



**Committee:** CABINET  
**Date:** TUESDAY, 23 JULY 2013  
**Venue:** LANCASTER TOWN HALL  
**Time:** 10.00 A.M.

## A G E N D A

1. **Apologies**

2. **Minutes**

To receive as a correct record the minutes of Cabinet held on Tuesday, 25 June, 2013 (previously circulated).

3. **Items of Urgent Business Authorised by the Leader**

To consider any such items authorised by the Leader and to consider where in the agenda the item(s) are to be considered.

4. **Declarations of Interest**

To receive declarations by Members of interests in respect of items on this Agenda.

Members are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Whilst not a legal requirement, in accordance with Council Procedure Rule 10 and in the interests of clarity and transparency, Members should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

In accordance with Part B Section 2 of the Code Of Conduct, Members are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

5. **Public Speaking**

To consider any such requests received in accordance with the approved procedure.

Reports from Overview and Scrutiny

None

Reports

6. **Grant assisted alleviation of shingle migration and flooding, Teal Bay, Morecambe**  
(Pages 1 - 7)

**(Cabinet Member with Special Responsibility Councillor Hanson)**

Report of the Head of Regeneration and Planning

7. **Corporate Performance Monitoring 2012/13** (Pages 8 - 25)

**(Cabinet Member with Special Responsibility Councillor Blamire)**

Report of the Head of Governance

8. **Urgent Business Report** (Pages 26 - 28)

**(Cabinet Member with Special Responsibility Councillor Blamire)**

Report of the Head of Governance

9. **Storey Creative Industries Centre: Progress Update**

Nothing to report at time of publication of agenda.

10. **Exclusion of the Press and Public**

This is to give further notice in accordance with Part 2, paragraph 5 (4) and 5 (5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 of the intention to take the following item(s) in private. It should be noted that the report for item 11 is a public report with an exempt appendix and it will only be necessary to exclude members of the press and public should Members need to refer to the information in the exempt Appendix.

Cabinet is recommended to pass the following recommendation in relation to the following item if it is necessary to refer to the exempt Appendix:-

“That, in accordance with Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business, on the grounds that it could involve the possible disclosure of exempt information as defined in paragraph 3 of Schedule 12A of that Act.”

11. **Provisional Revenue, Capital and Treasury Management Outturn 2012/2013** (Pages 29 - 74)

**(Cabinet Member with Special Responsibility Councillor Bryning)**

Report of Head of Resources

## **ADMINISTRATIVE ARRANGEMENTS**

### **(i) Membership**

Councillors Eileen Blamire (Chairman), Janice Hanson (Vice-Chairman), Jon Barry,

Abbott Bryning, Tim Hamilton-Cox, Karen Leytham, Ron Sands and David Smith

**(ii) Queries regarding this Agenda**

Please contact Liz Bateson, Democratic Services - telephone (01524) 582047 or email [ebateson@lancaster.gov.uk](mailto:ebateson@lancaster.gov.uk).

**(iii) Apologies**

Please contact Members' Secretary, telephone 582170, or alternatively email [memberservices@lancaster.gov.uk](mailto:memberservices@lancaster.gov.uk).

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

Published on Thursday, July 11, 2013.

**CABINET**

**Grant assisted alleviation of shingle migration and flooding, Teal Bay, Morecambe.**

**Cabinet, 23 July 2013**

**Report of Head of Regeneration and Planning**

<b>PURPOSE OF REPORT</b>			
To highlight the problems with the Bare Beck outfall at Scalestones Point in Morecambe and to inform Members of a potential offer of grant funding from the Environment Agency to help rectify the situation and reduce the risk of flooding for nearby properties.			
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>	<b>Referral from Cabinet Member</b>
<b>Date of notice of forthcoming key decision</b>		Monday 24 <sup>th</sup> June	
<b>This report is public</b>			

**RECOMMENDATIONS OF Cllr Janice Hanson.**

- (1) That subject to receiving an offer of grant from the Environment Agency the Head of Regeneration & Planning be given delegated authority to accept the offer in order to fund the works as described, subject to agreement with the Head of Resources and there being no further impact on City Council resources than those set out in this report.
- (2) That, subject to receipt of the grant, approval is given to appoint suitably experienced local contractors to carry out the works, in accordance with the City Council’s contract procedure rules.
- (3) That subject to (1) above, the Head of Resources be given delegated authority to update the General Fund Revenue and Capital Budgets accordingly, to allow the works to progress.

**1.0 Introduction**

The section of coastal defences abutting the A5105 to the east of Scalestones Point, Morecambe, comprises a sloping concrete revetment that has been protected by two forms of new construction. Across the eastern half of the frontage the wall has been protected by a rock armour revetment, which terminates in a rock groyne adjacent to the VVV Leisure complex. On the western part of the frontage a shingle beach has been imported to reinforce the defence. This continues up to the Scalestones Point

rock groyne.



Towards the eastern end of the rock armour a 1.2m diameter land drainage discharge, which drains the golf course and housing developments to the rear of Happy Mount Park, has been extended through the rock armour and terminates at the toe of the rock revetment.

### **Problem Definition**

The shingle beach on the western part of frontage is mobile with the drift taking place from west to east. Since the recharge took place in 2008, the shingle has migrated easterly across the foreshore in front of the main revetment, eventually ending up in front of the outfall where it has blocked the flap valves preventing them from opening (see photo)

This causes flooding along the length of the open ditch initially affecting the golf club and then extending into the housing area to the rear of Happy Mount Park. Over the last few months the shingle build up in front of the outfall has been periodically removed by excavation. It has not always been possible to act quickly due to the difficulty of current access arrangements and availability of specialist contract plant.

This behaviour is having two major effects:

- Over time more shingle is being moved into the armour section of frontage, requiring more frequent clearance from in front of the outfall to maintain drainage and prevent backing up.
- Shingle is being lost from the westerly section of frontage reducing the standard of protection being provided here.



Outfall when blocked with 8 tonnes of shingle after a spring/ rough high tide.





Bare Beck outfall after clearance.

## 2.0 Proposal Details

Following discussions between LCC Engineers and specialist consultants (Coastal Engineering UK. Ltd) remedial measures have been identified. This will make adjustments to the rock armouring including a small terminal groyne (breakwater/wall) which will minimise the movement of the shingle. The works are also designed to allow easy access for maintenance if minor residual problems occur.

The works will be carried out within the footprint of the working area of the original coast protection works minimising impact on the bay.

The majority of the estimated £72,000 cost will be met by Grant aid from DEFRA, issued through the Environment Agency (EA). Officer time to procure and supervise the project is estimated to be circa. £3,500 of which 20% must be funded by the City Council. This element is in-eligible for FCPGiA (Flood and Coast Protection Grant in Aid) as it is deemed to be included within other Central Government annual finance to the authority associated with our Coast Protection Act Responsibilities.

Officers are still waiting for a formal offer of grant from the Environment Agency however, approval is being sought from Cabinet in advance of this due to the tight timescales for completion of the scheme. It is estimated the works will take no longer than 6-8 weeks to complete but Natural England have set a strict deadline of 1<sup>st</sup>

October 2013 by which the beach must be vacated to allow birds to roost for the winter without disruption.

If no offer of grant is received from the EA the works will not be undertaken.

**3.0 Details of Consultation**

These works are within the footprint and working area of the existing coast protection structures therefore Maritime Management Organisation licence exemption and Natural England assent to exemption from section 28 of the Environmental Protection Act have been secured.

There is no significant highway impact and no interruption to access or amenity therefore no public consultation is required.

(Extensive consultation was carried out for the existing arrangement of Sea Defence and Coast Protection measures in 1989 These works are maintenance of that major construction project.)

**4.0 Options and Options Analysis (including risk assessment)**

	<b>Option 1:</b> Do Nothing	<b>Option 2:</b> Continue clearing when necessary	<b>Option 3:</b> Works as described above, carried out in the next 6 – 8 weeks.
Advantages	None.	None.	Risk significantly reduced and ease of maintenance ensured
Disadvantages	A significant number of houses and Morecambe Golf Course at risk of flooding.	Potential to flood as option one. None grant aided cost of circa. £1k for every call out after spring tides and storms. Accessibility at some tide states can delay prompt action increasing risk.	None.
Risks	Negative public image and potential for substantial financial claims from flooded householders and the Golf Club.	Poor public perception. Protracted antagonism of Golf Club (our Tenant).	Grant approval delay, would push works to next summer due to environmental regulation, which would incur additional non grant aided clearance costs.

**5.0 Officer Preferred Option (and comments)**

5.1 Option 3.

**6.0 Conclusion**

6.1 There is an on going risk of flooding and financial liability whilst the situation



remains un-controlled. Major works would trigger environmental implications which would generate major environmental impact assessment with disproportionate costs and delays. The Option 3 provides a solution with minimal impact and cost which will minimise the problem as well as ensuring the future management of any residual problems.

**RELATIONSHIP TO POLICY FRAMEWORK**

- Health and Wellbeing - minimising the risk of flooding.
- Clean, Green and Safe Places – maintaining standards of flood protection.

In addition,

- Manage the council's resources efficiently and effectively

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

No Major Implications

**LEGAL IMPLICATIONS**

**There are no legal implications directly arising from this report.**

**FINANCIAL IMPLICATIONS**

If the works are approved, and a grant offer is forthcoming from the EA, the General Fund Capital Programme would need to be updated to include the additional expenditure and associated grant funding, which is expected to be in the region of £70,000, and also the ineligible element of staff time recharges that must be funded by the City Council estimated at £700-£1,000. This would create an additional cost for the Council within the Capital Programme but at the same time eases the burden on the Sea Defence revenue budget due to the anticipated reduction in the numbers of call outs after high tides and storms (in order to clear the blocked outfall)

All other costs are eligible for and can be fully funded by the EA grant based on the standard terms and conditions of the FCPGiA available on the EA website, aside from the small percentage of staff time charges which are considered to be immaterial. If on receipt of a formal offer from the EA there were additional conditions attached to the grant, officers would need to review the implications of these for the City Council and determine whether or not the scheme was still viable and whether further Cabinet approval was needed prior to proceeding.

Due to the short duration of the scheme itself (6-8 weeks) it is anticipated that there will be one claim submitted to the EA, either at the start of the scheme or upon completion.

If the works are not approved, or if the EA choose not to allocate any grant towards the scheme, it is anticipated that revenue costs will increase due to the number of call outs and an indication that contractor prices will also increase if it becomes a regular occurrence. Since August 2012 there have been seven callouts. There is also a risk that if accessibility issues prevent the outfall from being cleared in time, flooding could occur in the nearby

properties resulting in complaints and potential compensation claims from residents and businesses e.g. Morecambe Golf Club. In this instance the decision on whether or not to carry out the works would need to be picked up as part of the annual budget process.

**OTHER RESOURCE IMPLICATIONS**

**Human Resources:**

None

**Information Services:**

None

**Property:**

None

**Open Spaces:**

None

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has been consulted and has no further comments.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no observations to make on this report.

**BACKGROUND PAPERS**

None

**Contact Officer:** Adrian Morphet  
**Telephone:** 01524 582622  
**E-mail:** amorphet@lancaster.gov.uk  
**Ref:** Bare Beck

<b>CABINET</b>
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## Corporate Performance Monitoring 2012/13

23 July 2013

### Report of the Leader of the Council

PURPOSE OF REPORT				
To present the corporate performance monitoring end of year reports for 2012/13				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Cabinet Member
				<b>X</b>
Date of notice of forthcoming key decision			Not applicable	
This report is public				

#### RECOMMENDATIONS OF LEADER OF THE COUNCIL

That Cabinet considers this report and Appendices and makes any comments or recommendations as appropriate

#### 1.0 CORPORATE PERFORMANCE MONITORING 2012/13

- 1.1 The Corporate Plan Performance Review Reports for each Cabinet Member's Portfolio Area were published on schedule on 30 April 2013.
- 1.2 Ongoing discussions on performance have been carried out with Service Heads, senior managers and Cabinet Portfolio Holders as required.
- 1.3 The full Corporate Plan Performance Review Report for 2012/13 attached as **Appendix A** sets out the performance of success measures under each corporate priority. For the first time the end of year report includes all 39 of the Corporate Plan success measures, of which 3 (8%) have a Red status.
- 1.4 Throughout the report commentary provided by officers responsible for each success measure highlight achievements, add contextual information, identify issues that need to be considered further and outline actions being taken / planned to get performance back on track.
- 1.5 Attached as **Appendix B** is a one-page report that summarises the overall position towards the achievement of each corporate priority in 2012/13.
- 1.6 Throughout the year Corporate Financial Monitoring reports are produced providing a snap shot of the financial position at the end of each quarter. The 2012/13 Outturn Report which summarises the overall financial position for the year is included elsewhere on this Agenda.
- 1.7 Budget and Performance Panel considered the end of year Corporate Performance Monitoring reports at its meeting on 11 June 2013.

**2.0 Conclusion**

- 2.1 The Council's Performance Management Framework requires the regular reporting of operational and financial performance to Cabinet as part of the corporate performance review arrangements.
- 2.2 The Corporate Performance Review Report (Appendix A) provides commentary on key matters and actions being taken to deliver corporate plan success measures and the Summary report (Appendix B) demonstrates that performance towards the achievement of stated corporate outcomes and priorities is 'on track'.

<p><b>RELATIONSHIP TO POLICY FRAMEWORK</b></p> <p>This report is a requirement of the council's Performance Management Framework in support of the council achieving its key tasks and objectives as reflected in its policy framework.</p>	
<p><b>CONCLUSION OF IMPACT ASSESSMENT</b>  <b>(including Health &amp; Safety, Equality &amp; Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)</b></p> <p>None arising from this report</p>	
<p><b>LEGAL IMPLICATIONS</b></p> <p>None directly arising from this report</p>	
<p><b>FINANCIAL IMPLICATIONS</b></p> <p>None directly arising from this report</p>	
<p><b>OTHER RESOURCE IMPLICATIONS</b></p> <p><b>Human Resources / Information Services / Property / Open Spaces:</b></p> <p>As set out in the report and related appendices</p>	
<p><b>SECTION 151 OFFICER'S COMMENTS</b></p> <p>The Section 151 Officer has been consulted and has no further comments</p>	
<p><b>MONITORING OFFICER'S COMMENTS</b></p> <p>The Monitoring Officer has been consulted and has no further comments</p>	
<p><b>BACKGROUND PAPERS</b></p> <p>none</p>	<p><b>Contact Officer:</b> Bob Bailey, Corporate Planning &amp; Performance Manager; Andrew Clarke, Accountancy Services Manager  <b>Telephone:</b> 01524 582018 / 5821388  <b>E-mail:</b> <a href="mailto:rbailey@lancaster.gov.uk">rbailey@lancaster.gov.uk</a>;  <a href="mailto:acclarke@lancaster.gov.uk">acclarke@lancaster.gov.uk</a>  <b>Ref:</b> Corporate Plan Performance 2012/13</p>

# Corporate Plan Performance Review Report

Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)			Period Trend	Report Comments
					Target	Actual	RAG		
<b>Clean, Green and Safe Places</b>									
CO2 emissions from council activities are reduced	CGS1 Annual reduction in carbon emissions 3.4%pa (34% by 2020)	Yearly	Tim Hamilton-Cox	High is Good	3.4%	-2.1%	Red	New measure. No previous data.	Whilst the 2012/13 performance is below target, the council is well ahead of its long term target of 34% reduction in carbon emissions by 2020. Compared to the previous year 9% more gas and 4% less electricity was used in 2012/13 - electricity producing more Co2 per unit of energy than gas. The increased gas usage is mainly due to the severe cold winter and the unexpected weather conditions in March. Problems with the heating of the swimming pool at Salt Ayre also contributed to the increase as the unit used to combined heat and power (CHP) efficiently from 'waste' energy was out of action for 10 days during the winter and additional fuel had to be used. Measure is just short of target. A new stock condition survey is due soon which will provide updated results on the Standard Assessment Procedure (SAP) rating of council houses.
	CGS3 Increase average SAP rating in council homes	Yearly	Karen Leytham	High is Good	72.00	71.50	Amber	New measure. No previous data.	



# Corporate Plan Performance Review Report

## Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)		RAG	Period Trend	Report Comments
					Target	Actual			
<b>Clean, Green and Safe Places</b>									
Council's energy usage is reduced	CGS2 Reduce energy usage across LCC buildings	Yearly	Tim Hamilton-Cox	High is Good	3.4%	-4.2%	Red	New measure. No previous data.	As CGS1 (3.4% reduction in Co2 emissions)
Income generated through climate change mitigation and adaptation projects for reinvesting into the invest to save fund	CGS4 Increase in the number of allotment plots in the district	Yearly	David Smith	High is Good	1	1	Green	New measure. No previous data.	A project to create a new allotment at Scoforth is underway. Land is expected to be under the council's control in February 2014, with new allotment plots available from summer 2014.
	CGS4 Increase % of household waste reused, recycled or composted	Quarterly	David Smith	High is Good	45.0%	42.2%	Amber		The amount of household waste reused, recycled and composted is marginally short of target in Quarter 4 due to seasonal fluctuations, with less organic waste being produced in the winter months. Notwithstanding this, performance throughout the year has been consistently good.  A combination of increased internet use, a reduction in public spend due to the economic downturn and improvements in packaging has resulted in waste reduction overall. Whilst this is positive it means that the amount of household waste being recycled is also reduced.

# Corporate Plan Performance Review Report

## Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)			Report Comments
					Target	Actual	RAG	
<b>Clean, Green and Safe Places</b>								
	CGS4 Increased income from energy and recycling projects	Quarterly	Tim Hamilton-Cox	High is Good	1	31,340	Green	 <p>This measure indicates the income gained during the year from the successful completion of the project(s) to install solar photo-voltaic panels on council buildings.</p>
	Our district is safe	Quarterly	Ron Sands	High is Good	399	859	Green	 <p>This measure monitors the number of young people who are at risk of offending participating in targeted diversionary activities often in areas of high anti-social behaviour. Performance in Quarter 4 has been higher than expected.</p>
	Our streets and public spaces are clean	Yearly	David Smith	High is Good	1.0%	84.5%	Green	<p>This measure is informed by the Living in Lancashire Survey. Of those surveyed a high percentage stated that they felt 'very safe' or 'fairly safe' well in the local area during the day and after dark.</p> <p>New measure. No previous data.</p>

# Corporate Plan Performance Review Report

Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)		RAG	Period Trend	Report Comments
					Target	Actual			
<b>Community Leadership</b>									
Better understanding of communities and needs so that services that matter most to our communities will be prioritised	CL2 % of local residents satisfied with council services	Yearly	Eileen Blamire	High is Good	52.0%	53.0%	Green	New measure. No previous data.	Lancaster City Council's actual figure for 'satisfaction with how your council runs things' is 10% higher than the overall Lancashire County Council's results (questions were included in a County Council Living in Lancashire questionnaire).
Council's financial standing maintained to support future service delivery and planning	CL8 Balanced budget set for 2013/14 with no more than 3.5% increase in council tax CL8 Clean bill of health given through Annual Governance and audit reviews	Yearly	Abbott Bryning	Low is Good	3.50%	1.99%	Green	New measure. No previous data.	Balanced budget set with a 2% increase in council tax
	CL8 Future years financial strategy set in light of government planned financial changes	Quarterly	Eileen Blamire	Low is Good	0	0	Green	👆	Based on Internal Audit monitoring report to Audit Committee on 24/04/13 - no significant governance issues identified.
		Quarterly	Abbott Bryning	High is Good	1	1	Green	👆	The review of the Medium Term Financial Strategy was reported to Cabinet on 6/11/12.

# Corporate Plan Performance Review Report

Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)		RAG	Period Trend	Report Comments
					Target	Actual			
<b>Community Leadership</b>									
	CL8 Robust and tested arrangements are in place for emergency planning	Quarterly	Karen Leytham	High is Good	1	1	Green	↑	All core emergency plans have been updated during the year and there have been several tests and exercises. All Business Continuity plans were updated during the last two years and two exercises held in 2012. Business continuity arrangements continue to provide a robust emergency response for the council on a 24/7/365 basis.
	CL8 NDR collection as % of NDR due	Monthly	Abbott Bryning	High is Good	98.7%	98.2%	Amber	↔	Actual is marginally below target but performance overall is relatively strong, considering the current economic climate which is particularly hitting small businesses, affecting their ability to pay. Rate relief is maximised to ease the burden on those ratepayers entitled to it, whilst robust debt collection arrangements are followed where payment is required. Resources will be reviewed during 2013/14 as new financial regulations increase the priority to collect Business Rate income.

# Corporate Plan Performance Review Report

Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)			Report Comments
					Target	Actual	RAG	
<b>Community Leadership</b>								
Efficiency savings and service improvements achieved through joint working and shared services	CL8 Council Tax collection as a % Council Tax Due	Monthly	Abbott Bryning	High is Good	97.2%	97.1%	Amber	<p>Performance against the target for Council Tax collection has fallen marginally short of the target (0.1%). The current economic climate provides a difficult environment in which to collect debt but the team have worked hard to get very close to achieving the target set. Joint working with colleagues within the shared service at Preston and ongoing review of processes and procedures will help to maximise efficiency. Resources will be reviewed during 2013/14 year due to additional workload in this area.</p> <p>↑</p>
	CL3 Savings/Efficiencies achieved through shared service/joint working	Yearly	Eileen Blamire	Low is Good	0	0	Green	<p>Savings and efficiencies were achieved in 2012/13 through shared working for property and information, communication and technology services.</p> <p>New measure. No previous data.</p>
	CL3 Work with partners to increase income from climate change initiatives and projects	Yearly	Tim Hamilton-Cox	High is Good	£30,000	£133,044	Green	<p>Successful partnership working with Affordable Warmth partners has secured external funding well in excess of target. This funding has provided additional resources that have been used to help vulnerable residents deal with adverse weather conditions.</p> <p>New measure. No previous data.</p>



# Corporate Plan Performance Review Report

## Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)		RAG	Period Trend	Report Comments
					Target	Actual			
<b>Community Leadership</b>									
	CL3 Increase levels of online engagement with local citizens	Yearly	Eileen Blamire	High is Good	200	226	Green	New measure. No previous data.	Target for 2012/13 was set based on the number of email registered members on the 'consultation register'. Members have been encouraged to sign up to the voice your views panel throughout the year and further positive action is planned to increase this number in 2013/14.
Local communities will be actively working with partners to improve where they live, in ways that matter to them.	CL6 % of councillors undertaking training/development in community leadership	Yearly	Eileen Blamire	High is Good	70.0%	43.0%	Amber	New measure. No previous data.	
The voluntary, community and faith sector (VCFS) have capacity to deliver services for the district	CL4 VCFS partnership working arrangements are agreed and in place	Yearly	Jon Barry	High is Good	1	1	Green	New measure. No previous data.	Achieved. Arrangements now in place to work with VCFS partners to deliver infrastructure support via commissioned services. Contracts commence on 1 April 2013.

# Corporate Plan Performance Review Report

Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)		RAG	Period Trend	Report Comments
					Target	Actual			
<b>Economic Growth</b>									
Local Authority partners will be working together to develop plans for economic growth aligned to nationally important energy and Heysham/M6 transport links	EG1 Number of offshore wind renewables biomass initiatives supported	Yearly	Janice Hanson	High is Good	2	3	Green	New measure. No previous data.	Two offshore wind farms are supported through planning and land ownership. One on-shore wind turbine being facilitated at Middleton Wood.
	EG1 Activities agreed in the PPA for the National grid will be delivered	Quarterly	Janice Hanson	High is Good	1	1	Green	👉	All milestones and agreed targets met in Quarter 4 for National Grid and M6 Link approved projects in the project plan attached to the Planning Performance Agreement.
More tourists coming to the district and tourist income is maximised	EG3 Visitor numbers increased	Yearly	Ron Sands	High is Good	1	147,658	Green	New measure. No previous data.	This measure has provided a baseline figure of the number of people attending council run events and attractions in the district. Data compiled during 2012/13 will inform performance in future years.
	EG3 Visitor Spend Increased	Yearly	Ron Sands	High is Good	£1.00	£613,341.10	Green	New measure. No previous data.	This measure has provided a baseline figure of the amount of spend and the economic impact of council run events and attractions in the district. Data compiled during 2012/13 will inform performance in future years.
The attractiveness of the district as a place to visit is improved	EG4 Heritage Assets improved	Quarterly	Janice Hanson	High is Good	1	17	Green	👉	This measure indicates improvements to Listed Buildings, which are approved under a Listed Building Consent to enhance the asset.

# Corporate Plan Performance Review Report

## Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)		RAG	Period Trend	Report Comments
					Target	Actual			
<b>Economic Growth</b>									
The district's cultural, retail and tourism offer is maximised	EG5 Establish a framework to withdraw from the Lancaster Market operation, whilst providing appropriate support for traders	Yearly	Jon Barry	High is Good	1	1	Green	New measure. No previous data.	The council successfully concluded the negotiations and terms for surrender of the lease for the Lancaster Indoor Market which closed in November 2012. The council supported Market traders throughout.
THEME: Managing resources wisely	EG2 Increase in the number of apprenticeships	Quarterly	Eileen Blamire	High is Good	5	7	Green	↑	Seven apprentices are in place and an eighth is currently being recruited to work in Information Services.

# Corporate Plan Performance Review Report

Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)		RAG	Period Trend	Report Comments
					Target	Actual			
<b>Health &amp; Wellbeing</b>									
Enhanced quality of life of local residents through access to good quality housing	HW1 Percentage of council homes that fail to meet the Decent Homes Standard	Yearly	Karen Leytham	Low is Good	0.0%	0.0%	Green	New measure. No previous data.	None of the council housing stock have failed to meet Decent Homes Standards. A new stock condition survey is due soon when properties will be reassessed and reported.
	HW1 Increase in the number of affordable homes delivered	Yearly	Janice Hanson	High is Good	60	58	Amber	New measure. No previous data.	The number of affordable dwelling completions in the financial year is 58, comprising 30 units of social rented dwellings at Greyhound Bridge Road, Lancaster and 28 Firstbuy completions in Heysham. Whilst this is slightly below target, the slow growth of housing development in the market housing sector (which should normally deliver on-site affordable housing) has impacted upon the overall completions achieved. Work is ongoing with Registered Provider partners to bring forward more sites for affordable housing.

# Corporate Plan Performance Review Report

## Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)			Report Comments
					Target	Actual	RAG	
<b>Health &amp; Wellbeing</b>								
	HW1 Number of new homes completed	Yearly	Janice Hanson	High is Good	400	177	Red	<p>The actual number of dwelling completions during the period 1st April 2012 to 31st March 2013 is the highest recorded figure since the start of the UK wide recession. This is a continuation of an improving trend which has seen continued growth in development from 79 dwellings in 2011, 99 dwellings in 2012 up to 177 dwellings this year. The figure however, remains short of the Council's Core Strategy Target of 400 dwellings per annum adopted in 2008.</p> <p>19% ahead of target.</p>
	HW1 Number of improved homes	Quarterly	Karen Leytham	High is Good	1,700	2,028	Green	<p>The end of another very successful year for the Private Housing Teams, with over 2000 improved properties in both the private rented and owner occupied sectors.</p>



# Corporate Plan Performance Review Report

## Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)		RAG	Period Trend	Report Comments
					Target	Actual			
<b>Health &amp; Wellbeing</b>									
Health and wellbeing improved and mortality rates reduced for vulnerable people in the district	HW2 Air Quality Strategy in place and agreed by March 2013	Yearly	Tim Hamilton-Cox	High is Good	1.0	0.5	Amber	New measure. No previous data.	The draft local Air Quality Strategy will be finalised in April 2013 for approval following a slight delay incurred whilst working with other agencies.  Air Quality Strategy approved April 2013. This will be reflected in the Quarter 1 Performance report for 2013-14.
	HW2 Reduction in homeless people in the district	Quarterly	Karen Leytham	Low is Good	120	67	Green	👉	Statutory homeless applications where prevention of homelessness was not possible totals 67 for the year 2012/13 - 44% ahead of target.
	HW2 Reduction in number of people sleeping rough in the district	Yearly	Karen Leytham	Low is Good	4	4	Green	New measure. No previous data.	Four rough sleepers were recorded at the official count undertaken in November 2012. In December 2012, the National rough sleepers reporting line, Street Link, went live. This provides a 24 hour 7 days a week service for the reporting of rough sleepers by members of the public. Two Council officers visit reported locations to assess the situation and offer support dependant on the clients needs.

# Corporate Plan Performance Review Report

## Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)		RAG	Period Trend	Report Comments
					Target	Actual			
<b>Health &amp; Wellbeing</b>									
The health and wellbeing of local residents of all ages is improved by participating in sports and leisure activities	HW2 Number of vulnerable individuals benefiting from Warm Homes Initiatives	Quarterly	Karen Leytham	High is Good	130	400	Green		Success in securing additional funding from various sources, including Government departments, the Primary Care Trust, and the council's Performance Reward Grant has enabled quality assistance to be provided to an increased number of vulnerable people than was originally expected.
	HW3 A health and wellbeing strategy for the district will be in place and agreed by June 2013	Halfyearly	Karen Leytham	High is Good	1	1	Green	New measure. No previous data.	The strategy is 'on track' to be in place and agreed by June 2013 and will be finalised following the new public health arrangements effective from 01 April 2013.
	HW3 Increase in take up of leisure services	Yearly	Ron Sands	High is Good	0.50%	0.90%	Green	New measure. No previous data.	This measure provides monitoring information on the percentage increase in the number of adults (16+) participating in sport and physical activity in the district taken from a national survey conducted by Sport England.

# Corporate Plan Performance Review Report

Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)			Report Comments
					Target	Actual	RAG	
<b>Health &amp; Wellbeing</b>								
	HW3 Number of residents and visitors participating in sports and leisure activities	Quarterly	Ron Sands	High is Good	293,619	316,901	Green	<p>↑</p> <p>This measure monitors overall numbers of people participating in sports, leisure and arts activities facilitated directly by the council or on its behalf by partners and concessioners. Some data is outstanding for Quarter 4 but the target for the whole of the year has nevertheless been exceeded. With the benefit of experience of using the Performance Management Information system, CorVu we now plan to develop this corporate measure so that, in addition, the performance of individual sports and activities can also be monitored and managed.</p>

# Corporate Plan Performance Review Report

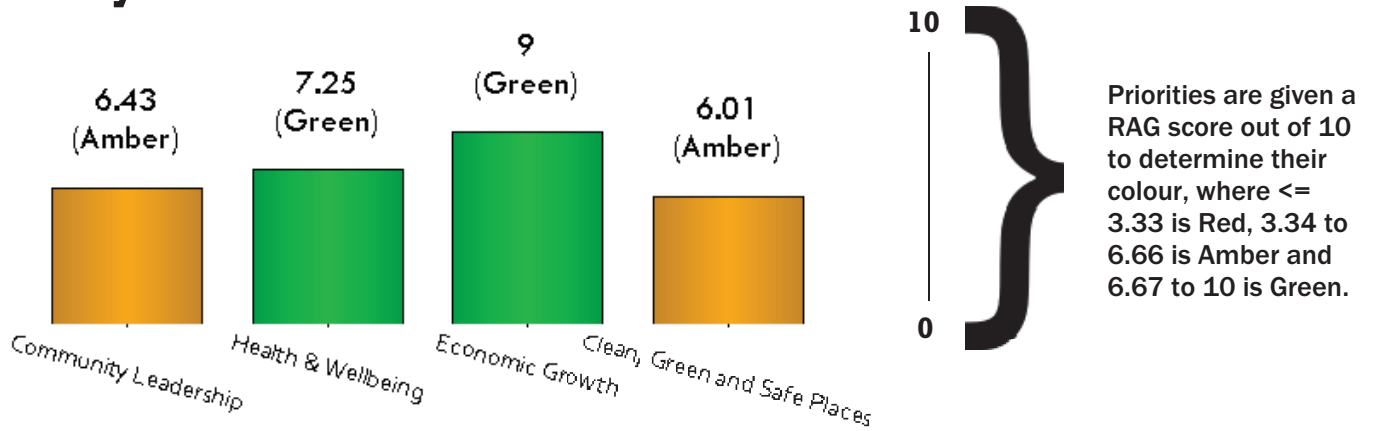
Quarter 4 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 4)			Report Comments
					Target	Actual	RAG	
<b>Health &amp; Wellbeing</b>								
Welfare reforms managed well so to avoid any unnecessary impact on local communities	HW4 Readiness for changes in welfare reform	Quarterly	Abbott Bryning	High is Good	1	1	Green	<p>All welfare reforms have been implemented successfully, including the localised Council Tax Support Scheme and changes to underoccupancy legislation. Customers affected by the changes were notified and there has been regular liaison with stakeholders.</p> <p>Policies enable customers to claim Discretionary Payments for help with Housing Benefit and Council Tax where appropriate.</p> <p>Further changes will include introduction of Personal Independence Payments and the Benefit Cap and transfer to Universal Credit. Customers affected will be offered advice and assistance according to individual need.</p> <p>Customer Services staff have provided advice and support at various outlets and further information on all the changes is widely available in a variety of forms.</p>

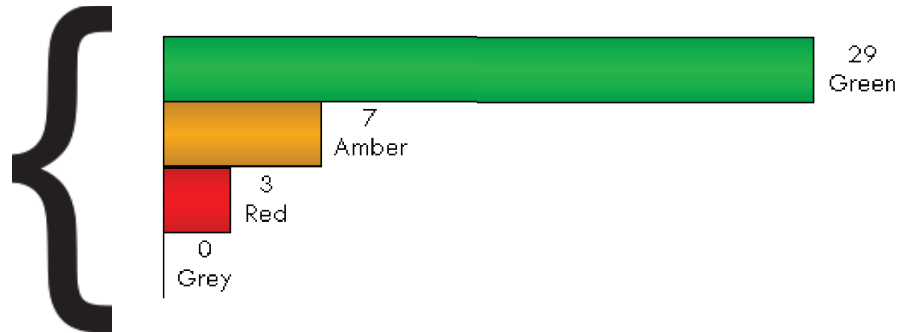
# Corporate Plan 2012-15 Summary

## Priority



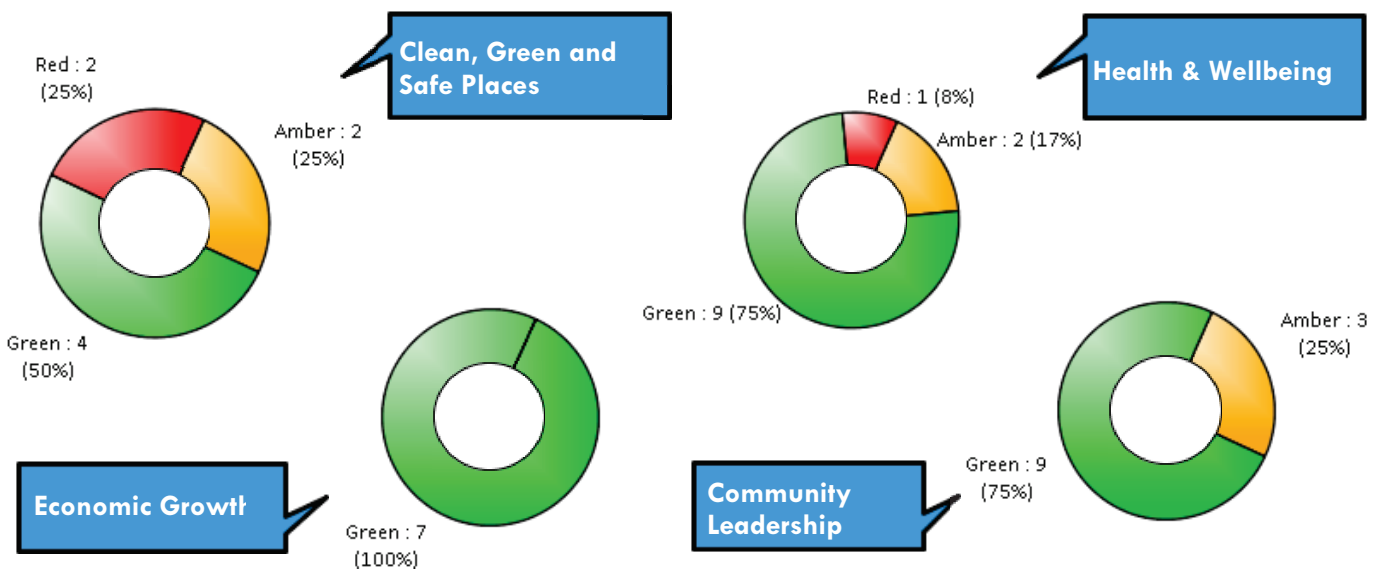
## Measures

Of the 39 measures for this period 74% (29) were Green, 18% (7) were Amber and 8% (3) were Red. There were no Grey measures for this period.



## Measures by Priority

How the measures are broken down within each priority.





<b>CABINET</b>
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**Urgent Business Report  
23 July 2013**

**Report of Head of Governance**

<b>PURPOSE OF REPORT</b>			
To advise Members of actions taken by the Chief Executive, in consultation with the relevant Cabinet Members.			
<b>Key Decision</b>	<input type="checkbox"/>	<b>Non-Key Decision</b>	<input type="checkbox"/>
<b>Referral from Officers</b>			<b>X</b>
<b>Date of notice of forthcoming key decision</b>			n/a
<b>This report is public</b>			

**RECOMMENDATION**

**1.0 That the actions taken by the Chief Executive, in consultation with the relevant Cabinet Members in accordance with the Scheme of Delegation, in respect of the following, be noted:-**

**1.1 TERMS OF REFERENCE FOR THE CANAL CORRIDOR NORTH CABINET LIAISON GROUP**

The terms of reference of the Canal Corridor North Cabinet Liaison Group were approved as follows:-

That a Cabinet Liaison Group be created to consider the emerging development proposals for the Canal Corridor site.

The purpose of the Liaison Group is to provide a forum prior to the submission of a planning application where:

- *information on the detailed studies undertaken, and the evidence base created to support the development proposals can be shared as they become available;*
- *details of the form, design and uses within the proposed development can be shared as they develop and without prejudice feedback given*
- *the group can advise the appropriate Cabinet Member(s) on how to take proper account of how best to use the City Council's landownership interests to ensure that the most appropriate*

*regeneration solution for the land is secured within the framework of the development agreement.*

## **2.0 Background**

At its meeting on 28 May 2013 Cabinet considered a report on Cabinet Liaison Groups and Appointments to Outside Bodies, Partnerships and Boards and agreed to reconvene the Canal Corridor North Cabinet Liaison Group. (Cabinet Minute 5 refers).

It was noted that a meeting had been scheduled for the Canal Corridor North Cabinet Liaison Group on 19<sup>th</sup> June and therefore an urgent decision would be required prior to the next Cabinet meeting (25 June 2013) in order for the terms of reference to be approved. The constitution stipulates that the terms of reference of any Cabinet liaison group need to be ratified by Cabinet.

After consulting with the Leader and the Cabinet Member with Responsibility for Economic Regeneration, the Chief Executive took the decision.

## **3.0 Conclusion**

Approval was given to the above action, which is reported to this meeting in accordance with the City Council's Constitution, Part 4, Section 4, Cabinet Procedure Rule 1.10(b).

<b>RELATIONSHIP TO POLICY FRAMEWORK</b>
Comments were contained in the original report.
<b>CONCLUSION OF IMPACT ASSESSMENT (including Health &amp; Safety, Equality &amp; Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)</b>
Comments were contained in the original report.
<b>LEGAL IMPLICATIONS</b>
Comments were contained in the original report.
<b>FINANCIAL IMPLICATIONS</b>
Comments were contained in the original report.
<b>OTHER RESOURCE IMPLICATIONS</b>
Comments were contained in the original report.

**SECTION 151 OFFICER'S COMMENTS**

Comments were contained in the original report.

**MONITORING OFFICER'S COMMENTS**

Comments were contained in the original report.

**BACKGROUND PAPERS**

none

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**Telephone:** 01524 582047

**E-mail:** ebateson@lancaster.gov.uk

**CABINET**

**Provisional Revenue, Capital and Treasury Management  
Outturn 2012/13  
23 July 2013  
Report of Head of Resources**

<b>PURPOSE OF REPORT</b>				
This report provides summary information regarding the provisional outturn for 2012/13. It sets out information regarding the carry forward of revenue budgets and capital slippage for Members' consideration. It also incorporates the treasury management outturn report and related matters.				
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>		<b>Referral from Cabinet Member</b>
<b>Date of Notice of Forthcoming Key Decision</b>			24 June 2013	
This report is public, with the exception of Appendix K, which is exempt from publication by virtue of paragraph 3, of Schedule 12a of the Local Government Act 1972.				

**RECOMMENDATIONS OF COUNCILLOR BRYNING:**

1. That the provisional outturn for 2012/13 be noted, including the transfers to provisions and reserves actioned by the Head of Resources.
2. That Cabinet approves that no overspendings be carried forward, as reflected in Appendix E.
3. That Cabinet approves the requests to carry forward underspent revenue budgets as set out in Appendix F, for referral on to Council where appropriate.
4. That Cabinet approves the requests for capital slippage as set out at Appendix H.
5. That the Annual Treasury Management report and Prudential Indicators as set out at Appendix J and be noted and referred on to Council.
6. That Cabinet endorses the actions of the Head of Resources, as set out in exempt Appendix K.

## 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 2012/13 accounts has now been completed and the draft Statement of Accounts were signed off (by the Head of Resources) on 28 June, to meet the statutory deadline. The draft 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. A report elsewhere on the agenda provides an overview of the Council's performance during 2012/13.

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.

	<b>Revised Budget Position</b>	<b>Provisional Outturn</b>	<b>Variance (Favourable) / Adverse</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Housing Revenue Account (HRA) – relates to Council Housing services	854	428	(426)
General Fund Net Budget – covers all other Council services (but excludes parish precepts)	20,190	19,643	(547)

## 3 HOUSING REVENUE ACCOUNT (HRA)

- 3.1 The Housing Revenue Account was underspent in last year by approximately £426K (2011/12 comparative: £502K underspend).
- 3.2 A summary of the HRA provisional outturn is included at **Appendix A**. Discounting any notional variances, the main reasons for underspending are as follows:
- The level of arrears as at 31 March has resulted in an £80K lower contribution to the bad debt provision in last year. This is encouraging, although any impact from the recent welfare reforms will become apparent in the current year and so it is too early to form any view on future expectations.
  - Savings in capital investment have resulted in £280K less revenue financing being needed.
- 3.3 Overall therefore, the outturn position for the HRA is favourable and as at 31 March, its Balances stood at £776K, or £426K higher than budgeted.

#### 4 GENERAL FUND

##### 4.1 Revenue Outturn

4.1.1 The 2012/13 financial year was the second in which the Council experienced significant reductions in Government support, as well as a second freeze in City Council tax rates. The outturn for General Fund should be considered in this context.

4.1.2 Nonetheless, after allowing for various year end adjustments, there has been a net underspending of £547K during 2012/13 and a summary statement is included at **Appendix B**. The underspending represents 2.7% of the Council's net budget requirement (2011/12 comparative: £653K underspend, 3% of budget).

4.1.3 On closer analysis, however, the bulk of the net underspending can be attributed to a small number of key variances, most of which are one-off and/or relate to circumstances arising after setting the Revised Budget. Variance analysis is provided at **Appendix C**, the key points of which are summarised below:

<b>Main variances</b>	<b>Value (Favourable) / Adverse £'000</b>
Employee savings	(123)
Leasing costs (new vehicles acquired outright)	(190)
Recoveries due from Housing Benefits Overpayments	(145)
Additional Planning Application Fees	(143)
General Supplies & Services (materials, software etc)	(147)
Delayed spending (carry forward requests submitted)	(65)
Additional contribution to Bad Debt Provision	338
Other minor variances	(72)
<b>Net Total</b>	<b>(547)</b>

4.1.4 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.

4.1.5 This process will lead into the 2014/15 budget and planning process, for which the timetable and other arrangements are due to be considered by Cabinet at its September meeting.

##### 4.2 Provisions and Reserves

4.2.1 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 and HRA is attached at **Appendix D** and the main issues and transfers regarding General Fund are highlighted specifically below:



- For insurance, an amount of £51K has been transferred into a new insurance reserve. This represents the initial levy in respect of very old claims administered under the former Municipal Mutual arrangements (prior to 1992). A provisional sum of £155K was included in the insurance provision as part of the 2011/12 closedown.
- For bad debts, an additional contribution of £338K has been made to cover extra calls on the provision following a reassessment of sundry debts and in particular, housing benefit overpayment recoveries. Part of this increase is directly linked to the higher than estimated income receivable from overpayments in last year.

4.2.2 The transfers have already been reflected in the General Fund summary position outlined earlier, hence 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 overspends on controllable budgets is generally automatic. Requests for the carry forward of underspends 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 E**. 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 F**. In total, they amount to

£101K for General Fund with none for the Housing Revenue Account; this is much lower than in recent years. 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 2014:			Basic Minimum Balances Level £'000
	Per Approved Budget £'000	Assuming all requests approved £'000	Variance (Fav'rble) £'000	
Housing Revenue Account	350	776	(426)	350
General Fund	3,002	3,448	(446)	1,000

- 5.6 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, Cabinet should be mindful of the Council's overall financial position and its prospects, as well as the impact on service delivery and what the request would achieve. It is also highlighted that because of their value, some bids would still need to be referred on to Council for final approval.

## 6 CAPITAL OUTTURN

- 6.1 In last year net underspending on the Capital Programme was significantly less than in previous years, before the effects of slippage are taken into account. **Appendix G** includes a provisional capital expenditure and financing statement for the year, which is summarised in the following table:

Capital Programme	Revised Budget	Expenditure (before slippage)	Overspend or (Underspend)	
	£'000	£'000	£'000	%
Council Housing	3,892	3,591	(301)	7.7
General Fund	5,698	5,323	(375)	6.6
Total Programme	9,590	8,914	(676)	7.0

- 6.2 Details of individual slippage requests from services have been received, a schedule of which is attached at **Appendix H**. 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.

- 6.3 Information on recent years' slippage is also included below for comparison. Last year shows a significant reduction in slippage and work will continue in the current year to ensure this trend is maintained.

	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000
Council Housing	16	160	82	384	478
General Fund	<u>438</u>	<u>1,828</u>	<u>899</u>	<u>2,303</u>	<u>1,952</u>
Total Slippage Requested	<u>454</u>	<u>1,988</u>	<u>981</u>	<u>2,687</u>	<u>2,430</u>

- 6.4 The table below pulls together the financing position after allowing for slippage. The impact on resources for the HRA is favourable, whereas the General Fund is slightly adverse, although the latter would be funded from revenue and specific reserves. It should also be noted that due to lower capital receipts being received in last year, there has been an unbudgeted increase of £140K in the underlying borrowing need (or Capital Financing Requirement) for General Fund. 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, although it is expected that this increase can be offset in the current or future years, once scheduled land sales are completed.

Capital Programme	Revised Estimate £'000	Forecast Expenditure (including slippage) £'000	Overspend Or (Underspend) - Rounded £'000	Impact on Council Resources (Fav) / Adv £'000
Council Housing	3,892	3,607	(285)	(285)
General Fund	5,698	5,761	(63)	16

## 7 TREASURY MANAGEMENT

- 7.1 The annual treasury management report is attached at **Appendix J** and sets out the performance of treasury operations for 2012/13 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 The attached report also provides an update on the recovery of Icelandic investments. As set out, recovery is progressing well.
- 7.3 Nonetheless, legal matters continue, linked to exchange rate valuation of claims and prospects for future transfer of ISK out of Iceland. An exempt briefing note is set out at **Appendix K** for Cabinet's information. This outlines various recommendations and following consultation with the Portfolio Holder, these are considered to be positive way forward and the Head of Resources has responded accordingly; this is also included within the exempt Appendix. Cabinet is requested to endorse these actions.

**8 TIMETABLE FOR COMPLETION OF ACCOUNTS AND ASSOCIATED MATTERS**

8.1 As in previous years, key aspects of the outturn will be made available to Members and other stakeholders for their due consideration, in line with the following timetable:

Monday 15 July	Commencement of audit of Accounts and 4 week public inspection period
Friday 09 August	Public inspection ends and 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 10 September	Budget and Performance Panel: consideration of outturn and Quarter 1 monitoring, as appropriate.
Wednesday 11 September	Council: referral of any issues as may be required, including carry forward requests and annual Treasury Management report.
Wednesday 18 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

**9 DETAILS OF CONSULTATION**

As reflected in section 8 above, the statutory 4 week public inspection period commences in July. Information on the public’s rights is 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 Resources, and Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification.

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**

On the assumption that the Council continues to support its previously approved spending plans and the Connecting Communities Funding opportunity elsewhere on the agenda, then the Officer preferred options are to approve the revenue budget carry forward requests as well as capital slippage (Appendices F and H), but to require no carry forward of the overspendings (Appendix E).

**12 CONCLUSION**

Although the Council's General Fund budget and the associated Government funding reduced significantly in 2012/13, it managed these reductions well, and has again improved its financial standing as at 31 March 2013. Balances for both General Fund and the HRA are higher than forecast, and the Council has other substantial earmarked further reserves to help respond to the tough financial challenges expected over the coming years, in shaping and delivering against future corporate priorities.

<b>RELATIONSHIP TO POLICY FRAMEWORK</b>	
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.	
<b>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc)</b>	
None directly identifiable, due to the high level nature of this report.	
<b>FINANCIAL IMPLICATIONS</b>	
As set out in the report.	
<b>SECTION 151 OFFICER'S COMMENTS</b>	
This report forms part of the section 151 officer responsibilities; clearly the outturn is also subject to external audit.	
<b>LEGAL IMPLICATIONS</b>	
Legal Services have been consulted and have no comments to add.	
<b>MONITORING OFFICER'S COMMENTS</b>	
The Monitoring Officer has been consulted and has no comments to add.	
<b>BACKGROUND PAPERS</b>	<b>Contact Officer: Nadine Muschamp</b>
None.	Telephone: 01524 582117
	E-mail: nmuschamp@lancaster.gov.uk

# HOUSING REVENUE ACCOUNT OUTTURN 2012/13

For Consideration by Cabinet 23 July 2013

	Original Budget £	Revised Budget £	Actual £	Variance £
<b>INCOME</b>				(Favourable) / Adverse
Rental Income - Council Housing	(13,476,400)	(13,474,400)	(13,458,752)	15,648
Rental Income - Other (Shops and Garages etc.)	(204,300)	(211,700)	(207,881)	3,819
Charges for Services & Facilities	(1,719,200)	(1,707,600)	(1,675,386)	32,214
Grant Income	(7,700)	(7,700)	(7,736)	(36)
Contributions from General Fund	(170,000)	(122,900)	(122,900)	0
<b>Total Income</b>	<b>(15,577,600)</b>	<b>(15,524,300)</b>	<b>(15,472,655)</b>	<b>51,645</b>
<b>EXPENDITURE</b>				
Repairs & Maintenance	4,252,900	4,130,700	4,153,274	22,574
Supervision & Management	3,105,900	3,097,200	2,950,939	(146,261)
Rents, Rates & Insurance	93,000	139,200	140,451	1,251
Settlement of Previous Year's HRA Subsidy	0	147,700	147,656	(44)
Increase in Provision for Bad and Doubtful Debts	190,400	193,900	112,923	(80,977)
Depreciation & Impairment of Fixed Assets	3,502,100	1,749,600	4,396,581	2,646,981
Debt Management Costs	1,100	1,100	1,100	0
<b>Total Expenditure</b>	<b>11,145,400</b>	<b>9,459,400</b>	<b>11,902,924</b>	<b>2,443,524</b>
<b>NET COST OF HRA SERVICES</b>	<b>(4,432,200)</b>	<b>(6,064,900)</b>	<b>(3,569,731)</b>	<b>2,495,169</b>
(Gain) or Loss on Sale of HRA Non-Current Assets	0	0	59,221	59,221
Interest Payable & Similar Charges	1,921,900	2,103,800	2,103,797	(3)
Premiums & Discounts from Earlier Debt Rescheduling	161,000	161,000	161,048	48
Interest & Investment Income	(44,700)	(30,600)	(67,005)	(36,405)
Self Financing Debt Repayment	1,280,000	1,041,400	1,041,367	(33)
<b>(SURPLUS) OR DEFICIT FOR THE YEAR</b>	<b>(1,114,000)</b>	<b>(2,789,300)</b>	<b>(271,303)</b>	<b>2,517,997</b>
Adjustments to reverse out Notional Charges included above	(32,100)	(32,100)	(2,670,424)	(2,638,324)
Transfers to/(from) Business Support Reserve	0	8,102,722	8,101,215	(1,507)
Transfers to/(from) Major Repairs Reserve	951,100	(4,914,422)	(4,931,324)	(16,902)
Transfer to/(from) Earmarked Reserves	187,900	144,700	137,404	(7,296)
Capital Expenditure funded from Revenue	360,000	343,000	62,630	(280,370)
<b>TOTAL (SURPLUS) / DEFICIT FOR THE YEAR</b>	<b>352,900</b>	<b>854,600</b>	<b>428,198</b>	<b>(426,402)</b>
Housing Revenue Account Balance brought forward	(702,900)	(1,204,600)	(1,204,600)	0
<b>HRA BALANCE CARRIED FORWARD</b>	<b>(350,000)</b>	<b>(350,000)</b>	<b>(776,402)</b>	<b>(426,402)</b>

## GENERAL FUND REVENUE SUMMARY

For Consideration by Cabinet 23 July 2013

	Original Budget £	Revised Budget £	Actuals £	Variance £	True Variance £
				Adverse or (Favourable)	
Office of the Chief Executive	0	0	0	0	(3,004)
Community Engagement	5,534,100	5,467,900	5,228,602	(239,298)	(117,894)
Environmental Services	5,915,300	5,827,300	6,016,797	189,497	(316,820)
Governance	1,974,900	1,756,500	1,722,629	(33,871)	6,573
Health & Housing	2,670,300	2,684,100	2,566,782	(117,318)	(57,306)
Regeneration and Planning	4,698,000	4,477,000	4,139,857	(337,143)	(353,399)
Resources	3,023,100	2,702,800	(2,825,652)	(5,528,452)	139,864
Corporate Accounts	(3,625,700)	(2,725,600)	2,794,201	5,519,801	155,202
<b>Total Budget Requirement</b>	<b>20,190,000</b>	<b>20,190,000</b>	<b>19,643,216</b>	<b>(546,784)</b>	<b>(546,784)</b>
<b>Parish Precepts</b>	<b>541,800</b>	<b>541,800</b>	<b>541,783</b>	<b>(17)</b>	
<b>Total Net Expenditure</b>	<b>20,731,800</b>	<b>20,731,800</b>	<b>20,184,999</b>	<b>(546,801)</b>	

Note the underspend of approx £547K 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 truer outturn position - the full analysis of this is shown at Appendix D.



# GENERAL FUND VARIANCE ANALYSIS

## For Consideration by Cabinet 23 July 2013

	2012/13 Outturn Compared to Working Budget		PRT Q4 Projection £	Ongoing? £
	£	£		
<b>WORKING BUDGET</b>	<b>20,190,000</b>			
	(Favourable) / Adverse			
<b>EXPENDITURE</b>				
<b>Employee Savings</b>				
Environmental Services	(41,462)			
Governance	(26,583)			
Regeneration & Planning	(23,021)			
Resources	(5,666)			
Health & Housing	(26,503)	<b>(123,235)</b>		
<b>Premises</b>				
Energy Costs	29,369		<b>(6,400)</b>	
Service Charges and Rents Payable	(33,935)	<b>(4,566)</b>	<b>(31,900)</b>	<b>(15,400)</b>
<b>Transport Expenses</b>				
Fuel	(18,723)		<b>(29,000)</b>	<b>(29,000)</b>
Repair & Maintenance	(29,691)			
Vehicle Hire	27,795			
Leasing Costs (new vehicles acquired outright)	(190,031)			
Car Allowances (mainly Health & Housing)	11,687	<b>(198,963)</b>		
<b>Supplies &amp; Services</b>				
Materials & Equipment (Street Cleansing)	(51,278)		<b>(22,000)</b>	<b>(10,000)</b>
Legal & Court Costs	15,919		<b>15,000</b>	
Corporate & Partnerships Initiatives	(10,569)		<b>(10,600)</b>	
Revenues & Benefits Shared Services costs	(31,650)			
Morecambe VIC	(10,190)			
Audit Fees / Bank Charges	(17,208)			
Software Licences / ICT Infrastructure	(42,366)	<b>(147,342)</b>		
<b>INCOME</b>				
Planning Application Fees	(143,096)		<b>(137,800)</b>	
Legal Costs Recovered (Revenues & Benefits)	72,298			<b>75,000</b>
Housing Benefit Overpayments - Recoveries Due	(145,390)		<b>(216,000)</b>	
De Minimis Capital Receipts	(12,461)			
Investment Interest	(33,342)			
Miscellaneous Interest (Luneside)	(47,750)	<b>(309,741)</b>		<b>20,000</b>
<b>Other Net Service Variances</b>		<b>8,840</b>		
<b>Reserves &amp; Provisions:</b>				
Movement in capital financing from revenue/reserves	23,066			
Contribution from Restructuring Reserve	(31,717)			
Contribution to Bad Debt Provision	337,964	<b>329,313</b>		
<b>Delayed Spending (Carry Forward Requested):</b>				
Leasing Costs : Bins and Boxes	(35,800)			
Local Development Framework	(23,640)		<b>(23,700)</b>	
Morecambe Area Action Plan	(12,881)		<b>(12,900)</b>	
Townscape Heritage Initiative 2	(8,434)		<b>(8,400)</b>	
Morecambe Feasibility Study	(20,336)	<b>(101,091)</b>	<b>(20,300)</b>	
<b>TOTAL VARIANCES</b>		<b>(546,784)</b>	<b>(504,000)</b>	<b>40,600</b>
<b>PROVISIONAL OUTTURN 2012-13</b>	<b>19,643,216</b>			
<b>Total Carry Forwards Requests</b>		<b>101,000</b>		
<b>TOTAL NET UNDERSPEND, ASSUMING ALL CARRY FORWARD REQUESTS APPROVED</b>	<b>(445,784)</b>			





**CONTROLLABLE OVERSPENDS GREATER THAN £5,000**  
**For Consideration by Cabinet 23 July 2013**

SERVICE	DETAILS		BUDGET	ACTUAL	OVERSPEND	EXPLANATION / ACTION
Governance	Licensing Act 2003	Licensing Act 2003 Income - Premises	£ (138,500)	£ (115,019)	£ 23,481	Fewer Premises licence applications and variations than budgeted due to a reduction in the number of licences and a review of charging, and partly due to fewer new applications as a result of the continued economic downturn. No further action is recommended.
Health & Housing	Pest Control	Rodent Control Charges	(35,900)	(28,232)	7,668	This is a demand-led service very dependent on weather conditions. This years extremely wet and cold conditions led to a low number of pest infestations. No further action is recommended.

## 2012/13 REQUESTS FOR CARRY FORWARD

### General Fund

Number	Service	Budget	Carry Forward Request £	
<b>Requests in line with original budget purpose</b>				
1	Environmental Services	Bins, Boxes Leasing	35,800	<b>FC</b>
2	Regeneration & Planning	Morecambe Area Action Plan	12,800	<b>FC</b>
3	Regeneration & Planning	Morecambe Feasibility Study	20,300	<b>FC</b>
4	Regeneration & Planning	Local Development Framework - General Services	17,400	<b>FC</b>
5	Regeneration & Planning	Local Development Framework - Consultancy	6,200	
6	Regeneration & Planning	Townscape Heritage Initiative	8,400	
<b>Total General Fund Carry Forward Requests</b>			<b><u>100,900</u></b>	

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

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

## 2012/13 REQUESTS FOR CARRY FORWARD

<b>SERVICE</b>	<b>Environmental Services</b>
<b>BUDGET HEADING</b>	<b>Three Stream Waste Collection – Equipment Operating Leases (Bins &amp; Boxes)</b>
<b>AMOUNT</b>	<b>£35,800</b>

1

**The reasons why the spend didn't occur during 2012/13 and why we still have a commitment for it in 2013/14.**

As part of the Pilot Scheme (Phase 1 of the Waste Strategy), which started in September 2002, the Council entered into a 10 year leasing agreement to finance the purchase of 8,000 bins and 15,600 boxes with lids.

The annual lease was £19,791.09 per annum. This agreement ended on 28 March 2013 at which point the Council had 3 options available :-

- purchase the bins and boxes at a price of £35,800
- return the bins and boxes
- extend the leasing agreement.

The first option was deemed most appropriate sufficient budgetary provision was included in the 2012/13 revised revenue budget. However, the transaction could not be completed before the end of the financial year and there is insufficient budget in the current year to cover the additional cost.

**Financial Services Comments**

The exact accounting treatment of the 2013/14 transaction, in terms of whether it is revenue or capital, has still to be determined and therefore in due course, this may result in the carry forward being classed as direct revenue financing if approved (with a corresponding entry in the Capital Programme).

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

## 2012/13 REQUESTS FOR CARRY FORWARD

<b>SERVICE</b>	<b>Regeneration &amp; Planning</b>
<b>BUDGET HEADING</b>	<b>Morecambe Area Action Plan – Services General</b>
<b>AMOUNT</b>	<b>£12,800</b>

2

### **The reasons why the spend didn't occur during 2012/13 and why we still have a commitment for it in 2013/14.**

This budget relates to the development of the Morecambe Area Action Plan part of the Local Plan for the district. The Area Action Plan is at an advanced stage and is expected to be published in the summer and examined before the end of 2013/14.

The budget carry forward is required to finance the consultancy inputs necessary including final sustainability appraisal and to assure regulatory compliance and also provide for the costs of facilitating public examination by the planning inspectorate, including any legal costs.

### **Financial Services Comments**

The amount requested is the full value of the underspent Morecambe Area Action Plan budget, and is the third year a carry forward has been requested on this budget. That said, this will be the last year that carry forward can apply to this budget, and lessons have been learned to improve budgeting for such initiatives in future.

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



## 2012/13 REQUESTS FOR CARRY FORWARD

<b>SERVICE</b>	<b>Regeneration &amp; Planning</b>
<b>BUDGET HEADING</b>	<b>Morecambe Feasibility Study – Services Consultants</b>
<b>AMOUNT</b>	<b>£20,300</b>

3
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### The reasons why the spend didn't occur during 2012/13 and why we still have a commitment for it in 2013/14.

This budget relates to the balance of funding from the Morecambe Neighbourhood Management schemes in the West End and Poulton. The money is to be used to fund feasibility studies that inform regeneration activity in the town and support funding bids in line with the implementation of the Town Area Action Plan and West End Masterplan. Commissioning of feasibility work has been on hold pending the outcome of the Urban Splash planning application for the Central Promenade site. The planning application was refused by committee in January and the draft Morecambe Area Action Plan, identifying short and medium term actions, ended its consultation period soon after.

Regeneration and Planning are now reviewing and progressing opportunities via external funding sources (such as Coastal Communities Fund) to deliver stated actions in line with Corporate and MAAP policy and will be contracting work over the summer to utilise the funding. Without this resource it will not be possible to deliver worked up schemes to progress with initial funding applications and undertake further work to deliver "contract ready" schemes. The availability and synergy of external funding schemes with corporate priorities cannot be predicted with any great certainty and the availability of a flexible resource is essential in order to deliver against council's corporate priorities.

### Financial Services Comments

The amount requested is the full value of the underspent Morecambe Feasibility Study Services General budget. (See also the comments on earlier MAAP request).

It should be noted that there is a separate report covering the Coastal Communities Fund Round 2 bid, elsewhere on the agenda, requesting that an estimated £10K of this carry forward is utilised in order to develop projects to the standard required to inform the bid.

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

## 2012/13 REQUESTS FOR CARRY FORWARD

<b>SERVICE</b>	<b>Regeneration &amp; Planning</b>
<b>BUDGET HEADING</b>	<b>Local Development Framework – Services General</b>
<b>AMOUNT</b>	<b>£17,400</b>

4

### The reasons why the spend didn't occur during 2012/13 and why we still have a commitment for it in 2013/14.

This budget relates to the development of the Local Plan for the district. Both the Development Management and Land Allocations DPD are at an advanced stage with the DM DPD expected to be taken to full Council to seek authority to publish in September, with examination, and possibly adoption before the end of financial year 2013/14.

The preparation of Development Plan Documents is a highly complex task that is greatly influenced by both changing circumstances and revisions on the approach on a national basis. The Land Allocations DPD will be brought forward separately and will be the subject of further consultation before publication is considered. Publication may be in the next financial year. The budget is required to be carried forward to match the revised timetable for the Development Plan Documents, including necessary monitoring works and costs of public examination by the planning inspectorate.

### Financial Services Comments

This is the fourth year a carry forward on this budget has been requested. In addition, there is a budget of over £60K in 2013/14 and future years and clarification is being sought on whether these budgets can cover the costs relating to this carry forward. Any further information will be fed into the meeting. In any event, the budgeting arrangements and profiling will be reviewed in the forthcoming budget, to improve their robustness.

The amount requested is the full value of the unspent LDF Services General budget. As the request is in excess of £10,000 Full Council approval will be required.

## 2012/13 REQUESTS FOR CARRY FORWARD

<b>SERVICE</b>	Regeneration & Planning
<b>BUDGET HEADING</b>	Local Development Framework – Services Consultants
<b>AMOUNT</b>	£6,200

5

### The reasons why the spend didn't occur during 2012/13 and why we still have a commitment for it in 2013/14.

This budget relates to the preparation of formal Sustainability Appraisal (SA) and Habitats Regulations (HRA) screening for the Local Plan for Lancaster District Development Plan Documents. Following consultation on the draft local plan from October to December 2012, the Land Allocations DPD and Development Management DPD the Planning Policy team have considered the consultation responses and have reported the outcome to the appropriate Member Group in February 2013.

The preparation of Development Plan Documents is a highly complex task and revisions now need to be made to the Development Plan Documents to take account of changing circumstances and the implications of revised national guidance. This budget is needed to be carried forward to match the current timetable for the preparation of documents to a slightly later timetable. The work covered by the Special Burdens money is mandatory given the European nature designations in the area. If the money is not carried forward then the work will still need to be funded from the mainstream budget.

### Financial Services Comments

See comments on earlier LDF request.

The carry forward request is the balance of the 2012/13 underspend against the LDF consultancy budget.

## 2012/13 REQUESTS FOR CARRY FORWARD

<b>SERVICE</b>	<b>Regeneration &amp; Planning</b>
<b>BUDGET HEADING</b>	<b>Townscape Heritage Initiative 2 – Services General</b>
<b>AMOUNT</b>	<b>£8,400</b>

6
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<b>The reasons why the spend didn't occur during 2012/13 and why we still have a commitment for it in 2013/14.</b>
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Progress on revenue elements of the initiative has been slower than anticipated due to other work priorities including establishing the Property Grant scheme for the THI.

The budget is part of the 5 year THI common fund which is funded in the majority by the Heritage Lottery Fund. The carry forward amount represents the LCC funded amount of the budget which is forecast to be spent in 2013/14. The money is required to be carried forward to match the current profile of spend over the next 4 years.

<b>Financial Services Comments</b>
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The amount requested is the unspent balance of the THI2 budget.

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**Lancaster City Council - Capital Expenditure 2012/13**  
**For consideration by Cabinet 23 July 2013**

**APPENDIX G**

HOUSING REVENUE ACCOUNT	Revised Estimate	Expenditure in 2012/13	Expenditure to be financed in 2012/13	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)		
	£	£	£	£	£	£	£	£	£	
<b>COUNCIL HOUSING</b>										
Bathroom Kitchen Refurbishment	919,000	768,310.06	768,310.06					768,310.06	768,310.06	0.00
External Refurbishment	660,000	651,148.95	651,148.95					651,148.95	651,148.95	0.00
Re-roofing / Window Renewals	422,000	420,766.13	420,766.13					420,766.13	420,766.13	0.00
Environmental / Crime Prevention Works	398,000	360,208.97	360,208.97					360,208.97	360,208.97	0.00
Energy Efficiency Works	450,000	459,471.23	459,471.23	13,673.01		53,906.78		311,698.50	379,278.29	80,192.94
Rewiring	290,000	244,878.60	244,878.60					244,878.60	244,878.60	0.00
Adaptations	300,000	269,285.96	269,285.96					269,285.96	269,285.96	0.00
Fire Precaution Works	184,000	161,396.35	161,396.35			8,723.00		152,673.35	161,396.35	0.00
Invest to Save - PV Solar Panels	147,000	143,482.89	143,482.89					143,482.89	143,482.89	0.00
Total Mobile	30,000	17,993.79	17,993.79					17,993.79	17,993.79	0.00
Choice Based Lettings : retention	0	787.50	787.50					787.50	787.50	0.00
Lift Replacement	52,000	49,831.76	49,831.76					49,831.76	49,831.76	0.00
Septic Tanks	40,000	43,750.69	43,750.69					43,750.69	43,750.69	0.00
<b>TOTAL - HRA</b>	<b>3,892,000</b>	<b>3,591,312.88</b>	<b>3,591,312.88</b>	<b>13,673.01</b>	<b>0.00</b>	<b>62,629.78</b>	<b>0.00</b>	<b>3,434,817.15</b>	<b>3,511,119.94</b>	<b>80,192.94</b>

GENERAL FUND	Revised Estimate	Expenditure in 2012/13	Expenditure to be financed in 2012/13	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)		
	£	£	£	£	£	£	£	£	£	
<b>ENVIRONMENTAL SERVICES</b>										
Hala Park Playground Improvements	50,000	50,194.36	50,194.36	50,383.52					50,383.52	-189.16
Fairfield Play Area	10,000	9,952.95	9,952.95	9,952.95					9,952.95	0.00
Claypits Recreation/Play Facilities Development	92,000	96,441.51	96,441.51	4,500.00		91,667.46			96,167.46	274.05
Priorsgate Playground Works	14,000	14,034.77	14,034.77	14,150.00					14,150.00	-115.23
Mainway Recycling Bins	4,000	0.00	0.00						0.00	0.00
Allotment Extension Scotforth	9,000	8,988.80	8,988.80						0.00	8,988.80
Allotments - Scotforth	5,000	0.00	0.00						0.00	0.00
Vehicle Renewals	1,365,000	1,365,353.87	1,365,353.87						0.00	1,365,353.87
<b>Sub-Total</b>	<b>1,549,000</b>	<b>1,544,966.26</b>	<b>1,544,966.26</b>	<b>78,986.47</b>	<b>0.00</b>	<b>91,667.46</b>	<b>0.00</b>	<b>0.00</b>	<b>170,653.93</b>	<b>1,374,312.33</b>
<b>COMMUNITY ENGAGEMENT</b>										
Warmer Homes Scheme (LDLSP PRG)	5,000	17,220.20	17,220.20	17,220.20					17,220.20	0.00
Williamson Park Woodland Improvement Grant	23,000	0.00	0.00						0.00	0.00
Williamson Park - Steps	183,000	171,039.43	171,039.43			171,039.43			171,039.43	0.00
Salt Ayre Sports Centre - Pool Hydraulic Floors	45,000	43,889.00	43,889.00			43,889.00			43,889.00	0.00
Salt Ayre Sports Centre - Athletics Track Fencing	6,000	6,245.82	6,245.82						0.00	6,245.82
Salt Ayre Sports Centre - Reception Refurbishment	38,000	39,763.19	39,763.19						0.00	39,763.19
<b>Sub-Total</b>	<b>300,000</b>	<b>278,157.64</b>	<b>278,157.64</b>	<b>17,220.20</b>	<b>0.00</b>	<b>214,928.43</b>	<b>0.00</b>	<b>0.00</b>	<b>232,148.63</b>	<b>46,009.01</b>
<b>HEALTH &amp; HOUSING</b>										
YMCA Places of Change	52,000	32,643.43	32,643.43	32,643.43					32,643.43	0.00
Disabled Facilities Grants	802,000	637,542.78	637,542.78	637,542.78					637,542.78	0.00
<b>Sub-Total</b>	<b>854,000</b>	<b>670,186.21</b>	<b>670,186.21</b>	<b>670,186.21</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>670,186.21</b>	<b>0.00</b>
<b>REGENERATION &amp; PLANNING</b>										
Artle Beck Improvements	33,000	33,428.80	33,428.80	31,885.80					31,885.80	1,543.00
West End Sea Wall Study	1,000	2,370.00	2,370.00	1,764.00					1,764.00	606.00
Morecambe Strategy Study - Heysham to Hest Bank	7,000	14,908.80	14,908.80	13,622.80					13,622.80	1,286.00
Strategic Monitoring (River & Sea Defences)	98,000	76,126.00	76,126.00	65,713.00					65,713.00	10,413.00
Wave Reflection Wall Refurbishment	17,000	24,746.83	24,746.83	21,831.83					21,831.83	2,915.00
Slyndale Culvert Project	2,000	1,899.00	1,899.00	1,536.00					1,536.00	363.00
Luneside East	78,000	58,182.87	58,182.87						0.00	58,182.87
Bold Street Renovation Scheme	262,000	238,300.69	238,300.69	62,676.75					62,676.75	175,623.94
Square Routes (Ffrances Passage)	7,000	3,291.61	3,291.61	3,291.61					3,291.61	0.00
Morecambe THI 2: A View for Eric	17,000	600.00	600.00	456.00					600.00	0.00
Greyhound Bridge Rd Affordable Housing	250,000	250,000.00	250,000.00			250,000.00			250,000.00	0.00
West End Temporary Car Park	19,000	19,582.00	19,582.00			19,000.00	582.00		19,582.00	0.00
<b>Sub-Total</b>	<b>791,000</b>	<b>723,436.60</b>	<b>723,436.60</b>	<b>202,777.79</b>	<b>0.00</b>	<b>269,000.00</b>	<b>726.00</b>	<b>0.00</b>	<b>472,503.79</b>	<b>250,932.81</b>
<b>Resources</b>										
ICT Infrastructure	140,000	137,666.50	137,666.50			51,367.01	4,000.00		55,367.01	82,299.49
ICT Application Systems Renewal	133,000	53,667.98	53,667.98				30,000.00		30,000.00	23,667.98
ICT Desktop Equipment	54,000	51,632.99	51,632.99			51,632.99			51,632.99	0.00
Invest to Save: Solar Panels to Municipal Buildings	20,000	7,333.50	7,333.50			7,333.50			7,333.50	0.00
Corporate Property Works : minor retentions	0	2,500.00	2,500.00						0.00	2,500.00
LTH Roof Replacement : retention	0	9,133.12	9,133.12						0.00	9,133.12
MTH Roof Replacement : retention	0	-5,417.96	-5,417.96						0.00	-5,417.96
Lancaster Indoor Market	1,168,000	1,196,645.76	1,196,645.76			28,645.76			28,645.76	1,168,000.00
5 Cheapside	49,000	35,000.00	35,000.00			35,000.00			35,000.00	0.00
Lancaster Bus Station	35,000	34,596.15	34,596.15	34,596.15					34,596.15	0.00
LTH Boiler Replacement	280,000	268,242.07	268,242.07			168,242.07	100,000.00		268,242.07	0.00
MTH Sound System	28,000	26,063.00	26,063.00			26,063.00			26,063.00	0.00
LTH Air Conditioning/Office Refurbishments	284,000	288,747.46	288,747.46			20,000.00	264,000.00		284,000.00	4,747.46
The Storey (Centre for Industries)	13,000	0.00	0.00						0.00	0.00
<b>Sub-Total</b>	<b>2,204,000</b>	<b>2,105,810.57</b>	<b>2,105,810.57</b>	<b>34,596.15</b>	<b>0.00</b>	<b>388,284.33</b>	<b>398,000.00</b>	<b>0.00</b>	<b>820,880.48</b>	<b>1,284,930.09</b>
<b>TOTAL - GENERAL FUND</b>	<b>5,698,000</b>	<b>5,322,557.28</b>	<b>5,322,557.28</b>	<b>1,003,766.82</b>	<b>0.00</b>	<b>963,880.22</b>	<b>398,726.00</b>	<b>0.00</b>	<b>2,366,373.04</b>	<b>2,956,184.24</b>

**GENERAL FUND  
HOUSING REVENUE ACCOUNT**

**TOTAL CAPITAL EXPENDITURE & FINANCING**

Revised Estimate	Expenditure in 2012/13	Expenditure to be financed in 2012/13	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)		
£	£	£	£	£	£	£	£	£	
5,698,000	5,322,557.28	5,322,557.28	1,003,766.82	0.00	963,880.22	398,726.00	0.00	2,366,373.04	2,956,184.24
3,892,000	3,591,312.88	3,591,312.88	13,673.01	0.00	62,629.78	0.00	3,434,817.15	3,511,119.94	80,192.94
<b>9,590,000</b>	<b>8,913,870.16</b>	<b>8,913,870.16</b>	<b>1,017,439.83</b>	<b>0.00</b>	<b>1,026,510.00</b>	<b>398,726.00</b>	<b>3,434,817.15</b>	<b>5,877,492.98</b>	<b>3,036,377.18</b>

2012/13 CAPITAL EXPENDITURE FINANCING	Housing Revenue Account £	General Fund £	Grand Total for all Funds £
<b>Amounts to be financed by General Capital Resources</b>	<b>80,192.94</b>	<b>2,956,184.24</b>	<b>3,036,377.18</b>
<b>Financed by:</b>			
<b>Underlying Borrowing Need - Increase in Capital Financing Requirement</b>	<b>0.00</b>	<b>2,593,885.80</b>	<b>2,593,885.80</b>
<b>Usable Capital Receipts</b>	<b>80,192.94</b>	<b>362,298.44</b>	<b>442,491.38</b>
<b>General Grants Unapplied</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Financing from General Capital Resources</b>	<b>80,192.94</b>	<b>2,956,184.24</b>	<b>3,036,377.18</b>

## CAPITAL SLIPPAGE - INTO FINANCIAL YEAR 2013/14

### For consideration by Cabinet 23 July 2013

Slippage Requested	Source of Funding:		
	LCC Funded	Grant / Contributions	Total
	£	£	£
<b>Environmental Services</b>			
Allotments - Scoforth	5,000	5,000	<b>5,000</b>
	5,000	0	5,000
<b>Community Engagement</b>			
Warm Homes Scheme	31,000	2,000	29,000
Williamson Park Steps	12,000	12,000	<b>12,000</b>
Williamson Park Woodland Improvement Grant	23,000	23,000	<b>23,000</b>
	66,000	14,000	52,000
<b>Health and Housing</b>			
Disabled Facilities Grants	164,000	164,000	<b>164,000</b>
YMCA Places of Change	19,000	19,000	<b>19,000</b>
	183,000	0	183,000
<b>Regeneration &amp; Planning</b>			
Luneside East Compensation	20,000	20,000	<b>20,000</b>
Lancaster Square Routes	4,000	4,000	<b>4,000</b>
West End Temporary Car Park	5,000	5,000	<b>5,000</b>
Morecambe THI 2: A View for Eric	16,000	3,000	13,000
Bold Street Renovation Scheme	32,000	32,000	<b>32,000</b>
	77,000	60,000	17,000
<b>Resources</b>			
Invest to Save: Solar Panels to Municipal Buildings	13,000	13,000	<b>13,000</b>
Application Systems renewal	79,000	79,000	<b>79,000</b>
I.S Desktop Equipment	2,000	2,000	<b>2,000</b>
The Storey	13,000	13,000	<b>13,000</b>
	107,000	94,000	13,000
<b>GENERAL FUND TOTAL</b>	<b>438,000</b>	<b>168,000</b>	<b>270,000</b>
<b>Council Housing</b>			
Invest to Save - PV Solar Panels	4,000	4,000	<b>4,000</b>
Total Mobile	12,000	12,000	<b>12,000</b>
<b>COUNCIL HOUSING TOTAL</b>	<b>16,000</b>	<b>16,000</b>	<b>0</b>

Note that the slippage on Disabled Facilities Grants relates to a supplementary award of funding coming through at year end.

## Annual Treasury Management Report 2012/13

### Cabinet 23 July 2013

#### 1 Introduction

1.1 The Council's Treasury Management Strategy for 2012/13 was approved by Council on 29 February 2012. 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 2012/13 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 (November 2009, 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 B**. 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.

#### 2 Summary: Headline Messages for 2012/13

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

- The Council has stayed within its Prudential limits for investments and has not breached any of the criteria set out in the approved Strategy.
- As a result of the downgrading of various banks during the year, the number of such counterparties on the Council's investment list diminished. Other investment options were put in place during the year to provide alternatives, and avoid reliance on using the Government's deposit facility (through the Debt Management Office).
- A further £468K was received during 2012/13 in relation to Icelandic investments. One final repayment (£154K) in relation to the KSF deposit is expected in January 2014 and repayments totalling £578K are expected to be received over the following five years in relation to the deposit with Landsbanki.



- A scheduled repayment of £1.04M has been made in relation to the HRA self-financing loan.
- Investment returns fell below the budgeted figure by £6K. This was, in-part, linked to changes in the Council's investment counterparty list, in order to protect investment security.
- No temporary borrowings have been required to support day to day cash flow. The Council ended the year with healthy cash balances. The exact timing of the surrender of the leasehold interest in Lancaster Market has been the major factor in terms of the Council's cashflow position.

### 3 Economic Background (*Supplied by Sector*)

*The original expectation for 2012/13 was that the Bank Rate would not rise in 2012/13 or 2013/14 and for it to start gently rising from quarter 4 IN 2014. This forecast rise has now been pushed back to start in Quarter 1 2015 at the earliest. Economic growth (GDP) in the UK was virtually flat during 2012/13, due to the UK austerity programme, subdued domestic consumer expenditure, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the European Union (EU). This weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing (QE) by £50BN in July, to a total of £375BN. The Bank Rate, therefore, ended the year unchanged at 0.5%, while Consumer Price Index (CPI) inflation has remained stubbornly high and above the 2% target, starting the year at 3.0% and still being at 2.8% in March. It is, however, forecast to fall to 2% in three years' time. The EU sovereign debt crisis was an ongoing saga during the year, with an eventual very protracted agreement of a second bailout for Greece in December, followed by a second major crisis, this time over Cyprus, towards the end of the year.*

*Gilt yields fluctuated during the year as events in the ongoing Eurozone debt crisis ebbed and flowed, causing corresponding fluctuations in safe haven flows into and out of UK gilts. This, together with the further £50BN of QE in July and widely expected further QE still to come, combined to keep PWLB rates depressed for much of the year at historically low levels.*

*The Funding for Lending Scheme, announced in July, has resulted in a flood of cheap credit being made available to banks and this has resulted in money market investment rates falling drastically in the second half of the year. However, perceptions of counterparty risk have improved after the ECB statement in July that it would do "whatever it takes" to support struggling Eurozone countries. This has resulted in some return of confidence to move away from only very short term investing.*

*The UK 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. Moody's followed up this warning by actually downgrading the rating to AA+ in February 2013 and Fitch then placed their rating on negative watch, after the Budget in March.*

#### 4 Borrowing and Capital Expenditure

##### 4.1 Capital Expenditure and Financing

4.1.1 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 2012/13 the figures were as follows:

	<b>£000</b>
Opening CFR	83,188
Closing CFR	83,276
<b>Average CFR</b>	<b>83,232</b>
Weighted average borrowings*	69,935
Weighted average finance lease liability	5,790
Weighted average investments	24,541
<b>Net borrowings</b>	<b>51,184</b>

4.1.2 From this it is clear that net borrowings are well below the Council's CFR. This indicates that long term borrowing has not been used to fund revenue activities.

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

	2011/12 £000	2012/13 £000
<b>Opening Capital Financing Requirement</b>	<b>50,819</b>	<b>83,188</b>
<i>Capital investment</i>		
Property, Plant and Equipment	7,479	7,739
Re-assessment of finance lease liability	2,474	195
Investment Properties	20	90
Intangible Assets	67	54
Reversal of Icelandic bank impairment	(1,363)	0
HRA self financing payment	31,241	0
Revenue Expenditure Funded from Capital Under Statute	1,199	1,031
<i>Sources of financing</i>		
Capital receipts	(760)	(442)
Government Grants and other Contributions	(1,462)	(1,017)
Direct revenue contributions	(2,295)	(1,425)
Minimum Revenue Provision	(1,906)	(2,702)
Major Repairs Reserve	(2,325)	(3,435)
<b>Closing Capital Financing Requirement</b>	<b>83,188</b>	<b>83,276</b>

\*A further summary of the capital expenditure is given in the prudential indicators in Annex C.

4.1.4 With regard to in-year capital investment, at outturn the increase required in the CFR amounted to £2.594M, which was £140K higher than budgeted, primarily due to delays in generating capital receipts. This variance should be offset in the new year. In terms of Minimum Revenue Provision (MRP) charged to revenue, the outturn was in line with the Revised Budget. The re-assessment of finance lease liabilities also affected the closing CFR.

## 4.2 Borrowing Levels

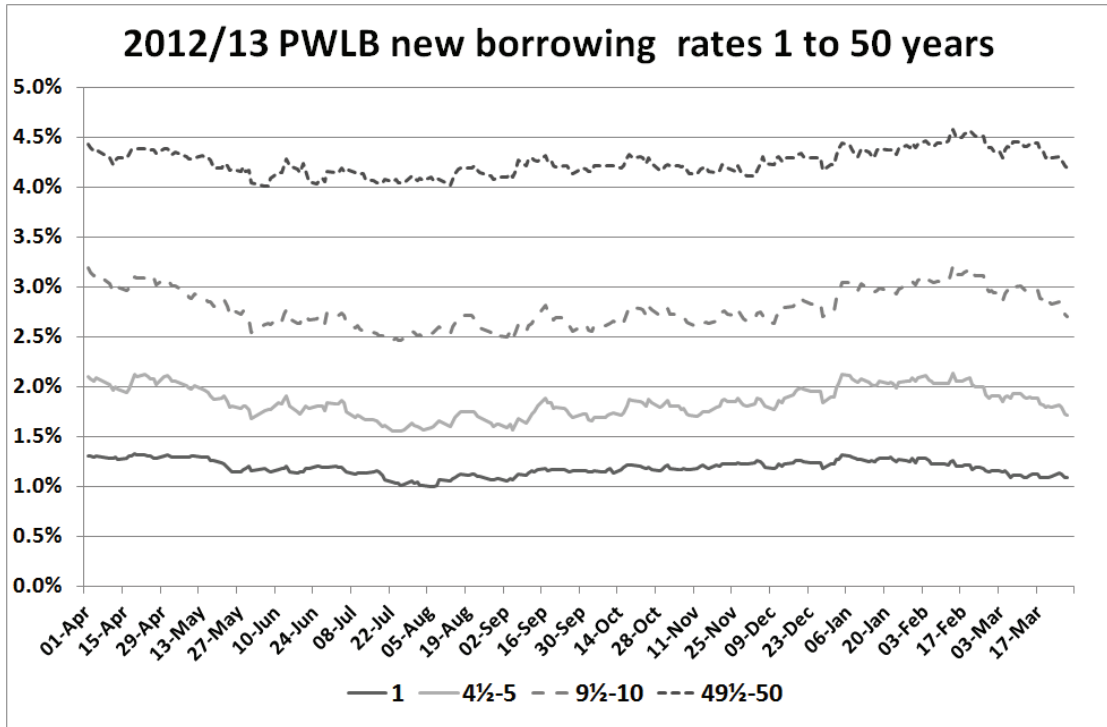
4.2.1 To control the actual level of borrowing, Prudential Indicators are set on both the absolute allowable amount of debt (the Authorised limit) and expected gross debt allowing for day to day cash management (Operational Boundary).

	<b>Actual Debt 31/03/13</b>	<b>Operational Boundary</b>	<b>Authorised Limit</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Deferred Liabilities	223		
Long term Finance lease liability	5,327		
PWLB Debt	69,415		
<b>Total</b>	<b>74,965</b>	<b>78,200</b>	<b>80,500</b>

4.2.2 The actual debt, as calculated in accordance with the prudential code, includes the liability associated with finance leases. The operation boundary, when originally set in February 2012, did not include the finance lease element in relation to the Indoor Market building lease. The operational boundary and authorised limit has since been updated to reflect this.

4.3 **PWLB Interest Rate Movements**

4.3.1 All of the Council’s long term borrowings are held with the Public Works Loan Board (PWLB). 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. It also shows a slight downward trend of all rates, from an already low starting point.



4.3.2 Repayment of PWLB debt is still an attractive option in the current climate, if the Council’s cashflow supports such action. This will, however be dependent on future expenditure plans, completing key land sales and future movement in interest rates.

4.4 **Debt Maturity (or Repayment) Profile**

4.4.1 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 overleaf shows these profiles at the beginning and end of the year. The only change is due to the scheduled repayment against the HRA self-financing loan.

	Treasury Indicator	Actual 31/3/12	Actual 31/3/13
Under 12 months	0 - 50%	1.5%	1.5%
12 – 24 Months	0 – 50%	1.5%	1.5%
3 – 5 years	0 – 50%	4.4%	4.5%
6 – 10 years	0 – 50%	7.4%	7.5%
11 -15 years	0 – 100%	7.4%	7.5%
16 – 25 years	0 - 100%	14.8%	15.0%
26 – 50 years	50 – 100%	63.0%	64.0%

- 4.4.2 Of the total loans outstanding, 44% are repayable through Equal Instalments of Principal (EIP), with the rest being maturity loans, hence the profiling shown above. The actual profile of the debt is well within the approved limits.

#### 4.5 Interest Payable on Longer Term Borrowing

- 4.5.1 The average rate of interest payable on PWLB debt in 2012/13 was 4.53%, which is on budget. In addition, there was also £667K of interest in relation to finance leases under IFRS accounting. This is a cost that in previous years has been presented within service expenditure.

	£'000
2012/13 Estimate	3,166
2012/13 Actual	3,166 (of which £2,104K was re-charged to the HRA)
Variance	0

- 4.5.2 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 approved 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

## 5 Investment Activities

### 5.1 Performance against Prudential Indicators

- 5.1.1 In 2012/13 all investments were placed in accordance with the approved Investment Strategy; there have been no breaches of the investment criteria.

- 5.1.2 The Council has made no investments and held no investments with a maturity of longer than 365 days from the end of 2012/13; 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. A summary of the average balances held during the year along with the year end position is given in **Annex A**.

### 5.2 Icelandic Investments

- 5.2.1 The following table summarises the recovery position for Icelandic investments, to 31 March 2013, taking account of very recent reassessments undertaken in closing last year's accounts.

	<b>KSF £000</b>	<b>Glitnir £000</b>	<b>Landsbanki £000</b>	<b>Total £000</b>
Deposit	2,000	3,000	1,000	6,000
Claim	2,048	3,173	1,121	6,342
GB £ Repayments received	1,556	2,508	529	4,593
Repayments held in ISK (£)		609	8	617
Total anticipated recovery (% of claim, excluding FX movement)	83.50%	100%	100%	
Further est. payments due (%)	7.51%	0%	52%	
Further est. payments due (£)	154	0	578	732
<b>Total anticipated receipts</b>	<b>1,710</b>	<b>3,117</b>	<b>1,115</b>	<b>5,942</b>

5.2.2 During 2012/13 the Council recovered a further £468K of its claim in respect of Icelandic investments and this is reflected in the above table. In very simple terms:

- The original claim was for £6.342M, made up of £6M originally invested plus £342K claimable interest.
- As at 31 March 2013, the Council had received back £4.593M of its claim and in addition, the equivalent of around £617K was held as Icelandic Krona (ISK) in escrow (see 5.2.4 below above).
- This gives total equivalent repayments of £5.210M to 31 March.

5.2.3 In the new financial year, the Council has received a further £61K to date. In total, it expects to recover around £5.942M of its total claim, resulting in losses of £400K or 6.3%.

5.2.4 The repayments from Landsbanki and Glitnir were made in a range of currencies reflecting the assets of the banks. Whilst this clearly involves foreign currency, the Council had no choice but to accept the arrangement. 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 client accounts held by solicitors) in Iceland. These are earning 3.4% interest but they 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. Due to a weakening of the Icelandic krona against the pound, £39K was recorded in the 2012/13 final accounts as an exchange rate gain.

5.2.5 Also, as repayments 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.

### 5.3 Performance Against Budget and External Benchmarks

5.3.1 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	2012/13
Base Rate	0.50%	0.50%
3 Month LIBID	0.97%	0.50%
Lancaster CC investment	0.63%	0.50%

5.3.2 The return is in line with the current Bank of England base rate. Money Market Funds now lag behind the underlying base rate as part of their funds are held in longer term deposits, for which returns are now reducing.

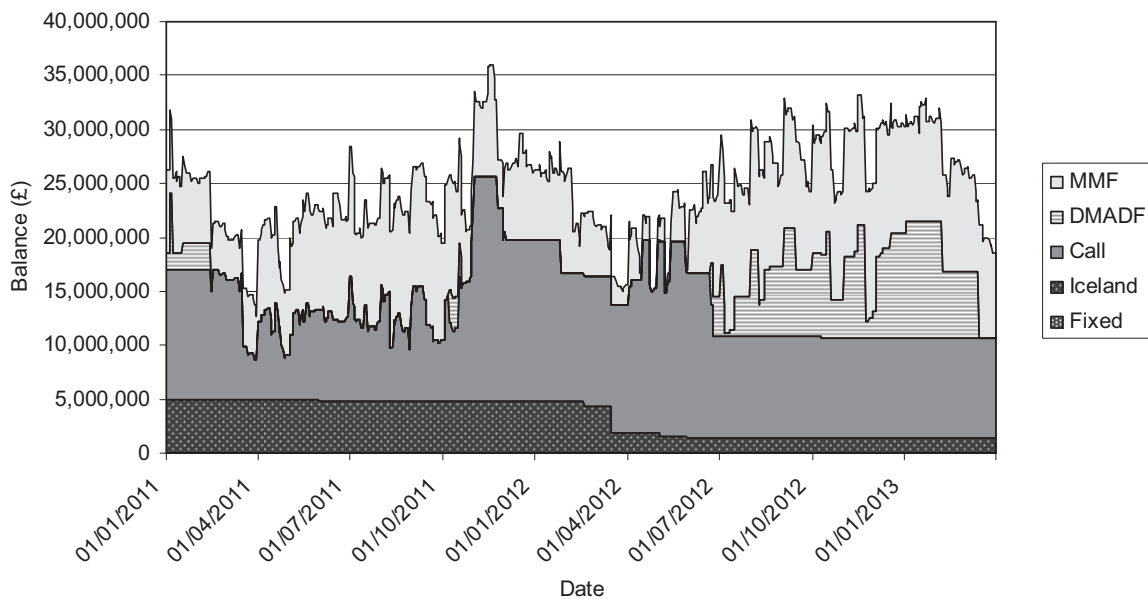
5.3.3 In terms of performance against budget, the details are as follows:

Annual budget	<u>£162K</u>
Actual investment interest	£121K
“Icelandic” interest	<u>£35K</u>
Total	<u>£156K</u>
Variance	£6K adverse

5.3.4 This lower than budgeted return is mainly due to the downgrading of several banks by the credit rating agencies, which has diminished the pool of approved counterparties. On average during the year, 18% of cash balances were deposited with the Government’s Debt Management Office (DMO), with an associated yield of 0.25%. However by the end of the financial year, the reliance on the DMO had been removed.

5.3.5 The Investment Strategy for 2012/13 continued with the more cautious approach to managing surplus cash; this approach has been in place since the banking crisis. The arrangements have 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 pattern for the prior 2 years





- 5.3.6 Looking forward, the short term projection for rates is flat; it is anticipated that the position on low investment interest rates will hold for the medium term.

Date	Bank rate projection (%)
01/06/2013	0.50
01/06/2014	0.60
01/03/2015	0.08
01/06/2015	1.10
01/09/2015	1.40

*Source: Sector, June 2013*

## 6 Other Risk Management Issues

- 6.1 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.
- 6.2 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 2012/13 complied with updated code (November 2011) 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.

## 7 Other Prudential Indicators

- 7.1 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 **Annex C** for noting by Cabinet and approval by Council.



**Counterparties used during 2012/13**

<b>Counterparty</b>	<b>Type</b>	<b>Average</b>	<b>Max</b>	<b>Year End</b>
DMO	Fixed Term	£ 5,026,506.85	£10,870,000.00	£ -
Blackrock (Gov)	MMF	£ 3,244,019.18	£ 6,000,000.00	£ -
Blackrock (Liquidity)	MMF	£ 5,304,863.01	£ 6,000,000.00	£3,595,000.00
Lancashire County Council	Call	£ 9,341,632.88	£12,000,000.00	£9,300,000.00
RBS	Call	£ 673,972.60	£ 3,000,000.00	£ -
Barclays	Call	£ 649,315.07	£ 3,000,000.00	£ -
Insight	MMF	£ 192,273.97	£ 4,370,000.00	£4,370,000.00

### 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.
- **Call account** – instant access deposit account.
- **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.
- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status.
- **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.
- **Sector** – Sector 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*.



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
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