Members (relevant Individual Cabinet Member/s for any virements up to key decision threshold, and full Cabinet for virements above the key decision threshold).

2.7 Virement is not possible where the impact would fall outside of the policy framework.

3 **Treatment of Year-end Balances**

3.1 At the end of each accounting year, actual expenditure or income for the year may well vary from that budgeted, for a number of reasons. For example, a particular project may not have progressed as originally planned, meaning that the budget shows an underspending but only because some expenditure will be incurred later, and will slip into the next year. Alternatively, a budget may show an apparent overspending, but only because a project is ahead of schedule, with costs being incurred earlier than expected.

3.2 The following arrangements are proposed to help manage such situations. Again, these are based on previous practices, drawing on experience and streamlining the decision-making where appropriate. They apply to both revenue and capital budgets.

Overspends

Any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Chief Officer (or their nominated representative) will be automatically carried forward to the following year as part of the closure of accounts process except where the relevant Chief Officer and the s151 Officer agree that it does not make operational sense to do so, or where the overspending is trifling in value.

The s151 Officer will report to Cabinet on overspendings and their treatment as part of year-end reporting. Such reporting will also include the reasons for any overspends occurring and details of any actions taken to prevent the situation recurring, for Cabinet's consideration and endorsement.

Underspends

As part of year-end reporting, Cabinet may approve the carry forward of underspendings on expenditure budgets, as requested by Chief Officers, subject to:

- the carry forward amount being used for the same purpose as budgeted; and

- the total value of any such approved amounts being met within the approved budget framework. (In effect, this means that there should be no bottom-line net overspending arising, as a result of approving carry forward requests.)

APPENDIX D

4.0 Governance Arrangements on the Use of Reserves

4.1 Given the continuing financial pressures and the need for the prudent use of reserves the following arrangements exist for the approval of reserves expenditure:

- All applications will need to be supported by a bid document setting out how expenditure funded from Reserves will deliver corporate priorities with a clear costing statement schedule of specific outcome measures. Details of the bid proforma document is attached at appendix A

- Reserve bids should be agreed by Portfolio Holder in consultation with relevant Director.

- Once received bids will need to be formally agreed by the Leader of the Council, Chief Executive, Portfolio Holder for Finance and Resources, Monitoring Officer and the s151 Officer before expenditure is authorised and can be incurred.

4.2 These arrangements will be reviewed again as part of the annual revenue budget process

Reserves Expenditure Monitoring

4.3 The monitoring of reserves will be incorporated into the quarterly performance and financial monitoring reporting process.

APPENDIX D

Schedule of Earmarked Reserves

Reserve	**Purpose of the Reserve**
Business Rates Retention	To support the budget in the event that Business Rates Income does not reach budgeted levels or falls to Safety Net, due to fluctuations in appeals or other reductions in net income, and to hold any unbudgeted (surplus) rating income prior to use.
Planning Income	To hold surplus income generated as a result of the Government's 20% increase in planning fee income. To be used to fund additional costs/growth relating to Planning functions (in line with any regulatory guidance).
Capital Support	To provide cover for any revenue costs arising through shortfalls in capital financing (i.e. from capital receipts).
Elections	To even out the cost of holding City Council elections every four years.
Renewals	To provide for the renewal (replacement or upgrade) of existing facilities and infrastructure needed for service delivery, such as vehicles, plant, and equipment.
Amenity Improvements	To provide public realm amenity improvements.
Corporate Priorities	To provide resources to help finance capacity / feasibility / review and other development work in support of the Council's corporate priorities as adopted by Council in December 2023.
Corporate Property	To provide for feasibility studies, surveys and repair works to municipal buildings and facilities (in particular, for those that cannot be capitalised as part of the current works programme or are not otherwise budgeted for). In addition, to provide cover for any in-year rental shortfalls.
Invest to Save	To help finance any Invest to Save initiatives.
Investment Property Maintenance	A sinking fund to provide funds for future investment property maintenance
Restructure	To fund the costs associated with early termination of staff (in the interests of efficiency / redundancy) / Pay and Grading Review.
Revenue Grants Unapplied	Grants, usually for Government, which are provided for an expressed purpose.
Lancaster District Hardship Fund	To provide short term financial assistance for those in hardship and also address some of the reasons why people find themselves in acute financial hardship and provide discretionary support to prevent this.
S106 Commuted Sums	Three separate reserves to receive all sums paid to the Council from third parties for the maintenance of (1) open spaces adopted by the City Council (2) affordable housing schemes (3) other amenities such as cycle paths.
Museums Acquisitions	To acquire exhibition pieces for the City's museums.
Held in Perpetuity	Two small reserves that have a specific purpose which are administered by the Council. These are Graves Maintenance and Marsh Capital

APPENDIX D

Reserves Bid Document

Description of Project	
Amount of Reserve Bid	
Reserve	
Strategy Link	
Corporate Project Link	

Type of Expenditure (and budget code)	**Amount**	**Details**
Total		
Income		
Net Expenditure		

Action Plan

What	**Who**	**When**

Outcomes and Impacts arising from Project

Measure	**Baseline**	**Target**

Has Social Value matrix been completed (attach to bid form)? YES / NO

For Invest to Save projects has the financial yield return schedule been completed (attach to bid form) YES / NO

APPENDIX D

Project Officer Sign Off:

Director Sign Off:
Section 151 Officer Sign Off:

Portfolio Holder Sign Off:
Finance Portfolio Sign Off:

Cabinet Minute (if app):

CABINET

Capital Programme 2025/26 – 2034/35
&
Capital Strategy (Investing in the Future)
11 February 2025

Report of Chief Finance Officer

PURPOSE OF REPORT					
To present Cabinet's final budget proposals in order that the Council can approve a General Fund Capital Programme for 2025/26 to 2034/35 and a Capital Strategy 2025/26 as required by regulation.					
Key Decision	**X**	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision				16h December 2024	

RECOMMENDATION OF COUNCILLOR HAMILTON-COX

1. **That Cabinet recommends the following for approval to Budget Council:**
   - **the updated Capital Programme covering financial years 2025/26 to 2034/35**
   - **the Capital Strategy (Investing in the Future) 2025/26**

2. **Delegated authority be given to the S151 officer, in consultation with Portfolio Holder for Finance & Resources to amend change in the prudential indicators should Cabinet or Full Council make any revisions to the Capital Programme**

1.0 INTRODUCTION

1.1 Capital investment, via the Council's reserves or borrowing, plays a key role in strategic projects and initiatives for the success of the Lancaster district, as well as transforming and optimising the Council's services to its residents.

1.2 The proposed Capital Programme and supporting Strategy, entitled *'Investing in the Future'* and contained at ***Appendix B***, sets out the relevant context and a proposed framework to support the Council's approach to capital investment over the medium term.

2.0 CAPITAL PROGRAMME

2.1 The proposed net investment programme for General Fund for the period to 2034/35 is included at ***Appendix A*** and summarised in the table below.

	2024/25 £'M	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Approved Schemes	6.607	15.718	2.904	0.964	2.913	0.788
Schemes Under Development	0.000	5.146	0.240	0.000	0.000	0.000
Total	**6.607**	**20.864**	**3.144**	**0.964**	**2.913**	**0.788**

	2030/31 £'M	2031/32 £'M	2032/33 £'M	2033/34 £'M	2034/35 £'M	Grand Total £'M
Approved Schemes	2.936	6.159	3.701	2.107	2.837	**43.165**
Schemes Under Development	0.000	0.000	0.000	0.00	0.000	**3.248**
Total	**2.936**	**6.159**	**3.701**	**2.107**	**2.837**	**46.413**

2.2 The current year's net revised programme (2024/25) now stands at £6.607M. During the next 10 years, a further gross investment of £69.590M is currently planned with external funding of £23.177M anticipated to support this investment, giving a total net programme from 2025/26 to 2034/35 of £46.413M.

2.3 Schemes classified as Under Development have had strategic outline business cases approved in principle by the Cabinet but **cannot** commence until full business cases have been considered and approved, first by the Capital Assurance Group (CAG), and then by Cabinet. In addition, depending certain factors such as the complexity of the project, the level of investment required (c£1.5M) etc the full business cases will be subject to independent 3rd party review, with the results forming part of the CAG and Cabinet submission.

2.4 The scheme that is classified as Under Development in 2026/27 SALC 3G Football pitch is hoped to be partially funded by external grant. The remainder of this scheme and all schemes Under Development in 2025/26, Electric Vehicle Charging hubs, Parks & Open Space, Salt Ayre Asset Management Plan, Wheelie Bins and Local Full fibre Network will need to be funded from borrowing but the business cases will have to demonstrate that income arising from the capital investment can cover all borrowing costs and deliver a positive return to the Council's revenue budget.

2.5 Overall the programme is balanced, allowing for a gross increase in the underlying need to borrow (known as the Capital Financing Requirement or CFR), over the five-year period to 2029/30. The Council makes a revenue provision for the repayment of borrowing known as Minimum Revenue Provision (MRP) which reduces the CFR.

2.6 In setting the capital programme the Council must have regard to affordability and the Treasury Management Strategy sets out through a series of prudential indicators the impact of the Council's Capital Programme on its borrowing to ensure that all borrowing is affordable, prudent and sustainable.

3.0 CAPITAL STRATEGY

3.1 The Council is required to adopt a Capital Strategy, and this is included as ***Appendix B***. It is an overarching document which sets the policy framework for the development, management, and monitoring of capital investment. It incorporates the Capital Programme, Asset Management Plan and Treasury Management Strategy.

3.2 The strategy also sets out the proposed approach to risk management as well as the monitoring and evaluation of capital projects. Capital investment decisions will reflect the priorities included within the Council Plan: Strategic Priorities and supporting strategies.

- Schemes to be added to the Capital Programme will be subject to a gateway process following completion of a capital bid which will be scored against criteria set to measure strategic, economic, financial, commercial and management criteria in accordance with the Treasury's 5 case model. These will be reviewed by a corporate Capital Assurance Group comprising key Officers alongside the Finance Portfolio Holder and Chairs of Budget and Performance Panel and Overview and Scrutiny Committee.

- Unless in an emergency revisions to the Capital Programme will be restricted to October/ November committee cycle to align with the Treasury Management Mid-Year reporting schedule and prevent unnecessary or duplication of work

- The Capital Assurance Group (CAG) will also oversee capital financing in order to ascertain that all capital expenditure is affordable, prudent, and sustainable as set out in the Treasury Management Strategy. CAG's terms of reference are provided at ***Appendix C***

3.3 The Council recognises that it will play a pivotal role in key projects which will enable the district to thrive and grow. Further development of the Capital Programme may be needed over the next few years in order to properly encapsulate major economic development projects.

4.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

4.1 Cabinet may put forward alternative proposals or amendments to the proposed Strategy ahead of consideration by Full Council. For capital, Council may adjust its capital investment and financing proposals taking account of spending commitments and priorities, but its proposals for 2025/26 must balance.

4.2 Depending on the nature of any alternative proposals put forward, Officers may need time to assess the risks and implications. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision- making.

5.0 OFFICER PREFERRED OPTION (AND COMMENTS)

5.1 To consider the Capital Programme and Strategy as attached allowing for any amendments being made under delegated authority prior to referral to Council.

6.0 CONCLUSION

6.1 This report addresses the actions required to complete the budget setting process for its Capital Programme and Capital Strategy.

6.2 If Cabinet, or Budget Council changes its Capital Programme from that which is proposed in this report then this would require a change in the prudential indicators which are part of the Treasury Management Strategy.

RELATIONSHIP TO POLICY FRAMEWORK The Council's revenue and capital budgets should represent, in financial terms what the Council is seeking to achieve through its Policy Framework. The proposed capital programme and supporting strategy is part of the Council's budget and policy framework, and fits into the Medium Term Financial Strategy
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) The proposed budget incorporates measures to address the climate emergency and digital improvements as well as activities to address wellbeing, health and community safety.

FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report. However, the proposed levels and areas of capital investments will require borrowing and other associated costs. Financial due diligence and assessment will ensure that all the appropriate costs are considered for each proposal.

S151 OFFICER COMMENTS

The s151 Officer has authored this report and his comments are reflected within

LEGAL IMPLICATIONS

The Council has the legal power to acquire, use and dispose of land principally under the Local Government Act 1972 and other Acts which give the Council powers to acquire land for a particular purpose. In accordance with section 120(1), Local Government Act 1972, the Council has the power to acquire any land where it is for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area.

If the Council decides to dispose of land, there is a legal requirement to obtain best value (with very limited exceptions).

Depending on the nature of the particular type of property concerned, there may be other statutory requirements or procedures to be undertaken before any acquisition, appropriation or disposal of land.

MONITORING OFFICER'S COMMENTS

Capital and Investment Strategies form part of the Budget Framework and their adoption is a function of Full Council.

BACKGROUND PAPERS	**Contact Officer:** Paul Thompson
Appendix A Capital Programme 2025-26 to 2034-35 Appendix B Capital Strategy - Investing in the Future Appendix C: CAG Terms of Reference	**Telephone: 01524 582603** **E-mail:** pthompson@lancaster.gov.uk **Ref:** N/A

General Fund Capital Programme

Service / Scheme	2024/25			2025/26			2026/27			2027/28			2028/29			2029/30		
	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Environment & Place																		
Vehicle Renewals (Latest)	545,000		545,000	5,337,000		5,337,000	2,061,000		2,061,000	257,000		257,000	2,238,000		2,238,000	560,000		560,000
Electric Taxis Scheme	341,000	(341,000)	0			0			0			0			0			0
UK Shared Prosperity Fund - The Streets Are Ours Public Realm	205,000	(205,000)	0			0			0			0			0			0
UK Shared Prosperity Fund - Heysham Village Toilets	99,000	(99,000)	0			0			0			0			0			0
AONB Capital Access Works	76,000	(76,000)	0			0			0			0			0			0
LTA Tennis Court Refurbishment	80,000	(80,000)	0			0			0			0			0			0
Playground The Roods - Warton	60,000	(60,000)	0			0			0			0			0			0
Winchester Field and Nature Area			0	118,000	(47,000)	71,000			0			0			0			0
Food Waste Strategy			0	1,462,000	(1,462,000)	0			0			0			0			0
Public Bins			0	500,000		500,000			0			0			0			0
Commercial Venue Improvements			0	150,000		150,000			0			0			0			0
Housing & Property																		
Mellishaw Park	73,000		73,000			0			0			0			0			0
Disabled Facilities Grants	3,458,000	(3,458,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0
Home Improvement Agency Vehicles			0	40,000	(40,000)	0			0			0			0			0
1 Lodge Street Urgent Structural Repairs	250,000		250,000	172,000		172,000			0			0			0			0
Gateway Solar Array	10,000		10,000	974,000		974,000			0			0			0			0
UK Shared Prosperity Fund Lancs CVS Community Warm Hubs	37,000	(37,000)	0			0			0			0			0			0
Commercial & Corporate Property	347,000		347,000	1,459,000		1,459,000	462,000		462,000	351,000		351,000	494,000		494,000	52,000		52,000
White Lund Depot - Offices	1,834,000		1,834,000			0			0			0			0			0
Coopers Fiels - BLRF	117,000	(117,000)	0	180,000	(180,000)	0			0			0			0			0
King Street			0	600,000	(200,000)	400,000			0			0			0			0
People & Policy																		
UK Shared Prosperity Fund External Projects	506,000	(506,000)	0			0			0			0			0			0
Rural England Prosperty Fund External Projects	398,000	(398,000)	0			0			0			0			0			0
UK Shared Prosperity Fund Digital Tourism Transformation	42,000	(42,000)	0			0			0			0			0			0
Planning & Climate Change																		
Burrow Beck Solar	600,000		600,000	3,600,000		3,600,000			0			0			0			0
Property De-carbonisation Works	500,000		500,000	3,825,000	(1,892,000)	1,933,000			0			0			0			0
SALC -optimised solar farm, air source heating pumps & glazing	10,000	(10,000)	0			0			0			0			0			0
Resources																		
ICT Systems, Infrastructure & Equipment	303,000		303,000	392,000		392,000	351,000		351,000	326,000		326,000	181,000		181,000	176,000		176,000
ICT Laptop Replacement & e-campus screens	116,000		116,000			0			0			0			0			0
ICT Nimble	300,000		300,000			0			0			0			0			0
Local Full Fibre Network	1,378,000		1,378,000			0			0			0			0			0
Sustainable Growth																		
Lancaster Heritage Action Zone	197,000	(24,000)	173,000	200,000		200,000			0			0			0			0
Lancaster Heritage Action Zone - St John's Church			0	500,000		500,000			0			0			0			0
Caton Road Flood Relief Scheme	1,664,000	(1,664,000)	0			0			0			0			0			0
Centenary House Grant Funded Works	749,000	(749,000)	0			0			0			0			0			0
Lawsons Bridge S106 Scheme	63,000		63,000			0			0			0			0			0
Lancaster Square Routes	21,000	(16,000)	5,000			0			0			0			0			0
Coastal Revival Fund - Morecambe Co-Op Building	11,000	(11,000)	0			0			0			0			0			0
City Museum Shop	30,000		30,000			0			0			0			0			0
Morecambe Sea Front Parapet Repair	30,000		30,000	30,000		30,000	30,000		30,000	30,000		30,000			0			0
Bare Outfall Flooding	50,000		50,000			0			0			0			0			0
Our Future Coast	345,000	(345,000)	0	63,000	(63,000)	0	85,000	(85,000)	0			0			0			0
UK Shared Prosperity Fund Lodge St Environs Enabling Works	69,000	(69,000)	0			0			0			0			0			0
UK Shared Prosperity Fund Museums Accessible Engagement	34,000	(34,000)	0			0			0			0			0			0
Schemes Under Development																		
Canal Quarter - Nelson St/St Leonardsgate	2,389,000	(2,389,000)	0			0			0			0			0			0
Electrical Vehicle Charging Hubs			0	400,000		400,000			0			0			0			0
Parks & Open Spaces Improvement			0	871,000		871,000			0			0			0			0
SALC 3G Football Pitch			0			0	800,000	(560,000)	240,000			0			0			0
Salt Ayre Asset Management Plan			0	1,267,000		1,267,000			0			0			0			0
Wheelie Bins			0	2,208,000		2,208,000			0			0			0			0
Local Full Fibre Network (supplement)			0	400,000		400,000			0			0			0			0
GENERAL FUND CAPITAL PROGRAMME	17,337,000	(10,730,000)	6,607,000	27,079,000	(6,215,000)	20,864,000	6,120,000	(2,976,000)	3,144,000	3,295,000	(2,331,000)	964,000	5,244,000	(2,331,000)	2,913,000	3,119,000	(2,331,000)	788,000

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Financing :						
Capital Receipts	0	0	0	0	0	0
Direct Revenue Financing	0	0	0	0	0	0
Earmarked Reserves	(63,000)	(109,000)	0	0	0	0
Increase/(Reduction) in Capital Financing Requirement (CFR)	6,544,000	20,755,000	3,144,000	964,000	2,913,000	788,000

General Fund Capital Programme

Service / Scheme	2030/31 Gross Budget	2030/31 External Funding	2030/31 Net Programme	2031/32 Gross Budget	2031/32 External Funding	2031/32 Net Programme	2032/33 Gross Budget	2032/33 External Funding	2032/33 Net Programme	2033/34 Gross Budget	2033/34 External Funding	2033/34 Net Programme	2034/35 Gross Budget	2034/35 External Funding	2034/35 Net Programme	10 YEAR TOTAL (FROM 2025/26) Total Gross Programme	10 YEAR TOTAL (FROM 2025/26) Total External Funding	10 YEAR TOTAL (FROM 2025/26) Total Net Programme
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Environment & Place																		
Vehicle Renewals (Latest)	2,469,000		2,469,000	5,679,000		5,679,000	3,511,000		3,511,000	1,565,000		1,565,000	2,179,000		2,179,000	25,856,000	0	25,856,000
Electric Taxis Scheme			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund - The Streets Are Ours Public Realm			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund - Heysham Village Toilets			0			0			0			0			0	0	0	0
AONB Capital Access Works			0			0			0			0			0	0	0	0
LTA Tennis Court Refurbishment			0			0			0			0			0	0	0	0
Playground The Roods - Warton			0			0			0			0			0	0	0	0
Winchester Field and Nature Area			0			0			0			0			0	118,000	(47,000)	71,000
Food Waste Strategy			0			0			0			0			0	1,462,000	(1,462,000)	0
Public Bins			0			0			0			0			0	500,000	0	500,000
Commercial Venue Improvements			0			0			0			0			0	150,000	0	150,000
Housing & Property																		
Mellishaw Park			0			0			0			0			0	0	0	0
Disabled Facilities Grants	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0			0			0	18,648,000	(18,648,000)	0
Home Improvement Agency Vehicles			0			0			0			0			0	40,000	(40,000)	0
1 Lodge Street Urgent Structural Repairs			0			0			0			0			0	172,000	0	172,000
Gateway Solar Array			0			0			0			0			0	974,000	0	974,000
UK Shared Prosperity Fund Lancs CVS Community Warm Hubs			0			0			0			0			0	0	0	0
Commercial & Corporate Property			0	152,000		152,000			0	208,000		208,000	379,000		379,000	3,557,000	0	3,557,000
White Lund Depot - Offices			0			0			0			0			0	0	0	0
Coopers Fiels - BLRF			0			0			0			0			0	180,000	(180,000)	0
King Street			0			0			0			0			0	600,000	(200,000)	400,000
People & Policy																		
UK Shared Prosperity Fund External Projects			0			0			0			0			0	0	0	0
Rural England Prosperity Fund External Projects			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund Digital Tourism Transformation			0			0			0			0			0	0	0	0
Planning & Climate Change																		
Burrow Beck Solar			0			0			0			0			0	3,600,000	0	3,600,000
Property De-carbonisation Works			0			0			0			0			0	3,825,000	(1,892,000)	1,933,000
SALC -optimised solar farm, air source heating pumps & glazing			0			0			0			0			0	0	0	0
Resources																		
ICT Systems, Infrastructure & Equipment	467,000		467,000	328,000		328,000	190,000		190,000	334,000		334,000	279,000		279,000	3,024,000	0	3,024,000
ICT Laptop Replacement & e-campus screens			0			0			0			0			0	0	0	0
ICT Nimble			0			0			0			0			0	0	0	0
Local Full Fibre Network			0			0			0			0			0	0	0	0
Sustainable Growth																		
Lancaster Heritage Action Zone			0			0			0			0			0	200,000	0	200,000
Lancaster Heritage Action Zone - St John's Church			0			0			0			0			0	500,000	0	500,000
Caton Road Flood Relief Scheme			0			0			0			0			0	0	0	0
Centenary House Grant Funded Works			0			0			0			0			0	0	0	0
Lawsons Bridge S106 Scheme			0			0			0			0			0	0	0	0
Lancaster Square Routes			0			0			0			0			0	0	0	0
Coastal Revival Fund - Morecambe Co-Op Building			0			0			0			0			0	0	0	0
City Museum Shop			0			0			0			0			0	0	0	0
Morecambe Sea Front Parapet Repair			0			0			0			0			0	90,000	0	90,000
Bare Outfall Flooding			0			0			0			0			0	0	0	0
Our Future Coast			0			0			0			0			0	148,000	(148,000)	0
UK Shared Prosperity Fund Lodge St Environs Enabling Works			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund Museums Accessible Engagement			0			0			0			0			0	0	0	0
Schemes Under Development																		
Canal Quarter - Nelson St/St Leonardsgate			0			0			0			0			0	0	0	0
Electrical Vehicle Charging Hubs			0			0			0			0			0	400,000	0	400,000
Parks & Open Spaces Improvement			0			0			0			0			0	871,000	0	871,000
SALC 3G Football Pitch			0			0			0			0			0	800,000	(560,000)	240,000
Salt Ayre Asset Management Plan			0			0			0			0			0	1,267,000	0	1,267,000
Wheelie Bins			0			0			0			0			0	2,208,000	0	2,208,000
Local Full Fibre Network (supplement)			0			0			0			0			0	400,000	0	400,000
GENERAL FUND CAPITAL PROGRAMME	5,267,000	(2,331,000)	2,936,000	8,490,000	(2,331,000)	6,159,000	6,032,000	(2,331,000)	3,701,000	2,107,000	0	2,107,000	2,837,000	0	2,837,000	69,590,000	(23,177,000)	46,413,000

	2030/31	2031/32	2032/33	2033/34	2034/35	10 Year Total
Financing :						
Capital Receipts	0	0	0	0	0	0
Direct Revenue Financing	0	0	0	0	0	0
Earmarked Reserves	0	0	0	0	0	(109,000)
Increase/(Reduction) in Capital Financing Requirement (CFR)	2,936,000	6,159,000	3,701,000	2,107,000	2,837,000	46,304,000

APPENDIX B

Lancaster City Council

Investing in the Future: Our Capital Investment Strategy

This document represents the Councils Capital Strategy as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requirements.

To be reviewed and approved annually by Council

Contents

1. Introduction

1.1. Investing in the Future

The Council's goals for the success of the Lancaster district's people and environment are achieved through a broad range of different activities, characterised as:

- **Services:** Regular ongoing activities such as Planning, Council Housing, Public Realm, and Public Protection. These services are generally funded by continuous **'Revenue'** funding through the Council's regular funding streams such as Council Tax and Business Rates.
- **Projects:** One-off development activities in areas such as Regeneration, Housing, Carbon Zero or Culture & Heritage initiatives, which may complement or transform an existing service, or create new assets or capacity (such as land, property or cultural & social assets) for the district. Projects generally require a one-off **'Capital'** funding allocation, often over a number of years. Capital funding will be sourced from external contributions and grants, bids, or joint arrangements with partners where possible. In some cases, capital funding may require use of the Council's reserves, disposal proceeds or borrowing from an external source.
- **Asset Maintenance and Renewal:** Where there is a known, long term need to regularly invest in an asset (e.g. regular vehicle fleet, planned reroofing, refurbishment cycles, ICT, or leisure equipment renewals etc), then t~~. T~~hese are presented initially as a project proposal, and then continue to make use of capital funding over a number of years. These may need periodic review or adjustment, and borrowing may be incurred to fund them. Because they either prolong, or add value to our assets, they are generally a capital funding allocation.
- **Review and Repurposing:** The Council holds a substantial number of assets to deliver its wide range of services. Regular stock condition surveys will be undertaken and form the basis of the Council's asset management plan. T ~~t~~hese will be used to inform future investment decisions to ensure best value is achieved.

Capital investment funded through unsupported borrowing also has an impact on the Council's revenue budget, through the requirement of a **'Minimum Revenue Provision' (MRP)** to provide for repayments against borrowed funds.

This strategy for the period 2025~~4~~-34~~3~~ sets out a framework for how the Council wishes to invest in the future of the Lancaster district through ambitious, prudent use of capital funding, known as the Council's **'Capital Programme'**.

The strategy will be approved by Council each year at budget setting time, and any material changes will be presented to Council prior to implementation.

1.2. Sustainable, Strategic Investment

Capital expenditure must be carried out in a way that aligns with the Council's future financial sustainability; whilst also contributing to strategic aspirations around the district's environment, economy and communities, as expressed in the Council's strategic priorities, summarised below.

A range of investment proposals will be developed, contributing to each of the four priorities, as part of the Council's corporate planning activity. This will ensure that the Council can respond to all opportunities for external investment and grant funding with viable, innovative and impactful schemes that are ready for implementation.

Principles	1: A Sustainable District	2: An Inclusive and Prosperous Local Economy	3: Happy and Healthy Communities	4: A Co-operative, Kind and Responsible Council
Themes	**Climate Emergency |** *taking action to meet the challenges of the climate emergency*	**Community Wealth-Building (*Morecambe Bay Model*) |** *building a sustainable and just local economy that benefits people and organisations*	**Increasing Wellbeing. Reducing Inequality |** *empowering and supporting healthy ways of living, and tackling the causes of inequality*	**Deliver Effective Services, Take Responsibility |** *bringing people together to achieve the best outcomes for our communities, in tandem with running efficient quality public services.*
Ambitions	**1.1 Carbon Zero** Achieving Net zero carbon by 2030 while supporting other individuals, businesses and organisations across the district to reach the same goal	**2.1 Social Use of Resources** Using our land, property, finance and procurement to benefit local communities and encouraging residents, businesses, organisations and anchor institutions to do the same	**3.1 Access to Quality Housing** Developing more housing, including affordable and council owned social housing, ensuring people of all incomes are comfortable, warm and able to maintain their independence	**4.1 Value for Money** Providing value for money and making good use of relevant data and analysis to ensure that we are financially resilient and sustainable
	1.2 Sustainable Energy Increasing the amount of sustainable energy produced in the district and decreasing the district's energy use	**2.2 Sustainable Innovation** Developing a sustainable industrial strategy to support new and existing enterprises, creating networks and promoting innovation	**3.2 Quality Public Spaces** Keeping our district's neighbourhoods, parks, beaches and open spaces clean, well-maintained, accessible and safe	**4.2 Partnership** Working in partnership with residents, local organisations, anchor institutions and partners recognising the skills in our community to build a powerful force working for and serving our district
	1.3 Climate Resilience Supporting our communities to grow more food, be resilient to flooding and adapt to the wider impacts of climate change	**2.3 Sustainable Skills** Supporting the development of new skills and improved prospects for our residents within and environmentally sustainable local economy	**3.3 Access to Culture and Leisure** Providing access to and involvement in arts, culture, leisure and recreation, supporting our thriving arts, culture and heritage sector	**4.3 Investing in Our Skills and Facilities** Having high standards for, and investing in our facilities, equipment, and people to enable us to deliver quality services and meet our wider ambitions
	1.4 Respecting Nature Increasing biodiversity, protect our district's unique ecology and ensure the habitat provided for wildlife is maintained and improved	**2.4 Investment and Regeneration** Securing investment and regeneration across our district	**3.4 Community Engagement** Ensuring local communities are active, engaged, involved and connected	**4.4 Listening and Empathy** Listening to our communities and treating everyone with equal respect, being friendly, honest and empathetic
	1.5 Reduced Waste Moving towards zero residual waste to landfill and incineration	**2.5 Inclusive Ownership** Promoting business ownership models that empower the local workforce, such as co-operatives, social enterprises and community ownership	**3.5 Reducing Inequality and promote wellbeing** Developing a healthy living strategy to support wellbeing. Tackling discrimination and reducing inequality, including food and energy poverty	**4.5 Innovative Public Services** Embracing innovative ways of working to improve service delivery and the operations of the council
	1.6 Low carbon and Active Transport Transitioning to an accessible and inclusive low-carbon and active transport system	**2.6 Fair Work** Advocating for fair employment and just labour markets that increase prosperity and reduce income inequality	**3.6 Early Intervention** Focusing on early-intervention approaches and involving our communities in service design and delivery	**4.6 Openness** Making responsible decisions which support our ambitions for the district whilst being open, accountable and rooted in evidence

The Capital Investment Strategy is designed to support overall strategic goals by providing clear guidance and a route by which projects and activities can be proposed, developed, and ultimately delivered through the prioritisation and allocation of capital funds. This strategy will therefore be strongly linked with the Council's wider framework of strategy and policy, including its:

- Medium Term Financial Strategy
- Asset Management Strategy
- Homes Strategy
- Climate Emergency and Carbon Zero initiatives
- Regeneration and Economic Development activity

1.3. Investment Models

The strategy recognises that there are various ways in which the Council can use capital funding to achieve strategic goals. These may include shared investment with partners of good financial and reputational standing.

Another route is for the Council to establish Local Authority Trading Companies (LATCos), which are entirely separate commercial entities able to independently access capital funding as part of their operations. The LATCo model also has the potential to create established, long-term income streams including commercial income.

A LATCo is subject to its own governance and decision-making, as a wholly separate entity from the Council. This strategy does not set out the terms on which a LATCo may invest to generate a commercial return. However, it does recognise that the LATCo model may contribute to the achievement of the Council's wider investment goals. As Lancaster's existing LATCos are wholly owned by the Council, they are Assets of the Council, and we may choose to invest in them in order to grow their Asset value.

1.4. Housing Provision and the Housing Revenue Account

The Council operates a separate funding stream for the provision of local authority housing, known as the Housing Revenue Account (HRA). It is a legal requirement for HRA funding to be ring-fenced for the sole purpose of housing provision.

Maintaining and developing the Council's housing provision requires a substantial HRA capital programme, which is largely funded by housing revenue. The HRA capital programme is delivered in line with the Council's HRA Business Plan, and determined via the Council's budget-setting process, with HRA matters considered separately from General Fund activities.

Where HRA investments may contribute to the Council's overall social, environmental and place-making ambitions, decision-making will recognise the statutory HRA ring-fencing requirements.

1.5. Aims of the Strategy

Maintaining a focus on the outcomes described in the Council's strategic priorities (summarised above), the Capital Investment Strategy seeks to:

- Define the process for proposing, developing and delivering projects which require capital funding, including the acquisition of land and property.
- Provide a systematic structure for considering the risks, benefits and outcomes associated with capital investment.
- Articulate the relevant governance, financial, and monitoring requirements to support capital investment proposals.
- Support opportunities for investment through LATCos and co-investment with partner organisations.

2. The Strategy: Four Investment Streams

Investing in the future via the Council's Capital Programme, will be achieved through four core Investment Streams. These will provide a structure within which the balance of the Capital Programme can be maintained in order to deliver against the widest range of strategic objectives.

For each Stream, financial returns and impacts on the Council's budget will be considered alongside a balanced scorecard which captures quantifiable measures in respect of broad economic, environmental, and social returns as defined by the Council's strategic Priorities and Outcomes. Where there is a negative financial return or an overall cost to the Council, this will be acknowledged as a growth impact on the revenue budget.

The four Streams, set out below, correspond to each of the Council's Strategic Priorities in turn.

1) A Sustainable District

This includes schemes developed to deliver demonstrable reduction to carbon emissions in line with the Council's goal of reaching net carbon zero by 2030, as well as other priority outcomes for climate change and the environment. Schemes may include, but are not limited to:

- Installation of solar panels,
- Investment in larger scale solar energy facilities,
- Decarbonising heat and improving thermal efficiency,
- Supporting agile working to reduce our carbon footprint,
- The increased electrification of our vehicle fleet,
- Climate resilience,
- Resource efficiency.

2) An Inclusive and Prosperous Local Economy

This includes schemes developed to provide regeneration benefits that meet the council's inclusive and prosperous local economy priority.

Schemes of this kind will assist the Council's lead role in place-making, regeneration and economic development activity, and the improvement of the district's town centres to improve economic performance and encourage future private sector investment. Investment in supporting the district's rich creative and heritage assets will also benefit local businesses and residents both economically and culturally.

The Council may use its own assets, such as public land and buildings, to achieve long-term socio-economic development in the district. This may also include the acquisition of land or property or other assets such as communications infrastructure. Any proposals to acquire land or property must be considered in accordance with the Prudential Framework as set out in the Council's Treasury Management Strategy.

LATCo investment may be utilised to deliver a financial return from long-term rental income, business rates and council tax growth to underpin the investment / borrowing and to allow for additional mitigation of risk, whilst also delivering regeneration and placemaking objectives. Council land and property may be transferred to a LATCo to facilitate scheme delivery and to enable the LATCo to be signatory to planning agreements.

The Council or LATCo may enter joint arrangements with commercial partners to share risks and rewards and to ensure that the council can benefit from relevant expertise and experience.

3) Healthy and Happy Communities

The Council's capital investments have the potential to generate significant social returns in the ~~District~~district by increasing wellbeing and improving access to local culture, heritage and leisure. Costs associated with these investments will be balanced against the achievement of the Council's wider goals for the wellbeing of its communities. Initiatives may include:

- Loans to third parties
- Investing in Social Capital
- Re-use of council assets
- Provision of additional, or enhanced housing outside or within the Housing Revenue Account (HRA)

Schemes developed to deliver improved housing in the district to the terms of the council's Homes Strategy may include the development of new housing, as well as purchase of existing housing with a view to improvements in quality and management. Schemes developed through this aspect of the Stream may be delivered via a LATCo to enable a long-term revenue income stream.

The council may also enter joint arrangements with commercial partners to share risks and rewards and to ensure that the council can benefit from relevant expertise and experience.

4) A Co-Operative, Kind and Responsible Council

Schemes and projects that sustain the day-to-day operational delivery of the Council's services and so underpin a broad range of Council priorities. Such schemes may include upgrades of key information and communication systems.

Transformation and 'Invest to Save' proposals provide one-off project funding to services to help services become more efficient and effective. These schemes may deliver a direct financial return through efficiencies and savings, or an indirect benefit through enhanced service provision in respect of the Council's strategic goals.

Capital investment in property may also be considered where it complies with the Capital Investment Regulations and Guidance and meets the Council's priorities. – LATCos and other forms of special purpose vehicle may also be established to generate income that can be invested in delivering Council priorities to reduce reliance on Council expenditure and therefore support the Council's financial sustainability.

3. Capital Investments Regulation & Guidance

Alongside the Council's strategic ambitions, the Local Government Act 2003 (the Act) and supporting regulations requires the Council to have regard to the **Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code**, the **CIPFA Treasury Management Code of Practice** (the Code) and **Investment Guidance** (the Guidance) issued by The Ministry of Levelling Up, Housing and Communities (LUHC) to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

Depending on the circumstances, the Council will fund acquisitions through grants, contributions or capital receipts; or by utilising borrowing, reserves, or a combination of both. It is worth noting that following the review of local authority borrowing from Public Works Loan Board (PWLB) it is no longer possible to utilise PWLB to fund investment for yield projects.

HM Treasury has issued guidance to local authorities as to the appropriate use of PWLB. The guidance details the characteristics of projects that would be supported, set out as follows:

- The project is addressing an economic or social market failure by providing services, facilities, or other amenities that are of value to local people and would not otherwise be provided by the private sector.
- The local authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment.
- The project involves or generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value.
- While some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services.

All capital schemes will follow the provisions of the Prudential Code, and where applicable other capital schemes will follow the DLUHC Investment Guidance. As a minimum the following will be kept under review:

- Transparency and Democratic Accountability
- Contribution
- Proportionality
- Prudential Indicators (Affordability & Sustainability)
- Borrowing in Advance of Need
- Capacity and Skills

A LATCo can source capital borrowing to fund investment for a commercial return as part of its activities, Although, the rates of any borrowing incurred to fund these projects would ordinarily reflect the prevailing financial market conditions to address any associated internal and external risks so likely exceed those available directly to the Council. In addition, as a wholly owned company, the Council would be liable for any debt entered into by such a company and the financial statements of a LATCo are required to be consolidated into the Council's annual statement of accounts. Any investments seeking a commercial return could be delivered via a LATCo and considered under the LATCo's independent governance and decision-making structure.

3.1. Revised CIPFA Treasury Management Code and Prudential Code

CIPFA published the revised codes on 20th December 2021. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement, and also related reports during the financial year, which are taken to Full Council for approval. The revised codes have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address ESG issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to Treasury Management Practice 1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes:

Treasury Management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

4. Delivering the Strategy

4.1. The Capital Investment Lifecycle

Capital investment schemes across the four Investment Streams must be considered, prioritised and evaluated in a consistent way, ensuring a clear rationale for investment including:

- **Strategic Fit:** What is the proposal aiming to achieve, and how does this align with corporate priorities?
- **Financial:** What are the financial circumstances for the project, e.g. is funding readily available and is it affordable? Will the proposal deliver a return in line with the targets established for each Investment Stream?
- **Legislation and Compliance:** Is the proposal required in order to meet statutory or legislative requirements?
- **Risk:** What risks are identified, and how will the proposal mitigate and manage these?
- **Project Management:** How will the project be delivered in order to maximise its financial and social return in a timely way?

To achieve a capital funding allocation as part of the Capital Programme, all proposals will be subject to a comprehensive Business Case development process in five stages, known as the **'Capital Investment Lifecycle'**. The process will be designed to fit with the Council's corporate project management processes, to streamline the development and delivery of capital investment projects and allow for information to be shared and monitored consistently and effectively. Projects progressing through the stages will use the Council's project management systems and processes.

Stage 1: Inception

Prior to officer time being spent on scoping a project, a discussion will take place between the relevant Cabinet portfolio holder and officers, ensuring that the project fits with the Council's wider strategy before pursuing further development activity. The inception summary will provide advice on any capacity or funding associated with developing the project to Stage 2.

Stage 2: Scoping the Scheme and Preparing the Strategic Outline Case (SOC)

The purpose of this stage is to confirm the strategic context and provide a robust case for change. This stage will consider the strategic, economic, procurement, financial and management cases and include a financial analysis taking account of the targets set out for each Investment Stream. The SOC will also provide advice on the costs associated with developing the proposal to Stage 3. The SOC will be considered by the advisory Capital Assurance Group (CAG), which will provide comment to Cabinet and / or the relevant decision-making body. Approval of the SOC by Cabinet will confirm the project's position in the longlist of 'pipeline' schemes for which a full business case will be produced.

Stage 3: Full business case (FBC)

The purpose of this this stage is to propose a viable, feasible project. The FBC will

- Recommend the most economically advantageous offer
- Document any contractual arrangements
- Confirm funding sources and / or requirements
- Demonstrate compliance with the Prudential Framework and HM Treasury 'Green Book' investment appraisal guidance
- Set out the detailed management arrangements, costs and plans for successful delivery and post evaluation.

The FBC will be considered by CAG and Cabinet and / or the relevant decision-making body. Approval of the FBC by them will confirm the scheme's inclusion within the Capital Programme.

Stage 4: Implementation

The business case should be used during the implementation stage as a reference point for monitoring implementation, and for logging any material changes that the Council is required to make. The project will follow performance reporting protocols which will ensure that project progress, impact on outcomes and financial performance is measured throughout the project and following its completion.

Stage 5: Evaluation

The business case and its supporting documentation should be used as the starting point for post-implementation evaluation, both in terms of how well the project was delivered (project evaluation review) and whether it has delivered its projected benefits as planned (post implementation review) to the Council, in meeting strategic aims.

4.2. Governance Arrangements

All capital investment proposals must be subject to due diligence processes to ensure

- Transparency
- Democratic Accountability
- Ethical Responsibility
- Strategic Alignment

As part of the Capital Investment Lifecycle, proposals will be subject to a governance framework including the following elements:

Capital Assurance Group (CAG)

An advisory working group comprising representation from Cabinet, Strategic Leadership Team, Overview & Scrutiny, Budget & Performance Panel, Council Business Committee and relevant specialist officers. CAG will consider SOCs and FBCs and make advisory recommendations to budget holders. Comments from individual members will be provided to Cabinet. CAG's Terms of Reference can be found at Appendix B.

Capital Investments Appraisal Group (CIAG)

An officer group with relevant expertise from sustainable growth, housing & property, people & policy, and resources, supported by external expertise and resource as required. The group will consider all potential capital investments in the first instance, following approval from the relevant Cabinet portfolio holder. The group will develop proposals for consideration by CAG. Proposals will first be brought to CAG at Stage 2 (see above), accompanied by an SOC. SOCs approved by Cabinet will return to CAG at Stage 3, accompanied by an FBC.

Assets Group

Aligned to the principles of the Council's Fit for the Future project, the Assets Group is a temporary Officer and Member group hosted by Cabinet Portfolio Holder Finance & Resources and chaired by the Chief Officer Property and Housing. The group consists of various Council officers and is tasked with reviewing the Council's entire asset base looking at a range of factors such as condition and associated costs of repair and maintenance, alternative use options including service delivery and commercial, as well as management issue such as rental income, debt levels, commercial market value. The group should report to CAG on its findings and any suggested courses of action.

Cabinet

Cabinet submits the annual Budget Framework to Council, including the Capital Investment Strategy and Capital Programme. It is responsible for consideration and decision-making on capital expenditure proposals within the Budget & Policy Framework and in line with the relevant guidance. Before officer time is spent on scoping a project, approval should be obtained from the relevant Cabinet portfolio holder.

Overview & Scrutiny (O&S)

Early involvement of the Chair of O&S in CAG meetings enables early scrutiny and added value through shaping of capital decision-making. This involvement does not remove or negate the right of O&S to call-in any decision made by Cabinet.

Budget & Performance Panel (B&PP)

The Panel will review the financial and operational performance of the Capital Investment Strategy as part of its Budget Framework scrutiny role.

Council

Full Council is responsible for approving the Capital Investment Strategy as part of the annual Budget Framework, including any material changes. Revisions to the Capital Programme and any associated financing requirements that are outside of the budget and policy framework may be presented for approval throughout the year. However, there is the expectation that this would be of limited application and only reflect urgent situations and given the need to amend various prudential code indicators and be aligned to the Treasury Management Report October/ November committee cycle

A half yearly report on compliance with the prudential framework and investment guidance will be considered by Cabinet, Budget & Performance Panel and Council.

4.3. Risk Management

Effective risk management will allow the council to adapt rapidly to change and develop innovative responses to challenges and opportunities. The risk management cycle for capital projects incorporates risk identification, risk analysis, risk control and action planning and risk monitoring and review.

All significant capital projects will comply with the council's project management process which follows good practice in the management of risk.

A full assessment of property risk will be carried out individually for each property acquisition proposal before entering any commitment. A further due diligence review will be undertaken in respect of a wide range of risk factors for all investment proposals which are taken forward.

The Council's asset portfolio will be risk managed through a regular, systematic asset challenge process which will review each asset's performance, investment requirements and ongoing viability within the portfolio. This process will be developed through a forthcoming Asset Management Strategy and managed through the Councils Fit for the Future Assets Group who will report into CAG.

4.4. Monitoring and Evaluation

Each capital proposal will set out targeted benefits aligned with the Council's strategic priorities. The performance of each proposal during the implementation and evaluation stages will be monitored to provide assurance on the achievement of its strategic and financial objectives.

The monitoring and evaluation process will include:

- **Delivering Our Priorities: Performance, Projects and Resources |** The capital programme will be regularly evaluated as part of overall performance monitoring which incorporates financial, project and performance measures. This information is reported quarterly to Cabinet and B&PP.
- **Capital Investment Strategy Monitoring |** As the strategy is key to delivering the Council's strategic goals, regular progress against the Council's Corporate Plan Priorities & Outcomes will take place to ensure resources are appropriately allocated.
- **LATCo Asset Monitoring |** Investments made by a LATCo for a commercial return will be considered by the LATCo's shareholder committee. The impact of the LATCo's financial return on the Council's financial position will be considered alongside other financial monitoring information.
- **Prudential Framework |** A half-yearly report on prudential indicators demonstrating the Capital Programme's ongoing prudence, affordability and sustainability will be considered by Council.

4.5. Capacity, Skills and Professional Advice

Guidance requires that elected members and officers involved in the investment decision-making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to approve a specific capital investment. In addition, it places a duty on the Council to ensure that advisors negotiating contracts on its behalf are aware of the core principles of the prudential framework and the regulatory regime in which the Council operates. This will be achieved by ensuring a proportionate and effective training programme, obtaining appropriate professional advice to inform the decision-making process and by ensuring that procurement arrangements provide relevant information to potential advisers of the specific principles, regulations and governance relevant to local government.

The council will appoint specialist advisors to provide training to ensure that relevant officers and members have the required skills to make informed decisions and assess the associated risks. This training will take place before any investment decisions associated with the Capital Investment Strategy are considered, and on a regular basis, to ensure that Officers are engaged in continual professional development in relation to property investment activity; and that Members, as decision makers, have the skills, knowledge and relevant information to effectively assist the decision-making process. This will include training for new Members of the Council.

Investing in land and properties to achieve business objectives and to generate returns is a specialist and potentially complex area. The Council employs professionally qualified and experienced staff in senior positions with responsibility for developing capital expenditure, borrowing and investment proposals. Where skills or capacity are lacking, the Council or LATCo will engage the services of professional property, legal and financial advisors, where appropriate, to access specialist skills and resources to inform the decision-making process associated with this Strategy. Ongoing measurement of the impact of investment decisions on borrowing and affordability through Prudential or other relevant indicators will ensure that the overall risk exposure remains within acceptable parameters. The Council currently uses MUFG (previously called Link Group), Treasury solutions as treasury management advisors.

5. Our Assets

The Council has a range of assets which it utilises to deliver its wide range of services throughout the d~~D~~istrict. The total valuation of these at the start of the financial year 2024/24 was £344.71M. The main constituents of these assets are as follows

Asset Type	£M
Council Housing & Other Assets	157.71
Property Plant & Equipment	127.88
Community Assets	8.67
Investment Property	40.92
Heritage Assets	9.52
Intangible Assets	0.00
Total	**344.70**

Council Housing

At the start of the financial year the Council held 3,630 dwellings in total within its Housing Revenue Account. These dwellings include 1, 2, 3 & 4 bedroomed, houses, bungalows, flats maisonettes and bedsits.

Number and Type of Dwellings		
Bedsits		84
1 Bedroom	Houses & Bungalows	651
	Flats & Maisonettes	547
2 Bedroom	Houses & Bungalows	471
	Flats & Maisonettes	658
3 Bedroom	Houses & Bungalows	1,108
	Flats & Maisonettes	8
4 or more bedroomed dwellings		90
Total Dwellings		**3,617**

Property Plant & Equipment

These are assets which the Council predominately uses to deliver its services. These assets include Municipal Buildings, works depot, leisure centre and car parks. It also includes its refuse collection and vehicle fleet as well as various land holdings. The value of these assets at the start of 2024/25 financial year is provided in the table below

Land & Buildings £M	Vehicles, Plant Furniture & Equipment £M	Infrastructure Assets £M	Surplus Assets £M	Assets Under Construction £M	Total £M
77.19	11.85	35.95	2.21	0.68	127.88

Investment Assets

This type of Council asset is held primarily to generate income and comprise a mix of office and retail lets together with agricultural and commercial land and commercial buildings. Further detail in respect of the Council's investment properties is given in section 8.

Investment Asset Type	£M
Office	5.04
Retail	6.18
Agriculture & Allotments	0.03
Commercial Land	8.86
Commercial Building	11.72
Mixed Commercial	9.09
Total	**40.92**

Heritage Assets

The Council's heritage assets include over 80~~2~~ pieces of civic regalia, its museums' collections at the Maritime, Cottage and City museums in Lancaster, pieces of artwork, items of Gillow furniture and public artwork including the statue of Eric Morecambe on Morecambe promenade.

Intangible Assets

These comprise software and software licenses held for the Council's key systems.

Asset Management

The key objectives of the Councils' Asset Management Policy are to:

- Provide the right buildings in the right place and at the right time and cost to meet the current and future aims, objectives, policies and plans of the Council.
- Optimise and prioritise the level of investment in property assets to minimise maintenance backlog, improve fitness for purpose and optimise occupancy levels.
- Maximise the value received from our non-operational commercial portfolio.
- Continue to improve the environmental sustainability of the Council's property portfolio.
- Promote the innovative use of property by enabling urban regeneration and facilitating joint working with our partners and stakeholders.
- Challenge the use of land and buildings held by the Council to minimise revenue expenditure and maximise the generation of capital receipts.

Valuations

The Council is required by accounting regulations to value its assets on a regular basis and currently values its General Fund assets on a rolling 3-year cycle. It is required to undertake a formal valuation of is HRA assets every 5 years in line with Department for Levelling Up Housing & Communities requirements. The last formal valuation was undertaken 1st April 2021. A desktop revaluation is undertaken for HRA assets in the intervening years to ensure that values are current.

All valuations are performed "in house" by qualified valuers within the Council's Property Services Team. The valuations are performed using appropriate stipulations as detailed by the Royal Institute of Chartered Surveyors (RICS) and presented in the Council's Statement of Accounts within accord of the Statement of Recommended Practice (SORP).

The details of the assets are held and recorded in a variety of sources in order to meet the operational and management requirements of the Council. This enables a bespoke management system of operation so that maximum utilisation of the asset can be developed.
Whilst services have bespoke arrangements for the assets held under their responsibility the Financial Services maintains the prime records that are used for the production of the Council's Statement of Accounts. These are reconciled on a regular basis to ensure accuracy and relevance.

6. Capital Expenditure –

Capital Programme

The Council plans gross expenditure, which excludes grants from other bodies of approximately £44.86M on General Fund and £24.00M on HRA capital schemes between 2025/26 – 2029/30.

Gross Capital Expenditure	2024/25 Estimate £M	20256/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M	Total 2025/26 to 2029/30
General Fund	17.33	27.08	6.12	3.30	5.24	3.12	44.86
Housing Revenue Account (HRA)	8.34	6.12	4.45	4.69	4.54	4.20	24.00
Total	**25.67**	**33.20**	**10.57**	**7.99**	**9.78**	**7.32**	**68.86**

Financing & Affordability

The Council's Capital Programme is financed by a mixture of external grants, capital receipts generated from property and right to buy disposals, contributions from reserves and unsupported borrowing. The planned application of resources to capital projects is set out below:

Financed by:	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M	Total 2025/26 to 2029/30
Capital receipts	-2.01	-1.35	0.00	0.00	0.00	0.00	-1.35
Capital grants	-11.96	-6.22	-2.98	-2.33	-2.33	-2.33	-16.19
Capital reserves	-5.16	-4.88	-4.45	-4.69	-4.54	-4.20	-22.76
Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Total	**-19.13**	**-12.45**	**-7.43**	**-7.02**	**-6.87**	**-6.53**	**-40.21**
Net financing need for the year	**6.54**	**20.75**	**3.14**	**0.97**	**2.91**	**0.79**	**28.56**

This table shows a net need for financing the Capital Programme of £35.68M which would require the Council to undertake additional borrowing. Additional borrowing could be used only to finance capital expenditure in respect of General Fund and Housing Revenue Account.

The Council sets its level of capital investment in line with the statutory requirements of prudence, affordability and sustainability as set out in the Prudential Code for Capital Finance issued by CIPFA.

The Council assesses the affordability of the General Fund programme by looking at the financing costs of borrowing (interest and loan repayments) as a proportion of its net revenue stream. For general fund these are expected to increase over the life of the capital programme. The table below provides details of this key indicator

	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %	2029/30 Estimate %
General Fund	19.21	17.82	24.97	25.19	24.16	23.89
HRA	15.78	15.40	14.69	14.01	13.82	13.19

This table shows that the cost of debt financing is estimated to be between 17.82% and 25.19% of the Council's general fund net revenue budget between 2024/25 and 2029/30.

The Housing Revenue Account capital programme has its prudence, affordability and sustainability set out in a thirty-year business plan.

Further details on the impact of the Capital Programme on the Council's borrowing are included below

7. Treasury Management

Treasury management deals with the management of cash flows resulting from the Council's day-to-day operations. It ensures that the cash flows are adequately planned with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The Treasury management service also covers the funding of the Council's capital plans which provide a guide to the borrowing need of the Authority.

Governance & Scrutiny

The Council's Treasury Management Strategy including its Prudential and Treasury indicators is approved annually by Full Council. Council also receives and approves a mid-year treasury management report which sets out in year progress of the treasury position and an annual treasury report which sets out how actual treasury operation compared to the estimates within the strategy.

Both Cabinet and Budget and Performance Panel scrutinise the above reports before they are presented to and approved by Council.

The Section 151 officer and his staff have delegated authority to make decisions in respect of detailed investment and borrowing acting in line with the framework set out in the treasury management strategy.

Investment

The Council's investment strategy prioritises firstly security, secondly liquidity and then return. This maintains a firm focus on minimising risk rather than on maximising returns.

The Treasury Management Strategy sets out the authority's approach to managing investment risk in line with the following principles:

- Using minimum acceptable credit criteria to generate a list of highly creditworthy counterparties, facilitate diversification and avoid concentration of risk
- Defining the list of types of investment instruments that the treasury management team are authorised to use
- Setting lending limits for each counterparty and transaction limits for each type of investment
- Setting the limit for the amount of its investments which are invested for longer than 365 days at nil
- Specifying that investments will only be placed with counterparties with a minimum sovereign rating of AAA (Fitch)

The Council's Investments at 31.12.2024 were:

Balance 31.12.2024	£M	Liquidity
Bank Accounts	0.37	Instant Access
Money Market Funds	21.00	Instant Access
Other Local Authorities	0.00	Instant Access
Money Market Funds	0.00	Fixed Term
Other Local Authorities	0.00	Fixed Term
Debt Management	0.40	Fixed Term
Total Investments	**21.77**	

Borrowing

As part of its treasury management activities the Council considers forward projections for borrowing to fund its capital expenditure plans working within the self-regulating framework of the Prudential Code for Capital Finance.

The framework requires authorities to determine that capital expenditure and investment decisions are affordable, prudent and sustainable and to set limits on the amount they can afford to borrow in the context of wider capital planning.

The Council's underlying need to borrow is represented by its Capital Financing Requirement (CFR). The CFR is the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue of capital resources.

	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M
CFR – Non-Housing	68.13	85.96	84.75	81.00	79.32	75.25
CFR – Housing	33.04	32.00	30.96	29.92	28.88	27.83
Total CFR	**101.17**	**117.96**	**115.71**	**110.91**	**108.20**	**103.09**

The authority currently maintains an under-borrowed position meaning that it uses cash backed reserves to defer the need to externally borrow for capital investment. Forecasting of cash backed reserves facilitates a long term view of the level of risk associated with borrowing internally.

The table below shows the projection of external debt and internal borrowing using cash backed reserves:

	2024/25 Estimate £M	**2025/26 Estimate £M**	**2026/27 Estimate £M**	**2027/28 Estimate £M**	**2028/29 Estimate £M**	**2029/30 Estimate £M**
Debt at 1 April	57.97	63.93	78.89	83.84	83.80	83.76
Expected change in Debt	5.96	14.96	4.95	-0.04	-0.04	-0.04
Actual gross debt at 31 March	**63.93**	**78.89**	**83.84**	**83.80**	**83.76**	**83.72**
The Capital Financing Requirement	**101.17**	**117.96**	**115.71**	**110.91**	**108.20**	**103.09**
Under Borrowing	**-37.24**	**-39.07**	**-31.86**	**-27.11**	**-24.44**	**-19.37**

The council is required to "repay" an element of its General Fund CFR each year through a revenue charge, the minimum revenue provision (MRP). The Treasury Management Strategy sets out the MRP policy adopted by the authority. The Council also makes physical cash repayments on a loan taken out to purchase the authority's housing stock in 2012 which are counted as MRP.

The following table sets out how MRP will be used to repay the underlying debt:

	2024/25 Estimate £M	**2025/26 Estimate £M**	**2026/27 Estimate £M**	**2027/28 Estimate £M**	**2028/29 Estimate £M**	**2029/30 Estimate £M**
General Fund MRP	-2.91	-2.92	-4.36	-4.72	-4.59	-4.86
HRA MRP	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Total	**-3.95**	**-3.96**	**-5.40**	**-5.76**	**-5.63**	**-5.90**

The Council sets an authorised limit for external debt. This represents a limit beyond which a local authority must not borrow unless prudential indicators have been renewed or amended. It also sets an operational boundary for external debt. This represents a limit that is based on the maximum external debt of the authority based on expectations. The expectation is that there would be no sustained breach of the operational boundary.

The Treasury Management Strategy sets out the following operational boundary and authorised limit for borrowing:

	2024/25 Estimate £M	**2025/26 Estimate £M**	**2026/27 Estimate £M**	**2027/28 Estimate £M**	**2028/29 Estimate £M**	**2029/30 Estimate £M**
Operational Boundary	102.17	118.96	116.71	111.91	109.20	104.09
Authorised Limit	117.00	134.00	132.00	127.00	124.00	119.00

8. Commercial Activity

Current Position

The Council's existing investment property portfolio is comprised of a mix of office and retail lets together with agricultural and commercial land and commercial buildings as set out below:

The majority of this portfolio has been accumulated by the Council over a number of years rather than actively acquired. Tenancy agreements are produced by the Council's Estates Management Team in consultation with Legal Services and range from leases, licences and other agreements such as easements, wayleaves and rights of way

The Council is obliged to obtain the best price it reasonably can for its commercial lets. Most properties have rents which are set based upon market conditions and comparable evidence to support the decision making process includes that from local agents, rents associated with other Council properties, recent transactions, inflation etc.

Performance Monitoring

Performance monitoring will be developed to ensure that investments are monitored on a routine and exception basis and will determine what performance measures will trigger an exception report so that full council is aware at the earliest opportunity of any material increase in risk or threat to ongoing yield. The Capital Strategy will be updated with this information in due course.

APPENDIX C

Capital Assurance Group: Terms of Reference

Role

1. The Capital Assurance Group (CAG) is a Member and officer working group with a clear remit to be the Council's advisory body on the Council's Capital Investment Strategy.

2. The Capital Investment Strategy has clear priority areas of work which although distinct from one another should be considered in an integrated manner when forming and delivering the Council's capital programme and related areas.

3. The types of Capital Investments which may be considered when forming the capital programme relate to the four priority areas of the Council Plan 2024-2027 and beyond.

    a) **A Sustainable District.** These include schemes to deliver demonstrable reduction to carbon emissions in line with the Council's goal of reaching net carbon zero by 2030, such as installation of solar panels, or investment in larger scale solar energy facilities, as well as supporting agile working to reduce our carbon footprint, and the increased electrification of our vehicle fleet. Schemes which mitigate the effects of climate change may also be included.
    b) **An Inclusive and Prosperous Local Economy.** These include schemes to assist the Council's lead role in place-making, regeneration and economic development activity, and the improvement of the District's town centres to improve economic performance and encourage future private sector investment. Initiatives to use public land and buildings to achieve long-term socio-economic development within the Lancaster District may also be included, as well as investment in supporting the district's rich creative and heritage assets to benefit local businesses and residents both economically and culturally.
    c) **Healthy and Happy Communities.** These include schemes to generate significant social returns in the District, such as the development of new housing, purchasing of existing housing with a view to improvements in quality and management, investment loans to third parties and re-use of Council assets, along with improving access to local culture, heritage and leisure to increase wellbeing.
    d) **A Co-operative, Kind and Responsible Council.** These are investments that sustain the day to day operational delivery of the Councils services which underpin a broad range of Council priorities. Such schemes may include upgrades of key information and communication systems, as well as transformation and 'Invest to Save' proposals, which provide one-off project funding to help services become more efficient and effective

Composition of CAG

4. The group will consist of the following Members and officers. Where representatives are not able to attend, a suitable alternative will attend in their place.

    Standing Membership –

    - Chief Executive
    - Overview and Scrutiny Chair
    - Budget and Performance Panel Chair
    - Business Committee Chair
    - Cabinet Finance & Resources Portfolio Lead
    - Cabinet Corporate Services Portfolio Holder
    - Chief Officer – Housing & Property
    - Section 151 Officer
    - Governance Officer Lead

    Additional representation as and when required may include

    - Relevant Cabinet Portfolio Holders – as required by nature of the investment proposals
    - Relevant Chief Officer - as required by nature of the investment proposals
    - Relevant Lead Officers – as required by nature of the investment proposals
    - Capital Finance Officer Lead
    - Asset Management Officer Lead

- Property Services Officer Lead
- ICT Representation
- Programme Manager
- External Consultants

Frequency and Format of Meetings

5. The CAG will look to meet quarterly but may also meet on an ad-hoc basis as required as and when key proposals come forward. Routine meetings will be co-ordinated so that they inform monitoring processes to Cabinet and Budget and Performance Panel. The meetings will be held via Teams, unless the Chair agrees a face-to-face meeting would significantly improve meeting outcomes and provides reasonable notice.

6. A forward plan of items to be considered on an annual cycle will be developed, and agendas with supporting briefing papers will be issued at least 3 working days before the meeting where practicable. Presentations delivered at meetings will be provided to Members in advance, or otherwise included with meeting notes. The meeting notes will form part of briefings to Cabinet, and Members will be able to request particular points made in the meeting to be clearly placed within meeting notes to further enrich and inform decision-making.

Remit

7. CAG's remit is to contribute to the development and oversight of the Council's capital programme. This will include assessing initial proposals and business cases through to delivering the programme and assessing its effectiveness in respect of corporate priorities.

8. *With respect to Capital Investment Strategy*
   a) To keep the Capital Investment Strategy document under review ensuring that it reflects the Council's capital investment priorities and review the Strategy as part of the MTFS update.
   b) To ensure that the Capital Strategy is informed by and consistent with the Council Plan 2024-2027 and associated strategies, and the Asset Management Plan.

   With respect to the Capital Programme
   c) To consider all strategic outline cases and full business cases for capital investment, in terms of strategic fit, financial and resource implications, risk, benefits, outcomes and legislation and compliance. To make advisory recommendations to budget holders and to provide comments on these matters from individual members to Cabinet, having regard to the scrutiny process.
   d) To check that the information available for projects is complete and sufficient to inform evidence-led and effective decision-making, and to identify areas where information may need to be strengthened to enable an informed decision to be made.
   e) To monitor the progress of each scheme within the capital programme in terms of progress to date, expenditure, and delivery of outcomes including those classified within the pipeline.
   f) To review all completed schemes with respect to outcomes and impact as well as lessons learned
   g) To monitor the resources available to support the Capital Programme and ensure that, at all times, it remains affordable, sustainable and prudent.
   h) To maintain the capital bid and scoring assessment framework, which captures quantifiable measures in respect of broad economic, environmental, and social returns as defined by our priority outcomes

   With respect to the Asset Management Plan
   i) Own and ensure the development of the Asset Management Plan and long-term property strategy, ensuring that it is line with Council Plan / MTFS objectives.
   j) To undertake annual review of property holding to ensure that all property is utilised appropriately and consider any capital expenditure/ receipt proposals associated with maintaining, updating, transferring, or disposing of property assets.

   Each of the above areas of work are covered by the Capital Strategy and Capital Investment Strategy, which are the Council's overarching documents which aim to ensure that Council's capital investments priorities reflect Council priorities and are supported by a long term financing plan.

APPENDIX C

Decision Making

9. The CAG is a Member and Officer working group and as such is only advisory and does not have any formal decision-making authority. It will check whether the information being provided is sufficient to inform decision-making and, where appropriate, that the suitable project management documentation is available to support project delivery.

10. Following consideration of each strategic outline case and business case, it may make recommendations to budget holders in relation to due diligence costs and other matters. It will provide any comments from individual members to Cabinet. It also ensures that necessary consultation is carried out with Cabinet, relevant Portfolio Holders, Management Board, and relevant Directors as part of the decision-making process.

11. Any proposal that is outside the approved budget and policy framework will be referred to Cabinet or Council in accordance with the Constitution.

The role of Scrutiny Committee Members

12. The Chairs of both Budget & Performance Panel and Overview & Scrutiny form part of CAG. The early involvement of scrutiny at the pre-decision stage will allow them to add value by informing a decision rather than an after-the-event critique under the traditional process. This intention and their active involvement do not remove or negate the right to call in any decision made by Cabinet in this area.

Key Outcomes

10. The key outcomes from the CAG are:
    a) An effective Capital Investment Strategy aligned with relevant regulation and the priorities of the Council.
    b) An effective Capital Programme and investment projects pipeline optimising the capital investment resources within the Council Plan.
    c) Strategic property and asset management ensuring full optimisation of Council property assets, maximising income and return and reducing expenditure where possible but ensuring assets are well maintained.
    d) Enhanced long term planning of capital investment, better use and management of investments, assets (including property, infrastructure etc), and accountability.
    e) The integration of the Capital Investment Strategy in line with Council priorities as set out in the Core Plan 2030.

CABINET

Housing Revenue Account and Capital Programme
11 February 2025

Report of Chief Officer for Housing & Property and the Chief Officer Resources (Section 151 Officer)

PURPOSE OF REPORT					
To seek Cabinet decisions on Council Housing rent setting proposals and HRA revenue and capital budget proposals.					
Key Decision	X	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision	16th December 2024				
This report is public					

RECOMMENDATIONS OF Councillor Jackson

(1) That the minimum level of HRA unallocated balances be retained at £750,000 from 01 April 2025, and that the full Statement on Reserves and Balances as set out at Appendix E be endorsed and referred on to Budget Council for approval.

(2) That council housing rents be set in accordance with statutory requirements as follows:
- for existing tenancies, rents will increase by 2.7% from 7 April 2025
- for new tenancies within 2025/26, rents will be set at 'formula rent'[1]

(3) That garage rents be increased at CPI +1% in line with dwelling rents

(4) That a delegated decision to approve the tender of two programmes of work (over £200K and key decisions over £250K) during 2025/26 can be made by the Chief Executive (as per 7.4 below) and in line with procurement rules.

(5) That further to consideration on 14 January 2025, the Housing Revenue Account budget for 2025/26 onwards, as set out at Appendix A, together

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[1] The principle of reletting properties within year at 'formula rent' is in line with previous years. This applies to properties whose rent has not already achieved the government's 'formula rent' – a calculation to produce a social rent based on local conditions and circumstances. The fact that the average rent increase between 2024/25 and 2025/26 is not *exactly* 2.7% is explained by the fact that some properties within year increase to 'formula rent' and therefore increase the figures used for comparison.

with the resulting Capital Programme as set out at Appendix C, be referred on to Budget Council for approval.

1. Introduction

1.1 The Council is required under statutory provisions to maintain a separate ring-fenced account for the provision of local authority housing, known as the Housing Revenue Account (HRA). This covers the maintenance and management of the Council's housing stock.

1.2 This report sets out the rent setting policy and the latest position with regards to the HRA 30-year Business Plan, covering both revenue and capital budgets, and the associated level of reserves and balances. It seeks approval for rent levels and various other budget matters, with referral on to Budget Council as appropriate.

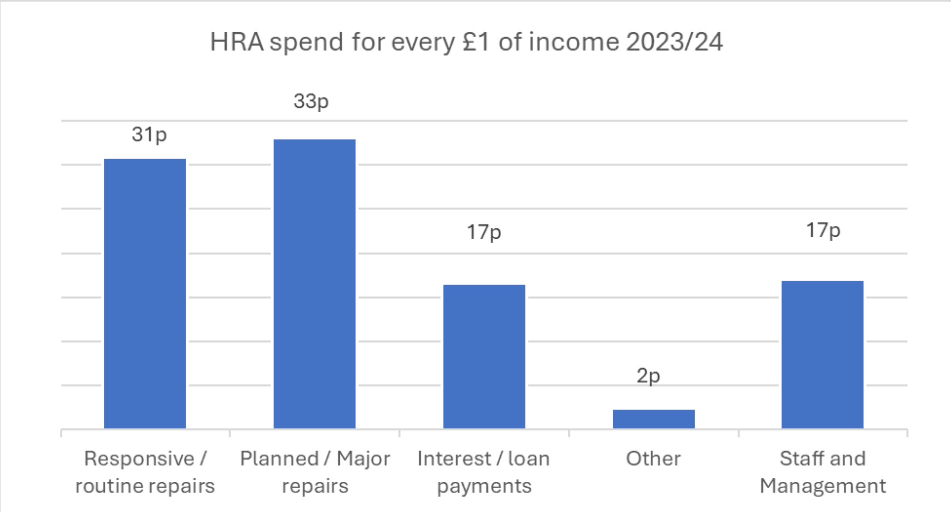
1.3 It can be noted that within the context of ring-fencing the HRA has a role to play in support of wider Council priorities, contributing to and facilitating projects across the district to support the wider ambitions of the council. The HRA does pay into the Council's General Fund through contribution to support services and corporate commitments use and receives payment back to reflect Public Realm services delivered on Council Housing estates to non-Council residents, as well as relevant management contributions.

1.4 Council housing provides decent, secure homes that are affordable to households on low to modest incomes. Across the country, though, many HRA Councils find themselves in a precarious financial position, struggling to maintain existing homes, alongside meeting the huge new demands to improve homes and the services provided to residents under new government, regulator and ombudsman requirements with no additional funding available. As such Lancaster City Council has joined over 100 other Councils in signing the 'Securing the Future of Council Housing' report commissioned by Southwark Council, setting out a practical, long-term plan for government to support the needed improvements and growth of Council Housing.

1.5 Over the past few years Lancaster City Council has sought to meet these increasing demands including, for example, through fire remediation and other compliance improvements; increased support for tenants; an increased focus on housing health and safety; specialist community safety services; and through provision of a face-to-face community presence in preparation for a new regulatory regime. This is while continuing to address both the Council's and governments ambitions of increasing social housing. Following significant interest rate rises and rent caps over recent years, this budget report outlines some short-term (1-2 year) financial challenges. These are projected to improve over the next 2-5 years.

1.6 It should be noted that within a number of financial years since the HRA self-financing settlement of 2012 the ability of the Council to raise rents in line with inflation has been restricted. For four years between 2016/17 and 2019/20 a government mandated rent reduction of 1% year on year was imposed. In addition, for the financial year 2023/24 the maximum rent increase was capped at 7% for existing tenants by the government, falling short of inflation which was running at 10.1% in Sept 2022 – the figure which would normally be used for the purpose of rent setting for the following April. These restrictions have removed tens of millions of pounds from the life of the HRA 30-year business plan.

1.7 The chart below, using year-end figures from 2023/24, gives an indication of how income received by the Housing Service is spent. For every pound of income around a third contributes to planned and major repairs; just under a third is spent on responsive repairs; and the remaining third funds staff and management, interest and loan payments, and other costs.[2]



2. Achievements and Challenges 2024/25

2.1. Key achievements:

- The Housing Support Team continued to support council tenants to sustain successful tenancies by, for example:
  - Securing an additional £363,000 in income through the first half of the year through benefit and other income maximisation work
  - Carrying out 151 Tenancy Health Checks, including all new tenancies, during the first half of the year
  - Carrying out drop-in sessions at independent living schemes to ensure support is available for those who most need it
  - Picking up a total of 136 new support cases during the first half of the year
- Continued delivery of a stock condition survey to all council homes, to support effective delivery of planned and capital programmes of maintenance work, in line with the regulator's requirements to 'know your stock'. 86% completion reached by the end of quarter 3.
- Continued embedding of the specialist community safety team and delivery of harm focussed services in response to anti-social behaviour, including:
  - Specialist training and BTEC qualification for team members
  - Development of cross service hoarding process to help support and tackle challenging cases
  - Advanced level tenancy fraud training carried out, in preparation for further work in this area by housing teams

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[2] For clarity, 'Staff and Management' refers to costs including employees, premises, supplies and services (software, subscriptions, bank charges etc), support services (internal recharges) and transport (officer travel expenses).

    - Successful use of injunctions and granting of housing possession by the courts in support of the wellbeing of wider communities
- Further progress of the Mainway development has included planning permission being approved for the development of the former Skerton High School for a Council Housing scheme of 135 social and affordable new homes, and proposals for the wider Mainway Masterplan being presented to members of the Mainway Board.
- Plans to redevelop a number of existing garage sites for small scale Council Housing development has taken another step forward with the submission of a planning application for four new Council Homes at Hastings Road in December 2024. A planning decision is anticipated by April 2025. Brownfield Land Release Funding has been secured to support this.
- Completion of exemplar A-rated four-unit development on Alder Grove (anticipated February 2025) using modern methods of construction (MMC).
- The Council Housing Income Management Team has continued to deliver sector leading performance, supporting tenants to successfully manage their rent accounts and sustain tenancies. Key achievements include:
    - Providing support and advice to tenants in receipt of benefits in navigating the 53-week rent year
    - Maintaining excellent performance around current tenant rent arrears
    - Securing £31,000 in additional benefits or support for tenants during the first half of the year
    - Retaining Maximising Income and Sustaining Tenancies accreditation through the Housing Quality Network (HQN)
- Mandatory Tenant Satisfaction Measures (TSM) survey carried out, showing improvements in satisfaction across all 12 survey questions compared to the previous 12 months. Overall satisfaction rose 5% to 77%, with indication suggesting this places Lancaster in the top 25% of local authorities nationally.
- Full in-house planned and responsive repairs service delivered, projecting an estimated 12,750 repairs completed across the year, a total of 97 kitchens replaced on a planned programme, and delivery of wider planned and capital programmes of works contracted out.
- High levels of compliance and reassurance against all key areas (gas, electrical, water, asbestos, fire, lifts, smoke and CO detection)
- Reviews and updates of a range of service policies and strategies, to be found on the Council Housing web pages, including development of new Tenant Voice Strategy and Building Safety Strategy
- Merge of council housing and wider council customer services to deliver a more resilient, face to face service to all residents: 8% more calls answered year on year, with reduced waiting times overall.
- Customer services recognised in the ‘digital impact’ category at the 2024 LGC awards
- Continued development and delivery of programmes of works which deliver in line with the Council’s climate emergency ambitions (see section 3 below). Application submitted to secure £1.3M match funding from

government's Warm Homes programme – improving the energy efficiency of c150 council homes raising to EPC C over the next three years
- Tenant-led scrutiny panel established, with first project including report and recommendations on Repairs and Maintenance completed.
- Wide range of community engagement activities supported including residents' groups; summer community fun day; litter picks; garden competition; skip days; kids pumpkin carving; Christmas gatherings; and consultation events.

2.2. The strategic direction of the housing service continues to be delivered in response to:
- Wider Council priorities,
- The Regulator for Social Housing
- The Housing Ombudsman's requirements
- Changing legislation and anticipated changing legislation such as the forthcoming Awaab's Law
- The Building Safety Act (2023) and Fire Safety Act (2021)

2.3. Significant challenges are being faced by the housing service in the context of the current and changing landscape around social housing regulation. Expectations on service delivery continues to increase coupled with a challenging financial picture. Of particular note linked to regulation is:
- The introduction of Tenant Satisfaction Measures during 2023/24. This year is the second year of data collection of which we have seen improved satisfaction across the board, whilst recognising there is more work to do – these results are formally reported to the Regulator during 2024. (Results can be found here: Tenant Satisfaction Measures - Lancaster City Council)
- The mandatory registration of high-rise buildings was completed in 2023 with safety case files compiled at the end of March 2024 – call-in of these files is awaited,
- The ongoing Government-led professionalisation of the housing sector review – currently awaiting further details,
- The ongoing Government-led implementation of Awaab's Law (linked with property condition against Housing Health and Safety Rating System hazards) – currently awaiting further details, as well as awaiting further details of an anticipated new Decent Homes Standard,
- Ofsted-style inspections from the Regulator being introduced from April 2024, on a four-yearly cycle, now coming to the end of the first year,
- Housing Ombudsman Spotlight reports into poor sector performance and accompanying self-assessments, and
- A renewed focus on the customer complaints process through the introduction of a joint complaints code with the Local Government and Social Care Ombudsman, and mandatory submission of self-assessments and annual reports. (Self-assessment and performance information can be found here: Complaints - Lancaster City Council)

The service will continue to keep abreast of forth-coming changes and plan accordingly.

2.4. In line with the above expected key strategic priorities for 2025/26 are:

Priority	
A sustainable district	• Continued investment across the council's housing stock - see section 3 below. • Continued work towards improved energy efficiency within all homes by 2030 (all properties to meet minimum of EPC C standard), supported through funding bids where available. • Delivery of new energy efficient units of accommodation on Hastings Road.
An inclusive and prosperous local economy	• Local procurement of repairs (and other housing related) contracts. • Provision of apprenticeship opportunities for local residents and seek opportunities to promote housing career pathways to local young residents, both through us and our contractors. • Use of local suppliers within procurement rules (and where appropriate): for lower value contracts, use of local suppliers is guaranteed; for higher value contacts, on occasions where local supplier does not offer the required expertise and value for money, successful contractors must explicitly evidence social value in contract submissions. • Seeking funds through government to invest in our stock. • Creation of service agreement between Council Housing and Public Realm to ensure delivery of grounds maintenance and other public realm services in line with tenant priorities – including improved transparency for tenants around this service delivery.
Happy and healthy communities	• Supporting the work and continued development of resident scrutiny groups and Tenant Voice, co-creating opportunities for residents to contribute meaningfully to service development and the decision-making process. • TPAS accreditation – to ensure delivery of resident engagement adheres to best practice and is responsive to regulatory requirements around customer focus and the 'Tenant Voice. • Continued development and delivery of services in line with regulatory requirements and the specific outcomes of the new Consumer Standards. • Continued focus on reporting, recording, and remedial actions in line with Awaab's Law (when published), ensuring adherence to Government requirements around timescales and other requirements to address problems. • Continued support and development of the tenant Building Safety Group and Building Safety Strategies to ensure the safety of residents in communal apartment blocks.

	• Development of asset management programmes across housing stock following stock condition survey's – ensuring data is kept up to date. • Facilitating (and funding) community specific, community led projects. • Continue to develop and improve the way the service manages ASB and nuisance, and community safety more generally, across all housing stock. • Continue to develop and improve the way the Council delivers and reports on its block cleaning approach. • Developing a smaller, stronger neighbourhood approach to housing management.
A co-operative, kind and responsible council	• Investing and developing in our staff • 'Place-based' working helping tenants to create sustainable groups and an ability to deliver initiatives supported by – not led by – the housing service. Recognising that local people are best placed to understand the issues in their neighbourhood, including through the extension and further roll out of neighbourhood community plans. • Implementation of early-stage delivery of comprehensive new housing management IT systems. • Working with and listening to resident groups about what's important to them, whilst supporting and encouraging others to be established. • Embedding the Tenant Voice Strategy across the service, to ensure commitment to service wide service delivery in line with tenant needs and expectations. • Ensuring Housing Ombudsman self-assessments are kept up to date. • Ensuring residents have opportunity to raise complaints and that the service listens, takes action, learns and shares information. • Review opportunities to undertake tenant census. • Implement RMS restructure – ensuring service delivers a tenant centred approach. • Develop robust standalone Assurance Framework for Council Housing.

3. The Council Housing Response to the Climate Emergency

3.1. Council Housing has continued its programme of carbon reduction, energy efficiency measures and upgrades during 2024/25.

Energy Performance Certificate (EPC) Band C Housing Stock
Lancaster City Council is in year 4 of an 8-year programme of 'fabric first' led energy improvement works across our Council stock. The goal of this project is to raise the energy performance rating of all Council Housing properties to a minimum 'C' rating by 2030 in line with Government requirements. Lancaster City Council has submitted an application for Warms Homes match funding to improve circa 150 properties. This follows recent improvements to circa 130 properties following applications to Social Housing Decarb Fund and LAD funding.

Ongoing and further additional improvements will be sought through the range of measures listed below, as well as ongoing support for those who live in properties which fall below the 'C' rating.

Void property, energy retrofit improvements
We will continue our major void programme which includes a significant energy performance retrofit component, following a fabric first rationale installing insulation and efficiency measures. We will build on the successful strategy this year and aim to return all Void properties for re-letting at a minimum 'C' rating and take all opportunity to exceed this standard.

Government decarbonisation scheme
Through 2024/25, Lancaster City Council has continued delivery of energy improvement measures using external funding through the Social Housing Decarb Fund Wave 2.1 programme. This has added matched co-funding of approximately £700k throughout the total duration of the project to our existing capital programme for energy efficiency works.

From our initial funding application, we are expecting 105 homes to receive a combined total of 245 installed measures which include insulation (external, internal and loft) as well solar PV installations. Whilst the funding will draw to a close in March 25, the council has also joined a consortium being led by Liverpool City Region Combined Authority (LCRCA) to bid for funding from the Warm Homes: Social Housing Fund. If successful, this will provide additional match co-funding for the continued delivery of energy efficient works for the period 2025-28.

Whole House Improvement programme
2024/25 will see delivery of at least 12 whole house improvements delivering significant improvement in energy performance to a current 'C' EPC rating, which equates to a potential 25% reduction in annual carbon emissions and lower bills for tenants.

This project will continue at a similar level through 2025/26, addressing low performing properties picked up through the void property process.

Loft Insulation
The minimum standard for loft insulation is to achieve at least 300mm. 2024/25 will see 86 new roofs insulated as part of phase 2 of the Ryelands roofing programme and in addition, through void maintenance, we will ensure that all properties for new tenancies achieve the 300mm standard.

Learning from energy improvements, insulation work will include sloping soffits and lagging exposed pipework and water storage, future proofing against pipe bursts we have experienced during the recent episodes of very cold weather.

BRE heat loss modelling calculates that 25% of heat energy is lost through roofs, which demonstrates the contribution of this low cost but effective energy saving insulation measure to our carbon reduction strategy.

Cavity wall insulation

During 2024/25 a pilot inspection programme, including thermal imaging, has taken place for 50 dwellings to understand the performance of current cavity wall insulation and to inform future decisions about programmes of work in this area. Analysis of the data is currently underway.

Solar Panel Installations
Installations to 64 properties have been identified and are underway through the Social Housing Decarb Fund Wave 2.1 programme referred to above. The Energy Support Officer continues to ensure there is strong tenant engagement with the project. Connection to the ORSIS system enables remote monitoring and information to help tenants adapt to the new technology and achieve the maximum benefit from the installation.

Gas Partnership, boiler replacement programme
We will continue with the boiler renewal programme to replace aged and inefficient gas boilers with state of art energy efficient modern gas appliances providing cost effective instantaneous hot water. This provides more efficient heating with improved control, and affords a higher-level thermal comfort for tenants, with reduced carbon emissions.

During 2024/25 a total of at least 350 ‘A’ rated gas boilers will be installed by our gas partner EMCOR.

Energy Support Officer
The energy crisis affects all households but is adversely impacting our low income and vulnerable tenants.

The energy support service seeks to support all new tenancies providing energy advice and managing a busy referral service for any existing tenants who would like support and advice. We are on course to exceed over 200 home visits during 2024/25 to provide invaluable energy related advice to council tenants.

To meet the anticipated increased demand, we continue to roll out energy advice through our media platforms and energy surgeries and have started working collaboratively with Green Rose and Citizens Advice to ensure tenants can benefit from tailored energy visits and resources.

Property Conversions / new properties
We have adopted an EPC ‘A’ rating as the benchmark for all new properties and ground up conversions and will take all affordable opportunities to exceed this standard and to incorporate low carbon and renewable technologies.

As a tangible demonstration of our commitment to new low carbon housing, this is the standard for any future development of the Mainway Estate or similar projects. Nearing completion are four new units of Independent Living

Accommodation at Alder Grove which will utilise highly energy efficient modular construction. These homes are expected to achieve ‘A’ rating and will include PV panels.

Electrification of Repairs and Maintenance Service (RMS) fleet vehicles

Currently 56% of the RMS fleet are now electric, with charging points provision having been created at White Lund Deport and Heaton House, Lancaster and an increased number of charging points across the district are now provided through the work of the Council’s Business Improvement and Project Delivery team.

4. Rent Setting

4.1. As a registered provider of social housing the Council adheres to the Regulator of Social Housing’s ‘Rent Standard.’ Housing rents are set in line with the Government’s Rent Policy Statement.

4.2. For the financial year 2025/26, the Regulator of Social Housing has confirmed that the Council has the freedom to increase formula rent by a maximum of CPI+1% (CPI is the Consumer Price Index). Subject to the outcome of the Government’s consultation process, assumptions also include the additional 1% through to 2029/30, although an outcome may be a longer-term (10 year) settlement. For rent setting purposes for 2025/26, the September 2024 CPI figure of 1.7% is used, with forecast CPI of 2.0% used thereafter (being the target set by Government for the Bank of England’s Monetary Policy Committee).

4.3. It remains the case that where properties become vacant, and their rents are below ‘formula rent’, the rents to be charged for new tenancies can increase up to the formula rent level[3].

4.4. All Council rents are ‘social rent’ and sit well below the Local Housing Allowance (LHA) rate; this rate defines the maximum amount that can be paid in Housing Benefit (HB) or through the housing element of Universal Credit (UC)[4]. We estimate that around 80% of tenants are in receipt of some form of HB or UC, in addition to this, those tenants who receive any proportion of help with their housing costs through HB or UC should also have some entitlement to the Council’s council tax support scheme.

4.5. Rental income is the main funding source for the HRA and there are factors that will influence the outturn position:

- Void levels and re-let times (equating to void rent loss/uncollectable rent)[5] In addition, changes to Council Tax rules on empty homes came into

3 Formula rent for a property is calculated based on relative property values, relative local earnings, and property size (no. of bedrooms), in line with annual guidance produced by the Regulator of Social Housing.

4 It is estimated that around 80% of tenants are in receipt of full or partial HB or UC – due to the housing element of UC being paid directly to tenants it is not fully clear the exact number.

5 Empty homes are currently relet within target times, which minimises void rent loss, however major voids (those which require significant works, including renewal or replacement of major elements) and

effect from 1st April 2024 meaning a 200% rate on homes empty for more than 12 months. This impacts the HRA in relation to long term voids empty as a result of regeneration projects.

- Right to Buy (decrease in housing stock); as at Q3 a total of 7 Right-To-Buy completions have taken place in 2024/25. These sales have generated gross proceeds of £571K, of which a proportion is due to HM Treasury (unless we re-invest as retained ("1-4-1") receipts, as described below at 10.8) with the balance being reinvested in housing stock through the capital programme. Further to the recent changes to the RTB scheme, estimates assume 3 completions per year in future years.[6]

For further details about risk factors see Appendix F.

4.6. Therefore, in line with government policy Cabinet is now advised to set average council rents as follows[7]:-

Property Type	2024/25	2025/26
General	**£90.93**	**£93.91**
Independent Living and Supported	**£86.07**	**£89.01**

5. Other Charges

5.1. For certain dwellings service charges are applied in addition to the rent charge to cover the cost of specific services. These include (but are not limited to) elements such as maintenance costs, cleaning, energy use within communal areas, communal boiler replacements, staffing costs within Independent Living Schemes, and CCTV.

5.2. Service charges are set to ensure they are sufficient to cover the cost of service provision, and that they are reasonable and transparent. Service charge elements are affected each year by variance in actual costs (such as energy provision, changes to service contracts, salary costs and cost of materials) and also a range of inflationary factors (General Inflationary Index, Building Cost Information Service (BCIS)). Costs of service provision have been reviewed for 2025/26.

5.3. As per the Social Housing Regulations the Council should endeavour to keep increases for service charges within the limit on rent changes, of CPI (as at September in the previous year) + 1 percentage point (or 2.7% in 2025/26),

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properties subject to planned capital projects (such as the Mainway project) have a negative impact on void rent loss.

[6] Recent changes to legislation have seen RTB discounts reduce for applicants. Prior to this change we experienced a large number of applications which may impact the number of completions within 2025/26, with 49 currently working through the system (although it is anticipated some of these will not progress). NB: no applications – have been received since the legislative changes came into force.

7 Note that the above figures are presented on a 52-week (2025/26) or 53-week (2024/25) basis. Note: Specific rents vary depending on property type / area / size: for general needs between £66.80 (for a bedsit at Mainway) and £143.48 (for a 3-bedroom adapted bungalow in Lancaster), and for Independent Living between £69.32 for a bedsit at Beck View and £111.24 for a two-bed flat at Artlebeck Close.

to help keep charges affordable.[8] However, it is recognised that service charges fluctuate significantly from year to year and that the requirement to contain increases within CPI+1% should be interpreted on a medium- or long-term basis[9].

5.4. For 2025/26 across all housing stock average service charges will remain the same (0% increase).[10] Within this average is a variation between charges applied to Independent Living (2.7% increase) and General Needs (12.3% decrease). Average service charge costs can be seen in the table below.

	2024/25	2025/26[11]
Avg weekly service charge per dwelling (General Needs)	£12.69	£11.12
Avg weekly service charge per dwelling (Independent Living)	£48.78	£50.11

5.5. The decrease in General Needs service charge is largely explained by changes in the costs of communal electricity charges. The increase in Independent Living service charges largely relates to staffing costs and the Council's pay award: IL staff are support related and are therefore service chargeable.

5.6. It is estimated that around 80% of council tenants are in receipt of either HB or UC. Most service chargeable elements are HB/UC eligible; the exceptions being individual heating costs, and the monitoring of alarms within sheltered housing or community alarmed properties.

5.7. With regard to garage rents, following rent freezes since 2020/21 it is recommended that garage rents be increased by CPI +1% in line with dwelling rents. Benchmarking indicates that rent freezes have brought rents more in line with other providers as intended, that occupancy rates are stable, and rent increases are now appropriate to ensure required maintenance of garages.

6. Revenue Expenditure

6.1. The future years' estimates for 2025/26 alongside the following four financial years have been prepared as part of this budget setting process. The differences between the budget approved last year and the draft revenue budget as prepared are illustrated in the variance analysis supplied at Appendix B.

6.2. The key areas are listed as follows: -

- Salary costs are now forecast to be around £54K higher than previously estimated, due to the impact of National Insurance and other structure changes.
- Repairs and Maintenance net decrease of around £309K due to reallocation of in-house team to capital works, partly off-set by additional

8 Source: Policy statement on rents for social housing – Dec 2022
9 Source: National Housing Federation Briefing on Rent Standard 2020 - Jan 2020
10 Subject to further fluctuations in cost of service delivery
11 For the purposes of rent and service charge setting 2024/25 is a 53-week year (with service charges collected over 49 weeks), while 2025/26 is a 52-week year (with service charges collected over 48 weeks).

works funded from Planned Maintenance reserves, and the impact of National Insurance changes.

- Energy costs decrease of around £47K, largely rechargeable[12].
- Premises insurance increase relating to the premium for council house properties.
- Depreciation charge increase of around £449K, following 2023/24 property revaluations.

6.3. The table below lists the major assumptions that have been made for the 2025/26 budget.

	2025/26
Fees & Charges	Various
Inflation – Pay	2.50%
Employer Pensions Contribution	16.30%
Inflation – General (Minor Cost Centres)	2.60%
Inflation – Insurance	10.00%
Inflation – Utilities	Re-based at current prices
Interest Rate - Investments	3.50%

6.4. In summation, the 2025/26 revenue budget projected surplus is £27K, which is a reversal of the projected funding requirement of £78K as reported in February 2024. The revised projection is largely due to the additional 1% increase to dwelling rents, as permitted by the Regulator of Social Housing's guidance, in combination with the points described above (6.2), notably a reduction in revenue Repairs & Maintenance through reallocation of the in-house team to capital works, off-set by works to be funded from Planned Maintenance reserves and an increase in depreciation charges.

7. Capital Expenditure

7.1. The ten-year capital programme is included at Appendix C.

7.2. The key changes to the programme from last year's reported position are included at Appendix D.

7.3. Future years' capital expenditure is informed by the completion of a full stock condition survey. Expenditure within 2025/26 reflects the priority areas coming from that survey while further refinement of capital expenditure is underway and will be reflected in subsequent years' capital programmes in due course.

7.4. Certain programmes of work (value over £200K and key decisions over £250K) will be advised during 2025/26 and it was confirmed that the Chief Executive be delegated to approve tender of these contracts as per procurement rules. Chief Executive sign off will be sought on a case-by-case basis. Key decision notices will be provided where required.

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[12] Energy costs are subject to regular fluctuation, and are monitored monthly. Where significant fluctuations occur service charge adjustments will be made 'in year' to more accurately charge for actual usage, and allow residents more control over their costs. The Income Management team actively supports tenants to ensure government support around energy costs is received and understood.

The programmes of work will be:

- Reroofing to various flat blocks on the Vale and Greaves Estates
- Smoke alarms installation in Lancaster City Centre and Westgate

7.5. The capital programme includes some provision for cyclical programmes of work on Mainway. Work is underway to define the scale and nature of this in the context of the ongoing Mainway regeneration project.

8. Future Developments

8.1. The City Council continues to have ambitions for the development of its own new affordable / social rented homes which it is seeking to progress. The focus for the next twelve months will see:

8.2. Mainway Masterplan:

- In 2024/25 we secured planning permission for the former Skerton High School development. This coming year will focus on the development of a full business case and procurement strategy.
- During the last 12 months changes within Homes England have resulted in funding applications for larger schemes currently being paused. We will await further announcements in the Spring budget which is expected to provide further information on future funding opportunities.
- The progression of the wider Mainway Masterplan is expected to continue into the start of 2025/26.
- While the design phase of the wider scheme continues, the decommissioning of properties on Mainway is factored into the estimates presented, over the coming years, with no rental income being recognised for any existing units from April 2030 currently.

8.3. Canal Quarter:

- Work is currently paused whilst the progress of a car parking strategy continues to be refined.

8.4 Garages:

- Work to advance Council Housing schemes on existing garage sites continues. In 2024, the Council secured Brownfield Land Release Funding to support this work. The most advance scheme is a proposed development on Hastings Road for four properties. The outcome of a planning application on this site is currently awaited and it is hoped that once confirmed work to progress to a start of site within the financial year will be realised. This would be the first of the Council’s garage sites from a programme to follow this approach, with further opportunities to progress in future years.

9. Provisions, Reserves and Balances

9.1. After reviewing the Housing Revenue Account and General Fund in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer advises maintaining the minimum level of HRA Balances at £750K from 01 April 2025 to support the budget forecasts, as part of the overall medium term financial planning for the HRA.

9.2. In calculating the minimum level of HRA Balances, an assessment of the risks that give rise to unanticipated expenditure or loss of income has been made and these are shown in the table below.

Risk	Symptom of Risk	Balance Required £M
Increased Demand for Services	1% Increase in Net Revenue Expenditure	0.150
Recession results in additional reduction in Rental Income	2% Reduction in Income	0.350
Natural Disaster such as Flood etc	Additional Unexpected Expenditure	0.150
Additional Uncertainty with Respect of the Cost Of Living	Additional Unexpected Expenditure	0.100
Aggregate Overspend if all of the above risks were to happen		**0.750**

9.3. Draft statements on all reserves are attached at Appendix E(i) and Appendix E(ii). Levels are viewed as adequate for the period covered and Cabinet is asked to endorse this information, with the Statement being referred on to Council as part of the HRA budget proposals.

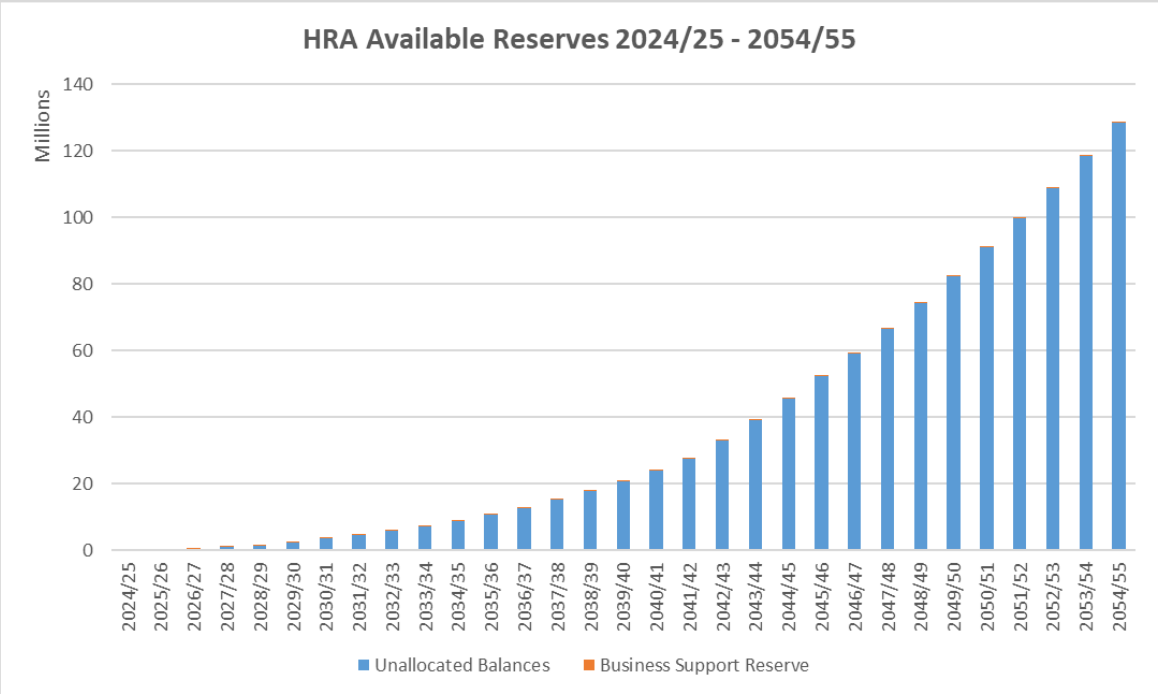
10. Business Planning & Future Risks

10.1. Taking account of the work that has been done to date, the following table sets out the latest position for the business plan, represented by the level of unallocated balances and the Business Support Reserve (BSR). It compares the position back in February 2024 to projections as at February this year.

30 Year Business Plan: Business Support Reserve and Unallocated Balances

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	30 Year Cumulative Total £'000
Business Support	35	35	35	35	35	13	13
Unallocated Balances	846	768	973	874	785	750	43,817
Projections as at February 2024	**881**	**803**	**1,008**	**909**	**820**	**763**	**43,830**
Business Support	119	119	119	119	119	119	119
Unallocated Balances	76	103	391	1,021	1,439	2,228	128,516
Projections as at January 2025	**195**	**222**	**510**	**1,140**	**1,558**	**2,347**	**128,635**

Overall Movement (Adverse) / Favourable	**(686)**	**(581)**	**(498)**	**231**	**738**	**1,584**	**84,805**



10.2. The unallocated balance is currently £750K, the recommended minimum level. As stated in the Delivering Our Priorities report presented to Cabinet elsewhere on this agenda, the projected net overspend for 2024/25 will cause HRA unallocated balances to fall below the recommended minimum level, largely due to the anticipated increase in depreciation charges. The balances shown above are now based on 2024/25's Quarter 3 projected outturns. Based on current assumptions, reserves will be repleted to the recommended minimum level by the close of 2027/28, and at no subsequent point within the 30-year business plan do they breach the £750K lower limit again.

10.3. The Business Support Reserve has a current unallocated balance of £119K. This may be relied upon to support the revenue overspend in 2024/25.

10.4. Additional earmarked reserves exist (see Appendix E(i) for more details). These reserves are earmarked for specific purposes, but not formally ring fenced. During 2024/25's year-end closedown, once accurate figures are available, all reserve balances will be reviewed to inform a decision on the requirement for additional in-year contributions from specific earmarked reserves to support unallocated balances.

10.5. The increase in the projected balance at the end of the 30-year business plan is largely due to the year-on-year impact of the higher than previously assumed rent increase for 2025/26, with an additional 1% increase being included in assumptions through to 2029/30.

10.6. As previously discussed, in line with the Regulator of Social Housing's guidance, rents have been set at CPI+1%. Largely due to fluctuations in CPI, 2025/26's rental income from dwellings is now forecast to be approximately £100K higher than estimated in the previous budget report. It has been assumed that increases will revert to CPI only from 2030/31 (forecast at 2.0%, being the target set by Government for the Bank of England's Monetary Policy Committee), but the risks surrounding these assumptions must be appreciated and the magnitude of impact of a small change within this area understood.

10.7. Due to the increase in depreciation charge to reflect 2023/24 actuals, the currently proposed capital programme does not fully utilise anticipated capital receipts or the funding available within the Major Repairs Reserve. Therefore, balances are forecast to increase over the five-year period, and it is estimated that £801K of useable capital receipts and £1,755K within the Major Repairs Reserve will have accumulated by 31 March 2030. This will be reviewed when the profile of future capital spend is prepared, following further refinement of subsequent years' capital programmes.

10.8. It is also worth noting that as at 1st April 2024, £1,082K of Retained Right to Buy ("1-4-1") receipts were held, to be used for increasing housing stock. The Capital Programme Mid-Year Review 2024/25 approved by Council on 13th November included the utilisation of £700K to acquire properties within 2024/25, with a further £250K earmarked for this purpose in 2025/26 (see Appendix C). Following changes made by the new Government, our "1-4-1" balance will continue to grow, dependent on future RTB sales.

10.9. The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Chief Officer – Resources takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in Appendix F.

11. Options and Options Analysis (including risk assessment)

11.1. The options with regards to rent setting are set out under section 4, the maximum permitted increase being CPI+1%. By applying this increase, it allows for a budget that can deliver on the Council's ambitions on improving housing standards and addressing the climate change emergency, whilst adhering to the Rent Standard and wider legislative requirements.

11.2. In relation to garage rents, it is recommended that following recent rent freezes an increase in line with dwelling rent increases is appropriate and will support maintenance requirements without adversely impacting occupancy levels.

11.3. With regard to the revenue budget generally, Cabinet could consider other proposals that may influence spending in current and future years, as long as their financing is considered and addressed and coherent with the legislative and regulatory requirements of a Registered Provider.

11.4. The options available in respect of the minimum level of HRA balances are to retain the level at £750K in line with the advice of the Section 151 Officer, or adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting and it could have implications for the Council's financial standing, as assessed by its external auditor.

11.5. The options available in respect of the Capital Programme are:

i) To approve the programme in full, with the financing as set out;

ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.

11.6. Any risks attached to the above would depend on measures Members proposed, and their impact on the council housing service and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

	Option 1: Set housing and garage rent levels as set out in this report, and approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme	**Option 2:** To propose alternatives to those outlined in Section 11 above
Advantages	Increased rental income supports the Council to deliver against its Regulatory requirements and ensuring homes are safe and decent.	Unknown
Disadvantages	Increased rent levels for tenants.	Would require further options analysis.
Risks / Mitigation	The HRA budget set out in this report is sustainable in the long term. The risks associated with Option 1 are outlined in Appendix F – Risks and Assumptions.	Impact on housing service and council housing tenants unknown. Potential for housing service to fall foul of legislative and regulatory requirements, leading to unlimited fines and being 'named and shamed' by government.

12. Officer Preferred Option (and comments)

12.1. **Option 1**: Set housing and garage rent levels as set out in this report and approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme, as set out and refer onto full Council.

12.2. The budget headlines were presented to the Tenants Voice meeting on 30th January 2025 who were broadly in agreement with the proposals described, including the rent increase. There was, however, a range of debate which should be noted including:

- That details of planned maintenance and capital programmes be presented to a future meeting of the Tenant Voice
- That the housing service should remained focussed on improving performance to ensure value for money in the context of a rent increase"

12.3. The budget headlines and the wider context of housing finances were presented and discussed at the Council Housing Advisory Group (CHAG) on 31st January 2025

12.4. Cabinet have been consulted on the budget, rent setting proposals and other budgetary matters at their meeting of 14 January 2025.

13. Conclusion

13.1. The report highlights challenges faced within the current economic climate, particularly in the context of the increased regulatory and legislative requirements being placed on the social housing sector.

13.2. The longer-term financial forecasts contain numerous estimates and assumptions, and the service remains attuned to the risks contained within Appendix F, and in particular the impacts of further legislative and regulatory change which could affect business planning within the HRA.

13.3. Lancaster City Council's Housing Service remains ambitious, while continuing to operate a sensible but forward-looking approach, seeking to meet Regulatory requirements and deliver safe and decent homes.

RELATIONSHIP TO POLICY FRAMEWORK

The budget represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.

CONCLUSION OF IMPACT ASSESSMENT
(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

The proposals set out in the report will have positive impacts residents within Council Housing dwellings specifically climate change, wellbeing / social value, health and safety and community safety as outlined below. There is no significant detrimental impact on equality on specific groups. See Appendix G – Equality Impact Assessment.

Climate: as per section 3, the report outlines a number of positive climate related impacts resulting from the HRA budgeting process. Also, see Appendix G for additional positive impacts

Wellbeing & Social Value: positive impacts identified via additional budget proposals. See appendix G for details.

Health and Safety: the Council Housing dedicated Compliance Team focusses on monitoring and maintaining compliance against core areas of legislation within council dwellings specifically gas, electrical, legionella, lifts, asbestos, fire, smoke and CO2 detection and fire door testing. The dedicated budget around this work supports compliance.

Community Safety: The approach to a dedicated ASB provision for Council Housing tenants and continued engagement and review of ASB provision with Resolve will see a positive impact for local residents.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add

FINANCIAL IMPLICATIONS

As set out in the report

OTHER RESOURCE IMPLICATIONS

Human Resources:

None identified

Information Services:

None identified

Property:

None identified

Open Spaces:

None identified

S.151 OFFICER'S COMMENTS

Like all Councils, Lancaster City faces increased financial pressures and uncertainty because of the impact of the ongoing cost of living crisis and the effect it has on significant areas of expenditure. These challenges are particularly prevalent in the HRA which has seen increased expenditure coupled with high demand and a reduction in income through effective capping of rent increases.

The Local Government Act 2003 places explicit requirements on the s151 Officer to report annually on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves. The recommendation of a minimum level of unallocated reserves acts as an early warning that Council is facing financial pressure, and that action need to be taken to address the decline. For 2025/26 the s151 Officer set the minimum level of HRA unallocated balances at £0.750M.

The reports highlights that based on current projections the level of reserves will drop to £0.076M in 2024/25 and remain below the minimum level until 2027/28. The report articulates a number of reasons for this, most notably an increase in the depreciation charge. However, this is not the sole reason, as there has been significant expenditure funded from reserves in recent years. It should be noted that the HRA holds a number of non-ringfenced reserves such as the Business Support reserve (£0.119M) and Flats Planned Maintenance Reserve £0.309M and whilst the combined total would remain below the minimum, they could be utilised should there be a further deterioration in the financial position. This would however signal the end of available reserve funds within the HRA, and significant action would been to be taken. In addition, the use of any non-ringfenced reserves also impacts on the ability to undertake the purpose for which they were originally established.

Officers and Members are working on a variety of options that should see reserves maintained above the £0.750M minimum over a shorter time frame.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments to add

BACKGROUND PAPERS See Appendices A-G	**Contact Officer:** Peter Linsley **Telephone:** 01524 586873 **E-mail:** plinsley@lancaster.gov.uk **Ref:** HRA Budget Report

APPENDIX A

HOUSING REVENUE ACCOUNT BUDGET
For Consideration by Cabinet 11 February 2025

	2025/26 Budget £	2026/27 Forecast £	2027/28 Forecast £	2028/29 Forecast £	2029/30 Forecast £
INCOME					
Rental Income - Council Housing	(16,920,000)	(17,477,300)	(18,041,200)	(17,998,400)	(18,557,100)
Rental Income - Other (Shops and Garages etc.)	(281,600)	(287,800)	(294,100)	(300,700)	(307,400)
Charges for Services & Facilities	(2,508,600)	(2,627,500)	(2,673,100)	(2,718,900)	(2,762,100)
Grant Income	(69,900)	(71,300)	(72,500)	(73,900)	(75,100)
Contributions from General Fund	(107,800)	(110,300)	(112,500)	(114,800)	(116,900)
Total Income	**(19,887,900)**	**(20,574,200)**	**(21,193,400)**	**(21,206,700)**	**(21,818,600)**
EXPENDITURE					
Repairs & Maintenance	6,526,700	6,694,300	6,833,800	6,934,000	7,062,300
Supervision & Management	5,915,200	5,349,300	5,414,300	5,518,500	5,642,000
Rents, Rates & Insurance	557,800	598,500	639,000	679,600	720,300
Contribution to Provision for Bad and Doubtful Debts	153,600	154,800	156,100	157,500	159,100
Depreciation & Impairment of Fixed Assets	4,774,700	4,774,700	4,774,700	4,774,700	4,774,700
Debt Management Costs	0	0	0	0	0
Total Expenditure	**17,928,000**	**17,571,600**	**17,817,900**	**18,064,300**	**18,358,400**
NET COST OF HRA SERVICES	**(1,959,900)**	**(3,002,600)**	**(3,375,500)**	**(3,142,400)**	**(3,460,200)**
(Gain)/Loss on disposal of non-current assets	0	0	0	0	0
Interest Payable & Similar Charges	1,607,900	1,568,200	1,528,200	1,487,800	1,447,200
Interest & Investment Income	(55,300)	(50,100)	(33,300)	(33,300)	(33,300)
Pensions Interest Costs & Expected Return on Pensions Assets	0	0	0	0	0
Capital Grants and Contributions Receivable	0	0	0	0	0
Premiums & Discounts from Earlier Debt Rescheduling	0	0	0	0	0
(SURPLUS) / DEFICIT FOR THE YEAR	**(407,300)**	**(1,484,500)**	**(1,880,600)**	**(1,687,900)**	**(2,046,300)**
Self Financing Debt Repayment	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400
Net Charges made for Retirement Benefits	0	0	0	0	0
Adjustments to reverse out Notional Charges included above	0	0	0	0	0
Transfer to/(from) Earmarked Reserves - for Revenue Purposes	(660,800)	154,500	209,800	227,900	215,800
Capital Expenditure funded from Major Repairs Reserve	0	0	0	0	0
Transfer from Earmarked Reserves - for Capital Purposes	0	0	0	0	0
Financing of Capital Expenditure from Earmarked Reserves	0	0	0	0	0
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	**(26,700)**	**(288,600)**	**(629,400)**	**(418,600)**	**(789,100)**
Housing Revenue Account Balance brought forward	(76,000)	(102,700)	(391,300)	(1,020,700)	(1,439,300)
HRA BALANCE CARRIED FORWARD	**(102,700)**	**(391,300)**	**(1,020,700)**	**(1,439,300)**	**(2,228,400)**

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.

APPENDIX B

HOUSING REVENUE ACCOUNT VARIANCE ANALYSIS

	2025/26	
	£	£
ORIGINAL BUDGET		**0**
EXPENDITURE		
Employees		
Impact of National Insurance and other structure changes	(53,500)	
		(53,500)
Premises		
Repairs & Maintenance - net decrease in revenue repair costs due to reallocation of in-house team to capital works, additional works funded from Planned Maintenance reserves, and impact of National Insurance and other minor changes	309,300	
Energy - decrease in energy cost assumptions for general needs areas, largely rechargeable	47,200	
Council Tax - increased liability for long term void properties due to major voids and capital projects	(40,500)	
Premises Insurance recharges - revised estimate of premium relating to council house properties	(27,300)	
		288,700
Supplies & Services		
ICT - reprofiling of housing management software purchase and implementation, funded from ICT & Systems Improvement reserve	(438,900)	
		(438,900)
INCOME		
Rents (Dwellings) - future years uplift now CPI + 1.0% (CPI at September 2024 1.7%)	100,700	
Service Charges Flats - net additional service charge income	49,600	
		150,300
FINANCING		
Increase in Depreciation Charge	(449,000)	
		(449,000)
APPROPRIATIONS		
Earmarked Reserves appropriations - reprofiling of contributions from ICT and Systems Improvement reserve for purchase and implementation of new housing management software, plus works to be funded from Planned Maintenance reserves	628,900	
		628,900
Other Net Service Variances		**(22,300)**
IN YEAR VARIANCES		**104,200**
Previously Agreed Contribution (From) / To Unallocated Reserve		(77,500)
REVISED CONTRIBUTION (FROM) / TO UNALLOCATED RESERVE		**26,700**

*Variances shown as (adverse) / favourable

APPENDIX C

Council Housing 10 Year Capital Programme
For Consideration by Cabinet 11 February 2025

	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000	2029/30 Estimate £000	2030/31 Estimate £000	2031/32 Estimate £000	2032/33 Estimate £000	2033/34 Estimate £000	2034/35 Estimate £000	TOTAL £000
EXPENDITURE											
Adaptations	300	300	300	300	300	300	300	300	300	300	3,000
Energy Efficiency/Boiler Replacement	1,501	1,265	1,265	1,093	979	790	790	790	790	790	10,053
Internal Refurbishment	1,078	1,078	1,097	1,135	1,135	936	946	936	945	945	10,231
External Refurbishment	637	270	-	-	-	192	759	288	-	-	2,146
Environmental Improvements	500	260	260	110	110	140	140	140	140	140	1,940
Re-roofing/Window Renewals	595	527	1,024	1,423	744	686	-	1,256	1,288	1,288	8,831
Rewiring	88	88	90	90	90	88	90	88	90	90	892
Lift Replacements	-	-	-	-	-	-	-	-	-	-	-
Fire Precaution Works	210	150	150	180	180	180	180	180	180	180	1,770
Housing Renewal and Renovation	957	507	507	207	657	657	657	207	207	207	4,770
Acquisitions	250	-	-	-	-	-	-	-	-	-	250
TOTAL EXPENDITURE	**6,116**	**4,445**	**4,693**	**4,538**	**4,195**	**3,969**	**3,862**	**4,185**	**3,940**	**3,940**	**43,883**
FINANCING											
Capital Receipts	1,347	-	-	-	-	-	-	-	-	-	1,347
Contributions	-	-	-	-	-	-	-	-	-	-	-
Earmarked Reserves	-	-	-	-	-	30	30	30	30	30	150
Major Repairs Reserve	4,769	4,445	4,693	4,538	4,195	3,939	3,832	4,155	3,910	3,910	42,386
TOTAL FINANCING	**6,116**	**4,445**	**4,693**	**4,538**	**4,195**	**3,969**	**3,862**	**4,185**	**3,940**	**3,940**	**43,883**
SHORTFALL/(SURPLUS)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

APPENDIX D

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME - KEY CHANGES

	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
PREVIOUSLY APPROVED CAPITAL PROGRAMME	**3,931**	**3,899**	**4,187**	**4,348**	**4,005**
Adaptions					
No change to programme					
Energy Efficiency/Boiler Replacement					
Boiler Renewal programme changes	+104				
Storage Heater programme introduction	+132				
Works funded by Social Housing Decarbonisation Fund grant	+246	+246	+246		
Internal Refurbishment					
Adjustments to kitchen programme	+190	+190	+150	+190	+190
External Refurbishment					
External Door and Window Replacement programme changes	+403				
Environmental Improvements					
Environmental Improvement programme changes	+350	+110	+110		
Re-Roofing/Window Renewals					
No change to programme					
Rewiring					
No change to programme					
Lift Replacements					
No change to programme					
Fire Precaution Works					
Smoke / Heat Detector programme changes	+60				
Housing Renewal and Renovation					
Renewals and Renovations	+300				
Property Conversions	+150				
Acquisitions					
Ad-hoc Acquisitions	+250				
Minor Variances	+0	+0	+0	+0	+0
REVISED CAPITAL PROGRAMME	**6,116**	**4,445**	**4,693**	**4,538**	**4,195**

HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT
For Consideration by Cabinet 11 February 2025

	Balance as at 31/03/24	Contributions			Balance as at 31/03/25	Contributions			Balance as at 31/03/26	Contributions			Balance as at 31/03/27	Contributions			Balance as at 31/03/28	Contributions			Balance as at 31/03/29	Contributions			Balance as at 31/03/30
		To the Reserve from Revenue	From the Reserve To Capital	From the Reserve To Revenue		To the Reserve from Revenue	From the Reserve To Capital	From the Reserve To Revenue		To the Reserve from Revenue	From the Reserve To Capital	From the Reserve To Revenue		To the Reserve from Revenue	From the Reserve To Capital	From the Reserve To Revenue		To the Reserve from Revenue	From the Reserve To Capital	From the Reserve To Revenue		To the Reserve from Revenue	From the Reserve To Capital	From the Reserve To Revenue	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
HRA General Balances	**750,000**			(674,000)	**76,000**	26,700			**102,700**	288,600			**391,300**	629,400			**1,020,700**	418,600			**1,439,300**	789,100			**2,228,400**
Earmarked Reserves:																									
Business Support Reserve	**581,923**			(462,700)	**119,223**				**119,223**				**119,223**				**119,223**				**119,223**				**119,223**
Major Repairs Reserve	**779,475**	4,774,700	(5,004,100)		**550,075**	4,774,700	(4,774,700)		**550,075**	4,774,700	(4,450,700)		**874,075**	4,774,700	(4,698,700)		**950,075**	4,774,700	(4,543,700)		**1,181,075**	4,774,700	(4,200,700)		**1,755,075**
Flats - Planned Maintenance	**404,527**			(95,400)	**309,127**	33,000		(147,900)	**194,227**	33,000		(22,900)	**204,327**	33,000		(22,900)	**214,427**	33,000		(22,900)	**224,527**	33,000		(22,900)	**234,627**
ICT and Systems Improvement	**974,205**			(261,000)	**713,205**			(640,700)	**72,505**			(72,500)	**5**				**5**				**5**				**5**
Sheltered - Equipment	**299,271**	60,400		(98,800)	**260,871**	62,600		(75,100)	**248,371**	62,300		(16,800)	**293,871**	59,600		(23,400)	**330,071**	58,700		(1,600)	**387,171**	57,100		(7,400)	**436,871**
Sheltered - Planned Maintenance	**284,087**	120,300		(25,000)	**379,387**	125,000		(80,300)	**424,087**	124,400		(15,300)	**533,187**	119,200		(15,300)	**637,087**	117,300		(15,300)	**739,087**	114,200		(15,300)	**837,987**
Sheltered Support Grant Maintenance	**279,467**	60,400			**339,867**	62,600			**402,467**	62,300			**464,767**	59,600			**524,367**	58,700			**583,067**	57,100			**640,167**
Total Earmarked Reserves	**3,602,956**	**5,015,800**	**(5,004,100)**	**(942,900)**	**2,671,756**	**5,057,900**	**(4,774,700)**	**(944,000)**	**2,010,956**	**5,056,700**	**(4,450,700)**	**(127,500)**	**2,489,456**	**5,046,100**	**(4,698,700)**	**(61,600)**	**2,775,256**	**5,042,400**	**(4,543,700)**	**(39,800)**	**3,234,156**	**5,036,100**	**(4,200,700)**	**(45,600)**	**4,023,956**

Appendix E(ii) - RESERVES AND PROVISIONS - For Consideration by Cabinet on 11 February 2025

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Capital Reserves					
Major Repairs Reserve (MRR)	Set up following the introduction of Resource Accounting in the HRA. Credited with the amount of depreciation charged to the HRA and topped up with additional funds required to finance the capital programme in-year.	Use of reserve to be determined and reported by the Chief Finance Officer (or nominated representative). Can be applied to capital improvements to HRA housing stock (specifically excluding demolition) and, additionally from 1st April 2004, repayment of HRA debt and credit liabilities (including premia on early repayment of PWLB loans).	**Housing & Property / Resources**	**Budget & Outturn**	**To provide in-year funding for the capital programme as budgeted**
Business Support Reserve (BSR)	Established to provide support to additional business plan commitments and planned investment opportunities.	Use of the reserve to be approved by Cabinet. Contributions to the reserve to be approved annually as part of the budget.	**Housing & Property / Resources**	**Budget & Outturn**	**Retain as budgeted, noting that the first call will be to support the business plan**
Revenue Reserves					
Flats – Planned Maintenance Reserve	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in flats.	**Housing & Property / Resources**	**Budget & Outturn**	**Retain as budgeted**

Appendix E(ii) - RESERVES AND PROVISIONS - For Consideration by Cabinet on 11 February 2025

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Revenue Reserves					
ICT & Systems Improvement Reserve	Established to fund future ICT systems and equipment replacement.	To be applied to future replacements and system / process improvements.	**Housing & Property / Resources**	**Budget & Outturn**	**Retain as budgeted**
Sheltered Equipment Reserve	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes.	**Housing & Property / Resources**	**Budget & Outturn**	**Retain as budgeted**
Sheltered – Planned Maintenance	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	**Housing & Property / Resources**	**Budget & Outturn**	**Retain as budgeted**
Sheltered – Support Grant Maintenance	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges but classed as Support Costs under County Guidelines.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	**Housing & Property / Resources**	**Budget & Outturn**	**Retain as budgeted**

Appendix E(ii) - RESERVES AND PROVISIONS - For Consideration by Cabinet on 11 February 2025

Use of all reserves with the exception of the BSR and MRR to be approved by the Chief Officer with responsibility for Housing, in consultation with the Chief Finance Officer (or nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Provisions					
Bad Debts	This provision is used to provide cover for all Housing Revenue Account bad and doubtful debts.	Contributions are determined at budget setting and outturn, based on assessment of the level of debt outstanding. Write offs are charged against the provision during the year.	**Resources**	**Budget & Outturn**	**As reflected in the report**

The Bad Debt provision will be applied by the Chief Finance Officer (or nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

APPENDIX F

2025/26 BUDGET
HOUSING REVENUE ACCOUNT – RISKS & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 11 February 2025

Risk area	Details
Self-financing	Under Part VI of the Local Government and Housing Act 1989 a local authority has a duty to keep a HRA as a ring-fenced account and has a duty to ensure that it does not go into deficit. To deliver this, robust business and financial planning arrangements are maintained, including the production of a 30-year business plan. Assumptions around factors such as rent setting and inflation factors are built into this.
Cost of service delivery in current climate	Ongoing risks exist in relation to external impacts on the cost of service delivery. The impact of inflation, for example, resulting in increased costs to the service through cost of materials, contracts, and other building costs; the volatility of energy costs, to both tenants and to the council; and pay increases and unknowns such as the recent changes to employers national insurance contributions.
Rent Policy	As a Registered Provider of Social Housing the Council adheres to the Regulator of Social Housing's 'Rent Standard'. Rents are set in line with the Government's 'Rent Statement'. 2025/26 has seen the Government set out a continuation of the previous five years policy whereby CPI+1% is the maximum rent increase permissible. This policy is currently out for consultation, but within the Council's 30-year business plan it is currently assumed that CPI + 1% will be in place for 5 years, with 2% in subsequent years in line with corporate assumptions around inflation. It should be recognised that future government policy in this area can have a significant impact on rent and therefore income levels. Government guidance will be kept under review to ensure any future assumptions around rental income are accurately informing business planning. An internal audit is scheduled for the end of 2024/25 into 2025/26 to confirm rent setting process robustness.
Income Recovery	Rental income is the main income source for the housing service. The impact of tenant debt and reduced income (through rent and other housing-related charges) on business planning is recognized as a key risk to the delivery of housing services and the sustainability of financial planning. Wider cost-of-living issues such as increased energy costs create financial pressures for tenants and present a risk to assumed income. Income Management within the housing service is externally accredited by the Housing Quality Network (HQN) and delivers best practice across many areas of tenant debt. Void (empty home) levels create additional rent loss. Fast, efficient turnaround of void properties, to reduce void rent loss, remains a priority.

	Supportive, proactive, and data driven service delivery in this area continues to protect income streams and promote successful tenancies. This service area is monitored weekly to ensure the risk is managed, and is reported on as a corporate KPI. Recharges such as rechargeable repairs is being reviewed as a priority area of work through 2025/26 as well as effective schedule of rate setting for RMS to ensure appropriate cost recovery.
Reduced demand	Reduced demand for council housing within the district would pose a threat to rental income. Overall demand for all types of council housing stock is currently high, during 2024/25 a new system went live with c2,000 residents now registered for re-housing. The potential for 'difficult to let' schemes, areas, or property types to undermine demand is monitored, with strategic planning in place to mitigate any specific issues.
Stock reduction	The rate of Right to Buy (RTB) sales remains relatively low compared to historic levels of sales; the budget planning process had assumed 19 Right to Buy Sales per year, however recent government changes as outlined in the budget report are anticipated to reduce this figure to around 3 per year. Any sales lead to future projected rental income levels being reduced. As many costs are fixed, this results in an adverse impact on the revenue position. Recent government changes mean that the previously returned HM treasure share of RTB receipts can be retained for five-years to help support replenishment of our social housing with the balance being re-invested in housing stock through the capital programme. To offset the loss of homes through RTB the Council continue to explore avenues for development, delivering recent conversions of former scheme manager accommodation into one-bed units, delivery of a specialist adapted and older persons housing units, and scoping other sites and opportunities to realise a 'pipeline' of potential development.
Additional capital requirements	Legislation, changes in health and safety standards, or the discovery of previously unknown defects create the potential for additional capital expenditure requirements. In response to the Building Safety Act (2022) and Fire Safety Act (2021) a thorough review of all compliance (gas, electric, asbestos, legionella, lifts, fire, smoke and carbon monoxide detection) activities began during 2021/22. Increased capital and revenue investment continues to be committed to this area. The City Council is keeping abreast of anticipated forthcoming changes from Awaabs Law and a new Decent Homes standard. Commitment to a ten-year programme of energy efficiency improvements and upgrades across all housing stock remains in place, in response to the Council's declared climate emergency, where possible match funding requests with government have been successful / submitted. Asset management planning remains vital to identify the investment needs across all housing stock and inform the programmes. Much of the City Council's stock is ageing which poses further risk. All requirements to maintain stock decency are reflected in the 30-year HRA Business Plan. Completion of a full stock condition survey informs asset management planning moving forward – currently at 86% completion.

	For future development works to provide new affordable homes, including Mainway and Canal Quarter, project work remains ongoing to define the options available. To deliver these projects will likely require borrowing against the HRA and will be subject to the council decision-making process.
Service Resilience	A number of external factors (pandemic, weather events, etc) remain as financial and practical risks to delivery of the housing service. The service participates actively in the Council's resilience activities and planning and has developed robust processes to mitigate such risk. Provision and maintenance of IT represents and additional risk to service resilience. Support and maintenance of current IT infrastructure to deliver current systems remains a risk. Recent upgrades, along with in-house training around infrastructure, currently mitigate this risk. Delivery of a reserve-funded multi-year full IT replacement project is underway with completion of phase 1 planned for Spring 2026.
Effect of legislation/ regulation	Implications of new (or changes to existing) legislation / regulation can present challenges and are monitored and reflected in service review and improvement planning. The Social Housing Regulation Act 2023, the refresh of associated regulatory standards, and the increased scope of the Housing Ombudsman Service represent the most significant overhaul of the social housing sector for over a decade. New powers granted to the Regulator of Social Housing demand a greater tenant focus within service delivery, with particular focus on the security, safety and condition of social homes and the ability of residents to meaningfully influence service delivery and decision making. From April 2024 the regulator has embarked on a programme of 'Ofsted-style' inspections for social housing providers. The new regulation raises the required standards within social housing and create the conditions for significant practical and reputational risk. Since 2021/22 the HRA budget has incorporated costs in response to this, investment in compliance work being chief among them, and continues to be responsive to the requirements of the Social Housing Regulation Act and associated guidance through operational service delivery and strategic action planning.
Future Developments	The City Council continues to have ambitions for the development of its own new affordable / social rented homes, which it is seeking to progress. Developments will be subject to the council's decision-making process and are referenced in the 'Additional Capital Requirements' section above.

CABINET

Treasury Management Strategy 2025/26

11 February 2025

Report of Chief Finance Officer

PURPOSE OF REPORT					
To present to Cabinet the draft Treasury Management Strategy and associated documents for 2025/26 and to provide an opportunity for consideration and comment ahead of formal presentation to Full Council 26 February 2025 for approval					
Key Decision	**X**	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision				16th December 2024	

RECOMMENDATION OF COUNCILLOR HAMILTON - COX

That Cabinet recommends the following for approval to Budget Council:

1. **The Treasury Management Strategy 2025/26, Appendices A to C**

2. **Delegated authority be given to the S151 Officer, in consultation with the Portfolio Holder for Finance & Resources to amend change in the prudential indicators should Cabinet or Full Council make any revisions to the Capital Programme**

1.0 INTRODUCTION

1.1 The Code of Practice on Treasury Management ("the Code") requires that a strategy outlining the expected treasury activity for the forthcoming 3 years be adopted, but that it be reviewed at least annually. It needs to reflect treasury policy and cover various forecasts and activities, to incorporate the Council's spending and income plans with decisions about investing and borrowing.

2.2 Cabinet are asked to consideration to the Treasury Management strategy and associated attachments in line with their Terms of Reference and if satisfied refer the strategy to Council for approval in accordance with the Constitution.

2.0 TREASURY MANAGEMENT FRAMEWORK 2025/26

2.1 The Council's Treasury Management Activities are regulated the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued under the Local Government Act 2003.

2.2 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. During 2025/26 the minimum reporting requirements are that the Full Council should receive the following reports:

- an annual treasury strategy in advance of the year (this report)
- a mid-year (minimum) treasury update report
- an annual review following the end of the year describing the activity compared to the strategy

3.0 TREASURY MANAGEMENT STRATEGY

3.1 Treasury management activities represent the placement of residual cash held in the bank resulting from the authority's day to day activities in relation to s12 Local Government Act investment powers. The Treasury Management Strategy, therefore, deals principally with investments and borrowing which are considered below.

3.2 CIPFA published an updated Treasury Management (the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes) and Prudential Code on 20 December 2021. These apply with immediate effect, however, CIPFA has stated that there will be a soft introduction of the codes with any change to reporting requirements deferred until the 2023/24 financial year.

3.3 It should also be noted that the MHCLG has tightened up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.

3.4 The proposed Strategy for 2025/26 to 2027/28 is set out at ***Appendix A***. The document contains the necessary details to comply with both the Code and Government investment guidance. Responsibilities for treasury management are set out at ***Appendix B*** and the policy statement is presented at ***Appendix C.***

4.0 BORROWING ASPECTS OF THE STRATEGY

<u>Capital Financing Requirement (CFR)</u>

4.1 The Council's CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's CFR is set to fluctuate from the current estimated 2024/25/24 position of £101.17M rising to £117.96M in 2025/26 before reducing slightly to £103.09M in 2029/30, reflecting current planned levels of capital expenditure

4.2 The CFR does not increase indefinitely as a statutory annual charge to revenue known as Minimum Revenue Provision (MRP), approximately reduces the borrowing need in line with each asset's life.

4.3 Based on the capital programme, the overall physical borrowing position of the Council is projected to increase over the next three to five years from its estimated current position of £63.93M to £83.84M (2026/27) as the Council looks to move forward with several ambitious schemes to enable delivery of its Strategic Priorities. It is then forecast to decrease slightly to £83.72M (2029/30).

4.5 Changes in the Council's Capital Financing Requirement and forward borrowing projections are summarised in tables 1 and 2 below.

Table 1 Capital Financing Requirement

	2023/24 Actual £'M	2024/25 Estimate £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M
CFR – Non Housing	64.50	68.13	85.96	84.75	81.00	79.32	75.25
CFR – Housing	34.08	33.04	32.00	30.96	29.92	28.88	27.83
Total CFR	**98.58**	**101.17**	**117.96**	**115.71**	**110.91**	**108.20**	**103.09**
Movement in CFR							
Non Housing	0.93	3.63	17.83	-1.21	-3.75	-1.67	-4.07
Housing	-1.05	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Net Movement in CFR	**-0.12**	**2.59**	**16.79**	**-2.25**	**-4.79**	**-2.71**	**-5.11**

Movement in CFR represented by							
Net financing need for the year (above) re Non Housing	3.59	6.54	20.75	3.14	0.97	2.91	0.79
Less MRP/VRP and other financing movements	-3.71	-3.94	-3.96	-5.39	-5.76	-5.62	-5.90
Net Movement in CFR	**-0.12**	**2.59**	**16.79**	**-2.25**	**-4.79**	**-2.71**	**-5.11**

Table 2 Borrowing Projections

	2023/24 Actual £'M	2024/25 Estimate £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M
External Debt							
Debt at 1 April - PWLB & short term - actual	59.01	57.97	63.93	78.89	83.84	83.80	83.76
Debt - estimated	0.00	6.00	15.00	5.00	0.00	0.00	0.00
Expected change in Debt	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Other long-term liabilities (OLTL)	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	**57.97**	**63.93**	**78.89**	**83.84**	**83.80**	**83.76**	**83.72**
The Capital Financing Requirement	**98.58**	**101.17**	**117.96**	**115.71**	**110.91**	**108.20**	**103.09**
(Under) / over borrowing	**-40.61**	**-37.24**	**-39.07**	**-31.86**	**-27.11**	**-24.44**	**-19.37**

4.6 **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. Changes to the operational boundary are included in table 3 below.

Table 3: Operational Boundary

Operational boundary	2023/24 Actual £'M	2024/25 Estimate £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M
Debt	99.00	101.17	117.96	115.71	110.91	108.20	103.09
Other Long-Term Liabilities	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	**99.00**	**102.17**	**118.96**	**116.71**	**111.91**	**109.20**	**104.09**

4.7 **The Authorised Limit for External Debt**
This represents a control on the maximum level of borrowing and is a legal 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. Changes to the authorised limit are included in table 4 below.

- 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.

- Council will be asked to approve the following authorised limit for 2025/26 - £134M:

Table 4: Authorised Limit

Authorised limit £m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Debt	115.00	116.00	133.00	131.00	126.00	123.00	118.00
Other Long-Term Liabilities	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	**115.00**	**117.00**	**134.00**	**132.00**	**127.00**	**124.00**	**119.00**

4.8 **Affordability Prudential Indicators**
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.

Table 5: Ratio of Financing Costs to Net Revenue Stream

	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Non-HRA	17.98%	19.21%	17.82%	24.97%	25.19%	24.16%	23.89%
HRA	17.52%	15.78%	15.40%	14.69%	14.01%	13.82%	13.19%

4.9 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. Benchmarking by the Local Government Association (2022) suggested a regional and national average of c14% for the General Fund and so with potential percentage rates at around 25%, care and consideration must be taken with future capital investment.

5.0 Minimum Revenue Provision (MRP) Policy

5.1 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

5.2 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the Authority to calculate a prudent provision of MRP whilst having regard to the current MRP Guidance (2018). The broad aim of prudent provision is to ensure that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent. Following a review, the Council's external advisors recommended a change to the MRP policy switching from the "Asset Life Method" to calculation using the annuity method using a weighted average useful life. This revision was formally approved by Council 22 February 2023.

5.3 The MRP policy statement requires full Council approval in advance of each financial year although regulation does permit in year changes. Following a review of the MRP charges and methodology it is recommended that Council retains the annuity method of calculation approves the MRP Policy Statemen as referred to within the Treasury Management Strategy ***Appendix A.***

5.4 Table 4 below provides details of the Council's estimates MRP charges, based on current capital and borrowing information.

Table 4 Forecast MRP Charges

	2024/25 Estimate £M	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M
Interest	1.241	1.534	2.184	2.192	2.201	2.210
MRP	2.912	2.924	4.357	4.717	4.586	4.586
Total	**4.153**	**4.458**	**6.541**	**6.909**	**6.787**	**6.796**

6.0 OPTIONS & OPTIONS ANALYSIS

6.1 Cabinet may put forward alternative proposals or amendments to the proposed Strategy ahead of consideration by Full Council, but these would have to be considered in light of legislative, professional, and economic factors, and importantly, any alternative views regarding the Council's risk appetite. As such no further options analysis is available currently.

6.2 Furthermore, the Strategy must fit with other aspects of Cabinet's budget proposals, such as deposit interest estimates and underlying prudential borrowing assumptions, feeding into Prudential and Treasury Management Indicators. There are no options available regarding other components of the overall framework.

7.0 OFFICER PREFERRED OPTION (AND COMMENTS)

7.1 To approve the framework as attached, allowing for any amendments being made under delegated authority prior to referral to Council.

8.0 CONCLUSION

8.1 This report addresses the actions required to complete the budget setting process for Treasury Management, and for updating the Council's associated financial strategy. This is based on the Council continuing to have a comparatively low risk appetite regarding the security and liquidity of investments particularly, but recognising that some flexibility should help improve returns, whilst still effectively mitigating risk. It is stressed that in terms of treasury activity, there is no risk-free approach. It is felt, however, that the measures set out above provide a fit for purpose framework within which to work, pending any update during the course of next year.

8.2 If Cabinet, or Budget Council changes its Capital Programme from that which is proposed in this report then this would require a change in the prudential indicators which are part of the Treasury Management Strategy.

RELATIONSHIP TO POLICY FRAMEWORK Treasury Management forms part of the Councils budget framework	
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) Effective Treasury Management and use of the Councils' resources is fundamental to the delivery of its priorities and outcomes	
FINANCIAL IMPLICATIONS The Treasury Management Strategy is in support of achieving the borrowing cost and investment interest estimates included in the budget.	
S151 OFFICER COMMENTS The s151 Officer has authored this report and his comments are reflected within	
LEGAL IMPLICATIONS Legal Services have been consulted and have no further comments	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments	
BACKGROUND PAPERS Appendix A - Council Responsibility Appendix B - TM Policy Appendix C - Treasury Management Strategy 2025-26	**Contact Officer:** Paul Thompson **Telephone: 01524 582603** **E-mail:** pthompson@lancaster.gov.uk **Ref:** N/A

Appendix A

TREASURY MANAGEMENT FRAMEWORK DOCUMENTS AND RESPONSIBILITIES

For consideration by Cabinet 11 February 2025

DOCUMENT	RESPONSIBILITY
CODE of PRACTICE	To be adopted by Council (as updated 2021).
POLICY STATEMENT	The Code of Practice recommends a specific form of words to be used, to set out the Council's objectives within the Policy Statement for its Treasury Management activities. It is the responsibility of Council to approve this document, and then note it each year thereafter if unchanged. This reflects the revised code issued in 2021.
TREASURY MANAGEMENT STRATEGY	The Strategy document breaks down the Policy Statement into detailed activities and sets out the objectives and expected market forecasts for the coming year. This also contains all the elements of an Investment Strategy as set out in the Government guidance; it is the responsibility of Council to approve this document, following referral from Cabinet.
TREASURY MANAGEMENT INDICATORS	These are included within the Strategy Statement as part of the framework within which treasury activities will be undertaken. It is the responsibility of Council to approve these limits.
INVESTMENT STRATEGY	The Investment Strategy is included within the Treasury Management Strategy. It states which types of investments the Council may use for the prudent management of its treasury balances during the financial year. Under existing guidance, the Secretary of State recommends that the Strategy should be approved by Council.
TREASURY MANAGEMENT PRACTICES .	These are documents that set out the procedures that are in place for the Treasury Management function within the Council. The main principles were approved by Cabinet following initial adoption of the Code of Practice; they include: TMP 1: Risk management TMP 2: Performance measurement. TMP 3: Decision-making and analysis. TMP 4: Approved instruments, methods & techniques. TMP 5: Organisation, clarity and segregation of responsibilities, and dealing arrangements. TMP 6: Reporting requirements & management information requirements. TMP 7: Budgeting, accounting & audit. TMP 8: Cash & cash flow management. TMP 9: Money laundering. TMP 10: Staff training & qualifications. TMP 11: Use of external service providers. TMP 12: Corporate governance. It is the Section 151 Officer's' responsibility to maintain detailed working documents and to ensure their compliance with the main principles. The content of the TMPs will be reviewed during 2018/19, in view of the recent changes to the treasury management regulatory framework.
FINANCIAL REGULATIONS	The Financial Regulations must contain four specific clauses. These are substantially unchanged in the 2021 Code; it is the Section 151 Officer's responsibility to ensure their inclusion.

Appendix B

LANCASTER CITY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

For consideration by Cabinet
11 February 2025

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.

Appendix H

Treasury Management Strategy 2025/26 to 2029/30

For Consideration by Cabinet 11 February 2025

1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which means broadly that income to be raised during the year will meet expenditure to be incurred, after allowing for any changes in reserves and balances. Part of the treasury management operation is to ensure that the associated cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities (arising usually from capital expenditure) and are separate from the day to day treasury management activities.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local 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."

1.2 Reporting Requirements

Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

Treasury Management Reporting
The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) – The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an Annual Investment Strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update Members with the progress of the treasury position, amending prudential indicators as necessary, and whether any policies require revision. In addition, the Authority will provide quarterly update reports.

An annual treasury report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny – The above reports are required to be adequately considered and scrutinised before being presented to Council. This is undertaken by Cabinet and the Budget and Performance Panel.

Quarterly reports – In addition to the three major reports detailed above, quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council / Board but do require to be adequately scrutinised. This role is undertaken by Budget & Performance Panel.

1.3 Treasury Management Strategy for 2025/26

The strategy for 2025/26 covers two main areas:

Capital Issues

- the capital expenditure plans and the associated 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
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC (now MHCLG) Investment Guidance; DLUHC (now MHCLG) MRP Guidance, the CIPFA Prudential Code, and the CIPFA Treasury Management Code.

Training

The CIPFA Treasury Management 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.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

A member training session was arranged prior to Budget & Performance Panel on 14 February 2024, and ad hoc training has been provided as required throughout 2024/25. Further training sessions will be arranged during the forthcoming year as and when required.

A formal record of the training received by officers central to the Treasury function will be maintained by the Accountancy Services Manager. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Chief Resources & S151 Officer.

The training needs of treasury management Officers are periodically reviewed.

1.4 Treasury Management Consultants

The Council uses MUFG Corporate Markets (formally Link Group) as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

2 CAPITAL PRUDENTIAL INDICATORS 2024/25 – 2029/30

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

2.1 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.

The table below provides that summary, showing how the plans are being financed by capital or revenue resources. Any shortfall of resources results in an underlying borrowing or financing need.

Capital expenditure	**2023/24 Actual £'M**	**2024/25 Estimate £'M**	**2025/26 Estimate £'M**	**2026/27 Estimate £'M**	**2027/28 Estimate £'M**	**2028/29 Estimate £'M**	**2029/30 Estimate £'M**
General Fund	7.60	17.33	27.08	6.12	3.30	5.24	3.12
Housing Revenue Account (HRA)	6.76	8.34	6.12	4.45	4.69	4.19	3.97
Total	**14.36**	**25.67**	**33.20**	**10.57**	**7.99**	**9.43**	**7.09**
Financed by:							
Capital receipts	-0.08	-2.01	-1.35	0.00	0.00	0.00	0.00
Capital grants	-4.52	-11.96	-6.22	-2.98	-2.33	-2.33	-2.33
Capital reserves	-4.11	-5.16	-4.88	-4.45	-4.69	-4.19	-3.97
Revenue	-2.06	0.00	0.00	0.00	0.00	0.00	0.00
Net financing need for the year	**3.59**	**6.54**	**20.75**	**3.14**	**0.97**	***2.91***	**0.79**

2.2 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 amount of capital expenditure (including that from prior years) that 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 need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely. This is because the Minimum Revenue Provision (MRP), which is a statutory annual charge to revenue, broadly reduces the indebtedness in line with each asset's life.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no leases within the CFR.

Members are asked to approve the CFR projections below:

Capital Financing Requirement	2023/24 Actual £'M	2024/25 Estimate £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M
CFR – Non Housing	64.50	68.13	85.96	84.75	81.00	79.32	75.25
CFR – Housing	34.08	33.04	32.00	30.96	29.92	28.88	27.83
Total CFR	**98.58**	**101.17**	**117.96**	**115.71**	**110.91**	**108.20**	**103.09**
Movement in CFR							
Non Housing	0.93	3.63	17.83	-1.21	-3.75	-1.67	-4.07
Housing	-1.05	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Net Movement in CFR	**-0.12**	**2.59**	**16.79**	**-2.25**	**-4.79**	**-2.71**	**-5.11**

Movement in CFR represented by							
Net financing need for the year (above) re Non Housing	3.59	6.54	20.75	3.14	0.97	2.91	0.79
Less MRP/VRP and other financing	-3.71	-3.94	-3.96	-5.39	-5.76	-5.62	-5.90
Net Movement in CFR	**-0.12**	**2.59**	**16.79**	**-2.25**	**-4.79**	**-2.71**	**-5.11**

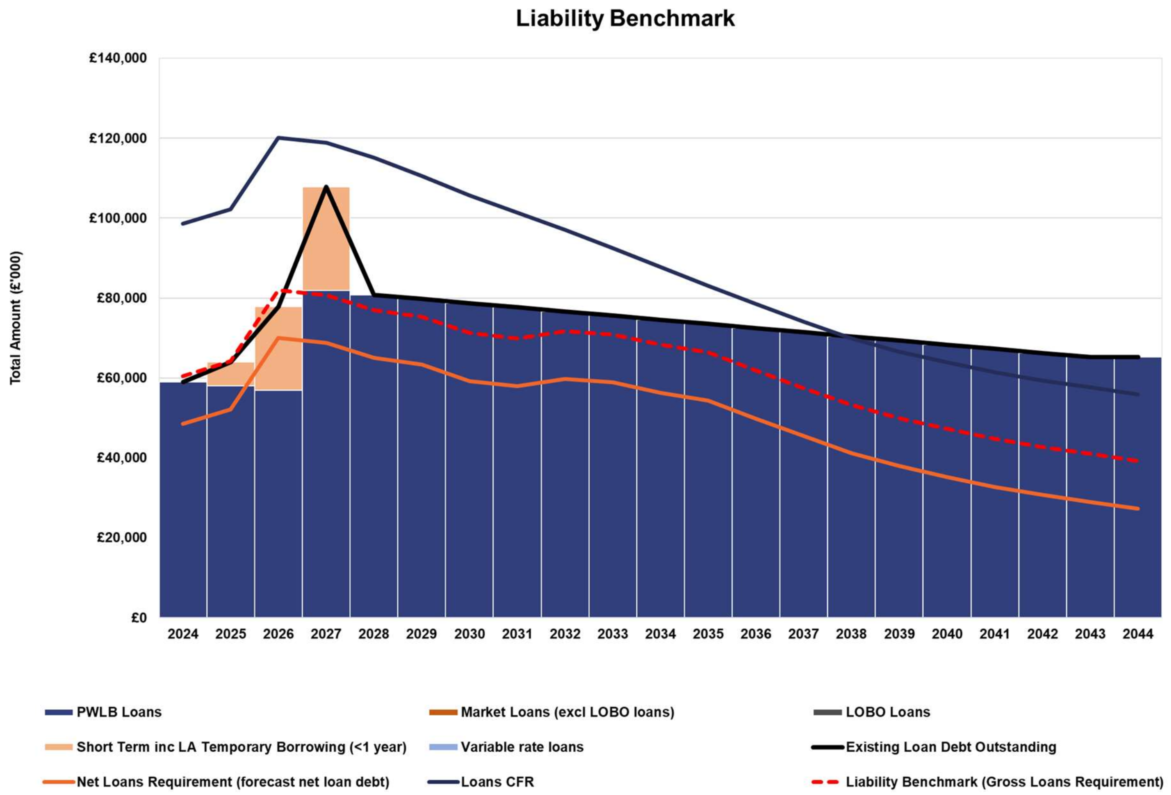
2.3 Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The Council's liability benchmark presented as a chart of the above four balances is shown below:



Any years where actual loans are less than the benchmark indicate a future borrowing requirement.

During 24/25, forecast levels of funds available for treasury investments is falling in line with cash flow forecasts and as overall levels of General Fund and HRA reserves decrease.

There is, therefore, a need to borrow to cover the net loans requirement. Given PWLB interest rates at present, temporary borrowing from other local authorities will be utilised until PWLB rates reduce.

It is intended that the gap between the net loans requirement and the liability benchmark (gross loans requirement) will be covered by day-to-day working cashflow surpluses.

2.4 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 (e.g. asset sales). The following table provides estimates of the year end balances for each resource and anticipated year end cash flow balances from other day to day activities:

Year End Resources	2023/24 Actual £'M	2024/25 Estimate £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M
Fund balances / reserves	31.82	29.46	29.75	27.30	23.78	20.73	16.98
Capital receipts	3.33	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	3.98	5.00	5.00	5.00	5.00	5.00	5.00
Total core funds	**39.13**	**34.46**	**34.75**	**32.30**	**28.78**	**25.73**	**21.98**
Working capital*	10.86	15.00	15.00	15.00	15.00	15.00	15.00
Under/over borrowing**	-40.61	-37.24	-39.07	-31.86	-27.11	-24.44	-19.37
Expected investments	**9.38**	**12.21**	**10.67**	**15.44**	**16.67**	**16.29**	**17.61**

*Working capital balances shown are estimated year end; these may be higher mid-year

2.5 Minimum Revenue Provision (MRP) Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of CFR from its calculation, unless by an exception set out in statute.

The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2024) gives four ready-made options for calculating MRP, the Council can use a mix of these options if it considers it appropriate to do so.

The Government considers that the methods of making prudent provision include the options set out in the statutory guidance. However, this does not rule out or otherwise preclude an authority from using an alternative method should it decide that is more appropriate. Any method used is subject to the conditions in paragraphs 61 to 65 of the guidance as far as these are relevant.

It is recommended that Council approves the following MRP Policy Statement.

- Supported borrowing incurred before 1st April 2008 will apply the Asset Life Method using an annuity method over 60 years.
- Unsupported borrowing will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the average estimated useful life of the assets. An annuity method will be applied for the MRP calculation.
- Unsupported borrowing on vehicles will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the vehicles. An annuity method will be applied for the MRP calculation.
- The interest rate applied to the annuity calculations will reflect the market conditions at the time. For the current financial year, the interest rate used will be the Authority's weighted average borrowing rate.
- MRP will commence in the financial year following the one in which the expenditure was incurred, or in the year after the asset becomes operational.
- MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the MRP guidance.
- MRP in respect of assets acquired under PFI or Finance Leases will be charged at a rate equal to the principal element of the annual lease rental for the year in question.

- MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory MRP, i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The VRP overpayments up to 31st March 2024 are £13.821M.
- On an annual basis the Section 151 officer shall review the level of MRP to be charged, to determine if this is at a level which is considered prudent based on the Authority's circumstances at that time, taking into account medium / long term financial plans, current budgetary pressures, and current and future capital expenditure plans. Dependant on this review the Section 151 officer will adjust the annual MRP charge by making VRP or reclaiming previous VRP. The amount of MRP charged shall not be less than zero in any financial year.

2.6 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. Members are asked to approve the following indicators:

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.

% Ratio of Financing Costs to Net Revenue	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Non-HRA	17.98%	19.21%	17.82%	24.97%	25.19%	24.16%	23.89%
HRA	17.52%	15.78%	15.40%	14.69%	14.01%	13.82%	13.19%

The estimates of financing costs include current commitments and the proposals in this budget report.

3 BORROWING

The capital expenditure plans set out in Section 2 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.

3.1 Current Portfolio Position

The overall treasury management portfolio as at 31.03.24 and for the position as at 31.12.24 are shown below for both borrowing and investments

Treasury Investments	Actual 1.4.24 £ £'000	Actual 1.4.24 %	Closing 31.12.24 £ £'000	Closing 31.12.2024 %
Call Accounts				
Natwest (Cash Manager Plus)	610	5.49	371	1.70
Money Market Funds				
Aberdeen Life Investments	0	0.00	6,000	27.56
BlackRock Gov	0	0.00	0	0.00
BlackRock 1st	0	0.00	6,000	27.56
Goldman Sachs	0	0.00	0	0.00
Insight	0	0.00	3,000	13.78
LGIM	500	4.50	6,000	27.56
Fixed Term Deposits				
DMADF	0	0.00	400	1.84
West Dunbartonshire	5,000	45.00	0	0.00
Waltham Forest Council	5,000	45.00	0	0.00
Total treasury investments	**11,110**	**100.00**	**21,771**	**100.00**
Treasury external borrowing				
PWLB	57,960	100.00	57,439	100.00
Total external borrowing	**57,960**	**100.00**	**57,439**	**100.00**
Net treasury investments/(borrowing)	(46,850)		(35,668)	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

	2023/24 Actual £'M	2024/25 Estimate £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M
External Debt							
Debt at 1 April - PWLB & short term actual	59.01	57.97	63.93	78.89	83.84	83.80	83.76
Debt - estimated	0.00	6.00	15.00	5.00	0.00	0.00	0.00
Expected change in Debt	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Other long-term liabilities	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	**57.97**	**63.93**	**78.89**	**83.84**	**83.80**	**83.76**	**83.72**
The Capital Financing Requirement	**98.58**	**101.17**	**117.96**	**115.71**	**110.91**	**108.20**	**103.09**
(Under) / over borrowing	**-40.61**	**-37.24**	**-39.07**	**-31.86**	**-27.11**	**-24.44**	**-19.37**

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 2025/26 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.

The Chief Officer Resources & Section 151 Officer reports that 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 the budget report.

3.2 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.

Operational boundary	2023/24 Actual £'M	2024/25 Estimate £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M
Debt	99.00	101.17	117.96	115.71	110.91	108.20	103.09
Other Long Term Liabilities	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	**99.00**	**102.17**	**118.96**	**116.71**	**111.91**	**109.20**	**104.09**

The Authorised Limit for External Debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a legal 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.

Council is asked to approve the following Authorised Limit:

Authorised limit £m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Debt	115.00	116.00	133.00	131.00	126.00	123.00	118.00
Other Long Term Liabilities	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	**115.00**	**117.00**	**134.00**	**132.00**	**127.00**	**124.00**	**119.00**

3.3 Prospects for Interest Rates

The Council has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. MUFG Corporate Markets provided forecasts on 11.11.2024. These are forecasts for Bank rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps:

MUFG Corporate Markets Interest Rate View 11.11.24													
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Additional notes by MUFG Corporate Markets on this forecast table: -

- *Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, we have significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.*

- *If we reflect on the 30 October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.*

- *The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.*

- *There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.*

- *Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November).*

- *Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.*

- *Regarding our PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also* *the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.*

- *So far, we have made little mention of the US President election. Nonetheless, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.*

- *Our revised PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps).*

Gilt Yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are to the upsides. Our target borrowing rates are set two years forward (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 11.11.24 p.m.	Target borrowing rate now (end of Q3 2026)	Target borrowing rate previous (end of Q3 2026)
5 years	5.02%	4.30%	3.90%
10 years	5.23%	4.50%	4.10%
25 years	5.66%	4.90%	4.40%
50 years	5.42%	4.70%	4.20%

Borrowing advice: *Our long-term (beyond 10 years) forecast for Bank Rate has been increased to 3.25% (from 3.00%). As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.*

3.4 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 provisions, reserves, balances and working capital has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2025 even if some rate cuts arise.

Against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations. The Section 151 Officer, under delegated powers 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* then borrowing would be postponed.
- *if it was felt that there was a significant risk of a much sharper in RISE borrowing rates* than that currently forecast, fixed rate funding would be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to Cabinet at the next available opportunity.

Maturity Structure of Borrowing

Maturity structure of fixed interest rate borrowing 2024/25	£'M	%	Lower	Upper
Under 12 months	1.04	*1.83%*	0.00	100.00%
12 months and within 24 months	1.04	*1.83%*	0.00	100.00%
24 months and within 5 years	3.12	*5.49%*	0.00	100.00%
5 years and within 10 years	5.21	*9.14%*	0.00	100.00%
10 years and within 20 years	7.31	*12.84%*	0.00	100.00%
20 years and within 30 years	23.92	*42.00%*	0.00	100.00%
30 years and within 40 years	15.30	*26.87%*	0.00	100.00%

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.

The Council is asked to approve the following indicators and limits:

3.6 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.

3.7 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

If rescheduling was done it would be reported to Cabinet at the earliest meeting following its action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).

- Council's investment policy has regard to the following:
- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, liquidity second, then return.

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but also to consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings
2. **Other Information**: 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 the council will engage with its advisors to maintian a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings
3. **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
4. The authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in **annex B2** under the categories of 'specified' and 'non-specified' investments
    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio (see paragraph 4.3)
6. **Lending limits** (amounts and maturity) for each counterparty will be set through applying the matrix table in paragraph 4.2
7. **Transaction limits** are set for each type of investment in 4.2
8. The Council will set a limit for the amount of its investments which are invested for **longer than 365 days** (see paragraph 4.4)
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 4.3)
10. The Council has engaged **external consultants** (see paragraph 1.5), to provided expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year
11. All investments will be denominated in **sterling**
12. As a result of the change in accounting standards for 2023/24 under IFRS9, the authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

The Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year

The above criteria are unchanged from last year

4.2 Creditworthiness Policy

This Council will apply the creditworthiness service provided by the MUFG Corporate Markets. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (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 (Y)** – up to but less than 1 year
- **Dark pink** (Pi1) liquid – Ultra-Short Dated Bond Funds with a credit score of 1.25
- **Light pink** (Pi2) liquid – Ultra-Short Dated Bond Funds with a credit score of 1.5
- **Purple (P)** – up to but less than 1 year

- **Blue (B)** – up to but less than 1 year (only applies to nationalised or part- nationalised UK Banks)
- **Orange (O)** – up to but less than 1 year
- **Red (R)** – 6 months
- **Green (G)** – 100 days
- **No colour (N/C)** – not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7

	Colour (and long-term rating where applicable)	**Money Limit**	**Time Limit**
Banks /UK Govt. backed instruments*	**yellow**	**£12m**	**≤1 year**
Banks	**purple**	**£6m**	**≤1 year**
Banks	**orange**	**£6m**	**≤1 year**
Banks – part nationalised	**blue**	**£12m**	**≤1 year**
Banks	**red**	**£6m**	**≤6 mths**
Banks	**green**	**£3m**	**≤100 days**
Banks	**No colour**	**Not to be used**	
Limit 3 category – Council's banker (for non-specified investments)	**n/a**	**£1.5m**	**1 day**
DMADF	**UK sovereign rating**	**unlimited**	**≤6 months**
Local authorities	**n/a**	**£12m**	**≤1 year**
	Fund rating**	**Money and/or % Limit**	**Time Limit**
Money Market Funds CNAV	**AAA**	**£6m**	**liquid**
Money Market Funds LVNAV	**AAA**	**£6m**	**liquid**
Money Market Funds VNAV	**AAA**	**£6m**	**liquid**

Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark pink / AAA**	**£6m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.5	**Light pink / AAA**	**£6m**	**liquid**

** the yellow colour category includes UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt –see Annex B2.*

*** "fund" ratings are different to individual counterparty ratings, coming under either specific "MMF" or "Bond Fund" rating criteria.*

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

Typically, the minimum credit ratings criteria (built in) that the Council use will be a Short Term rating of F1 and a Long Term rating of A- (Fitch, or equivalents). 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 daily. The Council is alerted to changes to ratings of all three agencies through its use of the creditworthiness service.

- 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 European Senior financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by MUFG Corporate Markets. 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, the Council will also use to some limited extent market data and market information, information on sovereign support for banks and the credit ratings of that supporting government to help support its decision-making process.

Creditworthiness

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK.

CDS prices

Although bank CDS prices (these are market indicators of credit risk) spiked upwards during the days of the Truss/Kwarteng government in the autumn 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. MUFG Corporate Markets monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its MUFG Corporate Markets-provided Passport portal.

4.3 Limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors

a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from other countries with a minimum sovereign credit rating of AAA (Fitch) or equivalent from each of the credit rating agencies. This list will be added to, or deducted from, by Officers should ratings change in accordance with this policy.

4.4 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 (up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that the risks are relatively balanced between Bank Rate staying higher for longer, if inflation picks up markedly through 2025 post the 30 October 2024 Budget, or it may be cut quicker than expected if the economy stagnates. The economy only grew 0.1% in Q3 2024, but the CPI measure of inflation is now markedly above the 2% target rate set by the Bank of England's Monetary Policy Committee two to three years forward

While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be reliably identified that could be invested for longer periods the value to be obtained from longer term investments will be carefully assessed.

Investment Returns Expectations: The current forecast includes a forecast for Bank Rate to fall to a low of 3.5%.

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

- 2024/25 4.60%
- 2025/26 4.10%
- 2026/27 3.70%
- 2027/28 3.50%
- 2028/29 3.50%
- 2029/30 3.50%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Investment treasury indicator and limit - the total principal funds that can be 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. Council is asked to approve the following treasury indicator and limit:

4.5 End of year investment report

Maximum principal sums						
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Principal sums invested > 365 days	Nil	Nil	Nil	Nil	Nil	Nil

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

ANNEX B1

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 creditworthiness 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.

- **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. As from 21 July 2018 there will be three structural options for existing money market funds – Public Debt Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV)

- **MUFG Corporate Markets** – MUFG Corporate Markets 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.

- **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.

- **SONIA** (Sterling Overnight Index Average) – this reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. It is used as a replacement for LIBOR (and LIBID calculations), the publication of which ceased at the close of 2021.

- **Yield** – see Gilts

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

ANNEX B2

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	Max % of counterparty limit - *Specified	Max % of counterparty limit – **Non -Specified	Max. maturity period
DMADF – UK Government	N/A	**100%**	**N/A**	**6 months**
UK Government gilts	UK sovereign rating	100%	**N/A**	1 year
UK Government Treasury blls	UK sovereign rating	100%	**N/A**	1 year
Bonds issued by multilateral development banks	AAA	100%	**N/A**	6 months
Money Market Funds CNAV	AAA	100%	**N/A**	Liquid
Money Market Funds LVNAV	AAA	100%	**N/A**	Liquid
Money Market Funds VNAV	AAA	100%	**N/A**	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	**N/A**	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	**N/A**	Liquid
Local authorities	N/A	100%	**N/A**	1 year
Term deposits with banks and building societies	Yellow	100%	20%	Up to 1 year
	Purple	100%	20%	Up to 1 year
	Blue	100%	N/A	Up to 1 year
	Orange	100%	20%	Up to 1 year
	Red	100%	20%	Up to 6 Months
	Green	100%	20%	Up to 100 days
	No Colour	0%	0%	Not for use
Certificates of Deposit and corporate bonds with banks and building societies	Yellow	20%	0%	Up to 1 year
	Purple	20%	0%	Up to 1 year
	Blue	20%	0%	Up to 1 year
	Orange	20%	0%	Up to 1 year
	Red	0%	0%	Up to 6 Months
	Green	0%	0%	Up to 100 days
	No Colour	0%	0%	Not for use

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

****NON-SPECIFIED INVESTMENTS**: These are any investments which do not meet the specified investment criteria. A maximum of up to 20% ** will be held in aggregate in relevant non-specified investments (as at the trade date of investing).

ANNEX B3

Background information on credit ratings

Credit ratings are an important part of the Authority's investment strategy. The information below summarises some of the key features of credit ratings and why they are important.

What is a Credit Rating?
A credit rating is:

- An independent assessment of an organisation;
- It gauges the likelihood of getting money back on the terms it was invested;
- It is a statement of opinion, not statement of fact;
- They help to measure the risk associated with investing with a counterparty;

Who Provides / Uses Credit Ratings?
There are three main ratings agencies, all of which are used in the Authority's treasury strategy.

- Fitch
- Moody's Investor Services
- Standard & Poor's

The ratings supplied by these agencies are used by a broad range of institutions to help with investment decisions, these include:

– Local Authorities;
– Other non-financial institutional investors;
– Financial institutions;
– Regulators;
– Central Banks;

Rating Criteria
There are many different types of rating supplied by the agencies. The key ones used by the Authority are ratings to indicate the likelihood of getting money back on terms invested. These can be split into two main categories:

– 'Short Term' ratings for time horizons of 12 months or less. These may be considered as the most important for local authorities.

– 'Long Term' ratings for time horizons of over 12 months. These may be considered as less important in the current climate.

In addition, the agencies issue sovereign, individual and support ratings which will also feed into the investment strategy.

Rating Scales (Fitch, Moody's and Standard & Poor's)
The table below shows how some of the higher graded short- and long-term ratings compare across the agencies; the top line represents the highest grade possible. (There are other ratings that go much lower than those shown below, and ratings for other elements).

Short Term			**Long Term**		
Fitch	Moody's	S&P	Fitch	Moody's	S&P
F1+	P-1	A-1+	AAA	Aaa	AAA
F1	P-1	A-1	AA	Aa2	AA
F2	P-2	A-2	A	A2	A

CABINET

Medium Term Financial Strategy 2025/26 – 2029/30

11 February 2025

Report of Chief Finance Officer

PURPOSE OF REPORT					
To provide an update on the Council's Medium Term Financial Strategy (MTFS) forecasts for 2025/26 to 2029/30					
Key Decision		**Non-Key Decision**	X	**Referral from Cabinet Member**	
Date of notice of forthcoming key decision					

RECOMMENDATION OF COUNCILLOR HAMILTON-COX

1. That Cabinet

(1) Considers the draft future years budget estimates as set out in the report as the latest information available.

(2) Agrees that the update be referred on to Council 26 February 2025 for information. A final consolidated medium term financial strategy will be agreed by the s151 officer in consultation with the portfolio holder before being presented to Full Council in March.

1.0 INTRODUCTION

1.1 The previous reports on this agenda considered the annual process for setting the Council's revenue and capital budgets for 2025/26. This report sets out the context in which future decisions on resource allocation and budgeting will be taken.

1.2 The Medium-Term Financial Strategy (MTFS) sets out how Lancaster City Council will manage its finances to deliver against its corporate priorities, whilst protecting its financial standing and responding to the many challenges it faces. A final consolidated medium term financial strategy will be agreed by the s151 officer in consultation with the portfolio holder before being presented to Full Council in March. This will in turn inform the future budget setting process.

2.0 GOVERNMENT FUNDING PROSPECTS

Local Government Finance Settlement

2.1 The Government released the final local government finance settlement on 3 February 2025. The final settlement included an additional £0.258M (£0.206M general fund and £0.052M HRA) in respect of the 'Employer NIC Contributions Grant' which is to contribute towards both the general fund and HRA additional staffing cost burden as a result of the forthcoming rises. The main aspects of the settlement are set out below:

- The calculation of Core Spending Power

- The level of Council Tax increase (excluding social care) beyond which a referendum is required increased to 3% or £5 whichever is the greater for 2025/26
- Continuation of a number of funding streams including Revenue Support Grant, which was originally due to cease in 2020/21, Services Grant, although at a reduced level and New Homes Bonus. The future of New Homes Bonus in its current form remains uncertain

2.2 A summary of the provisional settlement for Lancaster City Council is provided in table 1 below.

Table 1 – Provisional Settlement allocations for Lancaster City Council

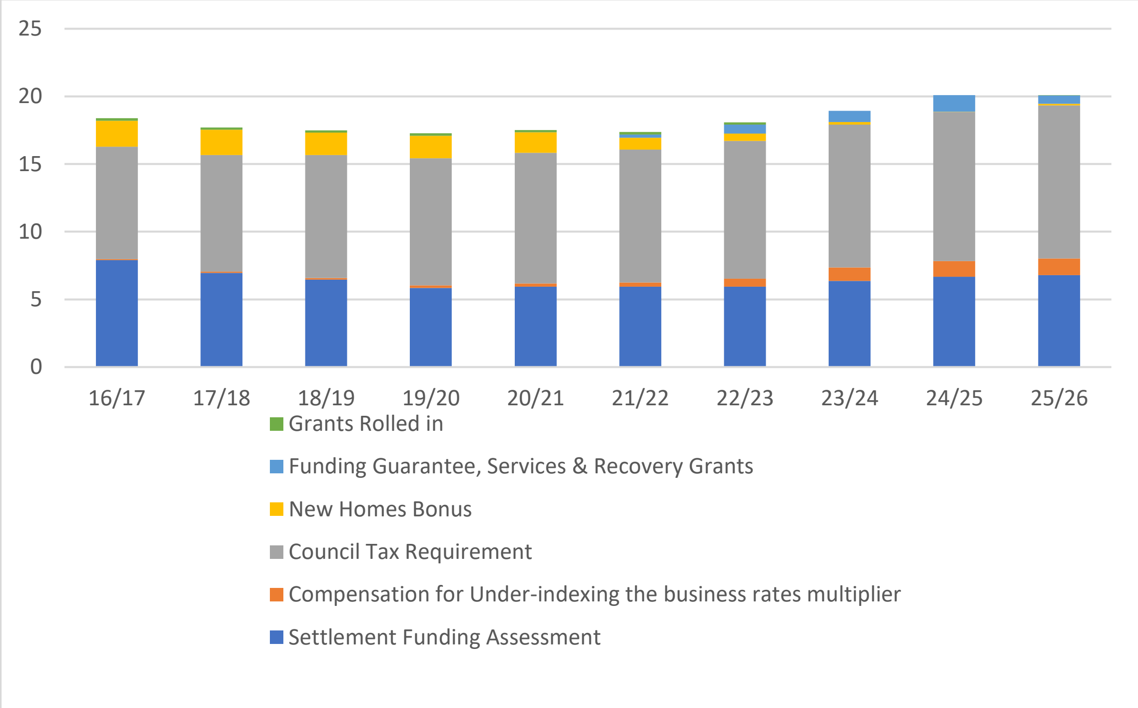
	Final Settlement £'M	**LCC Forecast £'M**	**Difference £'M**
Revenue Support Grant	0.460	0.000	0.460
New Homes Bonus	0.137	0.010	0.127
Funding Guarantee/Services Grant	0.000	1.229	(1.229)
Domestic/Recovery Grants	0.637	0.000	0.637
Employer NIC Contributions Grant	0.206	0.000	0.206
Total Government Funding	**1.440**	**1.239**	**0.201**

2.3 As table 1 shows, the provisional settlement allocates £0.201M more resources from Central Government than anticipated. However, if the 'Employer NIC Contributions Grant' is excluded then this would result in a forecasted reduction of £0.005M for the 2025/26 revenue budget. The impact of the provisional settlement and its effect on retained business rates is examined separately in Section 3. In addition, a number of additional pressures have been identified, many mirroring the wider economic environment. These pressures are reflected in the current budgeted position.

Core Spending Power

2.4 Core Spending Power (CSP) is a measure used by the Government to set out the resources available to a Council to fund service delivery. It combines certain grants payable to the Council together with estimates of Business Rates and Council Tax, these estimates are based on Government assumptions. CSP is used by the Government to make comparisons of the resources available to different Councils. As such, it is not necessarily the actual funding a Council will receive to fund service delivery.

Table 2 – Core Spending Power



Further analysis of the provisional settlement when considered against 2024/25 is provided in the following table :-

Table 3 – Core Spending Power (Breakdown)

	2024/25 £'M	**2025/26 £'M**
Compensation for under-indexing the business rates multiplier	1.162	1.209
Council tax requirement excluding parish precepts	11.005	11.315
Domestic Abuse Safe Accommodation Grant	-	0.034
Employer NIC Contributions Grant	-	0.206
Funding Guarantee	1.189	-
New Homes Bonus	0.010	0.137
Recovery Grant	-	0.603
Services Grant	0.040	-
Settlement Funding Assessment	6.682	6.804
Grand Total	**20.088**	**20.308**

2.5 On the basis of the final settlement, the Council's CSP for 2025/26 will increase from £20.09M to £20.31M, or 1.1%, when compared to CSP in 2024/25, and includes an assumption by Government that Councils will increase their Council Tax by the maximum allowable. This is in comparison to the average CSP for all Councils in England of 7.9% and in real terms is deemed to be a significant reduction on previously received amounts creating additional pressure to the net financial position of the general fund.

This is compounded even further that the above analysis includes Employer NIC contributions which when excluded reduces the Council's CSP for 2025/26 to £20.10M, or 0.07% against a previously reported average 6.0%, which again is deemed to be a significant reduction in real terms.

3.0 COUNCIL TAX AND BUSINESS RATES

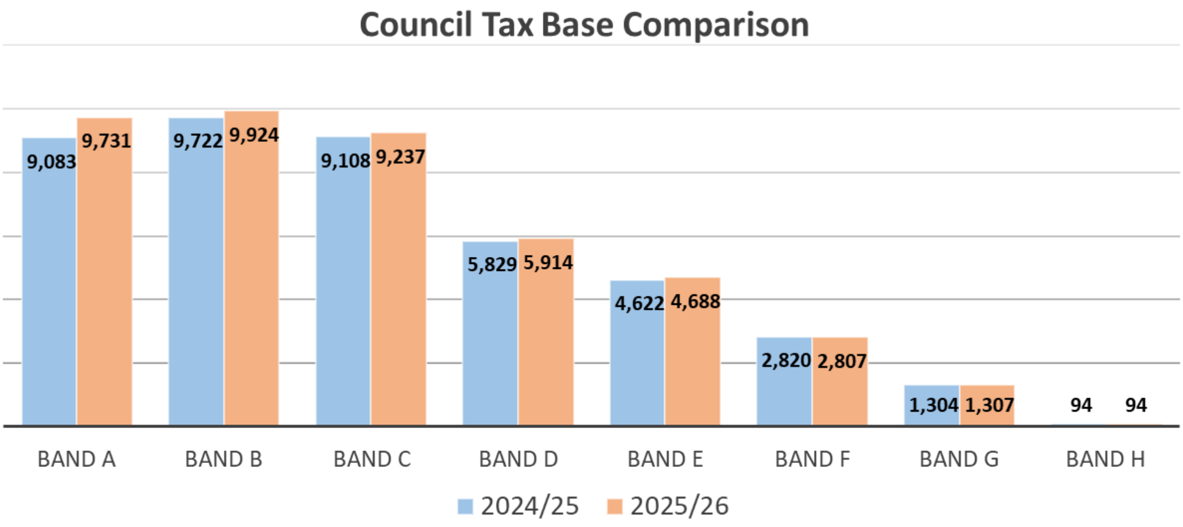
Council Tax

3.1 Council tax is a primary source of the Council's funding and is calculated by multiplying the tax base by the number of eligible residential properties (expressed in band D equivalents), and the level of the district council precept which is determined each year. Growth in housing numbers inevitably increases the taxbase and, therefore, Council Tax income.

3.2 The tax base for 2025/26 has been calculated as 43,702 Band D equivalent properties after allowing for a collection rate of 98.68%, the same as in previous years. This equates to a significant increase in the tax base from 42,583 (2.6%) in 2024/25. This increased number of Band D equivalents when compared to the forecast in 2024/25 is largely due to :-

- new properties built in the area
- holiday lets which have been brought back into council tax when they should meet the business rates criteria
- a reduction in exempt accounts due to a review of student exemptions
- an increase in eligibility for the Council Tax Reduction Scheme

From 2026/27 1% growth in the Tax base has been used for forecasting purposes.



3.3 The Council recognises the impact that Council Tax has on its residents and will always take their ability to pay into consideration when setting Council Tax levels. It provides a 100% Local Council Tax Support Scheme. However, the Council should adopt an approach where local sources of funding are maximised as far as is reasonably practicable to do so.

3.4 Government's referendum criteria limits increases in the Council's element of Council Tax to 3% or £5, whichever is greater. For the purposes of forecasting, it has been assumed that the Council will increase council tax by 2.99%, the maximum allowed, before triggering a referendum in each of the next three years.

3.5 The table below sets out Council Tax forecasts for the next five years including a sensitivity analysis showing the potential impact on council tax yield of different scenarios.

Table 4: Council Tax Forecasts

	Actual 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30
Council Tax Band D 2.99% increase	£256.63	£264.30	£272.20	£280.34	£288.72	£297.35
Council Tax Band D (£5 increase)	£256.63	£261.63	£266.63	£271.63	£276.63	£281.63
Tax base (1% growth from 2025/26)	42,583	43,702	44,139	44,580	45,026	45,476
Council Tax Income (based on 2.99%)	**£10,610,019**	**£11,550,439**	**£12,014,641**	**£12,497,672**	**£12,999,967**	**£13,522,428**
Previous MTFS		£11,367,000	£11,824,000	£12,300,000	£12,794,000	£13,177,000
Difference Increase or (Decrease)		**£183,439**	**£190,641**	**£197,672**	**£205,967**	**£345,428**
Scenario 1 – No increase in Council tax over period of MTFS		-£151,756	-£496,603	-£859,329	-£1,238,924	-£1,506,374
Scenario 2 – Council Tax Band D (£5 increase)		£66,754	-£55,213	-£190,623	-£338,400	-£369,462
Scenario 3 – 1.5% increase in tax base growth & 2.99% increase from 2025/26)		-£108,715	£250,248	£321,748	£399,927	£614,985

3.6 The Council is expected to benefit from prior year surpluses to the collection fund account in respect of council tax. This amount is currently valued at £0.280M and is included within the council tax requirement calculation in 2025/26.

Business Rates

3.7 Business rates is now a fundamental part of the local government finance settlement and, along with Council Tax, accounts for the majority of local government financing. There are currently several significant uncertainties which make forecasting and planning extremely difficult, these are set out below. The Council uses its business rates retention reserve to mitigate against significant fluctuations in income levels and provide some budgetary stability.

3.8 Since the Medium Term Financial Strategy Update reported on 3 December 2024, work has been undertaken on business rates modelling as further information has become available, particularly in respect of the changes to the small and the standard business rates multipliers and the consequent impact on Section 31 grant adjustments. Details of the calculation of the adjustment required was release in guidance which accompanied the National Non Domestic Rates (NNDR1) form issued after the provisional finance settlement. This has been used to determine the amount of the adjustment based on data in respect of the rateable value of heraditaments on the small and standard business rates multiplier from initial information supplied by the revenues team.

3.9 The Council is required to submit its annual business rates return (NNDR1) to the Government by the end of January in which it estimates business rates income for 2025/26 and the estimated deficit or surplus as at the end of 2024/25.

3.10 The inherent risk associated with the NNDR1 is that the final outturn surplus or deficit position differs substantially from the estimate, and this has indeed been the case at the Council in recent years. Members will recall that the Business Rates Retention Reserve (BRRR) is used to manage the impact of surpluses and deficits and also to manage fluctuations in income levels in order to provide budgetary stability and smooth out year on year peaks and troughs. As part of the 2024/25 budget setting process, a contribution of £0.130M to the BRRR and a contribution of £0.820M to the unallocated reserve were included within 2025/26 and these contributions remains in place. All detailed contributions are included within the general fund net financial postion.

3.11 The Council is expected to benefit from prior year surpluses to the collection fund account in respect of business rates. This amount is currently valued at £0.636M and is included within the council tax requirement calculation in 2025/26.

Heysham Power Stations

3.12 Members will be aware of decommissioning plans for the Heysham 1 and Heysham 2 nuclear reactors which will have a significant impact on the Council's finances. Currently the rateable value of the reactor's accounts for a substantial proportion of the Council's total rateable value. Central Government operates a "safety net" system to protect those Councils which see their year-on-year business rate income fall by more than 7.5 per cent. Given the Council's exposure it is expected that it will inevitably fall into a safety net scenario and will need to rely on the Business Rates Retention Reserve to smooth operational shortfalls in the short term. This is currently expected to arise in 2027/28 in line with the current decommissioning date for Heysham 1 of March 2027. EDF Energy have indicated that there may be some scope to extend generation and are keeping this under review being unable to provide any certainty at this stage.

Green Energy Disregard

3.13 The Council receives rating income from renewable energy schemes within the district, largely in relation to Walney Sub-Station. The value of this income is included as £4.004M in 2025/26 (£3.970M for 2024/25). A majority of the income currently falls outside of the main rate retention scheme, and so the Council retains the full benefit from it. Whilst it is evident that this 100% disregard will continue into 2025/26, there is a risk that the Government will discontinue this advantageous arrangement at some point in the future.

3.14 The table below provides Business Rates forecasts for the next five years in comparison to previously reported figures and the resultant net impact on the General Fund budget gap.

Table 5 – Business Rates Forecast

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Retained Business Rates	13.946	13.641	11.577	11.884	12.146
Previously Reported	13.205	11.464	11.769	12.029	12.270
Net impact on General Fund Budget Gap	**0.741**	**2.177**	**(0.192)**	**(0.145)**	**(0.124)**

3.15 It should be noted that the Government have recently announced changes to come into effect from 1 April 2026 with regard to increasing the number of multipliers and introduction of new thresholds. As full details aren't yet available, the above information has been prepared on the existing rateable values and currently known multipliers. Further work will be undertaken when the systems offer the capability to output updated projections and will be included within the 2026/27 budget process.

Baseline Reset

3.16 The Government have also proposed to reset the baseline but haven't announced a timeline for this. The above analysis doesn't factor in any potential impact this may have on future projections and further information will be reported as appropriate when it becomes available.

4.0 GENERAL FUND PROJECTIONS

4.1 Table 6 below outlines the current forecast budgetary position for 2025/26 to 2029/30

Table 6: General Fund Revenue Projections 2025/26 to 2029/30

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Revenue Budget Forecast as at 28 February 2024	**26.007**	**27.235**	**27.899**	**29.390**	**30.272**
Base Budget Changes					
Operational Base Budget Changes	1.260	0.742	0.700	0.436	2.430
Commercial & Corporate Property Review	1.541	1.053	0.856	0.299	0.888
Food Waste Collection (pEPR)	(0.764)	0.000	0.000	0.000	0.000
	28.044	**29.030**	**29.455**	**30.125**	**33.590**
Outcomes Based Resourcing Proposals					
Savings & Income Proposals	(0.051)	(0.138)	(0.216)	(0.215)	(2.160)
Growth Proposals	0.026	0.027	0.027	0.028	0.029
Impact of Review of the Capital Programme (MRP & Interest)	(1.001)	(0.425)	0.074	0.036	0.315
Impact of Review of the Capital Programme (Ongoing Revenue)	(0.076)	(0.126)	(0.226)	(0.226)	(0.266)
	26.942	**28.368**	**29.114**	**29.748**	**31.508**
Impact of Provisional Local Government Finance Settlement	0.259	0.381	0.375	0.370	0.365
General Fund Revenue Budget	**27.201**	**28.749**	**29.489**	**30.118**	**31.873**
Core Funding					
Revenue Support Grant	(0.460)	(0.460)	(0.460)	(0.460)	(0.460)
Prior Year Council Tax (Surplus)/Deficit	(0.280)				
Prior Year Business Rates (Surplus)/Deficit	(0.636)				
Net Business Rates Income	(14.275)	(13.641)	(11.832)	(12.145)	(12.411)
Council Tax Requirement	**11.550**	**14.648**	**17.197**	**17.513**	**19.002**
Estimated Council Tax Income					
(Increase Based on 2.99% for 2025/26 then maximum allowable	**(11.550)**	**(12.015)**	**(12.498)**	**(13.000)**	**(13.522)**
Resulting Base Budget (Surplus)/ Deficit	**0.000**	**2.633**	**4.699**	**4.513**	**5.480**

4.2 The table shows that, despite of the work undertaken by Officers and Members to balance the budget for 2025/26, there still remains a significant challenge, with the Council facing a shortfall of £2.633M in 2026/27 leading to an estimated total shortfall of £5.480M in 2029/30. This position is further outlined in section 6.

<u>Budget Principles and Assumptions</u>

4.3 Within the revenue budget there are several principles and key assumptions underpinning the proposed revenue strategy. These are:

i. Annually, a balanced revenue budget will be set with expenditure limited to the amount of available resources
ii. No long-term use of balances to meet recurring baseline expenditure
iii. Resources will be targeted to deliver corporate outcomes and value for money. Any additional investment and spending decisions will be made to reflect Council priorities and strategic commitments

4.4 Table 7 below, lists the major assumptions that have been made within the MTFS.

Table 7: 5 Year MTFS Planning Assumptions

	2025/26	2026/27	2027/28	2028/29	2029/30
Council Tax Increase	2.99%	2.99%	2.99%	2.99%	2.99%
Council Tax Collection Rate	98.67%	98.67%	98.67%	98.67%	98.67%
Business Rates Multiplier: Small Business Rates	Frozen	Frozen	Frozen	Frozen	Frozen
Business Rates Multiplier: Standard	1.60%	2.00%	2.00%	2.00%	2.00%
Fees & Charges	2.60%	2.30%	2.10%	2.10%	2.10%
Inflation – Pay	2.50%	2.50%	2.50%	2.50%	2.50%
Employer Pensions Contribution	16.30%	16.30%	16.30%	16.30%	16.30%
Electricity	25p/kWh	25p/kWh	25p/kWh	25p/kWh	25p/kWh
Gas	5p/kWh	5p/kWh	5p/kWh	5p/kWh	5p/kWh
Inflation – Insurance	10.00%	10.00%	10.00%	10.00%	10.00%
Other inflation	2.60%	2.30%	2.10%	2.10%	2.10%
Interest Rate – investments	3.50%	3.50%	3.50%	3.50%	3.50%
Interest Rate – new borrowing	3.90%	3.90%	3.90%	3.90%	3.90%

Savings and Income Generation Proposals

4.5 The budget savings, or income growth identified as part of the 2024/25 budget discussion, relate to several areas where actions are being undertaken by the Council and are incorporated within the MTFS. Some of the key areas are summarised by Service in the table below, with more information included within the Budget and Policy Framework General Fund Revenue Budget 2025/26 item on the agenda.

Table 8: Directorate Summary Savings & Growth Proposals

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Environment & Place	(0.005)	(0.030)	(0.030)	(0.030)	(0.030)
Housing & Property	(0.013)	(0.049)	(0.124)	(0.124)	(0.124)
People & Policy	0.026	0.027	0.027	0.028	0.028
Planning & Climate Change	(0.045)	(0.045)	(0.045)	(0.045)	(0.045)
Sustainable Growth	0.012	(0.014)	(0.017)	(0.016)	(0.017)
Total (Savings)/Growth	**(0.025)**	**(0.111)**	**(0.189)**	**(0.187)**	**(0.188)**

4.6 Failure to deliver these savings will place additional pressure on the Council's resources and so as part of the Council's quarterly monitoring process (Delivering our Priorities), progress by Budget Holders against these targets will be monitored and reported to Members via Cabinet and Budget & Performance Panel.

Revenue Impact of Capital Programme Budget Process & Review

4.7 Cabinet and Strategic Leadership Team have considered new schemes for inclusion in the Capital Programme via the submission of strategic outline followed by full business cases during the budget process. The Council's previous Capital Programme has also been reviewed with a view to repositioning and reprofiling several capital schemes. This has altered the impact that capital projects have on revenue due to Minimum Revenue Provision (MRP) and interest costs, whilst some schemes will generate ongoing revenue implications. Details of the movement of estimated additional expenditure or savings since the programme approved 28 February 2024 are detailed in the table below:

Table 9: Revenue Impact of Capital Programme Budget Process & Review

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
MRP & Interest	(1.001)	(0.425)	0.074	0.036	0.315
Ongoing Revenue	(0.076)	(0.126)	(0.226)	(0.226)	(0.226)
Total Impact	**(1.077)**	**(0.551)**	**(0.152)**	**(0.190)**	**0.089**

5.0 CAPITAL INVESTMENT AND FINANCING

Capital Investment

5.1 Through its capital programme the Council plans net investment of £28.497M between 2025/26 and 2029/30 with a further £17.740M currently planned up to 2034/35. This investment will support the delivery of its key Strategic Priorities and Outcomes such as Climate Emergency, Housing and Regeneration as well as investing in existing property, facilities, and equipment to deliver services, or to meet legislative requirements.

5.2 The current programme is split between approved schemes, that is those which have a fully formed business case in line with Treasury Green Book requirements, and those still under development for which a provision has been made whilst work is undertaken to fully work up schemes. Schemes classified as Under Development have had strategic outline business cases approved in principle by Cabinet but **cannot** commence until full business cases have been considered and approved, first by the Capital Assurance Group, and then by Cabinet.

5.3 Schemes which are in this section of the Capital Programme which will require significant capital expenditures and borrowing will need a business case to demonstrate that income arising from the capital investment can cover all borrowing costs and delivering a positive return to the Council's revenue budget.

5.5 Summary details of the current 5-year capital programme are given at table 10 below, with the total in the final column referring to 2025/26 to 2029/30 only.

Table 10: Capital Programme

	2024/25 £'M	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M	Total £'M
Approved Schemes							
Environment & Place	0.545	8.196	2.061	0.257	2.238	0.560	**13.312**
Housing & Property	2.514	2.935	0.462	0.351	0.494	0.052	**4.294**
Planning & Climate Change	1.100	5.533	-	-	-	-	**5.533**
Resources	2.097	0.286	0.351	0.326	0.181	0.176	**1.320**
Sustainable Growth	0.351	0.730	0.030	0.030	0.000	0.000	**0.790**
Schemes Under Development	-	3.008	0.240	-	-	-	**3.248**
Total Net Capital Programme	**6.607**	**20.688**	**3.144**	**0.964**	**2.913**	**0.788**	**28.497**

Capital Financing

5.6 The Council's Capital Financing Requirement (CFR) is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's

CFR is set to increase from the current estimated 2024/25 position of £101.17M to £117.96M in 2025/26 before decreasing in 2029/30 to £103.09M.

Table 11: Capital Financing Requirement

	2023/24 Actual £'M	2024/25 Estimate £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M
CFR – Non Housing	64.50	68.13	85.96	84.75	81.00	79.32	75.25
CFR – Housing	34.08	33.04	32.00	30.96	29.92	28.88	27.83
Total CFR	**98.58**	**101.17**	**117.96**	**115.71**	**110.91**	**108.20**	**103.09**
Movement in CFR							
Non Housing	0.93	3.63	17.83	-1.21	-3.75	-1.67	-4.07
Housing	-1.05	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Net Movement in CFR	**-0.12**	**2.59**	**16.79**	**-2.25**	**-4.79**	**-2.71**	**-5.11**

Movement in CFR represented by							
Net financing need for the year (above) re Non Housing	3.59	6.54	20.75	3.14	0.97	2.91	0.79
Less MRP/VRP and other financing movements	-3.71	-3.94	-3.96	-5.39	-5.76	-5.62	-5.90
Net Movement in CFR	**-0.12**	**2.59**	**16.79**	**-2.25**	**-4.79**	**-2.71**	**-5.11**

5.7 Based on the capital programme, the overall physical borrowing position of the Council is projected to increase by £25.88M over the next three years from its estimated current position of £57.97M to £83.84M at the end of 2026/27 in order to finance the Council's capital ambitions. It is then forecast to reduce slightly year on year reflecting repayments of the HRA self-financing loan. See table 12 below.

Table 12: Forecast Borrowing Position

	2023/24 Actual £'M	2024/25 Estimate £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M
External Debt							
Debt at 1 April	59.01	57.97	63.93	78.89	83.85	83.81	83.77
Expected Change in Debt	-1.04	4.96	13.96	3.96	-1.04	-1.04	-1.04
Other long-term liabilities (OLTL)	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	**57.97**	**63.93**	**78.89**	**83.85**	**83.81**	**83.77**	**83.73**
The Capital Financing Requirement	**98.58**	**101.17**	**117.96**	**115.71**	**110.91**	**108.20**	**103.09**
(Under) / over borrowing	**-40.61**	**-37.24**	**-39.07**	**-31.86**	**-27.10**	**-24.43**	**-19.36**

5.8 This level of borrowing is assessed for affordability, sustainability, and prudence in line with the Council's Treasury Management Strategy and requires annual approval by Council following consultation with Budget & Performance Panel. Council will be asked to formally approve the annual Treasury Management Strategy.

5.9 The Council is required to repay an element of the accumulated General Fund CFR each year through a revenue charge known as the minimum revenue provision (MRP) together with the interest charges associated with the borrowing. Council is asked to formally approve the MRP policy annually as part of the Treasury Management Strategy.

5.10 Tables 13 and 14 provide forecast levels of annual capital financing charges and their respective proportion of the revenue budget.

Table 13: Revenue Impact of Capital Decisions

	2024/25 Estimate £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M
MRP	2.912	2.924	4.357	4.717	4.586	4.856
Interest	1.241	1.534	2.184	2.192	2.201	2.210
Total	4.153	4.458	6.541	6.909	6.787	7.066

Table 14: Ratio of Financing Costs to Net Revenue Stream

	2023/24 Actual %	2024/25 Estimate %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %	2029/30 Estimate %
General Fund	17.98	19.21	17.82	24.97	25.19	24.16	23.89
HRA	17.52	15.78	15.40	14.69	14.01	13.82	13.19

5.11 As can be seen based on current General Fund capital programme and accompanying borrowing estimates, debt financing costs within the General Fund are set to increase to just over a quarter of the Council's annual net revenue budget. Levels will, therefore, need to be closely monitored and the impact on affordability of new capital schemes carefully considered as part of the business case assessment and governance processes. Estimates within the HRA are currently seen to decrease as the borrowing undertaken as part of HRA self-financing is repaid.

5.12 The financing of capital projects can be from a variety of sources, such as external grants, the use of reserves, and the application of capital receipts. A significant workstream for the OBR Assets Group is to review and realign the Council's existing asset base to identify those assets which no longer met the Council's objectives and may be able to generate a capital receipt. However, the OBR process does provide a priority order for the use of capital receipts. Firstly, to fund transformation costs, that is costs that are associated with service transformation and delivery of efficiencies. Secondly, investment to reduce costs, which is not necessarily investing in a new asset; and given the levels of current financing costs, giving consideration to financing existing short life assets such as ICT and vehicles to reduce the MRP burden on the General Fund. Finally, the use of receipts to fund other schemes within the Capital Programme.

6.0 THE SHORT & MEDIUM-TERM BUDGET GAP

6.1 Government funding and income forecasts covered previously within this report, together with the budget expenditure, savings and income estimates that have been calculated as part of the 2025/26 revenue budget process provide an updated forecast of the budget gaps over the next three years. This is shown below in the graph and Table 16 below:-

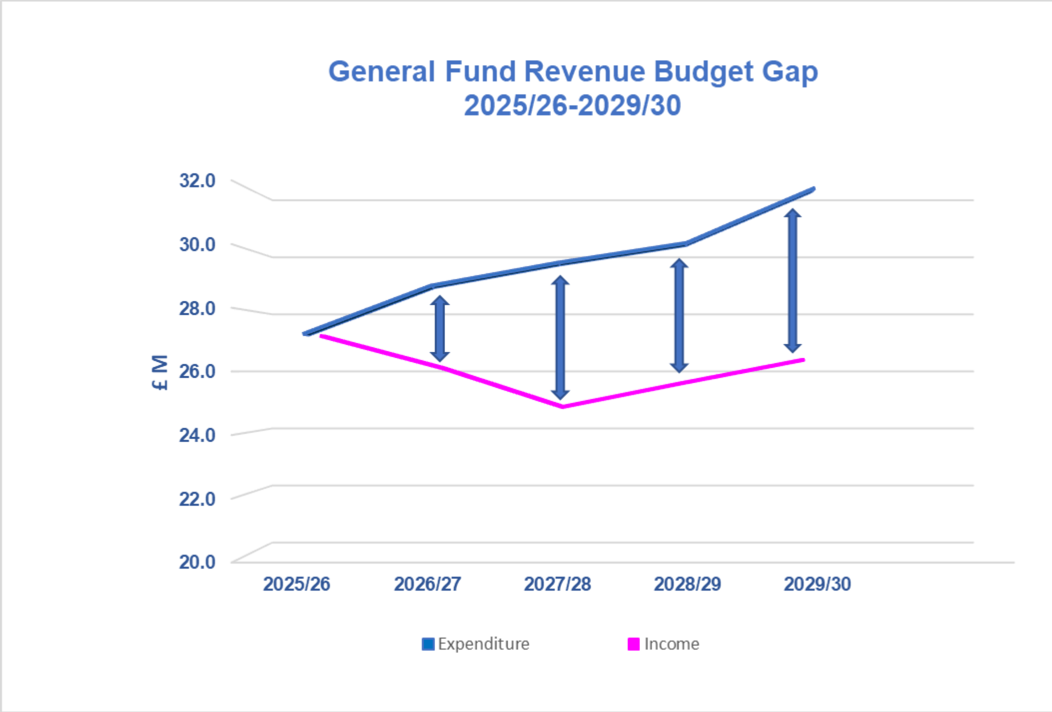


Table 15: Cumulative Deficit as Percentage of Revenue Budget

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Net Revenue Budget	27.201	28.749	29.489	30.118	31.873
Budget Gap (Incremental)	0.000	2.633	4.699	4.513	5.480
% of Net Revenue Budget (Incremental)	0%	9%	16%	15%	17%
Budget Gap (Cumulative)	0.000	2.633	7.332	11.845	17.325
% of Net Revenue Budget (Cumulative)	0%	9%	25%	39%	54%

6.2 The forecast gaps are structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive, and this is compounded year on year. This position represents a significant challenge over the short and medium term. It is imperative that the Council's OBR process continues and this will be fundamental in driving down budget gaps from 2026/27 and beyond and in realising financial sustainability.

6.3 It should be noted that this forecast is based on a series of estimates and assumptions and so is subject to change when more up to date information becomes available. However, it provides Members with a clear view of the extent of the challenge facing the Council over the coming years.

7.0 PROVISIONS, RESERVES AND BALANCES

7.1 A Council's reserves are an essential part of good financial management. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for the Council as part of the MTFS.

7.2 Councils generally hold two types of reserves, "Unallocated" to meet short term unexpected cost pressures or income reductions and "Earmarked". The latter can be held to provide for some future anticipated expenditure for identified projects, particularly in respect of corporate priorities, address specific risks such as the previously identified upcoming pressures on business rates retention reserve resulting from the decommissioning of H1 & H2, or to fund transitional arrangements resulting from the OBR process. They may also provide up-front funding for measures which specifically result in future efficiencies, cost savings or increased income, or to hold funding from other bodies (mainly Central Government), for specified purposes.

7.3 By their nature reserves are finite and, within the existing statutory and regulatory framework, it is the responsibility of the s151 Officer to advise the Council about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use. In accordance with the s151 Officers advice the minimum level of General Fund unallocated reserve is £5M.

7.4 The graph and Table 15 below provide details of our current forecast level of General Fund Balances including the impact of funding the forecast deficit from this reserve.

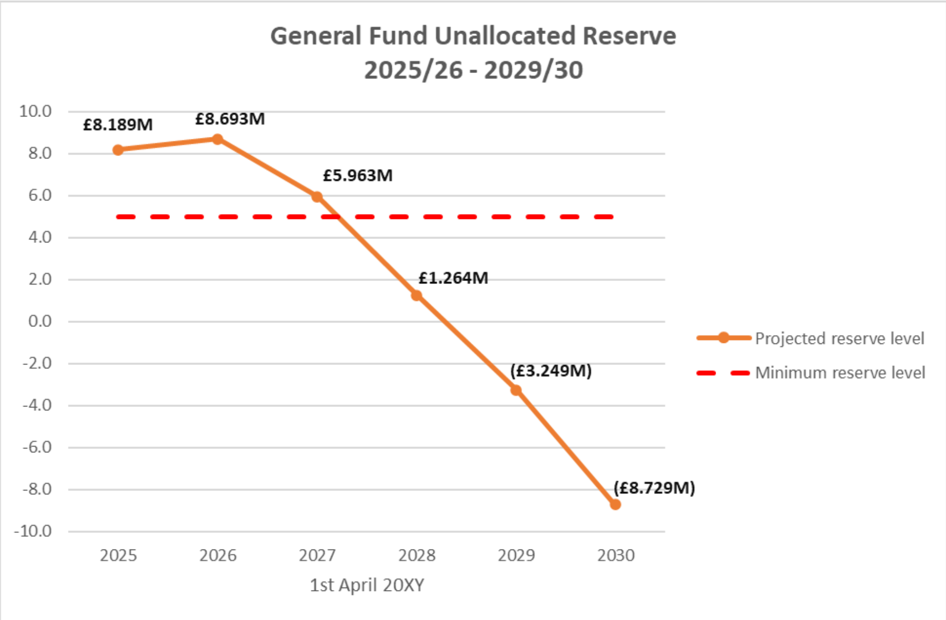


Table 15: Estimated Level of General Fund Unallocated Reserves

	2024/25 £'M	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Balance as at 1 April 2024-29	(10.327)	(8.189)	(8.693)	(5.963)	(1.264)	3.249
In Year allocations	2.460	(0.504)	0.097	0.000	0.000	0.000
Forecast (Under)/Overspend	(0.322)	0.000	2.633	4.699	4.513	5.480
Projected Balance as at 31 March 2025-30	**(8.189)**	**(8.693)**	**(5.963)**	**(1.264)**	**3.249**	**8.729**

7.5 The graph and Table 16 below provide details of our current forecast level of all available Council reserves. The analysis excludes a number of essentially ring-fenced reserves such as s106, reserves held in perpetuity, revenue grants unapplied & elections. It does include reserves such as Business Retention and Renewals Reserves.

7.6 The Business Rates Retention Reserve is a mandated reserve, its purpose is to manage the risk of fluctuations in business rates income, including changes in the Council's appeals provision and movements in forecast prior year surpluses or deficits. Whilst the transfers can be made to the general fund it is required to be maintained at a prudent level to manage the risks with business rates and not to support ongoing budget deficits. On this basis the graph below is used to underline the seriousness of the current situation against the Council's entire resource not only the general fund.

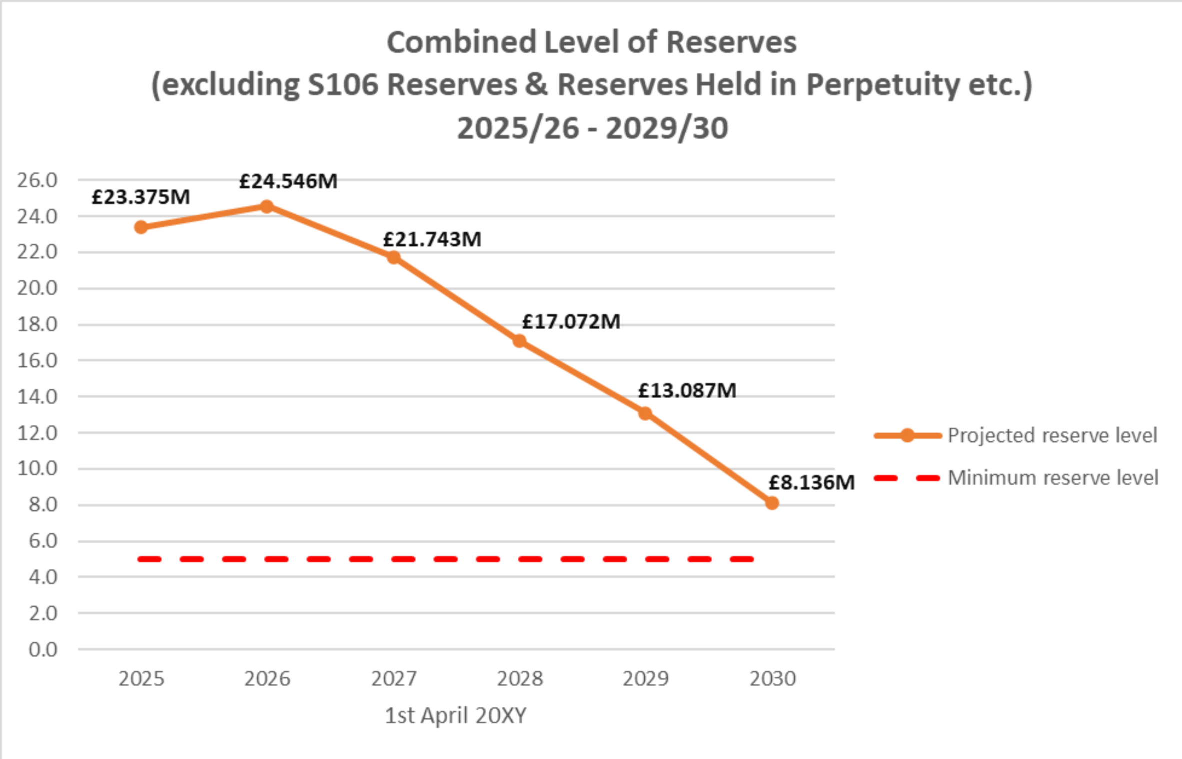


Table 16: Estimated Combined Level of Reserves
(excluding Ringfenced Reserves, S106 Reserves & Reserves Held in Perpetuity etc)

	2024/25 £'M	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Unallocated Reserve	(7.867)	(8.693)	(8.595)	(8.595)	(8.595)	(8.595)
Other Non-Ring Fenced Reserves	(1.242)	(1.137)	(1.173)	(1.210)	(1.246)	(1.283)
Business Rates Retention Reserve	(12.064)	(12.344)	(11.744)	(11.244)	(11.244)	(11.244)
Renewals Reserve	(1.880)	(2.372)	(2.864)	(3.355)	(3.847)	(4.339)
Forecast Cumulative Deficit Funded From Reserves	(0.322)	0.000	2.633	7.332	11.845	17.325
Projected Balance as at 31 March 2025-30	**(23.375)**	**(24.546)**	**(21.743)**	**(17.072)**	**(13.087)**	**(8.136)**
Less Recomended Minimum Level of Balances	+5.000	+5.000	+5.000	+5.000	+5.000	+5.000
Available Balances	**(18.375)**	**(19.546)**	**(16.743)**	**(12.072)**	**(8.087)**	**(3.136)**

7.7 Whilst this position represents a marginal improvement on the reported position in February 2024, these tables clearly highlight the significant pressure the Council's reserves are under should funding from reserves be required due to the forecast level of overspend in future years not being addressed.

8.0 BALANCING THE BUDGET TO 2029/30

8.1 The Council embarked on its OBR process in 2022/23 with its intention to ensure that funds are allocated according to a set of predefined outcomes, or priorities in order to ensure that funds are directed toward the Council's key ambitions and statutory functions and away from areas which contribute less or not at all against the predetermined objectives.

8.2 The table below shows the operational structure of OBR – Fit for the Future process and its governance processes along with the key Member and Senior Officer involvement. The process is split into task groups each charged with a discreet area of responsibility.

Fit for the Future Project Group Reporting Structure January 2025	FIT FOR THE FUTURE	**Key** Yellow = Service Delivery Green = Commercialisation Blue = Service Efficiency Peach = Digitalisation
Support Services Review Chief Officer: Alex Kinch Members: Sally Maddocks and Peter Jackson	**Fleet Replacement** Chief Officer: Will Griffith Members: Paul Hart, Tim Hamilton-Cox, and Gina Dowding	**Waste Management Review** Chief Officer: Will Griffith Members: Paul Hart and Tim Hamilton-Cox
Procurement Review Chief Officers: Paul Thompson and Luke Gorst Members: Sally Maddocks and Peter Jackson	**Re-imagining the Museums** Chief Officer: Jonathan Noad Members: Nick Wilkinson and Peter Jackson	**Digitalisation** Chief Officers: Jo Wilkinson, Alex Kinch and Luke Gorst Members: Sally Maddocks and Peter Jackson
Catering Review and Commercialisation Chief Officer: Will Griffith Members: Nick Wilkinson and Martin Bottoms	**Williamson Park** Chief Officer: Will Griffith Members: Paul Hart, Tim Hamilton-Cox and Caroline Jackson	**SALC Review** Chief Officer: Will Griffith Members: Peter Jackson, Nick Wilkinson and Martin Bottoms

8.3 Given the size of the ongoing financial issues the Council faces, this fundamental reshaping of the Council's services and realigning against its priorities through the OBR process will be key to shrinking the estimated £5.480M budget gap and securing the financial sustainability of the Council going forward. It is imperative that the OBR work, or similar principles continues. The application of OBR across the Council will be a significant piece of work and to fully achieve its stated aims will take an estimated further 12 to 24 months. In light of this, balancing the budget both in the short and the medium term will be a tough task and all Members must recognise that despite the hard work undertaken to date they will face a number of difficult but key decisions over the coming financial years which will affect the manner in which services are delivered.

8.4 Cabinet and Senior Leadership Team have agreed on principles and common goals as they continue to work through the OBR – Fit for the Future process.

- We need to continue to tackle the structural deficit over the short medium and long term
- We need to use reserves carefully to transition
- We want to continue to deliver services that residents/ businesses need and rely on
- We want to achieve positive outcomes for our distric

8.5 The proposed actions through the OBR – Fit for the Future process currently include:

- Exploration of closer working and collaboration with other Councils, Public Sector Bodies and Partner Institutions
- Application of alternative funding to deliver key Council outcomes

- Detailed review and sensitivity analysis on all key and significant income streams
- Further rationalisation work on the Council's asset base
- Expansion of the investment to reduce cost principle
- The potential use of capital receipts to finance existing projects
- Capitalisation of transformation costs where appropriate

8.6 Many of the financial pressures identified within the Councils General Fund are also present within the Housing Revenue Account (HRA). A full update on the HRA budget and financial outlook will be considered alongside the General Fund revenue budget including options to ensure that the service's 30-year business plan is viable and that its ongoing budget is balanced, whilst delivering value for money to tenants.

9.0 DETAILS OF CONSULTATION

9.1 As this paper is for noting only no formal consultation has been undertaken.

10.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

10.1 The risks to the Council are contained throughout the report and as the report is for noting, no alternative proposals have been put forward.

11.0 CONCLUSION

11.1 The Council continues to face unprecedented levels of financial and economic uncertainty as a result of National and International concerns. Local Government funding remains a key challenge for the Council as well as local issues such as those surrounding decommissioning plans for Heysham power station. This hampers the degree of confidence with forecasts can be made and inevitably some key estimates and assumptions are likely to change in the coming months.

11.2 Despite the work to date by Officers and Members to deliver on the Council's OBR programme, a significant budget gap remains which cannot be met from Council reserves. The overall size of the challenge the Council faces in addressing its underlying structural deficit and in formulating a balanced budget over the medium and longer term must be recognised as does the need to deliver considerable future savings.

11.3 The Council continues to deliver high-quality frontline services to the District's residents. Continued focus on the application of Outcomes Based Resourcing principles such as strategic prioritisation, service transformation and continuous improvement will play a significant part in achieving the level of savings required. ***The Council must, however, recognise that it will face a number of key decisions over the next financial year which will affect the manner in which it delivers its services.***

RELATIONSHIP TO POLICY FRAMEWORK Performance, project, and resource monitoring provides a link between the Council Plan and operational achievement, by providing regular updates on the impact of operational initiatives against strategic aims.
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) None identified at this stage

FINANCIAL IMPLICATIONS
As set out in the report

S151 OFFICER COMMENTS
The s151 Officer has authored this report and his views are reflected within.

LEGAL IMPLICATIONS
Legal Services have been consulted and have no further comments.

MONITORING OFFICER'S COMMENTS
The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS	**Contact Officer:** Paul Thompson **Telephone: 01524 582603** **E-mail:** pthompson@lancaster.gov.uk **Ref:** N/A

CABINET

Delivering Our Priorities: Q3 2024/25
11 February 2025

Report of Chief Executive & s151 Officer

PURPOSE OF REPORT					
To provide members with an update on financial performance during the first three quarters of 2024/25 (April – December 2024).					
Key Decision	**N**	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision	N/A				
This report is public					

RECOMMENDATIONS OF COUNCILLOR HAMILTON-COX

That Cabinet

(1) Consider the update on financial performance for Quarter 3 2024/25.

1.0 INTRODUCTION

1.1 The primary purpose of this report is to present information relating to the Council's financial performance for the period April-December 2024, which can be found within the appendices.

2.0 FINANCIAL MONITORING

2.1 The 2024/25 Budget and Medium-Term Financial Strategy (MTFS) 2024-2029 approved by Council in February 2024 set a balanced budget for the year based on the assumptions made at that time.

2.2 All portfolios are required to examine their revenue budgets and meet with their budget holders regularly and reports are submitted to Cabinet and Budget & Performance Panel for review. To enable Portfolio Holders to meet this requirement, Financial Services continually reviews and refreshes how it presents the Council's corporate monitoring information, with the Quarter 3 information distributed to Members of the above mentioned committees in late January 2025.

2.3 In an attempt to aid understanding Members should note that where **projected variances** values are presented with brackets ( ) this reflects a negative, or adverse movement from the budgeted position. Conversely, projected variances accompanied with a + sign represents a positive, or favourable movement from the budgeted position.
The following financial appendices accompany the financial monitoring section of this report.

Appendix A: General Fund Service Analysis
Appendix B: General Fund Subjective Analysis

2.4 It should also be noted that **projected outturn figures are monitored against the working budget** and not the original budget within this report. The working budget includes approved virements and in-year budget adjustments. This reduces a number of variances in respect of items such as 'grossing-up' of grant income/expenditure and the movement of employees to different costs centres which is especially needed during times of service restructuring. It provides a more accurate up-to date forecast and eliminates the need for duplicate reporting at service and subjective levels.

3.0 SALARY PROJECTIONS

3.1 Salary expenditure is one of the largest areas of expenditure in the Council and the latest budgeted pay bill for direct employee expenses is £32.592M (£26.333M General Fund, £6.259M HRA).

As part of the 2024/25 budget setting process, an inflationary uplift of 5.95% was included to salaries across all services of the Council. The National Employers offer of an increase of £1,290 (or 2.5% whichever is higher) on all NJC pay points was accepted on 22 October 2024. Whilst the pay award is generally a flat monetary increase, the award has generated budgetary savings and these have now been included within the projections presented in this report. The projected annual savings included are £0.574M (£0.468M General Fund, £0.106M HRA).

The Chief Executives pay award was also agreed and has been included at 2.5%.

The Chief Officers pay award was previously agreed and included at 2.5%.

4.0 OUTCOMES BASED RESOURCING

4.1 As part of the 2024/25 budget setting process, Members approved savings and budget proposals to save the Council £1.108M in 2024/25. The process to implement these savings is now underway and Appendix G details the progress of each proposal.

4.2 A majority of these net savings were budgeted to be achieved by the increase of fees and charges for which additional receipts of £0.838M were included. However, it is difficult to project as there are shortfalls in income across services which may be attributable to other issues over pricing strategy. Projected income updates have been included updated within the service analysis and in section 5 below and the full impact of these variances have been included for reporting purposes within the appendix.

5.0 GENERAL FUND SUMMARY POSITION

5.1 Quarter 3 (Q3) monitoring covers the period for April – December 2024. At the end of Q3 (December 2024) a year end underspend of **£0.322M** is projected against the Council's approved original net revenue budget of **£25.008M**. As part of the 2024/25 budget setting process, Council approved a contribution to reserves of **£0.250M** to produce a balanced budget. The latest position suggests that the projected net amount contributed to reserves in respect of general fund activities will be **£0.572M**.

Monitoring in respect of Collection Fund issues has been completed for the period April – December 2024. This is reported within the Financing Income section of the table below and discussed in more detail within section 9 of this report. The latest position shows a favourable income projection of **£0.172M** when considered against the original projections.

5.2 A summary of the Q3 revenue position for the main service accounts of the Council is set out in table 1 below with commentary on significant variances provided in the following paragraphs.

Table 1 Quarter 3 Financial Monitoring – Service Analysis

	Provisional Outturn 2023/24 £'000	Original Budget 2024/25 £'000	Working Budget 2024/25 £'000	Q3 Actual 2024/25 £'000	Projected Outturn 2024/25 £'000	Projected Variance 2024/25 £'000
Environment & Place	9,097	7,848	7,942	5,004	8,447	(505)
Governance	1,588	1,592	1,592	1,424	1,761	(169)
Housing & Property	2,296	3,002	2,919	(1,292)	2,405	+514
People & Policy	3,397	2,644	2,644	1,998	2,597	+47
Planning & Climate Change	1,494	2,081	2,137	1,556	2,403	(266)
Resources	3,959	4,873	4,873	7,547	4,602	+271
Sustainable Growth	(642)	(1,134)	(1,201)	(990)	(1,317)	+116
Corporate Accounts	2,093	98	98	419	1,079	(981)
Other Items	4,834	5,169	5,169	(643)	3,917	+1,252
Sub Total	**28,116**	**26,173**	**26,173**	**15,023**	**25,894**	**+279**
Net Recharges to Housing Revenue Account	(1,032)	(1,026)	(1,026)	(1,026)	(1,026)	0
RMS Capital Charges (now Housing Revenue Account)	(130)	(139)	(139)	853	(182)	+43
Revenue Reserve funded items included in above analysis	1,295	1,272	4,401	1,213	4,392	+9
Revenue Reserve funded items included in above analysis	(1,295)	(1,272)	(4,401)	(3)	(4,392)	(9)
Sub Total	**(1,162)**	**(1,165)**	**(1,165)**	**1,037**	**(1,208)**	**43**
General Fund Revenue Budget	**26,954**	**25,008**	**25,008**	**16,060**	**24,686**	**+322**
Financing Income	(16,351)	(14,080)	(14,080)	10,540	(14,252)	+172
Council Tax Requirement	**10,603**	**10,928**	**10,928**	**26,600**	**10,434**	**+494**

Notes:
a. Income is expressed as a negative figure in brackets; Expenditure is expressed as a positive figure
b. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

Environment & Place (-£0.505M) Adverse

5.3 Significant budget variances : -

- Estimated pay award savings +£0.145M
- General staff turnover savings +£0.284M due to vacancies across the with significant contributions from vacant Head of Public Protection and EP Team Leader positions which will not be recruited to
- Venue hire at The Storey (-£0.045M)
- The Platform income targets have been exceeded +£0.053M due to budgets allowing for planned closure
- Significant income shortfalls at SALC, including Spa and Swimming (-£0.423M) offset by salary savings included above
- Vital health and safety works at Roman Baths, Ashton Road, Heysham Bus Depot and Knowlys Road (-£0.015M)
- Hire of portakabins at WLD (-£0.082M) and holder of WAMITAB qualification needed for depot (-£0.018M)
- Energy and water charges (-£0.097M)
- Vehicle R&M (-£0.090M) across street cleaning and waste collection due to extension of vehicles whilst further information sought surrounding food waste collection; hire vehicles now returned (-£0.025M)
- Additional trade waste disposal costs for recycling (-£0.145M)
- Williamson Park Zoo, wedding venue and park no longer exempt from business rates and charging back-dated to 2017/18 (-£0.060M)

Governance (-£0.169M) Adverse

5.4 Significant budget variances : -

- Estimated pay award savings +£0.038M
- Agency cover for Procurement Officer (-£0.082M) offset by vacant post savings within

service +£0.042M
- Software and associated licences for Legal Services (-£0.008M)
- Reduced Search Fee income (-£0.065M) due to current market conditions
- Street Trading Consent scheme not yet commenced (-£0.020M)
- Other licence fee income (-£0.012M)
- Repayment for P&CC election costs in 2021 not claimed (-£0.033M)
- Increased Material & Postage Costs for Electoral Registration (-£0.014M)
- Additional by-election not expected (-£0.007M)

<u>Housing & Property +£0.514M Favourable</u>

5.5 Significant budget variances : -
- Estimated pay award savings +£0.080M
- Salary savings +£0.050M largely due to vacancies within private sector housing and property services sections. A further +£0.135M has been identified due to the Selective Licensing scheme not progressing which is off-set by a reduction in income (-£0.136M)
- Recharge of staff seconded to neighbouring authorities +£0.032M
- Household Support Fund administration charge income +£0.032M
- Net additional business rates on void units (-£0.071M)
- Net additional utilities and other service chargeable costs (-£0.044M)
- Net additional rent income due to lease and other commercial property changes +£0.307M however it should be noted that rent due for 17-21 Penny Street has been assumed although this has led to an increase in the level of bad debt provision (see section 5.10)
- Reduction in bed & breakfast expenditure in line with quality assurance of placements and utilisation of Council voids +£0.150M

<u>People & Policy +£0.047M Favourable</u>

5.6 Significant budget variance: -
- Estimated pay award savings +£0.067M
- Severance payments (-£0.143M) in respect of transformational change potentially to be partially funded from capital receipts
- Savings from retirement of senior management officers +£0.159M
- Essential IOSH training required for managers (-£0.018M)
- MVIC Rent - not yet tenanted therefore rental income not achievable (-£0.015M)

<u>Planning & Climate Change (-£0.266M) Adverse</u>

5.7 Significant budget variances: -
- Estimated pay award savings +£0.063M
- Savings from 9 vacant posts and 6 posts currently in process of being readvertised +£0.285M
- Additional cost of planning appeals (-£0.135M)
- Reduced levels of planning fee/pre application income due to downward projection in major planning applications (-£0.446M)
- Additional building control consultancy costs relating to changes to the Building Safety Act 22 that starts in 2025 (-£0.065M) offset by +£0.040M additional related income

<u>Resources +£0.271M Favourable</u>

5.8 Significant budget variances: -
- Estimated pay award savings +£0.045M
- Salary savings +£0.191M including key accountancy and ICT vacancies
- Net saving on data line connections and ICT support costs +£0.042M

<u>Sustainable Growth +£0.116M Favourable</u>

5.9 Significant budget variances: -
- Estimated pay award savings +£0.029M
- Salary savings +£0.149M which includes 4 vacant Engineer posts
- Business rates revaluations largely relating to off-street car parks (-£0.027M)
- Income in Advance relating to Eden North project raised in error +£0.076M

- Market income (-£0.098M) down on last year with a higher number of vacant stalls and units. A publicity drive and signage improvements are underway to encourage new stall holders

Corporate Accounts (-£0.981M) Adverse

5.10 Significant budget variances: -

- The provision for staff turnover target (-£0.632M) 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) is expected to be underspent by +£1.630M which is reduced to +£0.998M when the provision for staff turnover is taken into consideration
- The provision for Bad Debts is anticipated to increase by (-£0.349M) due to the lease at 17-21 Penny Street not having been surrendered, however the income is accounted for in section 5.5 above

Other Items +£1.254M Favourable

5.11 Significant budget variances: -

- New borrowing in 2023-24 was not incurred as anticipated largely due to significant levels of slippage on schemes in the capital programme leading to higher levels of cash balances +£0.401M. Further borrowing anticipated in 2024-25 is now looking as though it may not be required
- Interest rates have remained higher than the 4.5% forecast in September 2023 due to inflationary pressures. Also, cash balances have been higher than forecast largely due to slippage on schemes in the capital programme +£0.754M
- Minimum Revenue Provision (MRP) savings arising due to slippage of schemes in the Capital Programme during 2023/24 +£0.099M

5.12 Appendix A: General Fund Service Analysis (Q3) set out the above information in more detail and provides summary percentage variations for variances +/- £0.030M. Appendix H provides additional analysis across individual service areas.

5.13 The revenue position provided within table 1 above is analysed across the Council's subjective headings and is set out in table 2 below.

Table 2 Quarter 3 Financial Monitoring – Subjective Analysis

QUARTER 3 FINANCIAL MONITORING - GF SUBJECTIVE ANALYSIS 2024/25

	Provisional Outturn 2023/24 £'000	Original Budget 2024/25 £'000	Working Budget 2024/25 £'000	Q3 Actual 2024/25 £'000	Projected Outturn 2024/25 £'000	Projected Variance 2024/25 £'000
Employees	26,117	25,932	26,105	18,720	25,112	+993
Premises Related Exp	6,215	5,210	5,162	3,682	5,660	(498)
Transport Related Exp	2,094	1,658	1,658	1,208	1,795	(137)
Supplies and Services	16,279	14,294	16,984	10,775	18,186	(1,202)
Transfer Payments	25,310	21,977	21,977	14,947	21,977	0
Support Services	151	141	228	56	228	0
Capital Charges	0	17	17	0	17	0
Capital Financing Costs	1,132	1,542	1,542	1,398	1,141	+401
Appropriations	6,829	5,373	5,373	0	5,274	+99
Income	(56,011)	(49,671)	(52,573)	(35,763)	(53,196)	+623
Capital Financing Inc	0	(300)	(300)	0	(300)	0
Sub Total	**28,116**	**26,173**	**26,173**	**15,023**	**25,894**	**+279**
Net Recharges to Housing Revenue Account	(1,032)	(1,026)	(1,026)	(1,026)	(1,026)	0
RMS Capital Charges (now Housing Revenue Account)	(130)	(139)	(139)	853	(182)	+43
Revenue Reserve funded items included in above analysis	1,295	1,272	4,401	1,213	4,392	+9
Revenue Reserve funded items included in above analysis	(1,295)	(1,272)	(4,401)	(3)	(4,392)	(9)
Sub Total	**(1,162)**	**(1,165)**	**(1,165)**	**1,037**	**(1,208)**	**43**
General Fund Revenue Budget	**26,954**	**25,008**	**25,008**	**16,060**	**24,686**	**+322**
Financing Income	(16,351)	(14,080)	(14,080)	10,540	(14,252)	+172
Council Tax Requirement	**10,603**	**10,928**	**10,928**	**26,600**	**10,434**	**+494**

Notes:
a. Income is expressed as a negative figure in brackets ( ); Expenditure is expressed as a positive figure
b. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

5.14 Appendix B: General Fund Subjective Analysis covers this information in more detail.

6.0 HOUSING REVENUE ACCOUNT SUMMARY POSITION

6.1 As at the end of Q3, a year end overspend against budget of **(-£0.770M)** is projected. A summary of the Q3 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 3 Financial Monitoring – HRA Service Analysis

	Provisional Outturn 2023/24 £'000	Original Budget 2024/25 £'000	Working Budget 2024/25 £'000	Q3 Actual 2024/25 £'000	Projected Outturn 2024/25 £'000	Projected Variance 2024/25 £'000
Policy & Management	2,748	3,080	3,409	1,955	3,023	+386
Repairs & Maintenance	7,935	6,911	6,980	4,908	7,150	(170)
Welfare Services	(90)	(237)	(237)	(324)	(271)	+34
Special Services	266	238	249	177	224	+25
Miscellaneous Expenses	1,039	952	952	814	1,364	(412)
Income Account	(17,551)	(17,985)	(17,985)	(13,170)	(18,094)	+109
Capital Charges	(4,298)	7,014	7,014	0	7,463	(449)
Appropriations	9,434	(490)	(899)	0	(606)	(293)
Sub Total	**(517)**	**(517)**	**(517)**	**(5,640)**	**253**	**(770)**
Net Recharges to General Fund	517	517	517	517	517	0
Housing Revenue Account Budget	**0**	**0**	**0**	**(5,123)**	**770**	**(770)**

Notes:
a. Income is expressed as a negative figure in brackets ( ); Expenditure is expressed as a positive figure
b. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

6.2 Significant budget variances: -

- Estimated pay award savings +£0.106M
- General staff turnover savings +£0.047M
- Additional repairs costs relating to defending and settling disrepair claims (-£0.075M)
- Savings on compliance-related remedial actions and rota painting +£0.115M
- Impact of repairs cost and variance against Schedule of Rates (SoR) (-£0.362M)
- Additional rent loss from voids due to ongoing capital projects (-£0.090M)
- Additional council tax on re-lets due to major voids and capital projects (-£0.129M)
- Net saving on utilities costs +£0.129M
- Additional service charge income including increased uptake of furniture package service +£0.208M, partly off-set by increase in costs (-£0.118M)
- Pausing of spend on redevelopment projects +£0.151M, partly off-set by decreased contribution from reserves (-£0.085M)
- Bridge House homeloss payments (-£0.220M), off-set by additional contribution from reserves +£0.220M
- Reprofiling of Housing System Replacement project +£0.439M, off-set by decreased contribution from reserves (-£0.439M)
- Removal of in-year contribution to Flats Planned Maintenance reserve +£0.033M
- Increase in contribution to bad debt provision (-£0.151M)
- Increase in depreciation charge (-£0.449M), due to 2023/24 revaluations

6.3 Appendix C: Housing Revenue Account Service Analysis covers this information in more detail and provides summary percentage variations for variances +/- £0.030M.

7.0 CAPITAL PROJECTS (General Fund & HRA)

7.1 At Q3 a year end variance against budget of +£0.127M (General Fund +£0.017M, HRA +£0.110M) is projected. Summary details for both the General Fund and HRA are set out in table 4 below.

Table 4 Quarter 3 Financial Monitoring – Capital Projects

	Original Budget 2024/25 £'000	Working Budget 2024/25 £'000	Q3 Actual 2024/25 £'000	Projected Outturn 2024/25 £'000	Projected Variance 2024/25 £'000
General Fund					
Environment & Place	2,277	545	(1,400)	545	0
Housing & Property	2,524	2,514	(489)	2,761	(247)
People & Policy	0	0	(40)	0	0
Planning & Climate Change	440	1,100	(89)	1,100	0
Resources	1,341	2,097	793	1,898	+199
Sustainable Growth	115	351	(4,330)	286	+65
Other Items	0	0	(784)	0	0
GENERAL FUND - TOTAL	**6,697**	**6,607**	**(6,339)**	**6,590**	**17**
Housing Revenue Account					
Adaptations	300	300	235	300	0
Energy Efficiency / Boiler Replacement	909	1,564	766	1,564	0
Kitchen / Bathroom Refurbishment	888	888	519	822	+66
External Refurbishment	526	547	63	387	+160
Environmental Improvements	150	278	301	442	(164)
Re-roofing / Window Renewals	493	782	319	743	+39
Rewiring	88	110	7	113	(3)
Lift Replacement	0	0	0	0	0
Fire Precaution Works	392	536	169	550	(14)
Housing Renewal & Renovation	607	1,411	798	1,385	+26
Mainway Pilot Scheme	0	700	0	700	0
HOUSING REVENUE ACCOUNT - TOTAL	**4,353**	**7,116**	**3,177**	**7,006**	**110**
GRAND TOTAL	**11,050**	**13,723**	**(3,162)**	**13,596**	**+127**

Notes:
a. Income is expressed as a negative figure in brackets ( ); Expenditure is expressed as a positive figure
b. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

7.2 +£0.017M forecast underspend against budget relating to GF plus an additional forecast +£0.110M underspend against budget on HRA.

7.3 The following differences represent the latest position of any forecast under/(over)spends: -

- Housing & Property: anticipated overspend after slippage request of (-£0.458M) for the Mellishaw Park project; +£0.101M Property Capital Works Compliance Capital Actions under review but may slip into 2025/26; +£0.110M White Lund Depot improvements likely to slip into 2025/26 for demolition of former office.
- Resources: +£0.190M ICT works are expected to slip into 2025/26 due to delays and shifting priorities throughout the financial year.
- Sustainable Growth: +£0.050M budget for Bare Outfall Flooding may not be required as a £3K revenue solution has been carried out and is being monitored to ensure that its successful. +£0.015M underspend on Lawsons Bridge S106 scheme as S106 timescale has expired. Residual funds held by Lancaster City Council are expected to be returned to the developer.

7.4 The overall projected favourable variance on the HRA Capital Programme of +£0.110M relates largely to the extent of rendering works required in-year being less than anticipated, along with various adjustments including the capitalisation of Positive Input Ventilation unit installations.

7.5 Appendix D: General Fund Capital Projects and Appendix E: HRA Capital Projects provide further information and summary commentary.

8.0 RESERVES

8.1 The Council's General Fund unallocated balances are projected to be **£8.189M.** This takes account of the projected net overspend reported here. Overall, the combined level of usable reserves is forecast to be **£25.620M**. Table 6 Quarter 3 Financial Monitoring – General Fund Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 6 Quarter 3 Financial Monitoring – General Fund Reserves

	<----- ORIGINAL BUDGET ----->					<----- PROJECTED OUTTURN ----->				
	31 March 2024 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2025 £	31 March 2024 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2025 £
Unallocated Balances	(8,620,400)	(1,070,000)	0	1,277,500	(8,412,900)	(10,327,000)	(1,392,000)	0	3,529,800	(8,189,200)
Total Earmarked Reserves	(12,349,300)	(1,492,300)	38,000	156,100	(13,647,500)	(17,039,000)	(1,492,300)	101,000	998,685	(17,431,615)
Total Combined Reserves	(20,969,700)	(2,562,300)	38,000	1,433,600	(22,060,400)	(27,366,000)	(2,884,300)	101,000	4,528,485	(25,620,815)

8.2 The increase in usage of unallocated balances since the budget was approved include :-

- The inclusion of slippage (-£0.608M) as approved by Cabinet on 10 September 2024.
- The revenue underspend of +£0.322M as detailed in section 5.1
- Supporting the refurbishment of the roof and cladding works at the Gateway building (-£1.413M)
- Set-up costs relating to the Civica Property Management system (-£0.102M)
- The funding of Business Analyst posts (-£0.082M)
- To commission a waste composite audit in order to prepare for the collection of food waste in order to meet the government's waste strategy (-£0.020M)
- Further spend on the major incident at the former Supaskips building (-£0.027M)

8.3 The increase in usage of earmarked reserve balances since the budget was approved include :-

- The inclusion of slippage (-£0.912M) as approved by Cabinet on 10 September 2024
- Vehicle Dynamic Assessments to be funded from corporate priorities (-£0.040M)
- A landscape and heritage management plan at Williamson Park to be funded from corporate priorities (-£0.010M)

8.4 The Council's Housing Revenue Account unallocated balances are projected to be **£0.071M.** This takes account of the projected net overspend reported here. Overall, the combined level of usable reserves is forecast to be **£2.748M**. Table 7 Quarter 3 Financial Monitoring – Housing Revenue Account Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 7 Quarter 3 Financial Monitoring – Housing Revenue Account Reserves

	<----- ORIGINAL BUDGET ----->					<----- PROJECTED OUTTURN ----->				
	31 March 2024 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2025 £	31 March 2024 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2025 £
HRA Unallocated Balances	(750,000)	(95,600)	0		(845,600)	(750,000)	(95,600)		769,600	(76,000)
Total Earmarked Reserves	(2,139,000)	(4,510,100)	4,325,700	770,100	(1,553,300)	(3,603,000)	(5,015,800)	5,004,100	942,900	(2,671,800)
Total Combined Reserves	(2,889,000)	(4,605,700)	4,325,700	770,100	(2,398,900)	(4,353,000)	(5,111,400)	5,004,100	1,712,500	(2,747,800)

8.5 As the projected net overspend will cause HRA unallocated balances to fall below the recommended minimum level of £0.750M, largely due to the anticipated increase in depreciation charges, work is continuing to closely monitor areas of expenditure known to be under pressure, to evaluate forecast spends against service priorities as well as review the use of earmarked reserves in order to identify opportunities for the redirection of funds to support the revenue account. During year-end closedown, once accurate figures are available, all reserve balances will be reviewed to inform a decision on the requirement for additional contributions from specific earmarked reserves to support unallocated balances.

8.6 Appendix F: Reserves Projected Outturn provides further detailed analysis for both funds.

8.7 The Council's reserves are used to manage pressures such as the cost of living crisis and also support the work to address the underlying structural deficit through the OBR process. As a result, they are fundamental to ensuring the financial sustainability of the Council as it deals with these pressures and will be kept under review by Officers and Members.

9.0 COLLECTION FUND

Business Rates

9.1 At the Autumn Budget on 30th October 2024 the Chancellor announced that for 2025/26:

- 2025/26 Multipliers – It was confirmed that the small business rates multiplier would be frozen at 49.9p with the standard multiplier uprated from 54.6p to 55.5p
- Retail, Hospitality and Leisure Relief – This relief has been decreased from 75% to 40% and the cap has remained the same i.e., £110,000.
- Removing Charitable Rate Relief from Private Schools – The existing mandatory business rates relief of 80% for private schools with charitable status will end from 1st April 2025.

Local authorities will be expected to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988) to grant Retail, Hospitality and Leisure Relief in line with the relevant eligibility criteria. Authorities are compensated for the cost of granting these reliefs via a section 31 grant from the government.

Section 1 of the Non-Domestic Rating Act (2023) created a mandatory relief to businesses making improvements to properties they occupy. Businesses that have made qualifying improvements may benefit from 100% relief from higher bills for 12 months. The scheme will run until 1st April 2029.

9.2 The collection rate for Business Rates is currently 79.5%, which is ahead of the profiled target of 78.3%. The annual target is 98.0%.

9.3 Business rates monitoring to the end of quarter 3 predicts a favourable variance of +£0.172M. This relates to a lower Levy payment than forecast in budget projections +£0.222M and a change in section 31 grants payable for the current year of (-£0.050M).

Council Tax

9.4 The current collection rate for Council Tax is 80.8% which is slightly behind the profiled target of 83.8%. The annual target is 95.0%. The number of Local Council Tax Support claimants at Q3 is 9,223.

10.0 DEBTORS (INCLUDING WRITE OFFS)

10.1 Appendix I details the 'Aged Debt Summary by Service'. Note that the analysis does not include any debtors relating to collection fund, housing benefit and HRA housing rents income.

10.2 Table 8 below provides details of the debts have been written off by the Council's Revenues and Benefits service in relation to Council Tax, Business Rates and Housing Benefits Overpayments.

Table 8: Write Offs

	Q1	Q3	Q3	Q4	Total
Council Tax	90,716	91,491	71,400		**253,607**
Business Rates	48,798	6,347	3,314		**58,459**
Housing Benefit Overpayments	16,847	24,846	12,196		**53,889**
Housing Rents (HRA)	4,085	9,336	27,180		**40,601**
Total	**160,446**	**132,020**	**114,090**	**0**	**406,556**

10.3 Debts are deemed non recoverable after all reasonable recovery steps have been taken and can be written off in accordance with the Council's Debt Management Policy in a number of circumstances such as unable to trace, uneconomical to pursue, insolvency as well as imprisonment and death.

11.0 TREASURY MANAGEMENT

11.1 Appendix J gives a quarterly update in respect of treasury management activities and the most recent economic prospects.

11.2 The average level of funds available for investment to the end of quarter 3 was £27.07M. In terms of performance against external benchmarks the return on investment at the end of the period was a follows:

Base Rate – 4.75%
7 day SONIA – 4.70%
Lancaster City Council – 4.55%

Details of investment holdings are set out in Appendix J

11.3 No new borrowing was undertaken during quarter 3. Balance sheet projections indicate that around £6M borrowing may be required before the end of the financial year. However, the potential for further slippage within the Capital Programme and uncertain large cashflows relating to the Eden Project make this difficult to quantify with certainty and the actual amount of borrowing may be lower. Should borrowing be required, it is anticipated to be temporary borrowing. The ultimate timing will depend on exact working capital cashflows in the run up to year end which are kept under close review. These will continue to be monitored in the forthcoming financial year.

11.4 The Council has operated within the treasury and prudential indicators set out in its Treasury Management Strategy Statement for 2024/25. Appendix J gives an update in respect of prudential indicators showing the current forecast for the year against estimate.

RELATIONSHIP TO POLICY FRAMEWORK
Performance, project and resource monitoring provides a link between the Council plan and operational achievement by providing regular updates on the impact of operational initiatives against strategic aims.

CONCLUSION OF IMPACT ASSESSMENT
(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

None directly identifiable, due to the high level nature of this report.

LEGAL IMPLICATIONS

There are no legal implications directly arising.

FINANCIAL IMPLICATIONS

As set out in the report.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

References and any related implications are contained within the report and related appendices.

SECTION 151 OFFICER'S COMMENTS

The report has been written by the Section 151 Officer.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS	Contact Officers: Paul Thompson
None.	Chief Finance Officer & s151 Officer **Telephone: 01524 582603** **E-mail: pthompson@lancaster.gov.uk** **Ref:**

APPENDIX A

QUARTER 3 FINANCIAL REVENUE MONITORING - GENERAL FUND SERVICE ANALYSIS 2024/25

		Provisional Outturn 2023/24 £'000	Original Budget 2024/25 £'000	Budget Amendments 2024/25 £'000	Working Budget 2024/25 £'000	Q3 Actual 2024/25 £'000	Projected Outturn 2024/25 £'000	Projected Variance 2024/25 £'000	*Variance +/- £30K %*
	Services								
	AONB & Nature Reserves	98	106	6	112	(3)	112	0	
	Environmental Protection	330	387	0	387	71	332	55	*+14%*
	Fleet Management	(10)	(3)	(4)	(7)	90	(49)	42	*+600%*
	Food Safety	364	591	0	591	259	421	170	*+29%*
	Hospitality & Events Management	251	229	23	252	91	243	9	
	Parks & Open Spaces	1,376	1,236	3	1,239	1,126	1,291	(52)	*(4%)*
Environment & Place	Pest Control	0	(18)	0	(18)	(52)	(22)	4	
	Salt Ayre Leisure Centre	960	356	22	378	199	656	(278)	*(74%)*
	Service Support	662	786	2	788	559	848	(60)	*(8%)*
	Street Cleaning	1,739	1,793	(1)	1,792	1,277	1,743	49	*+3%*
	Streetscape	65	72	0	72	34	71	1	
	Trade Refuse	(786)	(1,037)	0	(1,037)	(1,050)	(895)	(142)	*(14%)*
	Waste Collection	3,510	2,984	0	2,984	2,128	3,227	(243)	*(8%)*
	Williamson Park	538	366	43	409	275	469	(60)	*(15%)*
	Democratic Support & Elections	962	1,030	0	1,030	840	1,077	(47)	*(5%)*
Governance	Legal Services	647	634	0	634	647	759	(125)	*(20%)*
	Licensing	(21)	(72)	0	(72)	(63)	(75)	3	
	Commercial Land & Properties	(1,366)	(1,415)	(69)	(1,484)	(1,232)	(1,707)	223	*+15%*
	Customer Services	533	597	0	597	435	549	48	*+8%*
	Facilities Management	550	664	20	684	533	675	9	
	GF Housing Schemes	179	(10)	0	(10)	17	28	(38)	*(380%)*
Housing & Property	Municipal Buildings	628	570	63	633	285	653	(20)	
	Other Land & Buildings	62	106	(71)	35	29	33	2	
	Private Sector Housing	885	1,521	0	1,521	(1,977)	1,217	304	*+20%*
	Property Group	703	842	(26)	816	527	793	23	
	Public Health Services	122	127	0	127	91	164	(37)	*(29%)*
	Repairs & Maintenance	0	0	0	0	0	0	0	
	Communications & Marketing	246	240	0	240	125	237	3	
	Community Connectors	313	382	0	382	150	203	179	*+47%*
	Emergency Planning & CSP	92	97	0	97	57	98	(1)	
	Exec Support	678	215	0	215	153	216	(1)	
People & Policy	Health & Safety	85	74	0	74	58	78	(4)	
	HR & OD	1,384	1,123	0	1,123	949	1,253	(130)	*(12%)*
	Projects & Performance	127	183	0	183	174	167	16	
	VCFS	302	312	0	312	300	312	0	
	Visitor Information Centres	170	18	0	18	32	33	(15)	
	DM - Building Control	121	190	0	190	84	209	(19)	
Planning & Climate Change	DM - Planning	429	712	56	768	708	1,086	(318)	*(41%)*
	Energy and Sustainability	197	205	0	205	158	207	(2)	
	Planning & Housing Strategy	747	974	0	974	606	901	73	*+7%*
	CCTV	51	59	0	59	76	66	(7)	
	Finance	1,257	1,625	0	1,625	952	1,479	146	*+9%*
Resources	ICT	1,503	1,807	0	1,807	1,249	1,675	132	*+7%*
	Internal Audit	156	169	0	169	130	169	0	
	Revenues & Benefits	992	1,213	0	1,213	5,140	1,213	0	
	Economic Development & Culture	346	220	0	220	156	220	0	
	Markets	(53)	(126)	(10)	(136)	(77)	(18)	(118)	*(87%)*
Sustainable Growth	Museums	433	485	0	485	339	489	(4)	
	Parking	(2,553)	(2,753)	0	(2,753)	(1,923)	(2,747)	(6)	
	Regeneration	873	590	(57)	533	316	422	111	*+21%*
	Strategic Projects & Engineers	312	450	0	450	199	317	133	*+30%*
		21,189	**20,906**	**0**	**20,906**	**15,247**	**20,898**	**8**	
	Corporate Services								
Corporate Accounts	Corporate Accounts	2,093	98	0	98	419	1,079	(981)	*(1001%)*
	Contributions from Reserves	4,039	2,362	0	2,362	0	2,362	0	
	Government Grants	(1,159)	(1,239)	0	(1,239)	(1,084)	(1,239)	0	
	Interest Payable	1,132	1,541	0	1,541	1,398	1,140	401	*+26%*
	Interest Receivable	(1,413)	(505)	0	(505)	(957)	(1,258)	753	*+149%*
Other Items	Minimum Revenue Provision	2,660	3,010	0	3,010	0	2,912	98	*+3%*
	Notional Charges	(80)	0	0	0	0	0	0	
	Pandemic Support	0	0	0	0	0	0	0	
	Revenue Funding of Capital	(345)	0	0	0	0	0	0	
	Capital Funding of Revenue	0	0	0	0	0	0	0	
	UKSPF	0	0	0	0	0	0	0	
		6,927	**5,267**	**0**	**5,267**	**(224)**	**4,996**	**271**	*+5%*
Net Recharges to Housing Revenue Account		(1,032)	(1,026)	0	(1,026)	(1,026)	(1,026)	0	
RMS Capital Charges (now Housing Revenue Account)		(130)	(139)	0	(139)	853	(182)	43	*+31%*
Revenue Reserve funded items included in above analysis (Revenue)		1,295	1,272	3,129	4,401	1,213	4,392	9	
Revenue Reserve funded items included in above analysis (Appropriati		(1,295)	(1,272)	(3,129)	(4,401)	(3)	(4,392)	(9)	
General Fund Revenue Budget		**26,954**	**25,008**	**0**	**25,008**	**16,060**	**24,686**	**322**	*+1%*
Core Funding :	Revenue Support Grant	(406)	(433)	0	(433)	(329)	(433)	0	
	Additional New Homes Bonus	0	0	0	0	0	0	0	
	Supplementary Government Grants	0	0	0	0	0	0	0	
	Prior Year Council Tax Surplus	181	141	0	141	0	141	0	
	Net Business Rates Income	(16,126)	(13,788)	0	(13,788)	10,869	(13,960)	172	*+1%*
Council Tax Requirement		**10,603**	**10,928**	**0**	**10,928**	**26,600**	**10,434**	**494**	*+5%*

Notes:
1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

APPENDIX B

QUARTER 3 FINANCIAL REVENUE MONITORING - GENERAL FUND SUBJECTIVE ANALYSIS 2024/25

		Provisional Outturn 2023/24 £'000	Original Budget 2024/25 £'000	Budget Amendments 2024/25 £'000	Working Budget 2024/25 £'000	Q3 Actual 2024/25 £'000	Projected Outturn 2024/25 £'000	Projected Variance 2024/25 £'000	*Variance +/- £30K %*
Employees	Direct Employee Expenses	23,769	25,116	173	25,289	17,589	23,843	1,446	*+6%*
	Indirect Employee Expenses	2,348	816	0	816	1,131	1,269	(453)	*(56%)*
Premises Related Exp	Cleaning and Domestic Supplies	272	169	0	169	142	188	(19)	
	Energy Costs	2,207	1,548	0	1,548	481	1,629	(81)	*(5%)*
	Fixtures and Fittings	1	1	0	1	0	1	0	
	Grounds Maintenance Costs	52	61	0	61	30	59	2	
	Operational Bldgs Allocation	219	107	0	107	149	107	0	
	Other Premises Costs	0	0	0	0	0	0	0	
	Premises Insurance	294	320	0	320	342	336	(16)	
	Rates	1,284	1,339	0	1,339	1,507	1,537	(198)	*(15%)*
	Rents	72	65	0	65	76	67	(2)	
	Repair and Maintenance	1,421	1,262	(121)	1,141	591	1,243	(102)	*(9%)*
	Water Services	393	338	73	411	364	493	(82)	*(20%)*
Transport Related Exp	Car Allowances	12	2	0	2	11	11	(9)	
	Contract Hire Operating Leases	215	46	0	46	37	55	(9)	
	Direct Transport Costs	1,777	1,503	0	1,503	1,065	1,621	(118)	*(8%)*
	Other Transport Costs	0	0	0	0	0	0	0	
	Public Transport	13	20	0	20	5	18	2	
	Transport Insurance	77	87	0	87	90	90	(3)	
Supplies and Services	Catering	51	40	0	40	23	41	(1)	
	Clothing Uniform and Laundry	104	88	0	88	91	102	(14)	
	Communications and Computing	1,496	1,693	0	1,693	1,491	1,695	(2)	
	Contribution to Provisions	963	250	0	250	0	599	(349)	*(140%)*
	Equip Furniture and Materials	1,807	1,610	77	1,687	1,233	1,699	(12)	
	Expenses	588	528	0	528	385	504	24	
	General Office Supplies	245	247	0	247	366	249	(2)	
	Grants and Subscriptions	1,927	1,782	74	1,856	1,235	1,916	(60)	*(3%)*
	Miscellaneous Expenses	1,458	1,232	1,803	3,035	607	3,369	(334)	*(11%)*
	Services	7,640	6,824	736	7,560	5,344	8,012	(452)	*(6%)*
Transfer Payments	Housing Benefit	25,310	21,977	0	21,977	14,947	21,977	0	
Support Services	Recharges Exp	151	141	87	228	56	228	0	
Capital Charges	Amortisation of Def Chgs	0	0	0	0	0	0	0	
	Depreciation	0	17	0	17	0	17	0	
Capital Financing Costs	Interest Payments	1,132	1,542	0	1,542	1,398	1,141	401	*+26%*
Appropriations	Appropriations	6,829	5,373	0	5,373	0	5,274	99	*+2%*
Income	Customer Fees and Charges	(19,482)	(20,040)	0	(20,040)	(15,120)	(19,448)	(592)	*(3%)*
	Government Grants	(29,176)	(25,281)	(1,576)	(26,857)	(16,400)	(27,203)	346	*+1%*
	Interest	(1,611)	(568)	0	(568)	(957)	(1,322)	754	*+133%*
	Other Grants and Contributions	(3,261)	(2,281)	(1,326)	(3,607)	(2,456)	(3,631)	24	
	Recharges Inc	(2,481)	(1,501)	0	(1,501)	(830)	(1,592)	91	*+6%*
Capital Financing Inc	Capital Related Income	0	(300)	0	(300)	0	(300)	0	
Net Recharges to Housing Revenue Account		(1,032)	(1,026)	0	(1,026)	(1,026)	(1,026)	0	
RMS Capital Charges (now Housing Revenue Account)		(130)	(139)	0	(139)	853	(182)	43	*+31%*
Revenue Reserve funded items included in above analysis (Revenue)		1,295	1,272	3,129	4,401	1,213	4,392	9	
Revenue Reserve funded items included in above analysis (Appropria		(1,295)	(1,272)	(3,129)	(4,401)	(3)	(4,392)	(9)	
General Fund Revenue Budget		**26,954**	**25,008**	**0**	**25,008**	**16,060**	**24,686**	**322**	*+1%*
Core Funding :	Revenue Support Grant	(406)	(433)	0	(433)	(329)	(433)	0	
	Additional New Homes Bonus	0	0	0	0	0	0	0	
	Supplementary Government Grants	0	0	0	0	0	0	0	
	Prior Year Council Tax Surplus	181	141	0	141	0	141	0	
	Net Business Rates Income	(16,126)	(13,788)	0	(13,788)	10,869	(13,960)	172	*+1%*
Council Tax Requirement		**10,603**	**10,928**	**0**	**10,928**	**26,600**	**10,434**	**494**	*+5%*

Notes:
1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

APPENDIX C

QUARTER 3 FINANCIAL REVENUE MONITORING - HRA SERVICE ANALYSIS 2024/25

		Provisional Outturn 2023/24 £'000	Original Budget 2024/25 £'000	Budget Amendments 2024/25 £'000	Working Budget 2024/25 £'000	Q3 Actual 2024/25 £'000	Projected Outturn 2024/25 £'000	Projected Variance 2024/25 £'000	*Variance +/- £30K %*
	Housing Revenue Account								
Housing Revenue Account	Policy & Management	2,748	3,080	329	3,409	1,955	3,023	386	*+11%*
	Repairs & Maintenance	7,935	6,911	69	6,980	4,908	7,150	(170)	*(2%)*
	Welfare Services	(90)	(237)	0	(237)	(324)	(271)	34	*+14%*
	Special Services	266	238	11	249	177	224	25	
	Miscellaneous Expenses	1,039	952	0	952	814	1,364	(412)	*(43%)*
	Income Account	(17,551)	(17,985)	0	(17,985)	(13,170)	(18,094)	109	*+1%*
	Capital Charges	(4,298)	7,014	0	7,014	0	7,463	(449)	*(6%)*
	Appropriations	9,434	(490)	(409)	(899)	0	(606)	(293)	*(33%)*
	Gain/Loss on Asset Sales	0	0	0	0	0	0	0	
	Gain/Loss on Asset Sales(Move)	0	0	0	0	0	0	0	
		(517)	**(517)**	**0**	**(517)**	**(5,640)**	**253**	**(770)**	*(149%)*
Net Recharges to General Fund		517	517	0	517	517	517	0	
Housing Revenue Account Budget		**0**	**0**	**0**	**0**	**(5,123)**	**770**	**(770)**	

Notes:
1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

APPENDIX D

QUARTER 3 FINANCIAL CAPITAL MONITORING - GENERAL FUND SERVICE ANALYSIS 2024/25

		Original Budget 2024/25 £'000	Budget Amendments 2024/25 £'000	Working Budget 2024/25 £'000	Q3 Actual 2024/25 £'000	Projected Outturn 2024/25 £'000	Projected Variance 2024/25 £'000	*Variance +/- £30K %*
	Services							
Environment & Place	AONB - Capital Access Works	0	0	0	(66)	0	0	
	Electric Taxis	0	0	0	(342)	0	0	
	Food Waste Strategy	0	0	0	(1,462)	0	0	
	Happy Mount Park Footpaths	0	0	0	0	0	0	
	Purchase Of Vehicles	1,301	(756)	545	470	545	0	
	Salt Ayre Equipment Programme	976	(976)	0	0	0	0	
Housing & Property	1 Lodge Street Urgent Structural Repairs	0	250	250	128	250	0	
	Commercial Property Works	62	0	62	0	62	0	
	Coopers Fields - BLRF	0	0	0	(191)	0	0	
	Disabled Facilities Grants	0	0	0	(1,889)	0	0	
	HIA Purchase of Vehicles	127	(127)	0	0	0	0	
	Lancaster City Museum	0	0	0	0	0	0	
	Low Voltage Switchgear & Solar Array - Gateway	984	(974)	10	2	10	0	
	Mellishaw Park	0	73	73	477	531	(458)	*(627%)*
	Next Steps Accommodation Programme	0	0	0	(24)	0	0	
	Palatine Recreation Ground - Veterans Cl	0	0	0	0	0	0	
	Property Capital Works	355	(70)	285	2	184	101	*+35%*
	White Lund Depot Improvements	996	838	1,834	1,006	1,724	110	*+6%*
People & Policy	PRG Grant	0	0	0	(40)	0	0	
Planning & Climate Change	Burrow Beck Solar	200	400	600	10	600	0	
	Property De-carbonisation Works	240	(240)	0	(66)	0	0	
	Property De-carbonisation Works 2024-25	0	500	500	101	500	0	
	SALC Salix Funded Optimised Solar Farm	0	0	0	(134)	0	0	
Resources	Application System Renewal	0	0	0	13	0	0	
	Capital Clearance	0	0	0	0	0	0	
	I.S. Desktop Equipment	166	(106)	60	58	60	0	
	I.T.Strategy	115	113	228	62	158	70	*+31%*
	ICT Laptop Replacement & E-campus screens	0	116	116	14	66	50	*+43%*
	ICT Nimble	300	0	300	21	230	70	*+23%*
	ICT Telephony	5	10	15	5	6	9	
	Lancaster Local Fibre Network	755	623	1,378	620	1,378	0	
	Transformation Costs - Flexible Use of Cap Receipt	0	0	0	0	0	0	
Sustainable Growth	Artle Beck Improvements	0	0	0	1	0	0	
	Bare Outfall Flooding	50	0	50	32	0	50	*+100%*
	Brownfield Land Release Fund	0	0	0	(2,389)	0	0	
	Caton Road Flood Relief Scheme	0	0	0	(1,578)	0	0	
	Centenary House Grant Funded Works	0	0	0	(507)	0	0	
	City Museum Shop	30	0	30	16	30	0	
	Coastal Revival Fund - Morecambe Co-op	0	0	0	(9)	0	0	
	Economic Growth & Regen Devpt Pool	0	0	0	0	0	0	
	Engineers Electric Vehicle	0	0	0	0	0	0	
	Lancaster HS Heritage Action Zone	0	173	173	74	173	0	
	Lancaster Square Routes Project	5	0	5	(18)	5	0	
	Lawsons Bridge S106 scheme	0	63	63	48	48	15	
	Morecambe Sea Front Parapet	30	0	30	0	30	0	
Other Items	REPF 23/24 (yr1) External Projects	0	0	0	(23)	0	0	
	REPF 24/25 (Yr2) External Projects	0	0	0	(191)	0	0	
	UKSPF - 23-24 (yr2) External Projects	0	0	0	(8)	0	0	
	UKSPF - 24/25 (yr3) Capital Funding Allocation	0	0	0	(790)	0	0	
	UKSPF-23/24 (yr2) Digital Tourism Transformation	0	0	0	(13)	0	0	
	UKSPF-23-2(yr2) The Streets Are Ours Public Realm	0	0	0	(30)	0	0	
	UKSPF-23-24 (yr2) Lancs CVS Community Warm Hubs	0	0	0	2	0	0	
	UKSPF-23-24 (yr2) Lodge St Environs Enabling Works	0	0	0	(5)	0	0	
	UKSPF-23-24 (yr2) Maritime Museum Access	0	0	0	0	0	0	
	UKSPF-23-24 (yr3) Heysham Village Toilets	0	0	0	0	0	0	
	UKSPF-24/25 (yr3) External Projects	0	0	0	247	0	0	
	UKSPF-24-25 (yr3) City Museums Accessible Engagemt	0	0	0	12	0	0	
	UKSPF-24-25 (yr3) Digital Tourism Transformation	0	0	0	0	0	0	
	UkSpF-24-25 (yr3) Lancs CVS Community Warm Hubs	0	0	0	15	0	0	
		6,697	**(90)**	**6,607**	**(6,339)**	**6,590**	**17**	
GRAND TOTAL		**6,697**	**(90)**	**6,607**	**(6,339)**	**6,590**	**17**	

Notes:
1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

Council Housing Capital Programme 2024/25

	2024/25 Original Budget £	2024/25 Working Budget £	2024/25 P9 Actual £	2024/25 Projected Outturn £	2024/25 Variance (Working v Projected) £	Comments (Working Budget to Projected Outturn)
EXPENDITURE						
Adaptations	300,000	300,000	235,060	300,000	0	
Energy Efficiency / Boiler Replacement	909,000	1,563,700	766,463	1,563,700	0	
Kitchen / Bathroom Refurbishment	888,000	888,000	519,335	822,000	66,000	Delays to kitchen replacement programme due to supplier change following tender process
External Refurbishment	526,000	546,800	63,005	386,800	160,000	Extent of rendering work required less than anticipated
Environmental Improvements	150,000	277,600	300,662	441,600	(164,000)	Capitalisation of Positive Input Ventilation unit installations, along with redirection of in-house labour from revenue-funded works
Re-roofing / Window Renewals	493,000	781,500	319,187	743,000	38,500	Saving on 2023/24 roofing contract, works now completed
Rewiring	88,000	109,900	7,447	112,600	(2,700)	Final account for 2023/24 consumer unit replacement contract, works now completed
Lift Replacement	0	0	0	0	0	
Fire Precaution Works	392,000	536,100	168,571	550,100	(14,000)	Final account for 2023/24 smoke / heat / carbon monoxide detector replacement contract, works now completed at agreed specification
Housing Renewal & Renovation	607,000	1,411,000	798,320	1,385,000	26,000	Additional costs relating to changes to specifications and delays at Alder Grove and professional fees relating to County-funded property extension, off-set by underspends on emergency component replacement
Mainway Regeneration Project	0	0	-282,870	0	0	BLRF funding b/f
Acquisitions	0	700,000	0	700,000	0	
TOTAL EXPENDITURE	**4,353,000**	**7,114,600**	**2,895,180**	**7,004,800**	**109,800**	

Note: Variances are expressed as negative ( ) for adverse and positive + for favourable

APPENDIX F

Reserves Statement (Including Unallocated Balances)

	<----- ORIGINAL BUDGET ----->					<----- PROJECTED OUTTURN ----->				
	31 March 2024 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2025 £	31 March 2024 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2025 £
Unallocated Balances	(8,620,400)	(1,070,000)	0	1,277,500	(8,412,900)	(10,327,000)	(1,392,000)	0	3,529,800	(8,189,200)
Earmarked Reserves:										
Corporate Priorities	(18,300)			82,700	64,400	(454,700)			385,900	(68,800)
Capital Support	(73,000)				(73,000)	(73,000)				(73,000)
Corporate Property	(313,500)				(313,500)	(313,500)				(313,500)
Covid 19 Support Reserve	(9,700)				(9,700)	(9,700)				(9,700)
Investment Property Maint	(34,900)				(34,900)	(84,900)				(84,900)
Invest to Save	(73,500)				(73,500)	(264,300)			159,000	(105,300)
Museums Acquisitions	(40,800)	(4,500)			(45,300)	(42,500)	(4,500)			(47,000)
Planning Fee Income	(30,400)				(30,400)	(10,600)				(10,600)
Restructure	(399,900)				(399,900)	(450,600)			50,600	(400,000)
To Support Revenue & Capital Expenditure	(994,000)	(4,500)	0	82,700	(915,800)	(1,703,800)	(4,500)	0	595,500	(1,112,800)
Renewals Reserves	(1,422,700)	(491,800)	38,000		(1,876,500)	(1,430,300)	(491,800)	38,000	4,100	(1,880,000)
Elections	9,600	(45,000)			(35,400)	(17,300)	(45,000)		100	(62,200)
Homelessness Support	(110,800)				(110,800)	(110,800)				(110,800)
Lancaster District Hardship	(500)				(500)	(106,000)			105,400	(600)
Business Rates Retention	(7,694,000)	(751,000)			(8,445,000)	(11,313,400)	(751,000)			(12,064,400)
Revenue Grants Unapplied	(158,700)			73,400	(85,300)	(440,400)			293,585	(146,815)
S106 Commuted Sums - Affordable Housing	(155,800)				(155,800)	(218,800)				(218,800)
S106 Commuted Sums - Highways, Cycle Paths etc.	(1,398,600)	(200,000)			(1,598,600)	(1,274,400)	(200,000)	63,000		(1,411,400)
Welfare Reforms	(324,900)				(324,900)	(324,900)				(324,900)
Amenity Improvements	(29,000)				(29,000)	(29,000)				(29,000)
Reserves Held in Perpetuity:										
Graves Maintenance	(22,200)				(22,200)	(22,200)				(22,200)
Marsh Capital	(47,700)				(47,700)	(47,700)				(47,700)
Total ring-fenced/held against risk	(11,355,300)	(1,487,800)	38,000	73,400	(12,731,700)	(15,335,200)	(1,487,800)	101,000	403,185	(16,318,815)
Total Earmarked Reserves	(12,349,300)	(1,492,300)	38,000	156,100	(13,647,500)	(17,039,000)	(1,492,300)	101,000	998,685	(17,431,615)
Total Combined Reserves	(20,969,700)	(2,562,300)	38,000	1,433,600	(22,060,400)	(27,366,000)	(2,884,300)	101,000	4,528,485	(25,620,815)

HRA Reserves Statement (Including Unallocated Balances)

	<----- ORIGINAL BUDGET ----->					<----- PROJECTED OUTTURN ----->				
	31 March 2024	From Revenue	To / (From) Capital	To Revenue	31 March 2025	31 March 2024	From Revenue	To / (From) Capital	To Revenue	31 March 2025
	£	£	£	£	£	£	£	£	£	£
HRA Unallocated Balances	**(750,000)**	**(95,600)**	**0**		**(845,600)**	**(750,000)**	**(95,600)**		**769,600**	**(76,000)**
Earmarked Reserves:										
Business Support Reserve	**(35,400)**	0	0	0	**(35,400)**	**(581,900)**	0	0	462,700	**(119,200)**
Major Repairs Reserve	**(121,400)**	(4,325,700)	4,325,700	0	**(121,400)**	**(779,500)**	(4,774,700)	5,004,100	0	**(550,100)**
Flats - Planned Maintenance	**(472,400)**	(33,000)	0	22,900	**(482,500)**	**(404,500)**	0	0	95,400	**(309,100)**
ICT and Systems Improvement	**(963,200)**	0	0	688,900	**(274,300)**	**(974,200)**	0	0	261,000	**(713,200)**
Sheltered - Equipment	**(254,200)**	(37,900)	0	43,000	**(249,100)**	**(299,300)**	(60,400)	0	98,800	**(260,900)**
Sheltered - Planned Maintenance	**(56,500)**	(75,600)	0	15,300	**(116,800)**	**(284,100)**	(120,300)	0	25,000	**(379,400)**
Sheltered Support Grant Maintenance	**(235,900)**	(37,900)	0	0	**(273,800)**	**(279,500)**	(60,400)	0	0	**(339,900)**
Total Earmarked Reserves	**(2,139,000)**	**(4,510,100)**	**4,325,700**	**770,100**	**(1,553,300)**	**(3,603,000)**	**(5,015,800)**	**5,004,100**	**942,900**	**(2,671,800)**
Total Combined Reserves	**(2,889,000)**	**(4,605,700)**	**4,325,700**	**770,100**	**(2,398,900)**	**(4,353,000)**	**(5,111,400)**	**5,004,100**	**1,712,500**	**(2,747,800)**

GENERAL FUND - 2024/25 SAVINGS & BUDGET PROPOSALS MONITORING (QUARTER 3)

Initiative	Budget	Actual to Date	Projected Outturn	Projected Variance	Progress
2024/25 APPROVED SAVINGS	**£'000**	**£'000**	**£'000**	**£'000**	
Council Wide					
Fees & Charges	838	168	224	(614)	This is difficult to project as there are shortfalls in income across services however this maybe attributable to other issues over pricing strategy. For the purposes of this variance the projection includes all under or over-achievement. Key areas of income not being achieved are SALC (-£436K) & Morecambe Market (-£98K) however this could be offset by savings in service delivery
Environment & Place					
Service Administration	12	12	12	0	restructure in place - saving achieved
EHO (Apprentice/Student) Staffing Review	25	25	25	0	template delivered
Salt Ayre Leisure Centre (Soft Play Charging)	18	0	0	(18)	template delivered - income levels are down at SALC and will be reviewed.
Happy Mount Park (Splash Park Charging)	22	(7)	(7)	(29)	template delivered - weather affected income levels which isn't connected to pricing offset by £15K savings on staffing
Parks & Open Spaces Staffing Review	55	55	55	0	template delivered
Housing & Property					
Customer Services	32	32	32	0	template delivered - budget removed
Property Compliance Staffing Review	0	0	0	0	savings to be delivered from 25/26 onwards
Mellishaw Park Staffing Review	15	15	15	0	template delivered - budget removed
People & Policy					
Playschemes	26	26	26	0	template delivered - budget removed
Planning & Climate Change					
Planning Fees	100	45	60	(40)	Difficult to quantify as reporting £300K (40% down) on fees National downturn in all planning applications, including major apps. The Government's proposed amendments to the planning system are aimed at boosting house building and investment, which will directly improve the planning fee position. However the Government response to the consultation is still awaited.
S106 Monitoring Fees	10	0	0	(10)	No new S106 in 24/25. Hoping for a pick up in major applications 25/26
Resources					
Financial Services Staffing Review	30	30	30	0	Staff changes on-going and other savings achieved during year means target easily met.
Sustainable Growth					
Coastal Maintenance	50	50	50	0	Post not yet filled, savings from R&M already taken
TOTAL SAVINGS	**1,233**	**451**	**522**	**(711)**	
2024/25 APPROVED GROWTH	**£'000**	**£'000**	**£'000**	**£'000**	
Environment & Place					
The Platform	75	38	75	0	Part of running costs in year; will be within budget
People & Policy					
Project Management System	12	0	0	(12)	Software not purchased in year - funding identify for next year
Planning & Climate Change					
Restructuring/Biodiversity Officer	38	20	30	(8)	Recruited late September
TOTAL GROWTH	**125**	**58**	**105**	**(20)**	
NET SAVINGS	**1,108**	**394**	**417**	**(691)**	

APPENDIX H

GENERAL FUND SERVICE ANALYSIS 2024/25

		Provisional Outturn 2023/24 £'000	Original Budget 2024/25 £'000	Q1 Projected 2024/25 £'000	Q2 Projected 2024/25 £'000	Q3 Projected 2024/25 £'000	Q4 Projected 2024/25 £'000
	Services						
Environment & Place	AONB & Nature Reserves	98	106	112	113	112	
	Environmental Protection	330	387	350	329	332	
	Fleet Management	47	35	(20)	(43)	(49)	
	Food Safety	364	591	496	437	421	
	Hospitality & Events Management	251	229	255	259	243	
	Parks & Open Spaces	1,376	1,236	1,256	1,276	1,291	
	Pest Control	0	(18)	(20)	(23)	(22)	
	Salt Ayre Leisure Centre	960	356	593	523	656	
	Service Support	662	786	770	844	848	
	Street Cleaning	1,739	1,793	1,791	1,737	1,743	
	Streetscape	65	72	72	71	71	
	Trade Refuse	(786)	(1,037)	(899)	(887)	(895)	
	Waste Collection	3,510	2,984	3,166	3,087	3,227	
	Williamson Park	538	366	476	450	469	
Governance	Democratic Support & Elections	962	1,030	1,025	1,037	1,077	
	Legal Services	647	634	686	680	759	
	Licensing	(21)	(72)	(93)	(70)	(75)	
Housing & Property	Commercial Land & Properties	(1,366)	(1,415)	(1,527)	(1,590)	(1,707)	
	Customer Services	533	597	603	549	549	
	Facilities Management	550	664	635	676	675	
	GF Housing Schemes	179	(10)	3	12	28	
	Municipal Buildings	628	570	658	652	653	
	Other Land & Buildings	62	106	34	33	33	
	Private Sector Housing	885	1,521	1,486	1,444	1,217	
	Property Group	703	842	784	764	793	
	Public Health Services	122	127	134	135	164	
	Repairs & Maintenance	0	0	0	0	0	
People & Policy	Communications & Marketing	246	240	238	236	237	
	Community Connectors	313	382	204	194	203	
	Emergency Planning & CSP	92	97	97	97	98	
	Exec Support	678	215	217	213	216	
	Health & Safety	85	74	59	72	78	
	HR & OD	1,384	1,123	1,144	1,180	1,253	
	Projects & Performance	127	183	174	236	167	
	VCFS	302	312	312	312	312	
	Visitor Information Centres	170	18	18	18	33	
Planning & Climate Change	DM - Building Control	121	190	186	186	209	
	DM - Planning	429	712	723	873	1,086	
	Energy and Sustainability	150	167	173	210	207	
	Planning & Housing Strategy	747	974	932	898	901	
Resources	CCTV	51	59	63	66	66	
	Finance	1,257	1,625	1,546	1,488	1,479	
	ICT	1,503	1,807	1,733	1,647	1,675	
	Internal Audit	156	169	169	169	169	
	Revenues & Benefits	992	1,213	1,213	1,213	1,213	
Sustainable Growth	Economic Development & Culture	346	220	220	220	220	
	Markets	(53)	(126)	(31)	(4)	(18)	
	Museums	433	485	490	489	489	
	Parking	(2,553)	(2,753)	(2,726)	(2,748)	(2,747)	
	Regeneration	873	590	514	540	422	
	Strategic Projects & Engineers	312	450	411	372	317	
		21,199	**20,906**	**20,905**	**20,672**	**20,898**	**0**
	Corporate Services						
Corporate Accounts	Corporate Accounts	2,093	98	256	921	1,079	
Other Items	Contributions from Reserves	(1,594)	2,362	2,362	2,362	2,362	
	Government Grants	(1,159)	(1,239)	(1,239)	(1,239)	(1,239)	
	Interest Payable	1,132	1,541	1,541	1,241	1,140	
	Interest Receivable	(1,413)	(505)	(505)	(1,140)	(1,258)	
	Minimum Revenue Provision	2,660	3,010	3,010	2,912	2,912	
	Notional Charges	(80)	0	0	0	0	
	Pandemic Support	0	0	0	0	0	
	Revenue Funding of Capital	132	0	0	0	0	
	Capital Funding of Revenue	(477)	0	0	0	0	
	UKSPF	0	0	0	0	0	
		1,294	**5,267**	**5,425**	**5,057**	**4,996**	**0**
Net Recharges to Housing Revenue Account		(1,032)	(1,026)	(1,026)	(1,026)	(1,026)	
RMS Capital Charges (now Housing Revenue Account)		(130)	(139)	(139)	(139)	(182)	
Revenue Reserve funded items included in above analysis (Revenue)		1,295	1,272	4,270	4,414	4,392	
Revenue Reserve funded items included in above analysis (Appropriati		(1,295)	(1,272)	(4,270)	(4,414)	(4,392)	
General Fund Revenue Budget		**21,331**	**25,008**	**25,165**	**24,564**	**24,686**	**0**
Core Funding :	Revenue Support Grant	(406)	(433)	(433)	(433)	(433)	
	Additional New Homes Bonus	0	0	0	0	0	
	Supplementary Government Grants	0	0	0	0	0	
	Prior Year Council Tax Surplus	181	141	141	141	141	
	Net Business Rates Income	(10,652)	(13,788)	(13,788)	(13,788)	(13,960)	
Council Tax Requirement		**10,454**	**10,928**	**11,085**	**10,484**	**10,434**	**0**

Notes:
1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

APPENDIX I

Aged Debt Summary by Service (as at 31 December 2024)

Debtor Sections	Under 28 Days		28 to 59 days		60 to 91 days		92 to 183 days		184 to 364 days		Over 365 days		Credit/Income not applied		Total Debts	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
Environment & Place	111	£44,973	95	£292,486	50	£21,244	59	£22,329	489	£351,500	231	£147,762	127	(£27,893)	1,162	**£852,402**
Governance	1	£500	0	£0	0	£0	2	£1,350	0	£0	16	£29,384	0	£0	19	**£31,234**
Housing & Property	192	£357,224	72	£91,522	108	£161,112	175	£246,465	500	£547,936	769	£852,391	113	(£15,846)	1,929	**£2,240,805**
Planning & Climate Change	7	£33,716	3	£764	4	£1,672	7	£60,374	35	£101,108	32	£170,880	6	(£3,970)	94	**£364,544**
Resources	0	£0	1	£2,260	0	£0	0	£0	0	£0	1	£9,773	4	(£51)	6	**£11,982**
Sustainable Growth	8	£36,605	18	£20,624	12	£4,079	36	£22,784	88	£65,907	0	£0	8	(£5,510)	170	**£144,488**
Total Per Period	**319**	**£473,018**	**189**	**£407,656**	**174**	**£188,107**	**279**	**£353,301**	**1,112**	**£1,066,452**	**1,049**	**£1,210,190**	**258**	**(£53,269)**	**3,380**	**£3,645,455**

Total Debts	**3,380**	**£3,645,455**

Treasury Management Update

Quarter ended 31st December 2024

Report of Chief Resources and S151 Officer

2024/25 Treasury Management Update

Quarter Ended 31st December 2024

1. Introduction

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

2. Economic update (provided by Link Asset Services)

The third quarter of 2024/25 saw:

- GDP growth contracting by 0.1% m/m in October following no growth in the quarter ending September;
- The 3myy rate of average earnings growth increase from 4.4% in September to 5.2% in October;
- CPI inflation increase to 2.6% in November;
- Core CPI inflation increase from 3.3% in October to 3.5% in November;
- The Bank of England cut interest rates from 5.0% to 4.75% in November and hold them steady in December.
- 10-year gilt yields starting October at 3.94% before finishing up at 4.57% at the end of December (peaking at 4.64%).

The 0.1% m/m fall in GDP in October was the second such decline in a row and meant that GDP would need to rise by 0.1% m/m or more in November and December, for the economy to grow in Q4 as a whole rather than contract. With on-going concern over the impact of the October budget and drags from higher interest rates and weak activity in the euro zone, our colleagues at Capital Economics have revised down their forecast for GDP growth in 2025 to 1.3%

The Government's October budget outlined plans for a significant £41.5bn (1.2% of GDP) increase in taxes by 2029/30, with £25bn derived from a 1.2% rise in employers' national insurance contributions. The taxes are more than offset by a £47bn (1.4% of GDP) rise in current (day-to-day) spending by 2029/30 and a £24.6bn (0.7% of GDP) rise in public investment, with the latter being more than funded by a £32.5bn (1.0% of GDP) rise in public borrowing. The result is that the Budget loosens fiscal policy relative to the previous government's plans - although fiscal policy is still being tightened over the next five years – and that GDP growth is somewhat stronger over the coming years than had previously been forecasted. By way of comparison, the Bank of England forecasts four-quarter GDP growth to pick up to almost 1~~¾%~~ .75% through 2025 (previously forecast to be 0.9%) before falling back to just over 1% in 2026.

December's pay data showed a rebound in wage growth that will likely add to the Bank of England's inflationary concerns. The 3myy rate of average earnings growth increased from 4.4% in September (revised up from 4.3%) to 5.2% in October (consensus forecast 4.6%) and was mainly due to a rebound in private sector pay growth from 4.6% to 5.4%. Excluding bonuses, public sector pay stagnated in October and the 3myy rate fell from 4.7% to 4.3%.

The number of job vacancies also fell again from 828,000 in the three months to October to 818,000 in the three months to November. This marks the first time it has dropped below its pre-pandemic February 2020 level of 819,000 since May 2021. Despite this, the Bank of England remains concerned about the inflationary influence of high wage settlements as well as the risk of a major slowdown in labour market activity.

CPI inflation has been on the rise this quarter, with the annual growth rate increasing from 1.7% in September to 2.3% in October, before rising further to 2.6% in November. Although services CPI inflation stayed at 5.0% in November, the Bank had expected a dip to 4.9%, while the timelier three-month annualised rate of services CPI rose from 5.0% to 5.1%. That shows that there currently isn't much downward momentum. Moreover, the wider measure of core CPI inflation rose from 3.3% to 3.5% in November. Both services and core inflation are currently at rates well above those consistent with the 2.0% target and are moving in the wrong direction. Capital Economics forecast that after dipping to 2.5% in December, CPI inflation will rise further in January, perhaps to 2.8%. Although CPI inflation is expected to be back at close to the 2.0% target by the end of 2025, given that a lot of the rise in inflation in the coming months will be due to base effects that won't persist, the potential for a broader set of tariffs to arise from the US as well as the constant threat of geo-political factors to impact energy and food prices suggest risks remain very much to the upside.

Throughout the quarter gilt yields have risen. The 10-year gilt yield increased from 3.94% at the start of October to 4.57% by the year end (and has subsequently risen to 4.64% early in 2025). As recently as mid-September 10-year gilt yields were at their low for the financial year, but since then, and specifically after the Budget at the end of October, yields have soared. Overall, the reaction to the UK Budget highlights how bond markets are both fragile and highly attentive to news about the fiscal outlook.

3. Interest Rate Forecast

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012. For Housing Revenue Account authorities, the lower Housing Revenue Account (HRA) PWLB rate has also been available since 15 June 2023 (standard rate minus 60 bps) but is available for HRA borrowing only.

The latest forecast, updated on 11th November, sets out a view that both short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of stubborn inflationary factors and a tight labour market.

Following the 30th October Budget, the outcome of the US Presidential election on 6th November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7th November, we significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

If we reflect on the 30th October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.

The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.

Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November). Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025.

Regarding our PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of 2025, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

Moreover, Donald Trump's victory in the US President election paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of any further tax cuts and an expansion of the current US budget deficit.

Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound.

In summary, regarding PWLB rates, movement in the short-end of the curve is expected to reflect Link's Bank Rate expectations to a large degree, whilst medium to longer-dated PWLB rates will remain influenced not only by the outlook for inflation, domestically and globally, but also by the market's appetite for significant gilt issuance (£200bn+ for each of the next few years). As noted at the Link November Strategic Issues webinars, there is upside risk to that part of our forecast despite the Debt Management Office skewing its issuance to the shorter part of the curve.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Additional notes by Link on this forecast table: -

- *Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Link forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

4. Investing Activities

The Treasury Management Strategy Statement (TMSS) for 2024/25, which includes the Annual Investment Strategy, was approved by the Council on 28th February 2024. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the charts below and the interest rate forecasts in section 2, investment rates have remained relatively elevated during the third quarter of 2024/25 but are expected to fall back in due course if inflation falls through 2025 and the MPC loosens monetary policy more substantially.

There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of credit worthiness to ensure that only appropriate counterparties are considered for investment purposes.

The current investment counterparty criteria selection approved in the Treasury Management Strategy is meeting the requirement of the treasury management function.

The average level of funds available for investment purposes to the end of quarter 3 was £27.77M. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

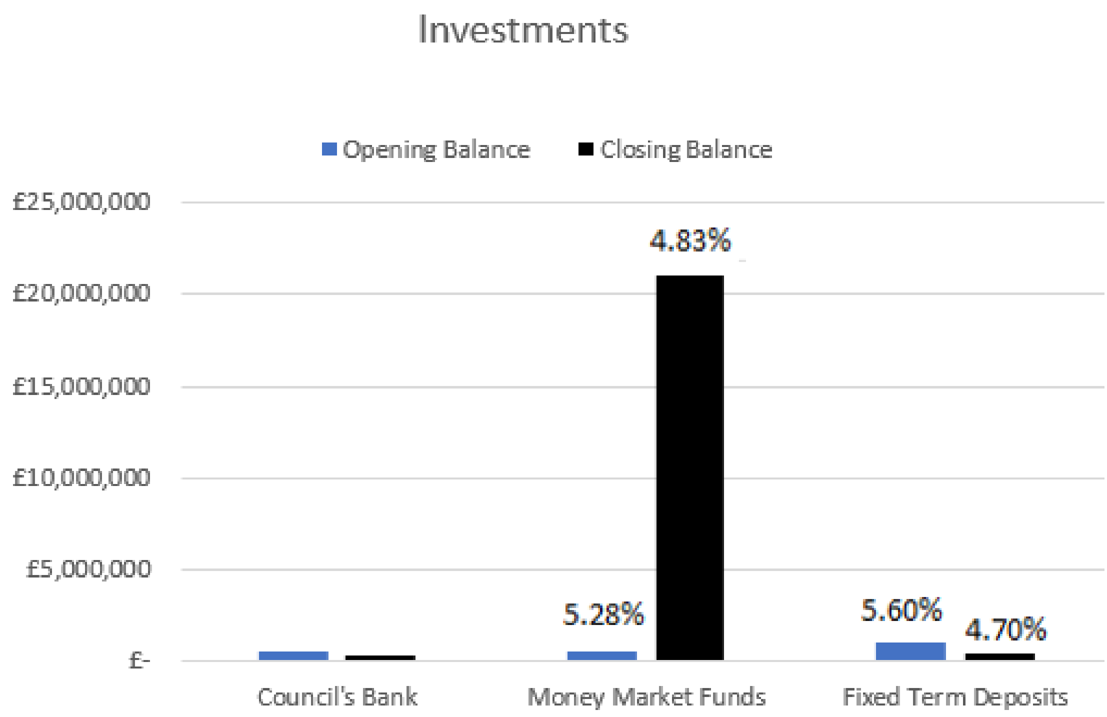
In terms of performance against external benchmarks, the return on investments compared to the 7-day SONIA and bank rates at the end of the period is shown below. This is viewed as good performance given the need to prioritise the investments and liquidity (i.e. making sure that the Council's cash flow meets its needs).

Base Rate	4.75%
7 day SONIA	4.70%
Lancaster City Council investments	4.55%

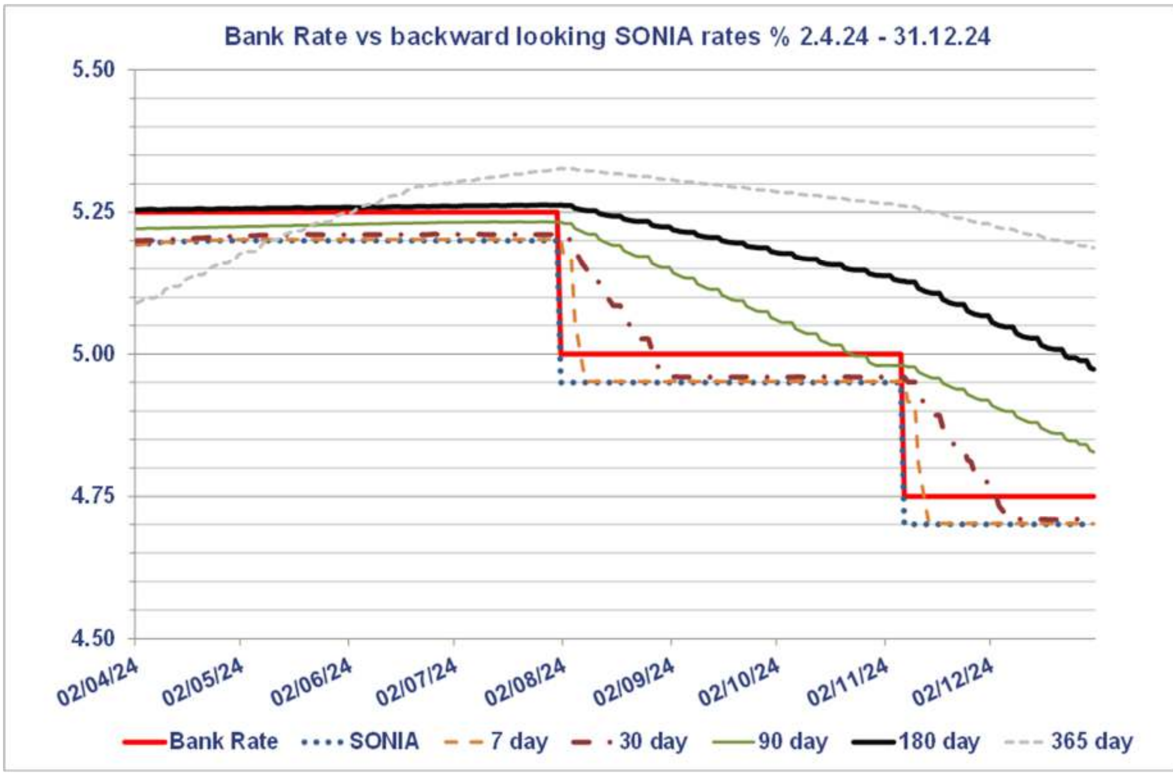
Performance for the year to date is £648K above budget due to higher than forecast cash balances combined with interest rates falling more slowly than anticipated.

Investment Balances – quarter ended 31 December 2024

At the start of the quarter investments totalled £25.5M falling to £21.4M by 31 December. Fixed term investments with local authorities on 31 December were £0M, fixed term investments with the DMADF on 31 December were £0.4M whilst Money Market Fund balances were £21.0M.



Other Investments	Term	Maturity Date	Opening 1.4.24 £	Closing 31.12.2024 £	Indicative Rate (YTD)	Current Fixed Rate	Interest to Date £
Call Accounts							
Natwest (Cash Manager Plus)			610,437	370,809	0.01%		18,600
Money Market Funds							
Aberdeen Life Investments			0	6,000,000	5.06%		212,801
BlackRock Gov			0	0	4.76%		19,045
BlackRock 1st			0	6,000,000	5.04%		104,051
Goldman Sachs			0	0	4.87%		27,653
Insight			0	3,000,000	5.07%		97,846
LGIM			500,000	6,000,000	4.48%		221,489
Fixed Term Deposits							
DMADF	21 days	30/12/2024	0	0		4.70%	4,056
DMADF	14 days	30/12/2024	0	0		4.70%	3,605
DMADF	17 days	06/01/2025	0	400,000		4.70%	618
Halton Borough Council	184 days	20/11/2024	0	0		5.25%	132,329
West Dunbartonshire	182 days	22/05/2024	5,000,000	0		5.55%	38,774
West Dunbartonshire	183 days	03/12/2024	0	0		5.25%	131,610
Waltham Forest Council	189 days	30/05/2024	5,000,000	0		5.65%	45,664
Sub-total			**11,110,437**	**21,770,809**			**1,058,141**
						Budgeted income	**409,864**
							648,277

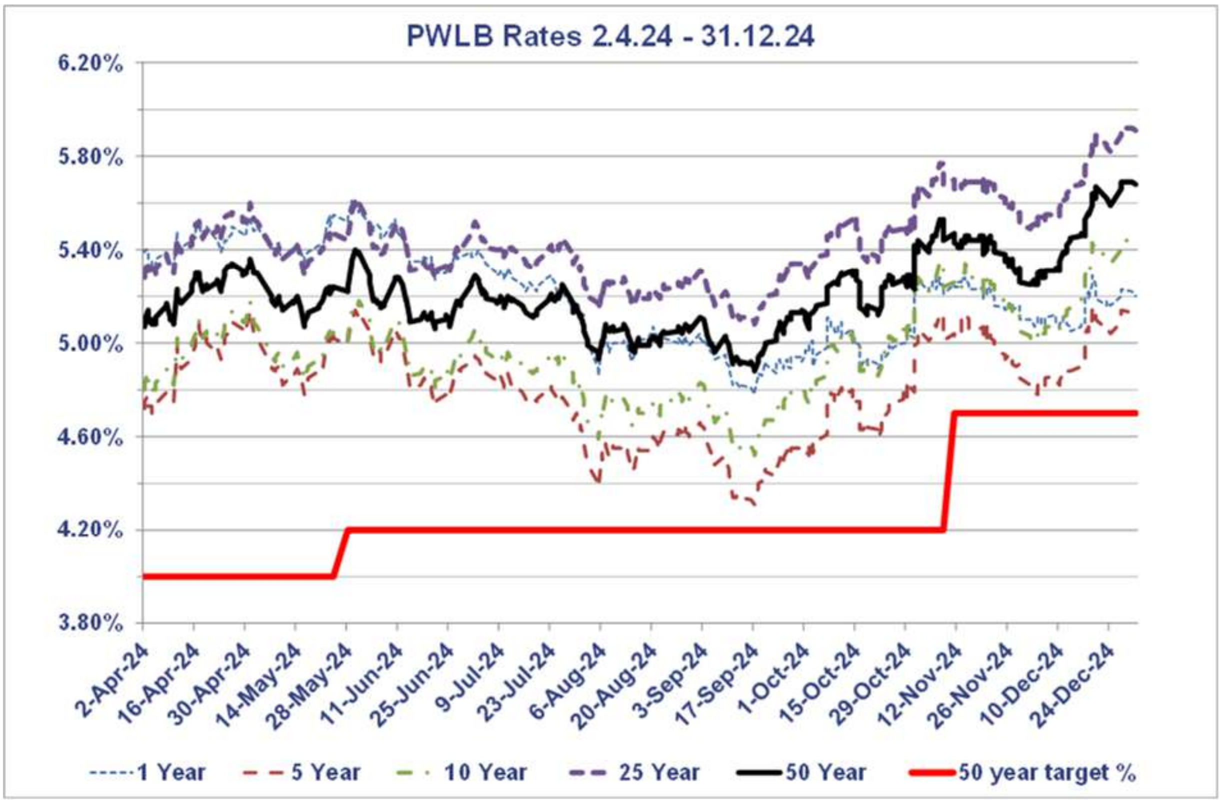


5. New Borrowing

No borrowing was undertaken during the quarter ended 31 December 2024. It is anticipated that further borrowing may need to be undertaken during this financial year. Balance sheet projections indicate that around £6M borrowing may be required before the end of the financial year. However, the potential for further slippage within the Capital Programme and uncertain large cashflows relating to the Eden Project make this difficult to quantify with certainty and the actual amount of borrowing may be lower. Should borrowing be required, it is anticipated to be temporary borrowing. The ultimate timing will depend on exact working capital cashflows in the run up to year end which are kept under close review. These will continue to be monitored in the forthcoming financial year.

PWLB rates have moved significantly higher over the course of the financial year, culminating in long-term rates approaching levels last seen in 1998. The rise in medium to long-term yields has arisen because of several factors. Namely, the inflation outlook has become stickier than the market anticipated earlier in the year, with wages remaining somewhat elevated and the labour market tight.

Moreover, the Government has not fully convinced the markets that the UK economy is about to undergo a material increase in productivity and growth. The quarter ending 30th September saw UK GDP stagnate and the prospects for 2025 are somewhat opaque at present. With the UK public finances seemingly under pressure too and historic buyer of longer-dated gilts – pensions funds and insurance companies – targeting shorter-dated maturities of late, it is not a great surprise that yields have risen in the longer dates even as the Debt Management Office has sought to issue debt with shorter durations than might normally have been the case.



6. Debt Rescheduling

Debt rescheduling opportunities have remained a possibility in the current quarter for those authorities with significant surplus cash and a flat or falling Capital Financing Requirement in future years. Members will be advised if there is value to be had by rescheduling or repaying a part of the debt portfolio.

7. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 31st December 2024, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2024/25. The Chief Resources & S151 Officer reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

The Prudential and Treasury Indicators for 2024/25 as of 31st December 2024 are set out below:

Treasury Indicators	31.03.24 Actual £M	2024/25 Approved Estimate £M	2024/25 Quarter 3 Estimate

Authorised limit for external debt	**115.00**	**120.00**	**117.00**
Operational boundary for external debt	**99.00**	**104.52**	**102.17**
Gross external debt	**57.97**	**71.93**	**64.88**
Investments	**(10.50)**	**(13.61)**	**(12.37)**

Prudential Indicators – Non HRA	31.03.24 Actual £M	2024/25 Approved Estimate £M	2024/25 Quarter 3 Estimate £M
Capital expenditure *	**7.60**	**17.33**	**17.33**
Capital Financing Requirement (CFR) *	**64.49**	**70.47**	**68.13**
Annual change in CFR *	**0.93**	**5.98**	**3.66**
Ratio of financing costs to net revenue stream *	**17.98%**	**18.20%**	**16.09%**

Prudential Indicators – HRA	31.03.24 Actual £M	2024/25 Approved Estimate £M	2024/25 Quarter 3 Estimate £M
Capital expenditure *	**6.76**	**8.34**	**8.34**
Capital Financing Requirement (CFR) *	**34.09**	**33.05**	**33.04**
Annual change in CFR *	**(1.04)**	**(1.04)**	**(1.04)**
Ratio of financing costs to net revenue stream *	**17.52%**	**16.22%**	**15.71%**

8. Other Issues

Changes in risk appetite

The 2021 CIPFA Codes and guidance notes have placed enhanced 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.

CABINET

Acquisition of Properties – Local Authority Housing Fund
11th February 2025

Report of: Chief Officer – Housing and Property

PURPOSE OF REPORT					
To report seeks approval to accept government grant funding to increase housing provision for specific groups of refugees and homeless temporary accommodation.					
Key Decision	X	**Non-Key Decision**		**Referral from Cabinet Member**	
Date of notice of forthcoming key decision	13th January 2025				
This report is public					

RECOMMENDATIONS OF Councillor Caroline Jackson

(1) That should Lancaster City Council be successful in its Expression of Interest - Cabinet accept the Local Authority Housing Fund grant as set out in the report and authorises the s.151 Officer to sign off the MOU.

(2) That Cabinet endorse City Council Officers work to identify appropriate accommodation for this purpose and bringing forward a business case for further approval.

1.0 Introduction

1.1 In December 2024, Lancaster City Council was invited alongside other local authorities to submit an expression of interest (EOI) for potential unallocated funds from the Local Authority Housing Fund (LAHF) – Round 3. Approval to submit the EOI was gained from the s.151 Officer in January 2025. If successful local authorities are requested to use their best endeavours to deliver the proposed properties no later than 31st March 2026.

1.2 The total funding available is not known but will be made available from underspends from an earlier LAHF funding allocation and is specifically for accommodation to support Afghan Resettlement Programmes, as well as accommodation to help reduce costly and inappropriate hotel provision for homeless households on a 1:3 ratio.

1.3 Whilst Council Officers have identified a number of properties to purchase for this purpose – this is by no means guaranteed, and a full business case will be required dependent on funding availability in order to progress.

2.0 Scheme Details

2.1 The objectives of LAHF3 are to:

- Reduce local housing pressures and use of expensive and unsuitable accommodation, by providing better quality temporary accommodation to those owed homelessness duties by local authorities.
- Reduce temporary accommodation costs.
- Provide sustainable settled housing to those on ACRS and ARAP so that they can build new lives in the UK, find employment and integrate into communities.
- Support local housing markets by assisting the delivery of new housing stock or new developments to grow overall housing supply.

2.2 It is expected that properties delivered will generally be of 2-4+ bedrooms. A grant rate of £74,200 for 2 or 3-bedroom properties will be made available whilst for those with 4 or more bedrooms the grant awarded will be £92,750. An additional amount will be made available for properties with 6-bedrooms.

2.3 An EOI has been submitted to MHCLG for the LAHF3[1]. The outcome of this EOI is expected early in February 2025. Should this application be successful funding of between £880,000 - £1,000,000 could be used to offset the purchase of properties being utilised as temporary accommodation for families (x 9) and properties to be offered as Afghan Resettlement family housing (x3) as part of the local authorities already committed contribution of three properties per year from 2025/26 onwards.

2.4 In addition to capital grant funding to support with the acquisition of properties through the LAHF, a further provision of £21,000 per property is provided to be used to offset – renovation works, legal fees etc… No revenue or project management allowance is included in the funding awarded – however there is significant flexibility for what this additional £21,000 per property could be used for.

2.5 It is likely that many of the households moving into this type of accommodation will require ongoing support. It is envisaged that for those accommodated from the Afghan Resettlement programmes a short transitional period of support will be provided by the Council's Refugee Support Worker. Additional support can also be gained as required through Global Link and third sector partners. For homeless families accommodated it is envisaged that the majority of support that will be provided will be delivered from the City Council's Temporary Accommodation Support Officer, with referrals made through to other mainstream support services as required.

2.6 Local Authorities should use best endeavours to ensure homes under the scheme are available for occupation by 31st March 2026.

[1] Local Authority Housing Fund: Round 3 - GOV.UK

2.7 Unlike previous rounds of LAHF – the funding allocations can be used to offset against the full purchase price of a property.

2.8 A stipulation within the EOI is where a property purchased is less than the grant funding – then the difference would be returned.

3.0 Local Need

Refugees

3.1 With various conflict's happening globally, Lancaster has been seen as a welcoming and safe District for those fleeing war and persecution, with much generous support provided from both local residents and the third sector. However, as such this has placed various pressures on local services including access to housing, with added pressure resulting in Serco dispersed accommodation, Ukraine Resettlement programmes and up until January 2024 two dispersal hotels within the District.

3.2 In relation to this scheme there are currently two resettlement programmes of which the local authority has a commitment to provide housing for three households per year. This is usually for new arrivals into the country and accommodation provided to them with additional support packages in place, as for other households access to the private rented sector for these properties is challenging against local housing allowance levels.

Homeless households

3.2 In recent years the City Council due to the current acute housing crisis has seen more and more households presenting as homeless and whereby the team are unable to prevent or relieve the homelessness, and therefore are required to accommodate families in unsuitable and expensive hotel provision. For 2025/26 – it had been estimated that the cost of this provision would be £750,000. As at the end of January the local authority was accommodating 11 families in this type of accommodation, 7 of which have been accommodated over the 6-week statutory period.

4.0 Scheme Delivery

4.1 Officers have reviewed the level of funding available and considered the merits of delivery, against not proceeding. In directly delivering this scheme it should be noted that there will be an impact on staff capacity – across various departments and there may be some financial implications (e.g. if the purchase price of a property identified is higher than the funding award, the cost of the renovation is more than the £21,000 awarded) – these areas will be explored in more detail within the detailed business case which will be presented should the EOI be successful.

4.2 Nevertheless Officers in putting forward this proposal despite the ambitious timescales have also considered the current challenges in securing accommodation for the cohort groups and costs in providing hotel provision for homeless households and the benefits that would be ensued from purchasing properties to accommodate these groups of residents alongside the future revenue income stream for the local authority.

4.3 It is assumed that once purchased and works are completed that the management and maintenance of these properties would be undertaken by the Council Housing service (HRA), although the properties would be owned and sit within the Council's general fund accounts.

5.0 Next Steps

5.1 Lancaster City Council is currently awaiting the outcome of the EOI. Should the Council be successful, Cabinet are requested to endorse this proposal and provide agreement to accept the funding via a Memorandum of Understanding to be signed by the s.151 Officer.

5.2 Legal advice will need to be gained around the form of tenancies that can be awarded to households accommodated. However ultimately, the fund does aim to create a lasting supply of affordable housing for the general population and it is expected that the stock become available to support wider local authority general housing and homelessness responsibilities after the immediate needs of the eligible cohort have been addressed. Therefore, it is likely that a Local Lettings Policy will be worked up and applied by the Council's Choice Based Lettings Team prior to the properties being available to let in the short to medium term. In addition as these properties sit within the General Fund these properties would be exempt from Right to Buy.

6.0 Options and Options Analysis (including risk assessment)

6.1 A summary of the options and analysis is presented below:

	Option 1: Do not accept the grant funding	**Option 2:** Accept the grant funding
Advantages	No advantages identified - current BAU remains	Dedicated housing provision for this cohort will be increased at expected minimal financial input from the Council
Disadvantages	The Council will not increase provision of suitable housing for the specific cohort. The Council will continue to utilise costly bed and breakfast – hotel provision for accommodating homeless households.	Officer capacity will be required across different Council services to ensure the schemes funding requirements are met. Some financial resources may be required if a purchase price is above the limit provide by MHCLG or where renovation work requires more than the £21,000 figure awarded. This information will be presented within a full business case for further consideration.

Risks/ Mitigation	By not accepting the funding and increasing dedicated housing provision for this specific cohort is likely to increase pressure on already stretched local housing both within social and private rented sector. It is likely that the homelessness service will continue to see increased demand putting additional pressures on temporary accommodation and the Council's budget. Increasingly it is likely as such by having to accommodate families the maximum threshold of 6 weeks for families placed in B+B provision will continue to be breached.	Timescales for delivery are tight with local authorities expected to use best endevours to have properties available for occupation by 31st March 2026. Risks remain around the availability of suitable accommodation within the financial envelope available to ensure schemes are viable. A full business case will be developed should funding be secured to consider opportunities for purchasing properties in the local area.

7.0 Officer Preferred Option (and comments)

8.1 Option 2: For the Council to accept the grant funding so as to seek to provide much needed accommodation for specific cohorts of refugees and homeless households.

8.0 Conclusion

9.1 Lancaster has placed itself firmly as a welcoming district for refugee's seeking to settle in the UK and make new lives. However, this has put additional strain on an already stretched rented housing market, at a time when the local authority is facing financial pressure through the burden of accommodating homeless households within expensive hotel provision.

9.2 The grant funding available from MHCLG provides an opportunity to increase housing provision for this cohort albeit on a small scale, and should not be over-looked.

RELATIONSHIP TO POLICY FRAMEWORK

Council Priorities:

A Sustainable District –Climate Emergency: Properties brought forward will be renovated to a high standard, therefore benefitting residents who moved with quality and warm homes.

An Inclusive and Prosperous Local Economy – opportunities for local contractors to be employed as part of the programme and local businesses to benefit through supply contracts.

Happy and Healthy Communities – proposals contribute to the well-being of Refugees and homeless households and provide quality housing for those in need.

A Co-operative, Kind and Responsible Council – providing much needed settled accommodation for refugees.

Housing Strategy – will link directly to the Homes Strategy for Lancaster District 2020-2025 by increasing provision of affordable housing.

CONCLUSION OF IMPACT ASSESSMENT
(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

The proposals set out in the report will have significant positive impacts for a small cohort of refugee's.

LEGAL IMPLICATIONS

There are no legal implications from the Council applying for and accepting the funding as outlined in this report. Legal Services will need to be consulted on any MOU or agreement for funding. Legal Services support will also be need on the acquisition of any properties using the funds. Depending on capacity, external legal support may be needed to help with property transactions. Officers will want to explore whether the funding will help with legal costs.

Before purchasing properties, officers will need to carry out appropriate due diligence checks on title and parties.

As outline in the report, legal advice will be needed on letting properties acquired using the funding. Dwellings let to persons from the Council will be deemed to be on a 'secure' tenancy basis in accordance with the Housing Act 1985. However, there are exceptions in the case of accommodation provided under the Council's homelessness duties or in the case of housing provided under section 4 or Part VI of the Immigration and Asylum Act 1999.

FINANCIAL IMPLICATIONS

If successful, the LAHF3 grant would be held in the council's General Fund. Acceptance of the grant does not commit the council to moving forwards with the proposal, and this will be subject to a further report to include implications on the council's General Fund and Housing Revenue Account of any option to proceed.

Note that this is a project seeking to reduce the council's General Fund revenue expenditure on hotel provision while providing temporary accommodation that is more suitable for homeless families.

OTHER RESOURCE IMPLICATIONS

Human resources No Human Resource implications

Information Services: No Information Service implications.

Property: As outlined in the report.

Open Spaces: No Open Space implications.

SECTION 151 OFFICER'S COMMENTS

As pointed out within the Financial Implications signing of any MoU does not commit the Council to any expenditure at that point and the Council could withdraw from the agreement and return any funds received.

Should the Council wish to give further consideration to the purchase of any properties over and above the value of any grant awarded then the additional capital investment of Council would be considered outside of the Councils Budget & Policy Framework. On that basis it would be subject to the Council's agreed governance route. This involves the development of a robust HM Treasury 5 Case Business Case to support the proposal, which depending on the value, complexity and associated risks may be subject to independent review and challenge. In addition, the business case would be subject to scrutiny by the Council's Capital Assurance Group (CAG) ahead of consideration by Cabinet for any recommendation to Council for inclusion in the Capital Programme and subsequent approval of revisions to the Council's Treasury Management Strategy.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted. It is a function of the Cabinet under the Financial Procedure Rules to accept external funding of this value.

BACKGROUND PAPERS	**Contact Officer:** Jo Wilkinson **Telephone: 01524 582761** **E-mail:** jowilkinson@lancaster.gov.uk **Ref:** [Click here and type Ref, if applicable]