

Delivering Our Priorities: Q3 2022/23 28 February 2023

Report of Chief Executive & s151 Officer

PURPOSE OF REPORT			
To provide members with an update on performance, projects, and resources during the first three quarters of 2022/23 (April – December 2022).			
Key Decision	N	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 3 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-December 2022, which can be found within the appendices.

2.0 PERFORMANCE REPORTING

- 2.1 The highlight report at Appendix A provides a broadly consistent set of information across the last five quarters, with services having returned to relative stability over the last year.
- 2.2 Energy costs (Cost/m² energy across corporate buildings) have increased significantly over 12 months, which can be seen when comparing Q2 and Q3 data to the equivalent quarters in the previous year.

3.0 PROJECT REPORTING

- 3.1 The highlight report shows that all the Council's Strategic Projects are running to plan at the end of Quarter 3 2022/23. No projects are reporting either an amber or a red status.
- 3.2 Since Quarter 2, the Working Well project has closed.
- 3.3 The Projects and Performance team now collect information from each strategic project on project plans (timescales) and risks. This allows more effective project and resource planning and a better understanding of project risks.
- 3.4 Some strategic projects have been placed on hold, pending the outcome of the OBR (Outcomes Based Resourcing) process.

4.0 FINANCIAL MONITORING

- 4.1 The 2022/23 Budget and Medium-Term Financial Strategy (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 current cost of living crisis, and legacy impacts from the COVID - 19 pandemic have created a significant shock to the economy and resulted in significant unplanned expenditure and income losses for the Council.
- 4.2 Cabinet, at its meeting of 6 December 2022 (*minute 50 refers*) approved that the latest projected outturn figures would be used to provide a mid-year reviewed budget position and form the basis for future monitoring and outturn within 2022/23. This position is now represented by the working budget and projected outturn/variances are measured against this budget set.
- 4.3 All portfolios are required to examine their revenue budgets and meet with their budget holders 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, with the Quarter 3 information distributed to Cabinet mid-February 2023.
- 4.4 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 GENERAL FUND SUMMARY POSITION

- 5.1 Quarter 3 (Q3) monitoring covers the period for April – December 2022. At the end of Q3 (December 2022) a year end underspend against the mid-year reviewed position of **£2.188M** is projected. However, members should note that this still equates to an overspend of **£0.777M** against the Council's approved original net revenue budget of **£21.254M**. Members will recall that, as part of the 2022/23 budget cycle, Council approved a small contribution to reserves of **£0.034M** in order to produce a balanced budget. The latest position suggest that this will no longer be possible and there will instead be a call on reserves of **£0.777M**.
- 5.2 In respect of the cost of living crisis, there are areas of high price volatility which have become more evident during the third quarter. For example, at the end of quarter two, the projected outturn for gas was +£0.542M greater than the opening estimate for the year. During the third quarter, the predicted price of gas dropped significantly leading to a reduced estimated variance of +£0.379M against the original budget. Fortunately, this information was received in a timely manner and has been included in the draft revenue budget which was considered and approved by Council on 22nd February 2023. Officers will continue to work over the coming months to monitor and forecast the costs and savings associated with other emerging budget pressures, whilst being mindful to raise such issues which will probably become apparent during the 2023/24 budget monitoring process.
- 5.3 A summary of the Q3 revenue position for the main service accounts of the Council is set out in table 1 below with commentary on significant variances provided in the following paragraphs.

Table 1 Quarter 3 Financial Monitoring – Service Analysis

	Original Budget 2022/23 £'000	Working Budget 2022/23 £'000	Q3 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Working Variance 2022/23 £'000	Original Variance 2022/23 £'000
Communities and Environment	5,193	8,000	1,920	7,966	+34	(2,773)
Economic Growth and Regeneration	4,605	5,749	3,866	5,301	+448	(696)
Corporate Services	6,760	7,740	14,219	7,697	+43	(937)
Central Services	1,162	1,172	838	1,188	(16)	(26)
Other Items	4,717	2,047	(484)	368	+1,679	+4,349
Sub Total	22,437	24,708	20,359	22,520	+2,188	(83)
Net Recharges to Housing Revenue Account	(1,044)	(1,044)	(778)	(1,044)	0	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	914	(139)	0	0
Revenue Reserve funded items included in above analysis	1,641	1,529	499	1,381	+148	+260
Revenue Reserve funded items included in above analysis	(1,641)	(1,529)	0	(1,381)	(148)	(260)
Sub Total	(1,183)	(1,183)	635	(1,183)	0	0
General Fund Revenue Budget	21,254	23,525	20,994	21,337	+2,188	(83)
Financing Income	(11,078)	(10,384)	1,170	(10,384)	0	(694)
Council Tax Requirement	10,176	13,141	22,164	10,953	+2,188	(777)

Communities and Environment +£0.034M Favourable

5.4 Significant budget variances since the mid-year review including: -

- Gas price changes +£0.030M.
- Salary savings +£0.295M across directorate offset by use of casual staffing (-£0.174M); use of overtime (-£0.051M) and reduction in agency staffing requirement +£0.021M to address shortfalls. This is largely due to non-recruitment to vacant posts; however an increased requirement of casual staffing has been needed at Salt Ayre Leisure Centre to cover necessary training to fill lifeguard vacancies due to a national recruitment crisis.
- Heysham Port - staff time +£0.065M in 2020/21 recoverable by Defra grant has not previously been recovered and has subsequently generated a credit in this year's accounts;
- Reduced income at Salt Ayre Leisure Centre (-£0.072M) mainly at the café. This is possibly due to secondary spend at the centre being affected as a result of the cost of living crisis.

Economic Growth and Regeneration +£0.448M Favourable

5.5 Significant budget variances since the mid-year review including: -

- Gas price changes +£0.134M.
- Salary savings +£0.258M across directorate largely due the recruitment freeze in place. The service is currently holding 23.21fte vacant positions.
- +£0.040M additional income attributed to continued use of LTH by NHS for Covid vaccinations.

Corporate Services +£0.043M Favourable

5.6 Significant budget variances since the mid-year review including: -

- Salary savings +£0.055M across directorate mainly relating to Accountancy +£0.031M and ICT +£0.015M

Other Items +£1.679M Favourable

5.7 Significant budget variances since the mid-year review including: -

- An external review of the Council's minimum revenue provision (MRP) policy has been undertaken. The recommendations from the review indicate that the Council could save an estimated +£1.500M by changing its methodology for calculating MRP and making some retrospective adjustments. The change in policy has been included in the Treasury Management Strategy presented to budget Council meaning that it will be possible to realise the savings within the current financial year;
- Further increases in investment interest receivable due to the recent increases in bank rate +£0.179M.

5.8 Appendix B: General Fund Service Analysis (Q3) covers this information in more detail and provides summary percentage variations for variances +/- £30K. Appendix I provides additional analysis across individual service areas

5.9 The revenue position provided within table 1 above is analysed across the Council's subjective headings is set out in table 2 below.

Table 2 Quarter 3 Financial Monitoring – Subjective Analysis

	Original Budget 2022/23 £'000	Working Budget 2022/23 £'000	Q3 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Working Variance 2022/23 £'000	Original Variance 2022/23 £'000
Employees	27,031	28,628	20,738	28,240	+388	(1,209)
Premises Related Exp	4,655	6,632	3,876	6,465	+167	(1,810)
Transport Related Exp	1,266	1,916	1,393	1,917	(1)	(651)
Supplies and Services	11,250	13,357	16,881	13,707	(350)	(2,457)
Transfer Payments	20,277	23,277	14,113	23,277	0	(3,000)
Support Services	147	111	5	175	(64)	(28)
Capital Charges	17	17	0	17	0	0
Capital Financing Costs	1,464	1,173	1,429	1,173	0	+291
Appropriations	3,771	2,680	0	1,180	+1,500	+2,591
Income	(47,141)	(52,783)	(38,076)	(53,331)	+548	+6,190
Capital Financing Inc	(300)	(300)	0	(300)	0	0
Sub Total	22,437	24,708	20,359	22,520	+2,188	(83)
Net Recharges to Housing Revenue Account	(1,044)	(1,044)	(778)	(1,044)	0	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	914	(139)	0	0
Revenue Reserve funded items included in above analysis	1,641	1,529	499	1,381	+148	+260
Revenue Reserve funded items included in above analysis	(1,641)	(1,529)	0	(1,381)	(148)	(260)
Sub Total	(1,183)	(1,183)	635	(1,183)	0	0
General Fund Revenue Budget	21,254	23,525	20,994	21,337	+2,188	(83)
Financing Income	(11,078)	(10,384)	1,170	(10,384)	0	(694)
Council Tax Requirement	10,176	13,141	22,164	10,953	+2,188	(777)

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

6.0 HOUSING REVENUE ACCOUNT SUMMARY POSITION

6.1 As at the end of Q3 a year end underspend against the mid-year reviewed position of **£0.121M** is projected. However, members should note that this equates to an overspend of £0.041M against the Council's approved original budget for the HRA. A summary of the Q3 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 3 Financial Monitoring – HRA Service Analysis

	Original Budget 2022/23 £'000	Working Budget 2022/23 £'000	Q3 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000
Policy & Management	1,901	2,315	2,090	2,282	+33
Repairs & Maintenance	6,555	7,613	4,191	7,514	+99
Welfare Services	58	359	(242)	226	+133
Special Services	273	266	234	258	+8
Miscellaneous Expenses	740	942	631	942	0
Income Account	(15,295)	(15,289)	(11,033)	(15,270)	(19)
Capital Charges	5,493	5,492	0	5,492	0
Appropriations	(255)	(2,228)	0	(2,095)	(133)
Sub Total	(530)	(530)	(4,129)	(651)	+121
Net Recharges to General Fund	530	530	397	530	0
Housing Revenue Account Budget	0	0	(3,732)	(121)	+121

6.2 Significant budget variances since the mid-year review including: -

- Salary savings +£0.073M within the Repairs & Maintenance Service due to ongoing vacancies
- Decreased gas costs +£0.155M due to fluctuating energy prices. These costs are largely rechargeable to tenants via service charging a year in arrears. Note that elements are housing benefit applicable to residents. Net saving on energy costs on independent living schemes leading to increased contribution to welfare reserves (-£0.133M)

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

7.0 CAPITAL PROJECTS (General Fund & HRA)

7.1 At Q3 a year end variance against budget of **£7.232M** (General Fund + £7.254M, HRA (-£0.022M)) is projected. Summary details for both the General Fund and HRA are set out in table 4 below.

Table 4 Quarter 3 Financial Monitoring – Capital Projects

	Original Budget 2022/23 £'000	Working Budget 2022/23 £'000	Q3 Actual 2022/23 £'000	Projected Outturn 2022/23 £'000	Projected Variance 2022/23 £'000
Communities and Environment					
Business Support	2,700	5,438	2,468	4,040	+1,398
Customer Involvement & Leisure	549	1,875	297	534	+1,341
Public Protection	0	0	0	0	0
Housing Services	600	1,350	(1,041)	750	+600
Public Realm	97	408	(1,078)	107	+301
Total	3,946	9,071	646	5,431	+3,640
Economic Growth and Regeneration					
Planning & Place	64	244	0	0	+244
Economic Development	0	0	0	0	0
Property, Investment and Regeneration	3,563	4,088	(466)	718	+3,370
Total	3,627	4,332	(466)	718	+3,614
Corporate Services					
HR	0	0	(40)	0	0
ICT	490	538	101	538	0
Total	490	538	61	538	0
Central Services					
Chief Executive	0	0	0	0	0
Total	0	0	0	0	0
GENERAL FUND - TOTAL	8,063	13,941	241	6,687	+7,254
Housing Revenue Account					
Adaptations	300	300	218	300	0
Energy Efficiency / Boiler Replacement	989	1,029	359	1,029	0
Kitchen / Bathroom Refurbishment	888	725	445	760	(35)
External Refurbishment	210	315	88	315	0
Environmental Improvements	200	395	302	382	+13
Re-roofing / Window Renewals	738	988	431	988	0
Rewiring	56	56	5	56	0
Lift Replacement	0	0	0	0	0
Fire Precaution Works	240	280	28	280	0
Housing Renewal & Renovation	1,753	1,720	829	1,720	0
Mainway Pilot Scheme	4,000	1,255	0	1,255	0
HOUSING REVENUE ACCOUNT - TOTAL	9,374	7,063	2,705	7,085	(22)
GRAND TOTAL	17,437	21,004	2,946	13,772	+7,232

7.2 As previously reported, the Capital Programme working budget has been adjusted for slippage from 2021/22 and 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.

7.3 The underspending against budget relates principally to General Fund and reflects further anticipated slippage on capital projects into 2023/24. Anticipated slippage and the outcome of the reviewed capital budgetary provision has been incorporated into the revised five-year Capital Programme presented to budget council. Provided that this is approved the actual variance at outturn should be considerably lower than that shown above.

- 7.4 The overall projected overspend on the HRA Capital Programme of (-£0.022M) relates mainly to increased costs on the kitchen replacement programme.
- 7.5 Appendix E General Fund Capital Projects and Appendix F HRA Capital Projects provide further information and summary commentary.

8.0 RESERVES

- 8.1 The Council's unallocated balances are projected to be **£9.833M**. This takes account of the updated reserves strategy approved by Council 25th October 2022. **£0.777M** will be used to fund the forecast general fund net revenue overspend with a further **£1.335M** utilised to fund the roof and cladding repair work to the Gateway asset and feasibility work for the Burrow Beck solar project. Overall, the combined level of usable reserves is forecast to decrease to **£21.330M**. Table 6 Quarter 3 Financial Monitoring – Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 6 Quarter 3 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	31 March 2023
	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	(5,614,400)	(34,000)			(5,648,400)	(6,032,200)	(5,912,900)		2,112,000	(9,833,100)
Total Earmarked Reserves	(14,214,400)	(1,878,900)	947,000	1,894,400	(13,251,900)	(22,852,900)	(1,243,300)	490,000	12,108,700	(11,497,500)
Total Combined Reserves	(19,828,800)	(1,912,900)	947,000	1,894,400	(18,900,300)	(28,885,100)	(7,156,200)	490,000	14,220,700	(21,330,600)

- 8.2 Appendix G: Reserves Projected Outturn provides further detailed analysis.
- 8.3 The Council's reserves will be used to manage the impact of the cost of living crisis and also support the work to address the underlying structural deficit through the OBR process. As a result, they are fundamental to ensuring the financial sustainability of the Council as it deals with these pressures and will be kept under review by Officers and Members. Projections of the required further calls to balance future budgets are given in the MTFS refresh report elsewhere on this agenda.

9.0 COLLECTION FUND

Business Rates

- 9.1 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.
- 9.2 The collection rate for Business Rates is currently 86.7%, which is slightly behind the profiled target of 87.4%. The annual target is 98.0%.

Council Tax

- 9.3 The current collection rate for Council Tax is 91.0% which is slightly behind the profiled target of 92.8%. The annual target is 95.0%. The number of Local Council Tax Support claimants at Q2 is 9,853.

10.0 WRITE OFFS

10.1 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	113,573	67,239		224,886
Business Rates	69,965	39,449	81,735		191,149
Housing Benefit Overpayments	4,222	39,389	23,410		67,021
Total	118,261	192,411	172,384	0	483,056

10.2 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.