



LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Cabinet

Wednesday, 2 November 2016

The following report was received too late to be included on the main agenda for this meeting and was marked 'to follow'.

Agenda Item Number	Page	Title
7	1 - 35	CORPORATE FINANCIAL MONITORING QTR2 2016/17

CABINET

Corporate Financial Monitoring 2016/17 – Quarter 2
02 November 2016
Report of the Chief Officer (Resources)

PURPOSE OF REPORT				
To provide an overview of the Council's financial position for Quarter 2 of the 2016/17 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 the supporting actions set out.
- (2) That the Treasury Management report attached at *Appendix C* be noted and referred on to Council for information.

1. Overview

- 1.1. The corporate financial monitoring report for Quarter 2 is attached at *Appendix A*, and the headline variances and projections are as follows:
 - A current General Fund net underspending of £463K, projected to reduce to £17K by the year end. These figures have barely changed from those reported at Quarter 1.
 - A current Housing Revenue Account net underspending of £33K, expected to increase to £73K by the year end. The forecast full-year underspending has increased by £50K since Quarter 1.
- 1.2. Balances for both funds remain strong and are higher than forecast back in March.
- 1.3. With regard to the Housing Revenue Account, the forecast £50K increase in net underspending is as a result of a number of smaller changes and there are no new significant issues arising.
- 1.4. With regard to General Fund, the table overleaf provides a summary of the latest financial forecasts for both current year and next year.

2016/17 and 2017/18 Summary Position	2016/17 Position to Qtr 2 £000's	2016/17 Full Year Projection £000's	2017/18 Full Year Projection £000's
Shortfall in Approved Budget Savings (Annex A / Section 2.3)	+165	+590	+54
General Salaries/Staffing (Annex B /Section 2.4)	(158)	(248)	--
Transport / Premises / Supplies & Services (Annex B)	(47)	(51)	--
Other additional income (Annex B)	(158)	(43)	--
Net Additional Business Rates Income (section 4.1.2)	(265)	(265)	(661)
NET (UNDER) / OVER (+) SPENDING	(463)	(17)	(607)
	£000's	£000's	£000's
<i>Qtr 1 Position previously reported</i>	<i>(462)</i>	<i>(3)</i>	<i>(619)</i>
<i>Change from Qtr1</i>	<i>+1</i>	<i>(14)</i>	<i>+12</i>

- 1.5. In short, both years' projections are in line with the previous Quarter's results. That is the case for subsequent years too, more details of which are included in the Appendix.
- 1.6. Renewable Energy business rates income continues to benefit the General Fund. There is scope for this income to increase further over the medium term as there are at least 8 schemes in the development/planning stage that Officers are aware of, but it is not yet possible to quantify the potential impact.
- 1.7. In respect of General Fund savings approved during the last budget, there is only one change worthy of note:

Splash Park:
The scheme is still planned to go live in May 2017, but work is currently being undertaken to re-design the delivery of the scheme. As a result, the £50K budget for up-front investment costs scheduled in this year are now assumed to be much less at around £5K. Final costs will be dependent upon the final design of the scheme.
- 1.8. There are no other key issues to highlight as a result of the monitoring work undertaken to date.
- 1.9. Inevitably though the forecasts will change again as a result of the detailed review currently underway, as part of the 2017/18 budget process. The initial results of this work are due to be reported in December.
- 1.10. In support of corporate financial monitoring, the latest Property Group update is attached at **Appendix B**. The Treasury Management half-yearly update report is included at **Appendix C**, which must be referred on to Council in line with regulatory requirements.
- 1.11. This report is primarily for information and therefore no options are presented. Cabinet is requested to consider carefully the report and indicate whether it wishes any further actions to be undertaken.

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 her capacity as Chief Officer (Resources).

It should be noted that from December, monitoring of savings and growth will be subsumed into reporting on the current budget process. From Quarter 3, monitoring will be undertaken against the draft revised budget for 2016/17.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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Ref:

Corporate Financial Monitoring

Quarter Ended 30 September 2016

Report of: Chief Officer (Resources & s151 Officer)

Financial Services Manager

HEADLINE INFORMATION

- Over the quarter the General Fund revenue budget underspending has stayed in line with Qtr 1, rising only by £1K to a current net underspending of £463K. By the year end it is projected to reduce to £17K (similar to Qtr 1 expectations).
- Allowing for the projected underspending, General Fund balances are currently forecast to be £4.533M by year end, with £3.033M available above the £1.5M minimum level. This is £348K higher than budgeted, allowing for last year's underspending.
- Over the quarter the Housing Revenue Account (HRA) underspending has increased slightly by £13K to £33K. By the year end it is now projected to increase to £73K (£50K higher than Qtr 1 expectations).
- Allowing for that projected underspending, HRA balances are currently forecast to be £2.001M by year end, with £1.651M available above the £350K minimum level. This is £381K higher than budgeted, allowing for last year's underspending.

1. INTRODUCTION

This report provides a quarterly snapshot of the corporate financial position for the Council (as at the end of either June, September or December). It looks at the latest spend and income collected against profiled revised budgets, and where appropriate it provides a forecast projection for the full year, and for future years where possible. In addition, there are sections covering income collection and procurement.

The report is split into the following areas:

- Revenue Monitoring – General Fund and Housing Revenue Account
- Capital Monitoring – General Fund and Housing Revenue Account
- Local Taxation – Council Tax and Business Rates
- Income Collection – General Fund Sundry Debts and Council Housing Rents
- Procurement

It should be noted that the Council has to operate two specific service related funds – General Fund and Housing Revenue Account (HRA). The latter covers all aspects relating to Council Housing, whilst the General Fund covers all other Council services.

In addition, there is also a Collection Fund, as the Council acts as billing authority for all Council Tax and Business Rates income in the district. As well as helping to fund the City and Parish Councils, that income collectable is also shared with Government, Lancashire County Council, the Police and Crime Commissioner and the Fire Authority.

2. REVENUE MONITORING

This section covers both General Fund and the Housing Revenue Account (HRA), and reports on variances relating to the day to day income and expenditure of the Council. There are also three specific sections for approved savings monitoring, salaries and the Repair and Maintenance Section (RMS).

2.1. Summary Position

2.1.1. General Fund

With regard to General Fund there are no new significant matters to highlight over what has previously been reported. The table overleaf provides a summary of the latest financial forecasts for both current year and next year. Cabinet will recall that both these years were balanced, based on the budget and financial strategy decisions taken by Council back in March.

The summary shows that overall the position has not changed much from that reported at Qtr1. There is a current net underspending of £463K in this year (*Qtr1 £462K underspend*), but this is still anticipated to reduce substantially - to £17K by year end. (*Qtr1 £3K underspend*).

For next year, a net underspending of £607K is forecast, down by £12K when compared with Qtr1.

If ultimately these underspending materialise, the resulting funds would be available to help manage other financial pressures or spending needs.

More details of all variances are shown in **Annexes A & B**, as well as being summarised overleaf. In particular, the monitoring focuses on progress in achieving approved budget savings and on business rates income, as well as other more general variances.

2016/17 and 2017/18 Summary Position	2016/17 Position to Qtr 2 £000's	2016/17 Full Year Projection £000's	2017/18 Full Year Projection £000's
Shortfall in Approved Budget Savings (Annex A / Section 2.3)	+165	+590	+54
General Salaries/Staffing (Annex B /Section 2.4)	(158)	(248)	--
Transport / Premises / Supplies & Services (Annex B)	(47)	(51)	--
Other additional income (Annex B)	(158)	(43)	--
Net Additional Business Rates Income (section 4.1.2)	(265)	(265)	(661)
NET (UNDER) / OVER (+) SPENDING	(463)	(17)	(607)
	£000's	£000's	£000's
<i>Qtr 1 Position previously reported</i>	<i>(462)</i>	<i>(3)</i>	<i>(619)</i>
<i>Change from Qtr1</i>	<i>+1</i>	<i>(14)</i>	<i>+12</i>

Drawing on the above results of this quarter's monitoring work, the following table shows how General Fund's financial outlook to 2020 is expected to improve by £28K per year.

The estimated savings requirements for 2018/19 and 2019/20 are now shown as £1.245M and £1.705M respectively.

Work is underway to update all budget forecasts to 2020/21, as part of the current budget process.

Future Years Savings Requirements	2018/19 £'000	2019/20 £'000
Current In-Year Savings Requirements as per MTFS	2,226	2,671
Add back: Undeliverable Savings Measures (Credit Card Charging – See Annex A)	+25	+26
Less: Assumed Additional Income from Approved Savings Measures (Green Waste Collection Charging – see section 2.3 for more details)	(342)	(325)
Less: Renewable Energy – Net Business Rates Income (section 4.1.2)	(664)	(667)
Updated In-Year Savings Requirements	1,245	1,705
Improvement in Position as at Qtr 2	(981)	(966)
	£000's	£000's
<i>Improvement previously reported at Qtr 1</i>	<i>(953)</i>	<i>(938)</i>
<i>Change from Qtr1</i>	<i>(28)</i>	<i>(28)</i>

2.1.2. Housing Revenue Account

For the HRA, there is now a current net underspending of £33K at the end of Qtr 2 (*Qtr1 £20K underspend*). It is expected to grow to £73K by year end (*Qtr1 £23K underspend*).

The main reasons for the £50K improvement relate to additional staff savings, lower costs arising on Central Control and an overall improvement in income forecasts.

The main variances are shown in the following table:

	Current Position £000's	Full Year Projection £000's
Employees	+49	+6
Savings on lifeline charges	(36)	(36)
Savings on Cable Street Lease	(21)	(21)
Increased Council Tax liability on void properties	-	+5
Central Control savings	-	(16)
Various income variances	(25)	(11)
NET (UNDER) / OVER (+) SPENDING	(33)	(73)
	£000's	£000's
<i>Qtr 1 Position previously reported</i>	<i>(20)</i>	<i>(23)</i>
<i>Change from Qtr 1</i>	<i>(13)</i>	<i>(50)</i>

The HRA does not have any future savings requirements as the overall 30-year Business Plan is currently balanced, albeit with the use of reserves in the short term to offset the annual 1% reduction in rent until 2019/20. A reassessment of the Fund's outlook beyond 2016/17 is currently being undertaken as part of the 2017/18 budget process.

S151 Officer Comments:

There are no new material budget issues to highlight in this quarter.

2.2. Balances and Reserves

The following table sets out the position for General Fund and HRA balances, as at the end of September. The position has improved by £14K for General Fund and £10K for HRA from that reported at Qtr1.

Note that the last year's underspending figures have now been confirmed, as the 2015/16 accounts were given a clean bill of health by the auditors and were signed off at Audit Committee on 14 September 2016.

General Balances	General Fund £000's	HRA £000's
As at 31 March 2016 - as Budgeted	(4,128)	(1,344)
Budgeted Contributions	(57)	(276)
2015/16 Underspend	(331)	(348)
2016/17 Qtr2 Current Year Projections	(17)	(33)
Projected Balances as at 31 March 2017	(4,533)	(2,001)
Less Agreed Minimum Level of Balances	1,500	350
Available Balances	(3,033)	(1,651)
<i>Compared to MTFS Forecast for 31 March 2017</i>	<i>(2,685)</i>	<i>(1,270)</i>
Latest Forecast Increase	(348)	(381)
	£000's	£000's
<i>Qtr1 Position</i>	<i>(334)</i>	<i>(371)</i>
<i>Change from Qtr1 previously reported</i>	<i>(14)</i>	<i>(10)</i>

S151 Officer Comments:

As in Qtr 1, the Council's Balances position and its financial standing remains strong. This is crucial for supporting the Council in its future strategy for tackling the financial challenges ahead, notably from 2018/19 onwards.

2.3. Approved Savings and Growth: Monitoring

As reflected in the summary earlier various net savings measures amounting to £986K were approved by Budget Council back in March. This section provides an update on those approvals with more details being provided in **Annex A**.

2016/17 and 2017/18 Summary Position	2016/17 Full Year Projection £'000	2017/18 Full Year Projection £'000
Net Shortfall against Budgeted Savings as previously reported – (position as at Qtr1)	+535	+14
Reported updates to October Cabinet	+100	+35
<i>Further Changes:</i>		
<i>Splash Park</i>	<i>(45)</i>	<i>-</i>
<i>Corporate Property – Energy Efficiency Works</i>	<i>-</i>	<i>+5</i>
Current Forecast Net Shortfall (position as at 30 September 2016)	+590	+54
<i>Change between Qtr1 and Qtr2</i>	<i>+55</i>	<i>+40</i>

Other than a minor change on energy efficiency savings, the only change worthy of note is as follows:

- *Splash Park* – The scheme is still planned to go live in May 2017, but work is currently being undertaken to re-design the delivery of the scheme. As a result, the £50K budget for up-front investment costs scheduled in this year are now assumed to be much less at around £5K. Final costs will be dependent upon the final design of the scheme.

S151 Officer Comments:

As reported at Qtr 1, the need for more effective planning when savings proposals are being developed and submitted is reiterated. This is to ensure that sufficient, co-ordinated resources are available to implement projects, that timescales are realistic and as such that financial assumptions are achievable. This need is being addressed in the 2017/18 budget, through which Members can give constructive challenge and seek assurances as to the robustness of proposals.

2.4. Salary Monitoring

At the end of September there are General Fund savings of £158K against the original budget and these are projected to increase to £248K by year end. For Council Housing there is a current overspending of £49K, which is expected to reduce to £6K by year end.

In total there were 39 vacant posts at the end of Quarter 2 across all council services.

S151 Officer Comments:

As also reported in Qtr 1, it is known that in various services areas (for example ICT, Development Control, Information Management, Accountancy) difficulties in recruitment and retention and general turnover may well have generated apparent savings, but with knock on adverse impact on service delivery. Capacity is being appraised across the organisation but this takes time. It is reiterated that addressing any identified capacity needs, or any other measures needed, will be a key aim of the current budget process.

2.5. Repair and Maintenance Section – Trading Position

The work of this section is predominantly on the council housing stock. The total budget for the section is around £9.5M, and covers both in-house and contracted out provision for all repair and maintenance and capital works.

The following table sets out the financial position at the end of September. This shows there is currently an overspending of £21K against the profiled budget, which is an increase of £5K on the reported Qtr1 position. This is minor, and at this stage it does not warrant further specific investigation.

	TOTAL £
INCOME	(1,487,566)
EXPENDITURE	
Direct Labour	710,606
Direct Materials	342,614
Overheads	760,983
Recharged Revenue Work	958,392
TOTAL EXPENDITURE	2,772,595
NET EXPENDITURE	1,285,029
Profiled Budget	1,264,000
Variance from Budget - Adverse/(Favourable)	21,029
<i>Qtr1 Position previously reported</i>	<i>15,880</i>

S151 Officer Comments:

Arrangements for a high level external review of RMS, led by the Chief Officer (Environment), are yet to be determined. In the meantime some improvements are being taken forward internally, but there is still the need to complete a formal review. This is to help assess current value for money, what scope there is for improvement, how best that may be secured (through whatever delivery model) and what investment (in time, money, skills and other resources) might be required to achieve it. The resource implications will feed into the 2017/18 budget.

3. CAPITAL MONITORING

This section covers both General Fund and the HRA, again reporting on any changes to the programmes or key variances. This section includes both expenditure and financing.

3.1. General Fund Capital Programme

The latest gross capital programme stands at £16.643M for the current year. At the end of September there were spend and commitments of £5.150M leaving £11.493M still to spend. Details of spend against each scheme is shown in **Annex C**.

As part of the 2017/18 budget process, an in-depth review of the programme is underway and this has already highlighted a number of schemes that will need their budgets re-profiling between 2016/17 and 2017/18 for a variety of reasons.

In terms of capital financing from grant and contributions, £3.553M of the budgeted £6.217M has already been received.

The Property Group update report is attached at **Appendix B**. This includes updates on the capital investment programme for 2016/17 and 2017/18, the latest capital receipts position, commercial property occupancy and energy monitoring.

3.2. HRA Capital Programme

The gross HRA Capital Programme currently stands at £4.541M. Against this there are spend and commitments of £1.475M leaving £3.066M still to spend. Details of spend against each scheme are again shown in **Annex C**.

S151 Comments:

There are no specific actions to be taken at this time regarding capital investment, other than normal review and monitoring. A revised draft capital programme will be reported to Members in due course, as part of the 2017/18 budget process.

4. LOCAL TAXATION

4.1. Collection Fund Monitoring

4.1.1. Council Tax Yield (Total Collectable)

This section provides a summary analysis of the current surplus or deficit on the Fund, shown in the following table. Such a surplus or deficit arises because of the great many changes in liability that occur throughout the year. Furthermore, any difference between estimated and actual collection performance will ultimately have a bearing.

		Qtr2 £000's
Collection Fund (Surplus)/Deficit		(69)
<i>Represented by In-Year Movements to Date:</i>		
Lower Council Tax Support than estimated	(106)	
Net of Higher Second Homes/Lower Empty Homes income	+40	
Other Movements in the Tax Base	(3)	(69)
<i>Of which 13% is due (to) / from (+) the City Council</i>		<i>(9)</i>

As at 30 September, the position has improved to an estimated surplus of £69K compared to the reported Qtr1 deficit of £18K. Of the current surplus the City Council would receive £9K.

This year's main movements are:

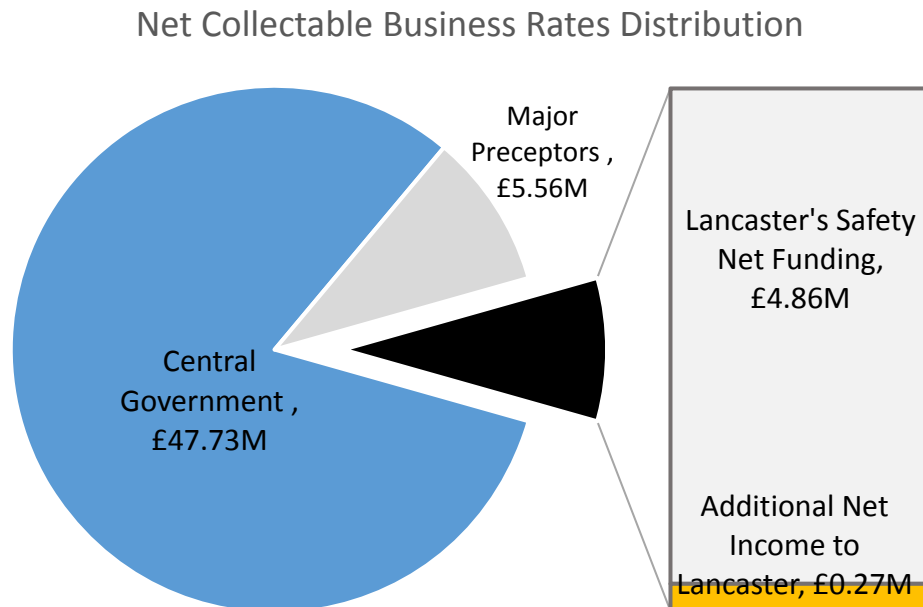
- £106K lower than estimated council tax support. This will continue to fluctuate as claimants' circumstances change, but there is still a downward trend.
- overall £37K lower than estimated income (that can be specifically identified) from second/empty homes;

S151 Officer Comment:

The position is still broadly in line with budget expectations. Consultation on the 2017/18 LCTS scheme is now underway and a report will be presented to December Council.

4.1.2. Business Rates Retention

The following diagram shows how the net income collected from Business Rates is distributed between the relevant parties.



The position relating to retained business rates at the end of September is shown in the following table.

	Original Estimate £M	June-16 £M	Sept-16 £M
Net Collectable Amount of Business Rates	(62.399)	(59.230)	(58.797)
Less: Provision for Appeals	2.215	3.269	3.197
Net retained business rates	(60.184)	(55.961)	(55.600)
Less: Central Government Share – 50%	30.092	27.980	27.800
Less: County Council & Fire Authority Share – 10%	6.018	5.596	5.560
Lancaster's Retained Business Rates Share – 40%	(24.074)	(22.385)	(22.240)
Less: Tariff payable to Central Government	19.928	19.928	19.928
Add: Small Business Rates Relief Grant	(1.104)	(1.199)	(1.234)
Total Amount of Retained Business Rates	(5.250)	(3.656)	(3.546)
Less: Lancaster's Baseline Funding Level	5.250	5.250	5.250
Provisional Loss of Income	-	1.594	1.704
Safety Net Payment	-	(1.200)	(1.310)
Projected Loss of Income	-	0.394	0.394
Additional Adjustments:			
Additional Tariff Adjustment	-	0.288	0.288
Renewable Energy Credit from 2015/16	-	(0.918)	(0.947)
Overall Projected Net Position - (additional net income)	-	(0.237)	(0.265)

N.B. The Safety Net Threshold for 2016/17 is £4.856M.

At the end of September the position remains unchanged from Qtr1 at a projected loss of general rating income of £394K for the City Council [i.e. the difference between the baseline funding position of £5.250M (as budgeted) and the safety net level of £4.856M]. There has been another increase in renewable energy income, however, allowing the overall position to improve by £28K, to reach £265K for the year.

S151 Officer Comment:

The City Council is at safety net level in terms of its general rating income and there is nothing to indicate that this will change in the short to medium term. Renewable energy remains the Council’s best hope for increasing its business rate income stream therefore.

In the coming quarter, the likely impact of the 2017 Rating Revaluation and the provisional Local Government Settlement should become clearer. They will have bearing on the detailed figures for business rates, but it is unclear whether there will be any ‘bottom line’ impact, on top of what is already assumed within the MTFS.

4.2. Council Tax and Business Rates Collection

The percentages collected in year for both council tax and business rates are now both slightly behind target at the end of September.

Percentage Collected	Full Year Target	Target to Date	Actual to Date	Status
Council Tax	96.8%	57.0%	56.8%	Slightly Behind Target
Business Rates	98.8%	55.2%	54.4%	Slightly Behind Target

Council tax has dropped very slightly, but it does tend to fluctuate a little month on month so is no cause for concern at this point. For business rates, as with Qtr 1 there are still instalment plans in place for some comparatively large properties affected by last winter’s floods and in addition, there have been a number of high value rate avoidance cases where legal action has been taken. It is still expected therefore that collection should be back on track by the year end.

S151 Officer Comment:

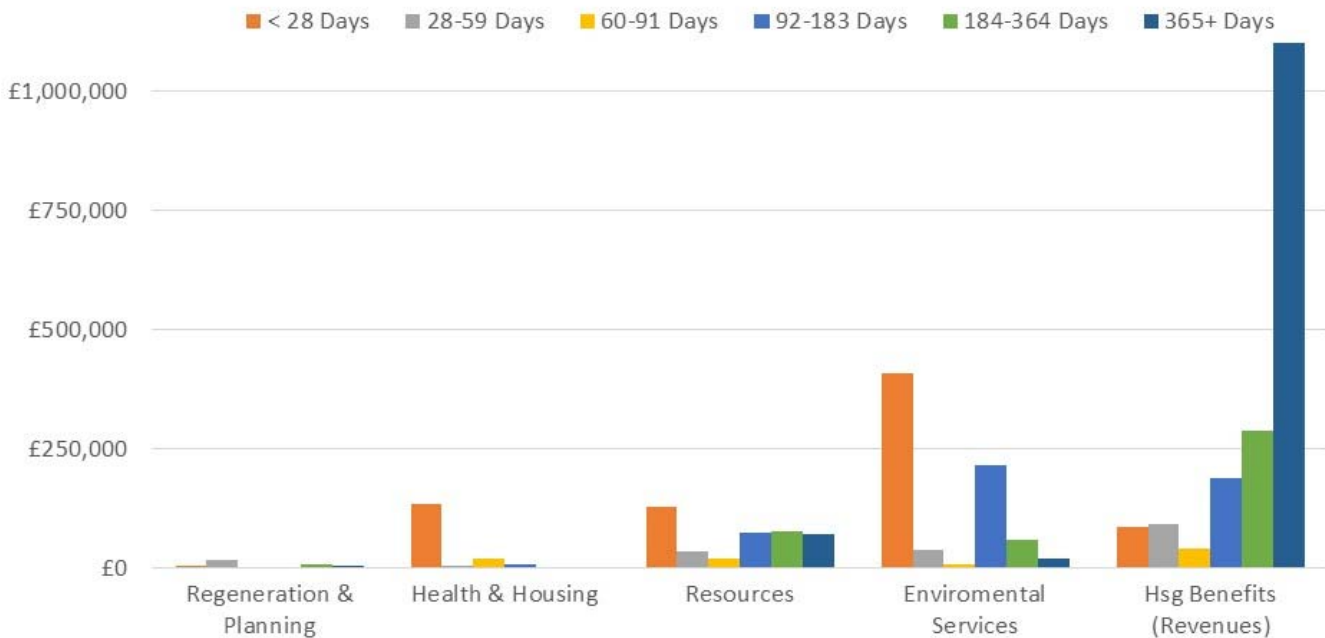
There are no other specific actions to be taken at this time regarding local taxation collection.

5. INCOME COLLECTION

5.1. Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of September the total debt outstanding was just under £3.4M, which is £186K lower than the previous quarter. The majority (£2M) still relates to housing benefit overpayments. The bad debt provision currently stands at £1.599M, which indicates over-provision of around £85K. A further review of the provision will be carried out as part of the forthcoming budget process, with any additional contributions being made at that time.

	June 16	Sept 16
	£000's	£000's
0-28 days	841	768
29-58 days	205	190
59-90 days	464	90
91-182 days	352	490
183-363 days	307	436
364+ days	1,398	1,407
	3,567	3,381
Previous Year	3,377	3,465



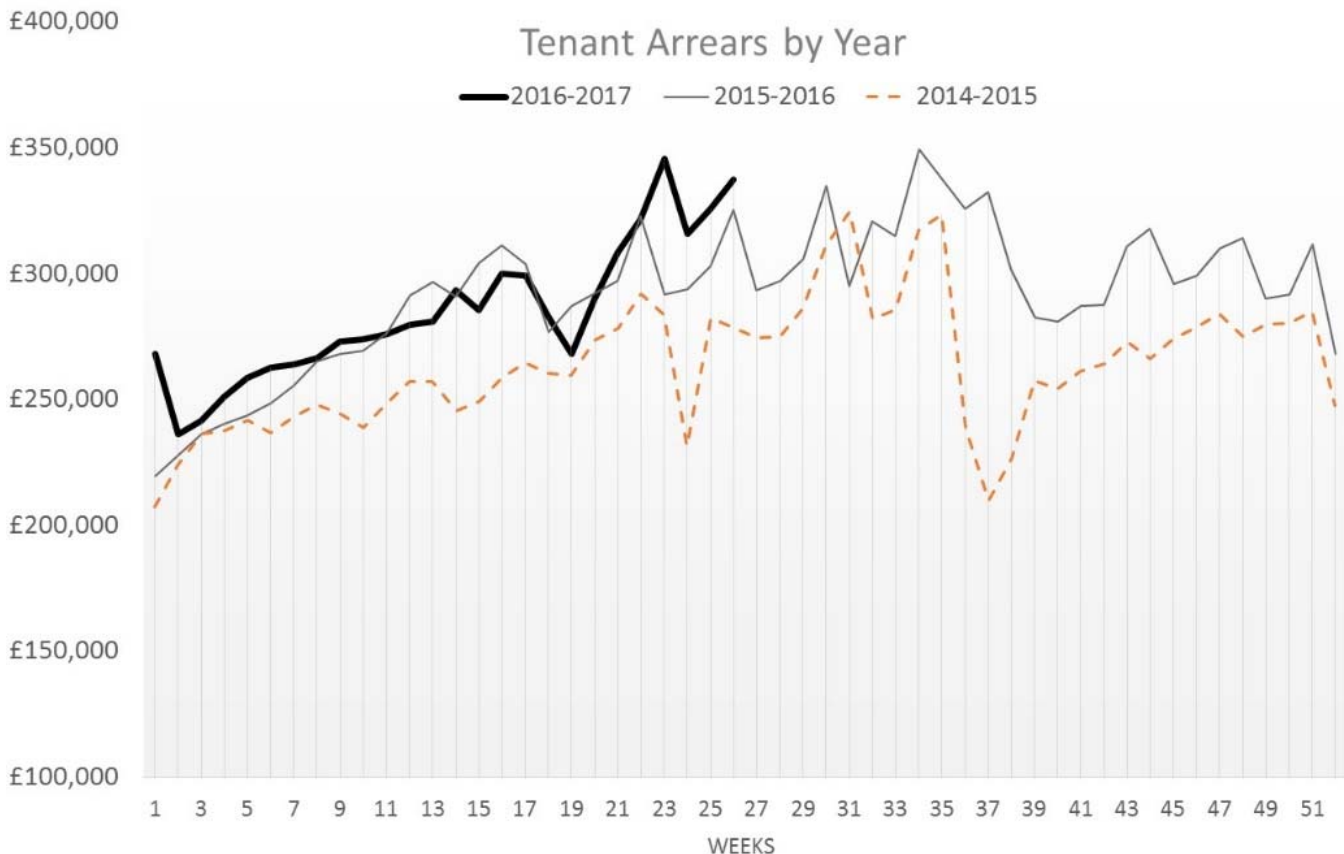
SERVICE	< 28 Days	28-59 Days	60-91 Days	92-183 Days	184-364 Days	365+ Days	2016/17 QUARTER 2 TOTALS	Compared to 2015/16 Quarter 2 Totals
	£	£	£	£	£	£	£	£
Enviromental Services	410,035	38,730	7,557	217,300	58,739	20,655	753,016	831,025
Regeneration & Planning	5,573	17,259	-	1,487	8,640	4,977	37,937	98,770
Resources	129,794	35,414	19,663	73,492	77,773	72,083	408,218	444,928
Health & Housing	135,638	5,372	21,948	8,174	1,791	600	173,523	186,118
Hsg Benefits (Revenues)	86,651	93,230	41,060	189,366	289,452	1,308,195	2,007,954	1,904,077
	767,692	190,005	90,227	489,819	436,395	1,406,510	3,380,648	3,464,918

The overall level of debt has reduced by just over 5% from the last quarter. There are no other changes to report or further actions or points to note since the last quarter.

5.2. Council Housing Rent Arrears

This section monitors the level of tenant arrears, to indicate any impact from welfare reforms and/or the wider economy on rent collection and in turn, to inform whether any specific actions are necessary. It will also feed into future reviews of the bad debt provision.

The following chart shows the current level of arrears compared to the previous 2 years. At the end of September, the level of arrears is £337K (2015/16 Qtr 1 £325K) which is £56K higher than the previous quarter and in line with previous years' fluctuations. Given this, no specific actions are proposed at this time.



S151 Comments:

There are no specific additional actions to be taken at this time regarding general income collection, over and above usual arrangements.

6. CONTRACT PROCEDURE RULES AND OTHER EXCEPTIONS TO TENDER

6.1. Exceptions to Tender

In accordance with the approved contract procedure rules all exceptions to tender and other significant contract variations will be reported as part of the quarterly corporate monitoring process.

- There were no exceptions in the last quarter.

GENERAL FUND - 2016/17 APPROVED SAVINGS AND GROWTH MONITORING

Annex A

		Current Budget	Full Year Projection	Full Year Variance	R A G	Comments	2017/18 Approved Budgeted Savings	Updated 2017/18 Projections	
		£	£	£			£	£	
Approved Savings	Income Generation	Environmental Services							
		Charging for Splash Park Admission	0	5,000	5,000	↓	Splash Park charging delayed until next season (May 2017), therefore income target will not be achieved this year. However, work is currently being undertaken to re-design the delivery of the scheme and the preferred option would require minimal up-front investment.	(56,500)	(56,400)
		Charging for Event Applications	(2,000)	(400)	1,600	↓	Implemented on 01 April 2016. Based on current bookings, estimated income for the year will be below target. It is however expected to be achieved in future years.	(2,000)	(2,000)
		Charter Market	(2,700)	(2,400)	300	↓	Current projections anticipate Charter Market income to be down 12% for the year overall, which means around £200 of the above inflation increase will not be achieved. It is anticipated that this will continue for future years. Officers are working on ways to try to rectify this.	(2,800)	(2,500)
		Festival Market	(9,900)	(9,700)	200	↓		Current projections anticipate Festival Market income to be down 2% for the year overall, which means around £200 of the above inflation increase will not be achieved. It is anticipated that this will continue for future years. Officers are working on ways to try to rectify this.	(10,100)
			<i>Above inflation increases</i>						
		Bulky Waste	(6,600)	(6,600)		↑	Implemented and on target.	(6,700)	(6,700)
		Bins and boxes (current policy)	(9,000)	(9,000)		↑	The demand for new/replacement bins has dropped significantly, therefore fully compensating savings in respect of purchasing have been achieved	(9,200)	(9,200)
		Extending Charging Policy for bins and boxes (all households)	(92,300)	(92,300)		↑	The demand for new/replacement bins has dropped significantly, therefore fully compensating savings in respect of purchasing have been achieved	(94,100)	(94,100)
		Green Waste - charging for Collection	(505,000)	(46,800)	458,200	↓	Start of scheme now delayed until January 2017 - originally assumed August 2016. Officers are working on a solution to enable income to be collected from November with the scheme going live in January. Future years income projections are subject to actual take up once the scheme goes live.	(870,000)	(878,700)
		Electric Car Charging Points - Introduction	0	0		→	The County Council is intending to provide charging points in off-street car parks in the district as part of a current procurement exercise, however, the exact number is unknown. Potentially the City Council may have the option to fund additional charging points, and so it is still assumed that future income targets will be achieved, but this will need to be kept under review in light of the County scheme.	(10,000)	(10,000)
		Health & Housing							
		Disabled Facilities Grant Admin. Fees - Increase to 18%	(14,400)	(14,400)		↑	Implemented and on target.	(14,700)	(14,700)
		Pest Control - Additional Contracts	2,500	2,500		↑	Three year marketing strategy being developed. Future savings still expected to be achieved.	(25,000)	(25,000)
HMO Licence Fees - Cease Refunds	(1,000)	(1,000)		↑	Implemented. No savings made in Qtr1 but expected to achieve target by end of year.	(1,000)	(1,000)		
Cemetery Fees - Increase by additional 3%	(6,900)	(6,900)		↑	Implemented and on target.	(7,000)	(7,000)		
Statutory Notices (Housing Act 2004) Fee Increase	(1,000)	(1,000)		↑	Implemented and expected to achieve target by end of year - £200 additional income in Qtr1.	(1,000)	(1,000)		
Resources									
Charging for Credit Card Payments	10,000	0	(10,000)	↓	Legislative changes are expected to be enacted which will prohibit the charging for credit card payments. As a result the project has been put on hold pending further updates. At present, it is therefore expected the £10K budgeted cost of implementation will now be saved, but future savings of £25K will not be achieved. To help compensate for this however, negotiations are underway regarding the Council bank charges.	(25,000)	0		
Health & Housing									
Salt Ayre Sports Centre - Developer Partnership	110,000	110,000		↑	The redevelopment is well underway and progressing on time and on budget. It is still anticipated that there will be a £110K cost in this year, and that as a minimum future income targets will be achieved. Discussions are on-going with the developer regarding income gain share options, which will be reported to Members in January.	(400,000)	(400,000)		
Resources									
Corporate Property - Energy Efficiency Works	(69,700)	0	69,700	↓	The majority of the works relate to Salt Ayre Sports Centre and are being taken forward with the developer partners as part of the overall redevelopment works. This has inevitably delayed the start of the planned works and as a result no savings will now be made in the current year with implementation slipping to 2017.	(40,100)	(64,600)		
Invest to Save									

		Current Budget	Full Year Projection	Full Year Variance	R A G	Comments	2017/18 Approved Budgeted Savings / Growth	Updated 2017/18 Projections	
Approved Savings	Service Efficiencies & Reductions	Environmental Services							
		Management & Administration Restructure	(93,800)	(93,800)		↑	Implemented and on target. Initial restructure is in place with future changes planned.	(100,000)	(100,000)
		Building Cleaning Review	0	0		↑	The review is progressing and future savings are still on target to be achieved.	(10,000)	(10,000)
		CCTV - Termination of Contracts	0	0		↑	Implemented. All contractors associated with providing and maintaining the public space CCTV system have been notified of the Council's decision to cease operating the system from March 2017. Further report to Cabinet following informal expressions of interest from other parties to keep the CCTV system operational as per option from Council	(177,700)	(177,700)
		Cease Winter Bedding	(45,000)	(45,000)		↑	Implemented - saving already achieved. Scheme in place if community groups/business want to fund bedding as per option from Council.	(45,900)	(45,900)
		Parish Toilets - 50% Reduction in Contributions	(14,600)	(14,600)		↑	Implemented - saving already achieved.	(14,900)	(14,900)
		Litter Enforcement Services - 12 Month Pilot	(60,000)	0	60,000	↓	In the light of the scheme Morecambe Town Council have in place, officers are exploring whether a similar option might be more appropriate than using a private contractor. A successful outcome is a cleaner District, which will in itself generate some efficiencies, savings and income. Therefore, options that might achieve this which do not conflict with other priorities (eg increasing visitors) are being explored and will be presented to Cabinet in due course. At present though, it is assumed the £60K income will not now be achieved.	(60,000)	0
		Governance							
		Grants to VCFS - LESS Grant Funding Withdrawal	(4,300)	(4,300)		↑	Implemented - saving already achieved. Funding withdrawn.	(4,300)	(4,300)
		Health & Housing							
		Community Pools - Termination of Management Responsibility	157,800	157,800		→	Underway - notice periods being discussed with County Council. Also, discussions have been taking place between officers, the schools, Sport England, Amateur Swimming Association and Lancashire Sport. Further updates will be provided to Members in due course.	(176,700)	(176,700)
		Sports Development - Reduction in Service	(9,300)	(9,300)		↑	Restructure undertaken and team reduced to 3 with effect from 03 June 2016. Full saving achieved.	(50,500)	(50,500)
		International Youth Games - Withdrawal	(59,900)	(59,900)		↑	Implemented - saving already achieved. The position has been confirmed with partner countries that the Council has withdrawn from current and future years games.	(27,200)	(27,200)
		Marsh Community Centre - Funded from HRA	(13,700)	(13,700)		↑	Implemented - saving already achieved. Funding now provided from within the HRA.	(14,000)	(14,000)
		Regeneration and Planning							
		Events - Funding Reductions	0	0		↑	Implemented - savings will take effect from April 2017.	(22,700)	(22,700)
		Resources							
		Finance Section - Restructuring	(23,300)	(23,300)		↑	Restructure in place by 01 April 2016 with the full saving being achieved. Delays in recruitment have generated further savings which have been incorporated into the overall council wide salary savings total (although with knock on service impact).	(24,300)	(24,300)
		Internal Audit - Restructuring	(21,700)	(21,700)		↑	Restructure in place by 01 April 2016 with the full saving being achieved. Again, delays in recruitment have generated further savings which have been incorporated into the overall council wide salary savings total (again with knock on service impact).	(21,900)	(21,900)
Other	Re-Financing Options								
	Capital Programme Financing (MRP)	(375,000)	(375,000)	0	↑	Implemented - saving already achieved.	(343,000)	(343,000)	
TOTAL		(1,160,800)	(575,800)	585,000			(2,668,300)	(2,615,900)	
Approved Growth	Growth	Environmental Services							
		Cashless Parking	5,000	10,000	5,000	↓	Implemented - contract now in place until September 2019. Volume of users of service has exceeded expectations which has resulted in a doubling of the cost. However, the service is being transferred to the County contract w.e.f. September 2016, which will allow the City Council to benefit from more preferential rates for fees associated with taking electronic payments for the service.	5,100	10,100
		Regeneration & Planning							
		Development Management Capacity	69,900	69,900		↑	Implemented - additional funding for permanent posts added to 2016/17 and future years budgets.	72,200	72,200
		MAAP - Euston Rd, Marine Rd Central, Queens St, Victoria St.	0	0		↑	Schemes are progressing, however certain elements will now be delivered by the County Council and some have slipped into 2017/18. As a result the cost of financing will reduce in future years, but the exact amount is still to be determined.	3,000	?
Resources									
Digital Workplace	100,000	100,000		↑	Adapt2Digital have been engaged to assist with the strategic approach being taken to develop the digital workplace and transformation generally. Two workshops have already taken place and two more are taking place in August.	?	?		
TOTAL		174,900	179,900	5,000			80,300	82,300	

Budgeted Net Savings ⇒ (985,900) (395,900) **590,000** ⇐ Variance to Budget
 Compared to Quarter 1 reported position **534,800**
 Increase in Shortfall **55,200**

Potential Budget Shortfall for 2017/18 **54,400**
 Compared to Quarter 1 reported position **13,600**
 Increase in Shortfall **40,800**

CORPORATE FINANCIAL MONITORING: General Fund Revenue Budget

Subjective Area	Service	Reason for Variance	Current Variances		Projection for Year		
			Adverse / (Favourable)		Adverse / (Favourable)		
			£	£	£	£	
Employees	Environmental Services	Turnover savings	11,400		(4,800)		
	Governance Services	Turnover savings	2,400		(16,100)		
	Health & Housing	Turnover savings	(48,700)		(83,200)		
	Management Team	Turnover savings	(43,800)		(32,500)		
	Regeneration & Planning	Turnover savings	3,200		24,400		
	Resources	Turnover savings	(82,200)	(157,700)	(135,700)	(247,900)	
Transport	Environmental Services	Increased fuel costs greater than anticipated	9,900	9,900	6,800	6,800	
Premises	Environmental Services	Business Rates savings at White Lund Depot.	(16,600)		(16,600)		
		Utility savings - mainl due to reduced water charges relating to surface water.	(5,700)		(16,300)		
	Health & Housing	Saving mainly relating to gas savings at Salt Ayre Sports Centre.	(29,300)		(22,200)		
	Resources	Additional costs relating to St.Leonard's House. Additional rates on vacant commercial properties.	- 7,800	(43,800)	12,000 7,800	(35,300)	
Supplies & Services	Environmental Services	Car Parks - cash collection and enforcement costs lower than expected.	(9,700)		(19,400)		
	Governance Services	Estimted cost of be-elections	-		27,000		
	Regeneration & Planning	THI programme - budget reprofiled into 2017/18.	-		(24,300)		
	Resources	Savings on council tax searches.	(3,100)	(12,800)	(6,100)	(22,800)	
Fees & Charges	Environmental Services	Car Parks - Reduced income from off street pay and display and fines.	10,800		28,000		
		Morecambe Market - reduced pitch occupation due to higher turnover of traders.	6,200		5,600		
		City Centre markets & traders - income down due to greater turnover of traders than expected and subsequent vacant pitches, work is taking place to try and fill some of these.	500		12,600		
		Williamson Park - increased net income due to increased footfall - new play area and new menu at café.	(19,900)		(6,600)		
		Happy Mount Park - profit share from café concession less than expected.	7,500		7,500		
		Increased income from bulky waste collections.	(6,800)		(7,000)		
		Grounds maintenance - reduced level of rechargeable work.	21,900		30,000		
		Governance Services	Search fee income due to HMRC delay in introducing VAT change.	(12,000)		(20,000)	
			Additional taxi licence fee income.	(5,000)		(8,900)	
		Health & Housing	Cemeteries income - reduced internment fees and sale of grave spaces. Forecast based on current demand projected to year end.	4,200		7,200	
	Pest Control - more businesses opting to take contracts, the increase in demand for insect treatments due to warmer winters and more income from licensable properties.		(15,600)		(32,000)		
	Community Swimming Pools - loss of private hire contract and reduced lessons.		3,700		32,400		
	Regeneration & Planning	Planning Application income reduced due to unforeseen refund.	-		45,000		
		Platform ticket sales - net of additional cost of sales.	(8,600)		(10,500)		
	Resources	Additional grants for New Burdens and Localised Council Tax Support	(142,700)		(202,100)		
Investment interest - estimated shortfall following cut in base rate on 04 August.		-		63,000			
Net change in rent on commercial properties.		(2,100)	(157,900)	12,300	(43,500)		
TOTAL				(362,300)		(342,700)	

GENERAL FUND CAPITAL PROGRAMME MONITORING REPORT

SERVICE	SCHEME	2016/17 Gross Budget	Actual to Date	Commitments (Outstanding Orders)	Total	Variance +Overspend / (Underspend)
Environmental Services	Bins & Boxes Lease Buy-Out	74,000	-	-	-	(74,000)
	Car Park Improvements Programme	84,000	-	1,292	1,292	(82,708)
	District Playground Improvements	43,000	-	24,630	24,630	(18,370)
	Middleton Solar Farm Study	6,000	-	-	-	(6,000)
	Purchase of Vehicles	1,223,000	52,034	72,497	124,531	(1,098,469)
Health & Housing Services	Disabled Facilities Grants	1,895,000	425,472	-	425,472	(1,469,528)
	SASC Redevelopment	2,745,000	1,570,665	4,225	1,574,890	(1,170,110)
	Warm Homes Scheme	1,000	-	-	-	(1,000)
Regeneration & Planning	Sea & River Defence Works & Studies	3,625,000	1,210,338	15,691	1,226,029	(2,398,971)
	Amenity Improvements (Morecambe Promenade)	27,000	7	-	7	(26,993)
	Luneside East	7,000	7,411	-	7,411	411
	Lancaster Square Routes	30,000	-	-	-	(30,000)
	Morecambe TH12: A View for Eric	883,000	230,073	-	230,073	(652,927)
	MAAP Improving Morecambe's Main Streets	493,000	220,267	21,152	241,419	(251,581)
	King St/Wellington Terrace Affordable Housing s106 Scheme	90,000	90,000	-	90,000	-
	Middleton Nature Reserve s106 Scheme	4,000	-	-	-	(4,000)
	Pedestrian/cycle links Sainsbury's Morecambe s106 Scheme	1,000	-	-	-	(1,000)
	Lancaster District Empty Homes Partnership	200,000	36,000	-	36,000	(164,000)
	Bay Arena Improvements	50,000	9,750	36,265	46,015	(3,985)
	Highways Works s106 Schemes	485,000	238,000	21,000	259,000	(226,000)
Resources	Corporate Property Works	2,786,000	554,242	148,470	702,712	(2,083,288)
	Energy Efficiency Works	1,376,000	-	-	-	(1,376,000)
	ICT Systems, Infrastructure & Equipment	515,000	102,429	58,380	160,809	(354,191)
Total Gross Programme		16,643,000	4,746,688	403,602	5,150,290	(11,492,710)

Grants & Contributions

Capital Contributions Income	(5,000)	(23,490)	-	(23,490)	(18,490)
Capital Grants Income	(6,212,000)	(3,499,088)	-	(3,499,088)	2,712,912
Total External Income from Grants & Contributions	(6,217,000)	(3,522,578)	-	(3,522,578)	2,694,422

Total Net Programme	10,426,000	1,224,110	403,602	1,627,712	(8,798,288)
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HRA CAPITAL PROGRAMME MONITORING REPORT

SERVICE	SCHEME	2016/17 Gross Budget	Actual to Date	Commitments (Outstanding Orders)	Total	Variance +Overspend / (Underspend)
Health & Housing Services	Adaptations	250,000	42,778	291	43,069	206,931
	Energy Efficiency Boiler Repla	575,000	202,934	9,713	212,647	362,353
	Environmental Improvements	736,000	255,271	106,599	361,870	374,130
	External Refurbishments	1,001,000	175,875	-	175,875	825,125
	Fire Precaution Works	200,000	15,335	-	15,335	184,665
	Kitchen Bathroom Replacement	1,135,000	344,230	273,599	617,829	517,171
	Re-roofing & Window Renewals	556,000	110	-	110	555,890
	Rewiring	88,000	17,214	30,875	48,089	39,911
Total Gross Programme		4,541,000	1,053,747	421,078	1,474,825	3,066,175

Property Group Update

Quarter Ended 30 September 2016

Report: of Chief Officer (Resources & s151 Officer)

Senior Property Officer

1.0 Introduction and Background

This Quarter 2 report is intended to provide an update on previously reported projects and initiatives and to highlight any significant emerging property related issues. It is not intended to provide in depth updates on all ongoing individual property cases.

2.0 Capital Investment Programme – General Fund Corporate Properties

Attached at **Annex A** is a schedule of the corporate property capital works currently underway or planned for 2016/17. It shows the progress being made and a brief summary of the works being undertaken. In the main future years' programmes are still based on the condition surveys undertaken back in 2012, or pending further investigation, or subject to the outcome of other studies such as Museums. As the original condition surveys are now 4 years old, new surveys are now planned for 2017 in order to have a more up to date overview of the condition of all buildings, to help identify any changes needed in capital works programming. The outcome of the condition surveys will be reported through to Members, to inform future budget and property related decisions.

2.1 Planned Maintenance Implications

All buildings are being allocated a planned maintenance programme in order to inform what repair and maintenance (R&M) commitments are needed over the coming years, in turn to inform budget planning. The timeframes for the planned programme are being based on the capital works complete so far. For example, the Lancaster City Museum is being re-roofed in 2016/17; therefore, on the planned maintenance programme it will require the ridges, verges and flashings re-pointed in 5 years (2021/22).

3.0 Asset Disposals: Capital Receipts

The original estimate for capital receipts in 2016/17 was £370K. This this is now anticipated to increase to £1.219M following further potential asset sales (St.Leonard's House and land at Central Drive, Morecambe). In line with Medium Term Financial Strategy (MTFS) provisions, the increase will be applied to reduce the underlying need to borrow to fund the capital programme by almost £850K, and therefore reduce the subsequent annual financing costs to the revenue budget. Much of the background information on capital receipts is still exempt, but more details will be provided through the budget process, which will also cover future years' expectations. More specific information on any disposals is included below.

3.1 St. Leonard's House

On 29 March Cabinet approved to the disposal of St. Leonard's House through an exclusivity agreement and other heads of terms in support of the economic wellbeing of the area, with progress to be reported through these quarterly monitoring reports.

Since then, the Council has entered into the exclusivity agreement, to facilitate the developer undertaking additional surveys as part of their due diligence. This is to ensure that the building can be converted into student accommodation and that sufficient warranty can be provided on the existing structure following the construction works. Whilst the additional survey results have revealed some further structural issues, the additional information has given the developer some comfort that their scheme remains financially viable.

The Council has now entered the next stage of the disposal process, this being the

conditional purchase contract which in essence is conditional upon:

- Satisfactory title.
- The granting of planning and listed building consent, both being free from onerous conditions.
- The expiry of the Judicial Review Period.

Subject to these conditions being satisfied, the freehold interest in the building will transfer and construction work will then start on site within 9 months.

4.0 Performance of Commercial Buildings (Occupancy)

The following table provides a list of all commercial buildings showing the total area, the lettable area and how much is vacant, following a request from Budget and Performance Panel:

Property Name	Occupation by Floor Area			%age Let
	Total	Let	Vacant	
	(m2)	(m2)	(m2)	
General Fund				
Cottage Museum	64	64	0	100%
5 Cheapside	243	0	243	0%
7 Cheapside	259	259	0	100%
9 Cheapside	111	111	0	100%
CityLab, 4-6 Dalton Square	1,179	999	180	85%
Bus Station Kiosk, Lancaster	24	24	0	100%
Stagecoach Office, Lancaster	180	180	0	100%
Police Contact Centre, Lancaster	70	70	0	100%
Edward Street Dance Studio	159	0	159	0%
Alfred Street Workshop 7	44	44	0	100%
Alfred Street Workshop 8	44	44	0	100%
Alfred Street Workshop 9	44	44	0	100%
1 King Street	77	77	0	100%
3 King Street	55	55	0	100%
5 King Street	21	0	21	0%
5A King Street	64	0	64	0%
5B King Street	24	24	0	100%
9B King Street 9B & Covered Yard	109	109	0	100%
Assembly Rooms, King St. - Ludus	245	245	0	100%
87 King Street	212	212	0	100%
City Museum	1,075	1,075	0	100%
Storey Institute	1,552	1,478	74	95%
26 Castle Park (formerly part of Storey)	234	234	0	100%
67-71 Market Street	308	308	0	100%
Moor Lane Mills	3,112	3,112	0	100%
Dukes Playhouse	1,198	1,198	0	100%
Moor Lane Methodist Church	267	267	0	100%
4 Queen Street	319	319	0	100%
Ryelands House	258	258	0	100%

Property Name	Occupation by Floor Area			%age Let
	Total	Let	Vacant	
	(m2)	(m2)	(m2)	
Old Man's Rest, Ryelands House	230	154	76	67%
26 St. Georges Quay	1,492	1,492	0	100%
Maritime Museum	768	768	0	100%
Skerton Community Centre	186	186	0	100%
Stone Barn / Scout Hut, King George V	107	107	0	100%
56-58 Euston Road	253	253	0	100%
60 Euston Road	74	74	0	100%
Happy Mount Park Café	374	374	0	100%
Clock Tower Café	174	174	0	100%
Stone Jetty Café	87	87	0	100%
Regent Park Café	74	74	0	100%
West End Gardens Café	139	139	0	100%
Yacht Lookout Tower	20	20	0	100%
Lodge Street Musicians Co-op	660	660	0	100%
Council Housing				
57 Highfield Road	81	81	0	100%
63 Highfield Road	66	66	0	100%
3 Langdale Place	99	99	0	100%
10 Lentworth House	34	34	0	100%
11 Lentworth House	32	32	0	100%
14 Lentworth House	29	29	0	100%
3 Owen Road	55	55	0	100%
5 Owen Road	60	60	0	100%
7 Owen Road	39	39	0	100%
9 Owen Road	41	41	0	100%
11 Owen Road	40	40	0	100%
4-6 Ridge Square	111	111	0	100%
8 Ridge Square	64	64	0	100%
10 Ridge Square	52	52	0	100%
12/14 Ridge Square	111	111	0	100%
Totals By Floor Area	17,103	16,286	817	
Totals By Percentage	100%	95%	5%	

There have been some relatively minor changes in current occupation across the City Council's total commercial property portfolio since the last quarter and as a result the percentage let figure has increased from 94% to 95%, which is considered to be good performance especially given current market conditions. The remaining 5% of vacant space now amounts to the equivalent of 817m2 which is attributable to the following buildings:

1. **The Storey:** The total commercial occupation within this building is currently running at 95%. Of the remaining 5%, the first 7 units in the newly developed artist studios have been let with new interest in the remaining units. There are expressions of interest in the remaining 2 vacant offices within the building. Optimistically, there is potential for the Storey to reach 100% occupation by Christmas.
2. **Citylab:** The total commercial occupation within this building is currently running at 85%. The remaining 15% equates to a vacant floor area of 180m² that is being actively marketed, alongside considering other measures to help.
3. **Edward Street Dance Studio** – This building has remained vacant for some time due to its inclusion in the Canal Corridor Development. The building is now in a very poor state of repair and it is difficult to maintain adequate security. As a result officers are currently looking at options for demolition of the building along with its associated outbuildings.
4. **5 King Street** – This property is vacant, but expressions of interest have been received in the property.
5. **5A King Street** – This was formerly let with 5 King Street (GF Shop) as a single unit but is now to be developed into separate office accommodation.
6. **5 Cheapside** – Improvement work to the internal layout and staircase has attracted new interest in the property. The property was let subject to contract until recently but unfortunately that letting fell through. Marketing of the building continues and officers are also dealing with a new expression of interest.
7. **Old Man's Rest, Ryelands House** – The vacant space is on the first floor of the building and is being used on an informal basis by the Council's Public Realm Service and Police.

The Property Group continues to work towards reducing the vacancy rates in the commercial property portfolio although considering that supply is currently outstripping demand in the commercial office rental market, an overall 5% vacancy rate across the whole portfolio represents a relatively healthy position.

There will undoubtedly be further updates during the remainder of the year; changes are expected to have a bearing on both occupancy and future rental income. The latter will be reflected through future monitoring reports and budget updates.

5.0 Energy Usage

The Property Group has been working on formulating a regular report from current energy data held across council services. Unfortunately this has proved to be less straightforward than first thought, with inconsistencies in data making it difficult to present a clear picture. These issues include:

- Variations in monthly and quarterly invoicing between buildings, and recording of related data.
- The current gas provider (British Gas) does not collect and/or distribute the data they receive from our smart meters, resulting in estimated bills and omissions in data. NB: This is a problem that reaches much wider than Lancaster City Council's property portfolio.

The YPO (Yorkshire Purchasing Organisation), of which the Council is a member, is

in the process of changing gas provider from British Gas to Corona Energy. From April 2017 the Council will transfer to the new provider and this will help address some of the difficulties in gaining accurate and meaningful usage data. Furthermore Property Group are now proposing to standardise across council services:

- The billing frequencies with the utility providers so that all invoices are received on the first of the month.
- The method of payment.
- The storage of data.

These measures are expected to address most of the issues described above. In the transitional period, it is proposed to provide the energy report on a bi-annual basis for this year (i.e. quarter 2 and quarter 4).

The following table includes the properties for which data is available, which is of reasonable consistency and will be extended to further properties over time as the issues referred to above are dealt with:

Location	Utility Type	kWh usage**			
		2013/14	2014/15	2015/16	2016/17 (Up to 30/09/2016)
City lab	Gas	153,811.00	154,915.00	153,907.00	20,440.00
Lancaster Town Hall	Gas	380,208.00	368,549.00	400,000.00	69,021.00
Morecambe TIC	Gas	65,011.00	62,070.00	54,290.00	16,732.00
Morecambe Town Hall	Gas	151,397.00	153,605.00	148,939.00	19,334.00
Old Fire Station	Gas	29,596.00	46,305.00	32,108.00	11,778.00
Ryelands House	Gas	216,059.00	163,952.00	174,847.00	24,812.00
Salt Ayre Sports Centre	Gas	2,607,816.00	2,594,249.00	Incomplete	Incomplete
The Platform	Gas	164,549.00	153,671.00	109,632.00	21,169.00
Vehicle Maintenance Unit	Gas	108,229.00	104,997.00	144,252.00	25,262.00
White Lund Depot	Gas	386,525.00	261,517.00	Incomplete	Incomplete
White Lund Nurseries	Gas	261,032.00	165,654.00	188,065.00	70,575.00
City Lab	Electricity	187,563.00	178,874.00	158,091.00	61,620.00
Festival Market	Electricity	216,603.00	201,006.00	197,860.00	67,168.00
Hale Carr Cemetery	Electricity	152.00	165.00	79.00	24.00
Lancaster Town Hall	Electricity	316,709.00	280,793.00	284,544.00	123,512.00
Morecambe Town Hall	Electricity	176,396.00	161,311.00	162,039.00	71,958.00
Old Fire Station	Electricity	162,656.00	141,511.00	140,324.00	65,073.00
Ryelands House	Electricity	39,662.00	46,175.00	42,870.00	19,223.00
Salt Ayre Sports Centre	Electricity	733,226.00	889,632.00	1,084,895.00	531,773.00
Skerton Cemetery	Electricity	152.00	157.00	104.00	37.00
St Leonards House	Electricity	126,425.00	53,570.00	24,947.00	12,662.00
Storey Institute	Electricity	Incomplete	273,900.00	262,229.00	98,431.00
The Platform	Electricity	92,676.00	91,845.00	90,262.00	22,442.00
Torrisholme Cemetery	Electricity	1,223.00	1,039.00	3,361.00	222.00
Vehicle Maintenance Unit	Electricity	40,797.00	39,366.00	40,346.00	15,636.00
White Lund Depot	Electricity	171,693.00	169,110.00	161,610.00	43,905.00
Note that totals are not provided, as data is not complete for all properties.					

Officers are working towards all properties being included under the YPO contract as existing contractual arrangements reach an end and the opportunity arises. At this point in time the following council run premises fall outside the YPO contract:

Property	Utility Type
Palatine Hall	Gas
Ryelands Park - Changing Rooms	Gas
AONB Partnerships Office	Electricity
Bridge End Depot	Electricity
King Street - 5a	Electricity
Palatine Recreation Ground - Veterans Club	Electricity
Ryelands Park - Changing Rooms	Electricity
The Platform	Electricity
Williamson Park	Electricity

6.0 Other Ongoing Issues

6.1 The Storey/Printroom

The Printroom opened on Friday 09 September 2016 following a period of refurbishment and recruitment. The aim was to create an environment that reflected the diverse and creative nature of the building, with a food and drink offer for the wide range of users and visitors, recognising the importance of the various business streams. Whilst the operation and the food offer started off small, it is developing and evolving in response to feedback. A full update is being prepared but points to note are:

- The menu has expanded and developed but all food is still made fresh, daily, using local produce.
- The marketing and promotion of the Storey and Printroom continues to develop, to help drive increased footfall.
- In terms of finance, income and gross profit continue to rise steadily. All indications are that the operation will very soon meet its average gross profit target.

Whilst it is still early days and inevitably there have been some teething issues, there are already benefits being gained from taking on the operation of the café and bar, to help with the overall viability of The Storey as a commercial property and an arts and cultural venue.

6.2 Corporate Property Strategy

Work continues on updating the Council's Corporate Property Strategy and this will be presented to Overview and Scrutiny Committee for pre-scrutiny in due course, ahead of it being presented to Cabinet. In support of this, arrangements are being made for a Member briefing on City and Council property portfolio matters, but at the time of writing this report the date had yet to be finalised. Any update will be fed into the meeting. Within Property Group, at present the City Council has no dedicated senior Officer capacity specifically for asset management. The role has typically fallen to service management, with input from other property specialisms (namely estates and facilities). Inevitably this slows progress on key initiatives, and options to address this capacity shortfall are being developed for consideration during the budget as need be.

CORPORATE PROPERTY QUARTER 2 REPORT - CAPITAL INVESTMENT PROGRAMME

Scheme	2016/17			2017/18		2018/19		Comments	All Years	
	Original £	Revised £	% Complete	Original £	Revised £	Original £	Revised £		Original £	Revised £
The Platform	181,000	181,000	10%	0	0	0	0	Works to enhance the building including, flooring, replacing doors, new toilet cubicles and dressing rooms, work to the roof.	181,000	181,000
Lancaster City Museum	375,000	375,000	5%	563,000	563,000	0	0	Complete re-roof. Future scope of works subject to outcome of Museums feasibility study.	938,000	938,000
Customs House - St Georges Quay	56,000	0	0%	0	70,000	0	23,000	Allocation moved from 2016/17 to 2018/19. Subject to further review. Future scope of works subject to outcome of Museums feasibility study.	56,000	93,000
Williamson Park - Ashton Memorial (Dome)	61,000	403,000	10%	61,000	0	0	0	Expose corroded steel beams in dome ceiling and make good.	122,000	403,000
Williamson Park - Ashton Memorial (Phase 1 tail end works)	0	43,000	50%	0	0	0	0	Project started in 2015/16 but not yet complete. Some of original budget moved over to 2016/17 to complete final stone paving works around the Memorial.	0	43,000
Williamson Park - Butterfly House	209,000	370,000	50%	106,000	0	0	0	Internal and external work to the frame and glazing.	315,000	370,000
The Storey	456,000	456,000	90%	0	0	0	0	Works to enhance the building including internal and external painting, garden walls, external railings, roof work, and café and bar refurbishment.	456,000	456,000
Assembly Rooms	89,000	89,000	5%	0	0	0	0	Heating, electrical re-wiring, flooring and decoration.	89,000	89,000
White Lund Depot	8,000	0	0%	0	0	71,000	175,000	Works to depot and stores to be informed by future property study.	79,000	175,000
Lancaster Town Hall	635,000	50,000	0%	10,000	585,000	35,000	45,000	Main areas of concentration in 2016/17 are toilets and Ashton Hall area. Larger elements (basement works) assumed to slip into 2017/18, but being assessed in more detail.	680,000	680,000
Lancaster Town Hall Disabled Access Ramp	100,000	100,000	0%	0	0	0	0	Build disabled access ramp and alter entrance to customer services.	100,000	100,000
Old Fire Station - Quarry road	61,000	61,000	0%	0	0	0	0	Internal works and some remodelling will be done as part of the Lancaster Town Hall works.	61,000	61,000
Ryelands Park & Ryelands House	401,000	141,000	50%	62,000	200,000	0	0	Internal works to Ryelands House, boiler replacement and remodelling of changing rooms.	463,000	341,000
Salt Ayre Sports Centre	1,000	261,000	60%	0	0	391,000	130,000	Part accelerated to 2016/17. Resurfacing of car park and internal works.	392,000	391,000
Lancaster Bus Station	59,000	59,000	5%	23,000	23,000	0	0	Internal and external decoration, works to toilets and cubicles, new entrance matting.	82,000	82,000
Promenade - Stone Jetty Café	29,000	29,000	100%	7,000	7,000	0	0	Repointing and making water tight.	36,000	36,000
Promenade - Stone Jetty	0	38,000	0%	0	0	0	0	Works to the jetty subject to further investigation work.	0	38,000
King Street Properties	65,000	108,000	10%	19,000	40,000	0	0	Works to electrical wiring and fire panel, refurbishment of upstairs rooms to make lettable.	84,000	148,000
Dukes Play House	0	94,000	5%	0	0	94,000	0	Accelerated to 2016/17 - Complete re-roof and asbestos removal.	94,000	94,000
Central Drive - Festival Market	0	28,000	5%	0	0	28,000	0	Accelerated to 2016/17 - New doors.	28,000	28,000
Regent Park - Pavilion Café	0	15,000	5%	6,000	0	0	0	External works to walls and woodwork.	6,000	15,000
Edward Street Dance Studio	0	65,000	5%	0	0	112,000	0	Demolition of property, given very poor condition. Budget part accelerated to 2016/17, balance not required.	112,000	65,000
Future Years Allocations - All Other Properties				1,048,000	708,000	751,000	638,000	Detail currently being reviewed - to be reported on in future updates.	1,799,000	1,346,000
TOTAL CAPITAL PROGRAMME	2,786,000	2,966,000		1,905,000	2,196,000	1,482,000	1,011,000		6,173,000	6,173,000

**Treasury Management Update
Quarter Ended 30 September 2016
Report of Chief Officer (Resources)**

Treasury Management Update

Quarter Ended 30 September 2016

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. As such, it is a requirement that this half yearly update be referred onto Council for information.

2. Economic Background (provided by Capita Asset Services)

The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a sharp recovery in confidence and business surveys, though it is generally expected that although the economy will now avoid flat lining, growth will be weak through the second half of 2016 and in 2017.

The Bank of England meeting on August 4th addressed this expected slowdown in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. The Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8%. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting and suggested that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation). The new Chancellor Phillip Hammond announced after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on November 23.

The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI has started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation during the year and, in addition, the post referendum 10% fall in the value of sterling on a trade weighted basis is likely to result in a 3% increase in CPI over a time period of 3-4 years.

In the Eurozone, the ECB commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month; this was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise from around zero towards the target of 2%. GDP growth rose by 0.6% in quarter 1 2016 (1.7% y/y) but slowed to +0.3% (+1.6% y/y) in quarter 2. This has added to comments from many forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand in the their economies and economic growth.

3. Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
5yr PWLB rate	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
10yr PWLB rate	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
25yr PWLB rate	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
50yr PWLB rate	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

Capita Asset Services undertook a quarterly review of its interest rate forecasts after the MPC meeting of 4th August cut Bank Rate to 0.25% and gave forward guidance that it expected to cut Bank Rate again to near zero before the year end. The above forecast therefore includes a further cut to 0.10% in November this year and a first increase in May 2018, to 0.25%, but no further increase to 0.50% until a year later. Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual after they do start. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when the growth in average disposable income is still weak and could well turn negative when inflation rises during the next two years to exceed average pay increases.

4. Annual Investment Strategy

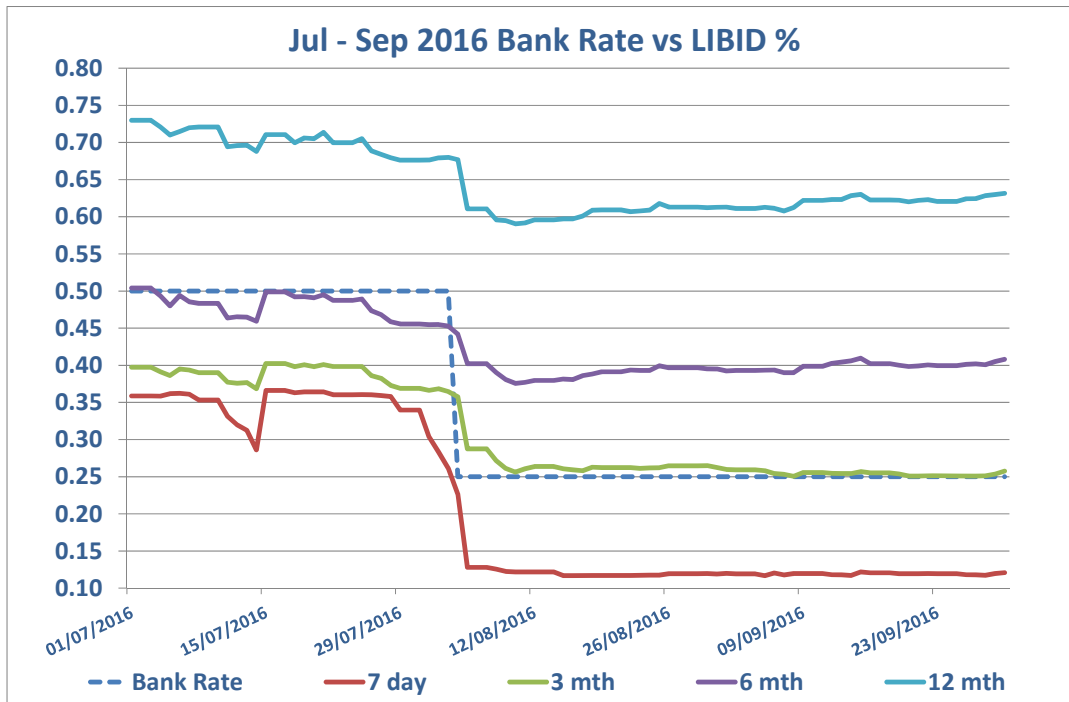
The Treasury Management Strategy (TMS) for 2016/17, which includes the Annual Investment Strategy, was approved by the Council on 02 March 2016. It sets out the Council's investment priorities as being:

- 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 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 minimum sovereign credit ratings and Credit Default Swap (CDS) overlay information.

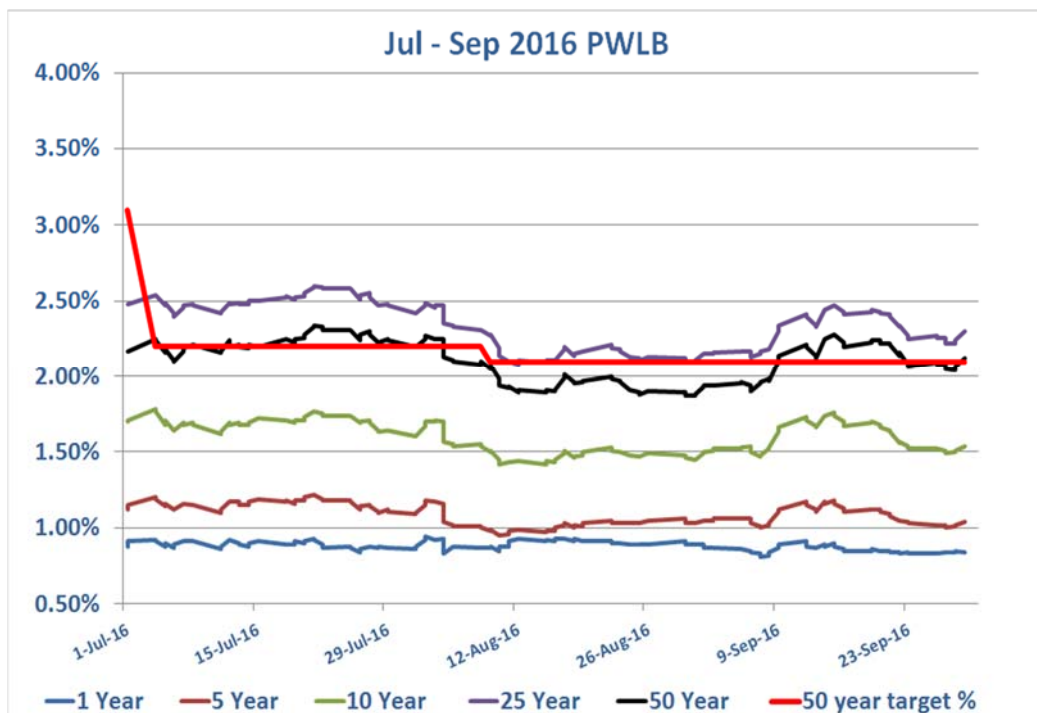
Officers confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2016.

Investment rates dropped significantly following the base rate cut on 04 August 2016. Whilst investment interest is still in line with the budget at this point in time there is estimated to be a shortfall of £63K by the year end. This is because, at the time the budget was set,



5. Borrowing (commentary provided by Capital Asset Services)

During the quarter ended 30 September 2016, the 50 year PWLB target (certainty) rate for new long term borrowing started at over 3.1% and ended at 2.1%. All other rates remained relatively stable.



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. At present, it would not be financially prudent to repay any debt based on the current rates being offered, because of the high penalties associated with early repayment.

7. Compliance with Treasury and Prudential Limits

During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy and in compliance with the Council's Treasury Management Practices.

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 (affordability limits) as at 30 September are attached at Annex A. No changes are proposed as so the information is only for noting.

8. Risk Management (Key Aspects)

Investment Security:

There is still significant inherent risk generally affecting counterparties (i.e. who investments are placed with). These are considered to be managed effectively through the creditworthiness framework currently applied.

Liquidity:

The Council has higher risk that might be considered normal for a council of its size - cash balances remain extraordinarily high, but they are expected to reduce by well over £20 million in or around January 2017 (linked to business rates). Nonetheless liquidity risks are considered to be managed effectively, through cash flow monitoring arrangements and the periods chosen for investment, to help ensure that the Council will have sufficient cash available to meet its payment obligations and deal with the resulting impact on its cashflow.

Interest Risk:

Investment Returns are low and will reduce further. The Council has risk exposure because all of its borrowings are long-term/fixed, and inevitably its investments are shorter term, meaning that generally they are more affected or influenced by the Bank Rate. There is little that can be done to mitigate this risk at this point. That said, with the current Bank Rate being so low, there is not much further for interest rates to fall and so it is considered that the Council's net interest rate exposure (i.e. the difference between its borrowing and investment interest rates) cannot increase significantly.

Counterparty investment capacity (the counterparties and their combined investment limits currently available to the Council) is currently tight, and this can affect investment rates available, but this risk will reduce once cash balances have reduced as expected, and so no changes are proposed at this time.

Other general risks:

Treasury management staffing has now stabilised following restructuring, turnover and other vacancies. This, together with ongoing training for Officers and Members, will assist in the management of treasury related risk more generally. The need for any further measures will be considered during the budget, to ensure that treasury management is not compromised by other work demands.

PRUDENTIAL INDICATORS - MID YEAR REVIEW

There are no policy changes required to the Treasury Management Strategy; the details in this annex provisionally updates relevant prudential indicators in light of capital expenditure and financing changes to date.

Prudential Indicator for Capital Expenditure

This table shows the current estimates for the General Fund and Housing Revenue Account capital programmes, compared to the original estimates.

Capital Expenditure by Service	2016/17	
	Original Estimate £m	Quarter 2 Position £m
Environmental Services	1.37	1.43
Health & Housing	4.88	4.64
Regeneration & Planning	6.04	5.90
Resources	4.51	4.68
Total for General Fund	16.79	16.64
Council Housing (HRA)	4.51	4.54
Total Capital Expenditure	21.29	21.18

Changes to the Financing of the Capital Programmes

This table shows the changes in the financing of the capital programmes, and the level of borrowing required. The latter has reduced mainly due to the anticipated extra £850K general fund capital receipts.

Capital Expenditure	2016/17	
	Original Estimate £m	Quarter 2 Position £m
Total capital expenditure	21.29	21.18
Financed by:		
Capital receipts	0.52	1.51
Capital grants	6.42	6.25
Capital reserves	5.53	5.52
Revenue	0.34	0.34
Total Financing	12.81	13.62
Borrowing Requirement	8.48	7.56

Changes to the Capital Financing Requirement

The following table shows that the capital financing requirement (CFR) is currently slightly lower than the original estimate due to changes in expenditure and financing of the capital programmes. As there is very little change in the CFR at this point in time, no formal changes are being recommended.

Capital Financing Requirement	2016/17	
	Original Estimate £m	Quarter 2 Position £m
General Fund	57.72	57.29
HRA	26.03	25.96
Total Capital Financing Requirement	83.75	83.25
Net movement in CFR	5.82	5.36

Limits to Borrowing Activity

A key control over treasury management activity is to ensure that over the medium term, net borrowing (borrowings less investments) will only be for capital purposes. Gross external borrowing should not, except in the short term, exceed the total capital financing requirement.

The tables below shows that no extra debt is being taken on, and therefore total debt will not exceed borrowing need (CFR), the operational boundary or authorised external debt limit. As a result, there are no formal changes being recommended to the original approved indicators.

External Debt v Borrowing Need (CFR)	2016/17	
	Original Estimate £m	Quarter 2 Position £m
External Debt	65.25	65.25
Other long term liabilities	0.09	0.09
Total Debt	65.34	65.34
Compared to current approved:		
Capital Financing Requirement	83.75	83.75
Operational Boundary	83.53	83.53
Authorised Limit	100.00	100.00

Definitions:

Operational Boundary

The limit beyond which external debt is not normally expected to exceed is known as the operational boundary.

Authorised Limit for External Debt

A further prudential indicator controls the overall level of borrowing. This is the authorised limit which represents the limit beyond which borrowing is prohibited. It reflects the level of borrowing which, whilst not desired, could be afforded in the short term, but it is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. There are no proposals to change the limit.