

## Lancaster City Council | Report Cover Sheet

<b>Meeting</b>	Cabinet	<b>Date</b>	14 September 2021
<b>Report</b>	Delivering Our Priorities: Q1 2021-22		
<b>Report of</b>	Director of Corporate Services		
<b>Purpose of Report</b>			
To provide an update on the status of corporate projects and performance indicators.			
<b>Key Decision (Y/N)</b>	<b>N</b>	<b>Date of Notice</b>	<b>Exempt (Y/N)</b> <b>N</b>

### Report Summary

This report, and its Appendix, provides an update on the progress of key corporate projects and performance measures for the period April-June 2021 (Q1 2021-22).

### Recommendations of Councillor

- (1) That Cabinet consider the updates on projects, performance and finance measures from April-June 2021 (Q1) at Appendix A to G.

### Relationship to Policy Framework

Robust, meaningful, and timely information on the council's key projects and success measures provides an important perspective on the direction of the organisation in delivering its strategic priorities under its Policy Framework.

### Conclusion of Impact Assessment(s) where applicable

Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety

No direct impact arising from this report.

### Details of Consultation

No direct consultation relating to this report.

### Legal Implications

No direct implications arising from this report.

### Financial Implications

No direct implications arising from this report.

### Other Resource or Risk Implications

No direct implications arising from this report.

### Section 151 Officer's Comments

The s151 Officer has contributed to the writing of this report

<b>Monitoring Officer's Comments</b>	
The Monitoring Officer has been consulted and has no further comments.	
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<b>Links to Background Papers</b>	

## 1.0 Report

- 1.1 The primary purpose of this report is to present the information contained in the projects and performance Highlight Report for the period April-June 2021, which can found at Appendix A.
- 1.2 During this period, many of the council's day-to-day service activities have continued to experience disruption, or emerged from experiencing disruption, due to the requirements of responding to the pandemic. This is reflected in the information and comments contained within the Highlight Report.

## 2.0 Financial Monitoring

- 2.1 The 2021/22 Budget and MTF5 2021-2024 approved by Council in February 2021 set a balanced budget for the year based on the assumptions made at that time. The COVID - 19 pandemic continues to create a significant shock to the economy and result in unplanned expenditure and income losses for the Council.
- 2.2 All portfolios are required to examine their revenue budgets regularly and reports are submitted to Cabinet and Budget & Performance Panel for review. To enable Portfolio Holders to meet this requirement Financial Services continually reviews and refreshes how it presents the Council's Corporate Monitoring information.
- 2.3 In an attempt to aid understanding Members should note that where **projected variances** values are presented with brackets ( ) this reflects a negative, or adverse movement from the budgeted position. Conversely, projected variances accompanied with a + sign represents a positive, or favourable movement from the budgeted position.

The following financial appendices accompany this report

- Appendix B: General Fund Service Analysis
- Appendix C: General Fund Subjective Analysis
- Appendix D: HRA Service Analysis
- Appendix E: General Fund Capital Projects
- Appendix F: HRA Capital Project
- Appendix G: Reserves Projected Outturn

### **3.0 COVID - 19**

- 3.1 As stated above, the COVID - 19 pandemic has resulted in significant unplanned expenditure and income losses, which are being monitored by each directorate. The Government's Sales, Fees and Charges support scheme finished at the end of June 2021 and all subsequent losses will need to be covered by Council resources.
- 3.2 With regard to economic activity and the potential ongoing impact, the government's own data indicates activity is not expected to return to pre-Covid-19 levels until 2023. The impact of the pandemic led to a 10% fall in economic output over 2020 which is only expected to recover by 4% this year and 7% in 2022/23.

### **4.0 General Fund Summary Position**

- 4.1 Quarter 1 (Q1) monitoring covers the period for April – June 2021. At the end of Q1 (June 2021) we are currently projecting a year end overspend against budget of **£0.631M**. This amount equates to approximately **3.55%** of the Council's approved Net Revenue Budget of **£17.774M**. Members should acknowledge that it is early in the financial year and work will continue over the coming months to monitor and forecast the costs and savings associated with both the pandemic and any other emerging budget pressures. In the meantime, arrangements are in place to scrutinise all existing expenditure plans. However, should an overspent position remain at the year-end it would be met from the Council's unallocated reserves.
- 4.2 A summary of the Q1 revenue position for the main service accounts of the Council is set out in table 1 below. Appendix C: General Fund Service Analysis covers this information in more with commentary on significant variances provided on the following paragraphs

Table 1 Quarter 1 Financial Monitoring – Service Analysis

	Original Budget 2021/22 £'000	Q1 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Communities and Environment	6,882	(1,300)	7,116	(234)
Economic Growth and Regeneration	4,134	1,124	4,350	(216)
Corporate Services	6,762	6,080	6,947	(185)
Central Services	1,059	256	1,062	(3)
Other Items	96	(1,534)	89	+7
<b>Sub Total</b>	<b>18,933</b>	<b>4,626</b>	<b>19,564</b>	<b>(631)</b>
Net Recharges to Housing Revenue Account	(1,018)	0	(1,018)	0
RMS Capital Charges (now Housing Revenue Account)	(141)	888	(141)	0
Revenue Reserve funded items included in above analysis	0	246	0	0
<b>Sub Total</b>	<b>(1,159)</b>	<b>1,134</b>	<b>(1,159)</b>	<b>0</b>
<b>General Fund Revenue Budget</b>	<b>17,774</b>	<b>5,760</b>	<b>18,405</b>	<b>(631)</b>
Revenue Support Grant	(204)	(55)	(204)	0
Net Business Rates Income	(7,737)	(10,328)	(7,737)	0
<b>Council Tax Requirement</b>	<b>9,833</b>	<b>(4,623)</b>	<b>10,464</b>	<b>(631)</b>

#### Communities and Environment (£0.234M Adverse)

- 4.3 Significant budget variances including termination costs for the Combined Heating and Power unit maintenance contract (-£0.032M), income losses as a result of the continued closure of nursery shop (-£0.040M), additional cost of staff to cover long term absence and shortage of HGV drivers (-£0.063M) as well as the impact of job evaluation appeals and restructure proposals delayed (-£0.070M). These pressures have been offset by staff turnover savings (+£0.102M) and additional income from fairgrounds (+£0.028M) and garden waste subscriptions (+£0.012M).

#### Economic Growth and Regeneration (£0.216M Adverse)

- 4.4 Significant year end variances include the continuation of the Capita Building Control contract (-£0.115M), estimated additional support for temporary planning officer posts (-£0.080M), the use of agency staff to cover the vacant Head of Property Investment and Regeneration (PIR) post (-£0.083M), as well as Business Rates payable (-£0.041M) for former Frankie & Benny's site due to vacated tenant. There are a number of areas where salary savings have been identified including Future High Streets vacant post (+£0.036M), various Building Cleaning / Property Services vacant posts (+£0.022M) as well as savings from Head of PIR post (+£0.030M) and other growth posts not yet recruited to (+£0.027M).

#### Corporate Services (£0.185M Adverse)

- 4.5 An increase in the Council's insurance renewal premium (-£0.160M) together with the need for additional Microsoft user licences (-£0.045M) and additional mobile phone costs (-£0.039M) resulting from increased agile/homeworking provide the most significant forecast budget pressures. Other significant variances relate to vacant posts with Finance (+£0.057M), Human Resources (+£0.034M), Democratic Services (+£0.021M) and Internal Audit (+£0.029M)

4.6 Appendix C: General Fund Service Analysis (Q1) provides a more in-depth analysis covering service and activity levels.

4.7 The revenue position provided within table 1 above is analysed across the Councils subjective headings is set out in table 2 below.

Table 2 Quarter 1 Financial Monitoring – Subjective Analysis

	<b>Original Budget 2021/22 £'000</b>	<b>Q1 Actual 2021/22 £'000</b>	<b>Projected Outturn 2021/22 £'000</b>	<b>Projected Variance 2021/22 £'000</b>
Employees	24,836	5,022	24,673	+163
Premises Related Exp	5,729	3,046	5,912	(183)
Transport Related Exp	1,175	283	1,177	(2)
Supplies and Services	10,418	3,038	11,209	(793)
Transfer Payments	22,027	4,298	22,027	0
Support Services	130	8	122	+8
Capital Charges	17	0	17	0
Capital Financing Costs	1,797	0	1,797	0
Appropriations	732	0	725	+7
Income	(47,630)	(11,056)	(47,799)	+169
Capital Financing Inc	(300)	0	(300)	0
<b>Sub Total</b>	<b>18,931</b>	<b>4,639</b>	<b>19,560</b>	<b>(631)</b>
Net Recharges to Housing Revenue Account	(1,018)	0	(1,018)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	888	(139)	0
Revenue Reserve funded items included in above analysis	0	246	0	0
<b>Sub Total</b>	<b>(1,157)</b>	<b>1,134</b>	<b>(1,157)</b>	<b>0</b>
<b>General Fund Revenue Budget</b>	<b>17,774</b>	<b>5,773</b>	<b>18,403</b>	<b>(631)</b>

4.8 Appendix D: General Fund Subjective Analysis covers this information in more detail.

## 5.0 Housing Revenue Account Summary Position

5.1 As at the end of Q2 we are currently projecting a year end overspend against budget of **£0.049M**. A summary of the Q1 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 1 Financial Monitoring – HRA Service Analysis

	<b>Original Budget 2021/22 £'000</b>	<b>Q1 Actual 2021/22 £'000</b>	<b>Projected Outturn 2021/22 £'000</b>	<b>Projected Variance 2021/22 £'000</b>
Policy & Management	1,716	401	2,022	(5)
Repairs & Maintenance	5,790	732	5,681	+109
Welfare Services	(157)	(112)	(163)	+6
Special Services	172	72	178	(6)
Miscellaneous Expenses	680	39	713	(33)
Income Account	(14,672)	(3,301)	(14,552)	(120)
Capital Charges	5,532	0	5,532	0
Appropriations	417	0	117	0
<b>Sub Total</b>	<b>(522)</b>	<b>(2,169)</b>	<b>(472)</b>	<b>(49)</b>
Net Recharges to General Fund	520	0	520	0
<b>Housing Revenue Account Budget</b>	<b>(2)</b>	<b>(2,169)</b>	<b>48</b>	<b>(49)</b>

5.2 At this stage the overspend is predominantly due to an anticipated reduction in Income (-£0.120M) and an increase in a number of Miscellaneous Expenses (-£0.033M) offset by a forecast reduction in expenditure on Repairs & Maintenance (+£0.109M).

5.3 Appendix E: Housing Revenue Account Service Analysis covers this information in more detail and provides summary explanations for variances +/- £30K.

## 6.0 Capital Projects (General Fund & HRA)

6.1 At Q1 we are currently projecting a year end slippage against budget of **£33.148M** (General Fund **£33.148M** and HRA **£0M**). Summary details for both the General Fund and HRA are set out in table 4 below.

Table 4 Quarter 1 Financial Monitoring – Capital Projects

	Original Budget 2021/22 £'000	Q1 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
<b>Communities and Environment</b>				
Business Support	3,084	15	3,084	0
Customer Involvement & Leisure	2,057	33	1,436	+321
Public Protection	0	0	0	0
Housing Services	0	(894)	(58)	+58
Public Realm	17,904	(6,601)	110	+16,444
<b>Total</b>	<b>23,045</b>	<b>(7,447)</b>	<b>4,572</b>	<b>+16,823</b>
<b>Economic Growth and Regeneration</b>				
Planning & Place	777	0	0	+777
Economic Development	0	0	0	0
Property, Investment and Regeneration	17,710	485	4,021	+13,877
<b>Total</b>	<b>18,487</b>	<b>485</b>	<b>4,021</b>	<b>+14,654</b>
<b>Corporate Services</b>				
HR	0	(40)	0	0
ICT	135	52	135	0
Corporate Services Development Pool	1,671	0	0	+1,671
<b>Total</b>	<b>1,806</b>	<b>12</b>	<b>135</b>	<b>+1,671</b>
<b>Central Services</b>				
Chief Executive	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GENERAL FUND - TOTAL</b>	<b>43,338</b>	<b>(6,950)</b>	<b>8,728</b>	<b>+33,148</b>
<b>Housing Revenue Account</b>				
Adaptations	300	60	300	0
Energy Efficiency / Boiler Replacement	959	116	959	0
Kitchen / Bathroom Refurbishment	888	0	188	+700
External Refurbishment	192	21	192	0
Environmental Improvements	360	69	1,060	(700)
Re-roofing / Window Renewals	1,093	9	1,093	0
Rewiring	54	1	54	0
Lift Replacement	0	0	0	0
Fire Precaution Works	150	(1)	150	0
Housing Renewal & Renovation	1,217	107	1,217	0
<b>HOUSING REVENUE ACCOUNT - TOTAL</b>	<b>5,213</b>	<b>382</b>	<b>5,213</b>	<b>0</b>
<b>GRAND TOTAL</b>	<b>48,551</b>	<b>(6,568)</b>	<b>13,941</b>	<b>+33,148</b>

6.2 The areas of significant slippage mainly related to schemes currently within the Council's Development Pool which are unlikely to proceed in 2021/22.

6.3 Appendix F General Fund Capital Projects and Appendix G HRA Capital Projects provide further information and summary commentary.

## 7.0 Reserves

8.1 The Council's projected reserve position has been updated to reflect the provisional outturn and has seen the Councils opening level of unallocated balances increase to **£7.808M** with the combined level of reserves currently **£33.446M**.

7.2 We are currently projecting the Council's unallocated balances to increase slightly to **£4.910M** from the budgeted position of **£4.529M**. Overall the combined level of usable reserves is forecast to increase to **£18.999M** against the budgeted balance of **£15.639M**. Table 5 Quarter 2 Financial Monitoring – Reserves provides summary details for both Unallocated and Earmarked Reserves. Appendix H: Reserves Projected Outturn provides further detailed analysis.

Table 5 Quarter 1 Financial Monitoring – Reserves

	<----- ORIGINAL BUDGET ----->				<----- PROJECTED OUTTURN ----->					
	Budgeted Opening Balance on Reserves'31 March 2021	From Revenue	To / (From) Capital	To Revenue	Budgeted Closing Balance on Reserves'31 March 2022	31 March 2021	From Revenue	To / (From) Capital	To Revenue	Budgeted Closing Balance on Reserves'31 March 2022
	£M				£M	£M				£M
Unallocated Balances	(6.796)			2.267	(4.529)	(7.808)			2.898	(4.910)
Total Earmarked Reserves	(12.885)	(1.808)	1.113	2.470	(11.110)	(25.637)	(1.808)	1.113	12.244	(14.088)
<b>Total Combined Reserves</b>	<b>(19.681)</b>	<b>(1.808)</b>	<b>1.113</b>	<b>4.737</b>	<b>(15.639)</b>	<b>(33.446)</b>	<b>(1.808)</b>	<b>1.113</b>	<b>15.142</b>	<b>(18.999)</b>

7.3 The increase is a result of a number of factors such as the impact of the backed dated Green Energy Disregard on the 2019/20 balance, inclusion of the 2020/21 surplus and growth in the Business Rates Retention Reserve to reflect current government guidance for the treatment of Collection Fund deficits on the Council's finances. Table 6 Reserves Movement reconciles the movement between the budgeted and forecast closing position.



Table 6 Reserves Movement

		£M
<b>Budgeted Combined Level of Reserves</b>		<b>15.639</b>
Reserve		
General Fund Unallocated	2021/22 Forecast Overspend	(0.631)
	2020/21 Actual Surplus	0.695
	2019/20 Impact of backdated Green Energy Disregard	0.317
Business Rates Retention	Spreading of exception Collection Fund deficit	1.180
	Contribution to 2021/22 Collection Fund deficit	0.558
COVID-19 Support	Currently uncommitted COVID support expenditure	0.949
Revenue Grants Unapplied	Currently uncommitted Brexit Ports Grant	0.132
s106 Commuted Sums	Increase in s106 monies	0.153
Various	Other net movements	0.007
<b>Projected Combined Level of Reserves</b>		<b>18.999</b>

7.4 The use of the Council's reserves to manage fluctuations in expenditure and income will be key to the delivery of the Council's stated priorities and outcomes over the next 4 years and will be kept under review by Officers and Members. The current forecast includes £2.267M to balance the 2021/22 budget with current projections requiring further calls to balance future budgets 2022/23 (£2.183M), 2023/24 (£4.223M) and 2024/25 (£4.668M).

## 8.0 Collection Fund

### Business Rates

8.1 Similarly to 2020/21, Central Government has introduced a scheme of enhanced rates reliefs applying to occupied retail, leisure, and hospitality properties. The discounts are 100% for the period April to June reducing to 66% from July. Funds to fully reimburse local authorities for the local share of these enhanced reliefs have been paid on account using a grant under section 31 of the Local Government Act 2003, with a full reconciliation to be carried out at year-end. The Council has received £6.941M and this has been credited to the Council's General Fund and held in the Revenue Grants Unapplied reserve to offset any business rates deficit carried forward.

8.2 The collection rate for Business Rates is currently 23.4%, which is behind the Q1 profiled position of 26.2%. Based on this level of performance collection would be below the annual target 97.2%.

### Council Tax

8.3 The number of Local Council Tax Support claimants appear to have stabilised at around 1,300, although this is considerably higher than the position in March 2020. The current collection rate for Council Tax is 28.4% which is slightly above the profiled position at 27.9% and projected to exceed the annual target of 94.60%.