



Committee: BUDGET AND PERFORMANCE PANEL

Date: WEDNESDAY, 15 JANUARY 2025

Venue: MORECAMBE TOWN HALL

Time: 6.15 P.M.

**Please note the change of time and venue for this meeting.
With the agreement of the Chair arrangements will be made for non-Panel Councillors to
join the meeting via microsoft teams**

A G E N D A

1. **Apologies for Absence**

2. **Minutes**

To receive as a correct record the Minutes of the Meeting held on 4th December 2024 (previously circulated).

3. **Items of Urgent Business authorised by the Chair**

4. **Declaration of Interests**

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

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

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

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

5. **Budget and Policy Framework Update 2025/26 to 2029/30 (Pages 3 - 18)**

Report of Chief Officer Resources (Cabinet report published on 14.01.25).

Cabinet report is attached. The recommendations and proposals in the report to Cabinet are recommended to be referred to Council on 22 January

for initial consideration as well as being presented for scrutiny on 15 January prior to public consultation/stakeholder meeting on 29 January (both by Budget and Performance Panel), in order that any feedback can be provided to Cabinet at its 11 February meeting.

6. Housing Revenue Account and Capital Programme (Pages 19 - 49)

Joint report of Chief Officer Housing and Property and Chief Officer Resources (Cabinet report published on 14.01.25).

Cabinet report is attached.

7. Work Programme (Pages 50 - 52)

Joint report of Chief Officers Finance and Governance.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Ross Hunter (Chair), Chris Hanna (Vice-Chair), Keith Budden, Brett Cooper, Isabella Metcalf-Riener, Hamish Mills, Sue Penney, James Sommerville and Jackson Stubbs

(ii) Substitute Membership

Councillors Suhir Abuhajar, Dave Brookes, Ruth Colbridge, John Livermore and Roger Dennison

(iii) Queries regarding this Agenda

Please contact Stephen Metcalfe, Democratic Support - email sjmetcalfe@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Democratic Support email democracy@lancaster.gov.uk.

MARK DAVIES,
CHIEF EXECUTIVE,
TOWN HALL,
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Published on 7 January 2025.

CABINET

**Budget & Policy Framework Update
2025/26 – 2029/30
14 January 2025**

Report of Chief Finance Officer

PURPOSE OF REPORT
To provide an update on the Council's budget strategy for 2025/26 and financial outlook up to 2029/30. Specifically, the report considers the budget and Council Tax proposals for 2025/26.
This report is public.

RECOMMENDATION OF COUNCILLOR HAMILTON-COX

1. That Cabinet make recommendations to Council regarding the Lancaster City Council element of the Council Tax as set out in paragraph 3.3 (option one) of this report which is a 2.99% increase to the Band D Council Tax (from £256.63 to £264.30).
2. That Cabinet makes recommendations regarding its initial budget proposals as set out in section 5 and Appendix A of this report.
3. That the recommendations and proposals in this report be referred to Council on 22 January for initial consideration as well as being presented for scrutiny on 15 January prior to public consultation/stakeholder meeting on 29 January (both by Budget and Performance Panel), in order that any feedback can be provided to Cabinet at its 11 February meeting.

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 At its meeting on 03 December 2024 Cabinet considered updated estimates in respect of the Government's Autumn Statement together with consideration of assumptions in respect of various sources of income and expenditure and the corresponding impact this would have on the 2025/26 revenue budget gap and beyond. Members will, therefore, be aware of the financial challenges faced by the Council.
- 1.3 Since that report, the Government has released the Provisional Local Government Finance Settlement (18 December 2024). Several workshops have been held between Cabinet and Senior Leadership Team to explore initial proposals from the Outcomes Based Resourcing (OBR) task groups.

1.4 This report sets out:

- An update to the estimates of Central Government funding including Revenue Support Grant, Funding Guarantee, Recovery Grants & New Homes Bonus following on from the release of the provisional local government finance settlement and the corresponding impact on the budget gap. **(Section 2)**
- Consideration of options for setting the Council's element of the Council Tax for 2025/26. **(Section 3)**
- An update to the retained Business Rates forecast following on from the release of the finance settlement and review of latest monitoring information & movements on the business rates projections. **(Section 4)**
- A summary of the proposals for achieving a balanced revenue budget for 2024/25. **(Section 5)**
- An update on the work undertaken in respect of the capital programme for the remainder of 2024/25 to 2029/30, and a longer-term Capital Strategy. **(Section 6)**
- An update on the development of a Medium-Term Financial Strategy which will secure the long term financial resilience of the authority and identify resources to meet the Council's priority outcomes for the next five years. **(Section 7)**

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

Table 1 – Executive Summary

	2025/26 Forecast £'M	2025/26 Latest £'M	Difference £'M	Report Section
Provisional Finance Settlement	(1.239)	(1.233)	0.006	2
Council Tax Income	(11.367)	(11.550)	(0.183)	3
Business Rates Income	(13.205)	(13.946)	(0.741)	4
General Fund Revenue	26.007	25.678	(0.329)	5
General Fund Capital (Net)	13.266	19.520	6.254	6
General Fund Revenue Budget Gap	1.435	0.000	(1.435)	7

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

2.0 LOCAL GOVERNMENT FUNDING UPDATE

- 2.1 Details of the provisional Local Government Finance Settlement for 2025/26 were announced on 18 December 2024. The Provisional Settlement is subject to consultation, with the Final Settlement announced towards the end of January/early February. Values may, therefore, be subject to change. Any changes will be reflected in the final budget and policy framework reports presented to Cabinet, and ultimately Council 26 February.

2.2 A summary of the provisional settlement for Lancaster City Council is provided in table 2 below.

Table 2 – Provisional Settlement allocations for Lancaster City Council

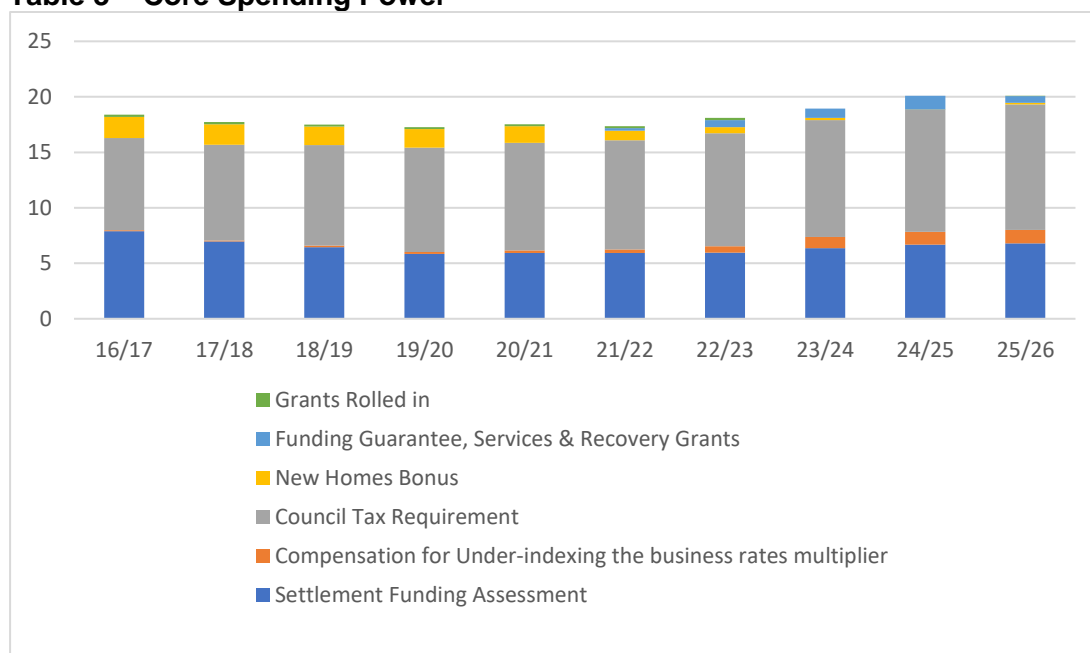
	Provisional Settlement £'M	LCC Forecast £'M	Difference £'M
Settlement Funding Assessment			
Revenue Support Grant	0.460	0.000	0.460
New Homes Bonus	0.137	0.010	0.127
Funding Guarantee/Services Grant	0.000	1.229	(1.229)
Domestic/Recovery Grants	0.637	0.000	0.637
Total Government Funding	1.234	1.239	(0.005)

2.3 As table 2 shows, the provisional settlement allocates £0.005M less resources from Central Government than anticipated and this slightly increases the gap for the 2025/26 revenue budget. The impact of the provisional settlement and its effect on retained business rates is examined separately in Section 4. In addition, a number of additional pressures have been identified, many mirroring the wider economic environment. These pressures are reflected in the current budgeted position. These are discussed further in section 5.

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 – Core Spending Power



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

Table 4 – Core Spending Power (Breakdown)

	2024/25 £'M	2025/26 £'M
Compensation for under-indexing the business rates multiplier	1.162	1.209
Council tax requirement excluding parish precepts	11.005	11.315
Domestic Abuse Safe Accommodation Grant	-	0.034
Funding Guarantee	1.189	-
New Homes Bonus	0.010	0.137
Recovery Grant	-	0.603
Services Grant	0.040	-
Settlement Funding Assessment	6.682	6.804
Grand Total	20.088	20.102

- 2.5 On the basis of the provisional Settlement, the Council's CSP for 2025/26 will increase from £20.09M to £20.10M, or 0.07%, when compared to CSP in 2024/25, and includes an assumption by Government that Councils will increase their Council Tax by the maximum allowable. This is in comparison to the average CSP for all Councils in England of 6.0% and in real terms is deemed to be a significant reduction on previously received amounts creating additional pressure to the net financial position of the general fund.

3.0 COUNCIL TAX

- 3.1 As part of the provisional finance settlement, the Government published its referendum criteria for Council Tax. District councils will be permitted to raise their Council Tax by a maximum of 3% or £5, whichever is higher, without reference to a referendum. Table two below considers the following options for Council Tax:

- Option 1: An annual increase of 2.99%
Option 2: £5 increase in Council Tax
Option 3: No increase in Council Tax

For Lancaster City Council, option 1 is the highest of the options

Table 5 – Impact of Council Tax Options: 2025/26 to 2029/30

Year	Taxbase (%Annual Increase)	Estimated Annual Movement %	Option 1 Annual increase of 2.99% in Council Tax		Option 2 Annual increase of £5 in Council Tax		Option 3 No annual increase in Council Tax		Previous MTFS Approved Feb-2024	Additional / (Reduced) Income from 2.99% Increase & 1% Annual Growth	Additional / (Reduced) Income from £5 Increase & 1% Annual Growth	Additional / (Reduced) Income from Increase in Tax Base Only 1%
			Band D	Income (£'M)	Band D	Income (£'M)	Band D	Income (£'M)				
2024/25	42,583		256.63	10.928	256.63	10.928	256.63	10.928				
2025/26	43,702		264.30	11.550	261.63	11.434	256.63	11.215	11.367	0.183	0.067	(0.152)
2026/27	44,139	1.00%	272.20	12.015	266.63	11.769	256.63	11.327	11.824	0.191	(0.055)	(0.497)
2027/28	44,580	1.00%	280.34	12.498	271.63	12.109	256.63	11.441	12.300	0.198	(0.191)	(0.859)
2028/29	45,026	1.00%	288.72	13.000	276.63	12.456	256.63	11.555	12.794	0.206	(0.338)	(1.239)
2029/30	45,476	1.00%	297.35	13.522	281.63	12.807	256.63	11.671	13.177	0.345	(0.370)	(1.506)
										1.123	(0.887)	(4.253)

- 3.2 When compared against the MTFS which was approved by Council in February 2024 the following information can be drawn from the table above:-

- Option 1 provides additional income of £0.183M in 2025/26 and £1.123M over the five year

- period;
- Option 2 provides additional income of £0.067M in 2025/26 but is cumulatively short by - (£0.887M) over the five year period
 - Option 3 provides for a shortfall of income of £0.152M in 2025/26 and is cumulatively short by - (£4.253M) over the five year period
- 3.3 **The recommendation arising from this report is that the Council on 22 January 2025 agree a 2.99% increase (option one) to the level of the 2025/26 Band D Council Tax for the Lancaster City Council element.** It is also recommended that option one is selected for the purposes of completing estimates in the Medium-Term Financial Strategy.
- 3.4 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 £280K and is included within the general fund net financial position.

4.0 BUSINESS RATES

- 4.1 Since the Medium Term Financial Strategy Update reported on 3 December 2024, work has been undertaken on business rates modelling as further information has become available, particularly in respect of the changes to the small and the standard business rates multipliers and the consequent impact on Section 31 grant adjustments. Details of the calculation of the adjustment required was release in guidance which accompanied the National Non Domestic Rates (NNDR1) form issued after the provisional finance settlement. This has been used to determine the amount of the adjustment based on data in respect of the rateable value of heraditaments on the small and standard business rates multiplier from initial information supplied by the revenues team.
- 4.2 The provisional local government finance settlement released on 18 December 2024 set out the tariff, baseline and safety net levels which drive the retained rates calculation. The modelling has been refreshed to reflect these and the impact of ongoing business rates monitoring. Forecasts in respect of business rates have been based on reports received from the Revenues Team generated to complete the NNDR1 form. Whilst the forecasts are based on the latest projections available, they continue to remain subject to change until the submission deadline of 31 January 2025. Any changes will be reported to Cabinet as part of the 11 February 2025 update report.
- 4.3 With the recent news of the extension of Heysham 1 power station to 31 March 2027, this has improved the financial position for 2026/27 but Members are asked to note that this is not without its own complexity leaving some inevitable uncertainty which will remain subject to ongoing review as the date for the closure of Heysham 1 approaches.
- 4.4 The Council receives rating income from renewable energy schemes within the district, largely in relation to Walney Sub-Station. The value of this income is included as £4.004M in 2025/26 (£3.970M for 2024/25). A majority of the income currently falls outside of the main rate retention scheme, and so the Council retains the full benefit from it.
- 4.5 Work is continuing to determine the forecast surplus or deficit for the year. Members will recall that the Business Rates Retention Reserve (BRRR) is used to manage the impact of surpluses and deficits and also to manage fluctuations in income levels in order to provide budgetary stability and smooth out year on year peaks and troughs. As part of the 2024/25 budget setting process, a contribution of £130K to the BRRR and a contribution of £820K to the unallocated reserve were included within 2025/26. These contributions remains in place and are included within the general fund net financial postion.
- 4.6 The Council is expected to benefit from prior year surpluses to the collection fund account in respect of business rates. This amount is currently valued at £878K and is included within the general fund net financial position.

- 4.7 The table below provides Business Rates forecasts for the next five years in comparison to previously reported figures and the resultant net impact on the General Fund budget gap.

Table 6 – Business Rates Forecast

	2025/26	2026/27	2027/28	2028/29	2029/30
	£'M	£'M	£'M	£'M	£'M
Retained Business Rates	13.946	13.641	11.577	11.884	12.146
Previously Reported	13.205	11.464	11.769	12.029	12.270
Net impact on General Fund Budget Gap	0.741	2.177	(0.192)	(0.145)	(0.124)

- 4.8 The following table provides further analysis of the key differences between the previously reported projected position for 2025/26 and the latest information available.

Table 7 – Business Rates Movements (changes since previously approved position)

	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29
	£'M	£'M	£'M	£'M
Non Domestic Ratings Income (incl. s31 grants)	+0.362	+4.118	+0.202	+0.206
Tariff ¹	+0.159	+0.162	+0.165	+0.169
Retained Rates	+0.521	+4.280	+0.367	+0.375
Funding Baseline ¹	(0.046)	(0.047)	(0.048)	(0.049)
Growth before Levy	+0.567	+4.327	+0.415	+0.424
Levy (50%)	(0.283)	(2.164)	(0.208)	(0.212)
Growth Retained	+0.283	+2.164	+0.208	+0.212
<u>Business Rates Income per analysis</u>				
Funding Baseline ¹	(0.046)	+6.454	+0.000	+0.000
Safety Net ²	+0.000	(6.134)	(0.045)	(0.046)
Retained Growth	+0.283	+1.903	+0.000	+0.000
Net Cap Compensation ¹	+0.550	+0.000	(0.100)	(0.050)
Green Energy Disregard	(0.046)	(0.046)	(0.047)	(0.048)
Movement in Forecast Business Rates Income	+0.741	+2.177	(0.192)	(0.144)

Notes to the above

¹ uncertain until final finance settlement for year has been confirmed

² previous forecast assumed Heysham 1 decommissioning date as March 2026 - now extended to March 2027

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

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

5.0 BUDGET PROPOSALS

5.1 The 03 December 2024 Cabinet report set out the significant challenges facing the Council in balancing its revenue budget for 2025/26 and beyond. Since that report, working groups with Members and Officers have taken place to identify savings, efficiency, and income generation proposals. These proposals together with in-year changes and ongoing changes to accounting, forecasting and grant activity have also led to a change in the budgetary position from that previously reported.

Table 8 Cabinet's Draft Revenue Budget Proposals – 2025/26

	2025/26
	£'M
Revenue Budget Forecast as at 28 February 2024	26.007
Base Budget Changes	
Operational Base Budget Changes	0.385
Commercial & Corporate Property Review	1.541
Food Waste Collection(pEPR)	(0.764)
	27.169
Outcomes Based Resourcing Proposals	
Savings & Income Proposals	(0.051)
Growth Proposals	0.026
Impact of Review of the Capital Programme (MRP & Interest)	(0.019)
Impact of Review of the Capital Programme (Ongoing Revenue)	(0.076)
	27.049
National Insurance Contributions Rebate	(0.400)
Impact of Provisional Local Government Finance Settlement	0.465
General Fund Revenue Budget	27.114
Core Funding	
Revenue Support Grant	(0.460)
Prior Year Council Tax (Surplus)/Deficit	(0.280)
Prior Year Business Rates (Surplus)/Deficit	(0.878)
Net Business Rates Income	(13.946)
Council Tax Requirement	11.550
Estimated Council Tax Income	
(Increase Based on 2.99% for 2024/25 then maximum allowable	(11.550)
Resulting Base Budget (Surplus)/ Deficit	0.000

5.2 The proposals set out in the table 7 above produce a balanced revenue budget for 2025/26, which forms part of the recommendations of this report. Further details including the latest projections for future years to 2029/30 can be found at **Appendix A**. Subject to Cabinet agreement, this proposal will then be considered for scrutiny on 15 January prior to public consultation/stakeholder meeting on 29 January (both by Budget and Performance Panel) and to Council on 22 January 2025.

5.3 As noted previously, the OBR groups have identified a number of budget savings and an area where revenue growth is required. The details at **Appendix B** for 2025/26 relate to

several areas where actions are being undertaken by the Council. Given the sensitivities around some of the proposals, they have been presented at summary Service level at this stage of the budget process. Further information will be provided in due course to enable effective internal and external discussion.

- 5.5 Table 9 below reconciles the position reported to Cabinet on 3 December 2024 to the current balanced position.

Table 9 Reconciliation from Cabinet 3 December 2024 to Current Position

	2025/26 £'M	
Resulting Base Budget (Surplus)/ Deficit as of 3 December 2024 (Cabinet)		1.678
Further Operational Changes	(0.042)	
Building Control Contract	0.118	
Fees & Charges Inflation	(0.182)	
National Insurance Contributions Rebate	(0.400)	
Commercial & Corporate Property Review	1.541	
Waste Collection (pEPR payment)	(0.989)	
Food Waste Collection	0.225	
Impact of Provisional Local Government Settlement	0.005	0.276
Revenue Impact of Capital Programme Review (MRP & Interest)		0.229
Revenue Impact of Capital Programme Review (Ongoing Revenue)		(0.076)
Savings Proposals		(0.051)
Growth Proposals		0.026
Updated Council Tax Income Projection		(0.183)
Prior Year Council Tax (Surplus)/Deficit		(0.280)
Prior Year Business Rates (Surplus)/Deficit		(0.878)
Updated Net Business Rates Income		(0.741)
Resulting Base Budget (Surplus)/ Deficit as at 14 January 2025 (Cabinet)		0.000

Budget Principles and Assumptions

- 5.6 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.

5.7 Table 10 below, lists the major assumptions that have been made for the 2025/26 budget.

Table 10 Major Assumptions within Draft Revenue Budget 2025/26

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

It should be noted that the above assumptions have been prepared using the latest information available. Should any of the above deviate significantly from the expected factor then it could have considerable consequences for the revenue position. For example, with regard to the pay award, every 1% equates to a c.£300K cost to the net financial position for the general fund.

6.0 CAPITAL PROGRAMME

6.1 To enable the Council to take a greater strategic view of its capital investments it has extended its capital planning horizon to cover the 10-year period 2025/26 to 2034/35. This should enable the Council to more effectively plan and ensure that the Capital Programme is focused and deliverable.

6.2 The proposed Capital Programme has been developed following presentation of business cases for new schemes to Capital Assurance Group and subsequent discussion with Cabinet and Senior Leadership Team. Some further revisions to the proposed Programme particularly in respect of Information, Communications & Technology requirements are currently being finalised.

6.3 Details of the current proposed Capital Programme are provided at **Appendix C**. The final Capital Programme for 2025/26 to 2034/35 and supporting Capital Strategy to cover this period and beyond will be considered for scrutiny on 15 January prior to public consultation/stakeholder meeting on 29 January (both by Budget and Performance Panel) and to Council on 22 January 2025 ahead of the Budget Council on 26 February 2025.

7.0 MEDIUM TERM FINANCIAL STRATEGY

7.1 An update to the Council's Medium Term Financial Strategy (MTFS) was presented to Council on 11 December 2024. The MTFS presented at that meeting was a baselined position, in that it did not include any of the interventions now considered within this report.

7.2 Members will appreciate that there are a significant number of factors to be considered as part of the medium-term financial planning exercise. The revision of the MTFS is progressing well and will be considered at Budget Setting Council on 26 February 2025. The revision of

the MTFs will be key in providing sound financial planning processes to underpin the Council's ambitions. Key considerations of the MTFs include taking account of the impact of decisions made to balance the 2025/26 budget alongside forecasts for future funding.

- 7.3 Table 11 below provides the most recent forecasts with providing more detail across the 5 year period.

Table 11 Net Revenue Budget & Budget Gaps 2025/26 – 2029/30

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M
Net Revenue Budget	27.114	28.190	29.178	29.799	31.183
Budget Gap (Incremental)	0.000	2.074	4.643	4.455	5.055
% of Net Revenue Budget (Incremental)	0%	7%	16%	15%	16%
Budget Gap (Cumulative)	0.000	2.074	6.717	11.172	16.227
% of Net Revenue Budget (Cumulative)	0%	7%	23%	37%	52%

- 7.4 The forecast budget gaps continue to be structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive. Overall, the current estimated shortfall is £5.055M which continues to represent a significant challenge over the short and medium term.

- 7.5 Officers are continuously working with Cabinet to address this issue and will continue to do so following on from the conclusion of the current budget process. This will ensure that the problem is addressed in a timely manner so that it remains manageable. Proposed actions currently include:

- continuation of OBR task groups
- exploration of closer working and collaboration with other Councils, Public Sector Bodies and Partner Institutions
- application of alternative funding to deliver key Council outcomes
- detailed review and sensitivity analysis on all key and significant income streams
- further rationalisation work on the Council's asset base
- the potential use of capital receipts to finance existing projects
- capitalisation of transformation costs where appropriate

- 7.6 It is expected that a formulated MTFs Action Plan covering the points raised above will be presented to Cabinet and Council in February 2025 with progress against its milestones monitored by Cabinet and Budget and Performance Panel.

- 7.7 Many of the financial pressures identified within the Councils General Fund are also present within the Housing Revenue Account (HRA). A full update on the HRA budget and financial outlook will be considered alongside the General Fund revenue budget including options to ensure that the service's 30-year business plan is viable and that its ongoing budget is balanced, whilst delivering value for money to tenants.

8.0 DETAILS OF CONSULTATION

- 8.1 Given the size of the challenges faced by the Council, enhanced consultation with relevant internal and external stakeholders on the budget has been undertaken as part of the development of this budget with several briefings taking place. Further engagement will be undertaken prior to Budget Council in February. More specific consultation will continue as work continues to address the issues identified in the next few years.

9.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

- 9.1 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.
- 9.2 Regarding the budget strategy, Cabinet may approve the proposals as set out, or ask for changes to be made to the suggested approach. The overriding aim of any budget setting process is to approve a balanced budget by statutory deadlines, allocating resources to help ensure delivery of the Council's corporate priorities and service outcomes. The proposed approach is in line with that broad aim and any changes that Cabinet puts forward should also be framed in that context.
- 9.3 In terms of the actual budget position, this report puts forward a balanced budget. If Cabinet agrees the budget, then it will form their proposal to be presented for scrutiny on 15 January prior to public consultation/stakeholder meeting on 29 January (both by 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 11 February 2025 and recommended to Council on 26 February 2025.

10.0 CONCLUSION

- 10.1 The current budget proposal produces a balanced budget for 2025/26 without the need to call on reserves.
- 10.2 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 and beyond are of a level that both Members and Officers need to recognise the size of the challenge ahead and manage the transitional change to the way that the Council delivers both its statutory and non-statutory services across the district.

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

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

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 and beyond are of a level that both Members and Officers need to recognise the size of the challenge ahead and manage the transitional change to the way that the Council delivers both its statutory and non-statutory services across the district.

LEGAL IMPLICATIONS

No legal implications directly arising from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments

BACKGROUND PAPERS

None

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Ref: N/A

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

For Consideration by Cabinet 14 January 2025

	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000
GF Revenue Budget/Forecast as at 28 February 2024	26,007	27,235	27,899	29,390	30,272
GF Revenue Budget/Forecast as at 3 December 2024	26,250	26,695	27,893	29,212	30,205
Base Budget Changes					
Further Operational Changes	(42)	(61)	(55)	(101)	(92)
Building Control Contract	118	132	134	180	185
Fees & Charges Inflation	(182)	(182)	(182)	(182)	(182)
National Insurance Contributions Rebate	(400)	(410)	(420)	(431)	(442)
Commercial & Corporate Property Review	1,541	1,053	856	299	888
Waste Collection (pEPR payment)	(989)	(1,009)	(1,029)	(1,050)	(1,071)
Food Waste Collection	225	1,009	1,029	1,050	1,071
Impact of Provisional Local Government Settlement	465	592	592	592	592
Latest Budgetary Position	26,986	27,819	28,818	29,569	31,154
Outcomes Based Resourcing Proposals:					
<u>Growth/(Savings) Proposals</u>					
Environment & Place	(5)	(30)	(30)	(30)	(30)
Housing & Property	(13)	(49)	(124)	(124)	(124)
People & Policy	26	27	27	28	28
Planning & Climate Change	(45)	(45)	(45)	(45)	(45)
Sustainable Growth	12	(14)	(17)	(16)	(17)
Revenue Impact of Capital Programme Review (MRP & Interest)	229	608	775	643	443
Revenue Impact of Capital Programme Review (Ongoing Revenue)	(76)	(126)	(226)	(226)	(226)
General Fund Revenue Budget	27,114	28,190	29,178	29,799	31,183
Core Funding:					
Revenue Support Grant	(460)	(460)	(460)	(460)	(460)
Prior Year Council Tax (Surplus)/Deficit	(280)				
Prior Year Business Rates (Surplus)/Deficit	(878)				
Net Business Rates Income	(13,946)	(13,641)	(11,577)	(11,884)	(12,146)
Council Tax Requirement	11,550	14,089	17,141	17,455	18,577
Estimated Council Tax Income - (Increases based on 2.99% for 2025/26 then max allowable)	11,550	12,015	12,498	13,000	13,522
Resulting Base Budget (Surplus)/Deficit	0	2,074	4,643	4,455	5,055
Incremental Deficit as Percentage of Net Revenue Budget	0%	7%	16%	15%	16%

Revenue Budget (Surplus)/Deficit as at 28 February 2024	1,435	3,947	3,830	4,567	(0)
Increase/(Decrease)	(1,435)	(1,873)	813	(112)	5,055

General Fund Unallocated Balance						
	£M	£M	£M	£M	£M	
BALANCES	Balance as at 1 April 2025-29	(8.420)	(8.924)	(6.753)	(2.110)	+2.345
	In Year allocations	(0.504)	+0.097	+0.000	+0.000	+0.000
	Forecast (Under)/Overspend	+0.000	+2.074	+4.643	+4.455	+5.055
	Other Adjustments	+0.000	+0.000	+0.000	+0.000	+0.000
	Projected Balance as at 31 March 2026-30	(8.924)	(6.753)	(2.110)	+2.345	+7.400
	Reserves	(8.924)	(6.753)	(2.110)	+2.345	+7.400
	Less Recommended Minimum Level of Balances	5.000	5.000	5.000	5.000	5.000
	Available Balances	(3.924)	(1.753)	+2.890	+7.345	+12.400

Savings and Budget Proposals 2025/26 to 2029/30

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

General Fund Capital Programme

Service / Scheme	2024/25			2025/26			2026/27			2027/28			2028/29			2029/30		
	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme	Gross Budget	External Funding	Net Programme
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Environment & Place																		
Vehicle Renewals (Latest)	545,000		545,000	5,152,000	0	5,152,000	1,965,000	0	1,965,000	190,000	0	190,000	2,001,000	0	2,001,000	504,000	0	504,000
Electric Taxis Scheme	341,000	(341,000)	0			0			0			0			0			0
UK Shared Prosperity Fund - The Streets Are Ours Public Realm	205,000	(205,000)	0			0			0			0			0			0
UK Shared Prosperity Fund - Heysham Village Toilets	99,000	(99,000)	0			0			0			0			0			0
Salt Ayre Asset Management Plan			0	1,267,000		1,267,000			0			0			0			0
AONB Capital Access Works	76,000	(76,000)	0			0			0			0			0			0
LTA Tennis Court Refurbishment	80,000	(80,000)	0			0			0			0			0			0
Playground The Roods - Warton	80,000	(80,000)	0			0			0			0			0			0
Winchester Field and Nature Area			0	109,000	(47,000)	62,000			0			0			0			0
Food Waste Strategy			0	1,462,000	(1,462,000)	0	0	0	0	0	0	0	0	0	0	0	0	0
Public Bins			0	500,000	0	500,000	0	0	0	0	0	0	0	0	0	0	0	0
Parks & Open Spaces Improvement			0	871,000	0	871,000	0	0	0	0	0	0	0	0	0	0	0	0
Commercial Venue Improvements			0	150,000	0	150,000	0	0	0	0	0	0	0	0	0	0	0	0
Housing & Property																		
Mellishaw Park	73,000		73,000			0			0			0			0			0
Disabled Facilities Grants	3,458,000	(3,458,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0
Home Improvement Agency Vehicles			0	40,000	(40,000)	0			0			0			0			0
1 Lodge Street Urgent Structural Repairs	250,000		250,000	172,000		172,000			0			0			0			0
Gateway Solar Array	10,000		10,000	0		0			0			0			0			0
UK Shared Prosperity Fund Lancs CVS Community Warm Hubs	37,000	(37,000)	0			0			0			0			0			0
Commercial & Corporate Property	347,000		347,000	1,389,000	0	1,389,000	462,000	0	462,000	351,000	0	351,000	494,000	0	494,000	52,000	0	52,000
White Lund Depot - Offices	1,834,000		1,834,000			0			0			0			0			0
Coopers Fiels - BLRF	117,000	(117,000)	0	180,000	(180,000)	0			0			0			0			0
King Street			0	600,000	(200,000)	400,000	0	0	0	0	0	0	0	0	0	0	0	0
People & Policy																		
UK Shared Prosperity Fund External Projects	506,000	(506,000)	0			0			0			0			0			0
Rural England Prosperity Fund External Projects	398,000	(398,000)	0			0			0			0			0			0
UK Shared Prosperity Fund Digital Tourism Transformation	42,000	(42,000)	0			0			0			0			0			0
Planning & Climate Change																		
Burrow Beck Solar	600,000		600,000	3,600,000		3,600,000			0			0			0			0
Property De-carbonisation Works	500,000		500,000	3,825,000	(1,892,000)	1,933,000			0			0			0			0
SALC -optimised solar farm, air source heating pumps & glazing	10,000	(10,000)	0			0			0			0			0			0
Resources																		
ICT Systems, Infrastructure & Equipment	303,000		303,000			0			0			0			0			0
ICT Renewals			0	151,000	0	151,000	138,000	0	138,000	198,000	0	198,000	161,000	0	161,000	121,000	0	121,000
ICT Strategy			0	130,000	0	130,000	173,000	0	173,000	103,000	0	103,000	15,000	0	15,000	50,000	0	50,000
ICT Telephony			0	5,000	0	5,000	40,000	0	40,000	25,000	0	25,000	5,000	0	5,000	5,000	0	5,000
ICT Laptop Replacement & e-campus screens	116,000		116,000			0			0			0			0			0
ICT Nimble	300,000		300,000			0			0			0			0			0
Local Full Fibre Network	1,378,000		1,378,000			0			0			0			0			0
Sustainable Growth																		
Lancaster Heritage Action Zone	197,000	(24,000)	173,000	200,000		200,000			0			0			0			0
Lancaster Heritage Action Zone - St John's Church			0	500,000		500,000			0			0			0			0
Caton Road Flood Relief Scheme	1,664,000	(1,664,000)	0			0			0			0			0			0
Centenary House Grant Funded Works	749,000	(749,000)	0			0			0			0			0			0
Lawsons Bridge S106 Scheme	63,000		63,000			0			0			0			0			0
Lancaster Square Routes	21,000	(16,000)	5,000			0			0			0			0			0
Coastal Revival Fund - Morecambe Co-Op Building	11,000	(11,000)	0			0			0			0			0			0
City Museum Shop	30,000		30,000			0			0			0			0			0
Morecambe Sea Front Parapet Repair	30,000		30,000	30,000		30,000	30,000		30,000	30,000		30,000			30,000			30,000
Bare Outfall Flooding	50,000		50,000			0			0			0			0			0
Our Future Coast	345,000	(345,000)	0	63,000	(63,000)	0	85,000	(85,000)	0			0			0			0
UK Shared Prosperity Fund Maritime Museum Access Improvements	0		0			0			0			0			0			0
UK Shared Prosperity Fund Lodge St Environs Enabling Works	69,000	(69,000)	0			0			0			0			0			0
UK Shared Prosperity Fund Museums Accessible Engagement	34,000	(34,000)	0			0			0			0			0			0
Schemes Under Development																		
Canal Quarter - Nelson St/St Leonardsgate	2,389,000	(2,389,000)	0			0			0			0			0			0
Electrical Vehicle Charging Hubs			0	400,000	0	400,000	0	0	0	0	0	0	0	0	0	0	0	0
SALC 3G Football Pitch			0	0	0	0	800,000	(560,000)	240,000	0	0	0	0	0	0	0	0	0
Wheelee Bins			0	2,208,000	0	2,208,000	0	0	0	0	0	0	0	0	0	0	0	0
Local Full Fibre Network (supplement)			0	400,000	0	400,000	0	0	0	0	0	0	0	0	0	0	0	0
GENERAL FUND CAPITAL PROGRAMME	17,357,000	(10,750,000)	6,607,000	25,735,000	(6,215,000)	19,520,000	6,024,000	(2,976,000)	3,048,000	3,228,000	(2,331,000)	897,000	5,007,000	(2,331,000)	2,676,000	3,063,000	(2,331,000)	732,000

General Fund Capital Programme

Service / Scheme	2030/31			2031/32			2032/33			2033/34			2034/35			10 YEAR TOTAL (FROM 2025/26)		
	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 (Latest)	2,183,000	0	2,183,000	4,934,000	0	4,934,000	2,999,000	0	2,999,000	1,314,000	0	1,314,000	1,829,000	0	1,829,000	23,071,000	0	23,071,000
Electric Taxis Scheme			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund - The Streets Are Ours Public Realm			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund - Heysham Village Toilets			0			0			0			0			0	0	0	0
Salt Ayre Asset Management Plan			0			0			0			0			0	1,267,000	0	1,267,000
AONB Capital Access Works			0			0			0			0			0	0	0	0
LTA Tennis Court Refurbishment			0			0			0			0			0	0	0	0
Playground The Roods - Warton			0			0			0			0			0	0	0	0
Winchester Field and Nature Area			0			0			0			0			0	0	0	0
Food Waste Strategy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	109,000	(47,000)	62,000
Public Bins	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,462,000	(1,462,000)	0
Parks & Open Spaces Improvement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	500,000	0	500,000
Commercial Venue Improvements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	871,000	0	871,000
																150,000	0	150,000
Housing & Property																		
Mellishaw Park			0			0			0			0			0	0	0	0
Disabled Facilities Grants	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0	2,331,000	(2,331,000)	0			0			0	18,648,000	(18,648,000)	0
Home Improvement Agency Vehicles			0			0			0			0			0	40,000	(40,000)	0
1 Lodge Street Urgent Structural Repairs			0			0			0			0			0	172,000	0	172,000
Gateway Solar Array			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund Lancs CVS Community Warm Hubs			0			0			0			0			0	0	0	0
Commercial & Corporate Property	0	0	0	152,000	0	152,000	0	0	0	208,000	0	208,000	379,000	0	379,000	3,487,000	0	3,487,000
White Lund Depot - Offices			0			0			0			0			0	0	0	0
Coopers Fiels - BLRF			0			0			0			0			0	180,000	(180,000)	0
King Street	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	600,000	(200,000)	400,000
People & Policy																		
UK Shared Prosperity Fund External Projects			0			0			0			0			0	0	0	0
Rural England Prosperity Fund External Projects			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund Digital Tourism Transformation			0			0			0			0			0	0	0	0
Planning & Climate Change																		
Burrow Beck Solar			0			0			0			0			0	3,600,000	0	3,600,000
Property De-carbonisation Works			0			0			0			0			0	3,825,000	(1,892,000)	1,933,000
SALC -optimised solar farm, air source heating pumps & glazing			0			0			0			0			0	0	0	0
Resources																		
ICT Systems, Infrastructure & Equipment			0			0			0			0			0	0	0	0
ICT Renewals	162,000	0	162,000	208,000	0	208,000	135,000	0	135,000	156,000	0	156,000	151,000	0	151,000	1,581,000	0	1,581,000
ICT Strategy	100,000	0	100,000	115,000	0	115,000	50,000	0	50,000	138,000	0	138,000	103,000	0	103,000	977,000	0	977,000
ICT Telephony	205,000	0	205,000	5,000	0	5,000	5,000	0	5,000	40,000	0	40,000	25,000	0	25,000	360,000	0	360,000
ICT Laptop Replacement & e-campus screens			0			0			0			0			0	0	0	0
ICT Nimble			0			0			0			0			0	0	0	0
Local Full Fibre Network			0			0			0			0			0	0	0	0
Sustainable Growth																		
Lancaster Heritage Action Zone			0			0			0			0			0	200,000	0	200,000
Lancaster Heritage Action Zone - St John's Church			0			0			0			0			0	500,000	0	500,000
Caton Road Flood Relief Scheme			0			0			0			0			0	0	0	0
Centenary House Grant Funded Works			0			0			0			0			0	0	0	0
Lawsons Bridge S106 Scheme			0			0			0			0			0	0	0	0
Lancaster Square Routes			0			0			0			0			0	0	0	0
Coastal Revival Fund - Morecambe Co-Op Building			0			0			0			0			0	0	0	0
City Museum Shop			0			0			0			0			0	0	0	0
Morecambe Sea Front Parapet Repair			0			0			0			0			0	90,000	0	90,000
Bare Outfall Flooding			0			0			0			0			0	0	0	0
Our Future Coast			0			0			0			0			0	148,000	(148,000)	0
UK Shared Prosperity Fund Maritime Museum Access Improvements			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund Lodge St Environs Enabling Works			0			0			0			0			0	0	0	0
UK Shared Prosperity Fund Museums Accessible Engagement			0			0			0			0			0	0	0	0
Schemes Under Development																		
Canal Quarter - Nelson St/St Leonardsgate			0			0			0			0			0	0	0	0
Electrical Vehicle Charging Hubs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	400,000	0	400,000
SALC 3G Football Pitch	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	800,000	(560,000)	240,000
Wheelie Bins	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,208,000	0	2,208,000
Local Full Fibre Network (supplement)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	400,000	0	400,000
GENERAL FUND CAPITAL PROGRAMME	4,981,000	(2,331,000)	2,650,000	7,745,000	(2,331,000)	5,414,000	5,520,000	(2,331,000)	3,189,000	1,856,000	0	1,856,000	2,487,000	0	2,487,000	65,646,000	(23,177,000)	42,469,000

CABINET

Housing Revenue Account and Capital Programme 14th January 2024

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

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

RECOMMENDATIONS OF Councillor Jackson

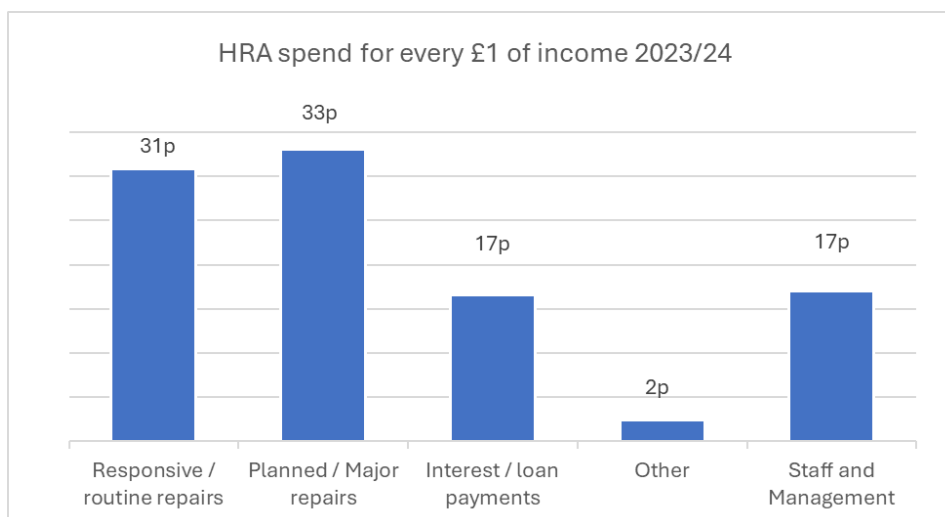
- (1) That council housing rents be set in accordance with statutory requirements as follows (subject to tenant consultation and ratification at February 11th 2025 Cabinet):
 - for existing tenancies, rents will increase by 2.7% from 7th April 2025
 - for new tenancies within 2025/26, rents will be set at ‘formula rent’¹
- (2) That garage rents be increased at CPI +1% in line with dwelling rents
- (3) That subject to the above, the resulting Housing Revenue Account budget for 2025/26 onwards, as set out at Appendix A, together with the resulting Capital Programme as set out at Appendix C, be considered by Cabinet, ahead of final presentation on 11th February 2025 and pending tenant consultation.

1. Introduction

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

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

- 1.2 This report sets out the rent setting policy and the latest position with regards to the HRA 30-year Business Plan, covering both revenue and capital budgets, and the associated level of reserves and balances. It seeks approval for rent levels and various other budget matters, with referral on to Budget Council as appropriate.
- 1.3 It can be noted that within the context of ring-fencing the HRA has a role to play in support of wider Council priorities, contributing to and facilitating projects across the district to support the wider ambitions of the council. The HRA does pay into the Council's General Fund through contribution to support services and corporate commitments use and receives payment back to reflect Public Realm services delivered on Council Housing estates to non-Council residents, as well as relevant management contributions.
- 1.4 Council housing provides decent, secure homes that are affordable to households on low to modest incomes. Across the country, though, many HRA Councils find themselves in a precarious financial position, struggling to maintain existing homes, alongside meeting the huge new demands to improve homes and the services provided to residents under new government, regulator and ombudsman requirements with no additional funding available. As such Lancaster City Council has joined over 100 other Councils in signing the 'Securing the Future of Council Housing' report commissioned by Southwark Council, setting out a practical, long-term plan for government to support the needed improvements and growth of Council Housing.
- 1.5 Over the past few years Lancaster City Council has sought to meet these increasing demands including, for example, through fire remediation and other compliance improvements; increased support for tenants; an increased focus on housing health and safety; specialist community safety services; and through provision of a face-to-face community presence in preparation for a new regulatory regime. This is while continuing to address both the Council's and governments ambitions of increasing social housing. Following significant interest rate rises and rent caps over recent years, this budget report outlines some short-term (1-2 year) financial challenges. These are projected to improve over the next 2-5 years.
- 1.6 It should be noted that within a number of financial years since the HRA self-financing settlement of 2012 the ability of the Council to raise rents in line with inflation has been restricted. For four years between 2016/17 and 2019/20 a government mandated rent reduction of 1% year on year was imposed. In addition, for the financial year 2023/24 the maximum rent increase was capped at 7% for existing tenants by the government, falling short of inflation which was running at 10.1% in Sept 2022 – the figure which would normally be used for the purpose of rent setting for the following April. These restrictions have removed tens of millions of pounds from the life of the HRA 30-year business plan.
- 1.7 The chart below, using year-end figures from 2023/24, gives an indication of how income received by the Housing Service is spent. For every pound of income around a third contributes to planned and major repairs; just under a third is spent on responsive repairs; and the remaining third funds staff and management, interest and loan payments, and other costs.



2. Achievements 2024/25

2.1. Key achievements:

- The Housing Support Team continued to support council tenants to sustain successful tenancies by, for example:
 - Securing an additional £363,000 in income through the first half of the year through benefit and other income maximisation work
 - Carrying out 151 Tenancy Health Checks, including all new tenancies, during the first half of the year
 - Carrying out drop-in sessions at independent living schemes to ensure support is available for those who most need it
 - Picking up a total of 136 new support cases during the first half of the year
- Continued delivery of a stock condition survey to all council homes, to support effective delivery of planned and capital programmes of maintenance work, in line with the regulator's requirements to 'know your stock'. 86% completion reached by the end of quarter 3.
- Continued embedding of the specialist community safety team and delivery of harm focussed services in response to anti-social behaviour, including:
 - Specialist training and BTEC qualification for team members
 - Development of cross service hoarding process to help support and tackle challenging cases
 - Advanced level tenancy fraud training carried out, in preparation for further work in this area by housing teams
 - Successful use of injunctions and granting of housing possession by the courts in support of the wellbeing of wider communities
- Further progress of the Mainway development has included planning permission being approved for the development of the former Skerton High School for a Council Housing scheme of 135 social and affordable new homes, and proposals for the wider Mainway Masterplan being presented to members of the Mainway Board.
- Plans to redevelop a number of existing garage sites for small scale Council Housing development has taken another step forward with the

submission of a planning application for four new Council Homes at Hastings Road in December 2024. A planning decision is anticipated by April 2025. Brownfield Land Release Funding has been secured to support this.

- Completion of exemplar A-rated four-unit development on Alder Grove (anticipated February 2025) using modern methods of construction (MMC).
- The Council Housing Income Management Team has continued to deliver sector leading performance, supporting tenants to successfully manage their rent accounts and sustain tenancies. Key achievements include:
 - Providing support and advice to tenants in receipt of benefits in navigating the 53-week rent year
 - Maintaining excellent performance around current tenant rent arrears
 - Securing £31,000 in additional benefits or support for tenants during the first half of the year
 - Retaining Maximising Income and Sustaining Tenancies accreditation through the Housing Quality Network (HQN)
- Mandatory Tenant Satisfaction Measures (TSM) survey carried out, showing improvements in satisfaction across all 12 survey questions compared to the previous 12 months. Overall satisfaction rose 5% to 77%, with indication suggesting this places Lancaster in the top 25% of local authorities nationally.
- Full in-house planned and responsive repairs service delivered, projecting an estimated 12,750 repairs completed across the year, a total of 97 kitchens replaced on a planned programme, and delivery of wider planned and capital programmes of works contracted out.
- High levels of compliance and reassurance against all key areas (gas, electrical, water, asbestos, fire, lifts, smoke and CO detection)
- Reviews and updates of a range of service policies and strategies, to be found on the Council Housing web pages, including development of new Tenant Voice Strategy and Building Safety Strategy
- Merge of council housing and wider council customer services to deliver a more resilient, face to face service to all residents: 8% more calls answered year on year, with reduced waiting times overall.
- Customer services recognised in the 'digital impact' category at the 2024 LGC awards
- Continued development and delivery of programmes of works which deliver in line with the Council's climate emergency ambitions (see section 3 below). Application submitted to secure £1.3M match funding from government's Warm Homes programme – improving the energy efficiency of c150 council homes raising to EPC C over the next three years
- Tenant-led scrutiny panel established, with first project including report and recommendations on Repairs and Maintenance completed.
- Wide range of community engagement activities supported including residents' groups; summer community fun day; litter picks; garden competition; skip days; kids pumpkin carving; Christmas gatherings; and consultation events.

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

- Wider Council priorities,
- The Regulator for Social Housing
- The Housing Ombudsman’s requirements
- Changing legislation and anticipated changing legislation such as the forthcoming Awaab’s Law
- The Building Safety Act (2023) and Fire Safety Act (2021)

2.3. Of particular note linked to regulation is:

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

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

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

Priority	
A sustainable district	<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), supported through funding bids where available.

	<ul style="list-style-type: none"> • Delivery of new energy efficient units of accommodation on Hastings Road.
An inclusive and prosperous local economy	<ul style="list-style-type: none"> • Local procurement of repairs (and other housing related) contracts. • Provision of apprenticeship opportunities for local residents and seek opportunities to promote housing career pathways to local young residents, both through us and our contractors. • Use of local suppliers within procurement rules (and where appropriate): for lower value contracts, use of local suppliers is guaranteed; for higher value 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 our stock. • Creation of service agreement between Council Housing and Public Realm to ensure delivery of grounds maintenance and other public realm services in line with tenant priorities – including improved transparency for tenants around this service delivery.
Happy and healthy communities	<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 new Consumer Standards. • Continued focus on reporting, recording, and remedial actions in line with Awaab’s Law (when published), ensuring adherence to Government requirements around timescales and other requirements to address problems. • Continued support and development of the tenant Building Safety Group and Building Safety Strategies to ensure the safety of residents in communal apartment blocks. • Development of asset management programmes across housing stock following stock condition survey’s – ensuring data is kept up to date. • Facilitating (and funding) community specific, community led projects. • Continue to develop and improve the way the service manages ASB and nuisance, and community safety more generally, across all housing stock. • Continue to develop and improve the way the Council delivers and reports on its block cleaning approach.

	<ul style="list-style-type: none"> • Developing a smaller, stronger neighbourhood approach to housing management.
<p>A co-operative, kind and responsible council</p>	<ul style="list-style-type: none"> • Investing and developing in our staff • ‘Place-based’ working helping tenants to create sustainable groups and an ability to deliver initiatives supported by – not led by – the housing service. Recognising that local people are best placed to understand the issues in their neighbourhood, including through the extension and further roll out of neighbourhood community plans. • Implementation of early-stage delivery of comprehensive new housing management IT systems. • Working with and listening to resident groups about what’s important to them, whilst supporting and encouraging others to be established. • Embedding the Tenant Voice Strategy across the service, to ensure commitment to service wide service delivery in line with tenant needs and expectations. • Ensuring Housing Ombudsman self-assessments are kept up to date. • Ensuring residents have opportunity to raise complaints and that the service listens, takes action, learns and shares information. • Review opportunities to undertake tenant census. • Implement RMS restructure – ensuring service delivers a tenant centred approach. • Develop robust standalone Assurance Framework for Council Housing.

3. The Council Housing Response to the Climate Emergency Council

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

Energy Performance Certificate (EPC) Band C Housing Stock

Lancaster City Council is in year 4 of an 8-year programme of ‘fabric first’ led energy improvement works across our Council stock. The goal of this project is to raise the energy performance rating of all Council Housing properties to a minimum ‘C’ rating by 2030 in line with Government requirements.

Lancaster City Council has submitted an application for Warms Homes match funding to improve circa 150 properties. This follows recent improvements to circa 130 properties following applications to Social Housing Decarb Fund and LAD funding.

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

Void property, energy retrofit improvements

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

Government decarbonisation scheme

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

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

Whole House Improvement programme

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

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

Loft Insulation

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

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

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

Solar Panel Installations

Installations to 64 properties have been identified and are underway through the Social Housing Decarb Fund Wave 2.1 programme referred to above. The Energy Support Officer continues to ensure there is strong tenant engagement with the project. Connection to the ORSIS system enables

remote monitoring and information to help tenants adapt to the new technology and achieve the maximum benefit from the installation.

Gas Partnership, boiler replacement programme

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

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

Energy Support Officer

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

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

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

Property Conversions / new properties

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

As a tangible demonstration of our commitment to new low carbon housing, this is the standard for any future development of the Mainway Estate or similar projects. Nearing completion are four new units of Independent Living Accommodation at Alder Grove which will utilise highly energy efficient modular construction. These homes are expected to achieve 'A' rating and will include PV panels.

Electrification of Repairs and Maintenance Service (RMS) fleet vehicles

Currently 56% of the RMS fleet are now electric, with charging points provision having been created at White Lund 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 Business Improvement and Project Delivery team.

4. Rent Setting

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

- 4.2. For the financial year 2025/26, the Regulator of Social Housing has confirmed that the Council has the freedom to increase formula rent by a maximum of CPI+1% (CPI is the Consumer Price Index). Subject to the outcome of the Government's consultation process, assumptions also include the additional 1% through to 2029/30, although an outcome may be a longer-term (10 year) settlement. For rent setting purposes for 2025/26, the September 2024 CPI figure of 1.7% is used, with forecast CPI of 2.0% used thereafter (being the target set by Government for the Bank of England's Monetary Policy Committee).
- 4.3. It remains the case that where properties become vacant, and their rents are below 'formula rent', the rents to be charged for new tenancies can increase up to the formula rent level².
- 4.4. All Council rents are 'social rent' and sit well below the Local Housing Allowance (LHA) rate; this rate defines the maximum amount that can be paid in Housing Benefit (HB) or through the housing element of Universal Credit (UC)³. 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)⁴
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 7 Right-To-Buy completions have taken place in 2024/25. These sales have generated gross proceeds of £571K, of which a proportion is due to HM Treasury with the balance being reinvested in housing stock through the capital programme. Further to the recent changes to the RTB scheme, estimates assume 3 completions per year in future years.⁵

For further details about risk factors see Appendix F.

² 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.

³ 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.

⁴ 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.

⁵ Recent changes to legislation have seen RTB discounts reduce for applicants. Prior to this change we experienced a large number of applications which may impact the number of completions within 2025/26, with 49 currently working through the system (although it is anticipated some of these will not progress). NB: no applications – have been received since the legislative changes came into force.

4.6. Therefore, in line with government policy Cabinet is now advised to set average council rents as follows⁶:-

Property Type	2024/25	2025/26
General	£90.93	£93.91
Independent Living and Supported	£86.07	£89.01

5. Other Charges

- 5.1. For certain dwellings service charges are applied in addition to the rent charge to cover the cost of specific services. These include (but are not limited to) elements such as maintenance costs, cleaning, energy use within communal areas, communal boiler replacements, staffing costs within Independent Living Schemes, and CCTV.
- 5.2. Service charges are set to ensure they are sufficient to cover the cost of service provision, and that they are reasonable and transparent. Service charge elements are affected each year by variance in actual costs (such as energy provision, changes to service contracts, salary costs and cost of materials) and also a range of inflationary factors (General Inflationary Index, Building Cost Information Service (BCIS)). Costs of service provision have been reviewed for 2024/25.
- 5.3. As per the Social Housing Regulations the Council should endeavour to keep increases for service charges within the limit on rent changes, of CPI (as at September in the previous year) + 1 percentage point (or 2.7% in 2025/26), to help keep charges affordable.⁷ 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 basis⁸.
- 5.4. For 2025/26 across all housing stock average service charges will remain the same (0% increase).⁹ Within this average is a variation between charges applied to Independent Living (2.7% increase) and General Needs (12.3% decrease). Average service charge costs can be seen in the table below.

⁶ Note that the above figures are presented on a 52-week (2025/26) or 53-week (2024/25) basis. Note: Specific rents vary depending on property type / area / size: for general needs between £66.80 (for a bedsit at Mainway) and £143.48 (for a 3-bedroom adapted bungalow in Lancaster), and for Independent Living between £69.32 for a bedsit at Beck View and £111.24 for a two-bed flat at Artlebeck Close.

⁷ Source: Policy statement on rents for social housing – Dec 2022

⁸ Source: National Housing Federation Briefing on Rent Standard 2020 - Jan 2020

⁹ Subject to further fluctuations in cost of service delivery

	2024/25	2025/26 ¹⁰
Avg weekly service charge per dwelling (General Needs)	£12.69	£11.12
Avg weekly service charge per dwelling (Independent Living)	£48.78	£50.11

- 5.5. The decrease in General Needs service charge is largely explained by changes in the costs of communal electricity charges. The increase in Independent Living service charges largely relates to staffing costs and the Council's pay award: IL staff are support related and are therefore service chargeable.
- 5.6. It is estimated that around 80% of council tenants are in receipt of either HB or UC. Most service chargeable elements are HB/UC eligible; the exceptions being individual heating costs, and the monitoring of alarms within sheltered housing or community alarmed properties.
- 5.7. With regard to garage rents, following rent freezes since 2020/21 it is recommended that garage rents be increased by CPI +1% in line with dwelling rents. Benchmarking indicates that rent freezes have brought rents more in line with other providers as intended, that occupancy rates are stable, and rent increases are now appropriate to ensure required maintenance of garages.

6. Revenue Expenditure

6.1. The future years' estimates for 2025/26 alongside the following four financial years have been prepared as part of this budget setting process. The differences between the budget approved last year and the draft revenue budget as prepared are illustrated in the variance analysis supplied at Appendix B.

6.2. The key areas are listed as follows: -

- Salary costs are now forecast to be around £54K higher than previously estimated, due to the impact of National Insurance and other structure changes.
- Repairs and Maintenance net decrease of around £240K due to reallocation of in-house team to capital works, partly off-set by additional works funded from Planned Maintenance reserves, and the impact of National Insurance changes.
- Energy costs decrease of around £47K, largely rechargeable¹¹.
- Premises insurance increase relating to the premium for council house properties.
- Depreciation charge increase of around £449K, following 2023/24 property revaluations.

6.3. The table below lists the major assumptions that have been made for the 2025/26 budget.

¹⁰ For the purposes of rent and service charge setting 2024/25 is a 53-week year (with service charges collected over 49 weeks), while 2025/26 is a 52-week year (with service charges collected over 48 weeks).

¹¹ Energy costs are subject to regular fluctuation, and are monitored monthly. Where significant fluctuations occur service charge adjustments will be made 'in year' to more accurately charge for actual usage, and allow residents more control over their costs. The Income Management team actively supports tenants to ensure government support around energy costs is received and understood.

	2025/26
Fees & Charges	Various
Inflation – Pay	2.50%
Employer Pensions Contribution	16.30%
Inflation – General (Minor Cost Centres)	2.60%
Inflation – Insurance	10.00%
Inflation – Utilities	Re-based at current prices
Interest Rate - Investments	3.50%

6.4. In summation, the 2025/26 revenue budget projected surplus is £85K, which is a reversal of the previously projected funding requirement of £78K. The revised projection is largely due to the additional 1% increase to dwelling rents, as permitted by the Regulator of Social Housing's guidance, in combination with the points described above (6.2), notably a reduction in revenue Repairs & Maintenance through reallocation of the in-house team to capital works, off-set by works to be funded from Planned Maintenance reserves and an increase in depreciation charges.

7. Capital Expenditure

- 7.1. The ten-year capital programme is included at Appendix C.
- 7.2. The key changes to the programme from last year's reported position are included at Appendix D.
- 7.3. Future years' capital expenditure is informed by the completion of a full stock condition survey. Expenditure within 2025/26 reflects the priority areas coming from that survey while further refinement of capital expenditure is underway and will be reflected in subsequent years' capital programmes in due course.
- 7.4. The capital programme includes some provision for cyclical programmes of work on Mainway. Work is underway to define the scale and nature of this in the context of the ongoing Mainway regeneration project.

8. Future Developments

- 8.1. The City Council continues to have ambitions for the development of its own new affordable / social rented homes which it is seeking to progress. The focus for the next twelve months will see:
 - 8.2. Mainway Masterplan:
 - In 2024/25 we secured planning permission for the former Skerton High School development. This coming year will focus on the development of a full business case and procurement strategy.
 - During the last 12 months changes within Homes England have resulted in funding applications for larger schemes currently being paused. We will await further announcements in the Spring budget which is expected to provide further information on future funding opportunities.

- The progression of the wider Mainway Masterplan is expected to continue into the start of 2025/26.
- While the design phase of the wider scheme continues, the decommissioning of properties on Mainway is factored into the estimates presented, over the coming years, with no rental income being recognised for any existing units from April 2030 currently.

8.3 Canal Quarter:

- Work is currently paused whilst the progress of a car parking strategy continues to be refined.

8.4 Garages:

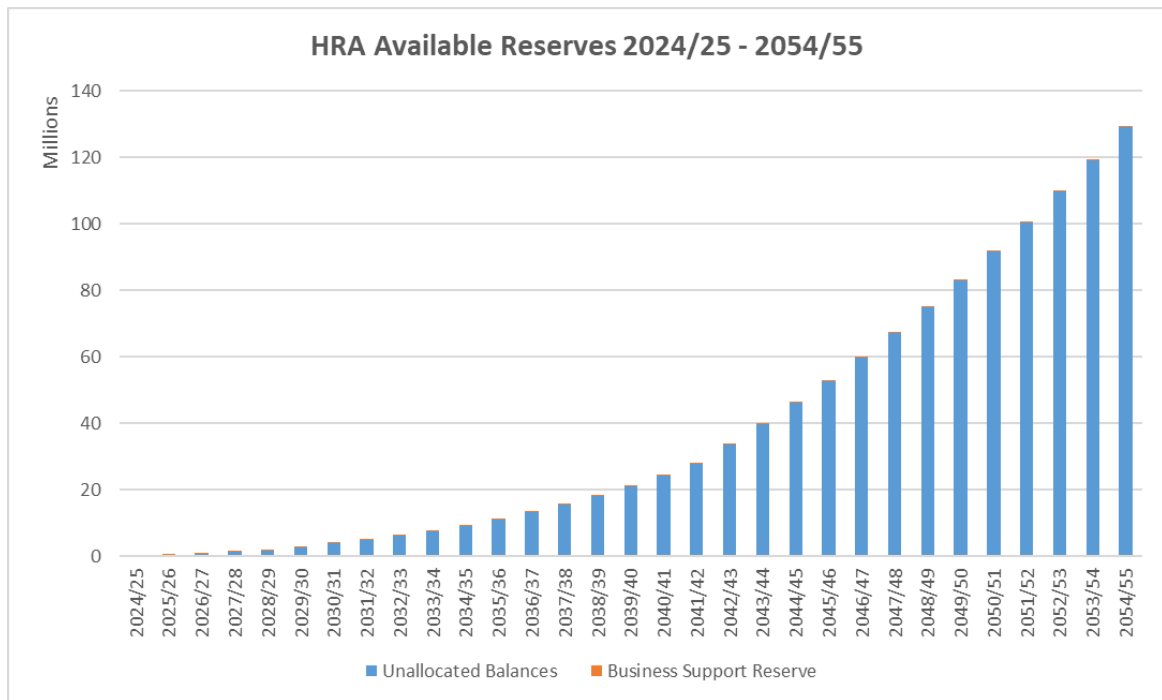
- Work to advance Council Housing schemes on existing garage sites continues. In 2024, the Council secured Brownfield Land Release Funding to support the development on Hastings Road for four properties. The outcome of a planning application on this site is currently awaited and it is hoped that once confirmed work to progress to a start of site within the financial year will be realised. This would be the first of the Council's garage sites from a programme to follow this approach, with further opportunities to progress in future years.

9. Business Planning & Future Risks

- 9.1. Taking account of the work that has been done to date, the following table sets out the latest position for the business plan, represented by the level of unallocated balances and the Business Support Reserve (BSR). It compares the position back in February 2024 to projections as at January this year.

30 Year Business Plan: Business Support Reserve and Unallocated Balances

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	30 Year Cumulative Total £'000
Business Support	35	35	35	35	35	13	13
Unallocated Balances	846	768	973	874	785	750	43,817
Projections as at February 2024	881	803	1,008	909	820	763	43,830
Business Support	253	253	253	253	253	253	253
Unallocated Balances	130	215	562	1,248	1,723	2,567	129,209
Projections as at January 2025	383	468	815	1,501	1,976	2,820	129,462
Overall Movement (Adverse) / Favourable	(498)	(335)	(193)	592	1,156	2,057	85,632



- 9.2. The unallocated balance is currently £750K, the recommended minimum level. As stated in the Delivering Our Priorities report presented to Cabinet on 3rd December, the projected net overspend for 2024/25 will cause HRA unallocated balances to fall below the recommended minimum level, largely due to the anticipated increase in depreciation charges. The balances shown above are based on 2024/25's Quarter 2 projected outturns and will be updated for Quarter 3 for final presentation of the Housing Revenue Account budget in February. Based on current assumptions, reserves will be replenished to the recommended minimum level by the close of 2027/28, and at no subsequent point within the 30-year business plan do they breach the £750K lower limit again.
- 9.3. The Business Support Reserve has a current unallocated balance of £253K. This will be relied upon to support the revenue overspend in 2024/25.
- 9.4. Additional earmarked reserves exist (see Appendix E(i) for more details). These reserves are earmarked for specific purposes, but not formally ring fenced.
- 9.5. The increase in the projected balance at the end of the 30-year business plan is largely due to the year-on-year impact of the higher than previously assumed rent increase for 2025/26, with an additional 1% increase being included in assumptions through to 2029/30.
- 9.6. As previously discussed, in line with the Regulator of Social Housing's guidance, rents have been set at CPI+1%. Largely due to fluctuations in CPI, 2025/26's rental income from dwellings is now forecast to be approximately £100K higher than estimated in the previous budget report. It has been assumed that increases will revert to CPI only from 2030/31 (forecast at 2.0%, being the target set by Government for the Bank of England's Monetary Policy Committee), but the risks surrounding these assumptions must be appreciated and the magnitude of impact of a small change within this area understood.
- 9.7. Due to the increase in depreciation charge to reflect 2023/24 actuals, the

currently proposed capital programme does not fully utilise anticipated capital receipts or the funding available within the Major Repairs Reserve.

Therefore, balances are forecast to increase over the five-year period, and it is estimated that £801K of useable capital receipts and £1,655K within the Major Repairs Reserve will have accumulated by 31 March 2030. This will be reviewed when the profile of future capital spend is prepared, following further refinement of subsequent years' capital programmes.

- 9.8. It is also worth noting that as at 1st April 2024, £1,082K of Retained Right to Buy (“1-4-1”) receipts were held, to be used for increasing housing stock. The Capital Programme Mid-Year Review 2024/25 approved by Council on 13th November included the utilisation of £700K to acquire properties within 2024/25, with a further £250K earmarked for this purpose in 2025/26 (see Appendix C). Following changes made by the new Government, our “1-4-1” balance will continue to grow, dependent on future RTB sales.
- 9.9. The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Chief Officer – Resources takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in Appendix F.

10. Options and Options Analysis (including risk assessment)

- 10.1. The options with regards to rent setting are set out under section 4, the maximum permitted increase being CPI+1%. By applying this increase, it allows for a budget that can deliver on the Council's ambitions on improving housing standards and addressing the climate change emergency, whilst adhering to the Rent Standard and wider legislative requirements.
- 10.2. In relation to garage rents, it is recommended that following recent rent freezes an increase in line with dwelling rent increases is appropriate and will support maintenance requirements without adversely impacting occupancy levels.
- 10.3. The provision, reserves and balances position (and their use); Revenue budgets; Capital Programme; and other wider budget considerations referred to in this report will be presented fully to Cabinet on 11th February 2025.

	Option 1: Set housing and garage rent levels as set out in this report	Option 2: To propose alternatives to those outlined in Section 11 above.
Advantages	Increased rental income supports the Council to deliver against its Regulatory requirements and ensuring homes are safe and decent.	Unknown
Disadvantages	Increased rent levels for tenants.	Would require further options analysis
Risks / Mitigation	The HRA budget outlined in this report and to be presented to Cabinet in February 2025 is sustainable in the long term. The risks associated with Option 1 are outlined in Appendix F – Risks and Assumptions.	Impact on housing service and council housing tenants unknown. Potential for housing service to fall foul of legislative and regulatory requirements, leading to unlimited fines and being ‘named and shamed’

	In addition, the contents of this report have not yet been presented to tenants for consultation. This consultation will take place later in January 2025 and details will be included in February 2025 report.	by government.
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11. Officer Preferred Option (and comments)

- 11.1. **Option 1:** Set housing and garage rent levels as set out in this report in advance of consideration of wider HRA budget at February 11th 2025 Cabinet.

12. Conclusion

- 12.1. The report highlights challenges faced within the current economic climate, particularly in the context of the increased regulatory and legislative requirements being placed on the social housing sector.
- 12.2. The longer-term financial forecasts contain numerous estimates and assumptions, and the service remains attuned to the risks contained within Appendix F, and in particular the impacts of further legislative and regulatory change which could affect business planning within the HRA.
- 12.3. Lancaster City Council's Housing Service remains ambitious, while continuing to operate a sensible but forward-looking approach, seeking to meet Regulatory requirements and deliver safe and decent homes.

RELATIONSHIP TO POLICY FRAMEWORK

The budget represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.

CONCLUSION OF IMPACT ASSESSMENT

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

The proposals set out in the report will have positive impacts residents within Council Housing dwellings specifically climate change, wellbeing / social value, health and safety and community safety as outlined below. There is no significant detrimental impact on equality on specific groups. See Appendix G – Equality Impact Assessment.

Climate: as per section 3, the report outlines a number of positive climate related impacts resulting from the HRA budgeting process. Also, see Appendix G for additional positive impacts

Wellbeing & Social Value: positive impacts identified via additional budget proposals. See appendix G for details.

Health and Safety: the Council Housing dedicated Compliance Team focusses on monitoring and maintaining compliance against core areas of legislation within council dwellings specifically gas, electrical, legionella, lifts, asbestos, fire, smoke and CO2 detection and fire door testing. The dedicated budget around this work supports compliance.

Community Safety: The approach to a dedicated ASB provision for Council Housing tenants and continued engagement and review of ASB provision with Resolve will see a positive impact for local residents.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add

FINANCIAL IMPLICATIONS

As set out in the report

OTHER RESOURCE IMPLICATIONS**Human Resources:**

None identified

Information Services:

None identified

Property:

None identified

Open Spaces:

None identified

S151 OFFICER'S COMMENTS

Like all Councils, Lancaster City faces increased financial pressures and uncertainty because of the impact of the ongoing cost of living crisis and the effect it has on significant areas of expenditure. These challenges are particularly prevalent in the HRA which has seen increased expenditure coupled with high demand and a reduction in income through effective capping of rent increases.

The Local Government Act 2003 places explicit requirements on the s151 Officer to report annually on the robustness of the estimates included in the budget and on the adequacy of the Council's reserves. The recommendation of a minimum level of unallocated reserves acts as an early warning that Council is facing financial pressure, and that action need to be taken to address the decline. For 2024/25 the s151 Officer set the minimum level of HRA unallocated balances at £0.750M.

The reports highlights that based on current projections the level of reserves will drop to £0.130M in 2024/25 and remain below the minimum level until 2027/28. The report articulates a number of reasons for this, most notably an increase in the depreciation charge. However, this is not the sole reason, as there has been significant expenditure funded from reserves in recent years. It should be noted that this is an interim position and Officers and Members are working on a variety of options that should see reserves maintained above the £0.750M minimum over a shorter time frame.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

See Appendices A-G

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Ref: HRA Budget Report

HOUSING REVENUE ACCOUNT BUDGET

For Consideration by Cabinet 14 January 2025

	2025/26 Budget	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast
	£	£	£	£	£
INCOME					
Rental Income - Council Housing	(16,920,000)	(17,477,300)	(18,041,200)	(17,998,400)	(18,557,100)
Rental Income - Other (Shops and Garages etc.)	(281,600)	(287,800)	(294,100)	(300,700)	(307,400)
Charges for Services & Facilities	(2,577,700)	(2,627,500)	(2,673,100)	(2,718,900)	(2,762,100)
Grant Income	(128,500)	(129,100)	(129,500)	(129,900)	(130,200)
Contributions from General Fund	(107,800)	(110,300)	(112,500)	(114,800)	(116,900)
Total Income	(20,015,600)	(20,632,000)	(21,250,400)	(21,262,700)	(21,873,700)
EXPENDITURE					
Repairs & Maintenance	6,595,800	6,694,300	6,833,800	6,934,000	7,062,300
Supervision & Management	5,915,200	5,349,300	5,414,300	5,518,500	5,642,000
Rents, Rates & Insurance	557,800	598,500	639,000	679,600	720,300
Contribution to Provision for Bad and Doubtful Debts	153,600	154,800	156,100	157,500	159,100
Depreciation & Impairment of Fixed Assets	4,774,700	4,774,700	4,774,700	4,774,700	4,774,700
Debt Management Costs	0	0	0	0	0
Total Expenditure	17,997,100	17,571,600	17,817,900	18,064,300	18,358,400
NET COST OF HRA SERVICES	(2,018,500)	(3,060,400)	(3,432,500)	(3,198,400)	(3,515,300)
(Gain)/Loss on disposal of non-current assets	0	0	0	0	0
Interest Payable & Similar Charges	1,607,900	1,568,200	1,528,200	1,487,800	1,447,200
Interest & Investment Income	(55,300)	(50,100)	(33,300)	(33,300)	(33,300)
Pensions Interest Costs & Expected Return on Pensions Assets	0	0	0	0	0
Capital Grants and Contributions Receivable	0	0	0	0	0
Premiums & Discounts from Earlier Debt Rescheduling	0	0	0	0	0
(SURPLUS) / DEFICIT FOR THE YEAR	(465,900)	(1,542,300)	(1,937,600)	(1,743,900)	(2,101,400)
Self Financing Debt Repayment	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400
Net Charges made for Retirement Benefits	0	0	0	0	0
Adjustments to reverse out Notional Charges included above	0	0	0	0	0
Transfer to/(from) Earmarked Reserves - for Revenue Purposes	(660,800)	154,500	209,800	227,900	215,800
Capital Expenditure funded from Major Repairs Reserve	0	0	0	0	0
Transfer from Earmarked Reserves - for Capital Purposes	0	0	0	0	0
Financing of Capital Expenditure from Earmarked Reserves	0	0	0	0	0
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	(85,300)	(346,400)	(686,400)	(474,600)	(844,200)
Housing Revenue Account Balance brought forward	(130,100)	(215,400)	(561,800)	(1,248,200)	(1,722,800)
HRA BALANCE CARRIED FORWARD	(215,400)	(561,800)	(1,248,200)	(1,722,800)	(2,567,000)

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

HOUSING REVENUE ACCOUNT VARIANCE ANALYSIS

	2025/26	
	£	£
ORIGINAL BUDGET		0
EXPENDITURE		
Employees		
Impact of National Insurance and other structure changes	<u>(53,500)</u>	(53,500)
Premises		
Repairs & Maintenance - net decrease in revenue repair costs due to reallocation of in-house team to capital works, additional works funded from Planned Maintenance reserves, and impact of National Insurance and other minor changes	240,200	
Energy - decrease in energy cost assumptions for general needs areas, largely rechargeable	47,200	
Council Tax - increased liability for long term void properties due to major voids and capital projects	(40,500)	
Premises Insurance recharges - revised estimate of premium relating to council house properties	<u>(27,300)</u>	219,600
Supplies & Services		
ICT - reprofiling of housing management software purchase and implementation, funded from ICT & Systems Improvement reserve	<u>(438,900)</u>	(438,900)
INCOME		
Rents (Dwellings) - future years uplift now CPI + 1.0% (CPI at September 2024 1.7%)	100,700	
Service Charges Flats - net additional service charge income	<u>118,700</u>	219,400
FINANCING		
Increase in Depreciation Charge	<u>(449,000)</u>	(449,000)
APPROPRIATIONS		
Earmarked Reserves appropriations - reprofiling of contributions from ICT and Systems Improvement reserve for purchase and implementation of new housing management software, plus works to be funded from Planned Maintenance reserves	628,900	628,900
Other Net Service Variances		36,300
IN YEAR VARIANCES		162,800
Previously Agreed Contribution (From) / To Unallocated Reserve		(77,500)
REVISED CONTRIBUTION (FROM) / TO UNALLOCATED RESERVE		85,300

*Variances shown as (adverse) / favourable

Council Housing 10 Year Capital Programme For Consideration by Cabinet 14 January 2025

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	TOTAL
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	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	1,501	1,265	1,265	1,093	979	790	790	790	790	790	10,053
Internal Refurbishment	1,078	1,078	1,097	1,135	1,135	936	946	936	945	945	10,231
External Refurbishment	637	270	-	-	-	192	759	288	-	-	2,146
Environmental Improvements	500	260	260	110	110	140	140	140	140	140	1,940
Re-roofing/Window Renewals	595	527	1,024	1,423	744	686	-	1,256	1,288	1,288	8,831
Rewiring	88	88	90	90	90	88	90	88	90	90	892
Lift Replacements	-	-	-	-	-	-	-	-	-	-	-
Fire Precaution Works	210	150	150	180	180	180	180	180	180	180	1,770
Housing Renewal and Renovation	957	507	507	207	657	657	657	207	207	207	4,770
Acquisitions	250	-	-	-	-	-	-	-	-	-	250
TOTAL EXPENDITURE	6,116	4,445	4,693	4,538	4,195	3,969	3,862	4,185	3,940	3,940	43,883
FINANCING											
Capital Receipts	1,347	-	-	-	-	-	-	-	-	-	1,347
Contributions	-	-	-	-	-	-	-	-	-	-	-
Earmarked Reserves	-	-	-	-	-	30	30	30	30	30	150
Major Repairs Reserve	4,769	4,445	4,693	4,538	4,195	3,939	3,832	4,155	3,910	3,910	42,386
TOTAL FINANCING	6,116	4,445	4,693	4,538	4,195	3,969	3,862	4,185	3,940	3,940	43,883
SHORTFALL/(SURPLUS)	0	0	0	0	0	0	0	0	0	0	0

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME - KEY CHANGES

	2025/26	2026/27	2027/28	2028/29	2029/30
	Estimate	Estimate	Estimate	Estimate	Estimate
PREVIOUSLY APPROVED CAPITAL PROGRAMME	3,931	3,899	4,187	4,348	4,005
<u>Adaptions</u>					
No change to programme					
<u>Energy Efficiency/Boiler Replacement</u>					
Boiler Renewal programme changes	+104				
Storage Heater programme introduction	+132				
Works funded by Social Housing Decarbonisation Fund grant	+246	+246	+246		
<u>Internal Refurbishment</u>					
Adjustments to kitchen programme	+190	+190	+150	+190	+190
<u>External Refurbishment</u>					
External Door and Window Replacement programme changes	+403				
<u>Environmental Improvements</u>					
Environmental Improvement programme changes	+350	+110	+110		
<u>Re-Roofing/Window Renewals</u>					
No change to programme					
<u>Rewiring</u>					
No change to programme					
<u>Lift Replacements</u>					
No change to programme					
<u>Fire Precaution Works</u>					
Smoke / Heat Detector programme changes	+60				
<u>Housing Renewal and Renovation</u>					
Renewals and Renovations	+300				
Property Conversions	+150				
<u>Acquisitions</u>					
Ad-hoc Acquisitions	+250				
Minor Variances	+0	+0	+0	+0	+0
REVISED CAPITAL PROGRAMME	6,116	4,445	4,693	4,538	4,195

HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT
For Consideration by Cabinet 14 January 2025

	Balance as at 31/03/24	Contributions			Balance as at 31/03/25	Contributions			Balance as at 31/03/26	Contributions			Balance as at 31/03/27	Contributions			Balance as at 31/03/28	Contributions			Balance as at 31/03/29	Contributions			Balance as at 31/03/30
		To the Reserve from Revenue	From the Reserve			To 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	750,000			(619,900)	130,100	85,300			215,400	346,400			561,800	686,400			1,248,200	474,600			1,722,800	844,200			2,567,000
Earmarked Reserves:																									
Business Support Reserve	581,923			(328,600)	253,323				253,323				253,323				253,323				253,323				253,323
Major Repairs Reserve	779,475	4,774,700	(5,103,900)		450,275	4,774,700	(4,774,700)		450,275	4,774,700	(4,450,700)		774,275	4,774,700	(4,698,700)		850,275	4,774,700	(4,543,700)		1,081,275	4,774,700	(4,200,700)		1,655,275
Flats - Planned Maintenance	404,527	33,000		(67,100)	370,427	33,000	(147,900)		255,527	33,000	(22,900)		265,627	33,000	(22,900)		275,727	33,000	(22,900)		285,827	33,000	(22,900)		295,927
ICT and Systems Improvement	974,205			(261,000)	713,205		(640,700)		72,505		(72,500)		5				5				5				5
Sheltered - Equipment	299,271	61,100		(98,800)	261,571	62,600	(75,100)		249,071	62,300	(16,800)		294,571	59,600	(23,400)		330,771	58,700	(1,600)		387,871	57,100	(7,400)		437,571
Sheltered - Planned Maintenance	284,087	122,100		(40,300)	365,887	125,000	(80,300)		410,587	124,400	(15,300)		519,687	119,200	(15,300)		623,587	117,300	(15,300)		725,587	114,200	(15,300)		824,487
Sheltered Support Grant Maintenance	279,467	61,100			340,567	62,600			403,167	62,300			465,467	59,600			525,067	58,700			583,767	57,100			640,867
Total Earmarked Reserves	3,602,956	5,052,000	(5,103,900)	(795,800)	2,755,256	5,057,900	(4,774,700)	(944,000)	2,094,456	5,056,700	(4,450,700)	(127,500)	2,572,956	5,046,100	(4,698,700)	(61,600)	2,858,756	5,042,400	(4,543,700)	(39,800)	3,317,656	5,036,100	(4,200,700)	(45,600)	4,107,456

**2025/26 BUDGET
HOUSING REVENUE ACCOUNT – RISKS & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 14th January 2025**

Risk area	Details
Self-financing	<p>Under Part VI of the Local Government and Housing Act 1989 a local authority has a duty to keep a HRA as a ring-fenced account and has a duty to ensure that it does not go into deficit.</p> <p>To deliver this, robust business and financial planning arrangements are maintained, including the production of a 30-year business plan. Assumptions around factors such as rent setting and inflation factors are built into this.</p>
Cost of service delivery in current climate	<p>Ongoing risks exist in relation to external impacts on the cost of service delivery. The impact of inflation, for example, resulting in increased costs to the service through cost of materials, contracts, and other building costs; the volatility of energy costs, to both tenants and to the council; and pay increases and unknowns such as the recent changes to employers national insurance contributions.</p>
Rent Policy	<p>As a Registered Provider of Social Housing the Council adheres to the Regulator of Social Housing's 'Rent Standard'. Rents are set in line with the Government's 'Rent Statement'.</p> <p>2025/26 has seen the Government set out a continuation of the previous five years policy whereby CPI+1% is the maximum rent increase permissible. This policy is currently out for consultation, but within the Council's 30-year business plan it is currently assumed that CPI + 1% will be in place for 5 years, with 2% in subsequent years in line with corporate assumptions around inflation.</p> <p>It should be recognised that future government policy in this area can have a significant impact on rent and therefore income levels.</p> <p>Government guidance will be kept under review to ensure any future assumptions around rental income are accurately informing business planning.</p> <p>An internal audit is scheduled for the end of 2024/25 into 2025/26 to confirm rent setting process robustness.</p>
Income Recovery	<p>Rental income is the main income source for the housing service. The impact of tenant debt and reduced income (through rent and other housing-related charges) on business planning is recognized as a key risk to the delivery of housing services and the sustainability of financial planning.</p> <p>Wider cost-of-living issues such as increased energy costs create financial pressures for tenants and present a risk to assumed income. Income Management within the housing service is externally accredited by the Housing Quality Network (HQN) and delivers best practice across many areas of tenant debt.</p>

	<p>Void (empty home) levels create additional rent loss. Fast, efficient turnaround of void properties, to reduce void rent loss, remains a priority.</p> <p>Supportive, proactive, and data driven service delivery in this area continues to protect income streams and promote successful tenancies. This service area is monitored weekly to ensure the risk is managed, and is reported on as a corporate KPI.</p> <p>Recharges such as rechargeable repairs is being reviewed as a priority area of work through 2025/26 as well as effective schedule of rate setting for RMS to ensure appropriate cost recovery.</p>
Reduced demand	<p>Reduced demand for council housing within the district would pose a threat to rental income. Overall demand for all types of council housing stock is currently high, during 2024/25 a new system went live with c2,000 residents now registered for re-housing.</p> <p>The potential for 'difficult to let' schemes, areas, or property types to undermine demand is monitored, with strategic planning in place to mitigate any specific issues.</p>
Stock reduction	<p>The rate of Right to Buy (RTB) sales remains relatively low compared to historic levels of sales; the budget planning process had assumed 19 Right to Buy Sales per year, however recent government changes as outlined in the budget report are anticipated to reduce this figure to around 3 per year.</p> <p>Any sales lead to future projected rental income levels being reduced. As many costs are fixed, this results in an adverse impact on the revenue position. Recent government changes mean that the previously returned HM treasure share of RTB receipts can be retained for five-years to help support replenishment of our social housing with the balance being re-invested in housing stock through the capital programme.</p> <p>To offset the loss of homes through RTB the Council continue to explore avenues for development, delivering recent conversions of former scheme manager accommodation into one-bed units, delivery of a specialist adapted and older persons housing units, and scoping other sites and opportunities to realise a 'pipeline' of potential development.</p>
Additional capital requirements	<p>Legislation, changes in health and safety standards, or the discovery of previously unknown defects create the potential for additional capital expenditure requirements.</p> <p>In response to the Building Safety Act (2022) and Fire Safety Act (2021) a thorough review of all compliance (gas, electric, asbestos, legionella, lifts, fire, smoke and carbon monoxide detection) activities began during 2021/22. Increased capital and revenue investment continues to be committed to this area. The City Council is keeping abreast of anticipated forthcoming changes from Awaabs Law and a new Decent Homes standard.</p> <p>Commitment to a ten-year programme of energy efficiency improvements and upgrades across all housing stock remains in place, in response to the Council's declared climate emergency, where possible match funding requests with government have been successful / submitted.</p> <p>Asset management planning remains vital to identify the investment needs across all housing stock and inform the programmes. Much of the City Council's stock is ageing which poses further risk. All requirements to maintain stock decency are reflected in the 30-year HRA Business Plan.</p>

	<p>Completion of a full stock condition survey informs asset management planning moving forward – currently at 86% completion.</p> <p>For future development works to provide new affordable homes, including Mainway and Canal Quarter, project work remains ongoing to define the options available. To deliver these projects will likely require borrowing against the HRA and will be subject to the council decision-making process.</p>
Service Resilience	<p>A number of external factors (pandemic, weather events, etc) remain as financial and practical risks to delivery of the housing service. The service participates actively in the Council’s resilience activities and planning and has developed robust processes to mitigate such risk.</p> <p>Provision and maintenance of IT represents an additional risk to service resilience. Support and maintenance of current IT infrastructure to deliver current systems remains a risk. Recent upgrades, along with in-house training around infrastructure, currently mitigate this risk.</p> <p>Delivery of a reserve-funded multi-year full IT replacement project is underway with completion of phase 1 planned for Spring 2026.</p>
Effect of legislation/ regulation	<p>Implications of new (or changes to existing) legislation / regulation can present challenges and are monitored and reflected in service review and improvement planning.</p> <p>The Social Housing Regulation Act 2023, the refresh of associated regulatory standards, and the increased scope of the Housing Ombudsman Service represent the most significant overhaul of the social housing sector for over a decade.</p> <p>New powers granted to the Regulator of Social Housing demand a greater tenant focus within service delivery, with particular focus on the security, safety and condition of social homes and the ability of residents to meaningfully influence service delivery and decision making.</p> <p>From April 2024 the regulator has embarked on a programme of ‘Ofsted-style’ inspections for social housing providers.</p> <p>The new regulation raises the required standards within social housing and create the conditions for significant practical and reputational risk. Since 2021/22 the HRA budget has incorporated costs in response to this, investment in compliance work being chief among them, and continues to be responsive to the requirements of the Social Housing Regulation Act and associated guidance through operational service delivery and strategic action planning.</p>

Future Developments	The City Council continues to have ambitions for the development of its own new affordable / social rented homes, which it is seeking to progress. Developments will be subject to the council's decision-making process and are referenced in the 'Additional Capital Requirements' section above.
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Equality Impact Assessment

This **online** equality impact assessment should:

An equality impact assessment should take place when considering doing something in a new way. Please submit your completed EIA as an appendix to your committee report. Please remember that this will be a public document – do not use jargon or abbreviations.

Service

Title of policy, service, function, project or strategy

Type of policy, service, function, project or strategy: Existing New/Proposed

Lead Officer

People involved with completing the EIA

Step 1.1: Make sure you have clear aims and objectives

Q1. What is the aim of your policy, service, function, project or strategy?

To set council housing rents in line with current regulation, and in order to complete the HRA budgeting process which sets out ambitions for the housing service over the short and medium term. The proposed rent increase for 2025/26 is 2.7% (CPI + 1% - in line with Government rent setting policy)

Q2.

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

The setting of council housing rents, and the budgeting process which derives from it, affects council tenants and other residents within the district. The aims of the housing service involve tenancy, estate, and asset management, but also an investment in communities and neighbourhoods and the delivery of social value. Prudent rent setting underpins this. The potential for a detrimental impact exists as an increase in rent will put pressure on those individuals in, or at risk of, financial hardship, particularly in the context of current widely understood cost-of-living pressures. It should be noted that rent levels (set at 'social rent') will remain well below both market rent and 'affordable rent' (80% of market) and well below the Local Housing Allowance (LHA) level for the district: the LHA is the maximum amount payable through Housing Benefit or the housing element of Universal Credit. Where tenants are at risk of detriment the Council's in-house Income Management Team takes a pro active, supportive approach to preventing rent arrears and promoting financial inclusion through money advice, referrals for support, and assistance in maximising income (through benefit claims, or advice on management of other debts, for example). The Income Management Team is Housing Quality Network (HQN) accredited and delivers a best practice approach in this area. The team also works closely with internal colleagues and external partner organisations to support tenants and tenancy success generally: internally the Housing Support Team, the Energy Support Officer and the Independent Living Team provide dedicated support to those who need it.

Step 1.2: Collecting your information

Q3. Using existing data (if available) and thinking about each group below, does, or could, the policy, service, function, project or strategy have a negative impact on the groups below?

Equality Impact Assessment

Group	Negative	Positive/No Impact	Unclear
Age	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Disability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Faith, religion or belief	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender including marriage, pregnancy and maternity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender reassignment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Race	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sexual orientation including civic partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other socially excluded groups such as carers, areas of deprivation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Rural communities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Step 1.3 – Is there a need to consult!

Q4. Who have you consulted with? If you haven't consulted yet please list who you are going to consult with? Please give examples of how you have or are going to consult with specific groups of communities

Consultation to follow with Tenant Voice, and Council Housing Advisory Group - details and outcomes to be confirmed

Step 1.4 – Assessing the impact

Q5. Using the existing data and the assessment in questions 3 what does it tell you, is there an impact on some groups in the community?

Age: No significant impact directly related to this group
Disability: No significant impact directly related to this group
Faith, Religion or Belief: No significant impact directly related to this group
Gender including Marriage, Pregnancy and Maternity: No significant impact directly related to this group
Gender Reassignment: No significant impact directly related to this group
Race: No significant impact directly related to this group
Sexual Orientation including Civic Partnership: No significant impact directly related to this group
Rural Communities: No significant impact directly related to this group

Step 1.5 – What are the differences?

Q6. If you are either directly or indirectly discriminating, how are you going to change this or mitigate the negative impact?

No areas of discrimination based on protected characteristics have been identified. Individuals in challenging financial circumstances are at risk of indirect discrimination as outlined in Q2 above, but this is not linked to any specific characteristics outlined in Q5 above. Mitigation of this risk is outlined in Q2: tenancy health checks, and monitoring of rent accounts and related financial circumstances of tenants will allow a support and assistance to be provided as required.

Q7.
Do
you

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

Equality Impact Assessment

No

Step 1.6 – Make a recommendation based on steps 1.1 to 1.5

Q8. If you are in a position to make a recommendation to change or introduce the policy, service, function, project or strategy, clearly show how it was decided on.

The Equality Impact Assessment concludes no adverse impact on individuals on the basis of a protected characteristic as above. However, it is noted that all individuals and groups, regardless of protected characteristics, may be adversely impacted by a rent increase. As per Q2, above, where individuals are adversely affected there is mitigation in place.

Q9.
If

you are not in a position to go ahead, what actions are you going to take?

N/a

Q10. Where necessary, how do you plan to monitor the impact and effectiveness of this change or decision?

Continuous weekly monitoring of rent accounts takes place to highlight areas of negative impact. A programme of pre-tenancy assessment, tenancy health checks, tenancy audits, advice, and support is in place to identify those at risk of detriment prior to tenancy commencement.

Appendix A

Budget and Performance Panel - Work Programme

Meeting Date	Agenda Item	Provider	Training – Subject/date	Provider
29 th January 2025	Budget and Policy Framework General Fund Revenue Budget – Public Consultation.	Cabinet/ Chief Finance Officer	TBC	TBC
19 th February 2025	Capital Strategy (Investing in the Future).	Cabinet/ Chief Finance Officer	TBC	TBC
19 th February 2025	Treasury Management Strategy.	Cabinet/ Chief Finance Officer	TBC	TBC
19 th February 2025	Strategic Risk Management.	Cabinet/ Chief People & Policy	TBC	TBC
19 th February 2025	Projects and Performance.	Cabinet/ Chief People & Policy	TBC	TBC
New financial year.	Delivering Our Priorities - to inform on staff vacancies, the well-being of Council staff and how the Council are to fill vacancies.	Chief Officer – People & Policy		
New financial year.	Delivering Our Priorities - to inform on the HRA Capital Programme for Mainway.	Chief Officer – Housing & Policy		

APPENDIX B

Budget and Performance Panel

Composition: **Nine Councillors in political balance.**

Members of the Committee shall not be members of the Cabinet.

The Chair of Budget and Performance Panel will be appointed by Council annually. Only non-cabinet members are entitled to vote for the Chair.

The Chair and Vice Chair shall not be members of the largest political group on the Council.

Terms of Reference

10.1 To scrutinise the Council's arrangements and performance in relation to financial planning, including budget / target setting, e.g. items within the Budget Framework including reviewing the effectiveness of the:

- (a) budget setting process;
- (b) contents of the Medium Term Financial Strategy (MTFS);
- (c) Capital Investment Strategy; and
- (d) financial targets in the Council Plan.

10.2 To review the management of resources by scrutinising the Council's financial performance

in year against agreed budgets or other targets. e.g.:

- (a) capital and revenue spending against approved budgets;
- (b) specific activities including treasury management, generation of revenue and capital income targets; and
- (c) monitoring of financial savings/efficiency targets (including within the MTFS).
- (d) monitor the delivery and effectiveness of Service Level Agreement targets;
- (e) assess performance against key performance indicators and benchmarks; and
- (f) assess whether services are delivering their expected outcomes.

10.3 To review the effectiveness of the Council's overall performance management arrangements in relation to partnership working and to scrutinise the performance of the Council's major partnerships.

10.4 To scrutinise the Council's policies and procedures and other supporting arrangements for securing value for money (i.e. economy, efficiency, effectiveness) e.g.:

- (a) value for money strategy;

- (b) procurement practices;
- (c) income management and collection arrangements;
- (d) asset management practices; and
- (e) insurance arrangements.

10.5 To consider risk management issues in reviewing and scrutinising performance.

10.6 To make recommendations, as appropriate, in respect of the above.

Extract from LCC constitution Part 2 – Responsibility for Function Section 5 (Pages 41 – 42)