



Committee: BUDGET AND PERFORMANCE PANEL

Date: TUESDAY, 13 SEPTEMBER 2016

Venue: LANCASTER TOWN HALL

Time: 6.10 P.M.

A G E N D A

1. **Apologies for Absence**

2. **Minutes**

Minutes of the Meeting held on 12th July, 2016 (previously circulated).

3. **Items of Urgent Business authorised by the Chairman**

4. **Declaration of Interests**

To receive declarations by Members of interests in respect of items on this Agenda.

Members are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Whilst not a legal requirement, in accordance with Council Procedure Rule 9 and in the interests of clarity and transparency, Members should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

In accordance with Part B Section 2 of the Code Of Conduct, Members are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

5. **Complaints monitoring for year ended 31st March 2016** (Pages 1 - 6)

Report of Chief Officer (Environment).

6. **Corporate Financial Monitoring 2016/17 - Quarter 1** (Pages 7 - 37)

Report of the Chief Officer (Resources).

7. **Work Programme Report** (Pages 38 - 41)

Report of Chief Officer Executive.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Dave Brookes (Chairman), Phillippa Williamson (Vice-Chairman), Sam Armstrong, Andrew Gardiner, Janet Hall, Tim Hamilton-Cox, Roger Sherlock, Susan Sykes and Oscar Thynne

(ii) Substitute Membership

Councillors Ron Sands, Andrew Warriner, John Wild, Nicholas Wilkinson and Peter Williamson

(iii) Queries regarding this Agenda

Please contact Sarah Moorghen, Democratic Services - telephone 01524 582132 or email smoorghen@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Democratic Support, telephone 582170, or alternatively email democraticsupport@lancaster.gov.uk.

MARK CULLINAN,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER LA1 1PJ

Published on Thursday, 1st September, 2016.

BUDGET AND PERFORMANCE PANEL

Complaints monitoring for year ended 31st March 2016

13 September 2016

Report of Chief Officer (Environmental Services)

PURPOSE OF REPORT

To provide an overview of the performance of the council during 2015 - 2016 in responding to complaints submitted in accordance with the council's Complaints Procedure and considered by the Local Government Ombudsman for the year ended 31 March 2016.

The report also outlines current monitoring arrangements and suggests that steps be taken to clarify and streamline these to make best use of analysis and feedback from complaints as part of the Council's programme of continuous improvement.

This report is public

OFFICER RECOMMENDATIONS

- (1) **That Budget and Performance Panel considers the report and attachments in line with their Terms of Reference relating to the monitoring and review of the council's performance, making any comments and recommendations considered necessary.**
- 1. INTRODUCTION/BACKGROUND TO THE COMPLAINTS PROCEDURE**
- 1.1. This report provides an overview of the performance of the council during 2015 / 2016 in responding to complaints made.
- 1.2. Complaints are recognised as a valuable tool in helping officers to understand the concerns of residents in the delivery of services and have an important role in supporting the improvement of those services.
- 1.3. Complaints are analysed by Organisational Development from complaints logged on the customer relationship management system (LAGAN) and/or recorded in a spreadsheet of corporate complaints maintained by Customer Services. The data collected is used to provide the performance information in this report.
- 1.4. The Complaints Policy defines a complaint as *'An expression of dissatisfaction about a council service (whether that service is provided directly by the council or by a contractor or partner) that requires a response'*.
- 1.5. The policy also provides for appeals against any council advice, actions or decisions in its capacity as a regulator to be considered as a complaint where no statutory right of appeal or council appeals/review procedure exists
- 1.6. The policy lists the following categories of complaints which form part of the corporate monitoring arrangements:
- Failure to follow agreed council procedure, policy rules or standards of service;
 - Failure to take account of relevant matters in coming to a decision;
 - Neglect or unjustified delay;
 - Inappropriate behaviour of a council employee or someone acting on the council's behalf;
 - Malice, bias or discrimination

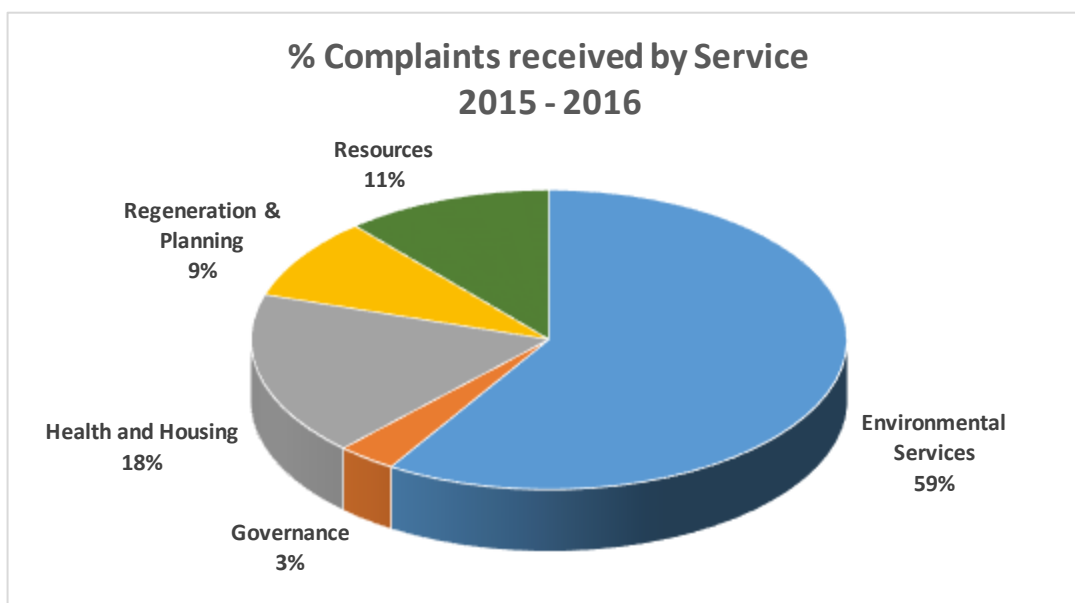
- 1.7. The formal complaints procedure allows for complaints to be made in person, by telephone, by email or in writing or online. Alternatively anyone wishing to make a complaint can contact their Councillor who will take up the complaint with the relevant Service. In the main, complaints are initially submitted to Customer Services to be logged and subsequently directed to designated complaints officers within each Service.
- 1.8. The policy also sets out a list of matters that are excluded from the complaints procedure and highlights the importance of understanding that when a user of council services expresses dissatisfaction a distinction needs to be made between a complaint and a service request or an objection to a decision or a policy. The policy points out, however, that a clear and consistent approach is needed as service requests can sometimes lead to complaints later on – the notification of a missed bin is a service request but a repeated failure to collect the same bin may lead to a complaint.
- 1.9. In practice, many issues/complaints, are dealt with without the need to invoke the formal complaints procedure, with the formal process only being instigated where further investigation is required. In general, complaints are deemed as 'informal' where a quick resolution of the problem is the main concern of the complainant rather than an investigation and written explanation. The resolution of informal complaints are particularly applicable to Environmental Services such as complaints relating to waste collection and street cleansing. There is currently no corporate approach to recording informal complaints.
- 1.10. Complaints received should be acknowledged within five days of receipt and the formal complaints procedure consists of the following two stages:
 - **Stage One:** Complaints are dealt with by designated senior managers within the Service which is the subject of the complaint. Officers aim to investigate and provide a full response within 10 working days from initial receipt. Where this is not possible the complainant is advised of the likely timescales and kept informed of progress.
 - **Stage Two:** Invoked only where the complainant has challenged the response received and the Stage One process has been fully exhausted. Stage Two is not intended to be a re-investigation of the original complaint but a review by an officer independent of the Service area concerned to establish whether the investigation at Stage One was sufficiently thorough and impartial and, if any fault was found, whether things have been put right for the complainant. Officers again aim to provide a full response within 10 working days of Stage Two being instigated and will inform the complainant where a decision cannot be made within that timescale.
- 1.11. The Local Government Ombudsman (LGO) can be contacted by a complainant at any stage, although the LGO will not normally investigate complaints until they have been through the council's complaints procedure. In exceptional circumstances (e.g. where it is felt that a satisfactory resolution will not be reached) the Chief Executive may ask the Local Government Ombudsman to consider the complaint without it having been through the council's complaints procedure.
- 1.12. Where the LGO does carry out an investigation it will be on the basis of providing remedy or redress where it is considered that decisions have not been properly taken by the council or a failure of service provision has occurred.
- 1.13. Complaints about the council housing service made by, or on behalf of, a council tenant, leaseholder or a housing applicant are investigated by the Housing Ombudsman Service (HOS). The HOS will investigate complaints where the issue has not been resolved at Stage Two and eight weeks have passed since the completion of Stage Two.

- 1.14. It is currently the role of the Information Management Officer to act as the point of contact between the LGO and HOS and to co-ordinate the council's responses to the LGO/HOS. This officer also provides guidance on data protection, freedom of information and related complaints ensuring compliance with statutory requirements. This post has recently been filled following a period of vacancy during which responsibilities were fulfilled by the Internal Audit Manager.
- 1.15. There is no formal approach to capture compliments made about the council as many compliments are informal and verbal in nature. They are, however, an important source of feedback about council services and the staff who deliver them. If recorded and the stories they tell published internally, they can offer a positive perspective on the work of staff and managers.

2. COMPLAINTS ANALYSIS 2015 - 2016

- 2.1. The council received a total of 124 complaints in 2015 – 2016 compared to 146 in 2014 – 2015. This is an overall reduction of 15% which can be seen as a positive indication that the delivery of services is improving.
- 2.2. The table below sets out the analysis of the number of complaints by Service in 2015 - 2016, compared to 2014 – 2015:

Service	2015-2016	2014 -2015	Change
Environmental Services	73	79	-8%
Governance (G)	4	6	-33%
Health and Housing (H&H)	22	21	+5%
Regeneration & Planning (R&P)	11	19	-42%
Resources (R)	14	21	-33%
Total	124	146	-15%

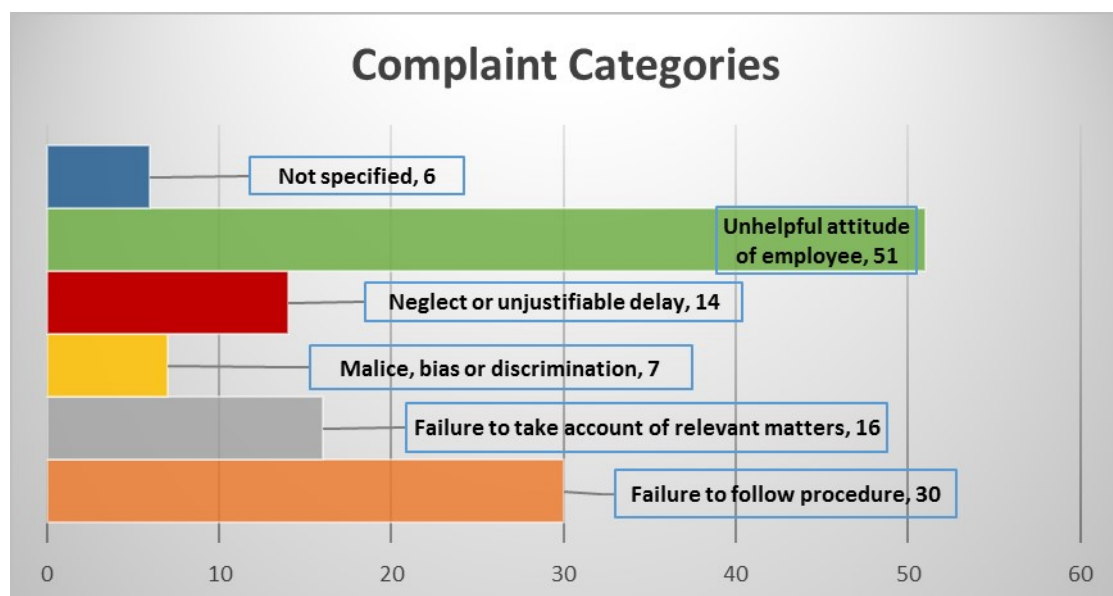


- 2.3. Of the total complaints received in 2015 - 2016, 50 were upheld or partially upheld across all Services, an overall reduction of a third compared to 2014 - 2015. A total of 9 complaints were escalated to Stage 2 across all Services, one more than in 2014 – 2015. At the end of the year 9 complaints were ongoing and/or awaiting a decision.

Service	2015-2016		2014-2015		Change	
	Upheld	Partially Upheld	Upheld	Partially Upheld	Upheld	Partially Upheld
Environmental Services	28	8	43	7	-15	+1
Governance	0	1	0	0	0	+1
Health & Housing	2	4	3	5	-1	-1
Regeneration & Planning	0	1	0	7	0	-6
Resources	0	6	3	7	-3	-1
Total	30	20	49	26	-19	-6

- 2.4. Of the total number of complaints received in 2015 – 2016 (124), 68% at Stage 1 were dealt with within 10 days of the complaint being received. This is 4% better than 2014 – 2015. Of the nine complaints escalated to Stage 2, 71% were dealt with within specified deadlines, which is 21% worse compared to 2014 – 2015. In all cases, both at Stage 1 and Stage 2, the complainant was informed that deadlines would be exceeded.
- 2.5. The table below sets out an analysis of all complaints by category type as set out in the complaints procedure:

Complaint categories	2015 - 2016	2014 - 15	Change %
Failure to follow procedure	30	45	-33%
Failure to take account of relevant matters	16	20	-20%
Malice, bias or discrimination	7	2	+250%
Neglect or unjustifiable delay	14	26	-46%
Unhelpful attitude of employee	51	42	+17%
Not specified	8	11	-27%
Total	124	146	-15%



- 2.6. The service areas that customers complained most about during 2015 – 2016 were:

Service area	Number
Waste and street cleansing	18
Repairs and Maintenance	7
Planning and enforcement	10
Council Tax and Benefits	7

To put these into some perspective during 2015 – 2016 the council carried out nearly 6.5M collections across all waste streams; undertook nearly 11,500 responsive repairs to council houses; assessed almost 1,500 planning applications; dealt with 12,000 benefit claims and sent Council Tax bills to around 65,000 domestic and 5,000 business properties.

3. LOCAL GOVERNMENT OMBUDSMAN (LGO) ENQUIRIES

- 3.1. The annual review letter from the LGO for the year ended 31 March 2016 is attached to this report. The LGO received 12 complaints and enquiries which is 10 fewer than in 2014 – 2015. Of these three were investigated (one more than in 2014 – 2015) with the other nine being:

- Incomplete or invalid (1)
- LGO advice given and case closed (1)
- Closed after initial enquiries (5)
- Referred back to the council for local resolution (2)

- 3.2. Two of the three complaints investigated by the Ombudsman were upheld against the council. One of these was upheld on the basis that whilst the LGO found fault against the council there were no grounds to say that the fault caused injustice that needed to be remedied. In the second case, the recommendations of the LGO were implemented by the council. No payments were made to the complainant in either case

- 3.3. The council properly responded to LGO enquiries and deadlines in all three cases investigated.

4. SERVICE IMPROVEMENTS AND LEARNING FROM COMPLAINTS

- 4.1. Complaints are a valuable source of customer insight and whilst the number of complaints are reducing there is scope to carry out further work with service managers to make better use of valuable feedback on customer concerns to identify root causes and prioritise service improvements.
- 4.2. Following the recent appointment of the Information Governance Manager, there is an opportunity to review current complaints procedure and monitoring arrangements to make sure that there is clarity about the responsibilities and provisions corporately as well as within Services.

CONCLUSION OF IMPACT ASSESSMENT

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

None directly arising from this report

LEGAL IMPLICATIONS

None arising from this report

FINANCIAL IMPLICATIONS

None directly arising from this report.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces: None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

LGO Annual Review Letter
Complaints spreadsheet

Contact Officer: Bob Bailey, Organisational Development Manager
Telephone: 01524 582018
E-mail: rbailey@lancaster.gov.uk
Ref: Complaints analysis 2015-16

BUDGET AND PERFORMANCE PANEL**Corporate Financial Monitoring 2016/17 – Quarter 1****13 September 2016****Report of Chief Officer (Resources)****PURPOSE OF REPORT**

To present the corporate financial monitoring report for Quarter 1 of the 2016/17 monitoring cycle.

This report is public

OFFICER RECOMMENDATIONS

- (1) **That Budget and Performance Panel considers the Cabinet Report dated 06 September 2016 and attached appendices, making any comments and recommendations considered necessary.**

1. CORPORATE PERFORMANCE MONITORING 2016/17 - QUARTER 1

- 1.1. The report attached at **Appendix 1**, presented to Cabinet on 06 September 2016, provides a summary of financial monitoring for Quarter 1 of the 2016/17 performance monitoring cycle.
- 1.2. Budget and Performance Panel are asked to consider the Cabinet report and attachments in line with their Terms of Reference within the Constitution relating to the monitoring and review of the council's performance.
- 1.3. Members will see that the focus for this quarter has been on financial monitoring, in particular the status of savings and growth approved as part of the 2016/17 budget process. In short, not all savings are progressing as originally planned in this year and there are lessons learned from this, but the financial consequences can be managed through the additional business rates coming through from renewable energy. In future years, savings are expected to get back on track and as renewable energy income is set to continue at least for the medium term, financial prospects for 2018/19 onwards are better than previously forecast. Much more information is set out in the attachments.
- 1.4. As well as building on the financial reporting, Future reports will look to provide more information on the Council's general performance.
- 1.5. Finally, the request from the Panel to provide more information on energy efficiency monitoring is being taken forward as part of a review of the Property Group monitoring report, which will be circulated separately as a briefing note.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces: As set out in the relevant appendices.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

Contact Officer: Andrew Clarke, Financial Services Manager

Telephone: 01524 582138

E-mail: acclarke@lancaster.gov.uk

Ref: N/A

Corporate Financial Monitoring 2016/17 – Quarter 1
06 September 2016
Report of the Chief Officer (Resources)

PURPOSE OF REPORT				
To provide an overview of the Council's financial position for Quarter 1 of the 2016/17 monitoring cycle, and the supporting actions underway.				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/>	Referral from Cabinet Member
Date of notice of forthcoming key decision		N/A		
This report is public.				

OFFICER RECOMMENDATIONS:

(1) That Cabinet notes the report and the supporting actions set out.

1. Corporate Financial Monitoring

1.1. The corporate financial monitoring report for Quarter 1 is attached at **Appendix A**, and the headline variances and projections are as follows:

- A current General Fund net underspending of £462K, but projected to reduce to £3K by the year end.
- A current Housing Revenue Account net underspending of £20K, expected to increase to £23K by the year end.

1.2. Balances for both funds remain strong and are higher than forecast back in March.

1.3. With regard to the Housing Revenue Account, there are no new significant issues to report and in the context of its overall budget, the forecast net underspending is small.

1.4. With regard to General Fund, there are some key matters to highlight. The table overleaf provides a summary of the latest financial forecasts for both current year and next year. Cabinet will recall that both these years were balanced, based on the budget and financial strategy decisions taken by Council back in March.

2016/17 and 2017/18 Summary Position	2016/17 Position to Qtr 1 £'000	2016/17 Full Year Projection £'000	2017/18 Full Year Projection £'000
Savings Targets Not Achieved (Annex A)	+17	+535	+14
Employees (Annex B)	(159)	(224)	--
Transport / Premises / Supplies & Services (Annex B)	+7	(1)	--
Other additional income (Annex B)	(90)	(76)	--
Net Additional Business Rates Income (App A, section 4.1.2)	(237)	(237)	(633)
NET (UNDER) / OVER (+) SPENDING	(462)	(3)	(619)
<i>*Any underspendings are simply assumed to fall into Balances at this stage.</i>			

1.5. The table highlights that on top of the very minor £3K net underspending now forecast in the current year, a net underspending of £619K is projected for next year. Based on these projections, additional funds would be available to help manage other financial pressures or spending needs.

1.6. It can also be seen that a number of General Fund savings, approved as part of the 2016/17 budget, are not meeting their target and they are the main reason why the current General Fund net underspending is forecast to reduce by the end of the year. Three of the main areas relate to:

- Splash Park – income will be down by £50K (100% of target) for the year.
- Charging for Green Waste Collection – income projected to be down by £458K (79% of target) for the year.
- Energy Efficiency Savings – savings down £35K (50% of target) for the year.

The above are as a result of implementation issues or changes in approach for delivering the projects, for which more details are provided in section 2.3 of Appendix A. It is still anticipated however that in main, the bulk of savings will be fully achievable in 2017/18 and onwards. Green waste collection income is assumed to grow substantially from 2018/19, although this is still subject to Cabinet's future decisions on pricing policy.

1.7. One particularly significant positive point to note is that the General Fund budget will benefit from Renewable Energy business rate income, which after allowing for adjustments to the business rates tariff, will amount to additional income of £237K in the current year, rising to at least £630K in future years. There is scope for this income to increase further for the medium term - at least.

- 1.8. Drawing on the results of this quarter's monitoring work, the following table shows how General Fund's financial outlook to 2020 is expected to improve. The estimated savings requirements for 2018/19 and 2019/20, as set out in the Medium Term Financial Strategy (MTFS), have reduced significantly by £953K for 2018/19 and £938K for 2019/20. This is really good progress at this stage, but as touched on above it does make assumptions in respect of future year's pricing for the green waste collection service. That said, by no means are the updated forecasts based on a thorough reassessment of the Council's financial prospects, as that can only be completed later in the year.

Future Years Savings Requirements	2018/19 £'000	2019/20 £'000
Current In-Year Savings Requirements as per MTFS	2,226	2,671
Add: Savings Targets Not Achieved (Credit Card Charging – see Annex A)	+25	+26
Less: Savings Targets Exceeded (Green Waste Collection Charging – see App A section 2.3 for more details)	(342)	(325)
Less: Renewable Energy – Net Business Rates Income (see App A)	(636)	(639)
Updated In-Year Savings Requirements	1,273	1,733
Forecast Improvement in Position	953	938

- 1.9. To help manage the pressures on balances and the budget generally, and to help ensure the successful delivery of future savings programmes or other initiatives, a number of actions are outlined in the report and they key ones are summarised as:
- Seeking to implement green waste charging in some form later this year, to get the scheme in place and achieve some income.
 - Developing the next corporate planning and budgeting process over a two year planning period, to allow more time for better, more co-ordinated planning and development, and capacity building. The backdrop of a four-year Finance Settlement also helps with this, giving much more (but not absolute) certainly over medium term funding prospects.
- 1.10. More details are set out in the attached report.
- 1.11. In support, the latest update treasury management activities is included at **Appendix C**. The Property Group update is currently being reviewed and updated and a briefing note will be circulated in due course.
- 1.12. This report is primarily for information and therefore no options presented. Cabinet is requested to consider carefully the report and the various Officer actions set out, however, and indicate whether it wishes any further actions to be undertaken.

RELATIONSHIP TO POLICY FRAMEWORK

This report is a requirement of the council's Performance Management Framework in support of the delivery of key priorities and outcomes as set out in the overall policy framework and specifically in the Corporate Plan 2016-20.

CONCLUSION OF IMPACT ASSESSMENT

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

None directly arising from this report. Any additional implications linked to or arising from the various financial matters raised will be addressed in taking any relevant actions forward.

LEGAL IMPLICATIONS

None directly arising from this report. Any additional implications linked to or arising from the various financial matters raised will be addressed in taking any relevant actions forward.

FINANCIAL IMPLICATIONS

As set out in the attached.

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

This report is in the name of the s151 Officer, albeit in her capacity as Chief Officer (Resources).

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

Contact Officers: Corporate Financial Monitoring - Andrew Clarke, Financial Services Manager **Telephone: 01524 582138; E-mail: aclarke@lancaster.gov.uk**

Ref:

Corporate Financial Monitoring

Quarter Ended 30 June 2016

Report of: Chief Officer (Resources & s151 Officer)

Financial Services Manager

HEADLINE INFORMATION

- General Fund revenue budget has a current net underspending of £462K, which is projected to reduce to £3K by the year end.
- Allowing for the projected underspending, General Fund balances are currently forecast to be £4.519M by year end (with £3.019M available above the £1.5M minimum level. This is £334K higher than budgeted, allowing for last year's underspending).
- Housing Revenue Account (HRA) has a current net underspending of £20K, which is projected to increase to £23K by the year end.
- Allowing for that projected underspending, HRA balances are currently forecast to be £1.991M by year end (with £1.641M available above the £350K minimum level. This is £371K higher than budgeted, allowing for last year's underspending).

1. INTRODUCTION

This report provides a quarterly snapshot of the corporate financial position for the Council (as at the end of either June, September or December). It looks at the latest spend and income collected against profiled revised budgets, and where appropriate it provides a forecast projection for the full year, and for future years where possible. In addition, there are sections covering income collection and procurement.

The report is split into the following areas:

- Revenue Monitoring – General Fund and Housing Revenue Account
- Capital Monitoring – General Fund and Housing Revenue Account
- Local Taxation – Council Tax and Business Rates
- Income Collection – General Fund Sundry Debts and Council Housing Rents
- Procurement

It should be noted that the Council has to operate two specific service related funds – General Fund and Housing Revenue Account (HRA). The latter covers all aspects relating to Council Housing, whilst the General Fund covers all other Council services.

In addition, there is also a Collection Fund, as the Council acts as billing authority for all Council Tax and Business Rates income in the district. As well as helping to fund the City and Parish Councils, that income collectable is also shared with Government, Lancashire County Council, the Police and Crime Commissioner and the Fire Authority.

2. REVENUE MONITORING

This section covers both General Fund and the Housing Revenue Account (HRA), and reports on variances relating to the day to day income and expenditure of the Council. There are also three specific sections for approved savings monitoring, salaries and the Repair and Maintenance Section (RMS).

2.1. Summary Position

2.1.1. General Fund

With regard to General Fund, there are some significant matters to highlight. The table overleaf provides a summary of the latest financial forecasts for both current year and next year. Cabinet will recall that both these years were balanced, based on the budget and financial strategy decisions taken by Council back in March.

The summary shows that overall there is a current net underspending of £462K in this year, but this is anticipated to reduce to £3K by the year end. For next year, a net underspending of £619K is now forecast. If ultimately this materialises, those resulting funds would be available to help manage other financial pressures or spending needs.

More details of all variances are shown in **Annexes A & B**, as well as being summarised overleaf. In particular, the monitoring focuses on progress in achieving approved budget savings and on business rates income, as well as other more general variances.

2016/17 and 2017/18 Summary Position	2016/17 Position to Qtr 1 £000's	2016/17 Full Year Projection £000's	2017/18 Full Year Projection £000's
Shortfall in Approved Budget Savings (Annex A / Section 2.3)	+17	+535	+14
General Salaries/Staffing (Annex B /Section 2.4)	(159)	(224)	--
Transport / Premises / Supplies & Services (Annex B)	+7	(1)	--
Other additional income (Annex B)	(90)	(76)	--
Net Additional Business Rates Income (section 4.1.2)	(237)	(237)	(633)
NET (UNDER) / OVER (+) SPENDING*	(462)	(3)	(619)
<i>*Any underspendings are simply assumed to fall into Balances at this stage.</i>			

Drawing on the above results of this quarter's monitoring work, the following table shows how General Fund's financial outlook to 2020 is expected to improve. The estimated savings requirements for 2018/19 and 2019/20, as set out in the Medium Term Financial Strategy (MTFS), have reduced by £953K for 2018/19 and £938K for 2019/20. This is really good progress at this stage, but it does make assumptions in respect of future year's pricing for Green Waste Collection Charging – see section 2.3 for more details. That said, by no means are the updated forecasts based on a thorough reassessment of the Council's financial prospects, as that can only be completed later in the year.

Future Years Savings Requirements	2018/19 £'000	2019/20 £'000
Current In-Year Savings Requirements as per MTFS	2,226	2,671
Add back: Undeliverable Savings Measures (Credit Card Charging – See Annex A)	+25	+26
Less: Assumed Additional Income from Approved Savings Measures (Green Waste Collection Charging – see section 2.3 for more details)	(342)	(325)
Less: Renewable Energy – Net Business Rates Income (section 4.1.2)	(636)	(639)
Updated In-Year Savings Requirements	1,273	1,733
Forecast Improvement in Position	953	938

2.1.2. Housing Revenue Account

For the HRA, there is a current net underspending of £20K at the end of Qtr 1, which is anticipated to increase to £23K by the year end. The main variances are shown in the following table:

	Current Position £000's	Full Year Projection £000's
Employees	+39	+36
Savings on lifeline charges	(36)	(36)
Savings on Cable Street Lease	(23)	(23)
NET (UNDER) / OVER (+) SPENDING	(20)	(23)

The HRA does not have any future savings requirements as the overall 30-year Business Plan is currently balanced, albeit with the use of reserves in the short term to offset the annual 1% reduction in rent until 2019/20. There has been no reassessment of the Fund's outlook beyond 2016/17, at this early stage in the year.

S151 Officer Comments:

Whilst no new material issues are forecast for the Housing Revenue Account, it is clear that apparent delays are being experienced in delivering some of the key savings required for General Fund in this year (or over-optimism exists in setting lead-in times). Where possible, action to mitigate their impact is currently underway and further updates will be fed into the appropriate Member meetings.

From a strategic perspective, although the overall future outlook has improved, it is important to ensure the timely delivery of future savings programmes. It is essential therefore that the next corporate planning and budgeting process allows sufficient time for the planning, development and challenge of budget proposals, and to ensure sufficient capacity to deliver is in place. The strategy and timetable for this is currently being drawn up, with a planning period leading up to 2018/19 (not just 2017/18).

More positively, the Council is set to benefit significantly from business rating income from renewable energy schemes, with this continuing at least for the medium term.

2.2. Balances

It is also important to report on the latest position on Balances, both following outturn and the latest forecasts for the current financial year. The following table sets out the position for both General Fund and the HRA, as at the end of June. Note that the last year's underspend figures are still subject to the 2015/16 accounts being given a clean bill of health by the auditors and being signed off at Audit Committee on 14 September 2016.

General Balances	General Fund £000's	HRA £000's
As at 31 March 2016 - as Budgeted	(4,128)	(1,344)
Budgeted Contributions	(57)	(276)
2015/16 Underspend	(331)	(348)
2016/17 Current Year Projections	(3)	(23)
Projected Balances as at 31 March 2017	(4,519)	(1,991)
Less Agreed Minimum Level of Balances	1,500	350
Available Balances	(3,019)	(1,641)
<i>Compared to MTFFS Forecast for 31 March 2017</i>	<i>(2,685)</i>	<i>(1,270)</i>
Increase	(334)	(371)

S151 Officer Comments:

The Council's Balances position and its financial standing remains strong. This is crucial for supporting the Council in its future strategy for tackling the financial challenges ahead, notably from 2018/19 onwards.

2.3. Approved Savings and Growth: Monitoring

As reflected in the summary earlier, as part of the 2016/17 budget process various net savings measures amounting to £986K were approved by Council. This section provides an update on those approvals with more details being provided in **Annex A**.

The main variances to report are as follows:

- Splash Park – the project is being delivered in conjunction with the Salt Ayre Sports developer to ensure consistency of approach across the Council, and also to draw on their expertise in the leisure market. As a result it is now planned for the facility to go live in May 2017. This means that the income target of £50K will not be achieved this financial year, but it will be achieved in subsequent years.
- Charging for Green Waste Collection – it was originally envisaged that this would go live in August, but unfortunately this has not been achieved. Implementation of an optimum solution (to give a good customer experience with very efficient back office processes) will take longer and needs to link with other initiatives, such as upgrading the Council's Customer Relationship Management (CRM) systems and other service developments. It is recognised that within that current context therefore, the best way forward will be to implement an interim solution. It is now proposed to introduce charging from 01 January 2017, but with systems in place to take payments from 01 November 2016. As an incentive, if customers sign up before 01

April 2017, the initial charge will be £30 for a 15 month period (until 31 March 2018, instead of the pro rata amount of £37.50). Customers signing up after 31 March would pay the full amount of £37.50 for 2017/18. This is proposed to increase to £40 for all customers in 2018/19. A full update on the scheme and proposed pricing will be presented to Cabinet in October for consideration and approval.

The delayed start is forecast to result in an estimated shortfall in income of £458K in the current financial year. However, if the pricing proposals are approved by Cabinet then it is anticipated that the 2017/18 income budget will be met, with additional income of £342K forecast for 2018/19, which can feed into that year's budget planning. For clarity, this proposed pricing policy has already been assumed in the updated savings requirements table in section 2.3 (and therefore in the summary at 2.1.1 and the forecast balances position).

- Energy Efficiency – The energy efficiency works are based on an invest to save model which predicted a saving of circa £70K this financial year, subject to a capital investment in energy saving measures across the property portfolio totalling £1.376M. A large proportion of this spend and projected saving is earmarked for Salt Ayre and a decision has been taken to implement works in conjunction with the current redevelopment of the centre in order to avoid further customer disruption. As a result the energy works have been delayed as the two contractors need time to ascertain how the two projects can fit together. As a result, it is now likely that only 50% of the predicted saving will be achieved this financial year resulting in a loss of savings of £35K.

S151 Officer Comments:

As mentioned earlier, the above variances demonstrate the need for more effective planning when savings proposals are being developed and submitted. This is to ensure that sufficient, co-ordinated resources are available to implement such projects, that timescales are realistic and as such that financial assumptions are achievable.

Collectively, Management Team will continue to explore ways to help offset the shortfalls currently forecast in achieving the net budget savings target of £986K.

2.4. Salary Monitoring

At the end of June there are General Fund savings of £159K against the original budget and these are projected to increase to £224K by year end. For Council Housing there is a current overspending of £39K, which is expected to reduce to £36K for the full year. The overspending relates to delays in issuing central control staff with their notice periods.

S151 Officer Comments:

It is known that in various services areas (for example ICT, Development Control, Information Management, Accountancy) difficulties in recruitment and retention and general turnover may well have generated apparent savings, but with knock on adverse impact on service delivery. Capacity is being appraised across the organisation but this takes time. It is reiterated that addressing any identified capacity needs, or any other measures needed, will be a key aim of the forthcoming budget, through co-ordinated business planning and budgeting.

2.5. Repair and Maintenance Section – Trading Position

The work of this section is predominantly on the council housing stock. The total budget for the section is around £9.5M, and covers both in-house and contracted out provision for all repair and maintenance and capital works.

The following table sets out the financial position at the end of June. This shows there is currently an overspending of £16K against the profiled budget. At this stage of the year this is a relatively minor variance and does not warrant further investigation.

	TOTAL £
INCOME	(826,507)
EXPENDITURE	
Direct Labour	351,696
Direct Materials	207,225
Overheads	388,256
Recharged Revenue Work	537,710
TOTAL EXPENDITURE	1,484,887
NET EXPENDITURE	658,380
Profiled Budget	642,500
Variance from Budget - Adverse/(Favourable)	15,880

S151 Officer Comments:

A further high level review of RMS is currently being scoped with external consultants, led by the Chief Officer (Environment). It is envisaged that this will help assess current value for money, what scope there is for improvement, how best that may be secured (through whatever delivery model) and what investment (in time, money, skills and other resources) might be required to achieve it.

3. CAPITAL MONITORING

This section covers both General Fund and the HRA, again reporting on any changes to the programmes or key variances. This section includes both expenditure and financing.

3.1. General Fund Capital Programme

The latest gross capital programme stands at £16.643M for the current year. A number of changes to the approved programme have been made which are set out in the following table:

Changes to the Gross Programme	Expenditure	External Funding
Original Gross Programme	£000's 16,785	£000's (6,422)
Slippage and accelerated expenditure from 2015/16	+195	(50)
Storey Institute – grant funded improvements, programme correction.	+8	(8)
Salt Ayre Changing Room Refurbishments – now incorporated into main redevelopment programme.	(30)	--
Bay Arena Improvements. New grant funded scheme, approved under delegation. Corresponding increase in grant income.	+50	(50)
Disabled Facilities Grants – additional contributions in respect of grants clawed back. Corresponding increase in grant income.	+5	(5)
Lancaster Square Routes – reduction in expenditure in line with reduction in anticipated contributions.	(3)	+3
MAAP – Improving Morecambe's Main Streets. Part of the scheme now being delivered directly by Lancashire County Council. Corresponding reduction of £315K in grant funding.	(367)	+315
Overall Change to Gross Programme	(142)	+205
Updated Gross Programme	16,643	(6,217)

At the end of June there were spend and commitments of £1.872M leaving £14.771M still to spend. Details of spend against each scheme is shown in **Annex C**. In terms of capital financing, £2.060M of the budgeted £6.217M has already been received.

The Property Group update report is currently being reviewed and updated and will be circulated separately as a briefing note.

3.2. HRA Capital Programme

The gross HRA Capital Programme currently stands at £4.541M, having been increased by £36K for approved slippage from the 2015/16 programme. Against this there are spend and commitments of £850K leaving £3.691M still to spend. Details of spend against each scheme are again shown in **Annex C**.

S151 Comments:

There are no specific actions to be taken at this time regarding capital investment, other than normal review and monitoring.

4. LOCAL TAXATION

4.1. Collection Fund Monitoring

4.1.1. Council Tax Yield (Total Collectable)

This section provides a summary analysis of the current surplus or deficit on the Fund, shown in the following table. Such a surplus or deficit arises because of the great many changes in liability that occur throughout the year. Furthermore, any difference between estimated and actual collection performance will ultimately have a bearing.

		£000's
Collection Fund Deficit (June 2016)		+18
<i>Represented by In-Year Movements to Date:</i>		
Higher Council Tax Support than estimated	+23	
Net of Higher Second Homes/Lower Empty Homes income	+32	
Other Movements in the Tax Base	(37)	+18
<i>Of which 13% is due (to) / from (+) the City Council</i>		+2

As at 30 June, there is an estimated deficit of £18K of which the City Council would fund £2K.

This year's position is made up of:

- £23K higher than estimated council tax support. This will continue to fluctuate as claimants' circumstances change, but since establishing the scheme proposals back in 2013, the trend is still that the total support being claimed is lower than expected;
- overall £32K lower than estimated income from second/empty homes (specifically identifiable);
- a balance of £37K relating to other movements in the tax base.

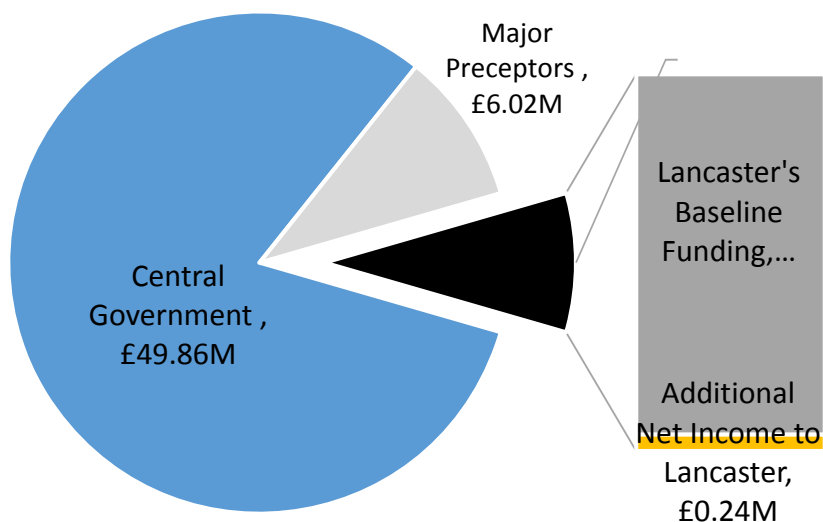
S151 Officer Comment:

At this stage, the position is broadly in line with budget expectations and/or previous year trends, therefore no additional actions are needed. Consultation on LCTS scheme is due to take place over the autumn and the scope of this will need agreeing with relevant Cabinet Members in the coming weeks.

4.1.2. Business Rates Retention

The following diagram shows how the net income collected from Business Rates is distributed between the relevant parties.

Net Collectable Business Rates Distribution



The position relating to retained business rates at the end of June is shown in the following table.

	Original Estimate £M	June-16 £M
Net Collectable Amount of Business Rates	(62.399)	(59.230)
Less: Provision for Appeals	2.215	3.269
Net retained business rates	(60.184)	(55.961)
Less: Central Government Share – 50%	30.092	27.980
Less: County Council & Fire Authority Share – 10%	6.018	5.596
Lancaster's Retained Business Rates Share – 40%	(24.074)	(22.385)
Less: Tariff payable to Central Government	19.928	19.928
Add: Small Business Rates Relief Grant	(1.104)	(1.199)
Total Amount of Retained Business Rates	(5.250)	(3.656)
Less: Lancaster's Baseline Funding Level	5.250	5.250
Provisional Loss of Income	-	1.594
Safety Net Payment	-	(1.200)
Projected Loss of Income	-	0.394
Additional Adjustments:		
Additional Tariff Adjustment	-	0.288
Renewable Energy Credit from 2015/16	-	(0.918)
Overall Projected Net Position - (additional net income)	-	(0.237)

N.B. The Safety Net Threshold for 2016/17 is £4.856M.

At the end of June there is a projected loss of general rating income of £394K for the City Council, which is the difference between the baseline funding position of £5.250M (as budgeted) and the safety net level of £4.856M. This worsening is primarily because of power station rating changes, as previously reported. However, there are two other annually recurring adjustments to make in respect of the tariff and renewable energy income from 2015/16 (again as previously reported) and combined, they are favourable by £630K overall. This brings the overall position back to a net surplus of £237K. Furthermore, the surplus income will be higher from 2017/18 onwards as the MTFS/budget forecasts for then are already based on the safety net.

S151 Officer Comment:

The net impact (currently at around £630K) from renewable energy income and the tariff adjustment should have a marked positive impact on future year budget projections to around 2020 and potentially beyond, depending on whether the renewable energy provisions are retained under 100% rates retention. In turn, these changes will free up the £381K currently being in the Business Rates Retention reserve. These matters are reflected to a degree in the summary table in section 2.1.1 and they will be expanded upon in the next MTFS / budget update.

Conversely, at present there still seems little scope for general business rate income prospects to improve. The Council is currently £1.2M below safety net. That represents the amount by which the City Council's share of income must increase by, before it can share in any business rate growth in the district. Grossed up, to allow for the County, Fire and Government's shares, it currently means that income must increase by £3M (or around 5%) in the district, before any share of growth can be retained.

4.2. Council Tax and Business Rates Collection

The percentages collected in year for both council tax and business rates are either on target or just slightly behind at the end of June.

Percentage Collected	Full Year Target	Target to Date	Actual to Date	Status
Council Tax	96.8%	29.4%	29.4%	On Target
Business Rates	98.8%	28.8%	28.3%	Slightly Behind Target

The reduction in the business rates collection rate is attributable to revised instalment plans being agreed for some comparatively large properties affected by last winter's floods. In addition, there have been a number of high value rate avoidance cases where legal action has been taken but payment has not yet been forthcoming (but will be pursued). At this stage therefore, it is expected that collection will be back on track by the year end.

S151 Officer Comment:

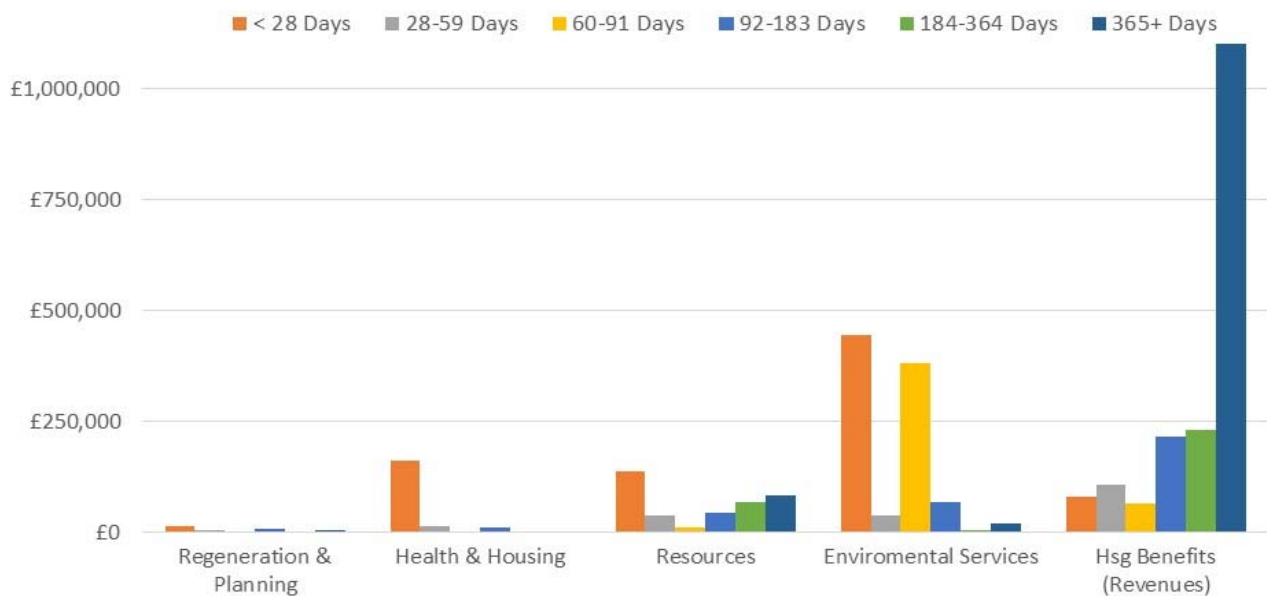
There are no specific actions to be taken at this time regarding local taxation collection, other than those as set out.

5. INCOME COLLECTION

5.1. Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of June the total debt outstanding was just under £3.6M, which is £436K lower than the previous quarter. The majority (£2M) still relates to housing benefit overpayments. The bad debt provision currently stands at £1.527M which is over provided by £27K. A further review of the provision will be carried out as part of the forthcoming budget process, with any additional contributions being made at that time.

	March 16	June 16
	£000's	£000's
0-28 days	1,658	841
29-58 days	256	205
59-90 days	193	464
91-182 days	231	352
183-363 days	357	307
364+ days	1,308	1,398
	4,003	3,567
Previous Year	3,945	3,377



SERVICE	< 28 Days	28-59 Days	60-91 Days	92-183 Days	184-364 Days	365+ Days	2016/17 QUARTER 1 TOTALS	Compared to 2015/16 Quarter 1 Totals
	£	£	£	£	£	£	£	£
Enviromental Services	445,122	39,498	381,429	70,100	4,887	21,210	962,247	957,008
Governance	-	-	-	-	-	-	-	8,380
Regeneration & Planning	14,965	5,833	-	7,961	2,683	4,977	36,419	26,578
Resources	136,827	37,170	12,406	45,398	68,784	83,444	384,029	418,189
Health & Housing	162,175	15,008	3,307	11,357	950	300	193,098	87,735
Hsg Benefits (Revenues)	81,966	107,847	66,923	216,655	229,850	1,287,555	1,990,796	1,878,964
TOTAL	841,055	205,357	464,065	351,470	307,154	1,397,487	3,566,588	3,376,854

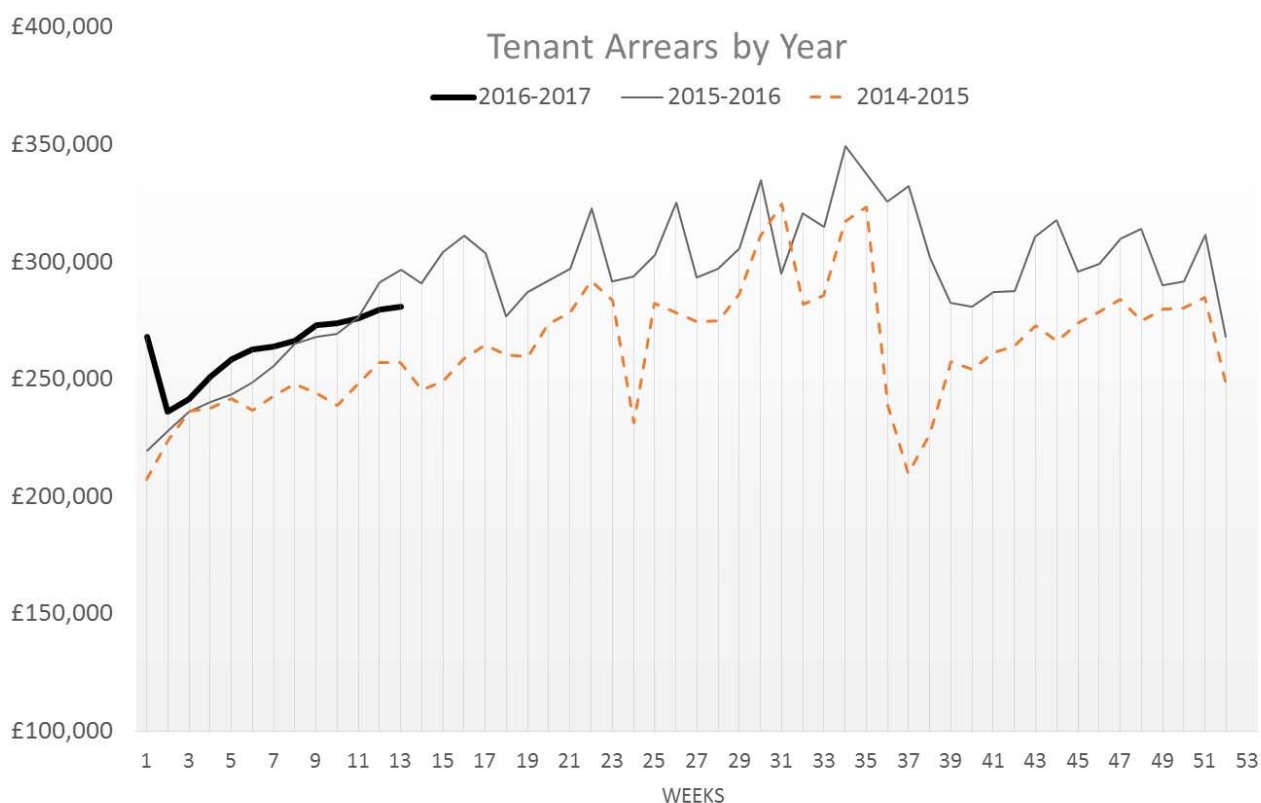
The overall level of debt has not significantly changed. A recent internal audit review of sundry debt management (excluding Housing Benefits) concluded that the level of assurance was substantial. However, a number of actions have been agreed to further strengthen procedures within services. These relate to the centralisation of reminder distribution, using debt collection agents more frequently and ensuring sufficient documentation/evidence is provided to legal services for the recovery of debts.

From a Housing Benefits perspective, the roll out of Universal Credit (UC) for new claimants (of working age) has continued and whether / to what extent this has bearing on the Council's ability to recover HB overpayments will be monitored as far as practicable. That said, the transfer of existing HB claimants (of working age) to UC is not scheduled to take place for a number of years and at this stage, there are no firm plans regarding changing the housing benefit system for pensioners. It is expected therefore that there will be plenty of time to manage and plan for any further implications regarding HB overpayment recovery prospects.

5.2. Council Housing Rent Arrears

This section monitors the level of tenant arrears, to indicate any impact from welfare reforms and/or the wider economy on rent collection and in turn, to inform whether any specific actions are necessary. It will also feed into future reviews of the bad debt provision.

The following chart shows the current level of arrears compared to the previous 2 years. At the end of June, the level of arrears is £281K (2015/16 Qtr 1 £297K) which is only £13K higher than the previous quarter. Given this, no specific actions are proposed at this time.



S151 Comments:

There are no specific actions to be taken at this time regarding general income collection, other than those as referred to.

6. CONTRACT PROCEDURE RULES AND OTHER EXCEPTIONS TO TENDER

6.1. Exceptions to Tender

In accordance with the approved contract procedure rules all exceptions to tender and other significant contract variations will be reported as part of the quarterly corporate monitoring process.

- There was one exception to tender during the period relating to the resurfacing of Salt Ayre Sports Centre car park (contract value £45K) which was brought forward to coincide with the overall redevelopment programme at the Centre.

7. BREACHES OF FINANCIAL REGULATIONS

7.1. Bold Street Housing Regeneration Site Works Capital Scheme

In accordance with the Financial Regulations (Section 2.5.2) the Section 151 Officer is responsible for reporting any breaches of the regulations to Council and/or Cabinet and/or Audit Committee. In this case it is appropriate to report also to Cabinet.

During 2015 it was brought to the attention of officers from within Resources (Financial Services) that a property had been purchased as part of the Bold Street Housing Regeneration site works, although that purchase had not originally been planned. As a result, the project could not be delivered as expected and there is currently a budget shortfall of £20.5K to complete the acquisitions and demolition to deliver a cleared site. A report elsewhere on this agenda sets out proposals for moving the project forward.

Action Taken:

As a result of the situation an initial investigation was undertaken by the Internal Audit Manager, which in turn led to appropriate management action being taken.

Individual shortcomings have become evident as a result of this and have been dealt with accordingly. In addition, some systemic weaknesses were also identified which have now been addressed by relevant officers, for example improved management arrangements, liaison between services and improved financial monitoring processes.

GENERAL FUND - 2016/17 APPROVED SAVINGS AND GROWTH MONITORING

Approved Savings

	Current Budget	Full Year Projection	Full Year Variance	RA G	Comments on Variances	2017/18 Approved Budgeted Savings £	Updated 2017/18 Projections £
Income Generation							
Environmental Services							
Charging for Splash Park Admission	0	50,000	50,000	↓	Scheme now delayed until January 2017 as officers are working with the Salt Ayre developer partner to procure the most suitable system. Therefore, the £50K budget income will not be achieved in 2016/17, but will be secured in future years.	(56,500)	(56,500)
Charging for Event Applications	(2,000)	(350)	1,650	↓	Implemented on 01 April 2016. Based on current bookings, estimated income for the year will be below target. It is however expected to be achieved in future years.	(2,000)	(2,000)
Charter Market	(2,700)	(2,430)	270	↓	Current projections anticipate Charter Market income to be down 10% for the year overall, which means around £300 of the above inflation increase will not be achieved. It is anticipated that this will continue for future years.	(2,800)	(2,520)
Festival Market	(9,900)	(9,900)		↑	Implemented and on target.	(10,100)	(10,100)
Bulky Waste	(6,600)	(6,600)		↑	Implemented and on target.	(6,700)	(6,700)
Bins and boxes (current policy)	(9,000)	(9,000)		↑	Implemented and on target.	(9,200)	(9,200)
Extending Charging Policy for bins and boxes (all households)	(92,300)	(92,300)		↑	Implemented and on target.	(94,100)	(94,100)
Green Waste - charging for Collection	(505,000)	(46,800)	458,200	↓	Start of scheme now delayed until January 2017 - originally assumed August 2016. Now proposing an interim solution to enable income to be collected from November with the scheme going live in January. Future years income projections are subject to Cabinet approval of pricing structure in October.	(870,000)	(878,700)
Electric Car Charging Points - Introduction	0	0		→	The County Council is intending to provide charging points in off-street car parks in the district as part of a current procurement exercise, however, the exact number is unknown. The City Council will have the option to fund additional charging points, and so it is still assumed that future income targets will be achieved, but this will need to be kept under review in light of the County scheme.	(10,000)	(10,000)
Health & Housing							
Disabled Facilities Grant Admin. Fees - Increase to 18%	(14,400)	(14,400)		↑	Implemented and on target.	(14,700)	(14,700)
Pest Control - Additional Contracts	2,500	2,500		↑	Three year marketing strategy being developed. Future savings still expected to be achieved.	(25,000)	(25,000)
HMO Licence Fees - Cease Refunds	(1,000)	(1,000)		↑	Implemented. No savings made in Qtr1 but expected to achieve target by end of year.	(1,000)	(1,000)
Cemetery Fees - Increase by additional 3%	(6,900)	(6,900)		↑	Implemented and on target.	(7,000)	(7,000)
Statutory Notices (Housing Act 2004) Fee Increase	(1,000)	(1,000)		↑	Implemented and expected to achieve target by end of year - £200 additional income in Qtr1.	(1,000)	(1,000)
Resources							
Charging for Credit Card Payments	10,000	0	(10,000)	↓	Legislative changes are expected to be enacted which will prohibit the charging for credit card payments. As a result the project has been put on hold pending further updates. At present, it is therefore expected the £10K budgeted cost of implementation will now be saved, but future savings of £25K will not be achieved. To help compensate for this however, negotiations are underway regarding the Council bank charges.	(25,000)	0
<i>Sub Total</i>	(638,300)	(138,180)	500,120			(1,135,100)	(1,118,520)
Invest to Save Schemes							
Health & Housing							
Salt Ayre Sports Centre - Developer Partnership	110,000	110,000		↑	The redevelopment is well underway and progressing on time and on budget. It is still anticipated that there will be a £110K cost in this year, and that as a minimum future income targets will be achieved. Discussions are on-going with the developer regarding income gain share options, which will be reported to Members in due course.	(400,000)	(400,000)
Resources							
Corporate Property - Energy Efficiency Works	(69,700)	(35,000)	34,700	↓	The majority of the works relate to Salt Ayre Sports Centre and are being taken forward with the developer partners as part of the overall redevelopment works. This has inevitable delayed the start of the planned works and as a result only half the budgeted savings are now anticipated in 2016/17. Future years income targets are expected to be met, however.	(40,100)	(40,100)
<i>Sub Total</i>	40,300	75,000	34,700			(440,100)	(440,100)

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Annex A

PTO

		Current Budget	Full Year Projection	Full Year Variance	RA G	Comments on Variances	2017/18 Approved Budgeted Savings / Growth	Updated 2017/18 Projections		
Approved Savings	Service Efficiencies and Reductions									
	Environmental Services									
		Management & Administration Restructure	(93,800)	(93,800)		↑	Implemented and on target. Initial restructure is in place with future changes planned.	(100,000)	(100,000)	
		Building Cleaning Review	0	0		↑	The review is progressing and future savings are still on target to be achieved.	(10,000)	(10,000)	
		CCTV - Termination of Contracts	0	0		↑	Implemented. All contractors associated with providing and maintaining the public space CCTV system have been notified of the Council's decision to cease operating the system from March 2017.	(177,700)	(177,700)	
		Cease Winter Bedding	(45,000)	(45,000)		↑	Implemented - saving already achieved.	(45,900)	(45,900)	
		Parish Toilets - 50% Reduction in Contributions	(14,600)	(14,600)		↑	Implemented - saving already achieved.	(14,900)	(14,900)	
		Litter Enforcement Services - 12 Month Pilot	(60,000)	(60,000)??		→	Report due to go to Cabinet in October on options. The savings to be achieved will depend on the outcome of the report and Members approval.	(60,000)	(60,000)??	
		Governance								
		Grants to VCFS - LESS Grant Funding Withdrawal	(4,300)	(4,300)		↑	Implemented - saving already achieved. Funding withdrawn.	(4,300)	(4,300)	
		Health & Housing								
		Community Pools - Termination of Management Responsibility	157,800	157,800		→	Underway - notice periods being discussed with County Council. Also, discussions have been taking place between officers, the schools, Sport England, Amateur Swimming Association and Lancashire Sport. Further updates will be provided to Members in due course.	(176,700)	(176,700)	
		Sports Development - Reduction in Service	(9,300)	(9,300)		↑	Restructure undertaken and team reduced to 3 with effect from 03 June 2016. Full saving achieved.	(50,500)	(50,500)	
		International Youth Games - Withdrawal	(59,900)	(59,900)		↑	Implemented - saving already achieved. The position has been confirmed with partner countries that the Council has withdrawn from current and future years games.	(27,200)	(27,200)	
		Marsh Community Centre - Funded from HRA	(13,700)	(13,700)		↑	Implemented - saving already achieved. Funding now provided from within the HRA.	(14,000)	(14,000)	
		Regeneration and Planning								
		Events - Funding Reductions	0	0		↑	Implemented - savings will take effect from April 2017.	(22,700)	(22,700)	
		Resources								
		Finance Section - Restructuring	(23,300)	(23,300)		↑	Restructure in place by 01 April 2016 with the full saving being achieved. Delays in recruitment have generated further savings which have been incorporated into the overall council wide salary savings total (although with knock on service impact).	(24,300)	(24,300)	
		Internal Audit - Restructuring	(21,700)	(21,700)		↑	Restructure in place by 01 April 2016 with the full saving being achieved. Again, delays in recruitment have generated further savings which have been incorporated into the overall council wide salary savings total (again with knock on service impact).	(21,900)	(21,900)	
	<i>Sub Total</i>	(187,800)	(187,800)	0			(750,100)	(750,100)		
	Re-Financing Options									
	Capital Programme Financing (MRP)	(375,000)	(375,000)	0	↑	Implemented - saving already achieved.	(343,000)	(343,000)		
	TOTAL	(1,160,800)	(625,980)	534,820			(2,668,300)	(2,651,720)		
Approved Growth	Environmental Services									
		Cashless Parking	5,000	5,000		↑	Implemented - contract now in place until September 2019. However, the service is being transferred to the County contract w.e.f. August 2017, which will allow the City Council to benefit from more preferential rates for fees associated with taking electronic payments for the service.	5,100	5,100	
		Regeneration & Planning								
		Development Management Capacity	69,900	69,900		↑	Implemented - additional funding for permanent posts added to 2016/17 and future years budgets.	72,200	72,200	
		MAAP - Euston Rd, Marine Rd Central, Queens St, Victoria St.	0	0		↑	Schemes are progressing, however certain elements will now be delivered by the County Council and some have slipped into 2017/18. As a result the cost of financing will reduce in future years, but the exact amount is still to be determined.	3,000	?	
		Resources								
	Digital Workplace	100,000	100,000		↑	Adapt2Digital have been engaged to assist with the strategic approach being taken to develop the digital workplace and transformation generally. Two workshops have already taken place and two more are taking place in August.	?	?		
	TOTAL	174,900	174,900	0			80,300	77,300		
Budgeted Net Savings ⇒		(985,900)	(451,080)	534,820	⇐ Variance to Budget		(2,588,000)	(2,574,420)		
							Potential Budget Shortfall for 2017/18	13,580		

CORPORATE FINANCIAL MONITORING: General Fund Revenue Budget

Subjective Area	Service	Reason for Variance	Current Variances		Projection for Year	
			Adverse / (Favourable)		Adverse / (Favourable)	
			£	£	£	£
Employees	Environmental Services	Turnover savings	14,800		(18,000)	
	Governance Services	Turnover savings	(900)		(21,200)	
	Health & Housing	Turnover savings	(48,000)		(46,800)	
	Management Team	Turnover savings	(26,000)		(48,900)	
	Regeneration & Planning	Turnover savings	(27,900)		-	
	Resources	Turnover savings	(71,000)	(159,000)	(89,100)	(224,000)
Transport	Environmental Services	Increased fuel costs greater than anticipated	3,300	3,300	13,400	13,400
Premises	Environmental Services	Business Rates savings at White Lund Depot.	(7,200)		(7,200)	
	Resources	Additional rates on vacant commercial properties.	10,200	3,000	5,000	(2,200)
Supplies & Services	Environmental Services	Car Parks - cash collection and enforcement cost lower than expected.	(3,700)		(14,800)	
		Vehicles lease extended and additional waste disposal charges.	5,600		8,200	
	Resources	Savings on council tax searches.	(1,500)	400	(6,100)	(12,700)
Fees & Charges	Environmental Services	Car Parks - Reduced income from off street pay and display and fines.	23,400		69,600	
		Williamson Park - increased net income due to increased footfall - new play area and new menu at café.	(21,500)		(35,200)	
		Increased income from bulky waste collections.	(1,900)		(5,000)	
		City Centre markets & traders - income down due to greater turnover of traders than expected and subsequent vacant pitches, work is taking place to try and fill some of these.	4,000		10,000	
	Governance Services	Search fee income due to HMRC delay in introducing VAT change.	(7,500)		(10,000)	
	Health & Housing	Cemeteries income - reduced internment fees and sale of grave spaces. Forecast based on current demand projected to year end.	10,500		23,900	
		Community Swimming Pools - loss of private hire contract and reduced lessons.	13,800		12,000	
	Regeneration & Planning	Engineers - additional fees charged to capital schemes.	-		(7,000)	
	Resources	Additional grants for New Burdens and Localised Council Tax Support	(106,300)		(133,300)	
		Net increased rent on commercial properties.	(4,600)	(90,100)	(1,000)	(76,000)
TOTAL				(242,400)		(301,500)

GENERAL FUND CAPITAL PROGRAMME MONITORING REPORT

SERVICE	SCHEME	2016/17 Gross Budget	Actual to Date	Commitments (Outstanding Orders)	Total	Variance +Overspend / (Underspend)
Environmental Services	Bins & Boxes Lease Buy-Out	74,000	0	0	0	(74,000)
	Car Park Improvements Programme	84,000	-	1,292	1,292	(82,708)
	District Playground Improvements	43,000	0	0	0	(43,000)
	Middleton Solar Farm Study	6,000	-	-	-	(6,000)
	Purchase of Vehicles	1,223,000	34,184	27,601	61,785	(1,161,215)
Health & Housing Services	Disabled Facilities Grants	1,895,000	213,025	-	213,025	(1,681,975)
	SASC Redevelopment	2,745,000	180,268	220,300	400,568	(2,344,432)
	Warm Homes Scheme	1,000	0	0	0	(1,000)
Regeneration & Planning	Sea & River Defence Works & Studies	3,625,000	465,487	56,156	521,642	(3,103,358)
	Amenity Improvements (Morecambe Promenade)	27,000	0	0	0	(27,000)
	Luneside East	7,000	0	0	0	(7,000)
	Lancaster Square Routes	30,000	0	0	0	(30,000)
	Morecambe TH12: A View for Eric	882,700	165,371	-	165,371	(717,329)
	MAAP Improving Morecambe's Main Streets	492,900	125,477	21,771	147,248	(345,652)
	King St/Wellington Terrace Affordable Housing s106 Scheme	90,000	0	0	0	(90,000)
	Middleton Nature Reserve s106 Scheme	4,000	0	0	0	(4,000)
	Pedestrian/cycle links Sainsbury's Morecambe s106 Scheme	1,000	0	0	0	(1,000)
	Lancaster District Empty Homes Partnership	200,000	24,000	-	24,000	(176,000)
	Bay Arena Improvements	50,000	0	0	0	(50,000)
	Highways Works s106 Schemes	485,000	-	21,000	21,000	(464,000)
Resources	Corporate Property Works	2,786,400	60,097	148,470	208,567	(2,577,833)
	Energy Efficiency Works	1,376,000	0	0	0	(1,376,000)
	ICT Systems, Infrastructure & Equipment	515,000	52,087	55,772	107,859	(407,141)
Total Gross Programme		16,643,000	1,319,997	552,361	1,872,358	(14,770,642)

Grants & Contributions

Capital Contributions Income	(5,000)	(14,920)	-	(14,920)	(9,920)
Capital Grants Income	(6,212,000)	(2,044,646)	-	(2,044,646)	4,167,354
Total External Income from Grants & Contributions	(6,217,000)	(2,059,566)	-	(2,059,566)	4,157,434

Total Net Programme	10,426,000	(739,570)	552,361	(187,208)	(10,613,208)
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HRA CAPITAL PROGRAMME MONITORING REPORT

SERVICE	SCHEME	2016/17 Gross Budget	Actual to Date	Commitments (Outstanding Orders)	Total	Variance +Overspend / (Underspend)
Health & Housing Services	Adaptations	250,000	20,860	291	21,151	228,849
	Energy Efficiency Boiler Repla	575,000	30,742	9,713	40,455	534,545
	Environmental Improvements	736,000	96,291	160,956	257,247	478,753
	External Refurbishments	1,001,000	-	-	-	1,001,000
	Fire Precaution Works	200,000	4,173	-	4,173	195,827
	Kitchen Bathroom Replacement	1,135,000	108,063	381,690	489,752	645,248
	Re-roofing & Window Renewals	556,000	-	-	-	556,000
	Rewiring	88,000	5,861	30,875	36,737	51,263
Total Gross Programme		4,541,000	265,989	583,525	849,515	3,691,485

**Treasury Management Update
Quarter Ended 30 June 2016
Report of Chief Officer (Resources)**

Treasury Management Update

Quarter Ended 30 June 2016

1. Introduction

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (through the reporting of the Treasury Management Strategy, and annual and midyear reports). This report is in line with best practice in accordance with that Code, to help demonstrate transparency and promote accountability.

2. Economic Background (provided by Capita Asset Services)

UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country. However, the 2015 growth rate finally came in at a disappointing 1.8% so this shows that growth had slowed down, though it still remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back again to +0.4% (2.0% y/y) in quarter 1 of 2016. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme and uncertainty created by the Brexit referendum. However, since the peak in November 2015, sterling has fallen against the Euro by 14% which will help to make British goods and services much more competitive. In addition, the Chancellor has announced that the target of achieving a budget surplus in 2020 will have to be eased in order to help the economy recover from the expected slowing of growth during the second half of 2016.

The May Bank of England Inflation Report forecast was notably subdued with inflation barely getting back up to the 2% target within the 2-3 year time horizon. However, the falls in the price of oil and food twelve months ago will be falling out of the calculation of CPI during 2016 and in addition, the recent 10% fall in the value of sterling is likely to result in a 3% increase in CPI over a time period of 3-4 years. There is therefore likely to be an acceleration in the pace of increase in inflation which could make life interesting for an MPC that wants to help promote growth in the economy by keeping the Bank Rate low.

In the Eurozone, the ECB commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016. In response to a continuation of weak growth, at the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose by 0.6% in quarter 1 2016 (1.7% y/y) and is expected to continue growing but at only a modest pace. The ECB is also struggling to get inflation up from near zero towards its target of 2%.

3. UK Sovereign Rating

On 27 June the three main rating agencies made the following changes to their UK sovereign ratings:

Standard & Poors – Downgraded from “AAA” to “AA”, outlook unchanged at Negative.

Fitch – Downgraded from “AA+” to “AA”, outlook changed from Stable to Negative.

Moody’s – Rating Affirmed at “Aa1”, outlook changed from Stable to Negative.

The changes were in response to the outcome of the referendum held on 23 June, and their views that it will result in a period of uncertainty for the UK, and that it will have a negative impact on the UK economy, public finances and political continuity. In addition, a slowdown in short-term GDP growth is anticipated due to diminished confidence and lower spending and investment.

The Council’s Treasury Management Strategy already excludes the UK sovereign rating from its investment matrix, therefore, there is no direct impact on investment decisions as a result of the changes.

4. Interest Rate Forecast

The Council’s treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB rate	1.00%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.30%	1.30%
10yr PWLB rate	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%	1.80%	1.80%	1.80%	1.90%
25yr PWLB rate	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%
50yr PWLB rate	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%

Capita Asset Services undertook a quarterly review of its interest rate forecasts on 4 July 2016 after letting markets settle down somewhat after the Brexit result of the referendum on 23 June. It is generally agreed that the referendum outcome will result in a slowing in growth in the second half of 2016 at a time when the Bank of England (BoE) has only limited ammunition in its armoury to promote growth by using monetary policy. From the interest rate forecast review, it was expected that the Bank Rate would be cut by 0.25%, at some point in the second quarter [and this was subsequently actioned by the BoE on 04 August]. The review commented that the rate could even be cut to 0% or 0.10% over that quarter. Thereafter, it is not expected that the MPC will take any further action on the Bank Rate in 2016 or 2017 as it is expected the pace of recovery of growth to be weak during a period of great uncertainty as to the final agreement between the UK and the EU on arrangements after Brexit. However, the MPC may also consider renewing a programme of quantitative easing; the prospect of further purchases of gilts in this way has already resulted in 10 year gilt yields falling below 1% for the first time ever. The Bank Rate is not expected to start rising until quarter 2 2018 and for further increases then to be at a slower

pace than before. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual once they do start.

5. Annual Investment Strategy

The Treasury Management Strategy (TMS) for 2016/17, which includes the Annual Investment Strategy, was approved by the Council on 02 March 2016. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council will also aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2016.

Investment rates available in the market were broadly stable during the first half of the quarter. They then took a slight downward path in the second half, concluding with a significant drop after the referendum. This reflected a sharp rise in expectations of an imminent cut in the Bank Rate, coupled with rates expected to remain lower for longer thereafter.

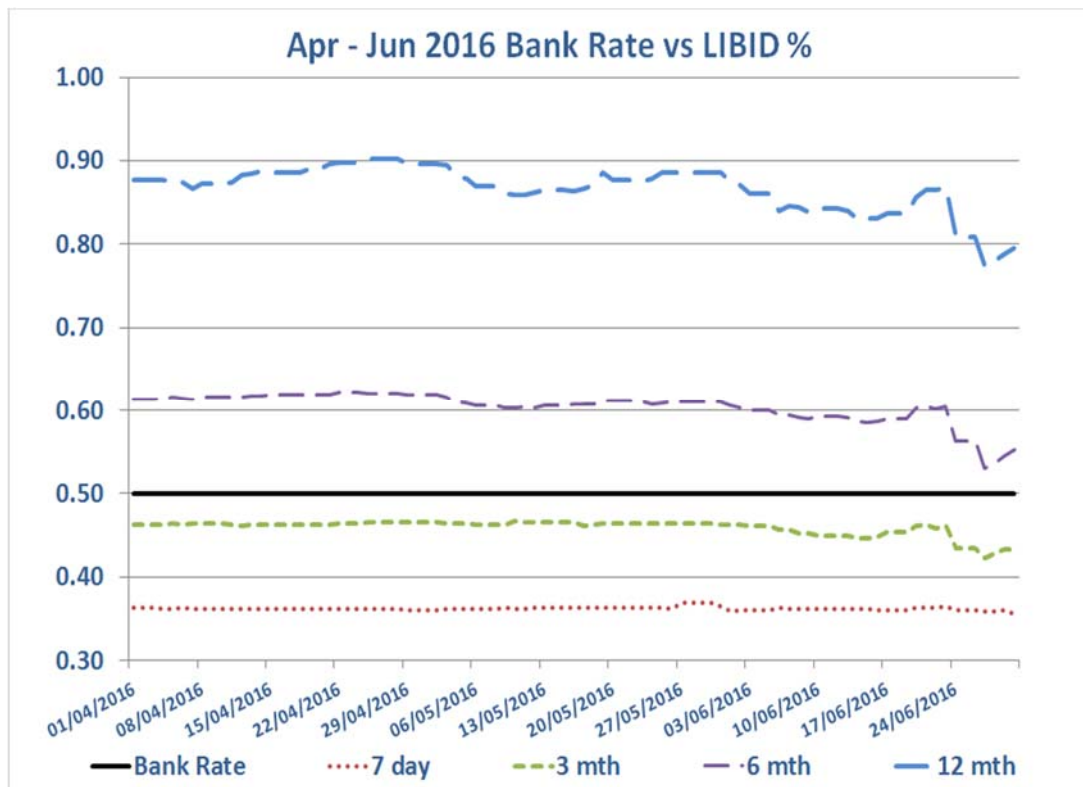
The average level of funds available for investment purposes during the quarter was £42M. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.

In terms of performance against external benchmarks, the return on investments compared to the 7 day LIBID and bank rates over the year to date is as follows. This is viewed as reasonable performance, given the need to prioritise security of investments, and liquidity (i.e. making sure that the Council's cashflow meets its needs):

Base Rate	0.50%
7 day LIBID	0.36%
Lancaster City Council investments	0.51%

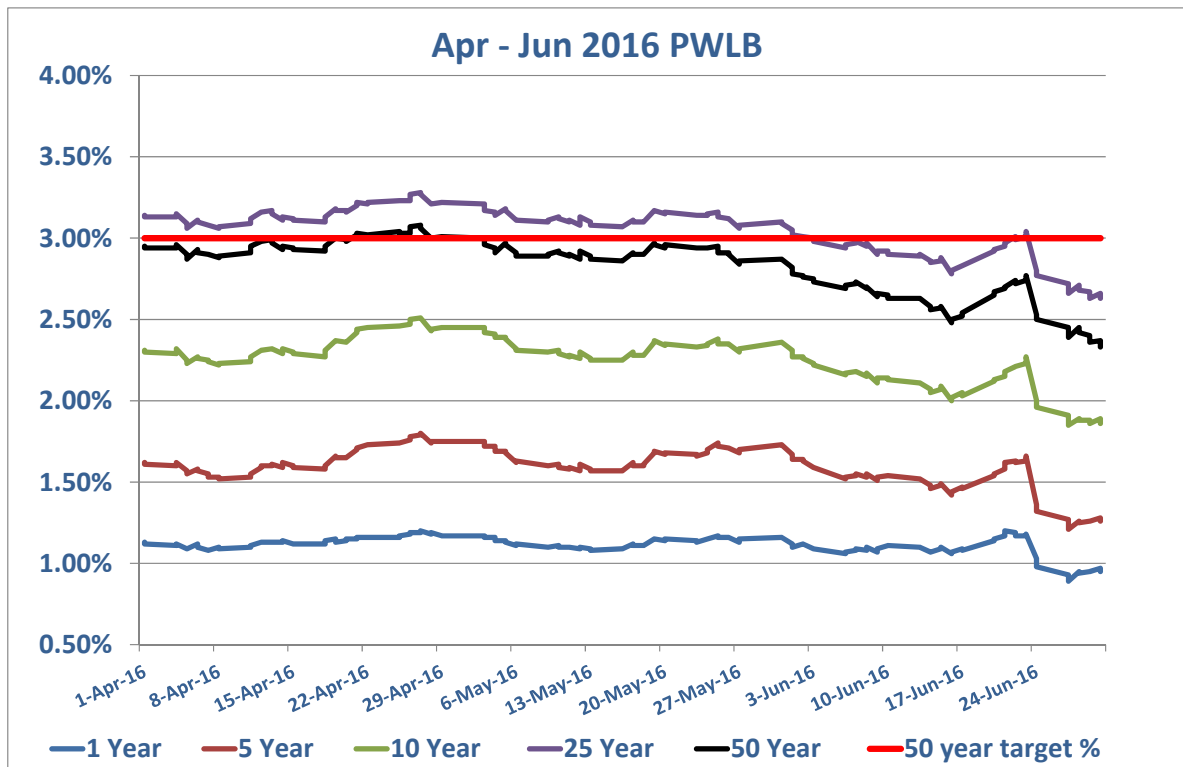
Investment performance against budget for quarter ended 30 June 2016

Other Investments	Term	Maturity Date	Opening £	Closing £	Indicative Rate (YTD)	Current Fixed Rate	Interest for Q1 £
Call Accounts							
Natwest (Cash Manager Plus)			231,415	38,555		0.25%	170
Santander			2,000,000	0		0.40%	242
Notice Accounts							
Svenska Handelsbanken (35 day)			3,000,000	6,000,000		0.45%	6,588
Money Market Funds							
Insight			216,000	470,000	0.46%		3,677
Blackrock Liquidity First			6,000,000	6,000,000	0.48%		7,166
Goldman Sachs			0	0	0.46%		215
LGIM			6,000,000	6,000,000	0.50%		7,547
Ignis			6,000,000	6,000,000	0.51%		7,636
Fixed Term Deposits							
Barclays	6 months	15/04/2016	2,000,000	0		0.69%	529
Barclays	3 months	01/07/2016	0	1,000,000		0.48%	1,197
Barclays	3 months	15/07/2016	0	2,000,000		0.48%	1,999
Lloyds	6 months	20/07/2016	2,000,000	2,000,000		0.75%	3,699
Lloyds	3 months	30/06/2016	0	1,000,000		0.57%	1,405
Birmingham City Council	6 months	29/04/2016	12,000,000	0		0.47%	4,326
Birmingham City Council	6 months	28/10/2016	0	12,000,000		0.48%	9,784
Sub-total			39,447,415	42,508,555			56,180
Budgeted income							50,000
							6,180



6. Borrowing (commentary provided by Capital Asset Services)

As depicted in the graph(s) below, there has been significant volatility in PWLB rates during quarter 1 culminating in a progressive fall in rates during the first three weeks in June as confidence rose that the polls were indicating an ‘IN’ result for the referendum. This was followed by a sharp rise in the run up to the referendum day as the polls swung the other way, followed by a sharp fall to the end of the month in anticipation that there is likely to be further quantitative easing purchases of gilts in the coming months.



During the quarter ended 30 June 2016, the 50 year PWLB target (certainty) rate for new long term borrowing remained at 3%. (However, the target rate was cut to 2.20% on 4 July 2016 due to the sharp fall in gilt yields after the referendum.)

Due to the overall financial position there is no underlying need to borrow for capital purposes (the Capital Financing Requirement – CFR), therefore no new borrowing was undertaken.

7. Debt Rescheduling

Officers continue to monitor potential saving opportunities associated with the early repayment of existing debt. This takes into account the premiums or discounts associated with early repayment and the projected cost of refinancing or loss in investment interest. At present, it would not be financially prudent to repay any debt based on the current rates being offered.

8. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council’s approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy.

During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy and in compliance with the Council's Treasury Management Practices.

9. Risk Management

The recent changes in the UK sovereign rating following the referendum have no direct impact on the Council's ability to invest as it has excluded the UK from its sovereign rating criteria overlay. Furthermore, the changes are not considered to represent a material risk to the Council's current investment strategy.

There is financial risk attached to the longer term debt portfolio (associated with interest rate exposure) as all of the debt is on fixed interest but there has been no change to this over the quarter. Low investment returns mean that using cash invested to repay debt can appear more attractive, however this is not a financially viable option at present due to the penalties associated with early repayment.

BUDGET AND PERFORMANCE PANEL**Work Programme Report****13th September 2016****Report of the Chief Executive****PURPOSE OF REPORT**

To update Members on the Panel's Work Programme.

This report is public.

RECOMMENDATIONS

- (1) **That Members note the Work Programme, as detailed in Appendix A to the report.**
- (2) **That Members consider whether they would like to include any further items in the Work Programme.**

1.0 Introduction

- 1.1 Members are requested to consider the updated Work Programme.
- 1.2 The Budget and Performance Panel is responsible for setting its own annual Work Programme within the terms of reference, as set out in Part 3, Section 12 of the Constitution.
- 1.3 Members of the Budget and Performance Panel are entitled to give notice to the Chief Executive that they wish an item relevant to the Terms of Reference of the Committee to be included on the agenda for the first available meeting and the meeting will determine whether the issue should be included in its Work Programme based on its relevance as compared to the priorities as set out in the Scrutiny Work Programme (Part 4, Section 5 of the Constitution).

2.0 Updates

- 2.1 At their meeting on the 12th July 2016 Members requested that an item on pensions be added to the Work Programme and representatives of Lancashire County Council be invited to address the Panel on Pensions. "Your Pension Service" have been invited to attend a future meeting of the Panel.
- 2.2 Invitations have been sent out to organisations to present their budget proposals for future financial years at the Annual Stakeholders meeting in January 2017.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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BUDGET & PERFORMANCE PANEL WORK PROGRAMME 2016/17

Matter for consideration	Officer responsible/ External	Expected date of meeting
Compliments and Complaints Half Yearly Report. To form part of the Corporate Performance Monitoring Report.	Chief Officer (Environment)	September 2016 (Twice yearly thereafter)
Financial Monitoring	Chief Officer (Resources)	(1) Quarter 1 – September 2016. (2) Quarter 2 – November 2016. (3) Quarter 3 – February 2017.
Corporate Performance Monitoring- NOTE- this report will be combined with report above as appropriate	Chief Officer (Environment)	(1) Quarter 1 – September 2016 (2) Quarter 2 – November 2016 (3) Quarter 3 – February 2017
Annual Stakeholders Meeting	Chief Officer (Resources) Democratic Support	January 2017
Treasury Management Strategy	Chief Officer (Resources)	February 2017
Budget Overspends/Variance	Chief Officer (Resources)	As required
Procurement Strategy	Chief Officer (Resources)	Prior to the updated Strategy being presented to Cabinet.
Update on wider implementation of the CorVu System	Chief Officer (Environment)	As required
Commercial Properties	Chief Officer (Resources)	TBC
Litter Enforcement Service	Chief Officer (Environment)	TBC
Pensions	Representative of Lancashire County Council to be invited to address the Panel on Pensions	TBC

Invitations to Cabinet Members

Cabinet Member and area of responsibility	Issue	Expected date of meeting
Councillor Blamire, Leader of the Council	Corporate Performance Monitoring	Various – as set out in the Work Programme Report
All Members of Cabinet	Various. Invitations to be extended to Cabinet Members to coincide with issues relevant to their respective portfolios.	Various

Briefing Notes

Matter for Consideration	Date Requested	Officer Responsible	Date Circulated
Expenditure on Venues and Facilities in Lancaster and Morecambe	21.07.2015	Financial Services Manager	TBC