



Committee: BUDGET AND PERFORMANCE PANEL

Date: TUESDAY, 9TH SEPTEMBER 2014

Venue: LANCASTER TOWN HALL

Time: 6.10 P.M.

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

AGENDA

1. Apologies for Absence

2. Minutes

Minutes of the Meeting held on 22nd July, 2014 (previously circulated).

3. Items of Urgent Business authorised by the Chairman

4. Declaration of Interests

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. Provisional Revenue, Capital and Treasury Management Outturn 2013/14 (Pages 1 - 32)

A copy of the report considered by Cabinet, at its meeting held on 29th July 2014, is appended for consideration by the Budget and Performance Panel, together with the minute of this item for that meeting.

The Financial Services Manager will report.

6. Corporate Performance Monitoring 2014/15 (Pages 33 - 64)

The report and appendices submitted to Cabinet on 2nd September 2014 are attached.

The Budget and Performance Panel is asked to consider the Cabinet report and appendices in line with their Terms of Reference within the Constitution relating to the monitoring and review of the City Council's performance.

The Financial Services Manager will report.

7. Work Programme Report (Pages 65 - 70)

Report of Chief Officer (Governance).

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

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

(ii) Substitute Membership

Councillors Mike Greenall, Richard Rollins, Roger Sherlock, Emma Smith and Paul Woodruff

(iii) Queries regarding this Agenda

Please contact Stephen Metcalfe, Democratic Services - telephone 01524 582073 or email sjmetcalfe@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

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

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

Published on Monday, 1st September, 2014.

CABINET

**Provisional Revenue, Capital and Treasury Management
Outturn 2013/14
29 July 2014
Chief Officer (Resources)**

PURPOSE OF REPORT				
This report provides summary information regarding the provisional outturn for 2013/14. 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.				
Key Decision	X	Non-Key Decision		Referral from Cabinet Member
Date of Notice of Forthcoming Key Decision			22 May 2014	
This report is public.				

RECOMMENDATIONS OF COUNCILLOR BRYNING:

1. That the provisional outturn for 2013/14 be noted, including the transfers to provisions and reserves actioned by the Chief Officer (Resources).
2. That as set out in section 4.2.1, the £57K transfer to the Welfare Reforms Reserve be endorsed, and that the Chief Officer (Resources) be given delegated authority to draw up to this amount from the Reserve to provide additional workload capacity for the Revenues service, should this not be manageable within existing budgets.
3. That in terms of underspendings, the position as set out in section 5.6 be noted and the Business Support Reserve be used to finance council housing condition surveys, up to the value of £15K.
4. That no overspendings be carried forward, as reflected in Appendix E, but with regard to council housing repairs and maintenance, the quarterly reporting arrangements be endorsed.
5. That the requests for capital slippage as set out at Appendix G be approved.
6. That the Annual Treasury Management report and Prudential Indicators as set out at Appendix H and be noted and referred on to Council.

1 BACKGROUND

- 1.1 All local authorities have a legal duty to produce annual accounts, in support of openness and accountability. The work required to close the 2013/14 accounts has now been completed and the draft Statement of Accounts were signed off by the Chief Officer (Resources) on 30 June, to meet the statutory deadline. The draft Statement is freely available on the Council's website.
- 1.2 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.
- 1.3 Please note that larger copies of the appendices are available on request.

2 PROVISIONAL REVENUE OUTTURN: SUMMARY

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

	Revised Budget Position £000	Provisional Outturn £000	Variance (Favourable) / Adverse £000
Housing Revenue Account (HRA) – relates to Council Housing services	426	375	(51)
General Fund Council Tax Requirement – covers all other Council services (but excludes parish precepts)	7,274	6,997	(277)

3 HOUSING REVENUE ACCOUNT (HRA)

- 3.1 The Housing Revenue Account was underspent in last year by approximately £51K net (2012/13 comparative: £426K underspend).
- 3.2 A summary of the HRA provisional outturn is included at **Appendix A**. Discounting any notional and presentational variances, the two main items behind the net underspending are as follows:
- reduced revenue funding requirement for capital, mainly shown as a lower call from the Major Repairs Reserve (£546K saving); and
 - increased spend on repairs and maintenance (mainly responsive), of £521K.

Overall therefore, the outturn position for the HRA is favourable and as at 31 March, its Balances stood at £401K, this being £51K higher than budgeted.

- 3.3 Nonetheless, the two variances are significant and they have not previously been reporting through monitoring, furthermore there has been insufficient time to establish fully the reasons and circumstances giving rise to them. There is already much work underway in developing and strengthening the business practices and financial management underpinning the Repairs and Maintenance Service (RMS), and the

variance analysis clearly links to this. Specific updates on RMS will be reported as part of the usual quarterly financial monitoring reports, therefore, for consideration by both Cabinet and Budget and Performance Panel. This matters links in with the consideration of any carry forward of overspends, covered later in this report.

4 GENERAL FUND

4.1 Revenue Outturn

- 4.1.1 The 2013/14 financial year again saw reductions in Government funding, after allowing for the introduction of Localised Council Tax Support (LCTS), and the Business Rates Retention Scheme (BRRS). 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 £277K during 2013/14 and a summary statement is included at **Appendix B**. Where achievable without damaging performance, underspending is encouraged as an important contribution to the savings required for future years, which are known to be challenging. The underspending represents 1.4% of the Council's net revenue budget (2012/13 comparative: £547K underspend, 2.7% of budget), or 3.8% of the Council Tax Requirement (i.e. the amount raised from council tax; this measure is growing in prominence as a result of various funding changes, particularly those around business rates retention).
- 4.1.3 On closer analysis, 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:

Main variances	Value (Favourable) / Adverse £'000
Employee savings	(34)
Net reduction in repair and maintenance spend	(78)
Reduced vehicle hire and leasing costs	(44)
Recoveries of revenues legal costs	(65)
Revenues Shared Service savings	(128)
Additional gains on settled and outstanding Icelandic investments	(143)
Reduced spend on consultancy and other services	(167)
Additional planning application fees	(168)
Other additional income across all services	(119)
Additional contribution to Provisions	708
Additional contribution to Welfare Reforms Reserve	57
Other minor variances	(96)
Net Total	(277)

- 4.1.4 All Chief Officers 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 2015/16 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 February. 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:

- A new legal provision has been established with a contribution of £175K. This will cover the cost of settlements and legal fees associated with specific high value cases.
- For bad debts, an additional contribution of £533K has been made following a reassessment of sundry debts – particularly those in relation to housing benefit overpayment recoveries. Cover for these has been increased from 32% to 60%. This places the City Council in the mid-range of cover, when compared with other Lancashire authorities. Previously the City Council was at the lower end, and furthermore it is considered that the planned introduction of Universal Credit poses greater risks to recoveries from ongoing benefit in future years.
- An additional £57K has been added to the Welfare Reforms Reserve. This represents the value of unused grants received by Revenues and Benefits during 2013/14, after the revised budget was set. The grants were received in connection with additional workloads arising from reforms; much of this increased workload is still ongoing, and some additional resources are to be put in place for a period to avoid any processing backlogs from developing. It is anticipated that the costs involved will be able to be met from within existing budgets, as the Shared Service is already ahead of schedule in terms of implementing savings measures in other parts of the service (as reflected in the 2013/14 variance analysis). Nonetheless, at this stage sufficient savings cannot be guaranteed and therefore authority is sought to draw on the Welfare Reforms Reserve by up to the £57K in the current year, if the service budget requires it.

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 existing 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 Cabinet will see from the Appendix that there are no Officer recommendations to carry forward any overspends, but on the basis that the work to get behind the repairs and maintenance position is completed, with regular reporting through to Members.

5.6 With regard to the carry forward of underspends, only three provisional requests were identified, with a total value of £31K. Two requests (in connection with Renewable Energy consultancy support (£12K) and council housing conditions surveys (£15K) can easily be covered by existing reserves, which will be reviewed again during the forthcoming budget. Cabinet approval is already in place to use the Invest to Save Reserve in connection with the renewable energy item, and authority is now sought to draw on the £8.1M Council Housing Business Support Reserve to finance the stock condition surveys. The only other potential carry forward request of £3K related to re-profiling of spend on the Townscape Heritage Initiative. Given this, it will be addressed through the forthcoming budget. These are considered to be more appropriate and timely ways of dealing with the requests.

6 CAPITAL OUTTURN

6.1 **Appendix F** 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	4,865	4,285	(580)	11.9
General Fund	17,962	15,954	(2,008)	11.2

Total Programme	22,827	20,239	(2,588)	11.3
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6.2 Details of individual slippage requests from services have been received, a schedule of which is attached at **Appendix G**. 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 reverts back to there being a significant increase in slippage. Given the outline reasons for slippage requests, however, and the progression of corporate property works and their planning, it is expected that some improvements can be made in future, in terms of budget profiling. That said, it must be recognised that there will always be scope for some slippage.

	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000
Council Housing	0	16	160	82	384
General Fund	<u>1,706</u>	<u>438</u>	<u>1,828</u>	<u>899</u>	<u>2,303</u>
Total Slippage Requested	<u>1,706</u>	<u>454</u>	<u>1,988</u>	<u>981</u>	<u>2,687</u>

6.4 The table below pulls together the financing position after allowing for slippage. The impact on resources is favourable for both Council Housing and 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.

Capital Programme	Revised Estimate £'000	Forecast Expenditure (including slippage) £'000	Overspend Or (Underspend) - Rounded £'000	Impact on Council Resources (Fav) / Adv £'000
Council Housing	4,865	4,285	(580)	(580)
General Fund	17,962	17,660	(302)	(230)

6.5 Council's Housing's capital underspending is directly linked to its underspending on revenue, and as mentioned previously arrangements are in hand to get behind this and report back to Members.

6.6 The bulk of General Fund's net underspending relates to two matters:

- Vehicle renewals were £449K less than budgeted. The renewals programme is being reviewed but at this stage, there is no requirement to for slippage. If extra spending needs are identified, this would be addressed through the forthcoming budget.

- Offset against this, liabilities of £178K in connection with West End properties (Adactus) were settled in last year. Cabinet may recall that monies were set aside in the Capital Support Reserve to finance them, but this is the first appropriate opportunity to report on the matter, hence the Capital Programme had not been updated and so the costs give rise to an apparent overspending.

7 TREASURY MANAGEMENT

- 7.1 The annual treasury management report is attached at **Appendix H** and sets out the performance of treasury operations for 2013/14 in terms of long and short term borrowing, investment activities and relevant borrowing limits and prudential indicators. This must be referred on to Council.

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 14 July	Commencement of audit of Accounts and 4 week public inspection period
Monday 11 August	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 09 September	Budget and Performance Panel: consideration of outturn and Quarter 1 monitoring, as appropriate.
Wednesday 17 September accounts.	Audit Committee: consideration of audited accounts.
Wednesday 22 October	Council: referral of any issues as may be required, including the annual Treasury Management report.
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

- 9.1 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

- 10.1 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 Chief Officer (Resources), and Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification.

10.2 The report requests Cabinet to consider a number of capital slippage items and Reserve transfers. 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.

11 OFFICER PREFERRED OPTION AND JUSTIFICATION

11.1 On the assumption that the Council continues to support its previously approved spending plans, then the Officer preferred options are to approve the capital slippage requests (Appendix G), require no carry forward of the overspendings (Appendix E), and approve the various transfers and use of Reserves as set out in the body of the report.

12 CONCLUSION

12.1 Although the Council's General Fund budget and the associated Government funding reduced again in 2013/14, it continues to manage the financial pressure well, and has again improved its financial standing as at 31 March 2014. This has been achieved by narrowing down the breadth of service provision and reducing the number of employees both of which have had an impact on service delivery. 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.

RELATIONSHIP TO POLICY FRAMEWORK

The Outturn and Statement of Accounts report on all the financial resources generated and/or used by the Council in providing services or undertaking other activities under the Policy Framework.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc)

None directly identifiable, due to the high level nature of this report.

FINANCIAL IMPLICATIONS

As set out in the report.

SECTION 151 OFFICER'S COMMENTS

This report forms part of the section 151 officer responsibilities; clearly the outturn is also subject to external audit.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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HOUSING REVENUE ACCOUNT OUTTURN 2013/14

For Consideration by Cabinet 29 July 2014

	Original Budget £	Revised Budget £	Actual £	Variance £
INCOME				(Favourable) / Adverse
Rental Income - Council Housing	(13,458,000)	(13,429,500)	(13,406,204)	23,296
Rental Income - Other (Shops and Garages etc.)	(217,300)	(206,500)	(213,759)	(7,259)
Charges for Services & Facilities	(1,758,000)	(1,798,900)	(1,788,077)	10,823
Grant Income	(7,700)	(7,700)	(7,736)	(36)
Contributions from General Fund	(127,000)	(90,600)	(90,600)	0
Total Income	(15,568,000)	(15,533,200)	(15,506,376)	26,824
EXPENDITURE				
Repairs & Maintenance	3,944,000	3,953,000	4,467,795	514,795
Supervision & Management	3,204,500	3,193,000	3,114,271	(78,729)
Rents, Rates & Insurance	139,300	132,100	139,573	7,473
Increase in Provision for Bad and Doubtful Debts	197,000	180,900	142,568	(38,332)
Depreciation & Impairment of Fixed Assets	1,810,800	1,719,900	6,102,994	4,383,094
Debt Management Costs	1,100	1,100	1,100	0
Total Expenditure	9,296,700	9,180,000	13,968,301	4,788,301
NET COST OF HRA SERVICES	(6,271,300)	(6,353,200)	(1,538,075)	4,815,125
Interest Payable & Similar Charges	2,080,000	2,080,000	2,079,478	(522)
Premiums & Discounts from Earlier Debt Rescheduling	49,100	49,100	49,071	(29)
Interest & Investment Income	(27,400)	(27,000)	(28,929)	(1,929)
Pensions Interest Costs & Expected Return on Pensions Assets	0	0	286,848	286,848
Self Financing Debt Repayment	1,041,400	1,041,400	1,041,366	(34)
(SURPLUS) OR DEFICIT FOR THE YEAR	(3,128,200)	(3,209,700)	1,889,759	5,099,459
Adjustments to reverse out Notional Charges included above	(32,100)	(36,700)	(5,039,355)	(5,002,655)
Net Charges made for Retirement Benefits	0	0	592,994	592,994
Transfers to/(from) Business Support Reserve	147,900	511,501	511,501	0
Transfers to/(from) Major Repairs Reserve	2,875,300	2,990,600	2,126,566	(864,034)
Transfer to/(from) Earmarked Reserves	27,100	25,700	238,705	213,005
Capital Expenditure funded from Revenue	110,000	145,000	55,334	(89,666)
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	0	426,401	375,504	(50,897)
Housing Revenue Account Balance brought forward	(776,401)	(776,401)	(776,401)	0
HRA BALANCE CARRIED FORWARD	(776,401)	(350,000)	(400,897)	(50,897)

GENERAL FUND REVENUE BUDGET SUMMARY

For Consideration by Cabinet 29 July 2014

	Original Budget £	Revised Budget £	Actuals £	Variance £	True Variance £
Management Team	0	0	0	0	(1,543)
Environmental Services					
Service Support	0	0	0	0	29,240
Public Realm	2,733,200	1,674,500	8,660,502	6,986,002	(14,198)
Repairs & Maintenance	0	0	0	0	(13,357)
Safety	176,200	174,400	173,119	(1,281)	(6,909)
Waste / Recycling	3,359,100	3,037,000	3,105,537	68,537	21,885
	6,268,500	4,885,900	11,939,158	7,053,258	16,661
Governance Services					
Democratic Services	1,849,200	1,568,100	1,548,382	(19,718)	(28,256)
Human Resources & Organisational Development	863,000	638,700	644,256	5,556	16,319
Legal	(44,900)	(70,500)	(85,832)	(15,332)	(12,056)
Licensing	(41,000)	(20,500)	(9,851)	10,649	14,666
	2,626,300	2,115,800	2,096,955	(18,845)	(9,327)
Health & Housing Services					
Environmental Health	1,677,500	1,631,100	1,528,782	(102,318)	(106,591)
General Fund Housing	155,200	111,700	111,600	(100)	(100)
Strategic Housing	900,800	883,500	789,097	(94,403)	(50,235)
Sport and Leisure	2,850,200	2,762,200	2,290,030	(472,170)	214,718
	5,583,700	5,388,500	4,719,509	(668,991)	57,792
Regeneration & Planning					
Development Management	776,600	1,028,400	667,560	(360,840)	(343,308)
Economic Development	930,900	965,200	1,632,826	667,626	(2,866)
Environmental Management	1,926,500	1,918,700	1,940,777	22,077	(20,926)
Regeneration	1,440,900	1,391,300	1,546,026	154,726	(61,742)
Service Support	383,000	53,400	43,338	(10,062)	(15,604)
	5,457,900	5,357,000	5,830,527	473,527	(444,446)
Resources					
Audit	102,400	90,400	59,919	(30,481)	(32,182)
Financial Services	0	0	16,183,152	16,183,152	(3,757)
ICT	0	0	0	0	(15,147)
Property Group	(148,100)	(46,700)	5,830,672	5,877,372	(138,715)
Revenues and Benefits	1,366,200	1,238,000	1,046,513	(191,487)	(123,323)
	1,320,500	1,281,700	23,120,256	21,838,556	(313,124)
Corporate Accounts					
Capital Financing	1,655,100	3,208,200	2,959,591	(248,609)	(248,609)
Other Corporate Costs	532,200	692,100	(12,594,370)	(13,286,470)	745,028
Reversal of Notional Charges	(4,140,400)	(4,083,900)	(20,389,026)	(16,305,126)	0
Treasury Management	1,120,900	1,186,800	747,317	(439,483)	(167,331)
Net Business Rates Adjustments	0	376,000	2,324,849	1,948,849	0
Other Government Grants	(829,300)	(829,300)	(829,718)	(418)	(418)
Appropriations (to / (-) from Reserves)	(143,400)	(13,400)	74,317	87,717	87,717
Appropriations (to / (-) from Balances)	367,000	253,600	253,600	0	0
	(1,437,900)	790,100	(27,453,440)	(28,243,540)	416,387
Net Revenue Budget	19,819,000	19,819,000	20,252,965	433,965	(277,600)
Financed by:					
Retained Business Rates	(24,033,300)	(24,033,300)	(24,744,865)	(711,565)	0
Less Business Rates Tariff	19,021,800	19,021,800	19,021,836	36	36
Baseline Funding Level	(5,011,500)	(5,011,500)	(5,723,029)	(711,529)	36
Revenue Support Grant	(7,533,100)	(7,533,100)	(7,533,067)	33	33
Total Settlement Funding	(12,544,600)	(12,544,600)	(13,256,096)	(711,496)	69
Council Tax Requirement	7,274,400	7,274,400	6,996,869	(277,531)	(277,531)

Note the underspend of approx £277K 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 C.

GENERAL FUND VARIANCE ANALYSIS**For Consideration by Cabinet 29 July 2014**

**2013/14 Outturn
Compared to Working
Budget**

	£	£
COUNCIL TAX REQUIREMENT		7,274,400
EXPENDITURE		
Employee Savings		
Environmental Services	5,456	
Governance	(11,148)	
Health & Housing	(12,644)	
Regeneration & Planning	(1,730)	
Resources	(14,324)	(34,390)
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Premises		
Repairs & Maintenance	19,158	
Middleton Wood - R&M	(12,738)	
Parks & Open Spaces (incl Williamson Park)	(31,741)	
Energy Costs	(16,836)	
Sea & River/Public Realm/Land Drainage R&M	(36,166)	(78,323)
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Transport Expenses		
Repair & Maintenance	31,106	
Vehicle Hire / Leasing Costs	(43,681)	
Car Allowances - Officers	(10,421)	(22,996)
<hr/>		
Supplies & Services		
Materials & Equipment (mainly Grounds Maintenance)	(13,813)	
Renewable Energy Strategy	(14,380)	
Electoral / Member Related	(25,997)	
Legal & Court / Taxi Inspection Costs	17,282	
Partnership / Corporate Initiatives (Various)	(13,011)	
Services - Burial Of The Dead	10,719	
Services - Air Quality Monitoring	(24,451)	
Environmental Health Services / Consultants (Various)	(32,004)	
Salt Ayre Sports Centre (SASC) / Wellbeing	(20,948)	
Regeneration & Planning Consultants/Legal (Various)	(65,897)	
Audit Fees - re grant audits	(14,581)	
Revenues Shared Service Management Fee	(127,728)	
Net Housing Benefit Payments	(11,164)	
Municipal Buildings Condition Survey E-Drawings	(22,488)	
Valuer/Surveyor Consultants	(22,506)	(380,967)
<hr/>		
INCOME		
Car Parking	(17,772)	
Williamson Park	(12,388)	
Taxi / Miscellaneous Licences	13,173	
Search Fees	(14,239)	
Disable Facilities Grant Administration Charges	(19,924)	
Housing Benefit Contribution (Supported People)	(12,833)	
Cemeteries / Pest Control	(11,531)	
Community Pools (increase) / SASC (reduction)	19,462	
Planning Application Fees	(168,309)	
Coast Protection - Capital Salaries recovered	19,013	
Revenues Net Legal Costs Recovered	(64,868)	
Service Charges Recovered	(30,521)	(300,741)
<hr/>		
Other Net Service Variances		(82,358)
SPECIFIC VARIANCES NOT INCLUDED ABOVE:		
Welfare Reforms Reserve		57,000
Transfer from Capital Support Reserve to fund Adactus Top-Up Grant Repayments		(186,613)
Financing of Capital Programme from above transfer		186,613
Additional contributions to Provisions		708,000
Additional gains on settled and outstanding Icelandic Investments		(142,757)
TOTAL VARIANCES		(277,531)
PROVISIONAL OUTTURN 13-14		6,996,869

RESERVES AND PROVISIONS STATEMENT (INCLUDING BALANCES)

For Consideration by Cabinet 29 July 2014

	31/03/13		31/03/14		31/03/15		31/03/16		31/03/17	
	£	Contributions to Reserve From Revenue	£	Contributions to Reserve From Revenue	£	Contributions to Reserve From Revenue	£	Contributions to Reserve From Revenue	£	Contributions to Reserve From Revenue
GENERAL FUND										
General Fund Balance	3,182,119	531,130	3,713,249	(457,500)	3,255,749	(1,000,000)	2,255,749			2,255,749
Earmarked Reserves:										
Apprenticeships	42,750	29,200	34,873	(32,200)	31,873	(7,900)	53,173	29,200	(7,900)	74,473
Business Rates Retention	0	1,699,258	1,699,258	(5,026,000)	(1,821,742)		(1,821,742)			(1,821,742)
Capital Support	425,717	230,000	469,104	(186,613)	469,104		469,104			469,104
City Lab	14,987		14,987	(12,100)	2,887	(2,900)	(13)			(13)
Elections	0		0		0		0	30,000		30,000
Highways	129,186	84,097	213,283		213,283		213,283			213,283
Homelessness Support	65,000		50,956	(14,044)	15,956	(35,000)	15,956			15,956
Insurance	51,000		0	(51,000)	0		0			0
Invest to Save	1,547,350		1,514,350	(33,000)	1,514,350		1,514,350			1,514,350
Job Evaluation	3,897		0	(3,897)	0		0			0
Local Plan	0	23,160	23,160		23,160		23,160			23,160
Markets	618,903	50,000	9,599	(659,304)	59,599		59,599			59,599
Morecambe Area Action Plan (MAAP)	0	15,893	15,893		190,893		190,893			190,893
Municipal Buildings	386,298		386,298		386,298		386,298			386,298
Open Spaces Committed Sums	204,426		163,828	(40,598)	128,428	(35,400)	104,028		(24,400)	81,528
Performance Reward Grant	125,043		39,670	(85,373)	27,670	(12,000)	15,670			15,670
Planning Delivery Grant	3,500		0	(3,500)	0		0			0
Renewals (all services)	864,715	427,609	930,484	(361,840)	917,784	(30,400)	1,117,684	405,800	(70,000)	1,423,984
Restructuring	432,673	569,800	602,922	(399,551)	602,922		602,922			602,922
S106 Committed Sums - Affordable Housing	700,493		700,493		810,493		810,493			810,493
S106 Committed Sums - Highways, crossing & cycle paths	621,771	223,107	532,668	(312,190)	385,688	(6,000)	366,688		(4,000)	362,688
Welfare Reforms	200,000	57,000	257,000	(52,586)	257,000		257,000			257,000
Youth Games	37,000	18,500	2,914	(52,586)	17,914	15,000	32,914	15,000		47,914
Reserves Held in Perpetuity:										
Graves Maintenance	22,201		22,201		22,201		22,201			22,201
Marsh Capital	47,677		47,677		47,677		47,677			47,677
Total Earmarked Reserves	6,544,587	3,427,625	7,731,639	0 (2,240,573)	4,303,439	464,100 (193,000)	4,481,339	480,000 (74,000)	(59,900)	4,827,439

Note - For various provisions and reserves, not all spending needs are reflected and so over the period their balances will reduce from the levels shown above, as and when spending commitments and their timing are confirmed.

Provision	31/03/13		31/03/14	
	£	Contributions to Reserve From Revenue	£	Payments from Reserve To Capital
Bad Debts	659,495	633,000	1,102,243	(190,252)
Legal	0	175,000	175,000	
Derelict Land Clawback	56,932		0	(56,932)
Insurance	365,479	101,263	318,828	(147,914)
Total Provisions	1,081,906	909,263	1,596,071	(338,166)

HOUSING REVENUE ACCOUNT

	31/03/13		Contributions to Reserve		Contribution from Reserve		31/03/14		Contributions to Reserve		Contribution from Reserve		31/03/15		Contributions to Reserve		Contribution from Reserve		31/03/16		Contributions to Reserve		Contribution from Reserve		31/03/16		Contributions to Reserve		Contribution from Reserve		31/03/16				
	£		From Revenue	To Capital	£	To Revenue	£		From Revenue	To Capital	£	To Revenue	£		From Revenue	To Capital	£	To Revenue	£		From Revenue	To Capital	£	To Revenue	£		From Revenue	To Capital	£	To Revenue	£				
HRA General Balances	776,402		50,896	(426,402)	400,896			73,100		473,996			24,100		498,096			481,500			498,096					481,500					979,596				
Earmarked Reserves:																																			
Business Plan Reserve	8,011,218		511,502		8,612,720					8,612,720					8,612,720						8,612,720					8,612,720						8,612,720			
Major Repairs Reserve	0		4,106,616	(4,106,616)	0			4,533,300	(4,533,300)	0			4,775,600	(4,775,600)	0			4,503,600	(4,503,600)	0					4,503,600	(4,503,600)	0					0			
Flats - Planned Maintenance	1,095,989		133,000	(5,251)	(14,000)			133,000	(130,000)	1,162,738			133,000	(50,000)	1,195,738			133,000	(50,000)	1,278,738					133,000	(50,000)	1,278,738						1,278,738		
Central Control Equipment/Telecare	133,089			(93,089)	40,000					40,000					40,000					40,000														40,000	
Non-Sheltered Scheme Equipment	46,638		5,000	(22,797)	28,841			5,000	(19,000)	14,841			10,000	(19,000)	5,841			10,000	(19,000)	(3,159)					10,000	(19,000)	(3,159)						(3,159)		
IT Replacement	401,106		190,089		591,195			57,000		648,195			57,000		705,195			57,000		762,195						57,000		762,195						762,195	
Office Equipment Reserve	80,921		3,000	(40,000)	43,921			3,000		46,921			3,000		49,921			3,000		52,921						3,000		52,921						52,921	
Sheltered - Equipment	290,501		56,432	(13,152)	333,781			26,600	(11,500)	348,881			25,700	(14,500)	360,081			24,700	(20,500)	364,281					24,700	(20,500)	364,281						364,281		
Sheltered - Planned Maintenance	310,155		60,207	(50,082)	311,280			28,400	(80,000)	256,680			27,400	(40,000)	184,080			26,400	(3,000)	147,480					26,400	(3,000)	147,480						147,480		
Sheltered Support Grant Maintenance	197,185		38,349		235,534			18,100		253,634			17,500		271,134			16,800		287,934						16,800		287,934						287,934	
Total Earmarked Reserves	10,656,803		5,104,195	(4,161,949)	(192,038)			4,804,400	(4,743,300)	11,384,611			4,804,400	(4,743,300)	(83,500)			5,049,200	(4,885,600)	(123,500)					5,049,200	(4,885,600)	(123,500)						11,543,111		

	31/03/13		Contributions to Reserve		Payments from Reserve		31/03/14	
	£		£		£		£	
Provision								
Bad Debts	476,824		142,568	(168,589)			450,803	

Carry Forward of Controllable Overspends

For Consideration by Cabinet 29 July 2014

Services and Detail of Overspend		Revised Budget £	Actual £	Variance £	Comments
General Fund Revenue					
	Grounds Maintenance	28,000	36,749	8,749	Offset by £14K saving on vehicle leasing
	Vehicle & Plant Hire				
	Waste Disposal Services	15,800	22,836	7,036	Offset by £13K saving on equipment & tools
Environmental Services	Street Cleaning	88,900	97,634	8,734	Offset by savings on leases (£11K) and materials (£12K)
	Salaries - Overtime				
	Waste Disposal Services	18,700	23,705	5,005	
	Three Stream Waste Collection	180,200	216,570	36,370	Offset by leasing savings (£15K) and Fuel savings (£13K)
	Repair & Mlce Of Vehicles				Offset by savings on repair and maintenance of vehicles (£12K)
	Salaries - Overtime	13,000	24,937	11,937	
	Trade Refuse				Offset by Landfill tax savings (£7K)
	Petrol & Derv	43,900	51,895	7,995	
	Salt Ayre Mgt & Admin	65,100	99,086	33,986	When allowing for other activities, overall salaries were under by (£31K)
	Salaries - Other				
	Main Hall	0	5,041	5,041	
	Salaries - Other				
Health & Housing Services	Swimming	0	12,080	12,080	
	Heysham Swimming Pool	55,000	69,590	14,590	
	Environmental Protection				Overall underspend of £41K on this cost centre
	Home Improvement Team	3,300	10,947	7,647	
	Contracted Services	18,300	27,556	9,256	Overall this cost centre has broken even
Regeneration & Planning	Platform	(32,000)	(26,560)	5,440	Overall underspend of £8K on this cost centre
	Coast Protection & Land Drainage Team	(101,500)	(77,208)	24,292	Partly offset by other savings of £14K. Links to slippage on four capital schemes.
Resources	Financial Services Management & Admin	38,200	43,236	5,036	Overall underspend of £4K on this cost centre
	Information, Communications & Technology	46,600	56,992	10,392	Overall underspend of £18K on this cost centre

Recommendation: That no further action be taken as all overspends are offset by other savings.

HRA Revenue

Health & Housing Services	Repairs and Maintenance	1,170,200	1,186,006	15,806	Offset by £546K underspend on revenue financing of the capital programme. However, the two variances are not directly linked.
	Repairs and Maintenance	2,602,400	3,103,070	500,670	

Recommendation: It is not recommended that the overspend be carried forward as this could well have a detrimental affect on the maintenance of council housing stock. However, it is recommended that officers from Environmental Services, Health & Housing and Resources investigate the reasons for the overspends alongside other development work on-going and report back to Members, through the quarterly Corporate Financial Monitoring reports.

Lancaster City Council - Capital Expenditure 2013/14

For Consideration by Cabinet 29 July 2014

HOUSING REVENUE ACCOUNT	Revised Estimate	Expenditure to be financed in 2013/14	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)		
COUNCIL HOUSING	£	£	£	£	£	£	£	£	
Bathroom Kitchen Refurbishment	638,500	569,279.27					446,440.16	446,440.16	122,839.11
External Refurbishment	1,359,000	1,369,445.97					1,369,445.97	1,369,445.97	0.00
Re-roofing / Window Renewals	544,000	521,642.15					521,642.15	521,642.15	0.00
Environmental / Crime Prevention Works	886,000	593,058.19			5,251.36		587,806.83	593,058.19	0.00
Energy Efficiency Works	633,600	511,356.24			50,082.83		461,273.41	511,356.24	0.00
Rewiring	91,800	75,854.64					75,854.64	75,854.64	0.00
Adaptations	300,000	277,868.42					277,868.42	277,868.42	0.00
Fire Precaution Works	267,500	200,348.76					200,348.76	200,348.76	0.00
Invest to Save - PV Solar Panels	21,000	44,502.95					44,502.95	44,502.95	0.00
Total Mobile	10,900	13,029.55					13,029.55	13,029.55	0.00
Lift Replacement	105,000	100,917.62					100,917.62	100,917.62	0.00
Septic Tanks	7,700	7,485.08					7,485.08	7,485.08	0.00
TOTAL - HRA	4,865,000	4,284,788.84	0.00	0.00	55,334.19	0.00	4,106,615.54	4,161,949.73	122,839.11

GENERAL FUND	Revised Estimate	Expenditure to be financed in 2013/14	SCHEME FINANCING					TOTAL SCHEME SPECIFIC FINANCING / ITEMS	BALANCE FINANCED BY GENERAL CAPITAL RESOURCES
			GRANT	GRANTS UNAPPLIED	EARMARKED RESERVES / PROVISIONS	SPECIFIC REVENUE FINANCING	MAJOR REPAIRS ALLOWANCE (HRA only)		
ENVIRONMENTAL SERVICES	£	£	£	£	£	£	£	£	
Car Park Improvement Programme	120,000	0.00						0.00	0.00
Toilet Works	105,000	98,440.00			10,000.00			10,000.00	88,440.00
Allotments	47,000	63,103.74					3,161.92	3,161.92	59,941.82
Bins & Boxes Scheduled Buy-Out	51,000	51,249.42					51,249.42	51,249.42	0.00
Vehicle Renewals	1,355,000	906,117.22						0.00	906,117.22
District Playground Improvements	10,000	4,778.18	10,000.00					10,000.00	-5,221.82
Market Improvement Works	36,000	35,414.30					35,414.30	35,414.30	0.00
Williamson Park Improvements & Enhancements	23,000	15,410.00	15,410.00					15,410.00	0.00
Sub-Total	1,747,000	1,174,512.86	25,410.00	0.00	10,000.00	89,825.64	0.00	125,235.64	1,049,277.22
HEALTH & HOUSING									
YMCA Places for Change	19,000	19,079.51	19,079.84					19,079.84	-0.33
Salt Ayre Cycle Circuit Lighting	150,000	149,225.22	149,225.22					149,225.22	0.00
Disabled Facilities Grants	957,000	760,568.19	760,568.19					760,568.19	0.00
Sub-Total	1,126,000	928,872.92	928,873.25	0.00	0.00	0.00	0.00	928,873.25	-0.33
REGENERATION & PLANNING									
Warmer Homes Scheme	79,000	42,224.14	31,017.47	11,206.67				42,224.14	0.00
Toucan Crossing - King Street	13,000	0.00						0.00	0.00
Sea & River Defence Works & Studies	277,000	186,408.81	168,707.81			4,307.00		173,014.81	13,394.00
Amenity Improvements (Morecambe Promenade)	33,000	5,278.00						0.00	5,278.00
Luneside East	70,000	68,483.77	38,650.59					38,650.59	29,833.18
Bold Street Housing Regeneration Site Works	0	4,500.00						0.00	4,500.00
Lancaster Square Routes	255,000	115,668.31	72,560.83					72,560.83	43,107.48
Ffrances Passage	4,000	3,157.00	3,157.00					3,157.00	0.00
Morecambe THI 2: A View for Eric	218,000	2,455.00	1,816.70				638.30	2,455.00	0.00
Improving Morecambe's Main Streets	4,000	0.00						0.00	0.00
West End Temporary Car Park	5,000	5,000.00				5,000.00		5,000.00	0.00
Heysham Mossgate Affordable Housing s106 scheme	42,000	42,000.00			42,000.00			42,000.00	0.00
Albion Mills Affordable Housing s106 scheme	260,000	260,000.00			260,000.00			260,000.00	0.00
Brindle Close Affordable Housing s106 scheme	80,000	0.00						0.00	0.00
Riversview Hostel Affordable Housing s106 scheme	232,000	0.00						0.00	0.00
Middleton Nature Reserve s106 scheme	19,000	8,324.08			8,324.08			8,324.08	0.00
Arnside & Silverdale AONB Improvement Scheme	144,000	125,770.88	125,770.88					125,770.88	0.00
Chatsworth Gardens	66,000	66,874.99						0.00	66,874.99
Adactus Top-Up Grants	0	186,613.00			186,613.00			186,613.00	0.00
Sub-Total	1,801,000	1,122,757.98	441,681.28	11,206.67	496,937.08	9,945.30	0.00	959,770.33	162,987.65
Resources									
ICT Systems, Infrastructure and Equipment	320,000	193,023.46			170,687.62			170,687.62	22,335.84
Lancaster Market - Surrender of Headlease*	11,724,000	11,723,538.00			618,903.08			618,903.08	11,104,634.92
Corporate Property Works	1,244,000	811,099.75	3,090.08					3,090.08	808,009.67
Sub-Total	13,288,000	12,727,661.21	3,090.08	0.00	789,590.70	0.00	0.00	792,680.78	11,934,980.43
TOTAL - GENERAL FUND	17,962,000	15,953,804.97	1,399,054.61	11,206.67	1,296,527.78	99,770.94	0.00	2,806,560.00	13,147,244.97

* Note: Budget updated to reflect outturn position (primarily regarding use of Markets Reserve) for surrender of headlease as report to Council 05 February 2014.

GENERAL FUND HOUSING REVENUE ACCOUNT	Revised Estimate	Expenditure to be financed in 2013/14	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)		
	£	£	£	£	£	£	£	£	
	17,962,000	15,953,804.97	1,399,054.61	11,206.67	1,296,527.78	99,770.94	0.00	2,806,560.00	13,147,244.97
TOTAL CAPITAL EXPENDITURE & FINANCING	4,865,000	4,284,788.84	0.00	0.00	55,334.19	0.00	4,106,615.54	4,161,949.73	122,839.11
	22,827,000	20,238,593.81	1,399,054.61	11,206.67	1,351,861.97	99,770.94	4,106,615.54	6,968,509.73	13,270,084.08

2013/14 CAPITAL EXPENDITURE FINANCING			Housing Revenue	General Fund	Grand Total
			£	£	£
Amounts to be financed by General Capital Resources			122,839.11	13,147,244.97	13,270,084.08
Financed by:					
Underlying Borrowing Need - Increase in Capital Financing Requirement			0.00	3,024,333.39	3,024,333.39
General Grants			0.00	1,923,162.99	1,923,162.99
Capital Receipts Applied			122,839.11	8,199,748.59	8,322,587.70
Total Financing from General Capital Resources			122,839.11	13,147,244.97	13,270,084.08

CAPITAL SLIPPAGE - INTO FINANCIAL YEAR 2014/15

For consideration by Cabinet 29 July 2014

	Slippage Requested £	Percentage of Revised Budget	Source of Funding:			Total £	Reasons for Slippage Requests
			LCC Funded £	Grant / Contributions £			
Environmental Services							
Car Park Improvement Programme	145,000	100%	120,000	25,000	145,000	Programming on hold until South Lancaster capital receipt received, plus impact of long lead in time for implementing schemes.	
Allotments	-13,000	29%	-13,000		-13,000	Scheme commenced prior to 01 April 2014. Budgeted for in 2014/15.	
Toilet Works	7,000	100%	7,000		7,000	Delayed start to project.	
	139,000		114,000	25,000	139,000		
Health and Housing							
Williamson Park Woodland Improvement	8,000	35%		8,000	8,000	Delayed start to project.	
Disabled Facilities Grants	196,000	20%		196,000	196,000	Represents commitments entered into but not discharged by 31 March 2014.	
	204,000		0	204,000	204,000		
Regeneration & Planning							
Warm Homes Scheme	37,000	47%	37,000		37,000	Represents commitments entered into but not discharged by 31 March 2014.	
Toucan Crossing - King Street	13,000	100%	13,000		13,000	Scheme still to be agreed with County Council.	
Artle Beck Improvements	43,000	73%		43,000	43,000	On-going issues delaying project.	
West End Sea Wall Study	19,000	63%	1,000	18,000	19,000	Delayed start to project.	
Slyndale Culvert	7,000	88%	2,000	5,000	7,000	Delayed start to project.	
Amenity Improvements	28,000	85%	28,000		28,000	Delayed start to project.	
Luneside East	2,000	3%	2,000		2,000	Residual budget to cover any further cost recovery work.	
Lancaster Square Routes	139,000	55%	47,000	92,000	139,000	Scheme delayed to match delivery of County scheme.	
Morecambe THI 2: A View for Eric	216,000	99%	53,000	163,000	216,000	Programme to be reprofiled to match 2nd Action Plan submitted to HLF.	
Morecambe Area Action Plan (Improving Streets)	4,000	100%	4,000		4,000	Delayed start to project.	
Brindle Close Affordable Housing s106 scheme	80,000	100%	80,000		80,000	Still waiting to be invoiced for Council's contribution to the scheme.	
Riversview Hostel Affordable Housing s106 scheme	232,000	100%	232,000		232,000	Still waiting to be invoiced for Council's contribution to the scheme.	
Middleton Nature Reserve	11,000	58%	11,000		11,000	Scheme started late to fit with Lancashire Wildlife Trust programme.	
Bold Street Housing Regeneration Site Works	-5,000	1%	-5,000		-5,000	Costs incurred prior to 01 April 2014. Budgeted for in 2014/15.	
	826,000		505,000	321,000	826,000		
Resources							
ICT Infrastructure	15,000	17%	15,000		15,000	Impact of PSN security work delayed other projects.	
ICT Application System Renewal	112,000	76%	112,000		112,000	Impact of PSN security work delayed other projects.	
Corporate & Municipal Building Works (Incorporates externally funded scheme re the Storey)	410,000	32%	400,000	10,000	410,000	Delays in receiving Agreed Maximum Prices from contractor. External funding to support the Storey/business plan.	
	537,000		527,000	10,000	537,000		
GENERAL FUND TOTAL	1,706,000		1,146,000	560,000	1,706,000		

Annual Treasury Management Report 2013/14

For noting by Cabinet 29 July 2014

1 Introduction

1.1 The Council's Treasury Management Strategy for 2013/14 was approved by Council on 27 February 2013. 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 presented to Cabinet within six months of the end of the financial year, and that it is also 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 2013/14 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 recently been provided to Members (Budget & Performance Panel 04 March 2014) and this also continues to be an important part of the CIPFA Code. 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 2013/14

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

- Major timing uncertainties linked to the surrender of the Lancaster Market headlease and the sale of land at south Lancaster meant that the majority of investment balances were kept in immediate access accounts for the most of the year.
- A fixed term deposit of £3m was placed with Lloyds Bank in Qtr 4 following the stabilisation of cash balances; this was the first fixed term deposit placed with any bank "post-Iceland".
- A scheduled £1.04m loan repayment was made in relation to the HRA self financing loan.
- The Council's claim to recover a deposit held with the Icelandic bank Landsbanki was sold through an auction facilitated through the Local Government Association. The reserve bid price of 92% was achieved.

- Withheld tax in relation to the Council's Glitnir deposit (still held in escrow) has now been repaid. The claim totalled £3.6K and the Council now has exempt status, which means that it will no-longer have a tax liability in this regard.
- No temporary borrowings have been required to support day to day cash flow. The Council ended the year with healthy cash balances of £22M, reflecting many net liabilities as well as backing various provisions and reserves.
- The Council has stayed within its prudential limits for investments and has not breached any of the criteria set out in the approved strategy.

3 **Economic Background (supplied by Capita Asset Services)**

The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk had subsided somewhat. The original expectation for 2013/14 was that Bank Rate would not rise during the year and for it only to start gently rising from Qtr 1 2015. This forecast rise was later pushed back to a start in Qtr 3 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during the year. Consequently there was no additional quantitative easing during 2013/14 and the Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While Consumer Prices Index (CPI) inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.

Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014 (as various fears sparked an increase in demand for gilts from investors). The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative reduction of £97bn in the forecasts (Autumn Statement and March Budget) for total borrowing over the next five years, culminating in a £5bn surplus in 2018/19.

The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk had improved after the European Central Bank stated in July 2012 that it would do "whatever it takes" to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

4 Icelandic Investments

The position as at 31 March 2014 is as follows.

	KSF £000	Glitnir £000	Landsbanki £000	Total £000
Original Deposit	2,000	3,000	1,000	6,000
Claim	2,048	3,173	1,121	6,342
GBP Payments received	1,669	2,508	1,021	5,198
Amounts still held in escrow account	0	615	0	615
Total anticipated recovery (%)	85.25%	100%	92%	
Further payments due (%)	3.75%	0%	0%	
Further payments due (£)	77	0	0	77
Total anticipated receipts	1,746	3,123	1,021	5,890

Key points to note are:

- The KSF recovery rate has now increased to 85.25% from the previous estimate of 83.5%. The balance outstanding is now £77K. As payments are still outstanding 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.
- The Glitnir claim has been settled. However, amounts paid in Icelandic Krona (ISK) still cannot leave Iceland, due to the currency controls imposed by the Central Bank of Iceland. These amounts have therefore been paid into Icelandic escrow accounts (similar to client accounts at a solicitors). These are earning 4.2% interest but are also subject to gains and losses due to fluctuations in the exchange rate between Sterling and ISK. The amount stated in the table above uses the exchange rate between ISK and GBP as at the 31 March 2014. 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, £6K was recorded in the 2013/14 final accounts as an exchange rate gain.
- The Landsbanki claim has been settled at 92% and no further amounts are outstanding. This has resulted in a favourable position at outturn as future expected receipts of £143K have now been accounted for in 2013/14.
- When compared with the original £6M invested, the Council expects to recover £5.890M or 98.2%. This does not allow for interest losses, but the current position does mean that the vast majority of the capital sum has now been recovered.

5 Borrowing and Capital Expenditure

5.1 Capital Expenditure and Financing

Long term borrowing is an important part of the Council's capital financing. Under the Prudential Code a key indicator is the Capital Financing Requirement (CFR). This figure is calculated from the Council's balance sheet. In essence, it 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 2013/14 the figures were as follows:

	£000
Opening CFR	83,276
Closing CFR*	78,449
Average CFR	80,862
Weighted average borrowings	69,068
Weighted average finance lease liability	1,415
Weighted average investments*	20,581
Net borrowings	40,902

* Average investment balance excludes Icelandic deposits

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

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

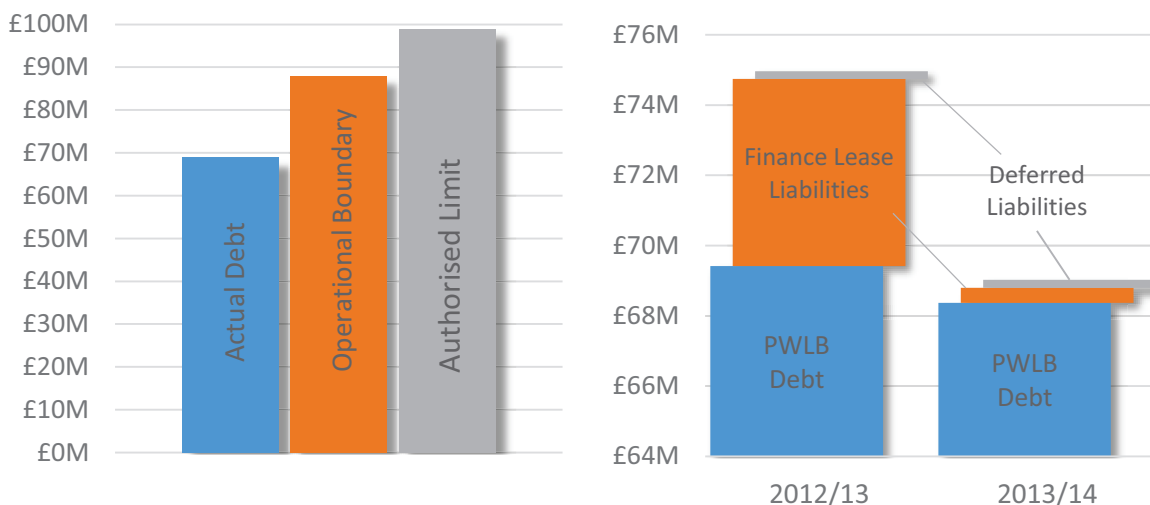
	2012/13	2013/14
	Actual	Actual
	£000	£000
Opening Capital Financing Requirement	83,188	83,276
<i>Capital investment:</i>		
Property, Plant and Equipment	7,739	18,631
Re-assessment of finance lease liability	195	0
Investment Properties	90	7
Intangible Assets	54	36
Revenue Expenditure Funded from Capital Under Statute	1,031	1,564
<i>Sources of financing:</i>		
Capital receipts	(442)	(8,323)
Government Grants and other contributions	(1,017)	(3,333)
Direct revenue contributions	(1,425)	(1,452)
Minimum Revenue Provision (MRP)	(2,702)	(7,851)
Major Repairs Reserve	(3,435)	(4,106)
Closing Capital Financing Requirement	83,276	78,449
<i>Explanation of movements in year:</i>		
Increase in underlying need to borrow (unsupported by government financial assistance)	88	(4,827)
Increase/(decrease) in Capital Financing Requirement	88	(4,827)

The figures stated above shows a net decrease in CFR of £4.827M, which is after allowing for MRP of £7.851M. Excluding MRP, the underlying need to borrow has increased by £3.024M, in order to help finance 2013/14 capital investment. This is some £1.238M less than budgeted, mainly due to slippage on capital schemes.

5.2 **Borrowing levels**

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

	Actual Debt 31/03/14	Operational Boundary	Authorised Limit
	£000's	£000's	£000's
Deferred Liabilities	223	--	--
Long term Finance lease liability	427	--	--
PWLB Debt	68,374	--	--
Total	69,024	83,000	99,000

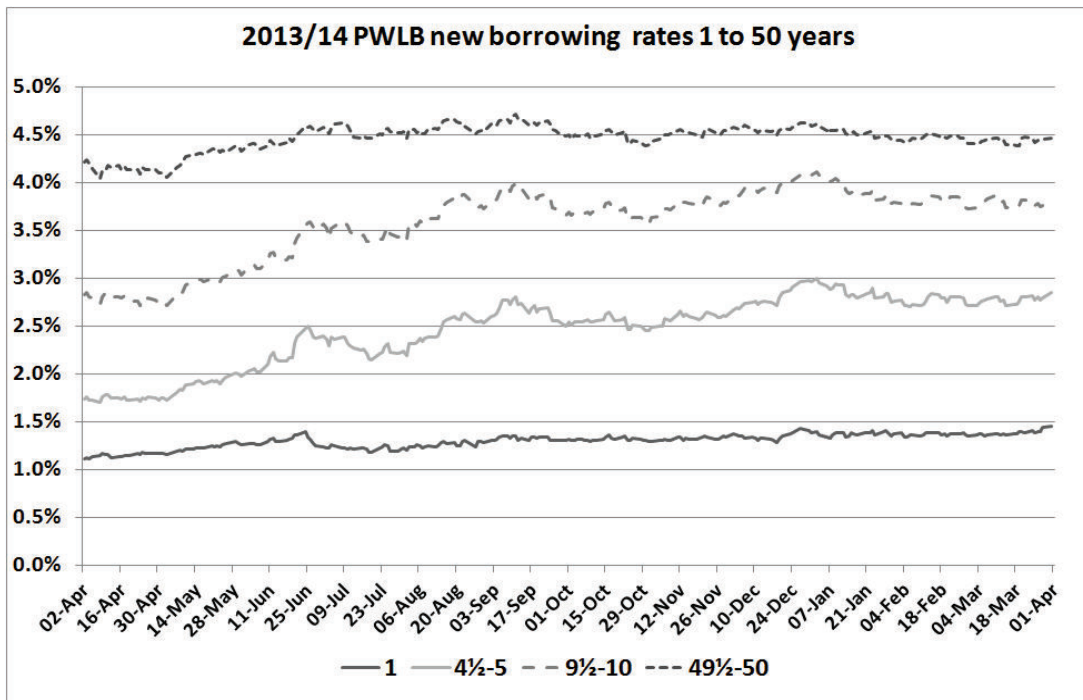


The actual debt, as calculated in accordance with the Prudential Code, includes the liability associated with finance leases. When set, the operational boundary included an element in relation to the Lancaster Market headlease, and hence its surrender accounts for the significant debt headroom as at 31 March 2014.

5.3 **PWLB Interest Rate Movements**

All of the Council’s long term borrowings are held with the Public Works Loan Board (PWLB). The preferential loan rate of 3.03%, associated with the HRA Self Financing loan, remains below the prevailing rate associated with loans of this term.

The following chart illustrates the movement on PWLB fixed term rates over the year. This clearly shows the spread of rates depending on length of loan. It shows a slight upward trend of rates especially in relation to loan terms greater than 1 year but less than 10 years.



Where it can be facilitated and future needs and expectations support it, repayment of PWLB debt is still an attractive option in the current climate, where a council holds a grossed up position of higher borrowings matched by higher investment balances.

5.4 Debt Maturity (or Repayment) Profile

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

	Treasury Indicator	Actual 31/3/13	Actual 31/3/14
Under 12 months	0 - 50%	1.5%	1.52%
12 – 24 Months	0 - 50%	1.5%	1.52%
3 – 5 years	0 - 50%	4.5%	4.57%
6 – 10 years	0 - 50%	7.5%	7.62%
11 -15 years	0 -100%	7.5%	7.62%
16 – 25 years	0 - 100%	15.0%	15.23%
26 – 50 years	50 - 100%	64.0%	61.92%

Of the total loan balance, 43% relates to an Equal Instalment of Principal (EIP) loan and 57% is made up of maturity loans. Therefore the short term percentages will increase as the total debt balance decreases.

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

5.5 Interest Payable on Longer Term Borrowing

The average rate of interest payable on PWLB debt in 2013/14 was 4.57%. A total of £3.134M interest was incurred, of which £2.080M was recharged to the HRA in respect of the self-financing loan.

	£'000
2013/14 Estimate	3,155
2013/14 Actual*	3,134
Variance	(21)

There was also £43.4K of interest in relation to finance leases under IFRS accounting. This is a cost that in previous years has been presented within service expenditure. It is purely a presentational change with no impact on the bottom line.

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

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

Finance leases are also classed as fixed, as the interest rates implicit in any such agreement are fixed at their inception date.

6 Investment Activities

6.1 Performance against Prudential Indicators

In 2013/14 all investments were placed in accordance with the approved Investment Strategy; there have been no breaches of the investment criteria.

The Council made (or holds) no investments with a maturity of longer than 365 days; the investment strategy prohibited such long term investments. Most 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. The only fixed term bank deposit was placed with Lloyds for 3 months commencing 09 January 2014. Details of the average balances held during the year along with the year end position is given in **Annex A**.

As noted in section 4, part of the repayment from Glitnir is currently held in ISK in an escrow account in Iceland. Strictly speaking, this would be classed as a foreign exchange investment that would normally be prohibited under the Investment Strategy, but clearly the Council has had no choice but to accept this arrangement. Furthermore, it will have to await relaxation of the currency controls in place in Iceland before these sums can be brought back under the Council's direct control. The total amount placed in escrow is £615K attracting interest at 4.2%.

6.2 Performance against budget and external benchmarks.

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

Indicator (mean value)	2013/14	2012/13
Base Rate	0.50%	0.50%
3 Month LIBID	0.50%	0.50%
Lancaster CC investments	0.47%	0.50%

The return is slightly below the Bank of England base rate, due to all investments being held in high credit quality accounts and all immediately available. A fixed term deposit of £3M was invested with Lloyds in the last quarter of the year with an interest rate of 0.6%.

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

Annual budget	£129K
Actual to date	£100K (see details in Annex B)
<u>Icelandic interest to date</u>	<u>£131K</u> (see details in Annex B)
Total	£231K
Variance	£102K favourable

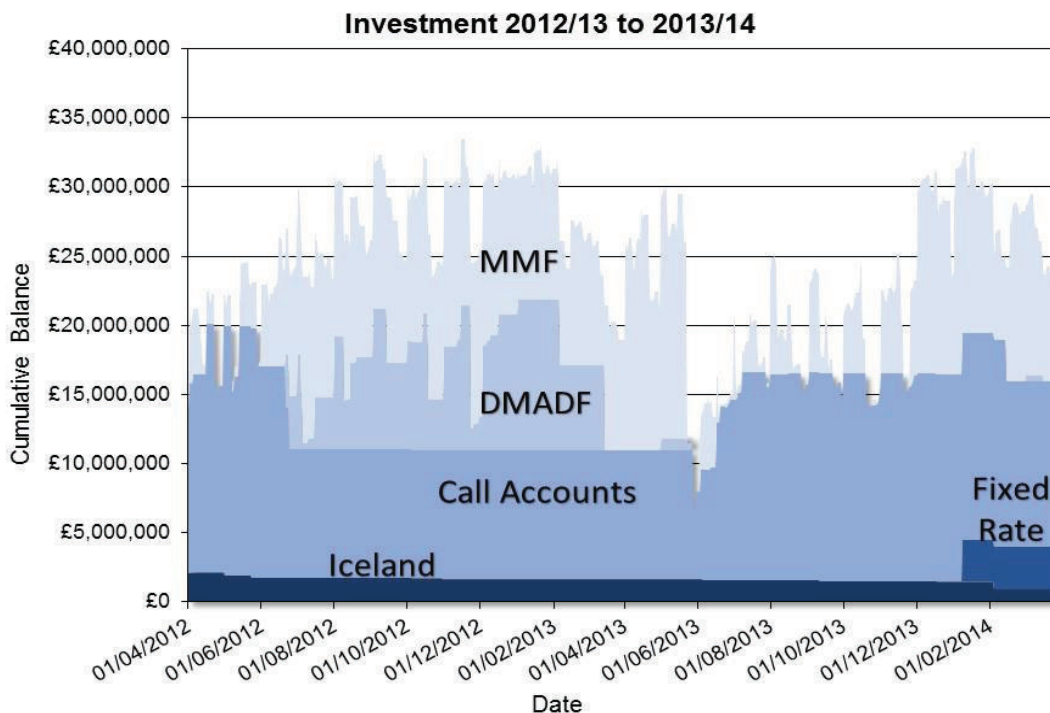
This higher than expected investment return was due to the requirement to recognise, at the time of sale, all interest associated with the Landsbanki claim. Prior to the sale, on the balance sheet the Icelandic investments were accounted for on a discounted cash flow basis. As the investment was recovered earlier than expected, the discounting impact was reduced, giving rise to a greater value of interest to be recognised.

As illustrated in the table below, the short term projection for rates is flat; it is anticipated that the position on low investment interest rates will hold for the next financial year.

Date	Bank Rate Projection (%)
Mar-14	0.50
Jun-14	0.50
Sep-14	0.50
Dec-14	0.50
Mar-15	0.75

Source: Capita Asset Services, June 2014

The Investment Strategy for 2013/14 continued with the more cautious approach to managing surplus cash, this being in place since the banking crisis. In practice, most deposits were placed on instant access in either call accounts or Money Market Funds (MMFs) with limited use of the DMO account. The pattern of these investments over 2013/14 and the prior year can be seen in more detail in the following graph:



7 Other Risk Management Issues

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

The Authority's Investment Strategy is designed to engineer risk management into investment activity largely by reference to credit ratings and the 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 2013/14 complied with the latest Code of Practice (November 2011) and relevant Government investment guidance.

8 Other Prudential Indicators

As required under the Prudential Code, certain other year end Prudential Indicators must be calculated. Those not included (or presented differently) within the body of this report are included at **Annex C** for noting by Cabinet and subsequent approval by Council.

9 Conclusion

The Council's treasury activities were in line with its approved policies and strategies. Investment rates fell marginally, given the Council's low risk appetite, and allowing for the downgrading of key counterparties and Government offering low rates. Furthermore, uncertainties surrounding the timing of key transactions have also inhibited investment decisions and have meant that predominantly, only very short-term investment were made. Those specific uncertainties have been concluded during 2013/14 and so this should allow greater predictability to a degree in terms of cash flow, although other uncertainties may well come into play in 2014/15.

Counterparties used during 2013/14

Counterparty	Type	Average £	Maximum £	Year End £
DMO	Fixed Term	76,285	890,000	0
Lloyds	Fixed Term	673,973	3,000,000	3,000,000
Blackrock (Gov)	MMF	685,140	5,990,000	0
Blackrock (Liquidity)	MMF	3,753,501	6,000,000	6,000,000
Insight	MMF	3,026,570	6,000,000	326,000
Lancashire County Council	Call	10,970,208	12,000,000	12,000,000
RBS	Call	2,068,978	3,000,000	0
			TOTAL	21,326,000

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.
E.g. 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.
- **Capita Asset Services** – they 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*.

PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

For Noting by Cabinet 29 July 2014

2012/13 Actual	2013/14 Estimate	2013/14 Actual
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AFFORDABILITY

PI 2: Actual ratio of financing cost to net revenue stream	Non - HRA	16.2%	12.8%	31.3%
	HRA	24.0%	23.3%	23.3%
	Overall	19.3%	17.1%	28.5%

CAPITAL EXPENDITURE

	£'000	£'000	£'000
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PI 6: Actual capital expenditure	Non - HRA	5,320	17,290	15,954
	HRA	3,590	4,870	4,284
	Total	8,910	22,160	20,238

PI 8: Actual Capital Financing Requirement	Non - HRA	45,503	40,281	44,462
	HRA	37,773	44,473	33,987
	Total	83,276	84,754	78,449

Cabinet Minute Extract – Minute 28

Provisional Revenue, Capital & Treasury Management Outturn 2013/14

(Cabinet Member with Special Responsibility Councillor Bryning)

Cabinet received a report from the Chief Officer (Resources) which provided summary information regarding the provisional outturn for 2013/14. It set out information regarding the carry forward of revenue budgets and capital slippage for Members' consideration. It also incorporated the treasury management outturn report and related matters.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

The City Council has a legal requirement to ensure that its expenditure is fully funded and to have regard to 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 Chief Officer (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 capital slippage items and Reserve transfers. 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.

On the assumption that the Council continues to support its previously approved spending plans, then the Officer preferred options are to approve the capital slippage requests (Appendix G), require no carry forward of the overspendings (Appendix E), and approve the various transfers and use of Reserves as set out in the body of the report.

Although the Council's General Fund budget and the associated Government funding reduced again in 2013/14, it continues to manage the financial pressure well, and has again improved its financial standing as at 31 March 2014. This has been achieved by narrowing down the breadth of service provision and reducing the number of employees both of which have had an impact on service delivery. 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.

Councillor Bryning proposed, seconded by Councillor Blamire:-

“That the recommendations, as set out in the report, be approved.”

Councillors then voted:-

Resolved:

(6 Members (Councillors Barry, Blamire, Bryning, Leytham, Sands and Smith) voted in favour, and 1 Member (Councillor Hamilton-Cox) abstained.)

- (1) That the provisional outturn for 2013/14 be noted, including the transfers to provisions and reserves actioned by the Chief Officer (Resources).
- (2) That as set out in section 4.2.1, the £57K transfer to the Welfare Reforms Reserve be endorsed, and that the Chief Officer (Resources) be given delegated authority to draw up to this amount from the Reserve to provide additional workload capacity for the Revenues service, should this not be manageable within existing budgets.
- (3) That in terms of underspendings, the position as set out in section 5.6 be noted and the Business Support Reserve be used to finance council housing condition surveys, up to the value of £15K.
- (4) That no overspendings be carried forward, as reflected in Appendix E, but with regard to council housing repairs and maintenance, the quarterly reporting arrangements be endorsed.
- (5) That the requests for capital slippage as set out at Appendix G be approved.
- (6) That the Annual Treasury Management report and Prudential Indicators as set out at Appendix H and be noted and referred on to Council.

Officer responsible for effecting the decision:

Chief Officer (Resources)

Reasons for making the decision:

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. The decision enables Members to endorse certain actions taken by the Chief Officer (Resources) and with regard to reserves contributions there would be opportunities for these to be amended during the current financial year, as part of the usual arrangements.

CABINET

Corporate Performance Monitoring 2014/15

02 September 2014

Report of the Chief Officer (Resources)

PURPOSE OF REPORT				
To present the corporate financial monitoring report and other supporting statements for Quarter 1 of the 2014/15 performance monitoring cycle.				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral
				X
Date of notice of forthcoming Key Decision		N/A		
This report is public.				

OFFICER RECOMMENDATION

- (1) That Cabinet considers this report and appendices and makes any recommendations as appropriate.

1.0 CORPORATE PERFORMANCE MONITORING 2014/15 – QUARTER 1

- 1.1 Following the approval of the Corporate Plan on 16 July 2014, Officers have been developing the performance monitoring process to ensure the 'right' measures are in place and that they can be measured accurately and appropriately. The aim is to improve the monitoring and reporting of performance and clearly show the factors that impact on achieving corporate and operational outcomes and priorities. The Chief Officer (Governance) advises that for this quarter no corporate performance report is being presented, but reporting will restart for Quarter 2.
- 1.2 In terms of finance, the corporate monitoring report for Quarter 1 is attached at **Appendix A**. This shows that in simple terms there is an underspending of £212K in respect of the General Fund, which is projected to increase to £264K by the end of the year. For the Housing Revenue Account, there is currently an underspending of £23K which is forecast to become and overspend of £12K by the end of the year.
- 1.3 In support, the latest update on Property matters is included at **Appendix B**, and the position with regards to treasury management activities is included at **Appendix C**.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

None arising from this report

LEGAL IMPLICATIONS

None directly arising from this report

FINANCIAL IMPLICATIONS

None directly arising from this report

OTHER RESOURCE IMPLICATIONS: Human Resources / Information Services / Property / Open Spaces: None directly arising from this report (other than as set out).

SECTION 151 OFFICER'S COMMENTS

The Deputy Section 151 Officer has prepared this report which has been reviewed by the Section 151 Officer.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments to add.

BACKGROUND PAPERS

none

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Ref: Corporate Financial Monitoring 2014/15 Qtr 1

Corporate Financial Monitoring

Quarter 1: April – June 2014

Report of: Financial Services Manager

1 Introduction

This monitoring report for 2014/15 sets out an indicative corporate picture of the Council's financial performance for the period ending 30 June 2014.

The report summarises the budgetary variances arising through services' monitoring, and also identifies any omissions, updates and/or actions required. In addition there are various other specific sections including capital expenditure and financing, the Housing Revenue Account (HRA), revenue collection performance and various reserves. The content and format of this report will continue to evolve, to draw on both national and local finance matters.

2 General Fund Revenue Monitoring

1.1 General Fund Summary Position



The current overall General Fund summary position shows that at the end of June there is a net underspend of **£212K** against the current budget. This is forecast to increase to **£264K** by the end of the year.

	Annual Budget £000's	Current Variance £000's	Full Year Projection £000's
Salaries	20,124	(109)	(101)
Transport	1,783	+4	+4
Supplies & Services	11,236	(18)	(75)
Fees & Charges	(14,668)	(89)	(92)
Other Net Budgets	65	0	0
Total	18,540	(212)	(264)

1.2 Savings Review

The original budget was approved with a number of restructure savings already built in. The following table provides an update on those restructures plus any additional savings achieved through similar reviews.

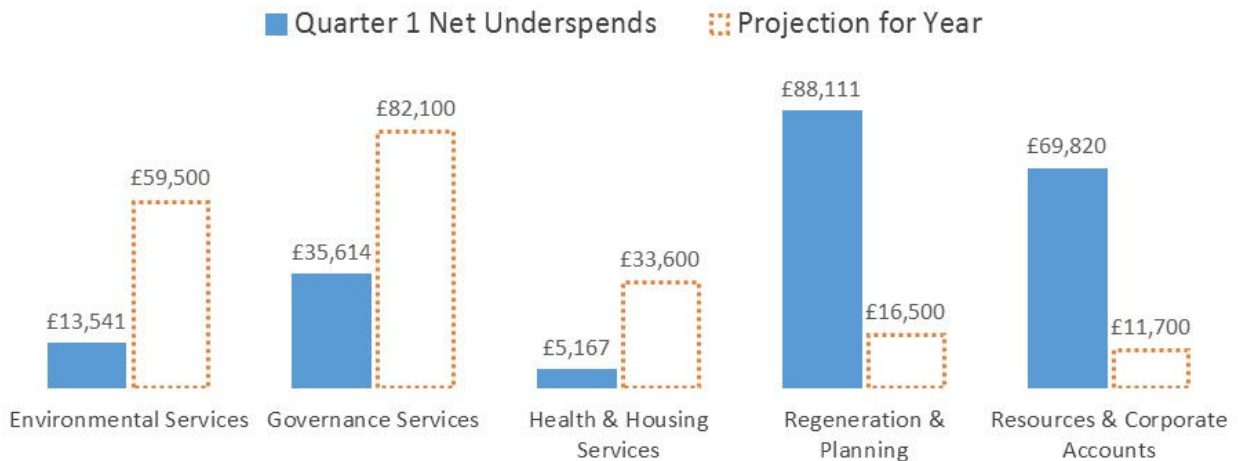
The table shows that the original budgeted savings of £322K have been exceeded by £91K.

All savings have already been incorporated into the current and projected savings above.

Service	Details of Change	Approval	Budgeted Saving £000's	Actual Saving £000's	Total Additional Savings £000's
Environmental	Service Restructure	Personnel	160	160	0
Governance	HR & OD Restructure	Chief Executive	0	41	41
Governance	Democratic Restructure	Chief Executive	0	12	12
Health & Housing	Sport & Leisure Restructure	Personnel	100	118	18
Health & Housing	Mini-restructure	Personnel	0	13	13
Health & Housing	Admin function restructure	Chief Executive	0	7	7
Regen & Planning	Service Restructure	Personnel	62	62	0
			322	413	91

1.3 Main Budget Variances

Annex A details the major true variances identified to date that have been included within individual services' monitoring reports. The variances reported cover employees, premises, transport, supplies and services and general income. A service by service picture is provided below.



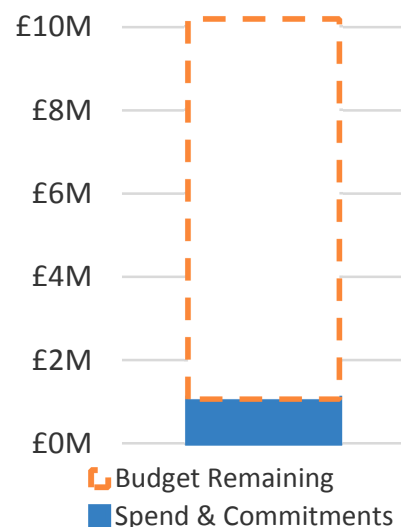
2 General Fund Capital Programme

2.1 Capital Expenditure & Financing

At the end of June there were spend and commitments of £1.080M against the original approved programme of £10.172M. Details of spend against each scheme is shown at **Annex B**.

It should be noted that slippage from 2013/14 has not been added to the programme at this stage, as it was only reported to Cabinet for approval on 29 July 2014.

The performance of the Council's property portfolio has strong linkages with capital investment and financing, and therefore at this point attention is drawn to the Property Group



report at **Appendix B**, provided alongside this financial monitoring report.

3 Revenue Collection Performance

3.1 Collection Fund Monitoring

3.1.1 Council Tax Yield (Total Collectable)

This section provides a summary analysis of the current surplus or deficit on the Fund, shown in the table below. Such a surplus or deficit arises because of the great many changes in liability that occur throughout the year. Furthermore, any difference between estimated and actual collection performance will ultimately have a bearing.

The table goes on to compare budgeted council tax yield, or total amount collectable, with the yield position as at 30 June:

	£000's		
Collection Fund Surplus (June 2014)			(1,124)
Represented by:			
2013/14 Collection Fund Surplus higher than forecast			(568)
<i>In-Year Movements to Date:</i>			
Lower Council Tax Support than estimated		(177)	
Higher Second Homes / Lower Empty Homes income		+10	
Other Movements in Tax Base		(389)	(556)
			(1,124)
Compared to:			
	Budgeted Projection £000's	Actual Position £000's	
Total Council Tax Collectable (Yield)	59,105	59,669	
Actual amount collected	(17,634)	(17,634)	29.55%
Amount Outstanding	41,471	42,035	(564)
Compared to In-Year movement above			(556)

As at 30 June, there is an estimated surplus of £1.124M (2013/14 Qtr1 £1.144M), which is not dissimilar to the same period last year.

This year's position is made up of:

- additional surplus brought forward from 2013/14 of £568K;
- £177K lower than estimated council tax support. This will continue to fluctuate as claimants' circumstances change, but since establishing the scheme proposals back in the autumn/winter of 2012, the trend is still that the total support being claimed is lower than expected;
- Overall £10K lower than estimated income from second/empty homes (specifically identifiable);
- a balance of £389K (2013/14 Qtr1 £475K) relating to other movements in the tax base or other factors which have still to be substantiated.

3.1.2 Business Rates Retention

The following table shows the latest retained business rates position at the end of June.

The table shows provisional additional income of £4.256M, of which 50% (£2.128M) is payable to Central Government and 50% (£2.128M) retained by the Council. However, it should be noted that this position could change significantly depending on the outcome of appeals.

At present, a total provision of £9M has been made for appeals prior to 31 March 2014, which includes £7M in respect of a number of very large appeals. However, a 1% change in the assumptions made on these settlements results in a movement of £1.2M in the value of the appeals. In addition, a further £2.3M has been forecast for appeals after 01 April 2014.

Due to the uncertainty surrounding appeal valuations, it would not be prudent to assume this is all guaranteed additional income to the Council until these appeals have been settled. New indications are that the larger appeals will not now be settled until March 2017.

The implications of this on the Council's financial planning needs much more in-depth consideration during future budget processes.

	2014/15 £000's
Net Collectable Amount of Business Rates	71.197
Less: Provision for Appeals	(2.302)
Net retained business rates	68.895
Less:	
Central Government Share – 50%	(34.448)
County Council & Fire Authority Share – 10%	(6.889)
Lancaster's Retained Business Rates Share – 40%	27.558
Less: Tariff payable to Central Government	(19.392)
Add: Small Business Rates Relief Grant	1.199
Total Amount of Retained Business Rates	9.365
Less: Lancaster's Baseline Funding Level	(5.109)
Provisional Additional Income	4.256
Split as follows:	
50% Levy Payable to Central Government	2.128
50% Retained by Lancaster	2.128

3.2 Council Tax and Business Rates Collection

The percentage collected for both council tax and business rates is slightly below target but expected to recover by the year end.

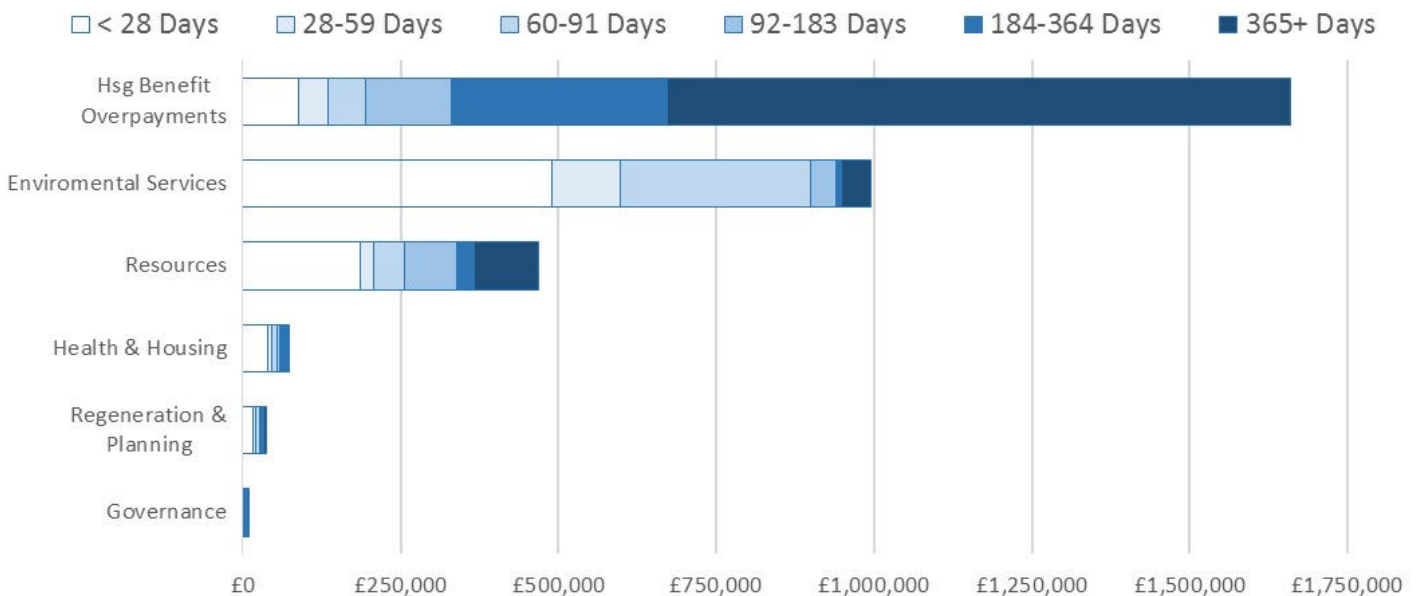
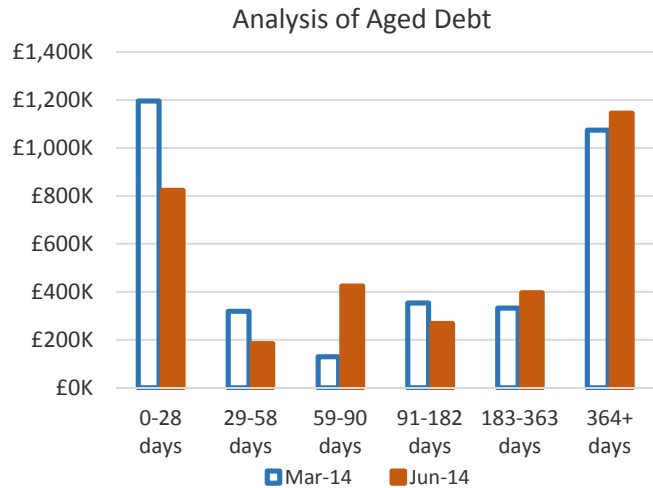
Percentage Collected	2013/14	2014/15	2014/15 Target	2014/15 Actual	Status
	All Years		In Year		
Council Tax	26.72%	26.72%	30.00%	29.55%	Slightly behind Target
Business Rates	24.31%	28.95%	30.00%	29.93%	

3.3 More details of welfare reforms / council tax matters are included in **Annex C**.

3.4 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of June the total debt outstanding was just over £3.2M, which is £162K less than the previous quarter.

	March 14	June 14
	£000's	£000's
0-28 days	1,196	824
29-58 days	319	185
59-90 days	130	425
91-182 days	354	269
183-363 days	333	396
364+ days	1,074	1,145
	3,406	3,244
Previous Year	2,718	2,562



4 Housing Revenue Account (HRA)

4.1 HRA Revenue Position

i At the end of June the position for the HRA shows a net underspend of **£23K** against the current budget, which is currently projected to become a net overspend of **£12K** by the end of the year. This is minor and may well reverse, hence no remedial action is recommended. Details of the variances are as follows:

Expenditure:

Employees **Current (£22,300)** **Forecast (£33,800)**

There are currently a number of vacant posts within management and administration and central control. These are expected to be filled in September.

Income:

Rental from Council Dwellings **Current +£8,200** **Forecast +£54,500**

A variance of £54,500 has been forecast for the end of the year based on current rent debit and void levels. The main variance relates to the increase in void levels from 1.63% to 1.90%, equating to a rent loss of £36,400. The remaining £18,100 relates to the increase in Right to Buy levels from 5 to 10 in the previous year (2013/14), which was not forecast in the 2014/15 estimates.

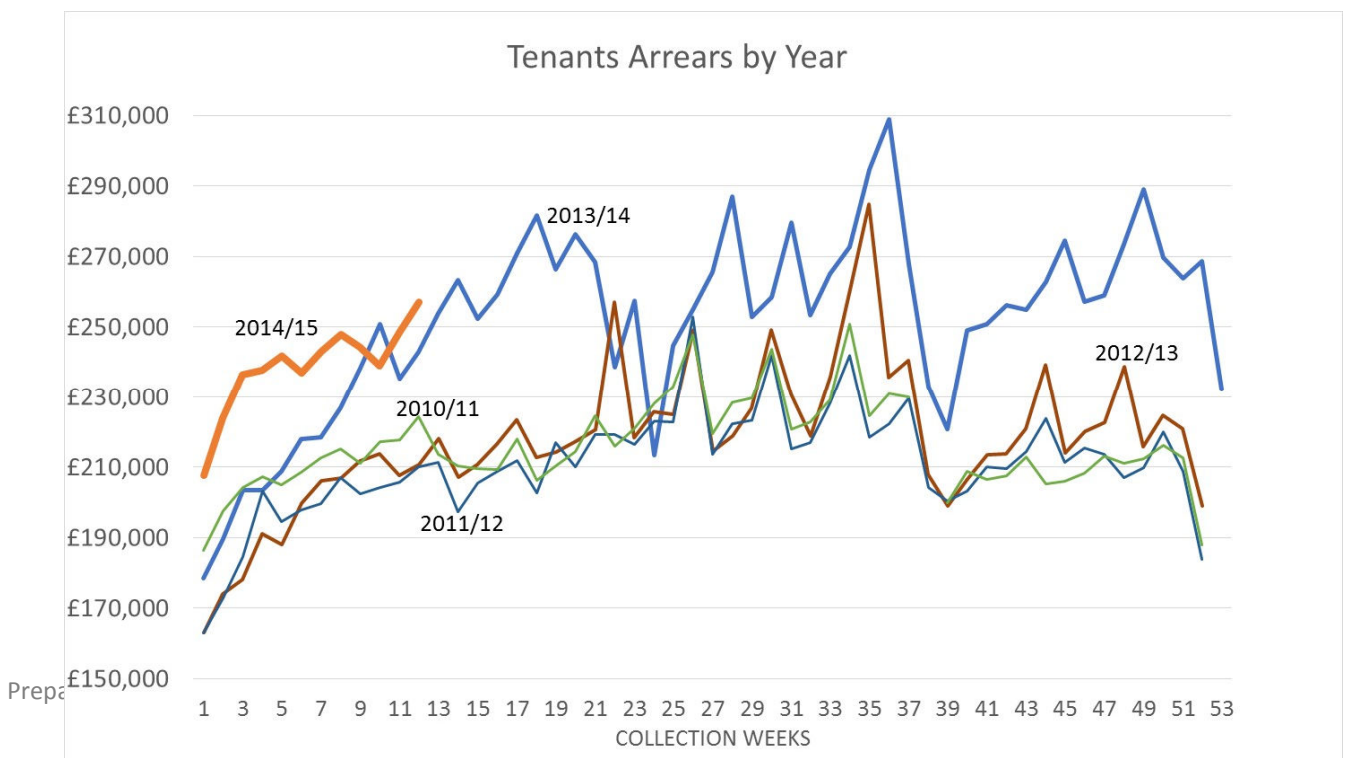
Telecare Income **Current (£9,000)** **Forecast (£9,000)**

More residents in the district utilising the lifeline services resulting in additional income.

4.2 Council Housing Rent Arrears

This section monitors the level of tenant arrears, to indicate any impact from welfare reforms and/or the wider economy on rent collection and in turn, to inform whether any specific actions are necessary. It will also feed into future reviews of the bad debt provision.

The following chart shows the current level of arrears compared to the previous 4 years. At the end of June, the level of arrears for 2014/15 is £257K (2013/14 Qtr 1 £243K) which is slightly higher than previous quarter last year.



4.3 HRA Capital Programme

This section analyses actual spend and commitments against the Council Housing Capital Programme at the end of June. To date spend and commitments total £1.037M against the programme of £4.844M leaving a balance of £3.807M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	300	45	255
Energy Efficiency / Boiler Replacement	660	70	590
Bathroom / Kitchen Refurbishment	1,097	464	633
External Refurbishments	999	204	795
Environmental Improvements	950	251	699
Rewiring	83	1	82
Fire Precaution Works	250	0	250
Lift Replacement	120	0	120
Re-roofing / Window Renewals	360	1	359
Septic Tanks Renewal	25	1	24
TOTAL	4,844	1,037	3,807

5 Provisions and Reserves

This section provides an update on key provisions and reserves, and balances.

5.1 General Fund Unallocated Balance

The current position with regards to unallocated Balances is set out below.

	£000's
Original projected balance as at 31 March 2014	3,436
Add: 2013/14 underspend	277
Less: Budgeted Contribution for 2014/15	(458)
Add: Current Projected In-Year Underspend	264
Latest Projected Unallocated Balance as at 31 March 2015	3,519
Less: Minimum Level	1,000
Less: Budgeted Contribution for 2015/16	1,000
Amount Available to Support Future Years' Budgets	1,519

The table shows that if the current projected net underspending materialises Balances would be £3.519M by the end of the financial year. This leaves £1.519M to support future years' budgets, after allowing for the minimum approved level and the £1M already budgeted to support the 2015/16 budget.

5.2 Insurance Provision

The current balance on the insurance provision is £362K, after making net payments of £53K in settlement of claims made. The estimated value of claims outstanding is £273K, which is £89K less than the current provision. A full review of the provision will be undertaken during the forthcoming budget process.

5.3 Bad Debt Provision

The level of the provision has been assessed in simple terms based on assumed levels of write-off as a proportion of debt outstanding. Based on the figures shown in section 3.4 the level of provision would be as follows:

Period	Debt £000's	% Cover Required	Value £000's
Up to 1 Month	735	1%	7
1 Month to 3 Months	505	5%	25
3 Months to 365 Days	188	10%	19
Over 365 Days	158	50%	79
HBen Overpayments	1,658	60%	995
TOTAL	3,244		1,125

Following a review of bad debts, as part of the 2013/14 closedown process, cover for housing benefit overpayment recoveries has been increased from 32% to 60%. This places the City Council in the mid-range of cover, when compared with other Lancashire authorities.

The current balance on the General Fund Bad Debt provision is £1.170M which is £45K more than the requirement indicated, which is after allowing for this year's contribution of £100K and write-offs of £32K. A formal assessment will be undertaken as part of the forthcoming budget process.

6 Contract Procedure Rules and Other Exceptions to Tender

In accordance with the latest approved contract procedure rules all exceptions to tender and other significant contract variations will be reported as part of the quarterly corporate monitoring process.

There is only one contract to report on relating to ground works at Marsh estate. When the contract was originally let the value was £99K and as such approved by the Chief Officer (Environment). However, this price was based on the work being "soft dig" and it has now transpired that the work is now going to be more difficult and time consuming as it is "hard dig", and therefore the revised cost has increased to £113K. Under normal circumstances a contract over £100K would be approved by the Chief Executive, however the increase

has been treated as a revision to the original contract. It is reported to Members for information only.

CORPORATE FINANCIAL MONITORING: General Fund Revenue Budget

Subjective Area	Service	Reason for Variance	Current Variances	Projection for Year
Employees	Environmental Services	Turnover savings	(3,255)	-
	Governance Services	Restructure and turnover savings	(21,734)	(57,100)
	Health & Housing	Restructure, maternity and turnover savings	(5,426)	(27,100)
	Regeneration & Planning	Reduced working hours and turnover savings	(30,744)	(16,500)
Resources	Vacant posts savings (will be offset later in the year)	(48,147) ↑	(109,306)	(100,700) ↑
Transport	Health & Housing	Additional vehicle lease costs in Cemeteries	3,546 ↓	3,500 ↓
Supplies & Services	Environmental Services	Reduction in number of vehicles operated by Furniture Matters resulting in saving	(6,121)	(62,900)
	Resources	ICT telephone maintenance contract reprofiled to annual payments	(11,673) ↑	(11,700) ↑
Fees & Charges	Environmental Services	Off-street parking income below target - daytime ↓ £14.2K, evening ↓ £4.4K	18,600	18,600
	Environmental Services	Off-street parking permit renewals down 10%	7,235	14,800
Governance Services	Health & Housing	Trade refuse income - net additional contracts	(30,000)	(30,000)
	Health & Housing	Search fee income continuing to increase	(13,880)	(25,000)
	Health & Housing	HMO Licence fees - increase in licences being issued	(5,178)	(5,000)
	Health & Housing	Sale of grave spaces lower than expected	17,535	?
Regeneration & Planning	Regeneration & Planning	Pest Control - additional contracts and insect control jobs	(15,644)	(5,000)
	Resources	Two large planning application fees received	(57,367)	(60,200)
		Investment interest	(10,000) ↑	(91,800) ↑
		TOTAL	(88,699)	(91,800)
			(212,253)	(263,600)

	Environmental Services			Governance Services			Health & Housing Services			Management Team			Regeneration & Planning			Resources & Corporate Accounts			
	Annual Budget	Variance	Annual Budget	Variance	Annual Budget	Variance	Annual Budget	Variance	Annual Budget	Variance	Annual Budget	Variance	Annual Budget	Variance	Annual Budget	Variance	Annual Budget	Total Variance	
EXPENDITURE																			
Employees	8,306,600	(3,255)	1,385,400	(21,734)	3,486,400	(5,426)	589,600	-	2,559,800	(30,744)	3,795,900	(48,147)	20,123,700	(109,306)	1,782,900	3,546			
Transport Related Expenditure	1,463,100	-	36,800	-	207,700	3,546	9,100	-	55,300	-	10,900	-	1,782,900	3,546					
Premises Related Expenditure	6,171,700	-	-	-	813,200	-	649,200	-	1,635,000	-	1,635,000	-	9,269,100	-					
Supplies and Services	3,668,900	(6,121)	935,700	-	1,106,900	-	4,900	-	1,980,000	-	3,539,200	(11,673)	11,235,600	(17,794)					
Recharges	1,117,300	-	11,200	-	31,200	-	-	-	112,000	-	765,600	-	2,037,300	-					
Debt Premia	-	-	-	-	-	-	-	-	-	-	16,700	-	16,700	-					
Housing Benefit Payments	-	-	-	-	-	-	-	-	-	-	44,004,900	-	44,004,900	-					
Interest Payments	-	-	-	-	-	-	-	-	-	-	3,125,000	-	3,125,000	-					
TOTAL EXPENDITURE	20,727,600	(9,376)	2,369,100	(21,734)	5,645,400	(1,880)	603,600	-	5,356,300	(30,744)	56,893,200	(59,820)	91,595,200	(123,554)					
INCOME																			
Customer Fees and Charges	(6,257,500)	(4,165)	(589,700)	(13,880)	(2,030,400)	(3,287)	-	-	(944,500)	(57,367)	(4,845,500)	-	(14,667,600)	(78,699)					
Government Grants	-	-	-	-	-	-	-	-	(61,200)	-	(45,069,500)	-	(45,130,700)	-					
Interest	(2,800)	-	-	-	(200)	-	-	-	(745,400)	-	(137,600)	(10,000)	(3,157,100)	(10,000)					
Other Grants and Contributions	(1,533,600)	-	(800)	-	(420,800)	-	-	-	(456,500)	-	(150,000)	-	(150,000)	-					
Capital Financing Income	-	-	-	-	-	-	-	-	-	-	(151,600)	-	(151,600)	-					
Recharges	(10,532,500)	-	(100,800)	-	(52,600)	-	-	-	(34,800)	-	(1,511,600)	-	(12,232,300)	-					
TOTAL INCOME	(18,326,400)	(4,165)	(691,300)	(13,880)	(2,504,000)	(3,287)	-	-	(1,785,900)	(57,367)	(52,320,700)	(10,000)	(75,478,300)	(88,699)					
NET APPROPRIATIONS	39,600	-	(15,000)	-	(20,000)	-	-	-	175,000	-	2,243,500	-	2,423,100	-					
NET TOTAL	2,440,800	(13,541)	1,662,800	(35,614)	3,121,400	(5,167)	603,600	-	3,745,400	(88,111)	6,816,000	(69,820)	18,540,000	(212,253)					

GENERAL FUND CAPITAL PROGRAMME MONITORING REPORT

SERVICE	SCHEME	2014/15	Actual to	Commitments	Total	Variance
		Gross Budget	Date	(Outstanding Orders)		+Overspend / (Underspend)
		£000's	£000's	£000's	£000's	£000's
Environmental Services	Allotment Improvements	45,000	7,430	11,008	18,438	(26,562)
	Bins & Boxes Lease Buy-out	12,000	-	-	-	(12,000)
	Car Park Improvements Programme	240,000	66,714	-	66,714	(173,286)
	District Playground Improvements	125,000	17	49,369	49,387	(75,613)
	Vehicle Renewals	632,000	-	-	-	(632,000)
	Toilet Works	130,000	(50,020)	220,410	170,390	40,390
	Will Park Improvements & Enhancements	75,000	-	-	-	(75,000)
Health & Housing Services	Disabled Facilities Grants	673,000	154,296	-	154,296	(518,704)
	Salt Ayre Cycle Circuit Lighting	0	(2,958)	-	(2,958)	(2,958)
	Salt Ayre Centre - Replacements/Refurbs	30,000	-	-	-	(30,000)
	Warm Homes Scheme	0	23,302	-	23,302	23,302
Regeneration & Planning	Amenity Improvements	3,000	-	-	-	(3,000)
	Arnsdale & Silverdale AONB Improvements	0	(125,771)	-	(125,771)	(125,771)
	Bold Street Housing Regeneration Site Works	391,000	35,768	-	35,768	(355,232)
	Brindle Close Affordable Housing s106 Scheme	0	80,000	-	80,000	80,000
	Cycling England	0	205	-	205	205
	Chatsworth Gardens	1,878,000	-	-	-	(1,878,000)
	Improving Morecambe's Main Streets	356,000	1,702	7,235	8,937	(347,063)
	Lancaster Square Routes	1,183,000	224,358	41,102	265,460	(917,540)
	Luneside East	0	1,560	-	1,560	1,560
	Middleton Nature Reserve s106 Scheme	10,000	-	-	-	(10,000)
	Morecambe TH12: A View for Eric	425,000	7,030	-	7,030	(417,970)
	Sea & River Defence Works	74,000	3,490	18,897	22,387	(51,613)
Resources	Corporate Property Works	3,530,000	50,134	176,507	226,641	(3,303,359)
	ICT Systems, Infrastructure & Equipment	360,000	32,231	46,002	78,233	(281,767)
Total Gross Programme		10,172,000	509,489	570,531	1,080,020	(9,091,980)

Grants & Contributions

Capital Contributions Income	(928,000)	(397,901)	-	(397,901)	530,099
Capital Grants Income	(1,164,000)	(1,185,296)	-	(1,185,296)	(21,296)
Total External Income from Grants & Contributions	(2,092,000)	(1,583,196)	-	(1,583,196)	508,804
Total Net Programme	8,080,000	(1,073,707)	570,531	(503,177)	(8,583,177)

The two schemes highlighted show credit amounts as they are awaiting completion of payments relating to 2013/14.

This note provides an overview of key facts and figures in respect of major welfare reforms and local taxation. Various forms of help and advice are available to affected claimants and households.

1. Benefits

1.1 The Under Occupation Penalty or ‘ Spare Room Subsidy’

1.1.1 Restrictions on housing benefit for claimants in social sector tenancies took effect from April 2013. These affect working age customers living in accommodation that is deemed to be too large for their needs. The following size criteria reductions in Housing Benefit apply:

- 14% where there is one bedroom more than required
- 25% where there are two or more bedrooms more than required.

1.1.2 Latest information indicates 552 affected customers in Lancaster (reduced from 574 in March 2014), creating a total reduction in benefit (and therefore additional rent collectable by Registered Social Landlords) of £7.4K per week (£385K annually). The breakdown is 387 Council tenants with a shortfall of £5.1K per week, and 165 RSL tenants with a shortfall of £2.3K per week.

1.1.3 A loophole that existed (in connection with claimants that had not moved home since January 1996, and had been on benefit since then) was closed with effect from April 2014. In this district there were 54 cases affected by this loophole.

1.2 The Benefit Cap

1.2.1 In March 2012 the Welfare Reform Bill introduced a Benefit Cap for working age households. The Department for Work and Pensions (DWP) has defined a household to include the claimant and partner and any dependants. The Benefit Cap has been set at:

- £500 per week for couples (with or without children) and lone parents.
- £350 per week for single adults.

1.2.2 There are currently 33 cases in Lancaster (this has slightly increased from the 30 cases reported in March 2014).

1.3 Discretionary Housing Payments / Exceptional Hardship

1.3.1 Discretionary Housing Payments (DHP) are administered by the Council and are paid to customers who are in receipt of or entitled to Housing Benefit where there is a shortfall between the level of Housing Benefit and the amount of rent charged.

1.3.2 For 2014/15 Lancaster City Council will receive £200K and for the first quarter received 202 applications. Out of these 153 have been granted, 38 refused and 11 are pending. Spend to date amounts to £63,017.04, in line with target.

1.3.3 Authorities across Lancashire are reporting a significant increase in Discretionary Housing Payment applications. It is anticipated that pressure upon the scheme will increase as rent pursuance action increases and the effects of welfare reforms are felt.

- 1.3.4 Additionally, the Council has set up an Exceptional Hardship Fund of approximately £30k for Council Tax Support cases. In the first quarter no applications have been received, but this is as expected, given that the Council has broadly maintained entitlements under its Localised Council Tax Support (LCTS) scheme.

1.4 Housing Benefits Processing

- 1.4.1 The Housing Benefit section is currently receiving an average of 95 new claims per week. The caseload as at July is 13,535, this being broadly the same as March 2014 when it was 13,529. Prior to this the caseload stood at 13,896 in October 2013.
- 1.4.2 Current processing times for new claims in Quarter 1 of 2014/15 are 27.9 days for new claims and 11.7 days for changes in circumstances. The current local target is 23 days for new claims and 10 days for changes in circumstances.
- 1.4.3 Linked in part to welfare reforms, increased activity is reported at the Enquiry Counters and in calls, with a steady increase in the time being taken to serve customers, due to the change in customer make-up and the amount of detail being required. An increase in the number of DHP applications has been experienced, with enquiries covering entitlement, refusals and extensions.
- 1.4.4 In order to free up specialist processing resources, benefit calls will be transferred to the Customer Service Centre in the near future; training is currently underway.
- 1.4.5 Changes to the Housing Benefit rules and other the introduction of the Council Tax support Scheme have had a negative impact on some processing times at the start of the financial year. However, as staff become more experienced in dealing with the changes, we are confident that all targets will be reached.

1.5 Universal Credit and the Local Support Services Framework (LSSF)

- 1.5.1 DWP are currently 'going live' with Universal Credit (UC) across the North West on a phased basis, for new, straightforward cases (firstly single people, no dependants). Pilot sites will start taking claims from couples from summer 2014 and families from autumn 2014.
- 1.5.2 In this district, UC is expected to go live for new, simpler claims towards the end of the calendar year, but the exact date has not yet been confirmed. Existing claimants would be unaffected then – they would not transfer onto UC until much later. Authorities are awaiting more information from Government.
- 1.5.3 Under a Local Support Service Framework (LSSF), Councils can choose to take on a role in face to face contact, ensuring that support is available to customers to claim online and in managing monthly payments. This would extend to those customers with more complex needs. The LSSF provides Authorities with a central role in establishing, leading and commissioning partnerships to deliver such support for claimants. Meetings are taking place with officers from the Job Centre Plus offices in preparation for these arrangements; a report to Cabinet is provisionally scheduled for November.

2. Council Tax Collection

2.1 Collection Targets

2.1.1 For 2014/15 the proposed in-year collection target has been reduced by 0.2% to 96.8%, to reflect the ongoing pressures from welfare reforms and the availability of 12 monthly instalments, giving less time at the end of the year for pursuing non-payment. If achieved, this would match 2013/14 performance.

2.2 Reminders & Summons

2.2.1 To the end of June 2014 the Council Tax team had issued 6,859 first reminders to late payers and 2,470 summonses for non-payment. This compares to 7,743 reminders and 2,098 summonses issued in the same period last year.

2.2.2 Comparison of the in year collection rate of 29.6% at the end of June shows a 0.1% reduction compared with last year's figure of 29.7%. Such small differences at this stage in the year are not considered significant and are liable to change over the following months. Further analysis of the overall collectable debt shows there was a substantial increase in liabilities raised in 2013/14 and this is likely to continue for 2014/15 due to the imposition of additional charges and premiums in respect of empty dwellings, and new properties coming on line. In addition, a breakdown of collection rates in respect of different "categories" of accounts shows a marked difference in collection for those taxpayers who are working age and in receipt of Council Tax Support (17.8% at the end of June, compared with the overall collection figure of 29.6%).

2.3 Discount & Exemptions

2.3.1 According to Council Tax records there are currently 1,997 empty residential properties across Lancaster (ignoring exempt properties) and 883 of these are long term empty for more than 6 months.

2.3.2 The introduction of empty property premiums and other exemption changes have had a positive influence on the number of long term empty dwellings (for Council Tax purposes) in the area, with a reduction of approximately 150 such properties in 2013/14. However, this dramatic reduction cannot continue indefinitely and is bound to slow over time. End of year collection rates in relation to empty properties show the Council collecting 90.2% of the outstanding charges on long term empty properties in 2013/14, and 84.0% of empty premiums for the same period.

Adrian Robinson
AD (Head of Revenues & Benefits)
31.07.2014

Property Group Update

2014/15 Quarter 1:
April – June

Report from: Senior Property Officer

1.0 Introduction and Background

This Quarter 1 report is intended to provide an update on previously reported projects and initiatives and to highlight any significant emerging property related issues. This report is not intended to provide in depth updates on all ongoing individual property cases.

2.0 Corporate Non-Housing Property Portfolio 1st Year Delivery Programme

As explained in previous reports, projects within the 1st year delivery programme fell into three procurement groups i.e. Minor Works (MW), Intermediate Works (IW) and Projects (P). The actual capital outturn in 1st year (2013/14) was £818K plus £103K revenue spend on the minor works projects.

The 2nd year programme was approved by Cabinet at its last meeting on 29 July. Allowing for all carry forwards and slippage, the approved 2014/15 Capital Programme now stands at £3.929M.

During this transition period into 2nd year delivery, the focus is on planning and the presentation of progress reporting is being updated to allow for this.

For now though, the presentation follows that reported previously. Given slippage, it follows that many 1st year planned schemes will also feature in year 2.

Budget flexibility between individual projects continues to apply, because the costs taken from the condition survey data to build up the £10.637M budget are purely indicative, having been estimated based upon non-invasive surveys. As such, the levels of work required at each property will increase or decrease as detailed specification work for the procurement process progresses. The possibility exists that unit costs will increase due to inflationary pressures and identified works increasing, if certain building components have deteriorated further.

The summary of progress to date follows:

2.1 Minor Works (MW) Project Progress

Property/Project	Total Indicative Works for Year 1	Indicative Works Brought Forward from Year 2	Total Approved Tender (AMP)
14 Buildings	£49K	£49K	£103K

Notes:

- (1) The Minor Works project has now been successfully completed and contained within the Agreed Maximum Price submitted.
- (2) This work was contained within the repair and maintenance revenue budget and therefore does not count towards the 1st year delivery programme's capital spend.

2.2 Intermediate Works (IW) Project Progress

Property/Project	Submit Design /tender	Approve Tender (AMP)	Original Indicative Works 1 st Year	Total Approved AMP & Fees	Proposed /Actual Start Date
White Lund Depot (1)	12/11/13	28/11/13	£231K	£113K	27/1/14
Lancaster Cemetery Chapels (2)	12/11/13	24/12/13	£80K	£175K	27/1/14
Lancaster Town Hall Railings (3)	23/09/13	30/09/13	£50K	£47K	02/10/13
Lancaster Town Hall Paving (4)	23/09/13	30/09/13	£30K	£28K	07/10/13
Morecambe Town Hall (5)	-	-	-	-	-
The Dukes Playhouse (6)	-	-	-	-	-
Williamson Park (Intermediate) (7)	12/11/13	27/11/13	£90K	£80K	02/12/13
Assembly Rooms (8)	14/11/13	28/11/13	£158K	£100K	9/12/13
Storey Building (9)	26/11/13	24/12/13	£233K	£323K	3/2/14
Maritime Museum (10)	25/04/14	12/05/14	£253K	£328K	7/7/14
Morecambe Intermediate General Projects; Morecambe Town Hall & Garages (60 Euston Road, Regent Road PC) Salt Ayre Sports Centre (11)	25/04/14	19/05/14	£100K	£112K	7/7/14
Lancaster Intermediate General Projects; Bridge End Depot, Ryelands Changing Rooms, Old Man's Rest, Cottage Museum, King George Playing Fields. (12)	29/08/14	TBA	£60K	TBA	TBA
Intermediate Demolition Projects (Ryelands Park Pavilion, Palatine Recreation Ground. (13)	29/08/14	TBA	£50K	TBA	TBA
Totals			£1.335M	£1.306M	

Notes:

- (1) The work is now 80% complete.
- (2) The work is now 100% complete and at Final Account Stage
- (3) Complete apart from entrance lamps programmed to be fitted 29.08.2014.
- (4) The work is now 100% complete.
- (5) Included within the Morecambe Intermediate Projects below
- (6) Project on hold as Dukes Theatre look to bid for development funding.
- (7) The work is now 100% complete, additional work to rebuild boundary walls.
- (8) The work is now 100% complete.
- (9) The work is now 90% complete, additional work to rebuild garden walls.
- (10) The work is now 40% complete, additional work to backup power generator.
- (11) The work is now 40% complete.
- (12) Projects merged to gain savings with AMP's to be submitted 29.9.2014
- (13) AMP's to be submitted 29.9.2014

2.3 Projects (P) Progress

Property/Project	Submit Design /Tender	Approve Tender (AMP)	Total Indicative Works 1 st Year	Total Approved Tender (AMP)	Proposed Start Date
Williamson Park (1)	25/04/14	TBA	£383K	TBA	TBA
The Platform (2)	06/12/13	24/12/13	£318K	£413K	03/03/14
City Museum (3)	25/04/14	TBA	£258K	TBA	TBA
Salt Ayre Sports Centre (4)	-	-	-	-	-
Mitre House Car Park (5)	05/06/13	08/08/13	£60K	£115K	30/09/13
Banqueting Suite Ceilings (6)	25/04/14	TBA	TBA	TBA	TBA
			£1.019M	£528K	

Notes:

- (1) Project delayed due to approval of specification for Lancaster stone paving. AMP to be submitted 29.9.2014.
- (2) The work is now 90% complete, additional works to install new fall and arrest system, maintenance of staircase to flat roof and fire compartmentalisation works to ground floor.
- (3) To complete category D (urgent/essential) works only AMP to be submitted 29.9.14.
- (4) Included within Morecambe Intermediate General Project.
- (5) The work is now 100% complete, additional work to lay new sub-base to ramp and car park.
- (6) AMP to be submitted 29.9.2014.

2.4 Other Comments

Once capital works have been completed on a particular building they will then be transferred to the growing planned maintenance programme. The plan for the next 4 years is to complete the required work on the property portfolio, facilitating the move from the current emphasis on an expensive reactive approach, to a more financially sustainable planned maintenance ethos.

3.0 Capital Receipts

There have been no further property related capital receipts received since the 2013/14 Quarter 4 update. Arrangements are in hand to report back on land off Bailrigg Lane (minute 108, Cabinet April 2014), land off Wyresdale Road (minute 12, Cabinet May 2014) and the former Shell/ICI site, once sufficient information is available.

4.0 Performance of Commercial Buildings

As can be seen from the table below there have been some significant changes in the commercial property portfolio since the 2013/14 Quarter 4 update.

	2013/14 Quarter 4	2014/15 Quarter 1
Number of Properties	61	60
Occupation by Floor Area		
• Total Let (m2)	18,053	17,043
• Total Vacant (m2)	3,658	1,639
• Total Area (m2)	21,711	18,682
Income/Outgoings		
• Rent (£)	-£931,750	-£886,950
• Service Charge (£)	-£302,750	-£302,750
• Total Income (£)	-£1,234,500	-£1,189,700
Running Costs (£)	£782,700	£634,800
Annual Balance (£)	-£451,800	-£554,900
Condition Survey (£)	£5,004,498	£2,774,349

The main reason for the changes is that St. Leonard's House has now been removed from the list of commercial property as it is being run down for closure later this year and is skewing the figures unnecessarily at this point. This accounts for the reduction in the number of properties from 61 to 60. The removal of St. Leonard's House along with some other minor gains in current occupation across the City Council's total commercial property portfolio has resulted in the percentage let figure increasing from the 83% reported in 2013/14 Quarter 4 to 91% in the current quarter. The remaining 9% of vacant space now amounts to the equivalent of 1639m², the majority of which is attributable to 2 buildings:

1. **The Storey:** The total commercial occupation within this building is currently running at 59% which is an improvement on the figure of 51.5% reported last quarter. The remaining 41% equates to a vacant floor area of 651m² and represents a reduction in vacant floors space of 47m² over last quarter.
2. **Citylab:** The vacancy rate here is currently running at 31% (or 397m²). This represents a slight fall over the 318m² of vacant accommodation reported in the 2013/14 Quarter 4 update due to the relocation of one of the tenants.

Despite some progress at the Storey and Citylab the 2 buildings above still account for 64% of the total vacant commercial portfolio. Property Group is currently working on plans to improve this and these plans will be reported at a later date. The remaining 36% is made up of four further buildings that are currently between lets or to be sold. In general terms, while Property Group will continue in its efforts to minimise vacancy rates, it should be remembered that supply is still outstripping demand in the commercial office rental market.

The total maintenance requirement has also reduced, a large proportion of which is due to the closure of St Leonard's House but further reductions have been made as a

direct result of the Property Works 1st Year Delivery Programme discussed earlier.

2014/15 Treasury Management Progress Report 30 June 2014 (Quarter 1)

Report of Chief Officer (Resources)

1. Introduction

The CIPFA Code of Practice on Treasury Management requires that regular monitoring reports be presented to Members on treasury activities. These reports will normally be presented after the end of June, September, December and March as part of the Council's performance management framework.

Council approved the 2014/15 Treasury Strategy, which incorporates the Investment Strategy, at its meeting on 26 February 2014. This report outlines activities undertaken in pursuance of those strategies during the financial year up to the end of Qtr 1.

Treasury management is a technical area. To assist with the understanding of this report, a glossary of terms commonly used in Treasury Management is attached at **Annex A**. In addition, the Councillor's Guide to Local Government Finance also has a section on treasury and cash management and an updated Guide is now available through the Member Information section on the Intranet.

2. Summary: Headline Messages

- **Icelandic Investments** – Only £77K still due from KSF, and £615K held in an escrow account in respect of Glitnir.
- **Borrowing Activities** – no new borrowing has been undertaken during the first quarter of the year.
- **Investment Activities** – two call accounts have reduced their interest rates, however, two £3M fixed term investments have been placed. Overall, investment interest is £10K ahead of target at the end of the first quarter.

3. Economic update (provided by Capital Asset Services)

After strong UK GDP growth of 0.7%, 0.8% and 0.7% in Quarters 2, 3 and 4 respectively in 2013, and 0.8% in Q1 2014, it appears very likely that strong growth will continue into 2014 as forward surveys are very encouraging. There are also positive indications that recovery is starting to broaden away from reliance on consumer spending and the housing market into construction, manufacturing, business investment and exporting. This strong growth has resulted in unemployment falling much faster through the threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, now broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being

used up. Accordingly, markets are expecting a first increase in the base rate around the end of 2014.

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.5% in May, and the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed in this quarter.

In June, the Federal Reserve continued with its monthly \$10bn reductions in asset purchases, which started in December 2014. Asset purchases have now fallen from \$85bn to \$35bn and are expected to stop by Q3 201, providing strong economic growth continues this year. First quarter GDP figures were depressed by exceptionally bad winter weather, but growth rates since then look as if they are recovering well.

The Eurozone is facing an increasing threat from deflation. In May, the inflation rate fell further, to reach 0.5%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB did take some rather limited action in June to loosen monetary policy in order to promote growth.

4. Icelandic Investments Update

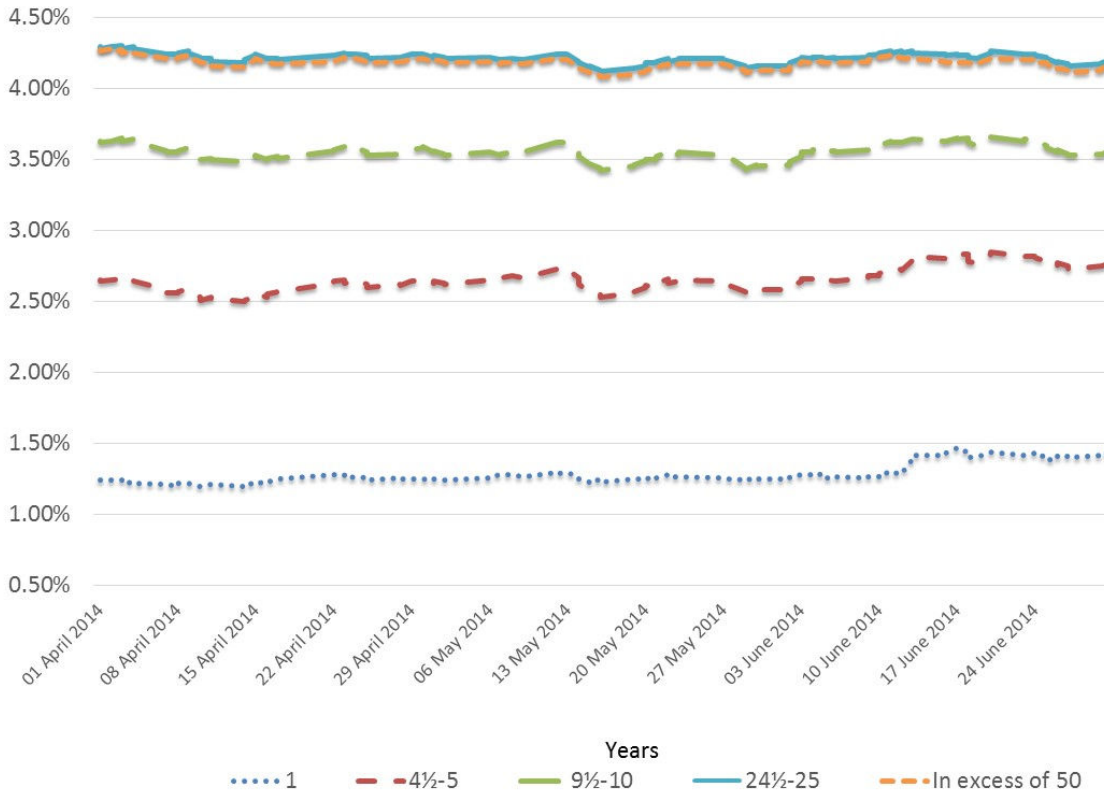
There has been no further distributions associated with the Council's only outstanding claim (with KSF). The outstanding money associated with Glitnir is slightly different in that the original claim has been repaid but is being held in an Icelandic bank escrow account, none of which can be repatriated as yet.

The following table shows the outstanding balances:

	KSF	Glitnir	Landsbanki	Total
	£000	£000	£000	£000
Original Deposit	2,000	3,000	1,000	6,000
Claim	2,048	3,173	1,121	6,342
GBP Payments received	1,669	2,508	1,021	5,198
Amounts still held in escrow account	0	615	0	615
Total anticipated recovery (%)	85.25%	100%	92%	
Further payments due (%)	3.75%	0%	0%	
Further payments due (£)	77	0	0	77
Total anticipated receipts	1,746	3,123	1,021	5,890

5. Borrowing Activities

No new borrowing was undertaken during Qtr 1. The following graph shows the PWLB rates for the last three months ending 30 June 2014.

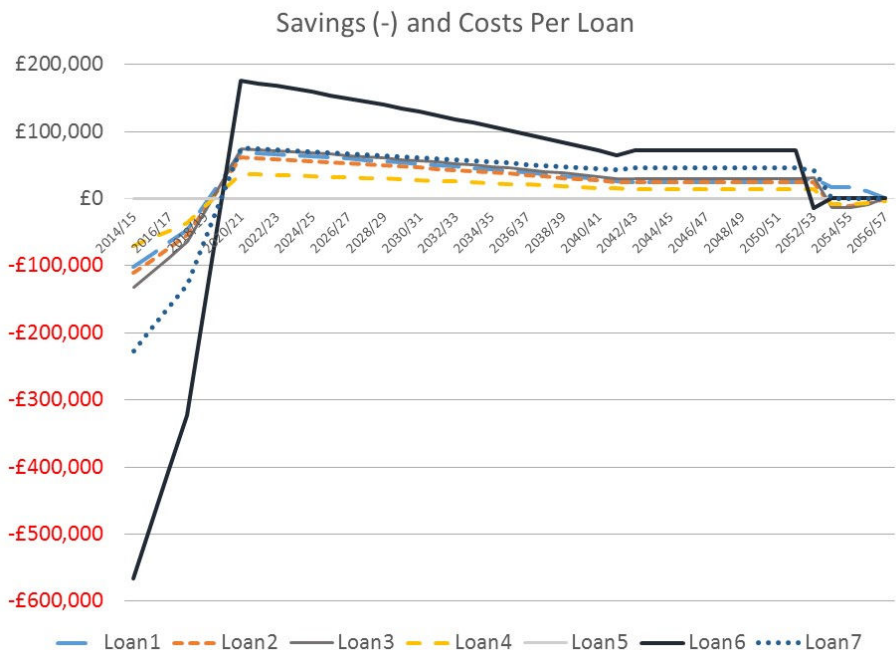


Early Repayment of Debt

Officers continue to monitor potential saving opportunities associated with the early repayment of existing debt. This takes into account the premiums or discounts associated with early repayment and the projected cost of refinancing or loss in investment interest.

To demonstrate the current position, the graph below uses the early repayment rates provided by the PWLB as at 30 June and the latest interest rate forecasts, as provided by Capita Assets Services. This shows that whilst initial savings may be generated in the early years, in the longer term, any early repayment at this stage would ultimately cost more money if interest rate forecasts remain correct. The net cost per loan is shown to the left of the graph. This excludes the HRA self-financing loan of £30M as this was taken out at a preferential rate of 3.03% and is being repaid on the basis of equal instalments of principal and interest.

	Principal Outstanding	Net Cost
Loan 1	£4,000,000	£1,138,834
Loan 2	£4,000,000	£883,284
Loan 3	£4,800,000	£1,095,751
Loan 4	£2,500,000	£502,197
Loan 5	£15,079	£1,493
Loan 6	£17,000,000	£1,508,119
Loan 7	£6,900,000	£1,051,306



6. Investing Activities

As laid down in the approved Investment Strategy, the aim is to prioritise security and liquidity of the Council’s investments. This is to ensure that the Council has sufficient cash to support its business, but also to minimise any further chance of a counterparty failing and the Council not being able to remove any cash deposited.

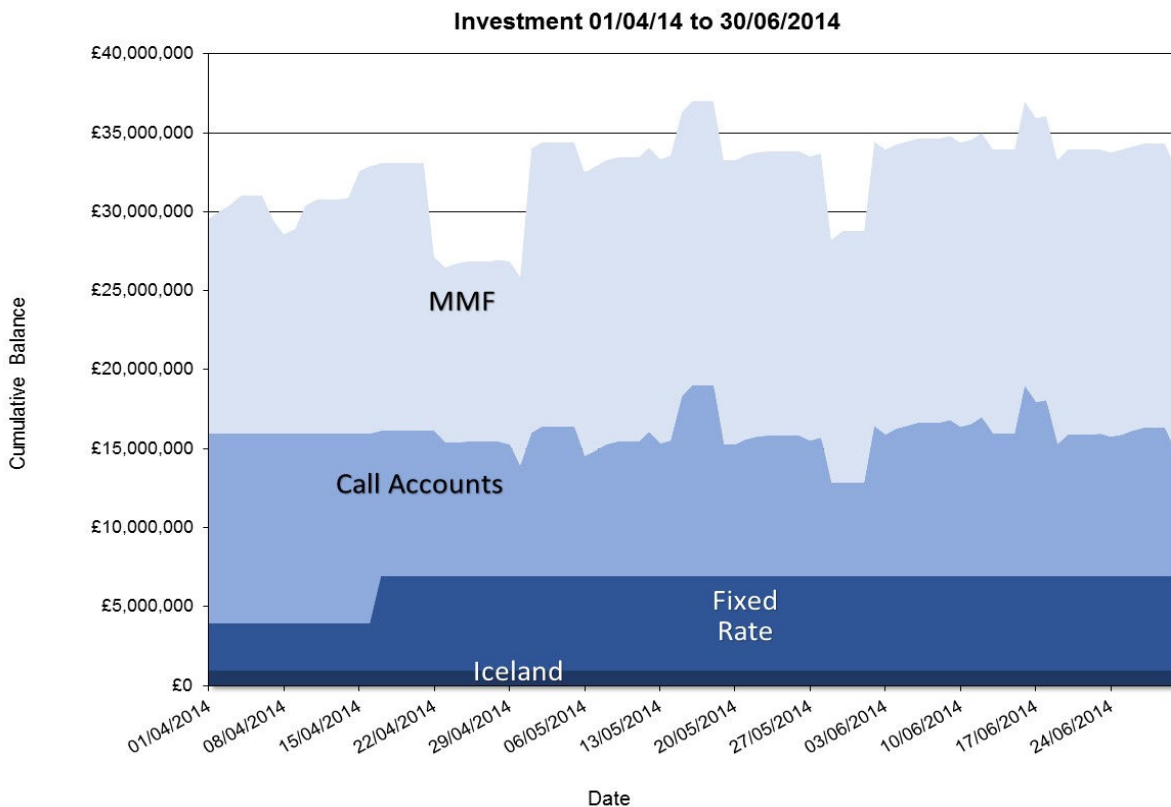
All investment activity has been in line with the approved Treasury Strategy for 2014/15. A full list of the investments at the end of Qtr 1 is shown below (Table 6.1):

Table 6.1 Counterparty balances

Other Investments	Opening £	Min £	Max £	Closing £	Indicative rate	Cumulative Interest £
Call: RBS	0	0	11,000	0	0.25%	0
Call: Lancashire County Council	12,000,000	0	12,000,000	2,024,000	0.25%	3,456
Call: Svenska Handelsbanken	0	0	5,864,000	5,864,000	0.40%	3,970
DMADF	0	0	0	0	0.25%	0
Government Liquidity MMF	1,634,000	0	6,000,000	6,000,000	0.25%	2,882
Liquidity First MMF	6,000,000	6,000,000	6,000,000	6,000,000	0.39%	5,769
Insight MMF	6,000,000	5,071,000	6,000,000	6,000,000	0.35%	5,114
Lloyds	3,000,000	3,000,000	6,000,000	6,000,000	0.60%	8,186
Sub-total	25,634,000			25,888,000		29,377

Below is a graph which displays the different investment products used by the Council. The majority of the Council’s balances are held within instant access MMF’s or call accounts. This is partly because there are prudential controls that ensure a certain percentage is immediately available and also there is only a small pool of counterparties that meet the Council’s credit criteria for fixed term deposits. Other UK banks, that meet the criteria such as HSBC, require much larger investment and market themselves at much larger institutional investors or corporations.

Graph 6.1 Investment balances



During the first quarter of 2014/15, the Council experienced a dramatic fall in the investment returns received from Lancashire County Council following a drop from 0.50% to 0.25% in the rate being offered. In addition, the interest rate associated with the newly opened account with Svenska Handelsbanken has also dropped by 0.10% to 0.40%.

However, two £3M fixed term investments have been placed with Lloyds Bank for a period of 3 months at a rate of 0.60%. The first matures on 09 July and the second on 17 July, and it is anticipated that these will be rolled on for a further 3 months upon maturity. Lloyds is still part nationalised and therefore continues to meet the criteria of 'Other Institutions' and the associated limits stated within the Treasury Management Strategy (reported to Council on 26th February 2014).

The newly opened account with Svenska Handelsbanken offers a dealing facility which is available until 3 pm, which is later than all other counterparties currently used. This enables the Council to sweep the cumulative balance held with The Cooperative Bank to ensure this balance is as close to zero by the end of the day.

Summary of Budget Position and Performance

In terms of performance against external benchmarks, the return on investments compared to the 7 day LIBID and bank rates over the year to date is as follows:

Base Rate	0.500%
7 day LIBID	0.475%
Lancaster City Council investments	0.427%

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

	Budget to Date £000's	Actuals to Date £000's	Variance £000's
Icelandic Credits	9	7	+2
Cash Interest	19	29	(10)
Total	28	36	(10)

The return is just below base rate and below the 7 day LIBID benchmark, this is mainly due to the Council's major investment counterparty (Lancashire County Council), halving their rate of interest. In absolute terms, the rate of return is very modest but given that the Council has continued to focus on secure and highly liquid deposits, it is considered reasonable.

Investment returns, excluding balances held in the Icelandic account, exceed the budgeted level. This is due to cash balances being larger than expected as a result of delays within the capital programme.

7. Risk management

There has been no material change in the policy or operation of the treasury function over the quarter, in recognition of the considerable uncertainty that exists within the economy and financial sector. The view is, therefore, that residual counterparty risk exposure for investment remains low.

The funds being held in Iceland still expose the Council to exchange rate risks, but these are unavoidable.

There is financial risk attached to the longer term debt portfolio, associated with interest rate exposure but all of the debt is on fixed interest and there has been no change to this over the quarter. Low investment returns mean that using cash invested to repay debt can appear more attractive, but the Council is not yet in a clear enough position to be following such a strategy.

Cash balances held with The Cooperative Bank continue to be monitored on a daily basis following the banks crisis in relation to its funding gap. The bank falls short of the council credit rating criteria and has not been on the approved lending list for some time.

8. Prudential Indicators

These indicators are prescribed by the Prudential Code to help demonstrate that the Council can finance its debt and have funds available when needed. The prudential indicators are listed in **Annex B**.

9. Conclusion

The biggest impact on investment returns this quarter has been the fall in investment return offer by the Shared Investment Scheme managed by Lancashire County Council. The Council has a low risk profile, as 97% of balances are held in high quality products. Investment returns are expected to remain fairly static until the final quarter of this financial year.

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.
E.g. 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.
- **Capita Asset Services** – are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.
- **Yield** – see Gilts

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

PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

		£'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
AFFORDABILITY					
PI 1: Estimates of ratio of financing costs to net revenue stream	Non - HRA	12.8%	12.4%	12.5%	12.8%
	HRA	23.3%	22.5%	21.8%	20.9%
	Overall	17.1%	16.6%	16.3%	16.2%
PI 2: Actual ratio of financing cost to net revenue stream		Reported after each financial year end			
PI 3: Estimates of the incremental impact of new Capital Investment decisions on the Council Tax This includes the impact of all elements of funding, including any increase in the need to borrow, required to finance new schemes added to the Capital Programme		-£6.70	£11.27	£3.48	£0.97
		-3.4%	5.6%	1.7%	0.5%
PI 3A: Illustrative Impact of Additional Borrowing £1 million			Repayment Period		
			5 Years	10 Years	25 Years
	Increase in Council Tax (£)		£4.86	£2.65	£1.47
	Increase in Council Tax (%)		2.48%	1.35%	0.99%
PI 4: Estimates of the incremental impact of Capital Investment on Housing Rents		Nil	Nil	Nil	Nil
CAPITAL EXPENDITURE					
PI 5: Estimates of capital expenditure	Non - HRA	17,290	10,170	3,910	4,030
	HRA	4,870	4,790	4,930	4,660
	Total	22,160	14,960	8,840	8,690
PI 6: Actual capital expenditure		Reported after each financial year end			
PI 7: Estimates of Capital Financing Requirement	Non - HRA	40,281	45,101	45,651	46,547
	HRA	44,473	43,432	42,391	41,350
	Total	84,754	88,533	88,042	87,897
PI 8: Actual Capital Financing Requirement		Reported after each financial year end			
EXTERNAL DEBT					
PI 9: Authorised Limit	Authorised Limit for Borrowing	101	101	104	104
	Authorised Limit for Other Long Term Liabilities	1	1	1	1
	Authorised Limit for External Debt	102	102	105	105
PI 10: External Debt: Operational Boundary		85	88	88	88
PI 11: Actual external debt		Reported after each financial year end			
PI 12: HRA limit on indebtedness		60,194	60,194	60,194	60,194
PRUDENCE					
PI 13: Treasury Management: adoption of CIPFA code of Practice		The Council has adopted the updated Treasury Management code of practice (2011).			
PI 14: Net debt and the capital financing requirement	Anticipated indebtedness (operational boundary)	84,531	88,310	88,310	87,819
	Anticipated investment	10,301	18,210	18,900	19,960
	CFR	84,754	88,533	88,042	87,897
	Under/over borrowed (-/+)	-10,078	-17,987	-19,168	-19,882

BUDGET AND PERFORMANCE PANEL**Work Programme Report****9th September 2014****Report of Chief Officer (Governance)****PURPOSE OF REPORT**

To update Members regarding the Panel's Work Programme.

This report is public.

RECOMMENDATIONS

- (1) That members note the updated work programme, as detailed in Appendix A to the report.
- (2) That members consider whether they would like to include any further items in the work programme.

1.0 Introduction

- 1.1 This report provides members with recommendations for inclusion in the panel's work programme and advises of possible upcoming items for consideration and work in progress.
- 1.2 The Budget and Performance Panel is responsible for setting its own annual work programme within the terms of reference, as set out in Part 3, Section 13 of the constitution.
- 1.3 Members of the Budget and Performance Panel are entitled to give notice to the Chief Executive that they wish an item relevant to the Terms of Reference of the meeting to be included on the agenda for the first available meeting, and the meeting will determine whether the issue should be included in its Work Programme based on its relevance as compared to the priorities as set out in the Scrutiny Work Programme (Part 4, Section 5 of the Constitution).

2.0 Report**2.1 Items included in the 2014/15 Work Programme**

Further to the previous meeting of the Panel the following items have been added to the Work Programme.

- Financial Monitoring
- Corporate Performance Monitoring

- Annual Stakeholder's Meeting
- Budget Overspends/Variations

Additional information has been provided below on other issues raised at the last meeting.

2.2 **Marmot Review**

At the last meeting of the Panel it was reported that the Overview and Scrutiny Committee had agreed to invite Dr Mike Grady to a meeting to give a presentation on the Marmot Review. Officers have contacted Dr Grady, and after discussions with Dr Grady and, with the agreement of the Chairman of the Overview and Scrutiny Committee, a Member briefing has been arranged for this presentation. The Overview and Scrutiny Committee will be recommended to invite members of the health and wellbeing local partnership group to the briefing.

The Member briefing will take place on Wednesday, 8th October 2014, commencing at 2.00 pm at Lancaster Town Hall.

2.3 **Forthcoming Key Decision List**

The Panel agreed, at its last meeting, that members could put forward financial or performance related items to the pre-decision scrutiny champion of the Overview and Scrutiny Committee.

Members are advised that they will be notified electronically by the Modern.gov system when the list is published and paper copies of the current list have been placed in Members' distribution.

2.4 **Procurement Strategy**

At the last meeting of the Panel Members requested a report regarding the Council's new Procurement Strategy. In order to allow sufficient time for Officers to address recent issues and developments fully, such as the complexities around living wage principles and the Public Services (Social Value) Act, it is now envisaged that the proposed Strategy will be presented to December Cabinet, as this will allow full pre-scrutiny at the November Budget and Performance Panel meeting. In the meantime, however, to share information on expected procurement developments, a briefing note will be provided for the Panel.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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APPENDIX A**BUDGET & PERFORMANCE PANEL WORK PROGRAMME**
2014/15

Matter for consideration	Officer responsible / External	Date of meeting
2013/14 Revenue and Capital Outturn.	Financial Services Manager.	9 th September 2014.
Qtr 1 Financial Monitoring.	Financial Services Manager.	9 th September 2014.
Qtr 2 Financial Monitoring.	Financial Services Manager.	11 th November 2014.
Qtr 2 Corporate Performance Monitoring Report.	Chief Officer (Governance).	11 th November 2014.
Annual stakeholders meeting.	Chief Executive.	27 th January 2015 (Venue = Morecambe Town Hall).
Treasury Management Strategy	Financial Services Manager.	24 th February 2015.
Qtr 3 Corporate Performance Monitoring Report	Chief Officer (Governance).	24 th February 2015.
Qtr 3 Financial Monitoring.	Financial Services Manager.	24 th February 2015.
Building Control Trading Account	Chief Officer (Regeneration and Planning).	TBA.
Compliments and Complaints Half Yearly Report. To form part of the Corporate Performance Monitoring Report.	Chief Officer (Governance).	TBA.
Service Level Agreements (SLAs) and Commissioning	Chief Officer (Governance).	TBA.
Significant Budget Overspends/Variations (Minute 6 refers).	As required.	As required.

Invitations to Cabinet Members

Cabinet Member and area of responsibility	Issue	Date of meeting
Councillor Blamire, Leader of the Council.	Corporate Performance Monitoring.	Various – as set out in the Work Programme report.
Councillor Sands (Cabinet Member for Arts and Culture) and Councillor Barry (Cabinet Member for Voluntary Sector).	To discuss partnerships within respective portfolios.	TBA.
All Members of Cabinet.	Various. Invitations to be extended to Cabinet Members to coincide with issues relevant to their respective portfolios.	N/A at this time.

Briefing Notes

Matter for Consideration	Date Requested	Date Circulated	Officer Responsible
Corporate Performance Monitoring - The origins of the 34% target for reduction in carbon emissions by 2020 (Minute 5 refers).	22 nd July 2014.	-.	To be arranged by the Financial Services Manager.
Corporate Performance Monitoring - The background to the Success Measure 'Increased number of people participating in sports and leisure activities'; including how levels of participation were measured, and whether there was a target. (Minute 5 refers).	22 nd July 2014.	-.	To be arranged by the Financial Services Manager.
Corporate Performance Monitoring - What measures were in place to improve the outcome 'Income generated from energy, including solar technology and climate change projects'. (Minute 5 refers).	22 nd July 2014.	-.	Chief Officer (Environment).
Corporate Performance Monitoring - The outcome 'Our streets and public spaces are clean', including how long this data had been reported 2012/13, and the	22 nd July 2014.	-.	Chief Officer (Environment).

methodology used. (Minute 5 refers).			
Corporate Performance Monitoring (Property Group Update) - What action was being undertaken to increase occupation levels across the council's commercial property portfolio. (Minute 5 refers).	22 nd July 2014.	-.	To be arranged by the Financial Services Manager.
Corporate Performance Monitoring (Property Group Update) - The reasons for low occupancy levels in some of the council's commercial properties. (Minute 5 refers).	22 nd July 2014.	-.	To be arranged by the Financial Services Manager.
Procurement Strategy. Referred to in paragraph 2.4 of the report. (Minute 6 refers).	22 nd July 2014.		To be arranged by the Financial Services Manager/Procurement Manager.