



LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

COUNCIL MEETING

**Wednesday, 25 February 2026 -
6.00 p.m.
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 20 February

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



LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

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, 25 February 2026 commencing at 6.00 p.m. for the following purposes:

1. **APOLOGIES FOR ABSENCE**

2. **MINUTES** (Pages 5 - 19)

To receive as a correct record the Minutes of the Meeting of the City Council held on 28 January 2026 (previously circulated).

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 20 - 24)

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. **BUDGET AND POLICY FRAMEWORK 2026/27 - 2030/31** (Pages 25 - 80)

Report of Cabinet.

10. **HOUSING REVENUE ACCOUNT BUDGET FRAMEWORK 2026 TO 2031** (Pages 81 - 107)

Report of Cabinet.

11. **MEDIUM TERM FINANCIAL STRATEGY 2025/26 - 2029/30** (Pages 108 - 123)

Report of Cabinet.

12. **FLEXIBLE USE OF CAPITAL RECEIPTS 2026 - 27** (Pages 124 - 131)

Report of Cabinet.

OTHER BUSINESS

13. **CAPITAL PROGRAMME 2026/27 - 2035/36 & CAPITAL STRATEGY (INVESTED IN THE FUTURE)** (Pages 132 - 162)

Report of Chief Finance Officer.

14. **TREASURY MANAGEMENT STRATEGY 2026/27** (Pages 163 - 193)

Report of Chief Finance Officer.

15. **COUNCIL TAX 2026/27** (Pages 194 - 199)

Report of Chief Finance Officer.

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 200 - 204)

To receive the Minutes of Meeting of Cabinet held 28 January 2026.



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Chief Executive

Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ

Published on, 17 February 2026.

PROCEEDINGS

A meeting of the Lancaster City Council was held in the Town Hall, Morecambe, at 6.00 p.m. on Wednesday, 28 January 2026, when the following Members were present:-

Margaret Pattison (Mayor)	John Hanson (Deputy Mayor)
Suhir Abuhajar	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	Claire Cozler
Maria Deery	Roger Dennison
Gina Dowding	Tom Fish
Martin Gawith	Alan Greenwell
Tim Hamilton-Cox	Prof Chris Harris
Paul Hart	Colin Hartley
Ross Hunter	Caroline Jackson
John Livermore	Sally Maddocks
Sarah McGowan	Abi Mills
Hamish Mills	Paul Newton
Andrew Otway	Sue Penney
Catherine Potter	Joyce Pritchard
Sarah Punshon	Robert Redfern
Sam Riches	James Sommerville
Jackson Stubbs	Paul Stubbins
Sandra Thornberry	Sue Tyldesley
David Whitaker	John Wild
Nick Wilkinson	Jason Wood

97 APOLOGIES

Apologies for absence were received from Councillors Brett Cooper, Andrew Gardiner, Chris Hanna, Peter Jackson, Kate Knight, Jack Lenox, Izzy Metcalf-Riener, Jean Parr and Paul Tynan.

98 MINUTES

At this point Councillor Phil Black referred to an inaccuracy in minute 96 of the ordinary Council meeting held on 17 December which stated the Leader had responded to a question from Councillor Gawith. Councillor Black asked that the sentence be amended to read the Leader 'failed to answer a question from Councillor Gawith.' As the meeting did not agree to this revision a vote was taken with Councillor Phil Black, seconded by Councillor Matthew Black formally requesting that the minutes be amended. On being put to the vote the proposal was carried, and the minutes were amended prior to being signed by the Mayor.

The minutes of the Special meeting and amended minutes of the ordinary meeting held on 17 December 2025 were signed by the Mayor as a correct record.

99 DECLARATIONS OF INTEREST

There were no declarations of interest made at this stage.

100 ANNOUNCEMENT - MAYOR'S CABARET EVENING

The Mayor announced that she would be hosting a Cabaret Evening at the Mazuma Stadium on 7th March at 7pm. Tickets for this lovely evening of entertainment which included a pie supper were available from the Mayor's office.

101 ANNOUNCEMENT - RECORDED VOTE

The Mayor announced that in compliance with the law and Council Procedure Rule 19.7 from the City Council Constitution a recorded vote would be taken on item 9 as this related to the making of a Council Tax calculation.

102 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.

103 PETITIONS AND ADDRESSES

Councillors were informed that two speakers had registered to speak at the meeting in accordance with Council Procedure Rule 13.

The first speaker was Claire Cooper and the second Jason Park, Chair of Cockerham Parish Council. The speakers expressed the anger, frustration and concern of the residents of St Michaels Gardens, Cockerham who for four years had been living in an unsightly estate amongst fly tipping, incomplete landscaping, driveways, roadways and drainage. The speakers spoke passionately about the problems they were experiencing and implored the city council to expedite legal proceedings as the continued delays contributed significantly to the distress of the residents.

Copies of both speeches had been circulated to members.

Councillor Tyldesley, Cabinet member with responsibility for Planning, responded to Claire Cooper and Jason Park and thanked them for their heart felt addresses. Councillor Tyldesley assured those attending that the Council was listening and doing what it could to deal with this very unsatisfactory situation and expressed her hope that the publicity around this case make the developers realise that it was in their interests to do the right thing and improve the living conditions for those presently living on the site.

104 LEADER'S REPORT

The Leader presented her report updating Members on various issues since her last report to Council.

The Leader and Councillor Hart responded to a number of questions and the Leader confirmed that a written response would be provided to Councillor Cleet's question on whether a referendum would be necessary in the event of the formation of a Heysham Parish council and the possibility of the ward of Heysham North breaking away from Morecambe Town Council to join Heysham Parish Council.

Resolved:

That the report be noted.

105 BUDGET AND POLICY FRAMEWORK UPDATE 2026/27 TO 2030/31

Councillor Hamilton-Cox, Cabinet Member with particular responsibility for Finance and Property, presented a report of Cabinet providing an update on the Council's budget strategy for 2026/27 and financial outlook up to 2030/31.

The report specifically considered the budget and Council Tax proposals for 2026/27 and recommended that Council approve a 2.99% increase to the Band D Council Tax as the Lancaster City Council element of the Council Tax charge for 2026/27.

Councillor Matthew Black declared an interest at this point in view of him working for the Lancashire Fire and Rescue Authority.

Councillor Hamilton-Cox responded to questions.

Council noted the latest revenue budgetary information set out in the report.

Councillor Hamilton-Cox proposed, seconded by Councillor Bottoms:

"That Council approves a City Council Tax increase of 2.99% to the Band D Council Tax (from £264.30 to £272.20), together with a year on year target of the maximum allowable under the Government's local referendum thresholds for future years."

At the conclusion of the debate, a recorded vote was taken on the proposition as required by legislation and Procedure Rule 19.7 in the Council's Constitution. The results of that vote were recorded as follows:

For: Councillors, Ainscough, Armistead, Bannon, Belcher, Black (Matthew), Black (Phil), Blaikie, Bottoms, Brookes, Cleet, Colbridge, Colley, Cozler, Deery, Dennison, Dowding, Fish, Gawith, Greenwell, Hamilton-Cox, Hanson, Hart, Hartley, Hunter, Jackson (Caroline), Livermore, Maddocks, McGowan, Mills (Abi), Mills (Hamish), Otway, Pattison, Penney,

Potter, Pritchard, Punshon, Redfern, Riches, Sommerville, Stubbins, Stubbs, Thornberry, Tyldesley, Whitaker, Wilkinson and Wood (46)

Against: Councillors Abuhajar, Bradley and Harris (3)

Abstentions: Councillors Budden, Newton and Wild (3)

Resolved:

- (1) That Council approves a City Council Tax increase of 2.99% to the Band D Council Tax (from £264.30 to £272.20), together with a year on year target of the maximum allowable under the Government's local referendum thresholds for future years.

106 EXECUTIVE ARRANGEMENTS

Council considered a report from the Chief Officer Governance to inform Council of interim changes to Cabinet responsibilities whilst the Deputy Leader is absent and to report an addition to the executive delegations to the Chief Officer, Housing and Property.

In response to a question regarding the temporary redistribution of responsibility for car parking the Leader provided clarification and apologised for any confusion this may have caused but confirmed that this would only be on a short-term basis.

Resolved:

That Council notes:

- (a) the interim changes to executive arrangements whilst the Deputy Leader is absent
- (b) an addition to executive delegations to the Chief Officer, Housing and Property

107 APPOINTMENTS AND CHANGES TO COMMITTEE MEMBERSHIP

Changes to Committee memberships since the last Council meeting were reported.

It was reported that Councillor Budden had taken up the vacant Conservative seat on Budget and Performance Panel.

Councillor Wild had taken up the vacant Conservative seat on Overview and Scrutiny Committee.

Councillor Dowding to replace Councillor McGowan on Overview and Scrutiny Committee.

108 QUESTIONS UNDER COUNCIL PROCEDURE RULE 12 (Pages 7 - 16)

The Mayor advised that 9 Councillors had submitted questions to the Chief Executive in accordance with Council Procedure Rules.

Councillor Parr had submitted 3 questions to Councillor Bottoms regarding car park occupancy. In view of her absence the Mayor read out her questions.

Councillor Colbridge submitted a question to Councillor Caroline Jackson solar array panels in blocks of flats.

Councillor Potter submitted a question to Councillor Hart regarding gritting with a further question to Councillor Bottoms regarding the calculation of economic benefit to the district

of events.

Councillor Ainscough submitted a question to Councillor Riches regarding EV charging points.

Councillor Redfern submitted a question to Councillor Bottoms with regard to parent and child spaces in council operated car parks.

Councillor Belcher submitted a question to Councillor Bottoms regarding blue badge provision.

Councillor Matthew Black submitted a question to Councillor Bottoms regarding Castle car park.

Councillor Cozler submitted a question to Councillor Bottoms regarding walking distances from Kingsway car park.

Councillor Phillip Black submitted a question to Councillor Bottoms regarding the closure of St Leonardsgate.

Details of the questions and answers together with any supplementary questions and responses are appended to the minutes.

109 MINUTES OF CABINET

Council considered the Cabinet minutes of the meeting held on 26 November and 2 December 2025.

Mayor

(The meeting finished at 8.11 p.m.)

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

Question asked by Councillor Ruth Colbridge to Councillor Caroline Jackson

In my ward, blocks of flats on Shakespeare Road have been retrofitted with solar panels. In each block the control panels and other high voltage equipment for the solar array has been located at the bottom of the only stairwell. In the event of an electrical fire in this equipment, residents won't be able to use the only emergency escape route from the building.

- Q1. *What fire risk assessments have been conducted in relation to these installations?*
- Q2. *Have residents been informed of the potential danger?*
- Q3. *Will the council take action to improve the fire safety standards in these flats?*

Councillor C Jackson responded:

The Council takes fire safety very seriously and undertakes a comprehensive fire risk assessment on each of these blocks. No issues have been identified through this in relation to the location of the control panels. Each of these blocks operate on a Stay Safe/Defend in Place fire (evacuation) strategy which means that even if this equipment caught fire within these control boxes the Residents would not be expected to evacuate & would be safer to stay within their Flats unless instructed to leave by the Fire Service. In the event of a fire, full simultaneous evacuation is unlikely to be necessary as compartmentation levels & fire stopping within the structure should contain the fire at source. The communal areas are kept "sterile" meaning that there are no combustible materials in these areas for the fire to spread and therefore in theory such a fire would burn itself-out quite quickly & products of combustion/smoke would naturally ventilate/escape via the open doorways on each floor level. However, in reality it, would be expected that control panels would not catch fire due to over-ride safety switches which would kick in if the equipment became too hot or overloaded.

We keep residents informed about health and safety through our Block Voice groups, whereby information about actual risks rather than perceived risks is shared.

We will continue to keep abreast of and implement enhanced safety measures identified as part of our robust Fire Risk Assessment process.

Supplementary question asked by Councillor Colbridge:

In context of Grenfell fire how reassured are residents likely to feel, for me if there was a fire I'd be looking to get out in context of recent events. Its important to make sure that residents have full and clear understanding and also that feedback is sought from them that they are comfortable. Can you reassure that has been done?

Councillor Caroline Jackson responded:

In terms of Grenfell councils have had to learn a great deal from that and have been required to spend a great deal to ensure fire risks have been undertaken. In terms of finding out how residents feel each block has its organisation where there's a block voice. Its part of our tenant voice strategy and it seems to work. It is worrying and tenants do worry but that's the point of block voice and fire risk assessments and hopefully tenants will be reassured by that.

Question asked by Councillor Catherine Potter to Councillor Paul Hart

During the spell of freezing weather that the district experienced earlier this month, I received several complaints from residents about the treacherous conditions underfoot and also when driving due to a lack of gritting by the Council. The places drawn to my attention were the car park at Salt Ayre leisure centre, car parks in Lancaster and the promenade in Morecambe. None of these were gritted, rendering them highly dangerous for pedestrians especially, but for drivers too.

Q.1 May I ask what is the Council's policy for making well-used public places under its ownership safe? After all, every single year, it is perfectly normal for our district to experience such freezing conditions a few times over the winter. It is not like there was two foot of snow – it was just a bit of frost.

Councillor Hart responded:

The pedestrian prom in Morecambe is managed by the public realm team and does not receive any gritting. Gritting of public spaces are not a statutory function.

Public Realm hold a winter gritting procedure, which aligns to the work within the Public Realm Agreement with Lancashire County Council.

The Public Realm in the district is vast and it is not possible, appropriate or financially viable to grit all areas in which the public access during cold weather conditions. Under the winter gritting protocol, Public Realm teams grit if temperatures have remained below zero temperature, and levels of ground frost are present for a prolonged period of time.

Prioritisation of gritting takes place on active travel routes under the Councils ownership between Morrisons and the Millenium Bridge, to ensure the link to Morecambe and Lancaster is available and accessible.

County Council, on occasions, request City Council teams to grit priority footways during prolonged spells of ground frost. These include Morecambe Town Centre, Lancaster City Centre, Ashton Road footways around the Hospital and pavements of Queen Street to Northumberland Avenue in Morecambe.

Supplementary question from Councillor Potter:

Does this council under its current leadership expect the whole district its economy, education, leisure pursuits to simply grind to a halt every time we have perfectly normal, wintry weather ?

Cllr Hart responded:

We can spend a lot more money on this but would have to perhaps decide what we will cut in order to do this. I agree with you I don't like the footways having ice on but to have the equipment and manpower available to maintain as you would wish is expensive. I can put it to cabinet and talk to chief officer.

At this point the Chief Executive provided the following clarification on gritting:

Under the current two tier system we do have a confusing situation for the public where responsibility for winter maintenance of the majority of the highway network which includes footways is the responsibility of the county council . It's a statutory responsibility for county to fulfil so questions on this are best directed to the county council.

Question from Catherine Potter to Councillor Bottoms

Q2. *I have received complaints from local businesses about the way the economic benefit to the district of events is calculated. Surely, we should not be including money spent on out-of-town stallholders in the economic impact claims as this money simply leaves the District and can I ask that a new method of collecting spend data be implemented to exclude non-local spend?*

Councillor Bottoms responded:

We don't collect any economic data. The only event in the district for which a full, independently commissioned economic impact assessment is available is Light Up Lancaster. The Council does not hold equivalent economic impact reports for other events. It is important to note that Lancaster City Council does not commission any economic impact assessments directly.

Supplementary question from Councillor Potter

I have also been told that several well-known local cafes and restaurants have decided to close during some of our most high profile events because, despite the massive footfall, they had previously found that their takings did not justify them staying open. Can I ask that for future events in Lancaster and Morecambe out-of-town stallholders are banned, thereby ensuring that all the economic benefit is to our local economy?

Councillor Bottoms responded:

I've come to this meeting from Lancaster BID. They have no evidence of cafes or restaurants closing. There is a bit of contention with elements of businesses in Lancaster at the moment so I need to be careful what I say. Bella Italia were specific and wished for a daily Light up Lancaster as they were so busy. I'll take away what you're saying but with regard to those coming in hawkers licences only central govt can amend the law that will allow us to ban those people. Sad to see as the items they sell take over 100 years to degrade.

Question from Councillor Joanne Ainscough to Councillor Sam Riches

- Q1. *How many EV charging points available for public use are there in City Council owned car parks across our district?*
- Q2. *The upcoming budget proposals include plans to apply parking fees to EV vehicles that are charging in our car parks. I am concerned that this is a needless disincentive to EV drivers who are visiting our city, and to people considering switching to EV use generally. How much additional revenue is this measure expected to bring in, and...*
- Q3. *If truly necessary, why are we applying a second fee rather than amalgamating parking fees into the cost per kW for using the charger?*

Councillor Riches responded:

This information is available on the council website. Electric vehicle charging points - Lancaster City Council. In summary, 13 publicly available EV charge points are available in council off-street commercial car parks. Since 31/12/2025 five charge points have ceased to function due to the operator (BP Pulse) withdrawing from the marketplace. These charge points are anticipated as being replaced as soon as possible.

We have a proposal for 4 dual connection charging points to come into the car park at Thurnham Street.

Car parking charges for the parking of EV vehicles have always been in place since the initial devices were installed in 2019. The only exception is that the four Blink devices installed on council car parks provide a 1-hour free parking. Charges for the electricity provided to EV vehicles via the charge point devices were introduced on 1st April 2023.

The 2026 fees and charges report highlights that the new EV charge hub at Auction Mart car park in Lancaster will have an additional "overstay" mechanism added to the terms & conditions of the EV charge points at this location.

The level of revenue likely to be generated by the overstay mechanism tariff has not been modelled but in response to this question I would estimate less than £500 per annum.

The charging of EV vehicles for parking and for electricity has been established for a number of years and no negative feedback has been received by parking services on the principal of either charge.

The overstay charging mechanism is aimed at being a small financial disincentive to users to “hog” the EV bays and thus ensuring that the EV bays are used by as many people as possible. Many charge point operators across the UK utilise overstay penalty tariffs, i.e. Tesla.

Supplementary question from Councillor Potter:

Why are we installing 22s and 7.4s ?

Councillor Riches responded:

There is an additional aspect to the Thurnham street plan. We are aiming at resident who don't have off street parking where they live . There will be a special rate available to local residents through an app or physical card. Its not just about parking for an hour but for those who live locally and wish to leave their car for a few hours or overnight, similar to a home charging unit.

Question from Councillor Robert Redfern to Councillor Martin Bottoms

Q.1 How many 'parent and child' parking spaces are currently available in council operated car parks across the district? Which car parks are these located in?

Councillor Bottoms responded:

Zero (None).

Supplementary question from Councillor Redfern:

Have seen parents struggling to get prams out of cars because spaces not wide enough. Have a re-think. You could put 6 at the car park near the Grand theatre and make everyone happy please just do it.

Councillor Bottoms responded:

Local authorities have no statutory obligation to provide parent & child car parking spaces. As a father of 6 children I appreciate the points you're making. Im not aware of other local authorities providing this but if you can provide evidence of other local authorities doing so I will look at it.

Question from Councillor Louise Belcher to Councillor Martin Bottoms

The closure of Nelson St car park has removed a number of well used designated blue badge holder car parking spaces from the city centre. Those lost spaces were the closest to the Town Hall, including the City Council Customer Service Centre, thus very important for disabled service users.

Q1. *How many blue-badge spaces were lost when Nelson St car park closed?*

Q2. *Have these lost blue-badge spaces all been replaced and..*

Q3. *In which car parks are the new blue-badge spaces?*

Councillor Bottoms responded:

As at 27/1/2026 Nelson St is still open and available to the public. The car park has eight blue badge bays. Blue badge holders are entitled to use any bays within the car park and are not limited to the extra wide lined specific blue badge bays.

The blue badge parking provision is operated on a per car park basis of 5% rather than a specific quantum of blue badge bays. When Nelson St closes all the parking bays and the blue badge bays will be removed from portfolio. Each of the other car parks in Lancaster will remain at their existing blue badge provision percentage and it is not anticipated that any extra blue badge bays are to be provided in response to the closure of Nelson St.

The new Moor Mills 4 car park that opened in December 2025 (evening, weekends & bank holidays) has six blue badges bays.

From early April when Bulk St permit only car park converts to short stay parking one blue badge bay will be provided.

As at 27/1/2026 the vicinity of Nelson St/Bulk St has an extra six blue badge bays in operation with Nelson St still trading.

Im serious about providing blue badge spaces and am currently gathering evidence and will pursue the creation of extra spaces within the town hall area.

Supplementary question from Councillor Belcher:

Im confused by your numbers; are you saying all have been replaced or will be?

Councillor Bottoms responded:

There were 8 blue badge spaces, we have lost 2 so now there are 6 but these are only available during the evening, weekend and bank holiday, not during the day so it is so essential that we get extra blue badge spaces for the day.

Question from Councillor Matthew Black to Martin Bottoms

The Castle car park, formerly Park Safe, located just off the one-way system on Damside Street is an important component of the car parking strategy. This site is in a prime location to provide city centre parking and needs to be open in order to ensure we meet our commitment to provide more than 1400 parking spaces in the city centre.

Q1. *Please remind us how long has it now been closed?*

Q2. *When will it reopen?*

Q3. *How much revenue has been lost due to this prolonged closure?*

Councillor Bottoms responded:

Castle car park closed to the public on Tuesday 6th June 2023.

The reopening of the car park is difficult to estimate due to the number of outstanding legal issues with the landlord, the quantum of concrete repairs and the procurement of the reopening works.

The landlord is proposing to repair its own staff car park and the council's car park in three phases with the council's own fourth phase taking place after the landlord has completed the repair works.

Phase 1 – DWP staff car park repairs are scheduled to commence in March 2026 for a 22-week period.

Phase 2 – Mitre House pedestrian over-path repairs. Due to commence after phase 1 has started but scheduled to complete around the same time as phase 1.

Phase 3 – The Council car park concrete repairs and electrical system reinstatement. The landlord's specialist concrete testing consultants (VCS) report is due to be released to the council by March 2026, and this report is meant to shape the level of repairs needed to resolve the concrete issues within the council's car park. The legal liability for the council to pay some or all of these costs have not been resolved. Once legal liability has been resolved the landlord will undertake the necessary repairs. The council's position is also that the landlord also bears responsibility to repair/reinstate the electrical system with these works needed to be added to the scope of works. Legal liability for the electrical works is not resolved either. Depending on the quantum of concrete repairs and repairs to the electrical system a time frame of a further 22 weeks would not be unexpected.

Phase 4 – Over and above the concrete & electrical repairs the council is required to undertake a number of other works to reopen to the public. These works are scoped from a high level but procurement, pricing and approvals have not commenced due to

the unknown factors relating to phases 1 to 3. A guestimate of a further 12 weeks to undertake the councils reopening works would not be unreasonable.

Thus, assuming legals are resolved satisfactorily, then a reopening date of around 56 weeks from Jan 2026 could be expected but significant caution should be used using this as an opening date.

The loss of revenue at the Castle car park is difficult to estimate as it is probable that most of the ex-Castle car park patronage transferred to one of the other city centre off-street car parks of which the city council operates the majority of these car parks.

Supplementary question from Councillor Matthew Black:

Closure has harmed foot fall and city centre business. If this is ever sorted will the administration commit to offering discounted parking permits to workers in the city centre to free up spaces in the other public car parks?

Councillor Bottoms responded:

There are no plans to do that at the moment but it is something that could be considered. It has been a real inconvenience having this car park closed.

Question from Councillor Claire Cozler to Councillor Martin Bottoms

Q1. *Can the cabinet member provide details of the safest routes and the time it would take to walk them for visitors parking at the Kingsway car park to walk to a) the Grand theatre, b) the Dukes theatre and c) Market Square (i.e. the centre of our retail offer)?*

Councillor Bottoms responded:

Walking speeds vary but it is anticipated that the following times may apply from Kingsway:

A) The Grand – 10 mins.

B) The Dukes – 13 mins.

C) Market Square – 14 mins.

Walking times are included in the map in the car parking strategy.

Supplementary question from Councillor Cozler:

That's a considerable amount of time and its not a viable option so are there any proposals to provide closer parking spaces?

Councillor Bottoms responded:

It is not a viable alternative. That's why we've extended the opening times on St Nics car park, have car park opposite Sainsburys and there are no plans to close Upper or Lower St Leonardsgate before 2027 at the earliest and hope to have a solution.

Question from Councillor Phillip Black to Martin Bottoms

New student accommodation blocks are currently being built between Parliament Street and Caton Road. During the fitting-out of this accommodation dozens of trades people parked their vehicles along the highway nearby on Kingsway and Caton Road. They did not park on the Council owned Kingsway carpark.

Q1. Does the cabinet member accept that this is an indicator that plans to increase the capacity of the Kingsway car park need to be reconsidered?

Councillor Bottoms responded:

Some of the trades vehicles did use the Kingsway car park. Visual observations by the enforcement team plus the revenue collected at the car park indicate increased usage.

Kingsway is integral to the adopted parking strategy for the relocation of the council off-street coach park plus the provision of long stay commuter parking capacity at affordable rates.

The reason the tradespeople parked on the road is because "they could" as there are no TRO's on that part of the highway after the box junction.

Question from Councillor Phillip Black to Councillor Martin Bottoms

Q2. How much revenue will the Council lose on an annual basis following the intended closure of the St Leonards Gate car parks?

Q3. Please can the portfolio holder share with council the feedback we have had from the cultural organisations (such as theatres) and businesses in the city centre about the council's intentions to close the car parks on St Leonards Gate?

Councillor Bottoms responded:

I've been in constant dialogue with both the Grand and Dukes to make sure their needs are met and have offered them reassurance that there will be parking spaces available for them in close proximity.

Parking revenue is not a “zero sum game” and we have intentions and a planned series of interventions to create temporary spaces. The loss of revenue is likely to be not much, if any. The impact of the additional private sector spaces (Axis Re & NCP) may however have an impact, although not possible to assess at the moment.

The feedback was included in a detailed consultation report (attached with Appendix B full comments) presented to Cabinet and comments assessed and taken on board in developing the Parking Strategy.

https://modgov.lancaster.gov.uk/documents/s91093/08_07_25_Lancaster_City_Centre_Car_Parking_Strategy_v1.00.pdf

Supplementary question from Councillor Phillip Black

Is the unofficial policy of this administration to sacrifice our theatres, kill off our high street businesses and undermine tourism because of an ideological opposition to owning cars and using them for private transport?

Councillor Bottoms responded:

If the Grand theatre still have a problem with the situation they need to be more honest with me. I do meet with them on a regular basis.

I'd rather leave it at that than say what I would need to say to address the other issue that has been raised about parking tonight.

Councillor Jean Parr to Councillor Martin Bottoms (in the absence of Councillor Parr the Mayor read out her question to the meeting)

- Q1. *How often were the upper and lower car parks on St Leonards Gate more than 50% full over the Xmas period 1st October to 24th December?*
- Q2. *What was the peak occupancy of the upper and lower carparks on St Leonards Gate over the Xmas period 1st October to 24th December?*
- Q3. *Can a fully breakdown of car park occupancy for all city centre car parks for the Xmas period be shared with all councillors?*

Councillor Bottoms responded:

Clarification will be sought from Councillor Parr regarding the dates. Once that has been confirmed the response to the questions will be shared with all members.



Leader's Report

25 February 2026

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 meetings held 13 January 2026 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 The focus of the early part of this month has been the final budget received by cabinet and then tonight's Full Council. The requirements of Local Government Re-organisation and the development of partnership working have been other key items in our work. We heard the sad news of former councillor Mike Greenall's death and send our sympathies to his family and friends.

Budget matters

3.2 Officers have continued to work hard to take all elements of the government settlement into account to produce the final balanced budget for Full Council approval. This was presented to Budget and Performance Panel where

members raised a number of interesting questions but there were no further recommendations. Whilst the settlement overall was positive for Lancaster district this year, looking ahead the three year guarantee will be eroded by inflation and will require further efficiencies and revenue raising if we are to meet our service needs. Members received a detailed briefing from Housing and Finance officers on the Housing Revenue Account budget. This detailed the work that has gone into current and former years accounts to further recognise capital spending and rebalance the revenue account and the viability of the HRA this year and in future years.

Local Government Re-organisation

- 3.3 The government consultation for Lancashire is available here <https://consult.communities.gov.uk/local-government-reorganisation/lancashire-blackburn-with-darwen-blackpool/> and all members are urged to view it and record their preferences. It is very long but please note that you do not need to respond to all five proposals and that there is a free comment box on each of them, not simply tick boxes. If you are a member of an organisation potentially affected by LGR please ask its Chair/lead to comment: the consultation is particularly aimed at stakeholders. The LGR Working Party continues meeting and has particularly focused on a possible Governance Review of the district in order to offer parishing to the currently unparished areas. Officers have warned that this is complex and expensive but members are aware that in terms of loss of local voice and democracy, we need to look at the future needs of all residents. At district level, the twelve district leaders alongside our CEOs are working to ensure proper representation within the transition process, now the new LGR Programme Director is in place. In preparation for the requirements of the future unitary district councillors will need knowledge of Adult Care services in particular so it was good to see Overview and Scrutiny hosting the Lancashire Director of Adult Services to discuss their CQC report this month. Our Chief Executive is in discussion with other local unitaries about briefings on future responsibilities. Please do express your interest in any future briefings through your Working Group representative.

Housing

- 3.4 The housing team has been particularly busy recently with budget matters as discussed previously but also in the area of homelessness. The stakeholder meetings currently in place began in lockdown and not kept pace with changes so these have been re-organised into a strategic Advisory Group and operational level Co-ordinators Group to work on the revised Homelessness Strategy. A small group of officers, members and local partners also met as a roundtable to discuss matters of equality and race in homelessness in the district. The discussion was thoughtful and enlightening and thanks go to Jo Wilkinson for creating the opportunity. Finally the Council Housing team has received the news that there will be an inspection by the Social Housing Regulator of Lancaster district in April. This is the equivalent of an OFSTED inspection and despite the excellent groundwork already done in Housing will require a good deal of concentrated work over the next month from all the officers involved in that team.

Wider/regional matters

- 3.5 The North West Regional Leaders group met with Louise Gittins Chair of the LGA, mainly about the advantages of LGR, the new Mayoral organisation and SEND and Adult Service reforms. There was an enlightening presentation on Ending Extraction in the UK Care System from Julian Boys and I recommend looking up their report <https://publication.cles.org.uk/ending-extraction-in-the-uk-care-system>. Their work was done in the north east and Yorkshire. Members for the north west area were keen to know the level of funding extracted here. Concern was expressed from all areas about the effect of changes to the Police. Cllr Merry, Chair of Key Cities, met the Leader to discuss future developments particularly the effect of LGR on a Key City's ability to act in areas which are joining into one unitary.

Partnership work

- 3.6 Local Churches recently held a Gathering to support the work of local organisations including local government. It was enlightening to hear in the short videos presented by Yak Patel, Mark Davies and Dr Andy Knox, what a clear message of concern for unity, support to the vulnerable and community cohesion was presented by all three leaders. The Civic Universities group has met to finalise its vision and move into decisions about future action with a focus on volunteering, research projects, skills mapping in education, coastal town investment, community cohesion and leadership. The Lancaster District Strategic Partnership met and spent some time in workshopping future economic development through Arts and Culture. Key elements included developing values, celebrating local cultures and neighbourhoods, creating local apprenticeships, increasing the power of the local Arts Partnership and maximising the use of Heritage assets.

District activity

- 3.7 The Eden application for Planning Permission is being decided as I write. If it passes there will be a period of twelve weeks as we wait for the Judicial Review period to conclude. Following that all elements required to set the project moving on site in Morecambe should be in place. The Chinese New Year celebrations for the Year of the Fire Horse took place in Lancaster with the customary painting the eyes in the dragon. Our thanks go to the two young entrepreneurs, Josh and Percy, who do the work to make it happen each year and the support from the Chinese community at Lancaster University in particular. The Millennium Bridge was 25 years old this month and our Planning policy and Museums team celebrated by bringing children from Grosvenor Park to learn about the Lancaster bridges and make their mark through litter picking and bulb planting. The bridge itself and the whole River Lune millennium project have stood the test of time and are a timely reminder alongside the Eden North project, of the importance of district councils in creating place.



Caroline Jackson

4.0 Decisions

The following decisions were scheduled to be considered by Cabinet on 10 February 2026

Adoption of Arnside and Silverdale National Landscape Management Plan
Budget and Policy Framework General Fund Revenue Budget 2026/27 - 2030/31
Capital Programme 2026/27 – 2035/36 & Capital Strategy (Investing in the Future)
Treasury Management Strategy 2026/27
Medium Term Financial Strategy 2026/27 - 2030/31
Housing Revenue Account Budget Framework 2026/27 - 2030/31
Flexible use of Capital Receipts Strategy 2026/27
Delivering our Priorities 2025/26 Q3

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 25	To grant approval to rent out Ridge Community Centre for a period of 5 years to provide community facilities and activities that benefit the Ridge and wider community.	Published on: 10.2.26 Taken By: Cllr Martin Bottoms
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Background Papers

Cabinet agenda of the meeting held on 10 February 2026

COUNCIL**Budget & Policy Framework****2026/27 – 2030/31****25 February 2026****Report of Cabinet**

PURPOSE OF REPORT			
To present Cabinet's final budget proposals in order that the Council can complete its revenue budget setting for 2026/27			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision		12 th December 2025	
This report is public however the Appendices C1 and C2 are exempt by virtue of paragraphs 2, 3 & 4 of Part 1 of Schedule 12A of the Local Government Act 1972			

RECOMMENDATION OF CABINET

- (1) That the General Fund Revenue Budget of £27.833M for 2026/27 be approved, resulting in a Council Tax Requirement of £11.931M, excluding parish precepts, and a Band D basic City Council Tax rate of £272.20
- (2) That the supporting General Fund Revenue Budget proposals be approved, as summarised at Appendices A, C, C1 and C2
- (3) That the budget transfer (virements and carry forwards) limits be approved as set out in Appendix E
- (4) That Council notes Cabinet's authorisation for the use of the General Fund Unallocated Reserve to fund the £0.831M contribution required to the Lancashire Local Government Reorganisation Transition Fund
- (5) That Cabinet notes the Section 151 Officer's advice regarding robustness of budget estimates, the adequacy of reserves and balances, specifically the advice that the minimum level of balances be retained at £5.0M, to provide for added uncertainty

1.0 INTRODUCTION

- 1.1 Under the Constitution, Cabinet has responsibility for developing corporate planning proposals and a balanced budget for Council's consideration.
- 1.2 The Council meeting on 28 January 2026 noted an update to Cabinet's proposed revenue budget for 2026/27 and approved a City Council Tax increase of 2.99% together with a year-

on-year target of the maximum allowable under the Government's local referendum thresholds for future years.

- 1.3 Cabinet met 10 February 2026 to consider its final budget proposals in order that the Council can complete its revenue budget setting for 2026/27. This report sets out:
- The impact of the reforms made to local government funding include business rates **(Section 2)**
 - Cabinet's final General Fund Revenue Budget proposals for 2026/27 including the Operational and Strategic context in which the budget has been set **(Section 3)**
 - A summary of Council Tax as reflected in the Council's Collection Fund. **(Section 4)**
 - The s151 Officers assessment of the adequacy of the Council's Reserves Provision and Balances. **(Section 5)**
- 1.4 To provide an executive summary in relation to the above, the following analysis is provided which compares the projections considered by Council on 26 February 2025 against the latest projections provided for within this report :-

Table 1 – Executive Summary

	2026/27 Forecast £'M	2026/27 Latest £'M	Difference Fav/(Adv) £'M	Report Section
Finance Settlement (Final)	(14.949)	(15.797)	0.848	2
Prior Year Business Rates Surplus	0.000	0.693	(0.693)	2
General Fund Revenue	28.749	27.833	0.916	3
General Fund Revenue Budget Gap	2.633	0.000	2.633	3
Council Tax Income	(12.015)	(11.931)	(0.084)	4
Prior Year Council Tax Surplus	0.000	(0.169)	0.169	4

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

- 1.5 It should be highlighted that the General Fund Revenue position presented to Cabinet on 10 February 2026 was previously £27.373M. This has now been increased by £0.460M to £27.833M due to a previous entry no longer required in the financing section of the account. The removal has created a surplus in 2026/27 which has been set aside as a provision for Local Government Reorganisation purposes, held within the unallocated reserve. With regard to future years, the amount has been removed which has effectively reduced the structural deficit in each year.

All commentary, tables and graphs contained within this report and the Medium Term Financial Strategy report (considered elsewhere on this agenda) reflect the updated financial position.

2.0 LOCAL GOVERNMENT FUNDING & BUSINESS RATES

The Local Government Finance Settlement

- 2.1 The government released the provisional multi-year local government finance settlement on 17 December 2025, and the final was received on 10 February 2026 which was after the date the 10 February 2026 Cabinet report was published. At that point in time, no differences between the provisional and final settlements were expected. However, an increased allocation of £0.084M was noted in respect of 'Homelessness, Rough Sleeping and Domestic Abuse' but as this grant is ringfenced to be spent solely within that area of expenditure, it has no net financial impact on the General Fund itself.

- 2.2 The settlement sets out simplified allocations for local authorities across England for the next three years, and incorporates an updated distribution of resources following the conclusion of the Fair Funding Review. It incorporates changes to the business rates system and in whole, represents a major change in local government financing.
- 2.3 Given all the changes, the effect of the local government settlement and the changes to the business rates system cannot be considered in isolation and the following table illustrates the overall financial impact.

Table 2 – Settlement allocations for Lancaster City Council

	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
<i>Items included in MTFS presented to Cabinet 2/12/25 :</i>					
Reversal of Grants budgeted for :					
- RSG	460	460	460	460	460
- Recovery	603	603	603	603	603
- Domestic Abuse	34	34	34	34	34
- NIC Rebate	211	217	222	227	227
Reversal of Business Rates Income Included in MTFS	13,641	13,832	12,145	12,411	12,659
	14,949	15,146	13,464	13,735	13,983
<i>Replaced With :</i>					
FFA Baseline Funding Level	5,165	5,283	5,390	5,498	5,608
FFA Revenue Support Grant	6,031	5,986	5,910	5,794	5,680
Recovery Grant	603	603	603	603	603
Green Energy Disregard	3,998	3,998	3,998	3,998	3,998
	15,797	15,870	15,901	15,893	15,889
Estimated Favourable Settlement Position	848	724	2,437	2,158	1,906

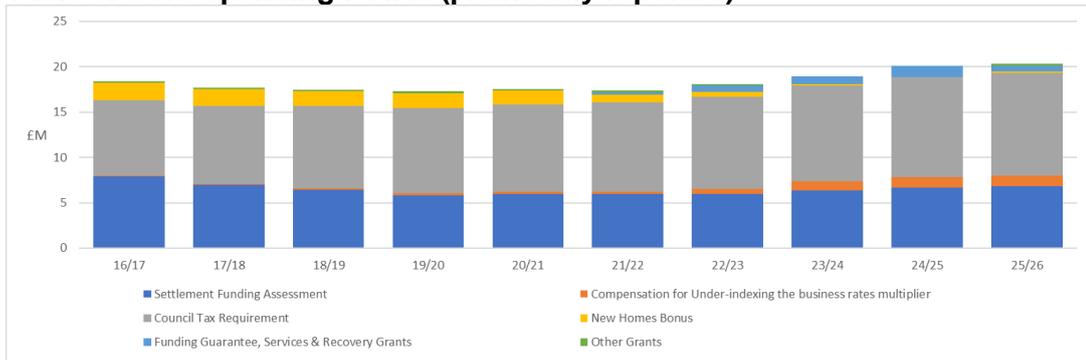
As table 2 shows, the settlement from Central Government allocates £0.848M more resources in 2026/27 than the largely flat assumptions set out in February 2025 MTFS. Given the base assumption, the three-year settlement is favourable only in the context of the previously forecast budget gaps for the revenue budget and the scaling back of exposure to business rates volatility.

Core Spending Power

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

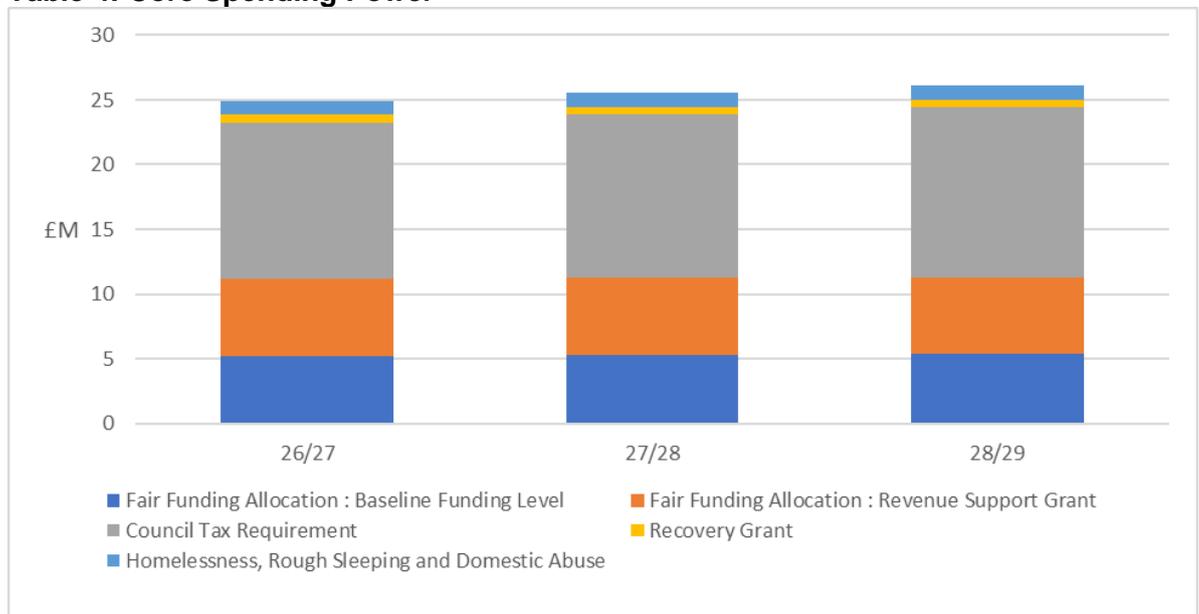
Table 3 below displays the previous historic values of CSP, and shows the Council being almost entirely reliant on Council Tax and Business Rates with a small amount of income from central government grants to fund net expenditure.

Table 3: Core Spending Power (previously reported)



The simplification of the settlement alongside has resulted in an overhaul of the elements used to calculate the overall CSP and as such it is difficult to compare the individual elements to previous years. The following table illustrates the new method of calculation for 2026/27 and the following two years.

Table 4: Core Spending Power



Further analysis of the provisional settlement is provided in the following table :-

Table 5: Core Spending Power (Breakdown)

	2026/27 £'M	2027/28 £'M	2028/29 £'M
Council Tax Requirement	12.051	12.574	13.120
Fair Funding Allocation : Baseline Funding Level	5.165	5.283	5.390
Fair Funding Allocation : Revenue Support Grant	6.031	5.986	5.910
Recovery Grant	0.603	0.603	0.603
Homelessness, Rough Sleeping and Domestic Abuse Grant	1.097	1.106	1.112
Grand Total	24.947	25.552	26.135

2.5 Given the changes made the government issued a revised CSP figure for 2025/26 of £23.848M. The total value of CSP for 2026/27 is £24.947M which is an increase of £1.099M, or 4.6%. For information, this is in comparison to the average CSP for all Councils in England of 5.7%.

Business Rates

- 2.6 The Council is required to submit its annual business rates return (NNDR1) to the Government by the end of January in which it estimates business rates income for 2026/27 and the estimated deficit or surplus as at the end of 2025/26.
- 2.7 The previously announced Government changes will come into effect from 1 April 2026 with regard to increasing the number of multipliers and introduction of new thresholds. Business rates baselines have also been reset (incorporating growth).
- 2.8 Previously, lower tier Councils had a baseline position and were allowed to retain a proportion of any growth received above it. With the continuation of the power stations the Council have always exceeded the baseline position and has benefitted from additional rates received. For information the power stations have been included within the baseline figures.
- 2.9 This system has now been replaced by the funding reforms and the government have offered 100% protection on the baseline funding level in 2026/27. This has allowed for more certainty in calculating the proportion of rates due to the Council.
- 2.10 Members will be aware of decommissioning plans for the Heysham 1 and Heysham 2 nuclear reactors which will have a significant impact on the Council's finances. Currently the rateable value of the reactor's accounts for a substantial proportion of the Council's total rateable value. Central Government operates a "safety net" system to protect those Councils which see their year-on-year business rate income fall.

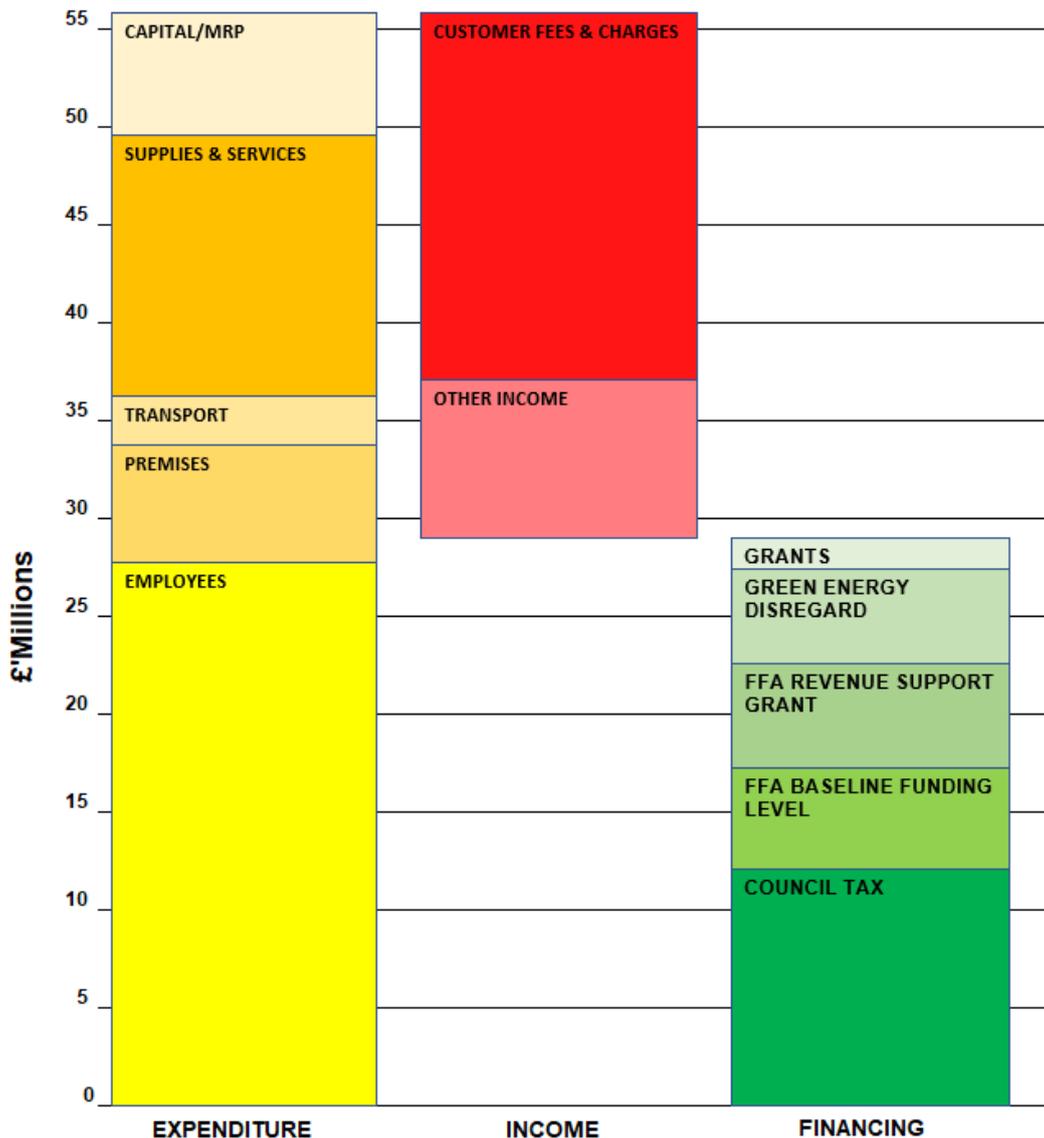
The Council's exposure is expected that it will inevitably fall into a safety net scenario and will need to rely on the Business Rates Retention Reserve (BRRR) to smooth operational shortfalls in the short term. This is currently expected to arise in 2028/29 in line with the current decommissioning date for Heysham 1 of March 2028. EDF Energy have indicated that there may be some scope to extend generation and are keeping this under review being unable to provide any certainty at this stage.

- 2.11 The Council receives rating income from renewable energy schemes within the district, largely in relation to Walney Sub-Station. Although listed as £3.998M in details of the settlement, the revaluations taken place have increased the value of this income to £4.627M in 2026/27 (£4.004M for 2025/26). A majority of the income currently falls outside of the main rate retention scheme, and so the Council will continue to retain the full benefit from it. Whilst it is evident that this 100% disregard will continue into 2026/27, there is a risk of appeals plus also that the Government may discontinue this advantageous arrangement at some point in the future.
- 2.12 The inherent risk associated with the NNDR1 is that the final outturn surplus or deficit position differs substantially from the estimate, and this has indeed been the case at the Council in recent years. Members will recall that the BRRR is used to manage the impact of surpluses and deficits and also to manage fluctuations in income levels in order to provide budgetary stability and smooth out year on year peaks and troughs. As part of the 2025/26 budget setting process, a contribution of £0.600M (2026/27) and £0.500M (2027/28) from the BRRR were included and these contributions have now been removed due to the reduced risk of lower levels of rates being received in those financial years.
- 2.13 The Council is expected to repay prior year deficits to the collection fund account in respect of business rates. This amount is currently valued at £0.693M and is to be funded by the BRRR in 2026/27 and therefore have no impact on the council tax requirement calculation in 2026/27.

3.0 REVENUE BUDGET 2026/27

- 3.1 The General Fund Revenue Budget for 2026/27, is included at **Appendix A**, with detailed explanations for variances listed in **Appendix B**. With regard to Savings & Growth, Service summary information given at **Appendix C** and more detailed proposals in exempt **Appendices C1&C2**. The proposed budget is balanced and as noted above the proposed budget takes account of the Final Local Government Finance settlement.
- 3.2 At its meeting on 26 February 2025 Council set its budget for 2025/26 and the base budget estimates for 2026/27 and future years. At the start of the budget setting process these “base” estimates are reviewed considering current circumstances and best information available and revised estimates produced before any saving, growth, or re-direction proposals are received. These estimates are under constant review during the budget setting process and often change as information comes forward.
- 3.3 Initial Operational and Base Budget changes for 2026/27 were reported to Cabinet 2 December and Council 17 December 2025. Since that reporting period further net changes have been required and all changes are now included in **Appendix A**.
- 3.4 To provide further analysis of the proposed balanced revenue budget and it’s financing the following Table 6 sets out the Council’s revenue expenditure and subsequent income streams.

Table 6 – Revenue Budget for 2026/27



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

Budget Principles and Assumptions

- 3.5 Within the revenue budget there are several principles and key assumptions underpinning the proposed revenue strategy. These are:
- i. Annually, a balanced revenue budget will be set with expenditure limited to the amount of available resources.
 - ii. No long-term use of balances to meet recurring baseline expenditure.
 - iii. Resources will be targeted to deliver corporate outcomes and value for money. Any additional investment and spending decisions will be made to reflect Council priorities and strategic commitments.
- 3.6 Table 7 below, lists the major assumptions that have been made for the 2026/27 budget.

Table 7: Major Assumptions within General Fund Revenue Budget 2026/27

	(2025/26)	2026/27
Council Tax Growth	2.99%	1.00%
Council Tax Increase	2.99%	2.99%
Council Tax Collection Rate	98.67%	98.67%
Fees & Charges	2.60%	3.80%
Inflation – Pay	2.50%	3.00%
Employer Pensions Contribution	16.30%	8.10%
Electricity	25p/kWh	24p/kwh
Gas	5p/kWh	3.5p/kwh
Inflation – Insurance	10.00%	10.00%
Other inflation	2.60%	3.80%
Interest Rate – investments	3.50%	4.00%
Interest Rate – new borrowing	3.90%	4.70%

4.0 COUNCIL TAX

- 4.1 Legislation requires that separate estimates be made for any Collection Fund surpluses or deficits on the Collection Fund relating to the Council Tax and Business Rates.
- 4.2 The Council is expected to benefit from prior year surpluses to the collection fund account in respect of council tax. This amount is currently valued at £0.185M and is included within the council tax requirement calculation in 2026/27.
- 4.3 The Council Tax increase of 2.99% agreed by Council on 28 January 2026 means that the City element of Council Tax for a band D property will be £272.20 resulting in expected income of £11.931M for 2026/27. This is a decrease of £0.084M on the position reported in February 2025.

5.0 PROVISIONS, RESERVES & BALANCES

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

- 5.2 The minimum level should be set to enable the Council to meet the current and forecast financial pressures it faces in regard to the structural deficit as referenced for several years. It is against this back drop the 2026/27 assessments are made.

Provisions

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

For information the amount held in the bad debt provision as at 31 March 2025 was £3.237M and the annual contribution towards for 2026/27 is included in the draft budget as £0.250M. The amount held in the insurance provision was £0.691M as at 31 March 2025 and the annual contribution towards the provision for 2026/27 is zero due to it being assessed as adequate.

Reserves & Balances

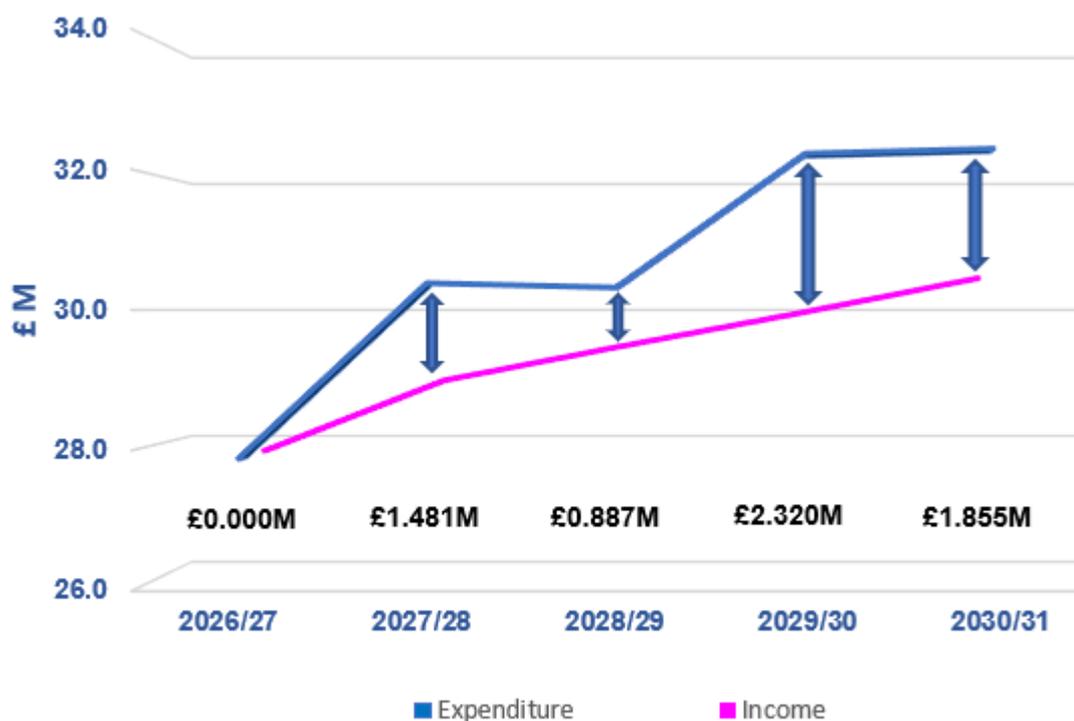
- 5.4 Reserve levels and use of reserves are an important part of the budget framework. It is important that the Council maintains a healthy level of reserves in order to maintain financial resilience but balances this with the careful use of those reserves, usually on 'one-off' items in order to support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

Annual Assessment of Reserves Levels

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

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

- The General Fund Balance at 31/03/25 was £10.028M, Quarter 3 revenue budget monitoring forecasts an underspend of £1.271M in 2025/26. During 2025/26 numerous further drawdowns on the reserve were made in line with the correct governance arrangements being in place. Once confirmed as part of the closedown process, the final net position will be transferred to the unallocated reserves
- Although the Council is continuing to identify future efficiencies and savings via the Outcomes Based Resourcing programme, the Council's current Medium Term Financial Strategy (MTFS) suggests a structural budget gap in 2027/28 onwards which fluctuates between approximately £0.887M and £2.320M. If this is not closed, then balances will be required to make up the difference

Table 8: General Fund Revenue Budget Gap 2026/27 – 2030/31**Table 9: Cumulative Deficit as Percentage of Revenue Budget**

	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M	2030/31 £'M
Net Revenue Budget	27.833	30.391	30.327	32.271	32.342
Budget Gap (Incremental)	0.000	1.481	0.887	2.320	1.855
% of Net Revenue Budget (Incremental)	0%	5%	3%	7%	6%
Budget Gap (Cumulative)	0.000	1.481	2.368	4.688	6.543
% of Net Revenue Budget (Cumulative)	0%	5%	8%	15%	20%

- 5.7 The forecast gaps are structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive, and this is compounded year on year. This position represents a significant challenge over the short and medium term.
- 5.8 It should be noted that this forecast is based on a series of estimates and assumptions and so is subject to change when more up to date information becomes available. However, it provides Members with a clear view of the extent of the challenge facing the Council over the coming years.
- 5.9 In calculating the minimum level of General Fund balance, an assessment of the risks that give rise to unanticipated expenditure or loss of income has been made and these are shown in Table 10 below.

Table 10: Risk Assessment

Risk	Symptom of Risk	Balance Required £'M
Increased demand for services	3% increase in net revenue expenditure	0.820
Recession results in additional uncompensated reduction in fees and charges income than budget	5% reduction in major fees and charges income	1.000
Recession results in additional reduction in Council Tax collection rates than budget	5% reduction in collection rate	0.600
Natural disaster such as flood etc	Additional unexpected expenditure	0.500
Additional uncertainty with respect to Cost of Living	Additional unexpected expenditure	2.000
Aggregate overspend if all of the above risks were to happen		4.920

- 5.10 The analysis shows that, in the event of a 'Perfect Storm' of risks happening all within the next year, there are sufficient balances to meet all these risks in the short term which would give the Council time to adapt in the longer term.
- 5.11 The minimum level of balances will be kept under review as part of the MTFs and reported to Cabinet on a regular basis.
- 5.12 The analysis shows that, in the unlikely event of a 'Perfect Storm' of risks happening all within the next year, there are sufficient balances to meet all these risks in the short term which would give the Council time to adapt in the longer term.
- 5.13 The minimum level of balances will be kept under review as part of the MTFs and reported to Cabinet on a regular basis.

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

- 5.14 The estimated levels of General Fund Unallocated and combined Earmarked reserves balances are shown in **Appendix D** with the impact of the inclusion of forecast overspends summarised in table 11 below.

Table 11: Estimated Combined Level of Reserves (Available Reserves Only)

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M	2030/31 £'M
Unallocated Reserve	(10.338)	(9.806)	(9.741)	(9.710)	(9.710)	(9.710)
Other Non-Ring Fenced Reserves	(2.634)	(1.325)	(1.362)	(1.398)	(1.435)	(1.471)
Business Rates Retention Reserve	(12.790)	(12.097)	(12.097)	(12.097)	(12.097)	(12.097)
Renewals Reserve	(2.117)	(2.249)	(2.325)	(2.461)	(2.592)	(2.716)
Forecast Cumulative Deficit Funded From Reserves	+0.000	+0.000	+1.941	+3.288	+6.068	+8.383
Projected Balance as at 31 March 2026-31	(27.879)	(25.477)	(23.584)	(22.378)	(19.766)	(17.611)
Less Recommended Minimum Level of Balances	+5.000	+5.000	+5.000	+5.000	+5.000	+5.000
Available Balances	(22.879)	(20.477)	(18.584)	(17.378)	(14.766)	(12.611)

- 5.15 This table highlights that whilst a structural deficit still prevails, the level of Councils reserves will diminish over the longer-term but are at a sustainable level throughout the period of the MTFs and the transfer to the new authority under local government reorganisation.

Governance Arrangements on the Use of Reserves

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

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

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

6.0 LOCAL GOVERNMENT REORGANISATION (LGR)

6.1 To further reiterate the information reported to Cabinet and Council over the previous two months, the financial impact of LGR expected to be complex with very little information currently available. The financial information which underpins the ongoing budget process has currently been prepared on a 'business as usual' basis.

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

6.3 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).

6.4 Inevitably, this will have financial consequences for the Council however it is expected that partners will enter into the new authority in the best financial health that is possible, in order to maintain both financial and organisational stability.

6.5 At the meeting of Lancashire Chief Executives on 8th January the options for the creation of a Lancashire Local Government Reorganisation Transition Fund was discussed. The report agreed the following principles:

- a. An initial agreed total sum of £30M
- b. A split of 75% to Unitary Councils and 25% to District Councils meaning:
 - i. £22.5M Unitary Contribution
 - ii. £7.5M District Contribution

Further to this the allocation options for the districts share has been agreed as based on Tax Base levels. This means that the contribution level for Lancaster is to be £0.831M and it is recommended that this amount is funded from the general fund unallocated reserve.

6.6 During the time from now until vesting day, further 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.

7.0 DETAILS OF CONSULTATION

7.1 Cabinet's initial budget proposals were presented for scrutiny to Budget and Performance Panel at its budget consultation meeting of 3 February 2026. This meeting was open to members of the public and livestreaming was available.

7.2 At the Budget and Performance Panel meeting, no observations were identified which require further clarification in the context of setting the budget.

8.0 OPTIONS & OPTIONS ANALYSIS

Revenue Budget

8.1 Council may adjust its revenue budget proposals, so long as the overall budget for 2026/27 balances and fits with the proposed Council Tax level.

8.2 Other Budget Framework Matters (Reserves and Provisions)

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

8.3 Section 151 Officer's Comments and Advice

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

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

9.0 OFFICER PREFERRED OPTION (AND COMMENTS)

Revenue Budget 2026/27 and Reserves Position

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

10.0 CONCLUSION

10.1 This report addresses the actions required to complete the budget setting process for 2026/27, and for updating the Council's associated financial strategy.

RELATIONSHIP TO POLICY FRAMEWORK

The budget framework in general sets out a financial plan for achieving the Council's corporate priorities and outcomes which incorporate the above cross cutting themes. Equalities impact assessments are undertaken for the relevant activities which are reflected in the budget.

CONCLUSION OF IMPACT ASSESSMENT

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

The proposed budget incorporates measures to address the climate emergency and digital improvements as well as activities to address wellbeing, health, and community safety.

FINANCIAL IMPLICATIONS

As set out in the report

SECTION 151 OFFICER'S COMMENTS

Robustness of Estimates and Adequacy of Council's Reserves

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

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

Provisions, Reserves and Balances

Specific earmarked reserves and provisions are satisfactory at the levels currently proposed. Unallocated balances of £5M for General Fund are reasonable levels to safeguard the Councils overall financial position, given other measures and safeguards proposed. This level assessment is consistent with that noted by Council 26 February 2025 and it reflects the uncertainty around the current economic climate and sensitivity of some of the underlying savings and income levels within the budget.

Robustness of Estimates

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

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

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

Affordability of Spending Plans

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

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

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

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

- the extent to which other liabilities can be avoided, through investment decisions.

In considering and balancing these factors, the capital proposals to date are based on levels of “prudential borrowing” or CFR over the period to 2030/31. The bulk of this relates to schemes to support delivery of the Council’s key Strategic Priorities and Outcomes such as Climate Emergency, Economic Prosperity and Regeneration and Housing as outlined in the Capital Programme.

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

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

MONITORING OFFICER’S COMMENTS

The Deputy Monitoring Officer wishes to advise that where votes are taken at a budget meeting of Full Council on any decision relating to the making of a Council Tax calculation, estimates or the issuing of a precept, including any amendment motion, there must be recorded in the minutes of the proceedings of that meeting the names of the persons who cast a vote for the decision, against the decision, and who abstained from voting. The Proper Officer shall take the vote by calling the names of Councillors and recording how or whether they voted.

BACKGROUND PAPERS

Appendix A General Fund Revenue Budget 2026-27
Appendix B Variance Explanations
Appendix C Savings & Growth Summary
Appendix C1 Exempt
Appendix C2 Exempt
Appendix D Reserves Summary
Appendix E Budget Transfers Virements Carry Forwards

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Ref: N/A

General Fund Revenue Budget Projections 2026/27 to 2030/31

For Consideration by Council 25 February 2026

	Post LGR Vesting Date				
	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)	(1,756)	(1,744)	(1,744)	(1,767)	(1,789)
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					
- Renewals (reduction in contribution)	(293)	(293)	(293)	(293)	(293)
- Business Rates Retention Reserve ¹	(693)	0	0	0	0
- Business Rates Retention Reserve ²	600	500	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	(339)	(135)	(240)	(161)	(193)
Commercial Property Rental Income	382	43	(44)	(44)	(44)
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
Garden Waste Charging Freeze	42	42	42	42	42
Williamson Park Net Income	143	143	143	143	143
Car Parking Pay & Display Income	250	250	250	250	250
Revenues Shared Service	60	60	60	60	60
ICT Cyber Security	114	114	114	114	114
Impact of Local Government Finance Settlement	848	854	859	864	864
Minor Variances	39	(36)	144	253	262
Contribution to Unallocated Reserve (LGR)	460	0	0	0	0
Latest Budgetary Position	27,882	29,852	29,788	31,653	31,548
Additional Budget Proposals:					
Growth/(Savings) Proposals	403	398	281	291	302
Revenue Impact of Current Capital Programme Review (MRP & Interest)	(615)	(646)	(503)	(462)	(319)
Revenue Impact of Capital Programme Growth (MRP & Interest)	163	829	1,106	1,135	1,158
Revenue Impact of Capital Programme Growth (Ongoing Revenue)	0	(42)	(345)	(346)	(347)
General Fund Revenue Budget	27,833	30,391	30,327	32,271	32,342
Financed By:					
Items included in latest provisional settlement					
Fair Funding Assessment Baseline Funding Level	(5,165)	(5,283)	(5,390)	(5,498)	(5,608)
Fair Funding Assessment Revenue Support Grant	(6,031)	(5,986)	(5,910)	(5,794)	(5,680)
Recovery Grant	(603)	(603)	(603)	(603)	(603)
Green Energy Disregard	(4,627)	(4,627)	(4,627)	(4,627)	(4,627)
	(16,426)	(16,499)	(16,530)	(16,522)	(16,518)
Prior Year Council Tax (Surplus)/Deficit	(169)				
Prior Year Business Rates (Surplus)/Deficit	693				
Council Tax Requirement	11,931	13,892	13,797	15,749	15,824
Estimated Council Tax Income - (Increases based on 2.99% for 2026/27 then max allowable)	11,931	12,411	12,910	13,429	13,969
Structural (Surplus)/Deficit	0	1,481	887	2,320	1,855
Incremental Deficit as Percentage of Net Revenue Budget	0%	5%	3%	7%	6%
Revenue Budget (Surplus)/Deficit as at 26 February 2025	2,633	4,699	4,513	5,480	0
Increase/(Decrease)	(2,633)	(3,218)	(3,626)	(3,160)	1,855

BASE BUDGET CHANGES

Pay Award 2025/26 +£0.188M

As part of the 2025/26 budget setting process, an inflationary uplift of 2.5% was included to salaries across all services of the Council. The National Employers offer of an increase of 3.2% on all NJC pay points was agreed in July 2025. Inevitably this places further strain on future year budgets and forecasts have been updated to reflect this altered base position.

Pensions - Employer Contribution Reduction (-£1.756M)

The current rate for employers is 16.3%. Following discussions with the Lancashire County Pension Fund, the fund is performing well and the advice is to reduce future contributions to 8.1%. This is consistent with other districts across Lancashire.

Increase Staff Turnover (-£0.352M)

Staff turnover in recent years has previously been in excess of the provision made. Typically it has been in excess of £1M so the provision has been increased to that level in order to help contribute to a balanced budget.

Interest Payable (-£0.128M)

As capital schemes expenditure slips into future years, the short-term need for the Council to borrow reduces and therefore interest payable on projected borrowing is reduced.

Interest Receivable +£0.018M

Linked with interest payable. Having higher cash balances allows for increased levels investable amounts subsequently resulting in more interest receivable.

Minimum Revenue Provision (MRP) (-£0.190M)

Following the Mid-Year Review of the Capital Programme approved by Council 24 September 2025, the amount of MRP required has been adjusted to match the programme at that time.

Review of Reserves

Renewals (-£0.293M)

The level of the renewals reserve is c.£2M and annual contributions were reviewed and deemed over-sufficient resulting in a reduction in contribution going forwards.

Business Rates Retention Reserve¹ (-£0.693M)

With regard to Business Rates, work has taken place to determine the forecast surplus or deficit for prior years and the latest projection is a £0.693M deficit relating to prior years. The Business Rates Retention Reserve (BRRR) is used to manage the impact of surpluses and deficits and also to manage fluctuations in income levels in order to provide budgetary stability and smooth out year on year peaks and troughs.

Business Rates Retention Reserve² +£0.600M

The reserves schedule approved February 2025 included a £0.600M contribution from the BRRR into general fund balances in relation to be a contingency amount in respect of Heysham Power Station. As the closure of Heysham 1 has now been deferred then the contingency is not currently required at this time.

Review of Inflation Factors +£0.037M

As part of every budget process, updated inflation factors are used to calculate future years budgets and included within the draft revenue budget. The key factors used are highlighted within section 3.6 of this report.

Review of Corporate Property Programme +£0.061M

In 2025/26 the Council embarked on a multi-year programme of works to repair, maintain, replace and enhance its corporate assets to ensure that they are safe places. During the first year a full review of the programme took place to provide a more realistic delivery model and subsequently individual projects have been slipped or reclassified as revenue expenditure when previously considered capital (and vice-versa).

Review of Asset & Compliance Programme (-£0.339M)

To address changes in government legislation surrounding the safe operation of buildings, the Council have previously included amounts in order to comply with the legislation. Some examples include risk assessments, asbestos surveys, gas and electrical testing. A full review of the budgets provided for took place in the current financial year leading to the savings identified.

Commercial Property Rental Income +£0.382M

The Council owns numerous commercial properties within the District and is currently experiencing a few vacancies which ultimately affects rental income levels and associated costs which need to be considered e.g. R&M and NNDR. The main buildings affecting this are the vacant Moor Lane Mills and 17-21 Penny Street properties.

Bed & Breakfast Expenditure (-£0.541M)

Due to void properties on Mainway currently being available, these are being used to house homelessness people/families where appropriate. This has resulted in the reduced use of high-costing temporary accommodation and provided less financial strain on the homelessness budget

Burrowbeck/Gateway Solar +£0.200M

With regard to both sites, the income projections have been lowered due to reduced export pricing and a provision for R&M has now been included.

Waste Collection pEPR Payment (-£0.367M)

The government have issued a revised grant allocation for 2026/27 and this has now been built into the base budget.

Food Waste (removal of savings target) +£0.350M

As part of establishing food waste budgets, a savings target was included to reduce the net cost of the scheme. Upon review, it is too early to include any savings and subsequently the target has been reviewed. This area will be monitored closely over the next 12 months and should any savings arise they will be highlighted within the quarterly monitoring process and considered for inclusion in future iterations of the revenue budget.

Garden Waste Charging Freeze +£0.042M

As part of the fees and charges review for 2026/27, Cabinet at it's meeting of 13 January 2025 proposed the freezing of garden waste charges for a period of one year. The financial impact is the loss of assumed inflation included within the draft budget.

Williamson Park Net Income +£0.143M

Following the closure and now demolition of the café, temporary arrangements are now in place within the park to provide food and beverages to the public. However, income levels have naturally been affected and draft budgets have been updated to reflect this.

Car Parking Pay & Display Income +£0.250M

For 2025/26 Council approved the freezing of car parking charges for a period of one-year. Latest monitoring information suggests usage figures are down in financial terms and this has been factored into base budgets going forward alongside the loss of car parks at Castle (temporary) and Nelson Street (permanent).

Revenues Shared Service +£0.060M

The Council shares its Revenues Services with Preston City Council who are the managing partner for the two Councils. Increases over established budgets (e.g. Salaries, system costs) has resulted in an increase to the management fee.

ICT Cyber Security +£0.114M

This operational increase is required to strengthen the response capability to a cyber incident through 24/7 protective monitoring and cyber insurance. 24/7 protective monitoring involves not just monitoring our network against threats but also having the ability to act against threats and take immediate action.

Reversal of Items Now Included in Local Government Finance Settlement +£0.848M

Removal of items previously budgeted for in the general fund that are now replaced with new elements which are to be held within the financing section of the account.

Minor Variances +£0.039M

Minor operational changes have been identified and these changes have been built into the latest projections.

Contribution to Unallocated Reserve (LGR) +£0.460M

Due to the removal of a previous entry in the financing section of the account a surplus has been created which is to be transferred to the unallocated reserve, held specifically to contribute towards Local Government Reorganisation costs when required.

ADDITIONAL BUDGET PROPOSALSGrowth/(Savings) Proposals +£0.403M

Service summary information given at *Appendix C* and more detailed proposals in exempt *Appendices C1 & C2*.

Revenue Impact of Current Capital Programme Review (MRP & Interest) (-£0.615M)

A review of the current capital programme has taken place which includes underspends generated where appropriate and an up-to-date profile of when expenditure is likely to occur. This has led to MRP and Interest savings which are included within the revenue account.

Revenue Impact of Capital Programme Growth (MRP & Interest) +£0.163M

New projects have now been included within the draft capital programme which are not cost neutral to the Council. The associate revenue budgets for MRP and Interest have now been included within the revenue account. Further details can be found within the 'General Fund Capital Programme & Capital Strategy' report, considered elsewhere on this agenda.

Savings and Budget Proposals 2026/27 to 2030/31

		2026/27	2027/28	2028/29	2029/30	2030/31
		£'000	£'000	£'000	£'000	£'000
SAVINGS PROPOSALS	<i>Environment & Place</i>	(54)	(54)	(53)	(52)	(51)
	<i>Planning & Climate Change</i>	(66)	(66)	(63)	(61)	(60)
	<i>Resources</i>	(32)	(33)	(35)	(36)	(37)
	<i>Sustainable Growth</i>	(35)	(37)	(40)	(42)	(44)
	Total Savings	(187)	(190)	(191)	(191)	(192)
GROWTH	<i>Environment & Place</i>	340	347	354	360	368
	<i>Governance</i>	77	52	53	54	55
	<i>People & Policy</i>	47	50	53	56	59
	<i>Planning & Climate Change</i>	51	12	12	12	12
	<i>Sustainable Growth</i>	75	127	0	0	0
Total Growth	590	588	472	482	494	
Net (Savings)/Growth		403	398	281	291	302

Document is Restricted

By virtue of paragraph(s) 2, 3, 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Reserves Statement (Including Unallocated Balances)

	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026	From Revenue	To / (From) Capital	To Revenue	31 March 2027	From Revenue	To / (From) Capital	To Revenue	31 March 2028	From Revenue	To / (From) Capital	To Revenue	31 March 2029	From Revenue	To / (From) Capital	To Revenue	31 March 2030	From Revenue	To / (From) Capital	To Revenue	31 March 2031
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	(10,027,800)	(2,091,000)	0	1,780,500	(10,338,300)	(460,000)	0	992,600	(9,805,700)	0	0	64,400	(9,741,300)	0	0	31,200	(9,710,100)	0	0	0	(9,710,100)	0	0	0	(9,710,100)
Local Government Reorganisation (LGR)						(460,000)																			
Lancashire LGR Transition Fund								830,700																	
ANPR								64,400				64,400				31,200									
Local Plan								97,500																	
Earmarked Reserves (Usable):																									
Amenity Improvements	(29,000)				(29,000)				(29,000)				(29,000)				(29,000)				(29,000)				(29,000)
Corporate Priorities	(267,900)			157,100	(110,800)				(110,800)				(110,800)				(110,800)				(110,800)				(110,800)
Capital Support	(73,000)				(73,000)				(73,000)				(73,000)				(73,000)				(73,000)				(73,000)
Corporate Property	(313,500)	(1,312,900)			(1,626,400)			1,312,900	(313,500)				(313,500)				(313,500)				(313,500)				(313,500)
Covid 19 Support Reserve	(9,700)				(9,700)				(9,700)				(9,700)				(9,700)				(9,700)				(9,700)
Homelessness Support	(110,800)				(110,800)				(110,800)				(110,800)				(110,800)				(110,800)				(110,800)
Investment Property Maint	(119,100)				(119,100)				(119,100)				(119,100)				(119,100)				(119,100)				(119,100)
Invest to Save	(162,900)			57,600	(105,300)				(105,300)				(105,300)				(105,300)				(105,300)				(105,300)
Museums Acquisitions	(45,200)	(4,500)			(49,700)	(4,500)			(54,200)	(4,500)			(58,700)	(4,500)			(63,200)	(4,500)			(67,700)	(4,500)			(72,200)
Restructure	(450,600)			50,600	(400,000)				(400,000)				(400,000)				(400,000)				(400,000)				(400,000)
SALC 3G Football Pitch	0				0			(32,000)	(32,000)	(32,000)			(32,000)	(32,000)			(64,000)	(32,000)			(96,000)	(32,000)			(128,000)
Business Rates Retention	(12,660,000)	(129,900)			(12,789,900)			693,000	(12,096,900)				(12,096,900)				(12,096,900)				(12,096,900)				(12,096,900)
Renewals Reserves	(1,922,100)	(198,500)		4,100	(2,116,500)	(220,400)		87,600	(2,249,300)	(220,400)	38,000	107,000	(2,324,700)	(220,400)		84,000	(2,461,100)	(220,400)		90,000	(2,591,500)	(220,400)		95,500	(2,716,400)
General Renewals	(1,364,300)	(2,500)		4,100	(1,362,700)	(24,400)		12,600	(1,374,500)	(24,400)		57,000	(1,341,900)	(24,400)		34,000	(1,332,300)	(24,400)		40,000	(1,316,700)	(24,400)		45,500	(1,295,600)
Salt Ayre Leisure Centre	(205,700)	(150,000)			(355,700)	(150,000)		50,000	(455,700)	(150,000)	38,000	30,000	(537,700)	(150,000)		30,000	(657,700)	(150,000)		30,000	(777,700)	(150,000)		30,000	(897,700)
Williamson Park	(65,000)	(18,000)			(83,000)	(18,000)		25,000	(76,000)	(18,000)		20,000	(74,000)	(18,000)		20,000	(70,000)	(18,000)		20,000	(62,000)	(18,000)		20,000	(42,000)
Car Park	(147,200)	(12,000)			(159,200)	(12,000)			(171,200)	(12,000)			(183,200)	(12,000)			(195,200)	(12,000)			(207,200)	(12,000)			(219,200)
Happy Mount Park	(63,900)	(14,000)			(77,900)	(14,000)			(91,900)	(14,000)			(105,900)	(14,000)			(119,900)	(14,000)			(133,900)	(14,000)			(147,900)
Armside & Silverdale AONB	(76,000)	(2,000)			(78,000)	(2,000)			(80,000)	(2,000)			(82,000)	(2,000)			(84,000)	(2,000)			(86,000)	(2,000)			(88,000)
Total Earmarked Reserves (Usable)	(16,163,800)	(1,645,800)	0	269,400	(17,540,200)	(224,900)	0	2,093,500	(15,671,600)	(256,900)	38,000	107,000	(15,783,500)	(256,900)	0	84,000	(15,956,400)	(256,900)	0	90,000	(16,123,300)	(256,900)	0	95,500	(16,284,700)
Earmarked Reserves (Ringfenced):																									
Elections	(62,300)	(45,000)			(107,300)	(45,000)			(152,300)	(45,000)		180,000	(17,300)	(45,000)			(62,300)	(45,000)			(107,300)	(45,000)			(152,300)
Lancaster District Hardship Fund	(61,000)			60,400	(600)				(600)				(600)				(600)				(600)				(600)
Planning Fee Income	0				0				0				0				0				0				0
Revenue Grants Unapplied	(264,700)			145,900	(118,800)			21,600	(97,200)			22,100	(75,100)				(75,100)				(75,100)				(75,100)
S106 Commuted Sums - Open Spaces	0				0				0				0				0				0				0
S106 Commuted Sums - Affordable Housing	(218,800)				(218,800)				(218,800)				(218,800)				(218,800)				(218,800)				(218,800)
S106 Commuted Sums - Highways, Cycle Paths etc.	(1,545,600)	(100,000)	131,000		(1,514,600)	(100,000)			(1,614,600)	(100,000)			(1,714,600)	(100,000)			(1,814,600)	(100,000)			(1,914,600)	(100,000)			(2,014,600)
Welfare Reforms	(324,900)				(324,900)				(324,900)				(324,900)				(324,900)				(324,900)				(324,900)
Reserves Held in Perpetuity:																									
Graves Maintenance	(22,200)				(22,200)				(22,200)				(22,200)				(22,200)				(22,200)				(22,200)
Marsh Capital	(47,700)				(47,700)				(47,700)				(47,700)				(47,700)				(47,700)				(47,700)
Total Earmarked Reserves (Ringfenced)	(2,547,200)	(145,000)	131,000	206,300	(2,354,900)	(145,000)	0	21,600	(2,478,300)	(145,000)	0	202,100	(2,421,200)	(145,000)	0	0	(2,566,200)	(145,000)	0	0	(2,711,200)	(145,000)	0	0	(2,856,200)
Total Combined Reserves	(28,738,800)				(30,233,400)				(27,955,600)				(27,946,000)				(28,232,700)				(28,544,600)				(28,851,000)

Budget Transfers (Virements, Carry Forwards & Reserves) 2026/27 Limits

Council 25 February 2026

1 Purpose and Scope

- 1.1 Budget transfers (virements and carry forwards) enable the Cabinet and Chief Officers to manage budgets with a degree of flexibility within the overall policy framework determined by full Council, to optimise the use of resources and promote good financial management.
- 1.2 Other detailed operational guidance will be provided to budget holders, but Council approval is required for the basic limits, as proposed below.

2 Virements

- 2.1 The term covers in-year transfers between budget headings.
- 2.2 The Scheme of virement applies to revenue and capital budgets, and it allows only in-year, non-recurring budget adjustments.
- 2.3 Virement must not increase the Council's net budget; the first priority for any virements must be to address any expected budget overspendings.
- 2.4 Chief Officers (or their nominated representatives) may approve virements up to any limit within the specific cost centres in their control (or the equivalent level as set out in the budget book), as long as the virement does not substantially change how the activity is to be delivered, or have adverse impact on performance. For example, high staff turnover in a service area may result in an interim need to buy in additional external support or services. This would require a virement from the salaries budget, into the relevant supplies & services budget, as long as the virement does not increase the overall net cost for the service area.
- 2.5 With the agreement of the s151 Officer, Chief Officers (or their nominated representatives) may approve virements in budgets under their control, between cost centres (or the equivalent level as set out in the budget book), subject to the following limits:

Delegated limit	2026/27
Total virement on any expenditure heading in any one financial year must not exceed:	£10,000
Total virement on any income heading in any one financial year must not exceed:	£10,000

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

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

3 Treatment of Year-end Balances

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

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

Overspends

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

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

Underspends

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

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

4.0 Governance Arrangements on the Use of Reserves

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

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

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

Reserves Expenditure Monitoring

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

Schedule of Earmarked Reserves

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

Project Officer Sign Off:

Director Sign Off:

Section 151 Officer Sign Off:

Portfolio Holder Sign Off:

Finance Portfolio Sign Off:

Cabinet Minute (if app):

COUNCIL

**Housing Revenue Account
Budget Framework 2026 to 2031
25 February 2026**

Report of Cabinet

PURPOSE OF REPORT

To present Cabinet's final budget proposals in relation to the Housing Revenue Account in order that the City Council can complete its budget setting for 2026/27 and update its financial strategy to 2031.

This report is public.

RECOMMENDATIONS:

- (1) That Cabinet's recommendation to approve the council housing rent levels for 2026/27, as set out in accordance with statutory requirements, be noted.
- (2) That the Housing Revenue Account budgets and future years' projections be approved, as set out in *Appendix A*.
- (3) That the Council Housing Capital Programme be approved, as set out in *Appendix B*.
- (4) That the minimum level of HRA unallocated balances be retained at £750,000 from 01 April 2026, and that the full Statement on Reserves and Balances as set out at *Appendix C* be approved.
- (5) That Council notes the Section 151 Officer's advice regarding robustness of budget estimates, the adequacy of reserves and balances and the affordability of borrowing.

1. Introduction

- 1.1 Following its meeting on 10 February, Cabinet has now finalised its budget framework proposals for the Housing Revenue Account (HRA). These are all now reflected in the recommendations of this report. The Council is required under statutory provisions to maintain a separate ring-fenced account for the provision of local authority housing, this covers the maintenance and management of the Council's housing stock.
- 1.2 This report sets out the rent setting policy and the latest position with regards to the HRA 30-year Business Plan, covering both revenue and capital

budgets, and the associated level of reserves and balances.

- 1.3 It can be noted that within the context of ring-fencing the HRA has a role to play in support of wider Council priorities, contributing to and facilitating projects across the district to support the wider ambitions of the council. The HRA does pay into the Council's General Fund through contribution to support services and corporate commitments use and receives payment back to reflect Public Realm services delivered on Council Housing estates to non-Council residents, as well as relevant management contributions. Whilst the outcome of Local Government Reorganisation is yet unknown, it will be expected that the Council continues to support our tenants and provide decent homes throughout the transition period in line with regulatory requirements.
- 1.4 Council housing provides decent, secure homes that are affordable to households on low to modest incomes. Across the country, though, many HRA Councils find themselves in a precarious financial position, struggling to maintain existing homes, alongside meeting the huge new demands to improve homes and the services provided to residents under new government, regulator and ombudsman requirements with no additional funding available¹. As such Lancaster City Council joined over 100 other Councils in signing the 'Securing the Future of Council Housing' report² commissioned by Southwark Council in 2024, setting out a practical, long-term plan for government to support the much needed improvements and growth of Council Housing, and is a key member of the newly formed Association of Directors of Housing which seeks to share information and lobby government on the state of Housing Revenue Accounts and wider housing matters.
- 1.5 Over the past few years the Council has sought to meet these increasing demands including, for example, through fire remediation and other compliance improvements; increased support for tenants; an increased focus on housing health and safety including improvements to damp and mould reporting and removal; specialist community safety services; increased tenant engagement and through increased provision of a face-to-face community presence in preparation for the new regulatory regime. This is whilst continuing to seek to maintain stock decency and address both the Council's and government's ambitions of increasing social housing. A key focus over the coming 12 months will be to develop our response to the Competence and Conduct standard³ which comes into force towards the end of 2026 as another new requirement placed upon housing providers.
- 1.6 It should be noted that within a number of financial years since the HRA self-financing settlement of 2012 the ability of the Council to raise rents in line with inflation has been restricted. For four years between 2016/17 and 2019/20 a government mandated rent reduction of 1% year-on-year was imposed. In addition, for the financial year 2023/24 the maximum rent increase was

¹ According to the most recent government Social Rent Convergence consultation: [How to implement Social Rent convergence - GOV.UK](#) reports: *In aggregate across all 162 Local Authority Registered Providers (LARPs) with Housing Revenue Accounts, spending has exceeded turnover in 4 of the past 5 years, leading to a corresponding decrease in aggregate reserves as they are used to cover the shortfall in the ring fenced account (July 2025).*

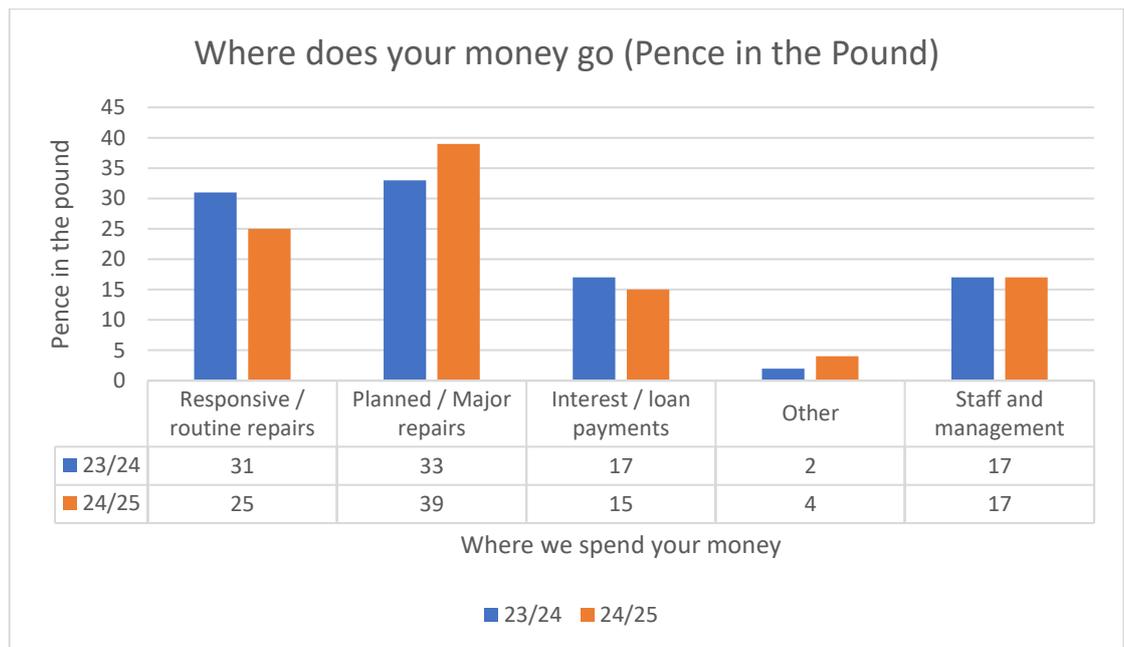
NB: The Council has received new burdens funding of around £16K per annum since 2023 in the implementation of Tenant Satisfaction Measure data collection, and £19K in 2025 to support with the work around Residential Personal Emergency Evacuation Plans for residents who require them.

² [Securing the Future of Council Housing](#)

³ [Competence and Conduct Standard for social housing: government response - GOV.UK](#)

capped by the government at 7% for existing tenants, falling short of inflation which was running at 10.1% in Sept 2022 – the figure which would normally be used for the purpose of rent setting for the following April. These restrictions have removed tens of millions of pounds from the life of the HRA 30-year business plan. Over the summer of 2025 the government consulted on the implementation of rent convergence⁴, on the basis of either £1 or £2 per week, whilst the outcome of this was expected to be announced during the Autumn 2025 statement, this was delayed until 28th January 2026). The commitment from Government has been that rent convergence can be implemented but not until 2027 at £1pw, followed by £2pw from 2028 onwards, therefore leaving rents to continue to fall further behind over this period. Nonetheless, even at the higher £2pw this increase falls short to support the requirements placed upon housing providers and investment needed in stock currently.

1.7 The chart below, using year-end figures from 2024/25, gives an indication of how income received by the Housing Service is spent. For every pound of income, we have seen an increase to a more proactive approach to our work with around forty per cent of tenant’s money contributing to planned and major repairs; a quarter is spent on responsive repairs; and the remaining third funds staff and management, interest and loan payments, and other costs.⁵



2. Achievements and Challenges 2025/26

2.1. Key achievements:

- The Housing Support Team continued to support council tenants to sustain successful tenancies by, for example:

⁴ [How to implement Social Rent convergence - GOV.UK](#)

⁵ For clarity, ‘Staff and Management’ refers to costs including employees, premises, supplies and services (software, subscriptions, bank charges etc), support services (internal recharges) and transport (officer travel expenses).

- Securing an additional £667,458.10 in income through the three quarters of the year through benefit and other income maximisation work
 - Carrying out 245 Tenancy Health Checks, so far this year
 - 100% of supported tenancies remained active after 12 months.
- Plans to redevelop a number of existing garage sites for small scale Council Housing development has taken another step forward with the successful award of MHCLG grant for Hastings Road to get the Council to a start on site position alongside funded support from the Council Housebuilding Support Service.
- The Council Housing Income Management Team has continued to deliver sector leading performance, supporting tenants to successfully manage their rent accounts and sustain tenancies. Key achievements include:
 - Maintaining excellent performance around current tenant rent arrears
 - Providing 46 new tenants with furniture packages to help sustain their accommodation.
- Mandatory Tenant Satisfaction Measures (TSM) survey carried out, showing improvements in satisfaction across the majority of survey questions compared to the previous 12 months. Whilst satisfaction has dropped slightly down 1% on last year – it remains 4% higher than the year previous. Whilst four measures are now well placed at over 80% satisfaction (Safe Home, Repairs in the last 12 months, Kept Informed, and Treating residents fairly and with respect). Overall benchmarking our results is likely to place Lancaster City Council in the top 25% of local authorities nationally.
- Full in-house planned and responsive repairs service delivered, projecting an estimated 12,000 repairs completed across the year, around 100 kitchens replaced on a planned programme, and delivery of wider planned and capital programmes of works contracted out.
- Implementation of Awaab's Law requirements in October 2025 improving our handling and reporting of damp and mould cases.
- High levels of compliance and reassurance against all key areas (gas, electrical, water, asbestos, fire, lifts, smoke and CO detection).
- Reviews and updates of a range of service policies and strategies, to be found on the Council Housing web pages⁶, including review of our Tenancy Strategy and the development of a new Vulnerability Policy.
- Continued development and delivery of programmes of works which deliver in line with the Council's climate emergency ambitions (see section 3 below). The Council secured £797,893 match funding from government's Warm Homes programme – improving the energy efficiency of c100 council homes raising to EPC C over the next three years.
- Successfully implemented the rehousing policy of residents residing within Bridge House, whilst simultaneously undertaking repair / corrective work to the outside of the building ensuring its safety prior to decommissioning.
- Development of a Skills and Training Development Strategy in preparation for the Competence and Conduct Standard later in 2026.

⁶ www.lancaster.gov.uk/housing/council-housing/about-us/our-policies

- Tenant-led scrutiny panel continues to go from strength to strength – in the past 12 months a review of block cleaning followed by a report and recommendations has been completed, the group have now commenced a review of the voids process completed by the Council⁷.
- Wide range of community engagement activities supported including residents' groups; summer community fun day; litter picks; garden competition; community gardens, skip days; Independent Living Scheme trips to Fleetwood, the Lakes and Blackpool, Christmas gatherings; and consultation events.

2.2. The strategic direction of the housing service continues to be delivered in response to:

- Wider Council priorities,
- The Regulator for Social Housing
- The Housing Ombudsman's requirements
- Changing legislation and anticipated changing legislation
- Tenant Voice

2.3. Significant challenges are being faced by the housing service in the context of the current and changing landscape around social housing regulation. Expectations on service delivery continues to increase coupled with a challenging financial picture. Of particular note linked to regulation is:

- The introduction of Tenant Satisfaction Measures during 2023/24. This year is the third year of data collection – see 2.1 above. The results and a formal action plan are reported annually to the Regulator of Social Housing⁸.
- The mandatory registration of high-rise buildings was completed in 2023 with safety case files compiled at the end of March 2024 – call-in of these files from the Building Safety Regulator is awaited.
- Ofsted-style inspections from the Regulator of Social Housing were introduced from April 2024, on a four-yearly cycle for all landlords⁹. As at the time of writing Lancaster City Council has just commenced discussion with the Regulator around our inaugural inspection in April 2026.
- A renewed focus on the customer complaints process through the introduction of a joint complaints code between the Housing Ombudsman and the Local Government and Social Care Ombudsman, including a mandatory submission of self-assessments and annual reports¹⁰.
- Housing Ombudsman Spotlight reports into poor sector performance and accompanying self-assessments.
- Awaab's Law¹¹ was introduced on 27th October 2025 – mandating housing providers to deal with reports of damp and mould within prescribed formats and timescales. The further extension of this into

⁷ www.lancaster.gov.uk/housing/council-housing/my-neighbourhood/tenants-voice/scrutiny-panel

⁸ Information about the Tenant Satisfaction Measures, our collection method and results can be found at www.lancaster.gov.uk/housing/council-housing/about-us/tenant-satisfaction

⁹ [Regulatory judgements and enforcement notices - GOV.UK](https://www.gov.uk/government/collections/regulatory-judgements-and-enforcement-notice)

¹⁰ More information about how we handle complaints and our performance can be found here: www.lancaster.gov.uk/housing/council-housing/about-us/performance/complaint-handling-performance

¹¹ [Awaab's Law: Guidance for social landlords - GOV.UK](https://www.gov.uk/government/collections/awaab-law-guidance-for-social-landlords)

other Housing Health and Safety Rating System hazards is expected later this year.

- Since 1st December 2025 new social housing tenancies are required to have a 5-yearly electrical inspection completed with transitional arrangements for tenancies from before this date. As of the end of 2025, 99.97% of our homes and 100% of our communal areas meet the required standards.

Looking ahead:

- From 6th April 2026 – the Council will be required to implement Residential Personal Emergency Evacuation Plans (RPEEPS)¹² for relevant residents in specified buildings.
- From October 2026 – the Competence and Conduct Standard¹³ will be implemented – driving increased professionalisation of the sector, including mandatory qualifications for certain staff. Further details on how this will be implemented by the Regulator of Social Housing is awaited.
- Throughout the second half of 2025, MHCLG consulted on Minimum Energy Efficiency Standards (MEES)¹⁴ in the social rented sector, focussing on requiring all homes to reach minimum EPC ‘C’ by 2030, this was confirmed in MHCLG’s policy statement at the end of January 2026. More information on what we are doing to meet this target can be found in Section 3 below.
- During the same period, MHCLG also consulted on and confirmed changes to a reformed Decent Homes Standard¹⁵ from 2035.

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

2.4. In line with the above, expected key strategic priorities for 2026/27 are:

Priority	
A sustainable district	<ul style="list-style-type: none"> • Continued investment across the council’s housing stock - see section 3 below. • Continued work towards improved energy efficiency within all homes by 2030 (all properties to meet minimum of EPC C standard – unless specifically exempt), supported through funding bids where available. • Delivery of new energy efficient units of accommodation on Hastings Road. • Continued progress of delivery of new housing on the former Skerton High School site.
An inclusive and prosperous local economy	<ul style="list-style-type: none"> • Provision of apprenticeship opportunities for local residents and seek opportunities to promote housing career pathways

¹² [Residential PEEPs: Factsheet - GOV.UK](#)

¹³ [Competence and Conduct Standard for social housing: government response - GOV.UK](#)

¹⁴ [Improving the Energy Efficiency of Socially Rented Homes in England - GOV.UK](#)

¹⁵ [Consultation on a reformed Decent Homes Standard for social and privately rented homes - GOV.UK](#)

	<p>to local young residents, both through us and our contractors.</p> <ul style="list-style-type: none"> • Use of local suppliers within procurement rules (and where appropriate): for lower value contracts, use of local suppliers is guaranteed; for higher value contracts, on occasions where local supplier does not offer the required expertise and value for money, successful contractors must explicitly evidence social value in contract submissions. • Seeking funds through government to invest in and increase our stock. • Creation of service agreement between Council Housing and Public Realm to ensure delivery of grounds maintenance and other public realm services in line with tenant priorities – including improved delivery and transparency for tenants around this service delivery.
<p>Happy and healthy communities</p>	<ul style="list-style-type: none"> • Supporting the work and continued development of resident scrutiny groups and Tenant Voice, co-creating opportunities for residents to contribute meaningfully to service development and the decision-making process. • TPAS accreditation – to ensure delivery of resident engagement adheres to best practice and is responsive to regulatory requirements around customer focus and the ‘Tenant Voice’. • Continued development and delivery of services in line with regulatory requirements and the specific outcomes of the Consumer Standards. • Continued focus on reporting, recording, and remedial actions in line with Awaab’s Law, ensuring adherence to Government requirements around timescales and other requirements to address problems, ensuring our residents live in damp and mould free homes. • Continued support of the tenant Building Safety Group and Building Safety Strategies to ensure the safety of residents in communal apartment blocks. • Continued investment in our housing stock ensuring homes are safe and hazard free. • Development of asset management programmes across housing stock following stock condition survey’s – ensuring data is kept up to date. • Facilitating (and funding) community specific, community led projects where possible. • Continue to develop and improve the way the service manages ASB and nuisance, and community safety more generally, across all housing stock. • Continue to develop and improve the way the Council delivers and reports on its block cleaning approach. • Developing a smaller, stronger neighbourhood approach to housing management.

A co-operative, kind and responsible council	<ul style="list-style-type: none"> • Continued preparation for a forthcoming inspection from the Regulator of Social Housing. • Investing and developing in our staff – with a focus on the forthcoming Competence and Conduct Standard. • ‘Place-based’ working helping tenants to create sustainable groups and an ability to deliver initiatives supported by – not led by – the housing service. Recognising that local people are best placed to understand the issues in their neighbourhood, including through the extension and further roll out of neighbourhood community plans. • Implementation of phase 1 delivery of comprehensive new housing management IT systems. • Working with and listening to resident groups about what’s important to them, whilst supporting and encouraging others to be established. • Embedding the Tenant Voice Strategy across the service, to ensure commitment to service wide service delivery in line with tenant needs and expectations. • Ensuring Housing Ombudsman self-assessments are kept up to date. • Ensuring residents have opportunity to raise complaints and that the service listens, takes action, learns and shares information. • Review opportunities to undertake tenant census. • Focussed attention on triangulation of performance data and outputs from this. • Deliver against our Tenant Satisfaction Measure action plan. • Be mindful of and support on-going Local Government Reorganisation approach, whilst ensuring tenants are at the heart of future delivery.
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3. The Council Housing Response to the Climate Emergency

3.1. Council Housing has continued its programme of carbon reduction, energy efficiency measures and upgrades during 2025/26.

Energy Performance Certificate (EPC) Band C Housing Stock

The Council is in year 5 of an 8-year programme of ‘fabric first’ led energy improvement works across our Council stock. Our aim is to raise the energy performance rating of all Council Housing properties to a minimum ‘C’ rating by 2030 in line with Government requirements. This year the Council has secured £797,893 Warms Homes match funding to improve energy efficiency in circa 100 properties. This follows recent improvements to c130 properties using Social Housing Decarb Fund and LAD funding.

Currently the Council reports around 790 properties as below the EPC ‘C’ target – although the Council is keeping a close eye on legislative changes

coming through Minimum Energy Efficiency Standards (MEES)¹⁶ including anticipated amendments to EPC calculations which will likely result in homes requiring reassessment and / or falling below the SAP rating figure to achieve EPC 'C'. The Council will continue to provide ongoing and additional improvements through the range of measures listed below, as well as ongoing support for those who live in properties which fall below the 'C' rating.

Void property, energy retrofit improvements

We will continue our major void programme which includes a significant energy performance retrofit component, following a fabric first rationale installing insulation and efficiency measures. We will build on the successful strategy this year and aim to return all Void properties for re-letting at a minimum 'C' rating and take all opportunity to exceed this standard. In 2025/26 we have completed 74 major voids so far.

Government decarbonisation scheme

Through 2025/26, the Council has continued delivery of energy improvement measures using external funding:

- The Social Housing Decarb Fund Wave 2.1 programme was concluded. This has added matched co-funding of approximately £700k throughout the total duration of the project to our existing capital programme for energy efficiency works. This funding enabled us to fit:
 - 65 homes with Solar Panels
 - 20 homes with External Wall Insulation
 - 2 homes with Cavity Wall Insulation
 - 8 homes with Internal Wall Insulation
 - 18 homes with High Heat Retention Storage Heaters
 - 1 home with Low Energy Lighting
 - 18 homes with Lithium-ion batteries
 - 4 homes with Room in Roof insulation
 - Improved windows to 2 homes
 - Improved doors to 4 homes
- Successfully secured £797,893 match Government funding of Warm Homes monies through the Liverpool City Region Combined Authority consortia to improve c100 homes over the next three years.

Whole House Improvement programme

2025/26 will see delivery of at least 15 whole house improvements delivering significant improvement in energy performance to a current 'C' EPC rating, which equates to a potential 25% reduction in annual carbon emissions and lower bills for tenants.

This project will continue but with increased funding through 2026/27, addressing low performing properties picked up through the void property process, and in recognition of the challenging property conditions the team is seeing when properties become void.

Loft Insulation

The minimum standard for loft insulation is to achieve at least 300mm. 2025/26 has seen phase 2 of the Ryelands roofing programme completed in

¹⁶ www.gov.uk/government/consultations/improving-the-energy-efficiency-of-socially-rented-homes-in-england

addition, top-ups are completed through void maintenance, ensuring that all new tenancies achieve the 300mm standard.

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

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

Solar Panel Installations

Installations to 65 properties were completed through funding from Social Housing Decarb Fund Wave 2.1 programme referred to above. The Energy Support Officer continues to ensure there is strong tenant engagement with the project. Connection to the ORSIS system enables remote monitoring and information to help tenants adapt to the new technology and achieve the maximum benefit from the installation. Through work alongside the Councils Climate Change Team, funding for a 10Kwh battery storage unit on one property as part of a research project was also secured.

Gas Partnership, boiler replacement programme

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

During 2025/26 a total of at least 189 'A' rated gas boilers will be installed by our gas partner EMCOR.

Energy Support Officer

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

The Energy Support Officer seeks to support all new tenants providing energy advice, alongside managing a busy referral service for any existing tenants who would like support and advice. The Energy Support Officer also manages works and tenant relations within government match-funded projects. Within the first 9 months of the year over 230 home visits have been completed to provide invaluable energy related advice to council tenants.

Support includes:

- Information around usage of storage and water heaters
- In home demonstrations
- Telephone support for grant applications
- Tariff support and advice
- Boiler temperature and thermostat resets
- Referrals to specialist advisors at Green Rose, LEAP and Citizens Advice Bureau supporting with incorrect tariffs, misbilling and incorrect day/night rate assignments
- Referrals to the Energy Ombudsman for incorrect billing
- Utility account set-ups

- Support with debt write offs
- Benefit entitlement checks

Collaboration with Strathclyde University

The Council is participating in an innovative research collaboration with Strathclyde University, funded by the Centre for Net Zero – High Density Buildings. To date four households have engaged with the project locally with each household receiving a 10 or 15 kWh battery alongside ORSIS monitoring, enabling the collection of real-time performance data, alongside Vericon digital monitoring collecting data on:

- Boiler usage
- Solar Panel generation
- Carbon dioxide levels
- Humidity levels
- Internal temperatures

The research will enable the Council to evaluate the effectiveness of real-time digital monitoring in identifying conditions associated with damp and mould. This approach could then be rolled out across the Council housing stock to support the investigation and management of damp and mould cases, strengthening compliance with the requirements of Awaab's Law.

Property Conversions / new properties

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

As a tangible demonstration of our commitment to new low carbon housing, this is the standard for any future developments. This year we have completed four new units of Independent Living Accommodation at Alder Grove which utilise highly energy efficient modular construction and have achieved EPC 'A'.

Electrification of Repairs and Maintenance Service (RMS) fleet vehicles

Currently 61% of the RMS fleet¹⁷ are now electric, with charging points provision having been created at White Lund Depot and Heaton House, Lancaster and an increased number of charging points across the district are now provided through the work of the Council's Energy and Sustainability Team.

4. Rent Policy

- 4.1. As a registered provider of social housing the Council adheres to the Regulator of Social Housing's 'Rent Standard.' Housing rents are set in line with the Government's Rent Policy Statement.
- 4.2. For the financial year 2026/27, the Regulator of Social Housing has confirmed that the Council has the freedom to increase rent by a maximum of CPI+1% (CPI is the Consumer Price Index). Following the outcome of the Government's consultation process with the provision of a longer-term (10 year) settlement, +1% has also been included through to 2035/36. For rent setting purposes for 2026/27, the September 2025 CPI figure of 3.8% is

¹⁷ Calculated on figures across the fleet within the whole of the Housing and Property service.

used, with forecast CPI of 2.0% used thereafter (being the target set by Government for the Bank of England's Monetary Policy Committee). Following the outcome of the Government's consultation¹⁸ – Rent Convergence will not be applied in 2026/27 and has not been incorporated into the figures presented.

- 4.3. Through the provisions laid out in the Policy Statement on Rents for Social Housing¹⁹, Cabinet approved that from 2026/27, for the first time the Council will go beyond 'formula rent'²⁰ for new tenancies upon relet through the application of rent flexibility, being 5% above 'formula rent' on general needs properties and 10% above 'formula rent' on supported housing (including independent living housing), in light of the significant additional investment needed across housing stock.
- 4.4. All Council rents are 'social rent' and sit well below the Local Housing Allocation (LHA) rate; this rate defines the maximum amount that can be paid in Housing Benefit (HB) or through the housing element of Universal Credit (UC).²¹ We estimate that around 80% of tenants are in receipt of some form of HB or UC, in addition to this, those tenants who receive any proportion of help with their housing costs through HB or UC should also have some entitlement to the Council's council tax support scheme.
- 4.5. Rental income is the main funding source for the HRA and there are factors that will influence the outturn position:
 - Void levels and re-let times (equating to void rent loss/uncollectable rent)²² In addition, changes to Council Tax rules on empty homes came into effect from 1st April 2024 meaning a 200% rate on homes empty for more than 12 months. This impacts the HRA in relation to long term voids empty as a result of regeneration projects.
 - Right to Buy (decrease in housing stock); as at Q3 a total of 40 Right-To-Buy completions have taken place in 2025/26. These sales have generated gross proceeds of £3.1M, of which a proportion is due to HM Treasury (unless we re-invest as retained ("1-4-1") receipts, as described below at section 10 below) with the balance being reinvested in housing stock through the capital programme. Further to the recent changes to the RTB scheme, estimates assume 10 completions in 2026/27 with 3 completions per year thereafter.²³
- 4.6. Taking the above points into account, the Council's current rent policy sets

¹⁸ [Outcome to consultations on future social housing rent policy and Social Rent convergence - GOV.UK](#)

¹⁹ [Policy statement on rents for social housing - GOV.UK](#)

²⁰ Formula rent for a property is calculated based on relative property values, relative local earnings, and property size (no. of bedrooms), in line with annual guidance produced by the Regulator of Social Housing.

²¹ It is estimated that around 80% of tenants are in receipt of full or partial HB or UC – due to the housing element of UC being paid directly to tenants it is not fully clear the exact number.

²² Empty homes are currently relet within target times, which minimises void rent loss, however major voids (those which require significant works, including renewal or replacement of major elements) and properties subject to planned capital projects (such as the Mainway project) have a negative impact on void rent loss.

²³ Recent changes to legislation have seen RTB discounts reduce for applicants. Prior to this change we experienced a large number of applications which have then followed through to completion within 2025/26, with 40 already completed this year so far and 7 currently working through the system. Despite the change in legislation a small number of applications (11 since December 2024) have continued to be received since the changes came into force (4 of which have subsequently been withdrawn / refused). Additionally housing providers are required to write to tenants every 5 years to inform them of their right to purchase their home and therefore some further increases in the short-term have been built into budget assumptions.

average council rents for current tenants as follows²⁴:-

Property Type	2025/26	2026/27
General	£93.91	£98.79
Independent Living and Supported	£89.01	£93.95

This is nearly half of the average within the private rented sector locally which has an average rent of £181pw (ONS data). Whilst in 2024/25 – available data from governments national dataset on social housing lettings indicates that Lancaster remains affordable and lower than the median across the country which is £113pw (this figure includes council and housing association homes, General Needs and Supported Housing).

4.7 For new tenants applying formula rent plus an additional 5% (general needs) Or 10% (supported housing) flexibility, average rents would be²⁵:

Property Type	General Needs	Independent Living and Supported
	2026/27	2026/27
Actual (existing (tenants)	£98.79	£93.95
Formula (re-lets)	£109.24	£99.96
Rent flexibility 5% (General Needs), 10% (Independent Living and Supported)	£114.70	£109.96

4.8 The Council recognises that it is important that council homes are kept as affordable as possible. However, due to increasing costs, new requirements and costs of maintaining our stock (as outlined within the report), it is important that the additional revenue is secured and in advance of rent convergence decisions. The table below indicates income differences through the different approaches²⁶.

²⁴ Note that the figures are presented on a 52-week basis.

Note: Specific rents vary depending on property type / area / size: for general needs between £70.01 (for a bedsit at Mainway) and £150.37 (for a 3-bedroom adapted bungalow in Lancaster), and for Independent Living between £72.65 for a bedsit at Beck View and £116.58 for a two-bed flat at Artlebeck Close.

²⁵ Note that the figures are presented on a 52-week basis.

²⁶ This information is based on the following assumptions: 71% of 310 re-lets, split 164 relets for general needs and 56 relets for independent living / supported. The total figures are also based on a full year's income whereas re-lets occur throughout the year.

	General Needs	Independent Living and Supported	Combined
Potential additional income moving to formula	£89,117.60	£17,501.12	£106,618.72
Potential additional income including rent flexibility	£135,697.54	£46,609.47	£182,307.01
Difference between rent flexibility and formula ²⁷	£46,579.94	£29,108.35	£75,688.29

The additional income (£75,688.29) over a full year is equivalent to:

- 2 x Customer Service Advisors, or
- 17 new roofs, or
- 22 void turnaround costs.

5. Other Charges

- 5.1. For certain dwellings service charges are applied in addition to the rent charge to cover the cost of specific services. These include (but are not limited to) elements such as maintenance costs, cleaning, energy use within communal areas, communal boiler replacements, staffing costs within Independent Living Schemes, and CCTV.
- 5.2. Service charges are set to ensure they are sufficient to cover the cost of service provision, and that they are reasonable and transparent. Service charge elements are affected each year by variance in actual costs (such as energy provision, changes to service contracts, salary costs and cost of materials) and also a range of inflationary factors (General Inflationary Index, Building Cost Information Service (BCIS)). Costs of service provision have been reviewed for 2026/27.
- 5.3. As per the Social Housing Regulations the Council should endeavour to keep increases for service charges within the limit on rent changes, of CPI (as at September in the previous year) + 1 percentage point (or 4.8% in 2026/27), to help keep charges affordable.²⁸ However, it is recognised that service charges fluctuate significantly from year to year and that the requirement to contain increases within CPI+1% should be interpreted on a medium- or long-term basis²⁹.
- 5.4. For 2026/27 across all housing stock average service charges will see a

²⁷ For budget setting purposes income indicated from this line has not been included within the budget presented.

²⁸ Source: Policy statement on rents for social housing – Dec 2022

²⁹ Source: National Housing Federation Briefing on Rent Standard 2020 - Jan 2020

marginal increase of 0.5%.³⁰ Within this average is a variation between charges applied to Independent Living (0.5% increase) and General Needs (0.4% increase). Average service charge costs can be seen in the table below.

	2025/26	2026/27 ³¹
Avg weekly service charge per dwelling (General Needs)	£10.72	£10.76
Avg weekly service charge per dwelling (Independent Living)	£50.14	£50.39
Combined avg weekly service charge (total weekly service charge divided by total number of dwellings)	£26.50	£26.54

The changes in service charge are factored based on changes with costs mostly associated with: door entry systems, gas and electricity to communal blocks, CCTV, repairs and maintenance to communal areas, and staffing costs.

- 5.5. It is estimated that around 80% of council tenants are in receipt of either Housing Benefit (HB) or Universal Credit (UC). Most service chargeable elements are HB/UC eligible; the exceptions being individual heating costs, and the monitoring of alarms within independent living or community alarmed properties.

6. Revenue Budget

6.1. The future years' estimates for 2026/27 alongside the following four financial years have been prepared as part of this budget setting process, and are presented in the HRA revenue budget statement at *Appendix A*.

6.2. The key areas of variance from the budget set last year and the draft revenue budget as prepared are as follows: -

- Salary costs are now forecast to be around £126K lower than previously estimated, due to changes in employer pension contributions, see section 6.4.
- Additional costs of £256K relating to the implementation of new housing management software, funded by a one-off transfer to the ICT and Systems Improvement Reserve.
- Self-financing loan principal of £1,041K to be repaid via Major Repairs Reserve, see section 6.5.
- Depreciation charge increase of around £490K, see section 6.6.

6.3. The table below lists the major assumptions that have been made for the 2026/27 budget.

	2026/27
Fees & Charges	3.80%
Inflation – Pay	3.00%
Employer Pensions Contribution	8.10%

³⁰ Subject to further fluctuations in cost of service delivery

³¹ For the purposes of rent and service charge setting 2026/27 is a 52-week year (with service charges collected over 48 weeks).

Inflation – General (Minor Cost Centres)	3.80%
Inflation – Insurance	10.00%
Electricity	24p/kwh
Gas	3.5p/kwh
Interest Rate - Investments	4.00%

- 6.4. The current rate for employer's pension contributions is 16.3%. Following discussions with the Lancashire County Pension Fund, the fund is performing well and the advice is to reduce future contributions to 8.1%. This is consistent with other districts across Lancashire.
- 6.5. Further to consultation with technical experts and external audit, utilisation of the Major Repairs Reserve to fund the HRA self-financing loan principal repayment has now been taken and built into the estimates presented. This was previously funded by an appropriation from the revenue account, and therefore the change reduces pressure on unallocated balances.
- 6.6. Following work being carried out to review varying aspects of the calculation of depreciation, the current projections are based on latest quinquennial valuations and the application of an existing use value - social housing (EUV-SH) adjustment factor of 35% of market value. As provided for within the Stock Valuation for Resource Accounting guidance issued in November 2016, the s151 Officer has exercised his discretion in varying the adjustment factor from the recommended 40% for the North West region. This decision will be subject to external audit.
- 6.7. In summation, the 2026/27 revenue budget projected surplus is £526K, which is £237K higher than the previously projected £289K reported in February 2025. The revised projection is largely due to the points described above (see section 6.2), notably a reduction in employer pension contributions, additional costs relating to the implementation of new housing management software, funding of the self-financing loan principal from the Major Repairs Reserve and an increase in depreciation charges.

7. Capital Programme

- 7.1. The proposed ten-year Council Housing capital programme is included at *Appendix B*.
- 7.2. Future years' programmes are set in line with the HRA Business Plan wherever possible. Drawing on this, the draft programme works towards enabling current housing stock to be maintained to the appropriate standards, meeting the Council's obligations under Decent Homes, and compliance with any other statutory regulations.
- 7.3. Future years' capital expenditure needs to be informed by the completion and analysis of a full stock condition survey – to date around 88% of properties have been surveyed. Whilst expenditure within 2026/27 reflects the priority areas coming from that survey, further refinement of capital expenditure is required and will be reflected in subsequent years' capital programmes in due course. None the less information gained already suggests that over £60M of investment in our homes is needed over the next 10 years to maintain and meet current standards, and therefore demonstrates the requirement to ensure rental income is maximised.

- 7.4. The capital programme includes some provision for cyclical programmes of work on Mainway. Work is underway to define the scale and nature of this in the context of the ongoing Mainway regeneration project.
- 7.5. Taking account of the above points, the total draft ten-year programme for 2026/27 onwards now stands at £47.5M, the majority of which will be financed from revenue sources. There is no prudential borrowing requirement. As further refinement and review of stock condition survey information is undertaken, further review of financing requirements and priorities will be undertaken.
- 7.6. Newly introduced for 2026/27, the HRA now has a development pool for capital schemes and projects supported in principle, but that required further development (including the preparation of a full business case), scrutiny and approval before they can progress. Due to the nature of the schemes considered during this budget-setting process, and their dependence on having adequate capital resources available without a requirement for the council to borrow, they have not been incorporated into the estimates but are presented in aggregate at the base of *Appendix B*, for memorandum only. The route for approval will be via the normal governance route including agreement from the Capital Assurance Group prior to consideration by Cabinet, whilst ensuring that sufficient funding resources are in place. Should the schemes require borrowing and the business case supports the repayment of such borrowing, then any impact on the Council's Treasury Management Strategy will need to be considered on an ongoing basis prior to approval.

8. Future Developments

- 8.1. The City Council continues to have ambitions for the development of its own new affordable / social rented homes which it is seeking to progress in line with the new Social and Affordable Housing Programme. The Council has also successfully secured consultancy support alongside some grant support from the Council Housingbuilding Support Service (CHoSS). The focus for the next twelve months will seek:
 - To go out to tender and appoint a developer to deliver new social and affordable housing on Skerton School site.
 - Depending on the outcome of the tender appoint a developer for the next phase for bringing new housing across the Mainway site.
 - Achieve a start on site for 4 x new units of housing on Hastings Road.
 - With the support of CHoSS, bringing forward a positive planning application on Dorrington Road for c.8 new units of accommodation on a current garage site.
 - Work alongside a Registered Provider to secure new housing on a key development through a turn-key approach utilising Right-to-Buy receipts.

9. Provisions, Reserves and Balances

- 9.1. A formal review of the HRA's Balances, Reserves and Provisions has been undertaken, the outcome of which is reflected in *Appendix C*.
- 9.2. In terms of Balances, after reviewing the Housing Revenue Account and

General Fund in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer advises maintaining the minimum level of HRA Balances at £750K from 01 April 2026 to support the budget forecasts, as part of the overall medium term financial planning for the HRA.

- 9.3. In calculating the minimum level of HRA Balances, an assessment of the risks that give rise to unanticipated expenditure or loss of income has been made and these are shown in the table below.

Risk	Symptom of Risk	Balance Required £M
Increased Demand for Services	1% Increase in Net Revenue Expenditure	0.150
Recession results in additional reduction in Rental Income	2% Reduction in Income	0.350
Natural Disaster such as Flood etc	Additional Unexpected Expenditure	0.150
Additional Uncertainty with Respect of the Cost Of Living	Additional Unexpected Expenditure	0.100
Aggregate Overspend if all of the above risks were to happen		0.750

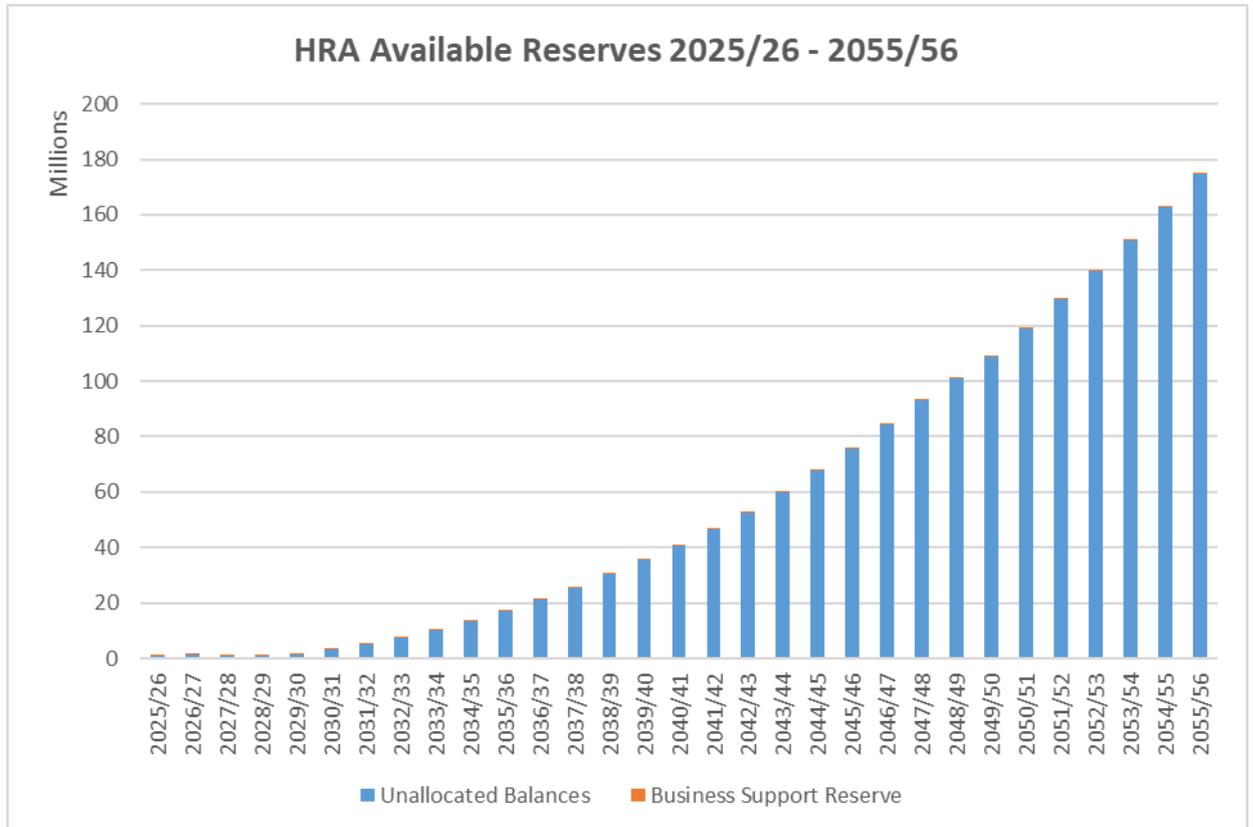
10. Business Planning & Future Risks

- 10.1. Taking account of the work that has been done to date, the following table sets out the latest position for the business plan, represented by the level of unallocated balances and the Business Support Reserve (BSR). It compares the position back in February 2025 to projections as at February this year.

30 Year Business Plan: Business Support Reserve and Unallocated Balances

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	30 Year Cumulative Total £'000
	£'000	£'000	£'000	£'000	£'000	£'000	
Business Support	119	119	119	119	119	119	119
Unallocated Balances	103	391	1,021	1,439	2,228	3,447	128,516
Projections as at February 2025	222	510	1,140	1,558	2,347	3,566	128,635
Business Support	190	190	190	190	190	190	190
Unallocated Balances	770	1,296	875	802	1,369	3,085	174,857
Projections as at February 2026	960	1,486	1,065	992	1,559	3,275	175,047

Overall Movement (Adverse) / Favourable	738	976	(75)	(566)	(788)	(291)	46,412
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- 10.2. The unallocated balance is currently £804K, £54K above the recommended minimum level. The balances shown above are now based on 2025/26's Quarter 3 projected outturns, as presented in the Delivering Our Priorities report presented to Cabinet on 10 February. Based on current assumptions, at no point within the 30-year business plan do they breach the £750K lower limit as detailed in section 9.2.
- 10.3. The Business Support Reserve has a current unallocated balance of £190K. Additional earmarked reserves exist. These reserves are earmarked for specific purposes, but not formally ring fenced.
- 10.4. The increase in the projected balance at the end of the 30-year business plan is largely due to the year-on-year impact of the higher than previously assumed rent increase for 2026/27, with an additional 1% above CPI increase now being included in assumptions through to 2035/36, in line with the recent Government Policy Statement on a 10-year settlement.
- 10.5. As previously discussed, in line with the Regulator of Social Housing's guidance, rents have been set at CPI+1%. Largely due to fluctuations in CPI, partly off-set by high levels of Right to Buy sales, 2026/27's rental income from dwellings is now forecast to be approximately £85K higher than estimated in the previous budget report. It has been assumed that increases will revert to CPI only from 2036/37 (forecast at 2.0%, being the target set by Government for the Bank of England's Monetary Policy Committee), but the risks surrounding these assumptions must be appreciated and the magnitude of impact of a small change within this area understood.

- 10.6. Due to the changes to the calculation of depreciation charge referred to above, along with the utilisation of the Major Repairs Reserve to fund the HRA self-financing loan principal repayment, the currently proposed capital programme requires additional contributions from revenue to the Major Repairs Reserve. It is estimated that £93K of useable capital receipts and £28K within the Major Repairs Reserve be held by 31 March 2030. This will be reviewed when the profile of future capital spend is prepared, following further refinement of subsequent years' capital programmes.
- 10.7. It is also worth noting that as at 1 April 2025, £1,441K of Retained Right to Buy ("1-4-1") receipts were held, to be used for increasing housing stock. It is anticipated that of this balance, £795K will be used to fund ad-hoc acquisitions, with the proposed Capital Programme at *Appendix B* also including the acquisition of new build units on a turn-key approach. Following changes made by Government, our "1-4-1" balance will continue to replenish, dependent on future RTB sales.
- 10.8. The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Chief Officer – Resources takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA.

11. Details of Consultation

- 11.1. The budget headlines were presented to the Tenants Voice meeting of 29th January 2026 who were broadly in agreement with the proposals described, including the rent increase and understood the rationale for such. There was, however, a range of debate which should be noted including:
- Residents were keen to understand how we would seek to increase housing stock – replacing homes lost through Right-to-Buy.
 - Residents also noted that they did not want to see their rent money being offset to repair homes through tenant damage and wanted to understand the re-charge process in such instances.
 - Officers committed to providing details of planned maintenance and capital programmes to a future meeting of the Tenant Voice.
- 11.2. The budget headlines and the wider context of housing finances were also presented and discussed at the Council Housing Advisory Group (CHAG) on 29th January 2026, who were supportive and understood the financial challenges and requirements faced within the HRA. Residents were keen that within their new rent letters that they saw the difference in what they had paid before as a comparator.

12. Options and Options Analysis (including risk assessment)

- 12.1. Council may adjust its HRA revenue budget proposals, as long as the overall budget for 2026/27 balances and fits within its approved rent levels, which Council cannot change.
- 12.2. The options available in respect of the Capital Programme are:
- i) To approve the programme in full, with the financing as set out;

- ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified which still meet the required health and safety obligations to tenants.
- 12.3. The options available in respect of the minimum level of HRA balances are to retain the level at £750K in line with the advice of the Section 151 Officer, or adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting and it could have implications for the Council’s financial standing, as assessed by its external auditor.
- 12.4. Any risks attached to the above would depend on measures Members proposed, and their impact on the council housing service and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

	<p>Option 1: To note Cabinet’s recommendation to approve the Council Housing rent levels for 2026/27; to approve the revenue budgets and capital programme, and the provisions, reserves and balances position (and their use), as set out; to note the Section 151 Officer’s advice</p>	<p>Option 2: To note Cabinet’s recommendation to approve the council housing rent levels for 2026/27 but to propose alternatives to those outlined in Section 9 above, noting the following:</p> <p>Council may adjust its HRA revenue budget proposals, as long as the overall budget for 2026/27 balances and fits with its approved rent levels, which Council cannot change.</p> <p>Council may adjust its capital investment and financing proposals taking account of spending commitments and priorities, but its proposals for 2026/27 must balance.</p>
Advantages	Completion of the Housing Revenue Account’s budget setting process for 2026/27, allowing the updating of the Council’s associated financial strategy	Unknown
Disadvantages	None	Depending on the nature of any alternative proposals put forward, Officers may need time to assess the risks and implications. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision-making.
Risks Mitigation	The HRA budget set out in this report is sustainable in the long term. The risk associated with Option 1 relates to any future Capital new-build projects (as referred to in section 8, above) and any borrowing or use of reserves in relation to this	Delay to the completion of the Housing Revenue Account’s budget setting process for 2026/27. Inability to maximise service provision and deliver on Council, and housing related ambitions. Impact on housing service and council housing tenants unknown. Potential for housing service to fall foul of legislative and regulatory requirements, leading to

		unlimited fines and being 'named and shamed' by Government.
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13. Conclusion

- 13.1. This report provides an update on the council housing budgetary position and seeks Council's approval of Cabinet's budget proposals in relation to the Housing Revenue Account in order that the City Council can complete its budget setting for 2026/27 and update its financial strategy to 2031.
- 13.2. The report highlights challenges faced within the current economic climate, particularly in the context of the increased regulatory and legislative requirements being placed on the social housing sector.
- 13.3. The longer-term financial forecasts contain numerous estimates and assumptions, and the service remains attuned to the risks, and in particular the impacts of further legislative and regulatory change which could affect business planning within the HRA.
- 13.4. The Council's Housing Service remains ambitious, while continuing to operate a sensible but forward-looking approach, seeking to meet Regulatory requirements and deliver safe and decent homes.

<p>RELATIONSHIP TO POLICY FRAMEWORK</p> <p>The budget represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.</p>
<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)</p> <p>The proposals set out in the report will have positive impacts on residents within Council Housing dwellings specifically climate change, wellbeing / social value, health and safety and community safety as outlined below. There is no significant detrimental impact on equality on specific groups.</p> <p>Climate: as per section 3, the report outlines a number of positive climate related impacts resulting from the HRA budgeting process.</p> <p>Wellbeing & Social Value: positive impacts identified.</p> <p>Health and Safety: the Council Housing dedicated Compliance Team focusses on monitoring and maintaining compliance against core areas of legislation within council dwellings specifically gas, electrical, legionella, lifts, asbestos, fire, smoke and CO2 detection and fire door testing. The dedicated budget around this work supports compliance. Compliance against all areas remains strong.</p> <p>Community Safety: The approach to a dedicated ASB provision for Council Housing tenants and continued engagement and review of ASB provision with Resolve will see a positive impact for local residents.</p>
<p>LEGAL IMPLICATIONS</p> <p>Legal Services have been consulted and are content with the report. Officers will need to ensure that the statutory process for increasing council housing rent levels are adhered to.</p>
<p>FINANCIAL IMPLICATIONS</p> <p>As set out in the report.</p>

OTHER RESOURCE IMPLICATIONS**Human Resources:**

None identified

Information Services:

None identified

Property:

None identified

Open Spaces:

None identified

S.151 OFFICER'S COMMENTS

Like all councils, Lancaster City is experiencing increased financial pressures and heightened uncertainty as a result of the ongoing cost of living crisis. This situation has had a significant impact on key areas of expenditure. The challenges are especially acute within the Housing Revenue Account (HRA), which has faced rising costs, sustained high demand for services, and a reduction in income due to the effective capping of rent increases.

In response to these pressures, substantial work has been carried out throughout the year to preserve the integrity of the HRA and to maintain an appropriate level of reserves. This includes specific efforts to address the increase in the depreciation charge by applying a 35% Existing Use Value – Social Housing discount. In addition, actions have been taken to repay self-financing loan principal amounts using the Major Repairs Reserve. Both represent substantial changes in approach from previous years, resulting in material changes and will be subject to review by the Council's External Auditor.

The Local Government Act 2003 imposes clear obligations on the Section 151 Officer to provide an annual report regarding the strength of the estimates contained within the Council's budget, as well as the adequacy of the Council's reserves. This statutory duty ensures that the financial planning and resilience of the Council are subject to robust and regular scrutiny. In practice, the recommendation of a minimum level of unallocated reserves serves as an early indicator that the Council may be encountering financial pressures. Should the reserves approach or fall below this threshold, it signals the need for prompt action to address any deterioration in the Council's financial position.

For the 2026/27 financial year, the Section 151 Officer has established a minimum level of Housing Revenue Account (HRA) unallocated balances at £0.750 million. This benchmark is intended to safeguard the integrity of the HRA and provide a buffer against unforeseen financial challenges.

DEPUTY MONITORING OFFICER'S COMMENTS

The Monitoring Officer reminds Council that the decisions (recommendations 2 and 4) fall within the Local Authorities (Standing Orders) (Amendment) (England) 2014 and Rule 19.7 of the Council Procedure Rules, and accordingly a recorded vote should be taken.

BACKGROUND PAPERS**Contact Officer:** Jo Wilkinson**Telephone:** 01524 582762

Equality Impact Assessments for budget proposals.

E-mail: jowilkinson@lancaster.gov.uk
Ref: HRA Budget Report

HOUSING REVENUE ACCOUNT BUDGET

For Consideration by Council 25 February 2026

	2026/27 Budget £	2027/28 Forecast £	2028/29 Forecast £	2029/30 Forecast £	2030/31 Forecast £
INCOME					
Rental Income - Council Housing	(17,562,300)	(18,204,600)	(18,237,000)	(18,828,800)	(19,486,400)
Rental Income - Other (Shops and Garages etc.)	(295,600)	(302,300)	(309,100)	(316,100)	(323,300)
Charges for Services & Facilities	(2,550,500)	(2,592,900)	(2,640,000)	(2,685,400)	(2,730,500)
Grant Income	(17,700)	(17,700)	(17,700)	(17,700)	(17,700)
Contributions from General Fund	(112,900)	(115,500)	(117,700)	(120,000)	(122,200)
Total Income	(20,539,000)	(21,233,000)	(21,321,500)	(21,968,000)	(22,680,100)
EXPENDITURE					
Repairs & Maintenance	6,688,800	7,037,900	7,154,500	7,165,600	7,341,800
Supervision & Management	5,552,200	6,265,300	5,448,400	6,057,000	5,698,300
Rents, Rates & Insurance	661,000	706,100	751,300	796,400	841,500
Contribution to Provision for Bad and Doubtful Debts	172,200	173,200	174,200	175,400	176,700
Depreciation & Impairment of Fixed Assets	5,264,200	5,264,200	5,264,200	5,264,200	5,264,200
Debt Management Costs	0	0	0	0	0
Total Expenditure	18,338,400	19,446,700	18,792,600	19,458,600	19,322,500
NET COST OF HRA SERVICES	(2,200,600)	(1,786,300)	(2,528,900)	(2,509,400)	(3,357,600)
(Gain)/Loss on disposal of non-current assets	0	0	0	0	0
Interest Payable & Similar Charges	1,568,200	1,528,200	1,487,800	1,447,200	1,406,100
Interest & Investment Income	(50,100)	(33,300)	(33,300)	(33,300)	(33,300)
Pensions Interest Costs & Expected Return on Pensions Assets	0	0	0	0	0
Capital Grants and Contributions Receivable	0	0	0	0	0
Premiums & Discounts from Earlier Debt Rescheduling	0	0	0	0	0
(SURPLUS) / DEFICIT FOR THE YEAR	(682,500)	(291,400)	(1,074,400)	(1,095,500)	(1,984,800)
Self Financing Debt Repayment	0	0	0	0	0
Net Charges made for Retirement Benefits	0	0	0	0	0
Adjustments to reverse out Notional Charges included above	0	0	0	0	30,000
Transfer to/(from) Earmarked Reserves - for Revenue Purposes	156,900	273,100	269,400	263,600	238,100
Capital Expenditure funded from Major Repairs Reserve	0	438,600	878,300	265,300	0
Transfer from Earmarked Reserves - for Capital Purposes	0	0	0	0	(30,000)
Financing of Capital Expenditure from Earmarked Reserves	0	0	0	0	30,000
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	(525,600)	420,300	73,300	(566,600)	(1,716,700)
Housing Revenue Account Balance brought forward	(770,100)	(1,295,700)	(875,400)	(802,100)	(1,368,700)
HRA BALANCE CARRIED FORWARD	(1,295,700)	(875,400)	(802,100)	(1,368,700)	(3,085,400)

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

**Council Housing 10 Year Capital Programme
For Consideration by Council 25 February 2026**

	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	TOTAL
	Estimate										
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
EXPENDITURE											
Adaptations	300	300	300	300	300	300	300	300	300	300	3,000
Energy Efficiency/Boiler Replacement	1,666	1,658	1,213	1,099	910	790	790	790	790	790	10,496
Internal Refurbishment	1,078	1,097	1,135	1,135	936	946	936	945	945	936	10,089
External Refurbishment	270	130	400	130	192	759	288	-	-	369	2,538
Environmental Improvements	260	260	220	220	250	140	140	140	140	110	1,880
Re-roofing/Window Renewals	527	1,024	1,423	744	686	-	1,256	1,288	1,288	641	8,877
Rewiring	88	90	90	90	88	90	88	90	90	88	892
Lift Replacements	-	-	-	-	-	-	-	-	-	50	50
Fire Precaution Works	500	250	200	200	200	200	200	200	200	200	2,350
Housing Renewal and Renovation	1,290	507	207	657	657	657	207	207	207	207	4,803
Acquisitions	250	2,250	-	-	-	-	-	-	-	-	2,500
TOTAL EXPENDITURE	6,229	7,566	5,188	4,575	4,219	3,882	4,205	3,960	3,960	3,691	47,475
FINANCING											
Capital Receipts	1,731	2,638	93	93	-	-	-	-	-	-	4,555
Contributions	281	273	-	-	-	-	-	-	-	-	554
Earmarked Reserves	-	-	-	-	30	30	30	30	30	30	180
Major Repairs Reserve	4,217	4,655	5,095	4,482	4,189	3,852	4,175	3,930	3,930	3,661	42,186
TOTAL FINANCING	6,229	7,566	5,188	4,575	4,219	3,882	4,205	3,960	3,960	3,691	47,475
SHORTFALL/(SURPLUS)	0										

MEMORANDUM ONLY:	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	TOTAL
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
SUBJECT TO FINANCING AND FURTHER APPROVAL											
Development Pool	829	3,657	1,048	-	-	-	-	-	-	-	5,534
TOTAL EXPENDITURE	829	3,657	1,048	0	5,534						

HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT
For Consideration by Council 25 February 2026

	Balance as at 31/03/25	Contributions			Balance as at 31/03/26	Contributions			Balance as at 31/03/27	Contributions			Balance as at 31/03/28	Contributions			Balance as at 31/03/29	Contributions			Balance as at 31/03/30	Contributions			Balance as at 31/03/31			
		To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve					
		£	£	£		£	£	£		£	£	£		£	£	£		£	£	£		£	£	£		£	£	£
HRA General Balances	803,700	26,700		(60,300)	770,100	525,600			1,295,700			(420,300)	875,400			(73,300)	802,100	566,600			1,368,700	1,716,700			3,085,400			
Earmarked Reserves:																												
Business Support Reserve	389,500			(200,000)	189,500				189,500				189,500				189,500				189,500				189,500			
Major Repairs Reserve	281,000	5,264,200	(5,545,200)			5,264,200	(5,264,200)			5,702,800	(5,702,800)			6,142,500	(6,142,500)			5,529,500	(5,529,500)			5,264,200	(5,236,500)		27,700			
Flats - Planned Maintenance	283,400			(177,600)	105,800	33,000		(47,900)	90,900	33,000		(22,900)	101,000	33,000		(22,900)	111,100	33,000		(22,900)	121,200	33,000		(22,900)	101,300			
ICT and Systems Improvement	721,900			(649,400)	72,500	256,000		(328,500)																				
Sheltered - Equipment	275,700	47,900		(75,100)	248,500	75,400		(42,100)	281,800	74,700		(20,400)	336,100	72,900		(17,000)	392,000	71,800		(18,400)	445,400	72,300		(16,000)	501,700			
Sheltered - Planned Maintenance	371,700	95,500		(105,300)	361,900	150,900		(15,300)	497,500	149,300		(15,300)	631,500	145,800		(15,300)	762,000	143,600		(15,300)	890,300	144,700		(15,300)	1,019,700			
Sheltered Support Grant Maintenance	328,400	47,900			376,300	75,400			451,700	74,700			526,400	72,900			599,300	71,800			671,100	72,300			743,400			
Total Earmarked Reserves	2,651,600	5,455,500	(5,545,200)	(1,207,400)	1,354,500	5,854,900	(5,264,200)	(433,800)	1,511,400	6,034,500	(5,702,800)	(58,600)	1,784,500	6,467,100	(6,142,500)	(55,200)	2,053,900	5,849,700	(5,529,500)	(56,600)	2,317,500	5,586,500	(5,266,500)	(54,200)	2,583,300			
Capital Receipts:		RTB sales				RTB sales				RTB sales				RTB sales				RTB sales				RTB sales				RTB sales		
RTB capital receipts (Authority share)	2,048,900	1,539,000		(2,121,900)	1,466,000	310,000		(1,481,300)	294,700	93,000		(387,700)	87,800	93,000		(93,000)	87,800	93,000		(93,000)	87,800	93,000		(93,000)	87,800			
1-4-1 retained receipts (Treasury share)	1,440,700	1,539,000		(794,900)	2,184,800	310,000		(250,000)	2,244,800	93,000		(2,250,000)	87,800	93,000			180,800	93,000			273,800	93,000			366,800			
Total Capital Receipts	3,489,600	3,078,000	(2,916,800)	3,650,800	620,000	(1,731,300)	2,539,500	186,000	(2,637,700)	87,800	186,000	(93,000)	87,800	186,000	(93,000)	180,800	186,000	(93,000)	180,800	186,000	(93,000)	273,800	186,000	(93,000)	459,800			

COUNCIL

Medium Term Financial Strategy

2026/27 – 2030/31

25 February 2026

Report of Cabinet

PURPOSE OF REPORT				
To provide Council with an updated position regarding the consolidated Medium Term Financial Strategy for 2026/27 to 2030/31				
Key Decision	<input type="checkbox"/>	Non-Key Decision	X	Referral from Cabinet Member
Date of notice of forthcoming key decision				

RECOMMENDATION CABINET

- (1) That the updated position regarding the production of the consolidated Medium-Term Financial Strategy (MTFS) as set out in the report is noted
- (2) Delegated authority be given to the Portfolio Holder and Chief Finance Officer to undertake any required amendments to reflect minor additional content and/ or presentational adjustments

1.0 INTRODUCTION

1.1 The Councils MTFS consists on a number of key, interlinked documents and strategies including:-

- The Council Plan 2024-2027
- Current and future budgetary projections
- The Capital Strategy and accompanying and Capital Programme
- Flexible Use of Capital Receipts Policy
- Treasury Management Strategy
- Reserves Policy and Forecasts
- Risk Management Policy

1.2 All of these documents and strategies, considered elsewhere on the agenda have been presented and approved by Cabinet, Council, or the appropriate Committee in accordance with the Council’s Constitutional requirements, and so no further approval is required.

1.3 Following formal approval by Council, these will be consolidated into a single document and published on the Council’s website as appropriate. For information, the latest updated current and future budgetary projections are included at Appendix A.

2.0 MEDIUM TERM FINANCIAL STRATEGY

2.1 On the basis that all of these elements have already been subject to the appropriate approval this paper merely seeks to consolidate these into one single document. The MTFS demonstrates the linkages between the Council Plan 2024 – 27, its supporting financial strategies and our monitoring processes, which are key to its delivery.

3.0 DETAILS OF CONSULTATION

3.1 The Council undertook substantial consultation including public briefings and a survey in establishing its overall budget proposals for 2026-27 onwards, which are being considered elsewhere on this agenda.

4.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

4.1 The risks to the Council are contained throughout the MTFS and supporting strategies, as the report seeks to consolidate these areas Council may accept the consolidation, or not.

5.0 CONCLUSION

5.1 That Council accepts the consolidated MTFS.

<p>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.</p>	
<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) None identified at this stage</p>	
<p>FINANCIAL IMPLICATIONS As set out in the report</p>	
<p>S151 OFFICER COMMENTS The s151 Officer has authored this report.</p>	
<p>LEGAL IMPLICATIONS Legal Services have been consulted and have no further comments.</p>	
<p>MONITORING OFFICER'S COMMENTS The Deputy Monitoring Officer has been consulted and has no further comments.</p>	
<p>BACKGROUND PAPERS MTFS 2026/27 – 2030/31 Agenda for Cabinet on Tuesday 10th February 2026 6.00p.m. – Lancaster City Council</p>	<p>Contact Officer: Paul Thompson Telephone: 01524 582603 E-mail: pthompson@lancaster.gov.uk Ref: N/A</p>

1.0 INTRODUCTION

- 1.1 The Medium-Term Financial Strategy (MTFS) sets out how Lancaster City Council will manage its finances to deliver against its corporate priorities, whilst protecting its financial standing and responding to the many challenges it faces. A final consolidated medium term financial strategy will be agreed by the s151 officer in consultation with the portfolio holder before being presented to Full Council in March. This will in turn inform the future budget setting process.

2.0 LOCAL GOVERNMENT FUNDING & BUSINESS RATES

The Local Government Finance Settlement

- 2.1 The government released the provisional multi-year local government finance settlement on 17 December 2025, and the final was received on 10 February 2026 which was after the date the 10 February 2026 Cabinet report was published. At that point in time, no differences between the provisional and final settlements were expected. However, an increased allocation of £0.084M was noted in respect of 'Homelessness, Rough Sleeping and Domestic Abuse' but as this grant is ringfenced to be spent solely within that area of expenditure, it has no net financial impact on the General Fund itself.
- 2.2 The settlement sets out simplified allocations for local authorities across England for the next three years, and incorporates an updated distribution of resources following the conclusion of the Fair Funding Review. It incorporates changes to the business rates system and in whole, represents a major change in local government financing.
- 2.3 Given all the changes, the effect of the local government settlement and the changes to the business rates system cannot be considered in isolation and the following table illustrates the overall financial impact.

Table 1 – Settlement allocations for Lancaster City Council

	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
<i>Items included in MTFS presented to Cabinet 2/12/25 :</i>					
Reversal of Grants budgeted for :					
- RSG	460	460	460	460	460
- Recovery	603	603	603	603	603
- Domestic Abuse	34	34	34	34	34
- NIC Rebate	211	217	222	227	227
Reversal of Business Rates Income Included in MTFS	13,641	13,832	12,145	12,411	12,659
	14,949	15,146	13,464	13,735	13,983
<i>Replaced With :</i>					
FFA Baseline Funding Level	5,165	5,283	5,390	5,498	5,608
FFA Revenue Support Grant	6,031	5,986	5,910	5,794	5,680
Recovery Grant	603	603	603	603	603
Green Energy Disregard	3,998	3,998	3,998	3,998	3,998
	15,797	15,870	15,901	15,893	15,889
Estimated Favourable Settlement Position	848	724	2,437	2,158	1,906

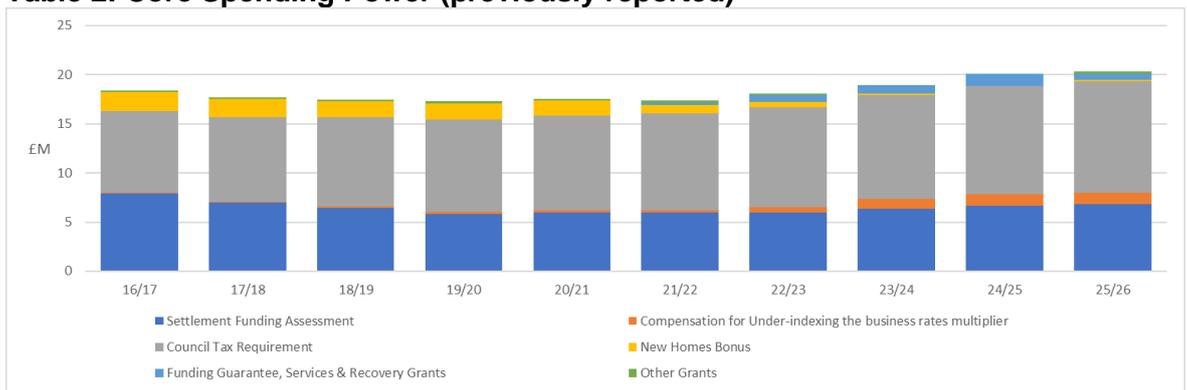
As table 2 shows, the settlement allocates £0.848M more resources in 2026/27 with further favourable and future years from Central Government than anticipated and this is favourable in context of the budget gap for the revenue budget.

Core Spending Power

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

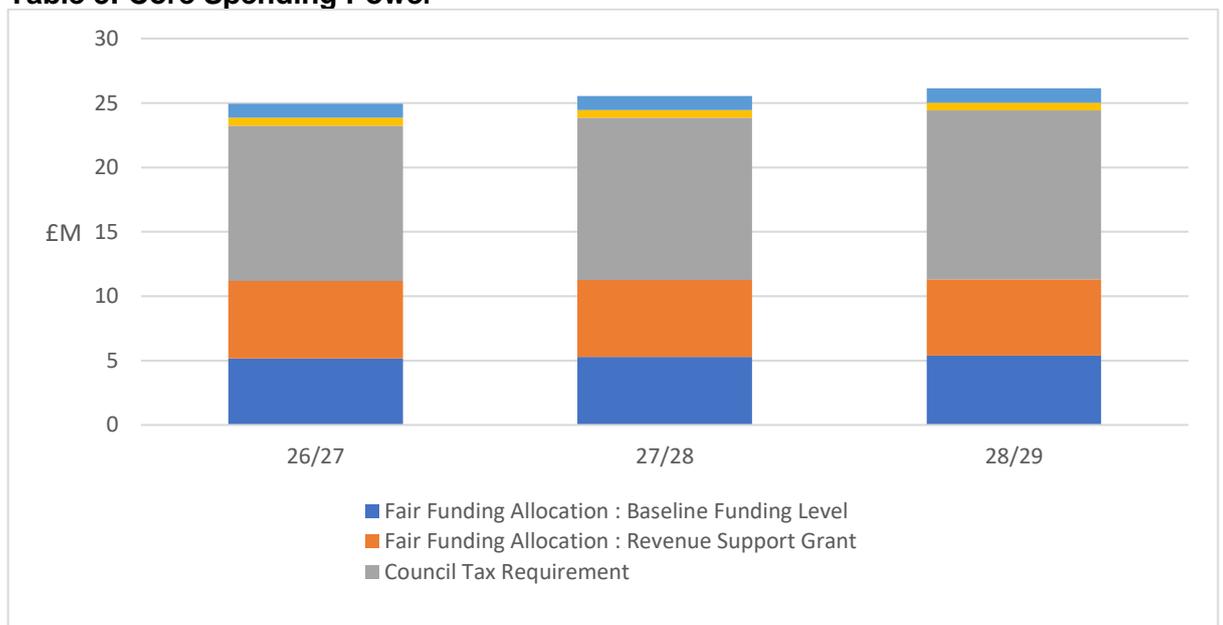
Table 2 below displays the previous historic values of CSP, and shows the Council being almost entirely reliant on Council Tax and Business Rates with a small amount of income from central government grants to fund net expenditure.

Table 2: Core Spending Power (previously reported)



The simplification of the settlement alongside has resulted in an overhaul of the elements used to calculate the overall CSP and as such it is difficult to compare the individual elements to previous years. The following table illustrates the new method of calculation for 2026/27 and the following two years.

Table 3: Core Spending Power



Further analysis of the provisional settlement is provided in the following table :-

APPENDIX A

Table 4: Core Spending Power (Breakdown)

	2026/27 £'M	2027/28 £'M	2028/29 £'M
Council Tax Requirement	12.051	12.574	13.120
Fair Funding Allocation : Baseline Funding Level	5.165	5.283	5.390
Fair Funding Allocation : Revenue Support Grant	6.031	5.986	5.910
Recovery Grant	0.603	0.603	0.603
Homelessness, Rough Sleeping and Domestic Abuse Grant	1.097	1.106	1.112
Grand Total	24.947	25.552	26.135

- 2.5 Given the changes made the government issued a revised CSP figure for 2025/26 of £23.848M. The total value of CSP for 2026/27 is £24.947M which is an increase of £1.099M, or 4.6%. For information, this is in comparison to the average CSP for all Councils in England of 5.7%.

Business Rates

- 2.6 The Council is required to submit its annual business rates return (NNDR1) to the Government by the end of January in which it estimates business rates income for 2026/27 and the estimated deficit or surplus as at the end of 2025/26.
- 2.7 The previously announced Government changes will come into effect from 1 April 2026 with regard to increasing the number of multipliers and introduction of new thresholds. Business rates baselines have also been reset (incorporating growth).
- 2.8 Previously, lower tier Council's had a baseline position and were allowed to retain a proportion of any growth received above it. With the continuation of the power stations the Council have always exceeded the baseline position and has benefitted from additional rates received. For information the power stations have been included within the baseline figures.
- 2.9 This system has now been replaced by the funding reforms and the government have offered 100% protection on the baseline funding level in 2026/27. This has allowed for more certainty in calculating the proportion of rates due to the Council.
- 2.10 Members will be aware of decommissioning plans for the Heysham 1 and Heysham 2 nuclear reactors which will have a significant impact on the Council's finances. Currently the rateable value of the reactor's accounts for a substantial proportion of the Council's total rateable value. Central Government operates a "safety net" system to protect those Councils which see their year-on-year business rate income fall.

The Council's exposure is expected that it will inevitably fall into a safety net scenario and will need to rely on the Business Rates Retention Reserve (BRRR) to smooth operational shortfalls in the short term. This is currently expected to arise in 2028/29 in line with the current decommissioning date for Heysham 1 of March 2028. EDF Energy have indicated that there may be some scope to extend generation and are keeping this under review being unable to provide any certainty at this stage.

- 2.11 The Council receives rating income from renewable energy schemes within the district, largely in relation to Walney Sub-Station. Although listed as £3.998M in details of the settlement, the revaluations taken place have increased the value of this income to £4.627M in 2026/27 (£4.004M for 2025/26). A majority of the income currently falls outside of the main rate retention scheme, and so the Council will continue to retain the full benefit from it. Whilst it is evident that this 100% disregard will continue into 2026/27, there is a risk of appeals plus also that the Government may discontinue this advantageous arrangement at some point in the future.

APPENDIX A

- 2.12 The inherent risk associated with the NNDR1 is that the final outturn surplus or deficit position differs substantially from the estimate, and this has indeed been the case at the Council in recent years. Members will recall that the BRRR is used to manage the impact of surpluses and deficits and also to manage fluctuations in income levels in order to provide budgetary stability and smooth out year on year peaks and troughs. As part of the 2025/26 budget setting process, a contribution of £0.600M (2026/27) and £0.500M (2027/28) from the BRRR were included and these contributions have now been removed due to the reduced risk of lower levels of rates being received in those financial years.
- 2.13 The Council is expected to repay prior year deficits to the collection fund account in respect of business rates. This amount is currently valued at £0.693M and is to be funded by the BRRR in 2026/27 and therefore have no impact on the council tax requirement calculation in 2026/27.

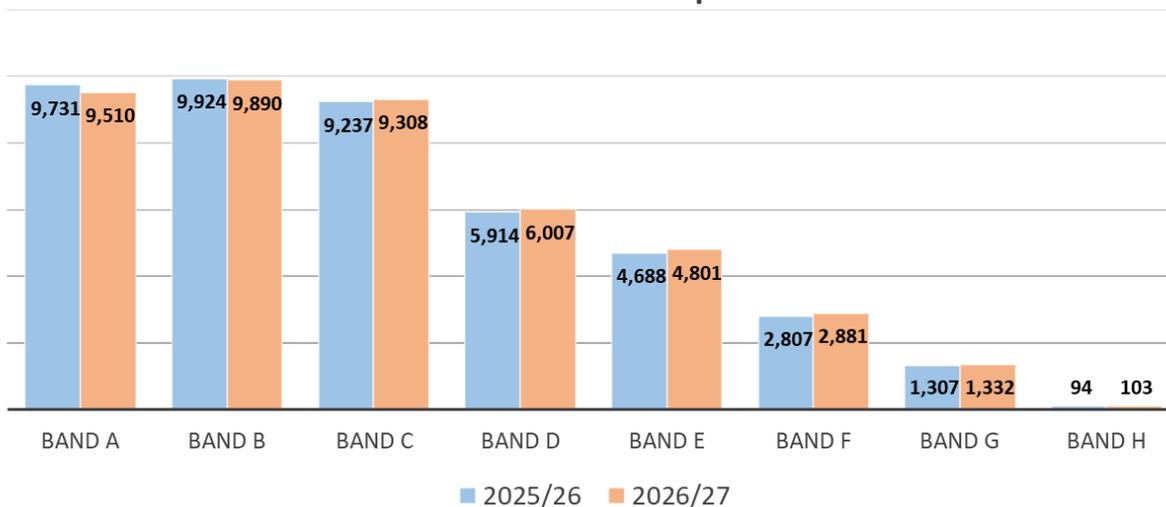
3.0 COUNCIL TAX

Council Tax

- 3.1 Council tax is a primary source of the Council's funding and is calculated by multiplying the tax base by the number of eligible residential properties (expressed in band D equivalents), and the level of the district council precept which is determined each year. Growth in housing numbers inevitably increases the taxbase and, therefore, Council Tax income.
- 3.2 The tax base for 2026/27 has been calculated as 43,833 Band D equivalent properties after allowing for a collection rate of 98.68%, the same as in previous years. This equates to an increase in the tax base from 43,702 (0.3%) in 2025/26.

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

Council Tax Base Comparison



- 3.3 The Council recognises the impact that Council Tax has on its residents and will always take their ability to pay into consideration when setting Council Tax levels. It provides a 100% Local Council Tax Support Scheme. However, the Council should adopt an approach where local sources of funding are maximised as far as is reasonably practicable to do so.
- 3.4 Government's referendum criteria limits increases in the Council's element of Council Tax to 3% or £5, whichever is greater. For the purposes of forecasting, it has been assumed

APPENDIX A

that the Council will increase council tax by 2.99%, the maximum allowed, before triggering a referendum in each of the next three years.

- 3.5 The table below sets out Council Tax forecasts for the next five years including a sensitivity analysis showing the potential impact on council tax yield of different scenarios.

Table 5: Council Tax Forecasts

	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	-£25,673	£37,729	£106,740	£180,897

- 3.6 The Council is expected to benefit from prior year surpluses to the collection fund account in respect of council tax. This amount is currently valued at £0.169M and is included within the council tax requirement calculation in 2026/27.

4.0 GENERAL FUND PROJECTIONS

- 4.1 Table 6 below outlines the current forecast budgetary position for 2026/27 to 2030/31

Table 6: General Fund Revenue Projections 2026/27 to 2030/31

	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M	2030/31 £'M
Revenue Budget Forecast as at 26 February 2025	28.749	29.489	30.118	31.873	32.829
Base Budget Changes					
Operational Base Budget Changes	(0.419)	1.253	0.555	0.683	(0.356)
Pensions (Employer Contribution Reduction)	(1.756)	(1.744)	(1.744)	(1.767)	(1.789)
Reversal of Items Now Included in Local Government Finance Settlement	0.848	0.854	0.859	0.864	0.864
Contribution to Unallocated Reserve	0.460	0.000	0.000	0.000	0.000
	27.882	29.852	29.788	31.653	31.548
Additional Budget Proposals					
Savings Proposals	(0.187)	(0.190)	(0.191)	(0.191)	(0.192)
Growth Proposals	0.590	0.588	0.472	0.482	0.494
Revenue Impact Current Capital Programme Review (MRP & Interest)	(0.615)	(0.646)	(0.503)	(0.462)	(0.319)
Revenue Impact of Capital Programme Growth (MRP, Interest & Revenue)	0.163	0.787	0.761	0.789	0.811
	(0.049)	0.539	0.539	0.618	0.794
General Fund Revenue Budget	27.833	30.391	30.327	32.271	32.342
Core Funding					
Fair Funding Assessment Baseline Funding Level	(5.165)	(5.283)	(5.390)	(5.498)	(5.608)
Fair Funding Assessment Revenue Support Grant	(6.031)	(5.986)	(5.910)	(5.794)	(5.680)
Recovery Grant	(0.603)	(0.603)	(0.603)	(0.603)	(0.603)
Green Energy Disregard	(4.627)	(4.627)	(4.627)	(4.627)	(4.627)
Prior Year Council Tax (Surplus)/Deficit	(0.169)				
Prior Year Business Rates (Surplus)/Deficit	0.693				
Council Tax Requirement	11.931	13.892	13.797	15.749	15.824
Estimated Council Tax Income					
(Increase Based on 2.99% for 2026/27 then maximum allowable	(11.931)	(12.411)	(12.910)	(13.429)	(13.969)
Resulting Base Budget (Surplus)/ Deficit	0.000	1.481	0.887	2.320	1.855

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- 4.2 The table shows that, despite of the work undertaken by Officers and Members to balance the budget for 2026/27, the Council's current MTFs suggests a structural budget gap in 2027/28 onwards which fluctuates between approximately £0.887M and £2.320M. If this is not closed, then balances will be required to make up the difference.

Budget Principles and Assumptions

- 4.3 Within the revenue budget there are several principles and key assumptions underpinning the proposed revenue strategy. These are:
- i. Annually, a balanced revenue budget will be set with expenditure limited to the amount of available resources
 - ii. No long-term use of balances to meet recurring baseline expenditure
 - iii. Resources will be targeted to deliver corporate outcomes and value for money. Any additional investment and spending decisions will be made to reflect Council priorities and strategic commitments
- 4.4 Table 7 below, lists the major assumptions that have been made within the MTFs.

Table 7: 5 Year MTFs Planning Assumptions

	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	8.10%	8.10%	8.10%	8.10%	8.10%
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%

Savings and Growth Proposals

- 4.5 The budget savings or growth proposals, relate to several areas where actions are being undertaken by the Council and are incorporated within the MTFs. Some of the key areas are summarised by Service in the table below, with more information included within the Budget and Policy Framework General Fund Revenue Budget 2026/27 item on the agenda.

Table 8: Directorate Summary Savings & Growth Proposals

	2026/27	2027/28	2028/29	2029/30	2030/31
	£'M	£'M	£'M	£'M	£'M
Environment & Place	0.286	0.293	0.301	0.308	0.317
Governance	0.077	0.052	0.053	0.054	0.055
People & Policy	0.047	0.050	0.053	0.056	0.059
Planning & Climate Change	(0.015)	(0.054)	(0.051)	(0.049)	(0.048)
Resources	(0.032)	(0.033)	(0.035)	(0.036)	(0.037)
Sustainable Growth	0.040	0.090	(0.040)	(0.042)	(0.044)
Total (Savings)/Growth	0.403	0.398	0.281	0.291	0.302

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- 4.6 As part of the Council's quarterly monitoring process (Delivering our Priorities), progress by Budget Holders against these targets will be monitored and reported to Members via Cabinet and Budget & Performance Panel.

Revenue Impact of Capital Programme Budget Process & Review

- 4.7 Cabinet and Strategic Leadership Team have considered new schemes for inclusion in the Capital Programme via the submission of strategic outline followed by full business cases during the budget process. The Council's previous Capital Programme has also been reviewed with a view to repositioning and reprofiling several capital schemes. This has altered the impact that capital projects have on revenue due to Minimum Revenue Provision (MRP) and interest costs, whilst some schemes will generate ongoing revenue implications. Details of the movement of estimated additional expenditure or savings since the programmes mid-year review approved 24 September 2025 are detailed in the table below:

Table 9: Revenue Impact of Capital Programme Budget Process & Review

	2026/27	2027/28	2028/29	2029/30	2030/31
	£'M	£'M	£'M	£'M	£'M
Current Capital Programme Review (MRP & Interest)	(0.615)	(0.646)	(0.503)	(0.462)	(0.319)
Capital Programme Growth (MRP & Interest)	0.163	0.829	1.106	1.135	1.158
Capital Programme Growth (Ongoing Revenue)	0.000	(0.042)	(0.345)	(0.346)	(0.347)
Total Impact	(0.452)	0.141	0.258	0.327	0.492

5.0 CAPITAL INVESTMENT AND FINANCING

Capital Investment

- 5.1 Through its capital programme the Council plans net investment of £28.582M between 2026/27 and 2030/31 with a further £16.221M currently planned up to 2035/36. This investment will support the delivery of its key Strategic Priorities and Outcomes such as Climate Emergency, Housing and Regeneration as well as investing in existing property, facilities, and equipment to deliver services, or to meet legislative requirements.
- 5.2 The current programme is split between approved schemes, that is those which have a fully formed business case in line with Treasury Green Book requirements, and those still under development for which a provision has been made whilst work is undertaken to fully work up schemes. Schemes classified as Under Development have had strategic outline business cases approved in principle by Cabinet but **cannot** commence until full business cases have been considered and approved, first by the Capital Assurance Group, and then by Cabinet.
- 5.3 Schemes which are in this section of the Capital Programme which will require significant capital expenditures and borrowing will need a business case to demonstrate that income arising from the capital investment can cover all borrowing costs and delivering a positive return to the Council's revenue budget.
- 5.5 Summary details of the current 5-year capital programme are given at table 10 below, with the total in the final column referring to 2026/27 to 2030/31 only.

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Table 10: Capital Programme

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M	2030/31 £'M	Total £'M
Approved Schemes							
Environment & Place	7.918	2.441	0.242	2.233	0.935	1.897	7.748
Housing & Property	1.981	1.459	0.030	0.559	0.052	-	2.100
Planning & Climate Change	5.086	0.000	-	-	-	-	0.000
Resources	1.053	1.451	0.326	0.181	0.176	0.467	2.601
Sustainable Growth	0.083	0.210	0.030	1.005	-	-	1.245
Schemes Under Development	-	3.311	10.727	0.390	0.230	0.230	14.888
Total Net Capital Programme	16.121	8.872	11.355	4.368	1.393	2.594	28.582

Capital Financing

- 5.6 The Council's Capital Financing Requirement (CFR) is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's CFR is set to increase from the current estimated 2025/26 position of £110.07M to £114.02M in 2026/27. It is expected to increase further in 2027/28 to £119.79M before decreasing from 2028/29 to £118.40M.

Table 11: Capital Financing Requirement

	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
CFR – Non Housing	64.82	78.07	83.07	89.88	89.53	85.91	83.9
CFR – Housing	33.04	32.00	30.95	29.91	28.87	27.83	26.79
Total CFR	97.86	110.07	114.02	119.79	118.40	113.74	110.69
Movement in CFR							
Non Housing	0.32	13.25	5.00	6.81	-0.35	-3.62	-2.01
Housing	-1.05	-1.04	-1.05	-1.04	-1.04	-1.04	-1.04
Net Movement in CFR	-0.73	12.21	3.95	5.77	-1.39	-4.66	-3.05

Movement in CFR represented by

Net financing need for the year (above) re Non Housing	3.22	15.96	8.87	11.32	4.37	1.39	2.59
Less MRP/VRP and other financing movements	-3.95	-3.75	-4.92	-5.55	-5.76	-6.05	-5.64
Net Movement in CFR	-0.73	12.21	3.95	5.77	-1.39	-4.66	-3.05

- 5.7 Based on the capital programme, the overall physical borrowing position of the Council is projected to increase by £24.88M over the next three years from its estimated current position of £56.93M to £81.80M at the end of 2028/29 in order to finance the Council's capital ambitions. It is then forecast to reduce slightly year on year reflecting repayments of the HRA self-financing loan. See table 12 below.

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Table 12: Forecast Borrowing Position

	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
External Debt							
Debt at 1 April	57.97	56.93	71.89	76.85	81.80	81.76	81.72
Expected Change in Debt	-1.04	13.96	3.96	3.96	-1.04	-1.04	-1.04
Other long-term liabilities (OLTL)	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	56.93	71.89	76.85	81.80	81.76	81.72	81.68
The Capital Financing Requirement	97.85	110.07	114.02	119.79	118.40	113.74	110.69
(Under) / over borrowing	-40.93	-38.18	-37.17	-37.99	-36.64	-32.02	-29.01

- 5.8 This level of borrowing is assessed for affordability, sustainability, and prudence in line with the Council's Treasury Management Strategy and requires annual approval by Council following consultation with Budget & Performance Panel. Council will be asked to formally approve the annual Treasury Management Strategy.
- 5.9 The Council is required to repay an element of the accumulated General Fund CFR each year through a revenue charge known as the minimum revenue provision (MRP) together with the interest charges associated with the borrowing. Council is asked to formally approve the MRP policy annually as part of the Treasury Management Strategy.
- 5.10 Tables 13 and 14 provide forecast levels of annual capital financing charges and their respective proportion of the revenue budget.

Table 13: Revenue Impact of Capital Decisions

	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
MRP	2.703	3.872	4.505	4.718	5.016	4.601
Interest	1.294	1.899	2.646	2.731	2.772	2.921
Total Impact	3.997	5.771	7.151	7.449	7.788	7.522

Table 14: Ratio of Financing Costs to Net Revenue Stream

	2024/25 Actual %	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %	2029/30 Estimate %	2030/31 Estimate %
General Fund	16.20	15.52	21.79	24.28	24.32	24.12	20.66
HRA	15.78	15.64	14.61	13.92	13.71	13.07	12.42

- 5.11 As can be seen based on current General Fund capital programme and accompanying borrowing estimates, debt financing costs within the General Fund are set to increase to just under a quarter of the Council's annual net revenue budget. Levels will, therefore, need to be closely monitored and the impact on affordability of new capital schemes carefully considered as part of the business case assessment and governance processes. Estimates within the HRA are currently seen to decrease as the borrowing undertaken as part of HRA self-financing is repaid.

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5.12 The financing of capital projects can be from a variety of sources, such as external grants, the use of reserves, and the application of capital receipts. A significant workstream for the Asset Working Group is to review and realign the Council's existing asset base to identify those assets which no longer met the Council's objectives and may be able to generate a capital receipt. However, the process does provide a priority order for the use of capital receipts. Firstly, to fund transformation costs, that is costs that are associated with service transformation and delivery of efficiencies. Secondly, investment to reduce costs, which is not necessarily investing in a new asset; and given the levels of current financing costs, giving consideration to financing existing short life assets such as ICT and vehicles to reduce the MRP burden on the General Fund. Finally, the use of receipts to fund other schemes within the Capital Programme.

6.0 THE SHORT & MEDIUM-TERM BUDGET GAP

6.1 Government funding and income forecasts covered previously within this report, together with the budget expenditure, savings and income estimates that have been calculated as part of the 2026/27 revenue budget process provide an updated forecast of the budget gaps over the next five years. This is shown below in the graph and Table 15 below:-

Table 15: General Fund Revenue Budget Gap 2026/27 – 2030/31

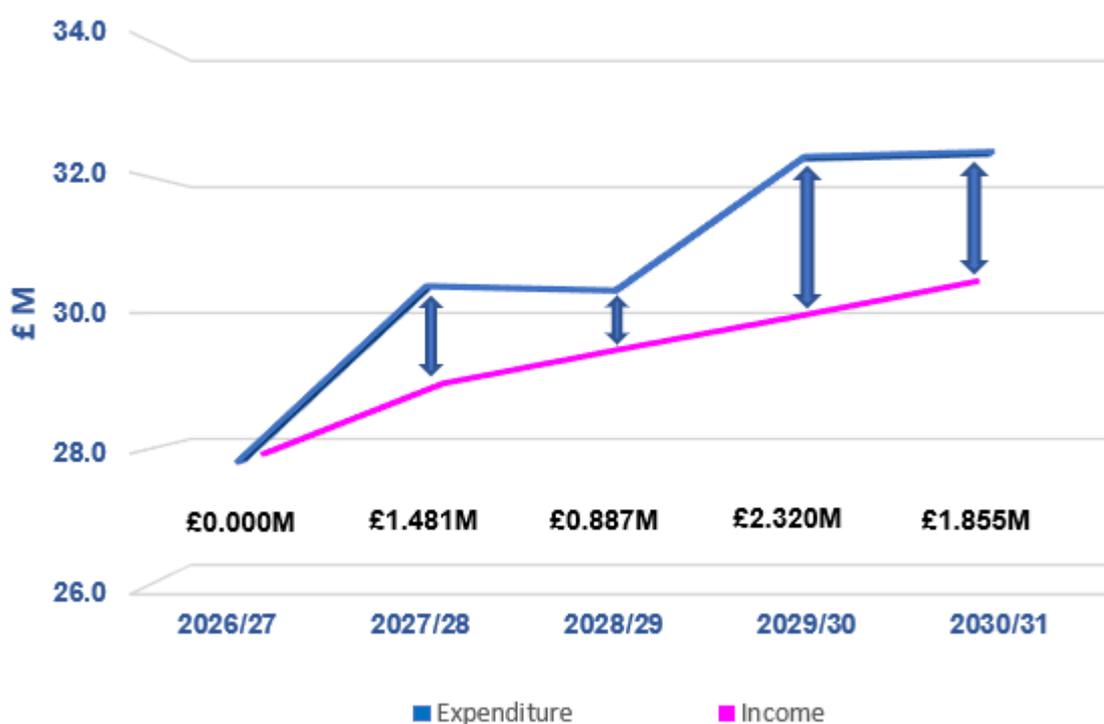


Table 16: Cumulative Deficit as Percentage of Revenue Budget

	2026/27	2027/28	2028/29	2029/30	2030/31
	£'M	£'M	£'M	£'M	£'M
Net Revenue Budget	27.833	30.391	30.327	32.271	32.342
Budget Gap (Incremental)	0.000	1.481	0.887	2.320	1.855
% of Net Revenue Budget (Incremental)	0%	5%	3%	7%	6%
Budget Gap (Cumulative)	0.000	1.481	2.368	4.688	6.543
% of Net Revenue Budget (Cumulative)	0%	5%	8%	15%	20%

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6.2 The forecast gaps are structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive, and this is compounded year on year. This position represents a significant challenge over the short and medium term.

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

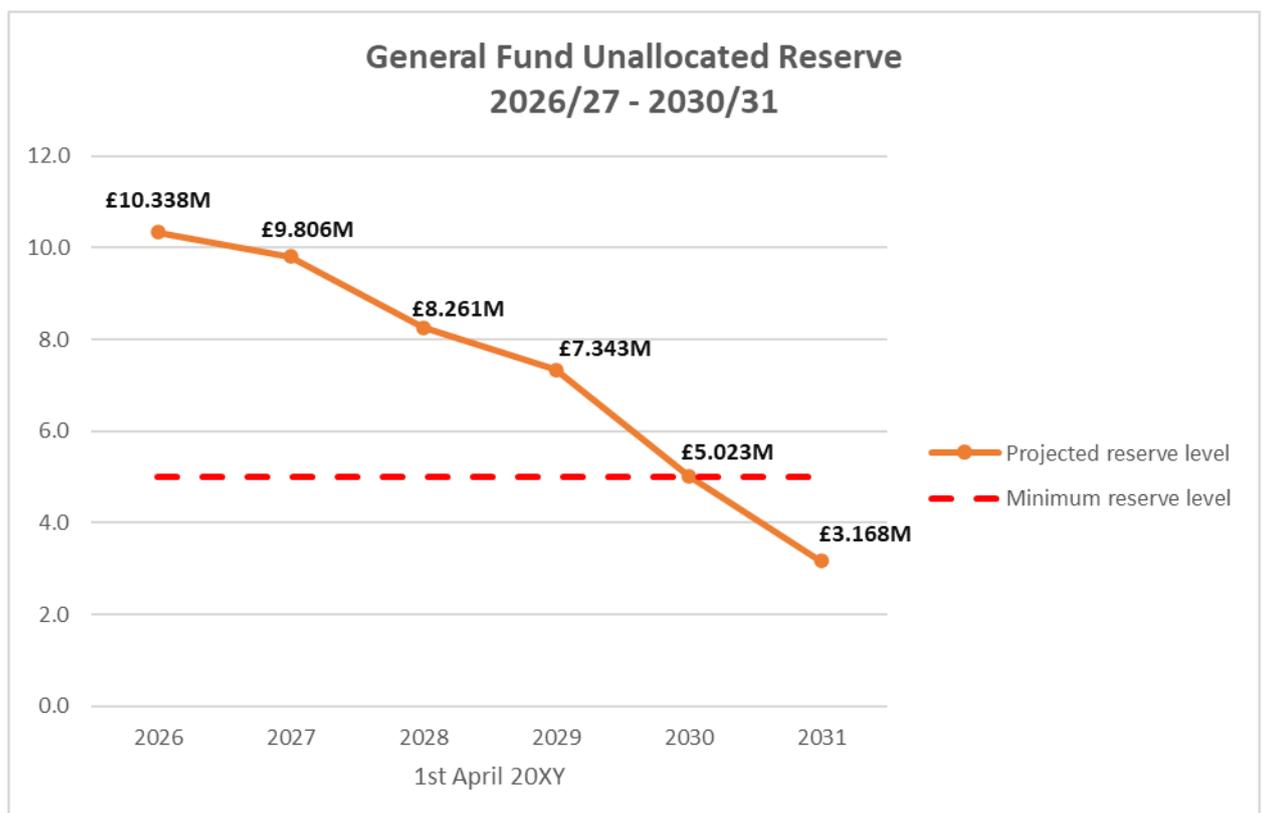
7.0 PROVISIONS, RESERVES AND BALANCES

7.1 A Council's reserves are an essential part of good financial management. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for the Council as part of the MTFS.

7.2 Councils generally hold two types of reserves, "Unallocated" to meet short term unexpected cost pressures or income reductions and "Earmarked". The latter can be held to provide for some future anticipated expenditure for identified projects, particularly in respect of corporate priorities or address specific risks. They may also provide up-front funding for measures which specifically result in future efficiencies, cost savings or increased income, or to hold funding from other bodies (mainly Central Government), for specified purposes.

7.3 By their nature reserves are finite and, within the existing statutory and regulatory framework, it is the responsibility of the s151 Officer to advise the Council about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use. In accordance with the s151 Officers advice the minimum level of General Fund unallocated reserve is £5M.

7.4 The graph and Table 17 below provide details of our current forecast level of General Fund Balances including the impact of funding the forecast deficit from this reserve.

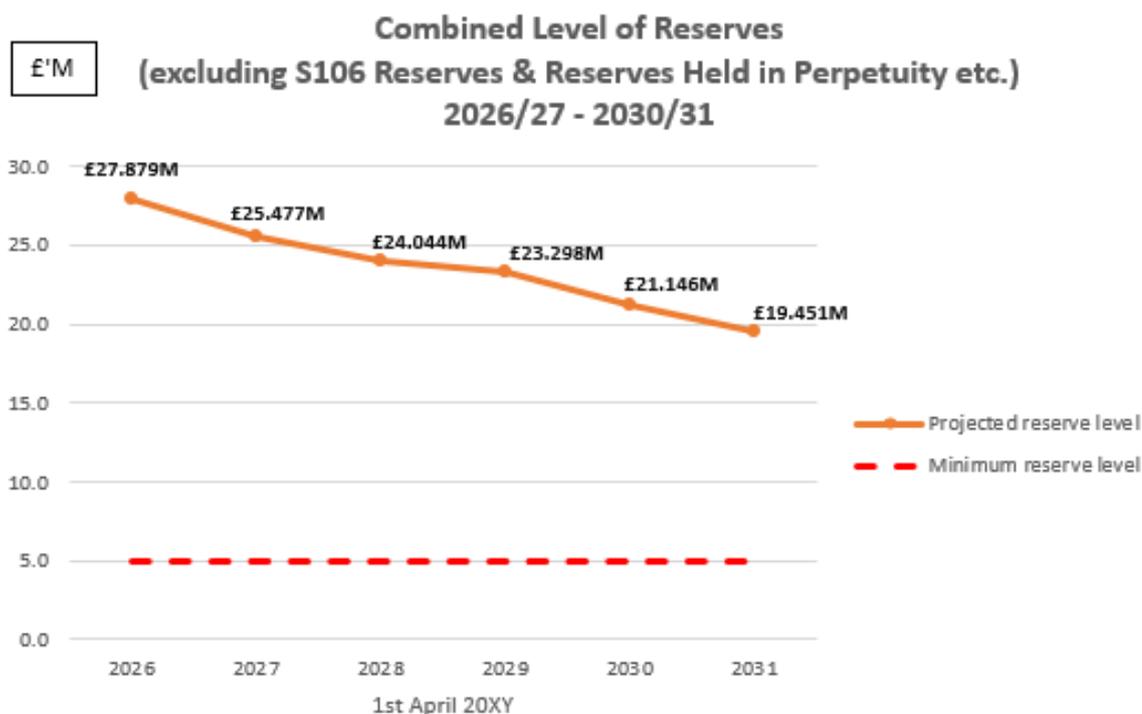


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Table 18: Estimated Level of General Fund Unallocated Reserves

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'M	£'M	£'M	£'M	£'M	£'M
Balance as at 1 April 2025-30	(10.028)	(10.338)	(9.806)	(8.261)	(7.343)	(5.023)
In Year allocations	0.961	0.532	0.064	0.031	0.000	0.000
Forecast (Under)/Overspend	(1.271)	0.000	1.481	0.887	2.320	1.855
Projected Balance as at 31 March 2026-31	(10.338)	(9.806)	(8.261)	(7.343)	(5.023)	(3.168)

- 7.5 The graph and Table 19 below provide details of our current forecast level of all available Council reserves. The analysis excludes a number of essentially ring-fenced reserves such as s106, reserves held in perpetuity, revenue grants unapplied & elections. It does include reserves such as Business Retention and Renewals Reserves.
- 7.6 The Business Rates Retention Reserve is a mandated reserve, its purpose is to manage the risk of fluctuations in business rates income, including changes in the Council's appeals provision and movements in forecast prior year surpluses or deficits. Whilst the transfers can be made to the general fund it is required to be maintained at a prudent level to manage the risks with business rates and not to support ongoing budget deficits. On this basis the graph below is used to underline the seriousness of the current situation against the Council's entire resource not only the general fund.



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**Table 19: Estimated Combined Level of Reserves
(excluding Ringfenced Reserves, S106 Reserves & Reserves Held in Perpetuity etc)**

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'M	£'M	£'M	£'M	£'M	£'M
Unallocated Reserve	(10.338)	(9.806)	(9.741)	(9.710)	(9.710)	(9.710)
Other Non-Ring Fenced Reserves	(2.634)	(1.325)	(1.362)	(1.398)	(1.435)	(1.471)
Business Rates Retention Reserve	(12.790)	(12.097)	(12.097)	(12.097)	(12.097)	(12.097)
Renewals Reserve	(2.117)	(2.249)	(2.325)	(2.461)	(2.592)	(2.716)
Forecast Cumulative Deficit Funded From Reserves	+0.000	+0.000	+1.481	+2.368	+4.688	+6.543
Projected Balance as at 31 March 2026-31	(27.879)	(25.477)	(24.044)	(23.298)	(21.146)	(19.451)
Less Recommended Minimum Level of Balances	+5.000	+5.000	+5.000	+5.000	+5.000	+5.000
Available Balances	(22.879)	(20.477)	(19.044)	(18.298)	(16.146)	(14.451)

7.7 This table highlights that whilst a structural deficit still prevails, the level of Councils reserves will diminish over the longer-term but are at a sustainable level throughout the period of the MTFS and the transfer to the new authority under local government reorganisation.

8.0 LOCAL GOVERNMENT REORGANISATION (LGR)

8.1 To further reiterate the information reported to Cabinet and Council over the previous two months, the financial impact of LGR expected to be complex with very little information currently available. The financial information which underpins the ongoing budget process has currently been prepared on a 'business as usual' basis.

8.2 The Government is expected to lead a public consultation on the proposals early this 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 financial consequences for the Council however it is expected that partners will enter into the new authority in the best financial health that is possible, in order to maintain both financial and organisational stability.

8.5 At the meeting of Lancashire Chief Executives on 8th January the options for the creation of a Lancashire Local Government Reorganisation Transition Fund was discussed. The report agreed the following principles:

- a. An initial agreed total sum of £30M
- b. A split of 75% to Unitary Councils and 25% to District Councils meaning:
 - i. £22.5M Unitary Contribution
 - ii. £7.5M District Contribution

Further to this the allocation options for the districts share has been agreed as based on Tax Base levels. This means that the contribution level for Lancaster is to be £0.831M and it is recommended that this amount is funded from the general fund unallocated reserve.

8.6 During the time from now until vesting day, further 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 As this paper is for noting only no formal consultation has been undertaken.

10.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

10.1 The risks to the Council are contained throughout the report and as the report is for noting, no alternative proposals have been put forward.

11.0 CONCLUSION

11.1 Whilst delivering a balanced budget for 2026/27, the Council continues to face unprecedented levels of financial and economic uncertainty. This hampers the degree of confidence with which forecasts can be made and inevitably some key estimates and assumptions are likely to change in the coming months.

11.2 The future key challenge surrounding Local Government Reorganisation should not be underestimated and the Council must position itself in the best financial health that is possible, in order to maintain both financial and organisational stability.

COUNCIL

Flexible Use of Capital Receipts Strategy 2026-27

25 February 2026

Report of Cabinet

PURPOSE OF REPORT

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

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

This report proposes a Flexible Use of Capital Receipts Strategy for 2026-27 to complement the ongoing Council's commitment to financial sustainability.

This report is public.

RECOMMENDATION OF COUNCILLOR HAMILTON-COX

- (1) That Full Council approves the Flexible Use of Capital Receipts Strategy 2026/27 set out in this report, in accordance with the relevant statutory guidance.

1.0 INTRODUCTION

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

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

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

- 1.3 This was extended in an amended direction in December 2017 by a further three years up to and including 2021/22 to allow the continued flexible use of capital receipts for the above purposes. Updated statutory guidance was issued by DLUHC (now MHCLG) in August 2022 which extended the scheme for the financial years 2022/23, 2023/24 and 2024/25.
- 1.4 In November 2024, the Local Government Finance Policy Statement announced the extension of flexible use of capital receipts to 2030, to give local authorities the continued freedom to use capital receipts from the sale of their own assets to help fund the revenue costs of transformation projects and release savings. Further updated statutory guidance was issued by MHCLG in May 2025 which extended the scheme for the financial years 2025/26, 2026/27, 2027/28, 2028/29 and 2029/30.

2.0 THE GUIDANCE / DIRECTIVE

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

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.
- Local authorities cannot borrow to finance the revenue costs of the service reforms.
- It is a condition of the Secretary of State's direction that the flexible use of capital receipts in accordance with the direction only applies to capital receipts which have been received in the years to which the direction applies.
- The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality-of-service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.
- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's, or several authorities,' and/or to another public sector body's net service expenditure net service expenditure.
- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.

3.0 REQUIREMENTS FOR THE STRATEGY

- 3.1 The guidance requires that authorities wishing to make use of this provision must submit their Strategy to the Secretary of State ahead of each financial year in which the provision is to be used; but that no approval or response is required from the Secretary of State for the Strategy to be implemented. Should Full Council approve the proposed Strategy, it will be submitted to the Secretary of State via the DELTA system.
- 3.2 The Strategy must as a minimum set out the projects which plan to make use of the provision, along with their projected savings and / or service transformation and a summary of the impact on the authority's Prudential Indicators for the forthcoming year and subsequent years. This information is set out in in sections 7 and 8.
- 3.3 The Strategy should also review use of any provision in previous years and report on the savings and / or transformation achieved through use of the provision so far. Any benefits

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

- 3.4 The Strategy can be updated at any time during the financial year and re-submitted to the Secretary of State. Authorities must not exceed the amounts stated in their Strategy without first submitting an updated Strategy to the Secretary of State.
- 3.5 The Strategy must be made available to the public free of charge. This report, which is public, sets out Lancaster City Council's Flexible Use of Capital Receipts Strategy for 2026-27 in fulfilment of the above requirements.

4.0 MONITORING AND UPDATING THE STRATEGY

- 4.1 It is intended that the flexibility will be used to support the actions arising from the Outcomes-Based Resourcing/ Fit for the Future process. The legitimacy of the use of capital receipts will be determined by the Section 151 Officer to ensure eligibility and compliance with the requirements set out by the Secretary of State. Progress on delivery of the programme, including financial implications and the realisation of benefits, will be reported through Delivering Our Priorities quarterly monitoring via Cabinet and Budget & Performance Panel.
- 4.2 The Strategy may be updated within the financial year. Any updates will be proposed to Cabinet and then Council via a report, which subject to approval would then be submitted to the Secretary of State.
- 4.3 Adoption of the Strategy does not necessarily oblige the Council to utilise capital receipts and initiatives may still be financed in whole or in part from other sources, e.g., revenue budgets. This recognises that not all capital receipts may be realised and that decisions need to be taken in the context of the Council's overall revenue and capital financing position.
- 4.4 Inclusion in the Strategy also does not constitute approval to progress a project.

5.0 WHICH CAPITAL RECEIPTS ARE ELIGIBLE?

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

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

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

- 5.2 It should be noted that the flexibility excludes Right-To-Buy capital receipts. It should also be noted that the Council's budget process has assumed that forecast capital receipts have not been relied upon to fund any future expenditure.
- 5.3 Forecast capital receipts from 2026/27 onwards have not been factored into the Council's Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure. The use of these receipts under this flexibility will, therefore, have no effect on the Council's Prudential Indicators.

6.0 WHICH EXPENDITURE IS ELIGIBLE?

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

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

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

Set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure. In addition, one off costs, such as banking savings against temporary increases in costs/pay cannot be classified as qualifying expenditure.”

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

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

7.0 THE COUNCIL’S PROPOSALS 2026/27

7.1 The Council intends to use its capital receipts flexibility to fund or part fund future transformation costs whilst successfully delivering priority outcomes for the Lancaster district. Achieving long-term sustainability of finance and resources remains a priority.

7.2 Within the revenue budget proposals for 2026/27 there are a number of savings and workstreams which underpin the corporate programmes listed in table 1 below. These programmes cover a wide range of areas such as the review of service operating models exploring opportunities around the increased use digital technologies and income generation.

Table 1: Corporate Proposals for 2026/27

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

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

7.4 The use of capital receipts to fund local government reorganisation reflects the tension between short-term transition costs and long-term efficiency gains. While such flexibility can support structural reform without immediate pressure on revenue budgets, it also raises concerns about the erosion of public assets and the sustainability of local authority finances.

The government has allowed temporary flexibility to fund transitional costs relating to local government reorganisation. These costs are not quantifiable at this point in time but as they become apparent they will be highlighted within future monitoring reports.

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

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

Table 2: Assets for Disposal

Assets Currently Marketed	Expected Capital Receipt 2026/27 £'M
Investment Properties	0.000
Other Land & Buildings	0.067
Estimated Value of Applicable Capital Receipts	0.067

7.7 It should be noted that whilst no further Capital Receipts are currently expected in 2025/26

there is a sale in progress totalling £0.067M that is expecting to complete after 31st March 2026. Furthermore, there is a balance of Capital Receipts from 2024/25 of £0.593M and 2025/26 of £0.911M which have not yet been utilised which could be flexibly applied in 2026/27 taking the balance of receipts available up to £1.604M in 2026/27.

8.0 IMPACT ON PRUDENTIAL INDICATORS

8.1 As referenced in paragraph 5.3, forecast capital receipts from 2026/27 onwards have not been factored into the Council's Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure. The use of these receipts under this flexibility will, therefore, have no effect on the Council's Prudential Indicators.

9.0 MONITORING OF THE 2025/26 STRATEGY

9.1 The directive requires that progress against the strategy is reported and table 3 below summaries the level of savings identified as part of the 2025/26 budget process, with progress reported on a quarterly basis to Cabinet and B&PP as part the standard Delivering our Priorities quarterly reporting cycle.

Table 3: Savings Monitoring

Project	Description	Estimated Savings £'M	Actual Savings £'M	Variance £'M
Service Levels & Efficiency	Revisions and rationalisation of levels of service offered efficiency measures and review of income streams	0.036	0.024	0.012
Alternative Delivery Models & Partnerships	Shared service savings, opportunities, contract reviews & alternative options for achieving outcomes	0.015	0	0.015
Total		0.051	0.024	0.027

To date £0.024M of the £0.051M (47%) of the savings identified within the 2025/26 budget are expected to be achieved.

9.2 The Council expects to receive £0.911M of associated capital receipts which would be available to cover any eligible expenditure. Table 4 below summaries the associated eligible costs, capital receipts received and the overall impact on the Councils General Fund.

Table 4: Eligible Costs and Capital Receipts

Elible Costs Incurred 2025/26	£'M
Statutory Redundancy	0.000
Pension Strain	0.000
Total Eligible Costs	0.000
Capital Receipts Received April to December 2025/26	£'M
Land at Scotforth	0.030
Grants Clawed Back	0.011
Sale of 4 Dalton Square	0.280
Sale of 67-71 Market Steet / 1-5B King Street	0.590
Expected Capital Receipts Q4	0.000
Total Expected Capital Receipts	0.911
Impact on the Council's General Fund	0.911

9.3 At this juncture, no capital receipts are expected to be utilised within 2025/26 and the full amount of expected receipts received in 2025/26 will be available for any future utilisation.

10.0 DETAILS OF CONSULTATION

10.1 The Council has undertaken substantial consultation including public briefings and a survey in establishing its overall budget proposals for 2026-27 onwards. This Strategy contributes to the delivery of those proposals by making use of the financial flexibility available to the Council in implementing its future goals.

11.0 OPTIONS AND OPTIONS ANALYSIS (including risk assessment)

Option 1: Adopt the Strategy
<p>Advantages The Council will be able to make use of the Flexible Capital Receipts provision in delivering transformation.</p>
<p>Disadvantages None identified from this report.</p>
<p>Risks Capital receipts, savings and transformation benefits may not be realised as anticipated in the Strategy; the associated risks will be mitigated through its delivery of future programmes.</p>
Option 2: Do not adopt the Strategy
<p>Advantages None identified from this report.</p>
<p>Disadvantages The Council will be unable to consider funding savings initiatives and service transformation through use of capital receipts, and may therefore be unable to achieve the savings, outcomes and benefits anticipated from these projects.</p>
<p>Risks Not adopting a Flexible Use of Capital Receipts Strategy at this point would severely constrain the Council’s ability to deliver the transformation challenge ahead.</p>

13.0 OFFICER PREFERRED OPTION

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

14.0 CONCLUSION

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

RELATIONSHIP TO POLICY FRAMEWORK
If adopted, the Flexible Use of Capital Receipts Strategy would form part of the council’s Policy Framework. From a strategic perspective, enabling the use of capital receipts to deliver savings and service transformation initiatives will give the council scope to pursue its wider transformation challenges with greater flexibility and effectiveness.

CONCLUSION OF IMPACT ASSESSMENT

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

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

FINANCIAL IMPLICATIONS

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

SECTION 151 OFFICER'S COMMENTS

Statutory guidance on the flexible use of capital receipts was updated in March 2025 and extended the definition of eligible expenditure to cover..

"activities which support or enable efficiency savings, improved service delivery or transformation as part of local government re-organisation"

Once the Council has clarity on its position regarding LGR we will be able to update plans and allocate capital receipts against relevant areas of expenditure.

LEGAL IMPLICATIONS

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

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

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

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

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS**Cabinet**

FUCRD 2026/27

[Agenda for Cabinet on Tuesday 10th February 2026](#)
6.00p.m. – Lancaster City Council

Council

FUCRD 2025/26

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

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COUNCIL

**Capital Programme 2026/27 – 2035/36
&
Capital Strategy (Investing in the Future)
25 February 2026**

Report of Chief Finance Officer

PURPOSE OF REPORT				
To present Cabinet’s final budget proposals in order that the Council can approve a General Fund Capital Programme for 2026/27 to 2035/36, and a Capital Strategy 2026/27 as required by regulation.				
Key Decision	X	Non-Key Decision		Referral from Cabinet Member
Date of notice of forthcoming key decision			12 th December 2025	

RECOMMENDATION OF CABINET

That Council notes the report and approves the following:

- (1) That the **General Fund Capital Programme** as set out at **Appendix A**, be approved subject to recommendation 2 below
- (2) That the **Capital Strategy (Incorporating the Capital Investment Strategy: Investing in the Future)** as set out at **Appendix B**, be approved

1.0 INTRODUCTION

1.1 Following its meeting on 10 February 2026 Cabinet has now finalised its budget framework proposals for the General Fund Capital Programme and accompanying Capital Strategy. These are all now reflected in the recommendations of this report.

1.2 In line with the Council’s Constitution the Capital Strategy was considered by Budget and Performance Panel on 11 February 2026, no formal comments were made for inclusion in this report.

2.0 CAPITAL PROGRAMME

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

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

- 2.3 The proposed net investment programme for General Fund for the period to 2035/36 is included at **Appendix A** and summarised in the table below. Note that the shaded column (2025/26) is for information only and not included in the grand total.

Table 1: Capital Programme

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'M	£'M	£'M	£'M	£'M	£'M
Approved Schemes	16.121	5.411	0.628	3.978	1.163	2.364
Schemes Under Development	0.000	3.461	10.727	0.390	0.230	0.230
TOTAL	16.121	8.872	11.355	4.368	1.393	2.594

	2031/32	2032/33	2033/34	2034/35	2035/36	Grand Total
	£'M	£'M	£'M	£'M	£'M	£'M
Approved Schemes	6.429	4.994	2.181	2.227	0.050	29.425
Schemes Under Development	0.100	0.040	0.200	0.000	0.000	15.378
TOTAL	6.529	5.034	2.381	2.227	0.050	44.803

- 2.4 The current year's net revised programme (2025/26) now stands at £16.121M. During the next 10 years, a further gross investment of £74.990M is currently planned with external funding of £30.187M anticipated to support this investment, giving a total net programme from 2026/27 to 2035/36 of £44.803M.
- 2.5 Schemes classified as Under Development have had strategic outline business cases approved in principle by the Cabinet but **cannot** commence until full business cases have been considered and approved, first by the Capital Assurance Group (CAG), and then by Cabinet. In addition, depending on certain factors such as the complexity of the project, the level of investment required (c.£1.5M) etc the full business cases will be subject to independent 3rd party review, with the results forming part of the CAG and Cabinet submission.
- 2.6 Two schemes included within the Schemes Under Development section of the Capital Programme, Canal Quarter and Redevelopment of the City are anticipated to receive external funding which will at least partially finance the costs of these works. Any shortfall in financing for these schemes plus all other projects currently in this section will need to be funded from borrowing. The business cases will need to demonstrate that income arising from the capital investment can cover all borrowing costs and deliver a positive return to the Council's revenue budget.
- 2.7 Overall the programme is balanced, allowing for a gross increase in the underlying need to borrow (known as the Capital Financing Requirement or CFR), over the five-year period to 2030/31. The Council makes a revenue provision for the repayment of borrowing known as Minimum Revenue Provision (MRP) which reduces the CFR.
- 2.8 In setting the capital programme the Council must have regard to affordability and the Treasury Management Strategy sets out through a series of prudential indicators the impact

of the Council's Capital Programme on its borrowing to ensure that all borrowing is affordable, prudent and sustainable.

3.0 CAPITAL FINANCING

- 3.1 There are several funding resources available to support the Capital Programme which can include:
- Capital receipts – monies received from the sale of a capital asset.
 - Revenue contributions – monies set aside in specific reserves to support and fund schemes.
 - External grants and contributions – monies received from third parties to fund schemes. These monies normally include conditions on what they can be used for.
 - External borrowing – the Council is free to make its own borrowing decisions according to what is affordable, sustainable, and prudent as set out in the Prudential Code.
- 3.2 The Council's CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's CFR is set to fluctuate from the current estimated 2025/26 position of £110.06M rising to £119.79M in 2027/28 before reducing slightly to £110.69M in 2030/31, to reflect current planned levels of capital expenditure.
- 3.3 The CFR does not increase indefinitely as a statutory annual charge to revenue known as Minimum Revenue Provision (MRP), approximately reduces the borrowing need in line with each asset's life.
- 3.4 Based on the capital programme, the overall physical borrowing position of the Council is projected to increase over the next three to five years from its estimated 2025/26 position of £71.89M to £81.81M (2027/28) as the Council looks to move forward with several ambitious schemes to enable delivery of its Strategic Priorities. It is then forecast to decrease slightly to £81.69M (2030/31).
- 3.5 Changes in the Council's Capital Financing Requirement and forward borrowing projections are summarised in tables 2 and 3 below.

Table 2: Capital Financing Requirement

Capital Financing Requirement	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£'M	£'M	£'M	£'M	£'M	£'M	£'M
CFR – Non Housing	64.82	78.07	83.07	89.88	89.53	85.91	83.90
CFR – Housing	33.04	31.99	30.95	29.91	28.87	27.83	26.79
Total CFR	97.85	110.06	114.02	119.79	118.4	113.74	110.69
Movement in CFR							
Non Housing	0.32	13.25	5.00	6.81	-0.35	-3.62	-2.01
Housing	-1.05	-1.05	-1.04	-1.04	-1.04	-1.04	-1.04
Net Movement in CFR	-0.73	12.21	3.96	5.77	-1.39	-4.66	-3.05

Movement in CFR represented by							
Net financing need for the year (above) re Non Housing	3.22	15.96	8.86	11.32	4.37	1.39	2.59
Less MRP/VRP and other financing movements	-3.95	-3.75	-4.90	-5.55	-5.76	-6.05	-5.64
Net Movement in CFR	-0.73	12.21	3.96	5.77	-1.39	-4.66	-3.05

Table 3: Borrowing Projections

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£'M						
External Debt							
Debt at 1 April - PWLB & short term actual	57.97	56.93	71.89	76.85	81.81	81.77	81.73
Debt - estimated	0.00	15.00	5.00	5.00	0.00	0.00	0.00
Expected change in Debt	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Other long-term liabilities (OLTL)	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	56.93	71.89	76.85	81.81	81.77	81.73	81.69
The Capital Financing Requirement	97.85	110.06	114.02	119.79	118.40	113.74	110.69
(Under) / over borrowing	-40.92	-38.17	-37.17	-37.98	-36.63	-32.01	-29.00

- 3.6 This level of borrowing is assessed for affordability, sustainability, and prudence in line with the Council's Treasury Management Strategy and requires annual approval by Council following consultation with Budget & Performance Panel. Council is being asked to formally approve the annual Treasury Management Strategy elsewhere on this agenda.
- 3.7 The Council is required to repay an element of the accumulated General Fund CFR each year through a revenue charge known as the minimum revenue provision (MRP) together with the interest charges associated with the borrowing. Council is asked to formally approve the MRP policy annually as part of the Treasury Management Strategy. The current policy is based on the estimated life of each asset created as a result of the related capital expenditure. Tables 4 and 5 provide forecast levels of annual capital financing charges and its proportion of the revenue budget.

Table 4: Forecast MRP Charges

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£'M	£'M	£'M	£'M	£'M	£'M
MRP	2.703	3.872	4.505	4.718	5.016	4.601
Interest	1.294	1.857	2.658	2.727	2.750	2.791
Total	3.997	5.729	7.163	7.445	7.766	7.392

Table 5: Ratio of Financing Costs to Net Revenue Stream

% Ratio of Financing Costs to Net Revenue Stream	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Non-HRA	16.20%	15.52%	21.79%	24.28%	24.32%	24.12%	20.66%
HRA	15.78%	15.64%	14.61%	13.92%	13.71%	13.07%	12.42%
GF and HRA	16.03%	15.57%	18.99%	20.36%	20.31%	20.02%	17.54%

- 3.8 This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. Benchmarking by the Local Government Association (2022) suggested a regional and national average of c14% for the General Fund and so with potential percentage rates close to 25%, care and consideration must be taken with future capital investment.

4.0 CAPITAL STRATEGY

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

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

- Schemes to be added to the Capital Programme will be subject to a gateway process following completion of a capital bid which will be scored against criteria set to measure strategic, economic, financial, commercial and management criteria in accordance with the Treasury's 5 case model. These will be reviewed by a corporate Capital Assurance Group comprising key Officers alongside the Finance Portfolio Holder and Chairs of Budget and Performance Panel and Overview and Scrutiny Committee.
- Unless in an emergency, revisions to the Capital Programme will be restricted to October/ November committee cycle to align with the Treasury Management Mid-Year reporting schedule and prevent unnecessary or duplication of work.
- The Capital Assurance Group (CAG) will also oversee capital financing in order to ascertain that all capital expenditure is affordable, prudent, and sustainable as set out in the Treasury Management Strategy. CAG's terms of reference are provided at **Appendix C**.

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

5.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

- 5.1 Council may put forward alternative proposals or amendments to the proposed Strategy ahead of consideration by Full Council. For capital, Council may adjust its capital investment

and financing proposals taking account of spending commitments and priorities, but its proposals for 2026/27 must balance.

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

5.0 OFFICER PREFERRED OPTION (AND COMMENTS)

5.1 To approve Cabinet's General Fund Capital Programme for 2026/27 to 2035/36 and Capital Strategy as required by regulation.

6.0 CONCLUSION

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

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

RELATIONSHIP TO POLICY FRAMEWORK

The Council's revenue and capital budgets should represent, in financial terms what the Council is seeking to achieve through its Policy Framework.

The proposed capital programme and supporting strategy is part of the Council's budget and policy framework, and fits into the Medium Term Financial Strategy

CONCLUSION OF IMPACT ASSESSMENT

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

The proposed budget incorporates measures to address the climate emergency and digital improvements as well as activities to address wellbeing, health and community safety.

FINANCIAL IMPLICATIONS

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

S151 OFFICER COMMENTS

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

LEGAL IMPLICATIONS

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

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

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

MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has been consulted. Capital and Investment Strategies form part of the Budget Framework and their adoption is a function of Full Council.

BACKGROUND PAPERS

Appendix A: Capital Programme 2026-27 to 2035-36
Appendix B: Capital Strategy - Investing in the Future
Appendix C: CAG Terms of Reference

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Ref: N/A

General Fund Capital Programme

Service / Scheme	2025/26			2026/27			2027/28			2028/29			2029/30			2030/31		
	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Environment & Place																		
Vehicle Renewals	4,898,000		4,898,000	2,381,000		2,381,000	204,000		204,000	2,196,000		2,196,000	907,000		907,000	1,849,000		1,849,000
LTA Tennis Court Refurbishment	52,000	(52,000)	0															
Playground The Roods - Warton	60,000	(60,000)	0															
Winchester Field and Nature Area	118,000	(47,000)	71,000															
Douglas Park Skate Park	91,000		91,000															
Food Waste Strategy	1,462,000	(1,462,000)	0															
Public Bins	500,000		500,000															
Commercial Venue Improvements	150,000		150,000															
Wheeler Bins	2,208,000		2,208,000															
Capital Access Works	64,000	(64,000)	0															
National Landscapes Core Capital	119,000	(119,000)	0															
VMU Replacement Programme			0	60,000		60,000	38,000		38,000	37,000		37,000	28,000		28,000	48,000		48,000
Housing & Property																		
Disabled Facilities Grants	4,103,000	(4,103,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0
Home Improvement Agency Vehicles	40,000	(40,000)	0															
UK Shared Prosperity Fund Lancs CVS Community Warm Hubs	38,000	(38,000)	0															
1 Lodge Street Urgent Structural Repairs	300,000		300,000	52,000		52,000												
Gateway Solar Array	750,000		750,000															
Commercial & Corporate Property	609,000		609,000	723,000		723,000	30,000		30,000	559,000		559,000	52,000		52,000			
White Lund Depot - Offices	272,000		272,000															
King Street	50,000		50,000	550,000	(200,000)	350,000												
LAHF			0	750,000	(416,000)	334,000												
People & Policy																		
UKSPF External Projects	163,000	(163,000)	0															
REPF External Projects	150,000	(150,000)	0															
Planning & Climate Change																		
Burrow Beck Solar	3,653,000		3,653,000															
Electric Vehicle Charging Hub	401,000	(401,000)	0															
Property De-carbonisation Works	3,325,000	(1,892,000)	1,433,000															
SALC -optimised solar farm, air source heating pumps & glazing	10,000	(10,000)	0															
UK Shared Prosperity Fund Climate & Nature Strategy	12,000	(12,000)	0															
UK Shared Prosperity Fund Local Area Energy Plan	95,000	(95,000)	0															
Resources																		
ICT Systems, Infrastructure & Equipment	509,000		509,000	351,000		351,000	326,000		326,000	181,000		181,000	176,000		176,000	467,000		467,000
ICT Laptop Replacement & e-campus screens	22,000		22,000															
ICT Nimble	252,000		252,000															
Local Full Fibre Network (including Data Centre)	270,000		270,000	800,000		800,000												
SALC Data Centre (Civils)			0	300,000		300,000												
Sustainable Growth																		
Lancaster Heritage Action Zone	75,000	(11,000)	64,000															
Caton Road Flood Relief Scheme	1,579,000	(1,579,000)	0															
Centenary House Grant Funded Works	462,000	(462,000)	0															
Lancaster Square Routes	21,000	(16,000)	5,000															
Coastal Revival Fund - Morecambe Co-Op Building	8,000	(8,000)	0															
City Museum Shop	14,000		14,000															
Morecambe Sea Front Parapet Repair			0	60,000		60,000	30,000		30,000	30,000		30,000						
Our Future Coast	367,000	(367,000)	0	85,000	(85,000)	0												
Canal Quarter			0							975,000		975,000						
Schemes Under Development																		
Canal Quarter	1,395,000	(1,395,000)	0	1,176,000	(1,176,000)	0												
Car Parking Strategy			0	250,000		250,000	600,000		600,000									
Parks & Open Spaces Improvement			0	871,000		871,000												
Salt Ayre Asset Management Plan			0				1,267,000		1,267,000									
Williamson Park Development			0	500,000		500,000	3,000,000		3,000,000									
Hostile Vehicle Mitigation			0				250,000		250,000									
Vehicle Maintenance Unit Building			0				2,100,000		2,100,000									
SALC External Redevelopment			0	280,000		280,000	2,000,000		2,000,000									
CCTV			0	350,000		350,000												
Lancaster Parking Strategy			0	750,000		750,000	750,000		750,000									
Eden Enabling Works			0	310,000		310,000	510,000		510,000	140,000		140,000	50,000		50,000	50,000		50,000
Electech - LabWorks@Moor Mills			0				250,000		250,000	250,000		250,000						
Redevelopment of the City Museum			0										1,980,000	(1,800,000)	180,000	1,980,000	(1,800,000)	180,000
Public Realm (formerly Lancaster Heritage Action Zone)			0	150,000		150,000												
GENERAL FUND CAPITAL PROGRAMME	28,667,000	(12,546,000)	16,121,000	13,080,000	(4,208,000)	8,872,000	13,686,000	(2,331,000)	11,355,000	6,699,000	(2,331,000)	4,368,000	5,524,000	(4,131,000)	1,393,000	6,725,000	(4,131,000)	2,594,000
Financing :																		
Capital Receipts			0			0			0			0			0			0
Direct Revenue Financing			(31,000)			(5,000)			0			0			0			0
Earmarked Reserves			(131,000)			0			(38,000)			0			0			0
Increase/(Reduction) in Capital Financing Requirement (CFR)			15,959,000			8,867,000			11,317,000			4,368,000			1,393,000			2,594,000

General Fund Capital Programme

Service / Scheme	2031/32			2032/33			2033/34			2034/35			2035/36			10 YEAR TOTAL (FROM 2026/27)		
	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Total Gross Programme	Total External Funding	Total Net Programme
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Environment & Place																		
Vehicle Renewals	5,942,000		5,942,000	4,804,000		4,804,000	1,602,000		1,602,000	1,569,000		1,569,000			0	21,454,000	0	21,454,000
LTA Tennis Court Refurbishment			0			0			0			0			0	0	0	0
Playground The Roods - Warton			0			0			0			0			0	0	0	0
Winchester Field and Nature Area			0			0			0			0			0	0	0	0
Douglas Park Skate Park			0			0			0			0			0	0	0	0
Food Waste Strategy			0			0			0			0			0	0	0	0
Public Bins			0			0			0			0			0	0	0	0
Commercial Venue Improvements			0			0			0			0			0	0	0	0
Wheellie Bins			0			0			0			0			0	0	0	0
Capital Access Works			0			0			0			0			0	0	0	0
National Landscapes Core Capital			0			0			0			0			0	0	0	0
VMU Replacement Programme			0			0	38,000		38,000	3,000		3,000	50,000		50,000	302,000	0	302,000
Housing & Property																		
Disabled Facilities Grants	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	23,310,000	(23,310,000)	0
Home Improvement Agency Vehicles			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund Lancs CVS Community Warm Hubs			0			0			0			0			0	0	0	0
1 Lodge Street Urgent Structural Repairs			0			0			0			0			0	52,000	0	52,000
Gateway Solar Array			0			0			0			0			0	0	0	0
Commercial & Corporate Property	159,000		159,000			0	207,000		207,000	376,000		376,000			0	2,106,000	0	2,106,000
White Lund Depot - Offices			0			0			0			0			0	0	0	0
King Street			0			0			0			0			0	550,000	(200,000)	350,000
LAHF			0			0			0			0			0	750,000	(416,000)	334,000
People & Policy																		
UKSPF External Projects			0			0			0			0			0	0	0	0
REPF External Projects			0			0			0			0			0	0	0	0
Planning & Climate Change																		
Burrow Beck Solar			0			0			0			0			0	0	0	0
Electric Vehicle Charging Hub			0			0			0			0			0	0	0	0
Property De-carbonisation Works			0			0			0			0			0	0	0	0
SALC -optimised solar farm, air source heating pumps & glazing			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund Climate & Nature Strategy			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund Local Area Energy Plan			0			0			0			0			0	0	0	0
Resources																		
ICT Systems, Infrastructure & Equipment	328,000		328,000	190,000		190,000	334,000		334,000	279,000		279,000			0	2,632,000	0	2,632,000
ICT Laptop Replacement & e-campus screens			0			0			0			0			0	0	0	0
ICT Nimble			0			0			0			0			0	0	0	0
Local Full Fibre Network (including Data Centre)			0			0			0			0			0	800,000	0	800,000
SALC Data Centre (Civils)			0			0			0			0			0	300,000	0	300,000
Sustainable Growth																		
Lancaster Heritage Action Zone			0			0			0			0			0	0	0	0
Caton Road Flood Relief Scheme			0			0			0			0			0	0	0	0
Centenary House Grant Funded Works			0			0			0			0			0	0	0	0
Lancaster Square Routes			0			0			0			0			0	0	0	0
Coastal Revival Fund - Morecambe Co-Op Building			0			0			0			0			0	0	0	0
City Museum Shop			0			0			0			0			0	0	0	0
Morecambe Sea Front Parapet Repair			0			0			0			0			0	120,000	0	120,000
Our Future Coast			0			0			0			0			0	85,000	(85,000)	0
Canal Quarter			0			0			0			0			0	975,000	0	975,000
Schemes Under Development																		
Canal Quarter			0			0			0			0			0	1,176,000	(1,176,000)	0
Car Parking Strategy			0			0			0			0			0	850,000	0	850,000
Parks & Open Spaces Improvement			0			0			0			0			0	871,000	0	871,000
Salt Ayre Asset Management Plan			0			0			0			0			0	1,267,000	0	1,267,000
Williamson Park Development			0			0			0			0			0	3,500,000	0	3,500,000
Hostile Vehicle Mitigation			0			0			0			0			0	250,000	0	250,000
Vehicle Maintenance Unit Building			0			0			0			0			0	2,100,000	0	2,100,000
SALC External Redevelopment			0			0			0			0			0	2,280,000	0	2,280,000
CCTV			0			0	200,000		200,000			0			0	550,000	0	550,000
Lancaster Parking Strategy			0			0			0			0			0	1,500,000	0	1,500,000
Eden Enabling Works			0			0			0			0			0	1,060,000	0	1,060,000
Electech - LabWorks@Moor Mills			0			0			0			0			0	500,000	0	500,000
Redevelopment of the City Museum	1,100,000	(1,000,000)	100,000	440,000	(400,000)	40,000			0			0			0	5,500,000	(5,000,000)	500,000
Public Realm (formerly Lancaster Heritage Action Zone)			0			0			0			0			0	150,000	0	150,000
GENERAL FUND CAPITAL PROGRAMME	9,860,000	(3,331,000)	6,529,000	7,765,000	(2,731,000)	5,034,000	4,712,000	(2,331,000)	2,381,000	4,558,000	(2,331,000)	2,227,000	2,381,000	(2,331,000)	50,000	74,990,000	(30,187,000)	44,803,000
Financing :																		
Capital Receipts			0			0			0			0			0			0
Direct Revenue Financing			0			0			0			0			0			(5,000)
Earmarked Reserves			0			0			0			0			0			(38,000)
Increase/(Reduction) in Capital Financing Requirement (CFR)			6,529,000			5,034,000			2,381,000			2,227,000			50,000			44,760,000

Lancaster City Council

Investing in the Future: Our Capital Investment Strategy

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

To be reviewed and approved annually by Council

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1. Introduction

1.1. Investing in the Future

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

- **Services:** Regular ongoing activities such as Planning, Council Housing, Public Realm, and Public Protection. These services are generally funded by continuous '**Revenue**' funding through the Council's regular funding streams such as Council Tax and Business Rates.
- **Projects:** One-off development activities in areas such as Regeneration, Housing, Carbon Zero or Culture & Heritage initiatives, which may complement or transform an existing service, or create new assets or capacity (such as land, property or cultural & social assets) for the district. Projects generally require a one-off '**Capital**' funding allocation, often over a number of years. Capital funding will be sourced from external contributions and grants, bids, or joint arrangements with partners where possible. In some cases, capital funding may require use of the Council's reserves, disposal proceeds or borrowing from an external source.
- **Asset Maintenance and Renewal:** Where there is a known, long term need to regularly invest in an asset (e.g. regular vehicle fleet, planned reroofing, refurbishment cycles, ICT, or leisure equipment renewals etc), then these are presented initially as a project proposal, and then continue to make use of capital funding over a number of years. These may need periodic review or adjustment, and borrowing may be incurred to fund them. Because they either prolong, or add value to our assets, they are generally a capital funding allocation.
- **Review and Repurposing:** The Council holds a substantial number of assets to deliver its wide range of services. Regular stock condition surveys will be undertaken and form the basis of the Council's asset management plan. These will be used to inform future investment decisions to ensure best value is achieved.

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

This strategy for the period 2026-2035 sets out a framework for how the Council wishes to invest in the future of the Lancaster district through ambitious, prudent use of capital funding, known as the Council's '**Capital Programme**'.

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

1.2. Sustainable, Strategic Investment

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

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

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

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

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

1.3. Investment Models

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

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

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

1.4. Housing Provision and the Housing Revenue Account

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

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

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

1.5. Aims of the Strategy

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

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

2. The Strategy: Four Investment Streams

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

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

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

1) A Sustainable District

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

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

2) An Inclusive and Prosperous Local Economy

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

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

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

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

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

3) Healthy and Happy Communities

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

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

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

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

4) A Co-Operative, Kind and Responsible Council

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

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

Capital investment in property may also be considered where it complies with the Capital Investment Regulations and Guidance and meets the Council's priorities. – LATCos and other forms of special purpose

vehicle may also be established to generate income that can be invested in delivering Council priorities to reduce reliance on Council expenditure and therefore support the Council's financial sustainability.

3. Capital Investments Regulation & Guidance

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

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

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

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

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

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

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

3.1. Revised CIPFA Treasury Management Code and Prudential Code

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

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

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

Treasury Management

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

Service delivery

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

Commercial return

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

4. Delivering the Strategy

4.1. The Capital Investment Lifecycle

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

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

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

Stage 1: Inception

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

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

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

Stage 3: Full business case (FBC)

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

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

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

Stage 4: Implementation

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

Stage 5: Evaluation

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

4.2. Governance Arrangements

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

- Transparency
- Democratic Accountability
- Ethical Responsibility
- Strategic Alignment

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

Capital Assurance Group (CAG)

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

Capital Investments Appraisal Group (CIAG)

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

Assets Group

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

Cabinet

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

Overview & Scrutiny (O&S)

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

Budget & Performance Panel (B&PP)

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

Council

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

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

4.3. Risk Management

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

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

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

The Council's asset portfolio will be risk managed through a regular, systematic asset challenge process which will review each asset's performance, investment requirements and ongoing viability within the portfolio. This

process will be developed through a forthcoming Asset Management Strategy and managed through the Councils Fit for the Future Assets Group who will report into CAG.

4.4. Monitoring and Evaluation

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

The monitoring and evaluation process will include:

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

4.5. Capacity, Skills and Professional Advice

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

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

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

5. Our Assets

The Council has a range of assets which it utilises to deliver its wide range of services throughout the district. The total valuation of these at the start of the financial year 2025/26 was £346.57M. The main constituents of these assets are as follows

Asset Type	£'M
Council Housing & Other Assets	161.57
Property Plant & Equipment	127.72
Community Assets	8.69
Investment Property	39.07
Heritage Assets	9.52
Intangible Assets	0
Total	346.57

Council Housing

At the start of the financial year the Council held 3,602 dwellings in total within its Housing Revenue Account. These dwellings include 1, 2, 3 & 4 bedroomed, houses, bungalows, flats maisonettes and bedsits.

Number and Type of Dwellings		
Bedsits		84
1 Bedroom	Houses & Bungalows	650
	Flats & Maisonettes	547
2 Bedroom	Houses & Bungalows	469
	Flats & Maisonettes	655
3 Bedroom	Houses & Bungalows	1,098
	Flats & Maisonettes	8
4 or more bedroomed dwellings		91
Total Dwellings		3,602

Property Plant & Equipment

These are assets which the Council predominately uses to deliver its services. These assets include Municipal Buildings, works depot, leisure centre and car parks. It also includes its refuse collection and vehicle fleet as well as various land holdings. The value of these assets at the start of 2025/26 financial year is provided in the table below

Land & Buildings	Vehicles, Plant Furniture & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Total
£'M	£'M	£'M	£'M	£'M	£'M
79.13	11.56	34.18	1.93	0.93	127.72

Investment Assets

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

Investment Asset Type	£'M
Office	4.19
Retail	5.34
Agriculture & Allotments	0.03
Commercial Land	8.97
Commercial Building	11.67
Mixed Commercial	8.86
Total	39.07

Heritage Assets

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

Intangible Assets

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

Asset Management

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

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

Valuations

The Council is required by accounting regulations to value its assets on a regular basis and currently values its General Fund assets on a rolling 3-year cycle. A revision to this guidance is expected to come into place from 2025/26 closedown which would see a move to a rolling 5-year cycle with indexation being applied in the interim years. We are currently speaking with our valuers and auditors to determine to how this will be applied and to identify suitable indices.

It is required to undertake a formal valuation of its HRA assets every 5 years in line with Department for Levelling Up Housing & Communities requirements. The last formal valuation was undertaken 1st April 2021. A desktop revaluation is undertaken for HRA assets in the intervening years to ensure that values are current.

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

The details of the assets are held and recorded in a variety of sources in order to meet the operational and management requirements of the Council. This enables a bespoke management system of operation so that maximum utilisation of the asset can be developed.

Whilst services have bespoke arrangements for the assets held under their responsibility the Financial Services maintains the prime records that are used for the production of the Council's Statement of Accounts. These are reconciled on a regular basis to ensure accuracy and relevance.

6. Capital Expenditure

Capital Programme

The Council plans gross expenditure, which excludes grants from other bodies of approximately £45.71M on General Fund and £27.79M on HRA capital schemes between 2026/27 – 2030/31.

Gross Capital Expenditure	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total 2026/27 to 2030/31
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	to 2030/31
	£'M						
General Fund	28.67	13.08	13.69	6.70	5.52	6.72	45.71
Housing Revenue Account (HRA)	8.07	6.23	7.57	5.19	4.58	4.22	27.79
Total	36.74	19.31	21.26	11.89	10.10	10.94	73.50

Financing & Affordability

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

Financed by:	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total 2026/27 to 2030/31
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	to 2030/31
	£'M						
Capital receipts	-2.92	-1.73	-2.64	-0.09	-0.09	0.00	-4.55
Capital grants	-13.20	-4.49	-2.60	-2.33	-4.13	-4.13	-17.68
Capital reserves	-4.63	-4.22	-4.70	-5.10	-4.49	-4.22	-22.73
Revenue	-0.03	-0.01	0.00	0.00	0.00	0.00	-0.01
Financing Total	-20.78	-10.45	-9.94	-7.52	-8.71	-8.35	-44.97
Net financing need for the year	15.96	8.86	11.32	4.37	1.39	2.59	28.53

This table shows a net need for financing the Capital Programme of £28.53M which would require the Council to undertake additional borrowing. Additional borrowing could be used only to finance capital expenditure in respect of General Fund and Housing Revenue Account.

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

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

	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %	2029/30 Estimate %	2030/31 Estimate %
General Fund	15.52	21.79	24.28	24.32	24.12	20.66
HRA	15.64	14.61	13.92	13.71	13.07	12.42

This table shows that the cost of debt financing is estimated to be between 20.66% and 24.32% of the Council’s general fund net revenue budget between 2026/27 and 2030/31.

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

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

7. Treasury Management

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

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

Governance & Scrutiny

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

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

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

Investment

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

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

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

The Council's Investments at 31.12.2025 were:

Balance 31.12.2025	£'M	Liquidity
Bank Accounts	0.46	Instant Access
Money Market Funds	17.00	Instant Access
Other Local Authorities	0.00	Instant Access
Money Market Funds	0.00	Fixed Term
Other Local Authorities	10.00	Fixed Term
Debt Management Office	2.00	Fixed Term
Total Investments	29.46	

Borrowing

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

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

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

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£'M	£'M	£'M	£'M	£'M	£'M
CFR – Non-Housing	78.07	83.07	89.88	89.53	85.91	83.90
CFR – Housing	31.99	30.95	29.91	28.87	27.83	26.79
Total CFR	110.06	114.02	119.79	118.40	113.74	110.69

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

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

	2025/26 Estimate £M	2026/27 Estimate £M	2027/28 Estimate £M	2028/29 Estimate £M	2029/30 Estimate £M	2030/31 Estimate £M
Debt at 1 April	56.93	71.89	76.85	81.81	81.77	81.73
Expected change in Debt	14.96	4.96	4.96	-0.04	-0.04	-0.04
Actual gross debt at 31 March	71.89	76.85	81.81	81.77	81.73	81.69
The Capital Financing Requirement	110.06	114.02	119.79	118.40	113.74	110.69
Under Borrowing	-38.17	-37.17	-37.98	-36.63	-32.01	-29.00

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

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

	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
General Fund MRP	-2.70	-3.86	-4.51	-4.72	-5.01	-4.60
HRA MRP	-1.05	-1.04	-1.04	-1.04	-1.04	-1.04
Total	-3.75	-4.90	-5.55	-5.76	-6.05	-5.64

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

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

	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
Operational Boundary	111.07	115.02	120.79	119.40	114.74	111.69
Authorised Limit	126.00	130.00	136.00	134.00	130.00	127.00

8. Commercial Activity

Current Position

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

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

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

Performance Monitoring

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

Capital Assurance Group: Terms of Reference

Role

1. The Capital Assurance Group (CAG) is a Member and officer working group with a clear remit to be the Council's advisory body on the Council's Capital Investment Strategy.
2. The Capital Investment Strategy has clear priority areas of work which although distinct from one another should be considered in an integrated manner when forming and delivering the Council's capital programme and related areas.
3. The types of Capital Investments which may be considered when forming the capital programme relate to the four priority areas of the Council Plan 2024-2027 and beyond.
 - a) **A Sustainable District.** These include schemes to deliver demonstrable reduction to carbon emissions in line with the Council's goal of reaching net carbon zero by 2030, such as installation of solar panels, or investment in larger scale solar energy facilities, as well as supporting agile working to reduce our carbon footprint, and the increased electrification of our vehicle fleet. Schemes which mitigate the effects of climate change may also be included.
 - b) **An Inclusive and Prosperous Local Economy.** These include schemes to assist the Council's lead role in place-making, regeneration and economic development activity, and the improvement of the District's town centres to improve economic performance and encourage future private sector investment. Initiatives to use public land and buildings to achieve long-term socio-economic development within the Lancaster District may also be included, as well as investment in supporting the district's rich creative and heritage assets to benefit local businesses and residents both economically and culturally.
 - c) **Healthy and Happy Communities.** These include schemes to generate significant social returns in the District, such as the development of new housing, purchasing of existing housing with a view to improvements in quality and management, investment loans to third parties and re-use of Council assets, along with improving access to local culture, heritage and leisure to increase wellbeing.
 - d) **A Co-operative, Kind and Responsible Council.** These are investments that sustain the day-to-day operational delivery of the Council's services which underpin a broad range of Council priorities. Such schemes may include upgrades of key information and communication systems, as well as transformation and 'Invest to Save' proposals, which provide one-off project funding to help services become more efficient and effective

Composition of CAG

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

Standing Membership –

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

Additional representation as and when required may include

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

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

Frequency and Format of Meetings

5. The CAG will look to meet quarterly but may also meet on an ad-hoc basis as required as and when key proposals come forward. Routine meetings will be co-ordinated so that they inform monitoring processes to Cabinet and Budget and Performance Panel. The meetings will be held via Teams, unless the Chair agrees a face-to-face meeting would significantly improve meeting outcomes and provides reasonable notice.
6. A forward plan of items to be considered on an annual cycle will be developed, and agendas with supporting briefing papers will be issued at least 3 working days before the meeting where practicable. Presentations delivered at meetings will be provided to Members in advance or otherwise included with meeting notes. The meeting notes will form part of briefings to Cabinet, and Members will be able to request particular points made in the meeting to be clearly placed within meeting notes to further enrich and inform decision-making.

Remit

7. CAG's remit is to contribute to the development and oversight of the Council's capital programme. This will include assessing initial proposals and business cases through to delivering the programme and assessing its effectiveness in respect of corporate priorities.
8. *With respect to Capital Investment Strategy*
 - a) To keep the Capital Investment Strategy document under review ensuring that it reflects the Council's capital investment priorities and review the Strategy as part of the MTFS update.
 - b) To ensure that the Capital Strategy is informed by and consistent with the Council Plan 2024-2027 and associated strategies, and the Asset Management Plan.

With respect to the Capital Programme

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

With respect to the Asset Management Plan

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

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

Decision Making

9. The CAG is a Member and Officer working group and as such is only advisory and does not have any formal decision-making authority. It will check whether the information being provided is sufficient to inform decision-making and, where appropriate, that the suitable project management documentation is available to support project delivery.
10. Following consideration of each strategic outline case and business case, it may make recommendations to budget holders in relation to due diligence costs and other matters. It will provide any comments from individual members to Cabinet. It also ensures that necessary consultation is carried out with Cabinet, relevant Portfolio Holders, Management Board, and relevant Directors as part of the decision-making process.
11. Any proposal that is outside the approved budget and policy framework will be referred to Cabinet or Council in accordance with the Constitution.

The role of Scrutiny Committee Members

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

Key Outcomes

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

COUNCIL

Treasury Management Strategy

2026/27

25 February 2026

Report of Chief Finance Officer

PURPOSE OF REPORT			
In accordance with the Council's constitution this report seeks Council approval for the Council's Treasury Management 2026/27 framework			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision		12 th December 2025	

RECOMMENDATION OF CABINET

That the Council notes the report and approves:

1. **The Treasury Management Strategy 2026/27, Appendices A to C specifically the Council's The Authorised Limit for External Debt (section 4.7)**

1.0 INTRODUCTION

- 1.1 The Code of Practice on Treasury Management ("the Code") requires that a strategy outlining the expected treasury activity for the forthcoming 3 years be adopted, but that it be reviewed at least annually. It needs to reflect treasury policy and cover various forecasts and activities, to incorporate the Council's spending and income plans with decisions about investing and borrowing.
- 1.2 Following its meeting on 10 February 2026 Cabinet has now considered the Treasury Strategy.
- 1.3 In line with the Council's Constitution the Treasury Strategy was considered by Budget and Performance Panel on 11 February 2026, no formal comments were made for inclusion in this report.
- 1.4 Council are asked to approve the Treasury Management Strategy and associated attachments.

2.0 TREASURY MANAGEMENT FRAMEWORK 2026/27

- 2.1 The Council's Treasury Management Activities are regulated the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued under the Local Government Act 2003.
- 2.2 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. During 2026/27 the minimum reporting requirements are that the Full Council should receive the following reports:

- an annual treasury strategy in advance of the year (this report)
- a mid-year (minimum) treasury update report
- an annual review following the end of the year describing the activity compared to the strategy

3.0 TREASURY MANAGEMENT STRATEGY

- 3.1 Treasury management activities represent the placement of residual cash held in the bank resulting from the authority's day to day activities in relation to s12 Local Government Act investment powers. The Treasury Management Strategy, therefore, deals principally with investments and borrowing which are considered below.
- 3.2 CIPFA published an updated Treasury Management (the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes) and Prudential Code on 20 December 2021. These apply with immediate effect, however, CIPFA has stated that there will be a soft introduction of the codes with any change to reporting requirements deferred until the 2023/24 financial year.
- 3.3 It should also be noted that the MHCLG has tightened up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.
- 3.4 The proposed Strategy for 2026/27 to 2030/31 is set out at **Appendix C**. The document contains the necessary details to comply with both the Code and Government investment guidance. Responsibilities for treasury management are set out at **Appendix A** and the policy statement is presented at **Appendix B**.

4.0 BORROWING ASPECTS OF THE STRATEGY

Capital Financing Requirement (CFR)

- 4.1 The Council's CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. Based on the draft capital programme the Council's CFR is set to fluctuate from the current estimated 2025/26 position of £110.06M rising to £119.79M in 2027/28 before reducing to £110.69M in 2030/31, reflecting current planned levels of capital expenditure.
- 4.2 The CFR does not increase indefinitely as a statutory annual charge to revenue known as Minimum Revenue Provision (MRP), approximately reduces the borrowing need in line with each asset's life.
- 4.3 Based on the capital programme, the overall physical borrowing position of the Council is projected to increase over the next three to five years from its estimated current position of £71.89M to £81.81M (2027/28) as the Council looks to move forward with several ambitious schemes to enable delivery of its Strategic Priorities. It is then forecast to decrease slightly to £81.69M (2030/31).
- 4.5 Changes in the Council's Capital Financing Requirement and forward borrowing projections are summarised in tables 1 and 2 below.

Table 1 Capital Financing Requirement

Capital Financing Requirement	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
CFR – Non Housing	64.82	78.07	83.07	89.88	89.53	85.91	83.90
CFR – Housing	33.04	31.99	30.95	29.91	28.87	27.83	26.79
Total CFR	97.85	110.06	114.02	119.79	118.40	113.74	110.69
Movement in CFR							
Non Housing	0.32	13.25	5.00	6.81	-0.35	-3.62	-2.01
Housing	-1.05	-1.05	-1.04	-1.04	-1.04	-1.04	-1.04
Net Movement in CFR	-0.73	12.21	3.96	5.77	-1.39	-4.66	-3.05

Movement in CFR represented by

Net financing need for the year (above) re Non Housing	3.22	15.96	8.86	11.32	4.37	1.39	2.59
Less MRP/VRP and other financing movements	-3.95	-3.75	-4.90	-5.55	-5.76	-6.05	-5.64
Net Movement in CFR	-0.73	12.21	3.96	5.77	-1.39	-4.66	-3.05

Table 2 Borrowing Projections

	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
External Debt							
Debt at 1 April - PWLB & short term actual	57.97	56.93	71.89	76.85	81.81	81.77	81.73
Debt - estimated	0.00	15.00	5.00	5.00	0.00	0.00	0.00
Expected change in Debt	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Other long-term liabilities (OLTL)	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	56.93	71.89	76.85	81.81	81.77	81.73	81.69
The Capital Financing Requirement	97.85	110.06	114.02	119.79	118.40	113.74	110.69
(Under) / over borrowing	-40.92	-38.17	-37.17	-37.98	-36.63	-32.01	-29.00

4.6 The Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. Changes to the operational boundary are included in table 3 below.

Table 3 Operational Boundary

Operational boundary	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
Debt	98.00	110.07	114.02	119.79	118.40	113.74	110.69
Other Long Term Liabilities	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	98.00	111.07	115.02	120.79	119.40	114.74	111.69

4.7 The Authorised Limit for External Debt

This represents a control on the maximum level of borrowing and is a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. Changes to the authorised limit are included in table 4 below.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- Council will be asked to approve the following authorised limit for 2026/27 - £130.0M:

Table 4 Authorised Limit

Authorised limit	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
Debt	114.00	125.00	129.00	135.00	133.00	129.00	126.00
Other Long Term Liabilities	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	114.00	126.00	130.00	136.00	134.00	130.00	127.00

4.8 Affordability Prudential Indicators

Prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Table 5 Ratio of Financing Costs to Net Revenue Stream

% Ratio of Financing Costs to Net Revenue Stream	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Non-HRA	16.20%	15.52%	21.79%	24.28%	24.32%	24.12%	20.66%
HRA	15.78%	15.64%	14.61%	13.92%	13.71%	13.07%	12.42%

- 4.9 This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. Benchmarking by the Local Government Association (2022) suggested a regional and national average of c.14% for the General Fund and so with potential percentage rates at around 25%, care and consideration must be taken with future capital investment.

5.0 Minimum Revenue Provision (MRP) Policy

- 5.1 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).
- 5.2 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the Authority to calculate a prudent provision of MRP whilst having regard to the current MRP Guidance (2018). The broad aim of prudent provision is to ensure that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent. Following a review, the Council's external advisors recommended a change to the MRP policy switching from the "Asset Life Method" to calculation using the annuity method using a weighted average useful life. This revision was formally approved by Council 22 February 2023.
- 5.3 The MRP policy statement requires full Council approval in advance of each financial year although regulation does permit in year changes. Following a review of the MRP charges and methodology it is recommended that Council retains the annuity method of calculation approves the MRP Policy Statement as referred to within the Treasury Management Strategy **Appendix C**.
- 5.4 Table 6 below provides details of the Council's estimates MRP charges, based on current capital and borrowing information.

Table 6 Forecast MRP Charges

	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
MRP	2.703	3.872	4.505	4.718	5.016	4.601
Interest	1.294	1.857	2.658	2.727	2.750	2.791
Total	3.997	5.729	7.163	7.445	7.766	7.392

6.0 OPTIONS & OPTIONS ANALYSIS

6.1 Cabinet may put forward alternative proposals or amendments to the proposed Strategy ahead of consideration by Full Council, but these would have to be considered in light of legislative, professional, and economic factors, and importantly, any alternative views regarding the Council's risk appetite. As such no further options analysis is available currently.

6.2 Furthermore, the Strategy must fit with other aspects of Cabinet's budget proposals, such as deposit interest estimates and underlying prudential borrowing assumptions, feeding into Prudential and Treasury Management Indicators. There are no options available regarding other components of the overall framework.

7.0 OFFICER PREFERRED OPTION (AND COMMENTS)

7.1 To approve the framework as attached, allowing for any amendments being made under delegated authority prior to referral to Council.

8.0 CONCLUSION

8.1 This report addresses the actions required to complete the budget setting process for Treasury Management, and for updating the Council's associated financial strategy. This is based on the Council continuing to have a comparatively low risk appetite regarding the security and liquidity of investments particularly, but recognising that some flexibility should help improve returns, whilst still effectively mitigating risk. It is stressed that in terms of treasury activity, there is no risk-free approach. It is felt, however, that the measures set out above provide a fit for purpose framework within which to work, pending any update during the course of next year.

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

RELATIONSHIP TO POLICY FRAMEWORK

Treasury Management forms part of the Councils budget framework

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)
Effective Treasury Management and use of the Councils' resources is fundamental to the delivery of its priorities and outcomes

FINANCIAL IMPLICATIONS

The Treasury Management Strategy is in support of achieving the borrowing cost and investment interest estimates included in the budget.

S151 OFFICER COMMENTS

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

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Appendix A - Council Responsibility
Appendix B - TM Policy
Appendix C - Treasury Management
Strategy 2026-27

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TREASURY MANAGEMENT FRAMEWORK DOCUMENTS AND RESPONSIBILITIES

For consideration by Council 25 February 2026

DOCUMENT	RESPONSIBILITY
CODE of PRACTICE	To be adopted by Council (as updated 2021).
POLICY STATEMENT	The Code of Practice recommends a specific form of words to be used, to set out the Council's objectives within the Policy Statement for its Treasury Management activities. It is the responsibility of Council to approve this document and then note it each year thereafter if unchanged. This reflects the revised code issued in 2021.
TREASURY MANAGEMENT STRATEGY	The Strategy document breaks down the Policy Statement into detailed activities and sets out the objectives and expected market forecasts for the coming year. This also contains all the elements of an Investment Strategy as set out in the Government guidance; it is the responsibility of Council to approve this document, following referral from Cabinet.
TREASURY MANAGEMENT INDICATORS	These are included within the Strategy Statement as part of the framework within which treasury activities will be undertaken. It is the responsibility of Council to approve these limits.
INVESTMENT STRATEGY	The Investment Strategy is included within the Treasury Management Strategy. It states which types of investments the Council may use for the prudent management of its treasury balances during the financial year. Under existing guidance, the Secretary of State recommends that the Strategy should be approved by Council.
TREASURY MANAGEMENT PRACTICES	<p>These are documents that set out the procedures that are in place for the Treasury Management function within the Council. The main principles were approved by Cabinet following initial adoption of the Code of Practice; they include:</p> <ul style="list-style-type: none"> TMP 1: Risk management TMP 2: Performance measurement. TMP 3: Decision-making and analysis. TMP 4: Approved instruments, methods & techniques. TMP 5: Organisation, clarity and segregation of responsibilities, and dealing arrangements. TMP 6: Reporting requirements & management information requirements. TMP 7: Budgeting, accounting & audit. TMP 8: Cash & cash flow management. TMP 9: Money laundering. TMP 10: Staff training & qualifications. TMP 11: Use of external service providers. TMP 12: Corporate governance. <p>It is the Section 151 Officer's' responsibility to maintain detailed working documents and to ensure their compliance with the main principles.</p>
FINANCIAL REGULATIONS	The Financial Regulations must contain four specific clauses. These are substantially unchanged in the 2021 Code; it is the Section 151 Officer's responsibility to ensure their inclusion.

LANCASTER CITY COUNCIL
TREASURY MANAGEMENT POLICY STATEMENT

For consideration by Council
25 February 2026

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

1. This organisation defines its treasury management activities as:

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

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

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

Treasury Management Strategy 2026/27 to 2030/31

For Consideration by Council 25 February 2026

INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that income to be raised during the year will meet expenditure to be incurred, after allowing for any changes in reserves and balances. Part of the treasury management operation is to ensure that the associated cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

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

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities (arising usually from capital expenditure) and are separate from the day-to-day treasury management activities.

1.2 Reporting Requirements

Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

Treasury Management Reporting

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) – The first, and most important report is forward looking and covers:
 - the capital plans (including prudential indicators);
 - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
 - the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
 - an Annual Investment Strategy (the parameters on how investments are to be managed).
- b. **A mid-year treasury management report** – This will update Members with the progress of the treasury position, amending prudential indicators as necessary, and whether any policies require revision. In addition, the Authority will provide quarterly update reports.
- c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny – The above reports are required to be adequately considered and scrutinised before being presented to Full Council. This is undertaken by Cabinet and the Budget and Performance Panel.

Quarterly reports – In addition to the three major reports detailed above, quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council / Board but do require to be adequately scrutinised. This role is undertaken by Budget & Performance Panel.

1.3 Treasury Management Strategy for 2026/27

The strategy for 2026/27 covers two main areas:

Capital Issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury Management Issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;

- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC (now MHCLG) Investment Guidance; DLUHC (now MHCLG) MRP Guidance, the CIPFA Prudential Code, and the CIPFA Treasury Management Code.

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

A member training session is currently being prepared and is to be delivered before the end of April. All incoming councillors receive mandatory local government finance training and ad hoc training has been provided as required throughout 2025/26.

A formal record of the training received by officers central to the Treasury function will be maintained by the Accountancy Services Manager. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Chief Resources & S151 Officer.

The training needs of treasury management Officers are periodically reviewed.

1.5 Treasury Management Consultants

The Council uses MUFG Corporate Markets as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

2 CAPITAL PRUDENTIAL INDICATORS 2026/27 – 2030/31

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

2.1 Capital Expenditure and Financing

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

The table below provides that summary, showing how the plans are being financed by capital or revenue resources. Any shortfall of resources results in an underlying borrowing or financing need.

Capital expenditure	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual £'M	Estimate £'M	Estimate £'M	Estimate £'M	Estimate £'M	Estimate £'M	Estimate £'M
General Fund	8.83	28.67	13.08	13.69	6.70	5.52	6.72
Housing Revenue Account (HRA)	6.39	8.07	6.23	7.57	5.19	4.58	4.22
Total	15.22	36.74	19.31	21.26	11.89	10.10	10.94
Financed by:							
Capital receipts	-1.67	-2.92	-1.73	-2.64	-0.09	-0.09	0.00
Capital grants	-5.46	-13.20	-4.49	-2.60	-2.33	-4.13	-4.13
Capital reserves	-4.77	-4.63	-4.22	-4.70	-5.10	-4.49	-4.22
Revenue	-0.10	-0.03	-0.01	0.00	0.00	0.00	0.00
Net financing need for the year	3.22	15.96	8.86	11.32	4.37	1.39	2.59

2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

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

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. Changes to IFRS 16 which applied from 2024/25 saw the Council reclassify 2 leases as finance leases which are included within the CFR.

Members are asked to approve the CFR projections below:

Capital Financing Requirement	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
CFR – Non Housing	64.82	78.07	83.07	89.88	89.53	85.91	83.90
CFR – Housing	33.04	31.99	30.95	29.91	28.87	27.83	26.79
Total CFR	97.85	110.06	114.02	119.79	118.40	113.74	110.69
Movement in CFR							
Non Housing	0.32	13.25	5.00	6.81	-0.35	-3.62	-2.01
Housing	-1.05	-1.05	-1.04	-1.04	-1.04	-1.04	-1.04
Net Movement in CFR	-0.73	12.21	3.96	5.77	-1.39	-4.66	-3.05

Movement in CFR represented by							
Net financing need for the year (above) re Non Housing	3.22	15.96	8.86	11.32	4.37	1.39	2.59
Less MRP/VRP and other financing movements	-3.95	-3.75	-4.90	-5.55	-5.76	-6.05	-5.64
Net Movement in CFR	-0.73	12.21	3.96	5.77	-1.39	-4.66	-3.05

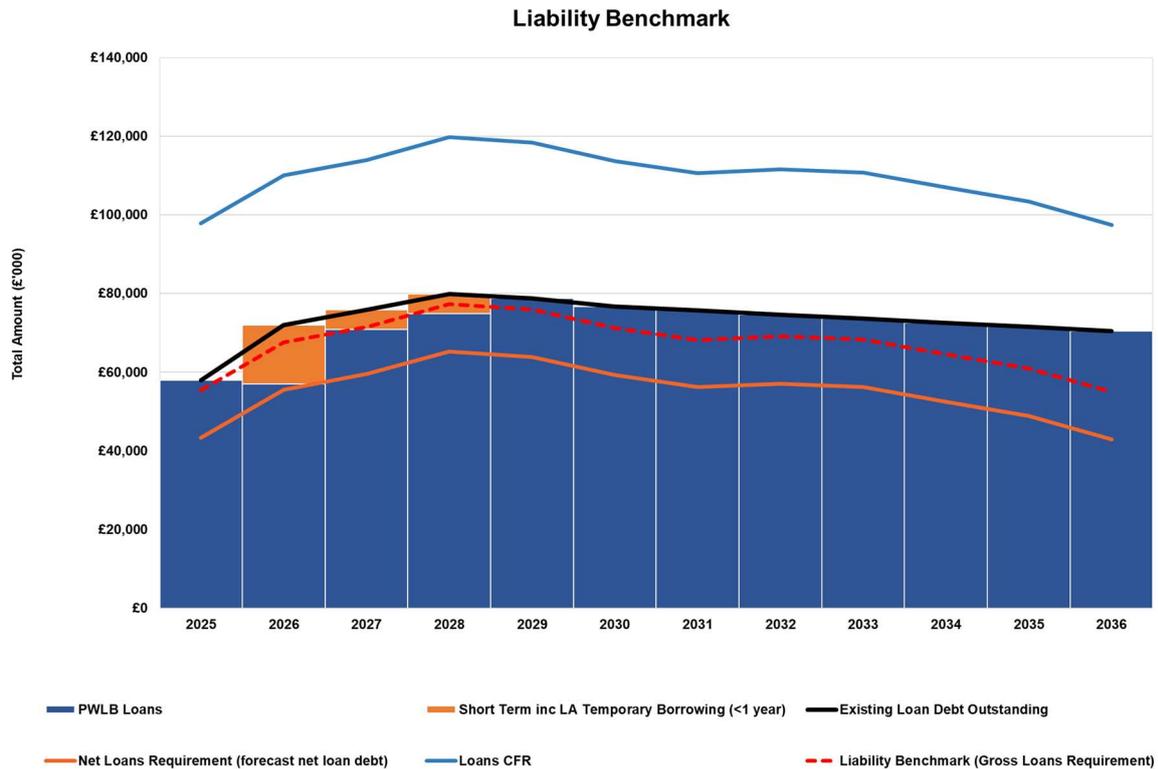
2.3 Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

The Council's liability benchmark presented as a chart of the above four balances is shown below:



Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.

During 2026/27, forecast levels of funds available for treasury investments are falling in line with cash flow forecasts and as overall levels of General Fund and HRA reserves decrease.

There is, therefore, a need to borrow to cover the net loans requirement. Given PWLB interest rates at present, temporary borrowing from other local authorities will be utilised until PWLB rates reduce.

It is intended that the gap between the net loans requirement and the liability benchmark (gross loans requirement) will be covered by day-to-day working cashflow surpluses.

2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments, unless resources are supplemented each year from new sources (e.g. asset sales). The following table provides estimates of the year end balances for each resource and anticipated year end cash flow balances from other day to day activities:

Year End Resources	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
Fund balances / reserves	32.30	32.36	30.82	30.64	31.10	32.20	34.43
Capital receipts	4.08	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	4.21	5.00	5.00	5.00	5.00	5.00	5.00
Total core funds	40.59	37.36	35.82	35.64	36.10	37.20	39.43
Working capital*	14.32	15.00	15.00	15.00	15.00	15.00	15.00
Under/over borrowing**	-40.93	-38.17	-37.17	-37.98	-36.63	-32.01	-29.00
Expected investments	13.98	14.19	13.65	12.66	14.47	20.19	25.43

*Working capital balances shown are estimated year end; these may be higher mid-year

2.5 Minimum Revenue Provision (MRP) Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of CFR from its calculation, unless by an exception set out in statute.

The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2024) gives four ready-made options for calculating MRP, the Council can use a mix of these options if it considers it appropriate to do so.

The Government considers that the methods of making prudent provision include the options set out in the statutory guidance. However, this does not rule out or otherwise preclude an authority from using an alternative method should it decide that is more appropriate. Any method used is subject to the conditions in paragraphs 61 to 65 of the guidance as far as these are relevant.

It is recommended that Council approves the following MRP Policy Statement.

- Supported borrowing incurred before 1st April 2008 will apply the Asset Life Method using an annuity method over 60 years.
- Unsupported borrowing will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the average estimated useful life of the assets. An annuity method will be applied for the MRP calculation.
- Unsupported borrowing on vehicles will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the vehicles. An annuity method will be applied for the MRP calculation.
- The interest rate applied to the annuity calculations will reflect the market conditions at the time. For the current financial year, the interest rate used will be the Authority's weighted average borrowing rate.
- MRP will commence in the financial year following the one in which the expenditure was incurred, or in the year after the asset becomes operational.
- MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the MRP guidance.
- MRP in respect of assets acquired under PFI or Finance Leases will be charged at a rate equal to the principal element of the annual lease rental for the year in question.
- MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory MRP, i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The VRP overpayments up to 31st March 2025 are £16.181M of which £13.533M relates to HRA and £2.648M relates to General Fund.
- On an annual basis the Section 151 officer shall review the level of MRP to be charged, to determine if this is at a level which is considered prudent based on the Authority's circumstances at that time, taking into account medium / long term financial plans, current

budgetary pressures, and current and future capital expenditure plans. Dependant on this review the Section 151 officer will adjust the annual MRP charge by making VRP or reclaiming previous VRP. The amount of MRP charged shall not be less than zero in any financial year.

2.6 Affordability Prudential Indicators

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

Ratio of Financing Costs to Net Revenue Stream

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

% Ratio of Financing Costs to Net Revenue Stream	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Non-HRA	16.20%	15.52%	21.79%	24.28%	24.32%	24.12%	20.66%
HRA	15.78%	15.64%	14.61%	13.92%	13.71%	13.07%	12.42%

The estimates of financing costs include current commitments and the proposals in this budget report.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The overall treasury management portfolio as at 31.03.25 and for the position as at 31.12.25 are shown below for both borrowing and investments

	Actual 1.4.25	Actual 1.4.25	Closing 31.12.25	Closing 31.12.25
	£	%	£	%
Treasury Investments	£'000	%	£'000	%
Call Accounts				
Natwest (Cash Manager Plus)	1,719	10.53	292	1.00
Money Market Funds				
Aberdeen Life Investments	6,000	36.77	6,000	20.48
BlackRock Gov	0	0.00	0	0.00
BlackRock 1st	2,600	15.93	0	0.00
Goldman Sachs	0	0.00	0	0.00
Insight	0	0.00	5,000	17.07
LGIM	6,000	36.77	6,000	20.48
Fixed Term Deposits				
DMADF	0	0.00	2,000	6.83
North Tyneside Council	0	0.00	5,000	17.07
London Borough of Barking & Dagenham	0	0.00	5,000	17.07
Total treasury investments	16,319	100.00	29,292	100.00
Treasury external borrowing				
PWLB	56,918	100.00	56,398	100.00
Total external borrowing	56,918	100.00	56,398	100.00
Net treasury investments/(borrowing)	(40,599)		(27,106)	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
External Debt							
Debt at 1 April - PWLB & short term actual	57.97	56.93	71.89	76.85	81.81	81.77	81.73
Debt - estimated	0.00	15.00	5.00	5.00	0.00	0.00	0.00
Expected change in Debt	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04	-1.04
Other long-term liabilities (OLTL)	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Expected change in OLTL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actual gross debt at 31 March	56.93	71.89	76.85	81.81	81.77	81.73	81.69
The Capital Financing Requirement	97.85	110.06	114.02	119.79	118.40	113.74	110.69
(Under) / over borrowing	-40.92	-38.17	-37.17	-37.98	-36.63	-32.01	-29.00

Within the range of prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Officer Resources & Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans, and the proposals in the budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

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

Operational boundary	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
Debt	98.00	110.07	114.02	119.79	118.40	113.74	110.69
Other Long Term Liabilities	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	98.00	111.07	115.02	120.79	119.40	114.74	111.69

The Authorised Limit for External Debt

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

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

Council is asked to approve the following Authorised Limit:

Authorised limit	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
Debt	114.00	125.00	129.00	135.00	133.00	129.00	126.00
Other Long Term Liabilities	0.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	114.00	126.00	130.00	136.00	134.00	130.00	127.00

3.3 Prospects for Interest Rates

The Council has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. MUFG Corporate Markets provided forecasts on 22 December 2025. These are forecasts for Bank rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps:

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

Additional notes by MUFG Corporate Markets on this forecast table: -

- Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December.
- Surprisingly, to most market commentators, the recent steep fall in CPI inflation in one month from 3.6% to 3.2% did not persuade most "dissenters" from the November vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.
- Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a "gradual downward path", suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be "a closer call", and Governor Bailey observed there is "limited space as Bank Rate approaches a neutral level".
- Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.
- As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed's monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.
- Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a "given", and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.
- Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.

- *Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.*

Gilt Yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are generally to the upsides. Our target borrowing rates are set two years forward (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 22.12.25 p.m. %	Target borrowing rate now (end of Q4 2027) %	Target borrowing rate previous (end of Q4 2027) %
5 years	4.81	4.10	4.20
10 years	5.39	4.70	4.70
25 years	6.01	5.30	5.30
50 years	5.78	5.10	5.10

Borrowing advice: *Our long-term (beyond 10 years) forecast for Bank Rate remains at 3.5%. As all PWLB certainty rates are still above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity/<10 years PWLB EIP) and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.*

3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's provisions, reserves, balances and working capital has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026 even if further rate cuts arise.

Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Section 151 Officer, under delegated powers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates then borrowing would be postponed.*
- *if it was felt that there was a significant risk of a much sharper in RISE borrowing rates than that currently forecast, fixed rate funding would be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to Cabinet at the next available opportunity.

3.5 Maturity Structure of Borrowing

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

The Council is asked to approve the following indicators and limits:

Maturity structure of fixed interest rate borrowing 2025/26	£'M	%	Lower	Upper
Under 12 months	1.04	1.86%	0.00	100.00%
12 months and within 24 months	1.04	1.86%	0.00	100.00%
24 months and within 5 years	3.12	5.59%	0.00	100.00%
5 years and within 10 years	5.21	9.32%	0.00	100.00%
10 years and within 20 years	6.26	11.20%	0.00	100.00%
20 years and within 30 years	39.20	70.16%	0.00	100.00%
30 years and within 40 years	0.00	0.00%	0.00	100.00%

3.6 Policy on Borrowing in Advance of Need

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

3.7 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

If rescheduling was done it would be reported to Cabinet at the earliest meeting following its action.

3.8 New Financial Institutions as a Source of Borrowing and Types of Borrowing

Currently the PWLB Certainty Rate is set at gilts +80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities – primarily shorter dated maturities out to 3 years or so are generally still cheaper than the Certainty Rate.
- Financial institutions – primarily insurance companies and pension funds but also some banks, and sometimes out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

- The UK National Wealth Fund (previously the UK Infrastructure Bank)

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy – Management of Risk

The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).

Council’s investment policy has regard to the following:

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

The Council’s investment priorities will be security first, liquidity second and then yield (return).

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but also to consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings
2. **Other Information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this the council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties
4. The authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in **annex B2** under the categories of ‘specified’ and ‘non-specified’ investments
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if

originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio
 6. **Lending limits** (amounts and maturity) for each counterparty will be set through applying the matrix table in paragraph 4.2
 7. **Transaction limits** are set for each type of investment in 4.2
 8. The Council will set a limit for the amount of its investments which are invested for **longer than 365 days** (see paragraph 4.4)
 9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 4.3)
 10. The Council has engaged **external consultants** (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year
 11. All investments will be denominated in **sterling**
 12. As a result of the change in accounting standards under IFRS9, the authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

The Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year

The above criteria are unchanged from last year

4.2 Creditworthiness Policy

This Council will apply the creditworthiness service provided by the MUFG Corporate Markets. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

1. credit watches and credit outlooks from credit rating agencies;
2. Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration

for investments. The Council will, therefore, use counterparties within the following durational bands:

- **Yellow (Y)** – up to but less than 1 year
- **Dark pink (Pi1)** liquid – Ultra-Short Dated Bond Funds with a credit score of 1.25
- **Light pink (Pi2)** liquid – Ultra-Short Dated Bond Funds with a credit score of 1.5
- **Purple (P)** – up to but less than 1 year
- **Blue (B)** – up to but less than 1 year (only applies to nationalised or part- nationalised UK Banks)
- **Orange (O)** – up to but less than 1 year
- **Red (R)** – 6 months
- **Green (G)** – 100 days
- **No colour (N/C)** – not to be used

The MUFG Corporate Markets creditworthiness service uses a wider array of information other than just primary ratings and by using a risk weighted scoring system, it does not give undue preponderance to just one agency’s ratings.

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

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG Corporate Markets creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council’s minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx European Senior financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by MUFG Corporate Markets. Extreme market movements may result in downgrade of an institution or removal from the Council’s lending list.

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

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 –see Annex B2.

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

Creditworthiness

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK.

CDS prices

Although bank CDS prices (these are market indicators of credit risk) spiked upwards during the days of the Truss/Kwarteng government in the autumn 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. MUFG Corporate Markets monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its MUFG Corporate Markets-provided Passport portal.

4.3 Limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors

- a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 20% of the total treasury management investment portfolio.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by Officers should ratings change in accordance with this policy.

4.4 Investment Strategy

In-house Funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be reliably identified that could be invested for longer periods the value to be obtained from longer-term investments will be carefully assessed.

Investment Returns Expectations

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to fall to a low of 3.25% in 2026.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year were updated on 22 December 2025 and are as follows:

- 2025/26 (residual) 3.80%
- 2026/27 3.40%
- 2027/28 3.30%
- 2028/29 3.30%
- 2029/30 3.50%
- Years 6-10 3.50%

Caution must be exercised in respect of all interest rate forecasts.

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

Council is asked to approve the following treasury indicator and limit:

Maximum principal sums invested > 365 days						
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Principal sums invested > 365 days	Nil	Nil	Nil	Nil	Nil	Nil

4.5 End of year investment report

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

Treasury Management Glossary of Terms

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

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

- **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.
- **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.
- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate; however, they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.
E.g. a 30-year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as $8\%/1.45 = 5.5\%$.
See also PWLB.

- **Liquidity** – Relates to the amount of readily available or short-term investment money which can be used for either day to day or unforeseen expenses. For example, Call Accounts allow instant daily access to invested funds.
- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.
- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high-quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status. As from 21 July 2018 there will be three structural options for existing money market funds – Public Debt Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV)
- **MUFG Corporate Markets** – MUFG Corporate Markets are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.
- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.
- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.
- **SONIA** (Sterling Overnight Index Average) – this reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. It is used as a replacement for LIBOR (and LIBID calculations), the publication of which ceased at the close of 2021.
- **Yield** – see Gilts

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

ANNEX B2

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	Max % of counterparty limit - *Specified	Max % of counterparty limit – **Non -Specified	Max. maturity period
DMADF – UK Government	N/A	100%	N/A	6 months
UK Government gilts	UK sovereign rating	100%	N/A	1 year
UK Government Treasury bills	UK sovereign rating	100%	N/A	1 year
Bonds issued by multilateral development banks	AAA	100%	N/A	6 months
Money Market Funds CNAV	AAA	100%	N/A	Liquid
Money Market Funds LVNAV	AAA	100%	N/A	Liquid
Money Market Funds VNAV	AAA	100%	N/A	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	N/A	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	N/A	Liquid
Local authorities	N/A	100%	N/A	1 year
Term deposits with banks and building societies	Yellow	100%	20%	Up to 1 year
	Purple	100%	20%	Up to 1 year
	Blue	100%	N/A	Up to 1 year
	Orange	100%	20%	Up to 1 year
	Red	100%	20%	Up to 6 Months
	Green	100%	20%	Up to 100 days
	No Colour	0%	0%	Not for use
Certificates of Deposit and corporate bonds with banks and building societies	Yellow	20%	0%	Up to 1 year
	Purple	20%	0%	Up to 1 year
	Blue	20%	0%	Up to 1 year
	Orange	20%	0%	Up to 1 year
	Red	0%	0%	Up to 6 Months
	Green	0%	0%	Up to 100 days
	No Colour	0%	0%	Not for use

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

****NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the specified investment criteria. A maximum of up to 20% ** will be held in aggregate in relevant non-specified investments (as at the trade date of investing).

Background information on credit ratings

Credit ratings are an important part of the Authority's investment strategy. The information below summarises some of the key features of credit ratings and why they are important.

What is a Credit Rating?

A credit rating is:

- An independent assessment of an organisation;
- It gauges the likelihood of getting money back on the terms it was invested;
- It is a statement of opinion, not statement of fact;
- They help to measure the risk associated with investing with a counterparty;

Who Provides / Uses Credit Ratings?

There are three main ratings agencies, all of which are used in the Authority's treasury strategy.

- Fitch
- Moody's Investor Services
- Standard & Poor's

The ratings supplied by these agencies are used by a broad range of institutions to help with investment decisions, these include:

- Local Authorities;
- Other non-financial institutional investors;
- Financial institutions;
- Regulators;
- Central Banks;

Rating Criteria

There are many different types of rating supplied by the agencies. The key ones used by the Authority are ratings to indicate the likelihood of getting money back on terms invested. These can be split into two main categories:

- 'Short Term' ratings for time horizons of 12 months or less. These may be considered as the most important for local authorities.
- 'Long Term' ratings for time horizons of over 12 months. These may be considered as less important in the current climate.

In addition, the agencies issue sovereign, individual and support ratings which will also feed into the investment strategy.

Rating Scales (Fitch, Moody's and Standard & Poor's)

The table below shows how some of the higher graded short- and long-term ratings compare across the agencies; the top line represents the highest grade possible. (There are other ratings that go much lower than those shown below, and ratings for other elements).

Short Term			Long Term		
Fitch	Moody's	S&P	Fitch	Moody's	S&P
F1+	P-1	A-1+	AAA	Aaa	AAA
F1	P-1	A-1	AA	Aa2	AA
F2	P-2	A-2	A	A2	A

COUNCIL

**Council Tax 2026/27
25 February 2026**

Report of Chief Finance Officer

PURPOSE OF REPORT

To approve 2026/27 Council tax rates for the district.

This report is public.

RECOMMENDATIONS:

(1) That it be noted that, under delegated powers in accordance with section 84 of the Local Government Act 2003, the following amounts have been calculated for the year 2026/27, in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) made under section 33(5) of the Local Government Finance Act 1992 (the "Act"):

- (a) 43,832.69 being the amount of its council tax base for the whole district [item T in the formula in section 31B of the Act];
- (b) 18,007.60 being the amount of its council tax base for the non-parished part of the district; and
- (c)

<i>Parish</i>	<i>Tax Base</i>	<i>Parish</i>	<i>Tax Base</i>
Aldcliffe with Stodday	151.70	Nether Kellet	291.56
Arkholme-with-Cawood	175.80	Over Kellet	413.33
Bolton-le-Sands	1,704.93	Over Wyresdale	131.32
Borwick	94.29	Overton	385.53
Burrow-with-Burrow	116.20	Priest Hutton	96.60
Cantsfield	64.42	Quernmore	251.91
Carnforth	1,828.98	Roeburndale	21.33
Caton-with-Littledale	1,138.55	Scotforth	167.92
Cloughton	52.25	Silverdale	859.22
Cockerham	309.95	Slyne-with-Hest	1,332.66
Ellel	1,181.86	Tatham	214.35
Gressingham	84.54	Thurnham	248.62
Halton-with-Aughton	1,188.41	Tunstall	65.26
Heaton-with-Oxcliffe	663.64	Warton	909.41
Hornby-with-Farleton	358.15	Wennington	63.21
Ireby and Leck	115.81	Whittington	186.40
Melling-with-Wrayton	150.08	Wray-with-Botton	216.30
Middleton	239.61	The Yealands	271.57
Morecambe Town Council	10,079.42		

being the amounts of its council tax base for each parish within the district.

- (2) That in accordance with section 35 of the Local Government Finance Act 1992, it be noted that there are no expenses to be treated as the City Council's special expenses.
- (3) That the following amounts be now calculated by the City Council for the year 2026/27 in accordance with Sections 31 to 36 of the Act, as amended by the Localism Act 2011:
- (a) £139,350,849.82 being the aggregate of the amounts which the City Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by parish councils;
- (b) £125,573,457.00 being the aggregate of the amounts which the City Council estimates for the items set out in Section 31A(3) of the Act;
- (c) £13,777,392.82 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the City Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year. [Item R in the formula in Section 31B of the Act];
- (d) All town and parish councils have notified Lancaster of their precept requirement for 2026-27. The resulting aggregate amount of all special items (parish precepts) referred to in Section 34(1) of the Act is £1,846,049.82;
- (e) £11,931,343.00 being the council tax requirement for the Council's own purposes for 2026/27 (excluding parish precepts);
- (f) £314.32 being the amount at 3(c) above [Item R], all divided by the amount at 1(a) above [Item T], calculated by the City Council, in accordance with section 31B of the Act, as the basic amount of its council tax for the year (including parish precepts);
- (g) £272.20 being the amount at 3(f) above less the result given by dividing the amount at 3(d) above by the amount at 1(a) above, calculated by the City Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its district to which no parish precept relates.
- (h)

<i>Parish</i>	<i>Tax Rate £</i>	<i>Parish</i>	<i>Tax Rate £</i>
Aldcliffe with Stodday	312.08	Nether Kellet	324.47
Arkholme-with-Cawood	295.49	Over Kellet	298.81
Bolton-le-Sands	302.22	Over Wyresdale	284.38
Borwick	285.46	Overton	302.02
Burrow-with-Burrow	291.13	Priest Hutton	303.26
Cantsfield	272.20	Quernmore	294.67
Carnforth	377.72	Roeburndale	272.20
Caton-with-Littledale	311.51	Scotforth	292.69
Cloughton	272.20	Silverdale	362.36
Cockerham	328.75	Slyne-with-Hest	328.52
Ellel	306.42	Tatham	300.95
Gressingham	321.29	Thurnham	299.15
Halton-with-Aughton	323.38	Tunstall	341.92
Heaton-with-Oxcliffe	292.04	Warton	298.00
Hornby-with-Farleton	325.93	Wennington	667.31
Ireby and Leck	346.32	Whittington	308.79
Melling-with-Wrayton	375.05	Wray-with-Botton	324.95
Middleton	342.84	The Yealands	310.50
Morecambe Town Council	376.25		

being the amounts given by adding to the amount at 3(g) above the amounts of the parish precepts relating to dwellings in those parts of the district mentioned above, divided in each case by the relevant amount at 1(c) above, calculated by the City Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of the district to which parish precepts relate.

(i) VALUATION BANDS

Area	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Non Parished Area	181.47	211.71	241.96	272.20	332.69	393.18	453.67	544.40
Aldcliffe-with-Stodday	208.05	242.73	277.40	312.08	381.43	450.78	520.13	624.16
Arkholme-with-Cawood	196.99	229.83	262.66	295.49	361.15	426.82	492.48	590.98
Bolton-le-Sands	201.48	235.06	268.64	302.22	369.38	436.54	503.70	604.44
Borwick	190.31	222.02	253.74	285.46	348.90	412.33	475.77	570.92
Burrow-with-Burrow	194.09	226.43	258.78	291.13	355.83	420.52	485.22	582.26
Cantsfield	181.47	211.71	241.96	272.20	332.69	393.18	453.67	544.40
Carnforth	251.81	293.78	335.75	377.72	461.66	545.60	629.53	755.44
Caton-with-Littledale	207.67	242.29	276.90	311.51	380.73	449.96	519.18	623.02
Cloughton	181.47	211.71	241.96	272.20	332.69	393.18	453.67	544.40
Cockerham	219.17	255.69	292.22	328.75	401.81	474.86	547.92	657.50
Ellel	204.28	238.33	272.37	306.42	374.51	442.61	510.70	612.84
Gressingham	214.19	249.89	285.59	321.29	392.69	464.09	535.48	642.58
Halton-with-Aughton	215.59	251.52	287.45	323.38	395.24	467.10	538.97	646.76
Heaton-with-Oxcliffe	194.69	227.14	259.59	292.04	356.94	421.84	486.73	584.08
Hornby-with-Farleton	217.29	253.50	289.72	325.93	398.36	470.79	543.22	651.86
Ireby and Leck	230.88	269.36	307.84	346.32	423.28	500.24	577.20	692.64
Melling-with-Wrayton	250.03	291.71	333.38	375.05	458.39	541.74	625.08	750.10
Middleton	228.56	266.65	304.75	342.84	419.03	495.21	571.40	685.68
Morecambe Town Council	250.83	292.64	334.44	376.25	459.86	543.47	627.08	752.50
Nether Kellet	216.31	252.37	288.42	324.47	396.57	468.68	540.78	648.94
Over Kellet	199.21	232.41	265.61	298.81	365.21	431.61	498.02	597.62
Over Wyresdale	189.59	221.18	252.78	284.38	347.58	410.77	473.97	568.76
Overton	201.35	234.90	268.46	302.02	369.14	436.25	503.37	604.04
Priest Hutton	202.17	235.87	269.56	303.26	370.65	438.04	505.43	606.52
Quernmore	196.45	229.19	261.93	294.67	360.15	425.63	491.12	589.34
Roeburndale	181.47	211.71	241.96	272.20	332.69	393.18	453.67	544.40
Scotforth	195.13	227.65	260.17	292.69	357.73	422.77	487.82	585.38
Silverdale	241.57	281.84	322.10	362.36	442.88	523.41	603.93	724.72
Slyne-with-Hest	219.01	255.52	292.02	328.52	401.52	474.53	547.53	657.04
Tatham	200.63	234.07	267.51	300.95	367.83	434.71	501.58	601.90
Thurnham	199.43	232.67	265.91	299.15	365.63	432.11	498.58	598.30
Tunstall	227.95	265.94	303.93	341.92	417.90	493.88	569.87	683.84
Warton	198.67	231.78	264.89	298.00	364.22	430.44	496.67	596.00
Wennington	444.87	519.02	593.16	667.31	815.60	963.89	1,112.18	1,334.62
Whittington	205.86	240.17	274.48	308.79	377.41	446.03	514.65	617.58
Wray-with-Botton	216.63	252.74	288.84	324.95	397.16	469.37	541.58	649.90
The Yealands	207.00	241.50	276.00	310.50	379.50	448.50	517.50	621.00

being the amounts given by multiplying the relevant amounts at 3(g) or 3(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the City Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- (4) It is noted that Lancashire County Council, Police and Crime Commissioner for Lancashire and the Lancashire Fire Authority have issued precepts to the City Council in accordance

with Section 40 of the Act, for each category of the dwellings in the Council's area as indicated in the following table for the year 2026/27.

Valuation Band	Lancashire County Council £	Police & Crime Commissioner for Lancashire £	Lancashire Fire Authority £
A	1,201.17	194.93	63.15
B	1,401.36	227.42	73.68
C	1,601.56	259.91	84.20
D	1,801.75	292.40	94.73
E	2,202.14	357.38	115.78
F	2,602.53	422.36	136.83
G	3,002.92	487.33	157.88
H	3,603.50	584.80	189.46

- (5) That having calculated the aggregate in each case of the amounts at 3(i) and 4 above, the City Council, in accordance with Sections 30 and 36 of the Act, hereby sets the aggregate amounts shown in the tables below as the amounts of council tax for 2026/27 for each part of its area for each of the categories of dwellings.

Area	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Non Parished Area	1,640.72	1,914.17	2,187.63	2,461.08	3,007.99	3,554.90	4,101.80	4,922.16
Aldcliffe-with-Stodday	1,667.30	1,945.19	2,223.07	2,500.96	3,056.73	3,612.50	4,168.26	5,001.92
Arkholme-with-Cawood	1,656.24	1,932.29	2,208.33	2,484.37	3,036.45	3,588.54	4,140.61	4,968.74
Bolton-le-Sands	1,660.73	1,937.52	2,214.31	2,491.10	3,044.68	3,598.26	4,151.83	4,982.20
Borwick	1,649.56	1,924.48	2,199.41	2,474.34	3,024.20	3,574.05	4,123.90	4,948.68
Burrow-with-Burrow	1,653.34	1,928.89	2,204.45	2,480.01	3,031.13	3,582.24	4,133.35	4,960.02
Cantsfield	1,640.72	1,914.17	2,187.63	2,461.08	3,007.99	3,554.90	4,101.80	4,922.16
Carnforth	1,711.06	1,996.24	2,281.42	2,566.60	3,136.96	3,707.32	4,277.66	5,133.20
Caton-with-Littledale	1,666.92	1,944.75	2,222.57	2,500.39	3,056.03	3,611.68	4,167.31	5,000.78
Cloughton	1,640.72	1,914.17	2,187.63	2,461.08	3,007.99	3,554.90	4,101.80	4,922.16
Cockerham	1,678.42	1,958.15	2,237.89	2,517.63	3,077.11	3,636.58	4,196.05	5,035.26
Ellel	1,663.53	1,940.79	2,218.04	2,495.30	3,049.81	3,604.33	4,158.83	4,990.60
Gressingham	1,673.44	1,952.35	2,231.26	2,510.17	3,067.99	3,625.81	4,183.61	5,020.34
Halton-with-Aughton	1,674.84	1,953.98	2,233.12	2,512.26	3,070.54	3,628.82	4,187.10	5,024.52
Heaton-with-Oxcliffe	1,653.94	1,929.60	2,205.26	2,480.92	3,032.24	3,583.56	4,134.86	4,961.84
Hornby-with-Farleton	1,676.54	1,955.96	2,235.39	2,514.81	3,073.66	3,632.51	4,191.35	5,029.62
Ireby and Leck	1,690.13	1,971.82	2,253.51	2,535.20	3,098.58	3,661.96	4,225.33	5,070.40
Melling-with-Wrayton	1,709.28	1,994.17	2,279.05	2,563.93	3,133.69	3,703.46	4,273.21	5,127.86
Middleton	1,687.81	1,969.11	2,250.42	2,531.72	3,094.33	3,656.93	4,219.53	5,063.44
Morecambe Town Council	1,710.08	1,995.10	2,280.11	2,565.13	3,135.16	3,705.19	4,275.21	5,130.26
Nether Kellet	1,675.56	1,954.83	2,234.09	2,513.35	3,071.87	3,630.40	4,188.91	5,026.70
Over Kellet	1,658.46	1,934.87	2,211.28	2,487.69	3,040.51	3,593.33	4,146.15	4,975.38
Over Wyresdale	1,648.84	1,923.64	2,198.45	2,473.26	3,022.88	3,572.49	4,122.10	4,946.52
Overton	1,660.60	1,937.36	2,214.13	2,490.90	3,044.44	3,597.97	4,151.50	4,981.80
Priest Hutton	1,661.42	1,938.33	2,215.23	2,492.14	3,045.95	3,599.76	4,153.56	4,984.28
Quernmore	1,655.70	1,931.65	2,207.60	2,483.55	3,035.45	3,587.35	4,139.25	4,967.10
Roeburndale	1,640.72	1,914.17	2,187.63	2,461.08	3,007.99	3,554.90	4,101.80	4,922.16
Scotforth	1,654.38	1,930.11	2,205.84	2,481.57	3,033.03	3,584.49	4,135.95	4,963.14
Silverdale	1,700.82	1,984.30	2,267.77	2,551.24	3,118.18	3,685.13	4,252.06	5,102.48
Slyne-with-Hest	1,678.26	1,957.98	2,237.69	2,517.40	3,076.82	3,636.25	4,195.66	5,034.80
Tatham	1,659.88	1,936.53	2,213.18	2,489.83	3,043.13	3,596.43	4,149.71	4,979.66
Thurnham	1,658.68	1,935.13	2,211.58	2,488.03	3,040.93	3,593.83	4,146.71	4,976.06
Tunstall	1,687.20	1,968.40	2,249.60	2,530.80	3,093.20	3,655.60	4,218.00	5,061.60
Warton	1,657.92	1,934.24	2,210.56	2,486.88	3,039.52	3,592.16	4,144.80	4,973.76
Wennington	1,904.12	2,221.48	2,538.83	2,856.19	3,490.90	4,125.61	4,760.31	5,712.38
Whittington	1,665.11	1,942.63	2,220.15	2,497.67	3,052.71	3,607.75	4,162.78	4,995.34
Wray-with-Botton	1,675.88	1,955.20	2,234.51	2,513.83	3,072.46	3,631.09	4,189.71	5,027.66
The Yealands	1,666.25	1,943.96	2,221.67	2,499.38	3,054.80	3,610.22	4,165.63	4,998.76

- (6) That it be determined that the City Council's basic amount of council tax for 2026/27 is not excessive, when compared with the principles approved under Section 52ZB of the Local Government Finance Act 1992 (as amended by the Localism Act 2011), and therefore the City Council is not required to hold a local referendum.

CONCLUSION OF IMPACT ASSESSMENT

No new issues directly arising.

FINANCIAL IMPLICATIONS

The report is in accordance with the 2026/27 tax base and council tax requirements.

Annual council tax increases in respect of Band D properties are shown below, excluding parish precepts.

Separately, regarding parishes, the Band D charge increase ranges from -£46.09 to +£22.42 resulting in year-on-year changes of between -29.35% and +47.40%. The

average parish tax rate is £51.40. Some parishes have very small tax bases, and therefore, if they decide on specific spending plans, it can result in a comparatively large change in the tax rates. It should be noted that parish councils currently fall outside of the local referendum thresholds.

OTHER RESOURCE IMPLICATIONS

None directly arising.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has finalised this report, which is in his name as Chief Finance Officer.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments.

MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer would remind Council that the decision on this item is one to which the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2004 and Rule 19.7 of the Council Procedure Rules apply, and accordingly there must be a recorded vote.

BACKGROUND PAPERS

28 January 2026
Council Budget and Policy Framework Update
2026-27 to 2030-31

Precept Notices

Contact Officer: Paul Thompson

Telephone: 01524 582603

E-mail: pthompson@lancaster.gov.uk

CABINET

6.00 P.M.

13TH JANUARY 2026

PRESENT:- Councillors Caroline Jackson (Chair), Mandy Bannon, Martin Bottoms, Paul Hart, Sally Maddocks, Sam Riches and Sue Tyldesley

Apologies for Absence:-

Councillors Peter Jackson and Tim Hamilton-Cox

Officers in attendance:-

Mark Davies	Chief Executive
Luke Gorst	Chief Officer - Governance and Monitoring Officer
Andrew Kipling	Accountancy Manager
Liz Bateson	Principal Democratic Support Officer

86 MINUTES

The minutes of the meetings held on Wednesday 26 November and Tuesday 2 December 2025 were approved as a correct record.

87 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

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

88 DECLARATIONS OF INTEREST

No declarations were made at this point.

89 PUBLIC SPEAKING

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

90 CORPORATE FEES AND CHARGES REVIEW 2026/27

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Cabinet received a report from the Chief Officer Resources that asked Members to endorse the Fees and Charges Policy for 2026/27 and also to consider a range of charging options as deemed appropriate to the service area.

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

	Option 1: To support the inflationary increases/changes as outlined in the report.	Option 2: To not support the inflationary increases/changes as outlined in the report.
Advantages	Fees and charges contribute further to the general fund net	Maintains the cost of services at 25/26 levels or at less than

	position. Costs of delivering Council services have increased as has demand in some areas. Not increasing costs means that further pressure is created on the Council's ability to deliver its core services.	proposed in this report.
Disadvantages	The draft revenue budget has been prepared with the inclusion of the items raised in this report. Any further proposals would require further consideration prior to being fed into the budget process.	Costs of delivering Council services have increased as has demand in some areas. Not increasing costs means that further pressure is created on the Council's ability to deliver its core services.
Risks	Increasing fees to higher than suggested levels would most likely result in further resistance and potentially not achieve the targets originally set.	Cost of living increases and the return from the pandemic have reshaped people's habits. The income targets already set may not achieve projected levels in 26/27, resulting in a shortfall within the accounts.

The officer preferred option is option 1. Fees and Charges are reviewed on an annual basis and as outlined within the report, significant factors have become apparent as to why differing treatment is required within a couple of areas. It is felt that the recommendations made are of a fair nature and in-line with the attached policy.

Councillor Bottoms proposed, seconded by Councillor Tyldesley:-

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

Councillors then voted:-

Resolved unanimously:

- (1) That Cabinet endorses the Fees and Charges Policy as set out at Appendix A, to the report and during 2026/27 as part of the mid-year budget strategy review determines whether any other areas of income generation be explored further for 2026/27 onwards.
- (2) That Cabinet endorses the freezing of garden waste collection charges for 2026/27.
- (3) That Cabinet endorses the introduction of new fees and charges within Planning & Climate Change as detailed in section 3.2 of the report.
- (4) That Cabinet proposes the increasing of selected car parking pay and display

charges plus establishment of new charges as appropriate, in line with those listed in section 3.3 to the report, to be consulted upon with partners ahead of final decisions at Cabinet on 10th February 2026.

- (5) That Cabinet endorses the application of inflationary increases to fees and charges across all remaining areas as appropriate, as reported as part of the current 2026/27 budget setting process.

Officer responsible for effecting the decision:

Chief Officer Resources

Reasons for making the decision:

The report forms part of the Council's budget proposals which will be consulted on as part of that exercise and specific elements of the report will also be shared with organisations that have a particular interest. Fees and charges form an integral part of the budget setting process, which in turn relates to the Council's priorities. Under the Medium Term Financial Strategy (MTFS), income generation is a specific initiative for helping to balance the budget.

91 BUDGET AND POLICY FRAMEWORK UPDATE 2026/27 TO 2030/31

(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)

Cabinet received a report from the Chief Finance Officer that provided an update on the Council's budget strategy for 2025/26 and financial outlook up to 2030/31. Specifically, the report considered the budget and Council Tax proposals for 2026/27.

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

It is essential that the Council Tax rate is set in line with the Council Tax billing timetable. Any delay would put the Council at risk of not being able to collect the tax which would have serious cash flow implications. In terms of the actual budget position, work is ongoing to provide a balanced budget. Public consultation/stakeholder meetings will be held over the coming weeks (including Budget and Performance Panel). The feedback from these meetings will be considered by Cabinet and incorporated into a final budget proposal which will be presented at the Cabinet meeting on 10 February 2026 and recommended to Council on 25 February 2026.

The latest budget position does not produce a balanced budget for 2025/26 and further intervention is necessary before Cabinet can be presented with a balanced budget.

Whilst the longer-term financial forecasts contain numerous estimates and assumptions, which will change over time, the forecasts clearly highlight potential annual and cumulative budget deficits over the next 5 years and the position the Council faces. Although this position is not unique to this Council, it is reflected nationally across many public sector bodies. The gaps identified for 2026/27, although are lower than previously forecasted, are still present. Members and Officers recognise the size of the challenge ahead including that of LGR and will look to manage the transitional change to ensure the Council delivers both its statutory and non-statutory services across the district.

Councillor Bottoms proposed, seconded by Councillor Riches:-

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

Councillors then voted:-

Resolved unanimously:

- (1) That Cabinet recommends to Council a 2.99% increase to the Lancaster City Council element of the Council Tax as set out in paragraph 3.3 (option one) of the report which is an increase to the Band D Council Tax from £264.30 to £272.20.
- (2) That the recommendations and proposals in this report be referred to Council on 28 January for initial consideration prior to public consultation/stakeholder meeting on 3 February by Budget and Performance Panel, in order that any feedback can be provided to Cabinet at its 11 February meeting.

Officer responsible for effecting the decision:

Chief Officer Resources

Reasons for making the decision:

The budget framework in general sets out a financial plan for achieving the Council's corporate priorities and outcomes which incorporate the above cross cutting themes. Equalities impact assessments are undertaken for the relevant activities which are reflected in the budget.

The decision enables the proposals to be considered by the Budget and Performance Panel and at January Council allowing Cabinet to make further recommendations back to Council to complete the budget setting process for 2026/27.

Chair

(The meeting ended at 6.33 p.m.)

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

MINUTES PUBLISHED ON THURSDAY 15 JANUARY, 2026.

**EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES:
FRIDAY 23 JANUARY, 2026.**

