

CABINET

**Corporate Financial Monitoring 2018/19 – Quarter 3
12 February 2019
Report of the Interim Financial Services Manager**

| PURPOSE OF REPORT | | | |
|--|--------------------------|------------------|--|
| To provide an overview of the Council's financial position for Quarter 3 of the 2018/19 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 endorses the supporting actions as set out in Appendix A.

1. Overview

1.1. The corporate financial monitoring report for Quarter 3 is attached at **Appendix A**. The headline messages are as follows:

- Quarter 3 monitoring is against the original budget as approved by Council 28th February 2018 and not a revised position as has been the case in previously
- As at 31st December a slight net overspend of **£17K** existed. Should spending progress as currently forecast, a net overspend in the region of **£13K** could be experienced by year-end, once agreed funding from the Council's reserves is applied. Although officers are currently taking action to address each area of overspending, an amount of **£13K** would equate to approximately **0.08%** of the Councils Net Revenue Budget for 2018/19... However, should a net overspending still be forecast then General Fund unallocated balances would need to be used to fund it
- The Housing Revenue Account is currently underspent by **£87K**, and this is expected to increase to **£143K** by the year-end. The key message relates to the significant improvement in void property turnaround times, which has led to forecast additional rental income of **£100K**.

1.2. Lower level analysis to support the values above is included at **Appendix B**.

- 1.3. An update and supporting commentary on Salt Ayre financial and non-financial performance is included at **Appendix C**
- 1.4. Details of the Councils General Fund and HRA Capital Programme, expenditure to date and forecast year-end outturn is included at **Appendix D** and **Appendix E**.
- 1.5. A full list of General Fund reserves and current forecast year-end balances are included at **Appendix F**.
- 1.6. Progress against the savings measures approved as part of the 2018/19 budget is detailed within **Appendix G**. Progress is allowed for in the overall headline figures quoted above.
- 1.7. To support corporate financial monitoring, the latest Treasury Management update report is included at **Appendix H**.

RELATIONSHIP TO POLICY FRAMEWORK

This report is in support of the delivery of the Council's overall policy framework, and more specifically its Corporate Plan.

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 the capacity as Interim Financial Services Manager

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comment

BACKGROUND PAPERS

None.

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CORPORATE FINANCIAL MONITORING 2018/19

QUARTER 3: October to December 2018

INTRODUCTION

This report provides an overview of the Council's financial position and key budgetary variances as at the end of December 2018, in terms of the revenue and capital budgets and local taxation. It also includes updates on key reserves and income collection. Please note that Quarter 3 monitoring is against the original budget as approved by Council 28th February 2018 and not a revised position as has been the case in previously.

REVENUE BUDGET

General Fund – As at 31st December a slight net overspend of **£17K** existed. Should spending progress as currently forecast, a net overspend in the region of **£13K** could be experienced by year-end, once agreed funding from the Council's reserves is applied. Although officers are currently taking action to address each area of overspending, an amount of **£13K** would equate to approximately **0.08%** of the Councils Net Revenue Budget for 2018/19.

The main variances are summarised in the table below and provided in more detail at **Appendix B**. In addition, a separate monitoring statement on Salt Ayre Leisure Centre is included at **Appendix C**.

| | Qrt 3 £000's | Full Year Forecast £000's |
|---|-----------------------|---------------------------------|
| General Fund Revenue Budget | 16,204 | 16,204 |
| | (Favourable)/ Adverse | |
| Employees | 122 | 179 |
| Premises | 10 | 86 |
| Transport | 28 | 44 |
| Supplies & Services | (50) | 56 |
| Fees & Charges | (187) | (231) |
| Minor Variances | 33 | 26 |
| Other Variances | 61 | (148) |
| Update Revenue Budget | 16,221 | 16,217 |
| (Under)/ Overspend | 17 | 13 |
| Percentage of Net Revenue Budget | 0.10% | 0.08% |

Movement September (Q2) to December 2018 (Q3)

The Council's overall projected position has improved since Qtr. 2 (**+£93K**). This is because of several variances the most significant being, a reduction in the forecast over spend of employee expenses of (**£58K**), together with increased parking fees, and investment income of (**£30K**) and (**£14K**) respectively.

These favourable variances are offset by the areas such as the impact of reduction in demand for Gravity at Salt Ayre **£26K** and a reduction in the amount reclaimed for engineers salaries for the Caton Road Flood Defence project **£13K**.

Movement in Year

As previously reported the significant movements for the year to date are, Salt Ayre's contract with the University of Cumbria (**£83K**), additional grant funding (**£88K**) being received in relation to Disabled Facilities Grants, additional licence fee income as a result of legislative changes in regard to Houses of Multiple Occupancy (HMO) (**£74K**). In addition, we have identified a saving on the Councils

Minimum Revenue Provision (MRP) (**£103K**) and have been allocated (**£35K**) from Central Government over the next 2 financial years in order to prepare for Brexit, (**£17.5K**) has been included in the full year forecast.

Conversely, budget pressures remain evident within several service areas, additional air quality and traffic count reports are required as part the Council's Local Plan **+£117k**, reduced occupancy levels on the markets continue **+£15K**, as is reduced activity within Building Control **+£62K**.

Although the corporate staff turnover provision was removed as part of PRT 2 and budgets realigned based on projected phasing of recruitment, the funding of temporary appointments to fill various positions within the Council continues to place pressure in the area.

Garden Waste Collection - The Council's garden waste collection service has generated £904K of income, but a shortfall (+£57K) is still forecast.

The following table illustrates the number of subscriptions gained in 2018/19 and the corresponding financial impact

| | Estimated Subscriptions | Actual Subscriptions | Variance | Original Budget £ | Actual £ | Variance £ |
|-----------------------------|-------------------------|----------------------|---------------|-------------------|----------------|----------------|
| Paid prior to 01 April 2018 | 20,841 | 17,839 | -3,002 | 833,640 | 713,560 | -120,080 |
| Paid during 2018/19 | 3,159 | 4,749 | 1,590 | 126,360 | 189,960 | 63,600 |
| TOTAL | 24,000 | 22,588 | -1,412 | 960,000 | 903,520 | -56,480 |

Housing Revenue Account (HRA) – Current underspent by **£87K**, which is forecast to increase to **£143K** by year-end. As reported previously a significant improvement in void property turnaround times which has led to forecast additional rental income (**£100K**). However, additional contributions have been made in respect of staff turnover savings (**£27K**) and direct revenue financing because of slippages within the HRA capital programme.

CAPITAL

Expenditure

General Fund – The Capital Programme remains unchanged from that reported at Quarter 2 totalling £15.251M.

| Capital Movements | | |
|-----------------------------------|---|-----------------|
| Original Capital Programme | | £11.400M |
| Slippage 2017/18 | Slippage & accelerated expenditure from 2017/18 | £0.515M |
| Quarter 1 Movements | | £0.204M |
| Quarter 2 Movements | | £3.132M |
| Quarter 3 Movement | | £0.000M |
| Total Movements | | £3.851M |
| Revised Capital Programme | | £15.251M |

Total spend and commitments to the end of December totalled **£5.191M** leaving **£10.060M** still to spend. A review of the programme has highlighted potential slippage of **£8.510M**. Details of variances over £500K are included below.

General Fund Capital Programme expenditure to date and forecast year-end outturn is included at **Appendix D**.

| Service | Scheme | Forecast Year End Variance £ | Comments |
|-------------------------|---------------------------------|---------------------------------|--|
| Environmental Services | Vehicle Renewals | (562,000) | The replacement of some vehicles have been deferred |
| Health and Housing | Disabled Facilities Grants | (1,178,000) | Forecast based on performance to date |
| Regeneration & Planning | Morecambe TH12: A View for Eric | (522,000) | Due to the late withdrawal of a partner, it has not been possible to identify an alternative suitable project before the end of the financial year. The remaining expenditure and related grant will therefore lapse. |
| | Canal Quarter | (2,000,000) | Amount originally allocated to make a bid to purchase land owned by British Land is no longer required. A bid for £550k to facilitate the purchase of alternative strategic land acquisition in Canal Quarter has been put forward for 2019/20 |
| Resources | Corporate Property Works | (2,598,939) | Several schemes within this programme of works have been held back pending review as part of 2019/20 budget round. |

Housing Revenue Account (HRA) – The HRA Capital Programme remains unchanged from that reported at Quarter 2 totalling **£4.481M**. Spend and commitments to the end of December totalled **£2.431M** leaving **£2.050M** still to spend. A review of the programme has highlighted potential slippage of **£114K**.

Details of the HRA Capital Programme expenditure to date and forecast year end performance is included at **Appendix E**.

Financing

General Fund

£5.713M of grants and contributions have been received against a revised budget of £6.328M, with capital receipts at the end of December 2018 of £41k; all of these receipts will be utilised in support of the Minimum Revenue Provision.

RESERVES

Details of movements in reserves totalling **£53K** are below. A full list of reserves

Budget Support Reserve – Approved allocations are below, which leave a current balance of **£1.729M** on the reserve.

| | |
|-------------------------|--------------|
| | £000's |
| Opening Balance | 1,734 |
| ICT Azure Business Case | (5) |
| Closing Balance | 1,729 |

Renewals Reserve – Approved allocation are below which leave a current balance of **£208K** on the reserve.

| | |
|------------------------------------|-------------|
| | £000's |
| Opening Balance | 257k |
| SALC Swimming Pool Heating Control | (30) |
| Pool Car replacement | (19) |
| <hr/> | |
| Closing Balance | 208 |

General Fund Unallocated Balances

Unallocated General Fund Balances remains unchanged from Quarter 2 at **£5.046M**

A full list of reserves and current forecast year-end balances are included at **Appendix F**. As part of the annual budget setting process, the s151 Officer is required to review the level and purpose of the Councils reserves to ensure they are appropriate for both the internal and external risks to which it is exposed.

LOCAL TAXATION

Council Tax – Current deficit of £599K (£94K deficit as at 31 March 2018). Main changes are:

- Deficit from previous year +£94K
- Reduced cost of Council Tax Support (£107K)
- Reduced charge for Second/Empty Homes +£107K
- Other Movements in Tax Base +£504K

In tax base terms, this equates to approximately 335 net chargeable Band D equivalent properties, bringing the total tax base to 41,417 gross properties.

Retained Business Rates – The latest position on business rates shows net income down by £1.171M when compared to the original estimate, after allowing for an increase in estimated appeals of £1.130M.

| | Original £000's | Qrt 1 (June 18) £000's | Qrt 2 (Sept 18) £000's | Qrt 3 (Dec 18) £000's | Movement From Original Fav (-) / Adverse (+) £000's |
|--|--------------------|------------------------------|------------------------------|-----------------------------|---|
| Net Rates Payable | (64,487) | (65,398) | (64,767) | (64,446) | 41 |
| Appeals | 3,123 | 4,132 | 3,821 | 4,253 | 1,130 |
| Business Rates Income | (61,364) | (61,266) | (60,946) | (60,193) | 1,171 |
| City Council Retained Income (40%) | (24,546) | (24,506) | (24,378) | (24,077) | 469 |
| Less Tariff | 18,848 | 18,848 | 18,848 | 18,848 | - |
| Add Net Small Business Rates Relief Grant | (1,102) | (1,042) | (1,054) | (1,069) | 33 |
| Net Retained Income | (6,800) | (6,700) | (6,584) | (6,293) | 507 |
| Safety Net Payment | - | - | - | - | - |
| Baseline | (5,518) | (5,518) | (5,518) | (5,518) | - |
| Growth Above Baseline | (1,282) | (1,118) | (1,066) | (775) | 507 |
| 50% Levy Payment | 616 | 589 | 531 | 387 | (229) |
| Total Retained Income | (6,184) | (6,111) | (6,053) | (5,906) | 278 |

Overall, the total estimated Retained Income is **£278K** down on the original forecast due to the impact of the increase in appeals. This position will inevitably fluctuate during the year. The Business Rates Reserve will be used to negate the impact on the General Fund.

Appeals

Analyse Local currently provide our appeals data and suggest our exposure has increase by **£1.130M** to **£4.253M** from the original budget figure of **£3.123M**, a movement of **£432K** from Qrt 2. The reasons are due to an increase in general appeals, and a volume of specific appeals, regarding Automatic Teller Machines (ATMs) totalling **£517K**.

The s151 Officer is currently reviewing our provision for 2019/20 to ensure it is adequate to address the risk of successful appeals with particular reference to outages at Heysham Power Station and ATM's.

Future Risks

A legal challenge by 20 NHS Foundation Trust to allow them to claim charitable status, which attracts an 80% reduction in their Business Rates. The Council is not party to the initial action but should the case be successful its liability regarding Lancaster Royal Infirmary (LRI), if backdated to 2010 would be approximately **£925K**.

The Council opted out of joining the Lancashire 75% Business Rate Pooling pilot and so continues to enjoy the protection of the Governments Safety Net arrangements for any significant income loss, such as outages at Heysham Power Stations. From 2020/21 when the 75% Business Rate Retention Scheme is introduced nationally there is a risk that without a Safety Net arrangement the other Lancashire Pool members may continue not to propose suitable risk sharing arrangements and the Council may have to bear the full impact of the of the significant risk imposed by Heysham Power Station. This issue is not unique to Lancaster and the Council along with other Councils with nationally strategic assets such as Power Stations are continuing to raise this issue with Central Government.

Collection Performance

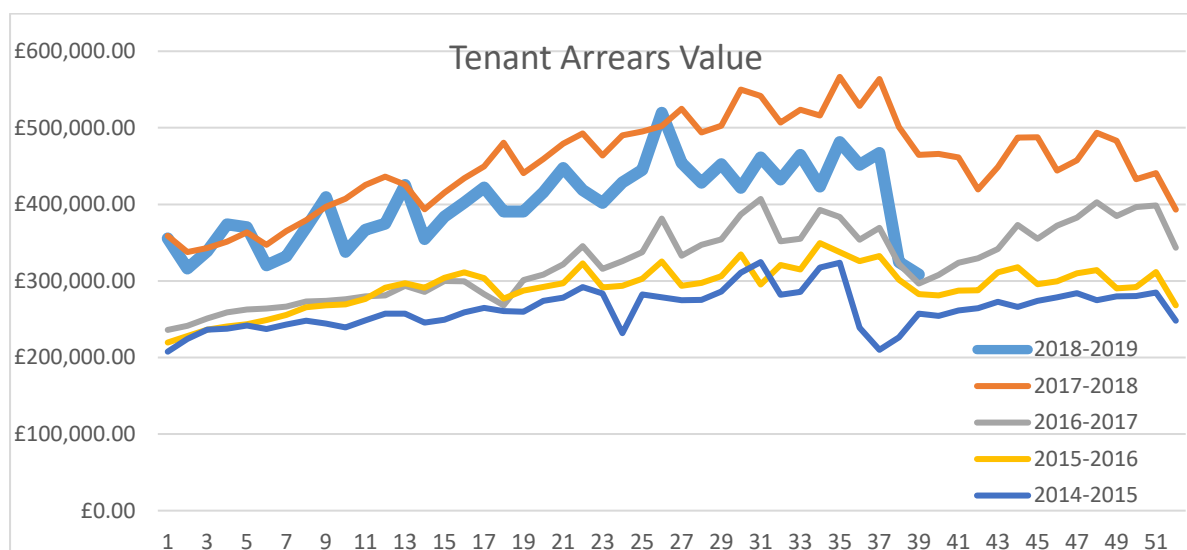
| | Full Year Target | Qrt 3 Target | Qrt 3 Actual | Variance Fav (-) / Adverse (+) |
|----------------|-------------------------|---------------------|---------------------|---------------------------------------|
| Council Tax | 96.1% | 84.3 | 84.4 | (0.1) |
| Business Rates | 98.7% | 79.9 | 79.9 | 0 |

Both Council Tax and Business Rates collection rates are in line with the annual profile, with the expectation the full year targets will be achieved.

No specific action is required at this point.

INCOME COLLECTION

Council Housing Rent Arrears – At the end of week 39 the level of current council housing rent arrears was **£308K** (2.3% of **£13.337M** rent debit). This represents a decrease of **£212K** on the previously reported Qtr2 figure of **£520K**, and a **£156K** (34%) reduction against 2017/18 Q3 arrears values (**£465K**). This reflects Council Housings increased focus on intervention, and a more intensive approach to income management.



Sundry Debts – At the end of December, the level of debt was **£2.671M**, which is a decrease of **£339K** from Qtr2. The bad debt provision (BDP) currently stands at **£2.491M**, which is **£57K** higher than the required level. No action is required at present. We will review our BDP as part of our year-end assessment.

| SERVICE | < 28 Days | 28-59 Days | 60-91 Days | 92-183 Days | 184-364 Days | 365+ Days | 2018/19 QUARTER 3 TOTALS | Compared to 2017/18 Quarter 3 totals |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|--------------------------|--------------------------------------|
| | £ | £ | £ | £ | £ | £ | | |
| Environmental Services | 63,236 | 63,243 | 7,504 | 24,772 | 113,578 | 15,407 | 287,740 | 252,213 |
| Regeneration & Planning | 10,727 | 170 | 32,500 | 1,267 | 342 | 26,807 | 71,812 | 48,607 |
| Resources | 135,911 | 25,076 | 65,018 | 49,210 | 46,392 | 49,909 | 371,516 | 468,340 |
| Health & Housing | 24,251 | 1,338 | 20,296 | 11,707 | 26,791 | 23,795 | 108,178 | 79,727 |
| Governance | - | 225 | - | 885 | - | 967 | 2,077 | 500 |
| Hsg Benefits (Revenues) | 25,361 | 43,386 | 38,970 | 65,046 | 174,029 | 1,482,919 | 1,829,711 | 1,955,584 |
| 2018/19 Quarter 3 Totals | 259,485 | 133,439 | 164,287 | 152,887 | 361,133 | 1,599,804 | 2,671,035 | 2,804,971 |
| 2018/19 Quarter 2 Totals | 351,592 | 151,079 | 109,769 | 497,851 | 250,150 | 1,649,672 | 3,010,113 | |

CONTRACT PROCEDURE RULES AND OTHER EXCEPTIONS TO TENDER

Exceptions to Tender – There were two exceptions to tender in Quarter 3:

Microsoft Enterprise Agreement Renewal.

Renewal of the Councils Microsoft Enterprise licences via a direct award using the KCS framework in order to secure current prices.

Lancaster Canal Quarter Regeneration Preparation of a Strategic Regeneration.

Use of Homes England Framework, competition was carried out but from select list of suppliers.

2018/19 QUARTER 3 REVENUE MONITORING - GENERAL FUND

Appendix B

| Subjective Area | Service | Reason for Variance | Current Variances | | Projection for Year | |
|-------------------------|---|---|---|---------------|------------------------|------------------|
| | | | Adverse / (Favourable) | | Adverse / (Favourable) | |
| | | | £ | £ | £ | £ |
| Employees | Environmental Services | Salaries - turnover savings | (101,966) | | (139,700) | |
| | Environmental Services | Provision for staff turnover | 123,163 | | 164,200 | |
| | Environmental Services | Approved Revenue Savings | 42,800 | | 42,800 | |
| | | | | 63,997 | | 67,300 |
| | Governance | Additional Staff Costs | 29,333 | | 58,722 | |
| | Governance | Provision for staff turnover | 11,627 | | 15,500 | |
| | Governance | Minor Employee variances | 1,727 | | 1,800 | |
| | | | | 42,687 | | 76,022 |
| | Health & Housing | Staff Turnover | (32,200) | | (25,200) | |
| | Health & Housing | Provision for staff turnover | 38,100 | | 50,800 | |
| | Health & Housing | Additional overtime due to new HR standby policies | 3,500 | | 4,700 | |
| | | | | 9,400 | | 30,300 |
| | Health & Housing - Leisure | Provision for staff turnover | 27,602 | | 36,800 | |
| | Health & Housing - Leisure | SALC Sals - Various vacant posts | (38,041) | | (66,591) | |
| | Health & Housing - Leisure | Minor Employee variances | (4,020) | | (4,200) | |
| | | | | (14,459) | | (33,991) |
| | OCE | Various additional staffing costs | 15,107 | | 2,200 | |
| | OCE | Provision for staff turnover | 25,352 | | 33,800 | |
| | | | | 40,459 | | 36,000 |
| | Regeneration & Planning | Provision for staff turnover | 33,078 | | 65,900 | |
| Regeneration & Planning | Regen & Planning salary variances due to vacant posts and lower SCP's. | (14,806) | | (10,708) | | |
| Regeneration & Planning | VIC additional costs due to TUPE of County staff | 5,794 | | 12,290 | | |
| | | | 24,065 | | 67,482 | |
| Resources | Various turnover savings including vacant CSC, Finance, Property and ICT posts | (73,044) | | (102,336) | | |
| Resources | Provision for staff turnover | 30,004 | | 40,000 | | |
| Resources | Revised EL&TP Insurance Recharges | (1,401) | | (1,500) | | |
| | | | (44,441) | | (63,836) | |
| | | Employees Total | 121,709 | | 179,277 | |
| Premises | Environmental Services | Williamson Park - bringing electricity budget in-line with previous year spend based on current usage | (987) | | 7,000 | |
| | Environmental Services | Markets - New lighting required, not included in original Property Services schedule | 4,617 | | 5,700 | |
| | | | | 3,630 | | 12,700 |
| | Health & Housing - Leisure | SALC - Additional costs associated with NNDR, installation of CHP unit and increased usage by SPA | 35,250 | | 68,800 | |
| | Regeneration & Planning | Middleton Wood Pumping Station fault investigation and repair | - | | 25,000 | |
| | | | | 35,250 | | 93,800 |
| | Resources | Net savings on Repairs & Maintenance | (20,553) | | (7,500) | |
| Resources | Rates savings at Storey/Lansil Water Treatment Plant | (8,454) | | (13,000) | | |
| Resources | Revised Premises Insurance Recharges | 5 | | (300) | | |
| | | | (29,002) | | (20,800) | |
| | | Premises Total | 9,878 | | 85,700 | |
| Transport | Environmental Services | Diesel prices - 7.5% increase in first six months of the year | 19,243 | | 19,300 | |
| | Environmental Services | Vehicle Maintenance Unit Stock Write-Off. New systems of management and control to be introduced | (385) | | 14,900 | |
| | Environmental Services | Pooled vehicles - Delays in receiving vehicles resulted in additional hire costs | 8,817 | | 8,600 | |
| | | | | 27,675 | | 42,800 |
| | Health & Housing | Reduction in Car Allowances rate from October 18 | (2,500) | | (2,500) | |
| Health & Housing | Additional Van costs for Pest control | 3,300 | | 3,800 | | |
| | | | 800 | | 1,300 | |
| | | Transport Total | 28,475 | | 44,100 | |
| Supplies & Services | Environmental Services | Nursery - Correction of year end stocktake | 20,191 | | 5,700 | |
| | Environmental Services | Waste Collection approved savings not achieved | 22,953 | | 30,600 | |
| | | | | 43,144 | | 36,300 |
| | Governance | Legal Case Management System - project to be delayed until 2019/20 | (20,000) | | (20,000) | |
| | Governance | Reduction in Members Allowances in year | (2,815) | | (3,100) | |
| | Governance | Reduction in demand for Community Governance Review | (20,494) | | (20,000) | |
| | Governance | Various minor legal increases | 684 | | 5,110 | |
| | | | | (42,625) | | (37,990) |
| | Health & Housing | Licensing - Increased use of Agency staff | 10,300 | 10,300 | 10,300 | 10,300 |
| | | | | | | |
| | Health & Housing - Leisure | Inclusion of Management Fee expenditure | 3,297 | 3,297 | 5,000 | 5,000 |
| | OCE | ICT Software - Reduction in costs in year | 15,954 | | 3,200 | |
| | OCE | Mobile Phone - Reduced recharges | (4,147) | | (5,100) | |
| | OCE | Reduced Insurance Recharges | (2,999) | | (3,000) | |
| | OCE | Increased HR demand for legal advice | - | | 2,000 | |
| | | | | 8,808 | | (2,900) |
| | Regeneration & Planning | Reduction to IDOX subscriptions | (18,600) | | (18,600) | |
| Regeneration & Planning | Additional Local Plan reports required | 26,258 | | 117,300 | | |
| Regeneration & Planning | Additional Planning legal costs and support for upcoming court cases | (10,000) | | 36,000 | | |
| Regeneration & Planning | Increase to numbers of statutory advertising regarding certain planning application | 2,157 | | 7,000 | | |
| Regeneration & Planning | Economic Growth initiatives slipped to 2019/20 | (40,934) | | (55,000) | | |
| | | | (41,120) | | 86,700 | |
| Resources | DWP Housing Benefit Grant - Additional monies received | (25,000) | | (35,800) | | |
| Resources | Reduced Property Services Consultancy requirement | (6,668) | | (5,000) | | |
| | | | (31,668) | | (40,800) | |
| | | Supplies & Services Total | (49,863) | | 56,610 | |
| Fees & Charges | Environmental Services | Car Parking - Increased pay and display income expected | (16,633) | | (77,800) | |
| | Environmental Services | Markets - Reduced occupancy levels resulting in lower rent income | 14,845 | | 14,600 | |
| | Environmental Services | Williamson Park - Increase in visitor numbers | (32,738) | | (22,100) | |
| | Environmental Services | Splash Park - Lower than expected user numbers | 18,108 | | 17,800 | |
| | Environmental Services | Happy Mount Park - Additional profit share from café concession | (7,925) | | (7,900) | |
| | Environmental Services | Garden Waste - Subscription levels currently in excess of 22,500 against projected 24,000 | 55,030 | | 57,000 | |
| | Environmental Services | Trade Waste - Additional income | (150,890) | | (35,300) | |
| | Environmental Services | Waste Collection - Income budget for bins and boxes realigned with previous year outturn | 15,299 | | 14,300 | |
| | | | | (104,904) | | (39,400) |
| | Governance | Additional court costs awarded | (24,852) | | (30,000) | |
| | Governance | Reduction in the predicted number of searches for year | 10,039 | | 9,000 | |
| | | | | (14,813) | | (21,000) |
| | Health & Housing | Increase in HMO Income | (55,300) | | (73,700) | |
| | Health & Housing | Additional income from externally funded staff time recharges | (18,800) | | (25,000) | |
| | Health & Housing | Pest Control - Increase in charges | 14,700 | | 15,900 | |
| | Health & Housing | Add Income from disclosure training & £1600 inc from CSP for statement taking | (3,100) | | (5,600) | |
| | Health & Housing | Lancashire County Council DFG grant completions | (81,800) | | (110,200) | |
| | Health & Housing | Reduced Licensing Income | 900 | | 2,500 | |
| | | | | (143,400) | | (196,100) |
| | Health & Housing - Leisure | University of Cumbria Contract 2018/19 | (41,499) | | (83,400) | |
| | Health & Housing - Leisure | Reduced demand for Gravity | 14,459 | | 39,300 | |
| | | | | (27,040) | | (44,100) |
| | OCE | Costs of staff advertisements | 2,986 | 2,986 | 3,000 | 3,000 |
| Regeneration & Planning | Planning fee - Additional income | 31,425 | | 7,500 | | |
| Regeneration & Planning | Income to be recovered against Viability work from developers | - | | (10,000) | | |
| Regeneration & Planning | Platform - Additional income from increased numbers of shows | (14,000) | | (14,611) | | |
| Regeneration & Planning | Building Control reduced application volumes | 46,484 | | 62,000 | | |
| Regeneration & Planning | Light up Lancaster and Vintage revenue savings target removed. | 17,039 | | 19,500 | | |
| Regeneration & Planning | Engineers Capital Salaries adjustment | 6,527 | | (8,600) | | |
| | | | 87,475 | | 55,789 | |
| Resources | Reduction in Printrooms Café income target | 13,025 | | 23,100 | | |
| Resources | Additional Rent & Service Charge income at CityLab/Storey | - | | (12,500) | | |
| | | | 13,025 | | 10,600 | |
| | | Fees & Charges Total | (186,671) | | (231,211) | |
| Minor Variances | Environmental Services | Minor variances | 30,373 | | 20,700 | |
| | Governance | Minor | (4,005) | | (2,700) | |
| | Health & Housing | Minor & ASB | (2,300) | | 8,500 | |
| | Health & Housing - Leisure | Minor Leisure variance | (2,900) | | (10,200) | |
| | OCE | Minor | (300) | | 700 | |
| | Regeneration & Planning | Minor R&P income variances | (1,316) | | (8,929) | |
| | Resources | Minor Resources variances | 13,408 | | 17,870 | |
| | | Minor Variances Total | 32,960 | | 25,941 | |
| Other Variances | Environmental Services | RMS (recharges into account) | (46,597) | | (20,200) | |
| | Environmental Services | GM Contract (outside service) | 67,678 | | (2,600) | |
| | Environmental Services | On-Street P&D | 5,828 | | - | |
| | Environmental Services | WLD recharges | (2,623) | | 200 | |
| | Environmental Services | Building Cleaning recharges | 5,131 | | 6,200 | |
| | Environmental Services | Commuted Sums - budget correction for S106 contribution to Bolton-le-Sands young peoples facilities | - | | 15,000 | |
| | Governance | Changes in recharges to HRA | - | | (24,100) | |
| | OCE | HRA recharges | - | | (6,500) | |
| | Other Income & Expenditure | Minimum Revenue Provision Saving | - | | (103,800) | |
| | Resources | Revised HRA recharges | - | | (11,200) | |
| | Other Income & Expenditure | MHCLG Brexit Funding | - | | (17,500) | |
| | Other Income & Expenditure | Reduction in investment income | 31,500 | | 16,900 | |
| | | | Other Variances Total | 60,917 | | (147,600) |
| | | | Total Forecast (Under)/ Over Spend | 17,404 | | 12,817 |

SALT AYRE LEISURE CENTRE

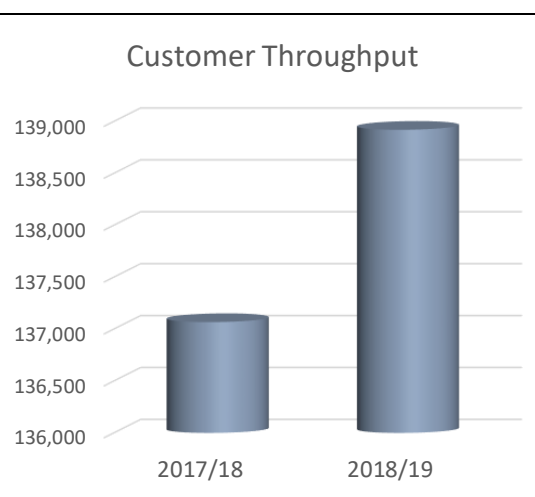
2018/19 QUARTER 3 PERFORMANCE MONITORING

Key messages

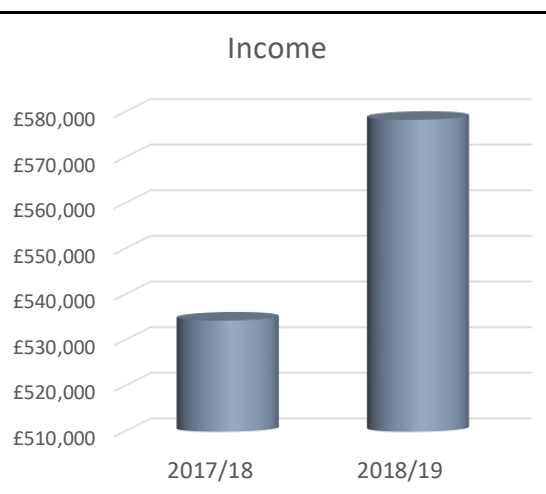
- **This years predicted operating subsidy for Salt Ayre Leisure Centre (SALC) has reduced by £500K to £200K- (It was £700k pre development). Year to date Income exceeds budget by £50k.**
- Quarter 3 financial performance is showing a net surplus of **£2791**
- Salt Ayre has sustained and is continuing to grow throughput. Pre development figures of circa 300,000 visits increasing to circa 750,000 post development, the centre still manages to gain in key areas such as the gym and Spa. **1800** increase for Quarter 3
- Salt Ayre won Health & Fitness Venue of the Year at the Bay Business Awards
- Swimming income continues to increase as a result of a number of improvements in the way lessons are managed. Introducing the direct debit option has resulted in easier payment options for customers and a more regular flow of income to the Centre. The income target has been increased by £112k.
- Health and Fitness similarly continues to perform exceeding original targets with an increase of £56k being added to original budget expectations.
- The increase in premises costs has been previously reported and due to an increase in National Non Domestic Rates (NNDR) of £21k and the installation of the new CHP led to an over optimistic energy budget reduction. Both these were outside the control of SALC. Winter data is now showing the CHP is delivering savings and with more energy efficient practices across the centre, there is a £20k of savings expected. Further adjustments will take place once a fully year of actual performance has been established.
- The building heating management system in the Swimming Pool Hall failed. Cost of work circa £30k funded from council reserves. This quarter has been very challenging in terms of repairs and maintenance with unexpected and unplanned repairs needed for the centre which has resulted in a small increase in premises costs.
- Additions to budget forecast include £37k for staff turnover, which is a figure the Council sets across all services. General reductions as a result of staff turnover are already included within management of wages and salaries.
- The café continues to perform well and is on track to meet or exceed the target of £413k.

| | 2017/18 Full Year Actuals | 2018/19 Original Full Year Budget | Qtr3 Budget | Qtr3 Actual | Qtr3 Variance | Full Year Projection | Variance to Original Budget | Percentage of Original Budget |
|--|---------------------------------|--|----------------|----------------|--------------------------------|-------------------------|-----------------------------------|-------------------------------------|
| | £ | £ | £ | £ | (Favourable) / Adverse £ | £ | (Favourable) / Adverse £ | |
| Expenditure | | | | | | | | |
| Employees | 1,259,787 | 1,396,400 | 1,011,040 | 981,849 | (29,191) | 1,367,209 | (29,191) | -2% |
| Premises Costs | 589,995 | 548,900 | 446,592 | 545,392 | 98,800 | 647,700 | 98,800 | 18% |
| Transport Costs | 23,000 | 14,600 | 17,807 | 17,407 | (400) | 14,200 | (400) | -3% |
| Supplies and Services | 538,632 | 539,000 | 429,764 | 438,464 | 8,700 | 547,700 | 8,700 | } 0% |
| Funding from Renewals Reserve | (89,814) | 0 | 0 | (30,000) | (30,000) | (30,000) | (30,000) | |
| Income | | | | | | | | |
| Fees and Charges | (2,123,387) | (2,354,500) | (1,765,625) | (1,816,325) | (50,700) | (2,405,200) | (50,700) | 2% |
| Direct Net Operating Cost/(-) Surplus | 198,213 | 144,400 | 139,578 | 136,787 | (2,791) | 141,609 | (2,791) | |
| Support Service Costs | 399,292 | 361,800 | 271,350 | 271,350 | 0 | 361,800 | 0 | |
| Total Net Operating Cost | 597,505 | 506,200 | 410,928 | 408,137 | (2,791) | 503,409 | (2,791) | |
| Renewals Reserve Contribution | 150,000 | 150,000 | 0 | 0 | 0 | 150,000 | 0 | |
| Capital Financing Costs - MRP re £5M development | 177,973 | 218,500 | 163,875 | 163,875 | 0 | 218,500 | 0 | |
| Total Net Cost | 925,478 | 874,700 | 574,803 | 572,012 | (2,791) | 871,909 | (2,791) | |

| Customer Throughput | 2017/18 £ | 2018/19 £ | (Favourable) / Adverse | (Favourable) / Adverse % |
|---------------------|----------------|----------------|---------------------------|-----------------------------|
| Shop | 771 | 465 | 306 | 39.69% |
| Health & Fitness | 30,173 | 37,462 | (7,289) | (24.16%) |
| SASC Café | 54,876 | 50,252 | 4,624 | 8.43% |
| Sports Hall | 5,743 | 6,149 | (406) | (7.07%) |
| Studio | 9,468 | 9,031 | 437 | 4.62% |
| Swimming | 16,942 | 16,299 | 643 | 3.80% |
| Spa | 3,193 | 5,949 | (2,756) | (86.31%) |
| Gravity | 202 | 135 | 67 | 33.17% |
| Xheight | 2,752 | 2,199 | 553 | 20.09% |
| Energy | 12,947 | 10,978 | 1,969 | 15.21% |
| | 137,067 | 138,919 | (1,852) | 0.00% |



| Income | 2017/18 £ | 2018/19 £ | (Favourable) / Adverse | (Favourable) / Adverse % |
|------------------|----------------|----------------|---------------------------|-----------------------------|
| Shop | 3,300 | 2,551 | 749 | 22.70% |
| Health & Fitness | 186,840 | 244,085 | (57,245) | (30.64%) |
| SASC Café | 112,782 | 97,937 | 14,845 | 13.16% |
| Sports Hall | 46,528 | 40,993 | 5,535 | 11.90% |
| Studio | 7,091 | 4,367 | 2,724 | 38.41% |
| Swimming | 111,954 | 96,132 | 15,822 | 14.13% |
| Spa | 17,019 | 52,458 | (35,439) | (208.23%) |
| Gravity | 2,111 | 908 | 1,203 | 56.99% |
| Xheight | 17,771 | 18,535 | (764) | (4.30%) |
| Energy | 28,974 | 20,380 | 8,594 | 29.66% |
| | 534,370 | 578,346 | (43,976) | (8.23%) |



Comments from Sports Development & Facilities Manager

- Staff turnover in key cost centres (Health & Fitness / Spa) has been a challenge in Q3. In spite of this December 2018 was the best performing month since opening.
- Significant contribution to the Spa throughput has been the success of The Feel Good Suite in this quarter.
- Salt Ayre worked collaboratively with 'Lancaster on Ice by' providing reduced entry fee on production of ticket. The success of 'Lancaster on Ice' may have contributed to a decrease in 'Energy' admissions as we have seen 500 less admissions compared to the same period in December last year.
- 16 Staff undertook group exercise training delivered by the Precor Master Trainer in preparation for the launch of the new class timetable in January.
- Active Lives Team is now back up to full strength and ready to deliver for the final 15 months of the contract.

Education

- Work continues to grow with the School Sport Partnership. 12 schools attended in the quarter which was an increase on Q2.
- CPD workshops continue to be delivered at Salt Ayre for primary and secondary school teachers.
- Schools Sports Partnership Conference took place in December with over 80 local school teachers attending.
- The Chadwick Centre for excluded children have been attending regularly and have increased their number of sessions per week. Positive feedback received from teachers, pupils and County Council inspectors.
- Work experience opportunities have been created with the local college and high schools and the team at SALC also provide tours and workshops on health & safety, facility management and Spa operation

Disability sessions

- The ongoing programme continues to grow. Around 150 visits per week attending the regular programme.
- Piccadilly Gardens, centre for adults with learning disabilities, now access SALC on a weekly basis taking part in a range of activities.

Partnership working / Community Support

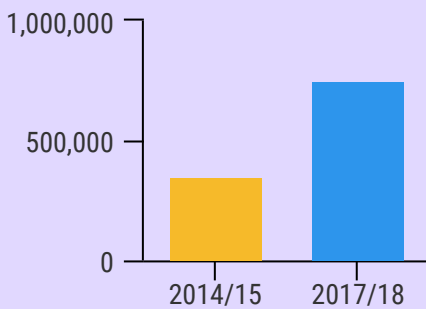
- The Midwives continue with 4 clinics per week. This has been very well received due to the closure of community venues such as Children's Centres. The Centre also provides a venue for health visitors to see clients.
- University Of Cumbria are delivering their Rehabilitation Clinics running 2 days per week. This enables 3rd year students to hone their skills for the benefit of Centre users and the general public. To date over 100 have benefited from this service.
- LFX and Les Mills annual seminars took place in The Hub for the first time and repeat bookings have been secured.

Programme development

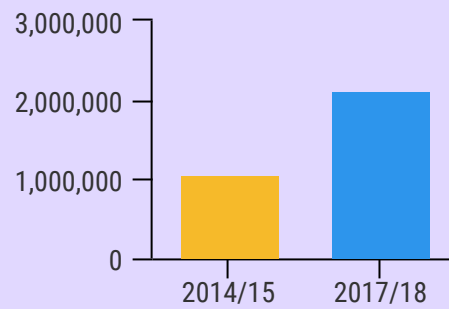
- SALC have developed some new holiday activities to stimulate the creative side of child development. Creation station and Pyjama Drama have been successful in attracting a new audience. Breakfast with Santa and Christmas Disco in Energy were both sold out events, as were the Learn to Cycle sessions. Roller disco was added to October half term which proved successful
- SALC now has pre-school offer every day. The introduction of a new pre-school swim to complement our children's play Zappers sessions. Similarly the Centre contributes greatly to the Council's 'Ambitions' plan and has this new vibrant ethos at its heart.

How did the development affect performance?

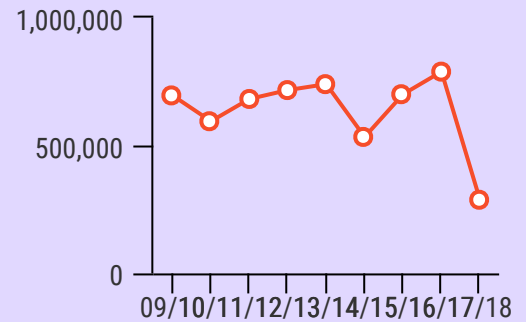
Increase in Customer Throughput



Increase in Overall Net Income



Net Operating Subsidy



From October 2017 - October 2018 Salt Ayre has



Helped 15 families from Safe attend sessions (domestic violence charity)



Served 57,532 hot drinks



Welcomed 1,152 babies via midwife clinics at SALC



Had over 3,500 visitors to our disability sports programme



Relaxed 13,500 visitors in our Spa



Tired out 32,000 children in soft play



Let 8,300 children climb the walls



Sang Happy Birthday 730 times



- APSE - Best public/private sector partnership
- APSE - Efficiency & transformation initiative
- National Fitness Awards - Functional Training
- National Fitness Awards - Gym of the year
- Innovation Award - Procurement & commissioning
- Bay Business Awards - Leisure Venue of the year
- Bay Business Awards - Health & Fitness Centre
- Bay Business Awards - Health & Beauty
- Celebrating Success - LCC Award
- Celebrating Success - Team of the Year
- Celebrating Success - Innovation & Enterprise
- SLC - Catering Team of the Year

General Fund Capital Programme 2018/19

| SERVICE | SCHEME | 2018/19 Gross Budget | Actual to Date | Actual Variance + Overspend/ (Underspend) | Forecast Year End Variance | Commentary |
|---|--|----------------------------|-------------------|--|----------------------------------|--|
| | | £ | £ | £ | £ | |
| Environmental Services | Vehicle Renewals | 1,224,000 | 56,673 | (1,167,327) | (562,000) | The replacement of some vehicles have been deferred. This has been factored in to future years budgets. |
| | Car Parks Improvement Programme/Electric Vehicle Charging Points | 7,000 | 4,526 | (2,474) | 47,000 | Expenditure to be grossed up by grant awarded for Electronic Vehicle Charging Points. Scheme must be completed by 31.3.19 |
| | CCTV Extension to White Lund Depot | 53,000 | 33,490 | (19,510) | 0 | Expected to spend in full |
| | Cable Street Car Park Extension | 35,000 | 23,455 | (11,545) | 0 | Expected to spend in full |
| | Half Moon Bay Car Park Extension | 60,000 | 0 | (60,000) | (60,000) | Scheme to be deferred until 2019/20 pending completion of Parking Strategy |
| | Vehicle Fleet Review | 107,000 | 56,253 | (50,747) | (48,000) | Saving arising from better prices being negotiated for new vehicles |
| | Vehicle Maintenance Unit Replacement Ramp | 34,000 | 34,485 | 485 | 485 | Minor overspend |
| | Bolton-Le-Sands Young Peoples' Facility | 15,000 | 14,920 | (80) | 0 | Spent in full |
| | Disabled Facilities Grants | 3,190,000 | 1,669,857 | (1,520,143) | (1,178,000) | £1,178k expected to slip based on performance to date |
| Health and Housing | Salt Ayre Sports Centre Redevelopment | 174,000 | 111,000 | (63,000) | (10,000) | £10,000 expected to slip into 2019/20 |
| | Heysham School Capital Funding | 36,000 | 36,000 | 0 | 0 | Spent in full |
| | Coastal Revival Fund - Morecambe Co-op Building | 37,000 | 0 | (37,000) | 13,000 | Scheme to be grossed up by additional £40k in respect of additional funding from Coastal Revival Fund bringing scheme total to £77k. £50k expected to be spent this year. |
| Regeneration and Planning | Sea & River Defence Works & Studies | 2,432,000 | 2,354,682 | (77,318) | (5,000) | Schemes are complete. A minor underspending is expected |
| | Amenity Improvements (Morecambe Promenade) | 16,000 | 4,259 | (11,741) | (10,000) | £10k will not be spent in year but will be used to establish a reserve which will facilitate the continuation of works in future years. |
| | Lancaster Square Routes | 45,000 | 12,060 | (32,940) | (24,000) | £21k expected to be spent in year. Scheme to be grossed up by additional £5k in respect of a contribution from Lancaster BID for city centre ginnel improvements. |
| | Morecambe THI2: A View for Eric | 537,000 | 14,642 | (522,358) | (522,000) | Final year of THI programme. £15k expected to be spent in year. Due to the late withdrawal of a partner it has not been possible to identify an alternative suitable project before the end of the financial year, the remaining expenditure and related grant will therefore lapse. |
| | MAAP Improving Morecambe's Main Streets | 185,000 | 10,658 | (174,342) | (141,000) | Phase 2 Wayfinding project will slip into 2019/20 as s106 contribution which funds the majority of this project is not expected to be received this financial year |
| | Lancaster District Empty Homes Partnership | 101,000 | 0 | (101,000) | (65,000) | £36k in respect of schemes currently in the pipeline expected to spend in the year with the £65k expected to slip into 2019/20 |
| | Cable Street Christmas Lights | 30,000 | 0 | (30,000) | (30,000) | £15k in respect of Cable Street lights will slip into 2019/20 as supplier is unable to schedule work in 2018/19. £14k financed from Renewals Reserve to be transferred to revenue for maintenance of Dalton Square lights |
| | S106 Highways Works | 200,000 | 149,866 | (50,134) | (50,000) | £18k additional public right of way contribution to be added to 2018/19 programme. £70k contribution can not be spent until 2019/20 as a legal variation is required to allocate it to an alternative project |
| | Heysham Gateway - Demolition & Removal of Tanks | 1,048,000 | 105,643 | (942,357) | (916,000) | Original scheme for remediating and developing out site has changed substantially. £132k is expected to be spent in year. A new capital bid is being developed outlining an alternative scheme. |
| | Canal Quarter | 2,000,000 | 0 | (2,000,000) | (2,000,000) | Amount originally allocated to make a bid to purchase land owned by British Land is no longer required. A bid for £550k to facilitate the purchase of alternative strategic land acquisition in Canal Quarter has been put forward for 2019/20 |
| Resources | ICT Systems, Infrastructure & Equipment | 333,000 | 168,331 | (164,669) | (40,000) | £40k set aside for a document management system is not required in year. Future options for replacement are under review. |
| | Corporate Property Works | 3,041,000 | 329,966 | (2,711,034) | (2,598,939) | Several schemes within this programme of works have been held back pending review as part of 19/20 budget round. |
| | Energy Efficiency Works | 311,000 | 0 | (311,000) | (311,000) | Scheme delayed by uncertainty of timing regarding plans for a new conference centre at Williamson Park. It is expected that the £311k allocation for a replacement boiler serving the existing buildings at the park will slip in to 2019/20 |
| Total Gross Programme | | 15,251,000 | 5,190,765 | (10,060,235) | (8,510,454) | |
| Note: The Capital Programme remains unchanged from that reported at Quarter 2 | | | | | | |

Council Housing Capital Programme 2018/19

Appendix E

| | 2018/19 Original Budget | 2018/19 Revised Budget | 2018/19 Projected Outturn | 2018/19 Variance (Revised v Projected) | Comments (Revised Budget to Projected Outturn) |
|--------------------------------------|-------------------------------|------------------------------|---------------------------------|---|---|
| | £ | £ | £ | £ | |
| EXPENDITURE | | | | | |
| Adaptations | 250,000 | 250,000 | 250,000 | 0 | Expenditure on track |
| Energy Efficiency/Boiler Replacement | 635,000 | 721,000 | 721,000 | 0 | Expenditure on track |
| Internal Refurbishment | 1,032,000 | 927,000 | 892,000 | -35,000 | Less works required following full property surveys and works commencing on site |
| External Refurbishment | 632,000 | 677,000 | 694,000 | 17,000 | Extra monies required over original budget on render/door contract to replace damaged cills on Higher Heysham and throughout Yealand - additional painting commissioned to offer 'completed' works once contractor finished on site |
| Environmental Improvements | 405,000 | 340,000 | 323,600 | -16,400 | Tender figure received for final phase of Ripley Ct - lower than expected |
| Re-roofing/Window Renewals | 641,000 | 571,000 | 559,000 | -12,000 | Works completed on site - final valuation received and savings reported |
| Rewiring | 86,000 | 78,000 | 10,000 | -68,000 | Labour element undertaken whilst kitchen renewal programme, therefore taken into account via that budget. Costs are only materials which are attributed to replacement of consumer units. |
| Lift Replacements | 70,000 | 70,000 | 70,000 | 0 | Expenditure on track |
| Fire Precaution Works | 180,000 | 190,000 | 190,000 | 0 | Expenditure on track |
| Housing Renewal and Renovation | 490,000 | 335,000 | 335,000 | 0 | Expenditure on track |
| TOTAL EXPENDITURE | 4,421,000 | 4,159,000 | 4,044,600 | -114,400 | |

Reserves Statement (Including Unallocated Balances)

| | 31 March 2018 | From Revenue | To / (From) Capital | To Revenue | 31 March 2019 | From Revenue | To / (From) Capital | To Revenue | 31 March 2020 | From Revenue | To / (From) Capital | To Revenue | 31 March 2021 | From Revenue | To / (From) Capital | To Revenue | 31 March 2022 | From Revenue | To / (From) Capital | To Revenue | 31 March 2023 | |
|--|---------------|--------------|---------------------|------------|---------------|--------------|---------------------|------------|---------------|--------------|---------------------|------------|---------------|--------------|---------------------|------------|---------------|--------------|---------------------|------------|---------------|-------|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | |
| Unallocated Balances | (5,067,000) | | | 21,400 | (5,045,600) | | | | (5,045,600) | | | | (5,045,600) | | | | (5,045,600) | | | | (5,045,600) | |
| Earmarked Reserves: | | | | | | | | | | | | | | | | | | | | | | |
| Business Rates Retention | (4,602,000) | (4,347,700) | | 2,666,300 | (6,283,400) | | | | (6,283,400) | | | | (6,283,400) | | | | (6,283,400) | | | | (6,283,400) | |
| Budget Support | (710,800) | (2,666,300) | 356,000 | 1,292,300 | (1,728,800) | | | 421,300 | (1,307,500) | | | 93,000 | (1,214,500) | | | 46,600 | (1,167,900) | | | | (1,167,900) | |
| Canal Quarter | (214,200) | (186,000) | | 216,400 | (183,800) | | | 103,500 | (80,300) | | | 23,200 | (57,100) | | | | (57,100) | | | | (57,100) | |
| Capital Support | (485,200) | | 36,000 | 379,000 | (70,200) | | 65,000 | | (5,200) | | | | (5,200) | | | | (5,200) | | | | (5,200) | |
| Corporate Property | (411,700) | | | 40,000 | (371,700) | | | | (371,700) | | | | (371,700) | | | | (371,700) | | | | (371,700) | |
| Economic Growth | (358,700) | | 25,000 | 140,900 | (192,800) | | | 109,100 | (83,700) | | | 41,900 | (41,800) | | | 1,500 | (40,300) | | | | (40,300) | |
| Elections | (80,000) | (40,000) | | | (120,000) | (40,000) | | 160,000 | | (40,000) | | | (40,000) | (40,000) | | | (80,000) | (40,000) | | | (120,000) | |
| Homelessness Support | (101,600) | (6,600) | | | (108,200) | (6,600) | | | (114,800) | (6,600) | | | (121,400) | (6,600) | | | (128,000) | (6,600) | | | (134,600) | |
| Invest to Save | (1,506,000) | | 53,000 | | (1,453,000) | | | 143,800 | (1,309,200) | (60,800) | | | (1,370,000) | (55,100) | | | (1,425,100) | (27,900) | | | (1,453,000) | |
| Local Plan | (124,900) | | | 124,900 | | | | | | | | | | | | | | | | | | |
| Morecambe Area Action Plan | (27,300) | | | | (27,300) | | 11,000 | | (16,300) | | | | (16,300) | | | | (16,300) | | | | (16,300) | |
| Planning Fee Income | | (61,800) | | | (61,800) | (14,400) | | | (76,200) | | | 31,200 | (45,000) | | | 39,600 | (5,400) | | | | (5,400) | |
| Renewals Reserves | (451,400) | (479,300) | 480,000 | 243,100 | (207,600) | (479,300) | 253,000 | 122,400 | (311,500) | (479,300) | 63,000 | 34,200 | (693,600) | (479,300) | 60,000 | 34,200 | (1,078,700) | (479,300) | | 34,200 | (1,523,800) | |
| Restructure | (565,700) | | | 33,500 | (532,200) | | | | (532,200) | | | | (532,200) | | | | (532,200) | | | | (532,200) | |
| Revenue Grants Unapplied | (744,100) | (30,000) | | 125,900 | (648,200) | (15,000) | | 47,200 | (616,000) | (5,300) | | 13,500 | (607,800) | | | | (607,800) | | | | (607,800) | |
| S106 Commuted Sums - Open Spaces | (60,600) | | | 16,600 | (44,000) | | | 15,600 | (28,400) | | | 11,800 | (16,600) | | | 11,800 | (4,800) | | | | 4,700 | (100) |
| S106 Commuted Sums - Affordable Housing | (687,300) | | | | (687,300) | | | | (687,300) | | | | (687,300) | | | | (687,300) | | | | (687,300) | |
| S106 Commuted Sums - Highways, Cycle Paths etc. | (444,200) | (300,000) | 237,000 | 9,300 | (497,900) | (200,000) | 120,000 | | (577,900) | (200,000) | | | (777,900) | (200,000) | | | (977,900) | (200,000) | | | (1,177,900) | |
| Welfare Reforms | (223,500) | (154,100) | | 25,000 | (352,600) | | | 25,000 | (327,600) | | | | (327,600) | | | | (327,600) | | | | (327,600) | |
| Amenity Improvements | | (29,000) | | | (29,000) | | | | (29,000) | | | | (29,000) | | | | (29,000) | | | | (29,000) | |
| Reserves Held in Perpetuity: | | | | | | | | | | | | | | | | | | | | | | |
| Graves Maintenance | (22,200) | | | | (22,200) | | | | (22,200) | | | | (22,200) | | | | (22,200) | | | | (22,200) | |
| Marsh Capital | (47,700) | | | | (47,700) | | | | (47,700) | | | | (47,700) | | | | (47,700) | | | | (47,700) | |
| Total Earmarked Reserves | (11,869,100) | (8,300,800) | 1,187,000 | 5,313,200 | (13,669,700) | (755,300) | 449,000 | 1,147,900 | (12,828,100) | (792,000) | 63,000 | 248,800 | (13,308,300) | (781,000) | 60,000 | 133,700 | (13,895,600) | (753,800) | | 38,900 | (14,610,500) | |
| Total Combined Reserves | (16,936,100) | | | | (18,715,300) | | | | (17,873,700) | | | | (18,353,900) | | | | (18,941,200) | | | | (19,656,100) | |

| Initiative | Type | Budget | Profiled Budget | Actual to Date | Variance | R A G | Progress |
|---|----------------|----------------|-----------------|----------------|----------------|-------------|---|
| PHASE 1 - 2018/19 APPROVED SAVINGS | | £ | £ | £ | £ | | |
| Environmental Services | | | | | | | |
| Solar Farm Design and Business Case Development | Inc Generation | 50,000 | 4,440 | 4,440 | 0 | ➔ | Funded from Business Support Reserve. Business case for three additional installations at SALC developed. Feasibility of a solar farm currently being worked on. SALC options to be assessed as part of 19/20 capital programme which will allow Elected Members to make an informed decision on whether to proceed. The farm option will be assessed once completed. |
| Waste Collection Management Systems | Efficiency | 138,000 | 3,364 | 3,364 | 0 | ➔ | Funded from Business Support Reserve. Preferred supplier has been identified, delays commissioning due to lack of resources in Waste Collection and ICT. Scheme likely to slip into next financial year. |
| Extension of CCTV to Public Buildings | Efficiency | (17,000) | (17,000) | (17,000) | 0 | ➔ | Nearing completion. £14k project overspend offset by contributions from BIDs and Morecambe Town Council to public CCTV system. |
| Extension of Cable Street Car Park | Inc Generation | (9,000) | (4,500) | (1,436) | 3,064 | ↓ | Project now complete, delayed by 2 months resulting in profiled budget not being met. Overall, car parking income has performed well in year. |
| Management of St. George's Quay Car Park | Inc Generation | (10,000) | (5,000) | (2,229) | 2,771 | ↓ | Project completed in September with P&D income being taken from 1st October. |
| Vehicle Fleet Review | Inc Generation | (27,000) | (20,250) | (11,434) | 8,816 | ↓ | All pool cars have now been purchased, variance relates to extended hire due to delays in scheme and repair of damage prior to returning hired vehicles. |
| Williamson Park Facilities Expansion - Design and Business Case Development | Inc Generation | 210,000 | 0 | 0 | 0 | ➔ | Funded from Business Support Reserve. Tender has been awarded and likely spend for this financial year is c.£50k with remaining amount to be carried forward into 2019/20. Tender feeding into business plan which is being written. On completion, design brief for the Café/Wedding Conference Centre will be formulated. |
| Bulky Waste Collection - Service and Charging Review | Inc Generation | (20,000) | (15,000) | (14,105) | 895 | ↓ | Review built into budget and broadly in line to date. |
| Health & Housing | | | | | | | |
| Development of Business Case for Local Authority Trading Company (LATC) | Inc Generation | 75,000 | 65,000 | 65,000 | 0 | ➔ | £65k order raised P03 with the remainder to be spent during the year. |
| Management Team | | | | | | | |
| Rationalisation of Organisational Development Capacity | Efficiency | (77,000) | (57,750) | (57,750) | 0 | ➔ | Staff Changes actioned and built into budget. |
| Regeneration & Planning | | | | | | | |
| Heysham Gateway - Site Improvement Works | | 320,000 | 100,000 | 100,000 | 0 | ➔ | £132k to be spent in year on site surveys, drainage studies and master planning work and the majority of this is now spent. A capital bid has been made to spend £479k on land remediation on the site for 2019/20 |
| Extension of Charging for Planning Services | Inc Generation | (5,000) | | 0 | 0 | ➔ | Delayed start with tree-related working charges. This remains low priority given the changing operational needs of the Service during 2018. The Service will be reviewing its non-statutory chargeable services to inform the Annual Fees and Charges Report shortly. |
| Resources | | | | | | | |
| ICT Network Performance Monitoring and Improvement | Efficiency | 30,000 | 30,000 | 10,000 | (20,000) | ↑ | ICT used £10k for SSD Drives - remaining allocation to be utilised by the end of March. |
| Repair and Maintenance of Corporate Property | Efficiency | (82,000) | (61,500) | (61,500) | 0 | ➔ | Built into budget and expected to be managed within overall R&M allocation. |
| Continuation of Internal Audit Collaboration and Restructure | Efficiency | (26,000) | (19,500) | (19,500) | 0 | ➔ | Savings already incorporated into budget and expected to be achieved. |
| Revenues & Benefits Shared Service Savings | Efficiency | (45,000) | 0 | 0 | 0 | ➔ | Savings achieved in Shared Service Budget and recharge will be reduced in Quarter 4. |
| Total | | 505,000 | 2,304 | (2,150) | (4,454) | | |

Treasury Management Update

Quarter Ended 31 December 2018

Report of Interim Head of Financial Services

2018/19 Treasury Management Update

Quarter Ended 31 December 2018

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 update (provided by Link Asset Services)

*After weak **economic growth** of only 0.1% in quarter one, growth picked up to 0.4% in quarter 2 and to 0.6% in quarter 3. However, uncertainties over Brexit look likely to cause growth to have weakened again in quarter four. After the Monetary Policy Committee raised the Bank Rate from 0.5% to 0.75% in August, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. In the event of a disorderly exit, the MPC have said that rates could go up or down, though it is probably much more likely to be down so as to support growth. Nevertheless, the MPC does have concerns over the trend in **wage inflation** which peaked at a new post financial crisis high of 3.3%, (excluding bonuses), in the three months to October. The main issue causing this is a lack of suitably skilled people due to the continuing increase in total employment and unemployment being near to 43 year lows. Correspondingly, the total level of vacancies has risen to new highs.*

*As for **CPI inflation** itself, this has been on a falling trend, reaching 2.3% in November. However, in the November Bank of England Inflation Report, the latest forecast for inflation over the two year time horizon was raised to being marginally above the MPC's target of 2%, indicating a slight build up in inflationary pressures.*

*The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in **household spending power** is likely to feed through into providing some support to the overall rate of economic growth in the coming months.*

*In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in 2019, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.*

3. Interest Rate Forecast

The council's treasury advisor, Link Asset Services has provided the following forecast:

| Link Asset Services Interest Rate View | | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 |
| Bank Rate View | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% | 1.75% | 1.75% | 2.00% |
| 3 Month LIBID | 0.90% | 1.00% | 1.10% | 1.20% | 1.30% | 1.40% | 1.50% | 1.50% | 1.60% | 1.70% | 1.80% | 1.90% | 2.00% |
| 6 Month LIBID | 1.00% | 1.20% | 1.30% | 1.40% | 1.50% | 1.60% | 1.70% | 1.70% | 1.80% | 1.90% | 2.00% | 2.10% | 2.20% |
| 12 Month LIBID | 1.20% | 1.30% | 1.40% | 1.50% | 1.60% | 1.70% | 1.80% | 1.90% | 2.00% | 2.10% | 2.20% | 2.30% | 2.40% |
| 5yr PWLB Rate | 2.10% | 2.20% | 2.20% | 2.30% | 2.30% | 2.40% | 2.50% | 2.50% | 2.60% | 2.60% | 2.70% | 2.80% | 2.80% |
| 10yr PWLB Rate | 2.50% | 2.60% | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% |
| 25yr PWLB Rate | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% | 3.50% | 3.50% | 3.60% | 3.60% |
| 50yr PWLB Rate | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% |

After the August increase in the Bank Rate to 0.75%, the first above 0.5% since the financial crash, the MPC has since then put any further action on hold, probably until such time as the fog of Brexit clears and there is some degree of certainty of what the UK will be heading into. It is particularly unlikely that the MPC would increase Bank Rate in February 2019 ahead of the deadline in March for Brexit, if no agreement on Brexit has been reached by then. **The above forecast, and other comments in this report, are based on a central assumption that there is an agreement on a reasonable form of Brexit.** In that case, then we think that the MPC could return to increasing Bank Rate in May 2019 but then hold fire again until February 2020. However, this is obviously based on making huge assumptions which could be confounded. In the event of a disorderly Brexit, then cuts in the Bank Rate could well be the next move.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in the Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

4. Investing Activities

The Treasury Management Strategy Statement (TMSS) for 2018/19, which includes the Annual Investment Strategy, was approved by the Council on 28 February 2018. It sets out the Council's investment priorities as being:

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

The Council aims 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, if and where appropriate, to seek out value available in periods up to 12 months with highly credit rated financial institutions, using the adopted creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

Officers confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31 December 2018.

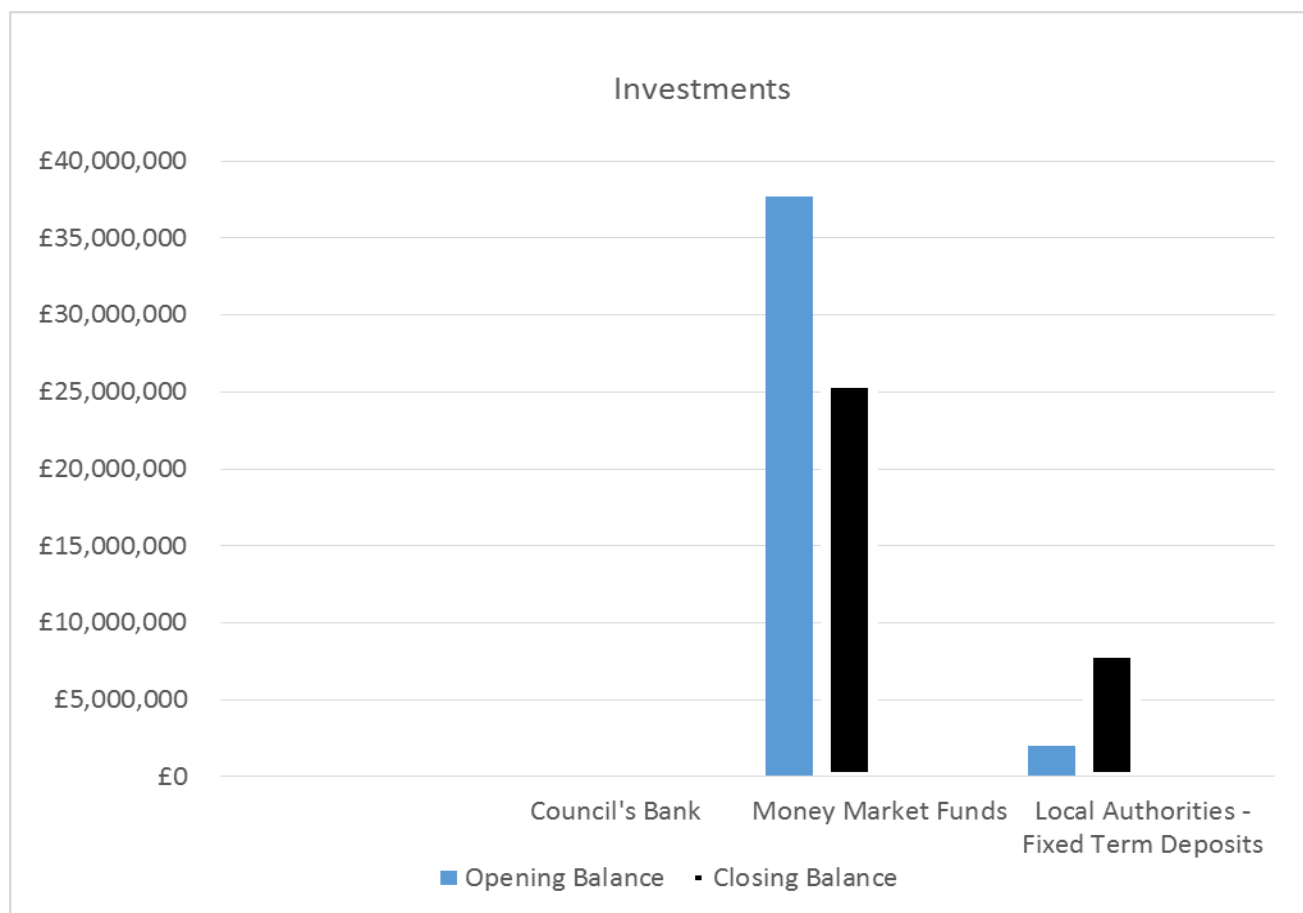
The average level of funds available for temporary investment purposes during the quarter was £37M. The level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.

In terms of performance against external benchmarks, the return on investments compared to the 7 day LIBID and bank rates at the end of the period is shown below. This is viewed as reasonable performance given the need to prioritise the investments and liquidity (i.e. making sure that the Council's cash flow meets its needs).

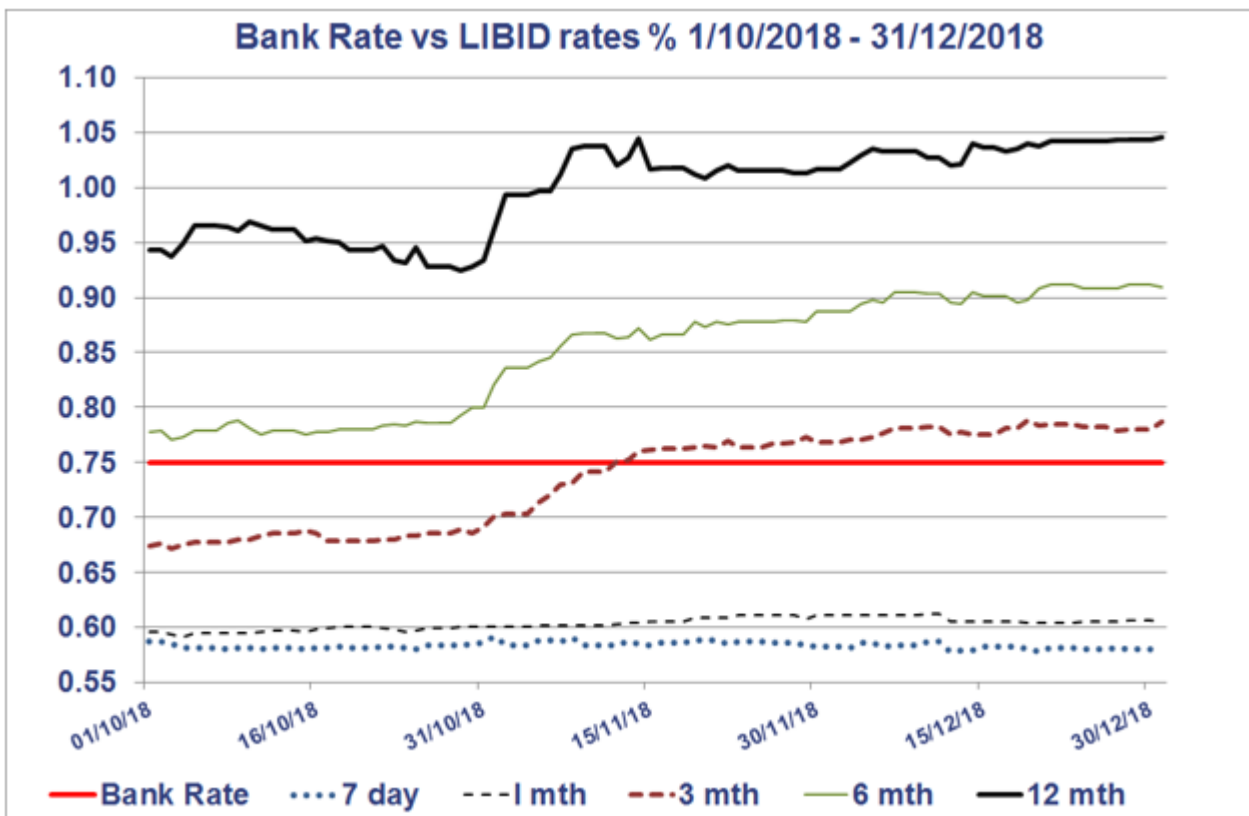
| | |
|------------------------------------|-------|
| Base Rate | 0.75% |
| 7 day LIBID | 0.58% |
| Lancaster City Council investments | 0.70% |

Investment Balances – quarter ended 31 December 2018

At the start of the quarter investments totalled £40m falling to £33m by 31 December. Fixed term investment with local authorities at 31 December were £25m whilst Money Market Fund balances were £8m



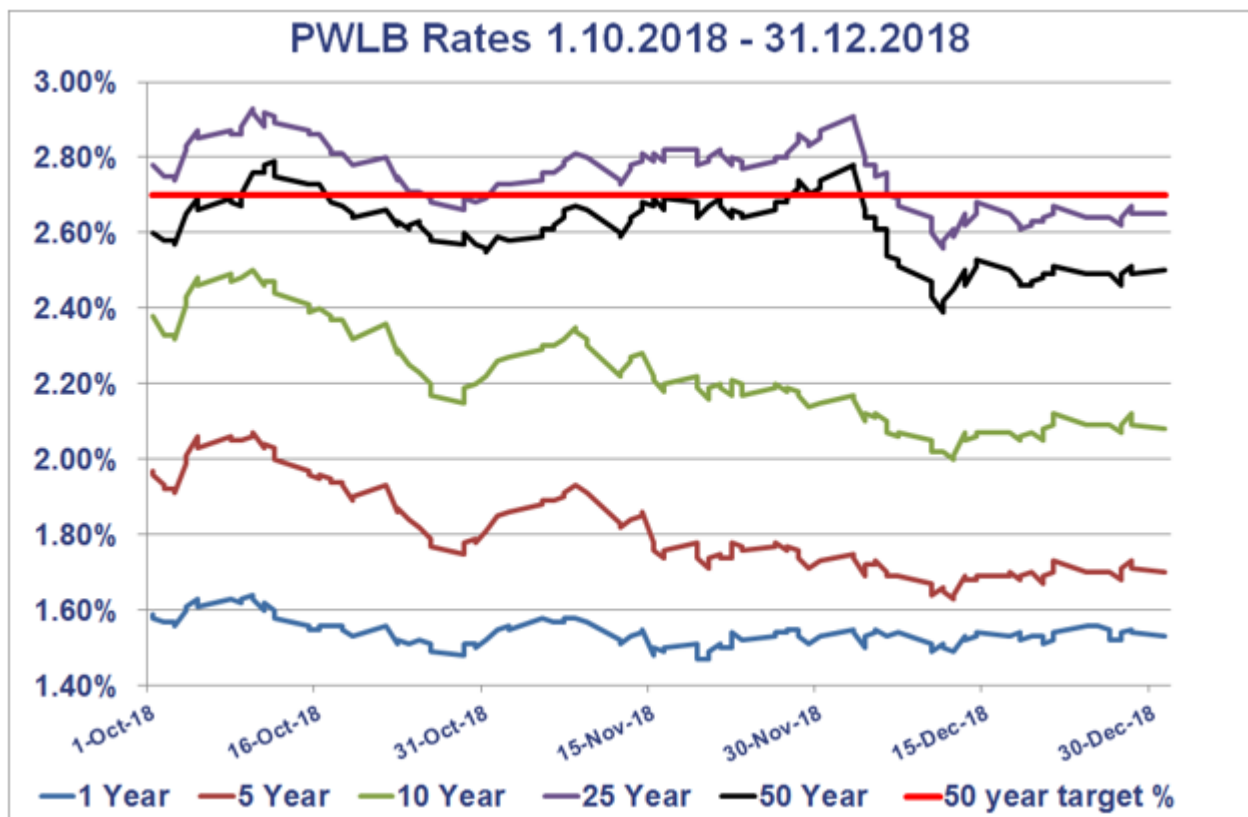
| Other Investments | Term | Maturity Date | Opening £ | Closing £ | Indicative Rate (YTD) | Current Fixed Rate | Interest to Date £ |
|--|-----------|---------------|-------------------|-------------------|-----------------------|------------------------|--------------------|
| Call Accounts | | | | | | | |
| Natwest (Cash Manager Plus) | | | 71,193 | 61,900 | | 0.01% | 189 |
| Money Market Funds | | | | | | | |
| Blackrock Sterling Liquidity First Fund | | | 6,000,000 | 6,000,000 | 0.71% | | 24,632 |
| Blackrock Sterling Government Liquidity Fund | | | 6,000,000 | 0 | 0.58% | | 8,116 |
| LGIM | | | 6,000,000 | 6,000,000 | 0.73% | | 23,704 |
| Aberdeen Life Investments | | | 6,000,000 | 6,000,000 | 0.74% | | 27,392 |
| Insight | | | 6,000,000 | 1,550,000 | 0.68% | | 14,498 |
| Goldman Sachs | | | 6,000,000 | 6,000,000 | 0.69% | | 10,892 |
| Lancashire County Council Call Account | | | 1,680,000 | 0 | 0.50% | | 1,168 |
| Fixed Term Deposits | | | | | | | |
| Guildford Borough Council | 364 days | 17/07/2018 | 0 | 0 | | 0.53% | 7,768 |
| Rugby Borough Council | 11 months | 29/06/2018 | 0 | 0 | | 0.35% | 853 |
| Antrim & Newtown Abbey BC | 364 days | 06/08/2018 | 0 | 0 | | 0.37% | 3,862 |
| Broxtowe Borough Council | 364 days | 28/09/2018 | 0 | 0 | | 0.40% | 1,973 |
| London Borough of Islington | 364 days | 01/10/2018 | 0 | 0 | | 0.40% | 4,011 |
| Telford & Wrekin Council | 123 days | 25/09/2018 | 0 | 0 | | 0.55% | 7,414 |
| Surrey Heath Borough Council | 183 days | 16/11/2018 | 1,000,000 | 0 | | 0.75% | 6,774 |
| Northamptonshire County Council | 363 days | 01/04/2019 | 1,000,000 | 1,000,000 | | 0.70% | 5,235 |
| Midlothian Council | 31 days | 03/01/2019 | 0 | 7,000,000 | | 0.63% | 3,383 |
| Sub-total | | | 39,751,193 | 33,611,900 | | | 151,864 |
| | | | | | | Budgeted income | 179,250 |
| | | | | | | | (27,386) |



5. Borrowing Activities

PWLB rates have not been on any consistent trend during this period.

During the quarter, the 50 year PWLB target (certainty) rate for new long term borrowing varied between 2.40% and 2.70%.



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

6. 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. Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. At present it would not be financially prudent to repay any debt because of the high penalties associated with early repayment. No debt rescheduling was, therefore undertaken during the quarter.

7. Compliance with Treasury and Prudential Limits

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

During the quarter ended 31 December 2018 the Council has operated within the approved treasury and prudential indicators and in compliance with the Council's Treasury Management Practices.

8. Other Issues

Changes in risk appetite

The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite this change in risk appetite and policy should be brought to members' attention in treasury management update reports.

Treasury Management Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.
- **Call account** – instant access deposit account.
- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.
- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They analyse credit worthiness under four headings:
 - **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.
 - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.
 - **Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.
 - **Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.
- **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.
- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.
E.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as $8\%/1.45 = 5.5\%$.
See also PWLB.

- **LIBID** – The London Inter-Bank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time.
- **LIBOR** – The London Inter-Bank Offer Rate, the rate at which banks with surplus funds are offering to lend them to other banks, again published at 11am each day.
- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.
- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status.
- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.
- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.
- **Link Asset Services** – are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.
- **Yield** – see Gilts

Members may also wish to make reference to *The Councillor's Guide to Local Government Finance*.