



**Committee:** BUDGET AND PERFORMANCE PANEL

**Date:** WEDNESDAY, 11 FEBRUARY 2026

**Venue:** MORECAMBE TOWN HALL

**Time:** 6.00 P.M.

## A G E N D A

### PLEASE NOTE THE CHANGE OF VENUE

1. **Apologies for Absence**

2. **Minutes**

To receive as a correct record the Minutes of the Meeting held on 14<sup>th</sup> January 2026.

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 & Policy Framework General Fund Revenue Budget 2026/27 - 2030/31**  
(Pages 4 - 58)

**Please note:** *this report contains **two exempt appendices**, and the press and public will need to be excluded if the Panel is minded to refer to the exempt appendices.*

Report of Chief Officer – Resources. (report published on 5.2.26).

Councillor Tim Hamilton-Cox, Cabinet Member with Responsibility, has been invited to attend for this item.

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

(Pages 59 - 86)

Report of Chief Officer – Resources (report published on 9.2.26).

Councillor Tim Hamilton-Cox, Cabinet Member with Responsibility, has been invited to attend for this item.

7. **Treasury Management Strategy 2026/27** (Pages 87 - 117)

Report of Chief Finance Officer (report published on 9.2.26).

Councillor Tim Hamilton-Cox, Cabinet Member with Responsibility, has been invited to attend for this item.

8. **Medium Term Financial Strategy 2026/27 – 2030/31** (Pages 118 - 132)

Report of Chief Officer – Resources. (report published on 5.2.26).

Councillor Tim Hamilton-Cox, Cabinet Member with Responsibility, has been invited to attend for this item.

9. **Housing Revenue Account Budget Framework 2026/27 - 2030/31** (Pages 133 - 171)

Report of Chief Officer - Housing & Property and the Chief Officer - Resources (Section 151 Officer) (report published on 9.2.26).

Cabinet Member with Responsibility Councillor Caroline Jackson.

10. **Flexible Use of Capital Receipts Strategy 2026/27** (Pages 172 - 179)

Report of Chief Finance Officer (report published on 9.2.26).

Councillor Tim Hamilton-Cox, Cabinet Member with Responsibility, has been invited to attend for this item.

11. **Delivering Our Priorities 2025/26 Q3** (Pages 180 - 214)

Report of Chief Officer Resources. (report published on 5.2.26).

Councillor Tim Hamilton-Cox, Cabinet Member with Responsibility, has been invited to attend for this item.

12. **Work Programme** (Pages 215 - 233)

Joint report of Chief Officers Finance and Governance. (report published on 5.2.26).

## **ADMINISTRATIVE ARRANGEMENTS**

### **(i) Membership**

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

### **(ii) Substitute Membership**

Councillors Suhir Abuhajar, Joanne Ainscough, Dave Brookes, John Livermore and Jason Wood

### **(iii) Queries regarding this Agenda**

Please contact Stephen Metcalfe, Democratic Support - email [sjmetcalfe@lancaster.gov.uk](mailto:sjmetcalfe@lancaster.gov.uk).

### **(iv) Changes to Membership, substitutions or apologies**

Please contact Democratic Support email [democracy@lancaster.gov.uk](mailto:democracy@lancaster.gov.uk).

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CHIEF EXECUTIVE,  
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LANCASTER LA1 1PJ

Published on 3<sup>rd</sup> February 2026.

**CABINET**

**Budget & Policy Framework  
2026/27 – 2030/31  
10 February 2026**

**Report of Chief Finance Officer**

<b>PURPOSE OF REPORT</b>			
This report sets out the latest position in respect of the budget and policy framework and Cabinet’s proposed General Fund revenue budget for 2026/27			
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>	<b>Referral from Cabinet Member</b>
<b>Date of notice of forthcoming key decision</b>		12 <sup>th</sup> December 2025	
This report is public however the Appendices C1 and C2 are exempt by virtue of paragraphs 2, 3 & 4 of Part 1 of Schedule 12A of the Local Government Act 1972.			

**RECOMMENDATION OF COUNCILLOR HAMILTON – COX**

**That Cabinet recommends the following for approval to Budget Council 25 February**

- (1) That the General Fund Revenue Budget of £27.373M for 2026/27 be approved, resulting in a Council Tax Requirement of £11.931M, excluding parish precepts, and a Band D basic City Council Tax rate of £272.20**
- (2) That the supporting General Fund Revenue Budget proposals be approved, as summarised at Appendices A, C, C1 and C2**
- (3) That the budget transfer (virements and carry forwards) limits be approved as set out in Appendix E**
- (4) That Cabinet authorises the use of the General Fund Unallocated Reserve to fund the £0.831M contribution required to the Lancashire Local Government Reorganisation Transition Fund**
- (5) That Cabinet notes the Section 151 Officer’s advice regarding robustness of budget estimates, the adequacy of reserves and balances, specifically the advice that the minimum level of balances be retained at £5.0M, to provide for added uncertainty**

**1.0 INTRODUCTION**

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

- 1.2 The Council meeting on 28 January 2026 noted an update to Cabinet’s proposed revenue budget for 2026/27 and approved a City Council Tax increase of 2.99% together with a year-on-year target of the maximum allowable under the Government’s local referendum thresholds for future years.
- 1.3 This report sets out:
- The impact of the reforms made to local government funding include business rates **(Section 2)**
  - Cabinet’s final General Fund Revenue Budget proposals for 2025/26 including the Operational and Strategic context in which the budget has been set **(Section 3)**
  - A summary of Council Tax as reflected in the Council’s Collection Fund. **(Section 4)**
  - The of the Council’s Reserves Provision and Balances and s151 Officers assessment of their adequacy. **(Section 5)**
- 1.4 To provide an executive summary in relation to the above, the following analysis is provided which compares the projections considered by Council on 26 February 2025 against the latest projections provided for within this report :-

**Table 1 – Executive Summary**

	<b>2026/27 Forecast £'M</b>	<b>2026/27 Latest £'M</b>	<b>Difference Fav/(Adv) £'M</b>	<b>Report Section</b>
Finance Settlement (Final)	(14.949)	(15.797)	0.848	2
Prior Year Business Rates Surplus	0.000	0.693	(0.693)	2
General Fund Revenue	28.749	27.373	1.376	3
General Fund Revenue Budget Gap	2.633	0.000	2.633	3
Council Tax Income	(12.015)	(11.931)	(0.084)	4
Prior Year Council Tax Surplus	0.000	(0.169)	0.169	4

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

## **2.0 LOCAL GOVERNMENT FUNDING & BUSINESS RATES**

### ***The Local Government Finance Settlement***

- 2.1 The government released the provisional multi-year local government finance settlement on 17 December 2025, and the final is expected to be received on 9 February 2026 which is after the date this report was published. No differences between the provisional and final settlements are expected, however should there be any, then alterations will be highlighted in the report to Budget Council on 25 February 2026.
- 2.2 The settlement sets out simplified allocations for local authorities across England for the next three years, and incorporates an updated distribution of resources following the conclusion of the Fair Funding Review. It incorporates changes to the business rates system and in whole, represents a major change in local government financing.
- 2.3 Given all the changes, the effect of the local government settlement and the changes to the business rates system cannot be considered in isolation and the following table illustrates the overall financial impact.

**Table 2 – Settlement allocations for Lancaster City Council**

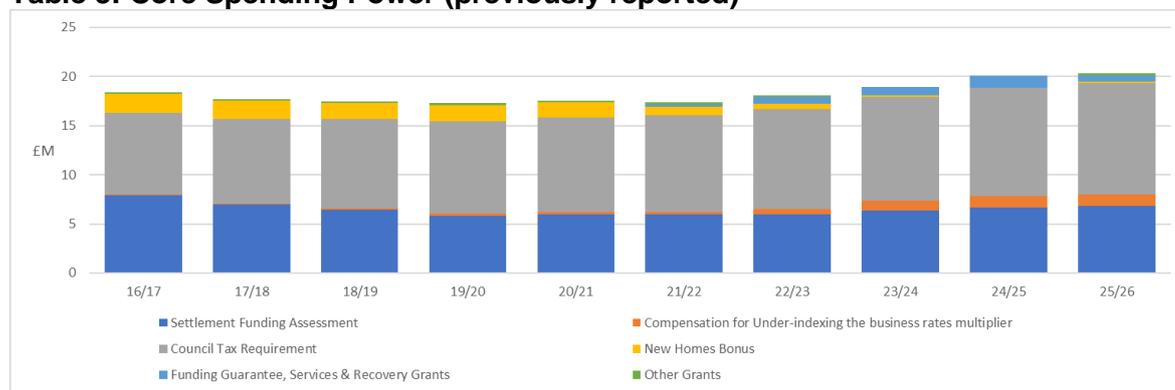
	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
<i>Items included in MTFS presented to Cabinet 2/12/25 :</i>					
Reversal of Grants budgeted for :					
- RSG	460	460	460	460	460
- Recovery	603	603	603	603	603
- Domestic Abuse	34	34	34	34	34
- NIC Rebate	211	217	222	227	227
Reversal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

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

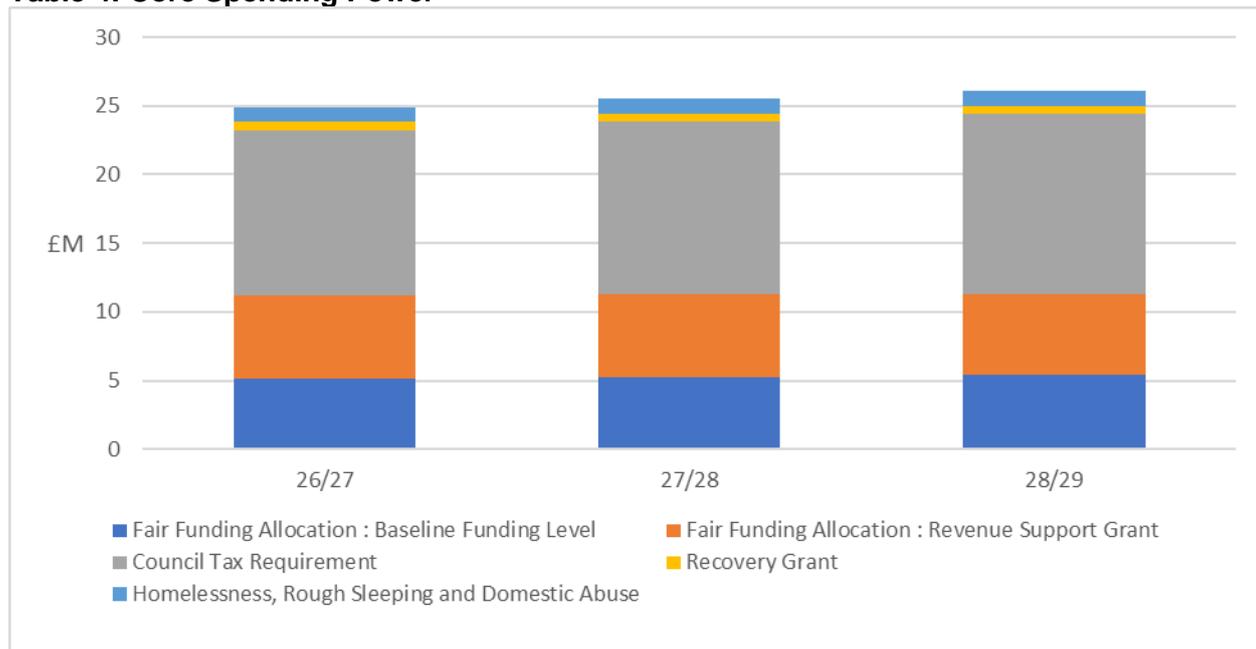
### **Core Spending Power**

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

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

**Table 3: Core Spending Power (previously reported)**

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

**Table 4: Core Spending Power**

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

**Table 5: Core Spending Power (Breakdown)**

	2026/27 £'M	2027/28 £'M	2028/29 £'M
Council Tax Requirement	12.051	12.574	13.120
Fair Funding Allocation : Baseline Funding Level	5.165	5.283	5.390
Fair Funding Allocation : Revenue Support Grant	6.031	5.986	5.910
Recovery Grant	0.603	0.603	0.603
Homelessness, Rough Sleeping and Domestic Abuse Grant	1.012	1.050	1.083
<b>Grand Total</b>	<b>24.862</b>	<b>25.496</b>	<b>26.106</b>

- 2.5 Given the changes made the government issued a revised CSP figure for 2025/26 of £23.848M. The total value of CSP for 2026/27 is £24.862M which is an increase of £1.014M, or 4.2%. For information, this is in comparison to the average CSP for all Councils in England of 5.7%.

### **Business Rates**

- 2.6 The Council is required to submit its annual business rates return (NNDR1) to the Government by the end of January in which it estimates business rates income for 2026/27 and the estimated deficit or surplus as at the end of 2025/26.
- 2.7 The previously announced Government changes will come into effect from 1 April 2026 with regard to increasing the number of multipliers and introduction of new thresholds. Business rates baselines have also been reset (incorporating growth).
- 2.8 Previously, lower tier Council's had a baseline position and were allowed to retain a proportion of any growth received above it. With the continuation of the power stations the Council have always exceeded the baseline position and has benefitted from additional rates received. For information the power stations have been included within the baseline figures.
- 2.9 This system has now been replaced by the funding reforms and the government have offered 100% protection on the baseline funding level in 2026/27. This has allowed for more certainty in calculating the proportion of rates due to the Council.

- 2.10 Members will be aware of decommissioning plans for the Heysham 1 and Heysham 2 nuclear reactors which will have a significant impact on the Council's finances. Currently the rateable value of the reactor's accounts for a substantial proportion of the Council's total rateable value. Central Government operates a "safety net" system to protect those Councils which see their year-on-year business rate income fall.

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

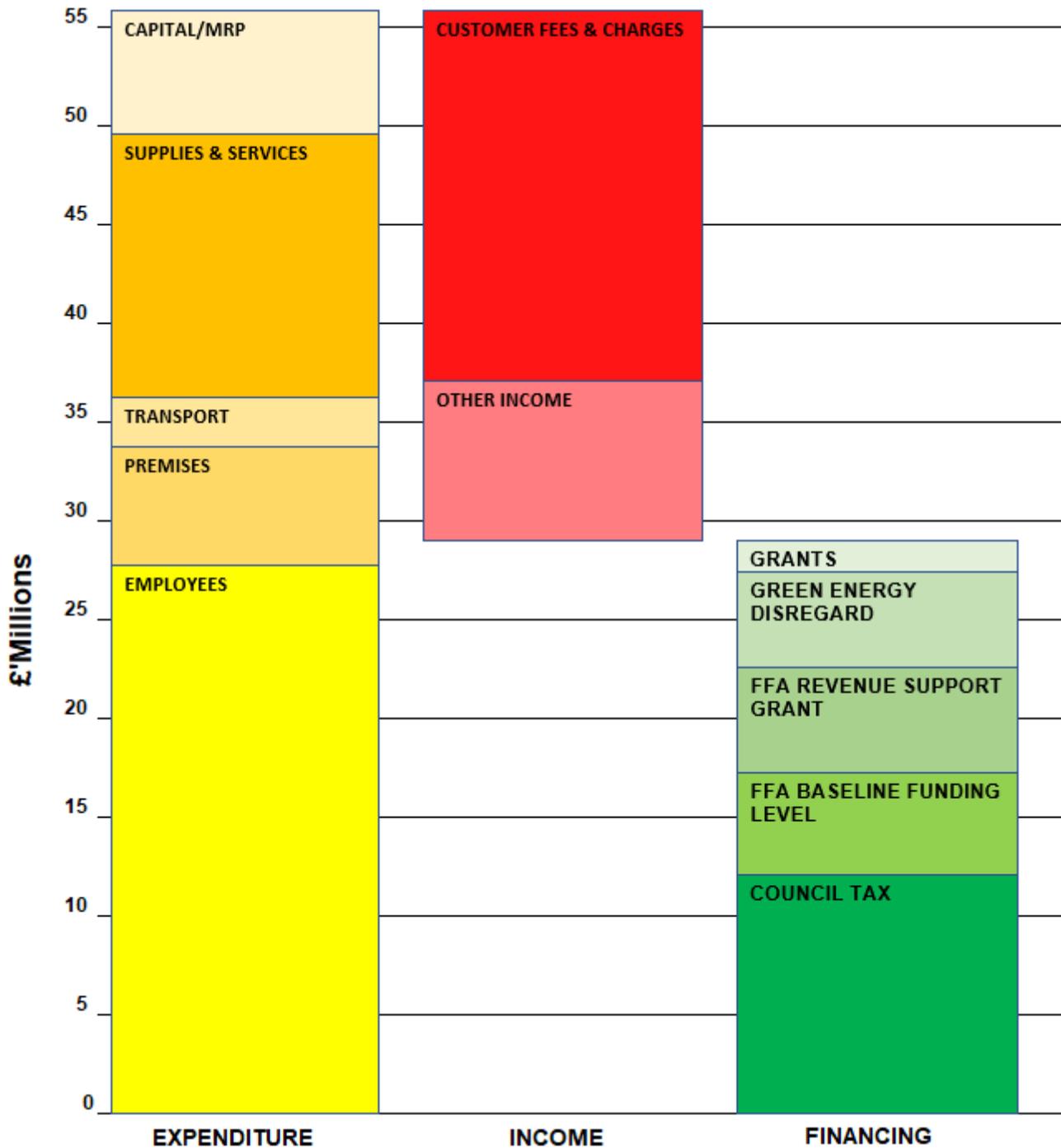
- 2.11 The Council receives rating income from renewable energy schemes within the district, largely in relation to Walney Sub-Station. Although listed as £3.998M in details of the settlement, the revaluations taken place have increased the value of this income to £4.627M in 2026/27 (£4.004M for 2025/26).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

### **3.0 REVENUE BUDGET 2026/27**

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

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

**Table 6 – Revenue Budget for 2026/27**



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

Budget Principles and Assumptions

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

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

3.6 Table 7 below, lists the major assumptions that have been made for the 2026/27 budget.

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

	(2025/26)	2026/27
Council Tax Growth	2.99%	1.00%
Council Tax Increase	2.99%	2.99%
Council Tax Collection Rate	98.67%	98.67%
Fees & Charges	2.60%	3.80%
Inflation – Pay	2.50%	3.00%
Employer Pensions Contribution	16.30%	10.40%
Electricity	25p/kWh	24p/kwh
Gas	5p/kWh	3.5p/kwh
Inflation – Insurance	10.00%	10.00%
Other inflation	2.60%	3.80%
Interest Rate – investments	3.50%	4.00%
Interest Rate – new borrowing	3.90%	4.70%

#### 4.0 COUNCIL TAX

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

#### 5.0 PROVISIONS, RESERVES & BALANCES

- 5.1 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and balances.
- 5.2 The minimum level should be set to enable the Council to meet the current and forecast financial pressures it faces in regard to the structural deficit as referenced for several years. It is against this back drop the 2026/27 assessments are made.

##### Provisions

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

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

**Reserves & Balances**

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

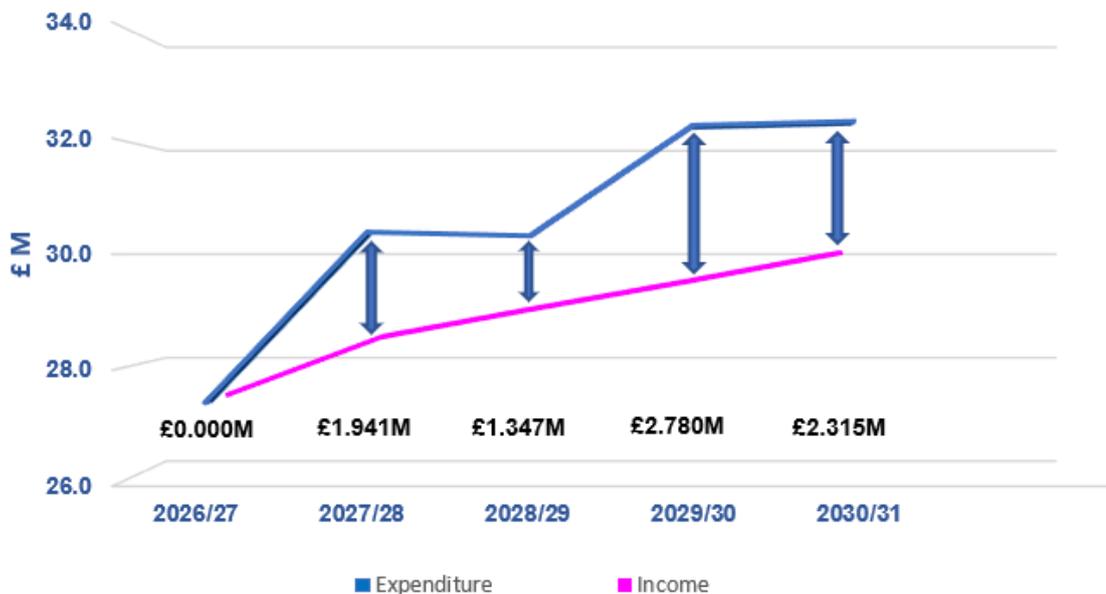
**Annual Assessment of Reserves Levels**

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

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

- The General Fund Balance at 31/03/25 was £10.028M, Quarter 3 revenue budget monitoring forecasts an underspend of £1.271M in 2025/26. During 2025/26 numerous further drawdowns on the reserve were made in line with the correct governance arrangements being in place. Once confirmed as part of the closedown process, the final net position will be transferred to the unallocated reserves
- Although the Council is continuing to identify future efficiencies and savings via the Outcomes Based Resourcing programme, the Council’s current Medium Term Financial Strategy (MTFS) suggests a structural budget gap in 2027/28 onwards which fluctuates between approximately £1.347M and £2.780M. If this is not closed, then balances will be required to make up the difference

**Table 8: General Fund Revenue Budget Gap 2026/27 – 2030/31**



**Table 9: Cumulative Deficit as Percentage of Revenue Budget**

	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M	2030/31 £'M
Net Revenue Budget	27.373	30.391	30.327	32.271	32.342
Budget Gap (Incremental)	0.000	1.941	1.347	2.780	2.315
% of Net Revenue Budget (Incremental)	0%	6%	4%	9%	7%
Budget Gap (Cumulative)	0.000	1.941	3.288	6.068	8.383
% of Net Revenue Budget (Cumulative)	0%	6%	11%	19%	26%

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

**Table 10: Risk Assessment**

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

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

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

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

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

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'M	£'M	£'M	£'M	£'M	£'M
Unallocated Reserve	(10.338)	(9.346)	(9.281)	(9.250)	(9.250)	(9.250)
Other Non-Ring Fenced Reserves	(2.634)	(1.325)	(1.362)	(1.398)	(1.435)	(1.471)
Business Rates Retention Reserve	(12.790)	(12.097)	(12.097)	(12.097)	(12.097)	(12.097)
Renewals Reserve	(2.117)	(2.249)	(2.325)	(2.461)	(2.592)	(2.716)
Forecast Cumulative Deficit Funded From Reserves	+0.000	+0.000	+1.941	+3.288	+6.068	+8.383
<b>Projected Balance as at 31 March 2026-31</b>	<b>(27.879)</b>	<b>(25.017)</b>	<b>(23.124)</b>	<b>(21.918)</b>	<b>(19.306)</b>	<b>(17.151)</b>
Less Recommended Minimum Level of Balances	+5.000	+5.000	+5.000	+5.000	+5.000	+5.000
<b>Available Balances</b>	<b>(22.879)</b>	<b>(20.017)</b>	<b>(18.124)</b>	<b>(16.918)</b>	<b>(14.306)</b>	<b>(12.151)</b>

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

### Governance Arrangements on the Use of Reserves

- 5.16 Given the continuing financial pressures and the need for the prudent use of reserves the following arrangements exist for the approval of reserves expenditure:
- All applications will need to be supported by a bid document setting out how expenditure funded from Reserves will deliver corporate priorities with a clear costing statement schedule of specific outcome measures. Details of the bid proforma document is attached at **Appendix E**.
  - Reserve bids should be agreed by Portfolio Holder in consultation with relevant Chief Officer.
  - Once received bids will need to be formally agreed by the Leader of the Council, Chief Executive, Portfolio Holder for Finance and Resources, Monitoring Officer and the s151 Officer before expenditure is authorised and can be incurred.
- 5.17 These arrangements will be reviewed again as part of the annual revenue budget process.

## 6.0 LOCAL GOVERNMENT REORGANISATION (LGR)

- 6.1 To further reiterate the information reported to Cabinet and Council over the previous two months, the financial impact of LGR expected to be complex with very little information currently available. The financial information which underpins the ongoing budget process has currently been prepared on a 'business as usual' basis.
- 6.2 The Government is expected to lead a public consultation on the proposals early this year, with a preferred option selected in summer 2026.
- 6.3 If approved, elections for shadow authorities could take place in May 2027, with the new councils taking over all services from 1 April 2028 (vesting day).
- 6.4 Inevitably, this will have financial consequences for the Council however it is expected that partners will enter into the new authority in the best financial health that is possible, in order to maintain both financial and organisational stability.

- 6.5 At the meeting of Lancashire Chief Executives on 8<sup>th</sup> January the options for the creation of a Lancashire Local Government Reorganisation Transition Fund was discussed. The report agreed the following principles:
- a. An initial agreed total sum of £30M
  - b. A split of 75% to Unitary Councils and 25% to District Councils meaning:
    - i. £22.5M Unitary Contribution
    - ii. £7.5M District Contribution

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

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

## **7.0 DETAILS OF CONSULTATION**

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

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

## **8.0 OPTIONS & OPTIONS ANALYSIS**

### Revenue Budget

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

### Other Budget Framework Matters (Reserves and Provisions)

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

### Section 151 Officer's Comments and Advice

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

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

## **9.0 OFFICER PREFERRED OPTION (AND COMMENTS)**

### Revenue Budget 2026/27 and Reserves Position

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

**10.0 CONCLUSION**

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

**RELATIONSHIP TO POLICY FRAMEWORK**

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

**CONCLUSION OF IMPACT ASSESSMENT**

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

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

**FINANCIAL IMPLICATIONS**

As set out in the report

**SECTION 151 OFFICER’S COMMENTS**

**Robustness of Estimates and Adequacy of Council’s Reserves**

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

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

**Provisions, Reserves and Balances**

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

**Robustness of Estimates**

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

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

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

**Affordability of Spending Plans**

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

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

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

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

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

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

**LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments.

**BACKGROUND PAPERS**

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

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

For Consideration by Cabinet 10 February 2026

	Post LGR Vesting Date				
	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000
<b>GF Revenue Budget/Forecast as at 26 February 2025</b>	<b>28,749</b>	<b>29,489</b>	<b>30,118</b>	<b>31,873</b>	<b>32,829</b>
<b>Base Budget Changes</b>					
Further Operational Changes					
Pay Award 25/26	188	194	200	206	212
Pensions (Employer Contribution Reduction)	(1,756)	(1,744)	(1,744)	(1,767)	(1,789)
Increase Staff Turnover (to £1M)	(352)	(352)	(352)	(352)	(352)
Interest Payable	(128)	43	33	33	43
Interest Receivable	18	72	36	38	38
Minimum Revenue Provision (MRP)	(190)	15	26	17	(426)
Review of Reserves					
- Renewals (reduction in contribution)	(293)	(293)	(293)	(293)	(293)
- Business Rates Retention Reserve <sup>1</sup>	(693)	0	0	0	0
- Business Rates Retention Reserve <sup>2</sup>	600	500	0	0	0
Review of Inflation Factors	37	61	71	60	(159)
Review of Corporate Property Programme	61	291	82	(12)	(382)
Review of Asset & Compliance Programme	(339)	(135)	(240)	(161)	(193)
Commercial Property Rental Income	382	43	(44)	(44)	(44)
Bed & Breakfast Expenditure	(541)	0	0	0	0
Burrowbeck/Gateway Solar	200	200	200	200	200
Waste Collection pEPR Payment	(367)	(347)	(326)	(305)	(305)
Food Waste (removal of savings target)	350	388	409	434	434
Garden Waste Charging Freeze	42	42	42	42	42
Williamson Park Net Income	143	143	143	143	143
Car Parking Pay & Display Income	250	250	250	250	250
Revenues Shared Service	60	60	60	60	60
ICT Cyber Security	114	114	114	114	114
Impact of Local Government Finance Settlement	848	854	859	864	864
Minor Variances	39	(36)	144	253	262
Latest Budgetary Position	<b>27,422</b>	<b>29,852</b>	<b>29,788</b>	<b>31,653</b>	<b>31,548</b>
<b>Additional Budget Proposals:</b>					
Growth/(Savings) Proposals	403	398	281	291	302
Revenue Impact of Current Capital Programme Review (MRP & Interest)	(615)	(646)	(503)	(462)	(319)
Revenue Impact of Capital Programme Growth (MRP & Interest)	163	829	1,106	1,135	1,158
Revenue Impact of Capital Programme Growth (Ongoing Revenue)	0	(42)	(345)	(346)	(347)
<b>General Fund Revenue Budget</b>	<b>27,373</b>	<b>30,391</b>	<b>30,327</b>	<b>32,271</b>	<b>32,342</b>
<b>Financed By:</b>					
Items included in latest provisional settlement					
Revenue Support Grant	460	460	460	460	460
Fair Funding Assessment Baseline Funding Level	(5,165)	(5,283)	(5,390)	(5,498)	(5,608)
Fair Funding Assessment Revenue Support Grant	(6,031)	(5,986)	(5,910)	(5,794)	(5,680)
Recovery Grant	(603)	(603)	(603)	(603)	(603)
Green Energy Disregard	(4,627)	(4,627)	(4,627)	(4,627)	(4,627)
	<b>(15,966)</b>	<b>(16,039)</b>	<b>(16,070)</b>	<b>(16,062)</b>	<b>(16,058)</b>
Prior Year Council Tax (Surplus)/Deficit	(169)				
Prior Year Business Rates (Surplus)/Deficit	693				
<b>Council Tax Requirement</b>	<b>11,931</b>	<b>14,352</b>	<b>14,257</b>	<b>16,209</b>	<b>16,284</b>
<b>Estimated Council Tax Income -</b> (Increases based on 2.99% for 2026/27 then max allowable)	<b>11,931</b>	<b>12,411</b>	<b>12,910</b>	<b>13,429</b>	<b>13,969</b>
<b>Structural (Surplus)/Deficit</b>	<b>0</b>	<b>1,941</b>	<b>1,347</b>	<b>2,780</b>	<b>2,315</b>
<b>Incremental Deficit as Percentage of Net Revenue Budget</b>	<b>0%</b>	<b>6%</b>	<b>4%</b>	<b>9%</b>	<b>7%</b>
<b>Revenue Budget (Surplus)/Deficit as at 26 February 2025</b>	<b>2,633</b>	<b>4,699</b>	<b>4,513</b>	<b>5,480</b>	<b>0</b>
<b>Increase/(Decrease)</b>	<b>(2,633)</b>	<b>(2,758)</b>	<b>(3,166)</b>	<b>(2,700)</b>	<b>2,315</b>

## BASE BUDGET CHANGES

### Pay Award 2025/26 +£0.188M

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

### Pensions - Employer Contribution Reduction (-£1.756M)

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

### Increase Staff Turnover (-£0.352M)

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

### Interest Payable (-£0.128M)

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

### Interest Receivable +£0.018M

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

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

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

### Review of Reserves

#### Renewals (-£0.293M)

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

#### Business Rates Retention Reserve<sup>1</sup> (-£0.693M)

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

#### Business Rates Retention Reserve<sup>2</sup> +£0.600M

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

Review of Inflation Factors +£0.037M

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

Review of Corporate Property Programme +£0.061M

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

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

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

Commercial Property Rental Income +£0.382M

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

Bed & Breakfast Expenditure (-£0.541M)

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

Burrowbeck/Gateway Solar +£0.200M

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

Waste Collection pEPR Payment (-£0.367M)

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

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

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

Garden Waste Charging Freeze +£0.042M

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

Williamson Park Net Income +£0.143M

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

Car Parking Pay & Display Income +£0.250M

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

Revenues Shared Service +£0.060M

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

ICT Cyber Security +£0.114M

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

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

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

Minor Variances +£0.039M

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

## ADDITIONAL BUDGET PROPOSALS

Growth/(Savings) Proposals +£0.403M

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

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

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

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

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

## Savings and Budget Proposals 2026/27 to 2030/31

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

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

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## Reserves Statement (Including Unallocated Balances)

	31 March 2026	From Revenue	To / (From) Capital	To Revenue	31 March 2027	From Revenue	To / (From) Capital	To Revenue	31 March 2028	From Revenue	To / (From) Capital	To Revenue	31 March 2029	From Revenue	To / (From) Capital	To Revenue	31 March 2030	From Revenue	To / (From) Capital	To Revenue	31 March 2031
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
<b>Unallocated Balances</b>	(10,338,300)	0	0	992,600	(9,345,700)	0	0	64,400	(9,281,300)	0	0	31,200	(9,250,100)	0	0	0	(9,250,100)	0	0	0	(9,250,100)
<b>Earmarked Reserves (Usable):</b>																					
Amenity Improvements	(29,000)				(29,000)				(29,000)				(29,000)				(29,000)				(29,000)
Corporate Priorities	(110,800)				(110,800)				(110,800)				(110,800)				(110,800)				(110,800)
Capital Support	(73,000)				(73,000)				(73,000)				(73,000)				(73,000)				(73,000)
Corporate Property	(1,626,400)			1,312,900	(313,500)				(313,500)				(313,500)				(313,500)				(313,500)
Covid 19 Support Reserve	(9,700)				(9,700)				(9,700)				(9,700)				(9,700)				(9,700)
Homelessness Support	(110,800)				(110,800)				(110,800)				(110,800)				(110,800)				(110,800)
Investment Property Maint	(119,100)				(119,100)				(119,100)				(119,100)				(119,100)				(119,100)
Invest to Save	(105,300)				(105,300)				(105,300)				(105,300)				(105,300)				(105,300)
Museums Acquisitions	(49,700)	(4,500)			(54,200)	(4,500)			(58,700)	(4,500)			(63,200)	(4,500)			(67,700)	(4,500)			(72,200)
Restructure	(400,000)				(400,000)				(400,000)				(400,000)				(400,000)				(400,000)
SALC 3G Football Pitch	0				0	(32,000)			(32,000)	(32,000)			(64,000)	(32,000)			(96,000)	(32,000)			(128,000)
Business Rates Retention	(12,789,900)			693,000	(12,096,900)				(12,096,900)				(12,096,900)				(12,096,900)				(12,096,900)
Renewals Reserves	(2,116,500)	(220,400)		87,600	(2,249,300)	(220,400)	38,000	107,000	(2,324,700)	(220,400)		84,000	(2,461,100)	(220,400)		90,000	(2,591,500)	(220,400)		95,500	(2,716,400)
General Renewals	(1,362,700)	(24,400)		12,600	(1,374,500)	(24,400)		57,000	(1,341,900)	(24,400)		34,000	(1,332,300)	(24,400)		40,000	(1,316,700)	(24,400)		45,500	(1,295,600)
Salt Ayre Leisure Centre	(355,700)	(150,000)		50,000	(455,700)	(150,000)	38,000	30,000	(537,700)	(150,000)		30,000	(657,700)	(150,000)		30,000	(777,700)	(150,000)		30,000	(897,700)
Williamson Park	(83,000)	(18,000)		25,000	(76,000)	(18,000)		20,000	(74,000)	(18,000)		20,000	(72,000)	(18,000)		20,000	(70,000)	(18,000)		20,000	(68,000)
Car Parks	(159,200)	(12,000)			(171,200)	(12,000)			(183,200)	(12,000)			(195,200)	(12,000)			(207,200)	(12,000)			(219,200)
Happy Mount Park	(77,900)	(14,000)			(91,900)	(14,000)			(105,900)	(14,000)			(119,900)	(14,000)			(133,900)	(14,000)			(147,900)
Arnsdale & Silverdale AONB	(78,000)	(2,000)			(80,000)	(2,000)			(82,000)	(2,000)			(84,000)	(2,000)			(86,000)	(2,000)			(88,000)
<b>Total Earmarked Reserves (Usable)</b>	<b>(17,540,200)</b>	<b>(224,900)</b>	<b>0</b>	<b>2,093,500</b>	<b>(15,671,600)</b>	<b>(256,900)</b>	<b>38,000</b>	<b>107,000</b>	<b>(15,783,500)</b>	<b>(256,900)</b>	<b>0</b>	<b>84,000</b>	<b>(15,956,400)</b>	<b>(256,900)</b>	<b>0</b>	<b>90,000</b>	<b>(16,123,300)</b>	<b>(256,900)</b>	<b>0</b>	<b>95,500</b>	<b>(16,284,700)</b>
<b>Earmarked Reserves (Ringfenced):</b>																					
Elections	(107,300)	(45,000)			(152,300)	(45,000)		180,000	(17,300)	(45,000)			(62,300)	(45,000)			(107,300)	(45,000)			(152,300)
Lancaster District Hardship Fund	(600)				(600)				(600)				(600)				(600)				(600)
Planning Fee Income	0				0				0				0				0				0
Revenue Grants Unapplied	(118,800)			21,600	(97,200)			22,100	(75,100)				(75,100)				(75,100)				(75,100)
S106 Commuted Sums - Open Spaces	0				0				0				0				0				0
S106 Commuted Sums - Affordable Housing	(218,800)				(218,800)				(218,800)				(218,800)				(218,800)				(218,800)
S106 Commuted Sums - Highways, Cycle Paths etc.	(1,514,600)	(100,000)			(1,614,600)	(100,000)			(1,714,600)	(100,000)			(1,814,600)	(100,000)			(1,914,600)	(100,000)			(2,014,600)
Welfare Reforms	(324,900)				(324,900)				(324,900)				(324,900)				(324,900)				(324,900)
<b>Reserves Held in Perpetuity:</b>																					
Graves Maintenance	(22,200)				(22,200)				(22,200)				(22,200)				(22,200)				(22,200)
Marsh Capital	(47,700)				(47,700)				(47,700)				(47,700)				(47,700)				(47,700)
<b>Total Earmarked Reserves (Ringfenced)</b>	<b>(2,354,900)</b>	<b>(145,000)</b>	<b>0</b>	<b>21,600</b>	<b>(2,478,300)</b>	<b>(145,000)</b>	<b>0</b>	<b>202,100</b>	<b>(2,421,200)</b>	<b>(145,000)</b>	<b>0</b>	<b>0</b>	<b>(2,566,200)</b>	<b>(145,000)</b>	<b>0</b>	<b>0</b>	<b>(2,711,200)</b>	<b>(145,000)</b>	<b>0</b>	<b>0</b>	<b>(2,856,200)</b>
<b>Total Combined Reserves</b>	<b>(30,233,400)</b>				<b>(27,495,600)</b>				<b>(27,486,000)</b>				<b>(27,772,700)</b>				<b>(28,084,600)</b>				<b>(28,391,000)</b>

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

## Cabinet 10 February 2026

### 1 Purpose and Scope

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

### 2 Virements

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

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

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

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

### 3 Treatment of Year-end Balances

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

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

#### Overspends

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

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

#### Underspends

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

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

### 4.0 Governance Arrangements on the Use of Reserves

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

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

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

#### Reserves Expenditure Monitoring

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

## Schedule of Earmarked Reserves

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



**Project Officer Sign Off:**

**Director Sign Off:**

**Section 151 Officer Sign Off:**

**Portfolio Holder Sign Off:**

**Finance Portfolio Sign Off:**

**Cabinet Minute (if app):**

**CABINET**

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

**Report of Chief Finance Officer**

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

**RECOMMENDATION OF COUNCILLOR HAMILTON-COX**

1. That Cabinet recommends the following for approval to Budget Council:
  - the updated Capital Programme covering financial years 2026/27 to 2035/36
  - the Capital Strategy (Investing in the Future) 2026/27
2. Delegated authority be given to the S151 officer, in consultation with Portfolio Holder for Finance & Property to amend changes in the prudential indicators should Cabinet or Full Council make any revisions to the Capital Programme

**1.0 INTRODUCTION**

- 1.1 Capital investment, via the Council's reserves or borrowing, plays a key role in strategic projects and initiatives for the success of the Lancaster district, as well as transforming and optimising the Council's services to its residents.
- 1.2 The proposed Capital Programme and supporting Strategy, entitled '*Investing in the Future*' and contained at **Appendix B**, sets out the relevant context and a proposed framework to support the Council's approach to capital investment over the medium term.

**2.0 CAPITAL PROGRAMME**

- 2.1 The proposed net investment programme for General Fund for the period to 2035/36 is included at **Appendix A** and summarised in the table below.

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'M	£'M	£'M	£'M	£'M	£'M
Approved Schemes	16.121	5.561	0.628	3.978	1.163	2.364
Schemes Under Development	0.000	3.311	10.727	0.390	0.230	0.230
<b>TOTAL</b>	<b>16.121</b>	<b>8.872</b>	<b>11.355</b>	<b>4.368</b>	<b>1.393</b>	<b>2.594</b>

	2031/32	2032/33	2033/34	2034/35	2035/36	Grand Total
	£'M	£'M	£'M	£'M	£'M	£'M
Approved Schemes	6.429	4.994	2.181	2.227	0.050	<b>29.575</b>
Schemes Under Development	0.100	0.040	0.200	0.000	0.000	<b>15.228</b>
<b>TOTAL</b>	<b>6.529</b>	<b>5.034</b>	<b>2.381</b>	<b>2.227</b>	<b>0.050</b>	<b>44.803</b>

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

### **3.0 CAPITAL STRATEGY**

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

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

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

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

### **4.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)**

4.1 Cabinet may put forward alternative proposals or amendments to the proposed Strategy ahead of consideration by Full Council. For capital, Council may adjust its capital investment and financing proposals taking account of spending commitments and priorities, but its proposals for 2026/27 must balance.

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

### **5.0 OFFICER PREFERRED OPTION (AND COMMENTS)**

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

### **6.0 CONCLUSION**

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

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

**RELATIONSHIP TO POLICY FRAMEWORK**

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

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

**CONCLUSION OF IMPACT ASSESSMENT**

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

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

**FINANCIAL IMPLICATIONS**

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

**S151 OFFICER COMMENTS**

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

**LEGAL IMPLICATIONS**

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

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

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

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

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

**Contact Officer:** Paul Thompson

**Telephone:** 01524 582603

**E-mail:** pthompson@lancaster.gov.uk

**Ref:** N/A

General Fund Capital Programme

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

General Fund Capital Programme

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

# **Lancaster City Council**

## **Investing in the Future: Our Capital Investment Strategy**

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

To be reviewed and approved annually by Council

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## 1. Introduction

### 1.1. Investing in the Future

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

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

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

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

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

### 1.2. Sustainable, Strategic Investment

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

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

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

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

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

### 1.3. Investment Models

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

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

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

## 1.4. Housing Provision and the Housing Revenue Account

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

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

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

## 1.5. Aims of the Strategy

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

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

## 2. The Strategy: Four Investment Streams

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

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

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

### 1) A Sustainable District

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

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

## 2) An Inclusive and Prosperous Local Economy

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

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

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

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

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

## 3) Healthy and Happy Communities

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

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

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

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

## 4) A Co-Operative, Kind and Responsible Council

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

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

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

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

### 3. Capital Investments Regulation & Guidance

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

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

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

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

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

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

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

### 3.1. Revised CIPFA Treasury Management Code and Prudential Code

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

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

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

#### Treasury Management

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

#### Service delivery

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

## Commercial return

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

## 4. Delivering the Strategy

### 4.1. The Capital Investment Lifecycle

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

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

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

#### Stage 1: Inception

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

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

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

#### Stage 3: Full business case (FBC)

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

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

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

### **Stage 4: Implementation**

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

### **Stage 5: Evaluation**

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

## **4.2. Governance Arrangements**

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

- Transparency
- Democratic Accountability
- Ethical Responsibility
- Strategic Alignment

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

### **Capital Assurance Group (CAG)**

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

### **Capital Investments Appraisal Group (CIAG)**

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

## **Assets Group**

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

## **Cabinet**

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

## **Overview & Scrutiny (O&S)**

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

## **Budget & Performance Panel (B&PP)**

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

## **Council**

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

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

## **4.3. Risk Management**

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

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

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

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

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

### 4.4. Monitoring and Evaluation

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

The monitoring and evaluation process will include:

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

### 4.5. Capacity, Skills and Professional Advice

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

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

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

## 5. Our Assets

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

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

### Council Housing

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

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

### Property Plant & Equipment

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

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

## Investment Assets

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

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

## Heritage Assets

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

## Intangible Assets

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

## Asset Management

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

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

## Valuations

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

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

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

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

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

## 6. Capital Expenditure

### Capital Programme

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

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

### Financing & Affordability

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

<b>Financed by:</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>Total</b>
	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>2026/27</b>
	<b>£'M</b>	<b>£'M</b>	<b>£'M</b>	<b>£'M</b>	<b>£'M</b>	<b>£'M</b>	<b>to</b>
							<b>2030/31</b>
							<b>£'M</b>
Capital receipts	-2.92	-1.73	-2.64	-0.09	-0.09	0.00	-4.55
Capital grants	-13.2	-4.49	-2.6	-2.33	-4.13	-4.13	-17.68
Capital reserves	-4.63	-4.22	-4.7	-5.1	-4.49	-4.22	-22.73
Revenue	-0.03	-0.01	0.00	0.00	0.00	0.00	-0.01
<b>Financing Total</b>	<b>-20.78</b>	<b>-10.45</b>	<b>-9.94</b>	<b>-7.52</b>	<b>-8.71</b>	<b>-8.35</b>	<b>-44.97</b>
<b>Net financing need for the year</b>	<b>15.96</b>	<b>8.86</b>	<b>11.32</b>	<b>4.37</b>	<b>1.39</b>	<b>2.59</b>	<b>28.53</b>

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

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

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

	2025/26 Estimate %	2026/27 Estimate %	2027/28 Estimate %	2028/29 Estimate %	2029/30 Estimate %	2030/31 Estimate %
General Fund	15.52	22.16	24.28	24.32	24.12	20.66
HRA	15.64	14.61	13.92	13.71	13.07	12.42

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

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

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

## 7. Treasury Management

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

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

### Governance & Scrutiny

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

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

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

## Investment

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

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

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

The Council's Investments at 31.12.2025 were:

<b>Balance 31.12.2025</b>	<b>£'M</b>	<b>Liquidity</b>
Bank Accounts	0.46	Instant Access
Money Market Funds	17	Instant Access
Other Local Authorities	0	Instant Access
Money Market Funds	0	Fixed Term
Other Local Authorities	10	Fixed Term
Debt Management Office	2	Fixed Term
<b>Total Investments</b>	<b>29.46</b>	

## Borrowing

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

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

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

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

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

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

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

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

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

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

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

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

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

## **8. Commercial Activity**

### **Current Position**

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

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

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

### **Performance Monitoring**

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

## Capital Assurance Group: Terms of Reference

### Role

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

### Composition of CAG

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

#### Standing Membership –

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

#### Additional representation as and when required may include

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

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

### Frequency and Format of Meetings

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

### Remit

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

#### *With respect to the Capital Programme*

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

#### *With respect to the Asset Management Plan*

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

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

**Decision Making**

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

**The role of Scrutiny Committee Members**

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

**Key Outcomes**

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

**CABINET****Treasury Management Strategy****2026/27****10 February 2026****Report of Chief Finance Officer**

<b>PURPOSE OF REPORT</b>				
To present to Cabinet the draft Treasury Management Strategy and associated documents for 2026/27 and to provide an opportunity for consideration and comment ahead of formal presentation to Full Council 25 February 2026 for approval				
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>		<b>Referral from Cabinet Member</b>
<b>Date of notice of forthcoming key decision</b>			12 <sup>th</sup> December 2025	

**RECOMMENDATION OF COUNCILLOR HAMILTON - COX**

1. That Cabinet recommends for approval to Budget Council the Treasury Management Strategy 2026/27, Appendices A to C
2. Delegated authority be given to the S151 Officer, in consultation with the Portfolio Holder for Finance & Property to amend changes in the prudential indicators should Cabinet or Full Council make any revisions to the Capital Programme

**1.0 INTRODUCTION**

- 1.1 The Code of Practice on Treasury Management (“the Code”) requires that a strategy outlining the expected treasury activity for the forthcoming 3 years be adopted, but that it be reviewed at least annually. It needs to reflect treasury policy and cover various forecasts and activities, to incorporate the Council’s spending and income plans with decisions about investing and borrowing.
- 2.2 Cabinet are asked to consider the Treasury Management strategy and associated attachments in line with their Terms of Reference and, if satisfied, refer the strategy to Council for approval in accordance with the Constitution.

**2.0 TREASURY MANAGEMENT FRAMEWORK 2026/27**

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

### **3.0 TREASURY MANAGEMENT STRATEGY**

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

### **4.0 BORROWING ASPECTS OF THE STRATEGY**

#### Capital Financing Requirement (CFR)

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

**Table 1 Capital Financing Requirement**

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

**Movement in CFR represented by**

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

**Table 2 Borrowing Projections**

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

**4.6 The Operational Boundary**

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

**Table 3 Operational Boundary**

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

**4.7 The Authorised Limit for External Debt**

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

not sustainable in the longer term. Changes to the authorised limit are included in table 4 below.

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

**Table 4 Authorised Limit**

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

#### 4.8 Affordability Prudential Indicators

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

**Table 5 Ratio of Financing Costs to Net Revenue Stream**

% Ratio of Financing Costs to Net Revenue Stream	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Non-HRA	16.20%	15.52%	22.01%	24.31%	24.25%	23.72%	20.66%
HRA	15.78%	15.64%	14.61%	13.92%	13.71%	13.07%	12.42%

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

#### 5.0 Minimum Revenue Provision (MRP) Policy

- 5.1 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

- 5.2 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the Authority to calculate a prudent provision of MRP whilst having regard to the current MRP Guidance (2018). The broad aim of prudent provision is to ensure that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance gives four ready-made options for calculating MRP, but the Authority can use any other reasonable basis that it can justify as prudent. Following a review, the Council's external advisors recommended a change to the MRP policy switching from the "Asset Life Method" to calculation using the annuity method using a weighted average useful life. This revision was formally approved by Council 22 February 2023.

- 5.3 The MRP policy statement requires full Council approval in advance of each financial year although regulation does permit in year changes. Following a review of the MRP charges and methodology it is recommended that Council retains the annuity method of calculation approves the MRP Policy Statement as referred to within the Treasury Management Strategy **Appendix C**.

- 5.4 Table 4 below provides details of the Council's estimates MRP charges, based on current capital and borrowing information.

**Table 6 Forecast MRP Charges**

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

## 6.0 OPTIONS & OPTIONS ANALYSIS

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

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

## 7.0 OFFICER PREFERRED OPTION (AND COMMENTS)

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

## 8.0 CONCLUSION

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

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

### RELATIONSHIP TO POLICY FRAMEWORK

Treasury Management forms part of the Councils budget framework

### CONCLUSION OF IMPACT ASSESSMENT

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

### FINANCIAL IMPLICATIONS

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

**S151 OFFICER COMMENTS**

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

**LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

**BACKGROUND PAPERS**

Appendix A - Council Responsibility

Appendix B - TM Policy

Appendix C - Treasury Management Strategy 2026-27

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**E-mail:** pthompson@lancaster.gov.uk

**Ref:** N/A

## TREASURY MANAGEMENT FRAMEWORK DOCUMENTS AND RESPONSIBILITIES

For consideration by Council 25 February 2026

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

**LANCASTER CITY COUNCIL**  
**TREASURY MANAGEMENT POLICY STATEMENT**

**For consideration by Council**  
**25 February 2026**

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

1. This organisation defines its treasury management activities as:  
  
“The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
  
2. This organisation regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.
  
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

## Treasury Management Strategy 2026/27 to 2030/31

For Consideration by Council 25 February 2026

### INTRODUCTION

#### 1.1 Background

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

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

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

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

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

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

#### 1.2 Reporting Requirements

##### Capital Strategy

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

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

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

### **Treasury Management Reporting**

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

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

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

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

### **1.3 Treasury Management Strategy for 2026/27**

The strategy for 2026/27 covers two main areas:

#### **Capital Issues**

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

#### **Treasury Management Issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;

- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC (now MHCLG) Investment Guidance; DLUHC (now MHCLG) MRP Guidance, the CIPFA Prudential Code, and the CIPFA Treasury Management Code.

### 1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

A member training session is currently being prepared and is to be delivered before the end of April. All incoming councillors receive mandatory local government finance training and ad hoc training has been provided as required throughout 2025/26.

A formal record of the training received by officers central to the Treasury function will be maintained by the Accountancy Services Manager. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by the Chief Resources & S151 Officer.

The training needs of treasury management Officers are periodically reviewed.

## 1.5 Treasury Management Consultants

The Council uses MUFG Corporate Markets as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

## 2 CAPITAL PRUDENTIAL INDICATORS 2026/27 – 2030/31

The Council's capital expenditure plans are the key driver of treasury management activity. The plans are reflected in various prudential indicators which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

### 2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

The table below provides that summary, showing how the plans are being financed by capital or revenue resources. Any shortfall of resources results in an underlying borrowing or financing need.

Capital expenditure	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual £'M	Estimate £'M	Estimate £'M	Estimate £'M	Estimate £'M	Estimate £'M	Estimate £'M
General Fund	8.83	28.67	13.08	13.69	6.70	5.52	6.72
Housing Revenue Account (HRA)	6.39	8.07	6.23	7.57	5.19	4.58	4.22
<b>Total</b>	<b>15.22</b>	<b>36.74</b>	<b>19.31</b>	<b>21.26</b>	<b>11.89</b>	<b>10.10</b>	<b>10.94</b>
<b>Financed by:</b>							
Capital receipts	-1.67	-2.92	-1.73	-2.64	-0.09	-0.09	0.00
Capital grants	-5.46	-13.20	-4.49	-2.60	-2.33	-4.13	-4.13
Capital reserves	-4.77	-4.63	-4.22	-4.70	-5.10	-4.49	-4.22
Revenue	-0.10	-0.03	-0.01	0.00	0.00	0.00	0.00
<b>Net financing need for the year</b>	<b>3.22</b>	<b>15.96</b>	<b>8.86</b>	<b>11.32</b>	<b>4.37</b>	<b>1.39</b>	<b>2.59</b>

### 2.2 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total amount of capital expenditure (including that from prior years) that has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying need to borrow. Any capital expenditure, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely. This is because the Minimum Revenue Provision (MRP), which is a statutory annual charge to revenue, broadly reduces the indebtedness in line with each asset's life so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. Changes to IFRS 16 which applied from 2024/25 saw the Council reclassify 2 leases as finance leases which are included within the CFR.

Members are asked to approve the CFR projections below:

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

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

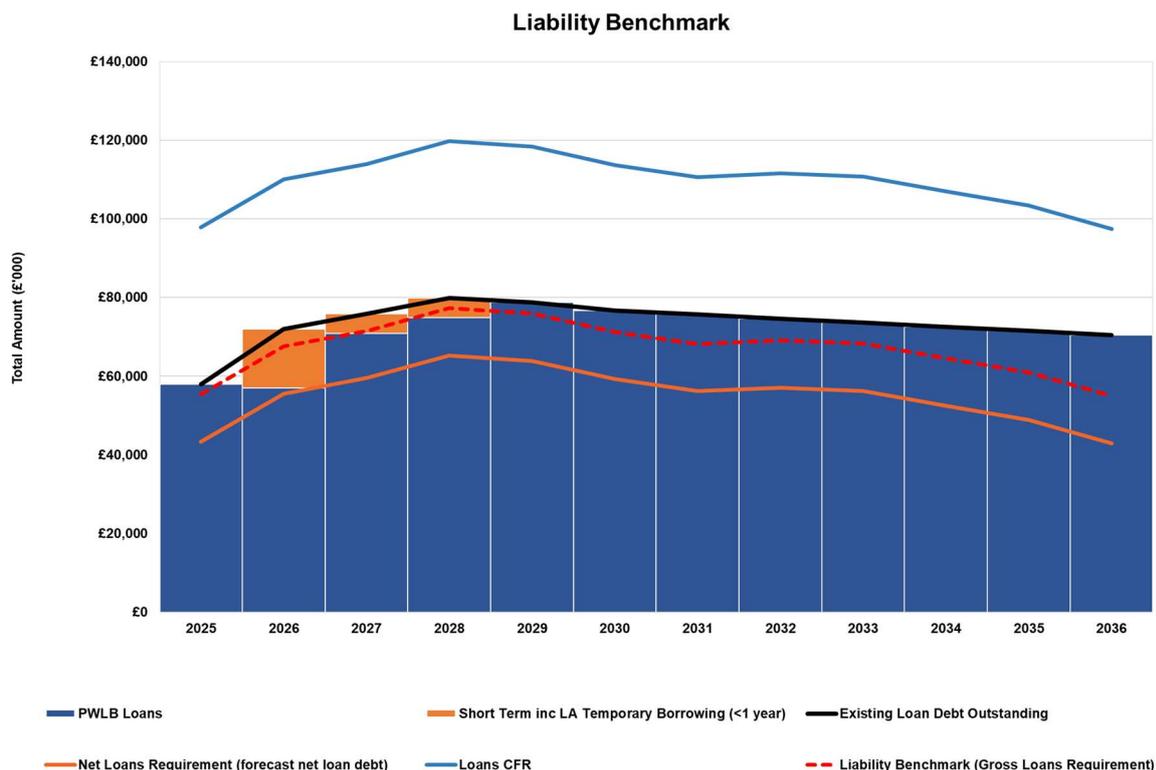
### 2.3 Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

The Council's liability benchmark presented as a chart of the above four balances is shown below:



Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.

During 2026/27, forecast levels of funds available for treasury investments are falling in line with cash flow forecasts and as overall levels of General Fund and HRA reserves decrease.

There is, therefore, a need to borrow to cover the net loans requirement. Given PWLB interest rates at present, temporary borrowing from other local authorities will be utilised until PWLB rates reduce.

It is intended that the gap between the net loans requirement and the liability benchmark (gross loans requirement) will be covered by day-to-day working cashflow surpluses.

## 2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments, unless resources are supplemented each year from new sources (e.g. asset sales). The following table provides estimates of the year end balances for each resource and anticipated year end cash flow balances from other day to day activities:

Year End Resources	2024/25 Actual £'M	2025/26 Estimate £'M	2026/27 Estimate £'M	2027/28 Estimate £'M	2028/29 Estimate £'M	2029/30 Estimate £'M	2030/31 Estimate £'M
Fund balances / reserves	32.30	32.36	30.36	30.20	30.64	31.74	33.97
Capital receipts	4.08	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	4.21	5.00	5.00	5.00	5.00	5.00	5.00
<b>Total core funds</b>	<b>40.59</b>	<b>37.36</b>	<b>35.36</b>	<b>35.20</b>	<b>35.64</b>	<b>36.74</b>	<b>38.97</b>
Working capital*	14.32	15.00	15.00	15.00	15.00	15.00	15.00
Under/over borrowing**	-40.93	-38.17	-37.17	-37.98	-36.63	-32.01	-29.00
<b>Expected investments</b>	<b>13.98</b>	<b>14.19</b>	<b>13.19</b>	<b>12.22</b>	<b>14.01</b>	<b>19.73</b>	<b>24.97</b>

\*Working capital balances shown are estimated year end; these may be higher mid-year

## 2.5 Minimum Revenue Provision (MRP) Policy Statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP). The 2003 Regulations have been further amended with full effect from April 2025 to expressly provide that in determining a prudent provision local authorities cannot exclude any amount of CFR from its calculation, unless by an exception set out in statute.

The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2024) gives four ready-made options for calculating MRP, the Council can use a mix of these options if it considers it appropriate to do so.

The Government considers that the methods of making prudent provision include the options set out in the statutory guidance. However, this does not rule out or otherwise preclude an authority from using an alternative method should it decide that is more appropriate. Any method used is subject to the conditions in paragraphs 61 to 65 of the guidance as far as these are relevant.

It is recommended that Council approves the following MRP Policy Statement.

- Supported borrowing incurred before 1st April 2008 will apply the Asset Life Method using an annuity method over 60 years.
- Unsupported borrowing will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the average estimated useful life of the assets. An annuity method will be applied for the MRP calculation.
- Unsupported borrowing on vehicles will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the vehicles. An annuity method will be applied for the MRP calculation.
- The interest rate applied to the annuity calculations will reflect the market conditions at the time. For the current financial year, the interest rate used will be the Authority's weighted average borrowing rate.
- MRP will commence in the financial year following the one in which the expenditure was incurred, or in the year after the asset becomes operational.
- MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the MRP guidance.
- MRP in respect of assets acquired under PFI or Finance Leases will be charged at a rate equal to the principal element of the annual lease rental for the year in question.
- MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory MRP, i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The VRP overpayments up to 31st March 2025 are £16.181M of which £13.533M relates to HRA and £2.648M relates to General Fund.
- On an annual basis the Section 151 officer shall review the level of MRP to be charged, to determine if this is at a level which is considered prudent based on the Authority's circumstances at that time, taking into account medium / long term financial plans, current

budgetary pressures, and current and future capital expenditure plans. Dependant on this review the Section 151 officer will adjust the annual MRP charge by making VRP or reclaiming previous VRP. The amount of MRP charged shall not be less than zero in any financial year.

## 2.6 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. Members are asked to approve the following indicators:

### Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

% Ratio of Financing Costs to Net Revenue Stream	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate	2030/31 Estimate
Non-HRA	16.20%	15.52%	22.16%	24.28%	24.32%	24.12%	20.66%
HRA	15.78%	15.64%	14.61%	13.92%	13.71%	13.07%	12.42%

The estimates of financing costs include current commitments and the proposals in this budget report.

## 3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

### 3.1 Current Portfolio Position

The overall treasury management portfolio as at 31.03.25 and for the position as at 31.12.25 are shown below for both borrowing and investments

	Actual 1.4.25 £	Actual 1.4.25 %	Closing 31.12.25 £	Closing 31.12.2025 %
<b>Treasury Investments</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
<b>Call Accounts</b>				
Natwest (Cash Manager Plus)	1,719	10.53	292	1.00
<b>Money Market Funds</b>				
Aberdeen Life Investments	6,000	36.77	6,000	20.48
BlackRock Gov	0	0.00	0	0.00
BlackRock 1st	2,600	15.93	0	0.00
Goldman Sachs	0	0.00	0	0.00
Insight	0	0.00	5,000	17.07
LGIM	6,000	36.77	6,000	20.48
<b>Fixed Term Deposits</b>				
DMADF	0	0.00	2,000	6.83
North Tyneside Council	0	0.00	5,000	17.07
London Borough of Barking & Dagenham	0	0.00	5,000	17.07
<b>Total treasury investments</b>	<b>16,319</b>	<b>100.00</b>	<b>29,292</b>	<b>100.00</b>
<b>Treasury external borrowing</b>				
PWLB	56,918	100.00	56,398	100.00
<b>Total external borrowing</b>	<b>56,918</b>	<b>100.00</b>	<b>56,398</b>	<b>100.00</b>
Net treasury investments/(borrowing)	(40,599)		(27,106)	

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

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

Within the range of prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Chief Officer Resources & Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans, and the proposals in the budget report.

### 3.2 Treasury Indicators: Limits to Borrowing Activity

#### The Operational Boundary

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

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

#### The Authorised Limit for External Debt

This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Council is asked to approve the following Authorised Limit:

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

### 3.3 Prospects for Interest Rates

The Council has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. MUFG Corporate Markets provided forecasts on 22 December 2025. These are forecasts for Bank rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps:

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
<b>BANK RATE</b>	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

Additional notes by MUFG Corporate Markets on this forecast table: -

- Our last interest rate forecast update was undertaken on 11 August. Since then, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December.
- Surprisingly, to most market commentators, the recent steep fall in CPI inflation in one month from 3.6% to 3.2% did not persuade most "dissenters" from the November vote (Lombardelli, Greene, Mann and Pill) to switch to the rate-cutting side of the Committee. Instead, it was left to Bank Governor, Andrew Bailey, to use his deciding vote to force a rate cut through by the slimmest of margins, 5-4.
- Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a "gradual downward path", suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be "a closer call", and Governor Bailey observed there is "limited space as Bank Rate approaches a neutral level".
- Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.
- As in August, nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic

economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed's monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.

- Accordingly, our updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a "given", and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.
- Our revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.
- Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.

### Gilt Yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are generally to the upsides. Our target borrowing rates are set two years forward (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 22.12.25 p.m. %	Target borrowing rate now (end of Q4 2027) %	Target borrowing rate previous (end of Q4 2027) %
5 years	4.81	4.10	4.20
10 years	5.39	4.70	4.70
25 years	6.01	5.30	5.30
50 years	5.78	5.10	5.10

**Borrowing advice:** Our long-term (beyond 10 years) forecast for Bank Rate remains at 3.5%. As all PWLB certainty rates are still above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity/<10 years PWLB EIP) and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

### 3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's provisions, reserves, balances and working capital has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026 even if further rate cuts arise.

Against this background and the risks within the economic forecast, caution will be adopted with the 2026/2 treasury operations. The Section 151 Officer, under delegated powers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates then borrowing would be postponed.*
- *if it was felt that there was a significant risk of a much sharper in RISE borrowing rates than that currently forecast, fixed rate funding would be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to Cabinet at the next available opportunity.

### 3.5 Maturity Structure of Borrowing

These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing and are required for upper and lower limits.

The Council is asked to approve the following indicators and limits:

<b>Maturity structure of fixed interest rate borrowing 2025/26</b>	<b>£'M</b>	<b>%</b>	<b>Lower</b>	<b>Upper</b>
Under 12 months	1.04	1.86%	0.00	100.00%
12 months and within 24 months	1.04	1.86%	0.00	100.00%
24 months and within 5 years	3.12	5.59%	0.00	100.00%
5 years and within 10 years	5.21	9.32%	0.00	100.00%
10 years and within 20 years	6.26	11.20%	0.00	100.00%
20 years and within 30 years	39.20	70.16%	0.00	100.00%
30 years and within 40 years	0.00	0.00%	0.00	100.00%

### 3.6 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

### **3.7 Debt Rescheduling**

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

If rescheduling was done it would be reported to Cabinet at the earliest meeting following its action.

### **3.8 New Financial Institutions as a Source of Borrowing and Types of Borrowing**

Currently the PWLB Certainty Rate is set at gilts +80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities – primarily shorter dated maturities out to 3 years or so are generally still cheaper than the Certainty Rate.
- Financial institutions – primarily insurance companies and pension funds but also some banks, and sometimes out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- The UK National Wealth Fund (previously the UK Infrastructure Bank)

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

## **4 ANNUAL INVESTMENT STRATEGY**

### **4.1 Investment Policy – Management of Risk**

The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).

Council’s investment policy has regard to the following:

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

The Council’s investment priorities will be security first, liquidity second and then yield (return).

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council’s risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but also to consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings
2. **Other Information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this the council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties
4. The authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in **annex B2** under the categories of ‘specified’ and ‘non-specified’ investments
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or more complex instruments which require greater consideration by members and officers before being authorised for use.
5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio
6. **Lending limits** (amounts and maturity) for each counterparty will be set through applying the matrix table in paragraph 4.2
7. **Transaction limits** are set for each type of investment in 4.2
8. The Council will set a limit for the amount of its investments which are invested for **longer than 365 days** (see paragraph 4.4)
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 4.3)
10. The Council has engaged **external consultants** (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year
11. All investments will be denominated in **sterling**
12. As a result of the change in accounting standards under IFRS9, the authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

The Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

### Changes in risk management policy from last year

The above criteria are unchanged from last year

#### 4.2 Creditworthiness Policy

This Council will apply the creditworthiness service provided by the MUFG Corporate Markets. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

1. credit watches and credit outlooks from credit rating agencies;
2. Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings and any assigned Watches and Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will, therefore, use counterparties within the following durational bands:

- **Yellow (Y)** – up to but less than 1 year
- **Dark pink (Pi1)** liquid – Ultra-Short Dated Bond Funds with a credit score of 1.25
- **Light pink (Pi2)** liquid – Ultra-Short Dated Bond Funds with a credit score of 1.5
- **Purple (P)** – up to but less than 1 year
- **Blue (B)** – up to but less than 1 year (only applies to nationalised or part- nationalised UK Banks)
- **Orange (O)** – up to but less than 1 year
- **Red (R)** – 6 months
- **Green (G)** – 100 days
- **No colour (N/C)** – not to be used

The MUFG Corporate Markets creditworthiness service uses a wider array of information other than just primary ratings and by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria that the Council use will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG Corporate Markets creditworthiness service.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx European Senior financials benchmark and other market data on a daily basis via its Passport website, provided



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

### **Creditworthiness**

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK.

### **CDS prices**

Although bank CDS prices (these are market indicators of credit risk) spiked upwards during the days of the Truss/Kwarteng government in the autumn 2022, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. MUFG Corporate Markets monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its MUFG Corporate Markets-provided Passport portal.

## **4.3 Limits**

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors

- a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 20% of the total treasury management investment portfolio.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by Officers should ratings change in accordance with this policy.

## **4.4 Investment Strategy**

**In-house Funds:** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be reliably identified that could be invested for longer periods the value to be obtained from longer-term investments will be carefully assessed.

### **Investment Returns Expectations**

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to fall to a low of 3.25% in 2026.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year were updated on 22 December 2025 and are as follows:

- 2025/26 (residual) 3.80%
- 2026/27 3.40%

- 2027/28 3.30%
- 2028/29 3.30%
- 2029/30 3.50%
- Years 6-10 3.50%

Caution must be exercised in respect of all interest rate forecasts.

**Investment treasury indicator and limit** - the total principal funds invested for greater than 365 days. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

Council is asked to approve the following treasury indicator and limit:

<b>Maximum principal sums invested &gt; 365 days</b>						
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>
Principal sums invested > 365 days	Nil	Nil	Nil	Nil	Nil	Nil

**4.5 End of year investment report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## Treasury Management Glossary of Terms

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

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

- **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.
- **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.
- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate; however, they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.  
E.g. a 30-year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as  $8\%/1.45 = 5.5\%$ .  
See also PWLB.

- **Liquidity** – Relates to the amount of readily available or short-term investment money which can be used for either day to day or unforeseen expenses. For example, Call Accounts allow instant daily access to invested funds.
- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.
- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high-quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status. As from 21 July 2018 there will be three structural options for existing money market funds – Public Debt Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV)
- **MUFG Corporate Markets** – MUFG Corporate Markets are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.
- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.
- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.
- **SONIA** (Sterling Overnight Index Average) – this reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. It is used as a replacement for LIBOR (and LIBID calculations), the publication of which ceased at the close of 2021.
- **Yield** – see Gilts

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

## ANNEX B2

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	Max % of counterparty limit - *Specified	Max % of counterparty limit – **Non -Specified	Max. maturity period
<b>DMADF – UK Government</b>	N/A	100%	N/A	6 months
UK Government gilts	UK sovereign rating	100%	N/A	1 year
UK Government Treasury bills	UK sovereign rating	100%	N/A	1 year
Bonds issued by multilateral development banks	AAA	100%	N/A	6 months
Money Market Funds CNAV	AAA	100%	N/A	Liquid
Money Market Funds LVNAV	AAA	100%	N/A	Liquid
Money Market Funds VNAV	AAA	100%	N/A	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	N/A	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	N/A	Liquid
Local authorities	N/A	100%	N/A	1 year
Term deposits with banks and building societies	Yellow	100%	20%	Up to 1 year
	Purple	100%	20%	Up to 1 year
	Blue	100%	N/A	Up to 1 year
	Orange	100%	20%	Up to 1 year
	Red	100%	20%	Up to 6 Months
	Green	100%	20%	Up to 100 days
	No Colour	0%	0%	Not for use
Certificates of Deposit and corporate bonds with banks and building societies	Yellow	20%	0%	Up to 1 year
	Purple	20%	0%	Up to 1 year
	Blue	20%	0%	Up to 1 year
	Orange	20%	0%	Up to 1 year
	Red	0%	0%	Up to 6 Months
	Green	0%	0%	Up to 100 days
	No Colour	0%	0%	Not for use

**\*SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the quality criteria as applicable.

**\*\*NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the specified investment criteria. A maximum of up to 20% \*\* will be held in aggregate in relevant non-specified investments (as at the trade date of investing).

## Background information on credit ratings

Credit ratings are an important part of the Authority's investment strategy. The information below summarises some of the key features of credit ratings and why they are important.

### What is a Credit Rating?

A credit rating is:

- An independent assessment of an organisation;
- It gauges the likelihood of getting money back on the terms it was invested;
- It is a statement of opinion, not statement of fact;
- They help to measure the risk associated with investing with a counterparty;

### Who Provides / Uses Credit Ratings?

There are three main ratings agencies, all of which are used in the Authority's treasury strategy.

- Fitch
- Moody's Investor Services
- Standard & Poor's

The ratings supplied by these agencies are used by a broad range of institutions to help with investment decisions, these include:

- Local Authorities;
- Other non-financial institutional investors;
- Financial institutions;
- Regulators;
- Central Banks;

### Rating Criteria

There are many different types of rating supplied by the agencies. The key ones used by the Authority are ratings to indicate the likelihood of getting money back on terms invested. These can be split into two main categories:

- 'Short Term' ratings for time horizons of 12 months or less. These may be considered as the most important for local authorities.
- 'Long Term' ratings for time horizons of over 12 months. These may be considered as less important in the current climate.

In addition, the agencies issue sovereign, individual and support ratings which will also feed into the investment strategy.

### Rating Scales (Fitch, Moody's and Standard & Poor's)

The table below shows how some of the higher graded short- and long-term ratings compare across the agencies; the top line represents the highest grade possible. (There are other ratings that go much lower than those shown below, and ratings for other elements).

Short Term			Long Term		
Fitch	Moody's	S&P	Fitch	Moody's	S&P
F1+	P-1	A-1+	AAA	Aaa	AAA
F1	P-1	A-1	AA	Aa2	AA
F2	P-2	A-2	A	A2	A

**CABINET**

**Medium Term Financial Strategy**

**2026/27 – 2030/31**

**10 February 2026**

**Report of Chief Finance Officer**

PURPOSE OF REPORT				
To provide an update on the Council’s Medium Term Financial Strategy (MTFS) forecasts for 2026/27 to 2030/31				
Key Decision		Non-Key Decision	X	Referral from Cabinet Member
Date of notice of forthcoming key decision				

**RECOMMENDATION OF COUNCILLOR HAMILTON-COX**

**1. That Cabinet**

- (1) **Considers the draft future years budget estimates as set out in the report as the latest information available.**
- (2) **Agrees that the update be referred on to Council 25 February 2026 for information. A final consolidated medium term financial strategy will be agreed by the s151 officer in consultation with the portfolio holder before being presented to Full Council in March.**

**1.0 INTRODUCTION**

- 1.1 The previous reports on this agenda considered the annual process for setting the Council’s revenue and capital budgets for 2026/27. This report sets out the context in which future decisions on resource allocation and budgeting will be taken.
- 1.2 The Medium-Term Financial Strategy (MTFS) sets out how Lancaster City Council will manage its finances to deliver against its corporate priorities, whilst protecting its financial standing and responding to the many challenges it faces. A final consolidated medium term financial strategy will be agreed by the s151 officer in consultation with the portfolio holder before being presented to Full Council in March. This will in turn inform the future budget setting process.

**2.0 LOCAL GOVERNMENT FUNDING & BUSINESS RATES**

***The Local Government Finance Settlement***

- 2.1 The government released the provisional multi-year local government finance settlement on 17 December 2025, and the final is expected to be received on 9 February 2026 which is after the date this report was published. No differences between the provisional and final settlements are expected however should there be any, then alterations will be highlighted in the report to Budget Council on 25 February 2026.
- 2.2 The settlement sets out simplified allocations for local authorities across England for the next three years, and incorporates an updated distribution of resources following the conclusion

of the Fair Funding Review. It incorporates changes to the business rates system and in whole, represents a major change in local government financing.

- 2.3 Given all the changes, the effect of the local government settlement and the changes to the business rates system cannot be considered in isolation and the following table illustrates the overall financial impact.

**Table 1 – Settlement allocations for Lancaster City Council**

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

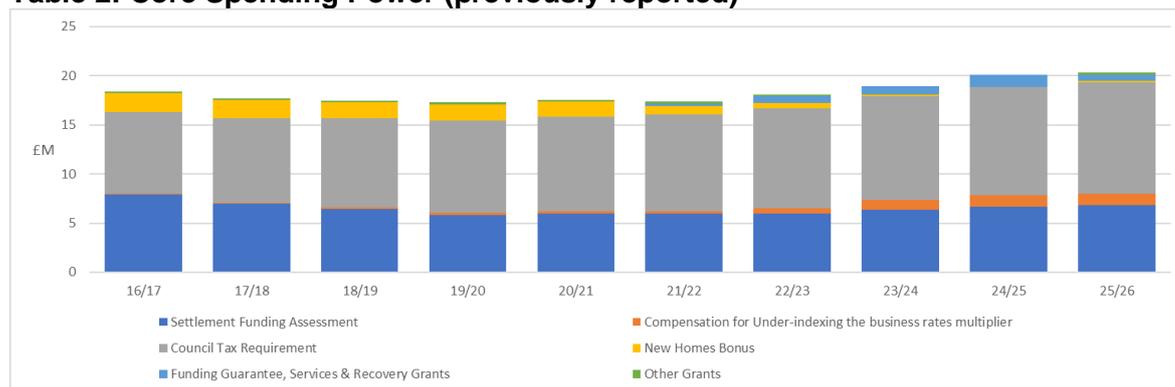
As table 2 shows, the settlement allocates £0.848M more resources in 2026/27 with further favourable and future years from Central Government than anticipated and this is favourable in context of the budget gap for the revenue budget.

### **Core Spending Power**

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

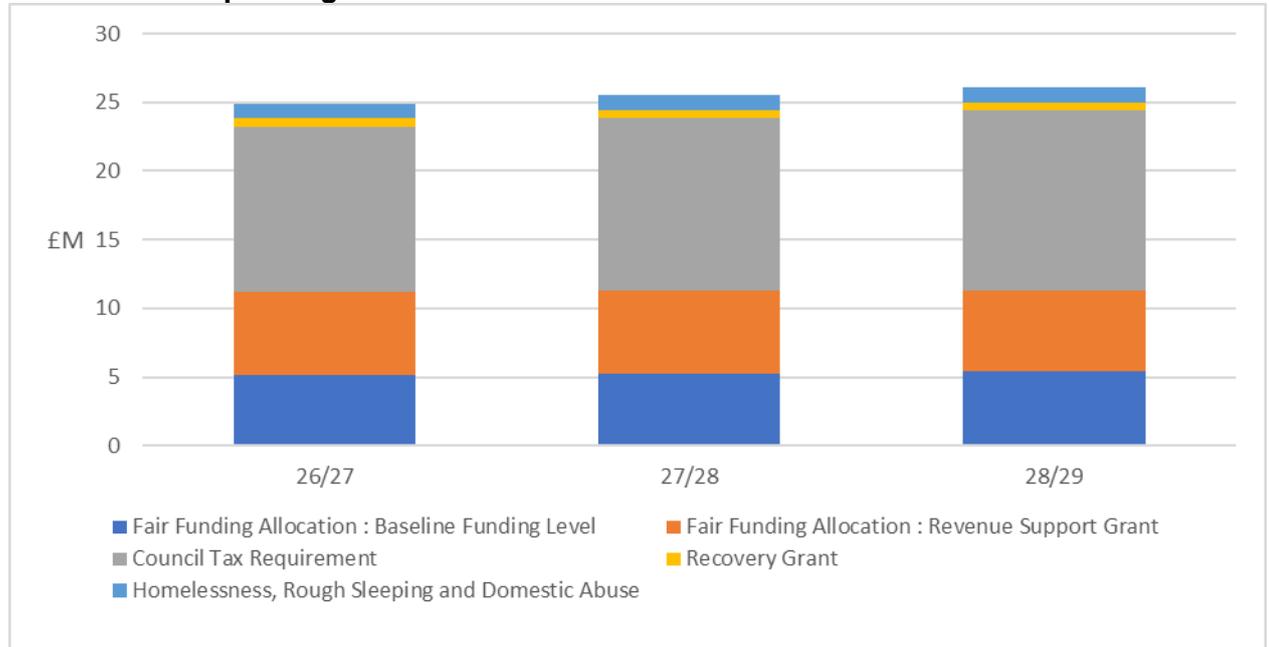
Table 2 below displays the previous historic values of CSP, and shows the Council being almost entirely reliant on Council Tax and Business Rates with a small amount of income from central government grants to fund net expenditure.

**Table 2: Core Spending Power (previously reported)**



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

**Table 3: Core Spending Power**



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

**Table 4: Core Spending Power (Breakdown)**

	2026/27 £'M	2027/28 £'M	2028/29 £'M
Council Tax Requirement	12.051	12.574	13.120
Fair Funding Allocation : Baseline Funding Level	5.165	5.283	5.390
Fair Funding Allocation : Revenue Support Grant	6.031	5.986	5.910
Recovery Grant	0.603	0.603	0.603
Homelessness, Rough Sleeping and Domestic Abuse Grant	1.012	1.050	1.083
<b>Grand Total</b>	<b>24.862</b>	<b>25.496</b>	<b>26.106</b>

2.5 Given the changes made the government issued a revised CSP figure for 2025/26 of £23.848M. The total value of CSP for 2026/27 is £24.862M which is an increase of £1.014M, or 4.2%. For information, this is in comparison to the average CSP for all Councils in England of 5.7%.

**Business Rates**

2.6 The Council is required to submit its annual business rates return (NNDR1) to the Government by the end of January in which it estimates business rates income for 2026/27 and the estimated deficit or surplus as at the end of 2025/26.

2.7 The previously announced Government changes will come into effect from 1 April 2026 with regard to increasing the number of multipliers and introduction of new thresholds. Business rates baselines have also been reset (incorporating growth).

2.8 Previously, lower tier Council’s had a baseline position and were allowed to retain a

proportion of any growth received above it. With the continuation of the power stations the Council have always exceeded the baseline position and has benefitted from additional rates received. For information the power stations have been included within the baseline figures.

- 2.9 This system has now been replaced by the funding reforms and the government have offered 100% protection on the baseline funding level in 2026/27. This has allowed for more certainty in calculating the proportion of rates due to the Council.
- 2.10 Members will be aware of decommissioning plans for the Heysham 1 and Heysham 2 nuclear reactors which will have a significant impact on the Council's finances. Currently the rateable value of the reactor's accounts for a substantial proportion of the Council's total rateable value. Central Government operates a "safety net" system to protect those Councils which see their year-on-year business rate income fall.

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

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

### **3.0 COUNCIL TAX**

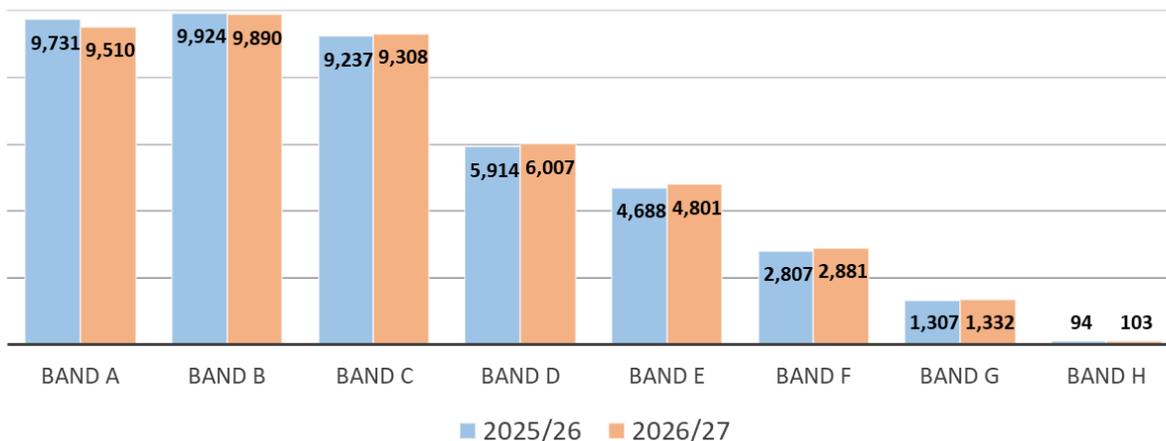
#### Council Tax

- 3.1 Council tax is a primary source of the Council's funding and is calculated by multiplying the tax base by the number of eligible residential properties (expressed in band D equivalents), and the level of the district council precept which is determined each year. Growth in housing numbers inevitably increases the taxbase and, therefore, Council Tax income.

- 3.2 The tax base for 2026/27 has been calculated as 43,833 Band D equivalent properties after allowing for a collection rate of 98.68%, the same as in previous years. This equates to an increase in the tax base from 43,702 (0.3%) in 2025/26.

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

### Council Tax Base Comparison



- 3.3 The Council recognises the impact that Council Tax has on its residents and will always take their ability to pay into consideration when setting Council Tax levels. It provides a 100% Local Council Tax Support Scheme. However, the Council should adopt an approach where local sources of funding are maximised as far as is reasonably practicable to do so.
- 3.4 Government's referendum criteria limits increases in the Council's element of Council Tax to 3% or £5, whichever is greater. For the purposes of forecasting, it has been assumed that the Council will increase council tax by 2.99%, the maximum allowed, before triggering a referendum in each of the next three years.
- 3.5 The table below sets out Council Tax forecasts for the next five years including a sensitivity analysis showing the potential impact on council tax yield of different scenarios.

**Table 5: Council Tax Forecasts**

	Actual 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
Council Tax Band D 2.99% increase	£264.30	£272.20	£280.34	£288.72	£297.35	£306.24
Council Tax Band D (£5 increase)	£264.30	£269.30	£274.30	£279.30	£284.30	£289.30
Tax base (1% growth from 2026/27)	43,702	43,833	44,271	44,714	45,161	45,613
<b>Council Tax Income (based on 2.99%)</b>	<b>£10,610,019</b>	<b>£11,931,343</b>	<b>£12,410,932</b>	<b>£12,909,826</b>	<b>£13,428,623</b>	<b>£13,968,525</b>
Previous MTFS		£12,015,000	£12,498,000	£13,000,000	£13,522,000	£14,066,000
<b>Difference Increase or (Decrease)</b>		<b>-£83,657</b>	<b>-£87,068</b>	<b>-£90,174</b>	<b>-£93,377</b>	<b>-£97,475</b>
<b>Scenario 1</b> – No increase in Council tax over period of MTFS		<b>-£429,938</b>	<b>-£797,175</b>	<b>-£1,182,090</b>	<b>-£1,585,948</b>	<b>-£2,010,484</b>
<b>Scenario 2</b> – Council Tax Band D (£5 increase)		<b>-£210,773</b>	<b>-£354,465</b>	<b>-£511,380</b>	<b>-£682,728</b>	<b>-£870,159</b>
<b>Scenario 3</b> – 1.5% increase in tax base growth & 2.99% increase from 2026/27)		<b>-£83,657</b>	<b>-£25,673</b>	£37,729	£106,740	£180,897

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

#### 4.0 GENERAL FUND PROJECTIONS

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

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

	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M	2030/31 £'M
<b>Revenue Budget Forecast as at 26 February 2025</b>	<b>28.749</b>	<b>29.489</b>	<b>30.118</b>	<b>31.873</b>	<b>32.829</b>
<b>Base Budget Changes</b>					
Operational Base Budget Changes	(0.419)	1.253	0.555	0.683	(0.356)
Pensions (Employer Contribution Reduction)	(1.756)	(1.744)	(1.744)	(1.767)	(1.789)
Reversal of Items Now Included in Local Government Finance Settlement	0.848	0.854	0.859	0.864	0.864
	<b>27.422</b>	<b>29.852</b>	<b>29.788</b>	<b>31.653</b>	<b>31.548</b>
<b>Additional Budget Proposals</b>					
Savings Proposals	(0.187)	(0.190)	(0.191)	(0.191)	(0.192)
Growth Proposals	0.590	0.588	0.472	0.482	0.494
Revenue Impact Current Capital Programme Review (MRP & Interest)	(0.615)	(0.646)	(0.503)	(0.462)	(0.319)
Revenue Impact of Capital Programme Growth (MRP, Interest & Revenue)	0.163	0.787	0.761	0.789	0.811
	<b>(0.049)</b>	<b>0.539</b>	<b>0.539</b>	<b>0.618</b>	<b>0.794</b>
<b>General Fund Revenue Budget</b>	<b>27.373</b>	<b>30.391</b>	<b>30.327</b>	<b>32.271</b>	<b>32.342</b>
<b>Core Funding</b>					
Reversal of RSG Replaced by Local Government Finance Settlement	0.460	0.460	0.460	0.460	0.460
Fair Funding Assessment Baseline Funding Level	(5.165)	(5.283)	(5.390)	(5.498)	(5.608)
Fair Funding Assessment Revenue Support Grant	(6.031)	(5.986)	(5.910)	(5.794)	(5.680)
Recovery Grant	(0.603)	(0.603)	(0.603)	(0.603)	(0.603)
Green Energy Disregard	(4.627)	(4.627)	(4.627)	(4.627)	(4.627)
Prior Year Council Tax (Surplus)/Deficit	(0.169)				
Prior Year Business Rates (Surplus)/Deficit	0.693				
<b>Council Tax Requirement</b>	<b>11.931</b>	<b>14.352</b>	<b>14.257</b>	<b>16.209</b>	<b>16.284</b>
<b>Estimated Council Tax Income</b>					
<b>(Increase Based on 2.99% for 2026/27 then maximum allowable)</b>	<b>(11.931)</b>	<b>(12.411)</b>	<b>(12.910)</b>	<b>(13.429)</b>	<b>(13.969)</b>
<b>Resulting Base Budget (Surplus)/ Deficit</b>	<b>0.000</b>	<b>1.941</b>	<b>1.347</b>	<b>2.780</b>	<b>2.315</b>

- 4.2 The table shows that, despite of the work undertaken by Officers and Members to balance the budget for 2026/27, the Council's current MTFS suggests a structural budget gap in 2027/28 onwards which fluctuates between approximately £1.347M and £2.780M. If this is not closed, then balances will be required to make up the difference.

#### Budget Principles and Assumptions

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

**Table 7: 5 Year MTF5 Planning Assumptions**

	2026/27	2027/28	2028/29	2029/30	2030/31
Council Tax Base Growth	1.00%	1.00%	1.00%	1.00%	1.00%
Council Tax Increase	2.99%	2.99%	2.99%	2.99%	2.99%
Council Tax Collection Rate	98.67%	98.67%	98.67%	98.67%	98.67%
Fees & Charges	3.80%	2.20%	2.00%	2.00%	2.00%
Pay Award	3.00%	3.00%	3.00%	3.00%	3.00%
Employer Pensions Contribution	10.40%	10.40%	10.40%	10.40%	10.40%
Electricity	24p/kwh	-9.81%	-4.38%	-6.79%	-17.61%
Gas	3.5p/kwh	2.20%	2.00%	2.00%	2.00%
Other inflation	3.80%	2.20%	2.00%	2.00%	2.00%
Interest Rate – investments	4.00%	3.25%	3.00%	3.00%	3.00%
Interest Rate – new borrowing	4.70%	4.30%	4.30%	4.30%	4.30%

### Savings and Growth Proposals

- 4.5 The budget savings or growth proposals, relate to several areas where actions are being undertaken by the Council and are incorporated within the MTF5. Some of the key areas are summarised by Service in the table below, with more information included within the Budget and Policy Framework General Fund Revenue Budget 2026/27 item on the agenda.

**Table 8: Directorate Summary Savings & Growth Proposals**

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

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

### Revenue Impact of Capital Programme Budget Process & Review

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

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

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

## 5.0 CAPITAL INVESTMENT AND FINANCING

### *Capital Investment*

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

**Table 10: Capital Programme**

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

### *Capital Financing*

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

**Table 11: Capital Financing Requirement**

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

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

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

**Table 12: Forecast Borrowing Position**

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

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

**Table 13: Revenue Impact of Capital Decisions**

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

**Table 14: Ratio of Financing Costs to Net Revenue Stream**

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%	%
General Fund	16.20	15.52	22.16	24.28	24.32	24.12	20.66
HRA	15.78	15.64	14.61	13.92	13.71	13.07	12.42

- 5.11 As can be seen based on current General Fund capital programme and accompanying borrowing estimates, debt financing costs within the General Fund are set to increase to just under a quarter of the Council's annual net revenue budget. Levels will, therefore, need to be closely monitored and the impact on affordability of new capital schemes carefully considered as part of the business case assessment and governance processes. Estimates within the HRA are currently seen to decrease as the borrowing undertaken as part of HRA self-financing is repaid.
- 5.12 The financing of capital projects can be from a variety of sources, such as external grants, the use of reserves, and the application of capital receipts. A significant workstream for the Asset Working Group is to review and realign the Council's existing asset base to identify those assets which no longer met the Council's objectives and may be able to generate a capital receipt. However, the process does provide a priority order for the use of capital receipts. Firstly, to fund transformation costs, that is costs that are associated with service transformation and delivery of efficiencies. Secondly, investment to reduce costs, which is not necessarily investing in a new asset; and given the levels of current financing costs, giving consideration to financing existing short life assets such as ICT and vehicles to reduce the MRP burden on the General Fund. Finally, the use of receipts to fund other schemes within the Capital Programme.

## 6.0 THE SHORT & MEDIUM-TERM BUDGET GAP

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

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

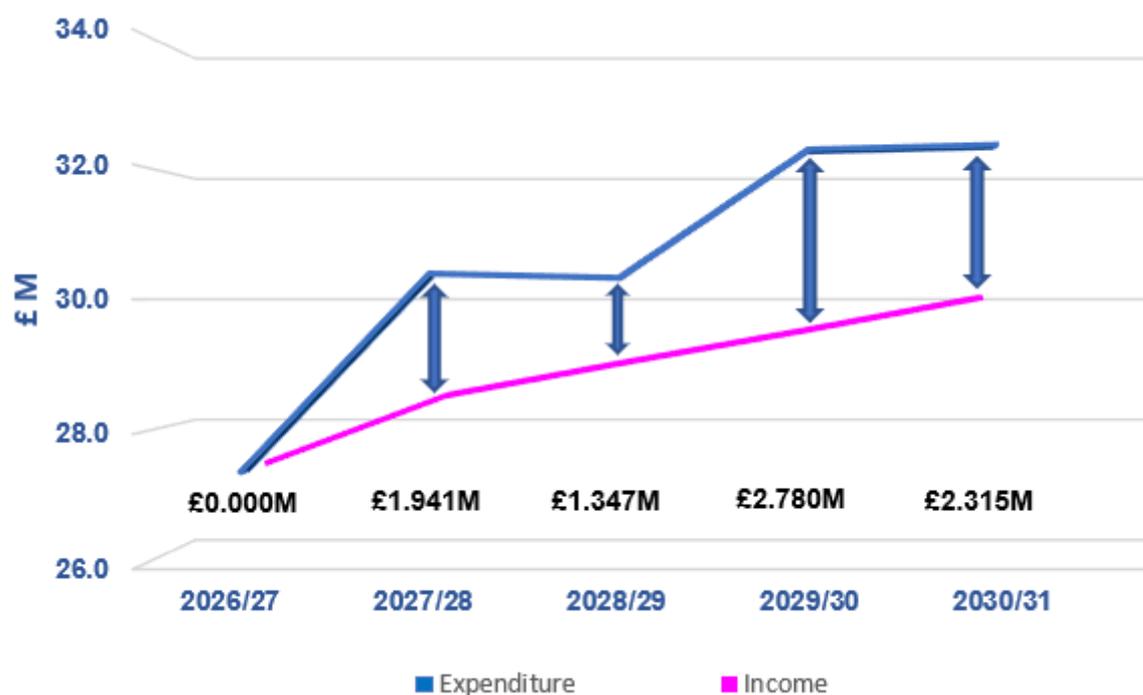


Table 16: Cumulative Deficit as Percentage of Revenue Budget

	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M	2030/31 £'M
Net Revenue Budget	27.373	30.391	30.327	32.271	32.342
Budget Gap (Incremental)	0.000	1.941	1.347	2.780	2.315
% of Net Revenue Budget (Incremental)	0%	6%	4%	9%	7%
Budget Gap (Cumulative)	0.000	1.941	3.288	6.068	8.383
% of Net Revenue Budget (Cumulative)	0%	6%	11%	19%	26%

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

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

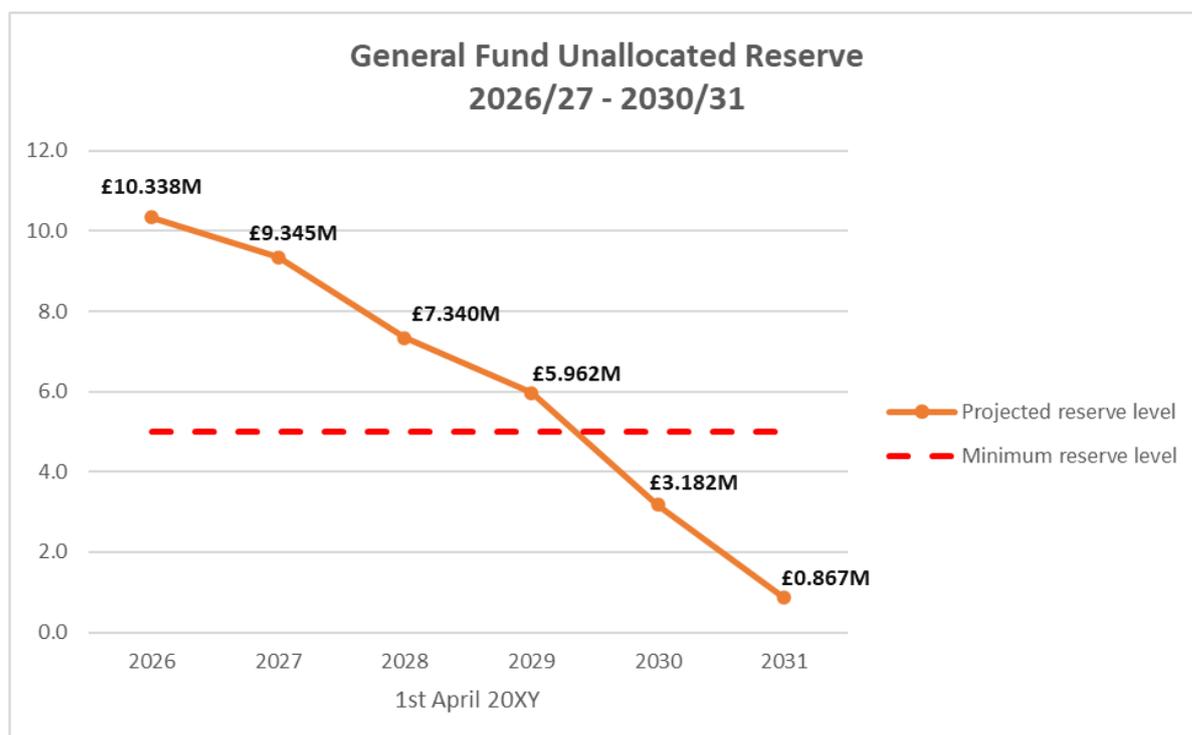
## 7.0 PROVISIONS, RESERVES AND BALANCES

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

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

funding from other bodies (mainly Central Government), for specified purposes.

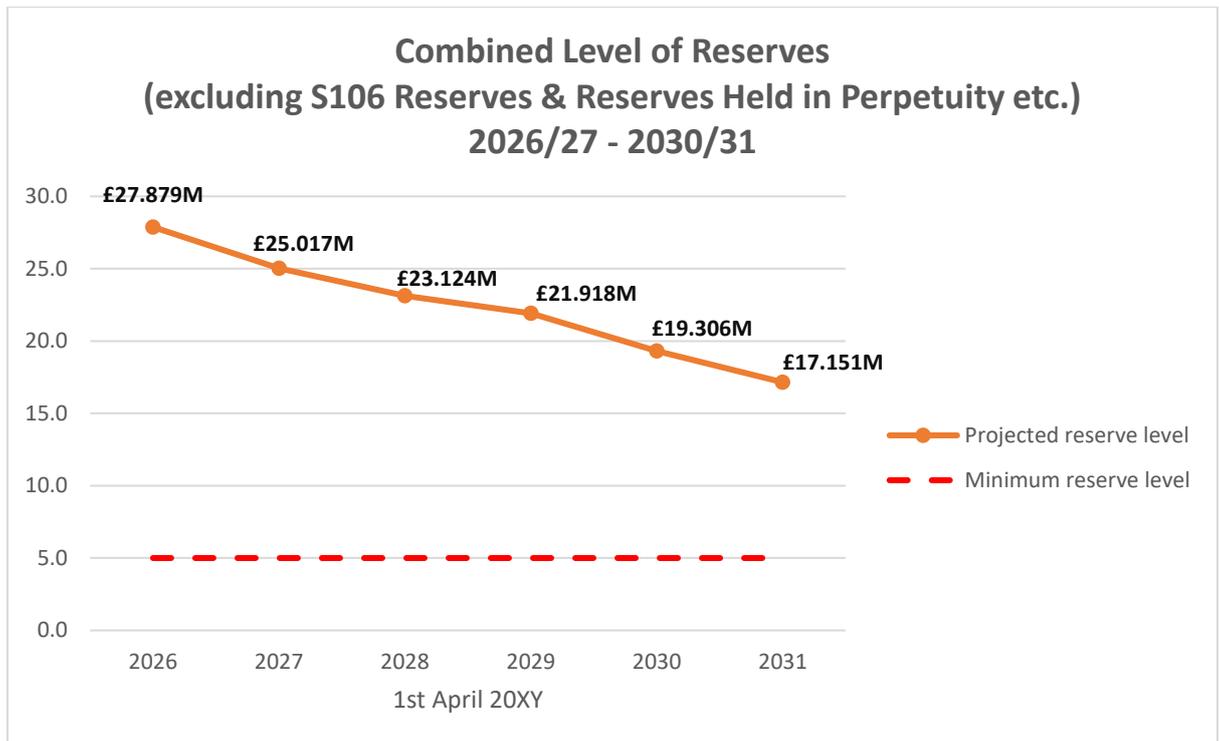
- 7.3 By their nature reserves are finite and, within the existing statutory and regulatory framework, it is the responsibility of the s151 Officer to advise the Council about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use. In accordance with the s151 Officers advice the minimum level of General Fund unallocated reserve is £5M.
- 7.4 The graph and Table 17 below provide details of our current forecast level of General Fund Balances including the impact of funding the forecast deficit from this reserve.



**Table 18: Estimated Level of General Fund Unallocated Reserves**

	2025/26 £'M	2026/27 £'M	2027/28 £'M	2028/29 £'M	2029/30 £'M	2030/31 £'M
Balance as at 1 April 2025-30	(10.028)	(10.338)	(9.345)	(7.340)	(5.962)	(3.182)
In Year allocations	0.961	0.993	0.064	0.031	0.000	0.000
Forecast (Under)/Overspend	(1.271)	0.000	1.941	1.347	2.780	2.315
<b>Projected Balance as at 31 March 2026-31</b>	<b>(10.338)</b>	<b>(9.345)</b>	<b>(7.340)</b>	<b>(5.962)</b>	<b>(3.182)</b>	<b>(0.867)</b>

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



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

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£'M	£'M	£'M	£'M	£'M	£'M
Unallocated Reserve	(10.338)	(9.346)	(9.281)	(9.250)	(9.250)	(9.250)
Other Non-Ring Fenced Reserves	(2.634)	(1.325)	(1.362)	(1.398)	(1.435)	(1.471)
Business Rates Retention Reserve	(12.790)	(12.097)	(12.097)	(12.097)	(12.097)	(12.097)
Renewals Reserve	(2.117)	(2.249)	(2.325)	(2.461)	(2.592)	(2.716)
Forecast Cumulative Deficit Funded From Reserves	+0.000	+0.000	+1.941	+3.288	+6.068	+8.383
<b>Projected Balance as at 31 March 2026-31</b>	<b>(27.879)</b>	<b>(25.017)</b>	<b>(23.124)</b>	<b>(21.918)</b>	<b>(19.306)</b>	<b>(17.151)</b>
Less Recommended Minimum Level of Balances	+5.000	+5.000	+5.000	+5.000	+5.000	+5.000
<b>Available Balances</b>	<b>(22.879)</b>	<b>(20.017)</b>	<b>(18.124)</b>	<b>(16.918)</b>	<b>(14.306)</b>	<b>(12.151)</b>

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

## 8.0 LOCAL GOVERNMENT REORGANISATION (LGR)

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

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

- 8.3 If approved, elections for shadow authorities could take place in May 2027, with the new councils taking over all services from 1 April 2028 (vesting day).
- 8.4 Inevitably, this will have financial consequences for the Council however it is expected that partners will enter into the new authority in the best financial health that is possible, in order to maintain both financial and organisational stability.
- 8.5 At the meeting of Lancashire Chief Executives on 8<sup>th</sup> January the options for the creation of a Lancashire Local Government Reorganisation Transition Fund was discussed. The report agreed the following principles:
- a. An initial agreed total sum of £30M
  - b. A split of 75% to Unitary Councils and 25% to District Councils meaning:
    - i. £22.5M Unitary Contribution
    - ii. £7.5M District Contribution

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

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

## **9.0 DETAILS OF CONSULTATION**

- 9.1 As this paper is for noting only no formal consultation has been undertaken.

## **10.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)**

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

## **11.0 CONCLUSION**

- 11.1 Whilst delivering a balanced budget for 2026/27, the Council continues to face unprecedented levels of financial and economic uncertainty. This hampers the degree of confidence with which forecasts can be made and inevitably some key estimates and assumptions are likely to change in the coming months.
- 11.2 The future key challenge surrounding Local Government Reorganisation should not be underestimated and the Council must position itself in the best financial health that is possible, in order to maintain both financial and organisational stability.

### **RELATIONSHIP TO POLICY FRAMEWORK**

Performance, project, and resource monitoring provides a link between the Council Plan and operational achievement, by providing regular updates on the impact of operational initiatives against strategic aims.

### **CONCLUSION OF IMPACT ASSESSMENT**

(including Diversity, Human Rights, Community Safety, Sustainability etc)  
None identified at this stage

**FINANCIAL IMPLICATIONS**

As set out in the report

**S151 OFFICER COMMENTS**

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

**LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments.

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

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**Ref:** N/A

**CABINET**

## Housing Revenue Account and Capital Programme 10 February 2026

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

PURPOSE OF REPORT				
To seek Cabinet decisions on Council Housing rent setting proposals and HRA revenue and capital budget proposals.				
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>		<b>Referral from Cabinet Member</b>
<b>Date of notice of forthcoming key decision</b>		12 <sup>th</sup> December 2025		
<b>This report is public</b>				

#### RECOMMENDATIONS OF Councillor Jackson

- (1) That for existing council housing tenancies rents will increase by 4.8% (CPI + 1%) from 6<sup>th</sup> April 2026 in accordance with statutory requirements.
- (2) That for new council housing tenancies starting within 2026/27 from 6<sup>th</sup> April onwards, rent flexibility will be applied where applicable, being 5% above 'formula rent'<sup>1</sup> for general needs housing and 10% above 'formula rent' for supported housing, in line with statutory flexibilities<sup>2</sup>. Where rent flexibility is not applicable, rents will be set at 'formula rent' on re-let.
- (3) That garage rents be increased at CPI +1% in line with dwelling rents.
- (4) That the minimum level of HRA unallocated balances be retained at £750,000 from 01 April 2026, and that the full Statement on Reserves and

<sup>1</sup> 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 2025/26 and 2026/27 is not *exactly* 4.8% is explained by the fact that some properties within year increase to 'formula rent' and therefore increase the figures used for comparison.

<sup>2</sup> Within the rent policy statement on rents for social housing, councils can charge social rents at 5% above the formula rent as calculated by the rent restructuring formula. If an authority opts to apply the flexibility, it can only be applied at re-let, so does not directly affect any current tenants. Lancaster City Council does not currently apply this flexibility, but in doing so, recognises the significant additional investment, required across the housing stock

Balances as set out at Appendix E be endorsed and referred on to Budget Council for approval.

- (5) That a delegated decision to approve the tender of three programmes of work (over £200K and key decisions over £250K) during 2026/27 can be made by the Chief Executive (as per 7.4 below) and in line with procurement rules.
- (6) That subject to the above, the resulting Housing Revenue Account budget for 2026/27 onwards, as set out at Appendix A, together with the resulting Capital Programme as set out at Appendix C, be referred on to Budget Council for approval.

## 1. Introduction

- 1.1 The Council is required under statutory provisions to maintain a separate ring-fenced account for the provision of local authority housing, known as the Housing Revenue Account (HRA). This covers the maintenance and management of the Council's housing stock.
- 1.2 This report sets out the rent setting policy and the latest position with regards to the HRA 30-year Business Plan, covering both revenue and capital budgets, and the associated level of reserves and balances. It seeks approval for rent levels and various other budget matters, with referral on to Budget Council as appropriate.
- 1.3 It can be noted that within the context of ring-fencing the HRA has a role to play in support of wider Council priorities, contributing to and facilitating projects across the district to support the wider ambitions of the council. The HRA does pay into the Council's General Fund through contribution to support services and corporate commitments use and receives payment back to reflect Public Realm services delivered on Council Housing estates to non-Council residents, as well as relevant management contributions. Whilst the outcome of Local Government Reorganisation is yet unknown, it will be expected that the Council continues to support our tenants and provide decent homes throughout the transition period in line with regulatory requirements.
- 1.4 Council housing provides decent, secure homes that are affordable to households on low to modest incomes. Across the country, though, many HRA Councils find themselves in a precarious financial position, struggling to maintain existing homes, alongside meeting the huge new demands to improve homes and the services provided to residents under new government, regulator and ombudsman requirements with no additional funding available<sup>3</sup>. As such Lancaster City Council joined over 100 other Councils in signing the 'Securing the Future of Council Housing' report<sup>4</sup> commissioned by Southwark Council in 2024, setting out a practical, long-term plan for government to support the much needed improvements and

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<sup>3</sup> According to the most recent government Social Rent Convergence consultation: [How to implement Social Rent convergence - GOV.UK](#) reports: *In aggregate across all 162 Local Authority Registered Providers (LARPs) with Housing Revenue Accounts, spending has exceeded turnover in 4 of the past 5 years, leading to a corresponding decrease in aggregate reserves as they are used to cover the shortfall in the ring fenced account (July 2025).*

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

<sup>4</sup> [Securing the Future of Council Housing](#)

growth of Council Housing, and is a key member of the newly formed Association of Directors of Housing which seeks to share information and lobby government on the state of Housing Revenue Accounts and wider housing matters.

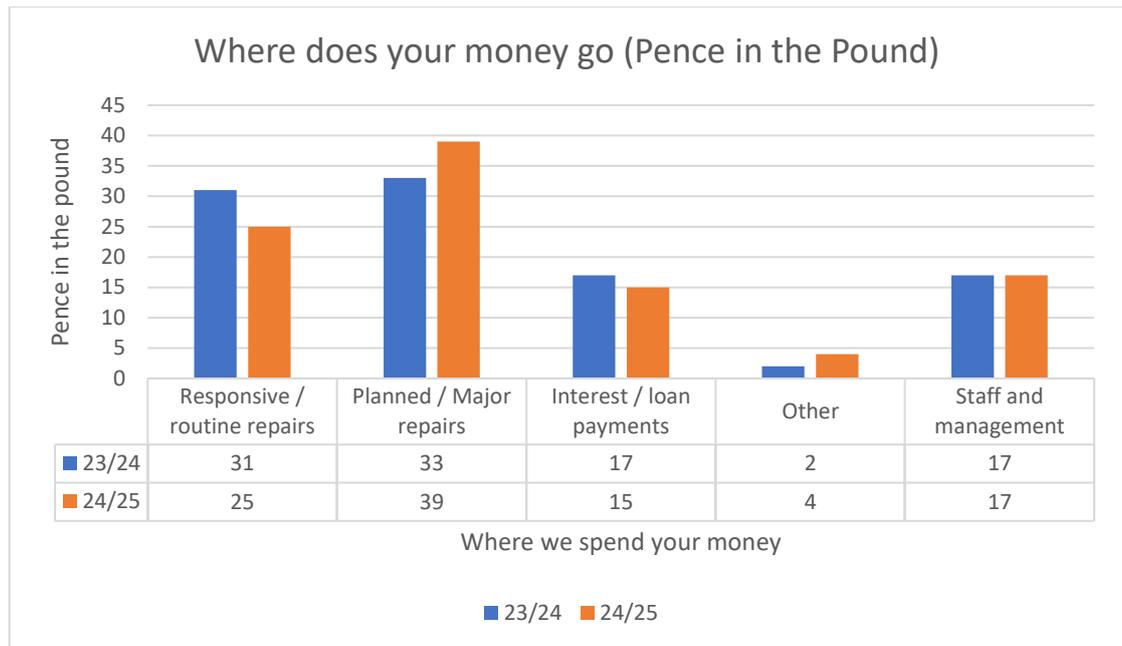
- 1.5 Over the past few years the Council has sought to meet these increasing demands including, for example, through fire remediation and other compliance improvements; increased support for tenants; an increased focus on housing health and safety including improvements to damp and mould reporting and removal; specialist community safety services; increased tenant engagement and through increased provision of a face-to-face community presence in preparation for the new regulatory regime. This is whilst continuing to seek to maintain stock decency and address both the Council's and government's ambitions of increasing social housing. A key focus over the coming 12 months will be to develop our response to the Competence and Conduct standard<sup>5</sup> which comes into force towards the end of 2026 as another new requirement placed upon housing providers.
- 1.6 It should be noted that within a number of financial years since the HRA self-financing settlement of 2012 the ability of the Council to raise rents in line with inflation has been restricted. For four years between 2016/17 and 2019/20 a government mandated rent reduction of 1% year-on-year was imposed. In addition, for the financial year 2023/24 the maximum rent increase was capped by the government at 7% for existing tenants, falling short of inflation which was running at 10.1% in Sept 2022 – the figure which would normally be used for the purpose of rent setting for the following April. These restrictions have removed tens of millions of pounds from the life of the HRA 30-year business plan. Over the summer of 2025 the government consulted on the implementation of rent convergence<sup>6</sup>, on the basis of either £1 or £2 per week, whilst the outcome of this was expected to be announced during the Autumn 2025 statement, this was delayed until 28<sup>th</sup> January 2026) The commitment from Government has been that rent convergence can be implemented but not until 2027 at £1pw, followed by £2pw from 2028 onwards, therefore leaving rents to continue to fall further behind over this period. Nonetheless, even at the higher £2pw this increase falls short to support the requirements placed upon housing providers and investment needed in stock currently.
- 1.7 The chart below, using year-end figures from 2024/25, gives an indication of how income received by the Housing Service is spent. For every pound of income, we have seen an increase to a more proactive approach to our work with around forty per cent of tenant's money contributing to planned and major repairs; a quarter is spent on responsive repairs; and the remaining third funds staff and management, interest and loan payments, and other costs.<sup>7</sup>

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<sup>5</sup> [Competence and Conduct Standard for social housing: government response - GOV.UK](#)

<sup>6</sup> [How to implement Social Rent convergence - GOV.UK](#)

<sup>7</sup> For clarity, 'Staff and Management' refers to costs including employees, premises, supplies and services (software, subscriptions, bank charges etc), support services (internal recharges) and transport (officer travel expenses).



## 2. Achievements and Challenges 2025/26

### 2.1. Key achievements:

- The Housing Support Team continued to support council tenants to sustain successful tenancies by, for example:
  - Securing an additional £667,458.10 in income through the three quarters of the year through benefit and other income maximisation work
  - Carrying out 245 Tenancy Health Checks, so far this year
  - 100% of supported tenancies remained active after 12 months.
- Plans to redevelop a number of existing garage sites for small scale Council Housing development has taken another step forward with the successful award of MHCLG grant for Hastings Road to get the Council to a start on site position alongside funded support from the Council Housebuilding Support Service.
- The Council Housing Income Management Team has continued to deliver sector leading performance, supporting tenants to successfully manage their rent accounts and sustain tenancies. Key achievements include:
  - Maintaining excellent performance around current tenant rent arrears
  - Providing 46 new tenants with furniture packages to help sustain their accommodation.)
- Mandatory Tenant Satisfaction Measures (TSM) survey carried out, showing improvements in satisfaction across the majority of survey questions compared to the previous 12 months. Whilst satisfaction has dropped slightly down 1% on last year – it remains 4% higher than the previous year. Whilst four measures are now well placed at over 80% satisfaction (Safe Home, Repairs in the last 12 months, Kept Informed, and Treating residents fairly and with respect). Overall benchmarking our

results is likely to place Lancaster City Council in the top 25% of local authorities nationally.

- Full in-house planned and responsive repairs service delivered, projecting an estimated 12,000 repairs completed across the year, around 100 kitchens replaced on a planned programme, and delivery of wider planned and capital programmes of works contracted out.
- Implementation of Awaab Law requirements in October 2025 improving our handling and reporting of damp and mould cases.
- High levels of compliance and reassurance against all key areas (gas, electrical, water, asbestos, fire, lifts, smoke and CO detection).
- Reviews and updates of a range of service policies and strategies, to be found on the Council Housing web pages<sup>8</sup>, including review of our Tenancy Strategy and the development of a new Vulnerability Policy.
- Continued development and delivery of programmes of works which deliver in line with the Council's climate emergency ambitions (see section 3 below). The Council secured £797,893 match funding from government's Warm Homes programme – improving the energy efficiency of c100 council homes raising to EPC C over the next three years.
- Successfully implemented the rehousing policy of residents residing within Bridge House, whilst simultaneously undertaking repair / corrective work to the outside of the building ensuring its safety prior to decommissioning.
- Development of a Skills and Training Development Strategy in preparation for the Competence and Conduct Standard later in 2026.
- Tenant-led scrutiny panel continues to go from strength to strength – in the past 12 months a review of block cleaning followed by a report and recommendations has been completed, the group have now commenced a review of the voids process completed by the Council<sup>9</sup>.
- Wide range of community engagement activities supported including residents' groups; summer community fun day; litter picks; garden competition; community gardens, skip days; Independent Living Scheme trips to Fleetwood, the Lakes and Blackpool, Christmas gatherings; and consultation events.

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

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

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

- The introduction of Tenant Satisfaction Measures during 2023/24. This year is the third year of data collection – see 2.1 above. The results and a formal action plan are reported annually to the Regulator of Social Housing<sup>10</sup>.

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<sup>8</sup> [www.lancaster.gov.uk/housing/council-housing/about-us/our-policies](http://www.lancaster.gov.uk/housing/council-housing/about-us/our-policies)

<sup>9</sup> [www.lancaster.gov.uk/housing/council-housing/my-neighbourhood/tenants-voice/scrutiny-panel](http://www.lancaster.gov.uk/housing/council-housing/my-neighbourhood/tenants-voice/scrutiny-panel)

<sup>10</sup> Information about the Tenant Satisfaction Measures, our collection method and results can be found at [www.lancaster.gov.uk/housing/council-housing/about-us/tenant-satisfaction](http://www.lancaster.gov.uk/housing/council-housing/about-us/tenant-satisfaction)

- The mandatory registration of high-rise buildings was completed in 2023 with safety case files compiled at the end of March 2024 – call-in of these files from the Building Safety Regulator is awaited.
- Ofsted-style inspections from the Regulator of Social Housing were introduced from April 2024, on a four-yearly cycle for all landlords<sup>11</sup>. As at the time of writing Lancaster City Council has just commenced discussion with the Regulator around our inaugural inspection.
- A renewed focus on the customer complaints process through the introduction of a joint complaints code between the Housing Ombudsman and the Local Government and Social Care Ombudsman, including a mandatory submission of self-assessments and annual reports<sup>12</sup>.
- Housing Ombudsman Spotlight reports into poor sector performance and accompanying self-assessments.
- Awaab's Law<sup>13</sup> was introduced on 27<sup>th</sup> October 2025 – mandating housing providers to deal with reports of damp and mould within prescribed formats and timescales. The further extension of this into other Housing Health and Safety Rating System hazards is expected later this year.
- Since 1<sup>st</sup> December 2025 new social housing tenancies are required to have a 5-yearly electrical inspection completed with transitional arrangements for tenancies from before this date. As of the end of 2025, 99.97% of our homes and 100% of our communal areas meet the required standards.

Looking ahead:

- From 6<sup>th</sup> April 2026 – the Council will be required to implement Residential Personal Emergency Evacuation Plans (RPEEPS)<sup>14</sup> for relevant residents in specified buildings.
- From October 2026 – the Competence and Conduct Standard<sup>15</sup> will be implemented – driving increased professionalisation of the sector, including mandatory qualifications for certain staff. Further details on how this will be implemented by the Regulator of Social Housing is awaited.
- Throughout the second half of 2025, MHCLG consulted on Minimum Energy Efficiency Standards (MEES)<sup>16</sup> in the social rented sector, focussing on requiring all homes to reach minimum EPC 'C' by 2030, this was confirmed in MHCLG's policy statement at the end of January 2026. More information on what we are doing to meet this target can be found in Section 3 below.

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<sup>11</sup> [Regulatory judgements and enforcement notices - GOV.UK](#)

<sup>12</sup> More information about how we handle complaints and our performance can be found here: [www.lancaster.gov.uk/housing/council-housing/about-us/performance/complaint-handling-performance](http://www.lancaster.gov.uk/housing/council-housing/about-us/performance/complaint-handling-performance)

<sup>13</sup> [Awaab's Law: Guidance for social landlords - GOV.UK](#)

<sup>14</sup> [Residential PEEPs: Factsheet - GOV.UK](#)

<sup>15</sup> [Competence and Conduct Standard for social housing: government response - GOV.UK](#)

<sup>16</sup> [Improving the Energy Efficiency of Socially Rented Homes in England - GOV.UK](#)

- During the same period, MHCLG also consulted on and confirmed changes to a reformed Decent Homes Standard<sup>17</sup> from 2035, further details of this are not yet known.

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

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

Priority	
A sustainable district	<ul style="list-style-type: none"> <li>• Continued investment across the council’s housing stock - see section 3 below.</li> <li>• Continued work towards improved energy efficiency within all homes by 2030 (all properties to meet minimum of EPC C standard – unless specifically exempt), supported through funding bids where available.</li> <li>• Delivery of new energy efficient units of accommodation on Hastings Road.</li> </ul>
An inclusive and prosperous local economy	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Use of local suppliers within procurement rules (and where appropriate): for lower value contracts, use of local suppliers is guaranteed; for higher value contacts, on occasions where local supplier does not offer the required expertise and value for money, successful contractors must explicitly evidence social value in contract submissions.</li> <li>• Seeking funds through government to invest in and increase our stock.</li> <li>• 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.</li> </ul>
Happy and healthy communities	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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’.</li> <li>• Continued development and delivery of services in line with regulatory requirements and the specific outcomes of the Consumer Standards.</li> </ul>

<sup>17</sup> [Consultation on a reformed Decent Homes Standard for social and privately rented homes - GOV.UK](https://www.gov.uk/government/consultations/consultation-on-a-reformed-decent-homes-standard-for-social-and-privately-rented-homes)

	<ul style="list-style-type: none"> <li>• Continued focus on reporting, recording, and remedial actions in line with Awaab’s Law, ensuring adherence to Government requirements around timescales and other requirements to address problems, ensuring our residents live in damp and mould free homes.</li> <li>• Continued support of the tenant Building Safety Group and Building Safety Strategies to ensure the safety of residents in communal apartment blocks.</li> <li>• Continued investment in our housing stock ensuring homes are safe and hazard free.</li> <li>• Development of asset management programmes across housing stock following stock condition survey’s – ensuring data is kept up to date.</li> <li>• Facilitating (and funding) community specific, community led projects where possible.</li> <li>• Continue to develop and improve the way the service manages ASB and nuisance, and community safety more generally, across all housing stock.</li> <li>• Continue to develop and improve the way the Council delivers and reports on its block cleaning approach.</li> <li>• Developing a smaller, stronger neighbourhood approach to housing management.</li> </ul>
<p>A co-operative, kind and responsible council</p>	<ul style="list-style-type: none"> <li>• Continued preparation for a forthcoming inspection from the Regulator of Social Housing.</li> <li>• Investing and developing in our staff – with a focus on the forthcoming Competence and Conduct Standard</li> <li>• ‘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.</li> <li>• Implementation of phase 1 delivery of comprehensive new housing management IT systems.</li> <li>• Working with and listening to resident groups about what’s important to them, whilst supporting and encouraging others to be established.</li> <li>• Embedding the Tenant Voice Strategy across the service, to ensure commitment to service wide service delivery in line with tenant needs and expectations.</li> <li>• Ensuring Housing Ombudsman self-assessments are kept up to date.</li> <li>• Ensuring residents have opportunity to raise complaints and that the service listens, takes action, learns and shares information.</li> <li>• Review opportunities to undertake tenant census.</li> <li>• Focussed attention on triangulation of performance data and outputs from this.</li> </ul>

	<ul style="list-style-type: none"> <li>• Deliver against our Tenant Satisfaction Measure action plan.</li> <li>• Be mindful of and support on-going Local Government Reorganisation approach, whilst ensuring tenants are at the heart of future delivery.</li> </ul>
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### 3. The Council Housing Response to the Climate Emergency

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

#### **Energy Performance Certificate (EPC) Band C Housing Stock**

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

Currently the Council reports around 790 properties as below the EPC 'C' target – although the Council is keeping a close eye on legislative changes coming through Minimum Energy Efficiency Standards (MEES)<sup>18</sup> including anticipated amendments to EPC calculations which will likely result in homes requiring reassessment and / or falling below the SAP rating figure to achieve EPC 'C'. The Council will continue to provide ongoing and additional improvements through the range of measures listed below, as well as ongoing support for those who live in properties which fall below the 'C' rating.

#### **Void property, energy retrofit improvements**

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

#### **Government decarbonisation scheme**

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

- The Social Housing Decarb Fund Wave 2.1 programme was concluded. This has added matched co-funding of approximately £700k throughout the total duration of the project to our existing capital programme for energy efficiency works. This funding enabled us to fit:
  - 65 homes with Solar Panels
  - 20 homes with External Wall Insulation
  - 2 homes with Cavity Wall Insulation
  - 8 homes with Internal Wall Insulation
  - 18 homes with High Heat Retention Storage Heaters

<sup>18</sup> [www.gov.uk/government/consultations/improving-the-energy-efficiency-of-socially-rented-homes-in-england](https://www.gov.uk/government/consultations/improving-the-energy-efficiency-of-socially-rented-homes-in-england)

- 1 home with Low Energy Lighting
- 18 homes with Lithium-ion batteries
- 4 homes with Room in Roof insulation
- Improved windows to 2 homes
- Improved doors to 4 homes
- Successfully secured £797,893 match Government funding of Warm Homes monies through the Liverpool City Region Combined Authority consortia to improve c100 homes over the next three years.

## **Whole House Improvement programme**

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

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

## **Loft Insulation**

The minimum standard for loft insulation is to achieve at least 300mm. 2025/26 has seen phase 2 of the Ryelands roofing programme completed in addition, top-ups are completed through void maintenance, ensuring that all new tenancies achieve the 300mm standard.

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

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

## **Solar Panel Installations**

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

## **Gas Partnership, boiler replacement programme**

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

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

### **Energy Support Officer**

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

The energy support 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, alongside managing works and tenant relations within government match-funded projects. Within the first 9 months of the year over 230 home visits have been completed to provide invaluable energy related advice to council tenants. Support includes:

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

### **Collaboration with Strathclyde University**

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

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

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

### **Property Conversions / new properties**

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

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

## Electrification of Repairs and Maintenance Service (RMS) fleet vehicles

Currently 61% of the RMS fleet<sup>19</sup> are now electric, with charging points provision having been created at White Lund Depot and Heaton House, Lancaster and an increased number of charging points across the district are now provided through the work of the Council's Energy and Sustainability Team.

### 4. Rent 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 2026/27, the Regulator of Social Housing has confirmed that the Council has the freedom to increase rent by a maximum of CPI+1% (CPI is the Consumer Price Index). Following the outcome of the Government's consultation process with the provision of a longer-term (10 year) settlement, +1% has also been included through to 2035/36. For rent setting purposes for 2026/27, the September 2025 CPI figure of 3.8% is used, with forecast CPI of 2.0% used thereafter (being the target set by Government for the Bank of England's Monetary Policy Committee). Following the outcome of the Government's consultation<sup>20</sup> – Rent Convergence will not be applied in 2026/27 and has not been incorporated into the figures presented.
- 4.3. As set out in the recommendations, through the provisions laid out in the Policy Statement on Rents for Social Housing<sup>21</sup>, it is proposed that from 2026/27, for the first time the Council will go beyond 'formula rent'<sup>22</sup> for new tenancies upon relet through the application of rent flexibility, being 5% above 'formula rent' on general needs properties and 10% above 'formula rent' on supported housing (including independent living housing), in light of the significant additional investment needed across housing stock.
- 4.4. All Council rents are 'social rent' and sit well below the Local Housing Allocation (LHA) rate; this rate defines the maximum amount that can be paid in Housing Benefit (HB) or through the housing element of Universal Credit (UC).<sup>23</sup> 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:

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<sup>19</sup> Calculated on figures across the fleet within the whole of the Housing and Property service.

<sup>20</sup> [Outcome to consultations on future social housing rent policy and Social Rent convergence - GOV.UK](#)

<sup>21</sup> [Policy statement on rents for social housing - GOV.UK](#)

<sup>22</sup> 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.

<sup>23</sup> 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.

- Void levels and re-let times (equating to void rent loss/uncollectable rent)<sup>24</sup> In addition, changes to Council Tax rules on empty homes came into effect from 1st April 2024 meaning a 200% rate on homes empty for more than 12 months. This impacts the HRA in relation to long term voids empty as a result of regeneration projects.
- Right to Buy (decrease in housing stock); as at Q3 a total of 40 Right-To-Buy completions have taken place in 2025/26. These sales have generated gross proceeds of £3.1M, of which a proportion is due to HM Treasury (unless we re-invest as retained (“1-4-1”) receipts, as described below at 10.8) with the balance being reinvested in housing stock through the capital programme. Further to the recent changes to the RTB scheme, estimates assume 10 completions in 2026/27 with 3 completions per year thereafter.<sup>25</sup>

For further details about risk factors see Appendix F.

4.6. Therefore, in line with government policy Cabinet is now advised to set average council rents for current tenants as follows<sup>26</sup>:-

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

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

4.7 For new tenants applying formula rent plus an additional 5% (general needs) or  
10% (supported housing) flexibility, average rents would be<sup>27</sup>:

<sup>24</sup> 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.

<sup>25</sup> Recent changes to legislation have seen RTB discounts reduce for applicants. Prior to this change we experienced a large number of applications which have then followed through to completion within 2025/26, with 40 already completed this year so far and 7 currently working through the system. Despite the change in legislation a small number of applications (11 since December 2024) have continued to be received since the changes came into force (4 of which have subsequently been withdrawn / refused). Additionally housing providers are required to write to tenants every 5 years to inform them of their right to purchase their home and therefore some further increases in the short-term have been built into budget assumptions.

<sup>26</sup> Note that the figures are presented on a 52-week basis.

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

<sup>27</sup> Note that the figures are presented on a 52-week basis.

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

4.8 The Council recognises that it is important that council homes are kept as affordable as possible. However, due to increasing costs, new requirements and costs of maintaining our stock (as outlined within the report), it is important that the additional revenue is secured and in advance of rent convergence decisions. The table below indicates income differences through the different approaches<sup>28</sup>.

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

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

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

<sup>28</sup> This information is based on the following assumptions: 71% of 310 re-lets, split 164 relets for general needs and 56 relets for independent living / supported. The total figures are also based on a full year's income whereas re-lets occur throughout the year.

<sup>29</sup> For budget setting purposes income indicated from this line has not been included within the budget presented.

## 5. Other Charges

- 5.1. For certain dwellings service charges are applied in addition to the rent charge to cover the cost of specific services. These include (but are not limited to) elements such as maintenance costs, cleaning, energy use within communal areas, communal boiler replacements, staffing costs within Independent Living Schemes, and CCTV.
- 5.2. Service charges are set to ensure they are sufficient to cover the cost of service provision, and that they are reasonable and transparent. Service charge elements are affected each year by variance in actual costs (such as energy provision, changes to service contracts, salary costs and cost of materials) and also a range of inflationary factors (General Inflationary Index, Building Cost Information Service (BCIS)). Costs of service provision have been reviewed for 2026/27.
- 5.3. As per the Social Housing Regulations the Council should endeavour to keep increases for service charges within the limit on rent changes, of CPI (as at September in the previous year) + 1 percentage point (or 4.8% in 2026/27), to help keep charges affordable.<sup>30</sup> However, it is recognised that service charges fluctuate significantly from year to year and that the requirement to contain increases within CPI+1% should be interpreted on a medium- or long-term basis<sup>31</sup>.
- 5.4. For 2026/27 across all housing stock average service charges will see a marginal increase of 0.5%.<sup>32</sup> Within this average is a variation between charges applied to Independent Living (0.5% increase) and General Needs (0.4% increase). Average service charge costs can be seen in the table below.

	2025/26	2026/27 <sup>33</sup>
Avg weekly service charge per dwelling (General Needs)	£10.72	£10.76
Avg weekly service charge per dwelling (Independent Living)	£50.14	£50.39
Combined avg weekly service charge (total weekly service charge divided by total number of dwellings)	£26.50	£26.54

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

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

<sup>30</sup> Source: Policy statement on rents for social housing – Dec 2022

<sup>31</sup> Source: National Housing Federation Briefing on Rent Standard 2020 - Jan 2020

<sup>32</sup> Subject to further fluctuations in cost of service delivery

<sup>33</sup> For the purposes of rent and service charge setting 2026/27 is a 52-week year (with service charges collected over 48 weeks).

increased by CPI +1% in line with dwelling rents. Benchmarking indicates that previous rent freezes (between 2020/21 and 2024/25) 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 2026/27 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 £126K lower than previously estimated, due to changes in employer pension contributions, see section 6.4.
- Additional costs of £256K relating to the implementation of new housing management software, funded by a one-off transfer to the ICT and Systems Improvement Reserve.
- Self-financing loan principal of £1,041K to be repaid via Major Repairs Reserve, see section 6.5.
- Depreciation charge increase of around £490K, see section 6.6.

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

	2026/27
Fees & Charges	3.80%
Inflation – Pay	3.00%
Employer Pensions Contribution	8.10%
Inflation – General (Minor Cost Centres)	3.80%
Inflation – Insurance	10.00%
Electricity	24p/kwh
Gas	3.5p/kwh
Interest Rate - Investments	4.00%

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

6.5. Further to consultation with technical experts and external audit, utilisation of the Major Repairs Reserve to fund the HRA self-financing loan principal repayment has now been taken built into the estimates presented. This was previously funded by an appropriation from the revenue account, and therefore the change reduces pressure on unallocated balances.

6.6. Following work being carried out to review varying aspects of the calculation of depreciation, the current projections are based on latest quinquennial valuations and the application of an existing use value - social housing (EUV-

SH) adjustment factor of 35% of market value. As provided for within the Stock Valuation for Resource Accounting guidance issued in November 2016, the s151 Officer has exercised his discretion in varying the adjustment factor from the recommended 40% for the North West region. This decision will be subject to external audit.

- 6.7. In summation, the 2026/27 revenue budget projected surplus is £526K, which is £237K higher than the previously projected £289K reported in February 2025. The revised projection is largely due to the points described above (see section 6.2), notably a reduction in employer pension contributions, additional costs relating to the implementation of new housing management software, funding of the self-financing loan principal from the Major Repairs Reserve and an increase in depreciation charges.

## 7. Capital 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 needs to be informed by the completion and analysis of a full stock condition survey – to date around 86% of properties have been surveyed. Whilst expenditure within 2026/27 reflects the priority areas coming from that survey, further refinement of capital expenditure is required and will be reflected in subsequent years' capital programmes in due course. None the less information gained already suggests that over £60M of investment in our homes is needed over the next 10 years and demonstrates the requirement to ensure rental income is maximised.
- 7.4. Certain programmes of work (value over £200K and key decisions over £250K) will be advised during 2026/27 and it was confirmed that the Chief Executive be delegated to approve tender of these contracts as per procurement rules. Chief Executive sign off will be sought on a case-by-case basis. Key decision notices will be provided where required.

The programmes of work will be:

- Reroofing to various flat blocks on the Greaves and Hala Estates, and in the City Centre
  - Smoke alarm installations on a 10-year rolling programme
  - Whole House Major Voids works and refurbishment.
- 7.5. The capital programme includes some provision for cyclical programmes of work on Mainway. Work is underway to define the scale and nature of this in the context of the ongoing Mainway regeneration project.
- 7.6. Newly introduced for 2026/27, the HRA now has a development pool for capital schemes and projects supported in principle, but that required further development (including the preparation of a full business case), scrutiny and approval before they can progress. Due to the nature of the schemes considered during this budget-setting process, and their dependence on having adequate capital resources available without a requirement for the council to borrow, they have not been incorporated into the estimates but are presented in aggregate at the base of Appendix C, for memorandum only. The route for approval will be via the normal governance route including agreement from the Capital Assurance Group prior to consideration by Cabinet, whilst ensuring that sufficient funding resources are in place. Should the schemes require borrowing and the business case supports the repayment of such borrowing, then any impact on the council's Treasury

Management Strategy will need to be considered on an ongoing basis prior to approval.

## 8. Future Developments

8.1. The City Council continues to have ambitions for the development of its own new affordable / social rented homes which it is seeking to progress in line with the new Social and Affordable Housing Programme. The Council has also successfully secured consultancy support alongside some grant support from the Council Housingbuilding Support Service (CHoSS). The focus for the next twelve months will seek:

- To go out to tender and appoint a developer to deliver new social affordable housing on Skerton School site.
- Depending on the outcome of the tender appoint a developer for the next phase for bringing new housing across the Mainway site.
- Achieve a start on site for 4 x new units of housing on Hastings Road.
- With the support of CHoSS, bringing forward a positive planning application on Dorrington Road for c.8 new units of accommodation on a current garage site.
- Work alongside a Registered Provider to secure new housing on a key development through a turn-key approach utilising Right-to-Buy receipts.

## 9. Provisions, Reserves and Balances

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

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

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

9.3. Draft statements on all reserves are attached at Appendix E(i) and Appendix

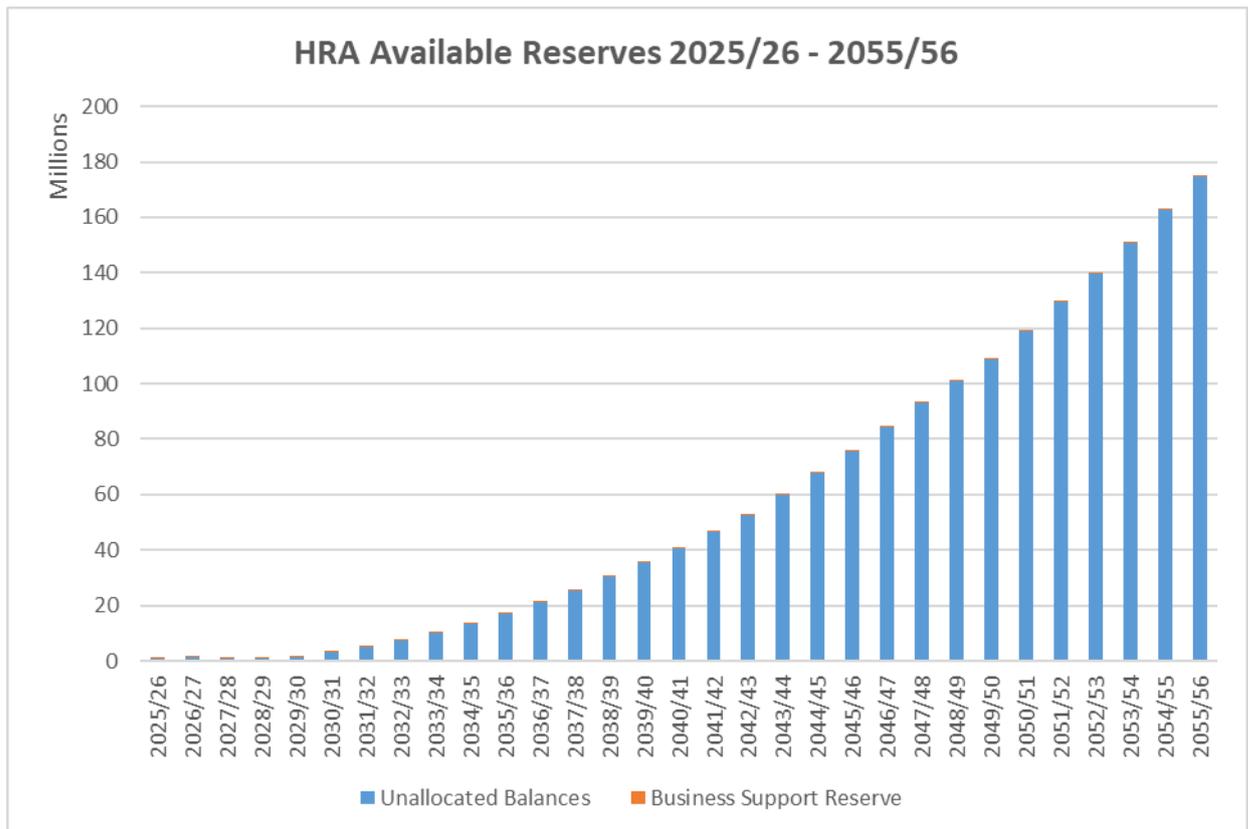
E(ii). Levels are viewed as adequate for the period covered and Cabinet is asked to endorse this information, with the Statement being referred on to Council as part of the HRA budget proposals.

## 10. Business Planning & Future Risks

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

### 30 Year Business Plan: Business Support Reserve and Unallocated Balances

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	30 Year Cumulative Total £'000
Business Support	119	119	119	119	119	119	119
Unallocated Balances	103	391	1,021	1,439	2,228	3,447	128,516
<b>Projections as at February 2025</b>	<b>222</b>	<b>510</b>	<b>1,140</b>	<b>1,558</b>	<b>2,347</b>	<b>3,566</b>	<b>128,635</b>
Business Support	190	190	190	190	190	190	190
Unallocated Balances	770	1,296	875	802	1,369	3,085	174,857
<b>Projections as at February 2026</b>	<b>960</b>	<b>1,486</b>	<b>1,065</b>	<b>992</b>	<b>1,559</b>	<b>3,275</b>	<b>175,047</b>
<b>Overall Movement (Adverse) / Favourable</b>	<b>738</b>	<b>976</b>	<b>(75)</b>	<b>(566)</b>	<b>(788)</b>	<b>(291)</b>	<b>46,412</b>



- 10.2. The unallocated balance is currently £804K, £54K above the recommended minimum level. The balances shown above are now based on 2025/26's Quarter 3 projected outturns, as presented in the Delivering Our Priorities report elsewhere on this agenda. Based on current assumptions, at no point within the 30-year business plan do they breach the £750K lower limit as detailed in section 9.1.
- 10.3. The Business Support Reserve has a current unallocated balance of £190K. Additional earmarked reserves exist (see Appendix E(i) for more details). These reserves are earmarked for specific purposes, but not formally ring fenced.
- 10.4. The increase in the projected balance at the end of the 30-year business plan is largely due to the year-on-year impact of the higher than previously assumed rent increase for 2026/27, with an additional 1% above CPI increase now being included in assumptions through to 2035/36, in line with the recent Government Policy Statement on a 10-year settlement.
- 10.5. As previously discussed, in line with the Regulator of Social Housing's guidance, rents have been set at CPI+1%. Largely due to fluctuations in CPI, partly off-set by high levels of Right to Buy sales, 2026/27's rental income from dwellings is now forecast to be approximately £85K higher than estimated in the previous budget report. It has been assumed that increases will revert to CPI only from 2036/37 (forecast at 2.0%, being the target set by Government for the Bank of England's Monetary Policy Committee), but the risks surrounding these assumptions must be appreciated and the magnitude of impact of a small change within this area understood.
- 10.6. Due to the changes to the calculation of depreciation charge referred to above, along with the utilisation of the Major Repairs Reserve to fund the HRA self-financing loan principal repayment, the currently proposed capital programme requires additional contributions from revenue to the Major Repairs Reserve. It is estimated that £93K of useable capital receipts and £28K within

the Major Repairs Reserve be held by 31 March 2030. This will be reviewed when the profile of future capital spend is prepared, following further refinement of subsequent years' capital programmes.

- 10.7. It is also worth noting that as at 1 April 2025, £1,441K of Retained Right to Buy ("1-4-1") receipts were held, to be used for increasing housing stock. It is anticipated that of this balance, £795K will be used to fund ad-hoc acquisitions with the proposed Capital Programme as Appendix C also including the acquisition of new build units on a turn-key approach. Following changes made by Government, our "1-4-1" balance will continue to replenish, dependent on future RTB sales.
- 10.8. The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Chief Officer – Resources takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in Appendix F.

**11. Options and Options Analysis (including risk assessment)**

- 11.1. The options with regards to rent setting are set out under section 4, the maximum permitted increase being CPI+1% for current tenants, with flexibility of an additional 5% / 10% above formula rent for new tenancies. By applying this increase, it allows for a budget that can deliver on the Council's and Governments ambitions on improving housing standards and addressing the climate change emergency, whilst adhering to the Rent Standard and wider legislative requirements.
- 11.2. In relation to garage rents, it is recommended that an increase in line with dwelling rent increases is appropriate and will support maintenance requirements without adversely impacting occupancy levels.
- 11.3. With regard to the revenue budget generally, Cabinet could consider other proposals that may influence spending in current and future years, as long as their financing is considered and addressed and coherent with the legislative and regulatory requirements of a Registered Provider.
- 11.4. The options available in respect of the minimum level of HRA balances are to retain the level at £750K in line with the advice of the Section 151 Officer, or adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting and it could have implications for the Council's financial standing, as assessed by its external auditor.
- 11.5. The options available in respect of the Capital Programme are:
- i) To approve the programme in full, with the financing as set out;
  - ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.
- 11.6. Any risks attached to the above would depend on measures Members proposed, and their impact on the council housing service and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

	<b>Option 1:</b> Set housing and garage rent levels as	<b>Option 2:</b> To propose alternatives to those
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	set out in this report, and approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme	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, and new tenants.	Would require further options analysis.
Risks Mitigation /	The HRA budget set out in this report is sustainable in the long term. The risks associated with Option 1 are outlined in Appendix F – Risks and Assumptions.	Impact on housing service and council housing tenants unknown. Potential for housing service to fall foul of legislative and regulatory requirements, leading to unlimited fines and being 'named and shamed' by government.

## 12. Officer Preferred Option (and comments)

- 12.1. **Option 1:** Set housing and garage rent levels as set out in this report and approve the provisions, reserves and balances position (and their use); the revenue budgets and capital programme, as set out and refer onto full Council.
- 12.2. The budget headlines were presented to the Tenants Voice meeting of 29<sup>th</sup> January 2026 who were broadly in agreement with the proposals described, including the rent increase and understood the rationale for such. There was, however, a range of debate which should be noted including:
- Residents were keen to understand how we would seek to increase housing stock – replacing homes lost through Right-to-Buy
  - Residents also noted that they did not want to see their rent money being offset to repair homes through tenant damage and wanted to understand the re-charge process in such instances.
  - Officers committed to providing details of planned maintenance and capital programmes be presented to a future meeting of the Tenant Voice.
- 12.3. The budget headlines and the wider context of housing finances were also presented and discussed at the Council Housing Advisory Group (CHAG) on 29<sup>th</sup> January 2026, who were supportive and understood the financial challenges and requirements faced within the HRA. Residents were keen that within their new rent letters that they saw the difference in what they had paid before as a comparator.

## 13. Conclusion

- 13.1. The report highlights challenges faced within the current economic climate, particularly in the context of the increased regulatory and legislative requirements being placed on the social housing sector.
- 13.2. The longer-term financial forecasts contain numerous estimates and assumptions, and the service remains attuned to the risks contained within Appendix F, and in particular the impacts of further legislative and regulatory change which could affect business planning within the HRA.
- 13.3. The Council's Housing Service remains ambitious, while continuing to operate

a sensible but forward-looking approach, seeking to meet Regulatory requirements and deliver safe and decent homes.

**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 on residents within Council Housing dwellings specifically climate change, wellbeing / social value, health and safety and community safety as outlined below. There is no significant detrimental impact on equality on specific groups. 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. 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. Compliance against all areas remains strong.

**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**

Rent setting is subject to statutory requirements. Officers must ensure that rent setting is done in accordance with relevant statutory requirements.

**FINANCIAL IMPLICATIONS**

As set out in the report.

**OTHER RESOURCE IMPLICATIONS**

**Human Resources:**

None identified

**Information Services:**

None identified

**Property:**

None identified

**Open Spaces:**

None identified

**S.151 OFFICER'S COMMENTS**

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

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

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

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

**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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**E-mail:** jowilkinson@lancaster.gov.uk

**Ref:** HRA Budget Report

## HOUSING REVENUE ACCOUNT BUDGET

### For Consideration by Cabinet 10 February 2026

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

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

	2026/27	
	£	£
<b>ORIGINAL BUDGET</b>		<b>0</b>
<b>EXPENDITURE</b>		
<b>Employees</b>		
Reduction in employer's superannuation contributions from 2026/27	125,500	
		<b>125,500</b>
<b>Premises</b>		
Repairs & Maintenance - net increase in revenue repair costs due to void properties, off-set by reduction in employer's superannuation contributions and continuing restriction of rota painting to communal areas, funded from reserves	(11,700)	
Council Tax - increased liability for long term void properties due to major voids and capital projects	(68,000)	
		<b>(79,700)</b>
<b>Supplies &amp; Services</b>		
Software - additional software costs including Total Repairs	(35,600)	
External Assurance - review of performance against consumer standards	(31,100)	
ICT - additional costs relating to implementation of new housing management software costs funded by one-off contribution to ICT reserve	(256,000)	
Provision for doubtful debts - revised estimates for required revenue contribution	(17,400)	
		<b>(340,100)</b>
<b>INCOME</b>		
Rents (Dwellings) - future years CPI + 1.0% (CPI at September 2025 3.8%)	85,000	
Service Charges Flats - reduction in income including heating charges	(90,800)	
		<b>(5,800)</b>
<b>FINANCING</b>		
Increase in Depreciation Charge (EUV-SH 35%)	(489,500)	
		<b>(489,500)</b>
<b>APPROPRIATIONS</b>		
Earmarked Reserves appropriations - works to be funded from Planned Maintenance reserves	25,000	
Capital Repayment of Debt appropriations - self-financing loan principal to be repaid via Major Repairs Reserve	1,041,400	
		<b>1,066,400</b>
<b>Other Net Service Variances</b>		<b>(39,800)</b>
<b>IN YEAR VARIANCES</b>		<b>237,000</b>
<b>Previously Agreed Contribution (From) / To Unallocated Reserve</b>		<b>288,600</b>
<b>REVISED CONTRIBUTION (FROM) / TO UNALLOCATED RESERVE</b>		<b>525,600</b>

\*Variances shown as (adverse) / favourable

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

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

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

**HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME - KEY CHANGES**

	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	Estimate								
<b>PREVIOUSLY APPROVED CAPITAL PROGRAMME</b>	<b>4,445</b>	<b>4,693</b>	<b>4,538</b>	<b>4,195</b>	<b>3,969</b>	<b>3,862</b>	<b>4,185</b>	<b>3,940</b>	<b>3,940</b>
<u>Adaptions</u>									
No change to programme									
<u>Energy Efficiency/Boiler Replacement</u>									
Storage Heater programme extension	+120	+120	+120	+120	+120				
Works funded by Social Housing Decarbonisation Fund grant	+281	+273							
<u>Internal Refurbishment</u>									
No change to programme									
<u>External Refurbishment</u>									
External Door and Window Replacement programme changes		+130	+400	+130					
<u>Environmental Improvements</u>									
Environmental Improvement programme changes			+110	+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>									
Fire Risk Assessment Actions	+250								
Smoke / Heat Detector programme changes	+100	+100	+20	+20	+20	+20	+20	+20	+20
<u>Housing Renewal and Renovation</u>									
Renewals and Renovations	+543								
Property Conversions	+240								
<u>Acquisitions</u>									
New Build Acquisitions	+250	+2,250							
Minor Variances	+0	+0	+0	+0	+0	+0	+0	+0	+0
<b>REVISED CAPITAL PROGRAMME</b>	<b>6,229</b>	<b>7,566</b>	<b>5,188</b>	<b>4,575</b>	<b>4,219</b>	<b>3,882</b>	<b>4,205</b>	<b>3,960</b>	<b>3,960</b>

**HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT**  
**For Consideration by Cabinet 10 February 2026**

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

## Appendix E(ii) - RESERVES AND PROVISIONS - For Consideration by Cabinet on 10 February 2026

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
<b>Capital Reserves</b>					
<b>Major Repairs Reserve (MRR)</b>	Set up following the introduction of Resource Accounting in the HRA. Credited with the amount of depreciation charged to the HRA and topped up with additional funds required to finance the capital programme in-year.	Use of reserve to be determined and reported by the Chief Finance Officer (or nominated representative).  Can be applied to capital improvements to HRA housing stock (specifically excluding demolition) and, additionally from 1 <sup>st</sup> April 2004, repayment of HRA debt and credit liabilities (including premia on early repayment of PWLB loans).	<b>Housing &amp; Property / Resources</b>	<b>Budget &amp; Outturn</b>	<b>To provide in-year funding for the capital programme as budgeted</b>
<b>Business Support Reserve (BSR)</b>	Established to provide support to additional business plan commitments and planned investment opportunities.	Use of the reserve to be approved by Cabinet.  Contributions to the reserve to be approved annually as part of the budget.	<b>Housing &amp; Property / Resources</b>	<b>Budget &amp; Outturn</b>	<b>Retain as budgeted, noting that the first call will be to support the business plan</b>
<b>Revenue Reserves</b>					
<b>Flats – Planned Maintenance Reserve</b>	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest.  Reserve to be applied to major works to communal facilities in flats.	<b>Housing &amp; Property / Resources</b>	<b>Budget &amp; Outturn</b>	<b>Retain as budgeted</b>

## Appendix E(ii) - RESERVES AND PROVISIONS - For Consideration by Cabinet on 10 February 2026

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
<b>Revenue Reserves</b>					
<b>ICT &amp; Systems Improvement Reserve</b>	Established to fund future ICT systems and equipment replacement.	To be applied to future replacements and system / process improvements.	<b>Housing &amp; Property / Resources</b>	<b>Budget &amp; Outturn</b>	Retain as budgeted
<b>Sheltered Equipment Reserve</b>	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes.	<b>Housing &amp; Property / Resources</b>	<b>Budget &amp; Outturn</b>	Retain as budgeted
<b>Sheltered – Planned Maintenance</b>	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	<b>Housing &amp; Property / Resources</b>	<b>Budget &amp; Outturn</b>	Retain as budgeted
<b>Sheltered – Support Grant Maintenance</b>	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges but classed as Support Costs under County Guidelines.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	<b>Housing &amp; Property / Resources</b>	<b>Budget &amp; Outturn</b>	Retain as budgeted

## Appendix E(ii) - RESERVES AND PROVISIONS - For Consideration by Cabinet on 10 February 2026

Use of all reserves with the exception of the BSR and MRR to be approved by the Chief Officer with responsibility for Housing, in consultation with the Chief Finance Officer (or nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

	<b>Reason for/purpose</b>	<b>How &amp; when it be used</b>	<b>Management &amp; control</b>	<b>Reviewe d</b>	<b>Recommendations</b>
<b>Provisions</b>					
<b>Bad Debts</b>	This provision is used to provide cover for all Housing Revenue Account bad and doubtful debts.	Contributions are determined at budget setting and outturn, based on assessment of the level of debt outstanding. Write offs are charged against the provision during the year.	<b>Resources</b>	<b>Budget &amp; Outturn</b>	<b>As reflected in the report</b>

The Bad Debt provision will be applied by the Chief Finance Officer (or nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

**2026/27 BUDGET  
HOUSING REVENUE ACCOUNT – RISKS & ASSUMPTIONS  
FOR CONSIDERATION BY CABINET 10 FEBRUARY 2026  
JO TO REVIEW**

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 for example.</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>2026/27 has seen the Government commit to a longer-term approach with a ten-year rent settlement at CPI+1% as the maximum rent increase permissible. Within the Council's 30-year business plan it is currently assumed that CPI + 1% (equaling 3%) will be in place for years 2-10, with 2% in subsequent years in line with corporate assumptions about 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 about rental income are accurately informing business planning.</p> <p>Government have also committed to rent convergence of an additional £1pw in 2027/28 and £2pw thereafter, however this has not been included within current year's budget forecast assumptions.</p> <p>An internal audit was completed at the end of 2024/25 into 2025/26 confirming rent setting process robustness, a number of actions are yet to be implemented which were on hold awaiting the outcome of government consultations on rent setting.</p> <p>It may be prudent for internal audit to review the rent setting approach again within another 12 months taking into account changes included within this report.</p>
Income Recovery	<p>Rental income is the main source of income 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 as much as possible 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 continue to be reviewed as a priority area of work as well as effective schedule of rate setting for RMS to ensure appropriate cost recovery.</p> <p>Debt recovery is being reviewed across the Council by internal audit throughout 2026.</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. Following the re-registration of applications during 2024/25 with the implementation of a new system went live the Council has c1,500 residents now registered for re-housing. In 2025 – the Council approved its new Allocations Policy, outlining how it intends to let properties.</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 has historically been relatively low compared to historic levels of sales; however, in the last twelve months the Council has seen a significant spike with 40 completions within the first three quarters of the year, following the rush for applications in the run up to right-to-buy discount changes. Moving forward the budget planning process had assumed 10 Right to Buy Sales in 2026/27 and 3 per year thereafter.</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 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.</p>

	<p>Increased capital and revenue investment continues to be committed to this area. The City Council is keeping abreast of anticipated forthcoming changes from future requirements within Awaabs Law, Minimum Energy Efficiency Standards (2030) and a revised Decent Homes standard (2035).</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 and in preparation for Minimum Energy Efficiency Standards, 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. Requirements to maintain stock decency are reflected in the 30-year HRA Business Plan, although over the next ten years it is likely to face a short fall in funds available as outlined within the budget report. Details of a revised Decent Homes Standard are not yet known and therefore costs have not yet been factored in but will undoubtedly put additional pressure on the Housing Revenue Account. Completion of a full stock condition survey informs asset management planning moving forward – currently at 86% completion, with plans to increase this moving forward through additional in-house capacity as well as funding available to outsource those required and review on a periodic basis.</p> <p>For future development works to provide new affordable homes, including Skerton School and garage site developments, project work remains ongoing to define the options available, although funding has not been provided – except for grant awarded from the Council Housebuilding Support Service for bringing forward Hastings Road (4 units). 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 (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, although with major infrastructure becoming end-of-life the successful delivery of a reserve-funded multi-year full ICT replacement project is underway with completion of phase 1 planned for Autumn 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, budget setting where practicable 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,</p>

	<p>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, it is now known that Lancaster City Council will have its inspection within the first half of 2026.</p> <p>The new regulation raises the required standards within social housing and creates 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> <p>Key staff attend sector body meetings to keep abreast of regulatory changes.</p>
Future Developments	<p>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.</p>
Data integrity	<p>To meet strategic objectives and keep tenants safe, strong oversight of risks and appropriate controls to manage them is needed. This is not possible without up-to-date and comprehensive data, covering all assets and liabilities (asset management through stock condition surveys), the safety and quality of tenants' homes (including health and safety compliance), tenant complaints and the status of repairs and maintenance work.</p> <p>Through the introduction of the new ICT system data will be able to be more effectively managed and in preparation discussions are underway to conduct a 'tenant census' so up to date tenant information can be included and to help the council better understand the diverse needs of tenants</p>

# 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 2026/27 is 4.8% (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

Tenants have been consulted through Tenant Voice and the Council Housing Advisory Group at the end of January 2026. Information on this is considered within the body of the report.

## 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?

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

2

# 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.

<b>CABINET</b>
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## Flexible Use of Capital Receipts Strategy 2026-27

10 February 2026

### Report of Chief Finance Officer

<b>PURPOSE OF REPORT</b>
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<p>Statutory guidance from the Department for Levelling Up, Homes and Communities (DLUHC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) enables local authorities to make flexible use of capital receipts to fund projects which are likely to generate savings to the authority and / or other public bodies.</p>
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<p>To make use of this provision, authorities must submit to the Secretary of State a Flexible Use of Capital Receipts Strategy setting out how the provision will be applied in the next financial year.</p>
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<p>This report proposes a Flexible Use of Capital Receipts Strategy for 2026-27 to complement the ongoing Council's commitment to financial sustainability.</p>
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<p><b>This report is public.</b></p>
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#### RECOMMENDATION OF COUNCILLOR HAMILTON-COX

- (1) That Cabinet recommends the approval by Full Council on 25 February 2026 of the Flexible Use of Capital Receipts Strategy 2026/27 set out in this report, in accordance with the relevant statutory guidance.

#### 1.0 INTRODUCTION

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

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

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

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

## **2.0 THE GUIDANCE / DIRECTIVE**

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

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

## **3.0 REQUIREMENTS FOR THE STRATEGY**

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

savings and / or transformation achieved through use of the provision so far. Any benefits arising from this Strategy will be reported in subsequent years, this is set out in section 9.

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

#### **4.0 MONITORING AND UPDATING THE STRATEGY**

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

#### **5.0 WHICH CAPITAL RECEIPTS ARE ELIGIBLE?**

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

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

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

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

#### **6.0 WHICH EXPENDITURE IS ELIGIBLE?**

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

*“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.*

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

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

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

## **7.0 THE COUNCIL’S PROPOSALS 2026/27**

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

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

**Table 1: Corporate Proposals for 2026/27**

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

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

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

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

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

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

**Table 2: Assets for Disposal**

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

7.7 It should be noted that whilst no further Capital Receipts are currently expected in 2025/26 there is a sale in progress totalling £0.067M that is expecting to complete after 31<sup>st</sup> March

2026. Furthermore, there is a balance of Capital Receipts from 2024/25 of £0.593M and 2025/26 of £0.911M which have not yet been utilised which could be flexibly applied in 2026/27 taking the balance of receipts available up to £1.604M in 2026/27.

## 8.0 IMPACT ON PRUDENTIAL INDICATORS

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

## 9.0 MONITORING OF THE 2025/26 STRATEGY

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

**Table 3: Savings Monitoring**

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

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

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

**Table 4: Eligible Costs and Capital Receipts**

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

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

**10.0 DETAILS OF CONSULTATION**

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

**11.0 OPTIONS AND OPTIONS ANALYSIS (including risk assessment)**

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

**13.0 OFFICER PREFERRED OPTION**

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

**14.0 CONCLUSION**

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

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

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

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

**FINANCIAL IMPLICATIONS**

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

**SECTION 151 OFFICER'S COMMENTS**

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

**LEGAL IMPLICATIONS**

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

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

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

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

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

**Contact Officer:** Paul Thompson  
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**Ref:** N/A



**Delivering Our Priorities: Q3 2025/26  
10 February 2026**

**Report of Chief Executive & s151 Officer**

PURPOSE OF REPORT				
To provide members with an update on financial performance during the first three quarters of 2025/26 (April – December 2025).				
Key Decision	<b>N</b>	Non-Key Decision		Referral from Cabinet Member
Date of notice of forthcoming key decision		N/A		
This report is public				

**RECOMMENDATIONS OF COUNCILLOR HAMILTON-COX**

That Cabinet

- (1) Consider the update on financial performance for Quarter 3 2025/26.

**1.0 INTRODUCTION**

- 1.1 The primary purpose of this report is to present information relating to the Council’s financial performance for the period April-December 2025, which can be found within the appendices.

**2.0 FINANCIAL MONITORING**

- 2.1 The 2025/26 Budget and Medium-Term Financial Strategy (MTFS) 2025-2030 approved by Council in February 2025 set a balanced budget for the year based on the assumptions made at that time.
- 2.2 All portfolios are required to examine their revenue budgets and meet with their budget holders regularly and reports are submitted to Cabinet and Budget & Performance Panel for review. To enable Portfolio Holders to meet this requirement, Financial Services continually reviews and refreshes how it presents the Council’s corporate monitoring information, with the Quarter 3 information distributed members of both committees on 31 January 2026.
- 2.3 In an attempt to aid understanding Members should note that where **projected variances** values are presented with brackets ( ) this reflects a negative, or adverse movement from the budgeted position. Conversely, projected variances accompanied with a + sign represents a positive, or favourable movement from the budgeted position. The following financial appendices accompany the financial monitoring section of this report.

- Appendix A: General Fund Service Analysis
- Appendix B: General Fund Subjective Analysis

Appendix C:	HRA Service Analysis
Appendix D:	General Fund Capital Projects
Appendix E:	HRA Capital Projects
Appendix F:	Reserves Projected Outturn
Appendix G:	Approved Savings Monitoring
Appendix H:	Service Analysis
Appendix I:	Aged Debt Summary By Service
Appendix J:	Treasury Management Quarterly Update

- 2.4 It should also be noted that **projected outturn figures are monitored against the working budget** and not the original budget within this report. The working budget includes approved virements and in-year budget adjustments. This reduces a number of variances in respect of items such as 'grossing-up' of grant income/expenditure and the movement of employees to different costs centres which is especially needed during times of service restructuring. It provides a more accurate up-to date forecast and eliminates the need for duplicate reporting at service and subjective levels.

### 3.0 SALARY PROJECTIONS

- 3.1 Salary expenditure is one of the largest areas of expenditure in the Council and the latest budgeted pay bill for direct employee expenses is £33.572M (£26.772M General Fund, £6.800M HRA).
- 3.2 As part of the 2025/26 budget setting process, an inflationary uplift of 2.5% was included to salaries across all services of the Council. The National Employers latest offer of an increase of 3.2% on all NJC pay points was agreed in July 2025.

For the purposes of the projected outturn calculations used within this report, the agreed offer of 3.2% has been included. For information, additional annual costs in the region of £0.228M (£0.182M General Fund, £0.046M HRA) have been forecasted.

- 3.3 The latest salary position is detailed in the table below.

Table 1 Quarter 3 Financial Monitoring – Salary Monitoring

	Salaries Variance £'000	Pay Award £'000	Agency Variance £'000	Other Variance £'000	Total Variance £'000
<u>General Fund</u>					
Environment & Place	274	(89)	(189)	0	(4)
Governance	107	(12)	(57)	0	+38
Housing & Property	348	(28)	(66)	(167)	+87
People & Policy	55	(11)	(8)	0	+36
Planning & Climate Change	462	(18)	0	(45)	+399
Resources	253	(15)	(8)	(69)	+161
Sustainable Growth	209	(10)	0	11	+210
Provision for Staff Turnover	(648)	0	0	0	(648)
<b>TOTAL FAVOURABLE VARIANCE</b>	<b>1,060</b>	<b>(183)</b>	<b>(328)</b>	<b>(270)</b>	<b>+279</b>
<u>Housing Revenue Account</u>					
Housing & Property	335	(46)	(85)	76	+280
Provision for Staff Turnover	(21)	0	0	0	(21)
<b>TOTAL FAVOURABLE VARIANCE</b>	<b>314</b>	<b>(46)</b>	<b>(85)</b>	<b>76</b>	<b>+259</b>

As the above table demonstrates, the council salary related position as a whole (including the additional pay award, agency and consultancy costs) is expected to be underspent by +£0.538M (£0.279M General Fund, £0.259M HRA). It should be noted that this now includes the full removal of the 'Provision for Staff Turnover' as the consideration of current vacant posts has now been projected to the end of the year.

#### 4.0 OUTCOMES BASED RESOURCING

- 4.1 As part of the 2025/26 budget setting process, Members approved savings and budget proposals to save the Council £0.025M in 2025/26. The process to implement these savings is now underway and Appendix G details the progress of each proposal.

#### 5.0 COMMERCIAL & CORPORATE PROPERTY REVIEW

- 5.1 Following a review of the Council's commercial and corporate property portfolio, Members approved an ongoing programme of capital and revenue works over the next ten years to initially address the immediate issues whilst formulating an ongoing strategy to maintain the asset portfolio. This was included as part of the 2025/26 budget setting process and year one (2025/26) included a base budget amount of £1.541M which once adjusted for inflation amounted to £1.426M for specific work and £0.150M for project management costs.
- 5.2 Since budgetary approval was gained, an ongoing review of works required has been taking place. This review has highlighted changes required which mainly fall into the following categories:-
- Additional works identified including these industrial style roofs
  - Deletions / removal of works for properties subject to further review
  - Acceleration of works originally scheduled for future years
  - Slippage of works to later years
  - Movement between capital and revenue expenditure.

Usually, this will affect the net position of the Council in terms of net under or overspend being presented. However, due to the required reprofiling of expenditure across future financial years identified within the review, the consolidated underspend will be transferred into the Corporate Property Reserve.

In order to assist in providing a clearer financial position for services going forward, the connected financial budgetary positions have been removed from individual service lines reported within section 6 of this report and associated appendices. This is a differing approach to that taken within the quarter 1 report where they were included within service totals.

- 5.3 The following table outlines the latest position of the project.

Table 2 Quarter 3 Financial Monitoring – Corporate Property Review

	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
<u>Environment &amp; Place</u>					
Hospitality & Events Management	13	0	0	0	0
Parks & Open Spaces	5	0	0	0	0
Salt Ayre Leisure Centre	395	0	0	0	0
Service Support	159	0	1	0	0
Williamson Park	75	0	5	0	0
<u>Housing &amp; Property</u>					
Commercial Land & Properties	142	31	0	33	(2)
Facilities Management	51	50	39	75	(25)
Municipal Buildings	505	70	0	5	+65
Other Land & Buildings	80	0	0	0	0
<u>Sustainable Growth</u>					
Markets	1	0	0	0	0
<u>Other Items</u>					
Contribution to Reserve	0	1,275	0	1,313	(38)
<b>Total Revenue</b>	<b>1,426</b>	<b>1,426</b>	<b>45</b>	<b>1,426</b>	<b>0</b>

The review of the programme of works has been included within the draft estimates as part

of the ongoing 2026/27 budget process.

## 6.0 GENERAL FUND SUMMARY POSITION

6.1 Quarter 3 (Q3) monitoring covers the period for April – December 2025. At the end of Q3 (December 2025) a year end underspend of **£1.271M** is projected against the Council's approved original net revenue budget of **£27.201M**.

6.2 A summary of the Q3 revenue position for the main service accounts of the Council is set out in table 3 below with commentary on significant variances provided in the following paragraphs.

Table 3 Quarter 3 Financial Monitoring – Service Analysis

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
Environment & Place	8,105	8,240	8,240	5,402	8,320	(80)
Governance	1,708	1,707	1,707	1,530	1,834	(127)
Housing & Property	1,605	3,536	3,536	(1,306)	2,862	+674
People & Policy	2,454	2,432	2,432	1,756	2,429	+3
Planning & Climate Change	2,004	2,274	2,274	1,497	1,927	+347
Resources	4,710	5,084	5,084	1,855	5,003	+81
Sustainable Growth	(1,306)	(978)	(978)	433	(871)	(107)
Corporate Accounts	1,838	(87)	(87)	247	877	(964)
Other Items	5,661	4,810	4,810	(5,269)	3,366	+1,444
<b>Sub Total</b>	<b>26,779</b>	<b>27,018</b>	<b>27,018</b>	<b>6,145</b>	<b>25,747</b>	<b>+1,271</b>
Net Recharges to Housing Revenue Account	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	0
RMS Capital Charges (now Housing Revenue Account)	(200)	(218)	(218)	702	(218)	0
Corporate Property Review (Revenue)	0	1,427	152	46	114	+38
Corporate Property Review (Appropriation)	0	0	1,275	0	1,313	(38)
Revenue Reserve funded items (Revenue)	3,185	456	2,360	986	2,256	+104
Revenue Reserve funded items (Appropriation)	(3,134)	(456)	(2,360)	0	(2,256)	(104)
<b>Sub Total</b>	<b>(1,175)</b>	<b>183</b>	<b>183</b>	<b>708</b>	<b>183</b>	<b>0</b>
<b>General Fund Revenue Budget</b>	<b>25,604</b>	<b>27,201</b>	<b>27,201</b>	<b>6,853</b>	<b>25,930</b>	<b>+1,271</b>
Financing Income	(14,676)	(15,651)	(15,651)	11,067	(15,920)	+269
<b>Council Tax Requirement</b>	<b>10,928</b>	<b>11,550</b>	<b>11,550</b>	<b>17,920</b>	<b>10,010</b>	<b>+1,540</b>

### Environment & Place (-£0.436M) Adverse

6.3 Significant budget variances : -

- Pay award (-£0.089M)
- General staff turnover savings +£0.085M due to vacancies across the service offset by overspend within waste collection due sickness levels plus the collection of recycling boxes now being delivered in-house
- Asset and Compliance Review (-£0.149M)
- Energy savings across service +£0.051M
- Vehicle hire costs (-£0.160M) within waste collection due to vehicles being off-road for repair as they approach renewal offset by R&M savings +£0.110M and fuel savings due to price +£0.042M
- Environmental Protection savings relating to EPA authorisation fees and air quality monitoring +£0.036M
- Rental income to concessions on promenade not budgeted for +£0.033M
- Income from interment and memorial fees (-£0.056M)
- Income shortfalls at SALC, including Spa, Swimming and Café (-£0.252M) partially offset by reduction in stock purchases +£0.044M and staffing contained within the general turnover savings above
- Income shortfall relating to trade waste (-£0.080M) which is marginally below the previous years outturn and loss of custom due to not being able to make food waste collections
- Waste Collection savings including sale of old recycling boxes, other sales and reduced requirement for equipment and tools +£0.076M

- Waste collection Pack UK grant (part) not budgeted for +£0.356M
- Income shortfall relating Williamson Park Café and Shop due to closure of buildings (-£0.227M) partially offset by reduction in stock purchases +£0.094M

## Governance (-£0.127M) Adverse

### 6.4 Significant budget variances : -

- Pay award (-£0.012M)
- Agency cover within service for two key posts (-£0.057M) offset by vacant post savings within service +£0.107M
- Potential City Council by-election not included within budget (-£0.025M)
- Reduced Legal Fee income (-£0.087M) plus a further (-£0.018M) fees due to specialist advice required
- Street Trading Consent scheme not yet commenced (-£0.020M)

## Housing & Property +£0.674M Favourable

### 6.5 Significant budget variances : -

- Pay award (-£0.028M)
- General staff turnover savings, net of agency services +£0.115M
- Reduction in rent income due to commercial property lease changes (-£0.325M)
- Additional rent income due to ongoing lease negotiations +£0.387M, partly offset by increase in provision for bad debts (see Corporate Accounts)
- Net additional business rates on void units (-£0.297M)
- Reduction in B&B expenditure in line with quality assurance of placements and utilisation of Council voids +£0.741M
- Asset and Compliance Review +£0.169M
- Removal of utilities savings target due to delays in recruitment (-£0.037M)

## People & Policy +£0.003M Favourable

### 6.6 Significant budget variances: -

- Pay award (-£0.011M)
- General staff turnover savings, net of agency services +£0.047M
- Net impact of Morecambe VIC premises being empty (-£0.035M)

## Planning & Climate Change +£0.347M Favourable

### 6.7 Significant budget variances: -

- Pay award (-£0.018M)
- Vacancies particularly within Planning Advice & Control. A small restructure is being explored to attract more applicants +£0.417M
- Legal costs (-£0.031M) relating to formal and high court actions
- Reduced demand for pre-application advice particularly for the higher value, larger developments (-£0.035M)

## Resources +£0.081M Favourable

### 6.8 Significant budget variances: -

- Pay award (-£0.015M)
- Salary savings +£0.176M including key accountancy and ICT vacancies
- Consultancy fees for Mainway scheme (-£0.049M)
- Increased shared service management fees for Revenues (-£0.040M)

## Sustainable Growth (-£0.107M) Adverse

### 6.9 Significant budget variances: -

- Pay award (-£0.010M)
- Salary savings +£0.220M which includes 5 vacant Engineer posts and a reduction in post hours

- Reduced income levels at Morecambe Market partially due to less stall holders (-£0.057M)
- Revaluation of VAT classification at Morecambe Market resulting in 4 year VAT adjustments (-£0.229M)
- Off-street parking R&M and software costs (-£0.029M)
- Off-street parking pay and display income (-£0.050M)
- Christmas decorations upgrade/repairs not complete +£0.024M
- Bridge repairs delayed start due to consultancy engagement, likely to start 2026/27 +£0.041M

### Corporate Accounts (-£0.964M) Adverse

#### 6.10 Significant budget variances: -

- The provision for staff turnover target (-£0.648M) is held within Corporate Services whilst the additional costs/savings generated are attributed to the individual service lines. The council salary related position within the general fund (including the additional pay award, agency and consultancy costs) is expected to be underspent by +£0.279M
- Provision for Bad Debts is anticipated to increase by (-£0.290M) due to ongoing lease negotiations (see Housing & Property)
- Costs for works relating to oil spill incident February 2025 (-£0.046M)
- Recovery of costs for works in default relating to incident at Supa Skips December 2023 +£0.034M

### Other Items +£1.444M Favourable

#### 6.11 Significant budget variances: -

- The removal of an annual contribution to the renewals reserve following a review of reserve levels +£0.293M
- The new borrowing in 2024/25 was not incurred as anticipated largely due to significant levels of slippage on schemes in the capital programme leading to higher levels of cash balances. Further borrowing anticipated in 2025/26 is not expected until later in the year +£0.240M
- Interest rates have remained higher than the 3.5% forecast in September 2024 due to inflationary pressures. Also cash balances have been higher than forecast largely due to slippage on schemes in the capital programme +£0.689M
- Minimum Revenue Provision (MRP) savings arising due to slippage of schemes in the Capital Programme during 2024/25 and the use of capital receipts to finance short life assets in 2024/25 +£0.221M

6.11 Appendix A: General Fund Service Analysis (Q3) set out the above information in more detail and provides summary percentage variations for variances +/- £0.030M. Appendix H provides additional analysis across individual service areas.

6.12 The revenue position provided within table 3 above is analysed across the Council's subjective headings and is set out in table 4 below.

Table 4 Quarter 3 Financial Monitoring – Subjective Analysis

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
Employees	24,967	27,219	27,350	19,778	26,800	+550
Premises Related Exp	5,634	5,960	5,971	4,069	5,995	(24)
Transport Related Exp	1,661	1,720	1,721	1,305	1,730	(9)
Supplies and Services	16,743	14,609	18,082	11,669	17,124	+958
Transfer Payments	25,186	21,977	21,977	12,778	21,977	0
Support Services	217	142	173	54	160	+13
Capital Charges	0	17	17	0	17	0
Capital Financing Costs	1,146	1,535	1,535	1,382	1,295	+240
Appropriations	8,858	4,515	4,515	0	4,001	+514
Income	(57,633)	(50,376)	(54,023)	(44,890)	(53,352)	(671)
Capital Financing Inc	0	(300)	(300)	0	0	(300)
<b>Sub Total</b>	<b>26,779</b>	<b>27,018</b>	<b>27,018</b>	<b>6,145</b>	<b>25,747</b>	<b>+1,271</b>
Net Recharges to Housing Revenue Account	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	0
RMS Capital Charges (now Housing Revenue Account)	(200)	(218)	(218)	702	(218)	0
Corporate Property Review (Revenue)	0	1,427	152	46	114	+38
Corporate Property Review (Appropriation)	0	0	1,275	0	1,313	(38)
Revenue Reserve funded items (Revenue)	3,185	456	2,360	986	2,256	+104
Revenue Reserve funded items (Appropriation)	(3,134)	(456)	(2,360)	0	(2,256)	(104)
<b>Sub Total</b>	<b>(1,175)</b>	<b>183</b>	<b>183</b>	<b>708</b>	<b>183</b>	<b>0</b>
<b>General Fund Revenue Budget</b>	<b>25,604</b>	<b>27,201</b>	<b>27,201</b>	<b>6,853</b>	<b>25,930</b>	<b>+1,271</b>
Financing Income	(14,676)	(15,651)	(15,651)	11,067	(15,920)	+269
<b>Council Tax Requirement</b>	<b>10,928</b>	<b>11,550</b>	<b>11,550</b>	<b>17,920</b>	<b>10,010</b>	<b>+1,540</b>

6.13 Appendix B: General Fund Subjective Analysis covers this information in more detail.

## 7.0 HOUSING REVENUE ACCOUNT SUMMARY POSITION

7.1 As at the end of Q3, a year end overspend against budget of **(-£0.060M)** is projected. A summary of the Q3 revenue position for the HRA is set out in table 5 below.

Table 5 Quarter 3 Financial Monitoring – HRA Service Analysis

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
Policy & Management	2,495	3,071	3,279	2,024	3,248	+31
Repairs & Maintenance	7,048	6,704	6,734	4,637	7,023	(289)
Welfare Services	(241)	(238)	(238)	(196)	(180)	(58)
Special Services	221	253	277	244	311	(34)
Miscellaneous Expenses	1,380	1,158	1,158	863	1,205	(47)
Income Account	(18,919)	(18,255)	(18,255)	(11,555)	(17,947)	(308)
Capital Charges	(1,373)	7,424	7,424	0	6,872	+552
Appropriations	8,872	(634)	(896)	0	(989)	+93
<b>Sub Total</b>	<b>(517)</b>	<b>(517)</b>	<b>(517)</b>	<b>(3,983)</b>	<b>(457)</b>	<b>(60)</b>
Net Recharges to General Fund	517	517	517	517	517	0
<b>Housing Revenue Account Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,466)</b>	<b>60</b>	<b>(60)</b>

7.2 Significant budget variances: -

- Pay award (-£0.046M)
- General staff turnover savings, net of agency services +£0.288M
- Additional repairs costs relating to defending and settling disrepair claims (-£0.250M)
- Higher numbers and complex void properties (-£0.118M)
- Decant costs relating to damp & mould and asbestos removal (-£0.070M)
- Revised costs relating to fire at Bronte House (-£0.040M)
- Additional rent loss from voids due to ongoing capital projects and high levels of Right to Buy sales (-£0.262M)
- Additional council tax on re-lets due to major voids and capital projects (-£0.152M)
- Additional admin fees re high levels of Right to Buy sales +£0.039M
- Removal of in-year contribution to Flats Planned Maintenance reserve +£0.033M
- Decrease in contribution to bad debt provision +£0.086M
- Additional depreciation charge based on latest valuations, applying EUV-SH of 35% (-£0.490M)
- Funding repayment of loan principal via Major Repairs Reserve +£1.041M

- 7.3 Appendix C: Housing Revenue Account Service Analysis covers this information in more detail and provides summary percentage variations for variances +/- £30K.
- 7.4 Following work being carried out to review varying aspects of the calculation of depreciation, the current projection is based on latest quinquennial valuations and the application of an existing use value - social housing (EUV-SH) adjustment factor of 35% of market value. As provided for within the Stock Valuation for Resource Accounting guidance issued in November 2016, the s151 Officer has exercised his discretion in varying the adjustment factor from the recommended 40% for the North West region. This decision will be subject to external audit.

## 8.0 CAPITAL PROJECTS (General Fund & HRA)

- 8.1 At Q3 a year end variance against budget of **£5.255M** (General Fund +£5.171M, HRA +£0.084M) is projected. Summary details for both the General Fund and HRA are set out in table 6 below.

Table 6 Quarter 3 Financial Monitoring – Capital Projects

	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000	Slippage/ (Accelerated Expenditure) £'000
<b>General Fund</b>						
Environment & Place	10,404	8,122	(8)	7,812	+310	295
Housing & Property	3,005	3,391	(2,171)	1,989	+1,402	1,410
People & Policy	0	0	0	0	0	0
Planning & Climate Change	5,933	6,986	1,443	5,086	+1,900	1,900
Resources	792	1,853	471	1,053	+800	800
Sustainable Growth	730	811	(4,610)	52	+759	728
Other Items	0	0	(78)	0	0	0
<b>GENERAL FUND - TOTAL</b>	<b>20,864</b>	<b>21,163</b>	<b>(4,953)</b>	<b>15,992</b>	<b>5,171</b>	<b>5,133</b>
<b>Housing Revenue Account</b>						
Adaptations	300	300	213	300	0	0
Energy Efficiency / Boiler Replacement	1,501	1,834	829	1,834	0	0
Internal Refurbishment	1,078	1,078	739	928	+150	0
External Refurbishment	637	855	233	855	0	0
Environmental Improvements	500	500	214	406	+94	0
Re-roofing / Window Renewals	595	693	111	693	0	0
Rewiring	88	128	60	122	+6	0
Lift Replacement	0	42	47	47	(5)	0
Fire Precaution Works	210	335	209	468	(133)	0
Housing Renewal & Renovation	957	939	692	967	(28)	0
Acquisitions	250	795	136	795	0	0
<b>HOUSING REVENUE ACCOUNT - TOTAL</b>	<b>6,116</b>	<b>7,499</b>	<b>3,483</b>	<b>7,415</b>	<b>84</b>	<b>0</b>
<b>GRAND TOTAL</b>	<b>26,980</b>	<b>28,662</b>	<b>(1,470)</b>	<b>23,407</b>	<b>+5,255</b>	<b>+5,133</b>

- 8.2 The forecast underspending against budget relates to both General Fund and HRA. The table above highlights the slippage and accelerated expenditure, which is anticipated to be included in the 2026/27 budget process. Once accounted for, the following differences represent the latest position of any forecast under/(over)spends :-

- Environment and Place: +£0.015M underspend due to cost of public bins being less than previously forecast
- Housing & Property: -£0.008M overspend due to final valuation for works carried out at Mellishaw Park.
- Planning & Climate Change: A forecast underspend of +£0.533M relating to Burrow Beck Solar Farm due to the preparatory works carried out to ensure the contractor received a cleared site for construction and economies of scale achieved by using the same contractor for these works and works on the Gateway Solare Array.
- Sustainable Growth: +£0.012M due to delays to City Museum Shop as listed building consent is required. It is anticipated this will likely need to slip into 2026/27 as part of closedown; +£0.019M is likely to slip at yearend due to timings of Lancaster Square Routes project

- 8.3 With regard to the overall projected favourable variance on the HRA Capital Programme of +£0.084M, this is largely due to a projected underspends of +£0.150M on internal refurbishment works and +£0.094M on Environmental improvements, off-set by additional fire precaution works (-£0.133M) and additional cost of conversions and redevelopment projects including Alder Grove (-£0.028M).
- 8.4 Appendix D General Fund Capital Projects and Appendix E HRA Capital Projects provide further information and summary commentary.

## 9.0 RESERVES

- 9.1 The Council's General Fund unallocated balances are projected to be **£10.338M**. This takes account of the projected net overspend reported here. Overall, the combined level of reserves is forecast to be **£30.234M**. Table 7 Quarter 3 Financial Monitoring – General Fund Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 7 Quarter 3 Financial Monitoring – General Fund Reserves

	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026
	£	£	£	£	£	£	£	£	£	£
<b>Unallocated Balances</b>	(8,189,200)	(820,000)	0	316,500	(8,692,700)	(10,027,832)	(2,091,000)	0	1,780,498	(10,338,334)
<b>Total Earmarked Reserves (Usable)</b>	(15,186,400)	(626,200)	38,000	82,700	(15,691,900)	(16,163,943)	(1,645,800)	0	269,400	(17,540,343)
<b>Total Earmarked Reserves (Ringfenced)</b>	(2,245,300)	(145,000)	71,000	19,200	(2,300,100)	(2,547,210)	(145,000)	131,000	206,300	(2,354,910)
<b>Total Combined Reserves</b>	(25,620,900)	(1,591,200)	109,000	418,400	(26,684,700)	(28,738,985)	(3,881,800)	131,000	2,256,198	(30,233,587)

- 9.2 The increase in usage of balances since the budget was approved include :-
- The inclusion of slippage (-£1.244M) as detailed within the Provisional Outturn report which was considered by Cabinet on 31 July 2025
  - Funding for a new fuel tank at White Lund Depot (-£0.025M)
  - Installation and setup costs relating to the Love Clean Streets app (-£0.028M)
  - Hostile vehicle mitigation for organised events (-£0.025M)
  - The installation of the temporary catering offer at Williamson Park and demolition of the café building, plus feasibility works and park lighting (-£0.200M)
  - Parking ANPR for Lancaster City Centre (-£0.032M)
  - Car parking strategy feasibility works (-£0.118M)
  - Additional Microsoft licenses to enable all staff access the council network (-£0.024M)
  - Cyber response security (-£0.078M)
  - Consultancy works in relation to commercial properties (-£0.035M)
  - Contribution to the proposed skate park at Douglas Park (-£0.031M)
  - The demolition of the gravity tower at Salt Ayre Leisure Centre (-£0.018M)
  - City Museum support work required before a development phase application to the National Heritage Lottery Fund (NHLF) can be made (-£0.095M)
  - New equipment required at The Storey (-£0.012M)
- 9.3 Following restatement of the opening balances, the Council's Housing Revenue Account unallocated balances are projected to be **£0.770M**. This takes account of the projected net overspend reported here. Overall, the combined level of usable reserves is forecast to be **£2.125M**. Table 8 Quarter 2 Financial Monitoring – Housing Revenue Account Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 8 Quarter 3 Financial Monitoring – Housing Revenue Account Reserves

	<----- ORIGINAL BUDGET ----->				<----- PROJECTED OUTTURN ----->					
	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026
	£	£	£	£	£	£	£	£	£	£
HRA Unallocated Balances	(76,000)	(26,700)	0	0	(102,700)	(803,700)	(26,700)		60,300	(770,100)
Total Earmarked Reserves	(2,671,800)	(5,057,900)	4,774,700	944,000	(2,011,000)	(2,651,600)	(5,455,500)	5,545,200	1,207,400	(1,354,500)
Total Combined Reserves	(2,747,800)	(5,084,600)	4,774,700	944,000	(2,113,700)	(3,455,300)	(5,482,200)	5,545,200	1,267,700	(2,124,600)

- 9.4 The decision to fund the HRA self-financing payment from the Major Repairs Reserve (MRR) has now been taken, backdated to 2024/25 and reflected in the financial figures now presented. This has led to the restatement of opening balances and the HRA unallocated reserve being projected to be in surplus (and above the recommended minimum level). As stated in 7.4 above, following work being carried out to review varying aspects of the calculation of depreciation, the current projections are now calculated using a reduced existing use value - social housing (EUV-SH) adjustment factor of 35% of market value (from 40%). Although the projected net financial position is much improved since Q2, the financial health of the HRA will remain under close review, and work will continue to monitor areas of expenditure known to be under pressure.
- 9.5 Appendix F: Reserves Projected Outturn provides further detailed analysis for both funds.
- 9.6 The Council's reserves are used to manage pressures such as the cost of living crisis and also support the work to address the underlying structural deficit through the OBR process. As a result, they are fundamental to ensuring the financial sustainability of the Council as it deals with these pressures and will be kept under review by Officers and Members.

## 10.0 COLLECTION FUND

### Business Rates

- 10.1 At the Autumn Budget on 30<sup>th</sup> October 2024 the Chancellor announced that from 2026/27, existing Business Rate Relief for retail, hospitality or leisure (RHL) properties would be replaced by a lower rate multiplier set at 5p below the national multipliers. They also announced a higher multiplier that would apply to the most valuable properties (those with RVs of £500,000 and above) set at 2.8p above the national standard multiplier meaning the system will expand to 5 multipliers from 2026/27.

This is happening at the same time as the 2026 revaluation which sees the Valuation Office update the rateable values of all businesses.

At the Autumn Budget on 26<sup>th</sup> November 2025 the Chancellor announced that the following multipliers that would apply for 2026/27:

- Small multiplier - 43.2p falling from 49.9p in 2025-26
- Standard multiplier - 48.0p falling from 55.5p in 2025-26
- Small RHL multiplier - 38.2p
- Standard RHL multiplier - 43.0p
- High Value multiplier - 50.8p

The Chancellor also announced at the budget on 26<sup>th</sup> November 2025 that the government would provide a package of reliefs to support businesses.

For 2026/27, this includes:

- **Transitional Relief** – To support ratepayers facing large bill increases at the revaluation the government is introducing a redesigned Transitional Relief scheme worth £3.2 billion.
- **Transitional Relief Supplement** – a 1p supplement to the relevant tax rate for

ratepayers who do not receive Transitional Relief or the Supporting Small Business scheme to partially fund Transitional Relief. This will apply for one year from 1 April 2026.

- **2026 Supporting Small Business Scheme (SSB relief)** – bill increases for businesses losing some or all of their small business rates relief or rural rate relief will be capped at the higher of £800 or the relevant transitional relief caps from 1 April 2026. The 2026 SSB relief scheme has been expanded to ratepayers losing their RHL relief. The government has also announced a one-year extension of the 2023 Supporting Small Business scheme from 1 April 2026. This support is applied before changes in other reliefs and local supplements.
- **100% relief for Eligible Electric Vehicle Charging Points and Electric Vehicle only forecourts (EVCP relief)** – a ten-year 100% business rates relief for EVCPs separately assessed by the VOA and Electric Vehicle-only forecourts to ensure that they face no business rates liability.
- **Extending the Small Business Rates Relief (SBRR) grace-period from one to three years** – meaning businesses will now remain eligible for SBRR on their first property for three years after expanding into a second property.

Local authorities will be expected to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988 as amended) to grant the EVCP and SSB reliefs in line with the relevant eligibility criteria. Authorities will be compensated for the cost of granting these reliefs via a section 31 grant from government. No new legislation will be required to deliver these schemes.

On 27<sup>th</sup> January 2026 the Government made a further announcement that in 2026/27, eligible pubs and live music venues will benefit from a 15% business rates relief on top of the support above announced at Budget 2025. Their bills will be frozen in real terms for a further 2 years.

Local authorities will be fully compensated for the loss of income associated with granting the pubs and live music venues relief and the government will fund the associated new burdens, including the administrative and software costs of implementation.

10.2 The collection rate for Business Rates is currently 79.6%, which is ahead of the profiled target of 78.3%. The annual target is 98.0%.

10.3 Business rates monitoring to the end of quarter 3 predicts a favourable in year variance of +£0.267M. This relates to a lower Levy payment than forecast in budget projections +£0.419M and a change in section 31 grants payable for the current year of (-£0.151M). Additionally, there is a forecast year end deficit of (-£0.693M) which will be recognised in 2026/27, however this will be fully funded from the Business Rates Retention Reserve (BRRR).

10.4 With regard to 2026/27, the proposed business rates reset will take place from 1<sup>st</sup> April and this will affect the collection fund in a number of ways :-

- A revised business rates baseline which is the amount that we are expected to collect as an Authority
- A revised baseline funding level which is the funding need as determined by the government
- A revised 'safety net' scheme which offers Council's more certainty in the business rates due to base their future year projections on
- Changes to the tariff payable by the Authority and S31 grants due to the Authority

The overall effect of the above is expected to provide more certainty in business rates due to the Council for the forthcoming 3 three years with the added security of the safety net position. These figures are currently still provisional however, no detrimental financial impact is expected.

Council Tax

- 10.5 The current collection rate for Council Tax is 80.8% which is behind the profiled target of 83.8%. The annual target is 95.0%. The number of Local Council Tax Support claimants at Q3 is 9,233.

**11.0 WRITE OFFS**

- 11.1 Appendix I details the 'Aged Debt Summary by Service'. Note that the analysis does not include any debtors relating to collection fund, housing benefit and HRA housing rents income.
- 11.2 Table 9 below provides details of the debts have been written off by the Council's Revenues and Benefits service in relation to Council Tax, Business Rates and Housing Benefits Overpayments.

Table 9: Write Offs

	Q1	Q2	Q3	Q4	Total
Council Tax	239,172	454,898	241,991		<b>936,061</b>
Business Rates	209,793	199,776	3,078		<b>412,647</b>
Housing Benefit Overpayments	6,999	2,844	1,917		<b>11,760</b>
Housing Rents (HRA)	12,522	20,129	9,321		<b>41,972</b>
<b>Total</b>	<b>468,486</b>	<b>677,647</b>	<b>256,307</b>	<b>0</b>	<b>1,402,440</b>

- 11.3 The write-off of other sundry debts in excess of £500 must be approved by the Chief Officer (Resources), in consultation with the Chief Officer (Governance). The value of these debts written-off in quarter 3 (including those under £500) is £19,981.
- 11.4 Debts are deemed non recoverable after all reasonable recovery steps have been taken and can be written off in accordance with the Council's Debt Management Policy in a number of circumstances such as unable to trace, uneconomical to pursue, insolvency as well as imprisonment and death.

**12.0 TREASURY MANAGEMENT**

- 12.1 Appendix J gives a quarterly update in respect of treasury management activities and the most recent economic prospects.
- 12.2 The average level of funds available for investment to the end of quarter 3 was £31.92M. In terms of performance against external benchmarks the return on investment at the end of the period was as follows:

7 day SONIA – 4.14%  
Lancaster City Council – 4.01%

Details of investment holdings are set out in Appendix J.

- 12.3 No new borrowing was undertaken during quarter 3. Balance sheet projections indicate that further borrowing may still be required during this financial year. However, there is still potential for further slippage within the Capital Programme and uncertain large cashflows relating to external projects make this difficult to quantify with certainty and the actual amount of borrowing may be lower. Should borrowing be required, it is anticipated to be temporary borrowing. The ultimate timing will depend on exact working capital cashflows in the run up to year end which are kept under close review. These will continue to be monitored in the forthcoming financial year.
- 12.4 The Council has operated within the treasury and prudential indicators set out in its Treasury Management Strategy Statement for 2025/26. Appendix J gives an update in respect of prudential indicators showing the current forecast for the year against estimate.

**RELATIONSHIP TO POLICY FRAMEWORK**

Performance, project and resource monitoring provides a link between the Council plan and operational achievement by providing regular updates on the impact of operational initiatives against strategic aims.

**CONCLUSION OF IMPACT ASSESSMENT**

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

None directly identifiable, due to the high level nature of this report.

**LEGAL IMPLICATIONS**

There are no legal implications directly arising.

**FINANCIAL IMPLICATIONS**

As set out in the report.

**OTHER RESOURCE IMPLICATIONS**

**Human Resources / Information Services / Property / Open Spaces:**

References and any related implications are contained within the report and related appendices.

**SECTION 151 OFFICER'S COMMENTS**

The report has been written by the Section 151 Officer.

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None.

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**Ref:**

**QUARTER 3 FINANCIAL REVENUE MONITORING - GENERAL FUND SERVICE ANALYSIS 2025/26**

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Budget Amendments 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000	Variance +/- £30K %	
<b>Services</b>									
	ASNL and Nature Reserves	104	113	0	113	(8)	113	0	
	Environmental Protection	276	455	0	455	116	351	104 +23%	
	Fleet Management	(4)	(9)	0	(9)	61	21	(30) (333%)	
	Food Safety	389	512	0	512	345	476	36 +7%	
	Hospitality & Events Management	330	223	0	223	154	262	(39) (17%)	
	Parks & Open Spaces	1,381	1,532	0	1,532	1,251	1,430	102 +7%	
<a href="#">Environment &amp; Place</a>	Pest Control	(36)	(12)	0	(12)	(24)	(13)	1	
	Salt Ayre Leisure Centre	239	636	0	636	517	768	(132) (21%)	
	Service Support	670	565	0	565	621	732	(167) (30%)	
	Street Cleaning	1,784	1,923	0	1,923	1,397	1,857	66 +3%	
	Streetscape	52	73	0	73	37	70	3	
	Trade Refuse	(787)	(818)	0	(818)	(947)	(731)	(87) (11%)	
	Waste Collection	3,239	2,608	0	2,608	1,456	2,315	293 +11%	
	Williamson Park	468	439	0	439	426	669	(230) (52%)	
<a href="#">Governance</a>	Democratic Support & Elections	1,044	1,087	0	1,087	881	1,079	8	
	Legal Services	742	665	0	665	693	790	(125) (19%)	
	Licensing	(78)	(45)	0	(45)	(44)	(35)	(10)	
	Commercial Land & Properties	(1,696)	(1,364)	4	(1,360)	(549)	(1,137)	(223) (16%)	
	Customer Services	539	608	0	608	475	614	(6)	
	Facilities Management	593	623	0	623	484	622	1	
	GF Housing Schemes	(39)	(13)	0	(13)	(49)	(54)	41 +315%	
<a href="#">Housing &amp; Property</a>	Municipal Buildings	664	694	0	694	497	725	(31) (4%)	
	Other Land & Buildings	42	42	0	42	56	65	(23)	
	Private Sector Housing	616	1,565	0	1,565	(3,008)	832	733 +47%	
	Property Group	777	1,244	(4)	1,240	702	1,050	190 +15%	
	Public Health Services	109	137	0	137	86	145	(8)	
	Repairs & Maintenance	0	0	0	0	0	0	0	
	Communications	0	230	0	230	118	213	17	
	Community Connectors	166	0	0	0	0	0	0	
	Emergency Planning & CSP	99	117	0	117	66	117	0	
	Exec Support	196	197	0	197	160	198	(1)	
<a href="#">People &amp; Policy</a>	Health & Safety	74	67	3	70	43	73	(3)	
	HR & OD	1,193	855	0	855	609	842	13	
	Marketing	226	242	5	247	194	290	(43) (17%)	
	Policy and Partnerships	0	285	(8)	277	140	220	57 +21%	
	Projects & Performance	168	118	0	118	90	120	(2)	
	VCFS	300	321	0	321	310	321	0	
	Visitor Information Centres	32	0	0	0	26	35	(35)	
<a href="#">Planning &amp; Climate Change</a>	DM - Building Control	172	270	0	270	109	256	14	
	DM - Planning	644	822	0	822	595	591	231 +28%	
	Energy and Sustainability	294	210	0	210	233	213	(3)	
	Planning & Housing Strategy	894	972	0	972	560	867	105 +11%	
	CCTV	66	62	0	62	83	81	(19)	
<a href="#">Resources</a>	Finance	1,455	1,679	0	1,679	1,105	1,618	61 +4%	
	ICT	1,557	1,789	0	1,789	1,311	1,737	52 +3%	
	Internal Audit	219	172	0	172	149	172	0	
	Revenues & Benefits	1,413	1,382	0	1,382	(793)	1,395	(13)	
<a href="#">Sustainable Growth</a>	Economic Development & Culture	220	226	0	226	109	226	0	
	Markets	(77)	(54)	0	(54)	(51)	276	(330) (611%)	
	Museums	493	490	0	490	330	482	8	
	Parking	(2,700)	(2,733)	0	(2,733)	(1,790)	(2,661)	(72) (3%)	
	Regeneration	483	546	0	546	1,720	526	20	
	Strategic Projects & Engineers	275	547	0	547	115	280	267 +49%	
		<b>19,280</b>	<b>22,295</b>	<b>0</b>	<b>22,295</b>	<b>11,167</b>	<b>21,504</b>	<b>791</b>	<b>+4%</b>
<b>Corporate Services</b>									
<a href="#">Corporate Accounts</a>	Corporate Accounts	1,838	(87)	0	(87)	247	877	(964) (1108%)	
	Contributions from Reserves	4,517	1,520	0	1,520	0	1,176	344 +23%	
	Government Grants	(1,334)	(774)	0	(774)	(721)	(774)	0	
	Interest Payable	1,145	1,534	0	1,534	1,382	1,294	240 +16%	
	Interest Receivable	(1,302)	(465)	0	(465)	(5,930)	(1,155)	690 +148%	
<a href="#">Other Items</a>	Minimum Revenue Provision	2,912	2,924	0	2,924	0	2,703	221 +8%	
	Notional Charges	(55)	0	0	0	0	0	0	
	Pandemic Support	0	0	0	0	0	0	0	
	Revenue Funding of Capital	(222)	71	0	71	0	122	(51) (72%)	
	Capital Funding of Revenue	0	0	0	0	0	0	0	
	UKSPF	0	0	0	0	0	0	0	
		<b>7,499</b>	<b>4,723</b>	<b>0</b>	<b>4,723</b>	<b>(5,022)</b>	<b>4,243</b>	<b>480</b>	<b>+10%</b>
	Net Recharges to Housing Revenue Account	(1,026)	(1,026)	0	(1,026)	(1,026)	(1,026)	0	
	RMS Capital Charges (now Housing Revenue Account)	(200)	(218)	0	(218)	702	(218)	0	
	Corporate Property Review (Revenue)	0	1,427	(1,275)	152	46	114	38 +25%	
	Corporate Property Review (Appropriation)	0	0	1,275	1,275	0	1,313	(38) (3%)	
	Revenue Reserve funded items included in above analysis (Revenue)	3,185	456	1,904	2,360	986	2,256	104 +4%	
	Revenue Reserve funded items included in above analysis (Appropriation)	(3,134)	(456)	(1,904)	(2,360)	0	(2,256)	(104) (4%)	
	<b>General Fund Revenue Budget</b>	<b>25,604</b>	<b>27,201</b>	<b>0</b>	<b>27,201</b>	<b>6,853</b>	<b>25,930</b>	<b>1,271</b>	<b>+5%</b>
	Core Funding :								
	Revenue Support Grant	(433)	(460)	0	(460)	(346)	(460)	0	
	Additional New Homes Bonus	0	0	0	0	0	0	0	
	Supplementary Government Grants	0	0	0	0	0	0	0	
	Prior Year Council Tax Surplus	141	(280)	0	(280)	0	(280)	0	
	Net Business Rates Income	(14,384)	(14,911)	0	(14,911)	11,413	(15,180)	269 +2%	
	<b>Council Tax Requirement</b>	<b>10,928</b>	<b>11,550</b>	<b>0</b>	<b>11,550</b>	<b>17,920</b>	<b>10,010</b>	<b>1,540</b>	<b>+13%</b>

**Notes:**

- Income is expressed as a negative figure in brackets
- Expenditure is expressed as a positive figure
- Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

**QUARTER 3 FINANCIAL REVENUE MONITORING - GENERAL FUND SUBJECTIVE ANALYSIS 2025/26**

		Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Budget Amendments 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000	Variance +/- £30K %
Employees	Direct Employee Expenses	23,446	26,393	109	26,502	18,899	25,628	874	+3%
	Indirect Employee Expenses	1,521	826	22	848	879	1,172	(324)	(38%)
	Cleaning and Domestic Supplies	182	177	(4)	173	143	186	(13)	
	Energy Costs	1,477	1,556	0	1,556	770	1,376	180	+12%
	Fixtures and Fittings	0	1	0	1	1	1	0	
	Grounds Maintenance Costs	59	62	7	69	16	59	10	
	Operational Bldgs Allocation	301	352	0	352	112	181	171	+49%
Premises Related Exp	Other Premises Costs	0	(37)	0	(37)	0	0	(37)	(100%)
	Premises Insurance	341	373	0	373	366	368	5	
	Rates	1,533	1,407	0	1,407	1,524	1,707	(300)	(21%)
	Rents	84	66	0	66	63	62	4	
	Repair and Maintenance	1,176	1,524	8	1,532	656	1,488	44	+3%
	Water Services	481	479	0	479	418	567	(88)	(18%)
	Car Allowances	15	8	1	9	10	10	(1)	
	Contract Hire Operating Leases	41	16	0	16	160	192	(176)	(1100%)
Transport Related Exp	Direct Transport Costs	1,507	1,582	0	1,582	1,042	1,428	154	+10%
	Other Transport Costs	0	0	0	0	0	0	0	
	Public Transport	8	20	0	20	7	14	6	
	Transport Insurance	90	94	0	94	86	86	8	
	Catering	37	58	0	58	28	58	0	
	Clothing Uniform and Laundry	145	101	0	101	89	112	(11)	
	Communications and Computing	1,677	1,737	30	1,767	1,601	1,829	(62)	(4%)
	Contribution to Provisions	1,147	250	0	250	0	540	(290)	(116%)
Supplies and Services	Equip Furniture and Materials	1,629	1,650	(7)	1,643	1,138	1,505	138	+8%
	Expenses	549	555	6	561	416	546	15	
	General Office Supplies	443	252	0	252	154	252	0	
	Grants and Subscriptions	1,831	1,393	516	1,909	1,294	1,788	121	+6%
	Miscellaneous Expenses	960	1,320	1,975	3,295	477	2,609	686	+21%
	Services	8,325	7,293	953	8,246	6,472	7,885	361	+4%
Transfer Payments	Housing Benefit	25,186	21,977	0	21,977	12,778	21,977	0	
Support Services	Recharges Exp	217	142	31	173	54	160	13	
Capital Charges	Amortisation of Def Chgs	0	0	0	0	0	0	0	
	Depreciation	0	17	0	17	0	17	0	
Capital Financing Costs	Interest Payments	1,146	1,535	0	1,535	1,382	1,295	240	+16%
Appropriations	Appropriations	8,858	4,515	0	4,515	0	4,001	514	+11%
	Customer Fees and Charges	(20,696)	(20,141)	(3)	(20,144)	(14,563)	(19,293)	(851)	(4%)
	Government Grants	(29,348)	(25,790)	(2,234)	(28,024)	(20,780)	(27,864)	(160)	(1%)
Income	Interest	(1,389)	(543)	0	(543)	(5,930)	(1,232)	689	+127%
	Other Grants and Contributions	(2,731)	(2,048)	(1,397)	(3,445)	(2,757)	(3,234)	(211)	(6%)
	Recharges Inc	(3,469)	(1,854)	(13)	(1,867)	(860)	(1,729)	(138)	(7%)
Capital Financing Inc	Capital Related Income	0	(300)	0	(300)	0	0	(300)	(100%)
	Net Recharges to Housing Revenue Account	(1,026)	(1,026)	0	(1,026)	(1,026)	(1,026)	0	
	RMS Capital Charges (now Housing Revenue Account)	(200)	(218)	0	(218)	702	(218)	0	
	Corporate Property Review (Revenue)	0	1,427	(1,275)	152	46	114	38	+25%
	Corporate Property Review (Appropriation)	0	0	1,275	1,275	0	1,313	(38)	(3%)
	Revenue Reserve funded items included in above analysis (Revenue)	3,185	456	1,904	2,360	986	2,256	104	+4%
	Revenue Reserve funded items included in above analysis (Appropriation)	(3,134)	(456)	(1,904)	(2,360)	0	(2,256)	(104)	(4%)
<b>General Fund Revenue Budget</b>		<b>25,604</b>	<b>27,201</b>	<b>0</b>	<b>27,201</b>	<b>6,853</b>	<b>25,930</b>	<b>1,271</b>	<b>+5%</b>
Core Funding :	Revenue Support Grant	(433)	(460)	0	(460)	(346)	(460)	0	
	Additional New Homes Bonus	0	0	0	0	0	0	0	
	Supplementary Government Grants	0	0	0	0	0	0	0	
	Prior Year Council Tax Surplus	141	(280)	0	(280)	0	(280)	0	
	Net Business Rates Income	(14,384)	(14,911)	0	(14,911)	11,413	(15,180)	269	+2%
<b>Council Tax Requirement</b>		<b>10,928</b>	<b>11,550</b>	<b>0</b>	<b>11,550</b>	<b>17,920</b>	<b>10,010</b>	<b>1,540</b>	<b>+13%</b>

**Notes:**

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- Expenditure is expressed as a positive figure
- Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

**QUARTER 3 FINANCIAL REVENUE MONITORING - HRA SERVICE ANALYSIS 2025/26**

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Budget Amendments 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000	Variance +/- £30K %
<b>Housing Revenue Account</b>								
Policy & Management	2,495	3,071	208	3,279	2,024	3,248	31	+1%
Repairs & Maintenance	7,048	6,704	30	6,734	4,637	7,023	(289)	(4%)
Welfare Services	(241)	(238)	0	(238)	(196)	(180)	(58)	(24%)
Special Services	221	253	24	277	244	311	(34)	(12%)
Miscellaneous Expenses	1,380	1,158	0	1,158	863	1,205	(47)	(4%)
<a href="#">Housing Revenue Account</a>								
Income Account	(18,919)	(18,255)	0	(18,255)	(11,555)	(17,947)	(308)	(2%)
Capital Charges	(1,373)	7,424	0	7,424	0	6,872	552	+7%
Appropriations	8,872	(634)	(262)	(896)	0	(989)	93	+10%
Gain/Loss on Asset Sales	0	0	0	0	0	0	0	
Gain/Loss on Asset Sales(Move)	0	0	0	0	0	0	0	
	<b>(517)</b>	<b>(517)</b>	<b>0</b>	<b>(517)</b>	<b>(3,983)</b>	<b>(457)</b>	<b>(60)</b>	<b>(12%)</b>
Net Recharges to General Fund	517	517	0	517	517	517	0	
<b>Housing Revenue Account Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,466)</b>	<b>60</b>	<b>(60)</b>	

**Notes:**

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2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

**QUARTER 3 FINANCIAL CAPITAL MONITORING - GENERAL FUND SERVICE ANALYSIS 2025/26**

	Original Budget 2025/26 £'000	Budget Amendments 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000	Budget Adjustments requested as part of 2026/27 budget process £'000	Variance +/- £30K %
<b>Services</b>								
	0	0	0	(18)	0	0	0	
	150	0	150	147	150	0	0	
	4,346	(4,346)	0	0	0	0	0	
	0	0	0	(1,462)	0	0	0	
<a href="#">Environment &amp; Place</a>	0	0	0	(89)	0	0	0	
	0	0	0	0	0	0	0	
	500	0	500	0	485	15	0	
	5,337	(144)	5,193	36	4,898	295	295	+6%
	0	2,208	2,208	1,314	2,208	0	0	
	71	0	71	64	71	0	0	
	172	180	352	198	300	52	52	+15%
	400	(350)	50	0	50	0	0	
	0	62	62	0	0	62	62	+100%
	0	0	0	(183)	0	0	0	
<a href="#">Housing &amp; Property</a>	0	0	0	(2,440)	0	0	0	
	0	0	0	0	0	0	0	
	0	0	0	63	0	0	0	
	974	2	976	0	750	226	226	+23%
	0	0	0	8	8	(8)	0	
	1,459	220	1,679	78	609	1,070	1,070	+64%
	0	272	272	105	272	0	0	
<a href="#">People &amp; Policy</a>	0	0	0	0	0	0	0	
	3,600	553	4,153	1,962	3,653	500	500	+12%
	0	60	60	(341)	0	60	60	+100%
<a href="#">Planning &amp; Climate Change</a>	400	(60)	340	0	0	340	340	+100%
	0	0	0	(66)	0	0	0	
	1,933	500	2,433	22	1,433	1,000	1,000	+41%
	0	0	0	(134)	0	0	0	
	257	1	258	32	258	0	0	
	130	107	237	57	237	0	0	
<a href="#">Resources</a>	0	22	22	6	22	0	0	
	0	252	252	130	252	0	0	
	5	9	14	0	14	0	0	
	0	1,070	1,070	246	270	800	800	+75%
	400	(400)	0	0	0	0	0	
	0	18	18	0	0	18	18	
	0	0	0	(2,389)	0	0	0	
	0	0	0	(1,578)	0	0	0	
	0	0	0	(446)	0	0	0	
<a href="#">Sustainable Growth</a>	0	14	14	0	2	12	0	
	0	0	0	(6)	0	0	0	
	500	0	500	0	0	500	500	+100%
	200	14	214	4	64	150	150	+70%
	0	5	5	(18)	(14)	19	0	
	30	30	60	0	0	60	60	
	0	0	0	(177)	0	0	0	
	0	0	0	0	0	0	0	
	0	0	0	(72)	0	0	0	
	0	0	0	(5)	0	0	0	
<a href="#">Other Items</a>	0	0	0	0	0	0	0	
	0	0	0	0	0	0	0	
	0	0	0	(3)	0	0	0	
	0	0	0	(12)	0	0	0	
	0	0	0	(48)	0	0	0	
	0	0	0	62	0	0	0	
	<b>20,864</b>	<b>299</b>	<b>21,163</b>	<b>(4,953)</b>	<b>15,992</b>	<b>5,171</b>	<b>5,133</b>	<b>+24%</b>
<b>GRAND TOTAL</b>	<b>20,864</b>	<b>299</b>	<b>21,163</b>	<b>(4,953)</b>	<b>15,992</b>	<b>5,171</b>	<b>5,133</b>	<b>+24%</b>

**Notes:**

1. Income is expressed as a negative figure in brackets
2. Expenditure is expressed as a positive figure
3. Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

## Council Housing Capital Programme 2025/26

	2025/26 Original Budget	2025/26 Working Budget	2025/26 P9 Actual	2025/26 Projected Outturn	2025/26 Variance (Working v Projected)	Comments (Working Budget to Projected Outturn)
	£	£	£	£	£	
<b>EXPENDITURE</b>						
Adaptations	300,000	300,000	213,036	300,000	0	
Energy Efficiency / Boiler Replacement	1,501,000	1,834,300	828,542	1,834,300	0	Slippage anticipated due to staff vacancies
Internal Refurbishment	1,078,000	1,078,000	738,996	928,000	150,000	Projection based on current activity to Q3, affected by staff vacancies
External Refurbishment	637,000	855,400	232,885	855,400	0	Slippage anticipated due to staff vacancies
Environmental Improvements	500,000	500,000	213,727	406,000	94,000	Works on hardstanding areas for bins less than anticipated
Re-roofing / Window Renewals	595,000	692,900	111,080	692,900	0	Slippage anticipated for 2025/26 contract
Rewiring	88,000	128,000	60,400	121,500	6,500	Completion of 2024/25 contract
Lift Replacement	0	42,000	46,562	47,000	(5,000)	
Fire Precaution Works	210,000	335,000	209,074	468,000	(133,000)	Completion of 2024/25 contracts, requiring additional works
Housing Renewal & Renovation	957,000	938,500	692,448	966,500	(28,000)	Net additional cost for conversions and redevelopment projects including Alder Grove
Mainway Regeneration Project	0	0	-344,973	0	0	
Acquisitions	250,000	794,900	136,206	794,900	0	Two acquisitions completed, some slippage anticipated
<b>TOTAL EXPENDITURE</b>	<b>6,116,000</b>	<b>7,499,000</b>	<b>3,137,982</b>	<b>7,414,500</b>	<b>84,500</b>	

Note: Variances are expressed as negative ( ) for adverse and positive + for favourable

## Reserves Statement (Including Unallocated Balances)

&lt;----- ORIGINAL BUDGET -----&gt;

&lt;----- PROJECTED OUTTURN -----&gt;

	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026
	£	£	£	£	£	£	£	£	£	£
<b>Unallocated Balances</b>	(8,189,200)	(820,000)	0	316,500	(8,692,700)	(10,027,832)	(2,091,000)	0	1,780,498	(10,338,334)
<b>Earmarked Reserves (Usable):</b>										
Amenity Improvements	(29,000)				(29,000)	(29,000)				(29,000)
Corporate Priorities	(68,800)			82,700	13,900	(267,939)			157,100	(110,839)
Capital Support	(73,000)				(73,000)	(72,994)				(72,994)
Corporate Property	(313,500)				(313,500)	(313,548)	(1,312,900)			(1,626,448)
Covid 19 Support Reserve	(9,700)				(9,700)	(9,715)				(9,715)
Homelessness Support	(110,800)				(110,800)	(110,830)				(110,830)
Investment Property Maint	(84,900)				(84,900)	(119,114)				(119,114)
Invest to Save	(105,300)				(105,300)	(162,913)			57,600	(105,313)
Museums Acquisitions	(47,000)	(4,500)			(51,500)	(45,164)	(4,500)			(49,664)
Restructure	(400,000)				(400,000)	(450,628)			50,600	(400,028)
Business Rates Retention	(12,064,400)	(129,900)			(12,194,300)	(12,660,047)	(129,900)			(12,789,947)
Renewals Reserves	(1,880,000)	(491,800)	38,000	0	(2,333,800)	(1,922,051)	(198,500)	0	4,100	(2,116,451)
<b>Total Earmarked Reserves (Usable)</b>	<b>(15,186,400)</b>	<b>(626,200)</b>	<b>38,000</b>	<b>82,700</b>	<b>(15,691,900)</b>	<b>(16,163,943)</b>	<b>(1,645,800)</b>	<b>0</b>	<b>269,400</b>	<b>(17,540,343)</b>
<b>Earmarked Reserves (Ringfenced):</b>										
Elections	(62,300)	(45,000)			(107,300)	(62,302)	(45,000)			(107,302)
Lancaster District Hardship	(600)				(600)	(60,984)			60,400	(584)
Planning Fee Income	(10,600)				(10,600)	0				0
Revenue Grants Unapplied	(146,800)			19,200	(127,600)	(264,686)			145,900	(118,786)
S106 Commuted Sums - Affordable Housing	(218,800)				(218,800)	(218,796)				(218,796)
S106 Commuted Sums - Highways, Cycle Paths etc.	(1,411,400)	(100,000)	71,000		(1,440,400)	(1,545,637)	(100,000)	131,000		(1,514,637)
Welfare Reforms	(324,900)				(324,900)	(324,928)				(324,928)
<b>Reserves Held in Perpetuity:</b>										
Graves Maintenance	(22,200)				(22,200)	(22,201)				(22,201)
Marsh Capital	(47,700)				(47,700)	(47,676)				(47,676)
<b>Total Earmarked Reserves (Ringfenced)</b>	<b>(2,245,300)</b>	<b>(145,000)</b>	<b>71,000</b>	<b>19,200</b>	<b>(2,300,100)</b>	<b>(2,547,210)</b>	<b>(145,000)</b>	<b>131,000</b>	<b>206,300</b>	<b>(2,354,910)</b>
<b>Total Combined Reserves</b>	<b>(25,620,900)</b>	<b>(1,591,200)</b>	<b>109,000</b>	<b>418,400</b>	<b>(26,684,700)</b>	<b>(28,738,985)</b>	<b>(3,881,800)</b>	<b>131,000</b>	<b>2,256,198</b>	<b>(30,233,587)</b>

## HRA Reserves Statement (Including Unallocated Balances)

&lt;----- ORIGINAL BUDGET -----&gt;

&lt;----- PROJECTED OUTTURN -----&gt;

	<----- ORIGINAL BUDGET ----->				<----- PROJECTED OUTTURN ----->					
	31 March 2025 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2026 £	31 March 2025 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2026 £
<b>HRA Unallocated Balances</b>	(76,000)	(26,700)	0	0	(102,700)	(803,700)	(26,700)		60,300	(770,100)
<b>Earmarked Reserves:</b>										
<b>Business Support Reserve</b>	(119,200)	0	0	0	(119,200)	(389,500)	0	0	200,000	(189,500)
<b>Major Repairs Reserve</b>	(550,100)	(4,774,700)	4,774,700	0	(550,100)	(281,000)	(5,264,200)	5,545,200	0	0
<b>Flats - Planned Maintenance</b>	(309,100)	(33,000)	0	147,900	(194,200)	(283,400)	0	0	177,600	(105,800)
<b>ICT and Systems Improvement</b>	(713,200)	0	0	640,700	(72,500)	(721,900)	0	0	649,400	(72,500)
<b>Sheltered - Equipment</b>	(260,900)	(62,600)	0	75,100	(248,400)	(275,700)	(47,900)	0	75,100	(248,500)
<b>Sheltered - Planned Maintenance</b>	(379,400)	(125,000)	0	80,300	(424,100)	(371,700)	(95,500)	0	105,300	(361,900)
<b>Sheltered Support Grant Maintenance</b>	(339,900)	(62,600)	0	0	(402,500)	(328,400)	(47,900)	0	0	(376,300)
<b>Total Earmarked Reserves</b>	(2,671,800)	(5,057,900)	4,774,700	944,000	(2,011,000)	(2,651,600)	(5,455,500)	5,545,200	1,207,400	(1,354,500)
<b>Total Combined Reserves</b>	(2,747,800)	(5,084,600)	4,774,700	944,000	(2,113,700)	(3,455,300)	(5,482,200)	5,545,200	1,267,700	(2,124,600)

## GENERAL FUND - 2025/26 SAVINGS &amp; BUDGET PROPOSALS MONITORING (QUARTER 3)

Initiative	Budget	Actual to Date	Projected Outturn	Projected Variance	Progress
<b>2025/26 APPROVED SAVINGS</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
<b>Environment &amp; Place</b>					
SALC Direct Debit Supplier	5	0	0	(5)	Not achieved in 2025/26 due to timing of change - now in place
SALC Padel	0	0	0	0	On target - discussions underway between officers and prospective providers of service - plan to be in place second half 2026/27.
<b>Housing &amp; Property</b>					
Energy Officer	3	(4)	(9)	(12)	Savings target of £37K is unlikely to be achieved in year due to delays in recruitment
Mailroom	10	0	0	(10)	Delays due to procurement requirements
<b>Planning &amp; Climate Change</b>					
Building Control Fee Income	45	34	45	0	On target
<b>Sustainable Growth</b>					
Museum Charging	(12)	(12)	(12)	0	Achieved - annual budget exceeded by P07
<b>TOTAL SAVINGS</b>					
	<b>51</b>	<b>18</b>	<b>24</b>	<b>(27)</b>	
<b>2025/26 APPROVED GROWTH</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
<b>People &amp; Policy</b>					
New Council Website	26	7	26	0	Procured & spend underway Q4
<b>TOTAL GROWTH</b>					
	<b>26</b>	<b>7</b>	<b>26</b>	<b>0</b>	
<b>NET SAVINGS</b>					
	<b>25</b>	<b>11</b>	<b>(2)</b>	<b>(27)</b>	

**GENERAL FUND SERVICE ANALYSIS 2025/26**

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Q1 Projected 2025/26 £'000	Q2 Projected 2025/26 £'000	Q3 Projected 2025/26 £'000	Q4 Projected 2025/26 £'000
<b>Services</b>						
	ASNL and Nature Reserves	104	113	113	113	113
	Environmental Protection	276	455	408	374	351
	Fleet Management	(4)	(9)	(15)	0	21
	Food Safety	389	512	508	491	476
	Hospitality & Events Management	330	223	206	242	262
	Parks & Open Spaces	1,381	1,532	1,500	1,403	1,430
<a href="#">Environment &amp; Place</a>	Pest Control	(36)	(12)	(12)	(12)	(13)
	Salt Ayre Leisure Centre	239	636	1,053	677	768
	Service Support	670	565	1,020	738	732
	Street Cleaning	1,784	1,923	1,880	1,879	1,857
	Streetscape	52	73	73	68	70
	Trade Refuse	(787)	(818)	(768)	(762)	(731)
	Waste Collection	3,239	2,608	2,693	2,741	2,671
	Williamson Park	468	439	565	644	669
	Democratic Support & Elections	1,044	1,087	1,060	1,073	1,079
<a href="#">Governance</a>	Legal Services	742	665	746	745	790
	Licensing	(78)	(45)	(32)	(61)	(35)
	Commercial Land & Properties	(1,696)	(1,364)	(746)	(1,008)	(1,137)
	Customer Services	539	608	631	612	614
	Facilities Management	593	623	671	613	622
<a href="#">Housing &amp; Property</a>	GF Housing Schemes	(39)	(13)	(38)	(58)	(54)
	Municipal Buildings	664	694	775	742	725
	Other Land & Buildings	42	42	43	64	65
	Private Sector Housing	616	1,565	1,004	864	832
	Property Group	777	1,244	1,307	1,039	1,050
	Public Health Services	109	137	142	139	145
	Repairs & Maintenance	0	0	0	0	0
	Communications	0	230	496	215	213
	Community Connectors	166	0	0	0	0
	Emergency Planning & CSP	99	117	117	118	117
<a href="#">People &amp; Policy</a>	Exec Support	196	197	198	202	198
	Health & Safety	74	67	77	74	73
	HR & OD	1,193	855	844	853	842
	Marketing	226	242	249	291	290
	Policy and Partnerships	0	285	249	223	220
	Projects & Performance	168	118	124	126	120
	VCFS	300	321	321	321	321
	Visitor Information Centres	32	0	35	35	35
	DM - Building Control	172	270	270	252	256
<a href="#">Planning &amp; Climate Change</a>	DM - Planning	644	822	666	690	591
	Energy and Sustainability	294	210	215	218	213
	Planning & Housing Strategy	894	972	955	933	867
	CCTV	66	62	62	81	81
	Finance	1,455	1,679	1,624	1,629	1,618
<a href="#">Resources</a>	ICT	1,557	1,789	1,730	1,764	1,737
	Internal Audit	219	172	172	172	172
	Revenues & Benefits	1,413	1,382	1,382	1,395	1,395
	Economic Development & Culture	220	226	226	226	226
<a href="#">Sustainable Growth</a>	Markets	(77)	(54)	181	230	276
	Museums	493	490	510	484	482
	Parking	(2,700)	(2,733)	(2,747)	(2,575)	(2,661)
	Regeneration	483	546	528	530	526
	Strategic Projects & Engineers	275	547	428	412	280
		<b>19,280</b>	<b>22,295</b>	<b>23,699</b>	<b>22,259</b>	<b>21,860</b>
						<b>0</b>
<b>Corporate Services</b>						
<a href="#">Corporate Accounts</a>	Corporate Accounts	1,838	(87)	359	704	877
	Contributions from Reserves	4,517	1,520	1,520	1,227	1,176
	Government Grants	(1,334)	(774)	(774)	(774)	(774)
	Interest Payable	1,145	1,534	1,353	1,294	1,294
	Interest Receivable	(1,302)	(465)	(611)	(797)	(1,155)
<a href="#">Other Items</a>	Minimum Revenue Provision	2,912	2,924	2,703	2,703	2,703
	Notional Charges	(55)	0	0	0	0
	Pandemic Support	0	0	0	0	0
	Revenue Funding of Capital	(222)	71	71	71	71
	Capital Funding of Revenue	0	0	0	0	0
	UKSPF	0	0	0	0	0
		<b>7,499</b>	<b>4,723</b>	<b>4,621</b>	<b>4,428</b>	<b>4,192</b>
						<b>0</b>
	Net Recharges to Housing Revenue Account	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)
	RMS Capital Charges (now Housing Revenue Account)	(200)	(218)	(218)	(218)	(218)
	Corporate Property Review (Revenue)	0	1,427	0	152	114
	Corporate Property Review (Appropriation)	0	0	0	1,275	1,313
	Revenue Reserve funded items (Revenue)	2,858	427	1,991	2,167	2,256
	Revenue Reserve funded items (Appropriation)	(2,858)	(427)	(1,991)	(2,167)	(2,256)
	<b>General Fund Revenue Budget</b>	<b>25,553</b>	<b>27,201</b>	<b>27,076</b>	<b>26,870</b>	<b>26,235</b>
						<b>0</b>
Core Funding :	Revenue Support Grant	(433)	(460)	(460)	(460)	(460)
	Additional New Homes Bonus	0	0	0	0	0
	Supplementary Government Grants	0	0	0	0	0
	Prior Year Council Tax Surplus	141	(280)	(280)	(280)	(280)
	Net Business Rates Income	(14,384)	(14,911)	(14,911)	(15,283)	(15,180)
	<b>Council Tax Requirement</b>	<b>10,877</b>	<b>11,550</b>	<b>11,425</b>	<b>10,847</b>	<b>10,315</b>
						<b>0</b>

**Notes:**

- Income is expressed as a negative figure in brackets
- Expenditure is expressed as a positive figure
- Projected Variances are expressed as negative ( ) for adverse and positive + for favourable

**APPENDIX I**

**Aged Debt Summary by Service (as at 01 January 2026)**

Debtor Sections	Under 28 Days		28 to 59 days		60 to 91 days		92 to 183 days		184 to 364 days		Over 365 days		Credit/Income not applied		Total Debts	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
Environment & Place	62	77,026	108	41,140	39	51,653	97	29,834	506	184,120	171	278,377	92	-13,524	1,075	<b>£648,626</b>
Governance	2	4,331	0	0	1	377	2	10,389	1	2,800	13	24,900	0	0	19	<b>£42,796</b>
Housing & Property	196	206,956	34	86,391	46	61,932	110	286,077	338	420,017	1,159	1,430,828	80	-10,145	1,963	<b>£2,482,057</b>
Planning & Climate Change	1	420	0	0	0	0	0	0	6	3,532	50	233,177	3	-1,668	60	<b>£235,461</b>
Resources	0	0	0	0	0	0	0	0	0	0	2	12,032	3	-50	5	<b>£11,982</b>
Sustainable Growth	22	16,984	13	8,919	11	4,839	32	17,857	94	81,088	43	34,505	5	-364	220	<b>£163,828</b>
<b>Total Per Period</b>	<b>283</b>	<b>£305,717</b>	<b>155</b>	<b>£136,451</b>	<b>97</b>	<b>£118,801</b>	<b>241</b>	<b>£344,156</b>	<b>945</b>	<b>£691,557</b>	<b>1,438</b>	<b>£2,013,819</b>	<b>183</b>	<b>(£25,751)</b>	<b>3,342</b>	<b>£3,584,750</b>

<b>Total Debts</b>	<b>3,342</b>	<b>£3,584,750</b>
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# Treasury Management Update

Quarter ended 31st December 2025

Report of Chief Resources and S151 Officer

## 2025/26 Treasury Management Update

Quarter Ended 31st December 2025

### 1. Introduction

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

### 2. Economic update (provided by MUFG Corporate Markets)

The third quarter of 2025/26 saw:

- A -0.1% m/m change in real GDP in October, leaving the economy no bigger than at the start of April;
- The 3myy rate of average earnings growth excluding bonuses fall to 4.6% in October, having been as high as 5.5% earlier in the financial year;
- CPI inflation fall sharply from 3.6% to 3.2% in November, with core CPI easing the 3.2%;
- The Bank of England cut interest rates from 4.00% to 3.75% in December after holding in November.
- 10-year gilt yield fluctuate between 4.4% and 4.7%, ending the quarter at 4.5%

From a GDP perspective, the financial year got off to a bumpy start with the 0.3% m/m fall in real GDP in April as front-running of US tariffs in Q1 (when GDP grew 0.7% on the quarter) weighed on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2023. However, the economy surprised to the upside in May and June so that quarterly growth ended up 0.3% q/q (subsequently revised down to 0.2% q/q). October's disappointing -0.1% m/m change in real GDP suggests that growth slowed to around 1.4% in 2025 as a whole.

Sticking with future economic sentiment, the composite Purchasing Manager Index (PMI) for the UK rose from 51.2 in November to 52.1 in December, suggesting the economy may be benefitting somewhat from pre-Budget uncertainty fading. This may also reflect a diminishing drag from weak overseas demand. While the services PMI rose from 51.3 to 52.1, the improvement in the manufacturing output balance from 50.3 to 51.8 was larger. Indeed, the manufacturing sector has been more exposed to the recent weakness of external demand and has lagged the services sector since the end of last year.

Turning to retail sales volumes, and the 1.5% year-on-year rise in September, accelerating from a 0.7% increase in August, marked the highest gain since April. Nonetheless, the 0.1% m/m fall in retail sales volumes in November built on the 0.9% m/m drop in October, suggesting the longer-lasting effects of weak employment and slowing wage growth are impacting. Moreover, the decline in the GfK measure of consumer confidence from -17 in October to -19 in November suggests that consumers are not that optimistic at present.

Prior to the November Budget, the public finances position looked weak. The £20.2 billion borrowed in September was slightly above the £20.1 billion forecast by the OBR. For the year to date, the £99.8 billion borrowed is the second highest for the April to September period since records began in 1993, surpassed only by borrowing during the COVID-19 pandemic. The main drivers of the increased borrowing were higher debt interest costs, rising government running costs, and increased inflation-linked benefit payments, which outweighed the rise in tax and National Insurance contributions.

Following the 26 November Budget, the Office for Budget Responsibility (OBR) calculated the net tightening in fiscal policy as £11.7bn (0.3% of GDP) in 2029/30, smaller than the consensus forecast of £25bn. It did downgrade productivity growth by 0.3%, from 1.3% to 1.0%, but a lot of that influence was offset by upgrades to its near-term wage and inflation forecasts. Accordingly, the OBR judged the Chancellor was going to achieve her objectives with £4.2bn to spare. The Chancellor then chose to expand that headroom to £21.7bn, up from £9.9bn previously.

Moreover, the Chancellor also chose to raise spending by a net £11.3bn in 2029/30. To pay for that and the increase in her headroom, she raised taxes by £26.1bn in 2029/30. The biggest revenue-raisers were the freeze in income tax thresholds from 2028/29 (+£7.8bn) and the rise in NICs on salary-sacrifice pension contributions (+£4.8bn). The increase in council tax for properties worth more than £2.0m will generate £0.4bn.

After the Budget, public net sector borrowing of £11.7bn in November was comfortably below last November's figure of £13.6bn and was the lowest November borrowing figure since 2021, mainly due to tax receipts being £5.4bn higher, largely because of the hike in employer NICs in April 2025. Cumulative borrowing in the first eight months of 2025/26 was still £10bn above last year's total. However, lower inflation and a disposal of assets ahead of the Budget should mean borrowing in 2025/26 comes in below last year's total.

The weakening in the jobs market looked clear in the spring. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. More recently, the 38,000 fall in payroll employment in November was the tenth monthly decline in the past 13 months, causing the annual growth rate to slow further, from -0.5% to -0.6%. The number of job vacancies in the three months to November 2025 stood at 729,000 (the peak was 1.3 million in spring 2022) but the less reliable Labour Force Survey data showed that employment fell by 16,000 in the three months to October, with the unemployment rate rising further, from 5.0% to 5.1%. All this suggests the labour market continues to loosen, albeit at a slow pace.

A looser labour market is driving softer wage pressures. The 3myy growth rate of average earnings including bonuses eased from 4.9% in September to 4.7% in October. And excluding bonuses, the 3myy rate slowed from 4.7% to 4.6%. Regular private sector pay growth continued to slow from 4.2% to 3.9%. That left it broadly on track to meet the Bank's end of December prediction of 3.5%.

CPI inflation fell sharply in November, easing from 3.6% in October to 3.2%. This was the third consecutive softer-than-expected inflation outturn and suggests that disinflation is well underway. There was a widespread easing in price pressures with inflation slowing

in 10 of the 12 main categories. Core inflation fell from 3.4% to 3.2% and services inflation dipped from 4.5% to 4.4%. However, a great deal will depend on the adjustments to regulated and indexed prices scheduled for next April. Capital Economics forecast CPI inflation to drop from 3.2% in March to 2.0% in April, thereby leaving inflation on track to settle at the 2.0% target, or below, by the end of 2026.

An ever-present issue throughout recent months has been the pressure being exerted on medium and longer dated gilt yields. The yield on the 10-year gilt moved sideways in the second quarter of 2025, rising from 4.4% in early April to a high of c4.8%, before ending June at 4.50%,

More recently, the yield on the 10-year gilt rose from 4.46% to 4.60% in early July as rolled-back spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds. For 10-year gilts, by late September, sticky inflation, resilient activity data and a hawkish Bank of England kept yields elevated over 4.70% although, subsequently, gilt yields fell back after the Budget, supported by a tighter fiscal plan, fewer tax hikes required following a smaller than expected downgrade to the OBR's fiscal forecast, and a favourable shift in bond issuance away from long-dated debt. Gilt yields hovered around 4.5% at the end of the quarter.

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

In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the Monetary Policy Committee, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.

With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4% (Dhingra and Taylor voted for a further 25bps reduction). Moreover, the Bank also took the opportunity to announce that they would only shrink its balance sheet by £70bn over the next 12 months, rather than £100bn. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.

At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut was imminent if data supported such a move. By 18 December, with November CPI inflation having fallen to 3.2%, and with Q2 GDP revised down from 0.3% q/q to only 0.2% q/q, and Q3 GDP stalling at 0.1%, the MPC voted by 5-4 to cut rates further to 3.75%. However, Governor Bailey made it clear that any further reductions would require strong supporting data, and the pace of any further decreases would be slow compared to recent months. The markets expect Bank Rate to next be cut in April.

### 3. Interest Rate Forecast

The Council has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. MUFG Corporate Markets provided the following forecasts and commentary on 22 December 2025. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

- *Given the small majority vote for a rate cut in December, it was not unexpected to hear that although rates would continue on a “gradual downward path”, suggesting a further rate cut or cuts in the offing. However, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still over 4.5%, the MPC reiterated that the case for further rate cuts would be “a closer call”, and Governor Bailey observed there is “limited space as Bank Rate approaches a neutral level”.*
- *Accordingly, the MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.*
- *Nonetheless, threats to that central scenario abound. What if wage increases remain stubbornly high? There are, after all, several sectors of the domestic economy, including social care provision and the building/construction industries, where staff shortages remain severe. Moreover, by May 2026, following the local elections, we will have a better handle on whether or not the Starmer/Reeves team is going to see out the current Parliament or whether they face a Leadership challenge from within their own party. If so, how will gilt markets react to these variables...and will there be additional geo-political factors to also bake in, particularly the Fed’s monetary policy decisions in 2026 and the ongoing battle to lower rates whilst inflation remains close to 3%.*
- *Accordingly, the updated central forecast is made with several hefty caveats. We are confident, as we have been for some time, that our forecast for Bank Rate and the 5-year PWLB Certainty Rate is robust, and we have marginally brought forward the timing of the next rate cut(s). But for the 10-, 25- and 50-years part of the curve, the*

*level of gilt issuance, and the timing of its placement, will be integral to achieving a benign trading environment. That is not a “given”, and additionally, the inflation outlook and political factors domestically and, crucially, in the US, are also likely to hold sway. Matters should be clearer by June in the UK, but the US mid-term elections are scheduled for November.*

- *Revised PWLB rate forecasts are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps) and is set to prevail until at least the end of March 2026. Hopefully, there will be a further extension to this discounted rate announced in January.*
- *Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.*

#### **4. Investing Activities**

The Treasury Management Strategy Statement (TMSS) for 2025/26, which includes the Annual Investment Strategy, was approved by the Council on 26th February 2025. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the MUFG Corporate Markets suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the charts below and the interest rate forecasts in section 2, investment rates have started to taper downwards during the final quarter 2025 and are expected to fall back further if inflation falls through 2026 and the MPC loosens monetary policy further.

There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of credit worthiness to ensure that only appropriate counterparties are considered for investment purposes.

The current investment counterparty criteria selection approved in the Treasury Management Strategy is meeting the requirement of the treasury management function.

The average level of funds available for investment purposes to the end of quarter 3 was £31.92M. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

In terms of performance against external benchmarks, the return on investments compared to the 7-day SONIA at the end of the period is shown below. This is viewed as good performance given the need to prioritise the investments and liquidity (i.e. making sure that the Council's cash flow meets its needs).

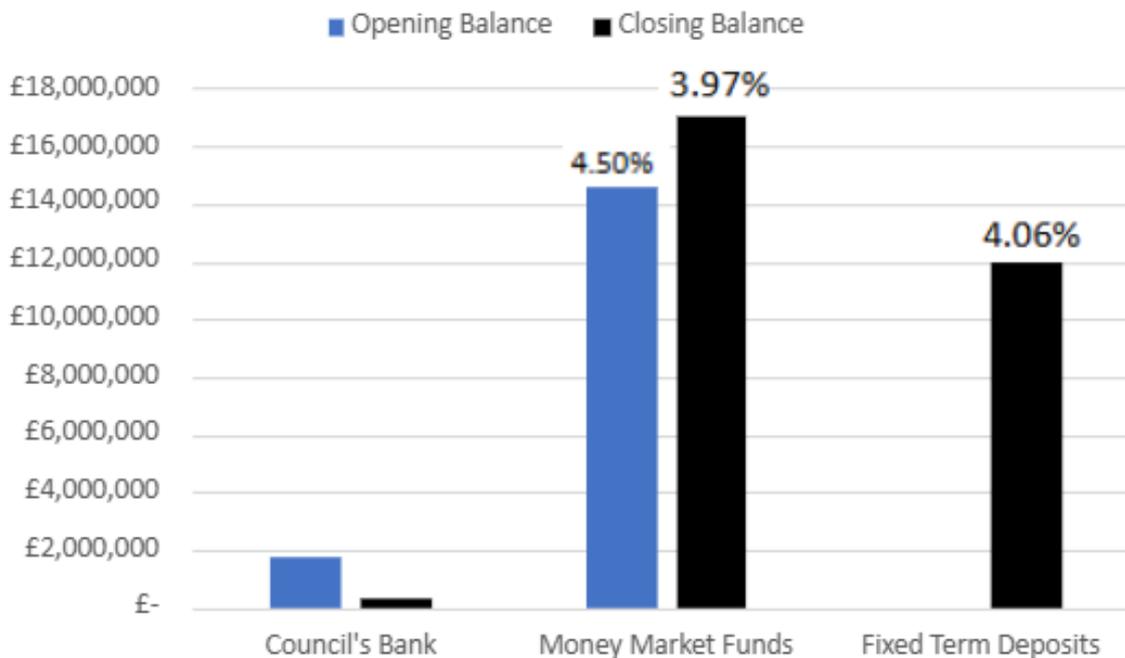
7 day SONIA	4.14%
Lancaster City Council investments	4.01%

Performance for the year to date is £611K above budget due to higher than forecast cash balances combined with interest rates falling more slowly than anticipated.

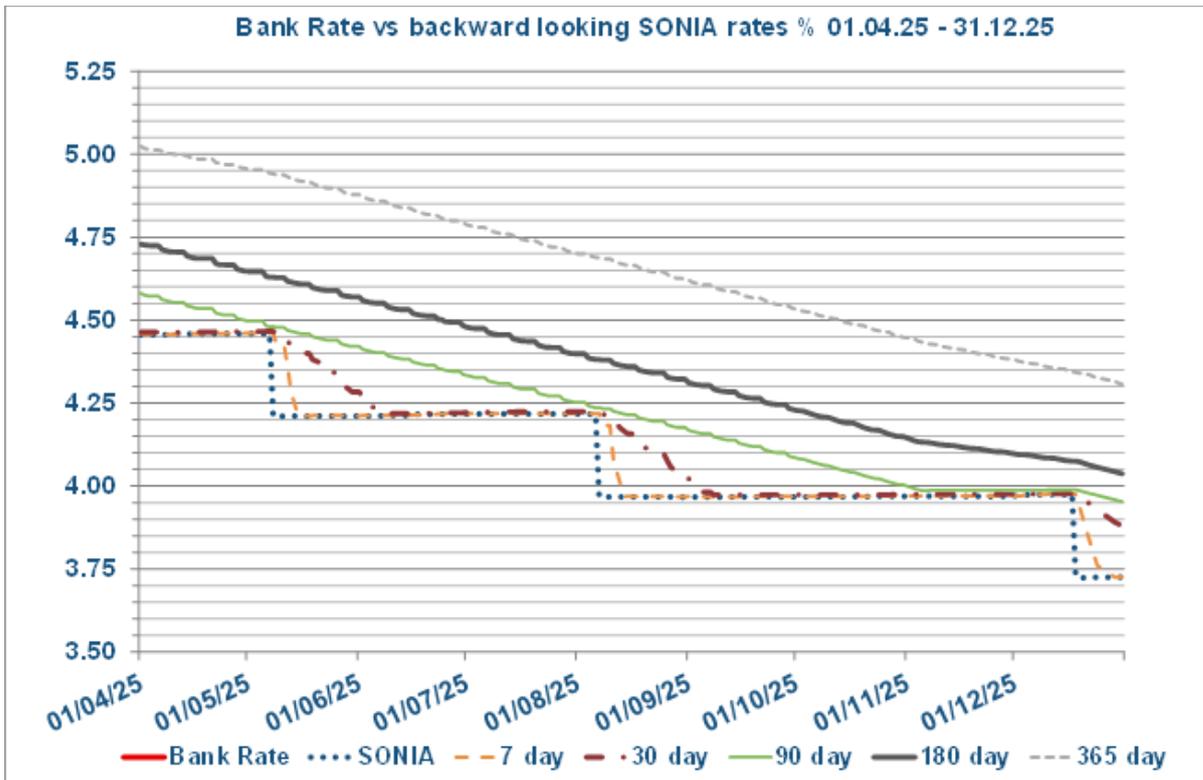
### Investment Balances – quarter ended 31 December 2025

At the start of the year investments totalled £10.6M rising to £29.0M by 31<sup>st</sup> December. Fixed term investments with local authorities on 31<sup>st</sup> December were £10M, fixed term investments with the DMADF on 31<sup>st</sup> December were £2.0M whilst Money Market Fund balances were £17.0M.

### Investments



Other Investments	Term	Maturity Date	Opening 1.4.25 £	Closing 31.12.2025 £	Indicative Rate (YTD)	Current Fixed Rate	Interest to Date £
<b>Call Accounts</b>							
Natwest (Cash Manager Plus)			1,719,368	292,344	0.01%		11,809
<b>Money Market Funds</b>							
Aberdeen Standard Investments			6,000,000	6,000,000	4.19%		189,299
BlackRock Gov			0	0	4.16%		13,631
BlackRock 1st			2,600,000	0	4.26%		87,189
Goldman Sachs			0	0	4.19%		21,725
Insight			0	5,000,000	4.19%		143,434
LGIM			6,000,000	6,000,000	3.73%		188,406
<b>Fixed Term Deposits</b>							
DMADF	various	various	0	0		various	328,471
DMADF	31 days	22/01/2026	0	2,000,000		3.72%	2,038
North Tyneside Council	71 days	27/02/2026	0	5,000,000		4.05%	7,767
London Borough of Barking & Dagenham	72 days	27/02/2026	0	5,000,000		4.20%	8,630
<b>Sub-total</b>			<b>16,319,368</b>	<b>29,292,344</b>			<b>1,002,399</b>
<b>Budgeted income</b>							<b>390,923</b>
							<b>611,476</b>



## 5. New Borrowing

No borrowing was undertaken during the quarter ended 31 December 2025. It is anticipated that further borrowing may still be needed during this financial year. Balance sheet projections indicate that up to £15M borrowing may be required before the end of the financial year, whilst cashflow forecasts suggest a lower level of borrowing may be required. However, there is still potential for further slippage within the Capital Programme and unknown timing of the payment of significant invoices in addition to large cashflows relating to the Eden Project which make this difficult to

quantify with certainty. Should borrowing be required, it is anticipated to be temporary borrowing. The ultimate timing will depend on exact working capital cashflows in the run up to year end which are kept under close review. These will continue to be monitored in the forthcoming financial year.

PWLB rates in 2025/26 have been somewhat circular, with the only net movement of substance over the nine months under review occurring at the shortest part of the curve. Nonetheless, there has been a degree of volatility driven by movements in US Treasuries as well as domestic factors, the most negative of which impacted markets in early September.

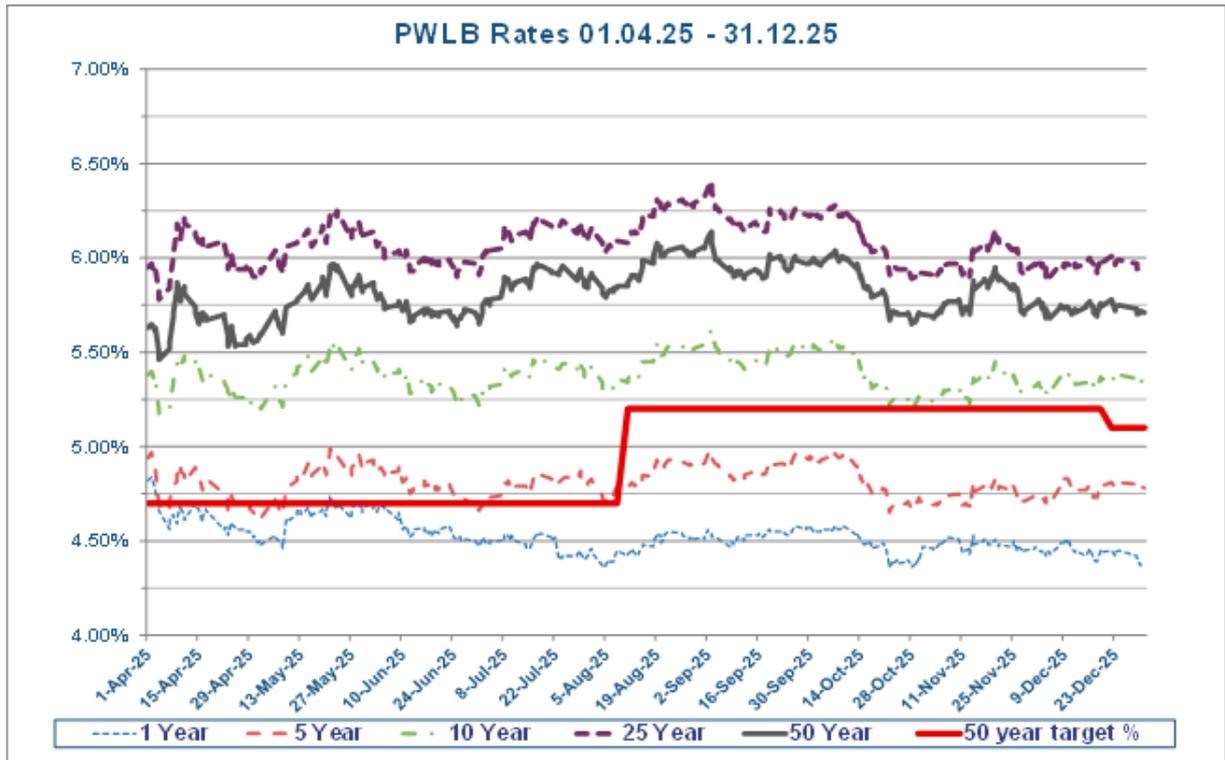
Throughout the period under review, markets have reacted to Government fiscal messaging, yields rising when concerns emerged over the ability of the Government to keep net spending under control ahead of the 26 November Budget, and then easing back to rates similar to those at the start of the financial year once markets felt reassured by the steps the Chancellor had taken to manage public spending and to also bolster her fiscal headroom.

Accordingly, 1-year PWLB Certainty rates started the financial year at 4.82% and finished 2025 at 4.37%, whilst the 5-year part of the curve started at 4.94% and finished at 4.78%. Rates never got above 5% throughout the nine months under review.

It was a different story for the longer part of the curve, and in recent weeks the Debt Management Office has confirmed that it will seek to issue less gilts in the longer part of the curve and seek to focus on the short to medium part of the curve, where investors are more willing to purchase. That may alter in due course if the CPI measure of inflation falls to 2% by the spring of 2026, having been “sticky” at much higher levels for much of 2025.

10-year PWLB Certainty rates started April at 5.38% and finished 2025 at 5.34%. On 3 September, rates hit a peak of 5.62%.

The story was repeated for the 25- and 50-year parts of the curve. 25-year PWLB Certainty rates started April at 5.95% and finished the year at the same level but touched a peak of 6.41% on 3 September. While the 50-year Certainty rate started at 5.63% in April and finished the year at 5.71%, peaking at 6.14% also on 3 September.



## 6. Debt Rescheduling

Debt rescheduling opportunities have remained a possibility in the current quarter for those authorities with significant surplus cash and a flat or falling Capital Financing Requirement in future years. Members will be advised if there is value to be had by rescheduling or repaying a part of the debt portfolio.

## 7. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 31<sup>st</sup> December 2025, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2025/26. The Chief Resources & S151 Officer reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

The Prudential and Treasury Indicators for 2025/26 as of 31<sup>st</sup> December 2025 are set out below:

Treasury Indicators	31.03.25 Actual £M	2025/26 Approved Estimate £M	2025/26 Quarter 3 Estimate £M
Authorised limit for external debt	114.00	134.00	134.00
Operational boundary for external debt	98.00	118.96	118.96
Gross external debt	56.93	78.89	71.89
Investments	(14.60)	(10.67)	(14.18)

Prudential Indicators – Non HRA	31.03.25 Actual £M	2025/26 Approved Estimate £M	2025/26 Quarter 3 Estimate £M
Capital expenditure *	8.83	27.08	28.67
Capital Financing Requirement (CFR) *	64.82	85.96	78.07
Annual change in CFR *	0.32	17.83	13.26
Ratio of financing costs to net revenue stream *	16.20%	17.82%	15.52%

Prudential Indicators – HRA	31.03.25 Actual £M	2025/26 Approved Estimate £M	2025/26 Quarter 3 Estimate £M
Capital expenditure *	6.39	6.12	8.07
Capital Financing Requirement (CFR) *	33.04	32.00	32.00
Annual change in CFR *	(1.05)	(1.04)	(1.04)
Ratio of financing costs to net revenue stream *	15.78%	15.40%	15.64%

## 8. Other Issues

### Changes in risk appetite

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

The Treasury Management Mid-Year Review reported to Cabinet 2<sup>nd</sup> December 2025 and Council 17<sup>th</sup> December 2025 saw changes to the investment counterparty criteria and sovereign limits following work to address the "Community concern over bombardment of Gaza and reaffirming Lancaster City Council's commitment to human rights and International Law" motion presented to Council 24<sup>th</sup> September 2025. Whilst this increase allows for wider access to, and use of Environmental, Social and Governance (ESG) based investment funds, it also significantly increases the level of risk to the Council.

<b>BUDGET AND PERFORMANCE PANEL</b>
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## Budget and Performance Panel – Work Programme

**11<sup>th</sup> February 2026**

### Joint report of Chief Officers Finance and Governance

<b>PURPOSE OF REPORT</b>
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To consider the Panel's Work Programme.
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<b>This report is public.</b>
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#### RECOMMENDATIONS

(1) **That the Panel consider and agree what is to be included in the Panel's Work Programme.**

**1. Introduction**

1.1 The Panel is responsible for setting its own annual Work Programme within the Terms of Reference, as set out in the Council's Constitution.

1.2 Members are requested to consider the Work Programme attached at **Appendix A** and also consider any additional items the Panel may wish to add within its terms of reference. Also attached at Appendix B are the Terms of Reference of the Panel.

**2. Updates**

2.1 The Panel is asked to consider its Work Programme in accordance with its Terms of Reference.

2.2 The items that the Panel requested to be added to its Work Programme at the December meeting have been submitted to the Chief Executive in accordance with the Constitution. Updates are provided below:

**SLAs**

There are a number of these with arts partners and the two BID's. The SLAs for arts partners are currently in discussion with those bodies so will take some time to conclude and then for monitoring achievements it would be much later in the year when we could report on those.

Lancaster BID is going through a ballot process to decide if the BID continues. This will conclude during February and then work on an SLA will be in the first half of 2026/27. Reporting on achievements would then be later in the year.

Morecambe BID will be due their ballot later in 2026.

It is suggested reporting much later in the year, maybe at mid-year point.

**Partnerships**

For Sustainable Growth this would include the Eden Partnership and BIDs. Officers will be happy to contribute whenever but noting the situation of BIDs as advised above.

For the x2 Partnerships (Lancaster District Strategic Partnerships and the Carnforth Local Government Partnership), these are the strategic and local government partnerships we have established. Both are progressing as normal. Appended to this report are Memorandum of Understanding for both.

**Asset Management Plan**

It is politely requested that this item be deferred to a later date.

**Projects and Performance Reporting**

The Panel to consider following the Chair’s discussions regarding minute (minute 36 below):

“That the Chair of the Panel discuss with the Chief Executive the introduction of a process for the Chief Executive and/or the relevant Chief Officers be invited to attend meetings of the Panel to either the next meeting, or a subsequent meeting, to answer the above questions and future queries the Panel may have on performance and Projects.”

**3. Training**

3.1 The Panel has previously been provided with training on the following:

- Treasury Management.
- Budget and Project Monitoring (Delivering Our Priorities).
- Introductory Capital Financing.
- Scrutiny Training provided by the Centre for Governance and Scrutiny (CfGS) – Teams.

3.2 Members may wish to suggest additional training or request areas for closer scrutiny in line with the Panel’s Terms of Reference. Please see **Appendix B**.

<p><b>RELATIONSHIP TO POLICY FRAMEWORK</b></p> <p>There are no direct implications as a result of this report.</p>
<p><b>CONCLUSION OF IMPACT ASSESSMENT</b> <b>(including Health &amp; Safety, Equality &amp; Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b></p> <p>There are no direct implications as a result of this report.</p>

**LEGAL IMPLICATIONS**

Overview and Scrutiny Procedure Rule 9 (a) advises that the Overview and Scrutiny Committee and Budget and Performance Panel will be responsible for setting their own Annual Work Programme within the Terms of Reference set out in Part 2, Section 5, 9 and 10 of the Constitution.

**FINANCIAL IMPLICATIONS**

There are no financial implications as a direct result of this report. Any further reports on specific issues contained within the Work Programme will require further consideration of the financial implications.

**OTHER RESOURCE IMPLICATIONS, such as Human Resources; Information Services; Property; Open Spaces:**

None.

**SECTION 151 OFFICER'S COMMENTS**

The S151 officer has been consulted and has no comments to make.

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None.

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**Budget and Performance Panel Work Programme**

<b>Meeting Date</b>	<b>Agenda Item</b>	<b>Provider</b>
11 <sup>th</sup> March 2026.	Strategic Risk Management.	Cabinet/ Chief Officer - People & Policy.
11 <sup>th</sup> March 2026.	Projects and Performance.	Cabinet/ Chief Officer - People & Policy.
TBD.	SLAs.	Cabinet/ Chief Officer – Sustainable Growth.
TBD.	Partnerships.	Cabinet/ Chief Officer - Sustainable Growth.
TBD.	Asset Management Plan.	Cabinet/ Chief Officer – Housing and Property.

<b>Training – Subject/date</b>	<b>Provider</b>
TBD – see report.	TBD – see report.

## 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 43 – 44)

**MEMORANDUM OF UNDERSTANDING**  
**Between**  
**Lancaster City Council and Carnforth Town Council**

**Introduction**

Below is a Memorandum of Understanding (MOU) that sets out principles of how **Lancaster City Council and Carnforth Town Council** will collaborate to deliver outcomes for Carnforth and the surrounding area. It is not intended to be legally binding.

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This MEMORANDUM OF UNDERSTANDING (“**MOU**”) is made by and between:

- Lancaster City Council
- Carnforth Town Council

**Background**

- A. Representatives from Carnforth Town Council and Lancaster City Council held positive discussions to highlight the importance of working together to address the needs of residents effectively.
- B. Establishing clear frameworks and principles for collaboration will enhance ability to implement joint initiatives and achieve mutual objectives for the benefit of the community.
- C. Initial discussions resulted in an agreement to formalise a **Memorandum of Understanding**. The ‘MOU’ provides a clear framework and platform for further development with communication acting as the central enabler for collaboration.

**Principles**

- 1. Local government should work together to achieve mutual benefit.
- 2. This MOU sets out some principles which have been agreed between members and officers to support the delivery of outcomes.
- 3. Effective communication will be the key enabler for collaboration for local government. This can be achieved with regular and improved lines of communication.
- 4. It is anticipated that this MOU will form the basis for collaboration between Lancaster City Council and Carnforth Town Council.
- 5. Elected Members, relevant officers and councillors are tasked with overseeing the development and implementation of objectives because of this MOU and through ongoing collaboration.

**Rationale for the Memorandum of Understanding**

- The primary purpose of the MOU is to establish agreed principles of collaborative working with a focus on upcoming challenges and opportunities including Eden and Local Government Re-organisation. Regular communication will explore and implement

outcomes to benefit the Carnforth community. A steering group will be the vehicle for regular communication.

**Outcomes because of collaboration and communication:**

- Make transparent the remit and responsibilities of both councils
- Navigate the future of local government amidst Local Government Reorganisation and the opportunities to collaborate as a result for service delivery.
- The MOU will be the basis to navigate that future for the benefit of Carnforth residents and both councils.
- The MOU will also outline an opportunity to make the most of strategic and longer-term place-based objectives, including Eden

**Strategic and Thematic Priorities**

- Planning
- Economic Development
- Local Services
- Community Engagement
- Joint Initiatives

**Ways of Working**

1. Mutual benefit can be achieved by working together to improve communication and transparency of challenges and opportunities.
2. Objectives and outcomes will evolve over time through meetings and communication to reflect the priorities within Carnforth and the surrounding areas at any given time.
3. Steering group meetings will provide strategic oversight. It is intended that this will lead to action for agreed outcomes. **Short term initiatives and longer-term strategy is set out in the Annexes to this MOU.**
4. Governance arrangements will be explored to ensure that objectives and outcomes are reviewed and from the point in which the MOU is signed.
5. Officers and Cabinet Members from Carnforth Town Council and Lancaster City Council will establish a steering group for regular communication and to deliver agreed outcomes.

**Generally**

1. Nothing in this MOU will create, constitute or evidence any partnership, joint venture, agency, trust or employer/employee relationship. Nor will it constitute any obligation to be a member of any future structure, formal or otherwise, that might be established.
2. This MOU will become effective when it is signed by all parties.
3. Any representative from Carnforth Town Council and Lancaster City Council could attend steering group meetings and contribute to objectives. Officer and Councillor attendance at meetings will need to be agreed by both councils.

- 4. The MOU and steering group will remain dynamic and flexible to changes in local government structure.
- 5. The MOU will be active from the point of signatures until 2028. This date is the current timescale for both Eden and Local Government Reform implementation and provides a focus for objectives.

Each party hereby confirms its agreement to the principles contained in this MOU on the date set out below.

Duly authorised for and on behalf of <b>LANCASTER CITY COUNCIL</b>	
Signed:	<i>Col Jackson</i>
Name:	<i>Colin Jackson</i>
Position:	<i>Leader of city council</i>
Date:	<i>26th November 2025</i>
Duly authorised for and on behalf of <b>CARNFORTH TOWN COUNCIL</b>	
Signed:	<i>Jim Grisenthwaite</i>
Name:	<i>JIM GRISENTHWAITE</i>
Position:	<i>Chair, Finance + Governance, Carnforth Town Council</i>
Date:	<i>26 November 2026 .</i>

**Annex A**

**Scope of projects and strategic priorities for development and delivery, aligned to the principles set out in this MOU.**

<b>Strategic Priority</b>	<b>Initiatives and actions</b>
Sharing resident insight and views from Carnforth to influence service delivery and strategy development	(To be explored further)
Capitalising on opportunities as a result of Eden	(To be explored further)
Supporting the small business community	(To be explored further)
Navigating the future of local government reorganisation	(To be explored further)
Developing a transport and parking strategy	(To be explored further)

## Introduction

Below is a Memorandum of Understanding that sets out some principles of how we can coordinate mutually beneficial city and regional projects via the **Lancaster District Strategic Partnership**. It is not intended to be legally binding.

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### **Memorandum of Understanding: Relating to Projects to be coordinated by Lancaster District Strategic Partnership**

This MEMORANDUM OF UNDERSTANDING (“**MOU**”) is made by and between:

- Lancaster City Council
- Lancaster University
- University of Cumbria
- Lancaster and Morecambe College
- Lancaster District Chamber of Commerce
- University Hospitals of Morecambe Bay
- Lancashire and South Cumbria ICB
- Lancaster District CVS
- Lancaster Arts Partnership
- Lancashire County Council

(together the “**Founding Members**” or “**Members**”)

## Background

- A. Lancaster District Strategic Partnership (the “LDSP” or the “Partnership”) has been established to spearhead the wider district’s collective strategic ambitions. The overarching strategic priorities for the partnership will be: 1) Sustainability and the Climate Emergency, 2) the Economy, 3) Health and Wellbeing and 4) Communities.
- B. It is the belief of the Members that district-wide collaboration and strategic projects (“Projects”) are required to deliver the ambitions of the LDSP.
- C. It is anticipated that this MOU will form the basis for collaboration between the Members to commence and progress projects in the short-term to medium term.
- D. This MOU sets out some principles by which the Members have agreed to work together and progress the Partnership. Partnership and collaboration being the key enabler to meet strategic ambitions.
- E. Sustainability and the Climate Emergency will be the primary focus of the partnership in the years 2024 – 2027. A Lancaster District Climate and Nature Strategy could be the first emerging project for partners to shape. The ambition is for a district wide implementation of the plan with and by the founding partners within this MOU.

- F. It is anticipated that Members may need to enter into a specific Partnership Agreement for particular projects, on terms to be agreed and based on the agreed principles set out below.
- G. Whilst Sustainability and the Climate Emergency is the primary focus of the LDSP in the initial period, the partners will collaborate to consider all other emerging projects of strategic importance related to the four strategic objectives agreed and identified in this MOU.
- H. Members recognise that by focusing on Sustainability and the Climate Emergency, the partnership will not neglect the strategic priorities of the Economy, Health and Well-Being or Communities. Sustainability and Climate Emergency projects will also deliver outcomes and impacts across all strategic priorities.
- I. The partnership will keep under review the resources required to realise its strategic ambitions. The potential for a longer-term, permanent structure will be explored, where shared resources could add value and amplify strategic goals.
- J. The LDSP will work together to agree measurable outcomes for the partnership and strategic projects.
- K. Governance arrangements will ensure that the partnerships objectives and outcomes are reviewed annually and from the point in which the MOU is signed by partners. Members will act as the governing body for the partnership. Project teams will feedback on outcomes to support the governing process.

#### **Agreed Principles**

1. The **Members** will work together, along with strategic/policy experts and the community, to set out a clear vision for the Partnership and to establish its priorities and specific goals. The agreed goals will guide the activity of the Partnership.
2. **Core Team(s)** (“Core Team”) will be established to be responsible for the day-to-day operations and shaping of the LDSP and emerging projects. Lancaster City Council will align resource to the development of the LDSP and the initial responsibilities of a ‘Core Team’.
3. **Project Teams** will be developed relevant to emerging projects agreed by the LDSP.
4. The **Members** of the **Lancaster District Strategic Partnership** will provide strategic oversight and the steering of the partnership. Information on the key responsibilities of the Core Team(s) and Project Teams is set out in the Annexes to this MOU.
5. Founding Members agree to a minimum level of commitment to the Partnership, details of which are included in the Annexes to this MOU.
6. **Projects** can be proposed by the Member organisations of the LDSP and connected stakeholders. Proposed projects will need to be democratically agreed between all partners in the LDSP.
7. The Members agree to help shape and refine a **Project** and will work together to identify, agree and promote ways to deliver agreed projects.

8. The Members expect the Core Team(s) and Project Teams to coordinate and manage **Projects** between, and for, Members.
9. Where appropriate, specific Members will enter into an agreement to confirm their involvement and resourcing of a particular **Project** (“Project Agreement”).
10. In order to deliver a **Project** in accordance with a Project Agreement, the Core Team and/or Project Team will likely require resource to manage the Project on behalf of Members. The requirements for the resource will be set out by the Core Team when a Project is presented to Members.
11. Resource requirements of specific projects will be assessed on a case by case basis, and, dependent on the nature of the project, will be met by those Members agreeing to participate in the project. Where suitable skills, or other required resource, are available within Member organisations, these can be provided in lieu of funding.
12. Whilst the LDSP operates without a formal legal structure, it has no ability to undertake procurement, or enter into agreements, directly. Any procurement, or contractual arrangements, will be undertaken and managed by relevant Members, determined by the nature of the transaction, and undertaken in line with their own, specific, governance arrangements.
13. The Core Team(s) and Project Teams will be responsible for managing any Projects within an agreed measurement framework (the “Measurement Framework”), to be established and agreed by the Members. This will include data collection and progress reporting against agreed KPIs. The Core Team(s) and Project Teams will also be responsible for communicating the existence, progress and impact of individual Projects.

#### **Generally**

- i. A Member may withdraw from this MOU at any time by written notice to the other Members. If a Member withdraws the MOU will continue with the remaining Members.
- ii. Nothing in this MOU will create, constitute or evidence any partnership, joint venture, agency, trust or employer/employee relationship between the Members. Nor will it constitute any obligation to be a member of any future structure, formal or otherwise, that the LDSP might establish.
- iii. This MOU and any dispute or claim arising out of or in connection with it (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England.
- iv. This MOU will become effective when it is signed by all parties and the date it is signed by the last party to sign it (as indicated below under that party’s signature) will be deemed the date of commencement of this MOU.
- v. Additional Members can be added to the LDSP under this MOU with mutual and unanimous agreement in writing from the Founding Members. Once agreed, a revised version of the agreement will be signed by the joining Member, which together with the original MOU

signed by the Founding Members, will constitute the full MOU under which the LDSP operates.

- vi. The LDSP can collaborate/affiliate with other organisations or partnerships without their becoming a Member of the LDSP. There may be mutual benefit from doing so, particularly on projects where there is cross-district interest or where there may be benefits from being able to acknowledge an association. Any such informal affiliation, including, but not limited to, use of any established LDSP branding, with organisations outside of the LDSP, would typically require mutual and unanimous agreement in writing from the Members.

Each party hereby confirms its agreement to the principles contained in this MOU on the date set out below.

<p>Date:.....</p> <p>.....</p> <p>Print Name</p> <p>.....</p> <p>duly authorised for and on behalf of</p>	<p>Date:.....</p> <p>.....</p> <p>Print Name</p> <p>.....</p> <p>duly authorised for and on behalf of</p>
<p>Date:.....</p> <p>.....</p> <p>Print Name</p> <p>.....</p> <p>duly authorised for and on behalf of</p>	<p>Date:.....</p> <p>.....</p> <p>Print Name</p> <p>.....</p> <p>duly authorised for and on behalf of</p>
<p>Date:.....</p> <p>.....</p> <p>Print Name</p> <p>.....</p> <p>duly authorised for and on behalf of</p>	<p>Date:.....</p> <p>.....</p> <p>Print Name</p> <p>.....</p> <p>duly authorised for and on behalf of the</p>

**Annex 1 – Core Team Responsibilities:** this section details the anticipated key responsibilities of the Core Team. This is not an exhaustive list.

**Annex 2 – Project Team Responsibilities:** this section details the anticipated key responsibilities of the Project Team. This is not an exhaustive list.

**Annex 3 - Minimum Commitment of Members:** this section will detail the minimum commitment required of all Founding Members.

### **Annex 1: Core Team Responsibilities**

As a minimum, this is anticipated to consist of a Programme Lead and Coordinator, with additional roles being expected as the Partnership progresses. The key responsibilities of the Core Team will include, but are not limited to:

1. Co-ordinating the Members to establish:
  - a. The Vision, priorities, specific goals and the Measurement Framework of the emerging projects.
  - b. The pipeline of potential joint projects to be delivered by the LDSP, ensuring these align with both the priorities of the Partnership and its individual Members, as well to the agreed LDSP goals.
2. Actively seeking and identifying funding and partnership opportunities.
3. Establishing and managing any joint communications platforms, including, for example, a website.
4. Progressing initial joint projects, including data collection and reporting against the agreed Measurement Framework KPIs.
5. Managing the review and optimisation of the long-term structure for the LDSP.
6. Secretariat functions, for example, convening meetings and updating partners.

### **Annex 2: Project Team Responsibilities**

The key responsibilities of a Project Team will include, but are not limited to:

1. Co-ordinating and delivering projects that are democratically agreed by the LDSP and within an agreed measurement framework.
2. Project delivery will include data collection and progress reporting against agreed KPIs.
3. Work closely with the LDSP Core Team(s) to communicate the progress and impact of individual projects.
4. Riase any issues with risk management and delivery during the lifecycle of the project.
5. Propose further project collaborations or long-term opportunities with stakeholders to ensure the LDSP members can affectively steer long term strategic ambitions.
6. Attend LDSP Member meetings when required to update on project progress.

### Annex 3: Minimum Commitment of Members

Including, but not limited to:

1. Attendance at meetings and contributions to the steering of the partnership
2. Members unable to attend meetings should send a colleague who is briefed on the partnership objectives
3. Provide strategic oversight of the partnership objectives and act as the governing body for the strategic partnership
4. Interfacing internally within individual member organisations to energise the partnership for strategic outcomes
5. Interfacing internally within individual member organisations, where necessary, to identify colleagues to make up Project Teams for agreed projects.
6. Providing content for any established communications platforms, including, for example, a website
7. Share data in line with data protection polices, to inform and support strategic work in the district and by the partnership
8. Utilising networks to share the activity and news of emerging projects such as the LAEP and The Bay Anchor Network.
9. Where budgets and individual operations allow, to contribute time, resource and funding to the establishment and ongoing operations of the Core Team(s) and Project Team.
10. Scaling up involvement as relevant joint projects come forward, including providing resources and / or funding to those projects in which members agree to participate.