



Committee: BUDGET AND PERFORMANCE PANEL

Date: TUESDAY, 17 JULY 2012

Venue: LANCASTER TOWN HALL

Time: 6.00 P.M.

Councillors are reminded that as members of Overview and Scrutiny they may not be subjected to the party whip, which is prohibited under the Lancaster City Council Constitution.

A G E N D A

1. Apologies for absence

2. Declaration of Interests

3. Minutes

Minutes of the Meeting held on 12 June 2012 (previously circulated).

4. Items of Urgent Business authorised by the Chairman

5. Salt Ayre Sports Centre

Verbal report of the Head of Community Engagement and Accountancy Services Manager.

6. Provisional Revenue and Capital Outturn 2011/12 (Pages 1 - 56)

Report of the Accountancy Services Manager. Members are advised that this report was considered by Cabinet on 3 July 2012.

7. Work Programme Report (Pages 57 - 67)

Report of the Head of Governance.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Susan Sykes (Chairman), Alycia James (Vice-Chairman), Tony Anderson, Dave Brookes, Janet Hall, Richard Newman-Thompson, Richard Rollins, Elizabeth Scott and Keith Sowden

(ii) Substitute Membership

Councillors Chris Coates, Mike Greenall, Roger Mace, Roger Sherlock, Emma Smith and Paul Woodruff

(iii) Queries regarding this Agenda

Please contact Tom Silvani, Democratic Services - telephone 01524 582132, or email tsilvani@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

Please contact Members' Secretary, telephone 582170, or alternatively email memberservices@lancaster.gov.uk.

MARK CULLINAN,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER LA1 1PJ

Published on 9 July 2012.

Budget and Performance Panel

Provisional Revenue and Capital Outturn 2011/12

17 July 2012

Report of Accountancy Services Manager

PURPOSE OF REPORT
To provide Members of the Panel with the Provisional Revenue and Capital Outturn for 2011/12.
This report is public

RECOMMENDATIONS

(1) That the report be noted.

1.0 Introduction

1.1 A copy of the report considered by Cabinet at its meeting on 03 July 2012 is appended for consideration by the Budget and Performance Panel.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None arising from this report.		
FINANCIAL IMPLICATIONS See attached report – no other implications arising directly.		
SECTION 151 OFFICER'S COMMENTS The s151 Officer has been consulted and has no further comments.		
LEGAL IMPLICATIONS There are no legal implications directly arising.		
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no comments to add.		
<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;"> BACKGROUND PAPERS None. </td> <td style="width: 50%;"> Contact Officer: Andrew Clarke Telephone: 01524 582138 E-mail: aclarke@lancaster.gov.uk Ref: </td> </tr> </table>	BACKGROUND PAPERS None.	Contact Officer: Andrew Clarke Telephone: 01524 582138 E-mail: aclarke@lancaster.gov.uk Ref:
BACKGROUND PAPERS None.	Contact Officer: Andrew Clarke Telephone: 01524 582138 E-mail: aclarke@lancaster.gov.uk Ref:	

CABINET

Provisional Revenue and Capital Outturn 2011/12
03 July 2012
Report of Head of Financial Services

PURPOSE OF REPORT				
This report provides summary information regarding the provisional outturn for 2011/12. It sets out information regarding the carry forward of underspent/overspent revenue budgets and capital slippage for Members' consideration. It also incorporates the treasury management outturn report and seeks approval of various Prudential Indicators for last year for referral on to Council.				
Key Decision	X	Non-Key Decision		Referral from Cabinet Member
Date Included in Forward Plan		July 2012		
This report is public.				

RECOMMENDATIONS OF COUNCILLOR BRYNING

1. That the provisional outturn for 2011/12 be noted, including the transfers to provisions and reserves actioned by the Head of Financial Services as set out in section 4.2 of the report.
2. That Cabinet considers the recommendations regarding carry forward of overspendings as set out at Appendix F.
3. That Cabinet considers the requests to carry forward underspent revenue budgets as set out in Appendix G.
4. That Cabinet approves the requests for capital slippage as set out at Appendix J.
5. That the Annual Treasury Management report as set out at Appendix K be noted and referred on to Council.
6. That the Prudential Indicators as at 31 March 2012 as set out at Appendix L be approved for referral on to Council.

1 BACKGROUND

All local authorities have a legal duty to produce annual accounts, in support of openness and accountability. The work required to close the 2011/12 accounts has now been completed and the draft Statement of Accounts will be signed off by 30 June to meet the statutory deadline. The Statement will be freely available on the Council's website.

This report provides Cabinet with an update on issues arising from the outturn, including treasury management, and seeks Cabinet approval for various matters. Councils' financial performance is integral to its service performance overall and Members are advised to consider this report in that context.

Please note that larger copies of the appendices are available on request.

2 PROVISIONAL REVENUE OUTTURN

- 2.1 A summary of the revenue outturn position for the main accounts of the Authority is set out below.

	Revised Budget £000	Provisional Outturn £000	Variance (Favourable) / Adverse £000
Housing Revenue Account (HRA) Deficit – relates to Council Housing services	(251)	(753)	(502)
General Fund Net Budget – covers all other Council services (but excludes parish precepts)	21,481	20,828	(653)

3 HOUSING REVENUE ACCOUNT (HRA)

- 3.1.1 The Housing Revenue Account was underspent in last year by approximately £502K (2010/11 comparative: £102K underspend). A summary of the HRA provisional outturn is included at **Appendix A** and outline variance analysis is attached at **Appendix B**. Points to note include the following:

- The bulk of smaller operational variances were picked up through quarterly monitoring. Significant savings were made on repair and maintenance, but these were not previously forecast. This is an area that is being addressed for future monitoring.
- A reduction in the level of arrears has resulted in a lower contribution to the bad debt provision. Finally, technical changes to the calculation of the Council's capital financing requirement have resulted in a lower interest recharge to the HRA.

- 3.1.2 Overall therefore, the outturn position for the HRA is favourable. Linked to this, the sections later in this report on carry forward requests and capital slippage include items relating to council housing.

4 GENERAL FUND

4.1 Revenue Outturn

- 4.1.1 After allowing for various year end adjustments, there has been a net underspending of £653K during 2011/12 and a summary statement is included at **Appendix C**. The underspending represents 3% of the Council's net budget requirement (2010/11 comparative: £1.087M underspend, 4.4% of budget).
- 4.1.2 This position is after providing for additional net contributions of £145K to provisions, more details of which are included in section 4.2 below. Before these contributions, the underspending was around £798K or 3.7% of the budget (2010/11 comparative: £1.6M underspend, 6% of budget; in last year extra contributions of around £500K were transferred into earmarked reserves).
- 4.1.3 A summary of the variances analysed primarily by service is included at **Appendix D**. The appendix also highlights the variances that were reported in Performance Review Team (PRT) meetings, and provides the following summary of the main factors behind the outturn position:

Factors influencing Outturn	Value (Favourable) / Adverse £'000
One-off windfalls and unforeseeable savings	(159)
Demand led variances	(581)
Efficiency savings	(139)
Service changes and reductions (including delays)	64
Budget setting issues / errors	1
Other variances (including where reasons are being clarified)	161
Net Total	(653)

- 4.1.4 The outturn is tighter than in previous years, although it is still felt there is some scope to strengthen budgeting still further.
- 4.1.5 All Service Heads have again committed to undertaking a full review of their underspendings over the summer, primarily as part of the current year's Quarter 1 reporting. The aim is still to draw out further savings and any service performance or financial improvements needed. Any budgetary matters arising will be reported through corporate monitoring and incorporated into the half-yearly Medium Term Financial Strategy (MTFS) review.
- 4.1.6 This process will lead into the 2013/14 budget and planning process, for which the timetable and other arrangements are due to be considered by Cabinet at its

September meeting. It will also allow other spending pressures or potential investment matters to be picked up, such as the Highways Partnership, Chatsworth Gardens, Lancaster Indoor Market, etc.

4.2 Provisions and Reserves

4.3 In closing the accounts for last year the Council's reserves and provision balances have been reviewed; this is in accordance with the policy and schedule approved by Council back in March. A full statement for General Fund is attached at **Appendix E** and the main issues and transfers are highlighted specifically below:

- For insurance, an additional contribution of £155K has been made in the provision, to ensure that the closing balance covers the estimated settlement values for claims outstanding as at 31 March. The increase is needed as a result of very old claims, administered under the former Municipal Mutual arrangements (prior to 1992).
- For bad debts, an additional contribution of £82K has been made to cover extra calls on the provision following a higher than anticipated level of housing benefit write offs.
- The balance on the Williamson Park provision of £92K is no longer required, as the company has now been wound up. This provision has therefore been closed.
- Budgeted revenue financing of £320K for Williamson Park steps and Lancaster Town Hall boiler replacement has been transferred into the Capital Support reserve as the schemes have been delayed until 2012/13.
- One new reserve has been established for Highways with the 2011/12 (unbudgeted) surplus of £45K transferred in, to provide support for anticipated additional cost pressures arising from the new Highways Partnership contract. This follows the recent decisions taken by Cabinet and Council and the last budget exercise.

4.4 In total the net transfers amount to £510K, with the related net impact on the budget being £145K (in respect of the first three items). All transfers have already been reflected in the General Fund summary position outlined earlier, hence at this stage Cabinet is asked only to note them.

5 CARRY FORWARD OF UNDERSPENDS AND OVERSPENDS

5.1 As set out in the Financial Regulations the aims of the Carry Forward Scheme are to:

- provide some flexibility in delivering the Council's stated objectives
- remove the incentive to spend up budgets unnecessarily by year end, and
- promote good financial management.

5.2 Under the Scheme, the carry forward of overspend on controllable budgets is generally automatic. Requests for the carry forward of underspend is subject to Member approval, however. Whilst there is a need to protect the overall financial position of the Council, it is recognised that there is also the need to be fair to

services in dealing with carry forwards and to ensure that the process does not act as a disincentive to sound financial management (i.e. does not encourage managers simply to spend up, to avoid 'losing' budgets). That said, budgets exist for specific plans and purposes and the carry forward scheme is also designed to support this.

5.3 In view of the above, in previous years Cabinet has adopted the following approach to achieve a reasonable balance:

- Carry forwards of overspends were considered in view of the circumstance and level, but Cabinet exercised its discretion in waiving the carry forward requirement where the aggregate overspending of any service was less than £5,000.
- Cabinet considered certain requests for carrying forward underspendings but sought to approve only those where there were clear existing commitments against the appropriate budget and it was demonstrated that there was no scope for meeting such commitments from current year's allocations.

5.4 On the basis that Cabinet chooses to follow a similar approach for this year, details of overspends on controllable budgets (or net overspends, where applicable) are set out at **Appendix F**. As background, the determination of whether a budget is 'controllable' is not wholly objective, e.g. with income budgets, whilst the setting of fees and charges are controlled by the council the demand for those services is not controllable. That is why there is a need to consider each case on its merits.

5.5 With regard to the carry forward of underspends, Service Heads have submitted various proposals and these are attached at **Appendix G**. In total, they amount to £310K for General Fund and £29K for the Housing Revenue Account. If all requests were approved, it would have the following effect on revenue balances at the end of the current year. This makes no allowance for the impact of any decisions regarding overspends, however:

Fund	Estimated Balances as at 31 March 2013:			Basic Minimum Balances Level £'000
	Per Approved Budget £'000	Assuming all requests approved £'000	Variance (Fav'rble) £'000	
Housing Revenue Account	452	1,016	(564)	350
General Fund	2,021	2,364	(343)	1,000

5.6 With regard to the HRA, there is also the need to provide some revenue financing for capital slippage (£160K), as covered in section 6 below, which will be met from the HRA balance and has been reflected in the above figures.

5.7 Cabinet could support all carry forward requests as set out in the Appendix and still stay within the approved budget framework. In considering each bid, however, Cabinet should be mindful of the overall financial position and the MTFs, as well as the impact on service delivery and what the request would achieve. Some items are clearly tied in with existing contractual or statutory commitments, and some are requesting either a change in use of the budget underspend or for it to be applied to

new schemes or anticipated commitments. It is also highlighted that because of their high value, some bids would still need to be referred on to Council for final approval.

6 CAPITAL OUTTURN

- 6.1 In last year as in previous years, there is a sizeable net underspending on the Capital Programme before the effects of slippage are taken into account. **Appendix H** includes a provisional capital expenditure and financing statement for the year, which is summarised in the table below. Members should note that the revised budget has been updated to reflect the decision to acquire vehicles and waste receptacles and fund them through unsupported borrowing rather than through sale and lease back arrangements, on value for money grounds. The update is in accordance with the delegated authority given to the Section 151 Officer as set out in the MTFS.
- 6.2 In considering the position Members should bear in mind the processes in place to ensure that schemes progress only when funding is available.

Capital Programme	Revised Budget	Expenditure (before slippage)	Overspend or (Underspend)	
	£'000	£'000	£'000	%
Council Housing	4,493	3,575	(918)	20
General Fund	7,445	5,190	(2,255)	30
Total Programme	11,938	8,765	(3,173)	27

- 6.3 Details of individual slippage requests from services have been received, a schedule of which is attached at **Appendix J**. In considering these, Cabinet is asked to note that many of the associated capital schemes are already underway and expenditure may already have been incurred in this year – the actual approval of slippage can be a formality. If Members have any questions on particular requests and/or are minded to refuse any, it would be useful to know prior to the meeting, to ensure that sufficient detailed information is available.
- 6.4 Information on recent years' slippage is also included below for comparison. Last year goes against the trend of reducing slippage and so the current year's monitoring will need to address this.

	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Council Housing	160	82	384	478	480
General Fund	<u>1,828</u>	<u>899</u>	<u>2,303</u>	<u>1,952</u>	<u>4,235</u>
Total Slippage Requested	<u>1,988</u>	<u>981</u>	<u>2,687</u>	<u>2,430</u>	<u>4,715</u>

- 6.5 The table below pulls together the position after allowing for slippage. The impact on resources for both the HRA and General Fund is still favourable and relates mainly to the photo voltaic cells scheme, with less call on various reserves (such as Invest to Save). Again, any implications for current or future years will be picked up as part of the mid-year review for the Medium Term Financial Strategy.

Capital Programme	Revised Estimate	Forecast Expenditure (including slippage)	Overspend Or (Underspend) - Rounded	Impact on Council Resources (Fav) / Adv
	£'000	£'000	£'000	£'000
Council Housing	4,493	3,735	(758)	(758)
General Fund	7,445	7,018	(427)	(527)

7 TREASURY MANAGEMENT

7.1 Annual Report

- 7.1.1 The annual treasury management report is attached at **Appendix K** and sets out the performance of treasury operations for 2011/12 in terms of long and short term borrowing, investment activities and relevant borrowing limits and prudential indicators. This must be referred on to Council.

7.2 Outturn Position Regarding Icelandic Investments

- 7.2.1 During 2011/12 the Council received favourable judgements in respect of preferential creditor status and as a result further distributions have been made. In very simple terms, by the end of 2011/12 the Council had received £4.125M of its claims (the original £6M invested plus around £300K interest) and anticipates receiving around £5.9M back in total. More details are included in the attached treasury report.

7.3 HRA Self Financing

- 7.3.1 At the end of the financial year, the HRA self financing transactions took place; the Council took on additional long term PWLB debt of £31.241M to fund the payment (of an equal amount) and so buying out of the Council Housing subsidy system..

7.4 Prudential Indicators

- 7.5 Following the introduction of the Prudential Code for Capital Finance under the Local Government Act 2003, certain year end indicators must be produced for approval by Council. These are set out in **Appendix L** and their basic definitions are as follows:

Affordability: Actual ratio of financing costs to net revenue stream

This is basically total interest payments during the year, expressed as a percentage of the budget requirement.

Prudence: Actual Capital Expenditure
As set out in previous section – the spend incurred during the year excluding capital creditors brought forward.

Actual Capital Financing Requirement
Essentially this is the cumulative value of assets / capital expenditure that has not already been financed from cash resources such as capital receipts, revenue, etc. or covered by monies put aside for debt repayment.

Actual External Debt
In broad terms this is mainly debt outstanding that has been used to support previous years' capital expenditure but some other fairly minor long term liabilities are included.

- 7.6 The Indicators reflect the basis on which the budget was prepared; the final accounts have also been prepared on the same basis. The Prudential Indicators will also be referred onto Council as part of the wider Treasury Management annual report.

8 TIMETABLE FOR COMPLETION OF ACCOUNTS AND ASSOCIATED MATTERS

- 8.1 The timetable for completion and consideration of any issues arising as a result of the outturn is as follows, for Cabinet's information:

Monday 16 July	Commencement of audit of Accounts
Wednesday 18 July	Council: referral of any issues as may be required, including carry forward requests and annual Treasury Management report
July (date to be confirmed)	Budget and Performance Panel: Consideration of outturn
Friday 27 July	4 week period for public inspection of Accounts ends
Monday 30 July	Public access to Auditor commences
July – August	Quarter 1 Performance Review – to include consideration on services' final outturn and implications for current and future years (in particular, identification of ongoing savings)
Tuesday 11 September	Budget and Performance Panel; further detailed consideration of outturn in light of Quarter 1 monitoring, as appropriate
Wednesday 19 September	Audit Committee: consideration of audited accounts
October / November	Cabinet and referral on to Council: Medium Term Financial Strategy update, incorporating impact of outturn and current year's monitoring to date

- 8.2 It can be seen that various aspects of the outturn will be reported through to Members for their due consideration:

9 DETAILS OF CONSULTATION

As reflected in section 8 above, the statutory 4 week public inspection period will be underway soon. Information on the public's rights will be made available as part of this process.

10 OPTIONS AND OPTIONS ANALYSIS

The City Council has a legal requirement to ensure that its expenditure is fully funded and to produce a Statement of Accounts in accordance with proper accounting practice. In addition, the Prudential Indicators are a statutory requirement linked to the budgetary framework. For these aspects, therefore, there are no alternative options for Cabinet to consider. Members are being asked to endorse certain actions taken by the Head of Financial Services, however. Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification. With regard to reserves contributions, there will be opportunities for these to be amended during the current financial year, as part of the usual arrangements.

The report requests Cabinet to consider a number of revenue budget carry forward matters and capital slippage. The framework for considering these is set out in the report but basically Cabinet may:

- Approve any number of the items / requests, in full or part.
- Refuse any number of the requests and if commitments have already been incurred, require alternative funding options to be identified. Cabinet should note, however, that this may impact on other areas of service delivery.
- Request further information regarding them, if appropriate. Cabinet is asked to bear in mind any work required against the value of the individual bids.

11 OFFICER PREFERRED OPTION AND JUSTIFICATION

Officer recommendations regarding any carry forward of overspendings are set out in Appendix F, as referred to earlier. Where there are alternative options for other aspects of the outturn, in view of the comments made above there are no specific officer preferred options put forward.

12 CONCLUSION

As at 31 March the Council has improved its financial standing overall by generating net efficiency savings and through other underspendings. Balances are again higher than forecast and this gives the Council some flexibility and comfort for addressing future challenges. Efforts to draw out ongoing efficiencies and other budget savings should be taken wherever possible, to improve value for money as well as financial planning.

RELATIONSHIP TO POLICY FRAMEWORK The Outturn and Statement of Accounts report on all the financial resources generated and/or used by the Council in providing services or undertaking other activities under the Policy Framework.	
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) None directly identifiable, due to the high level nature of this report.	
FINANCIAL IMPLICATIONS As set out in the report.	
SECTION 151 OFFICER'S COMMENTS This report forms part of the section 151 officer responsibilities; clearly the outturn is also subject to external audit.	
LEGAL IMPLICATIONS Legal Services have been consulted and have no comments to add.	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no comments to add.	
BACKGROUND PAPERS Financial Regulations, MTFS	Contact Officer: Nadine Muschamp Telephone: 01524 582117 E-mail: nmuschamp@lancaster.gov.uk

APPENDIX A

Housing Revenue Account Outturn - 2011/12
For Consideration at Cabinet 03 July 2012

	Original Budget	Revised Budget	Actuals	Variance Adverse / (Favourable)
	£	£	£	£
INCOME				
Rental Income - Council Housing (Gross)	(12,527,200)	(12,512,300)	(12,506,400)	5,900
Rental Income - Other (Gross)	(193,100)	(199,200)	(198,500)	700
Charges for Services & Facilities	(1,835,000)	(1,678,500)	(1,626,800)	51,700
Grant Income	(7,700)	(7,700)	(7,700)	0
Contributions from General Fund	(165,200)	(170,000)	(170,000)	0
Total Income	(14,728,200)	(14,567,700)	(14,509,400)	58,300
EXPENDITURE				
Repairs & Maintenance	4,077,600	3,944,700	3,671,200	(273,500)
Supervision & Management	3,279,600	3,227,500	3,010,700	(216,800)
Rents, Rates, Taxes & Other Charges	103,200	97,900	95,000	(2,900)
Negative Housing Revenue Account Subsidy Payable	2,348,000	2,241,700	2,241,700	0
Increase in Provision for Bad and Doubtful Debts	182,000	183,000	104,200	(78,800)
Depreciation & Impairment of Fixed Assets	2,346,800	2,357,100	8,459,800	6,102,700
Debt Management Costs	1,100	12,300	12,000	(300)
HRA Self Financing Loan	0	0	31,241,000	31,241,000
Total Expenditure	12,338,300	12,064,200	48,835,600	36,771,400
NET COST OF HRA SERVICES	(2,389,900)	(2,503,500)	34,326,200	36,829,700
(Gain) or Loss on Sale of HRA Non Current Assets	0	0	(158,100)	(158,100)
Interest Payable & Similar Charges	751,400	793,000	697,900	(95,100)
Interest & Investment Income	(32,500)	(29,000)	(53,900)	(24,900)
Pensions Interest Costs & Expected Return on Pensions Assets	68,000	0	58,600	58,600
Capital Grants and Contributions Receivable	0	0	(10,500)	(10,500)
(SURPLUS) OR DEFICIT FOR THE YEAR	(1,603,000)	(1,739,500)	34,860,200	36,599,700
Net charges made for retirement benefits	(68,000)	0	24,800	24,800
Capital Expenditure funded by the Housing Revenue Account	1,302,200	2,121,500	1,163,000	(958,500)
Transfer to/(from) Major Repairs Reserve	73,100	(898,100)	101,900	1,000,000
Transfer to/(from) Earmarked Reserves	199,900	138,200	108,000	(30,200)
Transfer to/(from) Revaluation Reserve	0	0	1,321,600	1,321,600
Adjustments to reverse out Notional Charges included above	95,800	126,900	(38,332,200)	(38,459,100)
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	0	(251,000)	(752,700)	(501,700)
Housing Revenue Account Balance brought forward	(350,000)	(451,900)	(451,900)	0
Housing Revenue Account Balance carried forward	(350,000)	(702,900)	(1,204,600)	(501,700)

2011/12 HRA Fund Variance Analysis

FACTORS INFLUENCING OUTTURN	VALUE	
	£	£
1 Unforeseeable windfalls or costs	(94,776)	
2 Demand led variances	(136,522)	
3 Efficiency savings	(87,596)	
4 Other service driven variances (including delays)	(134,691)	
5 Budget setting issues / errors	(11,503)	
6 Other Variances	(36,643)	(501,731)

		£	£	PRT QTR4 Projection £	C/Fwd Request £	Ongoing? £
DETAILED VARIANCE BY SERVICE AREA		Adverse or (Favourable)				
HRA Housing						
Dwelling Rents (Gross)						
2	Increase in voids in final quarter of the year.	5,892		5,900		
Charges of Services & Facilities						
5	Increase in voids resulting in lower recovery of costs.	9,736		9,700		
Repairs & Maintenance						
3	Various contract savings on revenue projects.	(70,113)			29,100	
2	Less demand for works on various planned revenue projects	(133,712)				
4	Reduction in costs in the RMS operating account resulting in a lower charge to the responsive repair works.	(37,947)				
3	Installation of photo electrical cells leading to energy efficiency savings.	(10,369)				
Supervision & Management						
Council Housing Management & Admin						
4	Energy efficiency, repairs diagnostics courses unable to be scheduled in 2011/12 due to operational issues.	(7,365)		(7,400)		
5	Budget for office accommodation included inflation increase but not required due to fixed cost contract.	(6,800)		(6,800)		
2	Replenishment of leaflets and booklets were not required.	(13,979)		(13,600)		
1	Increase in management fee to leaseholders and recovery of landlord costs for Cable street offices.	(6,910)				
3	Savings on computer running costs and marketing budget.	(7,114)				(7,000)
4	Vacant post savings.	(10,540)				
Housing Options - Choice Based Lettings						
5	Licensing costs for Choice Based Lettings system unexpected in the first year.	9,060		9,100		
2	Clients disconnecting from the Central Control system part way through the year due to unforeseen circumstances.	5,277		5,300		
Rents, Rates, Taxes & Other Charges						
1	Long term voids incurring empty property rates lower than expected.	(5,820)		(5,800)		
Increase in Provision for Bad and Doubtful Debts						
4	Arrears at the end of year were lower than predicted resulting in a lower provision requirement.	(78,839)				
Interest Payable & Similar Charges						
5	Budget input error, double counted fee for arrangement of HRA loan.	(12,300)			(11,200)	
5	Payment from DCLG for early uptake of Self Financing.	(11,199)				
1	Decrease in interest charge due to increase of General fund Capital Financing Requirement	(71,598)				
Capital Expenditure funded from Revenue						
1	Less revenue financing required due to additional grant received for boiler replacements.	(10,448)				
6	Minor Variances.	(36,643)				
			(501,731)			
TOTAL NET UNDERSPEND			(501,731)	(14,800)	29,100	(7,000)
Total Provisional Carry Forward Requests			29,100			
Total Revenue Financing Required to meet Capital Slippage			160,000			
TOTAL NET UNDERSPEND, ASSUMING ALL SLIPPAGE AND CARRY FORWARD REQUESTS APPROVED			(312,631)			

GENERAL FUND REVENUE SUMMARY

For Consideration by Cabinet 03 July 2012

	Original Budget £	Revised Budget £	Actuals £	Variance £ Adverse or (Favourable)	True Variance £
Office of the Chief Executive	0	0	0	0	(4,521)
Community Engagement	5,700,700	5,590,800	5,224,067	(366,733)	(326,140)
Environmental Services	6,679,200	6,380,000	6,354,142	(25,858)	(97,497)
Financial Services	3,712,000	2,471,600	(6,769,123)	(9,240,723)	79,595
Governances	1,923,100	1,753,700	1,683,317	(70,383)	(46,505)
Health & Housing	2,743,200	2,569,900	2,424,387	(145,513)	(61,475)
Property Services	(879,300)	(169,100)	(644,779)	(475,679)	(103,187)
Regeneration and Policy	4,940,100	4,446,900	11,624,293	7,177,393	(129,353)
Corporate Accounts	(333,800)	(1,562,800)	932,000	2,494,800	36,387
Total Budget Requirement	24,485,200	21,481,000	20,828,304	(652,696)	(652,696)
 Parish Precepts	 537,300	 537,300	 537,347	 47	
Total Net Expenditure	25,022,500	22,018,300	21,365,651	(652,649)	

Note the underspend of approx £653K will be transferred to Unallocated balances to balance off the Fund accounts.

The first variance column includes notional variances relating to numerous capital and pensions charges that have to be included within the relevant service areas, but they are then reversed out (within the Corporate Accounts section) and so do not impact on the 'bottom-line' outturn position. The true variance column excludes these items and therefore shows the real outturn position - the full analysis of this is shown at Appendix D.

APPENDIX C(i)

SUBJECTIVE ANALYSIS	2011/12 Estimate £	2011/12 Revised £	2011/12 Actuals £	Variance Adverse or (Favourable) £	True Variance Adverse or (Favourable) £
Direct Employee Expenses	20,119,500	19,710,000	18,992,800	(717,200)	(195,394)
Indirect Employee Expenses	911,200	1,008,700	1,188,002	179,302	165,803
Employees	21,030,700	20,718,700	20,180,802	(537,898)	(29,591)
Cleaning and Domestic Supplies	462,700	445,700	429,555	(16,145)	(16,145)
Energy Costs	907,800	690,500	590,358	(100,142)	(100,142)
Grounds Maintenance Costs	1,413,000	1,373,500	1,272,956	(100,544)	(100,544)
Operational Buildings Allocation	171,500	239,700	210,837	(28,863)	(28,863)
Premises Insurance	129,700	130,000	129,990	(10)	(10)
Rates	881,600	935,400	926,042	(9,358)	(9,358)
Rents	744,400	760,200	742,783	(17,417)	(17,417)
Repair and Maintenance of Buildings	1,517,100	4,648,600	4,214,437	(434,163)	(346,788)
Water Services	293,600	323,900	302,945	(20,955)	(20,955)
Premises Related Expenditure	6,521,400	9,547,500	8,819,903	(727,597)	(640,222)
Car Allowances	270,300	268,900	259,486	(9,414)	(9,414)
Contract Hire and Operating Leases	813,700	610,800	488,343	(122,457)	(122,457)
Direct Transport Costs	1,277,100	1,408,400	1,349,197	(59,203)	(59,203)
Public Transport	14,300	16,700	13,411	(3,289)	(3,289)
Transport Insurance	110,500	118,600	118,605	5	5
Transport Related Expenditure	2,485,900	2,423,400	2,229,042	(194,358)	(194,358)
Catering	74,700	66,800	65,332	(1,468)	(1,468)
Clothing Uniform and Laundry	76,300	86,500	86,456	(44)	(44)
Communications and Computing	1,080,000	1,118,700	1,038,037	(80,663)	(80,663)
Contribution to Provisions	114,700	107,400	337,000	229,600	229,600
Equipment, Furniture and Materials	1,459,000	1,936,100	2,021,359	85,259	85,259
General Expenses	443,400	432,900	418,534	(14,366)	(14,366)
Printing, Stationery and General Office Expenses	608,400	499,300	474,912	(24,388)	(24,388)
Grants and Subscriptions	3,106,200	3,127,900	2,746,667	(381,233)	(189,857)
Miscellaneous Expenses	186,900	336,600	577,166	240,566	5,673
General Services	3,701,700	5,910,000	6,027,309	117,309	29,934
Supplies and Services	10,851,300	13,622,200	13,792,771	170,571	39,679
Recharges	15,179,000	15,950,000	15,344,302	(605,698)	(60,405)
Support Services	15,179,000	15,950,000	15,344,302	(605,698)	(60,405)
Depreciation	3,911,900	3,550,000	23,076,545	19,526,545	9
Capital Charges	3,911,900	3,550,000	23,076,545	19,526,545	9
Interest Payments	7,888,100	2,232,100	10,041,221	7,809,121	399
Capital Financing Costs	7,888,100	2,232,100	10,041,221	7,809,121	399
Housing Benefit	50,454,300	51,621,000	51,953,683	332,683	332,683
Transfer Payments	50,454,300	51,621,000	51,953,683	332,683	332,683
Appropriations	6,342,700	11,227,500	11,340,539	113,039	(805,406)
Appropriations	6,342,700	11,227,500	11,340,539	113,039	(805,406)
TOTAL	124,665,300	130,892,400	156,778,809	25,886,409	(1,357,212)
Appropriations	(8,527,200)	(10,985,300)	(28,944,169)	(17,958,869)	761,158
Appropriations	(8,527,200)	(10,985,300)	(28,944,169)	(17,958,869)	761,158
Capital Related Income	(2,287,000)	(1,517,200)	(2,453,128)	(935,928)	0
Capital Financing Income	(2,287,000)	(1,517,200)	(2,453,128)	(935,928)	0
Customer Fees and Charges	(13,194,100)	(12,779,500)	(12,964,975)	(185,475)	(185,475)
Government Grants	(51,283,100)	(52,581,000)	(53,006,425)	(425,425)	(425,425)
Interest	(5,512,800)	(1,690,300)	(8,923,287)	(7,232,987)	8,733
Other Grants and Contributions	(2,984,800)	(4,072,300)	(3,975,480)	96,820	96,820
Recharges	(19,395,300)	(25,785,800)	(25,683,041)	102,759	448,705
Income	(92,370,100)	(96,908,900)	(104,553,208)	(7,644,308)	(56,642)
TOTAL	(103,184,300)	(109,411,400)	(135,950,505)	(26,539,105)	704,516
NET REVENUE EXPENDITURE	21,481,000	21,481,000	20,828,304	(652,696)	(652,696)

Note the underspend of approx £653,000 will be transferred to Unallocated balances to balance off the Fund accounts.

The first variance column includes notional variances relating to numerous capital and pensions charges that have to be included within the relevant service areas, but they are then reversed out and so do not impact on the 'bottom-line' outturn position. The true variance column excludes these items and therefore shows the real outturn position.

2011/12 General Fund Variance Analysis

	VALUE	
	£	£
FACTORS INFLUENCING OUTTURN		
1 Unforeseeable windfalls, costs and year end adjustments	49,339	
2 Demand led variances	(409,084)	
3 Efficiency savings	(139,508)	
4 Other service driven variances (including delays)	(133,625)	
5 Budget setting issues / errors	7,298	
6 Other variances	(27,117)	(652,696)

DETAILED VARIANCE BY SERVICE AREA

Community Engagement

2 Lancaster VIC : Less than anticipated service charges and salary savings	(14,341)				
3 Platform : Mainly gas & electric savings, and salary savings	(11,299)	(7,800)			(8,000)
4 Wellbeing Team : Mainly salaries savings, supplies & services & reduced car allowances	(20,497)	(20,900)			
2 Arts Development expenditure : delayed spend re More Music phase 2 and Museums consultants	(15,750)	(15,600)	14,900		
5 Sports & Physical activity : Staff time recharges not budgeted for	(6,740)				
5 Lancaster Museum Partnership : budget not reduced after increased last year for one off storage costs	(5,383)	(5,400)			(5,400)
3 Salt Ayre Sports Centre : Mainly salaries/gas/electricity; vacant posts.	(61,478)	(75,900)			(20,000)
3 Community Pools : Salaries and utilities net savings	(12,031)				
4 Customer Services : Savings on salaries, Customer Insight & Language Line	(8,246)			6,000	
3 Marketing & Communications : Savings on postage, advertising and publicity	(14,336)			25,200	
1 Partnerships Team : Salaries savings, but mainly external project income	(35,218)				
4 Vacant Shops Reserve : Contributions from the reserve towards the West End Car Park capital project slipped into 2012/13 due to delayed project start date	22,600				
2 Williamson Park : Mainly additional income, net of additional salary costs and reduced operating costs	(27,503)			21,000	(10,000)
1 Williamson Park provision - balance no longer required	(91,557)				
6 Minor Variances	(24,361)				
	(326,140)				

Corporate Accounts

1 Additional grant income re Homelessness	(65,165)				
1 Reduced interest recharge to HRA due to changes in the Capital Financing Requirement	71,598				
1 Impact of reversing Icelandic investment impairment mainly due to not receiving gap interest	26,778				
6 Minor Variances	3,176				
					36,387

DETAILED VARIANCE BY SERVICE AREA

Environmental Services

- 4 Employee Costs: Service wide excluding GM, Highways and RMS (turnover and overtime savings)
- 1 Vehicles: Mainly leasing savings due to internal financing of new vehicles, plus R&M and Fuel saving
- 2 VMU : R&M / Materials / Licenses / Income from external clients
- 5 Three Stream Waste & Recycling: Mainly Equipment Leases
- 2 Trade Refuse: Supplies & Services / Income (impact of recession)
- 4 Parks & Playgrounds: R&M (promenade planters / playground improvements / materials)
- 2 Nursery: Mainly utility saving on gas
- 2 Street Cleaning: Utility savings plus reduced transport hire but additional R&M costs
- 2 Highways : Mainly reduced transport costs and surplus on internal and Highways Partnership works
- 1 Highways : Transfer to Reserve re above surplus
- 1 Building Cleaning: Recharges outside service
- 6 Minor Variances

Financial Services

- 2 Financial Services : Mainly HR/Payroll software not installed in 2011/12
- 2 Revenues : Legal & Court Costs recovered net of increased cost of rate relief
- 4 Investment Interest
- 1 Additional contribution to Bad Debt provision to cover increased housing benefit write-offs
- 1 Additional contribution to Insurance provision to cover old MMI claims
- 1 Information Services : Employees Salary savings
- 2 Infrastructure : Update & Maintenance savings
- 4 Anti-virus Software : License purchased for 1/1/12 only, still need to cover 12/13 and 13/14
- 6 Minor Variances

Governance Services

- 3 Elections : Fees and Stationery
- 3 Electoral Registration : Equipment, Software Licences and Stationery
- 2 Licensing : Mainly Premises Licences re fewer applications/renewals and other misc Licence Fees
- 2 Legal : Additional court costs and additional postage costs
- 2 H.R. Mgt. & Admin. : Mainly reduced spend on corporate training and books & periodicals
- 2 Member Training : savings due to sharing costs with other authorities/low uptake from members
- 3 Democratic Representation : Various savings including Conferences, Allowances and Catering
- 4 Various Staff savings : Legal/Democratic/H.R./Licensing
- 6 Minor Variances

£	£	PRT QTR4 Projection £	C/Fwd Request £	Ongoing? £
Adverse or (Favourable)				
(17,745)		(20,400)		
(104,491)		(15,400)		
(11,855)				
19,810		3,100		
23,636		31,000		
(5,917)				
(5,618)				(3,000)
(9,869)				
(43,770)				
44,673				
12,947				
702		(10,800)		
	(97,497)			
(46,888)		(31,400)	34,900	
(56,138)				
(26,778)				
82,000				
155,000				
(7,008)		(7,000)		
(14,071)		(14,500)		
(12,001)		(12,000)	6,300	
5,479				
	79,595			
(7,662)		(9,000)		
(15,763)		(14,000)		
7,191		8,300		
12,301				
(13,641)		(12,600)	6,000	
(9,331)		(9,300)		
(8,520)				
(12,675)				
1,594				
	(46,505)			

DETAILED VARIANCE BY SERVICE AREA

Health & Housing Services

- 2 Cemeteries : additional income from sale of grave spaces
- 4 Environmental Protection - Contaminated Land and Air Quality Control delayed expenditure
- 2 Pest Control : Lower demand for service mainly relating to insect treatments.
- 1 Private Rented Sector Activity : Greater number of licensable HMO's in the year than anticipated.
- 4 Housing Options - Housing Advice : Salary savings
- 6 Minor Variances

Office of the Chief Executive

- 4 Chief Executive & Support : Car allowances, supplies & services

Property Services

- 2 Off Street Parking : mainly additional income and operational savings
- 1 White Lund Trading Estate : Income from removal of restricted covenant
- 5 Kellet Road : Reimbursement of dilapidation costs less than anticipated
- 2 City Lab : Reduced electricity consumption / adjustment to reserve
- 5 Commercial Properties : Old Mans Rest / Ryelands House - budget and past year accruals errors
- 2 St Leonards House : Reduced premises costs re low tenancy / County rent arrears
- 5 Lancaster Bus Station : Env Services contribution to public conveniences not budgeted for
- 2 Assembly rooms & Charter Market : Reduced income from vacant stalls
- 5 Lancaster Market : Increased rental & service charge income / reduced storage income
- 3 Municipal Buildings : Additional premises hire / vacant post, supplies & services
- 2 Lancaster Town Hall : Increased electricity, R&M / reduced water & trade refuse
- 5 Service relocation costs
- 6 Minor Variances

	£	£	PRT QTR4 Projection £	C/Fwd Request £	Ongoing? £
Adverse or (Favourable)					
	(22,627)		(21,800)		
	(11,256)		(12,900)		
	5,776		(6,200)		
	(6,234)		(13,000)		
	(12,967)				
	(14,166)	(61,475)			
					(1,000)
	(4,521)	(4,521)	(72,600)	14,000	
			11,700		
					(15,000)
			7,800		(15,000)
			(9,600)		
	16,799				
	5,175				
	24,954	(103,187)	(30,800)		

DETAILED VARIANCE BY SERVICE AREA**Regeneration & Policy**

4 Regeneration & Projects Team : Savings on subscriptions

5 Luneside East : Site Costs - Savings on security costs, electricity and a reduced repairs

2 Development Control : Mainly reduced fee income plus additional legal / enquiry costs

2 Building Control M&A : Car Leases/Allowances, Office Equipment, Salaries, Training - reduced spend re reduced staff and reduced number of applications

1 Middleton Nature Reserve & Pumping Station : maintenance savings and one-off income

2 Local Development Framework : Timetable delayed due to CIL regulations being finalised etc

2 Morecambe Area Action Plan : Delays due to other work pressures

5 Planning Housing & Policy : Salary budget errors, plus supplies and services savings

4 Regen & Policy Mgt. & Admin. : Salary savings plus no LEP Subscriptions payment required

2 Conservation & Environment : Historic Buildings and Conservation Areas take up Section 106 funded grant scheme slower than anticipated

6 Minor Variances

TOTAL NET UNDERSPEND**Total Provisional Carry Forward Requests****TOTAL NET UNDERSPEND, ASSUMING ALL CARRY FORWARD REQUESTS APPROVED**

	£	£	PRT QTR4 Projection £	C/Fwd Request £	Ongoing? £
		Adverse or (Favourable)			
	(7,100)		(7,100)		(7,300)
	(5,501)		(5,600)		
	98,587		107,000		35,000
	(16,884)				
	(20,892)		(21,800)		
	(76,939)		(76,900)	76,900	
	(39,668)		(41,200)	39,700	
	(11,700)		(6,100)		
	(16,521)				
	(8,241)		(11,000)		
	(24,495)	(129,353)			
			(449,700)	309,900	(49,700)
				309,900	
				(342,796)	

PROVISIONS AND RESERVES STATEMENT : For consideration by Cabinet 03 July 2012

PROVISIONS

	31/03/11		Contributions to Provision		Contributions from Reserve		31/03/12		Contributions to Provision		Contributions from Reserve		31/03/13	
	£		£		£		£		£		£		£	
B&D Debts-General Fund	433,188		182,000		-102,421		512,767						512,767	
Derelict Land Clawback	56,932						56,932				-56,932		0	
Insurance Excess	330,777		264,405		-142,397		452,785						452,785	
Provision for Stock Write Off	28,932						0						0	
Williamson Park	100,000				-100,000		0						0	
TOTAL	949,829		446,405		-373,750		1,022,484		0		-56,932		965,552	

RESERVES

	31/03/11		Contributions to Reserve		Contributions from Reserve		31/03/12		Contributions to Reserve		Contributions from Reserve		31/03/13		Contributions to Reserve		Contributions from Reserve		31/03/14		Contributions to Reserve		Contributions from Reserve		31/03/15	
	£		£		£		£		£		£		£		£		£		£		£		£		£	
Apprenticeship (funding subject to growth approval)	0						0		45,000				45,000						45,000						45,000	
Business Continuity	17,199				-17,199		0						0						0						0	
Capital Support	537,714		720,000		-253,000		1,004,714				-361,000		643,714						643,714						643,714	
City Lab	36,692		7,903				44,595				-27,600		16,995						16,995						16,995	
Concessionary Travel	70,000				-70,000		0						0						0						0	
Connecting Communities	29,818				-29,818		0						0						0						0	
Every Child Matters	11,313				-11,313		0						0						0						0	
Highways Reserve	0		44,673				44,673						44,673						44,673						44,673	
Impairment Reserve	1,363,493				-1,363,493		0						0						0						0	
Invest to Save	0		1,436,500		-207,317		1,229,183		325,500				1,554,683						1,554,683						1,554,683	
Job Evaluation	338,097				-285,200		52,897				-49,000		3,897						3,897						3,897	
Lancaster Indoor Market	139,537		530,000		-21,988		647,549						647,549						647,549						647,549	
Municipal Buildings	300,000		250,000		-85,848		464,152						464,152						464,152						464,152	
Olympic Torch Event	0						0		40,000		-40,000		0						0						0	
Open Spaces Commuted Sums	272,340		71,200		-58,891		284,649				-46,200		238,449		-34,800				203,649		-29,600				174,049	
Performance Reward Grant	308,723		33,812		-119,023		223,512				-98,400		125,112		-54,300				70,812						70,812	
Planning Delivery Grant	46,906		600		-20,800		26,706				-22,200		4,506		-3,300				1,206						1,206	
Renewals (all services)	199,802		546,100		-46,541		699,361		340,900		-93,000		947,261		410,000		-23,400		1,285,661		373,200				1,635,461	
Restructuring	666,021		425,000		-504,922		586,099				-52,500		533,599						533,599						533,599	
Revenues and Benefits	75,268				-75,268		0						0						0						0	
Risk Management	25,983				-25,983		0						0						0						0	
S106 Commuted Sums - Affordable Housing	920,780						920,780				-13,000		907,780		-10,000				897,780						897,780	
S106 Commuted Sums - Highways, crossing & cycle paths	352,433		562,389		-279,636		635,186						635,186						635,186						635,186	
Vacant Shops Fund	29,999				-7,367		22,632						22,632						22,632						22,632	
Welfare Reforms	0		200,000				200,000						200,000						200,000						200,000	
Youth Games	0		18,500				18,500		18,500				37,000		-55,500		15,000		0						15,000	
Reserves Held in Perpetuity :																										
Graves Maintenance	22,201						22,201						22,201						22,201						22,201	
Marsh Capital	47,677						47,677						47,677						47,677						47,677	
TOTAL	5,811,996		4,846,677		-3,483,607		7,175,066		769,900		-802,900		7,142,066		428,500		-229,500		7,341,066		388,200		-53,000		7,676,266	
General Fund Balances	3,674,039		689,696		-1,690,000		2,673,735				-743,500		1,930,235						1,930,235						1,930,235	
Unallocated Government Grants - Capital (PRG)	323,723				-195,370		128,353						128,353						128,353						128,353	

Note - For various provisions and reserves, not all spending needs are reflected (eg, the majority of the renewals balance will be applied for future vehicle replacements) and so over the period their balances will reduce from the levels shown above, as a

GENERAL FUND BALANCES SUMMARY

For Consideration by Cabinet 03 July 2012

	Per Council 29 February 2012	Cabinet 03 July 2012	Net Reduction in Year
	£	£	£
Balance as at 31st March 2011	3,674,039	3,674,039	
Budgeted Contribution to Revenue Budget	(1,653,000)	(1,653,000)	} (1,000,304)
2011/12 Projected Net Underspending		652,696	
Balance as at 31st March 2012	2,021,039	2,673,735	
Budgeted Contribution to Revenue Budget	(743,500)	(743,500)	
Balance as at 31st March 2013	1,277,539	1,930,235	
Budgeted Contribution to Revenue Budget	0	0	
Balance as at 31st March 2014	1,277,539	1,930,235	

CONTROLLABLE OVERSPENDS GREATER THAN £5,000 **For Consideration by Cabinet 03 July 2012**

SERVICE	DETAILS		BUDGET	ACTUAL	OVERSPEND	EXPLANATION / ACTION
Environmental Services	Street Cleansing	Repair and maintenance of vehicles	£ 99,600	£ 110,398	£ 10,798	Overall there was an underspend of £40K across all R&M of vehicles within Environmental Services. No further action is recommended.
	Engineers	Overtime	40,000	51,127	11,127	Overtime required to cover peak work flows and staff shortages which has been offset by additional income. No further action is recommended.
	Trade Refuse	Income from collections	-947,800	-914,553	33,247	Income is still down due to the current economic climate however the service is currently under review. No further action is recommended.
Information Services	Supplies & Services	Mobile Telephones	49,500	56,988	7,488	The transfer across to a new provider during the year was delayed due to poor signal quality - the service will be looked at again this year in order to make savings. No further action is recommended.
Governance	Legal Services	Postages	700	6,351	5,651	Additional costs for special deliveries associated with obtaining various legal opinions. This was an unavoidable cost. No further action is recommended.
	Licensing	Hackney Carriage Licences	-50,000	-44,754	5,246	Reduced income due to an overall reduction in the number of applications. No further action is recommended.
		Licensing Act 2003	-135,000	-126,685	8,315	Fewer premises licence applications and variations than expected due to general economic downturn. A restructure of the licensing section was undertaken during 2011/12 to reduce costs. No further action is recommended.
Regeneration & Planning	Development Control	Planning Application Fees	-375,000	-338,588	36,412	Continue reduction in application numbers due to current economic climate. Continuing effects of "permitted development" changes has resulted in reduced income. New flat fees for renewals of planning permission applications has also further decreased income. No further action is recommended.
Property Services	Car Parks	Equipment & Tools	17,200	22,267	5,067	Unavoidable increased service contract costs plus coin validation - offset by additional car parking income of £58K. No further action is recommended.
	Sea Defence Works	Repair & Maintenance	200,000	213,003	13,003	Unavoidable additional expenditure in January however this was offset by savings on electricity and additional income. No further action is recommended.

2011/12 REQUESTS FOR CARRY FORWARD

For consideration by Cabinet on 03 July 2012

General Fund

Number	Service	Budget	Carry Forward Request	
Requests in line with original budget purpose			£	
1	Community Engagement	Arts Development : More Music in Morecambe	5,000	
2	Community Engagement	Williamson Park Café Repair & Maintenance	3,000	
3	Community Engagement	Marketing & Communication : Mobile Website	6,000	
4	Financial Services	HR/Payroll System Replacement	34,900	FC
5	Governance - HR	Corporate Training	6,000	
6	Health & Housing	Mortgage Repossession Prevention Grant	65,000	FC
7	Information Services	Anti-Virus Software	6,300	
8	Property Services	Car Park Repair & Maintenance	9,500	
9	Property Services	Off Street Car Parks - Amendment Order	4,500	
10	Regeneration & Planning	Local Development Framework - General Services	56,000	FC
11	Regeneration & Planning	Local Development Framework - Consultancy	20,900	FC
12	Regeneration & Planning	Morecambe Area Action Plan	39,700	FC
Sub Total			256,800	
Requests to change use of original budget underspend				
See No.1	Community Engagement	Arts Development : Museum Consultancy	9,900	
13	Community Engagement	Williamson Park - Improved Visitor Attractions	18,000	FC
14	Community Engagement	Neighbourhood Mgt - Unallocated Grant Income	25,200	FC
Sub Total			53,100	
Total General Fund Carry Forward Requests			309,900	

Housing Revenue Account

Requests in line with original budget purpose				
15	Health & Housing	Planned Maintenance	29,100	FC
Total HRA Carry Forward Requests			29,100	

"FC" denotes Full Council approval also required, if the requests are approved in full by Cabinet.

Further details relating to each request are attached.....

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Community Engagement - Wellbeing
BUDGET HEADING	Arts Development
AMOUNT	£14,900

1

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

Budget Commitment

An amount of £5,000 is required to go towards phase 2 of the More Music improvements at the Hot House. It was match funding towards a funding application submitted by More Music to the Arts Council and County Council towards the end of 2011/12.

This funding was approved in 2011/12 and some work commenced but the £5,000 City Council contribution (as approved by members) was not claimed by More Music but will be claimed in June 2012. This is for work which commenced in late 2011/12 and only recently completed.

If these requests are not approved then as it is already committed there will need to be a significant reduction in the provision of Arts Development during 2012/13.

Additional Request for Change of Use of Budget Underspend

Members were advised at Cabinet's meeting on 14th February, should specialist independent advice be required for the Museum Partnership then it could be met from unused budgets should the 2011/12 outturn allow, otherwise alternative sources would need to be found during 2012/13 as no specific budget is available. As a result the underspend on the Arts Development budget has been identified as a suitable source of funding. If approved for carry forward a change of use will also be required during 2012/13 to the Museums Partnership Consultancy budget heading.

The review of the Museums Partnership was approved by members and although negotiations with the consultants took place in the latter stages of 2011/12, they have only recently commenced their review with an expected completion date of 30 June 2012. The cost of this work is £9,900.

Without the consultants the review could not be undertaken with any level of expertise to ensure the Council would receive value for money in relation to a newly agreed partnership. Timescales for the review would also not be achieved.

There are some complicated areas to consider e.g. conservation, acquisitions, document control, governance, finance, exhibitions and it is the consultants who will help inform officers of the best approach.

Financial Services Comments

The carry forward request can be met from the underspend in 2011/12 totalling £15,700 against the Arts Development budget, which is slightly more than the amount being requested.

It should be noted that expenditure for both the Museums Partnership and More Music has already been undertaken or committed to 'at risk' due to the timescales involved.

As the combined request is in excess of £10K Full Council approval will be required.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Community Engagement - Wellbeing
BUDGET HEADING	Williamson Park – Café R & M
AMOUNT	£3,000

2

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

Work was undertaken in 2011/12 to replace window frames in the front of the Pavilion Café due to severe rotting. However it became apparent that the problem was worse than first anticipated and further remedial work is still required to ensure that all the work is completed to a satisfactory standard.

Although works commenced late 2011/12, there have also been problems with supply of required materials, hence delays in completion.

The underspend in 2011/12 was allocated to complete this essential work and if not approved will lead to other works on the Café in 2012/13 being delayed.

Financial Services Comments

The carry forward request can be met from the underspend in 2011/12 totalling £3,100 against this budget, which is slightly more than being requested.

It should be noted that commitment for this expenditure arose during 2011/12, however completion was delayed for reasons beyond the Council's control.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Community Engagement - Communications and Marketing
BUDGET HEADING	Marketing and Communication
AMOUNT	£6,000

3

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

Mobile Website Project

The business case for a mobile-friendly website was established some 18 months ago. The project was scheduled for 2011/12, but due to changes in the management and administration of the communications service and budget in the middle of the year, with the various budgets and work streams transferring between two areas, the project was postponed as a precaution. Despite monitoring, by March of this year, the project did not appear viable based on the estimated level of underspend indicated across a wide range of projects. Only at the very end of the financial year did it become clear that the collective underspend across all the projects would have allowed the necessary budget to be available for the project. By this time it was too late to reschedule to meet the 2011/12 budget year end.

The business case for the mobile website is increasingly strong, as the proportion of our web visitors using mobile devices continues to grow.

The council website currently registers over 180,000 page hits each month, from 36,000 unique visitors. The proportion of visitors using smartphones and other mobile devices is rising exponentially, and currently stands at 17% (up from 6% last year and just 1.5% the year before that).

Table 1: Visits to www.lancaster.gov.uk

Monthly Period	Total web visitors	Mobile visitors	% using mobiles
March 2012	56,919	7,585	13.3%
March 2011	46,713	2,204	4.5%
March 2010	49,907	638	1.3%

This in turn reflects changes in mobile phone ownership and usage in the UK as a whole. According to market research carried out by Google in October/November 2011, 89% of people use an internet-enabled mobile phone compared to 75% of people who use a PC or laptop.

The same research found that UK smartphone ownership in the same period was 45%. Smartphones are essentially a mobile phone with the functionality and internet access capabilities of a standard PC, which allow people to access the web when and where they want.

If the current rate of growth of our mobile web visitors continues, 40% of visits to our website will be made on mobile devices by 2013.

However, for mobile users, the website is not fit for purpose and is therefore in need of reconfiguration. The cost of reconfiguration, using our established web suppliers, is £6,000.

2011/12 REQUESTS FOR CARRY FORWARD

This has been identified as a priority by the Online Service Delivery Group in reports to Management Team and the intention to submit as a carry forward was reported to Management Team in May.

The mobile website project directly supports the council's Community Leadership corporate priority, particularly in the areas of service improvement, increasing public engagement, efficiencies, and customer satisfaction with online service delivery.

Financial Services Comments

The request is for a carry forward of £6,000 against the Marketing and Tourism net budget saving of £14,300. There was no specific commitment for the website project in 2011/12 although it has been raised as a priority by the Online Service Delivery Team. It was only at the end of the year when the total underspend for the cost centre was apparent that it was identified that £6,000 of the total saving could be used for introducing the mobile website.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Financial Services
BUDGET HEADING	Software Payroll-Personnel
AMOUNT	£34,900

4

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

This request relates to funding of the HR/Payroll system replacement.

It was anticipated that the tendering, acquisition and implementation of the new HR/Payroll system would have been completed during 2011/12. However due to the tendering process having to go through OJEC and contract negotiations taking longer than originally envisaged, implementation has only just commenced with anticipated completion before March 2013. As a result, the initial one off implementation costs will now be incurred in 2012/13 for which this carry forward request is required.

Financial Services Comments

The carry forward request is for the full underspend of £34,900 on this budget . As the request is in excess of £10K then Full Council approval will be required.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Governance - Human Resources
BUDGET HEADING	Corporate Training
AMOUNT	£6,000

5

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

A set of development workshops have been developed to support the wider development of Management and Leadership capacity across the Council at all levels.

Towards the end of 2011 proposals for the reorganisation of the Management Team and a number of service units took shape, with the plans being formally introduced in 2012. During this period of transition it was considered wise to hold off running some of the events and to use the information gained during the reorganisation process to inform the elements of the programme yet to come.

The delay means that the budget that was allocated for Management Development in the budget year 2011/12 was unspent.

These delayed and revised events are now part of the 2012/13 Learning and Development Delivery Plan. Given the delay, the cost of the events, which will exceed £6,000 during 2012/13, will mean that a significant burden is placed on the current 2012/13 Corporate Learning and Development Budget without this additional resource if the additional cost of the events is to be drawn from the existing 2012/13 budget. Approval of the carry forward would greatly alleviate the pressure on this budget during 2012/13.

Financial Services Comments

The request is to carry forward £6,000 of the 2011/12 underspend against the budget code for Corporate Training to fund the costs of the delayed events. The carry forward can be met from the total underspend in 2011/12 of £12,500 against a budget allocation of £51,800. The Corporate Training budget allocation for 2012/13 is £33,900.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Health and Housing
BUDGET HEADING	Other Government Grants
AMOUNT	£65,000

6

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

Housing Minister, Grant Shapps, announced on 9th February 2012 a new £19 million Preventing Repossessions Fund to enable local authorities to help homeowners at risk of repossession. The resultant funding of £65,136 (Mortgage Repossession Prevention Grant) was received from the Government at the end of March 2012. Clearly this did not give any opportunity for the funding to be spent during 2011/12.

It is intended that the council make "interest free" loans available in line with Government guidance, and that during 2012/13 an amount of £30,000 be used for this purpose. The loans will be given on the basis that lenders are prepared to compromise on the debt owed in return for the loan payment, which in turn, will result in the threat of repossession being removed.

It is further proposed that an amount of £35,136 is set aside in a "Homeless Reserve". This funding can then be used on a variety of homeless prevention initiatives enabling the Housing Options service to minimise the numbers of homeless presentations. It should be noted that this reserve would also provide a safety net if the 2013/14 Homeless Prevention allocation is cut. Any surplus from the funding set aside for use in 2012/13 could be diverted into the homeless reserve for use in future years.

The impact of not retaining the full award of Mortgage Repossession Prevention Grant for tackling Homelessness will be considerable. Through the council's 'invest to save' approach we have managed, through homeless prevention initiatives, to reduce homelessness considerably in this authority over the last 6 years.

The changes to benefits entitlements through the Welfare Reforms and the current social and economic challenges are all having a negative impact on vulnerable households, and as a consequence the demand on the Housing Options Team has increased. As a service we are striving to maintain and improve homeless prevention services. In order to maintain the current levels it is important, that in these challenging times, the funding is maintained for its intended purpose and that the service has as many "tools" and options as possible to assist with the prevention of homelessness

Preventing homelessness is a named action under the Health and Wellbeing Priority in the corporate plan 2012-2015, and the use of this funding will help considerably to support this.

Financial Services Comments

The grant was received at the end of 2011/12 amounting to £65,136 from DCLG. As stated within the grant guidance – *"the funding is not ring-fenced, it is a named grant. It is important local authorities ensure it is used to support the maximum number of households in need of financial assistance, enabling them to stay in their homes. Final decisions on efficient and equitable deployment of this additional funding rest with local authorities and should be based on individual local need"*.

As the carry forward request is greater than £10K full Council approval will be required.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Information Services
BUDGET HEADING	Software Anti-Virus
AMOUNT	£6,300

7

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

Anti-virus protection is normally purchased on a 3 year contract to take advantage of discounts. Only a 1 year licence was purchased in 2011/12 owing to negotiations with County regarding shared ICT provision and therefore not wanting to enter into an extended contract. We will again initially only be looking at a single year purchase in 2012/13 because we are reviewing related licences this year and there may be an opportunity to include anti-virus protection in another contract. The carry forward is required to meet the cost of continuing the anti virus software licence in 2012/13.

Financial Services Comments

The carry forward can be met from the underspend in 2011/12 of £12,000 against this budget. The cost of a one year licence was £6,300 compared to a budget of £18,300 for the 3 year licence. Dependant upon the review of licences future year's budgets may need to be reviewed and it may be that the anti-virus budget is merged with other budgets.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Property Services
BUDGET HEADING	R & M Buildings
AMOUNT	£9,500

8

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

The carry forward request is for the full underspend on the car park repair and maintenance budget. This is to go towards the cost of specialist asphalt works on an outdoor level of the Parksafes Car Park which the City Council is responsible for under the lease with the building's owners. The works will require external professional support in specifying the required solution, drawing up contract documents and supervising the required remedial works. The full cost is anticipated to be greater than this request with the balance having to be met from existing budgets in 2012/13, however these are not sufficient to meet the full cost of the repairs and other commitments at this car park and the multi-story at St Nicholas Arcade.

The works were temporarily deferred mainly due to the ongoing negotiations with Parksafes over a new partnership agreement for the operation of the car park from November 2012.

The impact of not undertaking these works is that water ingress is affecting the concrete slab deck and water is dripping through into a lower level of the car park affecting the availability of parking spaces and income at peak demand periods. If the carry forward is not approved this will also impact on other maintenance works at Parksafes and the other multi-story car park at St Nicholas Arcades.

Financial Services Comments

The carry forward is for the full underspend on this budget. If the carry forward is not approved, it is unlikely that other planned or reactive maintenance works could be carried out during 2012/13.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Property Services
BUDGET HEADING	Off Street Car Parks
AMOUNT	£4,500

9

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

The Annual Review of Parking Fees and Charges 2012/13 approved by Cabinet in January 2012 approved "in principle" changes to some car parks where permits can be used but the introduction of these changes was deferred until such time as an Amendment Order to the Off Street Parking Places Order is required.

The introduction of a new car park in the West End of Morecambe will require an Amendment Order, at a cost of approximately £4.5K, and the intention was to include all the necessary changes in a single Amendment Order rather than having to budget for two Amendment Orders.

The carry forward request would provide sufficient funding for the Amendment Order whilst the existing Miscellaneous Advertising budget of £1,200 in the current financial year would finance any Notice of Variation notices that are required as part of the Annual Review of Parking Fees and Charges for 2013/14. These notices would need to appear in the local press in February or March 2013.

Financial Services Comments

The carry forward request is for the full underspend on this budget. The underspend has occurred due to delays in the introduction of a new car park in the West End of Morecambe, which is also subject to the 2011/12 Capital Programme Slippage being approved as part of the 2011/12 Outturn.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Regeneration & Planning
BUDGET HEADING	Local Development Framework – General Services
AMOUNT	£56,000

10

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

The budget relates to work on monitoring and preparing the policies for the Districts Local Development Framework. The Council is currently preparing three Development Plan Documents (DPD), along with undertaking to monitor the various areas the Framework covers such as Housing Need and preparing and producing formal Proposal Maps. These three documents are:

- Land Allocations,
- Development Management Policies
- Morecambe Area Action Plan

Changes in national policy and the implication of the delays in the implementation of the CIL regulations have impacted on the timescales for the drafting of the documents. The Policy team are currently preparing the draft LA and DM policy documents and, subject to Cabinet, the draft documents should be consulted on this autumn.

The budget is required to fund necessary consultancy work to support the development of the document including on-going monitoring.

Financial Services Comments

The carry forward request can be met from the underspend in 2011/12 totalling £56,200 against budget code.

As the combined request is in excess of £10,000 Full Council approval will be required

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Regeneration & Planning
BUDGET HEADING	Local Development Framework – consultancy
AMOUNT	£20,900

11

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

Spending has been delayed due to progress on LDF being behind schedule. Whilst work has progressed as per the Local Development Scheme the current programme for Plan adoption of the Development Management and Land Allocation DPD means work will need to be carried out in 2012/13.

The main call on the money is for a formal sustainability appraisal and habitats regulations screening of LDF documents, which will take place in 2012/13. If the carry forward is not approved further delays will be incurred.

Financial Services Comments

The carry forward request is the balance of the 2011/12 underspend on this budget

As the request is in excess of £10K Full Council approval will be required

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Regeneration & Planning
BUDGET HEADING	Morecambe Area Action Plan
AMOUNT	£39,700

12

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

Much work to prepare the plan was undertaken in 2011/12. The public were consulted on the Outline Options for the Area Action Plan in autumn 2011 and since then the AAP team have been continuing to develop the plan and continue their engagement with stakeholders to help inform the plan. Other work pressures though have meant progress in 2011/12 was a little slower than anticipated and in particular the call on consultancy support less than anticipated. More of this is now required in 2012/13. A first draft plan will be reported to Cabinet and Council approval this summer for consultation this autumn.

The carry forward is required to appoint consultants to help ensure that the plan is sound and viable and to provide support as necessary for the council in taking the draft plan through the final examination process. The consultancy support required includes for work on Sustainability Appraisal and Habitat Regulations Assessment in line with regulations.

The budget also includes separately for any activity the Council as land owner might want to undertake to help advance any development opportunities arising from the plan including the undertaking of any competitions to procure future development partner(s).

Financial Services Comments

The amount requested is the full value of the underspends at 2011/12 outturn for Morecambe Area Action Plan budget..

As the request is in excess of £10K, Full Council approval will be required.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Community Engagement - Wellbeing
BUDGET HEADING	Williamson Park
AMOUNT	£18,000 (made up of items below)

13

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

The request is for a combination of additional income and net underspends to be carried forward to be re-invested back into the park as detailed below:

£4,200 is additional income from the café in 2011/12.

£5,100 is additional income from Events overall in 2011/12.

£6,000 is a net underspend on Management & Admin overall in 2011/12.

£2,700 is a net underspend on the Shop overall in 2011/12.

All of the above come to a total of £18,000 and if approved the carry forward would be invested in 2012/13 to improve the zoo and mini beast area, in order to attract additional visitors and future income.

A full copy of the proposed project plans is available from Community Engagement.

Financial Services Comments

The S151 Officer comments that the condition of buildings within the park more generally is of a much higher priority than improvements to the zoo/mini beast area.

The carry forward request can be met from within the overall net underspend for Williamson Park in 2011/12. However, it should be noted that in accordance with the financial regulations only 50% of additional income can be retained by a service. Therefore Members need to satisfy themselves of the need to carry forward the full additional income.

It should be noted that although there was no specific commitment for this expenditure identified during 2011/12, Members resolved at Cabinet in January 2010 (minute no. 115 relates) 'That the City Council continues to review the operation and explore the potential of providing an improved visitor attraction/destination and seek to maximise this through external funding and partnership working...'

As the request is in excess of £10K Full Council approval will be required.

If the carry forward is refused then an alternative may be to review the proposal during the 2013/14 budget process instead.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Community Engagement (Partnerships)
BUDGET HEADING	Poulton Neighbourhood Management and Winning Back the West End
AMOUNT	PNM £7,700 WBTWE £17,500

14

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

This request is to carry forward surplus external grant funding that has not paid to some projects due to their failure to provide sufficient evidence of spend and not meeting the requirements of audit reconciliations. The money related to Neighbourhood Management programmes in Poulton and the West End of Morecambe.

No proposals to spend these monies have been made whilst continued efforts have been on going with the original funders over the use of this money, namely Lancashire County Council for WBTWE and GONW for PNM (no longer in existence, work now responsibility of Department of Communities and Local Government).

The proposal is to use these funds for a purpose in line with the original objectives, and in the geographic areas the funding was earmarked to, namely feasibility work concerned with the Morecambe Area Action Plan (MAAP), particularly for a Visitor Centre and Performance Space (for which the hope is of European funding match).

The MAAP impacts on both the West End and Poulton neighbourhoods where community and stakeholder engagement identified significant issues relating to connectivity of the town and main visitor focus on the promenade. In particular, the proposal aims to bring initial resources to assist in the early delivery of strategic projects identified as economic priorities and 'step-change' initiatives which will impact on these areas.

Financial Services Comments

The carry forward request is for the full unallocated GONW and County grant income totalling £25,200.

Although there was no specific commitment against this unallocated income during 2011/12, this has arisen through a lack of response from original funders for its recycled use. Risk of clawback by funders is considered low as the grant was originally allocated several years ago and has never been reclaimed.

It should be noted that if the request is approved, then a re-designation of use will be required from Community Engagement – Partnerships (Accountable Body for grant) to Regeneration & Planning in 2012/13. If the request is not approved then it will remain in unallocated balances.

As the request is in excess of £10K Full Council approval will be required.

2011/12 REQUESTS FOR CARRY FORWARD

SERVICE	Repairs and Maintenance
BUDGET HEADING	HRA Planned Maintenance
AMOUNT	£29,100

15

The reasons why the spend didn't occur during 2011/12 and why we still have a commitment for it in 2012/13.

The Repairs & Maintenance Section operate a schedule of planned revenue works to the council's housing stock. The following works were planned to be completed prior to the end of the financial year but were unable to for the following reasons :-

Ventilating Services (£15,600) – gaining access to various properties proved difficult which resulted in various timing delays. The works can be complete in conjunction with the Re-roofing contract.

Electrical Inspections (£3,500) – delays by the contractor resulted in some works being completed in 2012/13. All works relating to 2011/12 have now been invoiced and paid for.

Fire Risk Assessments (£10,000) – staff shortages within the technical team has resulted in existing workloads being re-prioritised. This scheme has suffered as a consequence leading to specified properties not being assessed.

Financial Services Comments

The overall net underspend on Planned Maintenance in 2011/12 was £200,000. The carry forward request can be accommodated within this.

As the request is in excess of £10K then full Council approval will be required.

Lancaster City Council - Capital Expenditure 2011/12

For consideration by Cabinet 03 July 2012

GENERAL FUND	Revised Estimate	Expenditure in 2011/12	Expenditure to be financed in 2011/12	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
				GRANT	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
	£	£	£	£	£	£	£	£	£	£
ENVIRONMENTAL SERVICES										
District Playground Improvements	61,000	58,987	58,987						0	58,987
Public Toilet Improvements	94,000	94,977	94,977			10,000			10,000	84,977
Allotments Improvements	9,000	0	0						0	0
Hala Play Area	39,000	36,875	36,875	27,875			9,000		36,875	0
Clay Pitts Play Area	140,000	48,333	48,333			48,333			48,333	0
Communal Recycling Facilities	34,000	30,093	30,093				30,093		30,093	0
PV Cell Project Holding Code	750,000	207,317	207,317			207,317			207,317	0
Purchase of Vehicles	777,000	776,925	776,925						0	776,925
Sub-Total	1,904,000	1,253,507	1,253,507	27,875	0	265,650	39,093	0	332,618	920,889
COMMUNITY ENGAGEMENT										
Salt Ayre Ath Track Security Fencing	20,000	13,689	13,689						0	13,689
Salt Ayre Reception Refurbishment	40,000	2,551	2,551						0	2,551
Salt Ayre Synthetic Pitch	25,000	25,000	25,000						0	25,000
Salt Ayre Reflexions Changing Rooms	30,000	0	0						0	0
Salt Ayre Pool Filter Replacement	3,000	0	0						0	0
Heysham Village Play Area Phase 2	46,000	43,503	43,503	43,558					43,558	-55
Warmer Homes Scheme (LDLSP PRG)	50,000	50,000	50,000		50,000				50,000	0
Salt Ayre Pools Hydraulic Floors	45,000	0	0						0	0
Hala Play Area - Phase 2	50,000	0	0						0	0
Sub-Total	309,000	134,744	134,744	43,558	50,000	0	0	0	93,558	41,186
HEALTH & HOUSING										
Disabled Facilities Grants	744,000	615,225	615,225	615,225					615,225	0
Contract 23 - 3-16 North St	0	0	0	-2,200					-2,200	2,200
YMCA Places of Change	63,000	10,998	10,998	10,998					10,998	0
Bold Street Renovation Scheme	94,000	39,722	39,722	39,722					39,722	0
Edward Street/ Union Street Renovations	15,000	14,480	14,480	14,480					14,480	0
EP Exemplar Project Funding	0	140,607	140,607	50,607					50,607	90,000
SSCF Public Realm	13,000	0	0						0	0
Sub-Total	929,000	821,033	821,033	728,833	0	0	0	0	728,833	92,200
INFORMATION SERVICES										
I.T.Strategy	20,000	10,762	10,762						0	10,762
I.S. Desktop Equipment	30,000	18,267	18,267			18,267			18,267	0
Electronic Room Hire Booking System	1,000	-1,513	-1,513						0	-1,513
Performance Management System	20,000	20,797	20,797				17,000		17,000	3,797
Sub-Total	71,000	48,313	48,313	0	0	18,267	17,000	0	35,267	13,046
REGENERATION & PLANNING										
Cycling England (Capital)	13,000	11,202	11,202	11,202					11,202	0
Luneside East - Land Acquisition	121,000	3,384	3,384						0	3,384
Works To Properties-Amenity Improvements	37,000	1,488	1,488	1,488					1,488	0
Strategic Monitoring Baywide	98,000	64,375	64,375	56,744					56,744	7,631
Denny Beck Bridge Improvements	81,000	78,325	78,325			15,000			15,000	63,325
Luneside East Compensation	341,000	330,650	330,650			188,000			188,000	142,650
Wave Reflection Wall	15,000	12,203	12,203	9,955					9,955	2,248
Artle Beck Improvements	240,000	149,109	149,109	145,851					145,851	3,258
Slynedale Culvert	22,000	13,528	13,528	12,943					12,943	585
Storey Institute Centre for Industries	34,000	20,946	20,946	20,946					20,946	0
Toucan Crossing - King Street	14,000	1,012	1,012			1,012			1,012	0
Dome Demolition	12,000	12,170	12,170						0	12,170
Lancaster Square Routes Project	220,000	174,195	174,195						0	174,195
Frances Passage	73,000	66,375	66,375	66,375					66,375	0
Greyhound Bridge Rd Affordable Housing	250,000	0	0						0	0
S106 payments to Lancs County Council	90,000	90,473	90,473			90,473			90,473	0
S106 - Morecambe FC Footpath Works	69,000	69,000	69,000			69,000			69,000	0
Sustrans Grants - Links to Schools	156,000	155,978	155,978	136,000			19,978		155,978	0
West End Temporary Car Park	19,000	0	0						0	0
Sub-Total	1,905,000	1,254,412	1,254,412	461,503	0	363,485	19,978	0	844,967	409,445
PROPERTY SERVICES										
Lancaster Town Hall Clock Tower	58,000	54,666	54,666		50,000				50,000	4,666
Corporate and Municipal Building Works	220,000	0	0						0	0
St Leonards House Electrics	1,000	1,102	1,102						0	1,102
67-71 Market Street	23,000	18,544	18,544						0	18,544
Old Fire Station Renovation Works	0	449	449						0	449
LTH Emergency Electrical Works	3,000	5,519	5,519						0	5,519
LTH Roof Replacement	710,000	635,895	635,895						0	635,895
MTH Roof Replacement	937,000	959,078	959,078						0	959,078
Maritime Museum Remedial Works	0	-5,623	-5,623						0	-5,623
LTH Boiler Replacement	255,000	8,312	8,312						0	8,312
Williamson Park - Steps	120,000	0	0						0	0
Sub-Total	2,327,000	1,677,942	1,677,942	0	50,000	0	0	0	50,000	1,627,942
FINANCIAL SERVICES										
Icelandic Bank Impairment	0	0	-1,363,926				408,291		408,291	-1,772,218
Sub-Total	0	0	-1,363,926	0	0	0	408,291	0	408,291	-1,772,218
TOTAL - GENERAL FUND	7,445,000	5,189,950	3,826,024	1,261,769	100,000	647,402	484,363	0	2,493,534	1,332,490

CAPITAL SLIPPAGE - INTO FINANCIAL YEAR 2012/13

For consideration by Cabinet 03 July 2012

Environmental Services

Allotment Improvements	9,000
Hala Park Playground Improvements	50,000
Mainway Recycling Bins	4,000
Clay Pitts Recreation/Play Facilities Development	92,000
	155,000

Community Engagement

Williamson Park Steps	120,000
Salt Ayre works programme	119,000
	239,000

Health and Housing

YMCA Places of Change	52,000
Disabled Facilities Grants	129,000
	181,000

Information Services

I.T. Infrastructure	9,000
I.T. Desktop Equipment	12,000
	21,000

Regeneration & Planning

Amenity Improvements	36,000
Toucan Crossing-King Street	13,000
Artle Beck Improvements (Flood Defences)	91,000
Lancaster Square Routes	46,000
Wave Reflection Wall Refurbishment	3,000
Slynedale Culvert project	8,000
Ffrances Passage	7,000
Greyhound Bridge Rd Affordable Housing	250,000
Luneside East	128,000
West End Temporary Car Park	19,000
Bold Street Renovation Scheme	54,000
Public Realm Works	13,000
Storey Institute Centre for Industries	13,000
	681,000

Property Services

Corporate & Municipal Building Works (incl. energy efficiency)	531,000
PV Cell Municipal buildings	20,000
	551,000

GENERAL FUND TOTAL

Council Housing

Invest to Save - PV Solar Panels	130,000
Total Mobile	30,000

COUNCIL HOUSING TOTAL

Slippage Requested	Source of Funding:		
	LCC Funded	Grant / Contributions	Total
£	£	£	£
9,000	9,000		9,000
50,000		50,000	50,000
4,000	4,000		4,000
92,000	92,000		92,000
155,000	105,000	50,000	155,000
120,000	120,000		120,000
119,000	119,000		119,000
239,000	239,000	0	239,000
52,000		52,000	52,000
129,000		129,000	129,000
181,000	0	181,000	181,000
9,000	9,000		9,000
12,000	12,000		12,000
21,000	21,000	0	21,000
36,000	33,000	3,000	36,000
13,000	13,000		13,000
91,000		91,000	91,000
46,000	46,000		46,000
3,000	-1,000	4,000	3,000
8,000		8,000	8,000
7,000		7,000	7,000
250,000	250,000		250,000
128,000	128,000		128,000
19,000	19,000		19,000
54,000		54,000	54,000
13,000	13,000		13,000
13,000		13,000	13,000
681,000	501,000	180,000	681,000
531,000	531,000		531,000
20,000	20,000		20,000
551,000	551,000	0	551,000
1,828,000	1,417,000	411,000	1,828,000
130,000	130,000		130,000
30,000	30,000		30,000
160,000	160,000	0	160,000

APPENDIX K

Annual Treasury Management Report 2011/12

For noting by Cabinet 03 July 2012

1 Introduction

- 1.1 The Council's Treasury Management Strategy for 2011/12 was approved by Council on 02 March 2011. This report sets out the related performance of the treasury function by providing details of:

- a) long term and short term borrowing (i.e. debt that the Council owes)
- b) investment activities
- c) relevant borrowing limits and prudential indicators.

It is a requirement of the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Treasury Management in Local Authorities that such a report be made to the Cabinet within six months of the end of the financial year, and that it also be reported to Council for information.

- 1.2 The aim of the Treasury Management Policy and associated activity is to ensure that the investment of surplus cash is managed in line with the guidance issued by both CIPFA and Government, as well as in line with the Council's appetite for risk. For 2011/12 the appetite for risk remained low given the continued volatility in the national economy and the Eurozone.
- 1.3 Treasury management is a technical area. Training has been provided in the past to Members and this continues to be an important part of the CIPFA code of practice (further updated November 2011). To assist with the understanding of this report, a glossary of terms commonly used in Treasury Management is attached at **Annex A**. In addition, the Councillor's Guide to Local Government Finance also has a section on treasury and cash management, and this is available through the Member Information section on the Intranet. More Member training is due to be organised with the Council's Treasury Management consultants, Sector, for later in the 2012/13 financial year.

2 Summary: Headline Messages for 2011/12

- 2.1 The key points arising from this report are as follows:

- There is still a great deal of uncertainty in the UK and wider economy, particularly with reference to the Eurozone debt crisis. Credit worthiness, including sovereign rating, is still a key issue.
- Positive judgments have been given over local authority Icelandic investments. The Council has received £4,125K to date and expects to receive £5.9M of its claims (£6M invested plus around £300K interest) in total.
- At the end of the financial year, the HRA self financing transactions took place; the Council took on additional long term PWLB debt of £31.241M to fund the payment (of an equal amount) for buying out of the Council Housing subsidy system.

- Excluding the HRA self financing payment, the underlying need to borrow decreased by £1.3M. General Fund capital out-turn resulted in a £2.3M increase in the underlying need to borrow, as compared with a revised budget of £2.4M; £780K of this related to vehicle purchases which are provided for in the revenue budget. Taking slippage into account, there were no major variations.
- No long term loans have been repaid in the year and no temporary borrowings have been required to support day to day cash flow. The Council ended the year with healthy cash balances due to slippage on capital schemes and significant repayments from Glitnir and Landsbanki.
- The Council has stayed within its Prudential limits for investments and has not breached any of the criteria set out in the approved strategy. The use of the Lancashire County Council call account has meant that use of lower paying accounts such as the DMADF, has been kept to a minimum without compromising counterparty strength.
- Outturn on investment interest was £294K, which was £26K above the revised budget. This is due to slightly higher cash balances and the profiling of Icelandic bank repayments.

3 Economic background (supplied by Sector)

The financial year 2011/12 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk. The original expectation for 2011/12 was that Bank Rate would start gently rising from Quarter 4 2011. However, economic growth in the UK was disappointing during the year due to the UK austerity programme, weak consumer confidence and spending, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the European Union (EU). The UK coalition Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating.

Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity plan timeframe. The USA and France lost their AAA credit ratings from one rating agency during the year. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £75bn in October and another £50bn in February. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation peaked in September at 5.2%, finishing at 3.5% in March, with further falls expected to below 2% over the next two years. The EU sovereign debt crisis grew in intensity during the year until February when a second bailout package was eventually agreed for Greece.

Gilt yields fell for much of the year, until February, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of quantitative easing during the year, combined to depress PWLB rates to historically low levels.

Risk premiums were also a constant factor in raising money market deposit rates for periods longer than 1 month. Widespread and multiple downgrades of the ratings of many banks and sovereigns, continued Eurozone concerns, and the significant funding issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment

4 Icelandic Investments

There was positive news from the Icelandic banks during the year. Following an elongated process local authority depositors were finally granted preferential creditor status with Landsbanki and Glitnir. This greatly increased the recoverable amounts and has led to significant payments being made from these banks during 2011/12. The position is summarised below:

	KSF £000	Glitnir £000	Landsbanki £000	Total £000
Deposit	2,000	3,000	1,000	6,000
Claim	2,048	3,173	1,121	6,342
Payments received	1,290	2,508	327	4,125
Amounts held in ISK (£)		571	8	579
Total anticipated recovery (% of claim)	83.5%	100%	100%	
Further payments due (%)	20.5%	0%	70%	
Further payments due (£)	420	0	785	1,205
Total anticipated receipts	1,710	3,079	1,119	5,908

This shows that cash received as at 31/03/2012 was £4.125M. In total it is expected that the Council will get back £5.9M of its claims (£6M originally invested plus £342K interest etc). Although there has been a cost of the foregone interest during the period the money has been out of use, this means that the vast majority of the capital sum has been preserved.

The repayments from Landsbanki and Glitnir were made in a range of currencies reflecting the assets of the banks. Of these, amounts paid in ISK cannot currently leave Iceland due to currency controls imposed by the Central Bank of Iceland. These amounts have been paid into escrow accounts (similar to a client account at a solicitors) in Iceland. These are earning 3.4% interest but are also subject to gains and losses due to fluctuations in the exchange rate between Sterling and ISK. Once the currency controls are removed, these amounts will be paid back into the Council's UK bank account although there is currently no clear timeframe for this to happen.

The increase in recovery rates means that the amounts previously charged to the accounts for impairment of the investment values, can now be reversed. As part of closing down the 2011/12 accounts, all the amounts capitalised have been reversed out of the accounts with a resultant saving of £105K per year in financing costs (the saving already reflected in the 2012/13 budget). Overall, the outturn is around £30K worse than anticipated in the revised budget, taking into account the net entries to unwind the impairment reserve, the investment balance sheet values and notional interest credits. This is mainly due to not receiving the £47K of gap interest on the Glitnir repayment (that due between maturity date and 22 April 2009) which it had been anticipated would be due but which was not awarded by the Icelandic court. This was offset in part by slight improvements on the recoverable amounts.

As payments are still outstanding for KSF and Landsbanki, there may be small adjustments at subsequent year ends to reflect any changes to anticipated recoveries or repayment profiles, but it is not anticipated that these will be material.

5 Borrowing and capital expenditure.

5.1 Capital expenditure and financing.

Long term borrowing is an important part of the Council's capital financing. Under the Prudential Code a key indicator is the Capital Financing Requirement (CFR). This figure is calculated from the Council's balance sheet and represents, in broad terms, the gap between the value of fixed assets and that of capital reserves. In essence, this gap may be viewed as the cumulative amount of capital investment that may need to be funded through external borrowing (i.e. the amount of capital investment that has not been funded from other sources such as grants, revenue contributions and capital receipts). Borrowing should not then exceed the CFR on a long term basis, as this would indicate that borrowing is being used to fund expenditure other than capital. For 2011/12 the figures were as follows:

	£000
Opening CFR	53,294
Closing CFR*	83,188
Average CFR	52,962
Weighted average borrowings*	39,556
Weighted average finance lease liability	6,159
Weighted average investments	18,928
Net borrowings	26,787

*HRA self financing payment of £31.2M 28/3/2012 so only small impact on weighted average CFR & borrowings

From this it is clear that net borrowings are well below the Council's CFR. This shows that long term borrowing has not been used to fund revenue activities. These figures include the impact of the HRA self financing payment made on the 28 March 2012 and although this increased the closing CFR materially, on a weighted basis, as the transaction was so late in the year, it has little impact. Going forward, all that will happen is that net average borrowings and average CFR will increase by the value of the payment, that being £31.241M.

In terms of capital expenditure and funding in the year, this can be summarised as follows:

	2011/12 £000	2010/11 (restated)* £000
Opening Capital Financing Requirement	53,294	53,285
<i>Capital investment</i>		
Property, Plant and Equipment	7,526	8,397
Investment Properties	20	12
Intangible Assets	20	90
Revenue Expenditure Funded from Capital Under Statute	1,199	2,419
De capitalisation of Iceland	(1,364)	(222)
HRA self financing payment	31,241	0
<i>Sources of financing</i>		
Capital receipts	(760)	(718)
Government Grants and other contributions	(1,463)	(3,258)
Direct revenue contributions	(1,887)	(1,823)
Minimum Revenue Provision	(1,906)	(2,121)
Revenue contribution for Iceland	(408)	0
Major Repairs Reserve	(2,324)	(2,767)
Closing Capital Financing Requirement	83,188	53,294

*The 2010/11 CFR has been restated to reflect changes to finance lease entries due to changes to the Code and refinement of the discount rates used to measure the liabilities.

This shows a significant jump in the CFR over the year due to the HRA self financing payment. However, excluding the HRA element, there was a £1.35M reduction in the GF CFR.

The capital programme was budgeted to have a borrowing requirement of £2.41M whereas the actual amount needed was £559K. This included £777K for vehicles purchased rather than leased and the impact of accounting for Icelandic investments.

5.2 Borrowing levels

To control the actual level of borrowing indicators are set on both the absolute allowable amount of debt (the Authorised limit) and expected gross debt allowing for day to day cash management (Operational Boundary). The boundaries originally set were adjusted part way through the year to allow for the HRA subsidy payment, the revised limits are summarised below:

	Actual Debt 31/03/12 £000's	Operational Boundary £000's	Authorised Limit £000's
Deferred Liabilities	223		
Long term Finance lease liability	5,489		
PWLB Debt	70,636		
Total	76,348	82,000	87,000

It can be seen that the Council was well below the Authorised Limit and Operation Boundary at year end. The debt boundaries appear high in relation to the level of

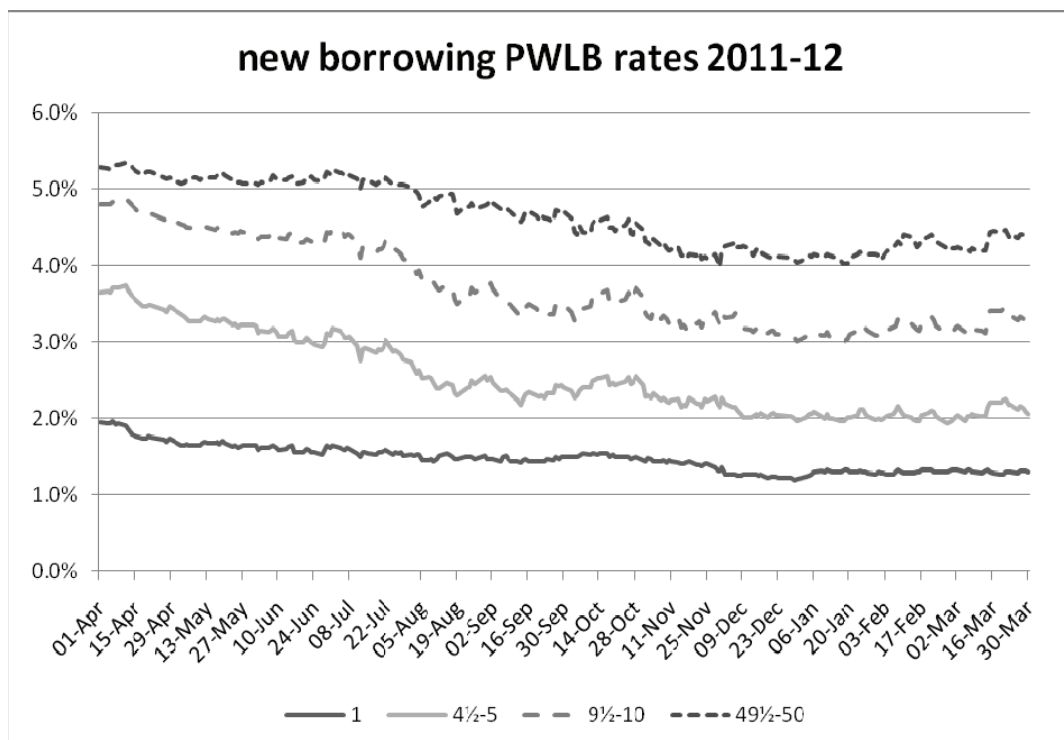
debt actually incurred, but these were originally set to provide flexibility for changes to the HRA settlement and to give some flexibility over elements of the capital programme where the Council has had limited control over expenditure.

The Council's debt figure also includes the long term element of finance lease liabilities, in line with the Prudential Code. Although these are not strictly borrowings, they are included to reflect the capital substance of some lease contracts.

5.3 PWLB Interest Rate Movements

All of the Council's long term borrowings are held with the Public Works Loan Board (PWLB). As noted in section 3, during the year, Eurozone concerns increased demand for strong sovereign gilts decreasing the cost of borrowing for the UK Government; the cost of PWLB loans is directly linked to the cost of borrowing for the Government so this was beneficial for a Council such as Lancaster, facing a very large one off payment to DCLG for HRA self financing. In addition, the Government agreed a further discount to rates bringing them in line with the National Loans Fund rate (rather than adding a margin to this rate) and so the Council secured a 30 year EIP (Equal Instalments of Principal) loan from PWLB at a rate of 3.03%. This is judged to be very good value, as illustrated by comparison to the Council's fixed term loans, which average 5.68%.

The chart below illustrates the movement on PWLB fixed term rates over the year. This clearly shows the spread of rates depending on length of loan, which has been in place for several years. It also shows the downward trend of all rates, from an already low starting point.



Repayment of PWLB debt is still an attractive option in the current climate if a Council holds a grossed up position of higher borrowings matched by higher investment balances. There was an opportunity to underborrow for the HRA transaction but it was judged that given the rates were so low, it was advantageous to take on the cheap debt given that material schemes, such as Lancaster Indoor Market, may require significant cash resources. Further, should it turn out that there

is an excess of cash, taking on the cheap debt provides ballast for early repayments, ie any discount due on redemption of a cheaper loan could be used to offset the premia due on redemption of a more expensive loan. This will however be dependent on future capital expenditure, the timing of the receipt for land at South Lancaster and movement in interest rates.

5.4 Debt Maturity (or Repayment) Profile

The Council is exposed to “liquidity” risks if high value loans mature (i.e. become due for repayment) at the same time, making a large demand on cash. One Treasury Indicator which is used to manage this risk is the maturity structure of borrowing. This indicator introduces limits to help reduce the Council’s exposure to large fixed rate sums falling due for repayment (and potentially re-financing) all at once. The table below shows these profiles at the beginning and end of the year against the indicator. The only change to the portfolio is the addition of the HRA loan. As this is on an EIP basis, elements of principal will fall due evenly over the life of the loan.

	Treasury Indicator	Actual 31/3/11	Actual 31/3/12
Under 12 months	0 - 50%	0%	1.5%
12 – 24 Months	0 – 50%	0%	1.5%
24 – 5 years	0 – 50%	0%	4.4%
5 – 10 years	0 – 50%	0%	7.4%
10 -15 years	0 – 100%	0%	7.4%
15 – 25 years	0 - 100%	0%	14.8%
25 – 50 years	50 – 100%	100%	63.0%

The actual profile of the debt is well within the approved limits (liabilities in relation to finance leases are not included within this indicator).

5.5 Interest Payable on Longer Term Borrowing

Ignoring the HRA debt taken on at the end of the year, the average rate of interest payable on PWLB debt in 2011/12 was 5.68% which is identical to 2010/11 and was on budget.

	£'000
2011/12 Estimate	2,227
2011/12 Actual	2,227 (of which £709K was re-charged to the HRA)
Variance	0

There was a small interest charge in 2011/12 on the £31.241M loan taken on to fund the HRA self financing payment, in relation to the period between the 28 and 31 of March but this will be covered by additional HRA subsidy payment.

There was also £488K of interest in relation to finance leases under IFRS accounting. This is a cost that in previous years has been presented within service expenditure. It is purely a presentational change with no impact on the bottom line.

Prudential Indicators also provide exposure limits that identify the maximum limit for variable / fixed interest rate exposure, based upon the debt position. The table below shows that the outturn position was within the limits set by Members at the beginning of the year. The Council currently only has fixed interest rate debt, although again this could change in future if market conditions warrant or facilitate it.

	Prudential Indicator	Actual
	%	%
Fixed Rate	100	100
Variable Rate	30	0

Accounting for finance leases has not altered this as the interest rates implicit in the leases are fixed at their inception date.

6 Investment Activities

6.1 Performance against Prudential Indicators

In 2011/12 all investments were placed in accordance with the approved Investment Strategy; there have been no breaches of the investment criteria.

The Council has made no investments and held no investments with a maturity of longer than 365 days from the end of 2011/12; the investment strategy prohibited such long term investments. All deposits have been made either to instant access call accounts and money market funds or have been placed as term deposits with the Debt Management Office (DMO), part of Her Majesty's Treasury. Details of these deposits are included in **Annex B**.

As noted in section 4, part of the repayment from Glitnir and Landsbanki is currently held in ISK in an escrow account in Iceland. Strictly speaking this is a foreign exchange investment prohibited under the investment strategy, however, the Council has had no choice but to accept this repayment and will have to await relaxation of the currency controls in place in Iceland before these sums can be brought back under the Council's direct control. The total amount placed in escrow is £584K and between the time of deposit and year end, this had earned £1K of interest but had lost £6K in foreign exchange movement.

6.2 Performance against budget and external benchmarks.

In terms of performance against external benchmarks, the return on investments (not including notional Icelandic interest) compared to the LIBID and bank rates over the year to date is as follows:

Indicator (mean value)	2011/12	2010/11
Base Rate	0.50%	0.50%
3 Month LIBID	0.97%	0.74%
Lancaster CC investment	0.63%	0.53%

The return is just above base but well below 3 month LIBID. This is because the Council has focused on secure and highly liquid deposits which have mainly been on instant access, hence the relatively poor rate of return.

In terms of performance against budget, the details are as follows:

Annual budget	£268K
Actual to date	£119K (see details in Annex B)
"Icelandic" to date	£175K (see details in Annex B)
Total	£294K

Variance

£26K favourable

There is a £26K favourable variance. This is largely due to higher cash balances in the year than anticipated and re-profiling to the payments from Icelandic banks. Overall, the investment returns were within the range limited by the base rate and LIBID (London Inter-bank Bid) rate. In comparison to the prior year, the overall rate of return has improved although the absolute amount of 'real' interest (not including Iceland) remains low (£99K vs £119K), reflecting the continuation of the downturn which started in 2008/09.

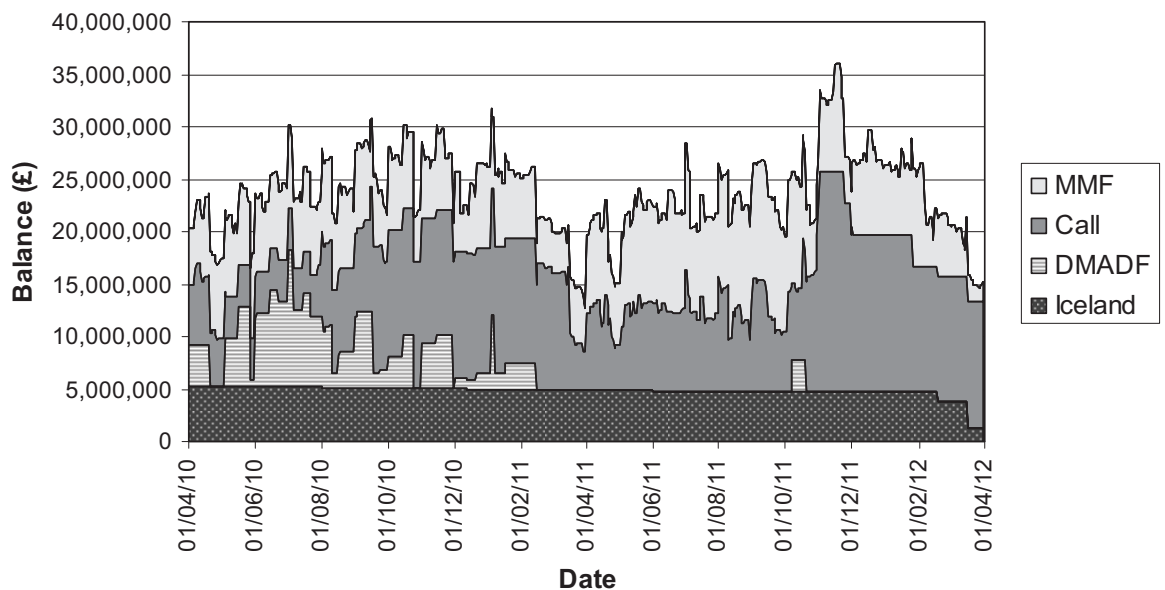
As illustrated in the table below, the short term projection for rates is flat with moderate increases starting from March 2014; it is anticipated that the position on low investment interest rates will hold for the medium term.

Date	Bank rate projection (%)
01/06/2012	0.50
01/06/2013	0.50
01/03/2014	0.75
01/06/2014	1.00
01/09/2014	1.25

Source: Sector, June 2012

The Investment Strategy for 2011/12 continued with the more cautious approach to managing surplus cash which has been in place since the banking crisis. This approach has restricted the term of deposits, reduced the counterparty limits and removed the option to make non EU deposits. In practice, deposits were placed on instant access in either call accounts or Money Market Funds (MMFs) with limit use of the DMO account. The pattern of these investments over 2011/12 and the prior year can be seen in more detail below.

Investment values 2010/11/12



7 Other Risk Management Issues

Many of the risks in relation to treasury management are managed through the setting and monitoring performance against the relevant Prudential and Treasury Indicators and the approved investment strategy, as discussed above.

The Authority's Investment Strategy is designed to engineer risk management into investment activity largely by reference to credit ratings and length of deposit to generate a pool of counterparties, together with consideration of non credit rating information to refine investment decisions. This strategy is required under the CIPFA Treasury Management Code, the adoption of which is another Prudential Indicator. The strategy for 2011/12 complied with updated code (November 2009) of practice and DCLG investment guidance. The Code was updated again during 2011/12 although there were no material changes in terms of how the Authority approaches risk management for its Treasury activities.

8 Other Prudential Indicators

As required under the Prudential Code, certain other year end Prudential Indicators must be calculated. Those not included within the body of this report are presented at **Appendix L** for noting by Cabinet and approval by Council.

9 Conclusion

During 2011/12 there was finally something not only conclusive but also positive in terms of the Council's Icelandic investments with the vast majority of the £6M invested now expected to be returned. However, there is still an economic overhang from the 2008/09 financial crisis, reflected in the ongoing low interest rates. Fortunately this has also worked in the Council's favour in terms of funding the payments made to central government under the Council Housing reforms.

A low risk appetite and the ongoing economic malaise mean that all investment activity has continued within a very narrow band of instant access deposit products and high quality counterparties, maintaining the trend of relatively low investment returns compared to the pre Iceland years. Given the interest rate projections, it is anticipated that this position will hold for the medium term although depending on the outcome of material capital schemes and receipts over the next 12 to 18 months, it may be possible to net down the Council's borrowings and investments to reduce counterparty risk and interest charges.

Treasury Management Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.
- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.
- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They analyse credit worthiness under four headings:
 - Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.
 - Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.
 - Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.
 - Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.
- **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.
- **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.
- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets

like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.

Eg. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as $8\%/1.45 = 5.5\%$.

See also PWLB.

- **LIBID** – The London Inter-Bank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time.
- **LIBOR** – The London Inter-Bank Offer Rate, the rate at which banks with surplus funds are offering to lend them to other banks, again published at 11am each day.
- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.
- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.
- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.
- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.
- **Butlers** – Butlers Treasury Services are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.
- **Yield** – see Gilts

Members may also wish to make reference to *The Councillor's Guide to Local Government Finance*.

INVESTMENTS TO 31st March 2012

Icelandic investments	No	Start	End	Rate %	Principal £	Cumulative Interest* £
Deposited 2007/08						
Landsbanki Islands	004	31-Mar-08	22-Apr-09	6.25	700,000	34,703
Glitnir	F102/023	31-Mar-08	22-Apr-09	5.76	0	113,746
Deposited 2008/09						
Kaupthing, Singer & Friedlander	06/07-129	16-May-08	07-Oct-08	6.00	740,000	26,109
Escrow				3.40	584,000	
Sub total					2,024,000.00	174,558
Budgeted income						162,500

Other Investments	opening	Min	Max	closing	Indicative rate	Cumulative Interest £
Call: Santander	6,000,000	1,500,000	6,000,000	0	0.75%	25,385
Call: Yorkshire bank	0	0	3,000,000	0	0.50%	2,800
Call: RBS	1,300,000	0	3,000,000	3,000,000	0.80%	20,943
Call: Barclays	0	0	6,000,000	3,000,000	0.65%	9,267
Call: Lancashire County Council	0	0	6,000,000	6,000,000	0.70%	14,005
DMADF	0	0	3,000,000	0	0.25%	267
Government Liquidity MMF	1,500,000	0	6,000,000	0	0.30%	9,224
Liquidity First MMF.	6,000,000	1,260,000	6,000,000	1,850,000	0.65%	36,973
Sub-total	14,800,000			13,850,000		118,863
Budgeted income						105,000

TOTAL Interest	293,421
Variance (+ive = favourable)	25,921

* Under 2009 accounting guidance, interest continues to be accrued whilst Icelandic investments are on the Council's balance sheet. To counter this, however, the provisions made to cover any losses take account of this accrued interest, as well as the principal sums invested.

As at the end of Qtr 4 2011/12 £1,260K of principal had been repaid by KSF, representing 63% of the original deposit. A full repayment had been made by Glitnir and 30% of the Landsbanki claim had been repaid.(see section 4 for more details)

PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

For noting by Cabinet 03 July 2012

		2011/12 £'000	2010/11 £'000
AFFORDABILITY			
PI 2: Actual ratio of financing cost to net revenue stream	HRA	6.7%	7.4%
	GF	17.8%	16.0%
	Consolidated	13.7%	13.2%
CAPITAL EXPENDITURE			
PI 6: Actual capital expenditure	HRA	34,816	4,185
	GF	5,190	6,511
	Consolidated	40,006	10,696
PI 8: Actual Capital Financing Requirement	HRA	46,544	15,303
	GF	36,644	37,992
	Consolidated	83,188	53,295

BUDGET AND PERFORMANCE PANEL**Work Programme Report****17 July 2012****Report of Head of Governance****PURPOSE OF REPORT**

To update members regarding the panel's work programme.

This report is public

RECOMMENDATIONS

- (1) That members note the items to be carried forward for consideration at future meetings, as detailed in Appendix A to the report.
- (2) That members consider whether they would like to include any further items in the work programme.

1.0 Introduction

- 1.1 This report provides members with recommendations for inclusion in the panel's work programme and advises of possible upcoming items for consideration and work in progress.
- 1.2 The Budget and Performance Panel is responsible for setting its own annual work programme within the terms of reference, as set out in Part 3, Section 13 of the Constitution.

2.0 Report**2.1 Salt Ayre Sports Centre**

At its meeting on 12 June 2012 the panel considered a report of the head of community engagement to update members with regard to the performance of Salt Ayre Sports Centre for 2011/12 and provide an overview of specific areas of work planned for the future.

It was agreed that a more detailed report on the finances of the sports centre be requested including the income and expenditure for the last year and this be timetabled for autumn. An update on the progress made regarding the sports centre is due to be provided at this meeting.

2.2 Second Homes Funding

At its meeting on 12 June 2012 the panel requested that the implementation and monitoring of second homes funding be included on the panel's work programme. The chief executive has advised that the panel could best

monitor this issue by considering cabinet reports. A report on this matter is due to be considered at a cabinet meeting scheduled for 24 July 2012. As such, this item has been included on the panel's work programme for its meeting on 11 September 2012.

2.3 Icelandic Bank Deposits

At its meeting on 12 June 2012 the panel requested a briefing note relating to Icelandic Bank Deposits, this issue would be covered under the Provisional Revenue and Capital Outturn 2011/12 report, and as such had not been included on the panel's work programme.

2.4 Damage to Council Houses by Tenants and the Implications for the Council

At its meeting on 12 June 2012 the panel requested a briefing note relating to Damage to Council Houses by Tenants and the Implications for the Council. The head of environmental services and the head of health and housing have requested that the panel provide more information before a briefing note is produced.

The panel is therefore requested to provide more detail regarding the nature of the issues that it wishes to consider, in order that the most appropriate information can be produced for members' consideration.

2.5 Upcoming Items

- Details of upcoming items are detailed in Appendix A to the report.

2.6 Briefing Notes

Following a question raised at the panel's meeting held on 12 June 2012, a briefing note has been circulated to members titled 'Performance on the Provision of Health and Housing Services', and is attached to this report at Appendix B.

At its meeting on 12 June 2012 the panel requested briefing notes regarding the following issues:

- **Empty houses, voids, and why properties are in need of repair**
- **Damage to council houses by tenants and the implications for the council**
- **Building Control**
- **Section 106 monies**
- **Community Infrastructure Levy (CIL)**

Should members wish to discuss the briefing notes further the note can be included as an agenda item for consideration at a future meeting of the panel.

SECTION 151 OFFICER'S COMMENTS

The S151 officer has been consulted and has no comments.

MONITORING OFFICER'S COMMENTS	
The monitoring officer has been consulted and has no comments.	
BACKGROUND PAPERS	Contact Officer: Tom Silvani Telephone: 01524 582132 E-mail: tsilvani@lancaster.gov.uk
None.	

BUDGET & PERFORMANCE PANEL WORK PROGRAMME
2012/13

Matter for consideration	Officer responsible / External	Date of meeting
Salt Ayre Sports Centre Finances	Head of Community Engagement	17 July 2012
2012/13 Qtr1 Corporate Financial Monitoring, including Treasury Management	Accountancy Services Manager	11 September 2012
Provisional 2012/13 Revenue and Capital Outrun	Accountancy Services Manager	11 September 2012
Salt Ayre Sports Centre	Head of Community Engagement	11 September 2012
Second Homes Funding	Head of Community Engagement	11 September 2012
2012/13 Qtr2 Corporate Financial Monitoring, including Treasury Management	Accountancy Services Manager	11 December 2012
Lancaster City Council Leader's Presentation on the Budget and Policy Framework Proposals	Leader of the Council	29 January 2013 (Venue – Morecambe Town Hall)
Lancashire County Council's Director of Resources – Budget and Capital Investment Strategy Budget and Policy Framework Proposals.	External	29 January 2013 (Venue – Morecambe Town Hall)
2012/13 Qtr3 Corporate Financial Monitoring, including Treasury Management	Accountancy Services Manager	5 March 2013
Treasury Management Strategy 2013/14	Accountancy Services Manager	5 March 2013
Storey Creative Industries Centre	-	To be monitored via Cabinet reports

Update Building Control Service Area	Head of Regeneration and Planning	TBC
Service Level Agreements – Update on the new commissioning process	Assistant Head of Community Engagement (Partnerships)	TBC – when available.
Partnerships (including the shared Revenues and Benefits Service with Preston City Council)	Assistant Head of Community Engagement (Partnerships)	TBC
Budget Overspends/Variations	As required	As required
Reducing Sickness Absence – to be kept under review, with reports being provided to the panel	Head of Governance	As required

Invitations to Cabinet Members

Cabinet Member and area of responsibility	Issue	Date of meeting
Councillor Blamire (Leader) and Councillor Bryning (Cabinet Member for Finance, Revenues and Benefits)	2012/13 Qtr1 Corporate Financial Monitoring, including Treasury Management	11 September 2012
Councillor Blamire (Leader) and Councillor Bryning (Cabinet Member for Finance, Revenues and Benefits)	2012/13 Qtr2 Corporate Financial Monitoring, including Treasury Management	11 December 2012
Councillor Blamire (Leader) and Councillor Bryning (Cabinet Member for Finance, Revenues and Benefits)	Lancaster City Council Leader's Presentation on the Budget and Policy Framework Proposals	29 January 2013 (Venue – Morecambe Town Hall)
Councillor Blamire (Leader) and Councillor Bryning (Cabinet Member for Finance, Revenues and Benefits)	2012/13 Qtr3 Corporate Financial Monitoring, including Treasury Management	5 March 2013

Briefing Notes

Matter for consideration	Officer responsible	Date of meeting
Performance on the Provision of Health and Housing Services	Head of Community Engagement	17 July 2012
Empty Houses, Voids, and why Properties are in need of Repair	Head of Environmental Services	
Damage to Council Houses by Tenants and the Implications for the Council	Head of Environmental Services and Head of Health and Housing Services	
Building Control	Head of Regeneration and Planning	
Section 106 Monies	Head of Regeneration and Planning	
Community Infrastructure Levy (CIL)	Head of Regeneration and Planning	

To:	Budget and Performance Panel
From:	Anne Marie Harrison, Assistant Head, Community Engagement (Partnerships)
Date:	15 June 2012
Subject:	Performance on the Provision of Health and Housing Services

A question was raised at the meeting of the Budget and Performance Panel on 12 June 2012 regarding key work areas reported as the *'provision of health and housing services that raise standards; address the needs of elderly and vulnerable people and increases rent collection'*.

Corporate Performance Monitoring Reports considered by Budget and Performance Panel, and subsequently by Cabinet, routinely concentrate on the performance of key work areas and projects that are, or are expected to be, in need of further intervention to deliver corporate priorities and outcomes.

The report did highlight, however, the importance of acknowledging that over the lifetime of the 2011-2014 Corporate Plan delivery of corporate priorities are on track to be achieved, which includes a number of notable activities being successfully undertaken by Health and Housing Services to deliver a wide variety of functions to our communities.

These activities were considered by the Cabinet Member with responsibility for Health and Housing as part of the scheduled quarter Performance Review Team meeting. The attached extract from the PRT report highlights progress and achievements against key work areas including actions that:

- Improve standards in the private rented sector
- Deliver the Disabled Facilities Grant and Council Housing Capital Programmes
- Implement the Housing Strategy and preventing homelessness
- Deliver environmental health services including inspections, enforcement and good practice measures
- Provide effective performance in rent collection and tenant satisfaction in wider services offered by Council Housing Services
- Enable elderly and vulnerable people to stay in their own homes

All of these activities have been report with a *Green* status using the established RAG (Red, Amber, Green) reporting system indicating that performance relating to each of these is, or is expected to be, on track to be achieved as planned in support of the delivery of 2011-14 corporate priorities, including Statutory Responsibilities, .Partnership Working and Community Leadership and Economic Regeneration.

Portfolio Area: Health and Housing				
Councillor Karen Leytham				
PRT Report: Health and Strategic Housing			Head of Service: Suzanne Lodge	
Quarter:	4	Date of PRT Meeting:	Virtual	
Key Work Area(s)	Key Service Actions	Success Measure/Milestones		Comments on Progress
		Description	RAG Status	
Corporate Priority: ECONOMIC REGENERATION				
Housing Standards	Improving standards in the private rented sector	On going Licensing of all HMO's found to meet the statutory requirement	Green	232 HMO's currently licensed (4 new and 9 removed in Q4, 11/12). This year sees the start of the re-licensing process (5 year cycle).
Home Improvement Agency	Delivering the DFG capital programme	Ensuring the annual budget is fully committed	Green	At the end of Q4 100% of 11/12 budget committed including additional £62.5k allocated in January 2012. £150k of 12/13 budget also committed (Note; 12/13 allocation, £653,000).

Portfolio Area: Health and Housing				
Councillor Karen Leytham				
PRT Report: Health and Strategic Housing			Head of Service: Suzanne Lodge	
Quarter:	4	Date of PRT Meeting:	Virtual	
Key Work Area(s)	Key Service Actions	Success Measure/Milestones		Comments on Progress
		Description	RAG Status	
Corporate Priority: STATUTORY RESPONSIBILITIES				
Housing Options (Homelessness)	Implementing the Homeless Strategy and preventing homelessness.	Maintain level of Statutory Homeless acceptances compared with previous year	Green	13.3% (16 No.) ahead of target at the end of Q4 to maintain 10/11 levels.
Council Housing Tenancy	Ensure that council housing is let efficiently	Proportion of rent collected	Green	Q4 98.8% - Collection rate on target
Environmental Health service delivery	Responding to new and existing service requests	Percentage of responses to environmental health service requests provided within target times	Green	Target achieved.
Environmental Health investigation / enforcement	Implementation of investigation / enforcement good practice measures in service delivered	Percentage of established good practices implemented and maintained	Green	The matrix of good practice measurer is being finalised for implementation in 2012-13
Civil contingencies	Emergency planning & business continuity	Progress against agreed work programme plan of service delivery	Green	Work programme completed.

Portfolio Area: Health and Housing				
Councillor Karen Leytham				
PRT Report: Health and Strategic Housing			Head of Service: Suzanne Lodge	
Quarter:	4	Date of PRT Meeting:	Virtual	
Key Work Area(s)	Key Service Actions	Success Measure/Milestones		Comments on Progress
		Description	RAG Status	
Corporate Priority: STATUTORY RESPONSIBILITIES				
Council Housing Home	Deliver the capital and planned maintenance programme 2011/2012	Tenant’s homes continue to meet Decent Homes and the Lancaster Standard	Green	Decent Homes and the Lancaster Standard continues to be met All capital and planned maintenance programme schemes have been completed by the end of the financial year with the exception of the commissioning of the boiler systems at Water/Cable Street and the snagging works on the external refurbishments to Lancaster and Lunesdale properties.
1)Dog Warden service 2)Pest Control	1)Implementation of good practice measures in service delivered 2)Income generation	1)Percentage of established good practices implemented and maintained. 2)Progress against agreed plan for generating additional income	Green	1)Retained level of good practice as per 2010-11. 2)Several new income-generating service areas have been implemented. Business Improvement Team established for action during 2012-13.

Portfolio Area: Health and Housing				
Councillor Karen Leytham				
PRT Report: Health and Strategic Housing			Head of Service: Suzanne Lodge	
Quarter:	4	Date of PRT Meeting:	Virtual	
Key Work Area(s)	Key Service Actions	Success Measure/Milestones		Comments on Progress
		Description	RAG Status	
Corporate Priority: PARTNERSHIP WORKING & COMMUNITY LEADERSHIP				
Home Improvement Agency	Enabling elderly and vulnerable people to remain in their own homes	Meeting annual target for number of households assisted via the Handyperson and Advocacy services	Green	26.7% (208 No.) ahead of target at the end of Q4, 11/12.
Council Housing Tenant involvement and empowerment	Undertake tenant satisfaction survey (September 2012)	Survey completed, key driver analysis and action plan produced to address issues	Green	Survey completed - highlight report issued. Action plan to be developed 2012/2013 to address any issues following presentation of the full report by the research company. The headline is that overall satisfaction has increased since the last comprehensive survey was carried out in 2008.
Council Housing Neighbourhood and community	Deliver Estate Walkabouts programme	Estate Walkabout Programme completed	Green	Programme of walkabouts completed and action plans and issues arising published.
Council Housing Housing related support and telecare	Deliver community alarm and telecare service in compliance with contact requirements	1)TSA accreditation maintained 2)TSA standards for response times met	Green	Telecare Services Association accreditation maintained - due for external review in June 2012. Target response times being achieved. County currently tendering for call centre to be established with One Connect Limited with a view to pulling services in-house to County. Currently remain on 3 month rolling contract. Existing providers, including Lancaster City Council will be asked to tender for installation, and response service only. County looking to achieve transition of the Lancashire Telecare Service by 30 November 2012.