



LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

COUNCIL MEETING

**Wednesday, 17 December 2025 –
6.10p.m., Or at the rise of the
Special Council meeting,
whichever is the later.
Morecambe Town Hall**

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 watch using MS Teams. Please contact Democratic Support via email democracy@lancaster.gov.uk if you wish to register to speak or ask a question at this meeting. The deadline to register is 12pm on Friday 12 December.

Mark Davies,
Chief Executive,
Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ



Sir/Madam,

You are hereby summoned to attend a meeting of the Lancaster City Council to be held in the Town Hall, Morecambe on Wednesday, 17 December 2025 commencing at 6.10 p.m. for the following purposes:

1. APOLOGIES FOR ABSENCE

2. MINUTES (Pages 5 - 13)

To receive as a correct record the Minutes of the Meetings of the City Council held on 5 November and 26 November 2025.

3. 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.

4. ITEMS OF URGENT BUSINESS

5. ANNOUNCEMENTS

To receive any announcements which may be submitted by the Mayor or Chief Executive.

6. QUESTIONS FROM THE PUBLIC UNDER COUNCIL PROCEDURE RULE 11

To receive questions in accordance with the provisions of Council Procedure Rules 11.1 and 11.3 which require members of the public to give at least 3 days' notice in writing of questions to a Member of Cabinet or Committee Chairman.

7. PETITIONS AND ADDRESSES

To receive any petitions and/or addresses from members of the public which have been notified to the Chief Executive in accordance with the Council's Constitution.

8. LEADER'S REPORT (Pages 14 - 18)

To receive the Cabinet Leader's report on proceedings since the last meeting of Council.

REPORTS REFERRED FROM CABINET, COMMITTEES OR OVERVIEW AND SCRUTINY

9. LOCAL COUNCIL TAX SUPPORT SCHEME 2026-27 (Pages 19 - 31)

Report of Cabinet.

10. TREASURY MANAGEMENT MID-YEAR REVIEW 2025/26 (Pages 32 - 52)

Report of Chief Finance Officer.

11. MEDIUM TERM FINANCIAL STRATEGY UPDATE 2026-7 - 2030-31 (Pages 53 - 62)

Report of Chief Finance Officer.

12. AUDITOR'S ANNUAL REPORT 2023/2024 (Pages 63 - 96)

Report of Audit Committee.

Published 16 December 2025.

OTHER BUSINESS

13. COUNCILLORS ALLOWANCE SCHEME: REVIEW (Pages 97 - 106)

Report of the Independent Remuneration Panel.

14. LANCASTER BUSINESS IMPROVEMENT DISTRICT (BID) RENEWAL BALLOT - CITY COUNCIL'S VOTING INTENTION (Pages 107 - 115)

Report of Chief Officer Sustainable Growth.

15. APPOINTMENT OF MAYOR-ELECT

To appoint a Mayor-Elect to be put forward for election by the City Council in May 2026, for the municipal year 2026/27.

16. APPOINTMENTS AND CHANGES TO COMMITTEE MEMBERSHIP

Group Administrators to report any changes to Committee Membership.

17. QUESTIONS UNDER COUNCIL PROCEDURE RULE 12

To receive questions in accordance with the provisions of Council Procedure Rules 12.2 and 12.4 which require a Member to give at least 3 working days' notice, in writing, of the question to the Chief Executive.

18. **MINUTES OF CABINET** (Pages 116 - 128)

To receive the Minutes of Meeting of Cabinet held 21 October 2025.



.....
Chief Executive

Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ

Published on, 09 December 2025.

PROCEEDINGS

A meeting of the Lancaster City Council was held in the Town Hall, Morecambe, at 6.00 p.m. on Wednesday, 5 November 2025, when the following Members were present:-

Margaret Pattison (Mayor)	John Hanson (Deputy Mayor)
Joanne Ainscough	Catherine Armistead
Mandy Bannon	Matthew Black
Phillip Black	Martin Bottoms
Louise Belcher	Gerry Blaikie
Phil Bradley	Dave Brookes
Keith Budden	Roger Cleet
Ruth Colbridge	Wilson Colley
Brett Cooper	Roger Dennison
Gina Dowding	Tom Fish
Andrew Gardiner	Martin Gawith
Alan Greenwell	Tim Hamilton-Cox
Chris Hanna	Prof Chris Harris
Paul Hart	Colin Hartley
Ross Hunter	Kate Knight
Caroline Jackson	Peter Jackson
Jack Lenox	John Livermore
Sarah McGowan	Isabella Metcalf-Riener
Abi Mills	Hamish Mills
Paul Newton	Jean Parr
Sue Penney	Catherine Potter
Joyce Pritchard	Robert Redfern
Sam Riches	James Sommerville
Jackson Stubbs	Paul Stubbins
Sandra Thornberry	Sue Tyldesley
Paul Tynan	David Whitaker
John Wild	Nick Wilkinson
Jason Wood	

59 APOLOGIES

Apologies for absence were received from Councillors Suhir Abuahajar, Claire Cozler, Maria Deery, Sally Maddocks, Andrew Otway and Sarah Punshon.

60 MINUTES

The minutes of the meeting held on 24 September 2025 were signed by the Mayor as a correct record.

In accordance with the motion agreed by Council on 24 September (Minute 52 refers) the Cabinet Member with responsibility for Finance having mandated to report back on the credentials of the council's investment counterparts provided an interim report and advised that a revised Treasury Management Strategy would be reported to December's Council.

61 DECLARATIONS OF INTEREST

Members advised of the following interest at this stage:

Councillor Whitaker declared a disclosable pecuniary interest in relation to paragraph 3.17 of the Leader's Report in view of his employment in the establishment mentioned.

62 ANNOUNCEMENT - ST JOHN'S HOSPICE JAIL AND BAIL EVENT

The Mayor expressed her gratitude to those who had donated to the St John's Hospice Jail and Bail event where 24 representatives of local businesses and herself were locked up in the 19th Century 'A' wing at Lancaster Castle for 6 hours. Over £27K was raised for the hospice.

63 ANNOUNCEMENT - CHRISTMAS CAROL CONCERT

The Mayor announced that she would be hosting the Mayor's Christmas Carol Concert on 18th December at 6.30pm. This would be a lovely evening with the St John's Hospice choir and tickets were available from the Mayor's office.

64 ANNOUNCEMENT - FUNERAL OF DARREN CLIFFORD

The Mayor informed councillors that the funeral of the former councillor and armed forces veteran Darren Clifford would be held on Friday 7 November at 11am at Lancaster Cathedral.

65 QUESTIONS FROM THE PUBLIC UNDER COUNCIL PROCEDURE RULE 11

The Mayor advised that no questions had been received from members of the public in accordance with the provisions of Council Procedure Rule 11.

66 PETITIONS AND ADDRESSES

The Mayor informed Members that no petitions or requests to address Council had been received from members of the public.

67 LEADER'S REPORT

The Leader presented her report updating Members on various issues since her last report to Council. She then responded to a number of questions from Councillors. Councillor Hamilton-Cox advised the meeting that a briefing note would be drafted to address the points raised by Councillor Gawith in relation to paragraph 3.9 of the Leader's report; Mainway.

Resolved:

That the report be noted.

68 STATEMENT OF GAMBLING POLICY 2025-2028

Councillor Caroline Jackson introduced a referral report from Cabinet with regard to the adoption by Council of the Statement of Gambling Policy 2025-2028. The draft Statement of Gambling Policy 2025-28 had been considered by the Council's Licensing Committee, subject to a public consultation and endorsed by Cabinet. Full Council was required under constitutional arrangements, to adopt the revised policy.

After several questions were responded to Councillor Caroline Jackson, seconded by Councillor Hartley, proposed:

“That Full Council consider the revised Statement of Gambling Policy 2025-2028 and following the recommendation of Cabinet, adopt the policy.

That following adoption, the policy shall take immediate effect.”

A vote was then taken on the proposition, which was agreed unanimously.

Resolved unanimously:

That having considered the revised Statement of Gambling Policy 2025-2028 and the recommendation of Cabinet, the policy be adopted with immediate effect.

69 CELEBRATING ERIC MORECAMBE'S 100TH BIRTHDAY

The following motion of which notice had been given to the Chief Executive in accordance with Council Procedure Rule 15 was moved by Councillor Matthew Black and seconded by Councillor Ainscough.

“Council Notes:

- That 14 May 2026 marks the 100th anniversary of the birth of John Eric Bartholomew, known professionally as Eric Morecambe, born in Morecambe, Lancashire.
- Eric Morecambe was a nationally beloved comedian and entertainer, widely recognised as one of Britain's greatest entertainers.
- His legacy continues to attract visitors and remains a source of civic pride and cultural heritage for Morecambe.

Council Believes:

- That Eric Morecambe's centenary provides an opportunity to promote the town's cultural identity, tourism, and local economy.
- That the Council should play a leading role in supporting and facilitating appropriate

celebrations.

Council Resolves:

- To formally recognise and celebrate Eric Morecambe's 100th birthday on or around 14 May 2026.
- To work in partnership with local organisations, community groups, and businesses to plan and deliver public events, exhibitions, and other commemorative activities.
- To explore potential funding streams or sponsorship opportunities to support these celebrations without placing undue burden on council finances.
- To establish a working group of councillors, officers, and community representatives to coordinate the centenary programme, reporting back to Full Council with proposals by March 2026.”

An officer briefing note had been included with the motion on the agenda.

At the conclusion of the debate a vote was taken, and the motion was carried unanimously.

Resolved unanimously:-

Council Notes:

- That 14 May 2026 marks the 100th anniversary of the birth of John Eric Bartholomew, known professionally as Eric Morecambe, born in Morecambe, Lancashire.
- Eric Morecambe was a nationally beloved comedian and entertainer, widely recognised as one of Britain's greatest entertainers.
- His legacy continues to attract visitors and remains a source of civic pride and cultural heritage for Morecambe.

Council Believes:

- That Eric Morecambe's centenary provides an opportunity to promote the town's cultural identity, tourism, and local economy.
- That the Council should play a leading role in supporting and facilitating appropriate celebrations.

Council Resolves:

- To formally recognise and celebrate Eric Morecambe's 100th birthday on or around 14 May 2026.
- To work in partnership with local organisations, community groups, and businesses to plan and deliver public events, exhibitions, and other commemorative activities.
- To explore potential funding streams or sponsorship opportunities to support these celebrations without placing undue burden on council finances.
- To establish a working group of councillors, officers, and community representatives to coordinate the centenary programme, reporting back to Full Council with proposals by March 2026.

70 APPOINTMENTS TO OUTSIDE BODIES - FOREST OF BOWLAND JOINT ADVISORY COMMITTEE

Council considered a report submitted by the Senior Manager (Democratic Support). The report noted that a vacancy had arisen at the Forest of Bowland Joint Advisory Committee. Members were asked to consider the basis for the appointment, which had previously been made by way of nominations and voting at full Council, and to receive

nominations at the meeting should the basis remain the same.

Councillor Wood, seconded by Councillor Gardiner proposed:

“That the basis of appointment should remain by way of nominations and voting at full Council.”

The Mayor called for nominations.

Councillor Parr nominated Councillor Gawith, seconded by Councillor Colbridge, and Councillor Blaikie nominated Councillor Peter Jackson, seconded by Councillor Pritchard.

The Mayor called for a vote. There were 20 votes for Councillor Gawith and 29 votes for Councillor Peter Jackson whereupon the Mayor declared Councillor Peter Jackson appointed to the Forest of Bowland Joint Advisory Committee.

Resolved:

That Councillor Peter Jackson be appointed to the Forest of Bowland Joint Advisory Committee.

71 APPOINTMENTS AND CHANGES TO COMMITTEE MEMBERSHIP

No changes to Committee Membership were reported.

72 QUESTIONS UNDER COUNCIL PROCEDURE RULE 12

The Mayor advised that no questions had been received by the Chief Executive in accordance with Council Procedure Rules.

73 MINUTES OF CABINET

Council considered the Cabinet minutes of the meeting held on 16 September 2025.

Resolved:

That the minutes be noted.

Mayor

(The meeting finished at 7.20 p.m.)

Any queries regarding these Minutes,
please contact Debbie Chambers, Senior Manager, Democratic Support & Elections/Deputy
Monitoring Officer - email dchambers@lancaster.gov.uk

PROCEEDINGS

An extraordinary meeting of the Lancaster City Council was held in the Town Hall, Morecambe, at 6.00 p.m. on Wednesday, 26 November 2025, when the following Members were present:-

Margaret Pattison (Mayor)	John Hanson (Deputy Mayor)
Suhir Abuhajar	Joanne Ainscough
Catherine Armistead	Mandy Bannon
Louise Belcher	Gerry Blaikie
Phil Bradley	Keith Budden
Ruth Colbridge	Wilson Colley
Claire Cozler	Maria Deery
Roger Dennison	Gina Dowding
Martin Gawith	Alan Greenwell
Tim Hamilton-Cox	Chris Hanna
Prof Chris Harris	Paul Hart
Colin Hartley	Ross Hunter
Caroline Jackson	Peter Jackson
Jack Lenox	John Livermore
Sally Maddocks	Sarah McGowan
Isabella Metcalf-Riener	Abi Mills
Hamish Mills	Paul Newton
Andrew Otway	Jean Parr
Sue Penney	Catherine Potter
Joyce Pritchard	Sarah Punshon
Robert Redfern	Sam Riches
James Sommerville	Jackson Stubbs
Paul Stubbins	Sandra Thornberry
David Whitaker	John Wild
Nick Wilkinson	Jason Wood

74 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Matthew Black, Phillip Black, Martin Bottoms, Dave Brookes, Roger Cleet, Brett Cooper, Tom Fish, Andrew Gardiner, Sue Tyldesley and Paul Tynan.

75 DECLARATIONS OF INTEREST

No declarations of interest were made.

76 LOCAL GOVERNMENT REORGANISATION

Council received the report and recommendations of the Local Government Reorganisation Working Group, which was presented by the Chair of the Working Group and Leader of the Council, Councillor Caroline Jackson.

Councillor Caroline Jackson responded to questions from Councillors regarding the Working Group's report before proposing the recommendations set out in the report:

(1) That Council notes:

- There are five cases for change being put forward for Lancashire in response to the government's invitation
- That Council's LGR cross party working group requested the Chief Executive to work with five other Councils on the four unitary option –

North Lancashire - Lancaster, Ribble Valley, Preston

Fylde Coast - Blackpool, Wyre, Fylde

South Lancashire - Chorley, South Ribble, West Lancs

East Lancashire - Blackburn with Darwen, Rossendale, Hyndburn, Burnley, Pendle

- The four unitary option is included in full within the report (at appendix 1a, 1b).

(2) That council considers:

- The case for change for the four unitary option as above.
- Cases for change for two unitaries, three unitaries, five unitaries and an alternative four unitary option have been prepared by other Council groupings. (Links were provided in the report to these where available).
- Cabinet will make the decision on the preferred case for change proposal for Lancaster City Council, the actual decision for Lancashire will be decided by Government.

(3) That Council recommends to Cabinet, for the reasons outlined in the report and appendices, the case for change for a 4-unitary option (Lancaster, Ribble Valley and Preston) as shown in Appendix 1a of the report.

A very lengthy debate on the proposition followed, with many Councillors giving their views.

After all those who wished to had spoken, the proposer of the motion responded to the points raised in debate. The Mayor then called for a vote and the motion was carried.

Resolved:

(1) That Council notes:

- There are five cases for change being put forward for Lancashire in response to the government's invitation
- That Council's LGR cross party working group requested the Chief Executive to work with five other Councils on the four unitary option –

North Lancashire - Lancaster, Ribble Valley, Preston

Fylde Coast - Blackpool, Wyre, Fylde

South Lancashire - Chorley, South Ribble, West Lancs

East Lancashire - Blackburn with Darwen, Rossendale, Hyndburn, Burnley, Pendle

- The four unitary option is included in full within the report (at appendix 1a, 1b) .

(2) That council considers:

- The case for change for the four unitary option as above.
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- Cabinet will make the decision on the preferred case for change proposal for Lancaster City Council, the actual decision for Lancashire will be decided by Government.

(3) That Council recommends to Cabinet, for the reasons outlined in the report and appendices, the case for change for a 4-unitary option (Lancaster, Ribble Valley and Preston) as shown in Appendix 1a of the report.

Mayor

(The meeting finished at 7.25 p.m.)

Any queries regarding these minutes,
please contact Debbie Chambers, Senior Manager, Democratic Support & Elections/Deputy
Monitoring Officer - email dchambers@lancaster.gov.uk

COUNCIL

Leader's Report

17 December 2025

Report of the Leader of the Council

PURPOSE OF REPORT

To present the Leader's report to Council.

This report is public.

RECOMMENDATIONS

To receive the report of the Leader of Council.

REPORT

1.0 Cabinet

1.1 Information on Cabinet matters is provided in the minutes from the Cabinet meeting held 21 October later in this agenda.

2.0 Decisions required to be taken urgently.

2.1 No urgent Cabinet decisions have been taken since the last Leader's Report

3.0 Leader's Comments

3.1 This month's report falls into five clear areas, dominated, of course, by Local Government Reorganisation and the run up to the budget. Alongside those came progress with partnership work across the district, cabinet matters and a number of significant events. Sadly, those included the well-attended funeral of former councillor Darren Clifford at St Peter's Cathedral.

3.2 The five final proposals for **Local Government Reorganisation** in Lancashire were submitted for the government deadline, 28th November. Much of November was taken up with briefings as the Four Unitary model was published. The Cross-Party Working Group met to consider the proposal submission, the best organisation for the Extraordinary Council and the

timetable of work for the coming six months up until the announcement in June. Briefings were also held for Overview and Scrutiny committee and for all councillors. A number of councillors of all parties also supported a session for students at Lancaster university. The Extraordinary Council was marked by an impassioned debate from councillors across the political groups illustrating just how much this council cares about the future of our place, the future of democracy and the essential relationship of residents to councillors. The Four Unitary proposal was clearly carried with a number of abstentions. Cabinet, sitting at the rise of Full Council, endorsed the decision of councillors in Extraordinary Council.

3.3 Budget news nationally suggests that the final settlement for the district will not be adverse but there is still major uncertainty over the business rates reset. There is continued funding from the Extended Producer Responsibility Scheme, but this partly depends upon levels of recycling which need to improve. The partial roll out of the new style recycling bins should affect this and we look forward to the collection figures for the next quarter. Cabinet has had initial briefings on the HRA budget and General Fund revenue and capital position for the council. There remains a funding gap of over £1 million to bridge in the council budget and cabinet members will continue to work on the budget alongside officers until the end of the week before Christmas. Members have received an initial briefing and are welcome to request further briefings for members as a whole. The Local Government Association is running a number of courses, most of them free, regarding the current financial issues, the use of data and performance and I recommend members access their website or talk with their party office if these are matters on which they feel the need of more training. In addition, if members have particular skills in this area, they can volunteer to be peer members and support other councils.

3.4 Cabinet members have completed a review of their portfolios and priorities after one year in office, noting significant progress in terms of Canal Quarter, renewable energy generation, superfast broadband, Bio Diversity Net Gain, affordable housing, Tenant Satisfaction Survey scores, Ryelands House, parking strategy, ANPR installation, new waste collection and fly-tipping strategy, assets review, Frontierland and the City Museum project and many others. Cabinet members would like to express their deep appreciation of officers who have put so much energy and expertise into achieving these and many more improvements for local residents. Regular joint meetings with Senior Leadership team now take place and these have led to closer sharing of priorities in relation to the Council Plan and the opportunity to refine those priorities in the light of Local Government Reorganisation timelines. Cabinet members have been introduced to the use of AI via the opportunity to use Co-Pilot. Whilst appreciating the benefits of AI, cabinet members are also sensitive to the possible drawbacks and following a nuanced briefing with officers will be looking at the need for further governance through the formation of an AI Governance Board.

3.5 Partnerships continued to be a theme of the work of cabinet and officers following the peer challenge recommendation. This month saw the signing of a Memorandum of Understanding between the City Council and Carnforth Town Council. The two councils already work effectively together particularly on

Public Realm matters. The MOU will establish a regular pattern of meetings and establish a dynamic action plan to take forward matters of particular concern to Carnforth residents. It was good to see a number of members and the proper officer from Carnforth Town council at the event; and I would share Cllr Jim Grisenthwaite's hope that this was an opportunity to "better address shared priorities and to respond to future challenges and opportunities together." On the same theme the Chief Executive and I attended the Civic Universities workshop which brought together councils and institutions across the region to look at an encompassing vision and the actions to be taken to reach that goal. Current priority plans in several areas are also dependant on partnership opportunities. We have undertaken Pre-Market Engagement on possible Canal Quarter housing development and are moving on to considering tendering, whilst on Skerton and Mainway we are awaiting the conclusion of the Pre-Market Engagement. Frontierland progress is moving forward with the developer intending to bring forward more detailed work in the spring.

- 3.6 Other partnership events this month included Light Up Lancaster which attracted over ninety-two thousand visitors to the amazing light shows and interactive installations. All credit goes to the team of organisers for creating what is now a premier northwest event. Post-event meetings have already discussed the future funding landscape in order to look to replace UKSPF funding which has been ended by government. As BID members I was also privileged to join the judging team for the BID Awards and to attend the ceremony in the Ashton Hall. The event was a relaxed and friendly celebration of the many businesses operating in the BID district and showcased the entrepreneurial spirit and sheer hard work that goes into establishing and maintaining local businesses.
- 3.7 Finally, in terms of partnerships I would like to commend the way councillors cross-party and especially those on the Business Committee, alongside portfolio holder Mandy Bannon, have come together with affected families and the local MP to ensure Lancashire County Council understands the huge value of Vale View to the district as a whole. We look for an outcome to the consultation that ensures a continuation of services at Vale View or in equally local and suitable accommodation.
- 3.8 This month has included a number of notable local **events**, some of which have already been mentioned. The Light Up festival was followed, in an extremely speedy turnaround in Lancaster, by the Remembrance services and parades across the district. These had high levels of attendance and were very impressive. I was privileged to be one of the readers at the Priory service alongside Mayor Margaret Pattison and it was good to meet representatives of the different veterans' associations afterwards. I was privileged also to speak alongside MP Paula Baker at the DepFest Housing event in Manchester which focused particularly on the lived experience of children in temporary accommodation. I look forward with her to the delayed publication of the government Homelessness Strategy and real note being taken of children's experience. I attended alongside a number of councillors, the Festival organised by CVS to showcase and support the work of the third sector without whom the district would be a poorer and more difficult place particularly for those who are the poorest and most vulnerable. I also represented the

council at the Choir of the Year competition organised by Lancashire County which was an uplifting event featuring a number of Lancaster choirs and enough to inspire anyone to join a choir.

3.9 To return finally to the funeral of former councillor Darren Clifford. It was a sad occasion but good to see many family and friends as well as councillors and representatives of city and county coming to pay their respects. For me it was thought provoking - we often disagree as councillors and it is in the nature of politics that we see ourselves in groups with differing values. The service told me so much about Councillor Clifford, all the things he had done and had achieved in his life, and I was glad to understand more of what had motivated him to become a councillor.

4.0 Decisions

The following decisions were scheduled to be considered by Cabinet on 2 December 2025

Fly Tipping Strategy
Lancaster Business Improvement District - Renewal Ballot and Draft Delivery Plan Proposal
Lancaster City Council's Progress to Net Zero
Establishment of a Planning Policy Cabinet Advisory Group
Local Council Tax Support Scheme (2026/27)
Delivering Our Priorities: Q2 2025/26
Projects and Performance: Q2 2025-26
Strategic Risk Register
Medium Term Financial Strategy Update
Treasury Management Mid-Year Review 2025/26
Lift Modernisation & Associated Works
Eden Project - Grant Funding Agreement Variation
Lancaster Canal Quarter Early Phase Housing Proposals - Progress Update and Delivery

There have been no Officer Delegated Key Decisions taken since the last Leader's Report

The following Individual Cabinet Member Decisions have been taken since the last Leader's report.

ICMD 14	Scotforth Rural Neighbourhood Development Plan	Published on 24.10.25 Taken by: Cllr Sue Tyldesley
ICMD 15	Commercial Property Disposal, Lancaster	Published on 20.11.25 Taken by: Cllr Tim Hamilton-Cox.
ICMD 16	Approval To Enter into S101 Agreement with Lancashire County Council to Continue to	Published on 21.11.25 Taken by: Cllr Caroline

	Deliver Minor Adaptations	Jackon
ICMD 17	Public Litter Bin Replacement Program	Published on:25.11.25 Taken by: Cllr Paul Hart

Background Papers

Cabinet agenda of the meeting held on 2 December 2025

COUNCIL**Local Council Tax Support Scheme (2026/27)**
17 December 2025**Report of Cabinet****PURPOSE OF REPORT**

To seek a decision from Council on retaining the existing Localised Council Tax Support (LCTS) scheme in its present format for application in 2026/27.

This report is public.

RECOMMENDATIONS

- (1) That Option (1), the retention of the existing Localised Council Tax Support (LCTS) scheme for 2026/27, subject to minor consequential amendments to match changes in Housing Benefit rules, be approved.
- (2) That in the event that Option 1 is approved, that the s151 Officer be authorised to finalise and publish the Council's approved Scheme for 2026/27 and make all other necessary arrangements for its implementation in the next financial year.

1.0 Introduction

- 1.1 Cabinet considered the report of the Assistant Director (Head of Revenues and Benefits) attached at Appendix A at its meeting on 2nd December 2025. The report set out the background and overview to the Council's current scheme and presented and analysed the options of retaining the current scheme or making changes.

2.0 Proposal

- 2.1 Cabinet resolved unanimously:

That the existing Localised Council Tax Support Scheme for 2026/27 (Option 1 to the report) be retained

3.0 Conclusion

- 3.1 Council is asked to approve the retention of the existing Localised Council Tax Support (LCTS) scheme for 2026/27.

RELATIONSHIP TO POLICY FRAMEWORK

As shown on the Cabinet report attached.

CONCLUSION OF IMPACT ASSESSMENT

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

As shown on the Cabinet report attached.

FINANCIAL IMPLICATIONS

The current forecast assumes the continuation of the existing LCTS scheme, which is based on a 100% support scheme. As such, retaining the existing scheme will have no impact on the Council's financial forecast.

Other comments are as shown on the Cabinet report attached.

SECTION 151 OFFICER'S COMMENTS

As shown on the Cabinet report attached.

LEGAL IMPLICATIONS

As shown on the Cabinet report attached.

MONITORING OFFICER'S COMMENTS

As shown on the Cabinet report attached.

BACKGROUND PAPERS

Cabinet 2nd December 2025

[Agenda for Cabinet on Tuesday, 2nd December 2025, 6.00 p.m.](#)

Contact Officer: Andrew Taylor,
Assistant Director (Head of Revenues and Benefits).

Telephone: 01772 906013

E-mail: a.taylor@preston.gov.uk

CABINET

Local Council Tax Support Scheme (2026/27)

2nd December 2025

Report of Andrew Taylor, Assistant Director (Head of Revenues and Benefits)

PURPOSE OF REPORT				
To enable Cabinet to consider the existing Localised Council Tax Support ("LCTS") Scheme and the options available, ahead of formal consideration and approval by Council for application in 2026/27				
Key Decision	N	Non-Key Decision	Y	Referral from Cabinet Member
Date of notice of forthcoming key decision		2nd December 2025		
This report is public				

RECOMMENDATIONS OF Councillor Tim Hamilton-Cox

(1) Retain the existing Localised Council Tax Support Scheme for 2026/27 (Option 1)

1.0 Introduction

1.1 Cabinet's views are sought as to whether to retain the existing Localised Council Tax Support Scheme for 2026/27 (Option 1) subject to future consequential minor amendments following changes in housing benefit rules; or whether to amend it to reduce entitlement (Option 2).

1.2 Following the abolition of the national Council Tax Benefit (CTB) system back in 2013, each billing authority now has a legal duty to adopt a Localised Council Tax Support (LCTS) scheme.

1.3 Each authority is also under a legal obligation to consider, for each year, whether to revise its scheme or to replace it with another scheme. The history of the Council's arrangements is summarised below:

1.4 The first local scheme was adopted in January 2013 for implementation in 2013/14. The Council chose not to reduce support levels at that time, unlike most other local authorities.

- 1.5 In reviewing its scheme since then, Council has decided to retain basic council tax support levels, meaning that working age claimants on low incomes may still be awarded support to cover up to 100% of their council tax bills.
- 1.6 The Council has applied other comparatively minor changes over the years, on the basis that entitlement criteria for LCTS should generally remain in line with other key benefits, most notably Housing Benefit (HB) and Universal Credit (UC).
- 1.7 If a Council does wish to alter its scheme, it must approve any changes by 11 March, otherwise the existing scheme will continue to apply. There is currently no provision for changing a scheme in-year.
- 1.8 The Local Government Finance Act 1992 as amended, sets out measures requiring all billing authorities to introduce and maintain a LCTS scheme for each financial year. The main aims of the LCTS scheme are to ensure fairness and consistency, and to help reduce confusion for claimants.
- 1.9 Under any scheme, support for pensioners must remain at existing levels, and the scheme must be delivered through a national framework of criteria and allowances. For working age claimants, Councils can choose, through the design of their scheme, whether to alter support entitlements in some way.
- 1.10 Policies and procedures are structured to ensure that all customers receive the correct amount of support and that every claim is considered on its own merits and in accordance with legislation and Government guidance.

2.0 Overview of the Council's current scheme

- 2.1 As laid down by Government, there are three general principles that all Local Council Tax Support (LCTS) schemes must follow:
 - pensioners should be fully protected;
 - vulnerable groups should be protected as far as possible, as determined locally; and
 - local schemes should support the positive work incentives being introduced through Universal Credit for working age people.
- 2.2 The Council's existing scheme meets these principles, giving protection for certain groups and helping to support work incentives. It provides additional protection for vulnerable people through other income disregards, premiums and allowances. It also provides for annual uplifts associated with inflation, etc.
- 2.3 Under current legislation, pensioners are protected from any locally driven scheme changes, and so any Council decisions impact only on working age claimants.
- 2.4 As Council has so far maintained general support levels, this means that if entitled, a claimant would receive 100% support to cover their council tax bill. Of the 333 schemes in operation nationally, currently the Council is one of a few Councils that still provides full levels of Council Tax Support for working age claimants, depending on their circumstances.
- 2.5 A hardship fund of £30k is built into the LCTS scheme to protect those suffering exceptional hardship. This initiative is financially supported by a contribution from

the major precepting authorities, although given that general support levels are maintained, demand against this continues to be minimal.

- 2.6 The Department for Work and Pensions (DWP) operates a “full” Universal Credit (UC) service in this district, and the Council’s existing LCTS scheme accommodates this development. The Council’s current LCTS scheme principles are set out in **Appendix A** to this report.
- 2.7 This report sets out a recommendation that the LCTS scheme for 2026/27 be ‘retained’ in its present form, subject to minor consequential amendments to accommodate the annual uprating of similar applicable amounts in the Housing Benefit Scheme.

3.0 Details of Consultation

- 3.1 Members have previously indicated a preference to retain the existing LCTS scheme in its present format, subject to the scheme principles listed in **Appendix A**. As such, legally there is no need to consult on changes to the scheme at this stage. However, should “Option 2” be the preferred option of the Council, alternative scheme options will need to be developed for consideration by Council early next year, following a swift consultation exercise.
- 3.2 Under Option 1, the Council will write to major precepting authorities setting out the principles of the scheme for 2026/27, acknowledging the fact that they will share the financial cost and risk of any changes made. Their preference has always been for a cost neutral scheme that limits the financial pressure on their budgets as an alternative to cutting essential services.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 The challenge for the Council is to adopt a scheme that fits with its ambitions and priorities and is considered fair, deliverable and affordable, given statutory obligations and competing pressures for resources. Council is presented with two basic options:

4.2 Option 1:

Retain the existing Localised Council Tax Support (LCTS) scheme, subject to minor consequential amendments to match changes in Housing Benefit rules.

- The existing scheme is considered soundly structured and works well, and offers maximum support for low-income families, who may otherwise find themselves in mounting debt.
- Current forecast assumes the continuation of the existing LCTS system and as such, maintaining current levels of support would normally have no impact on the Council’s financial forecast. However, costs have increased in recent years with increased take-up due to the cost-of living crisis and annual Council tax increases. 2025/26 has seen a small reduction in residents receiving LCTS from 9,310 in 2024/25 to 9,235 in 2025/26. Should this trend continue, this could reduce costs of the scheme in the long term.

- Retaining existing policy principles of keeping various positive entitlement provisions for LCTS in line with other key welfare benefits promotes equality.

4.3 Option 2:

Make changes to the existing Localised Council Tax Support (LCTS) Scheme to reduce benefit entitlement for working age claimants.

- Currently 9,235 residents claim LCTS in the Lancaster district. As pensioners make up 38% (3,554) of claimants, it means any cut in the level of support provided falls on the remaining 62% (5,681) of working age people on low incomes.
- A reduction in the levels of support provided could arguably provide claimants with further incentives to work, reducing their reliance on benefits, although the jobs market is particularly uncertain at this difficult time.
- This option will have greater adverse financial impact on working age households but would help protect other Council services by requiring less savings to be made by them.
- If levels of support are reduced, the Council would be tasked with the difficulty of collecting this debt from the more vulnerable members of our society, increasing workloads and costs associated with council tax recovery.
- Additional costs associated with developing new scheme options, consultation exercise, legal changes to scheme etc.

5.0 Options and Options Analysis (including risk assessment)

	Option 1: Retain the existing LCTS scheme	Option 2: Amend the LCTS scheme to reduce entitlement	Option 3:
Advantages	The current scheme provides support up to a level of 100% and assists those on low incomes	Financial savings to Lancaster City Council and the other precepting authorities.	N/A
Disadvantages	The Government does not fully fund the cost of a 100% LCTS scheme. The additional cost falls on Lancaster City Council and the other precepting authorities.	A reduction in support would result in Council Tax increases for those on low incomes. The Council Tax team would need to recover more money, often from those least able to make payments.	N/A
Risks	The cost of the scheme may increase due to an increase in new claims as the	Reduced collection rates and increased debt. Potential reputational damage.	N/A

	cost-of-living crisis progresses.	
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6.0 Officer Preferred Option (and comments)

6.1 Retain the existing Localised Council Tax Support Scheme for 2026/27 (Option 1). This will assist financially vulnerable Council Tax customers in the Lancaster City Council District.

7.0 Conclusion

7.1 The Council's existing LCTS scheme works well in terms of providing support, but at a cost, particularly for the County Council. To date the Council has attached a high priority to maintaining council tax support levels available to working age claimants (pensioners being unaffected by the Council's decision).

7.2 Adoption of a particular option should be informed by the Council's views regarding the relative priority of LCTS, compared with other services and activities in support of future corporate priorities.

RELATIONSHIP TO POLICY FRAMEWORK

The LCTS scheme is developed in support of ambitions within the Council Plan regarding "Healthy and Happy Communities" to optimise access for those that need it most, together with welfare benefits and related support.

CONCLUSION OF IMPACT ASSESSMENT

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

The ambition is to continue with a LCTS scheme for the Council, which supports the objective of simplicity, but protects the most vulnerable residents in the district. The Council must continue to ensure that it has due regard to equality in making its local scheme, including how it will minimise disadvantage.

The Equality and Human Rights Impact Assessment has been reviewed and can be found as part of **Appendix B**.

LEGAL IMPLICATIONS

The Local Government Finance Act 1992 (as amended) provides that the Council, as the billing authority, must consider whether to revise its LCTS scheme, or replace it with another scheme by 11th March every year. However, it is beneficial for the Council to determine the principles of its LCTS scheme early, in order to build estimates into its Tax Base calculations.

Before a Council can determine to revise or replace its LCTS scheme it must consult any major precepting authority which has the power to issue a precept to it and such other persons as it considers are likely to have an interest in the operation of the scheme. However, these consultation rules do not apply if the Council approves the recommendation to "retain" its existing LCTS scheme.

Likewise, if Council is not proposing to change the existing LCTS scheme then technically there is no requirement to seek approval from full Council. However, it is

considered good practice for Council to ratify the existing scheme, given the annual uprating in April each year to adjust benefits and personal allowances, and any other consequential amendments.

FINANCIAL IMPLICATIONS

Currently the LCTS system is estimated to cost £11.823M in total each year with the Council's element amounting to 11.17% (£1.321M) in 2025/26; the cost being affected by council tax rates and claimant caseload, as well as the decisions of Council. The overall cost is broken down between working age claimants (£7.187M) and elderly claimants (£4.635M) with any decision disproportionately only affecting working age claimants. Of this cost for working age claimants (£7.187M), approximately £0.803M falls to the City Council, with the remainder being covered predominantly by the other major precepting authorities (County, Fire, Police) and a small element being met by Parish and Town Councils. Since the introduction of the LCTS scheme, the Government has rolled the Council Tax Support Grant into mainstream Government funding thereby making it impossible to separately identify. Should Council approve Option 2 and reduce support levels there would be related savings to the Council and major preceptors (County, Fire, Police), subject to the level of reduction. Any impact on parishes would be negligible. A cut of 10% in the level of support for working age claimants would equate to savings of £0.080M, whereas a 20% cut in support levels would equate to £0.161M in savings for the City Council.

OTHER RESOURCE IMPLICATIONS

Human Resources:

None

Information Services:

None

Property:

None

Open Spaces:

None

SECTION 151 OFFICER'S COMMENTS

As Members will be aware the Council is currently facing a significant budget deficit in 2026/27 and beyond, and as a result there is pressure to reduce costs where possible. As noted within the report Lancaster City Council is one of only a few Councils which provides 100% support for working age claimants at an annual cost exceeding £0.800M per annum, and so is an area where changes to the scheme could provide a level of savings to reduce the deficit.

Revisions to the scheme were reviewed as part of the 2024/25 budget process and based on Band D equivalent savings to the Council could be c.£0100M however this does not include the impact of any additional collection costs associated with nonpayment. Should Members wish to revise the scheme to achieve a degree of savings it should be balanced against the points raised at para 4.2 as well as the Council's stated Priorities.

MONITORING OFFICER'S COMMENTS

The monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

None

Contact Officer: Andrew Taylor,
Assistant Director (Head of Revenues
and Benefits)
Telephone: 01772 906013
E-mail: a.taylor@preston.gov.uk

APPENDIX A

Lancaster City Council
Summary Principles of the Council Tax Support Scheme

The Council Tax Support Scheme is based upon the following principles and will:

1. be calculated as a means tested discount, defined primarily by the terms of the former Council Tax Benefit (CTB) Scheme;
2. match/reflect as appropriate specific wider welfare reforms introduced by the Government, such as those that impact upon housing benefits and/or universal credit;
3. protect pensioners (a Government requirement);
4. help protect the most vulnerable members of society as far as possible, as determined locally;
5. retain a local arrangement for war pensions to be disregarded in full;
6. support positive work incentives that are built in to benefit those who find work;
7. include a hardship fund to help claimants who suffer exceptional hardship as a result of council tax support changes; and
8. not include a second adult rebate reduction for working age claimants.

Class of persons:

The scheme sets out rules for working age claimants. Regulations prescribe a scheme for claimants of state pension credit age and prescribe certain classes of persons who are not eligible to claim council tax support.

Eligibility for council tax support is determined by reference to means testing i.e. the income and capital of the claimant and any partner; and by the income and number of non-dependants in the household.

Eligibility for council tax support is defined by the terms of this scheme. The scheme sets out how council tax support is claimed, calculated and paid, except where amendments are required by statute under the Local Government Finance Act 2012 and/or accompanying legislation.

Class of reductions:

The scheme aligns with the basic principle of the need to create work incentives.

The scheme is based on the system of making deductions from the eligible council tax for each non-dependant person in the household. The categories of non-dependency are set out in the scheme. Income brackets may be altered in line with the general up-rating arrangements in the scheme, usually adjusted annually to include personal allowances.

Changes will be reflected in the scheme, as considered appropriate, to reflect the Government's ongoing welfare benefits reforms, such as those affecting housing benefit and universal credit as examples.

Applications:

An application will be required for all new claims. An appropriate means of application will be decided by the authority and may be revised as required. A review process may be implemented by the local authority for new and existing awards. Awards may be reviewed in a time period to be determined by the authority and failure of the claimant to fulfil any request during a review of their award may result in the termination of that award.

General administration of the scheme:

Apart from where statutorily required, advice of any award granted, removed or revised will be by an adjustment to the council tax bill and the bill itself will be the formal notification. The authority reserves the right to include additional notifications.

Changes in Circumstances:

Matters relating to the duty for a claimant to notify the Local Authority of a change in circumstances shall generally replicate those that applied to the former CTB Scheme.

Appeals process:

Claimants will submit any appeals to the Council in the first instance for a reconsideration of a relevant decision. Once notified of the outcome of this review, the claimant will have a period of two months from the date of the notification to submit an appeal to the Valuation Tribunal.

Backdating:

Council Tax Support can be backdated, providing continuous good cause is shown for the delay in claiming.

Up-rating:

Following commencement of the scheme, with effect from 1st April each year any figures set out in the scheme may be up-rated by the consumer price index, retail price index or other rate of inflation set out in the preceding September, or by another rate determined with reference to provisions made for Housing Benefit and Universal Credit, or as decided by the authority.

Other Matters:

The scheme may be amended to take into account any circumstances subsequently identified, whether through government statute, or other means.

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APPENDIX B



Lancaster City Council's Equality Impact Assessment Localised Council Tax Support Scheme 2025/26

Section 1: Details:

Service	Revenues & Benefits Shared Service Resources
Title and brief description (if required)	Localised Council Tax Support Scheme (2025/26)
New or existing	Existing
Author/officer lead	Lead – Head of Shared Service / Benefits Manager
Date	7 th November 2024

Does this affect staff, customers or other members of the public?

Yes

Section 2: Summary:

What is the purpose, aims and objectives?

The Local Government Finance Act 1992 as amended, sets out measures requiring all billing authorities to introduce and maintain a LCTS scheme for each financial year.

The main aims of the LCTS scheme are to ensure fairness and consistency, and to help reduce confusion for claimants.

Who is intended to benefit and how?

Under any scheme, support for pensioners must remain at existing levels, and the scheme must be delivered through a national framework of criteria and allowances.

For working age claimants, Councils can choose, through the design of their scheme, whether to alter support entitlements in some way.

Policies and procedures are structured to ensure that all customers receive the correct amount of support and that every claim is considered on its own merits and in accordance with legislation and Government guidance.

Section 3: Assessing impact

Is there any potential or evidence that this will or could:

- Affect people from any protected group differently to others? Yes

• Discriminate unlawfully against any protected group?		No
• Affect the relations between protected groups and others?		No
• Encourage protected groups to participate in activities if participation is disproportionately low (won't always be applicable)?		No
• Prevent the Council from achieving the aims of its' Equality and Diversity Policy?		No

We hold household and income details of current Localised Council Tax Support recipients and we have access to wider population statistics and can assess equality monitoring data available as part of the survey.		
Age including older and younger people and children	Positive re: pensioners - as they are protected from any changes, as directed by Government. The scheme impacts upon working age claimants only.	
Disability	Disabled customers are not adversely affected by the LCTS scheme and are not disadvantaged in comparison to other groups.	
Faith, religion or belief	Neutral.	
Gender including marriage, pregnancy and maternity	No specific evidence. We do not anticipate this scheme will have a particular equality impact on this protected group.	
Gender reassignment	We do not anticipate this scheme will have a particular equality impact on this protected group.	
Race	Potentially but if so, very marginally – BME populations seem to be over- represented in unemployment figures and so this may feed through into LCTS claims and entitlement.	
Sexual orientation (Including Civic Partnerships)	No specific evidence. We do not anticipate this scheme will have a particular equality impact on this protected group.	
Rural communities	No specific evidence. We do not anticipate this scheme will have a particular equality impact on this protected group.	
People on low incomes	The scheme relates predominantly to this group, but numbers affected by the specific proposals are expected to be very low.	

Section 4: Next steps:

Do you need any more information/evidence eg statistics, consultation? If so, how do you plan to address this?

No further evidence required.

The proposal is to retain the existing scheme, which works well and offers 100% support.

How have you taken/will you take the potential impact and evidence into account?

This Equality Impact Assessment forms part of the Council report to be presented to Members December 2024.

How do you plan to monitor the impact and effectiveness of this change or decision?

Applications to the Discretionary Hardship fund will be analysed to establish if any group is suffering extreme detriment under the retained LCTS scheme to enable action to be taken.

The Council has a Hardship Fund, available to assist vulnerable customers, experiencing difficulty in meeting their Council Tax liability.

COUNCIL

Treasury Management Mid-Year Review 2025/26 **17th December 2025**

Report of Chief Finance Officer

PURPOSE OF REPORT

This report seeks Council's consideration of various matters in connection with the Treasury Management Mid-Year Review 2025/26.

This report is public

RECOMMENDATIONS:

That Council :

- (1) Consider the various matters in connection with the Treasury Management Mid-Year Review 2025/26
- (2) Approves the changes to the investment counterparty criteria and the sovereign limit as set out in the report

1.0 INTRODUCTION

- 1.1 The Council's Treasury Management Activities are regulated by 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
- 1.2 During 2025/26 the minimum reporting requirements are that Full Council should receive the following reports:
 - an annual treasury strategy in advance of the year (Council 26 February 2025)
 - a mid-year (minimum) treasury update report (this report).
 - an annual review following the end of the year describing the activity compared to the strategy
- 1.3 In addition, Members will receive quarterly treasury management update reports which are presented to Cabinet and Budget and Performance Panel.

2.0 BACKGROUND

- 2.1 The Mid-Year Review (Appendix A) sets out the performance of treasury operations for the first six months of the 2025/26 financial year in terms of long and short-term borrowing, investment activities and relevant borrowing limits and prudential indicators.
- 2.2 Under CIPFA's Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) it is a requirement that an information report on these matters be presented to Cabinet and full Council.

3.0 MID YEAR REVIEW SUMMARY DETAILS

Mid-year quarter 2 position incorporates the amended indicators set out in the amended TM strategy

Investments

- 3.1 The average level of funds available for investment purposes over the six-month period was £27.6M (2024/25 £25.0M). These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.
- 3.2 The Council's investments returned a weighted average rate of 4.09% on deposit generating £593K of interest against a profiled budget of £261K.

Borrowing

- 3.3 The Capital Financing Requirement (CFR) measures the Council's underlining need to borrow for capital purpose, i.e., its borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.
- 3.4 The Council's capital financing requirement (CFR) for 2025/26 was forecast as £117.96M the current forecast CFR at quarter 2 is, however, £115.16M. This is principally due to the impact of slippage of expenditure funded by unsupported borrowing into future years.
- 3.5 If the CFR is positive the Council may borrow from the PWLB, or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council currently has borrowings of £56.93M and has utilised £40.93M of cash flow funds in lieu of borrowing and with current forecasts estimating new borrowing of up to £15M later in the financial year. However, the potential for further slippage & uncertainty of large cashflows relating to the Eden Project make this difficult to quantify with certainty and the actual amount of borrowing may be lower.
- 3.6 Consideration also needs to be given to the recent volatility in the markets leading to high PWLB interest rates. In light of this it may be prudent to delay borrowing or consider the use of short-term borrowing as an interim measure.

Prudential Indicators

- 3.7 In compliance with the Prudential Framework the Council sets an annual Treasury Management Strategy including key indicators, determined under regulation, to assist Members in assessing the affordability of borrowing and in determining that it is prudent and sustainable.

The indicators are set out in **Annex A** of The Mid-Year Report at **Appendix A**

4.0 Recommended Changes to the Treasury and Capital Strategies

The current investment counterparty criteria selection approved in the TMSS requires updating to ensure it continues to meet the requirement of the treasury management function.

It is recommended that the money limits for orange and red rated banks be increased from £6M to £12M to allow increased use of Environmental, Social and Governance (ESG) based investment funds.

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	£12m	≤1 year
Banks – part nationalised	blue	£12m	≤1 year
Banks	red	£12m	≤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.

** "fund" ratings are different to individual counterparty ratings, coming under either specific "MMF" or "Bond Fund" rating criteria.

Whilst the Council does not set a minimum credit rating for the UK, in line with advice from MUFG it is also recommended to amend the minimum sovereign credit rating to lend to UK banks and building societies plus banks in other countries with at least one sovereign rating of a minimum of AA-.

5.0 OPTIONS AND OPTIONS ANALYSIS

5.1 As the report is for consideration and progressing to Budget and Performance Panel and Full Council, no alternative options are put forward.

6.0 CONCLUSION

6.1 Consideration of Treasury Management Mid-Year Review and presentation to Full Council will ensure the Council complies with CIPFA's Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

RELATIONSHIP TO POLICY FRAMEWORK

Treasury Management forms part of the Council's budget framework

CONCLUSION OF IMPACT ASSESSMENT

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

Effective Treasury Management and use of the Council's resources is fundamental to the delivery of its priorities and outcomes.

LEGAL IMPLICATIONS

None directly arising from this report.

FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

However, due to the financial pressures faced by the Council, and the significant increase in interest rates and borrowing costs areas of capital investment may be delayed, reprofiled or stopped. Financial due diligence and assessment will ensure that all the appropriate costs are considered for each proposal and external advice considered ahead of any borrowing being incurred.

OTHER RESOURCE IMPLICATIONS

There are no additional resource or risk implications

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has written this report in his role as Chief Finance Officer and would draw Members attention to the following comments

As part of the work to address the "Community concern over bombardment of Gaza and reaffirming Lancaster City Council's commitment to human rights and International Law" motion presented to Council 24th September 2025, this report requests an increase in sovereign limits from £6M to £12M. Whilst this increase will allow wider access to, and use of Environmental, Social and Governance (ESG) based investment funds, it does significantly increase the level of risk to the Council. As approval of the Treasury Management Strategy is a function of Full Council Members must be satisfied that the increase in risk is balanced against the benefits of investment in ESG funds

Work to address other issues raised within the motion is on going and will be reported to Full Council at the appropriate date.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Community concern over bombardment of Gaza and reaffirming Lancaster City Council's commitment to human rights and International Law

[Agenda for Council on Wednesday, 24th September 2025, 6.00 p.m. - Lancaster City Council](#)

Treasury Management Strategy

[Agenda for Council on Wednesday, 26th February 2025, 6.00 p.m. - Lancaster City Council](#)

Treasury Management Mid-Year Review

[Agenda for Cabinet on Tuesday, 2nd December 2025, 6.00 p.m. – Lancaster City Council](#)

Contact Officer: Paul Thompson

Telephone: 01524 582603

E-mail: pthompson@lancaster.gov.uk

Ref: N/A

Appendix A

Treasury Management Strategy Statement and Annual Investment Strategy

Mid-Year Review 2025/26

Report of Chief Finance Officer

1. Background

Treasury Management

The Council operates a balanced revenue budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising 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 the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the local authority's borrowing, 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.”

CIPFA Consultation on Treasury Management and Prudential Codes of Practice

The Chartered Institute of Public Finance and Accountancy is currently consulting local authorities in respect of potential changes to the Codes. At this juncture, the focus seems to primarily be on the Non-Treasury investment aspects of local authority activity. Officers will provide an update on any material developments/changes in due course.

2. Introduction

This report has been written in accordance with the requirements of CIPFA's Code of Practice for Treasury Management (revised 2021).

The primary requirements of the Code are as follows:

- (i) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- (ii) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- (iii) Receipt by full Council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision

Policy – for the year ahead, a Mid-year Review Report and an Annual Report, covering activities during the previous year.

- (iv) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- (v) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is Budget and Performance Panel.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2025/26 financial year
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators
- A review of the Council's investment portfolio for 2025/26
- A review of the Council's borrowing strategy for 2025/26
- A review of any debt rescheduling undertaken during 2025/26
- A review of compliance with Treasury and Prudential Limits for 2025/26

Key Changes to the Treasury and Capital Strategies

An increase in monetary limits to counterparties to allow increased use of Environmental, Social and Governance based investment funds.

The Country limit be amend to lend to UK banks and building societies plus banks in other countries with at least one sovereign rating of a minimum of AA-.

Recommendations

Cabinet is asked to recommend the following to the full Council:

- Notes the report, the treasury activity and performance against the prudential indicators
- Recommend approval of changes to the investment counterparty criteria to full Council.
- Recommend approval of change to the sovereign limit to full Council.

3. Economics update (provided by Link Asset Services)

- The first half of 2025/26 saw:
 - A 0.3% pick up in GDP for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth.
 - The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% to 4.8% in July.
 - CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.6%.

- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August.
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70%.
- From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q. Nonetheless, the 0.0% m/m change in real GDP in July will have caused some concern, with the hikes in taxes for businesses that took place in April this year undoubtedly playing a part in restraining growth. The weak overseas environment is also likely to have contributed to the 1.3% m/m fall in manufacturing output in July. That was the second large fall in three months and left the 3m/3m rate at a 20-month low of -1.1%. The 0.1% m/m rise in services output kept its 3m/3m rate at 0.4%, supported by stronger output in the health and arts/entertainment sectors. Looking ahead, ongoing speculation about further tax rises in the Autumn Budget on 26 November will remain a drag on GDP growth for a while yet. GDP growth for 2025 is forecast by Capital Economics to be 1.3%.
- Sticking with future economic sentiment, the composite Purchasing Manager Index for the UK fell from 53.5 in August to 51.0 in September. The decline was mostly driven by a fall in the services PMI, which declined from 54.2 to 51.9. The manufacturing PMI output balance also fell, from 49.3 to 45.4. That was due to both weak overseas demand (the new exports orders balance fell for the fourth month in a row) and the cyber-attack-induced shutdown at Jaguar Land Rover since 1 September reducing car production across the automotive supply chain. The PMIs suggest tepid growth is the best that can be expected when the Q3 GDP numbers are released.
- Turning to retail sales, and the 0.5% m/m rise in volumes in August was the third such rise in a row and was driven by gains in all the major categories except fuel sales, which fell by 2.0% m/m. Sales may have been supported by the warmer-than-usual weather. If sales were just flat in September, then in Q3 sales volumes would be up 0.7% q/q compared to the 0.2% q/q gain in Q2.
- With the November Budget edging nearer, the public finances position looks weak. Public net sector borrowing of £18.0bn in August means that after five months of the financial year, borrowing is already £11.4bn higher than the OBR forecast at the Spring Statement in March. The overshoot in the Chancellor's chosen fiscal mandate of the current budget is even greater with a cumulative deficit of £15.3bn. All this was due to both current receipts in August being lower than the OBR forecast (by £1.8bn) and current expenditure being higher (by £1.0bn). Over the first five months of the financial year, current receipts have fallen short by a total of £6.1bn (partly due to lower-than-expected self-assessment income tax) and current expenditure has overshot by a total of £3.7bn (partly due to social benefits and departmental spending). Furthermore, what very much matters now is the OBR forecasts and their impact on the current budget in 2029/30, which is when the Chancellor's fiscal mandate bites. As a general guide, Capital Economics forecasts a deficit of about £18bn, meaning the Chancellor will have to raise £28bn, mostly through higher taxes, if she wants to keep her buffer against her rule of £10bn.
- The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, however, the monthly change was revised higher in seven of the previous nine months by a total of 22,000. So instead of falling by 165,000 in total since October, payroll employment is now thought to have declined by a smaller 153,000. Even so, payroll employment has still fallen in nine of the ten months since the Chancellor announced the rises in National Insurance Contributions (NICs) for employers and the minimum wage in the October Budget. The number of job vacancies in the three months to August stood at 728,000. Vacancies have now fallen by approximately 47% since its peak in April 2022. All this suggests the labour market continues to loosen, albeit at a declining pace.

- A looser labour market is driving softer wage pressures. The 3m/yy rate of average earnings growth excluding bonuses has fallen from 5.5% in April to 4.8% in July. The rate for the private sector slipped from 5.5% to 4.7%, putting it on track to be in line with the Bank of England's Q3 forecast (4.6% for September).
- CPI inflation fell slightly from 3.5% in April to 3.4% in May, and services inflation dropped from 5.4% to 4.7%, whilst core inflation also softened from 3.8% to 3.5%. More recently, though, inflation pressures have resurfaced, although the recent upward march in CPI inflation did pause for breath in August, with CPI inflation staying at 3.8%. Core inflation eased once more too, from 3.8% to 3.6%, and services inflation dipped from 5.0% to 4.7%. So, we finish the half year in a similar position to where we started, although with food inflation rising to an 18-month high of 5.1% and households' expectations for inflation standing at a six year high, a further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.
- An ever-present issue throughout the past six months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, and then easing back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended Q2 at 4.50%.
- More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England have kept yields elevated over 4.70%.
- The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1 April to 7,702 on 7 April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 closed Q2 at 8,761, around 2% higher than its value at the end of Q1 and more than 7% above its level at the start of 2025. Since then, the FTSE 100 has enjoyed a further 4% rise in July, its strongest monthly gain since January and outperforming the S&P 500. Strong corporate earnings and progress in trade talks (US-EU, UK-India) lifted share prices and the index hit a record 9,321 in mid-August, driven by hopes of peace in Ukraine and dovish signals from Fed Chair Powell. September proved more volatile and the FTSE 100 closed Q3 at 9,350, 7% higher than at the end of Q1 and 14% higher since the start of 2025. Future performance will likely be impacted by the extent to which investors' global risk appetite remains intact, Fed rate cuts, resilience in the US economy, and AI optimism. A weaker pound will also boost the index as it inflates overseas earnings.

MPC meetings: 8 May, 19 June, 7 August, 18 September 2025

- *There were four Monetary Policy Committee (MPC) meetings in the first half of the financial year. In May, the committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPS members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.*

- In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was “finely balanced” and reiterating that future rate cuts would be undertaken “gradually and carefully”. Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC will be wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.
- The Bank of England does not anticipate CPI getting to 2% until early 2027, and with wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction).
- The Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that “a gradual and careful” approach to rate cuts is appropriate suggests the Bank still thinks interest rates will fall further but possibly not until February, which aligns with both our own view and that of the prevailing market sentiment.

4. Interest Rate Forecast

The Council has appointed MUFG Corporate Markets 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.

MUFG Corporate Markets' latest forecast on 11 August sets out a view the short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

MUFG Corporate Markets Interest Rate View 11.08.25													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

5. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy (TMS) for 2025/26, which includes the Annual Investment Strategy was approved by Council on 26 February 2025.

In accordance with the CIPFA Treasury Management Code of Practice the Council's investment priorities are set out 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 and with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash

flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the MUFG Corporate Markets suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

Creditworthiness

The UK's sovereign rating has proven robust through the first half of 2025/26. The Government is expected to outline in detail its future fiscal proposals in the Budget scheduled for 26 November 2025.

Investment Counterparty Criteria

The current investment counterparty criteria selection approved in the TMSS requires updating to ensure it continues to meet the requirement of the treasury management function.

It is recommended that the money limits for orange and red rated banks be increased from £6M to £12M to allow increased use of Environmental, Social and Governance based investment funds.

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	£12m	≤1 year

Banks – part nationalised	blue	£12m	≤1 year
Banks	red	£12m	≤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.

** "fund" ratings are different to individual counterparty ratings, coming under either specific "MMF" or "Bond Fund" rating criteria.

Whilst the Council does not set a minimum rating for the UK, in line with advice from MUFG it is also recommended to amend the minimum sovereign credit rating to lend to UK banks and building societies plus banks in other countries with at least one sovereign rating of a minimum of AA-.

CDS prices

It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

Investment balances

The average level of funds available for investment purposes during the period was **£27.59M**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.

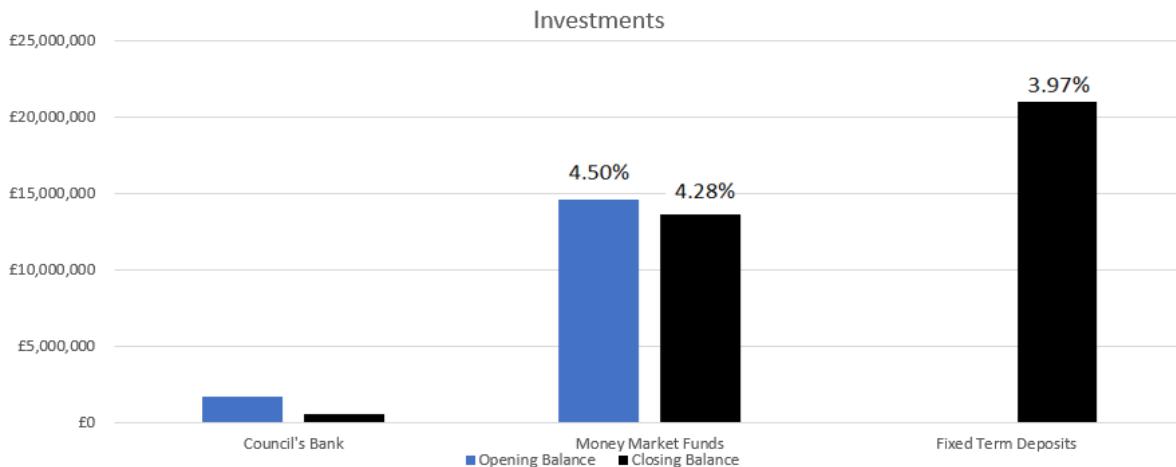
Investment performance year to date as of 30 September 2025

In terms of performance against external benchmarks, the return on investments compared to the SONIA (average) and bank rates at the end of the period is as follows. This is viewed as positive performance, especially given the need to prioritise security of investments, and liquidity (i.e. making sure that the Council's cashflow meets its needs):

Base Rate	4.00%
SONIA (average)	4.19%
Lancaster City Council investments	4.09%

Investment Balances – quarter ended 30 September 2025

At the start of the year investments totalled £14.6M rising to £34.6M by 30 September. Fixed term investments increased from £0M to £21.0M whilst Money Market Fund balances reduced slightly from £14.6M to £13.6M.



Approved Limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30th September 2025.

Borrowing

The Council's capital financing requirement (CFR) for 2025/26 was forecast as £117.96M as set out in **Annex A**. The current forecast CFR at quarter 2 is, £115.16M. this is principally due to slippage identified as part of the Capital Programme Mid-Year Review. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council currently has borrowings of £56.93M and has utilised £40.93M of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring if gilt yields remain elevated, particularly at the longer-end of the yield curve (25 to 50 years).

No new external borrowing has, to date, been undertaken. The capital programme is being kept under regular review due to the effects of on-going budgetary pressures. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

It is anticipated that further borrowing may need to be undertaken during this financial year. The original estimate was that we would need to borrow around £15M in quarter 4 of 2025/26. The latest cashflow forecast suggests that borrowing may now not be required in 2025/26 but there are significant uncertainties within that. The potential for further slippage within the Capital Programme and unknown large cashflows relating to the Eden Project make this difficult to quantify with certainty and the actual amount of borrowing may be lower. Consideration also needs to be given to the recent volatility in the markets leading to high PWLB interest rates. In light of this, it may be prudent to delay borrowing or consider the use of short-term borrowing as an interim measure.

Gilt yields and PWLB certainty rates have remained relatively volatile throughout the six months under review, but the general trend has been for medium and longer dated parts of the curve to shift higher whilst the 5-year part of the curve finished September close to where it began in April.

Concerns around the stickiness of inflation, elevated wages, households' inflation expectations reaching a six-year high, and the difficult funding choices facing the Chancellor in the upcoming Budget on 26 November dominated market thinking, although international factors emanating from the Trump administration's fiscal, tariff and geo-political policies also played a role.

At the beginning of April, the 1-year certainty rate was the cheapest part of the curve at 4.82% whilst the 25-year rate was relatively expensive at 5.92%. Early September saw the high point for medium and longer-dated rates, although there was a small reduction in rates, comparatively speaking, by the end of the month.

The spread in the 5-year part of the curve (the difference between the lowest and highest rates for the duration) was the smallest at 37 basis points whilst, conversely, the 50-years' part of the curve saw a spread of 68 basis points.

At this juncture, MUFG Corporate Markets still forecasts rates to fall back over the next two to three years as inflation dampens, although there is upside risk to all forecasts at present. The CPI measure of inflation is expected to fall below 2% in early 2027 but hit a peak of 4% or higher later in 2025.

The Bank of England announced in September that it would be favouring the short and medium part of the curve for the foreseeable future when issuing gilts, but market reaction to the November Budget is likely to be the decisive factor in future gilt market attractiveness to investors and their willingness to buy UK sovereign debt.

6. Debt Rescheduling

Debt repayment and rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt rescheduling has been undertaken to date in the current financial year.

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 half year ended 30th September 2025, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2025/26. The Chief Finance 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.

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 to other types of investment instruments this change in risk appetite and policy should be brought to members' attention in treasury management update reports. Whilst the risk appetite remains low, the recommended

increase of monetary limits for banks with credit ratings show as orange or red from £6M to £12M in order to utilise more ESG investment funds does increase the risk to the Council.

PRUDENTIAL INDICATORS - MID YEAR REVIEW**Prudential Indicator for Capital Expenditure**

This table shows the current estimates for the General Fund and Housing Revenue Account capital programmes, compared to the original estimates.

Capital Expenditure by Fund	2025/26	
	Original Estimate £m	Quarter 2 Position £m
General Fund	27.08	33.65
Council Housing (HRA)	6.12	8.15
Total Capital Expenditure	33.20	41.80

Changes to the Financing of the Capital Programmes

This table shows the changes in the financing of the capital programmes, and the level of borrowing required.

Capital Expenditure	2025/26	
	Original Estimate £m	Quarter 2 Position £m
Total capital expenditure	33.20	41.80
Financed by:		
Capital receipts	1.35	1.41
Capital grants	6.22	13.14
Reserves	4.88	6.20
Revenue	0.00	0.00
Total Financing	12.45	20.75
Borrowing Requirement	20.75	21.05

Changes to the Capital Financing Requirement

Capital Financing Requirement	2025/26	
	Original Estimate £m	Quarter 2 Position £m
General Fund	85.96	83.17
HRA	32.00	32.00
Total Capital Financing Requirement	117.96	115.16
Net movement in CFR	16.79	-2.80

Limits to Borrowing Activity

A key control over treasury management activity is to ensure that over the medium term, net borrowing (borrowings less investments) will only be for capital purposes. Gross external borrowing should not, except in the short term, exceed the total capital financing requirement.

External Debt v Borrowing Need (CFR)	2025/26	
	Original Estimate £m	Quarter 2 Position £m
External Debt	63.93	56.93
Expected Change in Other long term liabilities	14.96	13.96
Total Debt	78.89	70.89
Compared to current :		
Capital Financing Requirement	117.96	115.16
Operational Boundary:-		
Debt	118.96	118.96
Authorised Limit:-		
Debt	134.00	134.00

Definitions:

Operational Boundary

The limit beyond which external debt is not normally expected to exceed is known as the operational boundary.

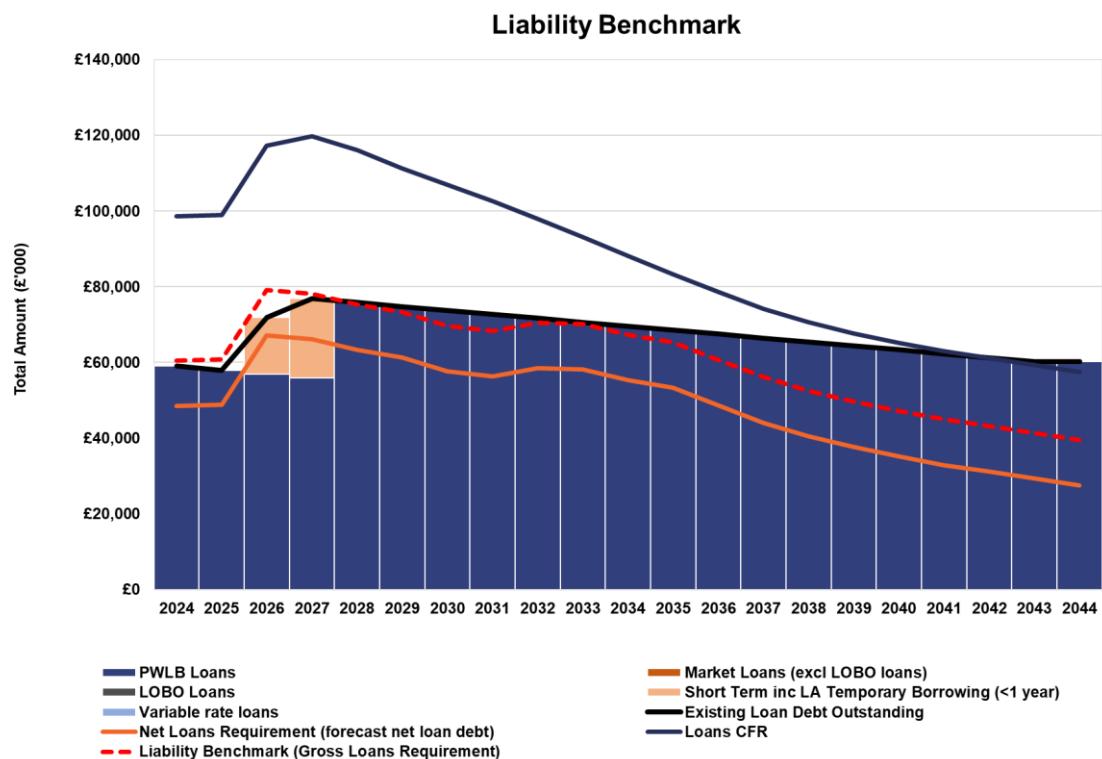
Authorised Limit for External Debt

A further prudential indicator controls the overall level of borrowing. This is the authorised limit which represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, whilst not desired, could be afforded in the short term, but it is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements.

Liability Benchmark

The Council's liability benchmark reflecting the mid-year position is set out below. This charts the following four key components:

1. **Existing loan debt outstanding:** the Authority'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 Authority'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.



COUNCIL**Medium Term Financial Strategy Update****2026/27 – 2030/31****17 December 2025****Report of Chief Finance Officer****PURPOSE OF REPORT**

To provide an update on the Council's Medium Term Financial Strategy forecasts for 2026/27 to 2030/31 and outline the approach to balancing the budget.

This report is public.**RECOMMENDATIONS**

That Council :

- (1) Considers and notes the draft future years estimates as set out in the report as the latest information available, accepting that this is an interim position.
- (2) Notes the Council Tax Base for 2026/27 as set out in paragraph 3.8.

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 This report sets out:
 - An updated budget gap analysis taking account of the latest funding outlook and other information on expenditure and income pressures.
 - A summary of the budget framework strategy
- 1.3 It is critically important that all Members understand that the position reported is an interim update of the baseline position and primarily for information. It contains a series of estimates and assumptions that are based on the latest information available. These are highly likely to change over the coming months as we work through the budget process. It does not include any impact the Local Government Finance Settlement due mid-December may have.

2.0 UPDATED BUDGET GAP ANALYSIS

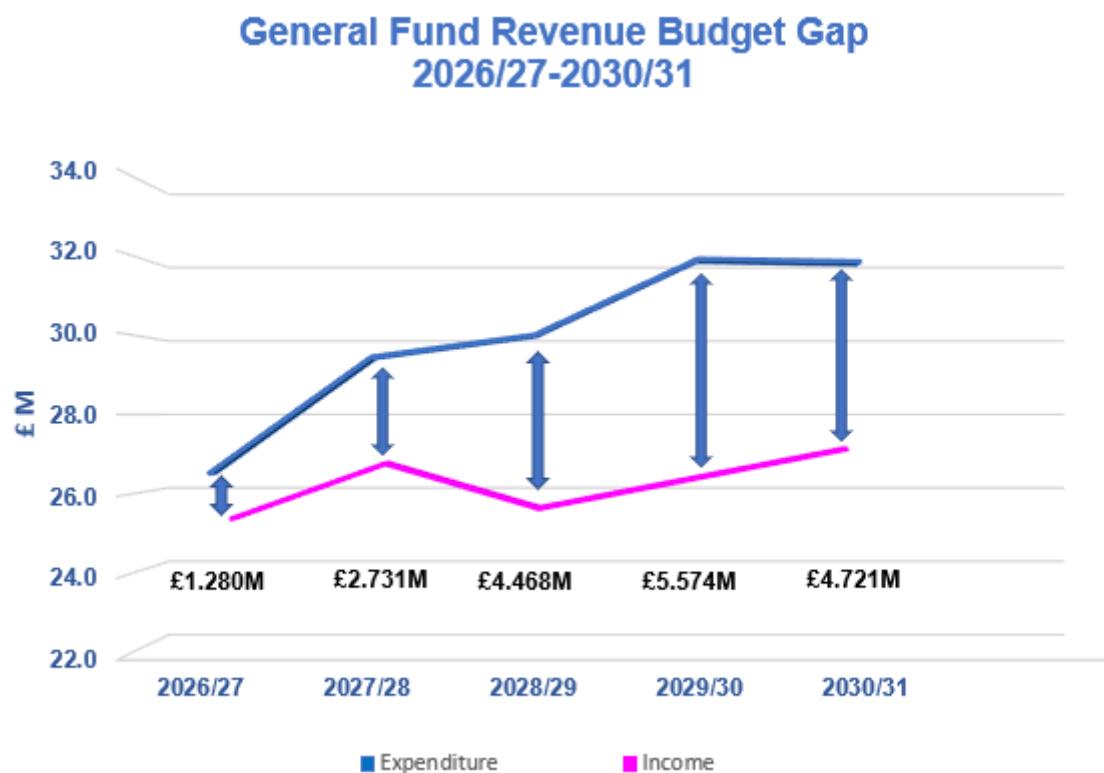
- 2.1 Officers have been working with budget holders and Senior Leadership Team to update the Council's Medium Term Financial position. The review considered latest available information around government funding, other income streams as well as forecast expenditure levels incorporating known budget pressures. It aims to provide a baseline position.
- 2.2 As noted above, this baseline forecast is subject to change when more up to date information

becomes available and does not reflect the ongoing work being done by Cabinet and Senior Leadership Team in regard to any Outcomes Based Resourcing (OBR)/Fit for the Future (FftF) proposals, nor does it reflect the revenue impact of any proposed further revisions to the capital programme made after the after Capital Programme Mid Year Review report was approved by Council on 24 September 2025. It sets a baseline position without any further interventions in the Budget setting process. The interventions and actions being undertaken include:

- A range of income and efficiency proposals aiming to significantly reduce the 2026/27 budget gap, to be brought forward in the upcoming Budget and Policy Framework.
- An ongoing OBR/FftF process which includes the examination of every area of its budget and matching resources more closely with its priorities. The OBR/FftF programme includes looking at ways the Council can do things differently by utilising technology and being more efficient, as well as considering areas in which it can generate more income.

More details on OBR/FftF are given in section 6.0 of this report.

2.3 The current budget gap for the next five years to 2030/31 is summarised in the graph below. The graph below assumes no intervention, but it does highlight the scale of the challenge facing the Council, the reasons for which are outlined in the report.



3.0 GOVERNMENT FUNDING PROSPECTS

3.1 Members will be aware that Local Government funding has changed significantly over recent years. Significant reductions in central funding have taken place and as a result the Council is now almost entirely reliant on Council Tax and Business Rates with income from some assets and services to fund net expenditure. It is, therefore, important to provide regular estimates of these key funding streams.

Autumn Statement

3.2 Government announced its Autumn Statement on 26 November 2025 and as this report was

written prior to that date and therefore doesn't include any financial consequences arising from it. A further update will be produced for all Members which will be reported into January's Cabinet and Council meetings.

Local Government Finance Settlement

3.3 Given that the Settlement announcement is imminent, and the current level of uncertainty, there is little benefit to be gained from spending significant time on modelling different funding scenarios; real information is needed at this stage in the process.

3.4 Nonetheless, some preliminary high-level work has been done to update the budget scenarios, in order that we do not lose sight of the potential risks and the challenge created by the underlying position.

3.5 This has taken the updated budget position and reflected several assumptions such as general inflation, the Local Government Pay Award and prospects for retained Business Rates, Council Tax yield and New Homes Bonus.

3.6 A further update will be produced for all Members once the Settlement has been announced and its impact assessed. This will be reported into January's Cabinet and Council meetings.

Council Tax

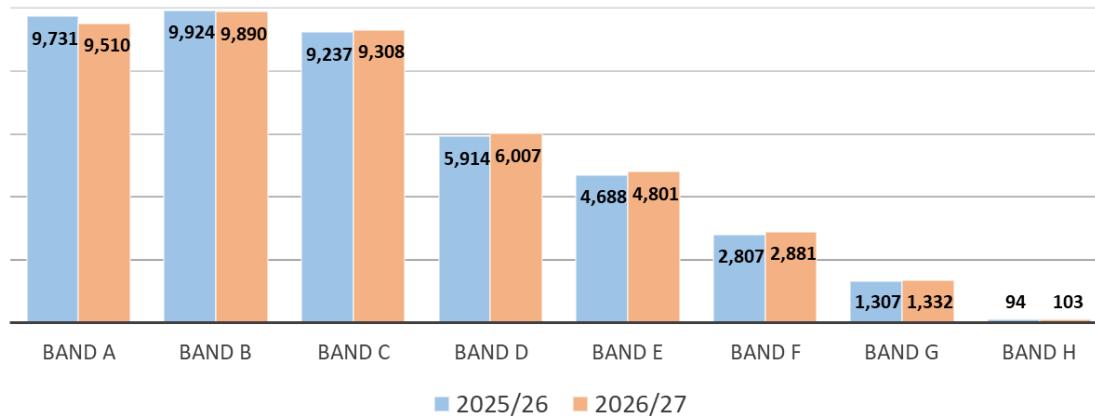
3.7 Council Tax is one of the Council's primary sources of funding and is calculated by multiplying the tax base, the number of eligible residential properties (expressed in band D equivalents), by the level of the district council precept which is determined each year.

3.8 The tax base for 2026/27 has been calculated as 43,833 Band D equivalent properties after allowing for a collection rate of 98.677%, the same as in previous years. This equates to a negligible increase in the tax base from 43,702 in 2025/26. This increased number of Band D equivalents when compared to the forecast in 2025/26 is largely due to :-

- new properties built in the area
- an increase in exempt accounts due to a review of student exemptions

From 2026/27 1% growth in the Tax base has been used for forecasting purposes.

Council Tax Base Comparison



3.9 The Government's referendum criteria which limits increases in the Council's element of Council Tax currently remains unchanged at 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.

3.10 The table below sets out Council Tax forecasts for the next four years including a sensitivity analysis showing the potential impact on council tax yield of different scenarios:

	Actual 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
Council Tax Band D 2.99% increase	£264.30	£272.20	£280.34	£288.72	£297.35	£306.24
Council Tax Band D (£5 increase)	£264.30	£269.30	£274.30	£279.30	£284.30	£289.30
Tax base (1% growth from 2026/27)	43,702	43,833	44,271	44,714	45,161	45,613
Council Tax Income (based on 2.99%)	£10,610,019	£11,931,343	£12,410,932	£12,909,826	£13,428,623	£13,968,525
Previous MTFS		£12,015,000	£12,498,000	£13,000,000	£13,522,000	£14,066,000
Difference Increase or (Decrease)		-£83,657	-£87,068	-£90,174	-£93,377	-£97,475
Scenario 1 – No increase in Council tax over period of MTFS		-£429,938	-£797,175	-£1,182,090	-£1,585,948	-£2,010,484
Scenario 2 – Council Tax Band D (£5 increase)		-£210,773	-£354,465	-£511,380	-£682,728	-£870,159
Scenario 3 – 1.5% increase in tax base growth & 2.99% increase from 2026/27)		-£83,657	-£1,845	£62,848	£133,204	£208,459

Business Rates

3.11 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.

3.12 As discussed in section 3.2, the Autumn Statement has not been released at the time of writing this report so no changes can be factored in at this point in time.

3.13 There is a 2025/26 forecast year end deficit of (-£0.788M) which will be recognised in 2026/27, however this will be fully funded from the Business Rates Retention Reserve (BRRR). It should be noted that this figure and will increase or decrease in line with collection fund monitoring until the NNDR1 form is submitted in January 2026.

3.14 With regard to 2026/27, the proposed business rates reset will take place and this will affect the collection fund in a number of ways :-

- A revised business rates baseline which is the amount that we are expected to collect as an Authority
- A revised baseline funding level which is the funding need as determined by the government
- Expected changes to the tariff payable by the Authority and S31 grants due to the Authority

The overall effect of the above is expected to be addressed within transitional arrangements but it is proposed to utilise the BRRR to mitigate any significant financial impact.

At the time of writing this report, the various models required to calculate the future impact have not been released. However, it is expected before the end of November and the financial impact will be considered within future iterations of this report as appropriate.

4.0 MEDIUM TERM FINANCIAL STRATEGY – CURRENT PROSPECTS TO 2030/31

4.1 Total operational changes included in the base budget for 2026/27 currently amount to a decrease in expenditure of £2.225M and are provided in the General Fund Revenue Budget Projections 2026/27 - 2030/31 table at paragraph 4.3.

MTFS Planning Assumptions

4.2

Within the current base budget there are several principles and key assumptions underpinning the proposed revenue strategy. The table below lists the major assumptions that have been made within the MTFS. Members should note these assumptions are highly likely to change as we move through the budget cycle

	2026/27	2027/28	2028/29	2029/30	2030/31
Council Tax Base Growth	1.00%	1.00%	1.00%	1.00%	1.00%
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%
Fees & Charges	3.80%	2.20%	2.00%	2.00%	2.00%
Pay Award	3.00%	3.00%	3.00%	3.00%	3.00%
Employer Pensions Contribution	10.40%	10.40%	10.40%	10.40%	10.40%
Electricity	24p/kwh	-9.81%	-4.38%	-6.79%	-17.61%
Gas	3.5p/kwh	2.20%	2.00%	2.00%	2.00%
Other inflation	3.80%	2.20%	2.00%	2.00%	2.00%
Interest Rate – investments	4.00%	3.25%	3.00%	3.00%	3.00%
Interest Rate – new borrowing	4.70%	4.30%	4.30%	4.30%	4.30%

4.3 General Fund Revenue Projections 2026/27 – 2030/31

General Fund Revenue Budget Projections 2026/27 to 2030/31					
For Consideration by Cabinet 2 December 2025					
	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000
GF Revenue Budget/Forecast as at 26 February 2025	28,749	29,489	30,118	31,873	32,829
Base Budget Changes					
Further Operational Changes					
Pay Award 25/26	188	194	200	206	212
Pensions (Employer Contribution Reduction)	(1,251)	(1,232)	(1,223)	(1,229)	(1,234)
Increase Staff Turnover (to £1M)	(352)	(352)	(352)	(352)	(352)
Interest Payable	(128)	43	33	33	43
Interest Receivable	18	72	36	38	38
Minimum Revenue Provision (MRP)	(190)	15	26	17	(426)
Review of Reserves	(293)	(293)	(293)	(293)	(293)
Use of Business Rates Retention Reserve	(788)	0	0	0	0
Review of Inflation Factors	37	61	71	60	(159)
Review of Corporate Property Programme	61	291	82	(12)	(382)
Review of Asset & Compliance Programme	(389)	(135)	(240)	(161)	(193)
Commercial Property Rental Income	498	74	(13)	(13)	(13)
Bed & Breakfast Expenditure	(541)	0	0	0	0
Burrowbeck/Gateway Solar	200	200	200	200	200
Waste Collection pEPR Payment	(367)	(347)	(326)	(305)	(305)
Food Waste (removal of savings target)	350	388	409	434	434
Williamson Park Net Income	143	143	143	143	143
Car Parking Pay & Display Income	350	350	350	350	350
Revenues Shared Service	60	60	60	60	60
ICT Cyber Security	114	114	114	114	114
Minor Variances	(15)	(110)	74	179	192
Latest Budgetary Position	26,454	29,025	29,469	31,342	31,258
Revenue Impact of Capital Programme Review (MRP & Interest)	77	441	546	564	583
Revenue Impact of Capital Programme Review (Ongoing Revenue)	(7)	(32)	(32)	(32)	(32)
General Fund Revenue Budget	26,524	29,434	29,983	31,874	31,809
Core Funding:					
Revenue Support Grant	(460)	(460)	(460)	(460)	(460)
Prior Year Council Tax (Surplus)/Deficit					
Prior Year Business Rates (Surplus)/Deficit	788				
Net Business Rates Income	(13,641)	(13,832)	(12,145)	(12,411)	(12,659)
Council Tax Requirement	13,211	15,142	17,378	19,003	18,690
Estimated Council Tax Income -					
(Increases based on 2.99% for 2025/26 then max allowable)	11,931	12,411	12,910	13,429	13,969
Structural (Surplus)/Deficit	1,280	2,731	4,468	5,574	4,721
Incremental Deficit as Percentage of Net Revenue Budget	5%	9%	15%	17%	15%

4.4 To reaffirm, the baseline forecast deficit positions above are subject to change when more

up to date information becomes available and does not reflect the ongoing work being done by Cabinet and Senior Leadership Team in regard to any OBR/FftF proposals, nor does it reflect the revenue impact of any future revisions to the capital programme.

5.0 PROVISIONS, RESERVES AND BALANCES

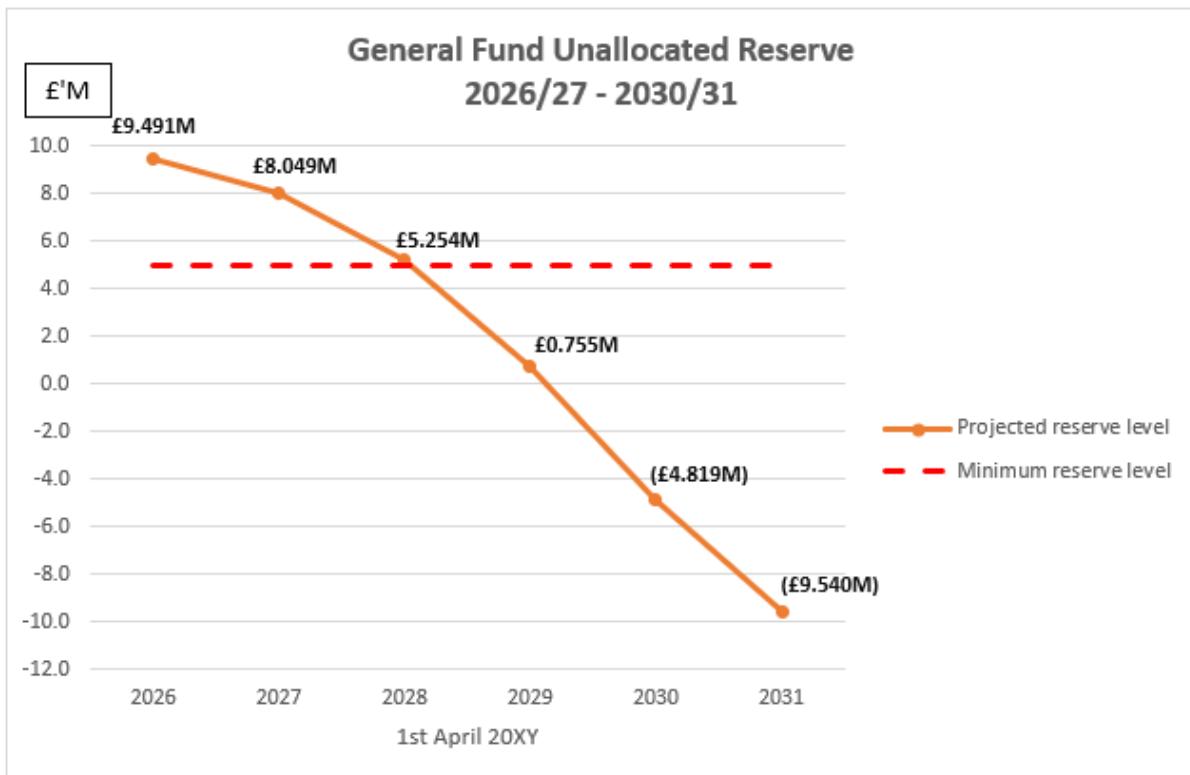
5.1 A Council's reserves are an essential part of good financial management. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. Councils generally hold two types of reserves, "Unallocated" to meet short term unexpected cost pressures or income reductions and "Earmarked". These can be held to provide for some future anticipated expenditure for identified projects (particularly in respect of corporate priorities), address specific risks such as business rates, provide up-front costs which specifically result in future efficiencies, cost savings or increased income, or to hold funding from other bodies, mainly Government, for specified purposes.

5.2 As noted above, reserve levels and their usage 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. The Council's minimum level of General Fund balance currently stands at £5M, at the advice of the s151 Officer.

5.3 The Council's Outturn Report 2024/25 showed the Council's Unallocated General Fund Balance as £10.028M. As reported to Cabinet elsewhere on this agenda (Delivering Our Priorities: Q2 2025/26 report), the projected level of the unallocated reserve is expected to reduce to £9.491M by 31 March 2026.

Without significant intervention by the Council the General Fund budget gaps will remain and unallocated balances will be required to fund them. Whilst the required level of reserves is assessed annually the forecast deficits are of such a size that available unallocated reserves will be expended within 2029/30, as illustrated in the tables below.

		2026/27	2027/28	2028/29	2029/30	2030/31
		£'000	£'000	£'000	£'000	£'000
General Fund Unallocated Balance						
		£M	£M	£M	£M	£M
BALANCES	Balance as at 1 April 2026-30	(9.491)	(8.049)	(5.254)	(0.755)	+4.819
	In Year allocations	+0.162	+0.064	+0.031	+0.000	+0.000
	Forecast (Under)/Overspend	+1.280	+2.731	+4.468	+5.574	+4.721
	Other Adjustments	+0.000	+0.000	+0.000	+0.000	+0.000
	Projected Balance as at 31 March 2027-31	(8.049)	(5.254)	(0.755)	+4.819	+9.540
	Reserves	(8.049)	(5.254)	(0.755)	+4.819	+9.540
	Less Recommended Minimum Level of Balances	5.000	5.000	5.000	5.000	5.000
	Available Balances	(3.049)	(0.254)	+4.245	+9.819	+14.540



5.4 In addition to the General Fund Unallocated Reserve the Council holds some further non-ringfenced reserves. These include the Business Rates Retention (BRR), and the renewals reserve. The table below shows the position were these also to be utilised to support the budget deficit.

5.5 However, Members should be aware that whilst the BRR can be utilised to support the general fund its main function is to manage fluctuations within with Business Rates Retention regime. It contains several technical entries such as provision for appeals against business rating values. The appeals are independently managed by the Valuation Office Agency (VOA) and so the outcome is out of the Council's control. As a result the movement in the BRR can be significant depending on the volume and value of any appeals. The reserve is also there to manage routine surpluses and deficits encountered during the normal administration of the business rates system. It is therefore recommended that the use of this reserve is treated with extreme caution.

	31-Mar-26 £'M	31-Mar-27 £'M	31-Mar-28 £'M	31-Mar-29 £'M	31-Mar-30 £'M	31-Mar-31 £'M
Unallocated Reserve	(9.491)	(9.330)	(9.265)	(9.234)	(9.234)	(9.234)
Other Non-Ring Fenced Reserves	(2.595)	(2.632)	(2.668)	(2.705)	(2.741)	(2.778)
Business Rates Retention Reserve	(12.790)	(11.402)	(10.902)	(10.902)	(10.902)	(10.902)
Renewals Reserve	(2.376)	(2.558)	(2.779)	(2.999)	(3.220)	(3.440)
Forecast Cumulative Deficit Funded From Reserves	+0.000	+1.280	+4.011	+8.479	+14.053	+18.774
Balance carried forward	(27.252)	(24.642)	(21.603)	(17.361)	(12.044)	(7.580)
Less Recommended Minimum Level of Balances	+5.000	+5.000	+5.000	+5.000	+5.000	+5.000
Available Balances	(22.252)	(19.642)	(16.603)	(12.361)	(7.044)	(2.580)

5.5 Whilst reserves can be used to manage the current financial crisis, as the tables clearly show, funding of the forecast deficits from reserves is NOT a viable option. Addressing the

underlying structural issues within the Council's budget requires significant interventions from Cabinet, Senior Leadership Team, and Council to address the forecast deficit levels.

6.0 OUTCOMES BASED RESOUING (OBR) / FIT FOR THE FUTURE (FftF)

6.1 The Council has embarked on a programme called Outcomes-Based Resourcing (OBR)/Fit for the Future (FftF) that will see it examine every area of its budget and match resources more closely with its priorities. The OBR/FftF programme includes looking at ways the council can do things differently by utilising technology and being more efficient, as well as considering areas in which it can generate more income.

6.2 The Council embarked on its OBR/FftF process in 2022/23, as set out in the Council Plan, with its intention to ensure that funds are allocated according to a set of predefined outcomes, or priorities 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.

6.3 The proposed actions through the OBR/FftF process currently include:

- 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
- Exploration of closer working and collaboration with other Councils, Public Sector Bodies and Partner Institutions

6.4 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/FftF process will be key to shrinking the estimated budget gap and securing the financial sustainability of the Council going forward. It is imperative that the work, or similar principles, continues. Work is still ongoing across the Council to apply the OBR/FftF process and a further update will be provided within the January iteration of this report.

6.5 Cabinet and Senior Leadership Team have agreed on principles and common goals as they continue to work through the OBR/FftF 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 district

6.6 However, if these are not successful and the deficit is not closed, then balances will be required to make up the difference.

7.0 BALANCING THE BUDGET TO 2030/31

7.1 A number of workshops have already been held between Cabinet and Senior Leadership Team to explore proposals from the OBR task groups and these will be ongoing throughout the budget process.

7.2 Savings were identified during the previous three budget processes which have contributed towards addressing the structural deficit. However, the continuation of the application of OBR across the Council is an ongoing and significant piece of work and will continue to have

a particularly important part to play in driving down budget gaps from 2026/27 to achieve a position of financial sustainability.

7.3 Capital proposals have been reviewed by Capital Assurance Group and passed on to Cabinet who have given an initial steer on which proposals they would like to see worked up further. This work is ongoing and the revenue impact of MRP and interest charges are included as indicative costs in the figures presented within this report.

8.0 LOCAL GOVERNMENT REORGANISATION

8.1 This report has been prepared on a 'business as usual' basis. The financial projections contained within it include no reference to local government reorganisation.

8.2 The Government is expected to lead a public consultation on the proposals early next year, with a preferred option selected in summer 2026.

8.3 If approved, elections for shadow authorities could take place in May 2027, with the new councils taking over all services from 1 April 2028 (vesting day).

8.4 Inevitably, this will have severe financial consequences for the Council however it is expected that partners will enter into the new council in the best financial health that is possible to achieve. Therefore, the discussion in section 7 must be reiterated and further work to address the structural deficit remains paramount.

8.5 During the time from now until vesting day, transitional costs falling upon the council will occur and these will need to be managed from within either the existing budget framework, the use of non-ringfenced reserves or by utilising capital receipts under the 'flexible use of capital receipts' policy where transformation can be demonstrated.

9.0 DETAILS OF CONSULTATION

9.1 Given the size of the challenges faced by the Council and the need for fundamental change in service delivery, enhanced consultation with relevant internal and external stakeholders on the budget will be undertaken prior to Budget Council in February. Consultation on council housing matters will be undertaken through the District Wide Tenants' Forum.

10.0 OPTIONS AND OPTIONS ANALYSIS

10.1 As the report is for consideration and alternative options are put forward, the Cabinet could make supplementary recommendations regarding any matters.

11.0 CONCLUSION

11.1 It must be reiterated that the current forecasts **do not** include any interventions by Cabinet, Senior Leadership Team or the outcomes of the Local Government Settlement. Whilst some savings have been delivered, the forecasts show that potential annual and cumulative budget deficits still remain over the next 5 years and continue to need to be addressed. In light of this, balancing the budget both in the short and the medium term remains a tough task and ***all Members must work together and recognise that they will face a number of difficult but key decisions as part of the forthcoming budget and over the coming financial years 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

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has authored this report and his comments are reflected within its contents however he would draw Members attention to the following commentary within the report.

It must be reiterated that the current forecasts ***do not*** include any interventions by Cabinet, Senior Leadership Team or the outcomes of the Local Government Settlement. However, the forecasts clearly highlight potential annual and cumulative budget deficits over the next 5 years and the perilous position the Council still faces, a position shared nationally across the public sector. In light of this, balancing the budget both in the short and the medium term will be a tough task and ***all Members must work together and recognise that they will face a number of difficult but key decisions as part of the forthcoming budget and over the coming financial years which will affect the manner in which it delivers its services.***

LEGAL IMPLICATIONS

No specific legal implications arising from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments

BACKGROUND PAPERS

Contact Officer: Paul Thompson
Telephone: 01524 582603
E-mail: pthompson@lancaster.gov.uk
Ref: N/A

COUNCIL

Auditors Annual Report 2023/24 17 December 2025

Report of Audit Committee

PURPOSE OF REPORT

To provide Council with the External Auditors Annual Audit Report for the financial year 2023/24, issued by KPMG, noting that two significant weaknesses were identified in respect of the Value for Money assessment categories.

This report is public.

RECOMMENDATION

That Council consider the External Auditors Annual Audit Report for the financial year 2023/24, issued by KPMG, noting that two significant weaknesses were identified in respect of the Value for Money assessment categories.

1.0 INTRODUCTION

1.1 The Council's External Auditors are required to complete a Value for Money (VfM) assessment as part of the audit of the accounts. The National Audit Office (NAO) Code of Practice regulations set out how the auditor is required to report whether an authority has put in place proper arrangements to ensure value for money in its use of resources. The Audit Committee considered the Annual Audit Report at its meeting on 19th November 2025 and has referred it to Council for noting ahead of publication on the Council's website.

2.0 BACKGROUND

2.1 Under the Local Audit and Accountability Act 2014 and 2020 National Audit Office Code of Audit Practice, Auditors are required to carry out a value for money audit in line with the NAO code.

2.2 In 2020 the External Auditor requirements around VfM assessment moved away from a binary qualified/ unqualified conclusion. It now includes more substantial commentary for each of these three areas and reports on the arrangements put in place by the Council to deliver VfM.

2.3 The Auditors Annual Report includes the auditor's assessment of VfM arrangements against three required reporting criteria:

- **Financial Sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency, and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

2.4 In forming their independent view the External Auditor undertake risk assessment procedures to assess whether there are any risks that value for money is not being

achieved. They consider the work of regulators, other auditors, our records and perform procedures to assess the design of key systems that give assurance over value for money.

- 2.5 Where a significant risk is identified the External Auditors undertake further procedures to consider whether there are significant weaknesses in the processes to achieve value for money. They are required to report a summary of the work undertaken and the conclusions reached against.
- 2.6 The purpose of preparing and issuing Annual Audit Reports is to communicate to the Council and key external stakeholders, including members of the public, the key issues arising from the Auditors' work, which they consider should be brought to the attention of the Council. To enable this, it is a requirement that the report be presented to Council for consideration and published on the Council's website alongside the audited Statement of Accounts.

3.0 AUDIT OF THE FINANCIAL STATEMENTS

- 3.1 Following the much-publicised issues within the Public Sector Audit regime our External Auditors do not have the required level of assurance across several areas. As a result, they have only been able to undertake a limited amount of audit work on the 2023/24 financial statements. However, this work has now been concluded and in accordance with the backstop arrangements plan to issue a disclaimed opinion shortly.
- 3.2 The s151 Officer would like to remind Members that the issuing of a disclaimed opinion attributable to the backstop date does not indicate significant financial reporting or financial management issues. It simply reflects the impact of the issues within the audit regime.
- 3.3 The External Auditors are required to present the Audit Committee with an ISA 260 report detailing their Audit findings. This report provides more detail on any issues raised during the audit and has been considered by the Audit Committee on 19th November 2025, the most significant of which are included in the Auditors report and detailed below.

Post Retirement Benefits

- 3.4 The Auditors identified that the Council had not correctly recognised the Council's share of the pension surplus in accordance with IFRIC 14. Since the introduction of FRS 17 in 2008 Councils are required to recognise its share of its pension's surplus or liability on its balance sheet. Traditionally its share has been a liability as the pension fund has run at a deficit. However, since 2022/23 the Council share has been in a surplus. IFRIC 14 clarifies the application of the asset ceiling in IAS 19, which limits the measurement of a defined benefit asset to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
- 3.5 These issues were discussed with the Council's previous External Auditors and an approach agreed, however this is slightly at odds with the current auditor's views, and we have amended the accounts to reflect their view.

Objection

- 3.6 Members will recall that like previous years, the 2023/24 Financial Statements are subject to ongoing objections by a local Council Taxpayer. The objections are similar in nature to those which were not upheld by the previous External Auditors, Deloitte. To assist KPMG in their consideration these have been cross referenced to those from previous years and passed to KPMG in February 2025. KPMG will need to form their own view validity of the objections, but it is hoped this work will be concluded shortly.
- 3.7 As in previous years the 2023/24 scale audit fee £161,380 (2022/23 £44,959) does not include any amount for dealing with objections and so it is expected that the Council will again incur additional audit fees regarding this matter.

3.8 The audit certificate, which formally concludes the audit for the year can only be issued once the auditors have considered the merits of the objection.

4.0 VALUE FOR MONEY CONCLUSION

4.1 The External Auditors can make several recommendations which are classified into a hierarchy of levels:

Statutory Recommendations – Actions which should be taken where significant weaknesses are identified with arrangements. These are made under Schedule 7 of the Local Audit and Accountability Act 2014 and require discussion at Full Council and a public response.

Key Recommendations – Actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement Recommendations – Actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

4.2 The Value for Money report is included within the Auditor's Annual Report attached at **Appendix A**. Summary details of the VfM Criteria, the auditor's conclusion and the specific risk areas are copied in table 1 below.

Table 1 Summary Findings

Value for Money Criteria	Conclusion	Risk Areas
Financial Sustainability	No significant weakness identified	Drawdown of General Fund Reserves
Financial Sustainability	Significant weakness identified	HRA Sustainability and Mainway Estate Regeneration
Governance	Significant weakness identified	Compliance with statutory financial reporting deadlines
Improving economy, efficiency, and effectiveness	No significant weakness identified	None

Drawdown of General Fund Reserves

4.3 The Council's 2023/24 budget included a planned drawdown of £0.6 million from General Fund Unallocated reserves to achieve balance, indicating structural reliance on reserves to fund recurring expenditure. This approach posed a risk to long-term financial resilience, particularly if reserve usage exceeded planned levels or if unforeseen events further depleted reserves.

4.4 In 2023/24, the Council drew down £1.3M from General Fund reserves, compared to the original budgeted amount, resulting in a variance of £0.7M. The variance was primarily driven by a major one-off incident (Supa Skips).

4.5 The Auditors found the additional reserve use was largely exceptional, and overall, the Council did not materially deviate from its financial plan. The Auditors also commented the Council's reserves position remains strong. At year-end, General Fund Unallocated reserves stood at £10.3M, significantly above the minimum threshold of £5M recommended by s151 Officer. In addition, the Council held £17M in General Fund earmarked reserves, bringing total General Fund reserves to £27.4M — an increase of 10% from £24.7M in

2022/23. Demonstrating that the Council has maintained a healthy level of financial resilience while managing unforeseen pressures.

Auditor Conclusion

4.6 Based on the findings above they did not identify any significant weaknesses in arrangements.

HRA Sustainability and Mainway Estate Regeneration

4.7 The Auditors have commented on the declining level of the Council's Housing Revenue Account (HRA) reserves in 2023/24, resulting them falling below the s151 officers suggested minimum threshold. Whilst there is a recognition of external pressures such as rising depreciation charges linked to property values, energy inflation, escalating repairs costs and increased compliance expenditure to meet national requirements, additional strain resulted from decisions to fund regeneration-related costs, including the Mainway Estate project, acquisition of the former Skerton School site, and buy-back of leasehold properties.

4.8 These commitments have significantly reduced the financial buffer available to manage unforeseen repairs, compliance obligations, or emergency housing needs, creating a material risk to the delivery of statutory housing services and essential capital works. The current reserve position is not supported by a clear recovery strategy or stress-tested financial planning within the HRA Business Plan and MTFS as at year-end 23/24.

4.9 In addition to this commentary the Auditors have referenced weaknesses around the project's governance and project level controls, resulting in a significant value-for-money weakness and concerns around the delivery plan, defined milestones and measurable outcomes.

Auditors Conclusion

4.10 Based on the procedures performed, they identified significant weaknesses regarding the Council's arrangements for key decision making. In their view there is a risk that the Council's declining HRA reserves, coupled with the absence of a clear strategy for the Mainway Estate regeneration project, will undermine its ability to deliver statutory housing services, maintain housing stock, and achieve sustainable HRA objectives. The lack of defined plans and financial alignment increases exposure to escalating costs, inefficient resource use, and long-term financial instability.

Management Response

4.11 Despite inflation and funding constraints, key milestones have been achieved: site acquisition and clearance, masterplan completion, and strengthened governance through cross-council meetings, quarterly reporting, and a Cross-Party Board. In July 2024 Council engaged Mersey Internal Audit Agency (MIAA) to provide project support and review the existing governance arrangements to ensure they align to best practice. In addition, MIAA will support the development of a Full Programme Business Case for the re-development of the Mainway Estate and the Skerton School Site in accordance with HMT Green Book guidelines.

4.12 In addition to the engagement of MIAA to provide much needed capacity, skills and expertise, officers have been reviewing the range of factors which affect the large additional depreciation charge and how it impacts future years are. These include:

- The formal quinquennial valuation of dwellings which is currently underway, the results of which will be considered at the earliest opportunity to inform this and future years' charges. This work is being undertaken by the Council's own in-house Property Services Team in accordance with RICS professional standards.
- Consideration of the methodology used in reaching a valuation that reflects the current use of the assets (social housing, EUV-SH). Given the technical nature of this work, it is recommended that this be undertaken by an external consultant,

- Reassessment of useful lives or impairment, disposals, and acquisitions of HRA assets. This work is being undertaken by the Council's own in-house Property Services Team in accordance with required professional practice.
- Review of funding of the self-financing loan with a view to utilising the Major Repairs Reserve for annual principal repayment. However, this would mean a reduction in the funds available for future years in the capital programme.

Governance

4.13 Members will be aware that because of the failures with the Public Sector Audit regime the Council faced significant challenges in concluding the audit of its financial statements 2020/21 to 2023/24 and so meeting its statutory financial reporting. The Auditor's view is this indicates weaknesses in governance and resource allocation within the finance function. Delays in completing accounts and audits undermine compliance with statutory requirements, reduce transparency, and increase the risk of modified or disclaimed audit opinions. They also erode stakeholder confidence and expose the Council to external scrutiny.

Auditor Conclusion

4.14 Based on the findings above we have determined that there is a significant weakness in arrangements relating to governance. The Council should strengthen governance and financial reporting capacity by assigning sufficient experienced resources, implementing contingency plans for statutory deadlines, and enhancing oversight of the accounts and audit process to ensure timely compliance.

Management Response

4.15 Delays in finalising year-end accounts reflect sector-wide issues caused by failures in the public audit regime, resulting in significant backlogs nationally. The s151 Officer has kept Audit Committee informed through regular updates since 2021. In March 2024, the Committee approved prioritising clearance of three outstanding Statements of Accounts (2020/21–2022/23) ahead of the February 2025 backstop deadline, deferring 2023/24 publication to August 2024.

4.16 This approach ensured statutory duties for budget setting and financial planning were met while resolving historic audits. Additional staff have been recruited to strengthen resilience, and every effort will be made to meet future deadlines. However, if conflicts arise, statutory budget-setting will remain the priority over audit completion.

5.0 DETAILS OF CONSULTATION

5.1 No formal consultation is required; however, the Annual Audit Report was presented to Audit Committee 19th November 2025.

6.0 OPTIONS AND OPTIONS ANALYSIS

6.1 As the report is for noting no alternative options are put forward, but Council could make supplementary commentary regarding any matters arising.

7.0 CONCLUSION

7.1 KPMG's conclusion of the Council's Value for Money assessment is included in the Auditor's Annual Report attached at **Appendix A**.

7.2 The Council accepts recommendations made to continually improve its value for money practices which will be reported back to Audit Committee in subsequent external audit reviews.

<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing): No implications directly arising.</p>
<p>LEGAL IMPLICATIONS The basic requirement for the Council to prepare accounts is set out in section 3 of the Local Audit and Accountability Act 2014. The detailed requirements are set out in the Accounts and Audit Regulations 2015. The External Auditor is required to publish an annual commentary on value for money arrangements as part of the auditor's annual report. This is to comply with the requirements of the 2020 Code of Audit Practice and Auditor Guidance Note 3.</p>
<p>FINANCIAL IMPLICATIONS The scale audit fee for 2023/24 £161,380 (2022/23 £44,959) was set by Public Sector Audit Appointments Ltd (PSAA) and was previously approved by the Audit Committee. Unfortunately, the scale fee does not include the additional work required to address the outstanding objections</p>
<p>OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces No implications directly arising.</p>
<p>SECTION 151 OFFICER'S COMMENTS The s151 Officer has assisted in authoring this report and his comments are reflected in it.</p>
<p>MONITORING OFFICER'S COMMENTS The Councils' Constitution provides that the Audit Committee is responsible for the provision of independent assurance of the adequacy of the risk management framework and the associated control environment. The Terms of Reference of the Audit Committee require it to provide an independent assurance of the risk management framework and the associated control environment. Noting and commenting upon the Annual Audit Report before it is considered by Full Council is an important part of this assurance</p>

BACKGROUND PAPERS Statement of Accounts 2019/20 – 2023/24 http://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts Statement of Accounts Updates Agenda for Audit Committee on Wednesday, 27th November 2024, 6.00 p.m. - Lancaster City Council Agenda for Audit Committee on Wednesday, 31st July 2024, 6.00 p.m. - Lancaster City Council Agenda for Audit Committee on Wednesday, 22nd May 2024, 6.00 p.m. - Lancaster City Council Agenda for Audit Committee on Wednesday, 20th March 2024, 6.00 p.m. - Lancaster City Council Agenda for Audit Committee on Wednesday, 22nd November 2023, 6.00 p.m. Agenda for Audit Committee on Wednesday, 26th July 2023, 6.00 p.m. - Lancaster City Council Agenda for Audit Committee on Wednesday, 24th May 2023, 6.10 p.m. - Lancaster City Council Agenda for Audit Committee on Wednesday, 22nd March 2023, 6.10 p.m. - Lancaster City Council Agenda for Audit Committee on Wednesday, 23rd November 2022, 6.10 p.m. - Lancaster City Council Agenda for Audit Committee on Wednesday, 25th May 2022, 6.10 p.m. - Lancaster City Council Agenda for Audit Committee on Wednesday, 23rd March 2022, 6.10 p.m. - Lancaster City Council Agenda for Audit Committee on Wednesday, 24th November 2021, 6.10 p.m. - Lancaster City Council	Contact Officer: Paul Thompson Telephone: 01524 582603 Email: pthompson@lancaster.gov.uk Ref:
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Auditor's Annual Report for Lancaster City Council - **DRAFT**

Year-ended 31 March 2024

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November 2025

Contents



DRAFT

Key Contacts

Richard Lee
Director
Richard.Lee@kpmg.co.uk

Badar Abbas
Senior Manager
Badar.abbas@kpmg.co.uk

Anna Lord
Manager
Anna.lord@kpmg.co.uk

This report is addressed to Lancaster City Council (the 'Council'). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

	Page
01 Executive Summary	04
02 Audit of the Financial Statements	06
03 Value for Money	10
a) Financial Sustainability	
b) Governance	
c) Improving economy, efficiency and effectiveness	

Page 71

01

Executive Summary



Executive Summary

DRAFT



Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Lancaster City Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').



Narrative report - We assess whether the narrative report is consistent with our knowledge of the Council.



Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We issued a disclaimed opinion on the Council's accounts on [Date]. This is because we have been unable to obtain sufficient appropriate audit evidence over the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the accounts. Further details are set out on page 7.
Narrative report	We have provided further details of the key risks we identified and our response on pages 8-9.
Value for money	Whilst in our opinion the content of the Narrative report is consistent with the financial statements, we are unable to determine whether there are material misstatements in the Narrative report.
Other powers	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.
	Our opinion is that we have identified two significant weaknesses in the Council's arrangement in relation to securing economy, efficiency, and effectiveness in the use of resources. In all other respects we found the Council's arrangement to be appropriate.
	Further details are set out on pages 23-25.
	See overleaf.

Executive Summary

DRAFT



There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

02

Audit of the financial statements



Audit of the financial statements

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Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report.

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Council's financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard.

Our disclaimer of opinion on the financial statements *[Draft subject to change]*

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date") or as soon as reasonably practicable after the Backstop Date.

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements by the publication date of the financial statements. These areas include, but were not limited to: the carrying amount of property, plant and equipment, and investment property; short term debtors; short term creditors; other services expenses; fees, charges and other service income; net income from council tax, non-domestic rates, district rate income; government grants and contributions; disclosures of related party transactions, the Housing Revenue Account and Collection Fund Statements and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2024.

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 by the publication date of the financial statements. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Authority's income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Authority's net assets and the split between usable reserves, including the Housing Revenue Account, and unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on its income and expenditure and cash flows for the years then ended.

Audit of the financial statements

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The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of land and buildings The Council operates a rolling five-year revaluation cycle for land and buildings, creating a risk that assets not revalued in-year may differ materially from their current value. For assets revalued during the year, there is an additional risk due to the significant judgement and estimation involved by the in-house valuer.	We have undertaken risk assessment and planning procedures over this balance only, in line with our disclaimed opinion, as noted on Page 7.	As noted we have not undertaken a substantive response to this risk.
Valuation of investment property The council engages management experts to perform a valuation of investment property. There is a risk that these valuations are not reflective of the fair value of the property.	We have undertaken risk assessment and planning procedures over this balance only, in line with our disclaimed opinion, as noted on Page 7.	As noted we have not undertaken a substantive response to this risk.
Management override of controls Professional standards require us to communicate the fraud risk from management override of controls as significant. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We have undertaken risk assessment and planning procedures over this risk only, in line with our disclaimed opinion, as noted on Page 7.	As noted we have not undertaken a substantive response to this risk.

Audit of the financial statements

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Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of post retirement benefit obligations <p>The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.</p>	<p>We understood the processes the Council have in place to set the assumptions used in the valuation;</p> <p>We evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;</p> <p>We performed inquiries of the accounting actuaries to assess the methodology and key assumptions made;</p> <p>We agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;</p> <p>We evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;</p> <p>We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;</p> <p>We confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice;</p> <p>Considered the adequacy of the Council's disclosures in respect of the net position to these assumptions; and</p> <p>Where applicable, assessed the level of surplus or minimum funding that should be recognised by the Council.</p>	<p>We observed that there no key controls in place around the assumptions used in the valuation. Although reviewed, management do not challenge the assumptions used or review the reasonableness of the calculations performed. We have also made some recommendations for management for improved and earlier engagement with the Local Government Pension Scheme (LGPS) actuary.</p> <p>We have assessed the overall assumptions used by management as optimistic relative to our central rates but within our reasonable range. We identified that CPI was optimistic but still within reasonable range. All other individual assumptions were balanced and within our reasonable range.</p> <p>We identified that the Council had not appropriately considered IFRIC 14 (which clarifies how entities should limit the amount of surplus recognised as an asset) in the current or previous year. We therefore critically challenged this position and the IAS 19 results were revised for the current and previous year. We therefore raised a current year corrected audit misstatement to cap the recognisable surplus from £47.3m to £nil; and a prior year corrected audit misstatement to cap the recognisable surplus from £33.9m to £nil.</p> <p>We identified some small inconsistencies between the Council's full pension's note and the reconciliations per the actuary's IAS 19 reporting.</p> <p>Following the Court of Appeal's dismissal of the Virgin Media appeal, we recommended that the Council makes appropriate narrative disclosure that it is currently not clear if there is any impact on the benefits in LGPS Funds, therefore it is not possible for employers to quantify the Defined Benefit Obligation (DBO) impact, if any.</p>

03

Value for Money

Value for Money



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Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

-  **Financial sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services.
-  **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks.
-  **Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13	16	19
Identified risks of significant weakness?	✓ Yes	✓ Yes	✗ No
Actual significant weakness identified?	✓ Yes	✓ Yes	✗ No
2022-23 Findings	No significant weakness identified	No significant weakness identified	N/A. Not subject to review in the prior year.
Direction of travel	↓	↓	↔

Value for Money



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National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Housing Revenue Account (HRA)

Councils which operate a HRA are required to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

Local context

- The Council is made up of 61 democratically elected councillors and operates within a two-tier system of local government, working alongside Lancashire County Council.
- For 2023/24, the Council recorded a final outturn deficit of £9.5m on the provision of services. The deficit was driven primarily by Environment and Place services overspend of £11.7m and Housing Revenue Account (HRA) overspend of £5.1m.
- The General Fund (GF) balance decreased by £1.3m during the year, closing at £10.3m. During the year, the Council drew down £1.4m from the GF working balance reserve. This comprised a planned drawdown of approximately £0.6m, with additional money required mainly to address costs arising from a major fire incident at the Supa Skips building in December 2023. However, GF earmarked reserves increased by £4m, rising from £13m in 22/23 to £17m in 23/24.
- HRA reserves remain at the minimum threshold of £750k. Also, the HRA earmarked reserves fell significantly, decreasing from £8.2m in 22/23 to £2.8m in 23/24.
- Total expenditure on capital schemes amounted to £14.3m, against a budget estimate of £18.6m. Delivered schemes comprised: £7.6m under the GF and £6.7m under the HRA.
- The Head of Internal Audit opinion provided ‘Moderate Assurance’ that there is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some of the organisation’s objectives at risk.
- There were no adverse inspectorate findings in the year.
- We have not identified any issues arising from quality of services provided by the Council.

Financial Sustainability

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How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Budget setting

The Council's budget-setting process begins with engagement between service accountants, budget holders, and service heads to review current and future developments and assess financial implications. These discussions identify key pressures such as staff turnover, rising demand in areas like homelessness, and underperformance against income targets. Proposals to address these issues are developed by Chief Officers and Heads of Service and reviewed by the Senior Leadership Team (SLT) to ensure alignment with strategic priorities.

The process follows a structured sequence of phases. It starts with a Baseline Reset, where budgets are returned to a base level and challenged through meetings with budget holders during September and October. This 'business as usual' position is formally reported to Cabinet and Council in December. Once established, inflation factors are applied using data from internal service requirements and external sources.

Following this, the Council seeks savings and growth proposals from budget holders, supported by detailed business cases. These proposals undergo rigorous scrutiny by SLT before being presented to Cabinet Members and discussed at wider Member briefings. In the new year, the implications of the Local Government Finance Settlement are considered and incorporated into the Medium-Term Financial Strategy (MTFS), which is formally reported in January.

The final stage involves consultation and approval. Members are engaged throughout via workshops, briefings, and committee reports, ensuring ownership and accountability. Political groups may propose alternative budgets, with final approval by full Council typically in late February. Public consultation is undertaken through the Budget and Performance Panel in January, supported by stakeholder briefings for Members, staff, partners, media, and the public. Formal reporting to Cabinet and Council is complemented by scrutiny from the Budget and Performance Panel and the Capital Assurance Group.

Budget monitoring

The Council operates a formal quarterly reporting cycle known as Delivering Our Priorities (DoP), which provides financial information on revenue and capital expenditure for both the GF and the HRA, alongside forecasts for reserves and balances. Reports are presented in a clear and accessible format, incorporating narrative, tabular, and graphical analysis to support informed decision-making.

Budget monitoring is an integrated process involving close collaboration between service accountants, budget holders, and Chief Officers throughout the quarterly cycle. Variances of £5,000 or more at service level require detailed commentary, and corrective actions such as offsetting or virement are considered where appropriate, in line with annually reviewed virement rules. Chief Officers also meet regularly with their respective Portfolio Holders to review financial and non-financial performance, while the Finance Portfolio Holder receives weekly briefings from the Section 151 Officer on both their specific responsibilities and the Council's overall financial position.

Cabinet is briefed in advance of meetings on all reports, including DoP updates, and works with the SLT to address service-level pressures and agree significant corrective actions. Financial and non-financial scrutiny is provided by the Budget and Performance Panel, which, although not a decision-making body, can make formal recommendations to Cabinet and request attendance from Chief Officers. Overview and Scrutiny Committee also retains the ability to call in decisions and request further information on service or Council-wide issues, ensuring robust governance and accountability throughout the process.

Financial Sustainability (Cont.)



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Budget Outturn

For 2023/24, the Council approved a General Fund revenue budget of £21m, supported by a planned contribution of £0.57m from reserves to achieve a balanced position. At year-end, while the Council delivered a balanced budget, this required a total drawdown of £1.35m from reserves. The additional £0.8m, beyond the planned contribution, was primarily attributable to costs arising from a major fire incident in December 2023, which necessitated £0.65m from unallocated reserves to fund building clearance and demolition.

We identified a financial sustainability risk arising from the Council's reliance on General Fund reserves to balance the budget. See page 21 for detailed assessment of this risk.

Borrowing cost

We assessed the Council's borrowing costs, noting that the 23/24 ratio of financing costs to net revenue stream was 17.98%, slightly above the Lancashire benchmark of 14% but broadly in line with other councils in the region pursuing similar capital investment strategies. Borrowing considerations are embedded within the MTFS, overseen by the Capital Assurance Group, and regularly discussed at Cabinet and Council meetings. Based on the current position and governance arrangements, we do not consider this a significant financial sustainability risk at present, although future borrowing will require ongoing monitoring.

Saving plans

The Council's Outcome-Based Resourcing (OBR) framework aims to align resources with strategic priorities and statutory functions while reducing expenditure in areas that contribute less to the Council's objectives. Savings delivery is monitored through the quarterly DoP reporting cycle, which includes analysis of approved savings and corrective actions where required. Financial and non-financial scrutiny is provided by the Budget and Performance Panel, which can make recommendations to Cabinet.

For 2023/24, Members approved savings of £2.4m as part of the budget-setting process and £2.2m of these savings were achieved at year-end.

2024/25 Budget

The Council set a net General Fund revenue expenditure budget of £25m, incorporating a £1.9m contribution to reserves and OBR savings proposals totalling £1.2m. In addition, the Council reaffirmed its commitment to maintaining a minimum General Fund balance of £5m.

At year-end, the Council delivered revenue expenditure in line with the approved budget, requiring a contribution of £208k from the General Fund reserve. With respect to efficiency measures, savings achieved amounted to £385k, representing 31% of the target established at the outset of the financial year.

Key financial and performance metrics:	2023-24	2022-23
	£'000	£'000
GF Planned surplus/(deficit), before contribution to or from reserves	(577)	34
GF Actual surplus/(deficit), before contribution to or from reserves	(1,351)	(267)
Actual HRA surplus/(deficit)	(5,715)	(7,817)
Usable reserves	35,153	36,242
Gross debt compared to the capital financing requirement	0.58	0.60
Year-end borrowings	57,960	59,010
Year-end cash position	10,784	24,251

HRA: *Housing Revenue Account, a ring-fenced fund relating to social housing*

Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.

Page 83

Financial Sustainability (Cont.)

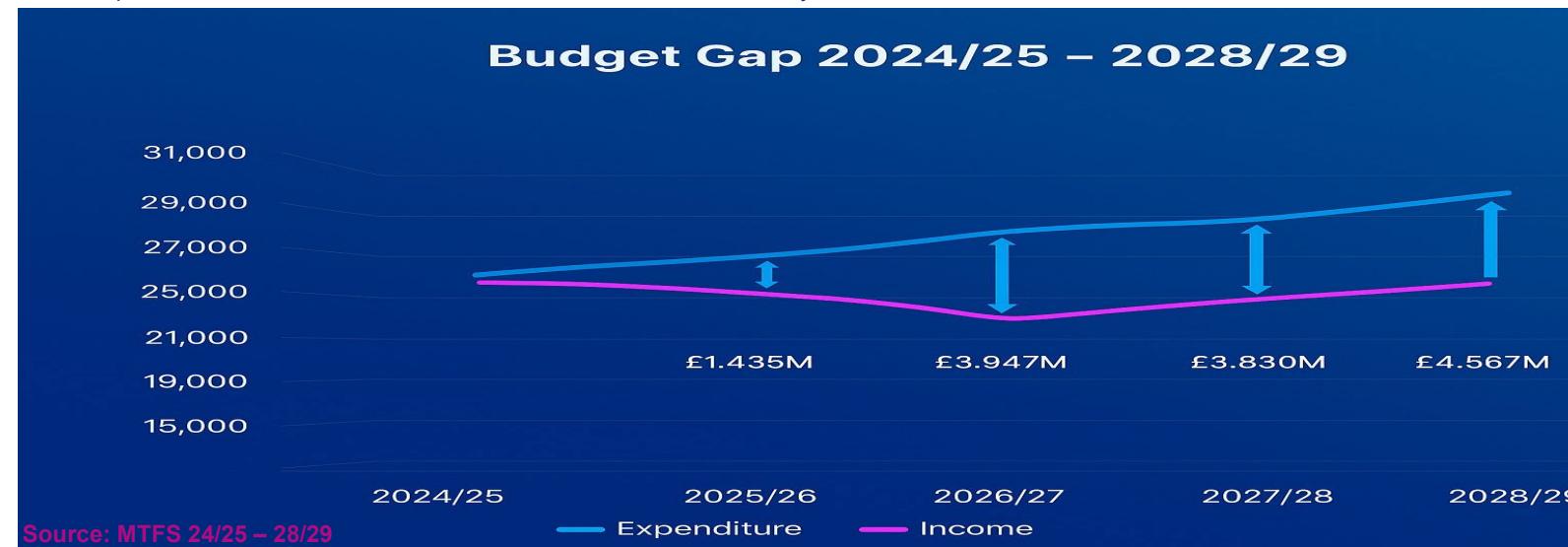


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Medium Term Financial Strategy (MTFS) – See Significant Risks details on pages 21-24

The Council's MTFS, agreed by the Cabinet on 13 March 2024, for 2024/25 to 2028/29 identifies a structural budget gap, with projected shortfalls of £1.4m in 2025/26, rising to £3.9m in 2026/27, £3.8m in 2027/28, and reaching £4.6m by 2028/29 - equivalent to up to 16% of the net revenue budget. These gaps are driven by ongoing pressures such as pay inflation, increased capital financing costs, and uncertainty around government funding. Continued growth in funding gaps and spending pressures are significant concerns and will require the Council to explore additional options to maintain financial sustainability.

The Council is also confronted with substantial financial risks over the short and medium term which result in the requirement to drawdown General Fund reserves to address the budget gaps and pressure on HRA reserves. Further challenges include the potential decline in business rates income, limited expansion of the council tax base, and broader economic uncertainty.



Conclusion

Based on the procedures performed, we have identified significant weakness regarding the Council's arrangements for HRA reserves. Please refer to page 23 for further details.

Reserves – See Significant Risks details on pages 21-24

The table below identifies the level of reserves held by the Council. Reserves show contrasting trends, with a net contribution to the General Fund but significant depletion of HRA reserves between 22/23 and 23/24.

The 23/24 budget included a planned £0.6m drawdown from General Fund reserves, highlighting some reliance on reserves for recurring costs. For HRA reserves, continued use beyond planned levels or further reductions could limit flexibility to manage unexpected pressures and deliver housing commitments under the 30-year HRA Business Plan.

Reserves	2023-24	2022-23
	£'000	
GF Reserves	10,326	11,677
Earmarked GF Reserves	17,040	13,075
Total GF Reserves	27,366	24,752
HRA Reserves	750	624
Earmarked HRA Reserves	2,823	8,253
Total HRA Reserves	3,573	8,877

Governance

DRAFT



Page 85

How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Risk management

The Council's Risk Management Policy outlines a structured approach to identifying and assessing risks, incorporating techniques such as workshops, checklists, and brainstorming. Risks are identified during service planning or routine as barriers to achieve objectives and must be reported by staff to their Chief Officers/managers. Once recognised, risks are recorded in appropriate 'Risk Register' on the GRACE risk management system with a unique identifier and assigned owner, ensuring accountability and traceability. Risks are evaluated using a consistent scoring framework based on a four-point scale for likelihood and impact. The highest applicable scores determine the overall risk level, which is plotted on a matrix and categorised using a traffic light system—red for high, amber for medium, and green for low. This enables clear prioritisation and supports informed decision-making across the Council.

Mitigation actions are developed and documented within GRACE, guided by five strategic responses: avoid, accept, transfer, reduce, and exploit. Chief Officers are responsible for maintaining their service risk registers, while the Strategic Risk Register is reviewed quarterly by the SLT and Audit Committee. This process ensures ongoing oversight, facilitates challenge, and promotes continuous improvement in managing organisational risk.

Anti-fraud Controls

The Council has established a framework for addressing fraud, bribery, and corruption, as set out in its 'Anti-Fraud, Bribery and Corruption Policy'. This framework applies to all employees, elected Members, contractors, and partners, and is supported by related governance documents and codes of conduct. The arrangements include defined roles and responsibilities for officers, Members, and service managers, as well as measures such as recruitment and procurement procedures, risk assessments, and training and awareness activities. The policy outlines processes for reporting concerns, investigating suspected cases in accordance with legal requirements, and taking action where necessary. These arrangements are subject to periodic review and updates, informed by internal audit and other sources.

The Council undertakes an annual process of reporting on counter fraud activity to the Audit Committee. The 'Annual Counter Fraud Report' is prepared by the Corporate Fraud Manager and provides information on the Council's arrangements, activities, and outcomes in relation to the prevention, detection, and investigation of fraud and related matters. The report describes the work of the Corporate Enquiry Team, partnership activities, and the operation of internal controls and risk management. This annual reporting process enables the Audit Committee to consider the effectiveness of the Council's counter fraud arrangements and to note developments and areas for further attention.

Governance (Cont.)

DRAFT



Financial Plan 2023/24 and budget monitoring

The Council's financial plan for 2023-24, as part of the MTFS, went through several levels of review prior to approval by the Council in February 2023. Financial performance, against the budget is regularly monitored as outlined in the Financial Sustainability section. As part of quarterly 'Delivering Our Priorities' Report to the Cabinet, significant variances against budget are clearly identified and explained with reference to change in position. Any mitigating actions are also identified. For 2023/24, the Council approved a General Fund balanced revenue budget of £21m, supported by a planned contribution of £0.57m from reserves. At year-end, while the Council delivered a balanced budget, this required a total drawdown of £1.35m from reserves.

Compliance with laws and regulations

The Council's Monitoring Officer is responsible for monitoring compliance with all relevant/applicable legal requirements. As per the Constitution, the Monitoring Officer, after consultation with the S151 Officer, will report to the Council if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given, or would give rise, to maladministration. Such a report prevents implementation of the proposal or decision until it has been formally considered. Management inquiries have confirmed there have been no breaches of legislation or regulatory standards that has led to an investigation by any legal or regulatory body during the year.

Standards of behaviour

The Council's Code of Conduct defines standards for behaviour, including respect, integrity, and management of interests, while the Raising Concerns Policy sets out procedures for confidentially reporting malpractice or breaches of standards. Both policies describe processes for communication, access, escalation, and provide contact details for designated officers and external bodies. The Constitution sets requirements for managing conflicts of interest, referring to the Code of Conduct for Cabinet members and officers. If an Officer with delegated authority has a conflict, the delegation reverts to the person who made it or is otherwise managed as set out in the Code. Where all Cabinet or committee members have a conflict, dispensations may be granted by the Monitoring Officer, Standards Committee, or Chief Executive.

Decision making process – See Significant Risk details on page 23

The Council's decision-making process is governed by its Constitution, which requires the Cabinet to make decisions in line with approved policies and budgets, with special notice and consultation procedures for significant executive decisions, such as those involving expenditure over £250,000. Under the Constitution, the Leader may delegate executive functions to the Cabinet, which can further delegate to Committees, individual Cabinet Members, or Officers. Current financial limits allow the Chief Executive to approve up to £200,000 and Chief Officers up to £100,000, with decisions over £50,000 requiring consultation with relevant Cabinet member.

Although these arrangements establish a structure for governance, their effectiveness relies on consistent application and strong project-level controls. Our review indicates that these principles have not been fully embedded in the Mainway Estate regeneration project, resulting in a significant value-for-money weakness (see page 23 for further details). Approved by Cabinet in February 2022, Phase 1 of the project represents a major investment intended to deliver strategic regeneration objectives. However, despite incurring £3.7m expenditure till 23/24 — comprising £2.2m in capital and £1.5m in revenue costs for site acquisition, master planning, and demolition—there remains no clear delivery plan, defined milestones, or measurable outcomes.

Governance (Cont.)



DRAFT

	2023-24	2022-23
Control deficiencies reported in the Annual Governance Statement	3 (Risk Management, Procurement and Financial sustainability)	2 (Risk Management and Financial sustainability)
Head of Internal Audit Opinion	Moderate Assurance	Moderate Assurance
Local Government Ombudsman findings	Complaints upheld = 100% Satisfactory remedy provided by the organisation = 0% Compliance with Ombudsman recommendations = 100%	Complaints upheld = 50% Satisfactory remedy provided by the organisation = 0% Compliance with Ombudsman recommendations = 100%
Housing Ombudsman findings	Determinations: 2 Maladministration Rate: 100%	No report issued by the Housing Ombudsman

Conclusion

Based on the procedures performed, we have identified significant weaknesses regarding the Council's arrangements for key decision making and statutory financial reporting deadlines. Please refer to pages 23 and 25 for further details.

Improving economy, efficiency and effectiveness

DRAFT



How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Performance of services

The Council operates a formal quarterly reporting cycle, Delivering our Priorities (DoP), which integrates performance, project, and resource monitoring. Key performance indicators (KPIs) are developed at both corporate and service levels, with regular reporting to Chief Officers, Portfolio Holders, and Cabinet. The Project & Performance Team ensures alignment of KPIs and service plans with Council priorities, and performance information is presented in narrative, tabular, and graphical formats. Scrutiny of operational and service performance is provided by the Budget and Performance Panel and Overview and Scrutiny Committee, which can request further information, call in decisions, and require Chief Officers to attend meetings. This structured approach supports ongoing monitoring, challenge, and continuous improvement of Council services.

Based on Q2 23/24 DoP report, the Council projects a £0.611M overspend, with notable service impacts. Environment & Place faces operational strain from high sickness in waste collection and delayed fleet renewal, affecting service reliability. Housing & Property is under pressure from rising homelessness and property compliance issues, despite some vacancy-driven savings. Planning & Climate Change struggles with capacity gaps and reliance on consultants, slowing planning processes amid reduced fee income. People & Policy is undergoing major workforce restructuring, creating short-term disruption. In contrast, Communities & Leisure maintains delivery but faces income challenges at leisure facilities.

Benchmarking

The Council benchmarks its services using data from external sources such as Association for Public Service Excellence (APSE), Local Government Association (LGA), and CIPFA, as well as through informal networks like the Lancashire Chief Finance Officers and service-specific groups. Chief Officers are responsible for benchmarking their own service costs and performance, with examples including waste collection and leisure services compared against similar authorities. The Council also engages external consultants for targeted benchmarking reviews and participates in corporate benchmarking exercises, such as LGA finance reviews and peer challenges. Benchmarking findings are considered during budget processes and service planning, with areas of higher spend or performance variance subject to further review and challenge.

The Council's benchmarking of waste and environmental services through APSE shows cost efficiency, with top-quartile performance in net investment per household (£23.99), waste disposal costs (£92.47), and fuel usage (2,046 litres), alongside high customer satisfaction (92%). However, service coverage (95%) ranks in the bottom quartile, and recycling performance lags behind peers, with lower recycling rates (47.2%), higher contamination (6.8%), and above-average landfill use (18%).

Improving economy, efficiency and effectiveness (Cont.)

DRAFT



Page 89

How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Partnership

The Council actively pursues partnership initiatives with a range of organisations to enhance the quality and economy of its services. The Council works closely with anchor institutions such as local universities, NHS partners, and third-sector organisations through the Lancaster District Strategic Partnership and The Bay Anchor Network, aiming to deliver shared outcomes in areas like economic development, health, and community wellbeing. Partnerships with organisations such as Lancaster and Morecambe College support skills development and green technology training, while collaborations with the Local Government Association, voluntary groups, and community organisations help deliver projects in regeneration, culture, and public health.

The Council also engages in joint initiatives for climate action, biodiversity, and sustainable transport, working with partners like Green Rose CIC and participating in national programmes such as the UK Shared Prosperity Fund. Community engagement is further strengthened through partnerships with groups like Communities Together and the Community Safety Partnership. These collaborative efforts are designed to leverage local expertise, resources, and innovation, ensuring that services are delivered efficiently, sustainably, and in line with the needs of residents.

Conclusion

Based on the procedures performed, we have not identified a significant weakness associated with arrangements around improving economy, efficiency and effectiveness.

Significant Value for Money Risk

DRAFT



1

Drawdown of General Fund Reserves

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

Significant Value for Money Risk

Background and value for money risk

The 2023/24 budget relied on a planned drawdown of £0.6 million from General Fund (GF) reserves to achieve balance, indicating structural reliance on reserves to fund recurring expenditure. This approach posed a risk to long-term financial resilience, particularly if reserve usage exceeded planned levels or if unforeseen events further depleted reserves.

Our response

- We reviewed the Council's outturn position for 2023/24, focusing on actual reserve movements compared to budgeted plans.
- We examined explanations for variances, including any exceptional or unforeseen costs.
- We held detailed inquiries with management to understand the reasons for the higher-than-planned drawdown and the extent of any underlying structural financial pressures.
- We evaluated the adequacy of the Council's MTFS and reserve management policies.
- We considered whether the Council had developed plans to replenish reserves and reduce structural dependency.
- We assessed compliance with minimum reserve thresholds and the potential impact on financial resilience.

Our findings

We identified:

- In 23/24, the Council drew down £1.3m from General Fund (GF) reserves, compared to a planned drawdown of £0.6m, resulting in a variance of £0.7m. The variance was primarily driven by a major one-off incident (a fire at the former Supa Skips building in December 2023) which required additional funding of £649k after external contributions. Other minor variances included £214k for solar scheme costs. Management provided clear explanations for these variances in the budget outturn report and actively monitored overspending areas. The additional reserve use was largely exceptional, and overall, the Council did not materially deviate from its financial plan.
- Despite this variance, the Council's reserves position remains strong. At year-end, GF reserves stood at £10.3m, significantly above the minimum threshold of £5m recommended by the Section 151 Officer. In addition, the Council held £17m in GF earmarked reserves, bringing total GF reserves to £27.4m—an increase of 10% from £24.7m in 22/23. This demonstrates that the Council has maintained a healthy level of financial resilience while managing unforeseen pressures.

Significant Value for Money Risk

DRAFT



1

Drawdown of General Fund Reserves (Continued)

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

Significant Value for Money Risk

Background and value for money risk

The 2023/24 budget relied on a planned drawdown of £0.6 million from General Fund reserves to achieve balance, indicating structural reliance on reserves to fund recurring expenditure. This approach posed a risk to long-term financial resilience, particularly if reserve usage exceeded planned levels or if unforeseen events further depleted reserves.

Our response

- We reviewed the Council's outturn position for 2023/24, focusing on actual reserve movements compared to budgeted plans.
- We examined explanations for variances, including any exceptional or unforeseen costs.
- We held detailed inquiries with management to understand the reasons for the higher-than-planned drawdown and the extent of any underlying structural financial pressures.
- We evaluated the adequacy of the Council's MTFS and reserve management policies.
- We considered whether the Council had developed plans to replenish reserves and reduce structural dependency.
- We assessed compliance with minimum reserve thresholds and the potential impact on financial resilience.

Our findings

- The Council continues to take steps to strengthen its financial sustainability. In 23/24, it delivered £2.2m of savings against a target of £2.4m and initiated Outcomes Based Resourcing (OBR), which reduced forecast budget requirements by approximately £2.7m.
- The Council has approved a Flexible Use of Capital Receipts Strategy to support revenue expenditure while maintaining long-term sustainability. The MTFS acknowledges significant future pressures and highlights the need to manage reliance on reserves to address forecast overspends.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements.

Page 91

Significant Value for Money Risk

DRAFT



2

HRA Sustainability and Mainway Estate Regeneration

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability and governance

Significant Value for Money Risk

Background and value for money risk

There is a risk that the Council's declining HRA reserves, coupled with the absence of a clear strategy for the Mainway Estate regeneration project, will undermine its ability to deliver statutory housing services, maintain housing stock, and achieve sustainable HRA objectives. The lack of defined plans and financial alignment increases exposure to escalating costs, inefficient resource use, and long-term financial instability.

Our response

- Reviewed the movement in HRA general and earmarked reserves over the last three years.
- Evaluated the Council's HRA Business Plan, including assumptions on income, expenditure, and capital investment.
- Assessed whether the plan incorporated stress testing for future risks and realistic cost pressures.
- Considered compliance with minimum reserve thresholds.
- Examined whether strategies existed to rebuild reserves and prioritise essential works.
- Reviewed Cabinet and Committee meeting minutes and project reports relating to Mainway Estate regeneration.
- Examined expenditure to date and evaluated alignment with agreed objectives.
- Considered reporting mechanisms and governance arrangements for the regeneration project.
- Discussed with management the current status of Mainway Estate plans and future options.

Our findings

We identified:

- The Council's Housing Revenue Account (HRA) reserves have declined sharply over the past three years, with general reserves reducing from £2.5m in 2021/22 to £0.7m in 2023/24, falling below the minimum threshold. Earmarked reserves also dropped from £10.3m to £2.8m over the same period. We understand that this deterioration reflects external pressures such as rising depreciation charges linked to property values, cost-of-living impacts including energy inflation, escalating repairs costs and increased compliance expenditure to meet national requirements.
- Further strain on reserves has resulted from decisions to fund regeneration-related costs, including the Mainway Estate project, acquisition of the former Skerton School site, and buy-back of leasehold properties. These commitments have significantly reduced the financial buffer available to manage unforeseen repairs, compliance obligations, or emergency housing needs, creating a material risk to the delivery of statutory housing services and essential capital works. The current reserve position is not supported by a clear recovery strategy or stress-tested financial planning within the HRA Business Plan and MTFS as at year-end 23/24.

Significant Value for Money Risk

DRAFT



2

HRA Sustainability and Mainway Estate Regeneration (Continued)

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability and governance

Significant Value for Money Risk

Background and value for money risk

There is a risk that the Council's declining HRA reserves, coupled with the absence of a clear strategy for the Mainway Estate regeneration project, will undermine its ability to deliver statutory housing services, maintain housing stock, and achieve sustainable HRA objectives. The lack of defined plans and financial alignment increases exposure to escalating costs, inefficient resource use, and long-term financial instability.

Our response

- Reviewed the movement in HRA general and earmarked reserves over the last three years.
- Evaluated the Council's HRA Business Plan, including assumptions on income, expenditure, and capital investment.
- Assessed whether the plan incorporated stress testing for future risks and realistic cost pressures.
- Considered compliance with minimum reserve thresholds.
- Examined whether strategies existed to rebuild reserves and prioritise essential works.
- Reviewed Cabinet and Committee meeting minutes and project reports relating to Mainway Estate regeneration.
- Examined expenditure to date and evaluated alignment with agreed objectives.
- Considered reporting mechanisms and governance arrangements for the regeneration project.
- Discussed with management the current status of Mainway Estate plans and future options.

Our findings

- This challenge is compounded by the Mainway Estate regeneration project, where approximately £3.7m has been spent to date on site acquisition and master planning, yet there remains no clear delivery plan, defined milestones, or robust governance arrangements. The absence of a comprehensive plan means that financial implications of redevelopment options are not understood or reflected in the HRA Business Plan, preventing the Council from aligning housing priorities with long-term financial sustainability.
- While management has begun considering measures such as revising asset valuation methodology, reassessing useful lives, reviewing loan funding arrangements, and strengthening governance for Mainway through a Cross-Party Councillor Board and pre-market engagement, these actions have commenced after the year end, remain at an early stage and as such do not reflect robust arrangements as at year-end 23/24.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to financial sustainability and governance.

Significant Value for Money Risk

DRAFT



3

Compliance with statutory financial reporting deadlines

Risk that value for money arrangements may contain a significant weakness linked to governance

Significant Value for Money Risk

Background and value for money risk

The Council faced the challenge of concluding multiple years of accounts and audits simultaneously (2020/21 through 2023/24), which posed a significant risk to timely completion and the ability to meet statutory requirements. This situation also raised concerns about whether sufficient experienced resources were assigned to manage the accounts and audit process effectively.

Our response

Through our audit we have evaluated the arrangements the Council has put in place to ensure compliance with its statutory financial reporting responsibilities.

Our findings

We identified:

- The Government has introduced measures to address the national backlog in local government financial reporting, including amendments to the Accounts and Audit Regulations and the NAO Code of Audit Practice, allowing auditors to issue disclaimed opinions for incomplete audits up to 31 March 2023. These were required to be delivered by 13 December 2024.
- Despite these mitigations, the Council experienced delays in providing information necessary for audit completion, primarily due to the significant administrative burden of preparing multiple years' accounts and managing queries from two audit firms concurrently.
- While these operational challenges explain the delays, they highlight a significant weakness in arrangements to allocate sufficient experienced staffing and maintain robust governance over financial reporting.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to governance.

Page 94

Value for Money: Recommendations



The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows: **DRAFT**

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Other	<p>The Council's Housing Revenue Account (HRA) reserves have fallen significantly over the past three years, dropping below the minimum threshold and reducing financial resilience. This decline is compounded by the expenditure on the Mainway Estate regeneration project, which lacks a clear delivery plan, defined milestones, and robust governance. The absence of an integrated strategy linking regeneration plans to HRA financial planning has hindered the development of a sustainable reserve strategy and alignment with long-term housing objectives.</p> <p>Without a clear and integrated approach, the Council faces heightened financial risk within the HRA. Current reserves provide minimal flexibility to manage unforeseen repairs, compliance obligations, or emergency housing needs. Uncertainty around Mainway Estate regeneration options means financial consequences are not understood or reflected in the HRA Business Plan and MTFS, exposing the Council to escalating costs, inefficient resource use, and potential failure to deliver statutory housing services and strategic regeneration goals.</p> <p>The Council should develop a comprehensive strategy that integrates HRA financial planning with regeneration priorities. This should include:</p> <ul style="list-style-type: none"> • A clear delivery plan for Mainway Estate with milestones, governance, and measurable outcomes. • Evaluation of financial implications for all redevelopment options and incorporation into the HRA Business Plan and MTFS. • A sustainable reserve recovery strategy supported by stress-tested financial planning. 	<p>The Council faces ongoing financial pressures within the HRA, including rising depreciation costs, inflationary impacts on repairs and compliance, capped rent increases, and regeneration commitments. These challenges mirror national trends where expenditure has exceeded income, reducing reserves.</p> <p>To maintain resilience, the s151 Officer raised the minimum HRA reserve to £0.750M in 2023. However, strategic investments—such as Mainway regeneration, Skerton School acquisition, and leasehold buybacks—have further depleted reserves. Active measures include reviewing asset valuations, funding strategies, and loan repayment options, feeding into the 2026/27 budget for a sustainable medium-term plan.</p> <p>Mainway Estate Progress: Despite inflation and funding constraints, key milestones have been achieved: site acquisition and clearance, masterplan completion, and strengthened governance through cross-council meetings, quarterly reporting, and a Cross-Party Board. Pre-market engagement is underway to secure a delivery partner. The Council remains committed to balancing financial resilience with strategic regeneration priorities.</p>
2	Other	<p>The Council faced significant challenges in meeting statutory financial reporting deadlines due to the simultaneous preparation and audit of multiple years' accounts (2020/21 to 2023/24). This indicates weaknesses in governance and resource allocation within the finance function.</p> <p>Delays in completing accounts and audits undermine compliance with statutory requirements, reduce transparency, and increase the risk of modified or disclaimed audit opinions. They also erode stakeholder confidence and expose the Council to external scrutiny.</p> <p>The Council should strengthen governance and financial reporting capacity by assigning sufficient experienced resources, implementing contingency plans for statutory deadlines, and enhancing oversight of the accounts and audit process to ensure timely compliance.</p>	<p>Delays in finalising year-end accounts reflect sector-wide issues caused by failures in the public audit regime, resulting in significant backlogs nationally. The Council has kept Audit Committee informed through regular updates since 2021. In March 2024, the Committee approved prioritising clearance of three outstanding Statements of Accounts (2020/21–2022/23) ahead of the February 2025 backstop deadline, deferring 2023/24 publication to August 2024.</p> <p>This approach ensured statutory duties for budget setting and financial planning were met while resolving historic audits. Additional staff have been recruited to strengthen resilience, and every effort will be made to meet future deadlines. However, if conflicts arise, statutory budget-setting will remain the priority over audit completion.</p>



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COUNCIL

Councillors' Allowances Scheme: Review

17 December 2025

Senior Manager, Democratic Support and Elections

PURPOSE OF REPORT

To present the report and recommendations of the Independent Remuneration Panel, which Council must give due regard to in setting its Councillors' Allowances Scheme.

This report is public.

RECOMMENDATIONS

That Council reviews its Councillors' Allowances Scheme and, in doing so, considers the attached report and recommendations of the Independent Remuneration Panel (IRP). The IRPs recommendations for amendments to the scheme are as follows:

With regard to allowances:

(1) *That the Basic and Special Responsibility Allowances (including the Mayor/Deputy Mayor allowances) be increased by 3.2%, as detailed in the report, with effect from 6 April 2026.*

Regarding Dependents Carers Allowance:

(2) *To reconfirm that the Dependents Carers Allowance should allow for reimbursement of up to a maximum of the Real Living Wage as determined by the Living Wage Foundation (currently £13.45 per hour).*

1.0 Introduction

1.1 Local authorities are required to establish and maintain an Independent Remuneration Panel to provide them with recommendations on a scheme of allowances to be paid to members and others. The authority must have regard to the recommendations of its IRP before it makes or amends its members' allowance scheme.

2.0 The Review

2.1 A full review of Councillors allowances was carried out prior to the 2023 City Council elections. In the years between elections the IRP carries out 'light touch' reviews, taking into account any matters raised by Councillors and reviewing the rates of remuneration

having regard to any increase made to staff via a Local Government pay award. Full details are in the IRP's report attached.

3.0 Conclusion

3.1 Members are requested to have regard to the report of the IRP when setting a scheme for Members' Allowances.

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

There are no direct implications as a result of this report.

FINANCIAL IMPLICATIONS

The cost implications of the IRP's recommendations are set out in the Panel's report.

LEGAL IMPLICATIONS

The relevant regulation is set out in the IRP's report.

SECTION 151 OFFICER'S COMMENTS

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

MONITORING OFFICER'S COMMENTS

There is legal uncertainty around whether receipt of a members allowance is a Disclosable Pecuniary Interest. It is arguable that, whilst allowances offer members some recompense for their time and effort in being a member, they do not put them in the position that they would have been in had they been working, i.e. profiting or gaining from their role. As a result, simply being in receipt of an allowance should not, without more, qualify as a DPI. However, due to the uncertainty, and to err on the side of caution, a dispensation is provided by the Monitoring Officer for all Members for this meeting to allow them to participate and vote. If allowances were determined to be a DPI, the exclusion of such a large number of Members would clearly impede the transaction of business.

BACKGROUND PAPERS	Contact Officer: Debbie Chambers Telephone: 01524 582057 E-mail: dchambers@lancaster.gov.uk
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Report To: Lancaster City Council

From: The Independent Remuneration Panel



**Recommendations for Members' Remuneration
for the Municipal Year 2026/27**

Report to Council on Wednesday 17 December 2025



REMIT OF THE PANEL

- 1.1 Lancaster City Council's Independent Remuneration Panel (IRP) was established in accordance with Local Authorities (Members' Allowances) (England) Regulations 2003.
- 1.2 A local authority is required to establish and maintain an Independent Remuneration Panel to provide it with recommendations on a scheme of allowances to be paid to members and others. The authority must have regard to the recommendations of its IRP before it makes or amends its members' allowance scheme.
- 1.3 The allowances payable under a local authority scheme of allowances are as follows:
 - **Basic Allowance** (*Each local authority **must** make provision in its scheme of allowances for a basic, flat rate allowance payable to all members of the authority which must be the same for each member*).
 - **Special Responsibility Allowance** (*Each authority **may** also make provision for payment of special responsibility allowances for those members who have significant responsibilities e.g. leader of the council, member of the executive/cabinet, presiding at meetings of committees, acting as spokesperson for a political group*).
 - **Dependents' Carers' Allowance** (*Each authority **may** also provide for the payment of a dependents' carers' allowance to those members who incur expenditure for the care of children or other dependents whilst undertaking particular duties*).
 - **Travelling and Subsistence Allowance** (*Each authority **may** also provide for the payment of a travelling and subsistence allowance to its members, including co-opted members*).
 - **Co-optees' Allowance** (*Each authority **may** also provide an allowance to any co-opted and appointed members of a council's committees or sub committees*).

2. PANEL MEMBERSHIP

- 2.1 There are currently five Panel members:

Mr Ameer Hakim (Chair) was appointed to the Panel on 29 July 2020 and is employed as an ICT/Finance professional in the finance sector. Mr Hakim is currently a Public Governor on the Board of Governors for University Hospitals of Morecambe Bay NHS Foundation Trust.

Mr Ryan Hyde was appointed to the Panel on 30th September 2020. Mr Hyde has a law degree and works as a Governance professional. He has previously been a member of Wyre Borough Council's Independent Remuneration Panel.



Mrs Harsha Shukla was appointed to the Panel on 15th July 2015. Mrs Shukla the President of Lancaster and Morecambe Hindu Society, and a member of the Faith in Lancaster Group and Communities Together.

Miss Monica Law was appointed to the Panel on 24th July 2024. Miss Law retired in 2022 from a long career in Local Government with Liverpool City Council. She currently serves on the IRP for both unitary authorities in Cumbria as the Vice-Chair of the Panel in Cumberland and a member of the panel in Westmorland and Furness and is a member of the IRP for Liverpool City Council.

Mr Jerzy (George) Krawiec was appointed to the Panel on 24th July 2024. Mr Krawiec is a retired local authority Chief Executive and solicitor with over 20 years' experience as a Chief Executive at three different authorities. He is now a member of Lancashire County Council's Independent Remuneration Panel, a Governor at 2 schools in Lancaster and Morecambe and a director of a multi-academy trust.

3.0 BACKGROUND TO LANCASTER CITY COUNCIL'S SCHEME OF ALLOWANCES

- 3.1 The Councillors' Allowances Scheme is reviewed every year, with a comprehensive review every four years, before the Council elections.
- 3.2 The last review was reported to Council on 11 December 2024 and the Panel's recommendations to increase the Basic Allowance, the Special Responsibility Allowances (SRAs) including the Mayor/Deputy Mayor allowances, were approved. The recommendation to reconfirm that the Dependents Carers Allowance should allow for reimbursement of up to a maximum of the Real Living Wage as determined by the Living Wage Foundation was also approved by Council.
- 3.3 The Regulations require an authority before the beginning of each year to 'make' the Scheme for the payment of allowances in that year.
- 3.4 The Regulations require an authority to publish the scheme if it changes and to publish the amounts of allowances paid to individual Members every year.

4.0 SUMMARY OF RECOMMENDATIONS

A summary of the recommendations is set out below. The rest of the report sets out the methodology, findings and rationale behind each recommendation.

With regard to allowances:

- (1) ***That the Basic and Special Responsibility Allowances (including the Mayor/Deputy Mayor allowances) be increased by 3.2%, as detailed in the report, with effect from 6 April 2026.***

Regarding Dependents Carers Allowance:



(2) *To reconfirm that the Dependents Carers Allowance should allow for reimbursement of up to a maximum of the Real Living Wage as determined by the Living Wage Foundation (currently £13.45 per hour).*

5.0 INTRODUCTION

- 5.1 The Panel began its review in October 2025, requesting information regarding the current cost of the allowances scheme at Lancaster City Council and the levels of allowances in other Councils in Lancashire for comparative purposes. At that point the Pay Award for Local Government employees had already been agreed at 3.2%. The Pay Award is a relevant factor which informs the Panel's consideration of any increase in levels of the Councillors' allowances.
- 5.2 The Panel gave consideration to the representations made by Councillors via e-mail, particularly those concerning the current level of the Leader and Cabinet SRAs. The Panel wish to thank all Councillors who responded to the call for comments for taking the time to put forward their views.

6.0 BASIC ALLOWANCE

6.1 Current Arrangements

- 6.2 Each Lancaster City Councillor is entitled to receive a Basic Allowance of £4,434.15 per annum. In accordance with the Regulations, this allowance is intended to recognise the time commitment of Members including the inevitable calls on their time such as meetings with officers and constituents. It is also intended to cover relevant incidental costs. ***It is important to recognise that this is an allowance, not a salary or wage. It is not appropriate to compare an allowance to a salary or hourly wage.***

6.3 Review findings and Recommendations

Basic and Special Responsibility Allowances

- 6.4 The Panel last reviewed the scheme at the end of 2024 and reported to Council on 11 December 2024. In their report, Panel Members recommended that the Basic Allowance be increased in line with the employee pay award. This is a common approach taken by Lancaster City Council's IRP and many others.
- 6.5 Following a review of updated benchmarking figures, the Panel noted that the increases to both the Basic Allowance and SRAs recommended in previous years had brought the levels of allowances into line with the rest of the district while still being mindful of the Council's considerable financial pressures.
- 6.6 The Panel wish to recommend a rise in the basic allowance in-line with the staff pay award for 2025/26 which was agreed at 3.2%. This would represent an increase of £138.27, from £4,434.15 per annum to £4576.04 per annum.
- 6.7 The Panel also reviewed Cabinet and Leader SRAs in light of comments received from Councillors. It was felt by the Panel that as all SRAs had been given an uplift in the previous review it was not appropriate to consider another significant raise this year. The Panel was, however, keen to make sure that SRAs, including the allowances

related to the Mayoralty, do not fall behind and therefore recommends that these also rise by 3.2% on 6 April 2026. The recommended amounts are shown below:

Role	Current Allowance (pa)	Recommended Allowance (pa)
Leader of the Council and Chair of Cabinet	£11,910.13	£12,291.25
Deputy Leader of the Council	£7,031.93	£7,256.95
Cabinet Members	£5,955.07	£6,145.63
Overview and Scrutiny Committee Chair	£4,463.61	£4,606.45
Budget and Performance Panel Chair	£3,938.81	£4,064.85
Planning Committee Chair	£4,614.37	£4,762.03
Licensing Committee Chair	£4,614.37	£4,762.03
Licensing Act Hearings Sub Committee Chair	£468.44	£483.43
People and Organisational Development Committee Chair	£3,521.35	£3,634.03
Audit Committee Chair	£2,455.15	£2,533.71
Appeals Committee Chair	£312.29	£322.28
Council Business Committee Chair	£1,507.61	£1,555.85
Standards Committee Chair	£1,265.06	£1,305.54
Leader of Opposition Groups (allocated on a pro rata basis)	£5,955.07	£6,145.63
Champions - £1000 (maximum) allowance to be divided equally between serving 'Champions' to a cap of £272.39 each Champion per annum. There are currently two Champions (Armed Forces Champion and Champion for Disabilities)	£1000.00 MAX Capped at £263.94	£1000.00 MAX Capped at £272.39
Mayor	£7,094.64	£7,321.67
Deputy Mayor	£1,409.43	£1,454.53
Totals (assuming 1 Leader, 1 Deputy Leader, 7 Cabinet Members, 2x Lic Sub Cttee Chairs and 2x Champions)	£103,244.07	£106,547.85

Recommendation:

(1) *That the Basic and Special Responsibility Allowances (including the Mayor/Deputy Mayor allowances) be increased by 3.2% effect from 6 April 2026.*

7.0 DEPENDENTS CARERS' ALLOWANCES

Current Arrangements

7.1 The Council provides for the payment of a dependents carers' allowance to Councillors in respect of care for 'dependent relatives' living with the Councillor whilst they are undertaking approved duties. The definition of 'dependent relatives' is set out in the Constitution, as is the list of approved duties for which the allowance can be claimed.

7.2 The current scheme provides that the actual cost of care will be reimbursed up to the maximum hourly rate of the Real Living Wage, as determined by the Living Wage Foundation, irrespective of the number of dependents. When the scheme was last reviewed the hourly rate was £12.60 per hour. It is now £13.45 per hour.

7.3 **Review**

7.4 The Panel note that the carers allowance is used very infrequently at Lancaster City Council. However, Panel Members feel it is important to keep it at an appropriate level, should Councillors need to make use of it.

Recommendation:

(2) To reconfirm that the Dependents Carers Allowance should allow for reimbursement up to the maximum of the Real Living Wage as determined by the Living Wage Foundation (currently £13.45 per hour).

8.0 TRAVEL AND SUBSISTENCE ALLOWANCES

8.1 **Current Arrangements**

8.2 Arrangements are in place to enable members to claim the costs of travel and subsistence associated with undertaking approved duties within the district. Any travel outside the district is arranged via Democratic Support, using public transport wherever feasible and where it will be the most economical option.

8.3 **Review**

8.4 In accordance with the 2024 review and as reported to Council on 11 December 2024, The Panel will consider the rates of travel and subsistence allowances at the next full review, which was due to take place before the next scheduled elections in 2027, however proposals for Local Government Re-organisation are expected to affect the position.

8.5 As no change is recommended, the rates payable for mileage will remain as detailed in the table below.

Type of Vehicle	First 10,000 miles	Above 10,000 miles
Cars and vans	45p per mile	25p per mile
Motorcycles	24p per mile	24p per mile
Cycles	20p per mile	20p per mile

9.0 CO-OPTEES' ALLOWANCE

9.1 Each authority **may** also provide an allowance to any co-opted and appointed members of a council's committees or sub committees. No appointments requiring an allowance are made at Lancaster City Council, therefore the Panel have no recommendations to make regarding allowances for Co-optees.

10.0 COSTS OF RECOMMENDATIONS

10.1 The Scheme of Councillors' Allowances cost £363,926.57 in 2024/25, the latest year where final figures are available. This was made up of £261,721.88 basic allowances, £93,911.37 SRAs, £8,293.32 Mayoral Allowances and £2,467.15 Travel/Subsistence. Figures for this municipal year (2025/26) will be available after May 2026.

10.2 Based on 61 Councillors with 1 Leader, one Deputy Leader, 7 Cabinet Members, 2 Licensing Sub Committee Hearing Chairs and 2 Champions, the Scheme of Members' Allowances now recommended by the IRP for 2026/27 would increase basic allowances by approximately £8,655.29, and SRAs including the Mayor and Deputy Mayor allowances by approximately £3,303.78 from the current 2025/26 allowances as shown in the table in paragraph 6.7 above. There would be no effect on travel/subsistence costs which vary from year to year. However, it should be borne in mind that there is always the potential for the cost of the Councillors' Allowances Scheme to be slightly lower than estimated each year. Costs are affected by seats left vacant whilst by-elections are held, for example, or if more than one Special Responsibility post is held by the same Member.

ACKNOWLEDGEMENTS

The IRP wishes to thank the Councillors who took the time to respond to the call to comments via e-mail.

COUNCIL**Lancaster Business Improvement District (BID)
Renewal Ballot - City Council's Voting Intention****17 December 2026****Report of Chief Officer Sustainable Growth****PURPOSE OF REPORT**

The ballot of Lancaster city centre ratepayers on Lancaster Business Improvement District's proposal to renew the Business Improvement District in Lancaster will run from 9 January to 5 February 2026. This report provides information for the decision on how to use the council's ballot voting entitlement.

This report is public**RECOMMENDATIONS**

- 1) The council's voting allocation is used to vote in favour of Lancaster BID's Renewal Proposal.
- 2) The Chief Officer Resources (S151) is instructed to complete the ballot papers accordingly and submit them by the end of the ballot period on 5 February.

1.0 Introduction

1.1 Business BIDs were introduced to the UK in 2002 as a funding generating mechanism to support improvements in defined commercial areas. BIDs are based on the principle of charging an additional levy (typically 1% to 2% of rateable value) on business ratepayers in a defined area following a positive majority vote by those ratepayers – being defined as a simple “yes” majority of both the voting balance of Rateable Value and the voting hereditaments. BIDs are time-limited, running for up to 5 years before requiring a renewal vote. Local partnerships are developed to undertake work on:

- Deciding the BID area and what improvements they want to make
- How the implementing partnership will manage it and what it will cost
- How long it will last

- 1.2 At present there are over 350 active BIDs in the UK. Examples of services or projects funded from UK wide BID initiatives include Street/business security; Public realm improvements; Street, alley, and pavement cleaning and graffiti removal; Promotions/ public events/ expanding tourism; Marketing; Retail retention and recruitment; Development of parking facilities, pedestrian shelters, public amenities, fountains, parks, kiosks, lighting, benches, and litter bins.
- 1.3 Members will be aware a Lancaster Business Improvement District (Lancaster BID) was voted in by local businesses in February 2012 and has been running since 1 April 2021. The renewed period agreed was for 5 years up to 31 March 2026 and Members will be broadly aware of the contribution that Lancaster BID has made to events and initiatives over the period.
- 1.4 Lancaster BID is seeking local ratepayer approval for the renewal of the BID arrangements. This requires a Renewal Ballot, conducted under the same statutory provisions - The Business Improvement Districts (England) Regulations 2004 (refer to the link in **Background Papers**) - as the previous ballot. The Renewal Ballot for the fourth term is scheduled to be held from 9 January 2026 with the final day for return of ballot papers set for 5 February 2026 and is “Yes” or “No” choice.
- 1.5 The national BID Regulations instruct the BID proposer to notify the billing authority (the city council), of its Renewal Proposals. The billing authority must be content that Renewal Proposals meet the information content and policy tests detailed in the 2004 Regulations before it can give its formal authority and issue instructions for a ballot to proceed.
- 1.6 Lancaster BID has reviewed its activities, delivery structure and scope, consulting with current and prospective levy payers in detail over the current term. The result of this work is the Lancaster BID Renewal Proposal (**Appendix 1**). This document will be issued to all eligible levy paying voters and can be regarded as Lancaster BID’s “manifesto” against which businesses eligible to pay the levy consider their vote.
- 1.7 Cabinet endorsed a draft Lancaster BID Renewal Document at its meeting of 2 December 2025 (agenda item ref: 8) confirming regulatory compliance of the Final Proposals. UK Engage have been instructed to undertake the ballot which will run from 9 January to 5 February 2026 (the last date completed ballots can be returned).
- 1.8 The council is liable for BID levy on the rateable property it occupies/holds should a ballot be successful (see **Financial Implications**). As a potential levy payer, the council has a voting entitlement and blank ballot papers are ordinarily received by the Chief Officer (Resources) as the council’s officer with responsibility for National Non-Domestic Rates (NNDR) liabilities and payments.
- 1.9 There is no statutory prescription on how individual local authorities treat this matter of voting. Cabinet has in the past escalated the voting decision to Full Council. This report provides information for Members to consider its use of the council’s available vote in the forthcoming Renewal Ballot.

2.0 Lancaster BID Renewal Proposal

2.1 The Renewal Proposal (**Appendix 1**) builds on the work undertaken over the current 5-year term. The content follows best practice guidelines from British BIDs, the industry recognised organisation that reviews and reports on national BID activities. It covers the following key areas:

- Reference to achievements against the original BID Business Plan with evidence of delivery and performance against the planned services.
- An analysis of the impact on the BID area and for those businesses within it.
- A clear outline of any differences between existing and proposed services and/or the previous BID area together with reasons as to why such changes have been made.

2.2 Key changes Notable features and some distinctions from the previous term's proposals are as follows:

- The renewal term proposed is 5 years, the maximum allowed under statute and will run from 1 April 2026 to 31 March 2031.
- The BID area is extended - most of the city centre east of the west coast main line up to the Lancaster Canal, and the Castle and Priory environs to the west are now included.
- Lancaster BID will continue to operate as a company limited by guarantee and accountable body for BID levy funds.
- The ballot period is scheduled for between 9 January 2026 and will close on 5 February 2026.
- The BID levy, how it is calculated, collected and who is eligible to pay are amended as follows:
 - The threshold for BID levy eligibility is reduced to £9K
 - Levy is amended to:

2026/27	1.85%
2027/28	1.86%
2028/29	1.87%
2029/30	1.88%
2030/31	1.89%

- Total levy revenue generated is £1.75M reflective of the new levy multipliers.
- Schools are excluded from paying the levy.

2.3 For the BID to be renewed two threshold tests need to be met in the ballot:

- More than 50% of votes cast (turnout) must be in favour of the BID and:
- The positive vote must represent more than 50% of the Rateable Value (RV) of the votes cast.

It is currently estimated the proposed BID area has an RV of around £16.58M taken from 444 voting eligible +£9K RV hereditaments (the rateable unit,

where each unit has one vote).

2.4 The city council will continue to be liable for the levy on the rateable property it occupies/holds should a ballot be successful (refer to **Financial Implications**). The city council's eligible holding in the redefined BID area currently amounts to £1.48M RV across 23 hereditaments. While this represents around 9% of the potential total RV in play (and 23 votes out of a potential 444) it should be noted that BID voter turnout has rarely exceeded 60% nationally, and below 50% is the norm.

2.5 For information the key 2021 ballot statistics are shown in the following table. On this occasion a “Yes” vote - a majority of votes cast and “weight” of rateable value - would have been secured without the city council’s positive support.

Total number of votes cast in the ballot, excluding any given on ballot papers rejected	155
Aggregate rateable value of each hereditament in respect of which a person voted in the ballot	£8,750,975
Total number of votes cast in favour of the proposed Business Improvement District	123
Aggregate rateable value of each hereditament in respect of which a person voting in the ballot has voted in favour of the proposed Business Improvement District	£5,507,025

3.0 Details of Consultation

3.1 The co The Lancaster BID has undertaken consultation with prospective levy payers to develop its ongoing approach to its service delivery, and this has been reflected in the proposals.

3.2 Membership of the Lancaster BID Management Board includes the Portfolio Holder for sitting alongside large, medium, and small businesses within the BID area. The BID has consulted and engaged on a satisfactory level and will continue to do so through the pre- and post- ballot stages, and in development of formal delivery ongoing arrangements should the renewal ballot be successful.

4.0 Options and Options Analysis (including risk assessment)

4.1 Support for BIDs is a key feature of current council policy (see **Relationship to Policy Framework**). A ‘no’ vote is not considered to be an option. However, it is still appropriate for the council consider an option of ‘abstention’. and the options are therefore as follows:

	Option 1 (Preferred Option): Vote "Yes," in favour of Lancaster BID's Renewal	Option 2: Abstain from voting on Lancaster BID Renewal
Advantages	<p>In line with current city council policy to support Lancaster BID on a tangible basis.</p> <p>Provides significant weight of rateable value and number of hereditaments for the 'yes' vote.</p> <p>Increases the likelihood of BID ballot success and the continuing delivery of additional services described in the Lancaster BID Renewal Proposal document.</p>	<p>Council takes a neutral position on the outcome.</p> <p>No risk of being seen to be on the 'wrong side' of the voting outcome. Can be seen to support the position that the Lancaster BID is "business led".</p>
Disadvantages	<p>The city council position will be at odds with the section of the business community who oppose the BID.</p> <p>Should the renewal vote be unsuccessful the council could be seen as being 'out of touch' with the business community.</p> <p>A successful BID means the council will be liable for an estimated £27.4K annual levy, which would need to be allowed for in the budget.</p>	<p>The weight of the council's Rateable Value and number of hereditaments/votes is not used to support a 'Yes' vote.</p> <p>In a close contest this may mean that the BID Renewal could fail under ballot.</p> <p>Appears at odds with the council's position as an active member of the Lancaster BID Management Committee and its role in community leadership.</p> <p>A BID may be successful without council voting support with £27.4K annual levy liability in any case.</p>
Risks	<p>The risk is mainly reputational where the council is seen to be on the 'wrong side' of the voting outcome.</p> <p>However, the wider business community anticipates that the council will vote in favour.</p>	<p>The council's reputation could be affected within business community which supports Lancaster BID.</p>

5.0 Officer Preferred Option (and comments)

5.1 The Lancaster BID proposals do not conflict with any published council policies and a successful BID will continue to actively support the council's corporate objectives particularly in the areas of Economic Growth, Clean Green & Safe Places and Community Leadership. The work of Lancaster BID in canvassing opinion and consultation shows a good level of support for the way the BID proposals have been shaped.

- 5.2 The informal work of Lancaster BID in canvassing opinion appears to show a good level of support for the BID Renewal Proposals and continuing with the development of activities under broad objectives with some specific highlighted actions. However, Members should be aware that a 'Yes' vote outcome is not guaranteed even where there is support from respected sections of the local business community.
- 5.3 The Lancaster BID Renewal Proposal has been independently developed, and the group has a recognised mandate and identity in the commercial heart of Lancaster. However, the overall voting result depends on Lancaster BID being persuasive and clear about the planned benefits and how they will be delivered. Only if businesses and local stakeholders see true additional value in a BID will they be willing to provide their support.
- 5.4 The **preferred option is Option 1** that the council votes in favour of the Lancaster BID Renewal, instructing the Chief Officer (Resources) to complete the BID ballot papers accordingly.
- 5.5 If there is a 'no' vote any remaining funds from the first BID term will be returned to the council who will distribute it back to levy payers under the procedure detailed in the 2004 BID regulations.

6.0 Conclusion

- 6.1 The current Lancaster BID Renewal Proposal presents an opportunity for the business community to continue to deliver additional services and activity in Lancaster City Centre on its own terms. The business representatives and Lancaster BID team at the heart of the proposal have worked to ensure their proposal reflects local issues and the activities proposed will have meaningful local impact.

RELATIONSHIP TO POLICY FRAMEWORK

The Lancaster BID renewal proposals are well aligned with the Council Plan 2024–27's strategic priorities. The BID's activities support economic growth, environmental improvements, partnership working, community wellbeing, and inclusivity.

A Sustainable District (The Climate Emergency) The Council Plan aims for Lancaster to be net zero carbon by 2030, focusing on biodiversity and sustainable practices. The BID's "Green Agenda" supports this with street cleansing, graffiti removal, planters, and seasonal decorations that enhance the city centre. The BID also partners with the Council and others on sustainability, though there is room to further develop its environmental actions to fully meet council targets.

An Inclusive and Prosperous Local Economy (Community Wealth Building) The Council Plan seeks to use assets and procurement for community benefit, skills, investment, and promoting Lancaster as a destination. The BID supports a diverse business mix through events, marketing, and business support, all aimed at boosting footfall and economic activity. The BID also attracts investment and works with partners like Lancaster University and Eden North, aligning well with the Council's economic aims.

Healthy and Happy Communities (Increasing Wellbeing, Reducing Inequality) The Council Plan focuses on clean, safe neighbourhoods and access to arts, culture, and recreation. The BID delivers events, supports arts and culture, and improves public spaces. Safety is addressed through the BID Warden, police partnership, and community safety

schemes. While not directly involved in housing, the BID's activities help create a cleaner, safer, and more vibrant city centre.

A Co-operative, Kind and Responsible Council (Delivering Effective Services, Taking Responsibility) The Council Plan commits to partnership working and effective service delivery. The BID is governed by a board representing city centre businesses and engages in regular consultation and collaborative projects. Its partnership with the Council, police, and others supports the Council's goal of co-operative and responsible service delivery.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Health & Safety: The BID has sponsored events and has directly delivered events, and this is anticipated to continue in the future. All major public events planned are discussed through the local Events Safety Advisory Group (ESAG).

Equality & Diversity / Human Rights: It is assumed from nationwide BID activity, and through its continuing application within the UK, that activities properly undertaken within the BID legislation are compatible with the Human Rights Act.

Community Safety: If renewed Lancaster BID will continue to support projects which will have a positive impact on community safety/business security matters.

HR: None

Sustainability: The additionality of BID Proposals should be of benefit to the council's corporate objectives, businesses and the community.

Rural Proofing: None

LEGAL IMPLICATIONS

Consideration and endorsement of the final BID Renewal proposal and instruction to proceed to ballot has been achieved as highlighted in the report.

Ballot management is being undertaken via UK Engage who will meet the necessary prescribed ballot regulations defined in the Business Improvement Districts (England) Regulations 2004

The ballot itself is secret and, while UK Engage will conduct the ballot, its conduct is still the responsibility of the local authority (the 'ballot holder' as termed in the BID Regulations). The ballot holder cannot reveal how individual ratepayers voted - but during the 28-day ballot period Lancaster BID is allowed to encourage businesses to vote.

A BID Renewal will require amendments to the current legal agreements, developed for the purposes of formalising arrangements between the city council and BID delivery body, to reflect the incorporation of the Lancaster BID company – the key documents being an Operating Agreement and Baseline Agreement. Should the council be involved as a service delivery partner, Complementary Services agreements may be appropriate – that is, contractual agreements for those services provided by the council solely for the improvement or benefit of the BID area, funded using the BID levy or other contributions to the BID body.

Should there be a successful ballot the levy will continue to be a statutory debt subject to the usual principles of rate collection, reminder notices and enforcement action for non-payment. Revenues shared service experience of BID collection/enforcement matters will be valuable

in this regard. The timetable for reminders and enforcement will follow that of the existing NNDR system.

FINANCIAL IMPLICATIONS

There are several costs in relation to BID implementation that should have no bottom-line impact on the council's budget:

1. The costs to UK Engage for undertaking the ballot are to be paid through the current Lancaster BID budget.
2. Administrative costs of identifying hereditaments within the extended BID boundary and producing a listing of all those rateable properties within the relevant boundaries can be absorbed within current budgets.
3. Updating the NNDR system to support the collection of additional BID levies: although the BID area has been extended there will be 444 billable hereditaments compared to previous 383. The current software model is therefore able to accommodate this at no additional cost.
4. BID legislation allows for the council's administrative costs to be recovered through the BID levy, and the councils charging has been made clear to Lancaster BID and will be kept under review. Officers have ensured its administrative charges are appropriate. Charges are also clear to those who are eligible to vote and are included within the renewal proposal. This is currently budgeted for in the region of just over £7K per annum.
5. Potential costs of supporting the BID body operation post ballot - the Lancaster BID has not required or generated any discrete council management input into the post ballot 'operational' side.

The main bottom line impact of a successful renewal will be the cost to the council for the levy on its own properties for which it holds NNDR liabilities within the increased BID area. At an initial 1.85% levy the council is estimated to incur a charge of around £27.4K. The existing charge is included in the council's revenue budget and will need to be updated and carried forward from 2026/27 financial year onwards as part of the annual budget process.

There is no guarantee that a BID Renewal Ballot will be successful. If there is a 'no' vote any remaining funds from the first BID term will be returned to the council who will distribute it back to levy payers under procedure detailed in the 2004 BID regulations.

OTHER RESOURCE IMPLICATIONS

Human Resources: Internal council human resources will be used to support Lancaster BID as outlined in the report. The main operational issues will primarily involve NNDR officers in managing the levy billing arrangements if the BID Renewal proposals are successful. Legal Services officers will be involved in reviewing and dealing with formal agreements between the council as billing authority and the new BID body. Officers from Sustainable Growth Service will continue to provide the contact point for the council's input into the Lancaster BID project programme if it is renewed through ballot.

Information Services: Following a successful ballot some updates to the billing software used by the council to generate and administer the BID levy bills will be required. The implications are outlined in previous sections of the report.

Property: The city council will continue to be liable for the BID levy on rateable property which it occupies/holds should a renewal ballot be successful. The continuing improvement

to the environment of the area through a successful BID ballot could benefit the businesses within the city centre and may also improve the take up of the council's empty commercial property, reducing its general business rate liabilities in the long run.

Lancaster BID currently leases accommodation within the council owned offices at CityLab, Dalton Square, if the BID renewal ballot was successful then the BID will continue to occupy this space under a new lease.

Open Spaces: The BID proposals include measures for improvement, enhancement, and productive use of city centre public realm and open space.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

[The Business Improvement Districts \(England\) Regulations 2004](#)

[Cabinet report and decision December 2025](#)
[Agenda Item 8](#)

Contact Officer: Paul Rogers

Telephone: 01524 582334

E-mail: progers@lancaster.gov.uk

Ref:

CABINET

6.00 P.M.

21ST OCTOBER 2025

PRESENT:- Councillors Caroline Jackson (Chair), Peter Jackson, Mandy Bannon, Tim Hamilton-Cox, Paul Hart, Sally Maddocks and Sue Tyldesley

Apologies for Absence:-

Councillors Martin Bottoms and Sam Riches

Officers in attendance:-

Mark Davies	Chief Executive
Luke Gorst	Chief Officer - Governance and Monitoring Officer
Paul Thompson	Chief Officer - Resources and Section 151 Officer
Joanne Wilkinson	Chief Officer - Housing and Property
Liz Bateson	Principal Democratic Support Officer, Democratic Services

55 MINUTES

The minutes of the meeting held on Tuesday 16 September 2025 were approved as a correct record.

56 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

The Chair advised that there were no items of urgent business.

57 DECLARATIONS OF INTEREST

The following declarations of interest were made with regard to Agenda Item 13: Letting of Community Asset (Ryelands House):

Councillors Bannon, Hamilton-Cox and Caroline Jackson all declared an interest in view of them being acquainted with the Director of the North Lancashire Community Land Trust through being on the council and ward work. The interest was not pecuniary.

58 PUBLIC SPEAKING

Members were advised that there had been no requests to speak at the meeting in accordance with Cabinet's agreed procedure.

59 RISK APPETITE

(Cabinet Member with Special Responsibility Councillor Caroline Jackson)

Cabinet received a report from the Chief Executive to enable Cabinet to review the appropriate risk appetite levels for the Council.

No options were provided. Cabinet was asked to refresh the recommended risk levels. Should any adjustments be proposed, officers would need to produce a further report providing more details on any implications of this.

Councillor Caroline Jackson proposed, seconded by Councillor Peter Jackson:-

“That the recommendation, as set out in the report, be approved.”

Councillors then voted:-

Resolved unanimously:

That having reviewed the risk appetite levels for risks across the Council, as set out in appendix A to the report, the proposals be endorsed by Cabinet.

Officer responsible for effecting the decision:

Chief Executive

Reasons for making the decision:

The Council has a Risk Management Policy, which is written to provide guidance on the management of risk. Risk Management is identified in the Council Plan 2024-27. The Council has different risk appetites set, depending on the type of risk. The risk appetite was last reviewed by Cabinet in December 2023 and needed to be reviewed again, following the move from a 4x4 to a 5x5 risk scoring matrix.

60 REVIEW OF COUNCIL HOUSING TENANCY AGREEMENT

(Cabinet Member with Special Responsibility Councillor Caroline Jackson)

Cabinet received a report from the Chief Officer Housing & Property that sought approval from Cabinet to consult with tenants on proposed changes to the council housing Tenancy Agreement relating to secure and introductory tenants.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

	Option 1: Do nothing – continue with the existing tenancy agreement	Option 2: Cabinet approves the proposal to revise the tenancy agreement
Advantages	Simplicity of continuation. Cost savings (minimal e.g. postage costs)	<p>The tenancy agreement is updated to ensure that it meets current standards and requirements, and is fit for purpose.</p> <p>The tenancy agreement remains an effective management tool.</p> <p>The Tenancy Agreement provides tenants with sufficient</p>

		information to understand their rights and obligations in relation to their home.
Disadvantages	The existing tenancy agreement does not reflect current standards and requirements. This may mean that the Council does not meet the required consumer standards.	Costs of implementation will be incurred with postage – writing to tenants twice.
Risks	The tenancy agreement will not be wholly fit for purpose as an effective management tool. The Regulator of Social Housing deems the Tenancy Agreement to be outdated and not fit for purpose, this could be a breach of the consumer standards.	None known.

The Officer preferred option is Option 2 for the reasons set out above.

Councillor Caroline Jackson proposed, seconded by Councillor Bannon:-

“That the recommendations, as set out in the report, be approved.”

Councillors then voted:-

Resolved unanimously:

- (1) That the Community Housing Manager be authorised to consult with tenants regarding the proposed changes to the Tenancy Agreement and to serve the necessary preliminary notice of variation.
- (2) That a further report be brought to Members following the completion of the consultation process seeking final approval.

Officer responsible for effecting the decision:

Chief Officer Housing & Property

Reasons for making the decision:

The need has been identified for the Council to review its tenancy agreement to ensure that the agreement remains fit for purpose and can be used as an effective management tool. The agreement has also been updated to ensure that it meets tenant expectations in terms of clarity and understanding.

The decision is consistent with the Council Plan: – the proposal supports the Council’s objectives: to be a Co-operative, Kind and Responsible Council and links to the Councils ambitions of Openness and the Councils Standards – Transparency, Influence and

Accountability.

The review is being undertaken in line with the Service Improvement Plan – 4.8 Council Housing tenancy agreement and license agreement updated to reflect current practices and in line with best practice and has been given a deadline date of completion of year 2.

61 STATEMENT OF GAMBLING POLICY 2025-2028

(Cabinet Member with Special Responsibility Councillor Maddocks)

Cabinet received a report from the Chief Officer Governance for Cabinet members to consider the revised Statement of Gambling Policy for 2025-2028 and refer to Full Council for adoption.

Section 349 of the Gambling Act 2005 (“the Act”) provides that each Licensing Authority shall, before each successive period of three years, prepare a statement of the principles that they propose to apply in exercising their functions under the Act during that period, and publish that statement. The Licensing Committee approved the draft policy, in line with the Councils constitution and it was now necessary for Cabinet to make recommendations to Full Council for approval.

It was agreed that the report to Council would highlight the changes to the Gambling Policy which would be useful for members. Following concern regarding safeguarding of children it was suggested that consideration should be given to raising public awareness of the rules in terms of children. It was also noted that the report to full Council would include a revised preface.

Councillor Maddocks proposed, seconded by Councillor Bannon:-

“That the recommendations, as set out in the report, be approved with Cabinet’s comments reflected in the report to Full Council.”

Councillors then voted:-

Resolved unanimously:

That Cabinet endorse the revised Statement of Gambling Policy 2025-2028 and refer the policy to full Council for adoption with the referral report reflecting Cabinet’s comments.

Officer responsible for effecting the decision:

Chief Officer Governance

Reasons for making the decision:

The Statement of Licensing Policy forms part of the Council’s Policy Framework.

It is important to follow the correct process in implementing the updated policy, with Licensing Committee making recommendations to the Councils Cabinet prior to adoption by Full Council. The absence of a valid policy leaves the Council susceptible to legal

challenge.

Whilst the following item was public it contained exempt appendices, and notice had been given that the press and public would need to be excluded from the meeting if reference needed to be made to the exempt appendices. During consideration of the item Cabinet voted unanimously to exclude the press and public in order to discuss one of the exempt appendices. The report and minute remain public for Skerton School Procurement remain public.

Resolved unanimously:

The press and public were excluded during the following item and Cabinet remained in private session for the duration of the meeting.

62 SKERTON SCHOOL PROCUREMENT

Cabinet Member with Special Responsibility Councillor Caroline Jackson)

Cabinet received a report from the Chief Officer Housing & Property that sought Cabinet approval for a twin-track procurement strategy and progress Preliminary Market Engagement to test partnership opportunities for the redevelopment of the Skerton School site and Mainway regeneration.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

	Option1: Partnership	Option Works contract	2: Option Blended partnership/ contract options/ multiple partners	3: Option 4: Do nothing
Advantages	<ul style="list-style-type: none"> - PME to explore market interest and models for a viable route to delivery within a partnership model. - Test market interest in models compatible with project outcomes. 	<ul style="list-style-type: none"> - Compliant process via procurement frameworks - Mitigates volatility of construction costs - Strong Council control over design, sustainability standards, and tenure 	<ul style="list-style-type: none"> - Flexibility to combine different partnership and contract models that are deemed best suited - Potential to attract a consortium of partners bringing complementary skills 	None

	<ul style="list-style-type: none"> - Transfer of major risks (funding, sales, development). - Injection of development expertise and capacity. - Reduced control over design detail and lettings policy. - Greater cost certainty for the Council within delivery model 	<ul style="list-style-type: none"> - Potentially lower construction costs - Partial transfer of construction risk to contractor. 	<ul style="list-style-type: none"> (funding, development, construction, management). - Spreads risk by not relying on a single delivery partner. 	
Disadvantages	<ul style="list-style-type: none"> - Potentially higher long-term costs - Reduced control over design and delivery - Potentially reduced control as a council owed asset - Portability of grant provision into Partnership model. 	<ul style="list-style-type: none"> - Increased pre-development cost and management costs - Significant management resource - Current unavailability of funding prior to CHSR - High financial burden on HRA - Affordability risk - mitigation via Homes England grant and potential new Government 	<ul style="list-style-type: none"> - Risk of misaligned objectives between partners. - Longer negotiation period may slow mobilisation. - Added complexity in procurement, legal structures and governance. - Higher resource needed to manage multiple relationships. - Risk of misaligned objectives between 	<ul style="list-style-type: none"> - Failure to progress key procurement strategy

		borrowing programmes.	<p>partners.</p> <ul style="list-style-type: none"> - Longer negotiation period may slow mobilisation. - Added complexity in procurement, legal structures and governance. - Higher resource needed to manage multiple relationships. 	
Risks and mitigation	<ul style="list-style-type: none"> - No appetite for engagement - Proposals not compatible viability/tenure /control 	<ul style="list-style-type: none"> - Exploration of suitable frameworks to increase cost certainty may reduce management burden. However, a tender at this stage may risk predetermination challenge. 	<ul style="list-style-type: none"> - Risk of fragmented delivery <ul style="list-style-type: none"> - mitigated through clear governance and robust partnership agreement. - Could confuse the market – PME will test interest. - Potential overlap or conflict between models, winning both sites may be vital to Partners business model 	<ul style="list-style-type: none"> - Stagnation of the project objectives. - Pursue twin track approach.

The officer preferred recommendation is to proceed with Option 3, with engagement on

the broadest possible terms, providing a clear scope and definition of each site, and our priority to advance Skerton first in alignment with Homes England programmes.

The blended option will help shape the most viable partnering options for the Skerton development and the Mainway regeneration and ensure that both schemes are advanced in a coordinated and comprehensive context. In doing so, it will increase the attractiveness of the proposition to potential partners, signal opportunities for longer-term relationships, and demonstrate the Council's intent to bring forward Skerton as part of a wider regeneration of Mainway.

Cost plan assumptions may be compliantly reviewed through structured consultation supported by framework benchmarking and independent advice and provide a consistent baseline for comparison alongside partnership.

This is an efficient approach, which can be managed within the existing project resource and will generate a comprehensive range of responses and options to develop a preferred delivery model and navigates any perception of predetermination prior to a final decision by members.

Members noted that no single procurement route is fully developed at this stage. They therefore directed officers to pursue a twin-track approach, keeping both partnering and contract options open for Skerton. Members subsequently further agreed that engagement should be extended to include Mainway and signal the Council's intention to work with the market to bring this forward wider regeneration.

Councillor Caroline Jackson proposed, seconded by Councillor Hamilton-Cox:

"That the recommendations, as set out in the report, be approved with recommendation (1) revised with the deletion of 'estimate' and insertion of 'accurate account'.

Resolved unanimously:

- (1) That Cabinet authorises officers to obtain an accurate account of the full costings in respect of a Council led Design & Build contract for the construction of housing on the Skerton School site such costings to be obtained via a suitable framework.
- (2) That approval be given to the commencement of Preliminary Market Engagement (PME) activity in respect of the construction of housing on the Skerton School site.
- (3) That approval be given to the commencement of PME activity in respect of the development of Mainway both as a procurement in its own right or alternatively as a procurement connected to the Skerton School development.
- (4) That officers be authorised to take all necessary steps to commence PME in respect of recommendation 2 and/or 3 in accordance with all requirements under the Procurement Act 2023.
- (5) That Cabinet notes that a further report will be brought back to Cabinet with a recommended preferred route once PME and cost benchmark analysis has been completed in respect of Skerton School and/ or Mainway.

Officer responsible for effecting the decision:

Chief Officer Housing & Property

Reasons for making the decision:

The decision is consistent with Council Priorities:

A Sustainable District –Climate Emergency: Properties brought forward will be developed to a high standard, therefore benefitting residents with quality and warm homes.

An Inclusive and Prosperous Local Economy – opportunities for local contractors to be employed as part of development opportunities.

Housing Strategy – will link directly to the Homes Strategy for Lancaster District 2020-2025 by seeking to increase provision of affordable housing.

The proposals ensure that Skerton is advanced as the first enabling phase, aligned with Homes England programmes, while also increasing the attractiveness of the overall proposition to potential partners. By signalling the long-term opportunity at Mainway, the Council can build interest, explore longer-term relationships, and position both schemes within a coordinated regeneration strategy.

The estimated value of the works is above the qualifying financial threshold, and the Council is required to follow the full statutory procurement procedure. The twin track proposal following a recommendation for a compliant PME brings forward partnering options and greater certainty for construction costs in a step-by-step approach and is supported by procurement advice.

It makes the best use of resource and enables the project programme deadlines to be achieved, avoids any perception of predetermination and positions the Council to move positively into the most appropriate formal tender once robust market evidence is available and there is clarity on CHSR funding and the Autumn statement.

63 INDUSTRIAL STYLE ROOF REPAIRS (Pages 12 - 13)**(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)**

Cabinet received a report from the Chief Officer Housing & Property that sought approval to undertake roof refurbishment works to key council buildings. The report was exempt from publication by virtue of paragraph 3, Schedule 12A of the Local Government Act, 1972.

The options, options analysis, including risk assessment and officer preferred option, were set out in the exempt report.

Resolved unanimously:

The resolution is set out in a minute exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act, 1972.

Officer responsible for effecting the decision:

Chief Officer Housing & Property

Reasons for making the decision:

The decision is consistent with the Council's priorities. Exactly how the decision fits with Council priorities is set out in the exempt minute.

64 LETTING OF COMMUNITY ASSET (RYELANDS HOUSE) (Pages 14 - 16)

Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Cabinet received a report from the Chief Officer Housing & Property that sought approval to accept a proposal to enter a lease arrangement with North Lancashire Community Land Trust.

The options, options analysis, including risk assessment and officer preferred option, were set out in the exempt report.

Resolved unanimously:

The resolution is set out in a minute exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act, 1972.

Officer responsible for effecting the decision:

Chief Officer Housing & Property

Reasons for making the decision:

The decision is consistent with the Council's priorities. Exactly how the decision fits with Council priorities is set out in the exempt minute.

Chair

(The meeting ended at 7.30 p.m.)

**Any queries regarding these Minutes, please contact
Liz Bateson, Democratic Support - email ebateson@lancaster.gov.uk**

MINUTES PUBLISHED ON TUESDAY 28 OCTOBER 2025

**EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES:
WEDNESDAY 5 NOVEMBER, 2025**

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