

**2008/09 3rd Quarter  
CORPORATE PERFORMANCE REVIEW TEAM MEETING  
11.00 am Tuesday 3 March 2009 – Roger Muckle's Office**

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

The third round of Performance Review Team (PRT) meetings for 2008/09 took place between 26 January and 6 February 2009.

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

Attached are:

- PRT meeting/attendance timetable
- Updated (Escendency) Action from 2008/09 Q1 meeting
- Escendency report showing red indicators
- Updated Finance Action 2008/09 Q1 meeting
- Q2 Corporate Financial Monitoring Report
- Treasury Management Monitoring Report

JEB/27 February 2009

**(SERVICE BASED) PERFORMANCE REVIEW TEAMS for 2008/09**  
 Timetable for 3rd Quarter – 26January to 06 February 2009

SERVICE	Meeting arranged	Cabinet Member(s)	Director (s)	Service Head	Paperwork Received (inc. updated action from previous meeting.	Action Note received	Additional Info.
LEGAL AND HR	11 am 6 February	John Gilbert David Kerr	Mark Cullinan	Sarah Taylor	✓ [N/A – ie no action to update]	✓	HR Manager and Legal Services Manager also attended
DEMOCRATIC	12 noon 6 February	John Gilbert	Mark Cullinan	Gill Noall	✓	✓	
FINANCE	9.30 am 6 February	Roger Mace	Roger Muckle	Nadine Muschamp	✓	✓	
CORPORATE STRATEGY	2 pm 2 February	Roger Mace Jon Barry Jane Fletcher David Kerr Eileen Blamire John Gilbert Susie Charles	Roger Muckle Peter Loker	Richard Tulej	✓ [N/A]	✓	Cllr Barry had separate meeting with Service Head. Cllrs Fletcher and Kerr sent apologies.
INFORMATION AND CUSTOMER SERVICES	10.30 27 January	John Gilbert	Roger Muckle	Jane Alder	✓	✓	
REVENUES	9.30 27 January	John Gilbert	Roger Muckle	Richard Mason	✓ [N/A]	✓	
CITY COUNCIL (DIRECT) SERVICES	10.00 27 January	Jon Barry	Peter Loker	Mark Davies	✓	✓	
COUNCIL HOUSING	10.00 29 January	David Kerr	Peter Loker	Steven Milce	✓	✓	
HEALTH AND STRATEGIC HOUSING	9.30 06 February	David Kerr John Gilbert	Peter Loker	Suzanne Lodge	✓	✓	
H&SH – CIVIL CONTINGENCIES	09.30 28 January	Eileen Blamire	Peter Loker	Suzanne Lodge Mark Bartlett	✓ [N/A]	✓	
CULTURAL	10.00 4 February	Susie Charles Jane Fletcher Shirley Burns	Heather McManus	David Owen	✓	✓	
PLANNING	10.00 3 February	Abbott Bryning Eileen Blamire Eve Archer Susie Charles	Heather McManus	Andrew Dobson	✓	✓	

SERVICE	Meeting arranged	Cabinet Member(s)	Director (s)	Service Head	Paperwork Received (inc. updated action from previous meeting.	Action Note received	Additional Info.
ECONOMIC DEVELOPMENT AND TOURISM	9.00 6 February	Abbott Bryning Eve Archer Shirley Burns Susie Charles	Heather McManus	Peter Sandford	✓	✓	
PROPERTY	12.00 5 February	Evelyn Archer Roger Mace	Heather McManus	Graham Cox	✓	✓	
NEIGHBOURHOOD MANAGEMENT	10.00 5 February	Roger Mace Evelyn Archer David Kerr	Peter Loker Heather McManus	John Deacon	✓		
Corporate PRT	11.00 3 March	Susie Charles	Roger Muckle	Richard Tulej Nadine Muschamp	✓		
PERFORMANCE MANAGEMENT GROUP	6 March	N/A	All	Nadine Muschamp Richard Tulej			
BUDGET AND PERFORMANCE PANEL Deadline to Mod.Gov 18 March	31 March	N/A					

**ACTION NOTE - 2008/09 Quarter 2 CORPORATE PERFORMANCE REVIEW TEAM MEETING**

**SERVICE AREA: PERFORMANCE – ALL SERVICES**

**DATE: 26 NOVEMBER 2008**






**PRESENT: COUNCILLOR S CHARLES, ROGER MUCKLE, NADINE MUSCHAMP, RICHARD TULEJ**

NO	AGREED ACTION	RESPONSIBILITY	PROGRESS
	ESSENDENCY		<b>UPDATED FOR Q3 MEETING:</b>
1	Noted explanation for target variance. No further action.		
2	Noted explanation for minor target variance. No further action.		
3	Agreed action noted to address variance. No further action.		
4	Agreed actions noted to address variance. No further action.		
5	Action complete. No further action.		
6	Noted explanation for why target not met. No further action.		
7	Not clear if target on track. PRT action plan not available. Request update on latest position in meeting target.	HCultS	Programmes not due to start until January 09. Actual activity will be reported in Q4.
8	Explanation noted. Request why target set so high.	HCultS	As this is a new indicator for this year we set an aspirational target of 95% for this programme. We have been consistently performing at the mid 70% mark over the year which will help inform the ongoing swimming review process to ensure we are providing the right lessons at the right levels based on customer demand. We will review the target for 09/10 to 80%.
9	Explanation noted. Request clarity about problem of meeting target.	HCultS	Over-ridden by the decision to close the Dome.
10	Explanation noted. No further action required.		
11	Explanation noted. No further action required.		
12	Explanation noted. No further action required.		
13	Explanation noted. No further action required.		
14	Explanation noted. No further action required.		









RCM/JEB/Nov 08






**Corporate PRT Report**  
**Quarter 3 2008/2009**

Ref No.	Performance Indicator	Measure-ment Interval	Type Of Measure-ment	Outturn 07/08	Target 08/09	Good Is	Q1	Q2	Q3	Year To Date	Status	Performance Commentary
1	BV183a Length of stay in B&B	Quarterly	Snapshot	0.74	1.00	Low	2.5	0	1.43	1.43	 Failing	Failure occurred due to an unforeseen emergency case needing to be placed in B&B.
2	BV212 08-09 Average Time to Relet LA Housing	Quarterly	Snapshot	32.19Days	32.00Days	Low	45.1	47.43	43	43.00Days	 Failing	<b>Q3 The average time to relet LA housing::</b> This has shown some signs of improvement and it is now taking an average of 43 days at the end of Q3 compared to 47.43 days at the end of Q2 and 45.1 days and the end of Q1. It is unlikely that we will be able to achieve our target of 32 days in 2008/2009. Actions will be maintained to continue to reduce the average time taken to relet. At the last PRT meeting it was agreed to undertake some additional analysis to look at the "within quarter" performance. This is set out below:Q1 42.75 daysQ2 48.87 daysQ3 36.11 days For further details see Action Plan.
3	CH11 08-09 Rent Lost Through Vacancies	Quarterly	Snapshot	1.20%	1.00%	Low	1.5	1.1	1.6	1.60%	 Failing	<b>Q3 CH11 The percentage of rent loss through vacancies:</b> The percentage of rent loss through vacancies has increased at the end of Q3 and is now at 1.6% against a target of 1%. As has been commented on in previous PRT reports the increase in rent loss through vacancies is partly attributable to the losses caused through fire damaged properties notably the flats at Aldingham Court. We are now in the process of reletting those flats following extensive work. The other major factor is the continuing need of having to undertake significantly more work on empty properties to bring them back to our relettable standard. On average to date this year it is taking us 10 days longer to turn round properties compared with last year.
4	Cult01 Parks; Alternative management arrangements report	Quarterly	Snapshot	Yes	Yes	High	Yes	No	No	No	 Target Not Achieved	<b>Service Head's Comments - PRT Q3:</b> Due to other service commitment which have been undertaken such as involvement in Williamson Park, the deadline of March 2009 will not be met.
5	Cult04 Develop new SLA Models to support delivery of Arts Strategy	Quarterly	Snapshot	Yes	Yes	High	Yes	Yes	No	No	 Target Not Achieved	<b>Service Head's Comments - PRT Q3:</b> Unable to complete this work due to Star Chamber and a number of reports required by members/management team which took precedence. This is likely to continue throughout quarter 4 postponing completion until 09/10

**Corporate PRT Report**  
Quarter 3 2008/2009




Ref No.	Performance Indicator	Measure-ment Interval	Type Of Measure-ment	Outturn 07/08	Target 08/09	Good Is	Q1	Q2	Q3	Year To Date	Status	Performance Commentary
6	Cult24 Produce a Dance Strategy - on target?	Quarterly	Snapshot		Yes	High	Yes	Yes	No	No		Service Head's Comments - PRT Q3: Work is progressing well, although we are slightly behind.
7	Cult26 Targeted Individuals engaged in diversionary activities?	Quarterly	Cumulative	300.00		High	0	0	0	0		Service Head's Comments - PRT Q3: Programmes were not due to start until September 08, now delayed until January 09 . Actual activity will be reported in quarter 4
8	Cult29 Effective swimming development programme	Quarterly	Snapshot	95.00%		High	74	72	73	73.00%		Service Head's Comments - PRT Q3: As this is a new indicator for this year we set an aspirational target of 95% for this programme. We have been consistently performing at the mid 70% mark over the year which will help inform the ongoing swimming review process to ensure we are providing the right lessons at the right levels based on customer demand. We will review the target for 09 / 10 to 80%
9	Cult44 Dome feedback	Half-Yearly	Snapshot	95.00		High	0	0	0	0		Service Head's Comments - PRT Q3: Over-riden by the decision to close the Dome
10	DS02 08/09: % of Key Decisions included in Forward Plan	Quarterly	Snapshot	64.00%	79.00%	High	50	85	60	60.00%		The drop in performance was during December when several issues were highlighted through the Star Chamber process and the necessity for Cabinet to give prompt consideration to budget savings in 2008/9.
11	ICS06 Abandoned Calls	Monthly	Average	2.68	3.00	Low	2.81	6.63	11.7	7.05		Staff sickness and unfilled vacancies have affected services.
12	ICS07 Ombudsman Responses (days)	Quarterly	Average	16.00Days	16.00Days	Low	0	24	0	24		This reflects one case only - originally it was unclear whether the case has already been through our complaints procedures
13	ICS10 08/09 Progress Access to Services Programme	Quarterly	Snapshot	47.00%		High	20	27	28	28.00%		Programme is severely delayed due to loss of Customer Services Project Manager and staff sickness in the IT team.

**Corporate PRT Report**  
**Quarter 3 2008/2009**

Ref No.	Performance Indicator	Measure-ment Interval	Type Of Measure-ment	Outturn 07/08	Target 08/09	Good Is	Q1	Q2	Q3	Year To Date	Status	Performance Commentary
14	NI158 08/09 % non decent homes	Half-Yearly	Snapshot		.00	Low		1		1	 Failing	<b>Q3 NI 158 – percentage of decent council homes:</b> As previously reported at the Q2 PRT the recent stock condition survey has highlighted that only 1% of the housing stock does not meet the new Decency Standard. The updated information from the stock condition survey will be used to inform our capital and planned maintenance programmes and any necessary adjustments will be made to bring all the stock back into decency.
15	NI188 Planning to adapt to climate change (Half yearly)	Half-Yearly	Snapshot		1.00	High		0		0	 Failing	<b>Q3 Performance Commentary:</b> Long term sickness absence has affected progress with this indicator. A graduate placement has been recruited to contribute to this work but it is unlikely we will be able to reach level one by the end of the year.
16	PROP01 Reduce overall energy use 08/09	Quarterly	Snapshot	9014278	8720000.00	Low	1950125	3211811	5928052	5928052	 Failing	<b>Q3 Performance Commentary:</b> Reduce overall energy use: This target is currently failing and will not be achieved by the end of the year. A budget of £20k has been allocated to energy efficiency schemes in 08/09, which will be used to install a voltage optimiser (Powerperfactor) system within Lancaster Town Hall which will reduce energy consumption in this building during the months of February and March 2009. A further small reduction may be achieved with staff co-operation through housekeeping initiatives (such as turning off computers, lights and photocopiers) however this would only result in a small reduction in energy use and would require additional resources in the form of staff time to raise awareness/enforce. A further contributory factor in the failure of this target is the current weather conditions; we are experiencing a cold winter with extreme temperatures. Without further investment in technology/buildings it will not be possible to reduce energy consumption and this will also impact on CO2 emissions.



**Corporate PRT Report**  
**Quarter 3 2008/2009**

Ref No.	Performance Indicator	Measure-ment Interval	Type Of Measure-ment	Outturn 07/08	Target 08/09	Good Is	Q1	Q2	Q3	Year To Date	Status	Performance Commentary
17	PROP02 Reduce CO2 Emissions	Quarterly	Snapshot	0.10	Low	0.02	0.04	0.07	0.07		 Failing	<b>Q3 Performance Commentary:</b> Reduce CO2 Emissions: This target is also failing and again will not be achieved by the end of the year. A budget of £20k has been allocated to energy efficiency schemes in 08/09, which will be used to install a voltage optimiser (Powerperfector) system within Lancaster Town Hall which will reduce energy consumption in this building during the months of February and March 2009. A further small reduction may be achieved with staff co-operation through housekeeping initiatives (such as turning off computers, lights and photocopiers) however this would only result in a small reduction in energy use and would require additional resources in the form of staff time to raise awareness/enforce. A further contributory factor in the failure of this target is the current weather conditions; we are experiencing a cold winter with extreme temperatures. Without further investment in technology/buildings it will not be possible to reduce CO2 emissions.
18	SH13 08/09: Number of properties in which serious hazard eliminated	Quarterly	Cumulative	120.00	High	20	25	27	72		 Failing	Performance has been affected by capacity in the Housing standards team. The Housing Act 2004 introduced new statutory duties for which the team does not have the capacity to undertake adequately.
19	SH25 08/09 No. of properties accredited	Quarterly	Cumulative	30.00	High	2	1	5	8		 Failing	The council has little control over how many Landlords request accreditation but capacity issues in the team mean that no proactive work can be carried out



**ACTION NOTE - 2008/09 Quarter 2 CORPORATE PERFORMANCE REVIEW TEAM MEETING**

**SERVICE AREA: FINANCIAL MONITORING – ALL SERVICES**

**DATE: 26 NOVEMBER 2008**

**PRESENT: COUNCILLOR S CHARLES, ROGER MUCKLE, NADINE MUSCHAMP, RICHARD TULEJ**

**Updated showing progress for Q3**

NO	AGREED ACTION	RESPONSIBILITY	PROGRESS
	PROGRESS FROM THE LAST MEETING WAS NOTED AND THERE WAS NOTHING TO BRING FORWARD.		
1	Property Services more robust in PRT monitoring following issues in SLH. Major variance not reported in PRT.	HPropS	<p>Revised income budget has been amended. Whilst the variances were reported and commented on in the background papers at PRT1 and PRT 2, this information was not transposed onto the summary sheet.</p> <p>The take up of rooms and offices, and hence rental income has been less than expected after larger tenants vacated last year. Some of these tenants have taken up space in CityLab thereby ensuring budgets for that property have been maintained/improved.</p>
2	With reduced search activity, request options for service management efficiencies.	HL&HR	Options presented as part of Star Chamber budget exercise. No further action needed.
3	Request report back why postage costs have exceeded budget. Are the savings from the TNT contract being achieved?	HPropS	At the time of reporting, the budget was showing a deficit. It has since been identified that this is because there has been increased postage through the new TNT system with the Revenues Service using the system rather than dealing with their own postage. Arrangements have now been made to merge the budget figures and the outcome is showing postage to be on target and savings being achieved as anticipated.

NO	AGREED ACTION	RESPONSIBILITY	PROGRESS
4	Request report back on Salt Ayre income projection for Reflexions.	HCS	The report on income projections for Reflexions, was incorporated into the Salt Ayre Sport Centre/Community Swimming Pools Savings Options Cabinet report of the 17 February 2009, which ultimately recommended a total budget reduction in 2009/10 of £119,000 for Salt Ayre Sports Centre.
5	Request report back on Planning Service staffing levels due to downturn. Less applications, opportunities for reduced capacity.	HPlans	Options presented as part of Star Chamber budget exercise. No further action needed.

RCMJEB/27 Nov 2008



## Corporate Financial Monitoring December 2008 | Quarter 3

Report of the Head of Financial Services  
Corporate PRT meeting | 03 March 2009

### HEADLINE INFORMATION

REVENUE	Current (Underspend) / + Overspend	Projected (Underspend) / + Overspend
General Fund	(£24,000)	(£7,000)
Housing Revenue Account	+£109,000	(£28,000)

# CORPORATE FINANCIAL MONITORING

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December 2008 | Quarter 3

## 1. INTRODUCTION

This monitoring report of expenditure and income for 2008/09 sets out an indicative corporate picture of the Council's financial performance relating to the period ending December 2008.

The report summarises the variances reported through Services quarterly PRT meetings, and also identifies any omissions, updates and/or actions required. In addition there are specific sections for salary monitoring, capital expenditure and financing, Housing Revenue Account, revenue collection performance and Insurance and Risk Management.

It should be noted that this quarter's monitoring is based on the Revised Budget as approved by Council 04 February 2009.

## 2. GENERAL FUND REVENUE MONITORING

### 2.1 General Fund Summary Position

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The current overall general fund summary position shows that at the end of December there is a net underspend of £24K against the revised budget. This is expected to reduce to £7K by the end of the year, i.e. based on current forecasts, net spending is broadly in line with the budget.

VARIANCES	Current £000	Projected £000
Major Variances (see section 2.3)	+17	+63
Salaries (see section 2.4)	(41)	(70)
<b>Total</b>	<b>(24)</b>	<b>(7)</b>

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

	£000
<b>Net Controllable Budget</b>	<b>23,934</b>
<b>2% Target</b>	<b>+/( ) 478</b>
<b>Provisional Controllable Net Overspend</b>	<b>(38)</b>
<b>Percentage of Net Controllable Budget</b>	<b>0.16%</b>

### 2.2 Actions Arising from Previous Quarter

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All actions from the previous quarter have been dealt with through the budget process, either by corrective action or presenting options to Star Chamber.



## 2.3 Major Budget Variances

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

SUMMARY BY SERVICE	Current £000	Projected £000
<b>REPORTED VARIANCES :</b>		
Democratic Services	0	(15)
Legal & Human Resources	+1	+5
Information & Customer Services	(7)	(7)
Financial Services	(60)	(75)
CC(D)S	(11)	(10)
Property Services	+30	(6)
Econ Development & Tourism	(2)	(10)
Cultural Services	+33	+103
Health & Strategic Housing	+1	+6
Planning Services	+6	+40
Revenue Services	+40	+46
	<b>+31</b>	<b>+77</b>
<b>VARIANCES NOT REPORTED :</b>		
Planning Services	(14)	(14)
<b>TOTAL NET OVERSPEND</b>	<b>+17</b>	<b>+63</b>

There is one area where a variance has not been reported, and this relates to additional planning income (a licence application).

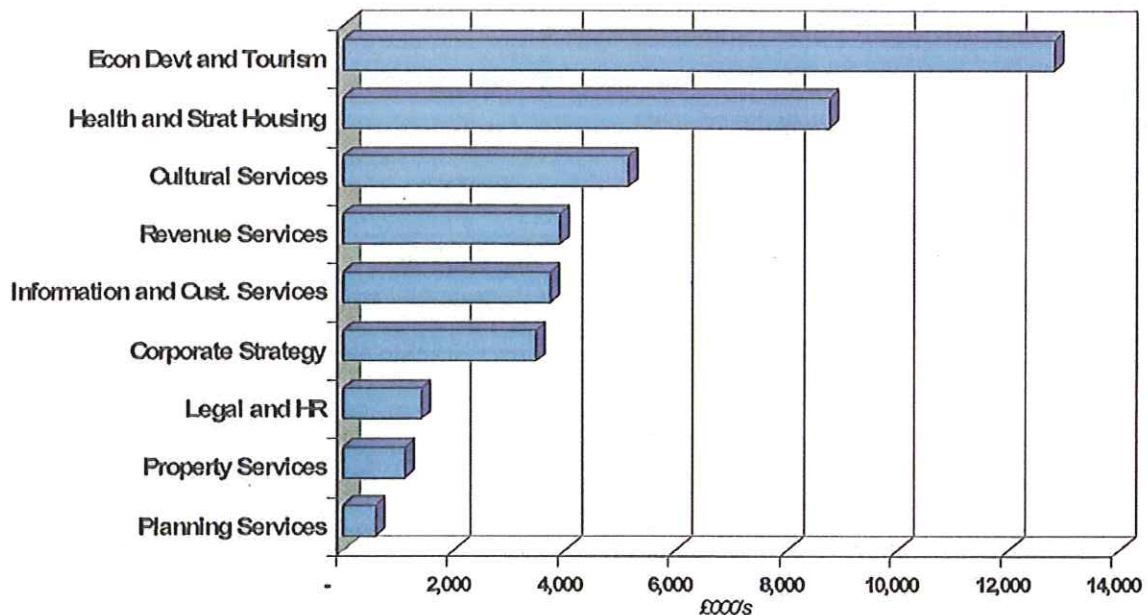
The variances listed in *Appendix A* show that there are a number of significant overspends relating to Salt Ayre Sports Centre and Heysham Pool energy costs, in addition to increased costs of Rent Allowances and delayed Planning Application fee income.

## 2.4 General Fund Salary Monitoring

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

To date savings of £41K have been achieved against the revised salary budget, which is anticipated to increase to a total saving of £70K by the year end.

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



### 3 GENERAL FUND CAPITAL PROGRAMME

#### 3.1 Capital Expenditure & Financing

The capital programme has been revised as part of the current budget process and reported through to Cabinet accordingly. At present, there are no variances to report in respect of the approved revised programme.

At the end of December there was spend of £6.836M against the revised programme of £11.653M, leaving a balance of £4.817M still to spend by the end of the year.

### 4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

#### 4.1 HRA Revenue Position

At the end of December the position for the Housing Revenue Account shows an overspend of £109K against the revised budget, which is currently projected to change to an overall net underspend of £28K by the end of the year. The level of current overspend is predominately due to outstanding claims relating to insurance repairs as shown below.

	Variations to Date	Project to Yr End	Comments
	£000	£000	
Estates : electricity	(7)	0	Actuals to date based on estimated usage – to be reviewed and based on actuals.
Rechargeable Repairs	+28	0	Previous years debtors to be charged to Responsive Repairs.
R&M Mgt and Admin : salaries	(5)	(7)	Savings due to maternity leave
R&M : contracted services	+5	+15	Increase in demand on Void properties resulting in increased work required.
Responsive Maintenance : fees & charges	(14)	(16)	Additional contributions from owner/occupiers relating to septic tanks.
Council Hsg Mgt and Admin : electricity	(10)	(20)	Charges included in rental agreement therefore budget no longer required.
Council Hsg Mgt and Admin : Stock survey	(8)	0	Previous years debtor currently in dispute due to outstanding work awaiting completion.
Insurance Repairs	+120	--	Major incidents recoverable by claims
<b>Total</b>	<b>+109</b>	<b>(28)</b>	

#### 4.2 Council House Rent Collection

This section analyses the Council Housing rent income due, and shows that the income collected for the year is in line with the estimate.

	2007/08	2008/09
	£	£
Estimate	7,744,200	8,307,375
Actual	7,778,722	8,307,243
<b>Difference</b>	<b>(34,522)</b>	<b>132</b>

### 4.3 Council Housing Capital Programme

This section analyses actual spend against the Council Housing Capital Programme to the period ended December 2008. Overall, there has been spend of £1.793M against the approved revised programme of £3.877M.

	Current Approved Programme £000	Spend to Date £000	Budget Remaining £000
Adaptations	250	167	83
Bathroom / Kitchen Refurbishment	705	475	230
External Refurbishment	915	446	469
Rewiring	281	0	281
Renewal of Heaters	251	0	251
Environmental / Crime Prevention	430	286	144
Re-roofing / Window Renewals	152	101	51
Energy Efficiency Works	478	315	163
Ryelands Development	1	1	0
Housing Office Alterations	3	2	1
Non Sheltered Housing Scheme	60	0	60
IT Replacement	60	0	60
<b>TOTAL</b>	<b>3,586</b>	<b>1,793</b>	<b>1,793</b>

## 5 REVENUE COLLECTION PERFORMANCE

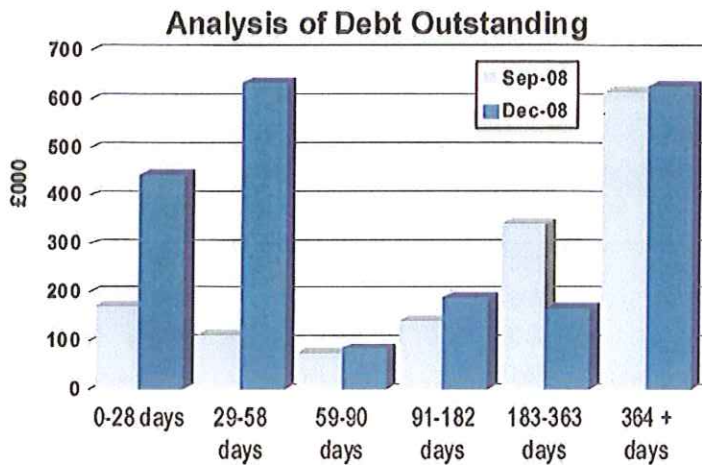
### 5.1 Council Tax & Business Rates

This section analyses the Council Tax and Business Rate collection statistics. Performance against the in-year collection targets is slightly down, being down 0.1% for Council Tax and down 1.56% for Business Rates. The latter has declined due to increases in the overall amounts collectable and the impact of new Empty Property Rate legislation, as well as the economic downturn.

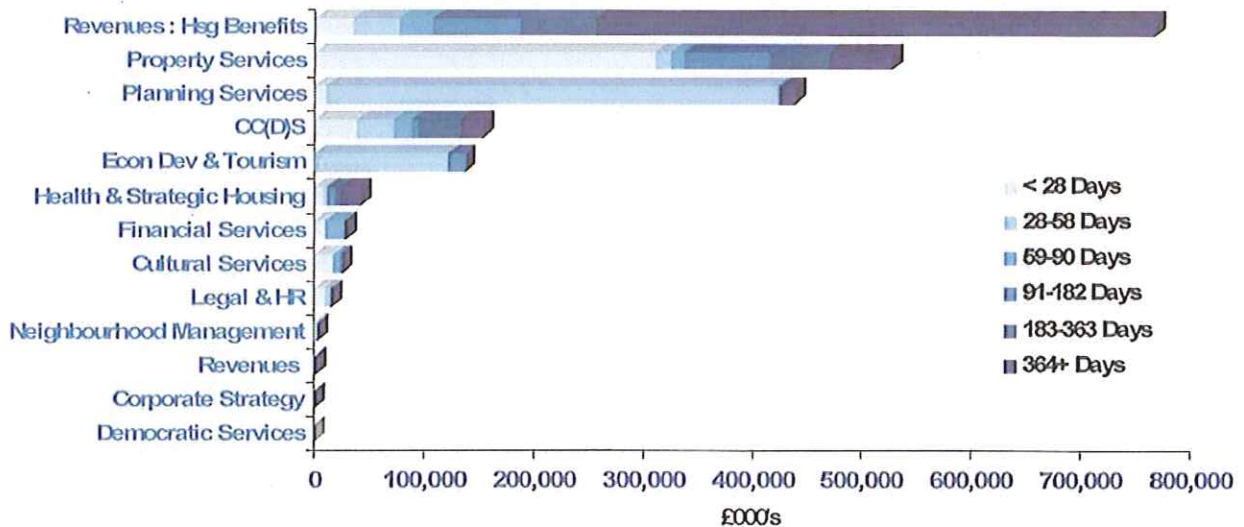
Percentage Collected	2007/08	2008/09	2008/09	2008/09	Status
	%	%	Target	Actual	
			%	%	
	All Years		In Year		
Council Tax	80.26	80.52	97.10	85.48	On Target
Business Rates	89.11	87.93	99.20	88.37	On Target

### 5.2 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of December the total debt outstanding was £2.1M, which is over £0.4M more than the same period last year. The analysis shows that the overall level of debt has increased by £600K from the previous quarter. This is mainly due to quarterly rents being raised by Property Services (175 invoices with a value of £310K) and three invoices raised by Planning with a value of £408K, the main one relating to the Cycle England scheme. This is currently being pursued.



	Sept 08	Dec 08
	£000	£000
0-28 days	173	442
29-58 days	112	633
59-90 days	76	84
91-182 days	142	190
183-363 days	342	167
364+ days	613	626
	<b>1,458</b>	<b>2,142</b>
Previous Year	2,047	1,755



## 6 INSURANCE & RISK MANAGEMENT

### 6.1 Insurance Monitoring

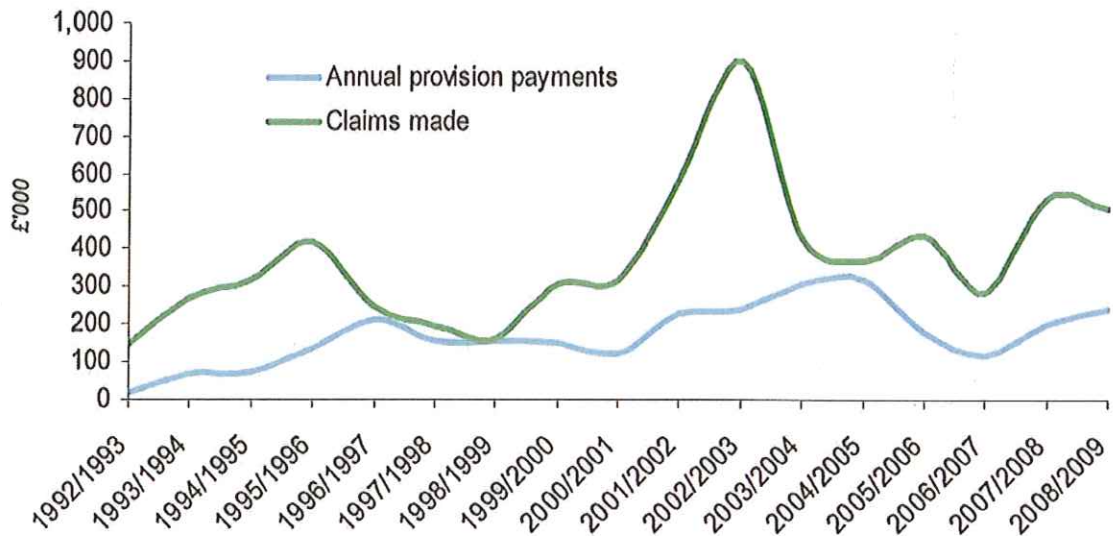
The current balance on the insurance provision is £277K, after making payments of £240K in settlement of claims made, and receiving £70K as credits from the insurers in respect of claims above the excess.

At present, our insurers estimate that the value of claims outstanding is £546K, which relate to a total of 248 claims made over a 13 year period. This estimate assumes that all these claims will be settled at the maximum reserve limit; however, recent statistics show that, on average, only 56% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £306K, which is £29K above the current provision.

It is highly unlikely that all these outstanding claims will fall due for payment in the same financial year. For 2008/09 it is anticipated that claims paid will amount to approximately £340K, which means a further £100K in payments, which is well within the current provision. The uncertain nature of insurance claims payments, however, means that accurate predictions are difficult and, as such, the balance will continue to be closely monitored.



## Analysis of claims made, paid and outstanding by year.



### 6.2 Other Risk Management

The Council's existing risk management procedures are currently undergoing a substantial review.

The Council's first Risk Management Policy and Strategy were adopted on 16 December 2003. Since that date, the Strategy has been reviewed and updated three times; namely, July 2005, June 2007 and May 2008. These amendments to the Strategy were fairly minor, involving changes to phraseology and reporting procedures etc. However, although these minor amendments were introduced, the procedures relating to the management of risk itself have remained largely unaltered for 5 years. There is now a need to review the effectiveness of these procedures and introduce improvements, calling on lessons learnt in the last 5 years.

The review will consider if any improvements can be made to the way that risk is managed in several key areas, namely; strategic planning, business planning & performance management, project management, decision making, partnerships and business continuity. The main objectives in looking at each of these key areas will be;

- to provide assurance as to the effectiveness of Services' current risk management arrangements, particularly focussing on risks associated with business objectives (i.e. via the Corporate Plan and Service Business Plans).
- to assist with the development and streamlining of current risk management arrangements, particularly focussing on integration with the Performance Management Framework (PMF).
- where possible, to help the Council improve on its Use of Resources assessment.

Full details of the review, together with the revised Risk Management Strategy, will be reported back to the next meeting of Audit Committee and approval to implement any changes/improvements will be sought.

## SUMMARY OF MAJOR VARIANCES (Qtr 3 2008/09)

(Not included elsewhere in the report)

Service	Service Area	Reason for Variance & Action being taken	Variance to Date	Projected Variance to Year End
			£	£
			+ = Adverse ( ) = Favourable	
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)				
Democratic Services	Electoral Registration	Underspend resulting from efficiencies in implementation of Electoral Administration Act.	+0	(15,000)
Legal & HR	Search Fees	Reduction in income due to decline in housing market. Whilst it is impossible to predict, it has been assumed that this will continue in future months. The position is being closely monitored.	+4,800	+15,000
	Licensing Act 2003 Premises Fees	More income than anticipated from new and variation applications. The annual fees are all payable in November and have now been received.	(3,700)	(10,000)
Information & Customer Services	Printing / copying equipment	Savings due to moving away from desk top printers to Multi Functional Devices.	(8,900)	(6,900)
Financial Services	Investment Interest	Re-assessment of budget following further reduction in Bank of England rate.	+17,000	+42,000
	Debt Repayment : Minimum Revenue Provision	Re-assessment of minimum statutory requirement.	+0	(117,600)
CC(DS)	Transport Costs : Fuel	Savings due to reduction in oil prices.	(12,000)	(24,000)
	Recycling Income	The market for recyclables collapsed (as widely reported in the media) in the autumn.	+8,000	+19,000
	Trade Refuse - Waste Disposal Costs	Tonnage down therefore costs reduced.	(20,000)	(20,000)
	Trade Refuse Income	Latest predictions suggest a fall in trade refuse income.	+15,000	+15,000
Property Services	Storey Institute - hire of premises	Windfall income for room hire.	+0	(18,000)
	Off Street Car Parks : Fees	Whilst current income levels are broadly in line, it is anticipated that the budget will be exceeded by the year end.	+0	(20,000)
	Repair and Maintenance	Additional costs due to buildings deteriorating faster resulting in more emergency repairs - officers looking at whether certain costs should be capitalised.	+30,400	+30,400
Economic Development & Tourism	Business Development Grants	Underspend on Business Development schemes.	(1,700)	(10,000)
Cultural Services	The Dome	Three events all with estimated secondary income of £20k have been cancelled.	+12,900	+20,000
	Heysham Pool - Energy Costs	Additional energy costs resulting from energy supplier undercharging error.	(6,300)	+28,800
	Heysham Pool - Private Hire	Loss of private hirers.	(1,600)	+10,000
	Heysham Pool - Junior Lessons	Additional course hire fees.	(4,200)	(6,000)
	Salt Ayre Sports Centre : Electricity	Increase in consumption and significant increase in charge rate - officer currently investigating.	+15,700	+30,000
	Salt Ayre Sports Centre : Gas	Small increase in consumption due to cold weather. N.Power now charging transportation costs - additional £6k at end of December.	+16,200	+20,000
Health & Strategic Housing	Management & Admin : Income	Additional admin fee income due to increased DFG allocation.	(9,000)	(10,000)
	Pest Control - Insect Control Charges	Demand for treatments fallen due to adverse weather conditions affecting insect populations.	+2,200	+8,000
	Pest Control - Rodent Control Charges	Demand for treatments has fallen.	+7,700	+10,000
Planning Services	Building Regulation Fees	Downturn in economic activity and application numbers. Revised estimate should however be met.	+5,600	+0
	Development Control : Fees	Continued downturn in economic activity resulting in reduced applications. Several major applications with large fees, at pre-app discussion stage but submissions likely 2009/10.	+0	+50,000
	Capital Salaries Income	Anticipated additional capital salary income at year end.	+0	(10,000)
Revenue Services	Benefits - Rent Allowances	Increase in spend due to more claimants in last 2-3 months together with introduction of Local Housing Allowance has produced an overall reduction in income, partially offset by increases in overpayment recoveries.	+40,000	+46,000
VARIANCES NOT REPORTED THROUGH PRT PROCESS				
Planning Services	Sea & River Defences : Income	Additional income received in respect of Wind Farm Cable Licence.	(13,700)	(13,700)
<b>TOTAL VARIANCES</b>			<b>+94,400</b>	<b>+63,000</b>

# PERFORMANCE REVIEW TEAM

## 2008/09 Treasury Management Progress Report to 31 December 2008

### Report of Head of Financial Services

#### 1. Introduction

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

Cabinet approved the Treasury Strategy for 2008/09 on 19 February 2008 and the Investment Strategy was approved by Council at its meeting on 27 February 2008. This report outlines activities undertaken in pursuance of those strategies during the financial year.

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

#### 2. Progress to 31 December 2008

##### 2.1 Long Term Debt Portfolio

The amount that the Council can borrow from the Public Works Loan Board (PWLB) in 2008/09 is dependent upon the Prudential Indicators set by the authority.

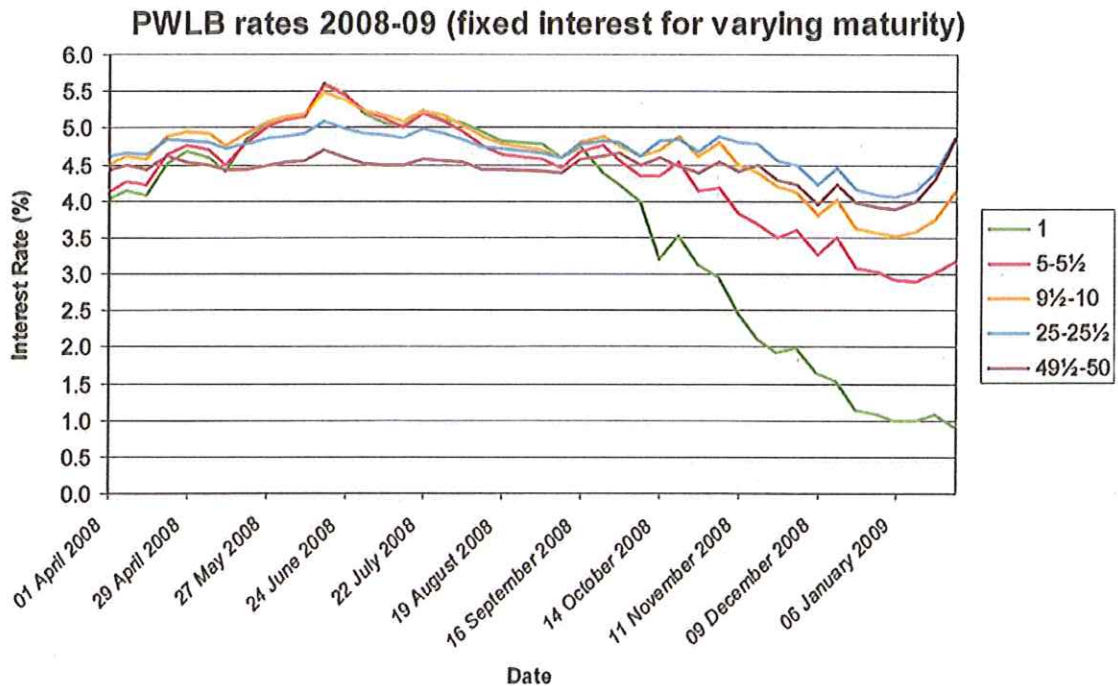
The forecast position on external borrowing remains static despite the fact that by the end of 2008/09 there will be a cumulative increase in the underlying need to borrow of £3.370M (2006/07 £1.608M, 2007/08 £1.762M, 2008/09 £0.214M, 2009/10 -£0.214M) for which no actual additional borrowing has been taken up. This is because the twin issues of the amounts set aside for the future repayment of debt, and a cashflow position which is forecast to remain strong, mean that there is no immediate need to take out new loans.

There was no change to the level of external debt outstanding at the end of Quarter 3 (£44.8M). This is comfortably within both the Operational Boundary (£49.1M) and the Authorised Limit (£56.3M) for external borrowing (see *Appendix A* for definitions of the above). This would have remained the case even if the full balance of approved additional borrowing shown above had to been taken up.

As at the end of quarter 3 no debt rescheduling had occurred. The Head of Financial Services, in conjunction with the Council's treasury management consultants, will continue to monitor prevailing rates to identify any potential opportunities during the final quarter of the year.

As can be seen on the graph below, the rates for shorter term borrowing have seen a sharp decline whilst the 50 year rates had come down from 4.5% to 4% at the end of December but are increasing toward 5% going into quarter 4. Looking forward, this potentially reduces the cost of paying debts off early. This is an attractive option given the multiple factors of low

investment yields, volatility in the credit rating of counterparties and the ability to obtain good value, short term borrowing.



## 2.2 Short Term (Temporary) Borrowing

Although the Council's cash flow position has remained strong, short term factors such as the exact timing of major cash receipts and the main payments to Central Government etc., can always create a requirement for temporary borrowing. No such requirement has yet arisen during 2008/09, although as can be seen from the PWLB data, should the need arise, the price of short term borrowing is currently very low.

## 2.3 Investing Activities

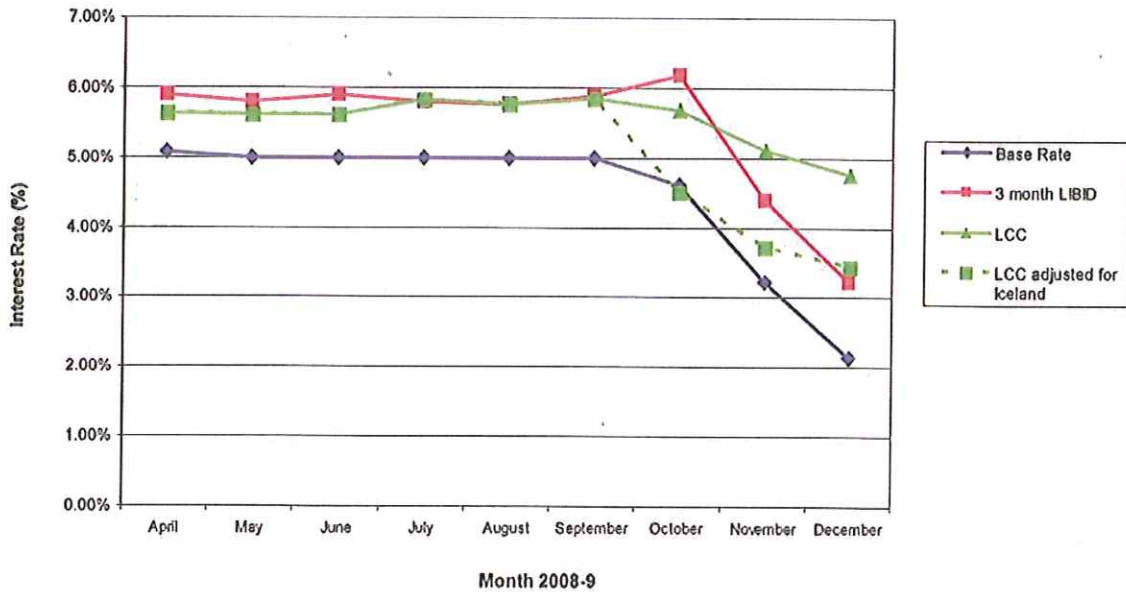
All investments have been placed in accordance with the approved Investment Strategy. A full list of the investments placed during the year is enclosed at **Appendix B**. Given the current economic situation, no further fixed term investments have been made since the Quarter 2 update.

It should be noted, however, that the £6M limit on short term investments was exceeded on one call account on 23 December. £900k was requested back from the Abbey National to prevent a breach of its £6M limit, but unfortunately this was repaid into the wrong account. This was then returned to the Council's Abbey account the next day, leading to a breach of the £6M counterparty limit. Whilst this is predominantly an administration error by the bank, a review of controls has been conducted and a new reconciliation process on the call accounts is to be implemented.

Setting performance targets for investment interest is difficult as short term money market rates fluctuate daily. Previously, the rates achieved on new investments have been compared with the Base Rate and with the 3 month LIBID (a benchmark adopted by some Council's as it reflects the balance between short term cashflow-dictated deposits and longer term 'core' deposits). These comparisons are shown below:



### Analysis of Interest Rates vs Investment return



In summary, the Council has been successful in achieving a return on its investments just over 1.1% higher than Base Rate and a 0.1% above the 3 month LIBID. The average rates over the first three quarters were as follows:

Base Rate	4.45%
3 Month LIBID	5.43%
Lancaster CC Investments	5.54%

Lancaster CC investments adjusted 5.11%

Quarter 3 has seen a sharp drop in interest rates following moves by the Bank of England to help stimulate the economy. As the Authority still holds a number of fixed term investments that were deposited prior to the drop in interest rates, the Council's portfolio is out-performing both the base rate and the LIBID rate. This, however, does not reflect the fact that as of 08 October 2008 the Council effectively has £6M of investments (in Icelandic banks) with a 0% return. When this is adjusted for, the average rate over the first 3 quarters is 5.11%, which still compares favourably with the base rate and is only 0.3% below LIBID.

Looking at these 9 months in isolation, the relationship between the levels of 3 month LIBID and Base Rate appears stable. However, this disguises the fact that the gap between the two is actually unusually wide. This has been the case for several months now and is another reflection of the ongoing uncertainties in the financial markets.

From a budgetary point of view, it was assumed that base rates would have fallen to at least 5.25%, and perhaps to 5%, by the beginning of April, with a further fall to 4.50% by the end of the calendar year. Recent events have significantly changed this view with the base rate at the end of December being 2%. Going forward into January, this was cut further to 1.5%. This will have a serious impact on investment returns going forward, once the current fixed rate deposits have matured. This reduced income has been reflected in the 2009/10 budget process. Furthermore, as any call account returns are directly linked to the base rate, the Council will see a drop in the returns on those accounts, the full impact of which will only be fully seen in quarter 4.

There is little further information in relation to Icelandic investments since the Medium Term Financial Strategy update. The future of the £6M currently invested plus interest due up to the date the banks went into administration, is subject to settlement with all creditors through the relevant administration processes here in the UK and in Iceland. Summary updates have

continued to be provided through to Council, however, linked to the development of the 2009/10 budget.

## **2.4 Prudential Indicators**

The Prudential Code for Capital Investment introduced a number of Prudential Indicators, some of which replace the borrowing/variable interest limits previously set each year by councils. Reference has already been made to certain indicators and other relevant monitoring information is also set out at *Appendix A*.

## **2.5 Summary of Budget Position at 31 December 2008**

The investment interest budget for 2008-09 was originally as follows:

Total investment interest      £1,113k

Split out:

HRA                                      £254k

General fund                          £859k

This was amended to a gross budget of £1,003K following the Icelandic banks going into administration. The simple profiled budget is £752K vs actual to date of £812K (see appendix B) but it is anticipated that this position will deteriorate going into quarter 4 given the sharp reduction in base rates, and will result in a budget shortfall of £42K for the year.

## **2.6 Approved Investment Counterparties**

The criteria for inclusion in the Council's list of approved investment counterparties underpin the Investment Strategy. The criteria seek to minimise the risk involved in placing investments, by setting time and volume limits to an institution through an analysis of its credit ratings. The list was updated as part of the 2008/09 Treasury Management Strategy (and will be updated for 2009/10, at Council on 04 March).

No forward deals were being entered into as a result of the increasing crisis affecting the banking sector. This limit is still in place.

The full list of current approved investment counterparties is available on request.

## **3. Treasury Management Consultancy Service**

Officers have continued to consult with Butlers, the authority's Treasury Management consultants, during 2008/09.

## **4. Conclusion**

There has been no activity in respect of long-term borrowings. No rescheduling opportunities have arisen and the continuing strength of the cash flow position has meant that no new borrowings have been required. The recent upturn in long term PWLB rates means that there may be some opportunity to reschedule debt in quarter 4.

There have been no new fixed term investments made in Quarter 3. Although the Council's portfolio is performing well in %age terms against prevailing interest rates, the original investment interest budget has been reduced following on from Iceland, and the reduction in rates etc. is predicted to cause further budgetary pressure going into Quarter 4.

**PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL**  
**Quarter 3 Update on Treasury Management activities, Performance Review Team,**  
**31 December 2008**

2008/09  
£'000

**AFFORDABILITY**

PI 1: Estimates of ratio of financing costs to net revenue stream	Non - HRA	13.4%
	HRA	9.4%
	Overall	12.1%
PI 3: Original estimate of impact of Capital Investment decisions on the Council Tax This includes the impact of all elements of funding, including any increase in the need to borrow, required to finance new schemes added to the Capital Programme		£0.28
		0.16%
PI 4: Estimates of impact of Capital Investment on Housing Rents		Nil

**PRUDENCE**

PI 6: Original estimates of capital expenditure	Non - HRA	31,133
	HRA	3,280
	Total	34,413
PI 8: Original estimates of Capital Financing Requirement	Non - HRA	30,642
	HRA	15,363
	Total	46,005
PI 10: Authorised Limit Authorised Limit for Borrowing Authorised Limit for Other Long Term Liabilities Authorised Limit for External Debt		66,290
		310
		66,600
PI 11: External Debt: Operational Boundary		49,100

**TREASURY MANAGEMENT**

PI 13: Treasury Management: adoption of CIPFA code of Practice	The Council adopted the CIPFA code of Practice for Treasury Management at its meeting on the 13th March 2002.	
PI 14: Fixed Interest Rate Exposure The Authority will limit its exposure to fixed interest rate costs to the amounts payable on the following proportion of its outstanding debt. At 31 March 2008 the Council was exposed to fixed interest rate costs on 100% of its outstanding debt		100%
PI 15: Variable Rate Interest Rate Exposure The Authority will limit its exposure to variable interest rate costs to the amounts payable on the following proportion of its outstanding debt. At 31 March 2008 the Council was exposed to variable interest rate costs on 0% of its outstanding debt		30%
PI 16: Maturity Structure of Borrowing  Upper and Lower Limits	Under 12 months	0% to 35%
	12 months and within 24 months	0% to 6%
	24 months and within 5 years	0% to 10%
	5 years and within 10 years	0% to 20%
	10 years and above	60% to 100%
	Maturity Profile of Current Outstanding Debt at 31 March 2008	
	Under 12 months	0%
	12 months and within 24 months	0%
	24 months and within 5 years	0%
	5 years and within 10 years	0%
10 years and above	100%	
PI 17: Investments for periods longer than 364 days  Maximum principal sum to be invested The above limit does not include sums for forward deals placed up to six months in advance for periods of 364 days or less.  At 31 June 2008, the total amount of investments placed by the Council during the year, for periods of greater than 364 days, was £3m (see Appendix B)		6,000

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

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

## APPENDIX B

## INVESTMENT INTEREST EARNED TO 31 December 2008

Name	Start	End	Rate %	Days up to 31/12/08	Principal £	Interest £
<b>Fixed term Investments</b>						
<b>Deposited 2007/08</b>						
Northern Rock (1 Yr Fwd Deal)	01-Apr-08	18-Apr-08	4.98	17	2,000,000	4,639
Landsbanki Islands	01-Apr-08	08-Oct-08	6.25	190	1,000,000	32,534
EBS B.S.	01-Apr-08	03-Apr-08	5.90	2	2,000,000	647
Glitnir	01-Apr-08	08-Oct-08	5.76	190	3,000,000	89,873
<b>Deposited 2008/09</b>						
Bradford & Bingley	04-Apr-08	04-Jul-08	6.05	91	2,000,000	30,167
EBS B.S.	04-Apr-08	06-Oct-08	6.02	185	3,000,000	91,537
Kaupthing, Singer & Friedlander	16-May-08	08-Oct-08	6.00	145	2,000,000	47,671
Anglo Irish Bank Corporation	17-Jun-08	17-Jun-09	6.56	197	3,000,000	106,218
Irish Permanent Plc	02-Jul-08	02-Apr-09	6.31	182	3,000,000	94,391
Scarborough BS	02-Sep-08	02-Mar-09	5.98	120	2,000,000	39,321
Kent Reliance	02-Sep-08	02-Mar-09	6.02	120	2,000,000	39,584
Sub total						576,581
<b>Call accounts</b>						
Abbey National						171,783
Allied Irish						63,611
Subt total						235,394
<b>TOTAL</b>						<b>811,975</b>

For investments highlighted, the counterparties have since been downgraded and removed from the counterparty list as noted in the quarter 2 report.

Re Bradford & Bingley, the investment has now matured & monies returned to the Council.

Icelandic banks have been accounted for up to 8/10/08, the point at which they went into administration.

As at 25 November, no monies are held in the Allied Irish Call Account.