

# CABINET

## Delivering Our Priorities: Q1 2024/25 10 September 2024

### Report of Chief Executive & s151 Officer

PURPOSE OF REPORT				
To provide members with an update on financial performance during the first quarter of 2024/25 (April – June 2024).				
Key Decision	<b>N</b>	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 financial performance for Quarter 1 2024/25.

#### 1.0 INTRODUCTION

- 1.1 The primary purpose of this report is to present information relating to the Council's financial performance for the period April-June 2024, which can be found within the appendices.

#### 2.0 FINANCIAL MONITORING

- 2.1 The 2024/25 Budget and Medium-Term Financial Strategy (MTFS) 2024-2029 approved by Council in February 2024 set a balanced budget for the year based on the assumptions made at that time.
- 2.2 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 2024.
- 2.3 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 A: General Fund Service Analysis
- Appendix B: General Fund Subjective Analysis
- Appendix C: HRA Service Analysis
- Appendix D: General Fund Capital Projects

Appendix E:	HRA Capital Projects
Appendix F:	Reserves Projected Outturn
Appendix G:	Approved Savings Monitoring
Appendix H:	Service Analysis
Appendix I:	Treasury Management Quarterly Update

- 2.4 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 reduces a number of variances in respect of items such as 'grossing-up' of grant income/expenditure and the movement of employees to different costs centres which is especially needed during 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.

### 3.0 SALARY PROJECTIONS

- 3.1 Salary expenditure is one of the largest areas of expenditure in the Council and the latest budgeted pay bill for direct employee expenses is £32.592M (£26.333M General Fund, £6.259M HRA).

As part of the 2024/25 budget setting process, an inflationary uplift of 5.95% was included to salaries across all services of the Council. The National Employers latest offer of an increase of £1,290 on all NJC pay points is currently out to consultation with the Unions. Whilst the offered increase is a flat monetary increase, the proposal is estimated to be lower than the budgeted inflationary uplift amount included. For information, should the pay award be agreed at the latest offer level, annual savings in the region of £0.599M (£0.460M General Fund, £0.099M HRA) could be achieved.

Note that as the pay award is not finalised, no marginal impact has been included in the projected outturns within service and has been included in the summary positions and tables below as appropriate. It is hopeful for a further update to be available at Quarter 2.

The Chief Officers pay award has already been agreed and included at 2.5%.

### 4.0 OUTCOMES BASED RESOURCING

- 4.1 As part of the 2024/25 budget setting process, Members approved savings and budget proposals to save the Council £1.108M in 2024/25. The process to implement these savings is now underway and Appendix G details the progress of each proposal.
- 4.2 A majority of these net savings were budgeted to be achieved by the increase of fees and charges for which additional receipts of £0.838M were included. However, at this early stage within the financial year, this is difficult to project as there are shortfalls in income across services which may be attributable to other issues over pricing strategy. Where income shortfalls are already known, income has been updated within the service analysis and in section 5 below but for the time being, an on-track projected variance has been included for reporting purposes within the appendix.

For information, the key areas of off-street car parking and garden waste collection are performing within acceptable tolerances and don't warrant inclusion at this point in time. A more robust projection for all areas will be provided at Quarter 2.

## 5.0 GENERAL FUND SUMMARY POSITION

5.1 Quarter 1 (Q1) monitoring covers the period for April – July 2024. At the end of Q1 (July 2024) a year end overspend of **£0.157M** is projected against the Council's approved original net revenue budget of **£25.008M**. As part of the 2024/25 budget setting process, Council approved a contribution to reserves of **£0.250M** to produce a balanced budget. The latest position suggests that the projected net amount contributed to reserves in respect of general fund activities will be **£0.093M**.

5.2 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

	Provisional Outturn 2023/24 £'000	Original Budget 2024/25 £'000	Working Budget 2024/25 £'000	Q1 Actual 2024/25 £'000	Projected Outturn 2024/25 £'000	Projected Variance 2024/25 £'000
Environment & Place	9,154	7,886	7,980	(125)	8,398	(418)
Governance	1,588	1,592	1,592	68	1,618	(26)
Housing & Property	2,296	3,002	2,917	(2,617)	2,810	+107
People & Policy	3,397	2,644	2,644	861	2,463	+181
Planning & Climate Change	1,447	2,043	2,099	492	2,014	+85
Resources	3,959	4,873	4,873	6,315	4,724	+149
Sustainable Growth	(642)	(1,134)	(1,199)	(1,346)	(1,122)	(77)
Corporate Accounts	2,093	98	98	(272)	256	(158)
Other Items	4,675	5,169	5,169	(660)	5,169	0
<b>Sub Total</b>	<b>27,967</b>	<b>26,173</b>	<b>26,173</b>	<b>2,716</b>	<b>26,330</b>	<b>(157)</b>
Net Recharges to Housing Revenue Account	(1,032)	(1,026)	(1,026)	(1,026)	(1,026)	0
RMS Capital Charges (now Housing Revenue Account)	(130)	(139)	(139)	1,376	(139)	0
Revenue Reserve funded items included in above analysis	1,295	1,272	1,444	178	4,270	(2,826)
Revenue Reserve funded items included in above analysis	(1,295)	(1,272)	(1,444)	0	(4,270)	+2,826
<b>Sub Total</b>	<b>(1,162)</b>	<b>(1,165)</b>	<b>(1,165)</b>	<b>528</b>	<b>(1,165)</b>	<b>0</b>
<b>General Fund Revenue Budget</b>	<b>26,805</b>	<b>25,008</b>	<b>25,008</b>	<b>3,244</b>	<b>25,165</b>	<b>(157)</b>
Financing Income	(16,351)	(14,080)	(14,080)	3,443	(14,080)	0
<b>Council Tax Requirement</b>	<b>10,454</b>	<b>10,928</b>	<b>10,928</b>	<b>6,687</b>	<b>11,085</b>	<b>(157)</b>

### Environment & Place (-£0.418M) Adverse

5.3 Significant budget variances : -

- General staff turnover savings +£0.341M due to vacancies across the service offset by overspend within waste collection due to high levels of long-term sickness (-£0.047M)
- Projected income at Splash Park reduced due to poor summer weather to date (-£0.026M)
- Increased supplier costs at SALC (-£0.055M), significant income shortfalls, including Spa and Swimming (-£0.240M)
- Vehicle R&M (-£0.111M) across street cleaning and waste collection due to extension of vehicles whilst further information sought surrounding food waste collection; hire vehicles now returned (-£0.015M)
- Additional trade waste disposal costs for recycling (-£0.135M)
- Williamson Park Zoo, wedding venue and park no longer exempt from business rates and charging back-dated to 2017/18 (-£0.061M)

### Governance (-£0.026M) Adverse

5.4 Significant budget variances : -

- Agency cover for Procurement Officer (-£0.026M) offset by vacant post savings within service +£0.036M
- Reduced Search Fee income (-£0.026M) due to current market conditions
- Street Trading Consent scheme not yet commenced (-£0.020M)

Housing & Property +£0.107M Favourable

5.5 Significant budget variances: -

- Salary savings +£0.079M largely due to vacancies within private sector housing and property services sections
- Net additional rent income due to lease and other commercial property changes +£0.054M
- Reduction in income due to Selective Licensing scheme not progressing (-£0.136M), off-set by salary savings +£0.135M

People & Policy +£0.181M Favourable

5.6 Significant budget variance: -

- Savings from retirement of senior management officers +£0.179M

Planning & Climate Change +£0.085M Favourable

5.7 Significant budget variances: -

- Savings from 9 vacant posts currently in process of re-advertising +£0.139M
- Additional cost of planning appeals & works in default (-£0.059M)

Resources +£0.149M Favourable

5.8 Significant budget variances: -

- Salary savings +£0.124M including key accountancy and ICT vacancies.
- Net saving on data line connections and ICT support costs +£0.029M

Sustainable Growth +£0.077M Adverse

5.9 Significant budget variances: -

- Salary savings +£0.058M which includes 4 vacant Engineer posts and a reduction in post hours
- Business rates revaluations largely relating to off-street car parks (-£0.027M)
- Market income (-£0.100M) down on last year with a higher number of vacant stalls and units. A publicity drive and signage improvements are underway to encourage new stall holders

Corporate Accounts (-£0.158M) Adverse

5.10 Significant budget variances: -

- The provision for staff turnover target (-£0.158M) is held within Corporate Services whilst the additional costs/savings generated are attributed to the individual service lines. The council salary related position as a whole (including the additional pay award, agency and consultancy costs) is expected to be underspent by +£0.913M. However, it should be noted again that the impact of the pay award has had not been included within the figures presented.

5.11 Appendix A: General Fund Service Analysis (Q1) set out the above information in more detail and provides summary percentage variations for variances +/- £30K. Appendix H provides additional analysis across individual service areas.

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

Table 2 Quarter 1 Financial Monitoring – Subjective Analysis

	Provisional Outturn 2023/24 £'000	Original Budget 2024/25 £'000	Working Budget 2024/25 £'000	Q1 Actual 2024/25 £'000	Projected Outturn 2024/25 £'000	Projected Variance 2024/25 £'000
Employees	26,117	25,932	26,136	5,514	25,178	+958
Premises Related Exp	6,215	5,210	5,168	1,699	5,311	(143)
Transport Related Exp	2,094	1,658	1,658	274	1,787	(129)
Supplies and Services	16,279	14,294	18,151	3,797	18,550	(399)
Transfer Payments	25,310	21,977	21,977	4,848	21,977	0
Support Services	151	141	228	0	228	0
Capital Charges	0	17	17	0	17	0
Capital Financing Costs	1,132	1,542	1,542	0	1,542	0
Appropriations	6,670	5,373	5,373	0	5,373	0
Income	(56,001)	(49,671)	(53,777)	(13,416)	(53,333)	(444)
Capital Financing Inc	0	(300)	(300)	0	(300)	0
<b>Sub Total</b>	<b>27,967</b>	<b>26,173</b>	<b>26,173</b>	<b>2,716</b>	<b>26,330</b>	<b>(157)</b>
Net Recharges to Housing Revenue Account	(1,032)	(1,026)	(1,026)	(1,026)	(1,026)	0
RMS Capital Charges (now Housing Revenue Account)	(130)	(139)	(139)	1,376	(139)	0
Revenue Reserve funded items included in above analysis	1,295	1,272	1,444	178	4,270	(2,826)
Revenue Reserve funded items included in above analysis	(1,295)	(1,272)	(1,444)	0	(4,270)	+2,826
<b>Sub Total</b>	<b>(1,162)</b>	<b>(1,165)</b>	<b>(1,165)</b>	<b>528</b>	<b>(1,165)</b>	<b>0</b>
<b>General Fund Revenue Budget</b>	<b>26,805</b>	<b>25,008</b>	<b>25,008</b>	<b>3,244</b>	<b>25,165</b>	<b>(157)</b>
Financing Income	(16,351)	(14,080)	(14,080)	3,443	(14,080)	0
<b>Council Tax Requirement</b>	<b>10,454</b>	<b>10,928</b>	<b>10,928</b>	<b>6,687</b>	<b>11,085</b>	<b>(157)</b>

5.13 Appendix B: General Fund Subjective Analysis covers this information in more detail.

## 6.0 HOUSING REVENUE ACCOUNT SUMMARY POSITION

6.1 As at the end of Q1, a year end overspend against budget of **(-£0.636M)** is projected. A summary of the Q1 revenue position for the HRA is set out in table 3 below.

Table 3 Quarter 1 Financial Monitoring – HRA Service Analysis

	Provisional Outturn 2023/24 £'000	Original Budget 2024/25 £'000	Working Budget 2024/25 £'000	Q1 Actual 2024/25 £'000	Projected Outturn 2024/25 £'000	Projected Variance 2024/25 £'000
Policy & Management	2,748	3,080	3,080	759	3,415	(335)
Repairs & Maintenance	7,935	6,911	6,911	1,056	7,041	(130)
Welfare Services	(90)	(237)	(237)	(160)	(237)	0
Special Services	266	238	238	74	245	(7)
Miscellaneous Expenses	1,039	952	952	162	1,173	(221)
Income Account	(17,551)	(17,985)	(17,985)	(4,397)	(18,090)	+105
Capital Charges	(4,298)	7,014	7,014	0	7,463	(449)
Appropriations	9,434	(490)	(490)	0	(891)	+401
<b>Sub Total</b>	<b>(517)</b>	<b>(517)</b>	<b>(517)</b>	<b>(2,506)</b>	<b>119</b>	<b>(636)</b>
Net Recharges to General Fund	517	517	517	517	517	0
<b>Housing Revenue Account Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,989)</b>	<b>636</b>	<b>(636)</b>

6.2 Significant budget variances: -

- Additional repairs costs relating to defending and settling disrepair claims (-£0.061M)
- Additional rent loss from voids due to ongoing capital projects (-£0.061M)
- Additional council tax on re-lets due to major voids and capital projects (-£0.107M)
- Additional service charge income including increased uptake of furniture package service +£0.167M, partly off-set by increase in costs (-£0.114M)
- Increase in depreciation charge (-£0.449M), due to 2023/24 revaluations

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



to increase Alder Grove Development to EPC A, this is currently projected to be funded from HRA Business Support Reserve, although the service is currently reviewing opportunities around changes to Right-to-Buy receipt funds which may enable a transfer of funds for this purpose.

7.5 Appendix D General Fund Capital Projects and Appendix E HRA Capital Projects provide further information and summary commentary.

## 8.0 RESERVES

8.1 The Council's General Fund unallocated balances are projected to be **£7.819M**. This takes account of the projected net overspend reported here. Overall, the combined level of usable reserves is forecast to be **£25.196M**. Table 6 Quarter 1 Financial Monitoring – General Fund Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 6 Quarter 1 Financial Monitoring – General Fund Reserves

	<----- ORIGINAL BUDGET ----->				<----- PROJECTED OUTTURN ----->					
	31 March 2024	From Revenue	To / (From) Capital	To Revenue	31 March 2025	31 March 2024	From Revenue	To / (From) Capital	To Revenue	31 March 2025
	£	£	£	£	£	£	£	£	£	£
<b>Unallocated Balances</b>	(8,620,400)	(1,070,000)	0	1,277,500	(8,412,900)	(10,327,000)	(913,000)		3,420,700	(7,819,300)
<b>Total Earmarked Reserves</b>	(12,349,300)	(1,492,300)	38,000	156,100	(13,647,500)	(17,039,000)	(1,492,300)	101,000	1,053,900	(17,376,400)
<b>Total Combined Reserves</b>	(20,969,700)	(2,562,300)	38,000	1,433,600	(22,060,400)	(27,366,000)	(2,405,300)	101,000	4,474,600	(25,195,700)

- 8.2 The increase in usage of unallocated balances since the budget was approved include :-
- The inclusion of slippage (-£0.608M) as detailed within the Provisional Outturn report to be considered on this agenda
  - The revenue overspend of (-£0.157M) as detailed in section 5.1
  - Supporting the refurbishment of the roof and cladding works at the Gateway building (-£1.413M)
  - Set-up costs relating to the Civica Property Management system (-£0.102M)
  - To commission a waste composite audit in order to prepare for the collection of food waste in order to meet the government's waste strategy (-£0.020M)
- 8.3 The increase in usage of unallocated balances since the budget was approved include :-
- The inclusion of slippage (-£0.912M) as detailed within the Provisional Outturn report to be considered elsewhere on this agenda
  - Vehicle Dynamic Assessments to be funded from corporate priorities (-£0.040M)
  - A landscape and heritage management plan at Williamson Park to be funded from corporate priorities (-£0.010M)
- 8.4 The Council's Housing Revenue Account unallocated balances are projected to be **£0.211M**. This takes account of the projected net overspend reported here. Overall, the combined level of usable reserves is forecast to be **£2.608M**. Table 7 Quarter 1 Financial Monitoring – Housing Revenue Account Reserves provides summary details for both Unallocated and Earmarked Reserves.

Table 7 Quarter 1 Financial Monitoring – Housing Revenue Account Reserves

	<----- ORIGINAL BUDGET ----->				<----- PROJECTED OUTTURN ----->					
	31 March 2024	From Revenue	To / (From) Capital	To Revenue	31 March 2025	31 March 2024	From Revenue	To / (From) Capital	To Revenue	31 March 2025
	£	£	£	£	£	£	£	£	£	£
<b>HRA Unallocated Balances</b>	(750,000)	(95,600)			(845,600)	(750,000)	(95,600)		634,900	(210,700)
<b>Total Earmarked Reserves</b>	(2,139,000)	(4,510,100)	4,325,700	770,100	(1,553,300)	(3,603,000)	(5,584,400)	5,611,300	1,178,900	(2,397,200)
<b>Total Combined Reserves</b>	(2,889,000)	(4,605,700)	4,325,700	770,100	(2,398,900)	(4,353,000)	(5,680,000)	5,611,300	1,813,800	(2,607,900)

- 8.5 As the projected net overspend will cause HRA unallocated balances to fall below the recommended minimum level of £0.750M, largely due to the anticipated increase in depreciation charges, work is underway to closely monitor areas of expenditure known to be under pressure, to evaluate forecast spends against service priorities as well as review the use of earmarked reserves in order to identify opportunities for the redirection of funds to support the revenue account. As noted in section 3, should the pay award be agreed at the latest offer level, annual savings in the region of £0.099M could be achieved within the HRA, but this has not been reflected within the figures presented.
- 8.6 Appendix F: Reserves Projected Outturn provides further detailed analysis for both funds.
- 8.7 The Council's reserves are used to manage pressures such as 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.

## 9.0 COLLECTION FUND

### Business Rates

- 9.1 At the Autumn Statement on 22 November 2023, the Chancellor announced a package of support worth £4.3 billion over the next 5 years to support small businesses and the high street. For 2024/25 the Chancellor announced that:
- The small business multiplier will be frozen at 49.9p
  - The standard multiplier will be updated in April by September's CPI figure (6.7%), increasing the multiplier from 51.2p to 54.6p
  - The 2024/25 Retail, Hospitality and Leisure (RHL) scheme will be extended for a fifth year into 2024/25, retaining the existing scope and providing eligible properties with 75% relief, up to a cap of £110,000 per business

These changes came into effect from 1 April 2024.

Local authorities will be expected to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988) to grant Retail, Hospitality and Leisure relief in line with the relevant eligibility criteria. Authorities will be compensated for the cost of granting these reliefs via a section 31 grant from the government. No new legislation will be required to deliver this scheme. [Business Rates Relief: 2024/25 Retail, Hospitality and Leisure Scheme - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/business-rates-relief-2024-25-retail-hospitality-and-leisure-scheme)

Section 1 of the Non-Domestic Rating Act 2023 created a mandatory relief to support business making improvements to properties they occupy. From 1 April 2024, businesses that have made qualifying improvements may benefit from 100% relief from higher bills for 12 months. The scheme will run until 1 April 2029.

- 9.2 The collection rate for Business Rates is currently 27.8%, which is ahead of the profiled target of 26.2%. The annual target is 98.0%.

### Council Tax

- 9.3 The current collection rate for Council Tax is 28.0% 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 9,418.

## 10.0 WRITE OFFS

10.1 Table 8 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 8: Write Offs

	Q1	Q2	Q3	Q4	Total
Council Tax	90,716				90,716
Business Rates	48,798				48,798
Housing Benefit Overpayments	16,847				16,847
Housing Rents (HRA)	4,085				4,085
<b>Total</b>	<b>160,446</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>160,446</b>

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

## 11.0 TREASURY MANAGEMENT

11.1 Appendix I gives a quarterly update in respect of treasury management activities and the most recent economic prospects.

11.2 The average level of funds available for investment at the end of quarter 1 was £21.69M. In terms of performance against external benchmarks the return on investment at the end of the period was a follows:

Base Rate	– 5.25%
7 day SONIA	– 5.20%
Lancaster City Council	– 5.23%

Details of investment holdings are set out in Appendix I

11.3 No new borrowing was undertaken during quarter 1 with balance sheet projections indicating that temporary borrowing may be required before the end of the financial year. The ultimate amount and timing of this will depend on working capital cashflows in the run up to year end which are kept under close review with a further update being made available at quarter 2.

11.4 The Council has operated withing the treasury and prudential indicators set out in its Treasury Management Strategy Statement for 2024/25. Appendix I gives an update in respect of prudential indicators showing the current forecast for the year against estimate and last year's actuals.

**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**

**(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.

**LEGAL IMPLICATIONS**

There are no legal implications directly arising.

**FINANCIAL IMPLICATIONS**

As set out in the report.

**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**

The report has been written by the Section 151 Officer.

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None.

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