

## Lancaster City Council | Report Cover Sheet

<b>Meeting</b>	Cabinet	<b>Date</b>	1 March 2022
<b>Report</b>	Delivering Our Priorities: Q3 2021/22		
<b>Report of</b>	Director of Corporate Services		
<b>Purpose of Report</b>			
To provide members with an update on performance, projects, and resources during the first three quarters of 2021/22 (April – December 2021).			
<b>Key Decision (Y/N)</b>	<b>N</b>	<b>Date of Notice</b>	<b>N/A</b>
<b>Exempt (Y/N)</b>	<b>N</b>		

### Report Summary

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

### Recommendations of Councillor Anne Whitehead

That Cabinet

- (1) Consider the update on performance, projects, and resources for Quarter 3 2021/22.

### Relationship to Policy Framework

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

### Conclusion of Impact Assessment(s) where applicable

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

The content of this report has no impact in itself.

### Details of Consultation

No specific consultation around this report.

### Legal Implications

No legal implications directly arising from this report.

### Financial Implications

No financial implications directly arising from this report.

### Other Resource or Risk Implications

No other implications directly arising from this report.

### Section 151 Officer's Comments

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

### **Monitoring Officer's Comments**

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

<b>Contact Officer</b>	<b>Contact Officer</b>
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### **Links to Background Papers**

Appendix A: Highlight Report

## **1.0 Introduction**

- 1.1 The primary purpose of this report is to present information relating to the council's projects, performance and resources for the period April-December 2021, which can found within the appendices.

## **2.0 Performance Reporting**

- 2.1 The Highlight Report at Appendix A shows a strong level of performance, with services largely now pursuing their substantive activities rather than Covid-19 response requirements. This trend is likely to continue through 2021-22 and into 2022-23, with goals and reporting increasingly aligned to Plan 2030 Priorities and Outcomes.

## **3.0 Project Reporting**

The Highlight Report at Appendix A shows that the vast majority of the council's strategic projects were running to plan at the end of quarter 3. Action is being taken by the projects which are reporting as amber to rectify the issues they are having and get them back on track.

## **4.0 Financial Monitoring**

- 4.1 The 2021/22 Budget and MTFS 2021-2024 approved by Council in February 2021 set a balanced budget for the year based on the assumptions made at that time. The COVID - 19 pandemic continues to create a significant shock to the economy and result in unplanned expenditure and income losses for the Council.
- 4.2 All portfolios are required to examine their revenue budgets regularly and reports are submitted to Cabinet and Budget & Performance Panel for review. To enable Portfolio Holders to meet this requirement Financial Services continually reviews and refreshes how it presents the Council's Corporate Monitoring information.
- 4.3 In an attempt to aid understanding Members should note that where **projected variances** values are presented with brackets ( ) this reflects a negative, or adverse movement from the budgeted position. Conversely, projected variances accompanied with a + sign represents a positive, or favourable movement from the budgeted position.

The following financial appendices accompany the financial monitoring section of this report  
Appendix B: General Fund Service Analysis  
Appendix C: General Fund Subjective Analysis

- Appendix D: HRA Service Analysis
- Appendix E: General Fund Capital Projects
- Appendix F: HRA Capital Projects
- Appendix G: Reserves Projected Outturn
- Appendix H: Approved Savings Monitoring

## **5.0 COVID - 19**

5.1 As stated above, the COVID - 19 pandemic has resulted in significant unplanned expenditure and income losses, which are being monitored by each directorate. The Government's Sales, Fees and Charges support scheme finished at the end of June 2021 and all subsequent losses will need to be covered by Council resources.

5.1 With regard to economic activity and the potential ongoing impact, the government's own data indicates activity is not expected to return to pre-Covid-19 levels until 2023. The impact of the pandemic led to a 10% fall in economic output over 2020 which is only expected to recover by 4% this year and 7% in 2022/23.

## **6.0 General Fund Summary Position**

6.1 Quarter 3 (Q3) monitoring covers the period for April – December 2021. At the end of Q3 (December 2021) we are currently projecting a year end underspend against budget of **£0.073M**. This amount equates to approximately **0.41%** of the Council's approved Net Revenue Budget of **£17.774M**. Members will recall that as part of the 2021/22 budget cycle that Council approved a draw on reserves of **£2.267M** in order to balance the budget. The forecast underspend will reduce this draw to approximately **£2.194M**. In addition this position is at the three-quarter point of the financial year and officers work will continue over the coming months to monitor and forecast the costs and savings associated with both the pandemic and any other emerging budget pressures. In the meantime, arrangements are in place to scrutinise all existing expenditure plans. However, should an underspent position remain at the year-end the call on the Council's unallocated reserves will be reduced.

6.2 A summary of the Q3 revenue position for the main service accounts of the Council is set out in table 1 below with commentary on significant variances provided on the following paragraphs.

Table 1 Quarter 3 Financial Monitoring – Service Analysis

	Original Budget 2021/22 £'000	Working Budget 2021/22 £'000	Q3 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Communities and Environment	6,882	6,882	2,543	7,006	(124)
Economic Growth and Regeneration	4,329	4,329	3,217	4,566	(237)
Corporate Services	6,762	6,762	(170)	7,385	(623)
Central Services	1,059	1,059	774	1,031	+28
Other Items	(104)	(104)	(649)	(1,133)	+1,029
<b>Sub Total</b>	<b>18,928</b>	<b>18,928</b>	<b>5,715</b>	<b>18,855</b>	<b>+73</b>
Net Recharges to Housing Revenue Account	(1,015)	(1,015)	0	(1,015)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	1,516	(139)	0
Revenue Reserve funded items included in above analysis	2,362	5,298	225	3,985	+1,313
Revenue Reserve funded items included in above analysis	(2,362)	(5,298)	0	(3,985)	(1,313)
<b>Sub Total</b>	<b>(1,154)</b>	<b>(1,154)</b>	<b>1,741</b>	<b>(1,154)</b>	<b>0</b>
<b>General Fund Revenue Budget</b>	<b>17,774</b>	<b>17,774</b>	<b>7,456</b>	<b>17,701</b>	<b>+73</b>
Revenue Support Grant	(204)	(204)	(155)	(204)	0
Net Business Rates Income	(7,737)	(7,737)	(5,617)	(7,737)	0
<b>Council Tax Requirement</b>	<b>9,833</b>	<b>9,833</b>	<b>1,684</b>	<b>9,760</b>	<b>+73</b>

### Communities and Environment (£0.124M Adverse)

6.3 Significant budget variances including :-

- Termination costs for the Combined Heating and Power unit maintenance contract (-£0.032M) and the non-realisation of feed in tariff credits (-£0.130M).
- Increased transport costs (-£0.285M) due to vehicle R&M and associated hire costs arising from delayed delivery of new fleet plus increased fuel costs (delays to electric-RCV's and roll-out of route optimisation plus unforeseen inflationary increases).
- Net Income losses as a result of the continued closure of nursery shop (-£0.038M).
- Service restructure delayed by continuing pandemic response (-£0.042M), roles transferred from other Directorates (-£0.059M), additional cost of staff to cover continued increase in tonnage, long term absence and temporary shortage of HGV drivers and loaders - household waste collection (-£0.060M), trade waste (-£0.022M), street cleaning (-£0.043M)
- Car parking income net of increased transaction costs (+£0.666M) has far exceeded the pre-pandemic expectancy level of 65%. Further income of (+£0.100M) has been projected for the Castle car park lease surrender which is offset by the loss of management fee and additional costs running costs (-£0.140M)
- A budgeted sales, fees and charges compensation figure of (-£0.379M) is included within the service variance, however the collection is included in Other Items, as detailed below.

### Economic Growth and Regeneration (£0.237M Adverse)

6.4 Significant predicted year end variances including:-

- the continuation of the Capita Building Control contract (-£0.116M)
- Business Rates payable (-£0.041M) for former Frankie & Benny's site due to vacated tenant
- Additional planning fee income due to continued high volume of applications received (+£0.220M) offset by additional support for temporary planning officer posts (-£0.119M)
- The use of agency staff to cover the vacant Head of Property Investment and Regeneration (PIR) post (-£0.110M) have created budgetary pressure however, there are a number of areas where salary savings have been identified including the delayed reopening of the VIC's, The Platform and Museums (£+0.034M).
- Further vacancies include Future High Streets vacant post (+£0.033M) and other growth posts not yet recruited to (+£0.062M).
- These pressures have been offset by further staff turnover savings (+£0.354M) however when considered in context the service is predicting an overall salary related overspend

(-£0.046M) which also accounts for the impact of the proposed pay award.

- Further Income losses at The Platform (-£0.217M) and Printrooms (-£0.068M) are estimated.
- A budgeted sales, fees and charges compensation figure of (-£0.074M) is included within the service variance, however the collection is included in Other Items, as detailed below.

#### Corporate Services (£0.623M Adverse)

6.5 Significant predicted year end variances including:-

- Slippage on the capital programme has reduced forecast interest payments for the year by (+£0.403M)
- A top up payment required to the pension fund (-£0.780M) which will be paid within quarter 4
- The provision for staff turnover target (-£0.481M) is held within Corporate Service whilst the additional costs/savings generated are attributed to the individual services. When taking this into account the whole council salary related position (including agency and consultancy costs as appropriate) is expected to be overspent by (-£0.205M) which can largely be attributable to the impact of the proposed pay award
- An increase in the Council's insurance renewal premium (-£0.160M) has been offset by a corresponding reduced contribution to the insurance provision as the balance is deemed to be at a satisfactory level
- With regard to ICT, the need for additional Microsoft user licences (-£0.013M) and additional mobile phone costs (-£0.044M) resulting from increased agile/ homeworking provide the most significant forecast budget pressures
- Other significant variances relate to vacant posts with Finance (+£0.073M), Human Resources (+£0.072M), Democratic Services (+£0.015M) and Internal Audit (+£0.074M)

#### Central Services (£0.028M Favourable)

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

#### Other Items (£1.029M Favourable)

6.7 Sales, Fees & Charges Compensation (£0.732M credit) As part of the pandemic the government introduced a scheme within 2020/21 which allowed Councils to reclaim a portion of their in-year income losses relating to sales fees and charges. This scheme was extended to 30<sup>th</sup> June 2021 and as part of the 2021/22 budget setting process, budgets were included as appropriate within the relevant service area and whilst not always detailed in full within the above sections, collectively they amount to £0.455M. During the first quarter, the Council incurred eligible irrecoverable losses of £0.977M (against a predicted irrecoverable loss of £0.722M) for which we are to receive compensation of £0.732M. In addition the Council share of the flood recovery grant regarding Storms Desmond & Eva has been finalised resulting in a credit of +£0.343M.

6.8 Appendix B: General Fund Service Analysis (Q3) covers this information in more detail and provides summary percentage variations for variances +/- £30K.

6.9 The revenue position provided within table 1 above is analysed across the Councils subjective headings is set out in table 2 below.

Table 2 Quarter 3 Financial Monitoring – Subjective Analysis

	Original Budget 2021/22 £'000	Working Budget 2021/22 £'000	Q3 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Employees	24,831	24,856	15,911	25,567	(711)
Premises Related Exp	5,729	5,728	5,098	5,941	(213)
Transport Related Exp	1,175	1,176	962	1,417	(241)
Supplies and Services	10,418	10,540	8,248	11,855	(1,315)
Transfer Payments	22,027	22,027	13,865	22,027	0
Support Services	130	139	41	111	+28
Capital Charges	17	17	0	17	0
Capital Financing Costs	1,797	1,797	1,445	1,394	+403
Appropriations	532	532	0	508	+24
Income	(47,428)	(47,584)	(39,855)	(49,682)	+2,098
Capital Financing Inc	(300)	(300)	0	(300)	0
<b>Sub Total</b>	<b>18,928</b>	<b>18,928</b>	<b>5,715</b>	<b>18,855</b>	<b>+73</b>
Net Recharges to Housing Revenue Account	(1,015)	(1,015)	0	(1,015)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	1,516	(139)	0
Revenue Reserve funded items included in above analysis	2,362	5,298	225	3,985	+1,313
Revenue Reserve funded items included in above analysis	(2,362)	(5,298)	0	(3,985)	(1,313)
<b>Sub Total</b>	<b>(1,154)</b>	<b>(1,154)</b>	<b>1,741</b>	<b>(1,154)</b>	<b>0</b>
<b>General Fund Revenue Budget</b>	<b>17,774</b>	<b>17,774</b>	<b>7,456</b>	<b>17,701</b>	<b>+73</b>

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

## 7.0 Housing Revenue Account Summary Position

7.1 As at the end of Q3 we are currently projecting a year end overspend against budget of **£0.266M**. A summary of the Q3 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 2 Financial Monitoring – HRA Service Analysis

	Original Budget 2021/22 £'000	Working Budget 2021/22 £'000	Q3 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
Policy & Management	1,718	2,017	1,151	2,013	+4
Repairs & Maintenance	5,790	5,865	1,709	5,951	(86)
Welfare Services	(157)	(157)	(263)	(181)	+24
Special Services	172	172	190	186	(14)
Miscellaneous Expenses	680	680	440	767	(87)
Income Account	(14,672)	(14,672)	(10,544)	(14,572)	(100)
Capital Charges	5,532	5,532	0	5,532	0
Appropriations	417	43	13	50	(7)
<b>Sub Total</b>	<b>(520)</b>	<b>(520)</b>	<b>(7,304)</b>	<b>(254)</b>	<b>(266)</b>
Net Recharges to General Fund	520	520	0	520	0
<b>Housing Revenue Account Budget</b>	<b>0</b>	<b>0</b>	<b>(7,304)</b>	<b>266</b>	<b>(266)</b>

7.2 Significant predicted year end variances including:-

- An anticipated reduction in income (-£0.100M) due to longer re-let times in independent living schemes following knock-in impact from the pandemic
- An increase in council tax payable on void properties due to longer re-let times following knock-on impact from the pandemic (-£0.049M)
- An increase on property insurance premiums (-£0.037M)
- A forecast increase in expenditure on Repairs & Maintenance (-£0.086M) mainly relating to compliancy consultancy

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

## 8.0 Capital Projects (General Fund & HRA)

- 8.1 At Q3 we are currently projecting a year end variance against budget of **£36.138M** (General Fund £35.530M HRA £0.608M) (Q2 General Fund £32.862M and HRA (£047M)). Summary details for both the General Fund and HRA are set out in table 4 below.

Table 4 Quarter 1 Financial Monitoring – Capital Projects

	Original Budget 2021/22 £'000	Working Budget 2021/22 £000	Q3 Actual 2021/22 £'000	Projected Outturn 2021/22 £'000	Projected Variance 2021/22 £'000
<b>Communities and Environment</b>					
Business Support	3,084	2,939	46	1,022	1,917
Customer Involvement & Leisure	2,057	1,614	98	1,436	178
Public Protection	0	0	0	0	0
Housing Services	480	1,230	0	105	1,125
Public Realm	17,424	15,388	(3,031)	230	15,158
<b>Total</b>	<b>23,045</b>	<b>21,171</b>	<b>(2,887)</b>	<b>2,793</b>	<b>18,378</b>
<b>Economic Growth and Regeneration</b>					
Planning & Place	777	871	0	110	761
Economic Development	0	0	0	0	0
Property Investment & Regeneration	17,710	18,217	3,714	3,583	14,634
<b>Total</b>	<b>18,487</b>	<b>19,088</b>	<b>3,714</b>	<b>3,693</b>	<b>15,395</b>
<b>Corporate Services</b>					
HR	0	0	(40)	0	0
ICT	135	235	85	149	86
Corporate Services Development Pool	1,671	1,671	0	0	1,671
<b>Total</b>	<b>1,806</b>	<b>1,906</b>	<b>45</b>	<b>149</b>	<b>1,757</b>
<b>Central Services</b>					
Chief Executive	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GENERAL FUND - TOTAL</b>	<b>43,338</b>	<b>42,165</b>	<b>872</b>	<b>6,635</b>	<b>35,530</b>
<b>Housing Revenue Account</b>					
Adaptations	300	360	216	360	0
Energy Efficiency / Boiler Replacement	959	969	372	969	0
Kitchen / Bathroom Refurbishment	888	888	0	138	750
External Refurbishment	192	235	43	235	0
Environmental Improvements	360	405	418	1,127	(722)
Re-roofing / Window Renewals	1,093	1,185	341	940	245
Rewiring	54	84	14	84	0
Lift Replacement	0	0	0	0	0
Fire Precaution Works	150	150	22	150	0
Housing Renewal & Renovation	1,217	1,350	833	1,015	335
<b>HOUSING REVENUE ACCOUNT - TOTAL</b>	<b>5,213</b>	<b>5,626</b>	<b>2,259</b>	<b>5,018</b>	<b>608</b>
<b>GRAND TOTAL</b>	<b>48,551</b>	<b>47,791</b>	<b>3,131</b>	<b>11,653</b>	<b>36,138</b>

8.2 The following significant budget adjustments have been made up to Q3 to reflect slippage from 2020/21 and subsequent changes approved by Cabinet particularly those in respect of the De-carbonisation project as Salt Ayre Leisure Centre.

GF: (£1.173)M

HRA: £0.413M

8.3 The significant underspending against budget relates principally to General Fund. Of this £5.191M relates to forecast slippage of works into 2022/23. The remainder relates to schemes currently within the Council's Development Pool which have not been progressed. A full review of the Capital Programme has been undertaken as part of the 2022/23 budget process and such schemes have been removed achieving considerable revenue budget savings.



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

## 9.0 Reserves

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

9.2 We are currently projecting the Council's unallocated balances to increase to **£5.614M** from the original budgeted position of **£4.529M**. Overall the combined level of usable reserves is forecast to increase to **£20.360M** against the original budgeted balance of **£15.639M**. Table 5 Quarter 3 Financial Monitoring – Reserves provides summary details for both Unallocated and Earmarked Reserves. Appendix H: Reserves Projected Outturn provides further detailed analysis.

Table 5 Quarter 1 Financial Monitoring – Reserves

	<----- ORIGINAL BUDGET ----->					<----- PROJECTED OUTTURN ----->				
	31 March 2021	From Revenue	To / (From) Capital	To Revenue	31 March 2022	31 March 2021	From Revenue	To / (From) Capital	To Revenue	31 March 2022
	£	£	£	£	£	£	£	£	£	£
<b>Unallocated Balances</b>	(6,796,000)			2,267,000	(4,529,000)	(7,808,400)			2,194,000	(5,614,400)
<b>Total Earmarked Reserves</b>	(12,885,100)	(1,807,986)	1,113,000	2,470,000	(11,110,086)	(25,637,200)	(2,061,386)	1,104,000	11,848,649	(14,745,937)
<b>Total Combined Reserves</b>	(19,681,100)	(1,807,986)	1,113,000	4,737,000	(15,639,086)	(33,445,600)	(2,061,386)	1,104,000	14,042,649	(20,360,337)

9.3 The increase is a result of a number of factors such as the impact of the backed dated Green Energy Disregard on the 2019/20 balance, inclusion of the 2020/21 surplus and growth in the Business Rates Retention Reserve to reflect current government guidance for the treatment of Collection Fund deficits on the Council's finances. Table 6 Reserves Movement reconciles the movement between the budgeted and forecast closing position.

Table 6 Reserves Movement

		<b>£M</b>
<b>Budgeted Combined Level</b>		<b>15.639</b>
Reserve		
General Fund Unallocated	2021/22 Forecast Underspend	0.073
	2020/21 Actual Surplus	0.695
	2019/20 Impact of backdated Green Energy Disregard	0.317
Business Rates Retention	First year exception Collection Fund deficit	1.180
	Contribution to 2021/22 Collection Fund Deficit	0.558
s106 Commuted Sums	Increase in s106 monies during 2020/21	0.153
	s106 monies received during 2021/22	0.256
Various	Projected use of reserves to finance revenue	1.489
	expenditure during 2021/22 lower than originally forecast due to slippage in project delivery and delays in usage of regeneration feasibility monies set aside	
<b>Projected Combined Level</b>		<b>20.360</b>

- 9.4 The use of the Council's reserves to manage fluctuations in expenditure and income will be key to the delivery of the Council's stated priorities and outcomes over the next 4 years and will be kept under review by Officers and Members. The current forecast includes £2.194M to balance the 2021/22 budget with current projections requiring further calls to balance future budgets 2023/24 (£2.165M), 2024/25 (£3.211M) and 2025/26 (£3.997M).

## 10.0 Collection Fund

### Business Rates

- 10.1 Similarly to 2020/21, Central Government has introduced a scheme of enhanced rates reliefs applying to occupied retail, leisure, and hospitality properties. The discounts are 100% for the period April to June reducing to 66% from July. Funds to fully reimburse local authorities for the local share of these enhanced reliefs have been paid on account using a grant under section 31 of the Local Government Act 2003, with a full reconciliation to be carried out at year-end. The Council expects to use £3.424M in respect of 2021/22 which will be credited to the Council's General Fund and held in the Revenue Grants Unapplied reserve to offset any business rates deficit carried forward. An amount of £6.914M is already held in the Revenue Grants Unapplied reserve to offset against the prior year deficit.
- 10.2 The collection rate for Business Rates is currently 76%, which is slightly behind the Q2 profiled position of 78.3%. Based on this level of performance collection would be slightly below the annual target 98.0%.

### Council Tax

- 10.3 The number of Local Council Tax Support claimants appear to have stabilised at around 1,300, although this is considerably higher than the position in March 2020. The current collection rate for Council Tax is Q2 82% which is slightly behind the profiled position at 83.8% with current forecasts expected to exceed the annual target of 95.%.

## 11.0 WRITE OFFS

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

Table 7: Write Off's

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Total</b>
Council Tax	39,876	15,565	TBC	55,441
Business Rates	16,117	33,521	TBC	49,638
Housing Benefit Overpayments	61,404	16,565	28,851	106,820
				<b>211,899</b>

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