

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	7 December 2021
Report	Delivering Our Priorities: Q2 2021/22		
Report of	Director of Corporate Services		
Purpose of Report			
To provide members with an update on performance, projects, and resources during the first two quarters of 2021/22 (April – September 2021).			
Key Decision (Y/N)	N	Date of Notice	N/A
Exempt (Y/N)	N		

Report Summary

The appendices to this report provide information on performance, projects, and resources.

Recommendations of Councillor Anne Whitehead

That Cabinet

- (1) Consider the update on performance, projects, and resources for Quarter 2 2021/22.

Relationship to Policy Framework

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

Conclusion of Impact Assessment(s) where applicable

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

The content of this report has no impact in itself.

Details of Consultation

No specific consultation around this report.

Legal Implications

No legal implications directly arising from this report.

Financial Implications

No financial implications directly arising from this report.

Other Resource or Risk Implications

No other implications directly arising from this report.

Section 151 Officer's Comments

The Section 151 Officer contributed to this report in his role as Chief Finance Officer

Monitoring Officer's Comments

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

Contact Officer	Sarah Davies, Director of Corporate Services
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Tel	01524 582501
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Email	sdavies@lancaster.gov.uk
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Links to Background Papers

Appendix A: Highlight 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 Projects
Appendix G: Reserves Projected Outturn

1.0 Introduction

1.1 The primary purpose of this report is to present the information contained in the projects and performance Highlight Report for the period July-September 2021, which can found at Appendix A.

2.0 Report

2.2 The majority of the Council's services have in some way emerged from the more acute effects of responding to the Covid-19 pandemic; although the Council continues to provide its fullest level of proactive support to local communities and businesses. This is reflected in the information and commentary contained within the report, which show somewhat of a lesser impact than in previous quarters.

2.3 Further to this, a number of teams have used resource during Q2 to clear backlogs of work which arose during earlier phases of the pandemic. This has in some cases had a short-term detrimental effect on the headline performance measures. However, the completion of backlog work puts these services on a stable footing going forward.

3.0 Project Reporting

3.1 The stage each project has reached is now included on the highlight report, with quarterly project update reports (shown as hyperlinks on the project name) produced only by projects in the Detailed Design, Delivery or Completion stages.

3.2 The number of projects updated on each quarter has reduced from that of the previous report. This does not reflect a decrease in project activity, rather a refinement and focusing of the information reported in order to maximise the level of meaningful information provided.

4.0 Financial Monitoring

4.1 The 2021/22 Budget and MTFs 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.

- 4.2 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.
- 4.3 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 Projects
- Appendix G: Reserves Projected Outturn

5.0 COVID - 19

- 5.1 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.
- 5.2 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.

6.0 General Fund Summary Position

- 6.1 Quarter 2 (Q2) monitoring covers the period for April – September 2021. At the end of Q2 (September 2021) we are currently projecting a year end overspend against budget of **£0.319M**. This amount equates to approximately **1.79%** of the Council's approved Net Revenue Budget of **£17.774M**. Members should acknowledge that this is the position at the halfway point of the financial year and officers 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. Members will need to be aware that as part of the on-going budget round we are undertaking our reforecasting exercise for Business Rates and Council Tax. Both are complex high value areas which can have a significant impact on the Council's financial position. Early indications suggest that performance in these areas may help to reduce the current Q2 deficit but the final results of this exercise and its impact will be reflected in the Medium Term Financial Strategy Update paper and within Delivering Our Priorities Q3 monitoring.
- 6.2 A summary of the Q2 revenue position for the main service accounts of the Council is set out in table 1 below. Appendix B: General Fund Service Analysis covers this information in more detail with commentary on significant variances provided on the following paragraphs.

Table 1 Quarter 2 Financial Monitoring – Service Analysis

	Original Budget 2021/22 £'000	Working Budget 2021/22 £'000	Q2 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Communities and Environment	6,882	6,882	529	7,485	(603)
Economic Growth and Regeneration	4,134	4,134	1,956	4,813	(679)
Corporate Services	6,762	6,762	(496)	6,534	+228
Central Services	1,059	1,059	510	1,013	+46
Other Items	96	96	(79)	(593)	+689
Sub Total	18,933	18,933	2,420	19,252	(319)
Net Recharges to Housing Revenue Account	(1,020)	(1,020)	0	(1,020)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	1,318	(139)	0
Revenue Reserve funded items included in above analysis	2,362	5,298	561	4,652	+646
Revenue Reserve funded items included in above analysis	(2,362)	(5,298)	0	(4,652)	(646)
Sub Total	(1,159)	(1,159)	1,879	(1,159)	0
General Fund Revenue Budget	17,774	17,774	4,299	18,093	(319)
Revenue Support Grant	(204)	(204)	(106)	(204)	0
Net Business Rates Income	(7,737)	(7,737)	(8,204)	(7,737)	0
Council Tax Requirement	9,833	9,833	(4,011)	10,152	(319)

Communities and Environment (£0.603M Adverse)

6.3 Significant budget variances including termination costs for the Combined Heating and Power unit maintenance contract (-£0.032M) and the non-realisation of feed in tariff credits (-£0.130M). Increased vehicle R&M and associated hire costs (-£0.107M) due to delayed delivery of new fleet. Income losses as a result of the continued closure of nursery shop (-£0.043M). The additional cost of staff to cover long term absence and shortage of HGV drivers (-£0.118M) as well as the impact of job evaluation appeals and restructure proposals delayed (-£0.070M). These pressures have been offset by staff turnover savings, however, the service is predicted a salary related overspend of (-£0.075M) which also accounts for the impact of the proposed pay award. Car parking income (£+0.201M) has exceeded the pre-pandemic expectancy level of 65%, however, this can be offset by the net impact of the Castle car park lease surrender (-£0.070M) and increased transaction costs due to customer change of habits (-£0.015M). A budgeted sales, fees and charges loss (-£0.379M) is included within the service variance, however the compensation for this is included in Other Items, as detailed below.

Economic Growth and Regeneration (£0.679M Adverse)

6.4 Significant predicted year end variances include the continuation of the Capita Building Control contract (-£0.124M) and Business Rates payable (-£0.041M) for former Frankie & Benny's site due to vacated tenant. 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) have created budgetary pressure however, there are a number of areas where salary savings have been identified including the delayed reopening of the VIC's, The Platform and Museums (£-0.046M). Further vacancies include Future High Streets vacant post and other growth posts not yet recruited to (+£0.053M). These pressures have been offset by staff turnover savings however the service is predicting a salary related overspend of (-£0.176M) which also accounts for the impact of the proposed pay award. Further Income losses at The Platform (-£0.187M) and Printrooms (-£0.067M) are estimated. A budgeted sales, fees and charges loss of (-£0.074M) is included within the service variance, however the compensation for this is included in Other Items, as detailed below.

Corporate Services (£0.228M Favourable)

- 6.5 Slippage on the capital programme has reduced forecast interest payments for the year by (+£0.373M). This saving is offset by a forecast increase in the shortfall on the staff turnover savings target of (-£0.240M) which is largely attributable to the impact of the proposed pay award and also by rising bank charges (£0.027M). An increase in the Council's insurance renewal premium (-£0.160M) has been offset by a corresponding reduced contribution to the insurance provision as the balance is deemed to be at a satisfactory level. With regard to ICT, the need for additional Microsoft user licences (-£0.013M) 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 within Finance (+£0.054M), Human Resources (+£0.061M), Democratic Services (+£0.017M) and Internal Audit (+£0.025M).

Central Services (£0.046M Favourable)

- 6.6 This variance is attributable to the vacant 'Head of Policy' position offset by the impact of the proposed pay award.

Other Items (£0.689M Favourable)

- 6.7 Sales, Fees & Charges Compensation (£0.732M credit) As part of the pandemic the government introduced a scheme within 2020/21 which allowed Councils to reclaim a portion of their in-year income losses relating to sales fees and charges. This scheme was extended to 30th June 2021 and as part of the 2021/22 budget setting process, budgets were included as appropriate within the relevant service area and whilst not always detailed in full within the above sections, collectively they amount to £0.455M. During the first quarter, the Council incurred eligible irrecoverable losses of £0.977M (against a predicted irrecoverable loss of £0.722M) for which we are to receive compensation of £0.732M.
- 6.8 Appendix B: General Fund Service Analysis (Q2) covers this information in more detail and provides summary explanations for variances +/- £30K.
- 6.9 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 2 Financial Monitoring – Subjective Analysis

	Original Budget 2021/22 £'000	Working Budget 2021/22 £'000	Q2 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Employees	24,836	24,861	10,584	24,906	(45)
Premises Related Exp	5,729	5,728	4,102	5,930	(202)
Transport Related Exp	1,175	1,176	609	1,284	(108)
Supplies and Services	10,418	10,597	5,488	11,840	(1,243)
Transfer Payments	22,027	22,027	8,671	22,027	0
Support Services	130	139	31	109	+30
Capital Charges	17	17	0	17	0
Capital Financing Costs	1,797	1,797	0	1,424	+373
Appropriations	732	732	0	708	+24
Income	(47,628)	(47,841)	(27,065)	(48,693)	+852
Capital Financing Inc	(300)	(300)	0	(300)	0
Sub Total	18,933	18,933	2,420	19,252	(319)
Net Recharges to Housing Revenue Account	(1,020)	(1,020)	0	(1,020)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	1,318	(139)	0
Revenue Reserve funded items included in above analysis	2,362	5,298	561	4,652	+646
Revenue Reserve funded items included in above analysis	(2,362)	(5,298)	0	(4,652)	(646)
Sub Total	(1,159)	(1,159)	1,879	(1,159)	0
General Fund Revenue Budget	17,774	17,774	4,299	18,093	(319)

6.10 Appendix C: General Fund Subjective Analysis covers this information in more detail

7.0 Housing Revenue Account Summary Position

7.1 As at the end of Q2 we are currently projecting a year end overspend against budget of **£0.225M**. A summary of the Q2 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 2 Financial Monitoring – HRA Service Analysis

	Original Budget 2021/22 £'000	Working Budget 2021/22 £'000	Q2 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Policy & Management	1,718	2,017	790	2,016	+1
Repairs & Maintenance	5,790	5,865	1,645	5,912	(47)
Welfare Services	(157)	(157)	(185)	(173)	+16
Special Services	172	172	147	185	(13)
Miscellaneous Expenses	680	680	403	753	(73)
Income Account	(14,672)	(14,672)	(7,221)	(14,570)	(102)
Capital Charges	5,532	5,532	0	5,532	0
Appropriations	417	43	0	50	(7)
Sub Total	(520)	(520)	(4,421)	(295)	(225)
Net Recharges to General Fund	520	520	0	520	0
Housing Revenue Account Budget	0	0	(4,421)	225	(225)

7.2 At this stage the overspend is predominantly due to an anticipated reduction in Income (-£0.102M), an increase in a number of Miscellaneous Expenses (-£0.073M) plus also a forecast increase in expenditure on Repairs & Maintenance (-£0.047M).

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

8.0 Capital Projects (General Fund & HRA)

8.1 At Q2 we are currently projecting year end slippage against budget of **£32.815M** (General Fund £32.862M HRA (£0.047M)) (Q1 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	Working Budget 2021/22 £'000	Q2 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Communities and Environment					
Business Support	3,084	2,939	46	3,120	(181)
Customer Involvement & Leisure	2,057	1,614	51	1,436	+178
Public Protection	0	0	0	0	0
Housing Services	0	0	(2,565)	(58)	+58
Public Realm	17,904	16,608	(4,360)	263	+16,345
Total	23,045	21,161	(6,828)	4,761	+16,400
Economic Growth and Regeneration					
Planning & Place	777	871	0	0	+871
Economic Development	0	0	0	0	0
Property, Investment and Regeneration	17,710	18,243	3,636	4,413	+13,830
Total	18,487	19,114	3,636	4,413	+14,701
Corporate Services					
HR	0	0	(40)	0	0
ICT	135	235	60	145	+90
Corporate Services Development Pool	1,671	1,671	0	0	+1,671
Total	1,806	1,906	20	145	+1,761
Central Services					
Chief Executive	0	0	0	0	0
Total	0	0	0	0	0
GENERAL FUND - TOTAL	43,338	42,181	(3,172)	9,319	+32,862
Housing Revenue Account					
Adaptations	300	360	108	360	0
Energy Efficiency / Boiler Replacement	959	969	258	969	0
Kitchen / Bathroom Refurbishment	888	888	0	138	+750
External Refurbishment	192	235	42	235	0
Environmental Improvements	360	405	210	1,167	(762)
Re-roofing / Window Renewals	1,093	1,185	179	1,195	(10)
Rewiring	54	84	4	84	0
Lift Replacement	0	0	0	0	0
Fire Precaution Works	150	150	21	150	0
Housing Renewal & Renovation	1,217	1,350	486	1,375	(25)
HOUSING REVENUE ACCOUNT - TOTAL	5,213	5,626	1,308	5,673	(47)
GRAND TOTAL	48,551	47,807	(1,864)	14,992	+32,815

8.2 The following significant budget adjustments have been made up to Q2 to reflect slippage & accelerated expenditure from 2020/21 and to take account of decisions taken by Cabinet during the current financial year, most notably that related to the removal of the £1.350M provision for the phase one 1MW solar farm at Salt Ayre in reflection of the award of Salix funding:

GF: £1.157M
HRA: £0.413M

8.3 The areas of significant slippage mainly related to schemes currently within the Council's Development Pool which are unlikely to proceed in 2021/22. Executive Management Team are currently reviewing these which may result in significant changes to these values.

8.4 Appendix E General Fund Capital Projects and Appendix F HRA Capital Projects provide further information and summary commentary.

9.0 Reserves

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

9.2 We are currently projecting the Council's unallocated balances to increase slightly to **£5.222M** from the budgeted position of **£4.529M**. Overall the combined level of usable reserves is forecast to increase to **£19.025M** against the budgeted balance of **£15.639M**. Table 5 Quarter 2 Financial Monitoring – Reserves provides summary details for both Unallocated and Earmarked Reserves. Appendix G: Reserves Projected Outturn provides further detailed analysis.

Table 5 Quarter 1 Financial Monitoring – Reserves

	<----- ORIGINAL BUDGET ----->				<----- PROJECTED OUTTURN ----->					
	31 March 2021	From Revenue	To/ (From) Capital	To Revenue	31 March 2022	31 March 2021	From Revenue	To/ (From) Capital	To Revenue	31 March 2022
	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	(6,796)			2,267	(4,529)	(7,808)			2,586	(5,222)
Total Earmarked Reserves	(12,885)	(1,808)	1,113	2,470	(11,110)	(25,637)	(1,811)	1,104	12,542	(13,803)
Total Combined Reserves	(19,681)	(1,808)	1,113	4,737	(15,639)	(33,446)	(1,811)	1,104	15,128	(19,025)

9.3 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 provision for part of the 2020/21 deficit in the Business Rates Retention Reserve to reflect current government guidance for the spreading of Collection Fund deficits across three financial years. Table 6 Reserves Movement reconciles the movement between the budgeted and forecast closing position.

Table 6 Reserves Movement

		£M
Budgeted Combined Level		15.639
Reserve		
General Fund Unallocated	2021/22 Forecast Overspend	(0.319)
	2020/21 Actual Surplus	0.695
	2019/20 Impact of backdated Green Energy Disregard	0.317
Business Rates Retention	First year exception Collection Fund deficit	1.180
	Contribution to 2021/22 Collection Fund Deficit	0.558
s106 Commuted Sums	Increase in s106 monies during 2020/21	0.153
Various	Projected use of reserves to finance revenue	0.802
	expenditure during 2021/22 lower than originally forecast due to slippage in project delivery	
Projected Combined Level		19.025

- 9.4 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).

10.0 Collection Fund

Business Rates

- 10.1 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 received £6.941M in 2020/21 which was credited to the Council's General Fund and held in the Revenue Grants Unapplied reserve to offset any business rates deficit carried forward. The amount required to cover the 2021/22 reliefs will be similarly treated at the forthcoming year end.
- 10.2 The collection rate for Business Rates is currently 49.9%, which is slightly behind the Q2 profiled position of 51.4%. Based on this level of performance collection would be slightly below the annual target 98.0%.

Council Tax

- 10.3 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 Q2 56.5% which is slightly above the profiled position at (Q2 55.5%) and projected to exceed the annual target of 95.%.

11.0 WRITE OFFS

11.1 Table 7 below provides details of the debts have been written off by the Council's Revenues and Benefits service in relation to Council Tax, Business Rates and Housing Benefits Overpayments

	Q1	Q2	Total
Council Tax	39,876	15,565	55,441
Business Rates	16,117	33,521	49,638
Housing Benefit Overpayments	61,404	16,565	77,969
			183,048

11.2 Debts are deemed non recoverable after all reasonable recovery steps have been taken and can be written off in accordance with the Council's Debt Management Policy in a number of circumstances such as unable to trace, uneconomical to pursue, insolvency as well as imprisonment and death.