

QUARTER 1 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	Q1 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000	Variance +/- £30K %
Services									
Environment & Place	ASNL and Nature Reserves	104	113	0	113	(126)	113	0	
	Environmental Protection	276	455	0	455	(36)	408	47	+10%
	Fleet Management	(4)	(9)	0	(9)	(5)	(15)	6	
	Food Safety	389	512	0	512	113	508	4	
	Hospitality & Events Management	330	235	0	235	28	206	29	
	Parks & Open Spaces	1,381	1,537	0	1,537	345	1,500	37	+2%
	Pest Control	(36)	(12)	0	(12)	(85)	(12)	0	
	Salt Ayre Leisure Centre	239	1,031	0	1,031	200	1,053	(22)	
	Service Support	670	724	0	724	214	1,020	(296)	(41%)
	Street Cleaning	1,784	1,923	0	1,923	491	1,880	43	+2%
	Streetscape	52	73	0	73	11	73	0	
	Trade Refuse	(787)	(818)	0	(818)	(1,379)	(768)	(50)	(6%)
	Waste Collection	3,239	2,608	0	2,608	(128)	2,693	(85)	(3%)
Governance	Williamson Park	468	514	0	514	84	565	(51)	(10%)
	Democratic Support & Elections	1,044	1,087	0	1,087	465	1,060	27	
	Legal Services	742	665	0	665	310	746	(81)	(12%)
Housing & Property	Licensing	(78)	(45)	0	(45)	10	(32)	(13)	
	Commercial Land & Properties	(1,696)	(1,222)	0	(1,222)	26	(746)	(476)	(39%)
	Customer Services	539	608	0	608	138	631	(23)	
	Facilities Management	593	674	0	674	134	671	3	
	GF Housing Schemes	(39)	(13)	0	(13)	(48)	(38)	25	
	Municipal Buildings	664	1,201	0	1,201	176	775	426	+35%
	Other Land & Buildings	42	122	0	122	20	43	79	+65%
	Private Sector Housing	616	1,565	0	1,565	(3,522)	1,004	561	+36%
	Property Group	777	1,244	0	1,244	251	1,307	(63)	(5%)
	Public Health Services	109	137	0	137	35	142	(5)	
People & Policy	Repairs & Maintenance	0	0	0	0	0	0	0	
	Communications	0	230	0	230	30	218	12	
	Community Connectors	166	0	0	0	0	0	0	
	Emergency Planning & CSP	99	117	0	117	21	117	0	
	Exec Support	196	197	0	197	55	198	(1)	
	Health & Safety	74	67	0	67	14	77	(10)	
	HR & OD	1,193	855	0	855	211	844	11	
	Marketing	226	242	0	242	50	278	(36)	(15%)
	Policy and Partnerships	0	285	0	285	42	249	36	+13%
	Projects & Performance	168	118	0	118	28	124	(6)	
Planning & Climate Change	VCFS	300	321	0	321	310	321	0	
	Visitor Information Centres	32	0	0	0	19	35	(35)	
	DM - Building Control	172	270	0	270	11	270	0	
	DM - Planning	644	822	0	822	214	666	156	+19%
	Energy and Sustainability	294	210	0	210	102	215	(5)	
Resources	Planning & Housing Strategy	894	972	0	972	103	955	17	
	CCTV	66	62	0	62	81	62	0	
	Finance	1,455	1,679	0	1,679	414	1,624	55	+3%
	ICT	1,557	1,789	0	1,789	633	1,730	59	+3%
	Internal Audit	219	172	0	172	77	172	0	
	Revenues & Benefits	1,413	1,382	0	1,382	4,890	1,382	0	
Sustainable Growth	Economic Development & Culture	220	226	0	226	53	226	0	
	Markets	(77)	(53)	0	(53)	(76)	181	(234)	(442%)
	Museums	493	490	0	490	95	510	(20)	
	Parking	(2,700)	(2,733)	0	(2,733)	(248)	(2,747)	14	
	Regeneration	483	546	0	546	61	528	18	
	Strategic Projects & Engineers	275	547	0	547	49	428	119	+22%
		19,280	23,722	0	23,722	4,961	23,450	272	+1%
Corporate Services									
Corporate Accounts	Corporate Accounts	1,838	(87)	0	(87)	26	359	(446)	(513%)
Other Items	Contributions from Reserves	4,517	1,520	0	1,520	0	1,520	0	
	Government Grants	(1,334)	(774)	0	(774)	(530)	(774)	0	
	Interest Payable	1,145	1,534	0	1,534	0	1,353	181	+12%
	Interest Receivable	(1,302)	(465)	0	(465)	(194)	(611)	146	+31%
	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	71	0	
	Capital Funding of Revenue	0	0	0	0	0	0	0	
	UKSPF	0	0	0	0	0	0	0	
		7,499	4,723	0	4,723	(698)	4,621	102	+2%
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)	754	(218)	0	
Revenue Reserve funded items included in above analysis (Revenue)		3,185	456	370	826	363	1,991	(1,165)	(141%)
Revenue Reserve funded items included in above analysis (Appropriati		(3,134)	(456)	(370)	(826)	0	(1,991)	1,165	+141%
General Fund Revenue Budget		25,604	27,201	0	27,201	4,354	26,827	374	+1%
Core Funding :	Revenue Support Grant	(433)	(460)	0	(460)	(112)	(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)	3,498	(14,911)	0	
Council Tax Requirement		10,928	11,550	0	11,550	7,740	11,176	374	+3%

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

**QUARTER 1 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	Q1 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000	Variance +/- £30K %
Employees	Direct Employee Expenses	23,446	26,393	42	26,435	6,067	26,149	286	+1%
	Indirect Employee Expenses	1,521	826	22	848	173	954	(106)	(13%)
	Cleaning and Domestic Supplies	182	177	0	177	51	186	(9)	
	Energy Costs	1,477	1,556	0	1,556	(107)	1,399	157	+10%
	Fixtures and Fittings	0	1	0	1	0	1	0	
	Grounds Maintenance Costs	59	62	0	62	5	62	0	
	Operational Bldgs Allocation	301	352	0	352	67	346	6	
Premises Related Exp	Other Premises Costs	0	(37)	0	(37)	0	0	(37)	(100%)
	Premises Insurance	341	373	0	373	1	373	0	
	Rates	1,533	1,407	0	1,407	1,526	1,704	(297)	(21%)
	Rents	84	66	0	66	38	66	0	
	Repair and Maintenance	1,176	2,951	8	2,959	73	2,974	(15)	
	Water Services	481	479	0	479	96	454	25	
	Car Allowances	15	8	0	8	2	8	0	
	Contract Hire Operating Leases	41	16	0	16	25	86	(70)	(438%)
Transport Related Exp	Direct Transport Costs	1,507	1,582	0	1,582	358	1,524	58	+4%
	Other Transport Costs	0	0	0	0	0	0	0	
	Public Transport	8	20	0	20	3	20	0	
	Transport Insurance	90	94	0	94	0	94	0	
	Catering	37	58	0	58	12	58	0	
	Clothing Uniform and Laundry	145	101	0	101	25	101	0	
	Communications and Computing	1,677	1,737	30	1,767	1,080	1,781	(14)	
	Contribution to Provisions	1,147	250	0	250	0	370	(120)	(48%)
Supplies and Services	Equip Furniture and Materials	1,629	1,650	0	1,650	415	1,547	103	+6%
	Expenses	549	555	4	559	144	559	0	
	General Office Supplies	443	252	0	252	64	248	4	
	Grants and Subscriptions	1,831	1,393	271	1,664	870	1,643	21	
	Miscellaneous Expenses	960	1,320	1,975	3,295	97	2,998	297	+9%
	Services	8,325	7,293	829	8,122	1,516	7,624	498	+6%
Transfer Payments	Housing Benefit	25,186	21,977	0	21,977	4,138	21,977	0	
Support Services	Recharges Exp	217	142	18	160	0	160	0	
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	0	1,354	181	+12%
Appropriations	Appropriations	8,858	4,515	0	4,515	0	4,294	221	+5%
	Customer Fees and Charges	(20,696)	(20,141)	(3)	(20,144)	(6,118)	(19,477)	(667)	(3%)
	Government Grants	(29,348)	(25,789)	(2,159)	(27,948)	(4,078)	(27,929)	(19)	
Income	Interest	(1,389)	(543)	0	(543)	(194)	(689)	146	+27%
	Other Grants and Contributions	(2,731)	(2,048)	(1,038)	(3,086)	(1,713)	(3,111)	25	
	Recharges Inc	(3,469)	(1,854)	0	(1,854)	(373)	(1,854)	0	
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)	754	(218)	0	
	Revenue Reserve funded items included in above analysis (Revenue)	3,185	455	371	826	363	1,991	(1,165)	(141%)
	Revenue Reserve funded items included in above analysis (Appropriations)	(3,134)	(456)	(370)	(826)	0	(1,991)	1,165	+141%
<b>General Fund Revenue Budget</b>		<b>25,604</b>	<b>27,201</b>	<b>0</b>	<b>27,201</b>	<b>4,354</b>	<b>26,827</b>	<b>374</b>	<b>+1%</b>
Core Funding :	Revenue Support Grant	(433)	(460)	0	(460)	(112)	(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)	3,498	(14,911)	0	
<b>Council Tax Requirement</b>		<b>10,928</b>	<b>11,550</b>	<b>0</b>	<b>11,550</b>	<b>7,740</b>	<b>11,176</b>	<b>374</b>	<b>+3%</b>

**Notes:**

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QUARTER 1 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	Q1 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000	Variance +/- £30K %
Housing Revenue Account									
<a href="#">Housing Revenue Account</a>	Policy & Management	2,495	3,071	200	3,271	681	3,280	(9)	
	Repairs & Maintenance	7,048	6,704	0	6,704	1,398	6,694	10	
	Welfare Services	(241)	(238)	0	(238)	(134)	(238)	0	
	Special Services	221	253	0	253	122	308	(55)	(22%)
	Miscellaneous Expenses	1,380	1,158	0	1,158	148	1,145	13	
	Income Account	(18,919)	(18,255)	0	(18,255)	(4,119)	(18,094)	(161)	(1%)
	Capital Charges	(1,373)	7,424	0	7,424	0	7,424	0	
	Appropriations	8,872	(634)	(200)	(834)	0	(731)	(103)	(12%)
	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	
		(517)	(517)	0	(517)	(1,904)	(212)	(305)	(59%)
Net Recharges to General Fund		517	517	0	517	517	517	0	
Housing Revenue Account Budget		0	0	0	0	(1,387)	305	(305)	

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QUARTER 1 FINANCIAL CAPITAL MONITORING - GENERAL FUND SERVICE ANALYSIS 2025/26

		Original Budget 2025/26 £'000	Budget Amendments 2025/26 £'000	Working Budget 2025/26 £'000	Q1 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000	2024/25 Slippage / (Accelerated Expenditure) Request £'000	Variance +/- £30K %
Services									
Environment & Place	AONB - Capital Access Works	0	0	0	0	0	0		
	Electric Taxis	0	0	0	(342)	0	0		
	Food Waste Strategy	0	0	0	(1,462)	0	0		
	Happy Mount Park Footpaths	0	0	0	0	0	0		
	Purchase Of Vehicles	5,337	0	5,337	0	5,397	(60)	33	(1%)
	Salt Ayre Equipment Programme	0	0	0	0	0	0		
Housing & Property	1 Lodge Street Urgent Structural Repairs	172	0	172	198	352	(180)	123	(105%)
	Commercial Property Works	0	0	0	0	0	0		
	Coopers Fields - BLRF	0	0	0	(183)	0	0		
	Disabled Facilities Grants	0	0	0	(880)	0	0		
	HIA Purchase of Vehicles	0	0	0	0	0	0		
	Lancaster City Museum	0	0	0	0	0	0		
	Low Voltage Switchgear & Solar Array - Gateway	974	0	974	0	976	(2)	2	
	Mellishaw Park	0	0	0	(53)	0	0		
	Next Steps Accommodation Programme	0	0	0	0	0	0		
	Palatine Recreation Ground - Veterans CI	0	0	0	0	0	0		
	Property Capital Works	1,459	0	1,459	29	366	1,093	282	+75%
	White Lund Depot Improvements	0	0	0	(31)	272	(272)	272	
People & Policy	PRG Grant	0	0	0	0	0	0		
Planning & Climate Change	Burrow Beck Solar	3,600	0	3,600	117	4,133	(533)	553	(15%)
	Property De-carbonisation Works	0	0	0	(66)	0	0		
	Property De-carbonisation Works 2024-25	1,933	0	1,933	12	2,433	(500)	500	(26%)
	SALC Salix Funded Optimised Solar Farm	0	0	0	(134)	0	0		
Resources	Application System Renewal	0	0	0	0	0	0		
	Capital Clearance	0	0	0	0	0	0		
	I.S. Desktop Equipment	257	0	257	13	258	(1)	1	
	I.T.Strategy	130	0	130	11	237	(107)	107	(82%)
	ICT Laptop Replacement & E-campus screens	0	0	0	3	22	(22)	22	
	ICT Nimble	0	0	0	114	252	(252)	252	
	ICT Telephony	5	0	5	0	14	(9)	9	
	Lancaster Local Fibre Network	0	0	0	140	670	(670)	670	
	Transformation Costs - Flexible Use of Cap Receipt	0	0	0	0	0	0		
Sustainable Growth	Artle Beck Improvements	0	0	0	0	0	0		
	Bare Outfall Flooding	0	0	0	0	18	(18)	18	
	Brownfield Land Release Fund	0	0	0	(2,389)	0	0		
	Caton Road Flood Relief Scheme	0	0	0	(1,578)	0	0		
	Centenary House Grant Funded Works	0	0	0	(448)	0	0		
	City Museum Shop	0	0	0	0	14	(14)	14	
	Coastal Revival Fund - Morecambe Co-op	0	0	0	(6)	0	0		
	Economic Growth & Regen Devp't Pool	500	0	500	0	500	0		
	Engineers Electric Vehicle	0	0	0	0	0	0		
	Lancaster HS Heritage Action Zone	200	0	200	35	214	(14)	71	
	Lancaster Square Routes Project	0	0	0	(18)	5	(5)	5	
	Lawsons Bridge S106 scheme	0	0	0	0	0	0		
	Morecambe Sea Front Parapet	30	0	30	7	60	(30)	30	(100%)
Other Items	REPF 23/24 (yr1) External Projects	0	0	0	0	0	0		
	REPF 24/25 (Yr2) External Projects	0	0	0	0	0	0		
	UKSPF - 23-24 (yr2) External Projects	0	0	0	0	0	0		
	UKSPF - 24/25 (yr3) Capital Funding Allocation	0	0	0	0	0	0		
	UKSPF-23/24 (yr2) Digital Tourism Transformation	0	0	0	0	0	0		
	UKSPF-23-2(yr2) The Streets Are Ours Public Realm	0	0	0	0	0	0		
	UKSPF-23-24 (yr2) Lancs CVS Community Warm Hubs	0	0	0	0	0	0		
	UKSPF-23-24 (yr2) Lodge St Environs Enabling Works	0	0	0	5	0	0		
	UKSPF-23-24 (yr2) Maritime Museum Access	0	0	0	0	0	0		
	UKSPF-23-24 (yr3) Heysham Village Toilets	0	0	0	0	0	0		
	UKSPF-24/25 (yr3) External Projects	0	0	0	0	0	0		
	UKSPF-24-25 (yr3) City Museums Accessible Engagem't	0	0	0	0	0	0		
	UKSPF-24-25 (yr3) Digital Tourism Transformation	0	0	0	0	0	0		
	UkSpF-24-25 (yr3) Lancs CVS Community Warm Hubs	0	0	0	0	0	0		
		14,597	0	14,597	(6,906)	16,193	(1,596)	2,964	(11%)
GRAND TOTAL		14,597	0	14,597	(6,906)	16,193	(1,596)	2,964	(11%)

Notes:  
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## Council Housing Capital Programme 2025/26

	2025/26 Original Budget	2025/26 Working Budget	2025/26 P3 Actual	2025/26 Projected Outturn	2025/26 Variance (Working v Projected)	Comments (Working Budget to Projected Outturn)	2024/25 Slippage Request
	£	£	£	£	£		£
<b>EXPENDITURE</b>							
Adaptations	300,000	300,000	60,794	300,000	0		
Energy Efficiency / Boiler Replacement	1,501,000	1,501,000	205,745	1,834,300	(333,300)	Slippage requested	333,300
Internal Refurbishment	1,078,000	1,078,000	202,699	963,000	115,000	Projection based on current activity to Q1	
External Refurbishment	637,000	637,000	87,423	855,400	(218,400)	Slippage requested	218,400
Environmental Improvements	500,000	500,000	50,063	500,000	0		
Re-roofing / Window Renewals	595,000	595,000	15,254	692,900	(97,900)	Slippage requested	97,900
Rewiring	88,000	88,000	32,322	128,000	(40,000)	Slippage requested	40,000
Lift Replacement	0	42,000	0	42,000	0		
Fire Precaution Works	210,000	210,000	61,542	335,000	(125,000)	Slippage requested	125,000
Housing Renewal & Renovation	957,000	915,000	327,004	938,500	(23,500)	Slippage requested	23,500
Mainway Regeneration Project	0	0	-355,553	0	0		
Acquisitions	250,000	250,000	67,042	794,900	(544,900)	Slippage requested	544,900
<b>TOTAL EXPENDITURE</b>	<b>6,116,000</b>	<b>6,116,000</b>	<b>754,334</b>	<b>7,384,000</b>	<b>(1,268,000)</b>		<b>1,383,000</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)	(820,000)	0	1,473,416	(9,374,416)
<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)				(313,548)
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		(2,333,800)	(1,922,051)	(491,800)	38,000	4,100	(2,375,851)
<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>(626,200)</b>	<b>38,000</b>	<b>269,400</b>	<b>(16,486,843)</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)			150,000	(114,686)
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)			(1,511,400)	(1,545,637)	(100,000)			(1,645,637)
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>0</b>	<b>19,200</b>	<b>(2,371,100)</b>	<b>(2,547,210)</b>	<b>(145,000)</b>	<b>0</b>	<b>210,400</b>	<b>(2,481,810)</b>

# HRA 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>HRA Unallocated Balances</b>	<b>(76,000)</b>	<b>(26,700)</b>	<b>0</b>	<b>0</b>	<b>(102,700)</b>	<b>(151,800)</b>	<b>(26,700)</b>		<b>305,800</b>	<b>127,300</b>
<b>Earmarked Reserves:</b>										
<b>Business Support Reserve</b>	<b>(119,200)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(119,200)</b>	<b>0</b>	<b>(200,000)</b>	<b>0</b>	<b>200,000</b>	<b>0</b>
<b>Major Repairs Reserve</b>	<b>(550,100)</b>	<b>(4,774,700)</b>	<b>4,774,700</b>	<b>0</b>	<b>(550,100)</b>	<b>(1,322,400)</b>	<b>(4,774,700)</b>	<b>6,097,100</b>	<b>0</b>	<b>0</b>
<b>Flats - Planned Maintenance</b>	<b>(309,100)</b>	<b>(33,000)</b>	<b>0</b>	<b>147,900</b>	<b>(194,200)</b>	<b>(283,400)</b>	<b>0</b>	<b>0</b>	<b>177,600</b>	<b>(105,800)</b>
<b>ICT and Systems Improvement</b>	<b>(713,200)</b>	<b>0</b>	<b>0</b>	<b>640,700</b>	<b>(72,500)</b>	<b>(721,900)</b>	<b>0</b>	<b>0</b>	<b>649,400</b>	<b>(72,500)</b>
<b>Sheltered - Equipment</b>	<b>(260,900)</b>	<b>(62,600)</b>	<b>0</b>	<b>75,100</b>	<b>(248,400)</b>	<b>(275,700)</b>	<b>(62,500)</b>	<b>0</b>	<b>75,100</b>	<b>(263,100)</b>
<b>Sheltered - Planned Maintenance</b>	<b>(379,400)</b>	<b>(125,000)</b>	<b>0</b>	<b>80,300</b>	<b>(424,100)</b>	<b>(371,700)</b>	<b>(124,800)</b>	<b>0</b>	<b>105,300</b>	<b>(391,200)</b>
<b>Sheltered Support Grant Maintenance</b>	<b>(339,900)</b>	<b>(62,600)</b>	<b>0</b>	<b>0</b>	<b>(402,500)</b>	<b>(328,400)</b>	<b>(62,500)</b>	<b>0</b>	<b>0</b>	<b>(390,900)</b>
<b>Total Earmarked Reserves</b>	<b>(2,671,800)</b>	<b>(5,057,900)</b>	<b>4,774,700</b>	<b>944,000</b>	<b>(2,011,000)</b>	<b>(3,303,500)</b>	<b>(5,224,500)</b>	<b>6,097,100</b>	<b>1,207,400</b>	<b>(1,223,500)</b>
<b>Total Combined Reserves</b>	<b>(2,747,800)</b>	<b>(5,084,600)</b>	<b>4,774,700</b>	<b>944,000</b>	<b>(2,113,700)</b>	<b>(3,455,300)</b>	<b>(5,251,200)</b>	<b>6,097,100</b>	<b>1,513,200</b>	<b>(1,096,200)</b>

GENERAL FUND - 2025/26 SAVINGS & BUDGET PROPOSALS MONITORING (QUARTER 1)

Initiative	Budget	Actual to Date	Projected Outturn	Projected Variance	Progress
2025/26 APPROVED SAVINGS	£'000	£'000	£'000	£'000	
<i>Environment &amp; Place</i>					
SALC Direct Debit Supplier	5	0	5	0	On-going - towards year end
SALC Padel	0	0	0	0	On target - discussions underway between officers and prospective providers of service
<i>Housing &amp; Property</i>					
Energy Officer	3	0	(34)	(37)	Savings target of £37K is unlikely to be achieved in year due to delays in recruitment
Mailroom	10	3	10	0	On target - Q1 above profile
<i>Planning &amp; Climate Change</i>					
Building Control Fee Income	45	11	45	0	On target - Q1 above profile
<i>Sustainable Growth</i>					
Museum Charging	(12)	(6)	(12)	0	On target - Q1 above profile
TOTAL SAVINGS	51	8	14	(37)	
2024/25 APPROVED GROWTH	£'000	£'000	£'000	£'000	
<i>People &amp; Policy</i>					
New Council Website	26	0	26	0	Spend planned Q2-4
TOTAL GROWTH	26	0	26	0	
NET SAVINGS	25	8	(12)	(37)	



**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>							
<a href="#">Environment &amp; Place</a>	ASNL and Nature Reserves	104	113	113			
	Environmental Protection	276	455	408			
	Fleet Management	(4)	(9)	(15)			
	Food Safety	389	512	508			
	Hospitality & Events Management	330	235	206			
	Parks & Open Spaces	1,381	1,537	1,500			
	Pest Control	(36)	(12)	(12)			
	Salt Ayre Leisure Centre	239	1,031	1,053			
	Service Support	670	724	1,020			
	Street Cleaning	1,784	1,923	1,880			
	Streetscape	52	73	73			
	Trade Refuse	(787)	(818)	(768)			
	Waste Collection	3,239	2,608	2,693			
	Williamson Park	468	514	565			
<a href="#">Governance</a>	Democratic Support & Elections	1,044	1,087	1,060			
	Legal Services	742	665	746			
	Licensing	(78)	(45)	(32)			
<a href="#">Housing &amp; Property</a>	Commercial Land & Properties	(1,696)	(1,222)	(746)			
	Customer Services	539	608	631			
	Facilities Management	593	674	671			
	GF Housing Schemes	(39)	(13)	(38)			
	Municipal Buildings	664	1,201	775			
	Other Land & Buildings	42	122	43			
	Private Sector Housing	616	1,565	1,004			
	Property Group	777	1,244	1,307			
	Public Health Services	109	137	142			
	Repairs & Maintenance	0	0	0			
<a href="#">People &amp; Policy</a>	Communications & Marketing	226	472	496			
	Community Connectors	166	0	0			
	Emergency Planning & CSP	99	117	117			
	Exec Support	196	197	198			
	Health & Safety	74	67	77			
	HR & OD	1,193	855	844			
	Policy and Partnerships	0	285	249			
	Projects & Performance	168	118	124			
	VCFS	300	321	321			
<a href="#">Planning &amp; Climate Change</a>	Visitor Information Centres	32	0	35			
	DM - Building Control	172	270	270			
	DM - Planning	972	922	666			
	Energy and Sustainability	294	210	215			
<a href="#">Resources</a>	Planning & Housing Strategy	894	972	955			
	CCTV	66	62	62			
	Finance	1,455	1,679	1,624			
	ICT	1,557	1,789	1,730			
	Internal Audit	219	172	172			
<a href="#">Sustainable Growth</a>	Revenues & Benefits	1,413	1,382	1,382			
	Economic Development & Culture	220	226	226			
	Markets	(77)	(53)	181			
	Museums	493	490	510			
	Parking	(2,700)	(2,733)	(2,747)			
	Regeneration	483	546	528			
	Strategic Projects & Engineers	275	547	428			
		<b>19,608</b>	<b>23,822</b>	<b>23,450</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Corporate Services</b>							
<a href="#">Corporate Accounts</a>	Corporate Accounts	1,838	(87)	359			
<a href="#">Other Items</a>	Contributions from Reserves	4,240	1,491	1,520			
	Government Grants	(1,334)	(774)	(774)			
	Interest Payable	1,145	1,534	1,353			
	Interest Receivable	(1,302)	(465)	(611)			
	Minimum Revenue Provision	2,912	2,924	2,703			
	Notional Charges	(55)	0	0			
	Pandemic Support	0	0	0			
	Revenue Funding of Capital	(222)	0	71			
	Capital Funding of Revenue	0	0	0			
	UKSPF	0	0	0			
		<b>7,222</b>	<b>4,623</b>	<b>4,621</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Recharges to Housing Revenue Account		(1,026)	(1,026)	(1,026)			
RMS Capital Charges (now Housing Revenue Account)		(200)	(218)	(218)			
Revenue Reserve funded items included in above analysis (Revenue)		2,858	427	1,991			
Revenue Reserve funded items included in above analysis (Appropriator)		(2,858)	(427)	(1,991)			
<b>General Fund Revenue Budget</b>		<b>25,604</b>	<b>27,201</b>	<b>26,827</b>	<b>0</b>	<b>0</b>	<b>0</b>
Core Funding :							
	Revenue Support Grant	(433)	(460)	(460)			
	Additional New Homes Bonus	0	0	0			
	Supplementary Government Grants	0	0	0			
	Prior Year Council Tax Surplus	141	(280)	(280)			
	Net Business Rates Income	(14,384)	(14,911)	(14,911)			
<b>Council Tax Requirement</b>		<b>10,928</b>	<b>11,550</b>	<b>11,176</b>	<b>0</b>	<b>0</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 July 2025)

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	221	£177,697	20	£42,920	612	£636,619	32	£18,179	48	£28,181	262	£336,945	94	(£21,383)	1,289	£1,219,158
Governance	1	£4,000	1	£4,650	0	£0	0	£0	1	£800	15	£28,784	0	£0	18	£38,234
Housing & Property	167	£229,454	38	£93,096	136	£144,749	189	£207,271	317	£396,754	993	£1,241,462	88	(£53,461)	1,928	£2,259,327
Planning & Climate Change	14	£6,838	3	£3,458	1	£390	4	£2,305	12	£23,963	45	£251,508	8	(£4,978)	87	£283,484
Resources	0	£0	0	£0	0	£0	0	£0	1	£2,260	1	£9,773	4	(£51)	6	£11,982
Sustainable Growth	40	£29,573	16	£43,912	86	£168,817	22	£8,117	48	£36,943	23	£22,893	8	(£1,142)	243	£309,113
Total Per Period	443	£447,562	78	£188,036	835	£950,575	247	£235,872	427	£488,901	1,339	£1,891,365	202	(£81,014)	3,571	£4,121,298

Total Debts

3,571£4,121,298

# Treasury Management Update

Quarter ended 30<sup>th</sup> June 2025

Report of Chief Resources and S151 Officer

# 2025/26 Treasury Management Update

Quarter Ended 30<sup>th</sup> June 2025

## 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.

## Economic update (provided by MUFG Corporate Markets)

*The first quarter of 2025/26 (1<sup>st</sup> April to 30<sup>th</sup> June) saw:*

- A 0.3% m/m fall in real GDP in April – the first fall since October 2024
- The 3myy rate of average earnings growth excluding bonuses fall from 5.5% to 5.2% in May
- Core CPI inflation ease from 3.8% in April to 3.5% in May as temporary Easter-related effects faded
- The Bank of England cut interest rates from 4.50% to 4.25% in May, holding them steady in June
- The 10-year gilt yield fluctuate between 4.40% and 4.80%, and end the quarter at 4.50%

*The 0.3% m/m fall in real GDP in April was the first fall since October 2024 and the largest fall since October 2023. This is a significant shift from the 0.7% q/q rise in Q1 2025, probably as a result of the boosts from net exports and business investment unwinding. The decline in exports was mostly due to a reversal of US tariff front-running with export values to the US falling by 31% m/m after rising 34% in total in the five months to February. April's GDP figures also showed manufacturing output falling by 0.9% m/m along with the domestic economy showing signs of weakness in April. Despite construction output growing by 0.9% m/m, services output declined by 0.4% m/m, reversing all of March's 0.4% m/m rise. This weakness in services likely reflects higher labour costs from April's rise in National Insurance Contributions for employers. May's GDP may have fallen a bit further as the boosts in Q1 continued to unwind. Overall, GDP in Q2 is likely to have flatlined and the economy will probably be hindered by subdued overseas demand and domestic businesses cutting spending given a rise in costs due to April's increase in taxes. The Bank of England expects growth in 2025 to be around 0.8%.*

*Despite the rise in the composite Purchasing Managers Index (PMI) from 50.3 in May to 50.7 in June, it is still below its level in March, prior to the rise in business taxes and Trump's Liberation Day tariffs. This rise was driven by increases in both the services and manufacturing output balances. Although the services PMI rose from 50.9 to 51.3, that is consistent with non-retail services output growth slowing from 0.5% 3m/3m in April to 0.3% 3m/3m in June.*

*The sharp 2.7% m/m drop back in retail sales volumes in May adds to other evidence that the burst of economic growth in Q1 is over. The weakness was widespread with sales falling in all seven of the major categories. This decline was partly due to the*

unwinding of the previous boost from April's unusually warm and dry weather along with inflationary pressures prompting consumers to cut back. The latter would be a more persistent drag on retail spending. Looking ahead, the rise in the GfK measure of consumer confidence from -20 in May to -18 in June is consistent with the annual rate of real retail sales growth accelerating from -1.3% in May to around +0.5%.

While the £17.7bn of public sector borrowing in May was higher than the Office of Budget responsibility (OBR) forecast of £17.1bn, borrowing was £2.9bn below the OBR's forecast in the first two months of the 2025/26 fiscal year. The current budget deficit was £12.8bn in May, a touch below the OBR's forecast of £13.0bn. Within that, government spending surprised to the downside. Central government expenditure was £0.5bn lower than the OBR's forecast in May, leaving it £1.6bn lower in April and May combined. That has been largely driven by debt interest payments, which were £1.1bn below the OBR's forecast in May. But if the rises in gilt yields since the Spring Statement in March are sustained, the OBR will revise up its forecast for debt interest payments in the years ahead. That of itself would knock £1.0bn off the Chancellor's £9.9bn of headroom against her fiscal mandate and the subsequent Government U-turns on benefit and welfare spending and higher borrowing costs may mean to maintain her current £9.9bn buffer, Reeves has to raise upwards of £13bn later this year. And with the gilt market sensitive to significant increases in borrowing, all this means substantial tax rises are looking very likely.

The weakening in the jobs market is gathering pace. 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. Overall, the payroll measure of employment has now fallen by 276,000 since the announcement of the rise in payroll taxes and the minimum wage in the October Budget. The job vacancies data also portrays a rapidly weakening labour market. The number of job vacancies is now falling a bit faster, dropping from 760,000 in the three months to April to 736,000 in May. Capital Economics' seasonally adjusted measure of single-month vacancies declined sharply from 763,000 in April to 713,000 in May.

A looser labour market is driving softer wage pressures. The 3myy rate of average earnings growth excluding bonuses fell from 5.5% to 5.2% in May. The rate for the private sector slipped from 5.5% to 5.1%, putting it on track to undershoot the Bank of England's Q2 forecast of 5.2%. And after rising in April as the 6.7% rise in the minimum wage took effect, the timelier PAYE median earnings measure fell back from 6.2% y/y in April to 5.8% in May. Softer wage growth is feeding through to lower services inflation, pointing to a slowdown from 4.7% in May to around 3.0% by the end of the year.

CPI inflation fell slightly from 3.5% in April to 3.4% in May – close to consensus. The sharp falls in services inflation from 5.4% to 4.7% and in core inflation from 3.8% to 3.5% confirmed that the previous month's jumps partly reflected an Easter-related blip. Services inflation is expected to continue to fall as wage growth slows, supporting a view that CPI inflation will fall close to 2.0% by the start of 2027. An upside risk, however, in the near term is that higher oil/gas and food prices could trigger another bout of second-round effects on wages and inflation expectations, meaning CPI inflation stays above 3.0% for longer and causes the Bank to shift to an even slower rate cutting path. CPI is expected to peak at 3.8% in September.

*The yield on the 10-year gilt moved sideways in the second quarter of 2025. After rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the “Liberation Day” tariff announcement, gilt yields eased back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended Q2 at 4.50%. We expect this trend to continue over the next year. However, it is more difficult to be confident that the longer part of the curve will also see falls in yields, although that is still our central case, as that part of the curve is increasingly held by transient investors, such as foreign investors and hedge funds. Pension funds and insurance companies have more appetite in the short to medium part of the curve nowadays.*

*The FTSE 100 fell sharply following the “Liberation Day” tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1<sup>st</sup> April to 7,702 on 7<sup>th</sup> April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 closed Q2 at 8,761, around 2% higher than its value at the end of Q1 and more than 7% above its level at the start of 2025.*

## 1. Interest Rate Forecast

The Council has appointed MUFG Corporate Markets as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012. For Housing Revenue Account authorities, the lower Housing Revenue Account (HRA) PWLB rate has also been available since 15 June 2023 (standard rate minus 60 bps) but is available for HRA borrowing only.

The latest forecast was provided on 10<sup>th</sup> February:

MUFG Corporate Markets Interest Rate View 10.02.25													
	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
BANK RATE	4.50	4.25	4.25	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.50	4.30	4.30	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.50	3.50	3.50
6 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.60
5 yr PWLB	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.40	4.30	4.20	4.20	4.10	4.00
10 yr PWLB	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.50	4.50	4.40	4.40
25 yr PWLB	5.80	5.70	5.60	5.50	5.40	5.30	5.20	5.10	5.00	5.00	4.90	4.90	4.80
50 yr PWLB	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.60	4.50

- *Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *The MUFG Corporate Markets forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.*

The forecast has proved robust over the period since February, setting out a central view that short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of stubborn inflationary factors. Nonetheless, the longer dated part of the forecast also reflects the increased level of Government borrowing over the term of the current Parliament and the weakness in the public finances, with the Government struggling to deliver on the efficiencies detailed in the 30<sup>th</sup> October Budget.

Moreover, there is still on-going debate as to when, and if, the Government's policies will lead to a material uptick in growth given their reliance on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

Overall, our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in November and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November). Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data releases in the coming months.

## 2. Investing Activities

The Treasury Management Strategy Statement (TMSS) for 2025/26, which includes the Annual Investment Strategy, was approved by the Council on 26 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 Link 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 3, investment rates have started to taper downwards in the first quarter of 2025/26 and are expected to fall back further if inflation falls through 2025 and 2026 and the MPC starts to loosen monetary policy more substantially.

There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriated 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 1 was £24.99M. 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 and bank rates 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).

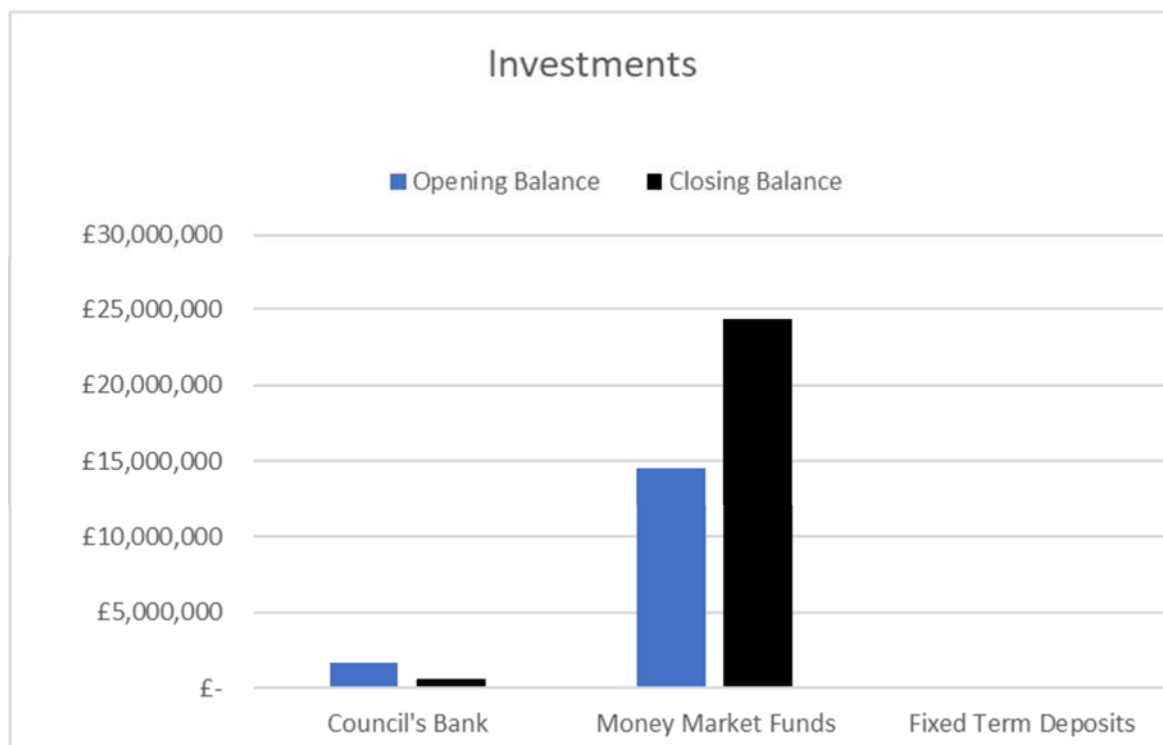
Base Rate	4.25%
7 day SONIA	4.31%
Lancaster City Council investments	4.29%



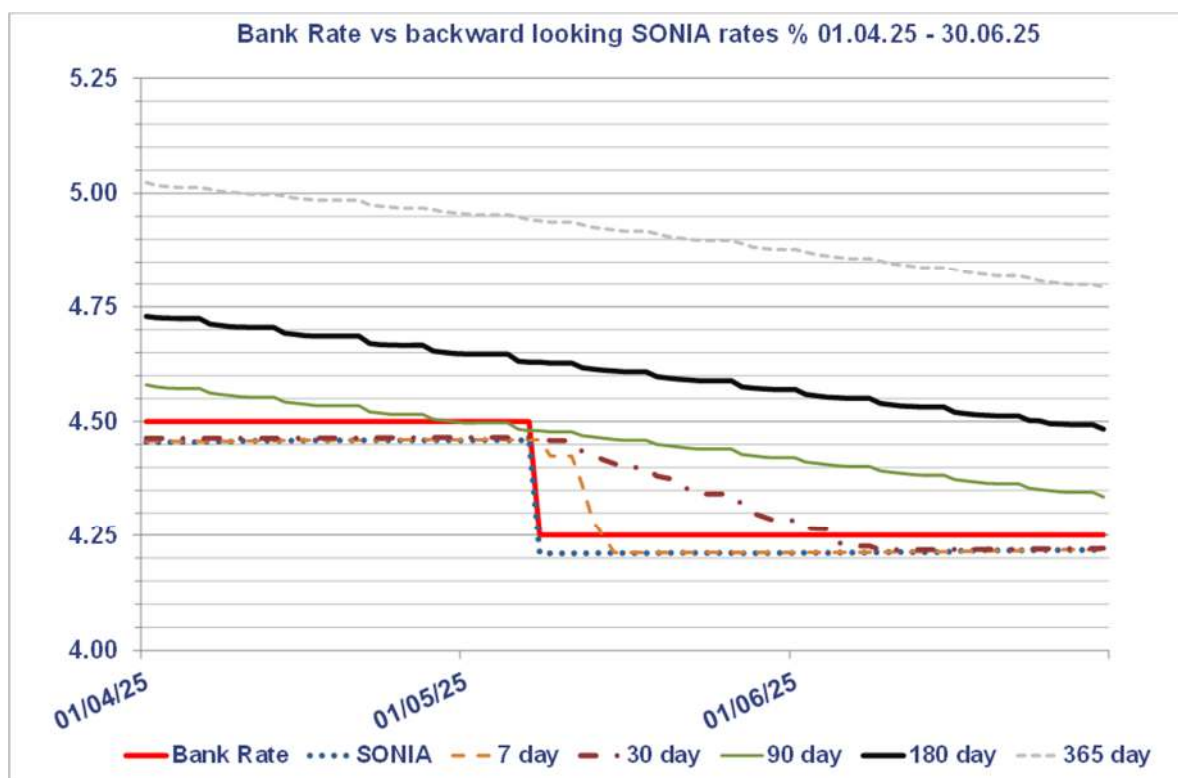
## Investment Balances – quarter ended 30 June 2025

At the start of the quarter investments totalled £14.6M rising to £24.3M by 30 June. Fixed term investment with local authorities on 30 June were £0.0M whilst Money Market Fund balances were £24.3M.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30<sup>th</sup> June 2025.



Other Investments	Term	Maturity Date	Opening 01.04.2025 £	Closing 30.06.2025 £	Indicative Rate (YTD)	Current Fixed Rate	Interest to Date £
Call Accounts							
Natwest (Cash Manager Plus)			1,719,368	610,112	0.01%		4,096
Money Market Funds							
BlackRock 1st			2,600,000	6,000,000	4.31%		58,075
Insight			0	6,000,000	4.33%		49,170
Aberdeen Standard			6,000,000	6,000,000	4.39%		65,600
Goldman Sachs			0	300,000	4.25%		16,051
LGIM			6,000,000	6,000,000	4.14%		64,033
Fixed Term Deposits							
DMADF	30 days	01/05/2025	0	0		4.46%	7,332
DMADF	29 days	01/05/2025	0	0		4.46%	3,544
DMADF	1 day	02/05/2025	0	0		4.46%	122
DMADF	24 days	01/05/2025	0	0		4.45%	2,926
DMADF	6 days	07/05/2025	0	0		4.45%	732
DMADF	12 days	22/04/2025	0	0		4.44%	2,919
DMADF	5 days	30/04/2025	0	0		4.45%	610
DMADF	4 days	06/05/2025	0	0		4.45%	975
Sub-total			16,319,368	24,910,112			276,185
Budgeted income							130,308
							145.877



### 3. New Borrowing

No borrowing was undertaken during the quarter ended 30<sup>th</sup> June 2025. It is anticipated that borrowing will be undertaken during this financial year. Cashflow projections currently indicate that around £10M borrowing may be required before the end of the financial year. This 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.

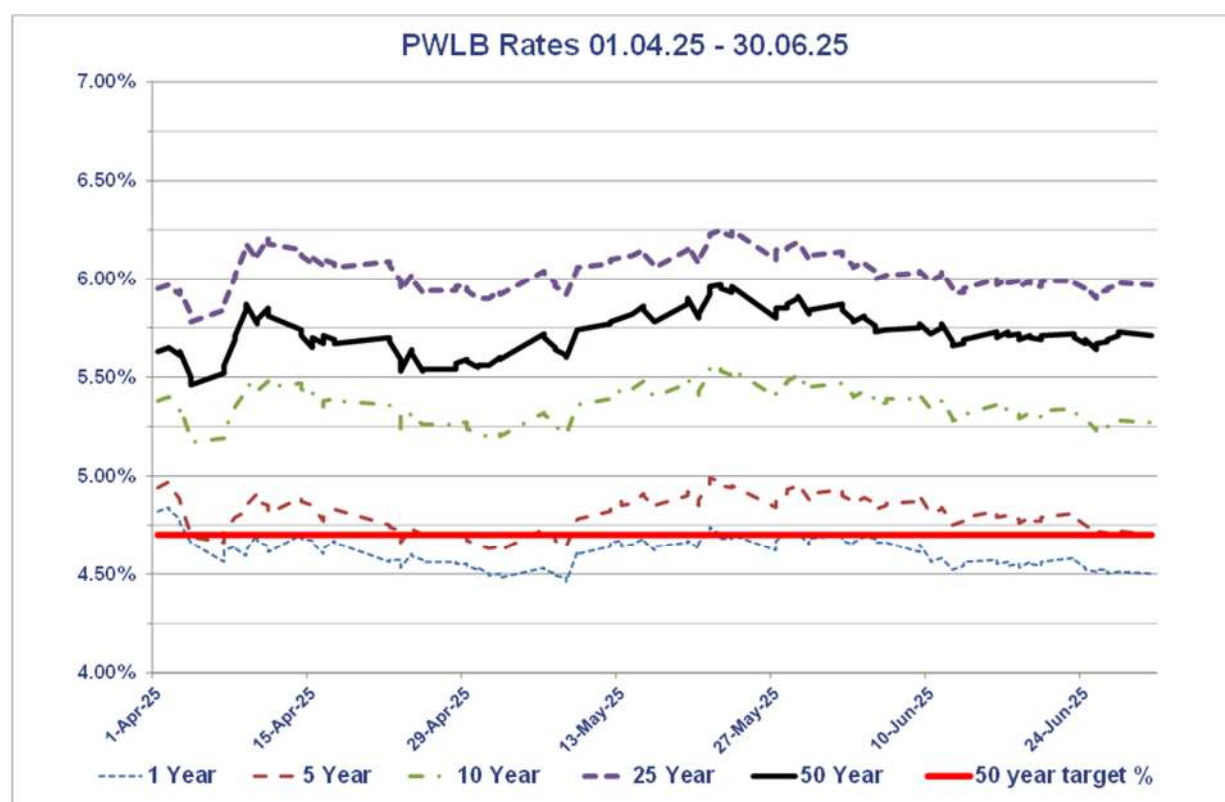
#### PWLB maturity Certainty Rates 1<sup>st</sup> April to 30<sup>th</sup> June 2025

Heading into the second quarter of 2025/26 markets seem to be comfortable with a central case of gradual monetary policy easing, leading to Bank Rate and gilt yields out to circa 10 years trending downwards. That part of the curve has broadly acted in line with forecasts, unchanged since February.

However, the Government's difficulty in convincing the market that it can work within its self-imposed fiscal parameters has meant there has continued to be a somewhat fragile confidence in the medium to longer dated part of the curve. The worst of this sentiment was reflected on 21<sup>st</sup> May, but as recently as the first week of July has provided a reminder that markets will be quick to sell-off if they feel there is anything to prejudice the Chancellor's stated aim of not raising the headline tax rates nor boost borrowing to greater than has already been reported. The markets have also indicated that they would prefer Chancellor Reeves to stay in post even if the fiscal landscape has deteriorated since the Autumn.

The Bank of England has remained cautious in stating that any Bank Rate cuts must be undertaken gradually, and the inflation outlook remains a little opaque with the CPI measure of inflation not expected to peak until September (possibly 3.8%) before falling back towards 2% by the start of 2027. Annual wage increases also remain at 5% y/y, even though the seasonally adjusted job vacancies number has fallen to 712k. Nonetheless, both the 5-year and, albeit to a lesser extent, 10-year PWLB Certainty Rates have trended lower through the quarter.

Further out, however, rates have either finished close to their starting point for the quarter, if not a little higher. It remains problematic that historic buyers of longer-dated gilts – pension funds and insurance companies – have preferred the shorter-dated maturities of late, whilst there is anecdotal evidence that both foreign investors and hedge funds, who are not natural long-term holders of long-dated debt gilt issuance, as a rule, may be more active in this part of the market currently than has previously been the case. Their presence, arguably, adds even greater volatility to the equation. Consequently, and pulling all these factors together, it is clear that any signs of public finance weakness could put even greater upward pressure on medium and longer dated gilts and, therein, PWLB rates.



#### 4. 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.

## 5. 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 30<sup>th</sup> June 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 30<sup>th</sup> June 2025 are set out below:

Treasury Indicators	31.03.25 Actual £M	2025/26 Approved Estimate £M
Authorised limit for external debt	114.00	134.00
Operational boundary for external debt	98.00	118.96
Gross external debt	56.93	78.89
Investments	(14.60)	(10.67)

Prudential Indicators – Non HRA	31.03.25 Actual £M	2025/26 Approved Estimate £M
Capital expenditure *	8.83	27.08
Capital Financing Requirement (CFR) *	64.82	85.96
Annual change in CFR *	0.32	17.83
Ratio of financing costs to net revenue stream *	16.20%	17.82

Prudential Indicators – HRA	31.03.25 Actual £M	2025/26 Approved Estimate £M
Capital expenditure *	6.39	6.12

<b>Capital Financing Requirement (CFR) *</b>	<b>33.04</b>	<b>32.00</b>
<b>Annual change in CFR *</b>	<b>(1.05)</b>	<b>(1.04)</b>
<b>Ratio of financing costs to net revenue stream *</b>	<b>15.78%</b>	<b>15.40</b>

## **6. 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.