

# CABINET

## Budget & Policy Framework

2026/27 – 2030/31

10 February 2026

### Report of Chief Finance Officer

#### PURPOSE OF REPORT

This report sets out the latest position in respect of the budget and policy framework and Cabinet's proposed General Fund revenue budget for 2026/27

Key Decision	X	Non-Key Decision		Referral from Cabinet Member	
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Date of notice of forthcoming key decision 12<sup>th</sup> December 2025

This report is public however the Appendices C1 and C2 are exempt by virtue of paragraphs 2, 3 & 4 of Part 1 of Schedule 12A of the Local Government Act 1972

#### RECOMMENDATION OF COUNCILLOR HAMILTON – COX

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

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

#### 1.0 INTRODUCTION

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

1.2 The Council meeting on 28 January 2026 noted an update to Cabinet's proposed revenue budget for 2026/27 and approved a City Council Tax increase of 2.99% together with a year-on-year target of the maximum allowable under the Government's local referendum thresholds for future years.

1.3 This report sets out:

- The impact of the reforms made to local government funding include business rates (**Section 2**)
- Cabinets final General Fund Revenue Budget proposals for 2025/26 including the Operational and Strategic context in which the budget has been set (**Section 3**)
- A summary of Council Tax as reflected in the Council's Collection Fund. (**Section 4**)
- The of the Council's Reserves Provision and Balances and s151 Officers assessment of their adequacy. (**Section 5**)

1.4 To provide an executive summary in relation to the above, the following analysis is provided which compares the projections considered by Council on 26 February 2025 against the latest projections provided for within this report :-

**Table 1 – Executive Summary**

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

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

## 2.0 LOCAL GOVERNMENT FUNDING & BUSINESS RATES

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

2.1 The government released the provisional multi-year local government finance settlement on 17 December 2025, and the final is expected to be received on 9 February 2026 which is after the date this report was published. No differences between the provisional and final settlements are expected, however should there be any, then alterations will be highlighted in the report to Budget Council on 25 February 2026.

2.2 The settlement sets out simplified allocations for local authorities across England for the next three years, and incorporates an updated distribution of resources following the conclusion of the Fair Funding Review. It incorporates changes to the business rates system and in whole, represents a major change in local government financing.

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

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

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

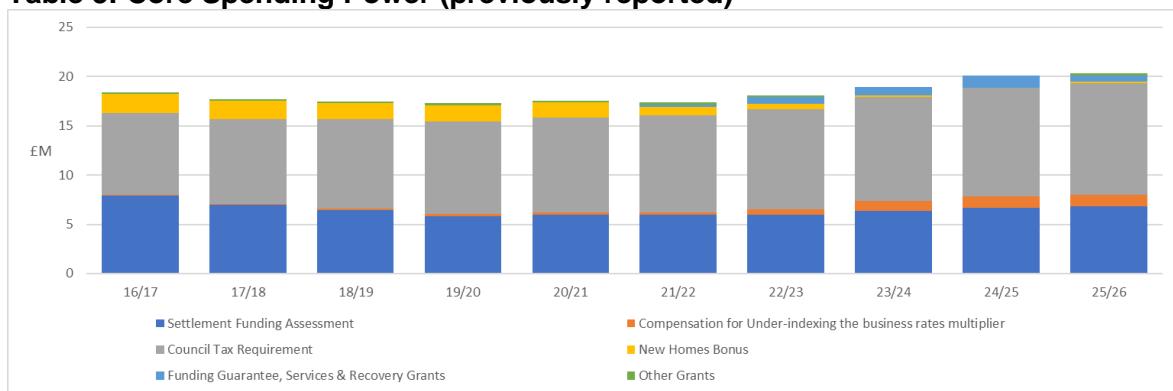
As table 2 shows, the settlement allocates £0.848M more resources in 2026/27 with further favourable and future years from Central Government than anticipated and this is favourable in context of the budget gap for the revenue budget.

### Core Spending Power

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

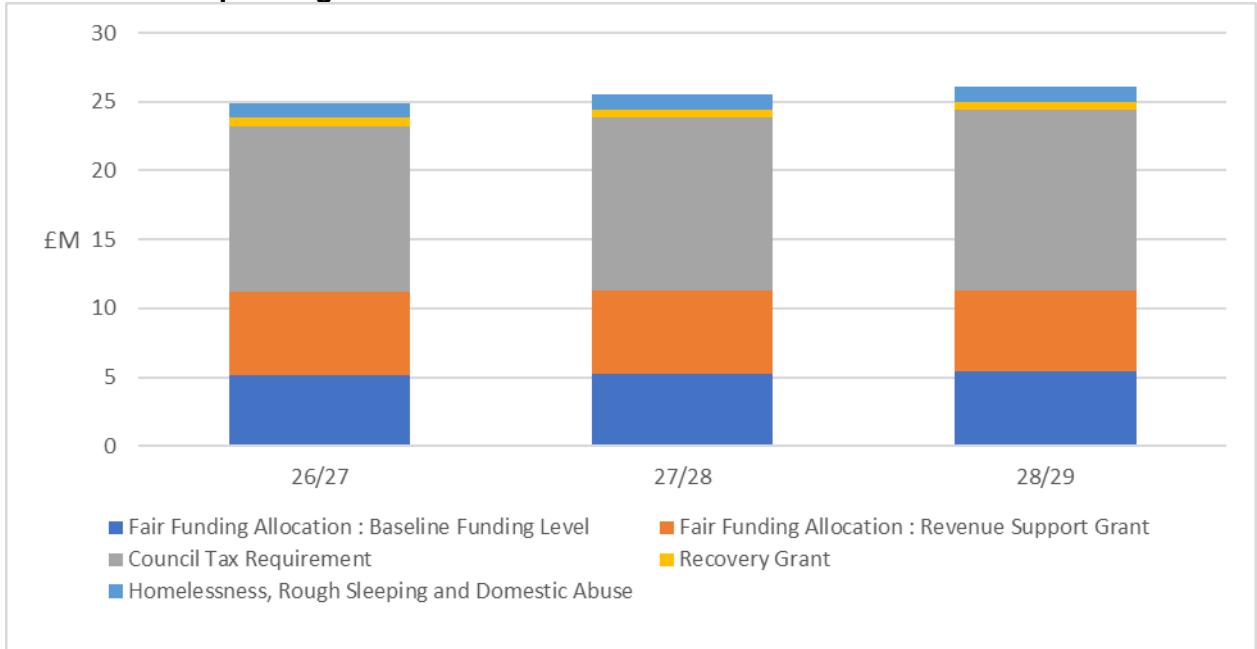
Table 3 below displays the previous historic values of CSP, and shows the Council being almost entirely reliant on Council Tax and Business Rates with a small amount of income from central government grants to fund net expenditure.

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



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

**Table 4: Core Spending Power**



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

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

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

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

#### ***Business Rates***

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

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

2.8 Previously, lower tier Council's had a baseline position and were allowed to retain a proportion of any growth received above it. With the continuation of the power stations the Council have always exceeded the baseline position and has benefitted from additional rates received. For information the power stations have been included within the baseline figures.

2.9 This system has now been replaced by the funding reforms and the government have offered 100% protection on the baseline funding level in 2026/27. This has allowed for more certainty in calculating the proportion of rates due to the Council.

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

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

2.11 The Council receives rating income from renewable energy schemes within the district, largely in relation to Walney Sub-Station. Although listed as £3.998M in details of the settlement, the revaluations taken place have increased the value of this income to £4.627M in 2026/27 (£4.004M for 2025/26). A majority of the income currently falls outside of the main rate retention scheme, and so the Council will continue to retain the full benefit from it. Whilst it is evident that this 100% disregard will continue into 2026/27, there is a risk of appeals plus also that the Government may discontinue this advantageous arrangement at some point in the future.

2.12 The inherent risk associated with the NNDR1 is that the final outturn surplus or deficit position differs substantially from the estimate, and this has indeed been the case at the Council in recent years. Members will recall that the BRRR is used to manage the impact of surpluses and deficits and also to manage fluctuations in income levels in order to provide budgetary stability and smooth out year on year peaks and troughs. As part of the 2025/26 budget setting process, a contribution of £0.600M (2026/27) and £0.500M (2027/28) from the BRRR were included and these contributions have now been removed due to the reduced risk of lower levels of rates being received in those financial years.

2.13 The Council is expected to repay prior year deficits to the collection fund account in respect of business rates. This amount is currently valued at £0.693M and is to be funded by the BRRR in 2026/27 and therefore have no impact on the council tax requirement calculation in 2026/27.

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

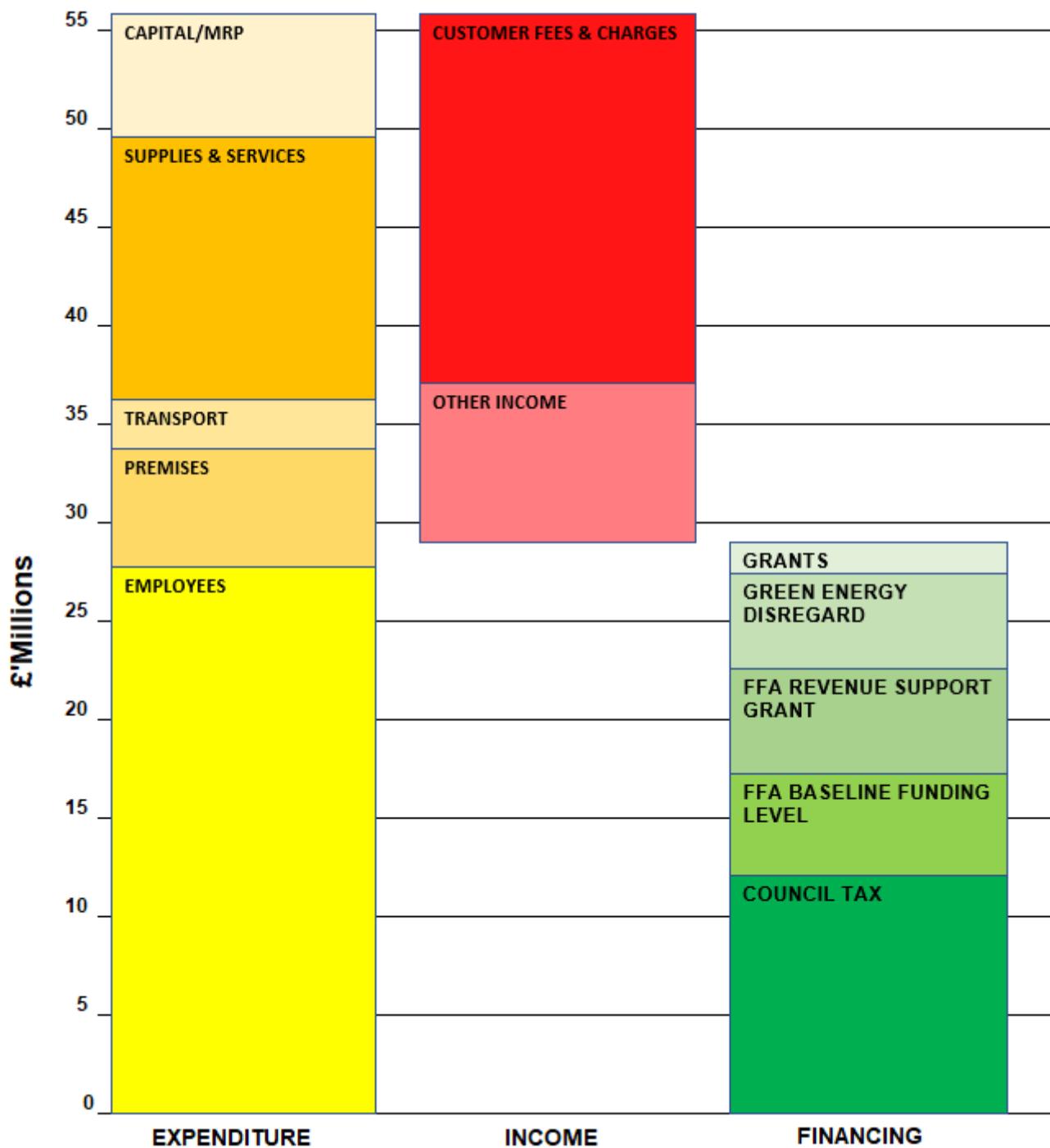
3.1 The General Fund Revenue Budget for 2026/27, is included at **Appendix A**, with detailed explanations for variances listed in **Appendix B**. With regard to Savings & Growth, Service summary information given at **Appendix C** and more detailed proposals in exempt **Appendices C1&C2**. The proposed budget is balanced and as noted above the proposed budget takes account of the Final Local Government Finance settlement.

3.2 At its meeting on 26 February 2025 Council set its budget for 2025/26 and the base budget estimates for 2026/27 and future years. At the start of the budget setting process these "base" estimates are reviewed considering current circumstances and best information available and revised estimates produced before any saving, growth, or re-direction proposals are received. These estimates are under constant review during the budget setting process and often change as information comes forward.

3.3 Initial Operational and Base Budget changes for 2026/27 were reported to Cabinet 2 December and Council 17 December 2025. Since that reporting period further net changes have been required and all changes are now included in **Appendix A**.

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

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



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

Budget Principles and Assumptions

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

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

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

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

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

#### **4.0 COUNCIL TAX**

4.1 Legislation requires that separate estimates be made for any Collection Fund surpluses or deficits on the Collection Fund relating to the Council Tax and Business Rates.

4.2 The Council is expected to benefit from prior year surpluses to the collection fund account in respect of council tax. This amount is currently valued at £0.185M and is included within the council tax requirement calculation in 2026/27.

4.3 The Council Tax increase of 2.99% agreed by Council on 28 January 2026 means that the City element of Council Tax for a band D property will be £272.20 resulting in expected income of £11.931M for 2026/27. This is a decrease of £0.084M on the position reported in February 2025.

#### **5.0 PROVISIONS, RESERVES & BALANCES**

5.1 Under current legislation the Section 151 Officer is required to give explicit advice to Council on the minimum level of reserves and balances.

5.2 The minimum level should be set to enable the Council to meet the current and forecast financial pressures it faces in regard to the structural deficit as referenced for several years. It is against this back drop the 2026/27 assessments are made.

##### **Provisions**

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

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

### **Reserves & Balances**

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

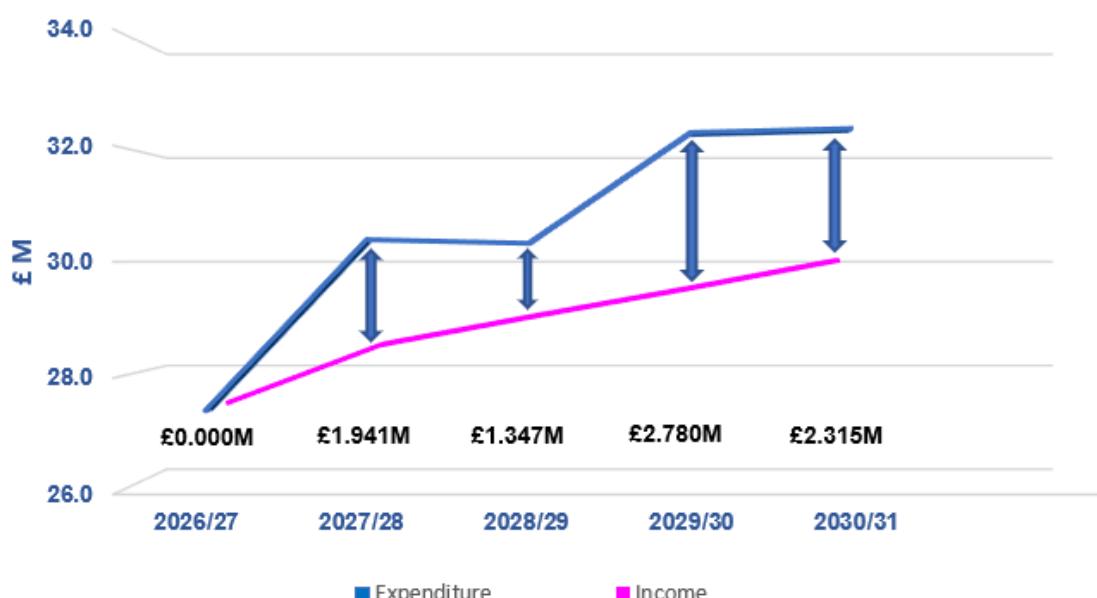
### **Annual Assessment of Reserves Levels**

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

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

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

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



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

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

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

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

5.9 In calculating the minimum level of General Fund balance, an assessment of the risks that give rise to unanticipated expenditure or loss of income has been made and these are shown in Table 10 below.

**Table 10: Risk Assessment**

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

5.10 The analysis shows that, in the event of a 'Perfect Storm' of risks happening all within the next year, there are sufficient balances to meet all these risks in the short term which would give the Council time to adapt in the longer term.

5.11 The minimum level of balances will be kept under review as part of the MTFS and reported to Cabinet on a regular basis.

5.12 The analysis shows that, in the unlikely event of a 'Perfect Storm' of risks happening all within the next year, there are sufficient balances to meet all these risks in the short term which would give the Council time to adapt in the longer term.

5.13 The minimum level of balances will be kept under review as part of the MTFS and reported to Cabinet on a regular basis.

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

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

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

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

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

**Governance Arrangements on the Use of Reserves**

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

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

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

**6.0 LOCAL GOVERNMENT REORGANISATION (LGR)**

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

6.5 At the meeting of Lancashire Chief Executives on 8<sup>th</sup> January the options for the creation of a Lancashire Local Government Reorganisation Transition Fund was discussed. The report agreed the following principles:

- a. An initial agreed total sum of £30M
- b. A split of 75% to Unitary Councils and 25% to District Councils meaning:
  - i. £22.5M Unitary Contribution
  - ii. £7.5M District Contribution

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

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

## **7.0 DETAILS OF CONSULTATION**

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

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

## **8.0 OPTIONS & OPTIONS ANALYSIS**

### Revenue Budget

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

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

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

### Section 151 Officer's Comments and Advice

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

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

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

### Revenue Budget 2026/27 and Reserves Position

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

## **10.0 CONCLUSION**

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

### **RELATIONSHIP TO POLICY FRAMEWORK**

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

### **CONCLUSION OF IMPACT ASSESSMENT**

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

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

### **FINANCIAL IMPLICATIONS**

As set out in the report

### **SECTION 151 OFFICER'S COMMENTS**

#### **Robustness of Estimates and Adequacy of Council's Reserves**

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

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

#### **Provisions, Reserves and Balances**

Specific earmarked reserves and provisions are satisfactory at the levels currently proposed.

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

#### **Robustness of Estimates**

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

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

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

### **Affordability of Spending Plans**

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

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

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

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

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

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

### **LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments.

### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments.

### **BACKGROUND PAPERS**

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

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