

**2008/09 4th Quarter  
CORPORATE PERFORMANCE REVIEW TEAM MEETING  
9.00 am Thursday 21 May 2009 – Roger Muckle's Office**

**In attendance:      Councillor S Charles  
                                 Roger Muckle  
                                 Nadine Muschamp  
                                 Richard Tulej**

The fourth round of Performance Review Team (PRT) meetings for 2008/09 took place between 27 April and 8 May 2009.

Each meeting monitored progress against the action sheets drawn up for the previous round of meetings.

Attached are:

- PRT meeting/attendance timetable
- Updated Action from 2008/09 Q3 meeting
- Escendency report showing red indicators Q4
- Q4 Corporate Financial Monitoring Report
- Treasury Management Monitoring Report

JEB/15 May 2009

**(SERVICE BASED) PERFORMANCE REVIEW TEAMS for 2008/09**

Timetable for 4th Quarter – 27 April to 08 May 2009

SERVICE	Meeting arranged	Cabinet Member(s)	Director (s)	Service Head	Paperwork Received (inc. updated action from previous meeting)	Action Note received	Additional Info.
LEGAL AND HR	3:00 pm 28 April	John Gilbert David Kerr	Mark Cullinan	Sarah Taylor	✓ ✓	✓	Also attending – Elaine Frecknall and Aian Humphreys Mark Cullinan did not attend the meeting
DEMOCRATIC	4:30 pm 30 April	John Gilbert	Mark Cullinan	Gill Noall	✓ ✓	✓	
FINANCE	12:30 12 May	Abbott Bryning	Roger Muckle	Nadine Muschamp	✓ [N/A – no action to update]	✓ (No actions)	
CORPORATE STRATEGY	4 pm 27 April	Roger Mace Jon Barry (5 <sup>th</sup> ) Jane Fletcher (5 <sup>th</sup> ) David Kerr	Roger Muckle Peter Loker	Richard Tulej	✓ ✓	✓	Peter Loker did not attend either meeting Roger Muckle attended 27/4 only
10 am 5 May	Eileen Blamire (27 <sup>th</sup> ) John Gilbert (27 <sup>th</sup> ) Susie Charles (5 <sup>th</sup> )						
INFORMATION AND CUSTOMER SERVICES	11:30 5 May	John Gilbert	Roger Muckle	Jane Ailder	✓ ✓	✓	Roger Muckle not able to attend.
REVENUES	10:30 5 May	John Gilbert	Roger Muckle	Richard Mason	✓ [N/A]	✓ (No actions)	Roger Muckle not able to attend.
CITY COUNCIL (DIRECT) SERVICES	10:00 28 April	Jon Bary	Peter Loker	Mark Davies	✓ ✓	✓	
COUNCIL HOUSING	2:00 pm 27 April	David Kerr	Peter Loker	Steven Milce	✓ ✓	✓	
HEALTH AND STRATEGIC HOUSING	1:30pm 28 April	David Kerr John Gilbert	Peter Loker	Suzanne Lodge	✓ ✓	✓	
John Gilbert (Homelessness)	(JG) 2:150pm)						
H&SH – CIVIL CONTINGENCIES	9:30 am 27 April	Eileen Blamire	Peter Loker	Suzanne Lodge Mark Bartlett	✓ [N/A]	✓	
CULTURAL	10am 29 April (JF). 9am 5 May (SC). SB to meet with DO.	Susie Charles Jane Fletcher Shirley Burns	Heather McManus	David Ower	✓ [N/A]	✓	Cllr Burns did not attend

SERVICE	Meeting arranged	Cabinet Member(s)	Director (s)	Service Head	Paperwork Received (inc. updated action from previous meeting)	Action Note received	Additional Info.
PLANNING	12pm 5 May (AB, SC) 12pm 8 May (EA, EB)	Abbott Bryning Eileen Blamire Eve Archer Susie Charles	Heather McManus	Andrew Dobson	✓ [N/A]	✓ (No actions)	
ECONOMIC DEVELOPMENT AND TOURISM	11am 5 May (AB, SC, SB) 11am 8 May (EA, RM)	Roger Mace (was Abbott Bryning) Eve Archer Shirley Burns Susie Charles	Heather McManus	Peter Sandford	✓	✓	
PROPERTY	1pm 5 May (AB) 10am 8 May (EA)	Evelyn Archer Roger Mace	Heather McManus	Graham Cox	✓ [N/A]	✓ (No actions)	
NEIGHBOURHOOD MANAGEMENT (NO MORE PRTs)		Roger Mace Evelyn Archer David Kerr	Peter Loker Heather McManus	John Deacon			
Corporate PRT	9 am 21 May	Susie Charles	Roger Muckle	Richard Tulej Nadine Muschamp			
PERFORMANCE MANAGEMENT GROUP	22 May	N/A	All	Nadine Muschamp Richard Tulej			
CABINET	2 June	All	All				
BUDGET AND PERFORMANCE PANEL	9 June	N/A	Roger Muckle				

## PERFORMANCE REVIEW TEAM MEETING – Q3 2008/09

**SERVICE AREA:** CORPORATE













**DATE:** 3 March 2009

**PRESENT:** NADINE MUSCHAMP, RICHARD TULEJ  
COUNCILLOR SUSIE CHARLES (PERFORMANCE MANAGEMENT)

**APOLOGIES** ROGER MUCKLE

NO	AGREED ACTION	RESPONSIBILITY	PROGRESS
	Actions brought forward from Corporate PRT Q2 08		None
1	£56K of external funding has been secured to develop a dance strategy for the district but further funding is required. Information is requested as to the potential impacts upon the Council's budget (and other resources) for 2009/10 and future years.	DO	Discussion on-going with external funders as to whether LUDUS can "host" and be the accountable body.
2	In view of the continuing staffing issues in Information / Customer Services and its impacts upon Service performance, information is requested as to what actions are being put in place to address these issues.	JA	The sickness issues are being addressed with HR on a case by case basis and vacancies have been advertised
3	Development Control - the continuing decline in fee income is noted. Information is requested as to how the situation is being managed and what level of resource is being transferred from development control work to Local Development Framework activity and for what period.	AD	1 x external case worker contract terminated, saving £12,000. 1 x senior case worker voluntarily reduced to part time for 12 month period saving £14,736.




## Corporate PRT Report Q4 2008-09

Ref No.	Performance Indicator	Measurement Interval	Type Of Measurement	Outturn 07/08	Target 08/09	Good Is	Q1	Q2	Q3	Q4	Year To Date	Status	Performance Commentary
1	BV02a Level of Equality Standard Achieved	Annually	Snapshot	1	2.00	High				1	1	 Failing	Staff resources are still directed at the fair pay process and has impacted on this area of work.
2	BV02b Duty to promote race equality - checklist score	Annually	Snapshot	42.1	57.89%	High			42.1	42.1	42.10%	 Failing	Staff resources are still directed at the fair pay process and has impacted on this area of work.
3	BV170a Overall use of museums	Annually	Cumulative	1097	1350.00	High			966	966		 Failing	The National Benchmark for an Upper Quartile District Council is 968 (07/08), and the Service has achieved 966. There may be a case for reviewing the local target as there were just passed on to Cultural Services.
4	BV212 Average Time to Relet LA Housing	Quarterly	Snapshot	32.19 Days	32.00 Days	Low	45.1	47.43	43	41.89	41.89Days	 Failing	This continues to show signs of improvement and it is now taking an average of 41.89 days at the end of Q4 compared to 43 days at the end of Q3, 47.4 days at the end of Q2 and 45.1 days at the end of Q1. We have not achieved our target of 32 days. On average to date this year it is taking us 10 days longer to turn round properties compared with last year. Actions will be maintained to continue to reduce the average time taken to relet. For further details see Action Plan.
5	CH09 Current Tenants Owing Over 13 Weeks Rent	Quarterly	Snapshot	2.85%	2.80%	Low	2.88	3.43	3.2	3.41	3.41%	 Failing	The percentage of tenants in serious arrears owing £250 or more and over the equivalent of 13 weeks net rent: The percentage of tenants in serious arrears has unfortunately increased to 3.41%, following the decrease to 3.2% reported in Q3. The target for the year end we had set ourselves 2.8% has not been achieved. The dramatic change is the current economic climate over the last year will have had some influence. For further details see Action Plan.
6	CH11 Rent Lost Through Vacancies	Quarterly	Snapshot	1.20%	1.00%	Low	1.5	1.1	1.6	1.6	1.60%	 Failing	The percentage of rent loss through vacancies remains at the end of Q4 at 1.6% against a target of 1%. Over 2008/2009 we have seen an increase in turnover and have had a total of 377 voids. This compare with 336 voids in 2007/2008. As has been commented on in previous PRT reports the increase in rent loss through vacancies is also partly attributable to the losses caused through fire damaged properties notably the flats at Aldingham Court. These flats have now been relet following extensive work. The continuing need of having to undertake significantly more work on empty properties to bring them back to our reletable standard also is a contributory factor. The situation remains that on average to date this year it has taken us 10 days longer to turn round properties compared with last year.
7	CS23 % Community Engagement Framework complete	Quarterly	Snapshot	-	80.00%	High	20	35	40	45	45.00%	 Failing	The project plan has been revised and the expected completion date is early July 2009.
8	Cult01 Parks: Alternative management arrangements report	Quarterly	Snapshot	-	Yes	High	Yes	No	No	No	No	 Not Achieved	Due to other service commitment which have been undertaken such as involvement in Williamson Park, the deadline of March 2009 was not met. This work will be carried over into 2009/10
9	Cult04 New SLA Models for Arts, on target?	Quarterly	Snapshot	-	Yes	High	Yes	Yes	No	No	No	 Not Achieved	Work to review the SLA with all the arts organisations has been completed. However, work to produce a report on reviewing the funding arrangements will be carried forward for completion in 2009/10.
10	Cult05 Achieve Quest Accreditation for SASC	Quarterly	Snapshot	-	Yes	High	No	Yes	Yes	No	No	 Not Achieved	Work required by SASC completed. Awaiting accreditation by Quest - process delayed by their office relocation.
11	Cult24 Produce a Dance Strategy - on target?	Quarterly	Snapshot	-	Yes	High	Yes	Yes	No	No	No	 Not Achieved	This task is being undertaken in partnership with Arts Council England (ACE). The timescales are set by ACE.
12	Cult26 Targeted Individuals	Quarterly	Cumulative	-	300.00	High	0	0	0	68	68	 Failing	Programme underway as of January 09, but not fully implemented due to external funding delays. This work will be carried forward into 2009/10.

## Corporate PRT Report Q4 2008-09

Ref No.	Performance Indicator	Measurement Interval	Type Of Measurement	Outturn 07/08	Target 08/09	Good Is	Q1	Q2	Q3	Q4	Year To Date	Status	Performance Commentary
13	Cult29 Effective swimming development programme	Quarterly	Snapshot	-	95.00%	High	74	72	73	72	72.00%	Failing	As stated in PRTQ3, evidence supports that the original target is over ambitious. Target for 09/10 will be set at 80%
14	Cult30 Increase visitor attendances at cultural events	Half-Yearly	Snapshot	-	25.00	High	39			7.5	7.5	Failing	The result indicates the difficulty in gathering the data (see Cult12), not the actual % of visitors. For PRTQ2 the outcome was well above target [39%, against a target of 25%]. This work will be carried forward into 2009/10.
15	Cult44 Dome feedback	Half-Yearly	Snapshot	-	95.00	High	0	1	1	1	1	Failing	The ongoing works during Qtr3 to develop feedback systems ceased as a result of cabinet decision to close The Dome. Feedback post Dec 2008 has been substantial as can be seen by public participation on Websites such as Facebook, in the local media and received at The Dome from customers, promoters and agents expressing their disappointment.  The Dome from customers, promoters and agents expressing their disappointment. Subsequently the cabinet decision of was reviewed / overturned in March 09 for The Dome to operate a 9 month year during 09/2010. This feedback confirms that Dome programming has identified and supported the requirements of the community in previous years, and should continue with existing programming philosophy for 09/2010. Separate to this feedback The Dome has had several successful events which have now been re programmed for 2009. The work to develop tools for all forms of feedback are currently being re - established.
16	DS11 08/09 - % of Distribution runs leaving by 2pm	Quarterly	Snapshot	84.6	100.00%	High	100	92.31	83.33	75	75.00%	Failing	Of 12 distributions, 3 failed to meet the target. In each case this was because of the late production of the Cabinet Agenda. On two of these occasions, Cabinet papers had to be delivered either by special courier delivery or by staff members.
17	ICS06 Abandoned Calls	Monthly	Average	2.68	3.00	Low	2.81	6.63	11.7	6.33	6.87	Failing	Staff sickness and unfilled vacancies are having an effect on services.
18	ICS10 Progress Access to Services Programme	Quarterly	Snapshot	-	47.00%	High	20	27	28	28	28.00%	Failing	Programme is severely delayed due to loss of Customer Services Project Manager and staff sickness in the IT team.
19	LL05: Property Transactions documentation sent out within 20 working days of receiving full instruction	Quarterly	Snapshot	-	95.00	High	96.8	95	100	33	33	Failing	Performance for this indicator was on target until the last quarter. The drop in performance is due to the long term sickness absence of the postholder responsible for this work.
20	NI155 Number of affordable homes delivered	Annually	Snapshot	-	60.00	High				28	28	Failing	This is an interim figure and is subject to confirmation through physical survey of the completions in the District there will be an update on position at PRT Q1 09/10
21	NI158 % non decent homes	Half-Yearly	Snapshot	-	.00	Low	1			1	1	Failing	The stock condition survey has highlighted that 1% of the housing stock does not meet the new Decency Standard. The updated information from the stock condition survey is being used to inform our capital and planned maintenance programmes and any necessary adjustments will be made to bring all the stock back into decency. Our target is to bring back the stock into decency by the end of 2009/2010.
22	NI188 Planning to adapt to climate change	Half-Yearly	Snapshot	-	1.00	High	0	0	0	0	0	Failing	Target to be revised to be achieved in 2009/10

## Corporate PRT Report Q4 2008-09

Ref No.	Performance Indicator	Measurement Interval	Type Of Measurement	Outturn 07/08	Target 08/09	Good Is	Q1	Q2	Q3	Q4	Year To Date	Status	Performance Commentary
23	NM02 Increase the provision of affordable housing throughout the district	Quarterly	Cumulative	–	44.00	High	7	16	5	0	28	 Failing	A further 17 properties are should be completed before the end of the year. The Housing Corporation are considering a bid to add a further 10 social rented units to the Mossgate development.
24	PROP03 % of sustainable energy used	Annually	Snapshot	31.7	60.00%	High				30	30.00%	 Failing	All of the authorities electricity is obtained from sustainable energy, this represents 30% of kwh purchased.
25	SH25 No. of properties accredited	Quarterly	Cumulative	55	30.00	High	2	1	5	6	14	 Failing	The council has little control over how may Landlords request accreditation but capacity issues in the team mean that no proactive work can be carried out



## Corporate Financial Monitoring March 2009 | Quarter 4

Report of the Head of Financial Services  
Corporate PRT meeting | 21 May 2009

### HEADLINE INFORMATION

REVENUE	Current (Underspend) / + Overspend	Projected (Underspend) / + Overspend	Projected After Known Est. C/F Requests
General Fund	(£676,000)	(£1,137,000)	(£1,037,000)
Housing Revenue Account	+£256,000	+£618,000	+£679,000

Please note that the above projections are very provisional, as the closure of accounts is still underway. A review of Provisions and Reserves still needs to be completed; in particular, this will consider the need to make any provisions in connection with Icelandic investments. Various Carry Forward requests are also expected.



# CORPORATE FINANCIAL MONITORING

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March 2009 | Quarter 4

## 1. INTRODUCTION

This monitoring report of expenditure and income for 2008/09 sets out an indicative corporate picture of the Council's financial performance relating to the period ending March 2009 (*week 52*). The report only provides a snapshot of the financial position as at the end of March and many year end processes are still being finalised, hence the figures are likely to change significantly. A more accurate statement will be produced in July, once the final accounts have been produced.

The report summarises the variances reported through Services quarterly PRT meetings, and also identifies any omissions, updates and/or actions required. In addition there are specific sections for salary monitoring, capital expenditure and financing, Housing Revenue Account, revenue collection performance and Insurance and Risk Management. Note, however, that the closure of accounts requirements and Financial Regulations and Procedures already provide for specific reporting and actions to be addressed, e.g. re overspending etc.

## 2. GENERAL FUND REVENUE MONITORING

### 2.1 General Fund Summary Position

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The current overall general fund summary position shows that at the end of March there is a net underspend of **£676K** against the revised budget. Taking into account further expected year end transactions the net underspending may increase to **£1.1M**, although a substantial proportion of this relates to outstanding VAT recovery claims and further information is being sought to inform their year-end accounting treatment. As such, an update will be provided at the meeting and this report may change as a result. Furthermore around £100,000 has already been requested to be carried forward. In addition, the year-end review of reserves and provisions will be undertaken as part of the closure of accounts process and this is expected to reduce the underspending (see below). At this point in time though, as an interim position the projected net underspend after allowing for estimated carry forward requests is assumed to be just over **£1M**, subject to approval and any further changes as part of the closedown process.

As part of the review of provisions and reserves, an assessment of the latest position on Icelandic investments will be undertaken, which is expected to have an adverse impact on the final outturn position. At present, the Council has chosen not to account directly for any potential losses in 2008/09, in accordance with the options provided by the Secretary of State. However, it will be prudent to make provision as at 31 March 2009, especially should the Council's outturn position generally prove better than otherwise expected – but as yet, no such provision has been made in the estimated outturn as set out in this report.

<b>VARIANCES</b>	<b>Current £000</b>	<b>Projected £000</b>
Major Variances (see section 2.3)	(541)	(1,002)
Salaries (see section 2.4)	(135)	(135)
<b>Sub Total</b>	<b>(676)</b>	<b>(1,137)</b>
Carry Forward Requests	--	+100
Provision for Icelandic Investments	--	??
Review of Other Reserves / Provisions	--	??
<b>ESTIMATED OUTTURN (NET UNDERSPEND)</b>		<b>(1,037)</b>

One of the key financial indicators is to keep any under or overspends within 2% of the overall net controllable revenue budget, and the following table shows that at the end of the year this has been achieved.

	£000
<b>Net Controllable Budget</b>	<b>23,934</b>
2% Target	+/( ) 478
<b>Provisional Controllable Net Underspend</b>	<b>(433)</b>
Percentage of Net Controllable Budget	1.8%

## 2.2 Actions Arising from Previous Quarter

At the time of writing this report information on progress against previous actions has not been received. For information, the agreed actions are shown in the table below; a verbal update will be provided at the PRT meeting.

<i>NO</i>	<i>AGREED ACTION</i>	<i>RESPONSIBILITY</i>	<i>PROGRESS</i>
	Actions brought forward from Corporate PRT Q2 08		None
1	£56K of external funding has been secured to develop a dance strategy for the district but further funding is required. Information is requested as to the potential impacts upon the Council's budget (and other resources) for 2009/10 and future years.	D.Owen	
2	In view of the continuing staffing issues in Information / Customer Services and its impacts upon Service performance, information is requested as to what actions are being put in place to address these issues.	J.Alder	
3	Development Control - the continuing decline in fee income is noted. Information is requested as to how the situation is being managed and what level of resource is being transferred from development control work to Local Development Framework activity and for what period.	A.Dobson	

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## 2.3 Major Budget Variances

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*Appendix A* details the major true variances that have been included within individual Services' PRT reports. The variances reported are either +/- £5K in value and cover premises, transport, supplies and services and general income.

SUMMARY BY SERVICE	Current £000	Projected £000
REPORTED VARIANCES :	( ) Favourable / + Adverse	
Democratic Services	(45)	(44)
Legal & Human Resources	(11)	(3)
Information & Customer Services	(82)	(82)
Financial Services	(116)	(615)
CC(D)S	(11)	(10)
Property Services	(55)	(58)
Econ Development & Tourism	(1)	(1)
Other Regeneration	(64)	(64)
Cultural Services	+46	+73
Health & Strategic Housing	(61)	(61)
Planning Services	(92)	(88)
Revenue Services	(49)	(49)
	<b>(541)</b>	<b>(1,002)</b>
VARIANCES NOT REPORTED :		
N/A	--	--
<b>TOTAL NET UNDERSPEND</b>	<b>(541)</b>	<b>(1,002)</b>

The variances listed in *Appendix A* show that there are a number of significant underspends, the main one being a potential reimbursement from HMRC of £600K relating to VAT on cultural and leisure activities. The main overspends relate to energy costs at the Community Pools and Salt Ayre Sports Centre which total £86K.

A full analysis of all variances will be provided as part of the provisional outturn report presented to Cabinet in July 09.

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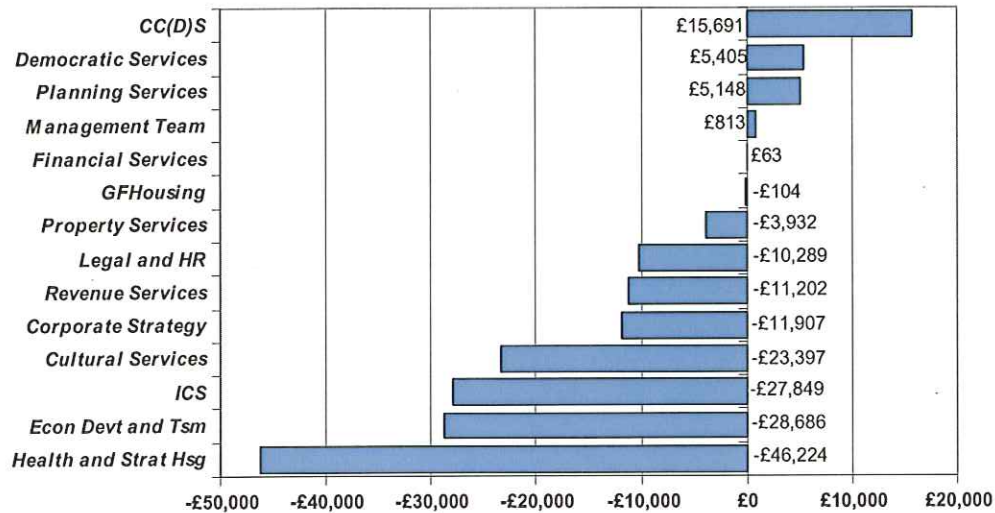
## 2.4 General Fund Salary Monitoring

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Salary monitoring has been reported separately as there are a number of small variances that fall below the threshold for major items, however their aggregate effect is fairly significant.

To date savings of £135K have been achieved against the revised salary budget. Whilst the majority of Services have underspent, some have gone over budget. CC(D)S have incurred £15K more on Grounds Maintenance due to extra winter work, and staffing costs at the Community Pools are again over budget by £21K which have not been offset by additional income, although Cultural Services have generated overall savings of £23K. Other minor overspends in Democratic Services and Planning Services relate to more employees entering the pension scheme than estimated and new appointments having to be made at higher scale points than anticipated. The reason for the comparatively large apparent underspending on Health & Strategic Housing is being investigated further.

The following graph shows the savings on a Service by Service basis.



### 3 GENERAL FUND CAPITAL PROGRAMME

#### 3.1 Capital Expenditure & Financing

##### Capital Expenditure (General Fund)

The capital programme has been revised as part of the current budget process and reported through to Cabinet accordingly.

At the end of March there was spend of £10.160M against the revised programme of £11.653M. This leaves a potential slippage balance of £1.5M, which is an improvement of 21% compared to the previous year. At present, officers are finalising the capital accounts, therefore a detailed analysis of scheme outturns is not available. In addition, further slippage requests are being collated and will be presented for approval at a later stage, at which point the overall capital programme position will be reported in detail.

##### Capital Receipts (General Fund)

The value of capital receipts is in line with the approved financing schedule. However, as mentioned above, a full analysis of scheme over/under spends will need to be completed before the final position can be determined.

### 4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

#### 4.1 HRA Revenue Position

At the end of March the position for the Housing Revenue Account shows an overspend of **£256K** against the revised budget, which is currently projected to increase to an overall net overspend of **£618K** by the end of the year. After allowing for carry forward requests of £61K, the projected overspend would be £679K. The main reasons for the large overspend are due to a significant

increase in spend on Responsive Maintenance, despite the budget being increase by £185K as part of the revised budget process, and apparent insurance repairs, for which the spending position and ability to make further claims is still unclear.

Financial Services' Officers are investigating the position and will report back to Cabinet as part of the provisional outturn report to be presented at the end of July. Notwithstanding this, there are concerns regarding Council Housing finances generally and these are being raised with management.

	Variances to Date	Project to Yr End	Comments
	£000	£000	
Council House Rents	+74	+74	See section 4.2 below.
Estates : electricity	(39)	(39)	Delays installing photo electric cells in communal areas – Carry forward request.
Estates : gas	+9	+9	Unbudgeted price increase from June 08 re communal boilers.
Miscellaneous charges	+14	+14	Reduced right to buy discount penalties.
Rental income – Commercial Properties	+10	+7	Reduced income due to sale of property.
Rental income – mobile phone masts	(10)	(6)	Increased charges.
Insurance Repairs (Net)	+132	+282	Major cost mainly relating to fire at Aldingham Court.
R&M – contracted services	+21	+21	Mainly due to an increase in demand on void properties.
R&M – software maintenance	(9)	(9)	PDA Mobile working programme deferred to 2009/10 – Carry forward request.
Responsive Maintenance	+132	+345	Increase demands and additional cost of 50 voids.
Grounds Maintenance	(8)	(8)	Demand led – reduced projects identified.
Lifeline Equipment (Net)	(13)	(13)	Sales replaced by rentals of existing and returned stock.
Council Hsg - Salaries	(24)	(24)	3 posts vacant and 2 employees maternity leave.
Council Hsg - Training	(7)	(7)	Reduced demand and Energy Advice training deferred due to maternity leave – Carry forward request.
Council Hsg – Printing & Stationery	(6)	(6)	Changes to stationery deferred until 2009/10 – Carry forward request
Council Hsg - Electricity	(20)	(20)	Electricity included in rental agreement, therefore budget no longer required.
<b>Total (Net Overspending)</b>	<b>+256</b>	<b>+618</b>	

#### 4.2 Council House Rent Collection

This section analyses the Council Housing rent income due, and shows that the income collected for the year is 0.7% less than the revised estimate mainly due to year end void adjustments.

	2007/08	2008/09
	£	£
Estimate	(10,612,500)	11,075,100
Actual	(10,647,000)	11,000,892
<b>Difference</b>	<b>(34,500)</b>	<b>74,208</b>

#### 4.3 Council Housing Capital Programme

This section analyses actual spend against the Council Housing Capital Programme to the period ended March 2009. Overall, there has been an underspend of £798K against the revised programme of £3.586M. This represents 22% of the overall programme. The main area affected is external refurbishments.

	Current Approved Programme £000	Spend to Date £000	Budget Remaining £000
Adaptations	250	237	(13)
Bathroom / Kitchen Refurbishment	705	598	(107)
External Refurbishment	915	685	(230)
Rewiring	281	192	(89)
Renewal of Heaters	251	122	(129)
Environmental / Crime Prevention	430	346	(84)
Re-roofing / Window Renewals	152	152	--
Energy Efficiency Works	478	381	(97)
Ryelands Development	1	1	--
Housing Office Alterations	3	2	(1)
Non Sheltered Housing Scheme	60	60	--
IT Replacement	60	12	(48)
<b>TOTAL</b>	<b>3,586</b>	<b>2,788</b>	<b>(798)</b>

The outturn position is still subject to slippage requests, however the overall underspend will be investigated and reported back to Members as part of the slippage approval process. It should be noted that there was a similar underspend at the end of 2007/08 (£751K).

## 5 REVENUE COLLECTION PERFORMANCE

### 5.1 Council Tax & Business Rates

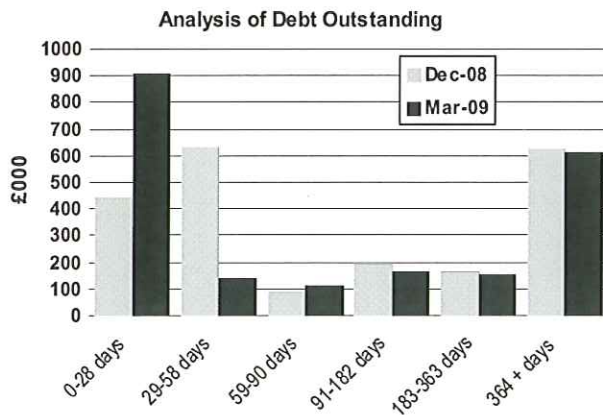
This section analyses the Council Tax and Business Rate collection statistics. Performance against the in-year collection targets is slightly down, 0.48% for Council Tax and 0.83% for Business Rates. The economic downturn has made meeting collection targets impossible this year and this will have to be reflected in the expectations for the next year or two. The Head of Revenues Services has reported that most authorities have experienced the same difficulties.

Percentage Collected	2007/08	2008/09	2008/09	2008/09	Status
	%	%	Target	Actual	
			%	%	
	All Years		In Year		
Council Tax	92.65	92.34	97.10	96.62	0.48% below
Business Rates	99.08	98.88	99.20	98.37	0.83% below

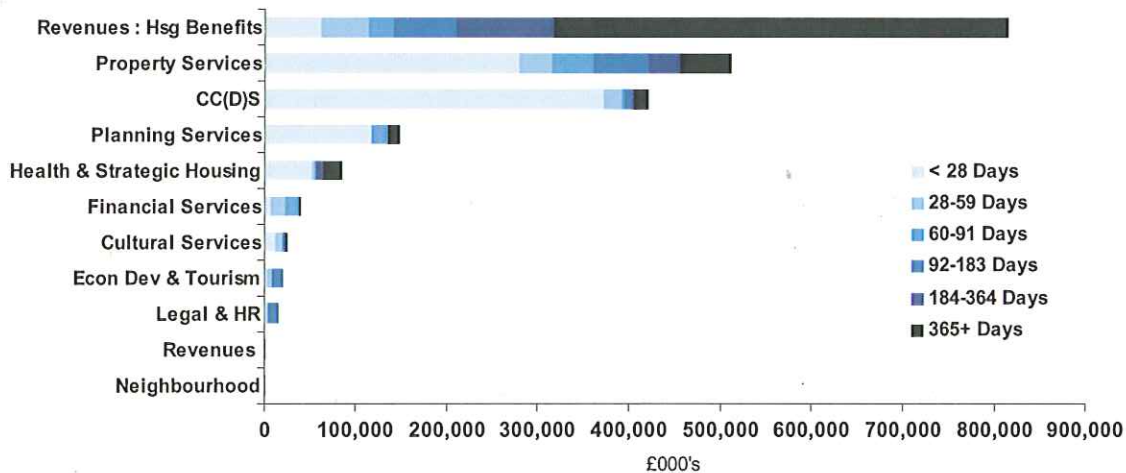
### 5.2 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of March the total debt outstanding was just under £2.1M, which is over £0.5M less than the same period last year.

The level of debt over 1 year old remains at 29% of the total outstanding debt. However, the total value of all debt over 3 months old has reduced by £59K from the previous quarter.



	Dec 08	Mar 09
	£000	£000
0-28 days	442	911
29-58 days	633	139
59-90 days	84	111
91-182 days	190	163
183-363 days	167	152
364+ days	626	609
	<b>2,142</b>	<b>2,085</b>
Previous Year	1,755	2,564



## 6 INSURANCE & RISK MANAGEMENT

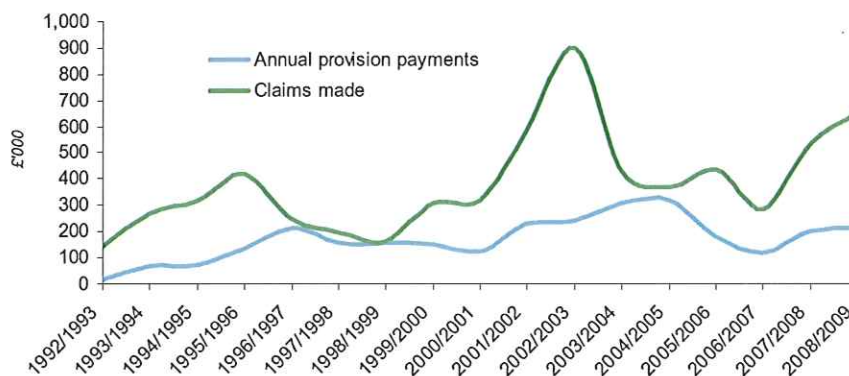
### 6.1 Insurance Monitoring

The current balance on the insurance provision is £289K, after making net payments of £442K in settlement of claims made, and receiving £222K as credits from the insurers in respect of claims above the excess.

At present, our insurers estimate that the value of claims outstanding is £606K, which relates to a total of 263 claims made over a 13 year period. This estimate assumes that all these claims will be settled at the maximum reserve limit; however, recent statistics show that, on average, only 54% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £327K, which is £38K above the current provision.

It is highly unlikely that all these outstanding claims will fall due for payment in the same financial year, but the uncertain nature of insurance claims payments means that accurate predictions are difficult. Nonetheless, the overriding principle is that the Council must make reasonable provision for all its known liabilities. Whilst the balance on the provision as at 31 March has not yet been formally reviewed, it is reasonable to assume that some additional contribution will be required, and this would also reduce the overall net underspending for last year.

Analysis of claims made, paid and outstanding by year.



## 6.2 Other Risk Management

As a result of the Internal Audit Report on Risk Management (08/0742), the Council's risk management procedures have recently undergone a substantial review.

The objectives of the audit were;

- To provide assurance as to the effectiveness of Services' current risk management arrangements, particularly focussing on risk associated with business objectives.
- To assist with the development of current risk management arrangements, particularly focussing on integration with the Performance Management Framework.
- Where possible, help the Council improve on its Use of Resources Assessment.

The most significant Agreed Action that came out of the Audit was to develop the Code of Practice for Managing Risk and Opportunity – 'A Sense of Proportion'. This replaces the previous Policy and Strategy and explains the Authority's reviewed approach to risk management, and the framework that will operate to ensure that risks are effectively managed.

This Code of Practice has now been developed and was formally adopted by Audit Committee at its meeting on 22 April 2009. Arrangements are underway to communicate and provide training on the new Code.



## SUMMARY OF MAJOR VARIANCES (Qtr 4 2008/09)

(Not included elsewhere in the report)

Service	Service Area	Reason for Variance & Action being taken	C/Fwd Request	Variance to Date	Projected Variance to Year End
				£	£
				+ = Adverse	
				() = Favourable	
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)					
Democratic Services	Civic & Mayoral Expenses	Contribution to Duke of Lancaster Colour Belt and past Mayoral badges. Carry forward request for cost of Civic Heads Day for the outgoing Mayor held in April.	C/Fwd	(3,000)	(3,000)
	Democratic Representation	A number of budget heads relating to Member support, such as catering provision, stationery supplies, travel and Overview and Scrutiny expenses have not been fully utilised during the year.		(5,900)	(5,000)
	Electoral Registration	Additional grants from central government and increased efficiencies have produced savings.		(24,300)	(24,000)
	Youth Games	Cheaper flights were obtained to Aalborg and the number of participants were reduced.		(10,000)	(10,000)
	Miscellaneous Grants	£1,500 that was carried forward from 2007/08 remains unclaimed and will not be paid now. The remaining underspend is as a result of claims for grants being less than allocated.		(2,300)	(2,300)
Legal & HR	Legal & Court Costs	Cost of legal advice to resist Town Green application.		+5,500	+10,000
	Search Fee Income	Fewer searches as a result of the economic downturn and decline in housing market.		+10,000	+10,000
	Hackney Carriage Licences	More demand for licenses than anticipated.		(8,600)	(5,000)
	Licensing Act - Premises	More income than anticipated from new and variation applications.		(17,500)	(17,500)
Information & Customer Services	Customer Insight	Project delayed - Carry forward request.	C/Fwd	(5,200)	(5,200)
	Stationery	More printing being done externally - transferred to Property Services in 2009/10.		(9,800)	(9,800)
	Printers and Copiers	New printers and contracts and some printing being done externally.		(22,300)	(22,300)
	Telephony	New tariff and reduced calls and lines.		(11,900)	(11,900)
	Mobile Telephones	New tariff and reduced calls.		(11,000)	(11,000)
	Software - Anite/Task	Project delayed - Carry forward request.	C/Fwd	(13,000)	(13,000)
	Software - Puma	Finance project delayed - Carry forward request.	C/Fwd	(9,000)	(9,000)
	Financial Services	Investment Interest	In line with Qtr 3 projection for year (follows reduction to Base Rate).		+42,000
Interest Payable		Net position, taking account of costs of short term borrowing and savings on Public Works Loan Board (PWLB) debt repayment, arranged in this quarter.		(37,000)	(37,000)
Software & Related Services		Covers software costs for BACS & Civica Financials System, & hosted electronic payments service. Initial indications are that these costs will either need to be accrued for in 2008/09, or be subject to carry forward requests (position being finalised for outturn).		(73,000)	+0
Audit Fees		Awaiting confirmation of Audit Commission position, but underspend is expected.		(48,000)	(20,000)
VAT Recovery Claim		Awaiting information from HMRC, but net recovery on VAT on cultural / leisure activities expected to be around £600K, assuming claim is successful.		+0	(600,000)
CC(D)S	Transport Costs : Fuel	Savings due to reduction in oil prices.		(12,000)	(24,000)
	Recycling Income	The market for recyclables collapsed (as widely reported in the media) in the autumn.		+6,000	+19,000
	Trade Refuse - Waste Disposal Costs	Tonnage down therefore costs reduced.		(20,000)	(20,000)
	Trade Refuse Income	Latest predictions suggest a fall in trade refuse income.		+15,000	+15,000
Property Services	St.Leonard's House - Electricity	March invoice to be accrued, but usage to be reviewed.		(10,700)	(8,400)
	St.Leonard's House - Gas	Still awaiting March invoice, estimated at £5K. Overspend to be reviewed.		+2,200	+7,200
	Storey Institute - Hire of Premises	Windfall income for room hire.		+0	(16,000)
	Kellet Road - Rental Payments	2008/09 payments charged into 2007/08 in error resulting in a current year saving.		(12,200)	(18,000)
	Kellet Road - Rental Income	2008/09 income credited into 2007/08 in error resulting in reduced income in this year.		+10,600	+8,000
	Lancaster Market - Rental Income	Reduced tenancies due to market's uncertain future.		+16,600	+16,600
	Lancaster Market - Service Charges	Reduced tenancies due to market's uncertain future.		+14,100	+14,100
	Postage	Underspend due to additional savings in first year of TNT contract.		(17,500)	(9,600)
	Municipal Buildings - Gas	Overspend due to market forces. Usage to be reviewed.		+4,700	+6,500
	Municipal Buildings - Room Hire	Additional income received from bookings - mainly in the last quarter.		(12,700)	(13,200)
	Mgt & Admin - General Services	Underspend due to failure of consultant/contractor to provide services in final quarter for which appointment was made.		(15,600)	(12,700)
	Off-Street Parking - Electricity	Energy initiative introduced in Qtr 2 with the extraction fans at St.Nicholas Arcades car park has produced savings but monitoring is being commissioned to confirm air quality implications.		(15,900)	(10,400)
	Off-Street Parking - Fee Income	Since revised budget was set, income has been 2% above target in December, 1% above in January and March and 1.5% below in February.		(15,900)	(26,900)
	Off-Street Civil Parking Enforcement	The off-street account has not performed as well as expected and a year end review is currently being undertaken to inform the remaining Parkwise arrangements up to September and beyond.		+9,000	+9,000
	On-Street Civil Parking Enforcement	The on-street account has improved but is still likely to be in deficit at year end but this has no impact on the City Council's budget due to the funding arrangements with the County Council.		(7,000)	+0
	On-Street Residents Parking - Contracts (Permits)	Increased resident permits, visitor card and tradesman permit sales.		(5,500)	(5,000)
	Concessionary Travel Expenses	Awaiting projected outturn pooling figures from County Council.		?	?

## SUMMARY OF MAJOR VARIANCES (Qtr 4 2008/09)

(Not included elsewhere in the report)

Service	Service Area	Reason for Variance & Action being taken	C/Fwd Request	Variance to	Projected
				Date	Variance to Year End
				£	£
				+ = Adverse	( ) = Favourable
<b>VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)</b>					
Economic Development & Tourism	Business Development Grants	Underspend on Business Development scheme. The uncommitted balance of £4.3K on the Rent Grant scheme will be put forward as a carry forward request	C/Fwd	(6,300)	(6,300)
	Morecambe Visitor Centre - Souvenirs	Income of only £16.5K has been achieved this year. Income targets to be reviewed.		+5,000	+5,000
Other Regeneration	Poulton Neighbourhood Mgt	Savings on severance payments due to redeployments		(63,800)	(63,800)
Cultural Services	The Dome	Originally reported an expected overspend of £20K, however due to monitoring of spend and an additional income amount of £11.6K on admissions this is now projected to be a saving.		(2,000)	(5,300)
	Heysham Pool - Energy Costs	Additional energy costs resulting from energy supplier undercharging error.		+20,500	+23,000
	Heysham Pool - Private Hire	Loss of private hirers. Unable to sell space to other clubs.		+9,000	+9,000
	Heysham Pool - Adult Swimming	Additional grant towards swim for fitness scheme received, but not guaranteed for future years.		(7,200)	(7,200)
	Salt Ayre Sports Centre : Electricity	Small increase in consumption year on year. New contract agreed by LCC in Nov 08 which has resulted in increased charges.		+8,000	+22,700
	Salt Ayre Sports Centre : Gas	Small increased usage due to cold weather conditions. N.Power now charging transportation costs.		+17,700	+31,000
Health & Strategic Housing	DFG Administration Charges	Admin fee is based on the original capital budget for DFG, a later allocation was made increasing the DFG Capital budget thus increasing the admin charge receivable. This has resulted in a favourable variance.		(15,300)	(15,300)
	Mgt & Admin - contracted services	Budget set up on the agreement that it was for the payment of consultants to update the Housing Strategy which has not been carried out in 2008/09.		(26,400)	(26,400)
	Environmental Protection - Radiation Analysts	Difficulties in the installation of new automatic radiation monitoring equipment on third party land has led to a delay in installation costs. There has also been an unexpected one-off discount in Radmill partnership fees for 2008/09. The equipment installation costs have been budgeted within existing resources in 2009/10.		(7,200)	(7,200)
	Homelessness Services - Bed & Breakfast	An increase in the Homeless priority need order budget has led to the success of prevention initiatives, which in turn has led to less vulnerable people requiring B&B.		(6,400)	(6,400)
	Homelessness - Government Grants	Income of £11.5K for 2007/08 has been paid by central government in 2008/09. A new arrangement has been set up for payments in 2009/10.		(11,500)	(11,500)
	Pest Control - Insect Control Charges	Demand for treatments fallen due to adverse weather conditions affecting insect population.		+6,200	+6,200
Planning Services	Planning Application Fees	At Qtr 3 it was reported that an anticipated further loss of planning application fee income of £50K would be incurred. However, fee income picked up in the last Qtr, due to a number of large applications, and finally exceeded revised targets.		(12,200)	(12,200)
	Building Control - Employee Costs	Savings due to staffing reduction and prudent use of budgets.		(14,900)	(14,000)
	Building Control - Fee Income	Reduction in application numbers against revised budget and loss of large projects to Approved Inspectors.		+9,900	+14,000
	Townscape Heritage Initiative 2	Programme work delayed - Carry forward request.	C/Fwd	(16,200)	(16,200)
	Luneside East Estate Management	Delayed utility dis-connection and maintenance works - Carry forward request.	C/Fwd	(3,000)	(9,500)
	Christmas Decorations	Maintenance element of Christmas Lighting was less than predicted. Probably due to use of LED technology. Budget to be reviewed in 2009/10.		(5,400)	(5,400)
	Capital Salaries	Target for fee income exceeded.		(11,700)	(11,700)
	Land Drainage	Some costs absorbed by capital scheme funded by the Environment Agency.		(21,800)	(21,500)
Revenue Services	The TERN project	Two items of maintenance have cost substantially less than estimated.		(16,800)	(11,900)
	Council Tax / Community Charge	Various savings, including Legal / No Bail costs.		(7,000)	(7,000)
	NNDR Administration	Savings on Legal / Bailiff Fees and Bail costs.		(5,500)	(5,500)
	LHA / DWP Funding	Underspend on externally funded scheme - Carry forward request	C/Fwd	(36,000)	(36,000)
<b>VARIANCES NOT REPORTED THROUGH PRT PROCESS</b>					
<b>TOTAL VARIANCES</b>				<b>(541,400)</b>	<b>(1,002,200)</b>
				Known Carry Forward Requests to date	+96,200
Net Projected Underspend (excluding salaries), should known C/F requests be approved					<b>(906,000)</b>

# PERFORMANCE REVIEW TEAM

## 2008/09 Treasury Management Progress Report to 31 March 2009

### Report of Head of Financial Services

#### 1. Introduction

It is a requirement of the CIPFA Code of Practice on Treasury Management that regular monitoring reports are presented to Members on treasury activities. These reports will normally be presented soon after the end of June, September, December and March.

Cabinet approved the Treasury Strategy for 2008/09 on 19 February 2008 and the Investment Strategy was approved by Council at its meeting on 27 February 2008. This report outlines activities undertaken in pursuance of those strategies during the financial year. It should be noted, however, that some figures are still provisional and may well change in completing the closure of accounts.

Please note that colour copies of the graphs contained in this report are available on request.

#### 2. Summary

- The administrators of the Icelandic bank KSF (with whom the Council has £2M) have published their intention to pay a dividend of £0.10 per £1 before the end of 2009 with a minimum total payment of £0.50 per £1. We await further news from KSF as to the exact amounts and timing as well as notification from Glitnir and Landsbanki.
- Quarter 4 has seen a further move towards lowering counterparty risk whilst trying to maintain some level of return on the Council's treasury operations. This has been achieved by repaying £5.6M of PWLB loans, which were costing the authority 4.49% in interest. This saving outweighs any return that could be obtained on investing an equivalent sum and also reduces counterparty risk through lowering investment levels.
- Some limited temporary borrowings have been required due to the Council having less cash than anticipated towards the end of the year, mainly down to repayment of PWLB loans mentioned above and frozen Icelandic investments. These temporary borrowings have only cost 0.9% on average.
- The provisional out-turn figures for investment interest are broadly in line with the £42K deficit against the £1,003K budgeted figure, as predicted at quarter 3. This deficit is matched by the saved interest of £42.5K on PWLB loans repaid, although there is an additional £5.5K of interest payable on short term (temporary) borrowing. Overall, the net outturn (before finalising any further year end transactions) is around a £2K net cost. This is felt reasonable, given the reductions in interest rates over the last quarter.

### 3. Icelandic banks update

The administrators of KSF issued an update to creditors on 17<sup>th</sup> April 2009. This states the intention to pay £0.10 per £1 to creditors at some point over the summer of 2009. In addition, a minimum total dividend figure of £0.50 per £1 has been disclosed as the lower threshold for the total return. The Council currently has £2M of frozen investments with KSF plus £48K of interest due, up to the point the bank went into administration on the 8<sup>th</sup> October 2008. This would mean an initial dividend of £205k with minimum recovery of £1,025K. A full copy of the report is available at:

<http://www.kaupthingsingers.co.uk/pages/3962>

The administrators of Glitnir (£3M held, £126K of interest accrued) and Landsbanki (£1M held, £88K of interest accrued) have yet to make any comment over likely returns.

Furthermore, CIPFA are due to release an update to the accounting Statement of Recommended Practice (SORP) that will deal explicitly with how to account for Icelandic investments the final accounts. At present, in terms of the budget, the Council has assumed that the interest earned on these investments will be receivable, but up to the date that the banks went into administration.

### 4. Debt Portfolio

There have been some changes to the Council's debt portfolio in Quarter 4. £5.6M of PWLB loans were repaid at the end of January and this has saved interest costs at 4.49% on the loans. This is an attractive alternative to investing the money, which would have retained a higher counterparty risk and would have earned at most 1% interest in the current climate.

As we have less cash available due to repayment of loans and the assets frozen in Iceland, there has been the need to borrow short term on occasion to manage our day to day cash flow. This can be typical towards the end of any financial year, as cash from monthly instalments of Council Tax and Business Rates income generally falls off in February and March (such instalments being spread over 10 months, not 12). The cost of short term debt is currently very low with the average rate on these loans being 0.9%.

The Council had £8.5M of such short term loans as at 31/3/09 which, in the main, may reflect the £3M that was due back at year end from Glitnir, together with the £5.6M of PWLB loans repaid. At the year end the Council's total level of borrowing was £47.7M. This is comfortably within both the Operational Boundary (£49.1M) and the Authorised Limit (£56.3M) for external borrowing (see **Appendix A** for definitions of the above).

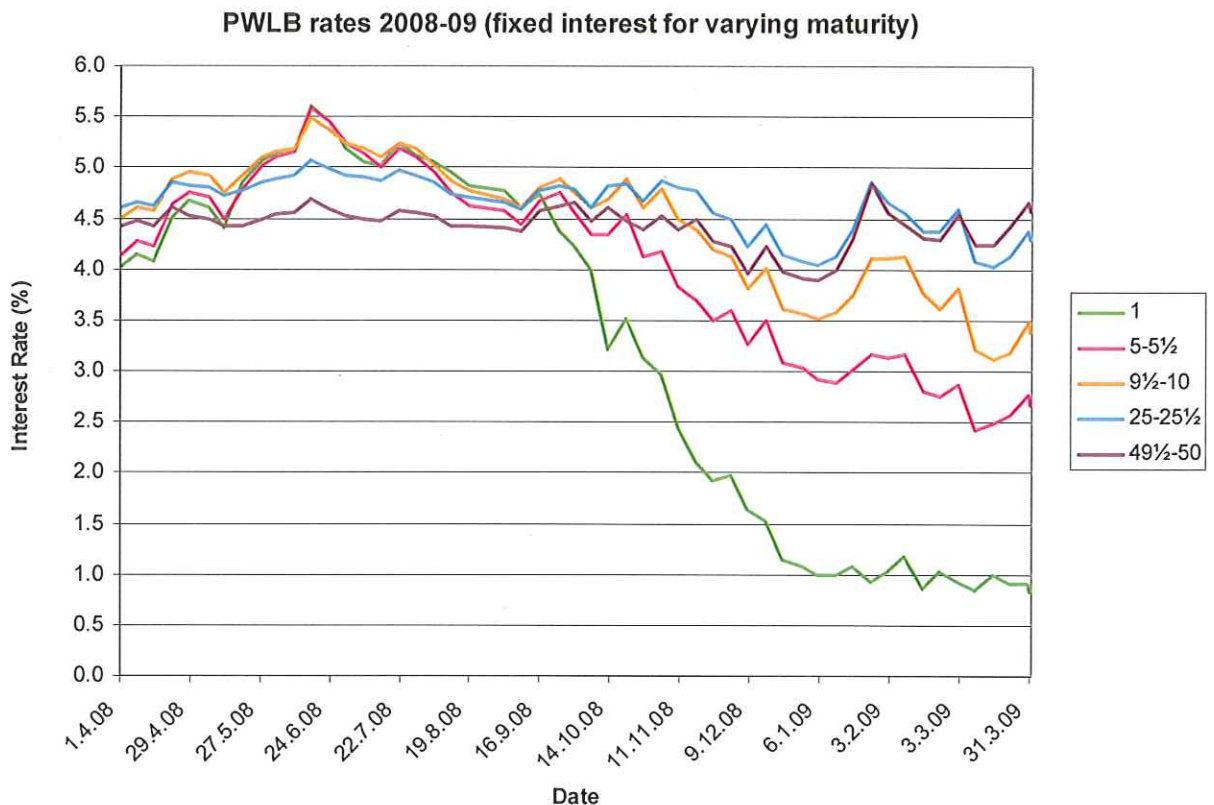
As reported for Quarter 3, the medium term forecast position on external borrowing remains static despite the fact that by the end of 2008/09 there will be a cumulative increase in the underlying need to borrow of £3.584M (2006/07 £1.608M, 2007/08 £1.762M, 2008/09 £0.214M) for which no actual long term additional borrowing has been taken up. This is because the twin issues of the amounts set aside for the future repayment of debt, and a cashflow position which is forecast to remain relatively strong, mean that there is no immediate need to take out new long term loans.

It is anticipated that as the remaining fixed term investments mature during the 2009/10, there will be no need for short term borrowings. Overall this will leave the Council with fewer cash investments but less debt. Given that the Council's loans currently cost more than investments could earn, this is a good option in terms of both VFM and counterparty risk.

## 5. Cost of borrowing

The graph below shows that the rate for short term (1 year) borrowing has seen a sharp decline to around the 1% level over the year. Medium term borrowing (5 to 10 years) has seen a less dramatic reduction to around the 3% level. Long term rates have fluctuated around the 4.5% level.

The implications of this disparity between long term and short term rates are, firstly, that short term borrowing is relatively cheap. Although the graph only shows PWLB rates, experience to date suggests that these rates reflect the general market rates for short term loans. Secondly, further opportunities to pay off more expensive long term debt may still arise. Similar to the repayment performed in January, this may be a good option in terms of both VFM and reduction of counterparty risk. The position will be monitored throughout 2009/10, with reference to forecast cash balances.



## 6. Investing Activities

No fixed term investments have been placed since September 2008. Any surplus cash has been managed on a day to day basis using the call accounts. A full list of the investments placed during the year is enclosed at **Appendix B**.

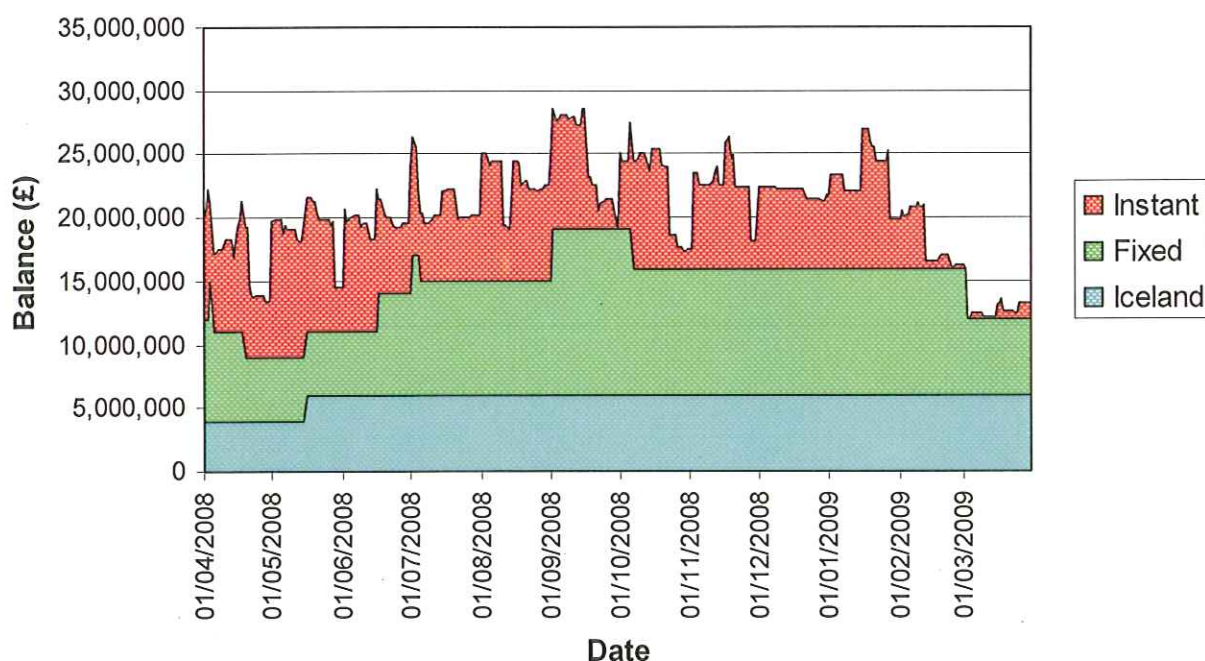
The aim with Investments is to prioritise security and liquidity. This is to minimise any further chance of a counterparty failing and the Council not being able to remove its deposits. The use of the call accounts meets these requirements although since the repayment of the PWLB loans, the amount of surplus cash has been minimal (average daily balance of £1.6M after 28/1/09 vs. £6.9M before that date).

The split of fixed term investments and the balances held within the call accounts is shown graphically below (see also further details in **Appendix B**). At the year end, the fixed term balances were made up of £6M of Icelandic investments, a £3M deposit with Irish Permanent that matured on the 2<sup>nd</sup> of April and a further £3M held with Anglo Irish, due to mature on 17<sup>th</sup> June 2009. There was £1.3M on call at the year end.

During the Quarter Anglo Irish were removed from the Council's list of approved counterparties, although their short term ratings are still strong (F1+, P-1, A-1, as at 24/4/2009). Following discussion with the bank, there is no option to recover this deposit before it matures but Officers are monitoring the situation in partnership with the Council's treasury consultants.

The Irish government has guaranteed all deposits (such as the City Council's) although their sovereign rating has dropped to AA+ from the AAA gold standard. A further possible mitigating factor is that Ireland is a member of the EU which may increase the chance of external support. Overall, there is currently judged to be minimal risk of not receiving the full principal and interest back on this investment – although as mentioned above, the situation is being monitored.

**Investment values over the period (fixed vs instant access)**



## 7. Summary of Budget Position and Performance at 31 March 2009

Based on preliminary out-turn figures, interest earned in the year came to £964K against the revised budget of £1,003K. This variance is slightly better than the predicted out-turn as reported for Quarter 3, which estimated a budget shortfall of £42K for the year. The variance is due to a reduced return on call account balances, as these are linked to the base rate.

In addition though, costs have been incurred for short term borrowing, amounting to £5.5K although there has been a saving in year of £42.5K from the repayment of PWLB loans.

Taking account of the above, the net position across investments and borrowings is a £2K shortfall against the revised budget. This does however assume that interest on Icelandic bank deposits is receivable up to 8/10/08.

In terms of performance against external benchmarks, the return on investments compared to the LIBID and bank rates over the year is as follows:

Base Rate	3.61%
3 Month LIBID	4.59%
Lancaster CC Investments	5.46%
Lancaster CC investments*	4.69%

\*This rate includes £6M frozen in Icelandic banks, at 0% from 8/10/08.

This performance appears good but it should be noted that it is affected by the longer term investments that were taken out previously when rates were high. Furthermore, it does not take account of any potential losses in connection with Icelandic investments. Also, it is reiterated that at present emphasis is very much on security and liquidity of deposits, not investment returns.

## **8. Risk management**

The main focus of risk within treasury management is security of deposits and their liquidity. The Council's investment strategy is designed to engineer risk management into investment activity largely by reference to credit ratings and length of deposit, together with supporting advice etc. Officers have been maintaining the portfolio well within the agreed limits by utilising instant access call accounts and avoiding any new fixed term investments. In addition, no further investments have been made with Irish counterparties since doubts were raised over the strength of some institutions and their overall economy. The use of sovereign credit ratings has been integrated into the 2009/10 investment strategy.

There is also a liquidity risk associated with accessing cash when it is needed, on a day to day basis. At present Officers are utilising short term borrowing but there is a slim possibility that there could be in a position where cash is required but cannot be obtained. However, it is not judged that this is a significant risk. The Council enjoys a privileged status as a local authority in that other lenders still see councils as safe places in which to deposit money, and councils also have access to the PWLB. As the Council's remaining fixed term investments mature, it is expected that the need for short term borrowing will reduce throughout 2009/10 although the situation will be monitored and reviewed, particularly should short term rates start to rise or should there be any potential issues with obtaining credit.

## **9. Conclusion**

The news from KSF suggests that the administration process is making progress and that the Council will hopefully receive some money back over the summer. Progress of the administrators of Glitnir and Landsbanki is still unclear. The cash frozen in Iceland is starting to have an effect on day to day operations and there has been the need to take on some short term borrowings, although the final two months of the year can be difficult anyway, in cashflow terms.

In addition, during this Quarter Officers have taken the decision to reduce long term loan balances. This has benefits in terms of counterparty risk and value for money. Going forward, as the cash position recovers, this may well be an attractive option for any further surplus cash, as the cost of existing PWLB debt is likely to out-strip any investment returns, especially given that the focus is on keeping invested sums liquid and with highly secure counterparties. In addition, the Council's status as a privileged borrower means that it does not run the same risks as private institutions in terms of raising credit if required.

The full annual treasury management report for 2008/09, including performance against prudential indicators, will be presented to Cabinet and Council later in the year.

**PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL**  
**Quarter 4 Update on Treasury Management activities, Performance Review Team,**  
**31 March 2009**

2008/09  
£'000

**AFFORDABILITY**

PI 1: Estimates of ratio of financing costs to net revenue stream	Non - HRA	13.4%
	HRA	9.4%
	Overall	12.1%

PI 3: Original estimate of impact of Capital Investment decisions on the Council Tax	£0.28
This includes the impact of all elements of funding, including any increase in the need to borrow, required to finance new schemes added to the Capital Programme	0.16%

PI 4: Estimates of impact of Capital Investment on Housing Rents	Nil
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**PRUDENCE**

PI 6: Original estimates of capital expenditure	Non - HRA	31,133
	HRA	3,280
	Total	34,413

PI 8: Original estimates of Capital Financing Requirement	Non - HRA	30,642
	HRA	15,303
	Total	45,945

PI 10: Authorised Limit	
Authorised Limit for Borrowing	56,290
Authorised Limit for Other Long Term Liabilities	310
Authorised Limit for External Debt	56,600

PI 11: External Debt: Operational Boundary	49,100
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**TREASURY MANAGEMENT**

PI 13: Treasury Management: adoption of CIPFA code of Practice	The Council adopted the CIPFA code of Practice for Treasury Management at its meeting on the 13th March 2002.
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PI 14: Fixed Interest Rate Exposure	100%
The Authority will limit its exposure to fixed interest rate costs to the amounts payable on the following proportion of its outstanding debt.	
At 31 March 2008 the Council was exposed to fixed interest rate costs on 100% of its outstanding debt	

PI 15: Variable Rate Interest Rate Exposure	30%
The Authority will limit its exposure to variable interest rate costs to the amounts payable on the following proportion of its outstanding debt.	
At 31 March 2008 the Council was exposed to variable interest rate costs on 0% of its outstanding debt	

PI 16: Maturity Structure of Borrowing		
Upper and Lower Limits	Under 12 months	0% to 35%
	12 months and within 24 months	0% to 5%
	24 months and within 5 years	0% to 10%
	5 years and within 10 years	0% to 20%
	10 years and above	60% to 100%
Maturity Profile of Current Outstanding Debt at 31 March 2008	Under 12 months	0%
	12 months and within 24 months	0%
	24 months and within 5 years	0%
	5 years and within 10 years	0%
	10 years and above	100%

PI 17: Investments for periods longer than 364 days	
Maximum principal sum to be invested	6,000
The above limit does not include sums for forward deals placed up to six months in advance for periods of 364 days or less.	
At 31 June 2008, the total amount of investments placed by the Council during the year, for periods of greater than 364 days, was £3m (see Appendix B).	

**AUTHORISED LIMIT** - The maximum amount of external debt, including both borrowing and other long-term liabilities, into which the Council may enter in the specified period.

**OPERATIONAL BOUNDARY** - The working boundary of total external debt, including both borrowing and other long-term liabilities, which will provide the day-to-day focus for Treasury Management activities. Unlike the Authorised Limit, it is not an absolute limit. It provides a mechanism to highlight whether or not external debt is being managed within the expected levels. The Operational Boundary can be exceeded if developing circumstances require, but if this happens then it will be the trigger for either corrective action or a revision of the relevant indicators.



APPENDIX B

INVESTMENT INTEREST EARNED TO 31 March 2009

Name	Start	End	Rate %	Days up to 31/3/09	Principal £	Interest £
<b>Fixed term investments</b>						
<b>Deposited 2007/08</b>						
Northern Rock (1 Yr Fwd Deal)	31-Mar-08	18-Apr-08	4.98	18	2,000,000	4,912
Landsbanki Islands	31-Mar-08	08-Oct-08	6.25	191	1,000,000	32,705
EBS B.S.	31-Mar-08	03-Apr-08	5.90	3	2,000,000	970
Glitnir	31-Mar-08	08-Oct-08	5.76	191	3,000,000	90,346
<b>Deposited 2008/09</b>						
Bradford & Bingley	04-Apr-08	04-Jul-08	6.05	91	2,000,000	30,167
EBS B.S.	04-Apr-08	06-Oct-08	6.02	185	3,000,000	91,537
Kaupthing, Singer & Friedlander	16-May-08	08-Oct-08	6.00	145	2,000,000	47,671
Anglo Irish Bank Corporation	17-Jun-08	17-Jun-09	6.56	288	3,000,000	155,283
Irish Permanent Plc	02-Jul-08	02-Apr-09	6.31	273	3,000,000	141,586
Scarborough BS	02-Sep-08	02-Mar-09	5.98	181	2,000,000	59,308
Kent Reliance	02-Sep-08	02-Mar-09	6.02	181	2,000,000	59,705
Sub total						714,191
<b>Call accounts</b>						
Abbey National						181,095
Allied Irish						64,301
Yorkshire bank						4,295
Subt total						249,691
<b>TOTAL</b>						<b>963,882</b>

For investments highlighted, the counterparties have since been downgraded and removed from the counterparty list as noted in the quarter 2 report. Those in yellow (Anglo Irish & Irish Permanent) have also been removed from the counterparty list since the 2009/10 investment strategy came into force but were still on the list for Quarter 4 in 2008-9. The Irish Permanent and Bradford and Bingley deposits have now been returned. Icelandic banks have been accounted for up to 8/10/08, the point at which they went into administration. As at 25 November, no monies are held in the Allied Irish Call Account.

**Call account information**

The maximum balance on the call accounts during the quarter was £11M (vs total approved limit of £12M)  
 The minimum balance during the quarter was 0.  
 The opening balance was £5.73M  
 The closing balance was £1.3M