

Delivering Our Priorities: Q3 2025/26 10 February 2026

Report of Chief Executive & s151 Officer

PURPOSE OF REPORT				
To provide members with an update on financial performance during the first three quarters of 2025/26 (April – December 2025).				
Key Decision	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 3 2025/26.

1.0 INTRODUCTION

- 1.1 The primary purpose of this report is to present information relating to the Council's financial performance for the period April-December 2025, which can be found within the appendices.

2.0 FINANCIAL MONITORING

- 2.1 The 2025/26 Budget and Medium-Term Financial Strategy (MTFS) 2025-2030 approved by Council in February 2025 set a balanced budget for the year based on the assumptions made at that time.
- 2.2 All portfolios are required to examine their revenue budgets and meet with their budget holders regularly and reports are submitted to Cabinet and Budget & Performance Panel for review. To enable Portfolio Holders to meet this requirement, Financial Services continually reviews and refreshes how it presents the Council's corporate monitoring information, with the Quarter 3 information distributed members of both committees on 31 January 2026.
- 2.3 In an attempt to aid understanding Members should note that where **projected variances** values are presented with brackets () this reflects a negative, or adverse movement from the budgeted position. Conversely, projected variances accompanied with a + sign represents a positive, or favourable movement from the budgeted position. The following financial appendices accompany the financial monitoring section of this report.

Appendix A: General Fund Service Analysis

Appendix B: General Fund Subjective Analysis

Appendix C:	HRA Service Analysis
Appendix D:	General Fund Capital Projects
Appendix E:	HRA Capital Projects
Appendix F:	Reserves Projected Outturn
Appendix G:	Approved Savings Monitoring
Appendix H:	Service Analysis
Appendix I:	Aged Debt Summary By Service
Appendix J:	Treasury Management Quarterly Update

- 2.4 It should also be noted that **projected outturn figures are monitored against the working budget** and not the original budget within this report. The working budget includes approved virements and in-year budget adjustments. This reduces a number of variances in respect of items such as 'grossing-up' of grant income/expenditure and the movement of employees to different costs centres which is especially needed during times of service restructuring. It provides a more accurate up-to date forecast and eliminates the need for duplicate reporting at service and subjective levels.

3.0 SALARY PROJECTIONS

- 3.1 Salary expenditure is one of the largest areas of expenditure in the Council and the latest budgeted pay bill for direct employee expenses is £33.572M (£26.772M General Fund, £6.800M HRA).
- 3.2 As part of the 2025/26 budget setting process, an inflationary uplift of 2.5% was included to salaries across all services of the Council. The National Employers latest offer of an increase of 3.2% on all NJC pay points was agreed in July 2025.

For the purposes of the projected outturn calculations used within this report, the agreed offer of 3.2% has been included. For information, additional annual costs in the region of £0.228M (£0.182M General Fund, £0.046M HRA) have been forecasted.

- 3.3 The latest salary position is detailed in the table below.

Table 1 Quarter 3 Financial Monitoring – Salary Monitoring

	Salaries Variance £'000	Pay Award £'000	Agency Variance £'000	Other Variance £'000	Total Variance £'000
<u>General Fund</u>					
Environment & Place	274	(89)	(189)	0	(4)
Governance	107	(12)	(57)	0	+38
Housing & Property	348	(28)	(66)	(167)	+87
People & Policy	55	(11)	(8)	0	+36
Planning & Climate Change	462	(18)	0	(45)	+399
Resources	253	(15)	(8)	(69)	+161
Sustainable Growth	209	(10)	0	11	+210
Provision for Staff Turnover	(648)	0	0	0	(648)
TOTAL FAVOURABLE VARIANCE	1,060	(183)	(328)	(270)	+279
<u>Housing Revenue Account</u>					
Housing & Property	335	(46)	(85)	76	+280
Provision for Staff Turnover	(21)	0	0	0	(21)
TOTAL FAVOURABLE VARIANCE	314	(46)	(85)	76	+259

As the above table demonstrates, the council salary related position as a whole (including the additional pay award, agency and consultancy costs) is expected to be underspent by +£0.538M (£0.279M General Fund, £0.259M HRA). It should be noted that this now includes the full removal of the 'Provision for Staff Turnover' as the consideration of current vacant posts has now been projected to the end of the year.

4.0 OUTCOMES BASED RESOURCING

- 4.1 As part of the 2025/26 budget setting process, Members approved savings and budget proposals to save the Council £0.025M in 2025/26. The process to implement these savings is now underway and Appendix G details the progress of each proposal.

5.0 COMMERCIAL & CORPORATE PROPERTY REVIEW

- 5.1 Following a review of the Council's commercial and corporate property portfolio, Members approved an ongoing programme of capital and revenue works over the next ten years to initially address the immediate issues whilst formulating an ongoing strategy to maintain the asset portfolio. This was included as part of the 2025/26 budget setting process and year one (2025/26) included a base budget amount of £1.541M which once adjusted for inflation amounted to £1.426M for specific work and £0.150M for project management costs.
- 5.2 Since budgetary approval was gained, an ongoing review of works required has been taking place. This review has highlighted changes required which mainly fall into the following categories:-
- Additional works identified including these industrial style roofs
 - Deletions / removal of works for properties subject to further review
 - Acceleration of works originally scheduled for future years
 - Slippage of works to later years
 - Movement between capital and revenue expenditure.

Usually, this will affect the net position of the Council in terms of net under or overspend being presented. However, due to the required reprofiling of expenditure across future financial years identified within the review, the consolidated underspend will be transferred into the Corporate Property Reserve.

In order to assist in providing a clearer financial position for services going forward, the connected financial budgetary positions have been removed from individual service lines reported within section 6 of this report and associated appendices. This is a differing approach to that taken within the quarter 1 report where they were included within service totals.

- 5.3 The following table outlines the latest position of the project.

Table 2 Quarter 3 Financial Monitoring – Corporate Property Review

	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
<u>Environment & Place</u>					
Hospitality & Events Management	13	0	0	0	0
Parks & Open Spaces	5	0	0	0	0
Salt Ayre Leisure Centre	395	0	0	0	0
Service Support	159	0	1	0	0
Williamson Park	75	0	5	0	0
<u>Housing & Property</u>					
Commercial Land & Properties	142	31	0	33	(2)
Facilities Management	51	50	39	75	(25)
Municipal Buildings	505	70	0	5	+65
Other Land & Buildings	80	0	0	0	0
<u>Sustainable Growth</u>					
Markets	1	0	0	0	0
<u>Other Items</u>					
Contribution to Reserve	0	1,275	0	1,313	(38)
Total Revenue	1,426	1,426	45	1,426	0

The review of the programme of works has been included within the draft estimates as part

of the ongoing 2026/27 budget process.

6.0 GENERAL FUND SUMMARY POSITION

- 6.1 Quarter 3 (Q3) monitoring covers the period for April – December 2025. At the end of Q3 (December 2025) a year end underspend of **£1.271M** is projected against the Council's approved original net revenue budget of **£27.201M**.
- 6.2 A summary of the Q3 revenue position for the main service accounts of the Council is set out in table 3 below with commentary on significant variances provided in the following paragraphs.

Table 3 Quarter 3 Financial Monitoring – Service Analysis

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
Environment & Place	8,105	8,240	8,240	5,402	8,320	(80)
Governance	1,708	1,707	1,707	1,530	1,834	(127)
Housing & Property	1,605	3,536	3,536	(1,306)	2,862	+674
People & Policy	2,454	2,432	2,432	1,756	2,429	+3
Planning & Climate Change	2,004	2,274	2,274	1,497	1,927	+347
Resources	4,710	5,084	5,084	1,855	5,003	+81
Sustainable Growth	(1,306)	(978)	(978)	433	(871)	(107)
Corporate Accounts	1,838	(87)	(87)	247	877	(964)
Other Items	5,661	4,810	4,810	(5,269)	3,366	+1,444
Sub Total	26,779	27,018	27,018	6,145	25,747	+1,271
Net Recharges to Housing Revenue Account	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	0
RMS Capital Charges (now Housing Revenue Account)	(200)	(218)	(218)	702	(218)	0
Corporate Property Review (Revenue)	0	1,427	152	46	114	+38
Corporate Property Review (Appropriation)	0	0	1,275	0	1,313	(38)
Revenue Reserve funded items (Revenue)	3,185	456	2,360	986	2,256	+104
Revenue Reserve funded items (Appropriation)	(3,134)	(456)	(2,360)	0	(2,256)	(104)
Sub Total	(1,175)	183	183	708	183	0
General Fund Revenue Budget	25,604	27,201	27,201	6,853	25,930	+1,271
Financing Income	(14,676)	(15,651)	(15,651)	11,067	(15,920)	+269
Council Tax Requirement	10,928	11,550	11,550	17,920	10,010	+1,540

Environment & Place (-£0.436M) Adverse

6.3 Significant budget variances : -

- Pay award (-£0.089M)
- General staff turnover savings +£0.085M due to vacancies across the service offset by overspend within waste collection due sickness levels plus the collection of recycling boxes now being delivered in-house
- Asset and Compliance Review (-£0.149M)
- Energy savings across service +£0.051M
- Vehicle hire costs (-£0.160M) within waste collection due to vehicles being off-road for repair as they approach renewal offset by R&M savings +£0.110M and fuel savings due to price +£0.042M
- Environmental Protection savings relating to EPA authorisation fees and air quality monitoring +£0.036M
- Rental income to concessions on promenade not budgeted for +£0.033M
- Income from interment and memorial fees (-£0.056M)
- Income shortfalls at SALC, including Spa, Swimming and Café (-£0.252M) partially offset by reduction in stock purchases +£0.044M and staffing contained within the general turnover savings above
- Income shortfall relating to trade waste (-£0.080M) which is marginally below the previous years outturn and loss of custom due to not being able to make food waste collections
- Waste Collection savings including sale of old recycling boxes, other sales and reduced requirement for equipment and tools +£0.076M

- Waste collection Pack UK grant (part) not budgeted for +£0.356M
- Income shortfall relating Williamson Park Café and Shop due to closure of buildings (-£0.227M) partially offset by reduction in stock purchases +£0.094M

Governance (-£0.127M) Adverse

6.4 Significant budget variances : -

- Pay award (-£0.012M)
- Agency cover within service for two key posts (-£0.057M) offset by vacant post savings within service +£0.107M
- Potential City Council by-election not included within budget (-£0.025M)
- Reduced Legal Fee income (-£0.087M) plus a further (-£0.018M) fees due to specialist advice required
- Street Trading Consent scheme not yet commenced (-£0.020M)

Housing & Property +£0.674M Favourable

6.5 Significant budget variances : -

- Pay award (-£0.028M)
- General staff turnover savings, net of agency services +£0.115M
- Reduction in rent income due to commercial property lease changes (-£0.325M)
- Additional rent income due to ongoing lease negotiations +£0.387M, partly offset by increase in provision for bad debts (see Corporate Accounts)
- Net additional business rates on void units (-£0.297M)
- Reduction in B&B expenditure in line with quality assurance of placements and utilisation of Council voids +£0.741M
- Asset and Compliance Review +£0.169M
- Removal of utilities savings target due to delays in recruitment (-£0.037M)

People & Policy +£0.003M Favourable

6.6 Significant budget variances: -

- Pay award (-£0.011M)
- General staff turnover savings, net of agency services +£0.047M
- Net impact of Morecambe VIC premises being empty (-£0.035M)

Planning & Climate Change +£0.347M Favourable

6.7 Significant budget variances: -

- Pay award (-£0.018M)
- Vacancies particularly within Planning Advice & Control. A small restructure is being explored to attract more applicants +£0.417M
- Legal costs (-£0.031M) relating to formal and high court actions
- Reduced demand for pre-application advice particularly for the higher value, larger developments (-£0.035M)

Resources +£0.081M Favourable

6.8 Significant budget variances: -

- Pay award (-£0.015M)
- Salary savings +£0.176M including key accountancy and ICT vacancies
- Consultancy fees for Mainway scheme (-£0.049M)
- Increased shared service management fees for Revenues (-£0.040M)

Sustainable Growth (-£0.107M) Adverse

6.9 Significant budget variances: -

- Pay award (-£0.010M)
- Salary savings +£0.220M which includes 5 vacant Engineer posts and a reduction in post hours

- Reduced income levels at Morecambe Market partially due to less stall holders (-£0.057M)
- Revaluation of VAT classification at Morecambe Market resulting in 4 year VAT adjustments (-£0.229M)
- Off-street parking R&M and software costs (-£0.029M)
- Off-street parking pay and display income (-£0.050M)
- Christmas decorations upgrade/repairs not complete +£0.024M
- Bridge repairs delayed start due to consultancy engagement, likely to start 2026/27 +£0.041M

Corporate Accounts (-£0.964M) Adverse

6.10 Significant budget variances: -

- The provision for staff turnover target (-£0.648M) is held within Corporate Services whilst the additional costs/savings generated are attributed to the individual service lines. The council salary related position within the general fund (including the additional pay award, agency and consultancy costs) is expected to be underspent by +£0.279M
- Provision for Bad Debts is anticipated to increase by (-£0.290M) due to ongoing lease negotiations (see Housing & Property)
- Costs for works relating to oil spill incident February 2025 (-£0.046M)
- Recovery of costs for works in default relating to incident at Supa Skips December 2023 +£0.034M

Other Items +£1.444M Favourable

6.11 Significant budget variances: -

- The removal of an annual contribution to the renewals reserve following a review of reserve levels +£0.293M
- The new borrowing in 2024/25 was not incurred as anticipated largely due to significant levels of slippage on schemes in the capital programme leading to higher levels of cash balances. Further borrowing anticipated in 2025/26 is not expected until later in the year +£0.240M
- Interest rates have remained higher than the 3.5% forecast in September 2024 due to inflationary pressures. Also cash balances have been higher than forecast largely due to slippage on schemes in the capital programme +£0.689M
- Minimum Revenue Provision (MRP) savings arising due to slippage of schemes in the Capital Programme during 2024/25 and the use of capital receipts to finance short life assets in 2024/25 +£0.221M

6.11 Appendix A: General Fund Service Analysis (Q3) set out the above information in more detail and provides summary percentage variations for variances +/- £0.030M. Appendix H provides additional analysis across individual service areas.

6.12 The revenue position provided within table 3 above is analysed across the Council's subjective headings and is set out in table 4 below.

Table 4 Quarter 3 Financial Monitoring – Subjective Analysis

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
Employees	24,967	27,219	27,350	19,778	26,800	+550
Premises Related Exp	5,634	5,960	5,971	4,069	5,995	(24)
Transport Related Exp	1,661	1,720	1,721	1,305	1,730	(9)
Supplies and Services	16,743	14,609	18,082	11,669	17,124	+958
Transfer Payments	25,186	21,977	21,977	12,778	21,977	0
Support Services	217	142	173	54	160	+13
Capital Charges	0	17	17	0	17	0
Capital Financing Costs	1,146	1,535	1,535	1,382	1,295	+240
Appropriations	8,858	4,515	4,515	0	4,001	+514
Income	(57,633)	(50,376)	(54,023)	(44,890)	(53,352)	(671)
Capital Financing Inc	0	(300)	(300)	0	0	(300)
Sub Total	26,779	27,018	27,018	6,145	25,747	+1,271
Net Recharges to Housing Revenue Account	(1,026)	(1,026)	(1,026)	(1,026)	(1,026)	0
RMS Capital Charges (now Housing Revenue Account)	(200)	(218)	(218)	702	(218)	0
Corporate Property Review (Revenue)	0	1,427	152	46	114	+38
Corporate Property Review (Appropriation)	0	0	1,275	0	1,313	(38)
Revenue Reserve funded items (Revenue)	3,185	456	2,360	986	2,256	+104
Revenue Reserve funded items (Appropriation)	(3,134)	(456)	(2,360)	0	(2,256)	(104)
Sub Total	(1,175)	183	183	708	183	0
General Fund Revenue Budget	25,604	27,201	27,201	6,853	25,930	+1,271
Financing Income	(14,676)	(15,651)	(15,651)	11,067	(15,920)	+269
Council Tax Requirement	10,928	11,550	11,550	17,920	10,010	+1,540

6.13 Appendix B: General Fund Subjective Analysis covers this information in more detail.

7.0 HOUSING REVENUE ACCOUNT SUMMARY POSITION

7.1 As at the end of Q3, a year end overspend against budget of **(-£0.060M)** is projected. A summary of the Q3 revenue position for the HRA is set out in table 5 below.

Table 5 Quarter 3 Financial Monitoring – HRA Service Analysis

	Provisional Outturn 2024/25 £'000	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000
Policy & Management	2,495	3,071	3,279	2,024	3,248	+31
Repairs & Maintenance	7,048	6,704	6,734	4,637	7,023	(289)
Welfare Services	(241)	(238)	(238)	(196)	(180)	(58)
Special Services	221	253	277	244	311	(34)
Miscellaneous Expenses	1,380	1,158	1,158	863	1,205	(47)
Income Account	(18,919)	(18,255)	(18,255)	(11,555)	(17,947)	(308)
Capital Charges	(1,373)	7,424	7,424	0	6,872	+552
Appropriations	8,872	(634)	(896)	0	(989)	+93
Sub Total	(517)	(517)	(517)	(3,983)	(457)	(60)
Net Recharges to General Fund	517	517	517	517	517	0
Housing Revenue Account Budget	0	0	0	(3,466)	60	(60)

7.2 Significant budget variances: -

- Pay award (-£0.046M)
- General staff turnover savings, net of agency services +£0.288M
- Additional repairs costs relating to defending and settling disrepair claims (-£0.250M)
- Higher numbers and complex void properties (-£0.118M)
- Decant costs relating to damp & mould and asbestos removal (-£0.070M)
- Revised costs relating to fire at Bronte House (-£0.040M)
- Additional rent loss from voids due to ongoing capital projects and high levels of Right to Buy sales (-£0.262M)
- Additional council tax on re-lets due to major voids and capital projects (-£0.152M)
- Additional admin fees re high levels of Right to Buy sales +£0.039M
- Removal of in-year contribution to Flats Planned Maintenance reserve +£0.033M
- Decrease in contribution to bad debt provision +£0.086M
- Additional depreciation charge based on latest valuations, applying EUV-SH of 35% (-£0.490M)
- Funding repayment of loan principal via Major Repairs Reserve +£1.041M

- 7.3 Appendix C: Housing Revenue Account Service Analysis covers this information in more detail and provides summary percentage variations for variances +/- £30K.
- 7.4 Following work being carried out to review varying aspects of the calculation of depreciation, the current projection is based on latest quinquennial valuations and the application of an existing use value - social housing (EUV-SH) adjustment factor of 35% of market value. As provided for within the Stock Valuation for Resource Accounting guidance issued in November 2016, the s151 Officer has exercised his discretion in varying the adjustment factor from the recommended 40% for the North West region. This decision will be subject to external audit.

8.0 CAPITAL PROJECTS (General Fund & HRA)

- 8.1 At Q3 a year end variance against budget of **+£5.255M** (General Fund +£5.171M, HRA +£0.084M) is projected. Summary details for both the General Fund and HRA are set out in table 6 below.

Table 6 Quarter 3 Financial Monitoring – Capital Projects

	Original Budget 2025/26 £'000	Working Budget 2025/26 £'000	Q3 Actual 2025/26 £'000	Projected Outturn 2025/26 £'000	Projected Variance 2025/26 £'000	Slippage/ (Accelerated Expenditure) £'000
General Fund						
Environment & Place	10,404	8,122	(8)	7,812	+310	295
Housing & Property	3,005	3,391	(2,171)	1,989	+1,402	1,410
People & Policy	0	0	0	0	0	0
Planning & Climate Change	5,933	6,986	1,443	5,086	+1,900	1,900
Resources	792	1,853	471	1,053	+800	800
Sustainable Growth	730	811	(4,610)	52	+759	728
Other Items	0	0	(78)	0	0	0
GENERAL FUND - TOTAL	20,864	21,163	(4,953)	15,992	5,171	5,133
Housing Revenue Account						
Adaptations	300	300	213	300	0	0
Energy Efficiency / Boiler Replacement	1,501	1,834	829	1,834	0	0
Internal Refurbishment	1,078	1,078	739	928	+150	0
External Refurbishment	637	855	233	855	0	0
Environmental Improvements	500	500	214	406	+94	0
Re-roofing / Window Renewals	595	693	111	693	0	0
Rewiring	88	128	60	122	+6	0
Lift Replacement	0	42	47	47	(5)	0
Fire Precaution Works	210	335	209	468	(133)	0
Housing Renewal & Renovation	957	939	692	967	(28)	0
Acquisitions	250	795	136	795	0	0
HOUSING REVENUE ACCOUNT - TOTAL	6,116	7,499	3,483	7,415	84	0
GRAND TOTAL	26,980	28,662	(1,470)	23,407	+5,255	+5,133

- 8.2 The forecast underspending against budget relates to both General Fund and HRA. The table above highlights the slippage and accelerated expenditure, which is anticipated to be included in the 2026/27 budget process. Once accounted for, the following differences represent the latest position of any forecast under/(over)spends :-

- Environment and Place: +£0.015M underspend due to cost of public bins being less than previously forecast
- Housing & Property: -£0.008M overspend due to final valuation for works carried out at Mellishaw Park.
- Planning & Climate Change: A forecast underspend of +£0.533M relating to Burrow Beck Solar Farm due to the preparatory works carried out to ensure the contractor received a cleared site for construction and economies of scale achieved by using the same contractor for these works and works on the Gateway Solare Array.
- Sustainable Growth: +£0.012M due to delays to City Museum Shop as listed building consent is required. It is anticipated this will likely need to slip into 2026/27 as part of closedown; +£0.019M is likely to slip at yearend due to timings of Lancaster Square Routes project

- 8.3 With regard to the overall projected favourable variance on the HRA Capital Programme of +£0.084M, this is largely due to a projected underspend of +£0.150M on internal refurbishment works and +£0.094M on Environmental improvements, off-set by additional fire precaution works (-£0.133M) and additional cost of conversions and redevelopment projects including Alder Grove (-£0.028M).
- 8.4 Appendix D General Fund Capital Projects and Appendix E HRA Capital Projects provide further information and summary commentary.

9.0 RESERVES

- 9.1 The Council's General Fund unallocated balances are projected to be **£10.338M**. This takes account of the projected net overspend reported here. Overall, the combined level of reserves is forecast to be **£30.234M**. Table 7 Quarter 3 Financial Monitoring – General Fund Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 7 Quarter 3 Financial Monitoring – General Fund Reserves

	31 March 2025 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2026 £	31 March 2025 £	From Revenue £	To / (From) Capital £	To Revenue £	31 March 2026 £
Unallocated Balances	(8,189,200)	(820,000)	0	316,500	(8,692,700)	(10,027,832)	(2,091,000)	0	1,780,498	(10,338,334)
Total Earmarked Reserves (Usable)	(15,186,400)	(626,200)	38,000	82,700	(15,691,900)	(16,163,943)	(1,645,800)	0	269,400	(17,540,343)
Total Earmarked Reserves (Ringfenced)	(2,245,300)	(145,000)	71,000	19,200	(2,300,100)	(2,547,210)	(145,000)	131,000	206,300	(2,354,910)
Total Combined Reserves	(25,620,900)	(1,591,200)	109,000	418,400	(26,684,700)	(28,738,985)	(3,881,800)	131,000	2,256,198	(30,233,587)

- 9.2 The increase in usage of balances since the budget was approved include :-
- The inclusion of slippage (-£1.244M) as detailed within the Provisional Outturn report which was considered by Cabinet on 31 July 2025
 - Funding for a new fuel tank at White Lund Depot (-£0.025M)
 - Installation and setup costs relating to the Love Clean Streets app (-£0.028M)
 - Hostile vehicle mitigation for organised events (-£0.025M)
 - The installation of the temporary catering offer at Williamson Park and demolition of the café building, plus feasibility works and park lighting (-£0.200M)
 - Parking ANPR for Lancaster City Centre (-£0.032M)
 - Car parking strategy feasibility works (-£0.118M)
 - Additional Microsoft licenses to enable all staff access the council network (-£0.024M)
 - Cyber response security (-£0.078M)
 - Consultancy works in relation to commercial properties (-£0.035M)
 - Contribution to the proposed skate park at Douglas Park (-£0.031M)
 - The demolition of the gravity tower at Salt Ayre Leisure Centre (-£0.018M)
 - City Museum support work required before a development phase application to the National Heritage Lottery Fund (NHLF) can be made (-£0.095M)
 - New equipment required at The Storey (-£0.012M)
- 9.3 Following restatement of the opening balances, the Council's Housing Revenue Account unallocated balances are projected to be **£0.770M**. This takes account of the projected net overspend reported here. Overall, the combined level of usable reserves is forecast to be **£2.125M**. Table 8 Quarter 2 Financial Monitoring – Housing Revenue Account Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 8 Quarter 3 Financial Monitoring – Housing Revenue Account Reserves

	<----- ORIGINAL BUDGET ----->					<----- PROJECTED OUTTURN ----->				
	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026	31 March 2025	From Revenue	To / (From) Capital	To Revenue	31 March 2026
	£	£	£	£	£	£	£	£	£	£
HRA Unallocated Balances	(76,000)	(26,700)	0	0	(102,700)	(803,700)	(26,700)		60,300	(770,100)
Total Earmarked Reserves	(2,671,800)	(5,057,900)	4,774,700	944,000	(2,011,000)	(2,651,600)	(5,455,500)	5,545,200	1,207,400	(1,354,500)
Total Combined Reserves	(2,747,800)	(5,084,600)	4,774,700	944,000	(2,113,700)	(3,455,300)	(5,482,200)	5,545,200	1,267,700	(2,124,600)

- 9.4 The decision to fund the HRA self-financing payment from the Major Repairs Reserve (MRR) has now been taken, backdated to 2024/25 and reflected in the financial figures now presented. This has led to the restatement of opening balances and the HRA unallocated reserve being projected to be in surplus (and above the recommended minimum level). As stated in 7.4 above, following work being carried out to review varying aspects of the calculation of depreciation, the current projections are now calculated using a reduced existing use value - social housing (EUV-SH) adjustment factor of 35% of market value (from 40%). Although the projected net financial position is much improved since Q2, the financial health of the HRA will remain under close review, and work will continue to monitor areas of expenditure known to be under pressure.
- 9.5 Appendix F: Reserves Projected Outturn provides further detailed analysis for both funds.
- 9.6 The Council's reserves are used to manage pressures such as the cost of living crisis and also support the work to address the underlying structural deficit through the OBR process. As a result, they are fundamental to ensuring the financial sustainability of the Council as it deals with these pressures and will be kept under review by Officers and Members.

10.0 COLLECTION FUND

Business Rates

- 10.1 At the Autumn Budget on 30th October 2024 the Chancellor announced that from 2026/27, existing Business Rate Relief for retail, hospitality or leisure (RHL) properties would be replaced by a lower rate multiplier set at 5p below the national multipliers. They also announced a higher multiplier that would apply to the most valuable properties (those with RVs of £500,000 and above) set at 2.8p above the national standard multiplier meaning the system will expand to 5 multipliers from 2026/27.

This is happening at the same time as the 2026 revaluation which sees the Valuation Office update the rateable values of all businesses.

At the Autumn Budget on 26th November 2025 the Chancellor announced that the following multipliers that would apply for 2026/27:

- Small multiplier - 43.2p falling from 49.9p in 2025-26
- Standard multiplier - 48.0p falling from 55.5p in 2025-26
- Small RHL multiplier - 38.2p
- Standard RHL multiplier - 43.0p
- High Value multiplier - 50.8p

The Chancellor also announced at the budget on 26th November 2025 that the government would provide a package of reliefs to support businesses.

For 2026/27, this includes:

- **Transitional Relief** – To support ratepayers facing large bill increases at the revaluation the government is introducing a redesigned Transitional Relief scheme worth £3.2 billion.
- **Transitional Relief Supplement** – a 1p supplement to the relevant tax rate for

ratepayers who do not receive Transitional Relief or the Supporting Small Business scheme to partially fund Transitional Relief. This will apply for one year from 1 April 2026.

- **2026 Supporting Small Business Scheme (SSB relief)** – bill increases for businesses losing some or all of their small business rates relief or rural rate relief will be capped at the higher of £800 or the relevant transitional relief caps from 1 April 2026. The 2026 SSB relief scheme has been expanded to ratepayers losing their RHL relief. The government has also announced a one-year extension of the 2023 Supporting Small Business scheme from 1 April 2026. This support is applied before changes in other reliefs and local supplements.
- **100% relief for Eligible Electric Vehicle Charging Points and Electric Vehicle only forecourts (EVCP relief)** – a ten-year 100% business rates relief for EVCPs separately assessed by the VOA and Electric Vehicle-only forecourts to ensure that they face no business rates liability.
- **Extending the Small Business Rates Relief (SBRR) grace-period from one to three years** – meaning businesses will now remain eligible for SBRR on their first property for three years after expanding into a second property.

Local authorities will be expected to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988 as amended) to grant the EVCP and SSB reliefs in line with the relevant eligibility criteria. Authorities will be compensated for the cost of granting these reliefs via a section 31 grant from government. No new legislation will be required to deliver these schemes.

On 27th January 2026 the Government made a further announcement that in 2026/27, eligible pubs and live music venues will benefit from a 15% business rates relief on top of the support above announced at Budget 2025. Their bills will be frozen in real terms for a further 2 years.

Local authorities will be fully compensated for the loss of income associated with granting the pubs and live music venues relief and the government will fund the associated new burdens, including the administrative and software costs of implementation.

10.2 The collection rate for Business Rates is currently 79.6%, which is ahead of the profiled target of 78.3%. The annual target is 98.0%.

10.3 Business rates monitoring to the end of quarter 3 predicts a favourable in year variance of +£0.267M. This relates to a lower Levy payment than forecast in budget projections +£0.419M and a change in section 31 grants payable for the current year of (-£0.151M). Additionally, there is a forecast year end deficit of (-£0.693M) which will be recognised in 2026/27, however this will be fully funded from the Business Rates Retention Reserve (BRRR).

10.4 With regard to 2026/27, the proposed business rates reset will take place from 1st April and this will affect the collection fund in a number of ways :-

- A revised business rates baseline which is the amount that we are expected to collect as an Authority
- A revised baseline funding level which is the funding need as determined by the government
- A revised 'safety net' scheme which offers Council's more certainty in the business rates due to base their future year projections on
- Changes to the tariff payable by the Authority and S31 grants due to the Authority

The overall effect of the above is expected to provide more certainty in business rates due to the Council for the forthcoming 3 three years with the added security of the safety net position. These figures are currently still provisional however, no detrimental financial impact is expected.

Council Tax

- 10.5 The current collection rate for Council Tax is 80.8% which is behind the profiled target of 83.8%. The annual target is 95.0%. The number of Local Council Tax Support claimants at Q3 is 9,233.

11.0 WRITE OFFS

- 11.1 Appendix I details the 'Aged Debt Summary by Service'. Note that the analysis does not include any debtors relating to collection fund, housing benefit and HRA housing rents income.
- 11.2 Table 9 below provides details of the debts have been written off by the Council's Revenues and Benefits service in relation to Council Tax, Business Rates and Housing Benefits Overpayments.

Table 9: Write Offs

	Q1	Q2	Q3	Q4	Total
Council Tax	239,172	454,898	241,991		936,061
Business Rates	209,793	199,776	3,078		412,647
Housing Benefit Overpayments	6,999	2,844	1,917		11,760
Housing Rents (HRA)	12,522	20,129	9,321		41,972
Total	468,486	677,647	256,307	0	1,402,440

- 11.3 The write-off of other sundry debts in excess of £500 must be approved by the Chief Officer (Resources), in consultation with the Chief Officer (Governance). The value of these debts written-off in quarter 3 (including those under £500) is £19,981.
- 11.4 Debts are deemed non recoverable after all reasonable recovery steps have been taken and can be written off in accordance with the Council's Debt Management Policy in a number of circumstances such as unable to trace, uneconomical to pursue, insolvency as well as imprisonment and death.

12.0 TREASURY MANAGEMENT

- 12.1 Appendix J gives a quarterly update in respect of treasury management activities and the most recent economic prospects.
- 12.2 The average level of funds available for investment to the end of quarter 3 was £31.92M. In terms of performance against external benchmarks the return on investment at the end of the period was as follows:

7 day SONIA – 4.14%
Lancaster City Council – 4.01%

Details of investment holdings are set out in Appendix J.

- 12.3 No new borrowing was undertaken during quarter 3. Balance sheet projections indicate that further borrowing may still be required during this financial year. However, there is still potential for further slippage within the Capital Programme and uncertain large cashflows relating to external projects make this difficult to quantify with certainty and the actual amount of borrowing may be lower. Should borrowing be required, it is anticipated to be temporary borrowing. The ultimate timing will depend on exact working capital cashflows in the run up to year end which are kept under close review. These will continue to be monitored in the forthcoming financial year.
- 12.4 The Council has operated within the treasury and prudential indicators set out in its Treasury Management Strategy Statement for 2025/26. Appendix J gives an update in respect of prudential indicators showing the current forecast for the year against estimate.

RELATIONSHIP TO POLICY FRAMEWORK

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

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

None directly identifiable, due to the high level nature of this report.

LEGAL IMPLICATIONS

There are no legal implications directly arising.

FINANCIAL IMPLICATIONS

As set out in the report.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

References and any related implications are contained within the report and related appendices.

SECTION 151 OFFICER'S COMMENTS

The report has been written by the Section 151 Officer.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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