

Corporate Financial Monitoring 2018/19 – Quarter 2
06 November 2018
Report of the Interim Financial Services Manager

PURPOSE OF REPORT				
To provide an overview of the Council's financial position for Quarter 2 of the 2018/19 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 endorses the supporting actions as set out in Appendix A.

1. Overview

- 1.1. The corporate financial monitoring report for Quarter 2 is attached at **Appendix A**. The headline messages are as follows:
- A current General Fund net underspending of (£120K), However should spending progress as currently forecast, a net overspend in the region of £93K could be experienced by year-end, once agreed funding from the Councils reserves is applied. Officers are currently reviewing all estimates as part of the 2019/20 budget setting process. Efforts are focusing on addressing this position, either through generating additional income or through achieving expenditure savings. However, should a net overspending still be forecast then General Fund unallocated balances would need to be used to fund it.
 - The Housing Revenue Account is currently underspent by £27K, and this is expected to increase to £66K by the year end. The key message relates to the significant improvement in void property turnaround times, which has led to forecast additional rental income of £100K.
- 1.2. An update on Salt Ayre is included at **Annex B**.
- 1.3. Progress against the savings measures approved as part of the 2018/19 budget is detailed within **Annex C**. This progress is allowed for in the overall headline figures quoted above.

1.4. To support corporate financial monitoring, the latest Treasury Management update report is included at **Appendix B**.

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 the capacity as Interim Financial Services Manager

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comment

BACKGROUND PAPERS

None.

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CORPORATE FINANCIAL MONITORING 2018/19

QUARTER 2

INTRODUCTION

This report provides an overview of the Council's financial position and key budgetary variances as at the end of June, in terms of the revenue and capital budgets and local taxation. It also includes updates on key reserves and income collection.

REVENUE BUDGET

General Fund – An underspending of **£120K** exists as at 30 September. However should spending progress as currently forecast, a net overspend in the region of **£93K** could be experienced by year-end, once agreed funding from the Council's reserves is applied.

The main variances are summarised in the table below and provided in more detail at **Annex A**. In addition, a separate monitoring statement on Salt Ayre Leisure Centre is included at **Annex B**.

	Qtr 2 £000's	Full Year Forecast £000's
General Fund Revenue Budget	16,204	16,204
	(Favourable)/ Adverse	
Employees	25	237
Premises	(14)	92
Transport	8	35
Supplies & Services	14	81
Support Charges	(13)	(25)
Fees & Charges	(89)	(267)
Minor Variances	(83)	11
Other Variances	32	(71)
Update Revenue Budget	16,084	16,297
(Under)/ Overspend	(120)	93

The Council's overall projected position has improved since Qtr 1 (+£307K). This is predominantly due to a forecast increase in Fees & Charges (£200K). The significant movements are Salt Ayre's contract with the University of Cumbria Contract (£83K), additional grant funding (£88K) being received in relation to Disabled Facilities Grants, extra planning fees (£92K), and additional licence fee income as a result of legislative changes in regard to Houses of Multiple Occupancy (HMO) (£45K)

Conversely, budget pressures remain evident within several service areas, additional reports are required regarding the Council's Local Plan (+£117), and reduced occupancy levels on the markets are being experienced, as is reduced activity within Building Control. Given recent developments we can no longer expect the budgeted contribution from British Land £100K towards work around the Canal Quarter development. In addition, investment interest received is lower than expected (+£33K). Overall the Council employee cost variance has reduced slightly to +£237K from Qtr 1 (+£251K). Although the corporate staff turnover provision has been removed as part of PRT 2 and budgets realigned based on projected phasing of recruitment, the funding of temporary appointments to fill various positions within the Council continues to place pressure in the area.

Garden Waste Collection - The Councils garden waste collection service has so far generated £904K of income, but a shortfall (+£56K) is still forecast.

The following table illustrates the number of subscriptions gained in 2018/19 and the corresponding financial impact

	Estimated Subscriptions	Actual Subscriptions	Variance	Original Budget £	Actual £	Variance £
Paid prior to 01 April 2018	20,841	17,839	-3,002	833,640	713,560	-120,080
Paid during 2018/19	3,159	4,749	1,590	126,360	189,960	63,600
TOTAL	24,000	22,588	-1,412	960,000	903,520	-56,480

Housing Revenue Account – Current underspend of **£27K**, which is forecast to increase to **£66K** by year end. The main reason is a significant improvement in void property turnaround times which has led to forecast additional rental income (£100K).

CAPITAL

Expenditure

General Fund – The original approved Capital Programme of £11.400M has been increased by a net £515K for slippage for 2017/18 and accelerated spend and by a further £3.336M (see detailed below) to give an updated programme of £15.251M. Total spend and commitments to the end of September totalled £4.134M leaving £11.117M still to spend.

Capital Movements		
Original Capital Programme		£11.400M
Slippage 2017/18	Slippage & accelerated expenditure from 2017/18	£515K
Quarter 1		
CCTV: Extension to White Lund Depot	Funded from Invest to Save Reserve (approved Cabinet 24 April 2018)	£53K
Car Park Improvements	External contribution to upper St.Leonardgate / Lodge Street car parks	£7K
Disabled Facilities Grants	Increase in grant funding allocation	£144K
Quarter 1 Movements		£204K
Quarter 2		
Vehicle Maintenance Unit	New ramp (approved under delegated authority)	£34K
SALC	Additional Enhancements (approved under delegated authority)	£150K
Wave Reflection Wall	Expenditure grossed up by additional grant from Environment Agency	£888K
Heysham Gateway	Expenditure grossed up by additional grant from Lancashire County Council	£8K
Bolton-Le-Sands	Young Peoples' Facilities - Cabinet member delegated decision	£15K
Coastal Revival Fund	Morecambe Co-op Building approved by Cabinet 3 July 2018	£37K
Canal Quarter	Potential land purchase approved by Council 18 July 2018	£2.000M
Quarter 2 Movements		£3.132M
Total Movements Q1 & Q2		£3.336M
Revised Capital Programme		£15.251M

Housing Revenue Account – The original Capital Programme of £4.421M has been increased to £4.481M after allowing for slippage of £60K from 2017/18. Spend and commitments at September totalled £2.404M leaving £2.077M still to spend. However, latest projections have identified an

underspend of £222K including schemes funded by the HRA Business Support Reserve, which are requested to be slipped into 2019/20 as part of the revised budget process

Financing

General Fund

To date £3.560M of grants and contributions has been received against a budget of £6.328M (updated for slippage from 2017/18 and for new funding identified above). Also, additional capital receipts of £41K have been received from the sale of a vehicle.

RESERVES

Budget Support Reserve – Approved allocations are shown below, which leave a current balance of **£1.719M** on the reserve.

	£000's
Opening Balance	2,060
Items not included at Quarter 1	
Water Fountain Feasibility Study	(30)
Chief Officers Pay Review	(3)
Pay Scale Assimilation	(6)
Interim Human Resources Manager	(31)
Cabinet 26 th June Contribution re Heysham Pool (slipped from 2017/18)	(36)
Cabinet 26 th June ICT Information Governance Project	(37)
Quarter 2	
Cabinet 4 th September Programme Manager/Project Support	(126)
Cabinet 26 th September Interim Head of Financial Services	(38)
Officer Delegated Decisions in consultation with Cabinet Members	
Extension of Head of Legal & Democratic Services	(18)
Extension of Job Evaluation Officer	(16)
Closing Balance	£1,719

Restructuring Reserve – Approved allocation are shown below which leave a current balance of **£532K** on the reserve.

	£000's
Opening Balance	566
Cabinet 3 July – contribution re Executive Team Restructure	(34)
Closing Balance	532

General Fund Unallocated Balances

Unallocated General Fund Balances still stands at £5.067M, this is £399K more than the original estimate of £4.668M, due to the revenue underspend in 2017/18.

LOCAL TAXATION

Council Tax – Current deficit of £247K (£94K deficit as at 31 March 2018). Main changes are:

- Deficit from previous year +£94K
- Reduced cost of Council Tax Support (£88K)
- Reduced charge for Second/Empty Homes +£80K
- Other Movements in Tax Base +£161K

In tax base terms this equates to approximately 138 net chargeable Band D equivalent properties, bringing the total tax base to 41,614 gross properties. Should the deficit remain then this would mean an additional cost to the General Fund of £32K in 2019/20

Retained Business Rates – The latest position on business rates shows net income down by £418K when compared to the original estimate, after allowing for a decrease in estimated appeals of £698K.

Overall, the total estimated Retained Income is £131K down on the original forecast. This position will inevitably fluctuate during the year but will not impact directly on the overall General Fund budget, as in due course, any decrease in income of around that scale would be met from the Business Rates Retention Reserve.

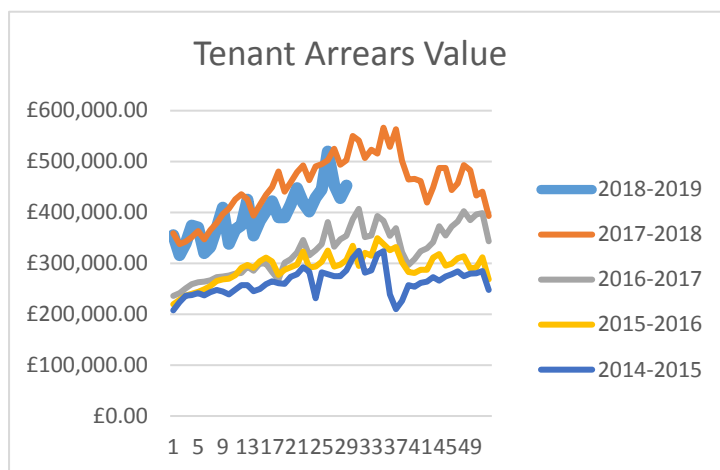
	Original £000's	June £000's	Sept £000's	Movement From Original Fav (-) / Adverse (+) £000's
Net Rates Payable	(64,487)	(65,398)	(64,767)	(280)
Appeals	3,123	4,132	3,821	698
Business Rates Income	(61,364)	(61,266)	(60,946)	418
City Council Retained Income (40%)	(24,546)	(24,506)	(24,378)	168
Less Tariff	18,848	18,848	18,848	-
Add Net Small Business Rates Relief Grant	(1,102)	(1,042)	(1,054)	48
Net Retained Income	(6,800)	(6,700)	(6,584)	216
Safety Net Payment	-	-	-	-
50% Levy Payment	616	589	531	(85)
Total Retained Income	(6,184)	(6,111)	(6,053)	131

Collection Performance

Both Council Tax and Business Rates are very slightly behind target - no specific action is required at this point.

	Full Year Target	Target to Date	Actual to Date
Council Tax	96.4%	56.7	56.6
Business Rates	98.8%	55.4	54.3

INCOME COLLECTION



Council Housing Rent Arrears – At the end of week 26 the level of current council housing rent arrears was £520K (3.9% of £13.337M rent debit), An increase of £18K on the previous Qtr2 figure of £502K.

The profile is now matching the 4 weekly cycle of direct debit and DWP payments being received. This is because more and more tenants are moving over to Universal Credit and onto direct DWP monthly payments.

Sundry Debts – At the end of September the level of debt was £3.010M which is a decrease of £2.251m from Qtr1. However £1.751M of the debt from quarter 1 related to an invoice to Lancashire County Council for the 2018/19 Disabled Facilities Grant allocation, which was repaid on 13 July. Excluding this the decrease reduces to £500K

The bad debt provision currently stands at £2.548M which is £15K higher than the required level. No action is required at present but a further review of the provision will be made in February.

SERVICE	< 28 Days	28-59 Days	60-91 Days	92-183 Days	184-364 Days	365+ Days	2018/19 QUARTER 1 TOTALS	Compared to 2017/18 Quarter 2 totals
	£	£	£	£	£	£	£	
Environmental Services	87,181	37,832	23,213	293,147	10,435	14,184	465,991	736,444
Regeneration & Planning	2,689	12,218	3,600	-	23,719	10,840	53,066	34,842
Resources	200,423	40,049	53,666	66,280	30,702	52,332	443,453	474,879
Health & Housing	7,980	44,232	4,982	7,681	30,304	24,761	119,941	113,868
Governance	885	-	-	-	7	1,020	1,912	1,260
Hsg Benefits (Revenues)	52,434	16,747	24,308	130,743	154,984	1,546,534	1,925,750	2,092,020
2018/19 Quarter 2 Totals	351,592	151,079	109,769	497,851	250,150	1,649,672	3,010,113	3,453,313
2018/19 Quarter 1 Totals	2,238,073	345,878	599,821	162,042	324,153	1,591,149	5,261,115	

CONTRACT PROCEDURE RULES AND OTHER EXCEPTIONS TO TENDER

Exceptions to Tender – There were two exceptions to tender in Quarter 2:

Provision of Refugee Resettlement Services for Lancaster City Council. Working with Global link for this second round of resettlement services gives a consistent experience to the refugees. The added value is that Global Link offer is in line with the Councils obligations under The Public Services (Social Value) Act 2012.

Geographic Information Systems Software Licences. To change from our current provider ESRI Geographic Information Systems would require significant changes to the system and a large training requirement. Additionally ESRI have features not available with other GIS systems.

2018/19 QUARTER 2 REVENUE MONITORING - GENERAL FUND

ANNEX A

Subjective Area	Service	Reason for Variance	Current Variances		Projection for Year	
			Adverse / (Favourable)		Adverse / (Favourable)	
			£	£	£	£
Employees	Environmental Services	Salaries - turnover savings	(95,600)		(132,300)	
	Environmental Services	Provision for staff turnover	82,100		164,200	
	Environmental Services	Approved Revenue Savings - Savings have been achieved to date	39,300		42,800	
			25,800		74,700	
	Governance	Additional temporary staff costs	(8,786)		61,800	
	Governance	Provision for staff turnover	7,754		15,500	
	Governance	Minor Employee variances	-		1,500	
			(1,032)		78,800	
	Health & Housing - Leisure	Salt Ayre Turnover Target	18,404		36,800	
	Health & Housing - Leisure	SALC Sals - Various vacant posts	(23,831)		(52,500)	
			(5,427)		(15,700)	
	Health & Housing	Licensing - Staff turnover	(11,699)		(14,300)	
	Health & Housing	Provision for Staff Turnover taken out for 18/19	25,404		50,800	
	Health & Housing	Staff Turnover : GF EH SH	(40,772)		(1,500)	
	Health & Housing	Additional overtime due to new HR standby policies	2,519		4,000	
			(24,548)		39,000	
	Office of Chief Executive	Various additional staffing costs	41,096		(15,600)	
	Office of Chief Executive	360 Resourcing Solutions - Advertising up front purchases required every 18 months not 2 years	699		7,000	
	Office of Chief Executive	Provision for staff turnover	16,904		33,800	
			58,699		25,200	
	Regeneration & Planning	Regen & Planning Turnover Target	32,964		65,900	
	Regeneration & Planning	Regen & Planning salary variances due to vacant posts and lower SCP's	(25,675)		(16,400)	
	Regeneration & Planning	VIC additional costs due to TUPE of County staff	533		11,600	
		7,822		61,100		
Resources	Various turnover savings including vacant CSC, Finance, Property and ICT posts	(55,472)		(66,200)		
Resources	Corporate Turnover Savings target removed at Revised	19,004		40,000		
		(36,468)		(26,200)		
		Employees Total	24,846		236,900	
Premises	Environmental Services	Williamson Park - bringing electricity budget in-line with previous year spend based on current usage	3,500		7,000	
	Environmental Services	Markets - New lighting required, not included in original Property Services schedule	3,700		5,700	
			7,200		12,700	
	Health & Housing - Leisure	SALC - Additional costs associated with NNDR, installation of CHP unit and increased usage by SPA	27,868		93,800	
	Resources	Net savings on Repairs & Maintenance	(36,862)		(1,700)	
	Resources	Rates savings at Storey/Lansil Water Treatment Plant	(12,669)		(13,000)	
		(49,531)		(14,700)		
		Premises Total	(14,463)		91,800	
Transport	Environmental Services	Diesel prices - 7.5% increase in first six months of the year	10,000		19,300	
	Environmental Services	Vehicle Maintenance Unit Stock Write-Off. New systems of management and control to be introduced	(1,300)		14,900	
	Environmental Services	Pooled vehicles - all pool cars have now arrived and charging infrastructure has been installed. Increased use of hired vehicles whilst awaiting delivery of electric pool cars	7,200		8,600	
			15,900		42,800	
	Governance	Mayoral travel - Anticipated reduction	(2,370)		(3,300)	
	Health & Housing - Leisure	Salt Ayre - Minor transport saving	(4,442)		(400)	
Health & Housing	Car Allowances - Reduced rate from October 18	(698)		(3,800)		
		(698)		(3,800)		
		Transport Total	8,390		35,300	
Supplies & Services	Environmental Services	Nursery - Correction of year end stocktake	6,500		5,700	
	Environmental Services	Waste Collection approved savings not achieved	15,300		30,600	
			21,800		36,300	
	Governance	Legal Case Management System - project to be delayed until 2019/20	(20,000)		(20,000)	
	Governance	Reduction in Members Allowances in year	(2,519)		(3,100)	
	Governance	Reduction in demand for Community Governance Review	(10,494)		(20,000)	
	Governance	Various minor legal increases			8,300	
			(33,013)		(34,800)	
	Health & Housing	Licensing - Increased use of Agency staff	3,500		7,000	
	Office of Chief Executive	ICT Software - Reduction in costs in year	7,760		(5,300)	
	Office of Chief Executive	Mobile Phone - Reduced recharges	-		(5,100)	
	Office of Chief Executive	Job Evaluation - Increased software supplier costs	-		2,000	
			7,760		(8,400)	
Regeneration & Planning	Additional Local Plan reports required	101,554		117,300		
Regeneration & Planning	Additional Planning legal costs and support for upcoming court cases	-		46,000		
Regeneration & Planning	Economic Growth initiatives slipped to 2019/20	(60,653)		(55,000)		
Regeneration & Planning	Light up Lancaster and Vintage revenue savings target removed.	19,975		19,500		
		60,876		127,800		
Resources	DWP Housing Benefit Grant - Additional monies received	(46,800)		(46,800)		
		(46,800)		(46,800)		
		Supplies & Services Total	14,123		81,100	
Support Charges	Health & Housing	Externally funded staff time recharges - Additional income	(12,500)		(25,000)	
		Support Charges Total	(12,500)		(25,000)	
Appropriations	Environmental Services	s106 contribution to Bolton-le-Sands young peoples facilities	-		15,000	
		Appropriations Total	-		15,000	
Fees & Charges	Environmental Services	Car Parking - Increased pay and display income expected	(19,000)		(47,500)	
	Environmental Services	Markets - Reduced occupancy levels resulting in lower rent income	13,000		14,600	
	Environmental Services	Williamson Park - Increase in visitor numbers	(9,000)		(22,100)	
	Environmental Services	Splash Park - Lower than expected user numbers	17,800		17,800	
	Environmental Services	Happy Mount Park - Additional profit share from café concession	(4,900)		(7,900)	
	Environmental Services	Garden Waste - Subscription levels currently in excess of 22,500 against projected 24,000	56,700		57,000	
	Environmental Services	Trade Waste - Additional income	(17,700)		(35,300)	
	Environmental Services	Waste Collection - Income budget for bins and boxes realigned with previous year outturn	11,300		14,300	
			48,200		(9,100)	
	Governance	Additional court costs awarded	4,676		(30,000)	
	Governance	Reduction in the predicted number of searches for year	6,881		9,000	
			11,557		(21,000)	
	Health & Housing - Leisure	University of Cumbria Contract 2018/19	-		(83,400)	
	Health & Housing - Leisure	Reduced demand for Gravity	6,345		13,000	
			6,345		(70,400)	
	Health & Housing	Increase in HMO Income	(38,450)		(76,900)	
	Health & Housing	Unbugged - Slower than expected growth	15,900		31,800	
	Health & Housing	Pest Control - Increase in charges	(7,950)		(15,900)	
	Health & Housing	Disclosure Training - Additional Income	(2,000)		(4,000)	
	Health & Housing	Lancashire County Council DFG grant completions	(75,283)		(138,300)	
			(107,783)		(203,300)	
	Office of Chief Executive	Costs of staff advertisements	-		3,000	
	Regeneration & Planning	Planning fee - Additional income	(61,428)		(92,500)	
	Regeneration & Planning	Income to be recovered against Viability work from developers	-		(10,000)	
	Regeneration & Planning	British Land contribution towards Canal Quarter	-		100,000	
	Regeneration & Planning	Platform - Additional income from increased numbers of shows	(43,288)		(15,600)	
	Regeneration & Planning	Building Control reduced application volumes	28,388		62,000	
	Regeneration & Planning	Engineers Capital Salaries adjustment	15,512		13,800	
	Regeneration & Planning	Townscape Heritage Imitative adjustment	732		(11,700)	
	Regeneration & Planning	Caton Road Flood Defence - Engineers salaries	(4,535)		(22,400)	
			(64,618)		23,600	
Resources	Reduction in Printrooms Café income target	16,912		23,100		
Resources	Additional Rent & Service Charge income at CityLab/Storey	-		(12,500)		
		16,912		10,600		
		Fees & Charges Total	(89,387)		(266,600)	
Minor Variances	Environmental Services	Cumulative total of minor variances within service	(27,900)		9,900	
	Governance				1,500	
	Health & Housing - Leisure (excl SALC)		(10,277)		(7,200)	
	Health & Housing - Leisure (SALC)		(4,544)		(2,700)	
	Health & Housing		(15,038)		1,500	
	Office of Chief Executive				(2,000)	
	Regeneration & Planning		(25,407)		(7,900)	
Resources				2,500		
		Minor Variances Total	(83,166)		(4,400)	
Other Variances	Investment Income	Lower than anticipated cash balances combined with interest rates not being increased in line with expectations	31,800		32,500	
	Capital Financing	Minimum Revenue Provision - Use of Capital receipts to find short life assets			(103,800)	
			31,800		(71,300)	
		Other Variances Total	31,800		(71,300)	
Total Forecast (Under)/ Over Spend			(120,357)		92,800	

SALT AYRE LEISURE CENTRE

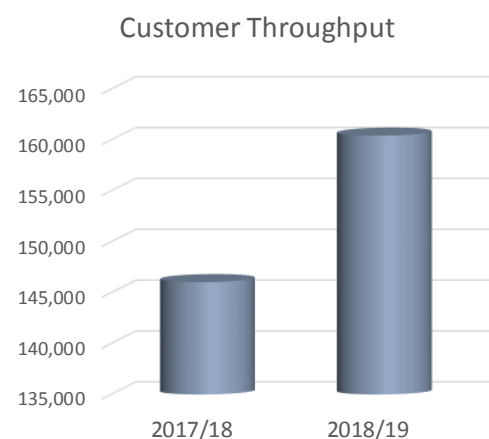
2018/19 QUARTER 2 PERFORMANCE MONITORING

Key messages

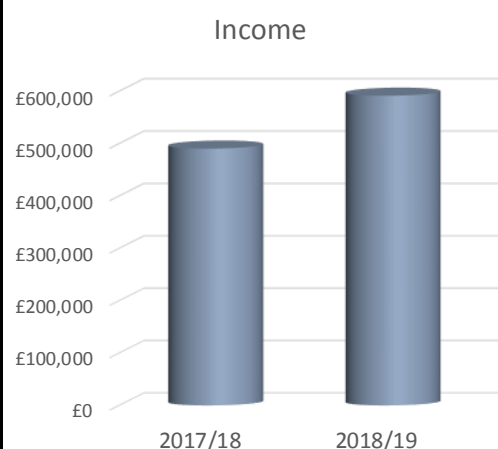
- This years predicted operating subsidy for Salt Ayre Leisure Centre (SALC) is £200k compared with £700k pre development.
- There have been significant gains against anticipated income targets in a number of cost centres which have outweighed any shortfalls in other areas.
- Swimming income continues to increase as a result of a number of improvements in the way lessons are managed. As previously mentioned in monitoring reports, introducing the direct debit option has resulted in easier payment options for customers and a more regular flow of income to the Centre. The income target has been increased by £112k.
- An increase in National Non Domestic Rates (NNDR) of £21k and as previously mentioned in monitoring reports, previous over optimistic reduction in energy budgets has resulted in the need to increase budgets to a more realistic position by some £71k.
- Additions to budget forecast include £37k for staff turnover which is a figure set as part of a Council wide approach and not in direct control by Management of the Centre. General reductions as a result of staff turnover are already included within management of wages and salaries.
- The café continues to perform well and is on track to meet or exceed the target of £413k.
- Following the initial opening of the redeveloped Leisure Centre the budgets are in a much improved position against actual performance and this includes for future years where lessons learned are being applied.

	2017/18 Full Year Actuals	2018/19 Original Full Year Budget	Qtr2 Budget	Qtr2 Actual	Qtr2 Variance	Full Year Projection	Variance to Original Budget	% of Original Budget
	£	£	£	£	(Favourable) / Adverse £	£	(Favourable) / Adverse £	
Expenditure								
Employees	1,259,787	1,396,400	665,379	650,279	(15,100)	1,381,300	(15,100)	-1%
Premises Costs	589,995	548,900	372,620	466,420	93,800	642,700	93,800	17%
Transport Costs	23,000	14,600	12,106	11,706	(400)	14,200	(400)	-3%
Supplies and Services	538,632	539,000	317,269	314,969	(2,300)	536,700	(2,300)	
Funding from Renewals Reserve	(89,814)	0	0	0	0	0	0	0%
Income								
Fees and Charges	(2,123,387)	(2,354,500)	(1,126,344)	(1,203,344)	(77,000)	(2,431,500)	(77,000)	3%
Direct Net Operating Cost/(-) Surplus	198,213	144,400	241,030	240,030	(1,000)	143,400	(1,000)	
Support Service Costs	399,292	361,800	180,900	180,900	0	361,800	0	
Total Net Operating Cost	597,505	506,200	421,930	420,930	(1,000)	505,200	(1,000)	
Renewals Res Contribution	150,000	150,000	0	0	0	150,000	0	
Capital Financing Costs - MRP re £5M development	177,973	218,500	109,250	109,250	0	218,500	0	
Total Net Cost	925,478	874,700	531,180	530,180	(1,000)	873,700	(1,000)	

Customer Throughput	Qtr2 2017/18 £	Qtr2 2018/19 £	(Favourable) / Adverse	(Favourable) / Adverse %
Shop				
Health & Fitness	23,135	29,470	(6,335)	(27.4%)
SASC Café	58,504	58,948	(444)	(0.8%)
Sports Hall	13,563	17,944	(4,381)	(32.3%)
Studio	10,547	10,648	(101)	(9.6%)
Swimming	25,572	27,043	(1,471)	(5.8%)
Spa				
Gravity	258	397	(139)	(53.9%)
Xheight	2,414	2,110	304	12.60%
Energy	12,044	13,871	(1,827)	(15.2%)
	146,037	160,431	(14,394)	(9.9%)



Income	Qtr2 2017/18 £	Qtr2 2018/19 £	(Favourable) / Adverse £	(Favourable) / Adverse %
Shop	3,814	3,427	387	10.1%
Health & Fitness	249,490	228,351	21,139	8.5%
SASC Café	86,961	108,408	(21,447)	(24.7%)
Sports Hall	36,502	37,457	(955)	(2.6%)
Studio	4,606	4,608	(2)	0.0%
Swimming	59,426	120,482	(61,056)	(102.7%)
Spa	0	41,240	(41,240)	0.0%
Gravity	4,053	2,630	1,423	35.1%
Xheight	20,006	17,201	2,805	14.1%
Energy	25,552	27,629	(2,077)	(8.1%)
	490,410	591,433	(101,023)	(20.6%)



Comments from Sport and Leisure Manager

- Quarter two has seen a marked improvement in a number of cost centres and is the result of extremely hard work by all staff and continuing the culture of a much more commercially minded approach. The mantra of 'every day counts' is prevalent throughout the Centre and there is an improved understanding of the importance to both market and promote for future periods combined with a short term (daily) need to respond in an agile manner when performance demands.
- The need for staff to work in a meaningful commercial manner is making a difference in the performance of activity areas and has worked well for example throughout the warm summer period when many people preferred to undertake leisure activity outdoors. Figures for the gym and café remained positive throughout the summer period.
- The partnership with the University of Cumbria continues to grow with a renegotiated figure of £100k Inc. vat for annual use by students of the gym (and some other areas) demonstrating the healthy relationship that exists between the two organisations. An extension of the partnership currently being trialled is the introduction of a rehabilitation clinic offered to all customers at discounted rates. This should in turn provide useful experience for third year students (supervised) and act as a retention tool for gym memberships.
- The Spa facility is a reasonably new and unique service to the Council and as a new business has a growing reputation within the District. Having just celebrated its first year of operation it is an example of how commercially minded staff can make a true difference to performance. The first three days of the celebratory week saw one member of staff sell in excess of £600 of products and

is testament to both people management skills by managers and applying effective promotional campaigns.

- The café income target of £413k is a good example of setting challenging targets and how staff from across all areas work hard to support performance. For example, lifeguards will assist with cleaning of tables, management of queues and general front of house customer service when high demands are placed on the catering team.
- As reported in the Council's performance indicator data, the Centre benefits from over 700,000 visits per annum and clearly this places demands on ensuring facilities remain clean and well maintained. The repairs and maintenance budget continues to feel pressure and has been increased by an amount of £10k for the current year. Whilst additional income has helped offset this figure the importance of continuing to invest in the asset is vital to maintaining performance levels. The recent building condition survey has revealed a number of areas for investment and officers are in dialogue over these issues and some other important items of plant that will need replacing.

Education

- Work continues to grow with the School Sport Partnership with a start of year Healthy Schools launch with 180 children attendance.
- CPD workshops have been delivered at Salt Ayre for primary and secondary school teachers.
- New partnership has been developed with the Chadwick Centre for excluded children. SALC will provide venue and staff to help the support the delivery of their P.E Curriculum.
- Work experience opportunities have been created with the local college and high schools and the team at SALC also provide tours and workshops on health & safety, facility management and Spa operation.

Disability sessions

- The ongoing programme continues to grow. Around 150 visits per week attending the regular programme.
- Piccadilly Gardens, centre for adults with learning disabilities, now access SALC on a weekly basis taking part in a range of activities.
- The Centre hosted the 'CANDO' event that saw over 150 families with children with additional needs attending a range of activities.

Partnership working / Community Support

- The Midwives have added a 4th clinic to their programme at SALC. This has been very well received due to the closure of community venues such as Children's Centres.
- University Of Cumbria have started their Rehabilitation Clinics running 2 days per week. This enables 3rd year students to hone their skills for the benefit of Centre users and the general public.

- SALC provides support for victims of domestic abuse by providing bespoke sessions in partnership with SafeNet.

Programme development

- SALC have developed some new holiday activities to stimulate the creative side of child development. Creation station and Pyjama Drama have been successful in attracting a new audience.
- Learn to cycle programmes are now a fixture on the holiday programmes.
- SALC now has pre-school offer every day. The introduction of a new pre-school swim to complement our children's play Zappers sessions.

In conclusion, the Centre continues to be an asset the Council is proud of and having recently been a finalist in two APSE categories for UK 'Best Efficiency and Transformation Initiative' and 'Best Public / Private Partnership Working Initiative' further demonstrates the high reputation the Centre has nationwide.

The centre has also been shortlisted for the Bay Business Awards taking place in November, in 3 categories, Leisure venue of the year, Health & Fitness Venue of the year and Beauty Venue of the Year.

The Cafe was shortlisted for the National Sport and leisure Catering operation of the year, narrowly missing out to the Etihad Stadium.

The Centre is an exemplar of combining a commercial approach whilst delivering against Sport England's five outcomes:

- Physical Wellbeing
- Mental Wellbeing
- Individual Development
- Social and Community Development
- Economic Development

Similarly the Centre contributes greatly to the Council's 'Ambitions' plan and has this new vibrant ethos at its heart.

GENERAL FUND - 2018/19 SAVINGS MONITORING (QUARTER 2 - PERIOD 6)

Initiative	Type	Budget	Profiled Budget	Actual to Date	Variance	R A G	Progress
		£	£	£	£		
PHASE 1 - 2018/19 APPROVED SAVINGS							
Environmental Services							
Solar Farm Design and Business Case Development	Inc Generation	50,000	4,440	4,440	0	👉	Initial calculations by APSE have been provided for various sites at SALC. In-house appraisals taking place so Elected Members can make an informed decision on whether to proceed
Waste Collection Management Systems	Efficiency	138,000	0	0	0	👉	Several suppliers identified following presentations and specification being formulated. Site visits to other users of similar systems have taken place.
Extension of CCTV to Public Buildings	Efficiency	(17,000)	(17,000)	(17,000)	0	👉	Nearing completion. £14K project overspend offset by contributions from BIDs and Morecambe Town Council to public CCTV system. Final adjustments to system being made w/c 22nd October 2018 and expected to go live w/c 5th November 2018.
Extension of Cable Street Car Park	Inc Generation	(9,000)	0	0	0	👉	Implementation of changes is currently underway by contractor with target end date of 1st December.
Management of St. George's Quay Car Park	Inc Generation	(10,000)	0	0	0	👉	Project completed in September with P&D income being taken from 1st October.
Vehicle Fleet Review	Inc Generation	(27,000)	(13,500)	(4,900)	8,600	👎	Two remaining electric pool cars arrived w/c 15th October 2018. Minor remedial repairs required to pool cars prior to off-hiring with anticipated off-hire date of 31st October 2018. Diesel courier van due in December 2018.
Williamson Park Facilities Expansion - Design and Business Case Development	Inc Generation	210,000	0	0	0	👉	Currently awarding tender to successful contractor for the adventure play element. Tender feeding into business plan which is being written. Awaiting key decision, due 16th November. On completion progress will be started on the design brief for the Café/Wedding Conference Centre.
Bulky Waste Collection - Service and Charging Review	Inc Generation	(20,000)	(10,000)	(9,846)	154	👎	Review built into budget and broadly in line to date.
Health & Housing							
Development of Business Case for Local Authority Trading Company (LATC)	Inc Generation	75,000	65,000	65,000	0	👉	£65K order raised P03 with the remainder to be spent during the year.
Management Team							
Rationalisation of Organisational Development Capacity	Efficiency	(77,000)	(12,833)	(12,833)	0	👉	Staff Changes actioned and built into budget.
Regeneration & Planning							
Heysham Gateway - Site Improvement Works		320,000	18,050	18,050	0	👉	£320K is the net capital budget with £100K being for drainage & site surveys. These are well underway with £79K already committed.
Extension of Charging for Planning Services	Inc Generation	(5,000)		0	0	👉	Delayed start with tree-related working charges. It is still the intention of the service to proceed, however, staff shortages have meant that this is now a low priority.
Resources							
ICT Network Performance Monitoring and Improvement	Efficiency	30,000	30,000	0	(30,000)	👎	Unsure as to how this is now to progress - ICT planning to use £10k for SSD Drives.
Repair and Maintenance of Corporate Property	Efficiency	(82,000)	(41,000)	(41,000)	0	👉	Built into budget and expected to be managed within overall R&M allocation.
Continuation of Internal Audit Collaboration and Restructure	Efficiency	(26,000)	(13,000)	(13,000)	0	👉	Savings already incorporated into budget and expected to be achieved.
Revenues & Benefits Shared Service Savings	Efficiency	(45,000)	0	0	0	👉	Savings achieved in Shared Service Budget and recharge will be reduced as part of the Revised Budget process.
Total		505,000	10,157	(11,089)	(21,246)		

Appendix B

**Treasury Management Update
Quarter Ended 30 September 2018
Report of Interim Head of Financial Services**

Treasury Management Update

Quarter Ended 30 September 2018

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 mid-year reports). This report is in line with best practice in accordance with that Code.

2. Economic Background (provided by Link Asset Services)

The first half of 2018/19 has seen UK economic growth after a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase the Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in the Bank Rate. The MPC has indicated that the Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

As for the labour market, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium

to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

3. Interest Rate Forecast

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

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary nor contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. We do not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. We also feel that the MPC is more likely to wait until August 2019 rather than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

4. Annual Investment Strategy Update

The Treasury Management Strategy (TMS) for 2018/19, which includes the Annual Investment Strategy, was approved by the Council on 28 February 2018. 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 2018.

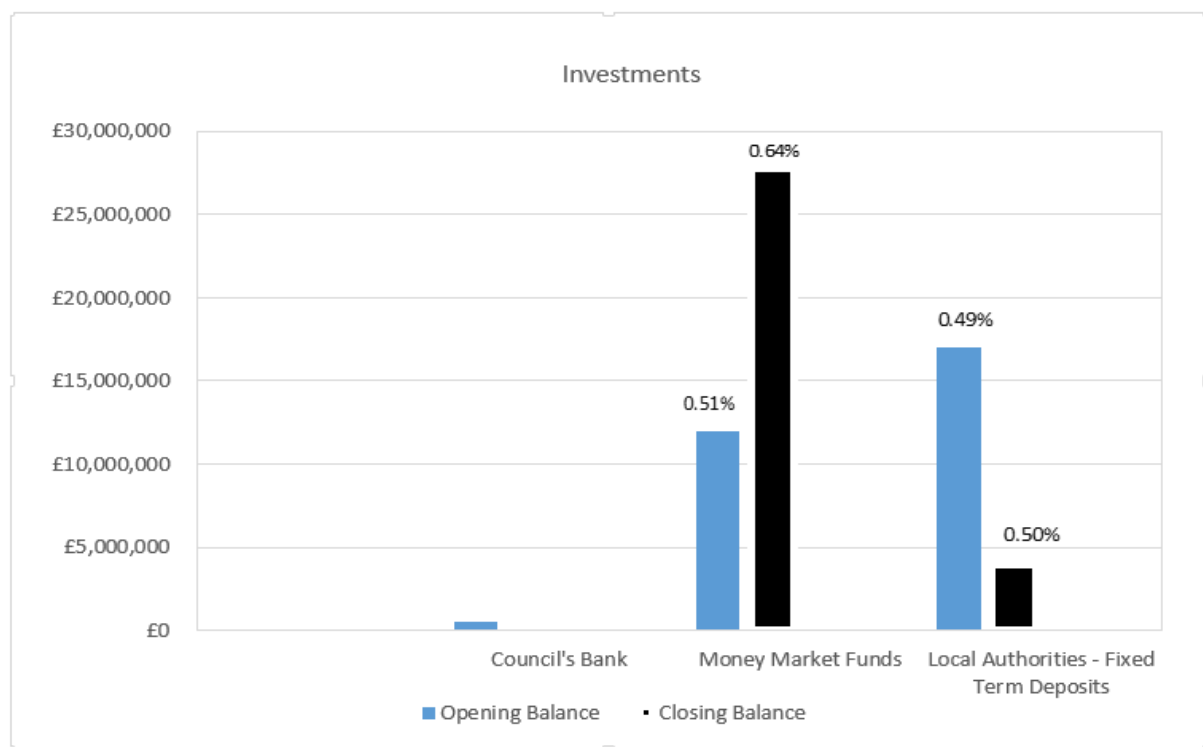
The average level of funds available for investment purposes during the quarter was **£30.4M**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.

In terms of performance against external benchmarks, the return on investments compared to the 7 day LIBID and bank rates at the end of the period is as follows. This is viewed as reasonable performance, given the need to prioritise security of investments, and liquidity (i.e. making sure that the Council’s cashflow meets its needs):

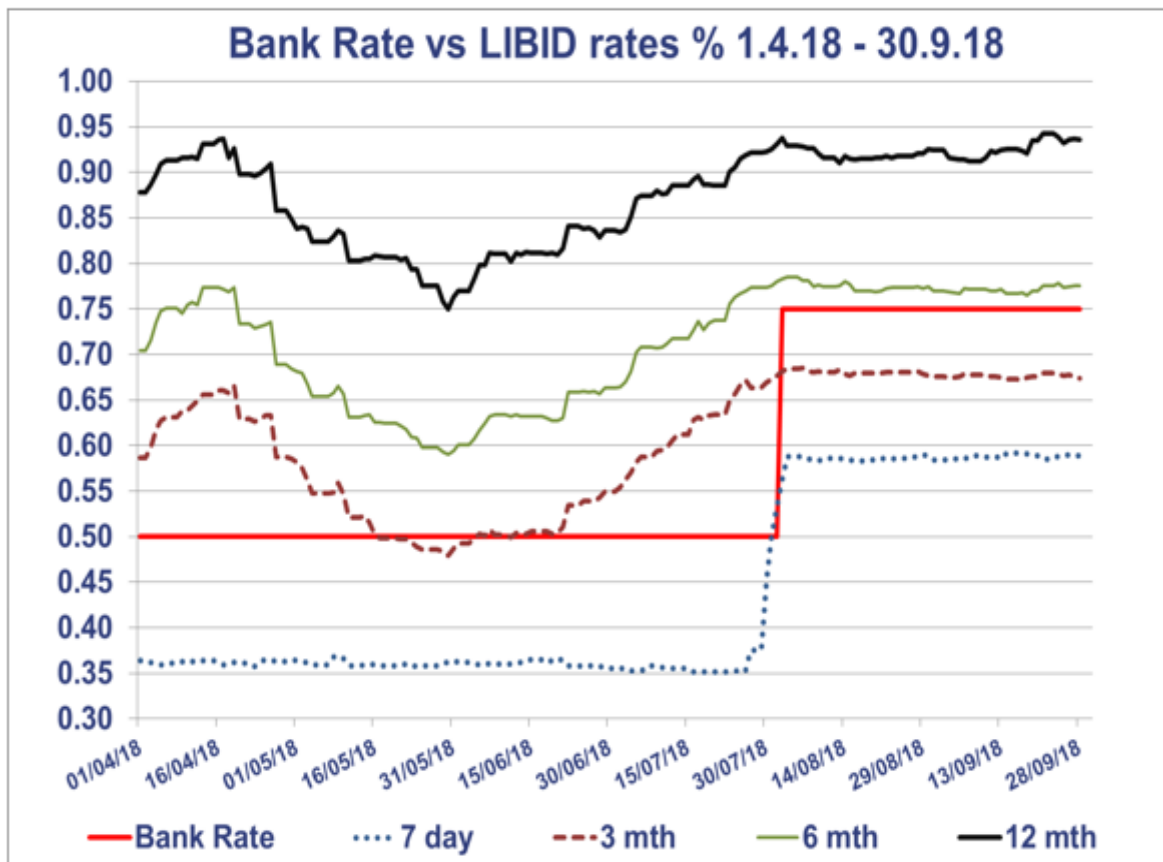
Base Rate	0.75%
7 day LIBID	0.59%
Lancaster City Council investments	0.62%

Investment Balances – quarter ended 30 September 2018

At the start of the quarter investments totalled £29m rising to £31m by 30 September. Fixed term investments with local authorities fell to £4m whilst Money Market Fund balances increased to £27m.



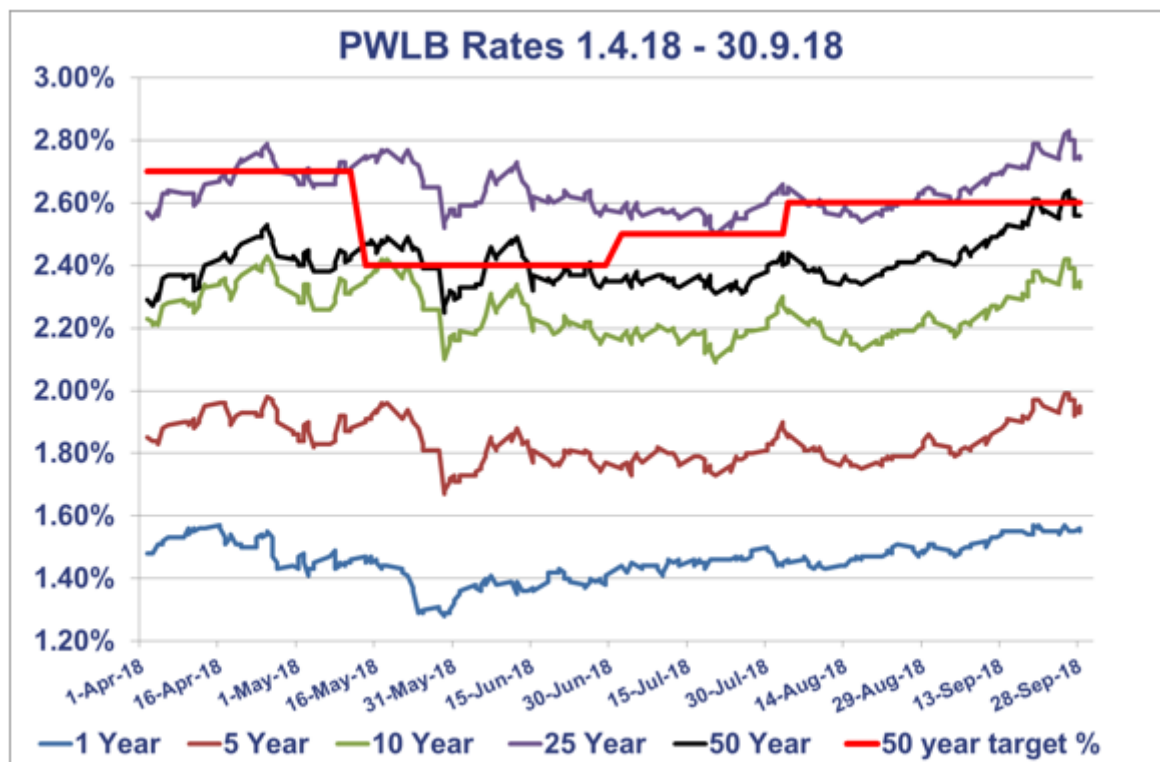
Other Investments	Term	Maturity Date	Opening £	Closing £	Indicative Rate (YTD)	Current Fixed Rate	Interest to Date £
Call Accounts							
Natwest (Cash Manager Plus)			527,634	8,312		0.01%	47
Money Market Funds							
Blackrock Sterling Liquidity First Fund			6,000,000	6,000,000	0.66%		14,052
Blackrock Sterling Government Liquidity Fund			0	0	0.57%		2,005
LGIM			0	6,000,000	0.67%		12,961
Ignis			6,000,000	6,000,000	0.65%		16,633
Insight			0	6,000,000	0.62%		4,659
Goldman Sachs			0	3,800,000	0.57%		2,158
Fixed Term Deposits							
Guildford Borough Council	364 days	17/07/2018	5,000,000	0		0.53%	7,768
Rugby Borough Council	11 months	29/06/2018	0	0		0.35%	853
Antrim & Newtown Abbey BC	364 days	06/08/2018	3,000,000	0		0.37%	3,862
Broxtove Borough Council	364 days	28/09/2018	1,000,000	0		0.40%	1,973
London Borough of Islington	364 days	01/10/2018	2,000,000	2,000,000		0.40%	4,011
Surrey Heath Borough Council	183 days	16/11/2018	1,000,000	1,000,000		0.75%	5,829
Northamptonshire County Council	363 days	01/04/2019	1,000,000	1,000,000		0.70%	3,471
Telford & Wrekin Council	123 days	25/09/2018	4,000,000	0		0.55%	7,414
Sub-total			29,527,634	31,808,312			87,696
Budgeted income							119,500
							(31,804)



5. Borrowing

Council agreed on 18 July 2018 that the underlying need to borrow for capital purposes (the Capital Financing Requirement – CFR) be increased by £2m to facilitate subsequent investment decisions in respect of the Canal Quarter. No capital expenditure has yet been incurred relating to this scheme and, therefore, no new borrowing has been undertaken.

The graph below shows the movement in PWLB certainty rates for the first six months of the year to date.



6. Debt Rescheduling

Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

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 mid-year position in respect of the Council's approved Treasury and Prudential Indicators (affordability limits) will be reported to Cabinet on 4 December and referred on to Council in line with the requirements of the Prudential Code..

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:

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 cash flow.

Interest Risk:

Investment Returns are inevitably low. 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.

9. Other Issues

Changes in risk appetite

The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or to other types of investment instruments this change in risk appetite and policy should be brought to members' attention in treasury management update reports.