

Provisional Revenue, Capital and Treasury Management Outturn 2024/25 31 July 2025

Report of Chief Finance Officer

PURPOSE OF REPORT			
This report provides summary information regarding the provisional outturn for 2024/25, including treasury management. It also sets out information regarding the carry forward of capital slippage and other matters for Members' consideration.			
Key Decision	☐	Non-Key Decision	☒ Officer Referral
Date of notice of forthcoming key decision		N/A	
This report is public.			

RECOMMENDATIONS OF COUNCILLOR HAMILTON COX:

- (1) That the provisional outturn for 2024/25 be endorsed, including the transfers to and from Reserves and Balances actioned by the Chief Finance Officer as set out in 5.1 and Appendix 5.
- (2) That Cabinet approve the treatment of year end overspends and endorse the do-nothing approach in-light of the current situation.
- (3) That Cabinet note and endorse the ongoing projects funded by reserves set out at Appendices 5a and 6.
- (4) That the requests for capital slippage and the adjustments to reflect accelerated capital spending on projects as set out at Appendices 7 and 8 be endorsed, with the Capital Programme being updated accordingly.
- (5) That the Annual Treasury Management report and Prudential Indicators as set out at Appendix 2 be noted and referred on to Budget & Performance Panel and Council for information.

1. BACKGROUND

- 1.1. All local authorities have a legal duty to produce an annual Statement of Accounts. In accordance with the regulations, the draft Accounts must be published on the Council's website and submitted for audit by 30 June 2025.
- 1.2. It is pleasing to note that the statutory deadline of 30 June 2025 was met, with the draft Statement of Accounts being completed and signed off on that date by the Chief Finance Officer. Our external auditors, KPMG have not yet commenced the audit of accounts, however, the draft Statements are available on the Council's website via the following link [Statement of Accounts - Lancaster City Council](#)

- 1.3. This report provides Cabinet with an update on the provisional outturn, including Treasury Management, and seeks endorsement for certain matters. The Council's financial performance is integral to its service performance overall, which is included elsewhere on this agenda, and Members are advised to consider this report in that context.

2. PROVISIONAL REVENUE OUTTURN: SUMMARY

2.1 General Fund Revenue Outturn

The General Fund accounts for income and expenditure associated with the day to day running of all the services that the Council provides, except for Council Housing. On 28 February 2024 Council approved a General Fund Revenue Budget for 2024/25 of £25.008M (£21.091M 2023/24).

- 2.2 The table below provides details of the General Fund revenue income and expenditure for 2024/25 and shows variances for each service area. The format includes the removal of various accounting entries such as internal recharging, notional items such as pension adjustments and capital charges initially charged to service.

	2024/25			Remove	Variance
	Original Budget	Working Budget	Actual	Reserve Funded Variances	from Working Budget
	£000	£000	£000	£000	£000
Expenditure:					
Environment & Place	10,290	10,454	10,567	(52)	(165)
Governance	1,480	1,480	1,596	-	(116)
Housing & Property	4,037	5,969	3,929	(666)	1,374
People & Policy	2,527	2,578	2,414	27	191
Planning & Climate Change	2,304	2,791	2,484	(502)	(195)
Resources	4,740	5,004	4,585	(255)	164
Sustainable Growth	776	982	722	(157)	103
Other Corporate Income & Expenditure Items	(938)	(1,874)	(990)	1,605	721
Contribution to/(from) General Fund Balance	(208)	(2,376)	(299)	-	(2,077)
NET REVENUE EXPENDITURE	25,008	25,008	25,008	-	-

- 2.3 With regard to day to day income and expenditure, at the end of the financial year, the General Fund was underspent by £1.246M. This amount has been transferred to the General Fund unallocated reserve.
- 2.4 Details of the significant variances and detailed explanations of the major differences between provisional outturn and the working budgeted position is provided at **Appendix 1**.

3. TREASURY MANAGEMENT

- 3.1 We are required by statute to report our annual treasury management performance. This report is attached at **Appendix 2** and sets out the performance of treasury operations for 2024/25. The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council on 28 February 2024. This document identifies the investment and borrowing policies of the Council specifying various criteria for investment counterparties, maximum duration and the amount of investments together with the framework for any future borrowing.

Investments

- 3.2 In 2024/25 the Council retained its comparatively low risk appetite towards investments. The average daily amount invested reduced to £26.82M (£32.42M 2023/24) with short term investments on 31 March 2025 (all held in the balance sheet as cash and cash equivalents)

totalling £14.60M (£10.50M 2023/24). The overall return on investments was £1.336M at an average interest rate of 4.98% (£1.608 and 4.90% 2023/24).

Borrowing

- 3.3 The Council undertook no short-term borrowing in 2024/25 (£0M 2023/24). Total long-term debt at 31 March 2025 amounted to £55.89M (£56.92M 2023/24) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months.
- 3.4 In determining its Council Tax charges Councils must make a specific provision for the financing of capital expenditure known as Minimum Revenue Provision (MRP). The outstanding amount for which MRP has to be made is known as the Capital Financing Requirement (CFR). At 31 March 2025 the Councils CFR was £97.854M (£98.579M 2023/24), a decrease of £0.725M. The amount of MRP charged in 2024/25 totalled £3.953M (GF £2.912M HRA £1.041M (£3.702M 2023/24)).

4. HOUSING REVENUE ACCOUNT (HRA)

- 4.1 At the end of the financial year, the Council owned 3,602 homes generating rental income of c.£16.7M. The Local Government & Housing Act 1989 requires that this income and associated expenditure is held in a ring-fenced account, the Housing Revenue Account (HRA).
- 4.2 The net overspend on the HRA was £0.694M resulting in a net deficit for 2024/25 of £0.598M (2023/24 £0.126M surplus), which has been transferred from the HRA unallocated reserve.

	£000
Repairs & Maintenance costs	(227)
Redevelopment project fees	200
Slippage on projects funded from reserves	448
Contribution to bad debts provision	(157)
Interest from Investments	40
Net pension adjustment re IAS19	216
Decreased use of Reserves	(171)
Net increase in Capital funded from Revenue	(995)
Other minor variances	(48)
	(694)

- 4.3 A summary of the HRA provisional outturn is included at **Appendix 3**. Discounting any notional and presentational variances.
- 4.4 As at 31 March 2025, the HRA's unallocated reserve balance stands at £0.152M, £0.598M below the minimum recommended level for 2024/25 of £0.750M.
- 4.5 The deficit has been funded from a combination of its unallocated and business support reserves. As a result, and as stated above, the unallocated reserve balance is now below the s151 Officers minimum recommended level. With significant commitments outstanding and potential revenue pressures associated with a number of major projects this position may be further exacerbated. The financial health of the HRA is being carefully monitored and detailed plans developed including a review and assessment of the useful life of properties as part of the Quinquennial valuation due in 2026/27.

- 4.6 Expenditure within the HRA is supported by a 30-year business plan and the Council is planning significant investment over a number of years to improve its social housing stock. A summary of all its Balances & Reserves is included in **Appendix 4**.

5. GENERAL FUND REVENUE RESERVES AND BALANCES

- 5.1 During 2024/25, the General Fund called on the use of its general unallocated reserve to support various projects/initiatives which are outside the budget framework. The following table details the planned and unplanned aspects of the use of the unallocated reserve :-

	2024/25			Variance from Working Budget
	Original Budget £000	Working Budget £000	Actual £000	
Contributions To Reserve				
Approved Contribution (General Fund)	250	250	250	-
Approved Contribution (Business Rates)	820	820	820	-
Revenue Underspend	-	-	1,246	1,246
Contributions From Reserve				
Heysham Gateway	(855)	(2,564)	(1,966)	598
Local Plan	(423)	(630)	(260)	370
Supaskips Major Incident	-	-	(31)	(31)
Household Waste Audit	-	(20)	(20)	-
Property Stock Condition Survey	-	(100)	(99)	1
Property Civica Property Mgt Set Up	-	(101)	(94)	7
LERG match funding	-	(25)	(12)	13
Business Analyst Posts	-	-	(78)	(78)
Burrowbeck Solar PV	-	(6)	(3)	3
VMU Ramp Replacement	-	-	(52)	(52)
NET REVENUE EXPENDITURE	(208)	(2,376)	(299)	2,077

Taking all this into account has resulted in the amount in the unallocated reserve as at 31 March 2025 is £10.028M (2023/24 £10.326M). This is £5.028M above the current minimum recommended level of reserves £5.000M.

- 5.2 The overall level of General Fund Reserves has increased to £29.435M (2023/24 £27.470M). Summary details of these movement are provided in **Appendix 5**.
- 5.3 Several projects calling on reserves are yet to be completed and require the reserves funding to be rolled forward into 2024/25 accordingly. A summary of these projects totalling £1.244M is provided in **Appendix 5a**.

6. HOUSING REVENUE ACCOUNT USABLE REVENUE RESERVES AND BALANCES

- 6.1 As discussed in Section 4, as at 31 March 2025 the HRA's Unallocated Balances amounted to £0.152M (2023/24 £0.750M) which is below the minimum recommended level for 2024/25 of £0.750M.
- 6.2 Several projects calling on HRA earmarked reserves are yet to be completed and require the reserves funding to be rolled forward into 2025/26 accordingly. A summary of these projects totalling £0.039M is provided in **Appendix 6**.

7. CARRY FORWARD OF UNDERSPENDINGS AND OVERSPENDINGS

- 7.1 Under the financial strategy, provisions exist to adjust budgets between years by carrying forward under or over-spending. These arrangements help to:
- provide some flexibility in delivering the Council's stated objectives
 - remove the incentive to spend up budgets unnecessarily by year end, and
 - promote good financial management.
- 7.2 With regard to the carry forward of revenue underspends, and given the overall outturn position, there are no requests for Cabinet to consider.
- 7.3 With regard to overspendings, arrangements require that :-
- any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Director (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 Director 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.
- 7.4 Given the current financial climate and future challenges facing the Council it is proposed not to carry forward any overspends occurring within 2024/25.

8. CAPITAL OUTTURN

- 8.1 In 2024/25 the Council spent £15.220M in total on capital schemes (£14.353M 2023/24). Total spend on the General Fund was £8.828M against a budget estimate of £17.337M, with the HRA spending being £6.392M against a budget estimate of £8.345M.
- 8.2 A provisional capital expenditure and financing statement for the year is included in **Appendix 7**, which is summarised in the following tables:

Capital Expenditure

	A	B	C	D	E
	2024/25	2024/25		(Slippage)/	Final
Service	Gross Budget	Expenditure	Variance	Accelerated Expenditure	Over/(Under) spend
	£000	£000	£000	£000	£000
			(B-A)		(C-D)
Environment & Place	1,406	890	(516)	(486)	(30)
Housing & Property	6,126	5,004	(1,122)	(1,597)	475
People & Policy	946	1,085	139	-	139
Planning & Climate Change	1,110	47	(1,063)	(1,063)	-
Resources	2,097	1,075	(1,022)	(1,061)	39
Sustainable Growth	3,263	727	(2,536)	(2,518)	(18)
Schemes Under Development	2,389	-	(2,389)	(2,389)	-
Total General Fund Programme	17,337	8,828	(8,509)	(9,114)	605
Housing Revenue Account	8,345	6,392	(1,953)	(1,739)	(214)
Total Council Capital Programme	25,682	15,220	(10,462)	(10,853)	391

Capital Financing

Service	Grants & Contributions	Revenue Contributions	Earmarked Reserves	Major Repairs Reserve	Capital Receipts	Unsupported Borrowing	Total
	£000	£000	£000	£000	£000	£000	£000
Environment & Place	319	-	52	-	512	7	890
Housing & Property	2,710	-	-	-	-	2,294	5,004
People & Policy	1,085	-	-	-	-	-	1,085
Planning & Climate Change	-	-	-	-	-	47	47
Resources	40	-	-	-	328	707	1,075
Sustainable Growth	516	1	48	-	-	162	727
Schemes Under Development	-	-	-	-	-	-	-
Total General Fund Programme	4,670	1	100	-	840	3,217	8,828
Housing Revenue Account	794	-	-	4,772	826	-	6,392
Total Council Capital Programme	5,464	1	100	4,772	1,666	3,217	15,220

Capital Slippage

- 8.3 Details of individual slippage requests from services have been received, a schedule of which is attached at **Appendix 8**. In considering these, Cabinet is asked to note that many of the associated capital schemes are already underway and expenditure may already have been incurred in this year – the actual carry forward of slippage can be a formality.

9. DETAILS OF CONSULTATION

- 9.1 As reflected above, the statutory arrangements regarding the public's rights in relation to the accounts provide for a fixed 30 working day period, which commenced on 1 July for this year.

10. OPTIONS AND OPTIONS ANALYSIS

- 10.1 The Council has a legal requirement to ensure that its expenditure is fully funded and to produce accounts in accordance with proper accounting practice. In addition, the Prudential Indicators are a statutory requirement linked to the budgetary framework. For these aspects, therefore, there are no alternative options for Cabinet to consider. Members are being asked to endorse certain actions taken by the Chief Finance Officer, and Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification.
- 10.2 The report requests Cabinet to consider a number of revenue overspending, capital slippage and other budget adjustment matters. The framework for considering these is set out in the report but basically Cabinet may:
- Endorse any number of the items / requests, in full or part
 - Refuse various requests and if commitments have already been incurred, require alternative funding options to be identified. Cabinet should note, however, that this may impact on other areas of service delivery
 - Request further information regarding them, if appropriate.

11. OFFICER PREFERRED OPTION AND JUSTIFICATION

- 11.1 The Officer preferred options are as set out in the recommendations, on the assumption that Members continue to support their previously approved spending plans.

12. CONCLUSION

- 12.1 Although the General Fund was able to respond to the financial challenges in 2024/25 and maintain a balanced budget position, this does not mean that the financial issues for the Council are resolved, it simply means that the in-year budget pressures were addressed. To put into context, a budget gap of £2.6M is still forecast for 2026/27 and this rises annually to £5.5M in 2029/30 for which the cumulative effect is not sustainable.
- 12.2 To reiterate the points made in section 4, as at 31 March 2025, the HRA's unallocated reserve balance stands at £0.152M, £0.598M below the minimum recommended level for 2024/25 of £0.750M.
- 12.3 The deficit has been funded from a combination of its unallocated and business support reserves. As a result, and as stated above, the unallocated reserve balance is now below the s151 Officers minimum recommended level. With significant commitments outstanding and potential revenue pressures associated with a number of major projects this position may be further exacerbated. This is not sustainable and the financial health of the HRA is being carefully monitored and detailed plans developed including a review and assessment of the useful life of properties as part of the Quinquennial valuation due in 2026/27.
- 12.4 Work has continued on the Council's Outcomes-Based Resourcing (OBR)/Fit for the Future (FtF) project which examines every area of its budget and matches resources more closely with its priorities. The OBR/FtF programme includes looking at ways the council can do things differently by utilising technology and being more efficient, as well as considering areas in which it can generate more income.
- 12.4 The proposed actions through the OBR/FtF process currently include:
- Application of alternative funding to deliver key Council outcomes

- Detailed review and sensitivity analysis on all key and significant income streams
- Further rationalisation work on the Council's asset base
- Expansion of the investment to reduce cost principle
- The potential use of capital receipts to finance existing projects
- Capitalisation of transformation costs where appropriate
- Exploration of closer working and collaboration with other Councils, Public Sector Bodies and Partner Institutions
- Challenging existing cost base through the application of zero-based budgeting principles

12.5 Given the size of the ongoing financial issues the Council faces this fundamental reshaping of the Council's services and realigning against its priorities through the OBR/FtF process will be key to shrinking the estimated budget gap and securing the financial sustainability of the Council going forward. The application of OBR/FtF across the Council is a significant piece of ongoing work and it is imperative that the work, or similar principles continues.

12.6 Cabinet and Senior Leadership Team have agreed on principles and common goals as they continue to work through the OBR/FtF process.

- We need to continue tackle the structural deficit over the short medium and long term
- We need to use reserves carefully to transition
- We want to continue to deliver services that residents/ businesses need and rely on
- We want to achieve positive outcomes for our district

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

RELATIONSHIP TO POLICY FRAMEWORK

The Outturn and Statement of Accounts report on all the financial resources generated and/or used by the Council in providing services or undertaking other activities under the Policy Framework.

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 however he would draw Members attention to the commentary regarding the Council's Housing Revenue Account (HRA) within section 4 and section 6.

The HRA has recorded a deficit of £0.694M on its provision of services, with the annual depreciation charge being significantly higher than anticipated. The deficit has been funded from a combination of its unallocated and business support reserves. As a result, the unallocated reserves balance is now below the s151 Officer minimum recommended level. With significant commitments outstanding and potential revenue pressures associated with a number of major projects this pressure may be further exacerbate.

The financial health of the HRA is being carefully monitored and detailed plans developed including a review and assessment of the useful life of properties as part of the Quinquennial valuation due in 2026/27.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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