

# CABINET

## Delivering Our Priorities: Q1 2022/23 13 September 2022

### Report of Chief Executive

PURPOSE OF REPORT			
To provide members with an update on performance, projects, and resources during the first quarter of 2022/23 (April – June 2022).			
Key Decision	<b>N</b>	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	N/A		
This report is public			

#### RECOMMENDATIONS OF COUNCILLOR WHITEHEAD

That Cabinet

- (1) Consider the update on performance, projects, and resources for Quarter 1 2022/23.

#### 1.0 Introduction

- 1.1 The primary purpose of this report is to present information relating to the council's projects, performance and resources for the period April-June 2022, which can found within the appendices.

#### 2.0 Performance Reporting

- 2.1 The Highlight Report at Appendix A shows a strong level of performance, with services largely now pursuing their substantive activities rather than Covid-19 response requirements. This trend is likely to continue throughout 2022-23, with goals and reporting increasingly aligned to Plan 2030 Priorities and Outcomes.

#### 3.0 Project Reporting

- 3.1 The highlight report shows that nearly all the Council's Strategic Projects are running to plan at the end of Quarter 1 2022/23. The only project reporting an amber status is the Heritage Action Project. This is due to a number of factors outside of the Council's control. No projects are reporting a red status.
- 3.2 Since quarter 4, two further projects have closed:

- a. Bailrigg Garden Village Masterplanning (although this will be followed by further activity on the wider South Lancaster Growth Catalyst programme)
  - b. Local Authority Delivery for Green Homes Grant
- 3.3 From quarter 1, the Corporate Programme Team are in the process of collecting and analysing the following information for all strategic projects. The analysis will provide a greater understanding of the benefits which can be expected, the project timescales and project risks across the Council to enable informed decision-making at both strategic and operational level.
- a. Links to Plan 2030 Outcomes
  - b. Details of consultancy or contractors appointed directly by each project
  - c. Project Plans
  - d. Risk Logs

#### **4.0 Financial Monitoring**

- 4.1 The 2022/23 Budget and MTFS 2022-2026 approved by Council in February 2022 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 the financial monitoring section of 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
- Appendix H: Approved Savings Monitoring
- Appendix I: Service Analysis

#### **5.0 Cost of Living / Energy Price Crisis**

- 5.1 The start of this financial year has seen extraordinarily high inflation rates coupled with major increases to the cost of energy. Where appropriate, initial projected variances have been included within the relevant service areas. For information, the estimated projected outturn on energy budgets is £1.676M (£1.087M General Fund, £0.589M HRA). These areas will be closely monitored over the coming months and the latest projections will be included in an updated budget produced during Quarter 3 of the financial year, scheduled for reporting in November 2022.

5.2 As part of the 2022/23 budget setting process, an inflationary uplift of 2% was included to salaries across all services of the Council. The National Employers latest offer of an increase of £1,925 on all NJC pay points is currently out to consultation with the Unions. With regard to the financial impact on the Council, it is expected to result in an additional strain of £1.2M (£1.0M General Fund, £0.2M HRA). Note that as the pay award is not finalised, the marginal impact has not been included in the projected outturns within service but has been included in the summary positions and tables below as appropriate.

## 6.0 General Fund Summary Position

6.1 Quarter 1 (Q1) monitoring covers the period for April – June 2022. At the end of Q1 (June 2022) we are currently projecting a year end overspend against budget of **£2.181M**. This amount equates to approximately **10.26%** of the Council's approved Net Revenue Budget of **£21.254M**. This could potentially rise to **£3.181M** due to the pay award equating to **14.97%** of the budget. Members will recall that as part of the 2022/23 budget cycle that Council approved a small contribution to reserves of **£0.034M** in order to produce a balanced budget. This will no longer be possible and there will instead be a call on reserves of **£2.181M (£3.181M)** pay award pending.

6.2 In addition, this position is at the first-quarter point of the financial year and officers work will continue over the coming months to monitor and forecast the costs and savings associated with other emerging budget pressures. In the meantime, arrangements are in place to scrutinise all existing expenditure plans in conjunction with the Outcomes Based Reporting (OBR) project. It should also be noted that many items that contribute to the in-year position and recurring (pay award, inflation etc) and as such will result in a significantly increased budget gap. This will be addressed as part of the MTFs refresh report due in November 2022.

6.3 A summary of the Q1 revenue position for the main service accounts of the Council is set out in table 1 below with commentary on significant variances provided on the following paragraphs.

Table 1 Quarter 1 Financial Monitoring – Service Analysis

	Original Budget 2022/23 £'000	Working Budget 2022/23 £'000	Q1 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000
Communities and Environment	5,193	5,193	(1,508)	6,177	(984)
Economic Growth and Regeneration	4,605	4,605	1,153	5,469	(864)
Corporate Services	6,760	6,760	2,494	7,623	(863)
Central Services	1,162	1,162	289	1,127	+35
Other Items	4,717	4,717	(275)	4,222	+495
<b>Sub Total</b>	<b>22,437</b>	<b>22,437</b>	<b>2,153</b>	<b>24,618</b>	<b>(2,181)</b>
Net Recharges to Housing Revenue Account	(1,044)	(1,044)	0	(1,044)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	862	(139)	0
Revenue Reserve funded items included in above analysis	1,641	1,641	(109)	1,630	+11
Revenue Reserve funded items included in above analysis	(1,641)	(1,641)	0	(1,630)	(11)
<b>Sub Total</b>	<b>(1,183)</b>	<b>(1,183)</b>	<b>753</b>	<b>(1,183)</b>	<b>0</b>
<b>General Fund Revenue Budget</b>	<b>21,254</b>	<b>21,254</b>	<b>2,906</b>	<b>23,435</b>	<b>(2,181)</b>
Financing Income	(11,078)	(11,078)	4,118	(11,078)	0
<b>Council Tax Requirement</b>	<b>10,176</b>	<b>10,176</b>	<b>7,024</b>	<b>12,357</b>	<b>(2,181)</b>
Estimated Additional Impact Of Pay Award	0	0	0	1,000	(1,000)
<b>Adjusted Total To Include Estimated Pay Award</b>	<b>10,176</b>	<b>10,176</b>	<b>7,024</b>	<b>13,357</b>	<b>(3,181)</b>

#### Communities and Environment (£0.984M Adverse)

6.4 Significant budget variances including: -

- Energy costs (-£0.502M); petrol and diesel (-£0.214M).
- Salary savings (+£0.259M) across directorate largely due to secondment of service heads to other local authorities built into future projections.
- Forecast income was returned to pre-pandemic levels. As part of the budget setting process a further savings item of £495K was included to reflect the impact of a car parking tariff review. Subsequent changes to the tariffs and a social media campaign have resulted in an adverse first quarter variance of circa (-£0.125M) when considered against the profile. It is difficult to accurately estimate a projected outturn at this point due to the tariffs still bedding in but an indicative figure of (-£0.300M) has been included.
- Transport costs have increased due to vehicle Repairs & Maintenance and associated hire costs arising from delayed delivery of new fleet (-£0.104M). Lead-in times have increased dramatically as a result of the pandemic due to supply chain issues and this is expected to continue in the short term.
- Forecast pitch fee income loss (-£0.038M) on Mellishaw Park due to the proposed decanting of tenants as part of the forthcoming capital project.
- Garden waste subscriptions (-£0.029M) are 3% down on last year with approximately 23,750 subscribers (compared to 24,510 in 2021/22).

#### Economic Growth and Regeneration (£0.864M Adverse)

6.5 Significant predicted year end variances including: -

- Energy costs (-£0.585M)
- Salary savings (+£0.173M) across directorate largely due vacant service head position, ten vacancies within development control and a further four vacancies within the projects team.
- Property Services projected outturn includes (-£0.240M) for new investment income not achievable. Changes to borrowing requirements have prevented the acquisition of properties purely for commercial gain.
- Rental shortfalls (-£0.066M) at 7 Cheapside, Hilmore Way and Assembly Rooms. These were existing untenanted lets and new tenants have now been sourced on initial rent-free periods.
- Business rates is payable by the Council when a commercial property is not let. Current properties include units at Hilmore Way amongst others, the estimated cost for the financial year being (-£0.028M).

#### Corporate Services (£0.863M Adverse)

6.6 Significant predicted year end variances including: -

- Salary savings (+£0.110M) across directorate mainly relating to senior officer positions within Accountancy and Human Resources.
- The provision for staff turnover target (-£0.144M) is held within Corporate Service whilst the additional costs/savings generated are attributed to the individual services. When taking this into account the whole council salary related position (including agency and consultancy costs as appropriate) is expected to be underspent by (+£0.437M). However, as referenced earlier, it should be noted that the proposed pay award will have a significant detrimental impact on the council's finances going forward.
- An additional top-up payment required to the pension fund (-£0.205M) relating to 2021/22 and an estimated further top-up of (-£0.600M) relating to 2022/23 which will be paid within the remainder of the financial year; however the HRA will be charged a proportion of this (+£0.100M) for their

share.

- The annual insurance premium has increased (-£0.127M) which is likely to be due to recent claims at Gateway and Mallowdale Avenue. This will be allocated over all services within quarter 2 as part of the insurance recharging exercise.

Central Services (£0.035M Favourable)

6.7 This variance is attributable to the vacant 'Deputy Director' position who is temporarily filling the vacant 'Director of Communities & Environment' position.

6.8 Appendix B: General Fund Service Analysis (Q3) covers this information in more detail and provides summary percentage variations 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.

Other Items (£0.495M Favourable)

6.10 In recent years the Council received un-ringfenced government grants to help with additional costs that related to the pandemic. The amount remaining at the end of 2021/22 of (+£0.495M) was transferred to reserves at the year end. Given the large in-year deficit the Council is currently now facing, it would seem prudent to utilise this funding to mitigate the position.

Table 2 Quarter 3 Financial Monitoring – Subjective Analysis

	Original Budget 2022/23 £'000	Working Budget 2022/23 £'000	Q1 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000
Employees	27,031	27,031	8,426	27,470	(439)
Premises Related Exp	4,655	4,655	3,027	5,894	(1,239)
Transport Related Exp	1,266	1,266	411	1,591	(325)
Supplies and Services	11,250	11,250	11,014	12,951	(1,701)
Transfer Payments	20,277	20,277	4,207	20,277	0
Support Services	147	147	1	141	+6
Capital Charges	17	17	0	17	0
Capital Financing Costs	1,464	1,464	0	1,464	0
Appropriations	3,771	3,771	0	3,276	+495
Income	(47,141)	(47,141)	(25,678)	(48,163)	+1,022
Capital Financing Inc	(300)	(300)	745	(300)	0
<b>Sub Total</b>	<b>22,437</b>	<b>22,437</b>	<b>2,153</b>	<b>24,618</b>	<b>(2,181)</b>
Net Recharges to Housing Revenue Account	(1,044)	(1,044)	0	(1,044)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	862	(139)	0
Revenue Reserve funded items included in above analysis	1,641	1,641	(109)	1,630	+11
Revenue Reserve funded items included in above analysis	(1,641)	(1,641)	0	(1,630)	(11)
<b>Sub Total</b>	<b>(1,183)</b>	<b>(1,183)</b>	<b>753</b>	<b>(1,183)</b>	<b>0</b>
<b>General Fund Revenue Budget</b>	<b>21,254</b>	<b>21,254</b>	<b>2,906</b>	<b>23,435</b>	<b>(2,181)</b>

6.11 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 Q1 a year end overspend against budget of **(-£0.597M)** adjusted to **(-£0.797M)** when taking account of the estimated impact of the pay award is projected. 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

	Original Budget 2022/23 £'000	Working Budget 2022/23 £'000	Q1 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000
Policy & Management	1,901	1,901	495	1,877	+24
Repairs & Maintenance	6,555	6,555	937	6,667	(112)
Welfare Services	58	58	(62)	333	(275)
Special Services	273	273	111	295	(22)
Miscellaneous Expenses	740	740	63	811	(71)
Income Account	(15,295)	(15,295)	(3,470)	(15,154)	(141)
Capital Charges	5,493	5,493	0	5,493	0
Appropriations	(255)	(255)	0	(255)	0
<b>Sub Total</b>	<b>(530)</b>	<b>(530)</b>	<b>(1,926)</b>	<b>67</b>	<b>(597)</b>
Net Recharges to General Fund	530	530	0	530	0
<b>Housing Revenue Account Budget</b>	<b>0</b>	<b>0</b>	<b>(1,926)</b>	<b>597</b>	<b>(597)</b>
Estimated Additional Impact Of Pay Award	0	0	0	200	(200)
<b>Adjusted Total To Include Estimated Pay Award</b>	<b>0</b>	<b>0</b>	<b>(1,926)</b>	<b>797</b>	<b>(797)</b>

7.2 Significant predicted year end variances including: -

- Increased electricity (-£0.138M) and gas (-£0.288M) costs due to the energy crisis. However, these costs are largely rechargeable to tenants via service charging a year in arrears. Note that elements are housing benefit applicable to residents.
- An anticipated reduction in income (-£0.141M), largely due to an increase in major voids being returned plus increased voids relating to capital projects
- An increase on property insurance premiums (-£0.071M)

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

7.4 It should be noted that there is a likely forecast in increase in expenditure on Repairs & Maintenance relating to compliance works. This is in addition to the amount requested as part of the growth bid considered in the 2022/23 budget process. This programme of works is currently being scoped and the amount required is not yet quantifiable. It is, however, likely to be an additional call on the HRA Business Support Reserve. No figures have been included in the financial table above.

**8.0 Capital Projects (General Fund & HRA)**

8.1 At Q1 a year end variance against budget of **£0.998M** (General Fund + £1.1M, HRA (-£0.102M)) is projected. 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 2022/23 £'000	Working Budget 2022/23 £'000	Q1 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000
<b>Communities and Environment</b>					
Business Support	2,700	2,700	635	4,268	(1,568)
Customer Involvement & Leisure	549	549	(13)	520	+29
Public Protection	0	0	0	0	0
Housing Services	600	600	(2,983)	1,050	(450)
Public Realm	97	321	(1,242)	353	(32)
<b>Total</b>	<b>3,946</b>	<b>4,170</b>	<b>(3,603)</b>	<b>6,191</b>	<b>(2,021)</b>
<b>Economic Growth and Regeneration</b>					
Planning & Place	64	64	0	64	0
Economic Development	0	0	0	0	0
Property, Investment and Regeneration	3,563	3,563	(906)	700	+2,863
<b>Total</b>	<b>3,627</b>	<b>3,627</b>	<b>(906)</b>	<b>764</b>	<b>+2,863</b>
<b>Corporate Services</b>					
HR	0	0	(40)	0	0
ICT	490	490	10	232	+258
<b>Total</b>	<b>490</b>	<b>490</b>	<b>(30)</b>	<b>232</b>	<b>+258</b>
<b>Central Services</b>					
Chief Executive	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GENERAL FUND - TOTAL</b>	<b>8,063</b>	<b>8,287</b>	<b>(4,539)</b>	<b>7,187</b>	<b>+1,100</b>
<b>Housing Revenue Account</b>					
Adaptations	300	300	57	292	+8
Energy Efficiency / Boiler Replacement	989	1,029	107	1,029	0
Kitchen / Bathroom Refurbishment	888	888	17	768	+120
External Refurbishment	210	315	1	315	0
Environmental Improvements	200	234	58	372	(138)
Re-roofing / Window Renewals	738	988	(39)	988	0
Rewiring	56	56	4	56	0
Lift Replacement	0	0	0	0	0
Fire Precaution Works	240	280	20	280	0
Housing Renewal & Renovation	1,753	1,753	66	1,790	(37)
Mainway Pilot Scheme	4,000	4,000	0	4,055	(55)
<b>HOUSING REVENUE ACCOUNT - TOTAL</b>	<b>9,374</b>	<b>9,843</b>	<b>291</b>	<b>9,945</b>	<b>(102)</b>
<b>GRAND TOTAL</b>	<b>17,437</b>	<b>18,130</b>	<b>(4,248)</b>	<b>17,132</b>	<b>+998</b>

8.2 The following budget adjustments have been made up to Q1 to reflect the inclusion of growth in respect of the Heat De-Carbonisation Programme in the General Fund Capital Programme approved by Council on 26 June. The HRA Capital Programme working budget has been adjusted assuming that slippage requested in the outturn report also on this agenda is approved.

GF: £0.224M

HRA: £0.469M

8.3 The underspending against budget relates principally to General Fund. Slippage of £5.951M pending approval by Cabinet has not yet been included meaning that forecast underspending is likely to be higher at quarter 2.

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 provisional outturn position for 2021/22 in respect of reserves is reported elsewhere on this agenda. The projected reserve position has been updated to reflect this and has seen the Council's opening level of unallocated balances increase to **£6.032M** with the combined level of reserves currently **£28.885M**, £9.056M higher than originally forecast. Table 5 Reserves Movement reconciles the movement between the budgeted and forecast

opening position.

Table 5 Reserves Movement

		£M
<b>Budgeted Combined Level of Reserves</b>		<b>19.829</b>
Reserve		
General Fund Unallocated	2021/22 forecast contribution from reserve	2.194
	2021/22 actual contribution from reserve	(1.776)
Revenue Grants Unapplied	S31 grant to cover business rates deficit recognised in 2022/23	3.388
Covid-19 Support	Support to business & the vulnerable unspent	1.743
Various	Slippage on projects & initiatives from 2021/22	2.452
	Additional contributions to reserves	0.315
	Creation of Lancaster District Hardship Fund	0.377
	Transfer of grant to cover capital expenditure in 2022/23	0.300
	Allocation no longer required	0.063
		<b>28.885</b>

9.2 The Council's unallocated balances are projected to remain at **£6.032M** although this reserve will be used in the first instance to fund any general fund net revenue overspend. Overall, the combined level of usable reserves is forecast to decrease to **£23.434M**. Table 6 Quarter 1 Financial Monitoring – Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 6 Quarter 1 Financial Monitoring – Reserves

	<----- ORIGINAL BUDGET ----->				<----- PROJECTED OUTTURN ----->						
	31 March 2022	From Revenue	To / (From) Capital	To Revenue	31 March 2023	31 March 2022	From Revenue	To / (From) Capital	To Revenue	To Revenue (Slippage from 21/22)	31 March 2023
	£	£	£	£	£	£	£	£	£	£	£
<b>Unallocated Balances</b>	(5,614,400)	(34,000)			(5,648,400)	(6,032,200)					(6,032,200)
<b>Total Earmarked Reserves</b>	(14,214,400)	(1,878,900)	947,000	1,894,400	(13,251,900)	(22,853,100)	(1,978,900)	911,300	2,323,200	4,195,500	(17,402,000)
<b>Total Combined Reserves</b>	(19,828,800)	(1,912,900)	947,000	1,894,400	(18,900,300)	(28,885,300)	(1,978,900)	911,300	2,323,200	4,195,500	(23,434,200)

9.3 The current forecast set out above assumes that projects and initiatives that were due to have been funded by earmarked reserves during 2021/22 but remained unspent will be utilised during 2022/23. It should, however, be noted that slippage in project delivery accounts for a substantial increase in reserves over that budgeted for 2021/22. Over £2M of the £4.195M slippage was carried over from 2020/21. This indicates a potential need to review projects and initiatives financed by reserves to ensure that allocations are still required and that delivery timeframes are realistic. This is particularly pertinent given the anticipated calls on reserves to balance future budgets set out at paragraph 9.5. Table 6 Reserves Movement reconciles the movement between the budgeted and forecast opening position.



- 9.4 Appendix G: Reserves Projected Outturn provides further detailed analysis. It also shows illustrates slippage in project delivery currently assumed to spent during 202/23.
- 9.5 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. Current projections requiring further calls to balance future budgets 2023/24 (£2.165M), 2024/25 (£3.211M) and 2025/26 (£3.997M) will now be further exacerbated given the cost of living crisis as highlighted above. This will be reported as part of the MTFS refresh report due in November 2022.

## 10.0 Collection Fund

### Business Rates

- 10.1 Central Government made announcements launching new rate relief schemes in 2022/23 at the Autumn Budget and Spending Review 2021 these include a scheme to support local high street businesses as they recover from the pandemic. The 2022/23 Retail, Hospitality and Leisure Business Rates Relief scheme provides eligible properties with a 50% relief up to a cash cap limit of £110k per business. Funds to fully reimburse local authorities for the local share of these enhanced reliefs are being paid on account during the year using a grant under section 31 of the Local Government Act 2003, with a full reconciliation to be carried out at year-end.
- 10.2 The collection rate for Business Rates is currently 26.2%, which is slightly behind the Q1 profiled position of 28.0%. Based on this level of performance collection would be slightly below the annual target 98.0%.

### Council Tax

- 10.3 The current collection rate for Council Tax is 38.7% which is slightly ahead of the profiled position at 37.3% with current forecasts expected to exceed the annual target of 95.%. The number of Local Council Tax Support claimants at Q1 is 10,241.

## 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

Table 7: Write Off's

	Q1	Q2	Q3	Q4	Total
Council Tax	44,074				44,074
Business Rates	69,965				69,965
Housing Benefit Overpayments	4,222				4,222
					<b>118,261</b>

- 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.