

CABINET

Delivering Our Priorities: Q1 2023/24 12 September 2023

Report of Chief Executive & s151 Officer

PURPOSE OF REPORT				
To provide members with an update on performance, projects, and resources during the first quarter of 2023/24 (April – June 2023).				
Key Decision	N	Non-Key Decision		Referral from Cabinet Member
Date of notice of forthcoming key decision		N/A		
This report is public				

RECOMMENDATIONS OF COUNCILLOR HAMILTON-COX

That Cabinet

- (1) Consider the update on performance, projects, and resources for Quarter 1 2023/24.

1.0 INTRODUCTION

- 1.1 The primary purpose of this report is to present information relating to the council's projects, performance and resources for the period April-June 2023, which can be found within the appendices.

2.0 PERFORMANCE REPORTING

- 2.1 The highlight report at Appendix A provides a broadly consistent set of information across 2022-23 and Q1 2023-24.
- 2.2 Gas KWH usage in council buildings has reduced significantly. This has been attributed to Improvements in data collection combined with energy saving measures.
- 2.3 The measure which was "Average number of days' sickness per full-time employee" has been replaced with "Average number of days' sickness per full-time equivalent" to give a truer picture of absence rates as all employees are now included.

3.0 PROJECT REPORTING

- 3.1 The highlight report shows the majority of the council's Strategic Projects are progressing as planned at the end of Quarter 1 2023-24.
- 3.2 Three projects are reporting as Amber:

- Heritage Action Project and Outcomes Based Resourcing due to delays encountered
- Fair Work Charter due to lack of buy in from businesses and resource issues

3.3 The District Heat Network Feasibility study has now concluded.

4.0 FINANCIAL MONITORING

4.1 The 2023/24 Budget and Medium-Term Financial Strategy (MTFS) 2022-2026 approved by Council in February 2023 set a balanced budget for the year based on the assumptions made at that time.

4.2 All portfolios are required to examine their revenue budgets and meet with their budget holders regularly and reports are submitted to Cabinet and Budget & Performance Panel for review. To enable Portfolio Holders to meet this requirement, Financial Services continually reviews and refreshes how it presents the Council's corporate monitoring information, with the Quarter 1 information distributed to Cabinet in August 2023.

4.3 In an attempt to aid understanding Members should note that where **projected variances** values are presented with brackets () this reflects a negative, or adverse movement from the budgeted position. Conversely, projected variances accompanied with a + sign represents a positive, or favourable movement from the budgeted position.

The following financial appendices accompany the financial monitoring section of this report

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

4.4 It should also be noted that **projected outturn figures are monitored against the working budget** and not the original budget within this report. The working budget includes approved virements and in-year budget adjustments. This alleviates a number of variances surrounding items such as 'grossing-up' of grant income/expenditure and movement of employees to different costs centres which is especially needed in these times of service restructuring. It provides a more accurate up-to date forecast and eliminates the need for duplicate reporting at service and subjective levels.

5.0 COST OF LIVING / ENERGY PRICE CRISIS

5.1 Since the energy budgets were prepared and approved in the previous financial year, there has been high price volatility within the sector. Only more recently the prices seemed to have settled allowing for a more accurate estimated year-end outturn projection. Where appropriate, initial projected variances have been included within the relevant service areas. For information, the estimated projected variance on energy budgets is £0.336M (£0.312M General Fund, £0.024M HRA). These areas will be closely monitored over the coming months and the latest projections will be included in an updated budget produced during Quarter 2 of the financial year, scheduled for reporting in November 2023.

5.2 As part of the 2023/24 budget setting process, an inflationary uplift of 4% was included to salaries across all services of the Council. The National Employers latest offer of an increase of £1,925 on all NJC pay points is currently out to consultation with the Unions. With regard to the financial impact on the Council, it is estimated to result in an estimated additional strain of £0.596M (£0.478M General Fund, £0.118M HRA) including oncosts. Note that although the pay award is not finalised, the marginal impact has been included in the projected outturns within service and has been included in the summary positions and

tables below as appropriate. For information, the Chief Officers pay award has already been agreed and included at 3.5%.

6.0 OUTCOMES BASED RESOURCING

- 6.1 As part of the 2023/24 budget setting process, Members approved a number of savings proposals which would save the Council £2.423M in 2023/24. The process to implement these savings is now underway and Appendix H details the progress of each proposal.
- 6.2 A number of the savings proposals include staffing issues which will ultimately incur restructuring costs. For the purpose of this report no severance payments have been included in the projected figures shown as the financing details are still to be finalised. There is the potential to utilise capital receipts to fund some of these costs (subject to asset disposals in year) or the restructuring reserve will be utilised in the first instance. A further update will be provided as part of the quarter 2 report.

7.0 GENERAL FUND SUMMARY POSITION

- 7.1 Quarter 1 (Q1) monitoring covers the period for April – June 2023. At the end of Q1 (June 2023) a year end underspend of **£0.280M** is projected against the Council's approved original net revenue budget of **£21.091M**. Members will recall that, as part of the 2023/24 budget setting process, Council approved a significant contribution from reserves of **£0.577M** in order to produce a balanced budget. The latest position suggest that the full amount will no longer be needed and there will instead be a call on reserves of **£0.297M**.
- 7.2 A summary of the Q1 revenue position for the main service accounts of the Council is set out in table 1 below with commentary on significant variances provided in the following paragraphs.

Table 1 Quarter 1 Financial Monitoring – Service Analysis

	Original Budget 2023/24 £'000	Working Budget 2023/24 £'000	Q1 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Working Variance 2023/24 £'000
Communities & Leisure	2,518	2,291	251	2,268	+23
Environment & Place	7,167	7,249	418	7,306	(57)
Governance	1,314	1,314	505	1,411	(97)
Housing & Property	1,368	1,513	(2,385)	1,236	+277
People & Policy	2,169	2,169	528	2,081	+88
Planning & Climate Change	1,705	1,705	226	1,815	(110)
Resources	4,521	4,521	(632)	4,337	+184
Sustainable Growth	97	97	(672)	(152)	+249
Corporate Services	(135)	(135)	(17)	427	(562)
Other Items	1,538	1,538	(1,058)	1,253	+285
Sub Total	22,262	22,262	(2,836)	21,982	+280
Net Recharges to Housing Revenue Account	(1,032)	(1,032)	0	(1,032)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	696	(139)	0
Revenue Reserve funded items included in above analysis	297	297	(65)	857	(560)
Revenue Reserve funded items included in above analysis	(297)	(297)	0	(857)	+560
Sub Total	(1,171)	(1,171)	631	(1,171)	0
General Fund Revenue Budget	21,091	21,091	(2,205)	20,811	+280
Financing Income	(10,481)	(10,481)	770	(10,481)	0
Council Tax Requirement	10,610	10,610	(1,435)	10,330	+280

Communities & Leisure +£0.023M Favourable

7.3 Significant budget variances : -

- Estimated pay award additional cost (-£0.117M)
- Salary savings +£0.238M including recharges to other local authorities for seconded officers
- Rechargeable staff time to externally funded projects +£0.067M)

- Salt Ayre Leisure Centre income (-£0.158M) partly due to lack of marketing support and resource in key cost centres, fortuitously the changes in the law around VAT will offset some of this shortfall

Environment & Place (-£0.057M) Adverse

7.4 Significant budget variances : -

- Estimated pay award additional cost (-£0.226M)
- Salary savings +£0.079M
- Energy price changes +£0.150M
- Transport costs have increased due to vehicle Repairs & Maintenance and associated hire costs arising from delayed delivery of new fleet (-£0.095M). Lead-in times have increased dramatically as a result over the last few years due to supply chain issues and this is expected to continue in the short term.
- Budgeted income from promenade vendors and events was reduced due to sites not being available in the future. Delays have resulted in the continuation of existing rentals +£0.041M

Governance (-£0.097M) Adverse

7.5 Significant budget variances : -

- Estimated pay award additional cost (-£0.012M)
- Salary costs (-£0.031M)
- Cost of living and mortgage interest rate increase has resulted in a downturn in the housing market resulting in a decline in applications since late last year (-£0.028M)

Housing & Property +£0.277M Favourable

7.6 Significant budget variances : -

- Estimated pay award additional cost (-£0.047M)
- Salary savings +£0.268M largely due to vacancies within private sector housing section
- Energy price changes +£0.095M
- Business rates payable due to vacant commercial unit at Hilmore Way (-£0.028M)

People & Policy +£0.088M Favourable

7.7 Significant budget variance: -

- Salary savings +£0.073M

Planning & Climate Change (-£0.110M) Adverse

7.8 Significant budget variances: -

- Estimated pay award additional cost (-£0.026M)
- Salary savings +£0.155M which includes 8fte vacant planning positions
- Additional cost of Capita consultancy required to deliver building control (-£0.130M)
- Planning fee income has slowed down in-line with nationwide trend (-£0.095M)

Resources +£184K Favourable

7.9 Significant budget variances: -

- Estimated pay award additional cost (-£0.017M)
- Salary savings +£0.199M including key accountancy and ICT vacancies

Sustainable Growth +£0.249M Favourable

7.10 Significant budget variances: -

- Estimated pay award additional cost (-£0.034M)
- Salary savings +£0.257M which includes Economic Development Manager position to be deleted and various positions now funded by UKSPF for interim period
- Energy price changes +£0.066M
- Market income (-£0.030M) down on last year with a higher number of vacant stalls and units. Publicity drive and signage improvements underway to encourage new stall holders.

Corporate Services (-£0.562M) Adverse

7.11 Significant budget variances: -

- The provision for staff turnover target (-£0.149M) 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 the additional pay award, agency and consultancy costs as appropriate) is expected to be underspent by (+£0.196M). However, as referenced earlier, it should be noted that the proposed pay award will have a significant detrimental impact on the council's finances and (-£0.478M) is included within this figure.
- An additional top-up pension payment in of £0.131M is due in respect of 2022/23 actual pensionable pay (originally planned for in 2022/23 but notified after the IAS 19 schedule had been prepared by the actuary so not able to be recognised in that year) together with a £0.049M pension strain payment arising from the senior management restructure.
- An amount of £0.232M income from HRA relating to a proportion of recharged pension cost is not expected as this cost is now accounted for directly within HRA.

Other Items +£0.285M Favourable

7.12 Significant budget variances: -

- The Council's minimum revenue provision (MRP) is underspending against budget as a result of slippage on Capital Programme schemes during 2022/23.

7.13 Appendix B: General Fund Service Analysis (Q1) covers this information in more detail and provides summary percentage variations for variances +/- £30K. Appendix I provides additional analysis across individual service areas

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

Table 2 Quarter 3 Financial Monitoring – Subjective Analysis

	Original Budget 2023/24 £'000	Working Budget 2023/24 £'000	Q1 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Working Variance 2023/24 £'000
Employees	24,741	24,804	5,626	24,546	+258
Premises Related Exp	6,967	6,973	1,764	6,684	+289
Transport Related Exp	1,656	1,656	415	1,753	(97)
Supplies and Services	12,934	12,934	3,548	14,411	(1,477)
Transfer Payments	21,977	21,977	4,744	21,977	0
Support Services	60	60	20	139	(79)
Capital Charges	17	17	0	17	0
Capital Financing Costs	2,152	2,152	0	2,152	0
Appropriations	1,255	1,255	0	970	+285
Income	(49,197)	(49,266)	(18,948)	(50,367)	+1,101
Capital Financing Inc	(300)	(300)	0	(300)	0
Sub Total	22,262	22,262	(2,831)	21,982	+280
Net Recharges to Housing Revenue Account	(1,032)	(1,032)	0	(1,032)	0
RMS Capital Charges (now Housing Revenue Account)	(139)	(139)	696	(139)	0
Revenue Reserve funded items included in above analysis	297	297	(65)	857	(560)
Revenue Reserve funded items included in above analysis	(297)	(297)	0	(857)	+560
Sub Total	(1,171)	(1,171)	631	(1,171)	0
General Fund Revenue Budget	21,091	21,091	(2,200)	20,811	+280
Financing Income	(10,481)	(10,481)	770	(10,481)	0
Council Tax Requirement	10,610	10,610	(1,430)	10,330	+280

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

8.0 HOUSING REVENUE ACCOUNT SUMMARY POSITION

8.1 As at the end of Q1, a year end overspend against budget of **(-£0.231M)** is projected. A summary of the Q1 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 3 Financial Monitoring – HRA Service Analysis

	Original Budget 2023/24 £'000	Working Budget 2023/24 £'000	Q1 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Working Variance 2023/24 £'000
Policy & Management	2,883	3,133	588	3,157	(24)
Repairs & Maintenance	7,272	7,272	1,463	7,990	(718)
Welfare Services	(20)	(20)	(271)	204	(224)
Special Services	232	232	77	276	(44)
Miscellaneous Expenses	1,027	987	97	1,097	(110)
Income Account	(16,450)	(16,450)	(3,730)	(16,405)	(45)
Capital Charges	5,453	5,453	0	5,453	0
Appropriations	(914)	(1,124)	0	(2,058)	+934
Sub Total	(517)	(517)	(1,776)	(286)	(231)
Net Recharges to General Fund	517	517	0	517	0
Housing Revenue Account Budget	0	0	(1,776)	231	(231)

8.2 Significant budget variances: -

- Estimated pay award additional cost (-£0.118M)
- Energy price changes +£0.024M
- Additional rent loss from voids due to ongoing capital projects (-£0.145M)

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

9.0 CAPITAL PROJECTS (General Fund & HRA)

9.1 At Q1 a year end variance against budget of **£2.589M** (General Fund + £4.002M, HRA (-£1.413M) is projected. Summary details for both the General Fund and HRA are set out in table 4 below.

Table 4 Quarter 1 Financial Monitoring – Capital Projects

	Original Budget 2023/24 £'000	Working Budget 2023/24 £'000	Q1 Actual 2023/24 £'000	Projected Outturn 2023/24 £'000	Projected Variance 2023/24 £'000
General Fund					
Communities & Leisure	161	161	205	264	(103)
Environment & Place	1,239	1,239	(116)	1,608	(369)
Housing & Property	2,283	2,305	(1,758)	2,869	(564)
People & Policy	0	0	(40)	0	0
Planning & Climate Change	4,487	4,487	(246)	487	+4,000
Resources	965	965	64	1,206	(241)
Sustainable Growth	2,221	2,221	(4,285)	942	+1,279
Other Items	0	0	(62)	0	0
GENERAL FUND - TOTAL	11,356	11,378	(6,238)	7,376	4,002
Housing Revenue Account					
Adaptations	300	300	74	300	0
Energy Efficiency / Boiler Replacement	999	999	94	1,193	(194)
Kitchen / Bathroom Refurbishment	938	938	140	970	(32)
External Refurbishment	357	357	35	393	(36)
Environmental Improvements	150	150	40	150	0
Re-roofing / Window Renewals	557	557	77	736	(179)
Rewiring	88	88	29	125	(37)
Lift Replacement	0	0	0	0	0
Fire Precaution Works	280	280	58	520	(240)
Housing Renewal & Renovation	2,527	2,527	1,624	3,222	(695)
Mainway Pilot Scheme	0	0	0	0	0
HOUSING REVENUE ACCOUNT - TOTAL	6,196	6,196	2,171	7,609	(1,413)
GRAND TOTAL	17,552	17,574	(4,067)	14,985	+2,589

- 9.2 The Capital Programme working budget has been adjusted to include the following fully grant funded schemes:

	£M
Electric Taxis	0.341
UK Shared Prosperity Fund Capital Funding	0.527
Rural England Prosperity Fund Capital Funding	0.500

In addition, the budget for Caton Road Flood Defence works has been grossed up by £1.115M to reflect additional grant claimed from the Environment Agency and the budget for Home Improvement Agency Vehicle Purchases has been increased by £0.022M to reflect the availability of further capital receipts from Disabled Facilities grants clawed back since the scheme was first approved.

- 9.3 The underspending against budget relates principally to General Fund. Schemes currently in the Development Pool account for £5.1M of the underspend. Slippage of £2.234M from 2022/23 pending approval by Cabinet has not yet been included in the programme and the impact of this will be reflected at quarter 2 mitigating some of the apparent overspends on individual schemes at quarter 1.
- 9.4 Three schemes within the General Fund capital programme are currently expected to overspend largely as a result of unexpected costs. These are Mellishaw Park (-£0.148M), Gateway Low Voltage Switchgear & Solar Array (-£0.056M) and 1 Lodge Street (-£0.057M).
- 9.5 The overall projected overspend on the HRA Capital Programme of (-£1.413M) relates mainly to the slippage requested in the outturn report also on this agenda.
- 9.6 Appendix E General Fund Capital Projects and Appendix F HRA Capital Projects provide further information and summary commentary.

10.0 RESERVES

- 10.1 The Council's provisional outturn position for 2022/23 in respect of reserves is reported elsewhere on this agenda. The projected reserve position has been updated to reflect this and has seen the Council's opening level of unallocated balances increase to £11.678M with the combined level of reserves currently £24.753M, £4.110M higher than originally forecast. Table 5 Reserves Movement reconciles the movement between the budgeted and forecast opening position.

Table 5

	£M
Budgeted Combined Level of Reserves	20.643
Reserve	
<u>General Fund Unallocated</u>	
2022/23 forecast contribution from reserve	2.800
2022/23 actual contribution from reserve	(0.267)
<u>Revenue Grants Unapplied</u>	
Revenues new burdens grants transferred to reserve to support Revenues Shared Services work	0.204
<u>Business Rates Retention Reserve</u>	
Contribution to cover increase in forecast levy & S31 grant repayment not utilised	0.688
Various	
Slippage on projects & initiatives from 2022/23	0.895
Movements on s106 Reserves	(0.230)
Underspends & Allocations no longer required	0.020
	24.753

- 10.2 The Council's unallocated balances are projected to be **£9.469M**. This takes account of the projected net overspend reported here. Overall, the combined level of usable reserves is forecast to decrease to **£21.829M**. Table 6 Quarter 1 Financial Monitoring – Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 6 Quarter 3 Financial Monitoring – Reserves

	<----- ORIGINAL BUDGET ----->				<----- PROJECTED OUTTURN ----->					
	31 March 2023	From Revenue	To / (From) Capital	To Revenue	31 March 2024	31 March 2023	From Revenue	To / (From) Capital	To Revenue	31 March 2024
	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	(9,145,100)				(9,145,100)	(11,678,400)			2,209,000	(9,469,400)
Total Earmarked Reserves	(11,497,500)	(2,591,000)	187,000	2,019,000	(11,882,500)	(13,074,700)	(2,591,000)	187,000	3,118,600	(12,360,100)
Total Combined Reserves	(20,642,600)	(2,591,000)	187,000	2,019,000	(21,027,600)	(24,753,100)	(2,591,000)	187,000	5,327,600	(21,829,500)

- 10.3 Appendix G: Reserves Projected Outturn provides further detailed analysis.

- 10.4 The Council's reserves will be used to manage the impact of the cost of living crisis and also support the work to address the underlying structural deficit through the OBR process. As a result, they are fundamental to ensuring the financial sustainability of the Council as it deals with these pressures and will be kept under review by Officers and Members.

11.0 COLLECTION FUND

Business Rates

- 11.1 At the Autumn Statement on 17 November 2022 Central Government announced the introduction of a new business rates relief scheme for retail, hospitality and leisure properties in 2023/24. The 2023/24 Retail, Hospitality and Leisure Business Rates Relief scheme provides eligible, occupied, retail, hospitality and leisure properties with a 75% relief, up to a cash cap limit of £110,000 per business. The government will fully reimburse billing authorities and major precepting authorities for their loss of income under the rates retention scheme as a result of awarding the relief, using a grant under section 31 of the Local Government Act 2003.

- 11.2 The collection rate for Business Rates is currently 36.8%, which is ahead of the profiled target of 33.0%. The annual target is 98.0%.

Council Tax

- 11.3 The current collection rate for Council Tax is 28.4% which is slightly ahead of the profiled target of 27.9%. The annual target is 95.0%. The number of Local Council Tax Support claimants at Q1 is 9,549.

12.0 WRITE OFFS

- 12.1 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 Offs

	Q1	Q2	Q3	Q4	Total
Council Tax	54,395				54,395
Business Rates	190,998				190,998
Housing Benefit Overpayments	0				0
Housing Rents (HRA)	31,577				31,577
Total	276,970	0	0	0	276,970

12.2 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.

<p>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.</p>	
<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing) None directly identifiable, due to the high level nature of this report.</p>	
<p>LEGAL IMPLICATIONS There are no legal implications directly arising.</p>	
<p>FINANCIAL IMPLICATIONS As set out in the report</p>	
<p>OTHER RESOURCE IMPLICATIONS Human Resources / Information Services / Property / Open Spaces: References and any related implications are contained within the report and related appendices.</p>	
<p>SECTION 151 OFFICER'S COMMENTS The report has been written by the Section 151 Officer.</p>	
<p>MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments</p>	
<p>BACKGROUND PAPERS None.</p>	<p>Contact Officers: Paul Thompson Chief Finance Officer & s151 Officer Telephone: 01524 582603 E-mail: pthompson@lancaster.gov.uk Ref:</p>