

CABINET

Delivering Our Priorities: Q1 2025/26 16 September 2025

Report of Chief Executive & s151 Officer

PURPOSE OF REPORT				
To provide members with an update on financial performance during the first quarter of 2025/26 (April – June 2025).				
Key Decision	N	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 1 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-June 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 1 information distributed members of both committees on 31 July 2025.
- 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 1 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	128	(88)	(5)	41	+76
Governance	81	(12)	(61)	0	+8
Housing & Property	126	(28)	(39)	(78)	(19)
People & Policy	16	(11)	0	0	+5
Planning & Climate Change	189	(18)	0	0	+171
Resources	133	(15)	0	0	+118
Sustainable Growth	122	(10)	0	0	+112
Provision for Staff Turnover	(324)	0	0	0	(324)
TOTAL FAVOURABLE VARIANCE	471	(182)	(105)	(37)	+147
<u>Housing Revenue Account</u>					
Housing & Property	151	(46)	(58)	67	+114
Provision for Staff Turnover	(6)	0	0	0	(6)
TOTAL FAVOURABLE VARIANCE	145	(46)	(58)	67	+108

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 +£0.255M (£0.147M General Fund, £0.108M HRA). However, it should be noted that this includes an in-year re-assessment of the 'Provision for Staff Turnover' which is estimated at this point in time.

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 Common practice with projects of this size, external pressures and constraints such as internal resource demands, contractors availability etc. will result in many sub-projects 'slipping' and therefore the in-year programme is constantly subject to profiling change. Conversely, projects have been brought forward as part of the ongoing review. Usually, this will affect the net position of the Council in terms of net under or overspend being presented. However, it should be noted that any future slippage required will be transferred into the Corporate Property Reserve and therefore for the purposes of the figures presented only true under or overspends will be included in the overall figures.
- 5.3 The following table outlines the latest position of the project.

Table 2 Quarter 1 Financial Monitoring – Corporate Property Review

	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q1 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
<u>Environment & Place</u>					
Hospitality & Events Management	13	13	0	0	+13
Parks & Open Spaces	5	5	0	0	+5
Salt Ayre Leisure Centre	395	395	0	400	(5)
Service Support	159	159	0	450	(291)
Williamson Park	75	75	0	0	+75
<u>Housing & Property</u>					
Commercial Land & Properties	142	142	0	190	(48)
Facilities Management	51	51	0	50	+1
Municipal Buildings	505	505	0	105	+400
Other Land & Buildings	80	80	0	0	+80
<u>Sustainable Growth</u>					
Markets	1	1	0	232	(231)
Total Revenue	1,426	1,426	0	1,427	(1)

A further detailed review will be presented as part of the Quarter 2 update.

6.0 GENERAL FUND SUMMARY POSITION

- 6.1 Quarter 1 (Q1) monitoring covers the period for April – July 2025. At the end of Q1 (July 2025) a year end underspend of **£0.374M** is projected against the Council's approved original net revenue budget of **£27.201M**.
- 6.2 A summary of the Q1 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 1 Financial Monitoring – Service Analysis

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q1 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
Environment & Place	8,105	8,886	8,886	(273)	9,224	(338)
Governance	1,708	1,707	1,707	785	1,774	(67)
Housing & Property	1,605	4,316	4,316	(2,790)	3,789	+527
People & Policy	2,454	2,432	2,432	780	2,461	(29)
Planning & Climate Change	2,004	2,274	2,274	430	2,106	+168
Resources	4,710	5,084	5,084	6,095	4,970	+114
Sustainable Growth	(1,306)	(977)	(977)	(66)	(874)	(103)
Corporate Accounts	1,838	(87)	(87)	26	359	(446)
Other Items	5,661	4,810	4,810	(724)	4,262	+548
Sub Total	26,779	28,445	28,445	4,263	28,071	+374
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)	754	(218)	0
Revenue Reserve funded items included in above analysis	3,185	456	826	363	1,991	(1,165)
Revenue Reserve funded items included in above analysis	(3,134)	(456)	(826)	0	(1,991)	+1,165
Sub Total	(1,175)	(1,244)	(1,244)	91	(1,244)	0
General Fund Revenue Budget	25,604	27,201	27,201	4,354	26,827	+374
Financing Income	(14,676)	(15,651)	(15,651)	3,386	(15,651)	0
Council Tax Requirement	10,928	11,550	11,550	7,740	11,176	+374

Environment & Place (-£0.338M) Adverse

6.3 Significant budget variances : -

- Pay award (-£0.088M)
- General staff turnover savings +£0.164M due to vacancies across the service offset by overspend within waste collection due to high levels of long-term sickness
- Corporate Property Review (-£0.203M)
- Energy savings across service +£0.092M
- Vehicle hire costs (-£0.070M) within waste collection due to vehicles being off-road for repair as they approach renewal offset by fuel savings due to price +£0.058M
- Significant income shortfalls at SALC, including Spa, Swimming and Café (-£0.157M) partially offset by reduction in stock purchases +£0.032M
- Significant income shortfall relating to trade waste (-£0.050M) in-line with previous years outturn
- Significant income shortfall relating Williamson Park Café and Shop due to closure of buildings (-£0.219M) partially offset by reduction in stock purchases +£0.090M

Governance (-£0.067M) Adverse

6.4 Significant budget variances : -

- Pay award (-£0.012M)
- Agency cover for Procurement Officer (-£0.026M) offset by vacant post savings within service +£0.036M
- Reduced Legal Fee income (-£0.037M)
- Street Trading Consent scheme not yet commenced (-£0.020M)

Housing & Property +£0.527M Favourable

6.5 Significant budget variances : -

- Pay award (-£0.028M)
- Corporate Property Review +£0.433M
- Reduction in rent income due to commercial property lease changes (-£0.240M)
- Additional rent income due to ongoing lease negotiations +£0.120M, 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 +£0.541M
- Removal of utilities savings target due to delays in recruitment (-£0.037M)

- People & Policy (-£0.029M) Adverse
- 6.6 Significant budget variance: -
- Pay award (-£0.011M)
 - Net impact of Morecambe VIC premises being empty (-£0.035M)
- Planning & Climate Change +£0.168M 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 +£0.189M
- Resources +£0.114M Favourable
- 6.8 Significant budget variances: -
- Pay award (-£0.015M)
 - Salary savings +£0.132M including key accountancy and ICT vacancies
- Sustainable Growth (-£0.103M) Adverse
- 6.9 Significant budget variances: -
- Pay award (-£0.010M)
 - Salary savings +£0.122M which includes 5 vacant Engineer posts and a reduction in post hours
 - Corporate Property Review (-£0.231M)
- Corporate Accounts (-£0.446M) Adverse
- 6.10 Significant budget variances: -
- The provision for staff turnover target (-£0.324M) 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 +£0.147M
 - Provision for Bad Debts is anticipated to increase by (-£0.120M)
- Other Items +£0.548M Favourable
- 6.11 Significant budget variances: -
- 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 +£0.182M
 - 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 +£0.146M
 - 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 (Q1) 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 1 Financial Monitoring – Subjective Analysis

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q1 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
Employees	24,967	27,219	27,283	6,240	27,103	+180
Premises Related Exp	5,634	7,387	7,395	1,750	7,565	(170)
Transport Related Exp	1,661	1,720	1,720	388	1,732	(12)
Supplies and Services	16,743	14,609	17,718	4,223	16,929	+789
Transfer Payments	25,186	21,977	21,977	4,138	21,977	0
Support Services	217	142	160	0	160	0
Capital Charges	0	17	17	0	17	0
Capital Financing Costs	1,146	1,535	1,535	0	1,354	+181
Appropriations	8,858	4,515	4,515	0	4,294	+221
Income	(57,633)	(50,375)	(53,575)	(12,476)	(53,060)	(515)
Capital Financing Inc	0	(300)	(300)	0	0	(300)
Sub Total	26,779	28,446	28,445	4,263	28,071	+374
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)	754	(218)	0
Revenue Reserve funded items included in above analysis	3,185	455	826	363	1,991	(1,165)
Revenue Reserve funded items included in above analysis	(3,134)	(456)	(826)	0	(1,991)	+1,165
Sub Total	(1,175)	(1,245)	(1,244)	91	(1,244)	0
General Fund Revenue Budget	25,604	27,201	27,201	4,354	26,827	+374
Financing Income	(14,676)	(15,651)	(15,651)	3,386	(15,651)	0
Council Tax Requirement	10,928	11,550	11,550	7,740	11,176	+374

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 Q1, a year end overspend against budget of **(-£0.305M)** is projected. A summary of the Q1 revenue position for the HRA is set out in table 5 below.

Table 5 Quarter 1 Financial Monitoring – HRA Service Analysis

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q1 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
Policy & Management	2,495	3,071	3,271	681	3,280	(9)
Repairs & Maintenance	7,048	6,704	6,704	1,398	6,694	+10
Welfare Services	(241)	(238)	(238)	(134)	(238)	0
Special Services	221	253	253	122	308	(55)
Miscellaneous Expenses	1,380	1,158	1,158	148	1,145	+13
Income Account	(18,919)	(18,255)	(18,255)	(4,119)	(18,094)	(161)
Capital Charges	(1,373)	7,424	7,424	0	7,424	0
Appropriations	8,872	(634)	(834)	0	(731)	(103)
Sub Total	(517)	(517)	(517)	(1,904)	(212)	(305)
Net Recharges to General Fund	517	517	517	517	517	0
Housing Revenue Account Budget	0	0	0	(1,387)	305	(305)

7.2 Significant budget variances: -

- Pay award (-£0.046M)
- General staff turnover savings, net of agency services +£0.161M
- Additional repairs costs relating to defending and settling disrepair claims (-£0.135M)
- Additional rent loss from voids due to ongoing capital projects (-£0.157M)
- Additional council tax on re-lets due to major voids and capital projects (-£0.041M)
- Net saving on utilities costs +£0.041M
- Increase in contribution to reserves to fund Bridge House homeloss payments (-£0.200M)
- Removal of in-year contribution to Flats Planned Maintenance reserve +£0.033M
- Decrease in contribution to bad debt provision +£0.054M

7.3 Appendix C: Housing Revenue Account Service Analysis covers this information in more detail and provides summary percentage variations for variances +/- £30K.

8.0 CAPITAL PROJECTS (General Fund & HRA)

- 8.1 At Q1 a year end variance against budget of **(-£2.864M)** (General Fund (-£1.596M), HRA (-£1.268M)) is projected. Summary details for both the General Fund and HRA are set out in table 6 below.

Table 6 Quarter 1 Financial Monitoring – Capital Projects

	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q1 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000	Slippage/ (Accelerated Expenditure) £'000
General Fund						
Environment & Place	5,337	5,337	(1,804)	5,397	(60)	33
Housing & Property	2,605	2,605	(920)	1,966	+639	679
People & Policy	0	0	0	0	0	0
Planning & Climate Change	5,533	5,533	(71)	6,566	(1,033)	1,053
Resources	392	392	281	1,453	(1,061)	1,061
Sustainable Growth	730	730	(4,397)	811	(81)	138
Other Items	0	0	5	0	0	0
GENERAL FUND - TOTAL	14,597	14,597	(6,906)	16,193	(1,596)	2,964
Housing Revenue Account						
Adaptations	300	300	61	300	0	0
Energy Efficiency / Boiler Replacement	1,501	1,501	206	1,834	(333)	333
Internal Refurbishment	1,078	1,078	203	963	+115	0
External Refurbishment	637	637	87	855	(218)	218
Environmental Improvements	500	500	50	500	0	0
Re-roofing / Window Renewals	595	595	15	693	(98)	98
Rewiring	88	88	32	128	(40)	40
Lift Replacement	0	42	0	42	0	0
Fire Precaution Works	210	210	62	335	(125)	125
Housing Renewal & Renovation	957	915	327	939	(24)	24
Acquisitions	250	250	67	795	(545)	545
HOUSING REVENUE ACCOUNT - TOTAL	6,116	6,116	1,110	7,384	(1,268)	1,383
GRAND TOTAL	20,713	20,713	(5,796)	23,577	(2,864)	+4,347

- 8.2 The Capital Programme working budget has been adjusted to include the following fully grant funded schemes:

UKSPF Affordable Warmth	£0.038M
UKSPF 25/26 External Projects	£0.163M
REPF 25/26 External Projects	£0.150M
UKSPF 25/26 Local Area Action Plan	£0.095M

Additionally, Wheelie Bins were moved into the main body of the Capital Programme from Schemes under development following the decision by Cabinet on 20th May.

- 8.3 The overspending against budget relates to both General Fund and HRA. The table above highlights the slippage and accelerated expenditure, which was approved as part of the provisional outturn 2024/25 report on 31st July. Once accounted for, the following differences represent the true latest position of any forecast under/(over)spends :-

- Environment & Place: Fleet replacement programme has an anticipated overspend after slippage of (-£0.027M) due to slippage from 2024/25 being insufficient for the vehicle being replaced.
- Housing & Property: there is an anticipated minor overspend after slippage of (-£0.057M) relating to 1 Lodge Street. This will be managed from the Lancaster HS Heritage Action Zone project (listed under Sustainable Growth within the programme) which is expected to underspend.

- 8.4 With regard to the overall projected adverse variance on the HRA Capital Programme of £1.268M, this is largely caused by slippage from 2024/25 as detailed in the table. As per General Fund, this was approved by Cabinet on 31st July. After slippage, a projected underspend of +£0.115M remains on internal refurbishment works. This will continue to be monitored throughout the year.

- 8.5 Appendix D General Fund Capital Projects and Appendix E HRA Capital Projects provide further information and summary commentary.

8.0 RESERVES

- 9.1 The Council's General Fund unallocated balances are projected to be **£9.374M**. This does not include the projected net overspend reported here. Overall, the combined level of reserves is forecast to be **£28.343M**. Table 7 Quarter 1 Financial Monitoring – General Fund Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 7 Quarter 1 Financial Monitoring – General Fund 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
	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	(8,189,200)	(820,000)	0	316,500	(8,692,700)	(10,027,832)	(820,000)	0	1,473,416	(9,374,416)
Total Earmarked Reserves (Usable)	(15,186,400)	(626,200)	38,000	82,700	(15,691,900)	(16,163,943)	(626,200)	38,000	269,400	(16,486,843)
Total Earmarked Reserves (Ringfenced)	(2,245,300)	(145,000)	0	19,200	(2,371,100)	(2,547,210)	(145,000)	0	210,400	(2,481,810)
Total Combined Reserves	(25,620,900)	(1,591,200)	38,000	418,400	(26,755,700)	(28,738,985)	(1,591,200)	38,000	1,953,216	(28,343,069)

- 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 (-£0.200M)
 - Parking ANPR for Lancaster City Centre (-£0.032M)
 - Additional Microsoft licenses to enable all staff access the council network (-£0.024M)
 - Consultancy works in relation to commercial properties (-£0.035M)
- 9.3 The Council's Housing Revenue Account unallocated balances are projected to be **£0.127M** (deficit). This takes account of the projected net overspend reported here. Overall, the combined level of usable reserves is forecast to be **£1.096M**. Table 8 Quarter 1 Financial Monitoring – Housing Revenue Account Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 8 Quarter 1 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)	(151,800)	(26,700)		305,800	127,300
Total Earmarked Reserves	(2,671,800)	(5,057,900)	4,774,700	944,000	(2,011,000)	(3,303,500)	(5,224,500)	6,097,100	1,207,400	(1,223,500)
Total Combined Reserves	(2,747,800)	(5,084,600)	4,774,700	944,000	(2,113,700)	(3,455,300)	(5,251,200)	6,097,100	1,513,200	(1,096,200)

- 9.4 As the projected net overspend will cause HRA unallocated balances to fall into deficit, the financial health of the HRA is under close review and detailed plans are being developed to address the situation. Work is continuing to closely monitor areas of expenditure known to be under pressure and to evaluate all forecast spends against service priorities. In particular, the various factors which affect the depreciation charge are being reviewed, given the increases seen in recent years. These factors include:
- The quinquennial valuation of dwellings currently underway

- Consideration of the methodology used in reaching a valuation that reflects the current use of the assets (social housing, EUV-SH)
- Assessment of the remaining useful life of properties
- Utilisation via the Major Repairs Reserve, including the potential funding of the self-financing loan principal repayment

It is expected that a majority of these reviews will be completed within quarter 2 and information will be available as part of the quarter 2 update report. Officers are optimistic that these reviews will ease the financial position and ultimately provide for a surplus within the HRA unallocated balances.

These reviews will also feed into the 2026/27 budget-setting process and provide a clear updated net financial position which will allow the opportunity to inform decision making over the medium term.

- 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 30th October 2024 the Chancellor announced that for 2025/26:

- 2025/26 Multipliers – It was confirmed that the small business rates multiplier would be frozen at 49.9p with the standard multiplier uprated from 54.6p to 55.5p
- Retail, Hospitality and Leisure Relief – This relief has been decreased from 75% to 40% and the cap has remained the same i.e., £110,000.
- Removing Charitable Rate Relief from Private Schools – The existing mandatory business rates relief of 80% for private schools with charitable status will end from 1st April 2025.

Local authorities will be expected to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988) to grant Retail, Hospitality and Leisure Relief in line with the relevant eligibility criteria. Authorities are compensated for the cost of granting these reliefs via a section 31 grant from the government.

Section 1 of the Non-Domestic Rating Act (2023) created a mandatory relief to businesses making improvements to properties they occupy. Businesses that have made qualifying improvements may benefit from 100% relief from higher bills for 12 months. The scheme will run until 1st April 2029.

- 10.2 The collection rate for Business Rates is currently 27.9%, which is ahead of the profiled target of 26.2%. The annual target is 98.0%.
- 10.3 Business rates monitoring to the end of quarter 1 predicts a favourable variance of +£0.281M. This relates to a lower Levy payment than forecast in budget projections +£0.353M and a change in section 31 grants payable for the current year of (-£0.072M).

Council Tax

- 10.4 The current collection rate for Council Tax is 27.9% which is in-line with the profiled target of 27.9%. The annual target is 95.0%. The number of Local Council Tax Support claimants at Q1 is 9,282.

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	Q3	Q3	Q4	Total
Council Tax	239,172				239,172
Business Rates	209,793				209,793
Housing Benefit Overpayments	6,999				6,999
Housing Rents (HRA)	12,522				12,522
Total	468,486	0	0	0	468,486

- 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 1 (including those under £500) is £13,429.
- 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 I 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 at the end of quarter 1 was £24.99M. In terms of performance against external benchmarks the return on investment at the end of the period was a follows:

Base Rate	– 4.25%
7 day SONIA	– 4.31%
Lancaster City Council	– 4.29%

Details of investment holdings are set out in Appendix J

- 12.3 No new borrowing was undertaken during quarter 1 with cashflow projections indicating that temporary borrowing of around £10M may be required before the end of the financial year. The ultimate amount and timing of this will depend on working capital cashflows in the run up to year end which are kept under close review with a further update being made available at quarter 2.
- 12.4 The Council has operated within the treasury and prudential indicators set out in its Treasury Management Strategy Statement for 2025/26. Appendix I gives an update in respect of prudential indicators showing the current forecast for the year against estimate and last year's actuals.

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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