

Finance Report: 2024/25 out-turn including Prudential and Treasury Indicators.

1. Summary

- 1.1. This report presents the out-turn for 2024/25 relating to revenue and capital budget performance for 2024/25. The position has been reported in detail to Resources Committee and other than reflecting the approved reserve movements, the position has not changed to that previously reported. The report also includes the out-turn position relating to treasury management and prudential indicators. As such, more detail in relation to the impact of IFRS 16 (leases) is included than in the Resources report.
- 1.2. The audit of accounts for 2024/25 is still ongoing. This report presents an out-turn position which may be subject to amendment up to the point of audit sign off.

Recommendation that: a Members note the financial performance against capital and revenue budgets, Treasury and Prudential Indicators for 2024/25.

b Members approve the revised prudential indicators for 2025/26 to reflect the final position in relation to lease liabilities, as set out in Annex 2.

2. Background

- 2.1. Authority approved the 2024/25 capital and revenue budgets, along with the Treasury and Prudential indicators, in March 2024.
- 2.2. Budget oversight is carried out by the Resources Committee who have already reviewed the full year position in detail; Authority are responsible for setting the budget (plus Treasury and Prudential Indicators) and so the full year position is reported to Authority. The variance position has not changed on revenue since the report to Resources; full details of all reserve movements and variances on revenue budgets are available in the June Resources report. The reported position on capital expenditure has reduced by £7k from £694k to £687k due to review of accruals and accounting treatment.

3. Summary

- 3.1. The overall position on revenue is a net underspend of c£850k. Resources Committee approved a number of reserve movements leaving general contingency reserves (General Fund and Trading Reserve) £160k higher than assumed in the MTFs along with an improved level of financial resilience to cover other specific risks. The detail of this is set out in **Annex 1**.
- 3.2. Spend on capital was £687k against a working budget of £969k with most of the underspend relating to profiling of scheme spend rather than savings. A revised 2025/26 capital programme was approved by Resources committee to reflect the impact of the 2024/25 out-turn, plus proposals for use of the £1.5m of capital grant.
- 3.3. International Financial Reporting Standard 16 (IFRS 16; leases) was adopted for 2024/25. This has led to a number of changes on the balance sheet including recognition of Right of Use Assets (which are capital expenditure) and lease liabilities. Details are provided in Annex 1 of the impact of these on our capital expenditure and debt position. Recognition of the additional capital expenditure and the lease liabilities triggers

Minimum Revenue Provision (MRP) and interest charges. These have no underlying impact to the General Fund. It is just a presentational change removing rental expenditure and replacing this with an equal value of MRP and interest.

- 3.4. As debt and capital expenditure are both impacted by IFRS16, the Prudential Indicators approved by Authority in March included the estimated impact of adopting the standard. Now that the calculations have been completed for the year ending 2024/25 some amendments are proposed for approval to the PIs for 2025/26. These are set out in **Annex 2**.
- 3.5. All treasury activity was within the approved strategy. The 24/25 investment interest budget was set assuming a drop in rates over the year. Actual interest was £260k vs budget of £160k. This mainly relates to interest rates being higher than expected, but average cash balances have also been higher than the prior year (average cash holdings for 23/24 were £4.3m), a significant factor being the up-front payment of some significant grants in 24/25. The Treasury and Prudential indicators are presented in Annex 2 which also reflect the impact of IFRS16 (leases).

4. Options

- 4.1. The report sets out the budget position for 2024/25 on capital and revenue and other financial matters for noting.

5. Proposal

- 5.1. Members are asked to consider the items for noting and approval as per the recommendations set out in section 1.

6. Best Value Implications

- 6.1. Monitoring our financial position is key to ensuring that the Authority overall is operating within its available resources. Any spend should be in line with the procurement standing orders.

7. Financial Considerations

- 7.1. Full details of the current financial position are detailed within the Annexes

8. Risk

- 8.1. The Authority has finite financial resources. The budget is a key corporate control through which the Authority allocates financial resources to budget holders and monitors actual performance against these budgets. Regular monitoring of actual against budget and projected out-turns helps to ensure that the Authority is operating within its financial resources for the year, to flag the impact of any variances and take corrective actions.

9. Legal Considerations

- 9.1. There are no legal implications as a direct result of this report.

10. Human Resources

- 10.1. There are no staffing implications as a direct result of this report.

11. Diversity Implications

- 11.1. There are no specific diversity issues as a direct result of this report.

12. Sustainability

- 12.1. There are no non-financial sustainability implications as a direct result of this report.

Background Papers Draft out-turn report to Resources Committee 5th June
2024-2025 MTFS/Budget

Author Treasury Management Strategy 2024/25
Peter Notley – Head of Resources

Responsible Officer Peter Notley – Head of Resources
Date Written 3/9/2025

Annex 1

Out-turn 2024/25

1. Budget Monitoring Revenue Position

1.1. The out-turn on the revenue account for the year is summarised below. These figures are still being audited and so may be subject to change. The format mirrors that of the Comprehensive Income and Expenditure Statement in the statutory accounts.

Table 1: Variances to budget in statutory accounts format

	2024/25		
	Net Exp	Budget	Variance
	£000	£000	£000
Executive Board & Legal	781	807	(26)
Resources	2,228	2,383	(155)
Visitor Services	(157)	(59)	(98)
People	540	583	(43)
Communications	341	339	2
Development Management	545	545	0
Strategy & Rangers	1,560	1,865	(305)
Non Distributed Costs (corporate pension charges)	12	13	(1)
Cost of Services	5,850	6,476	(626)
Financing & Investment Income & Exp	(921)	(821)	(100)
Non-specific grant income	(6,232)	(6,232)	0
(Surplus) or Deficit on Provision of Services	(1,303)	(577)	(726)
(Surplus) or deficit on revaluation of non-current assets	(1,528)	(1,528)	0
Remeasurements of the defined benefit liability	416	416	0
Other Comprehensive (Income) & Expenditure	(1,112)	(1,112)	0
Total Comprehensive (Income) & Expenditure	(2,415)	(1,689)	(726)
Accounting adjustments	1,049	1,049	0
Direct Revenue Financing of capital	0	139	(139)
Net position	(1,366)	(501)	(865)
Appropriations to other reserves	1,036	216	820
Appropriations to General Reserve	330	285	45
Total	0	0	0

Summary of GF impact

1.2. The table above sets out variances against the working budget. This may appear to represent a significant level of underspend, however, most of these variances were anticipated in previous monitoring reports and have been largely assumed within MTFS planning. A summary of the main impacts is set out below along with how these movements will be used in terms of reserve contributions (already approved by Resources Committee).

Table 2: summary of GF savings

Service	Item	Out-turn variance £000
Financing and Investment Income and Expenditure (Resources)	Investment income	-100
Resources	ICT costs lower than expected and additional income from charging staff time to grants and external sale of software	-70
People	HR running costs including training	-28
Executive Board and Legal	Staff time recharged to grant income	-27
Visitor Services	VS performance at year end vs working budget	-98
Strategy and Rangers	Strategy staffing, including recharges to grant funded activities	-125
Direct Revenue Financing of Capital	Direct Revenue Financing not applied to capital financing, capital resources used instead to free up revenue funds to address 2025/26 revenue grant reduction.	-139
Resources	Murley Moss electricity and other running cost	-50
Strategy and Rangers	Ranger (including lake rangers) mainly salaries relating to vacant posts and time charged to grant funded schemes	-181
	Other smaller unders/overs	-47
		-£865

1.3. The table below sets out the allocation of the underspend and summarises the position vs that assumed in the MTFS.

- £75k has been reported through regular monitoring as requiring set aside to support ongoing planning casework.
- £255k is required to meet the future committed cost of Ranger staff; this mainly relates to the cost of fixed term posts included in the Ranger team (including a resource to support work on the Authority's own green estate). As reported through the year, it was clear that Strategy and Rangers would have some significant underspends from a mixture of vacant posts and time charged to grant funded work and this has effectively already been committed.
- £139k of "Direct Revenue Financing" was budgeted for as a revenue contribution to capital spend. Given the 25/26 grant settlement, this resource will not now be applied to finance the capital programme in 2024/25 but capital resources will be used instead, with the £1.5m capital grant used to fill the gap in 2025/26. This then

increases revenue resources available to be used in 2025/26 (to partially offset the revenue grant reduction).

- £100k is proposed to be set aside to cover the risks around use of fixed term contracts. There can be significant pension and other costs linked to fixed term contracts. These risks are difficult to manage as the potential liabilities relate to specific individuals' circumstances. Hiring decisions cannot take into account factors such as length of previous local government service. The use of fixed term contracts is desirable in many circumstances so it is proposed that a specific reserve is established to mitigate against this specific risk.
- £98k relates to trading performance within Visitor Services and has been credited to the trading reserve. This is significantly better than anticipated but still results in a c£300k draw on the reserve linked to trading performance.
- c£150k has been contributed to specific reserves to help the with the scaling down of significant grant funded projects where these are anticipated to be ending within the MTFS period. These costs will help with retention of staff for a period beyond the end of the grant funding as well as providing a contingency for ongoing maintenance (Coast to Coast trail).

Table 3: Proposed allocation of net underspend and GF/Trading reserve reconciliation

	£000
Net underspend	-865
Planning casework reserve	75
Ranger and property ranger staffing costs	255
DRF underspend to support revenue capital swap in 2025/26	139
Fixed term contract cost reserve	100
Trading reserve	98
Credit to FiPL reserve	103
Coast to Coast future costs	50
Balance to General Fund	45
Per MTFS projected closing GF	1,550
Actual closing	1,672
Less contra to VS	-149
Plus residual underspend	45
Closing	1,568
VS projected balance	250
Actual (including Trading to year end £98k)	243
plus contra from General Fund	149
Closing	392
Total improvement in general and trading reserves vs MTFS	160

2. Capital

2.1. Spend on capital was £687k for the year against a working budget of £969k. There are a number of schemes which are ongoing. The values carried forward into 2025/26 totalled £275k. The full details, by scheme are presented within the June Resources report.

2.2. The capital expenditure was funded as follows:

Financed by:	£000
Capital receipts	265
Capital grants and contributions in year	363
Capital grants reserve	7
Grant for capital spend on assets not owned by the Authority (Bridges)	52
Total	687

2.3. In addition, £89k of capital receipts were received in the year, resulting in a net movement on the capital receipts reserve of £176k.

2.4. In addition, as part of the adoption of IFRS16 (leases) "Right of Use" assets were recognised during 2024/25 of £1,565k. Strictly speaking, these Right of Use Assets also count as capital expenditure in year, largely funded through "borrowing"; a lease liability was also recognised at the same time to represent the funding of capital through a loan.

2.5. This in turn triggers a Minimum Revenue Provision (MRP, a charge to revenue for the repayment of borrowing, charged over the life of the asset) and an interest payment (on the lease liability, effectively a "loan"). These have no underlying impact to the General Fund. It is just a presentational change from rental expenditure to an equal value of MRP and interest.

2.6. Taken together, these impact on the Authority's previous status as 'debt free'. There are two types of 'debt' for a local Authority. The first type is an accounting debt referred to as the Capital Financing Requirement (CFR) which is the net value of assets purchased less usable reserves used to fund them. This is similar to buying a house partly using a deposit and partly with a loan; the loan value is similar to the CFR. The second type of debt is a treasury debt which relates to actual loans and borrowings. This would be similar to a mortgage but may be in the form of eg an off-set account where savings temporarily reduce the mortgage amount.

2.7. Similar to this, the actual loans and borrowings of the Authority should not exceed the CFR and this is a key prudential indicator. In the case of IFRS16, the CFR went from £0 and ended the year at £1,433k. This is equal and opposite to the lease liability also recognised.

2.8. As the debt and capital expenditure are both impacted by IFRS16, the Prudential Indicators included the estimated impact. Now that the calculation have been completed for year end 2024/25, some amendments are proposed for approval to the PIs for 2025/26. These are set out in **Annex 2**.

3. Reserves Balances

3.1. Balances for all usable reserves for 2024/25 are shown in the table below. This is the same as presented to Resources Committee but includes the contributions that were approved and the impact of capital financing which funded the 2024/25 capital expenditure.

Table 4: Use of/contributions to Reserves

Description	Balance 31 March 2024	Transfers to/(from) reserves	Balance 31 March 2025
	£0	£0	£0
Usable Reserves - capital			
Useable Capital Receipts Reserve	820	-176	644
Capital Grants Unapplied Reserve	252	-7	245
Total capital reserves	1072	-183	889
Usable Reserves - revenue			
Earmarked Reserves			
Ring-fenced Funds Reserve	180	464	644
External Grants Reserve	206	-34	172
Biodiversity Net Gain Reserve	70	4	74
Climate Change Reserve	5	5	10
Windermere Registration Reserve	10	-10	0
Cumbria Woodlands	106	25	131
Investing for our Future	281	-43	238
Inquiry reserve	115	21	136
Partnership Priorities Reserve	176	20	196
Fix the Fells Reserve	119	0	119
Committed Salary reserve	403	448	851
Public Rights of Way Reserve	73	64	134
Planning Interim Support Reserve	64	168	232
National Parks Portal Reserve	0	32	32
Farming in Protected Landscapes	58	166	224
Visitor Services Trading	537	-145	392
Total Earmarked Reserves	2,403	1,184	3,587
General Reserve	1,387	181	1568
Total Usable Reserves	4,862	1,182	6,044

4. Treasury Management Performance

4.1. To the end of the period, our average daily investment was £5.3m. Rates of return are linked to a balanced and prudent risk appetite combined with the need to have easy access to cash to cover potentially large volumes of project-related spend. Investment opportunities within our risk appetite and portfolio size are severely restricted.

- 4.2.** The 24/25 investment interest budget was set assuming a drop in rates over the year. The main deposit facility is the CCLA Public Sector Deposit Fund (a AAA rated Money Market Fund). Actual interest to P12 was £260k vs budget of £160k. This mainly relates to interest rates being higher than expected, but average cash balances have also been higher than the prior year (average cash holdings for 23/24 were £4.3m), a significant factor being the up front payment of HBRG in 24/25.
- 4.3.** Bank rate dropped to 4.5% in February (and again to 4.25% in May). There is an expectation that rates will drop further although it is expected that further falls will be gradual and will not return to the ultra-low rates which were the norm for a prolonged period after the 2008 financial crisis. CPI for March fell from 2.8% in February but remained above target at 2.6%.
- 4.4.** Investments at the end of the year are shown below:

Table 5: Breakdown of holdings by Institution type

Institution type	Holding amount (£000)
Major UK Banks (Current account)	558
Major UK Banks (Investments)	1,917
Money Market Funds	5,000
Total	7,475
Average investment balance	5,336

5. Treasury Indicators and Prudential Indicators

- 5.1.** The Treasury and Prudential Indicators are presented at **Annex 2**. The impact of IFRS16 (leases) is now reflected for 2024/25 onwards. As set out above, this has made changes to our capital expenditure (Right of Use Asset recognised), and our debt (Capital Financing Requirement and lease liabilities). These are all presentational in nature, there is no underlying change to cash flows or rights and responsibilities in relation to leased assets.
- 5.2.** Estimates of the impact of IFRS16 were included in the 2025/26 indicators. To reflect the actual values calculated for 2024/25 year end, some amendments have been proposed to the 2025/26 estimates approved by Authority in March. Authority are asked to approve the amended indicators for 2025/26.

Annex 2: Prudential and Treasury Indicators

1. Introduction

- 1.1 These Prudential Code and Treasury indicators reflect the financial outturn position for the Authority for 2024/25 and some amendments for 2025/26 following the out-turn and implementation of IFRS16 (leases).

2 Treasury indicators

- 2.1 The authority sets treasury management indicators relating to interest rate exposure and the maturity profile of borrowing. The authority took on no actual borrowing in the year and so there is no relevant activity in relation to these indicators.
- 2.2 IFRS16 has brought lease liabilities onto the balance sheet. From a Treasury perspective, the underlying cash flows have not altered. These are regular payments in line with the lease agreements. There are recurring revenue budgets to cover the costs with a fixed interest rate used to establish the underlying present value of the liability. These pose negligible treasury risk in terms of maturity profile or interest rate exposure.

2. Prudence in Borrowing and Investment

2.1 Indicator 1: Adoption of the CIPFA Code of Practice for Treasury Management

The Lake District National Park Authority has adopted the *CIPFA Code of Practice for Treasury Management in the Public Services*, and it was applied throughout 2024/25.

2.2 Indicator 2: Gross debt and the capital financing requirement

In order to ensure that over the medium term debt will only be for a capital purpose, we are required to ensure that total gross debt does not (except in the short term) exceed the total of capital financing requirement. This was the case throughout 2024/25

	2023/24 Actual £000	2024/25 Estimate £000	2024/25 Actual £000	2025/26 Estimate £000	2025/26 Revised Estimate £000
Gross Debt, made up of:	0	1,000	1,433	1,000	2,000
External Borrowing to fund Capital Programme*	0	0	0	0	0
Credit Arrangements (IFRS16 Leases)	0	1,000	1,433	1,000	2,000
Capital Financing Requirement*	0	1,000	1,433	1,400	2,000

The revised estimate allows some headroom for any new or re-negotiated leases in year.

3. Prudential Indicators for Capital Expenditure

3.1 Indicator 3: Actual and Estimated Capital Expenditure

	2023/24 Actual £000	2024/25 Actual £000	2025/26 Estimate £000	2025/26 Revised* Estimate £000
Capital Expenditure (excluding IFRS16)	844	687	983	1,997

*The revised estimate reflects the amended capital programme presented to Resources committee June 2025.

In addition, £1,565k of Right of use assets were recognised as at year end under IFRS16.

3.2 Indicator 4: Capital Financing Requirement

As planned, all the capital expenditure during 2024/25 was fully funded, with the CFR value purely reflecting the impact of IFRS16 (Leases)

	2023/24 Actual £000	2024/25 Actual £000	2024/25 Actual £000	2025/26 Estimate £000	2025/26 Revised Estimate £000
Capital Programme	0	0	0	400	0
Credit Arrangements (IFRS16 Leases)	0	1,000	1,433	1,000	2,000
Capital Financing Requirement	0	1,000	1,433	1,400	2,000

The revised estimate allows some headroom for any new or re-negotiated leases in year.

4. Prudential Indicators for External Debt

4.1 Indicator 5: Authorised Limit

This indicator sets the Authorised Limit for our total external debt and other long term liabilities. The limit was not used as the Authority remains debt free.

	2023/24 Actual £000	2024/25 Estimate £000	2024/25 Actual £000	2025/26 Estimate £000	2025/26 Revised Estimate £000
Borrowing	600	800	0	800	800
Lease Liabilities	0	1,000	1,433	1,000	2,000
Authorised Limit	600	1,800	1,433	1,800	2,800

The revised estimate allows some headroom for any new or re-negotiated leases in year.

4.2 Indicator 6: Operational Boundary

This indicator sets the operational boundary for our total external debt and other long term liabilities. The boundary was exceeded in relation to lease liabilities. The actual value was calculated as part of year end 2024/25; all leases entered into were in line with the available budgets and authorised in line with the scheme of delegation.

	2023/24 Actual £000	2024/25 Estimate £000	2024/25 Actual £000	2025/26 Estimate £000	2025/26 Revised Estimate £000
Borrowing	0	0	0	0	0
Lease Liabilities	0	1,000	1,433	1,000	2,000
Operational Boundary	0	1,000	1,433	1,000	2,000

The revised estimate allows some headroom for any new or re-negotiated leases in year.

4.3 Indicator 7: Actual External Debt

The authority was debt free throughout 2024/25, except for the impact of IFRS16 (leases). The impact of this accounting standard recognised £1,433k of lease liabilities onto the Authority's balance sheet.

	2023/24 actual £000	2024/25 Estimate £000	2024/25 Actual £000	2025/26 Estimate £000	2025/26 Revised Estimate £000
Actual / Est Gross Debt – lease liabilities	0	1,000	1,433	1,000	2,000
Actual / Est Gross Debt – external borrowing	0	0	0	0	0
Total	0	1,000	1,433	1,000	2,000

The revised estimate allows some headroom for any new or re-negotiated leases in year.

5. Affordability Indicators

5.1 Indicator 8: Ratio of Financing Costs to Net Revenue Stream

This indicator shows net interest receipts (also called capital financing costs) as a percentage of total funding streams. This indicator is really to show the net cost of borrowing as a percentage of income. Following introduction of IFRS16 (leases) the Authority has recognized lease liabilities which have an associated interest charge. Interest received from cash deposits was higher, so net financing charges were negative.

	2023/24 Actual £000	2024/25 Estimate £000	2024/25 Actual £000	2025/26 Estimate £000
Net Financing Costs	(217)	(90)	(175)	15

Net Revenue Streams	5,590	5,840	5,840	5,087
Ratio of Financing Costs to Revenue Streams	(3.88%)	(1.54%)	(3.0%)	0.29%

5.2 Indicator 9: Estimates of Net Income form Commercial and Service Investments to Net Revenue Stream

Net income from commercial and service investments comprises net income from financial investments (other than treasury management investments), together with net income from other investment assets, such as commercial property. For the purposes of this indicator, the income mainly relates to property rents.

	2023/24 Actual £000	2024/25 Revised £000	2024/25 Actual £000	2025/26 Estimate £000
Net Commercial Income	382	453	397	489
Net Revenue Streams	5,590	5,840	5,840	5,087
Ratio of Net Receipts to Revenue Streams	7%	8%	7%	10%

5.3 Indicator 10: Incremental Impact of Capital Decisions on the Council Tax

We do not currently raise money through the Council Tax and therefore the indicator has not been calculated