

APPENDIX A

Housing Revenue Account Outturn - 2010/11

For Consideration by Cabinet 26 July 2011

	2010/11 BUDGET	2010/11 REVISED	2010/11 ACTUAL	VARIANCE ADVERSE / (FAVOURABLE)
	£'000	£'000	£'000	£'000
INCOME				
Rental Income - Council Housing (Gross)	(11,717,900)	(11,720,600)	(11,754,600)	(34,000)
Rental Income - Other (Gross)	(188,600)	(192,700)	(197,800)	(5,100)
Charges for Services & Facilities	(1,841,900)	(1,821,800)	(1,801,300)	20,500
Grant Income	(7,700)	(7,700)	(7,700)	0
Contributions from General Fund	(165,200)	(165,200)	(170,100)	(4,900)
Total Income	(13,921,300)	(13,908,000)	(13,931,500)	(23,500)
EXPENDITURE				
Repairs & Maintenance	4,028,500	3,943,100	3,792,200	(150,900)
Supervision & Management	3,357,300	3,393,600	3,197,900	(195,700)
Rents, Rates, Taxes & Other Charges	99,400	94,000	128,200	34,200
Negative Housing Revenue Account Subsidy Payable	1,574,500	1,748,600	1,748,700	100
Increase in Provision for Bad and Doubtful Debts	155,800	180,000	315,200	135,200
Depreciation & Impairment of Fixed Assets	2,369,000	2,370,300	36,519,400	34,149,100
Debt Management Costs	1,100	1,100	1,100	0
Total Expenditure	11,585,600	11,730,700	45,702,700	33,972,000
NET COST OF HRA SERVICES	(2,335,700)	(2,177,300)	31,771,200	33,948,500
(Gain) or Loss on Sale of HRA Fixed Assets	0	0	(109,300)	(109,300)
Interest Payable & Similar Charges	808,000	717,700	723,800	6,100
Amortisation of Premiums & Discounts	158,500	158,500	0	(158,500)
Interest & Investment Income	(55,000)	(22,900)	(236,000)	(213,100)
Pensions Interest Costs & Expected Return on Pensions Assets	68,000	68,000	(836,200)	(904,200)
(SURPLUS) OR DEFICIT FOR THE YEAR	(1,356,200)	(1,256,000)	31,313,500	32,569,500
Adjustments to reverse out Notional Charges included above	(65,400)	(63,200)	(33,747,300)	(33,684,100)
Net charges made for retirement benefits	(68,000)	(68,000)	945,600	1,013,600
Transfer to/(from) Major Repairs Reserve	0	(411,100)	(286,600)	124,500
Transfer to/(from) Earmarked Reserves	238,400	9,600	22,700	13,100
Capital Expenditure funded by the Housing Revenue Account	1,251,200	1,961,900	1,823,400	(138,500)
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	0	173,200	71,300	(101,900)
Housing Revenue Account Balance brought forward	(350,000)	(523,200)	(523,172)	28
Housing Revenue Account Balance carried forward	(350,000)	(350,000)	(451,872)	(101,872)

NOTE: the above statement has been updated to reflect changes in accounting practice. This has resulted in several large apparent variances, but these are due to presentation only.

2010/11 HRA Fund Variance Analysis

FACTORS INFLUENCING OUTTURN	VALUE		PRT QTR4 Projection £	C/Fwd Request £	Ongoing? £	
	£	£				
1 Unforeseeable windfalls or costs		3,304				
2 Demand led variances		122,870				
3 Efficiency savings	(166,362)					
4 Other service driven variances (including delays)	(82,347)					
5 Budget setting issues / errors		0				
6 Year end adjustments		21,729				
7 Minor variances	(1,066)	(101,872)				
DETAILED VARIANCE BY SERVICE AREA						
HRA - Council Housing						
Dwelling Rents (Gross)						
2 Lower voids at 1.2%, compared to estimate at 1.5%.	(33,963)		(34,000)			
2 Increase in rent income on Commercial Properties	(5,053)					
Charges for Services & Facilities						
1 Lower recovery of Court Cost debts		7,228				
2 Reduced income from heating charges and lower de-minimus receipts		6,510				
Repairs & Maintenance						
3 Caretaker Services : reduced energy costs obtained through purchasing consortium	(5,538)					
3 Responsive Maintenance : Increase in chargeable hours, from improved sickness levels and lower void levels	(62,285)					
Planned Maintenance						
2 Increase in boiler replacements following annual inspections.		14,842				
4 Appletree Close car parking completed ahead of schedule.		15,254	14,000			
3 Savings on contract	(73,457)		(36,800)			
4 Increase in insurance works resulted in delay in concrete repairs	(30,000)		(3,000)	30,000		
Supervision & Management						
Housing Options - Choice Based Lettings						
4 Vacant post savings	(12,908)		(9,800)			
4 Installation of system delayed due to contract issues	(6,484)		(6,600)			
Council Housing Management & Admin						
4 Deferred training courses and purchase of stock	(19,953)		(24,800)			
3 Savings on housing survey contract plus contribution from Environmental Services (Task System)	(12,867)		(15,400)			
1 New starters opting in to the pension scheme		5,193		5,200		
1 Costs incurred meeting statutory responsibility		5,911				
3 Procurement savings for works to the Oracle system	(5,236)					
4 Postage savings	(4,193)					
Repairs and Maintenance Management and Admin						
2 Increase in emergency inspections resulting in increased mileage		5,334				
4 Vacant post savings	(5,262)					
Sheltered Schemes						
4 Melling House/Alder Grove : Vacant post savings	(14,989)		(6,300)			
4 Beck View/Kingsway : Necessary safety works following fire risk assessment.		12,588		0		
1 Glebe Court : Electricity dispute with supplier is now resolved in favour of LCC	(7,028)		(7,600)			
Central Control						
4 System implementation behind target, first year maintenance costs now due in 2011/12	(16,400)		(16,400)			
3 Less equipment required due to equipment being returned and then relet	(6,979)					
Rents, Rates, Taxes & Other Charges						
6 Insurances : Additional contribution due to more claims received		34,228				
Negative Housing Revenue Account Subsidy Payable						
Increase in Provision for Bad and Doubtful Debts						
2 Increased provision to allow for increase in arrears		135,200				
Interest Payable & Similar Charges						
6 Consolidated Rate of Interest higher than estimated		6,140				
Interest & Investment Income						
1 Additional interest income from investments	(8,000)					
7 Minor Variances	(1,066)	(83,233)				
6 Year end adjustments from Environmental Services	(18,639)	(18,639)				
UNDERSPEND ON HRA BEFORE CARRY FORWARD AND SLIPPAGE REQUESTS			(101,872)	(141,500)	30,000	0
Total Provisional Carry Forward Requests				30,000		
Total Revenue Financing required to meet capital retentions				15,500		
TOTAL NET UNDERSPEND ON HRA, ASSUMING ALL CARRY FORWARD AND SLIPPAGE REQUEST APPROVED				(56,372)		

GENERAL FUND REVENUE SUMMARY

For Consideration by Cabinet 26 July 2011

	Original Budget £	Revised Budget £	Actuals £	Variance £	True Variance £
Office of the Chief Executive	0	0	0	0	(4,403)
Community Engagement	5,614,400	5,523,400	5,283,023	(240,377)	(264,721)
Environmental Services	6,697,200	6,339,700	5,853,281	(486,419)	(222,404)
Financial Services	3,855,400	3,924,400	7,601,786	3,677,386	(41,458)
Governances	2,013,300	1,905,900	1,721,641	(184,259)	(127,715)
Health & Housing	2,722,600	2,625,700	2,552,371	(73,329)	45,840
Information Services	174,100	235,100	201,738	(33,362)	(48,344)
Property Services	1,180,600	1,351,600	917,497	(434,103)	(249,728)
Regeneration and Policy	4,489,900	4,169,800	4,300,897	131,097	(370,885)
Corporate Accounts	(2,007,500)	(1,335,600)	(4,779,759)	(3,444,159)	196,293
Total Budget Requirement	24,740,000	24,740,000	23,652,475	(1,087,525)	(1,087,525)
Parish Precepts	528,100	528,100	528,100	0	
Total Net Expenditure	25,268,100	25,268,100	24,180,575	(1,087,525)	

Note the underspend of approx £1.087M will be transferred to Unallocated balances to balance off the Fund accounts.

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

APPENDIX C(i)

SUBJECTIVE ANALYSIS	2010/11 Estimate £	2010/11 Revised £	2010/11 Actuals £	Variance £	True Variance £
Direct Employee Expenses	21,385,100	20,321,800	12,020,231	-8,301,569	-288,569
Indirect Employee Expenses	711,900	1,451,900	1,657,666	205,766	149,011
Employees	22,097,000	21,773,700	13,677,897	-8,095,803	-139,558
Apportionment of Operational Buildings	180,600	179,000	158,947	-20,053	-20,053
Cleaning and Domestic Supplies	452,600	455,000	439,228	-15,772	-15,772
Energy Costs	920,100	844,500	700,340	-144,160	-144,160
Grounds Maintenance Costs	1,599,600	1,407,500	1,337,618	-69,882	-69,882
Premises Insurance	119,200	114,800	115,043	243	243
Rates	823,000	834,300	833,005	-1,295	-1,295
Rents	718,700	737,100	738,627	1,527	1,527
Repair and Maintenance of Buildings	1,357,300	1,474,000	1,323,326	-150,674	-150,674
Water Services	272,200	298,200	287,956	-10,244	-10,244
Premises Related Expenditure	6,443,300	6,344,400	5,934,090	-410,310	-410,310
Car Allowances	288,800	309,500	295,206	-14,294	-14,294
Contract Hire and Operating Leases	804,900	588,300	471,819	-116,481	-116,481
Direct Transport Costs	1,290,000	1,268,600	1,226,921	-41,679	-41,679
Public Transport	9,600	14,600	15,009	409	409
Transport Insurance	79,900	103,100	102,867	-233	-233
Transport Related Expenditure	2,473,200	2,284,100	2,111,822	-172,278	-172,278
Catering	67,900	78,100	68,156	-9,944	-9,944
Clothing Uniform and Laundry	77,400	76,700	69,402	-7,298	-7,298
Communications and Computing	974,200	1,042,600	1,012,912	-29,688	-29,688
Contribution to Provisions	109,800	108,700	254,000	145,300	145,300
Equipment, Furniture and Materials	1,353,700	1,398,700	1,286,243	-112,457	-112,457
General Expenses	426,800	421,500	403,903	-17,597	-17,597
Grants and Subscriptions	11,279,700	6,368,700	6,920,797	552,097	-95,576
Miscellaneous Expenses	287,200	301,500	702,879	401,379	196,069
Printing, Stationery and General Office Expenses	651,700	677,400	580,466	-96,934	-96,934
General Services	4,031,900	4,437,400	4,033,110	-404,290	-404,290
Supplies and Services	19,260,300	14,911,300	15,331,868	420,568	-432,414
Recharges	17,945,900	16,457,300	15,411,275	-1,046,025	-52,605
Support Services	17,945,900	16,457,300	15,411,275	-1,046,025	-52,605
Depreciation	3,988,200	3,557,100	8,621,355	5,064,255	9
Capital Charges	3,988,200	3,557,100	8,621,355	5,064,255	9
Interest Payments	7,887,400	7,888,100	10,384,208	2,496,108	449
Capital Financing Costs	7,887,400	7,888,100	10,384,208	2,496,108	449
Housing Benefit	48,405,900	50,432,700	49,394,645	-1,038,055	-1,038,055
Transfer Payments	48,405,900	50,432,700	49,394,645	-1,038,055	-1,038,055
Appropriations	9,550,900	9,150,200	32,014,521	22,864,321	546,866
Appropriations	9,550,900	9,150,200	32,014,521	22,864,321	546,866
TOTAL	138,052,100	132,798,900	152,881,681	20,082,781	-1,697,896
Appropriations	-11,781,100	-8,784,400	-7,779,153	1,005,247	24,328
Appropriations	-11,781,100	-8,784,400	-7,779,153	1,005,247	24,328
Capital Related Income	-6,768,100	-3,639,000	-21,750,336	-18,111,336	-157,599
Capital Financing Income	-6,768,100	-3,639,000	-21,750,336	-18,111,336	-157,599
Customer Fees and Charges	-13,104,200	-12,804,300	-12,667,732	136,568	136,568
Government Grants	-50,195,700	-52,382,300	-51,537,856	844,444	844,444
Interest	-5,458,300	-5,561,800	-11,121,085	-5,559,285	-239,154
Other Grants and Contributions	-3,711,600	-4,133,800	-4,187,381	-53,581	-53,581
Recharges	-22,293,100	-20,753,300	-20,185,663	567,637	55,365
Income	-94,762,900	-95,635,500	-99,699,717	-4,064,217	743,642
TOTAL	-113,312,100	-108,058,900	-129,229,206	-21,170,306	610,371
NET REVENUE EXPENDITURE	24,740,000	24,740,000	23,652,475	-1,087,525	-1,087,525

Note the underspend of approx £1,087,000 will be transferred to Unallocated balances to balance off the Fund accounts.

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

2010/11 General Fund Variance Analysis

APPENDIX D

FACTORS INFLUENCING OUTTURN	VALUE		PRT QTR4 Projection £	C/Fwd Request £	Ongoing? £
	£	£			
1 Unforeseeable windfalls or costs	(328,528)				
2 Demand led variances	(138,489)				
3 Efficiency savings	(368,555)				
4 Other service driven variances (including delays)	(659,793)				
5 Budget setting issues / errors	(63,098)				
6 Year end adjustments	524,446				
7 Minor variances	(53,507)	(1,087,524)			
DETAILED VARIANCE BY SERVICE AREA					
	£	£	£	£	£
	Adverse or (Favourable)				
Community Engagement					
4 Communications Mgt & Admin : Statutory Place Survey replaced by new community engagement approach	(20,300)		(20,300)		
4 Customer Services : Customer Insight 2nd instalment slipped into 2011/12	(4,725)		(4,700)	4,700	
4 Marketing & Promotions : Marketing, advertising and brochure distribution delays	(13,986)		(17,500)		
3 Partnerships Team : Salary savings, severance offset by restructuring reserve, retrospective grant claim	(7,798)				
4 Morecambe VIC : reduced electricity and postages	(8,903)				
4 Climate Change : vehicle telematics behind schedule	(20,098)		(20,100)	16,500	
2 Platform : Increased demand this year due to improved 'artist / audience fit'	(13,570)		(19,600)		
3 Wellbeing M&A : Postage recharges, leisure software virement and printing & stationery savings	(10,343)				
4 Arts Development / North West Arts Board : Planned projects cancelled due to other service priorities	(10,971)		(11,300)		
3 Holiday Activities / Leisure Development : Staff savings and tools and equipment savings	(13,782)	}	(19,400)		
2 Leisure Development : Increased admissions for educational use	(6,747)				
1 Management & Administration : Additional recovery of staff costs	(7,515)				
3 Parks & Open Spaces : Efficiency savings across all areas	(7,359)				
5 Community Pools Hornby/Carnforth : Reduced staff costs, overtime for sickness and holiday cover	(21,687)		(15,200)		
4 Children & YP Services : Consultancy	(8,850)		(8,900)	6,000	
4 Salt Ayre Sports Centre : Net staff savings, energy savings, delayed spend and reduced income	(54,297)		(42,700)	30,000	
3 Williamson Park - overall net efficiency savings and increased demand	(12,090)		(37,500)		
7 Minor Variances	(17,859)	(260,880)	(8,200)		
Corporate Accounts					
3 Corporate Expenses - mainly savings on Ctax leaflet by using "Your District Council Matters"	(18,466)				(10,000)
1 Corporate Income : VAT reclaimed from HMRC of £210K less fees of £40K	(170,253)		(100,000)		
1 Luneside East : Energy costs and new security contract.	6,922		5,400		
1 Other Government Grants: 3rd instalment of New Burdens Grant and slight increase to Area Based Grant	(19,710)			12,700	
6 Additional contribution to insurance provision	153,378				
6 Increased HRA contribution to insurance provision	(34,000)				
6 Additional contribution to capital support reserve	350,000				
4 Net Direct Revenue Financing - delayed capital schemes	(41,582)	226,288		26,500	
Environmental Services					
4 Mgt & Admin : Overtime and training savings, car lease & variable recharge savings	(17,180)		(10,000)		
2 Vehicles : Procurment and Repair & Maintenance savings less additional fuel costs	(108,480)		(32,700)		
3 Vehicle Maintenance : Savings on overtime, R&M, equipment & plant and licenses	(17,327)				
3 Three Stream Waste : Employees, equipment procurement and supplies & services savings	(144,928)		(121,000)	94,000	
2 Trade Refuse Income (impact of recession)	26,896		33,000		30,000
4 Grounds Maintenance : Employees and supplies & services savings, plus additional parks income	(26,098)				
4 Public Conveniences : Increased vandalism and difficulties predicting utilities post review	18,129				
4 Public Conveniences : Demolition delays	(8,660)		(8,700)	8,700	
4 Street Cleaning : Equipment & tools (delay in purchasing equipment)	(8,759)		(8,600)	4,400	
7 Other Minor Variances	14,291	(272,116)			
Financial Services					
4 Financial Services - Software savings	(10,289)				
3 Financial Services : Employees leaving pension scheme, timing of retirements and trainee costs	(11,171)				
3 Other supplies and services: Reduction in printing/photocopying and VAT consultancy charges	(9,050)				
5 Audit Fees: recharge out of grant audit costs and corrections to charging from 2009-10	(17,646)				
6 HRA Charges (Item8): Reduced recharge due to lower consolidated rate of interest	55,068				
2 Interest And Investment Income (GF): Better investment performance than anticipated	(16,349)				
2 Benefits Subsidy	19,852				
2 Council Tax : Legal Costs Recovered - less summonses issued than anticipated	53,831				50,000
2 NNDR : Legal Costs Recovered - more summonses issued	(6,936)				(7,000)
3 Benefits : Staff Savings and reduced printing & stationary spend	(12,726)				
7 Minor Variances	6,540	51,123			(4,000)
Governance Services					
3 Legal : Books and Periodicals; on-going review including potential transfer to online method	(16,053)		(16,000)		?
1 Legal : Additional Fee Income due to several successful litigation cases Feb/March	(9,738)		(8,600)		
1 Search Fee Income : Unexpected increase in Full Searches requested	(52,142)		(17,300)		
3 Electoral Registration : Reduction in postage/delivery/equipment costs	(15,889)		(18,500)		
1 Democratic Services : Staff Savings	(9,458)		(7,300)		
3 Members Services : Saving on non-replacement of Chauffeur	(5,689)		(5,700)		
4 Human Resources : delays in Corporate Training programme due to maternity leave	(11,013)		(11,000)	11,000	
4 Licensing : Taxi Fees & Charges; Change to 6 monthly Licences	17,805		16,100		
4 Licensing : Taxi Stands; works to be completed	(6,800)			6,800	
2 Minor variances	(18,737)	(127,714)			
Health & Housing Services					
2 Private Rented Sector Activity : Lancaster University increased demand for properties leading to an increase in HMO licenses/fees.	(11,625)		(10,500)		

	£	£	PRT QTR4 Projection £	C/Fwd Request £	Ongoing? £
DETAILED VARIANCE BY SERVICE AREA					
		Adverse or (Favourable)			
4 Handyman Scheme : Severance payment not required as contract extended to March 2012	(13,600)		(13,600)		
2 Pest Control : Increase in treatments and rodent proofing products	(10,664)		(5,100)		
3 Environmental Protection, Pest control - Operational changes / restructuring	(6,975)				
7 Miscellaneous Items	<u>(19,690)</u>	(62,554)			
Information Services					
4 Staffing : Savings due to Voluntary Redundancy/Non Replacement and Reduced Hours	(22,679)		(23,500)		
3 Equipment/Network Updates and Maintenance	(30,865)		(21,800)		
2 Prints & Plans Income : No longer recharged	<u>5,200</u>	(48,344)			5,200
Office of the Chief Executive					
2 Chief Executive & Support : Service training, car allowances, supplies & services	<u>(4,403)</u>	(4,403)			
Property Services					
4 Utilities : contract savings	(63,343)		(63,700)		
2 Additional building repairs arising through additional unforeseen works across various buildings	16,474		31,000		
2 Charter Market : Additional rental income from stalls	(5,569)				
3 Municipal Building : Staffing and supplies & services underspend	(9,092)				
2 Municipal Building : Energy certificates (dependant on sale and rent of properties)/room hire	(11,700)		(7,400)		
3 Lancaster Town Hall : Water (water saving devices installed) and trade refuse savings	(6,793)				
4 Palatine Hall : Water and trade refuse savings following hand over to County, plus additional rental income	(26,755)				
2 Services relocation costs : Additional building works	10,478		10,500		
1 7 Cheapside : Rental income - tenants occupied for longer than expected	(26,082)		(26,100)		
5 City Lab : Net additional rental income	(10,278)				
2 City Lab : Water services / telephones / rental income / reserve adjustment	(9,272)				
1 Misc Land : Rental income - de minimus capital receipts re sale of land and grazing rights rent	(6,386)				
2 Commercial Properties : Service charges and rental income	(19,882)		18,000		
1 Parking Team M&A : one off additional staff time spent on introduction of new zones	(30,684)				
2 Off street car parking : reduced premises costs, supplies & services / increased fees & fine income	(25,354)		(10,700)		
2 Concessionary Travel : Main scheme, travel pass, sales	(12,115)		(20,000)		
1 Concessionary Travel : Community transport re change of service provider	17,609		17,000		
7 Miscellaneous Items	<u>(30,984)</u>	(249,728)			
Regeneration & Policy					
2 Building Control M&A : Car Leases/Allowances, Office Equipment, Salaries, Training, low applications	(11,896)		(15,200)		
2 Building Regulations : Fees - low applications	64,098		62,100		40,000
3 Regeneration & Projects Team : Salary Savings on vacant post	(12,158)				
4 Local Development Framework : Services, sales & general income - delayed spend	(25,050)		(24,700)	17,100	
4 Morecambe Area Action Plan : Consultancy / Feasibility Study delayed	(37,894)		(37,900)	37,400	
5 Planning, Housing & Policy : Salaries - 8 week temp post budgeted for full year	(9,100)				
4 Planning, Housing & Policy : Research, Office Equipment, Subsistence	(5,487)				
4 Regeneration & Policy M&A : LEP subscriptions - delays in alternative partnership arrangements	(13,869)				?
2 Regeneration & Policy M&A : Consultancy savings	(8,477)				
1 Planning Delivery : Computer equipment - savings on system upgrade	(5,633)				
4 Coast Protection & Land Drainage Team : Office Equipment, Transport, Salaries	(8,200)				
1 Coast Protection & Land Drainage Team : Capital Staff Salaries	(15,457)				
4 Sea Defence Works : R&M Sea & River/Promenade works underway but not complete by end of March	(82,840)		(69,000)	39,000	
4 Bridge Maintenance : R&M expenditure slippage to support capital works on Denny Beck Bridge	(9,322)		(9,300)		
4 Public Realm R&M General : delays in planned work due to staff sickness	(34,171)		(34,500)	34,200	
5 Christmas Decoration : Electricity (budget error), Services underspend	(4,387)				
4 Townscape Heritage : Lancaster & Morecambe BID Development	(80,006)		(80,000)	80,000	
2 Development Control : Services - reduced Consultants and Legal Costs / Application Fees shortfall	(9,175)		10,100		
2 Planning Advice & Control : Staff turnover / Car allowances / Advertising / Office equip / Reduced applications	(24,367)				
7 Miscellaneous Items	<u>(5,805)</u>	(339,196)			
TOTAL NET UNDERSPEND			(1,087,524)	(860,600)	429,000
Total Provisional Carry Forward Requests				429,000	
TOTAL NET UNDERSPEND, ASSUMING ALL CARRY FORWARD REQUESTS APPROVED			(658,524)		104,200

PROVISIONS AND RESERVES STATEMENT : For consideration by Cabinet 26 July 2011

PROVISIONS

	31/03/10	Contributions to Provision	Contributions from Provision	31/03/11	Contributions to Provision	Contributions from Provision	31/03/12
	£	£	£	£	£	£	£
B&D Debts-General Fund	370,846	100,000	-37,658	433,188			433,188
Derelict Land Clawback	56,932			56,932		-56,932	0
Insurance Excess	273,417	315,990	-258,630	330,777			330,777
Provision for Stock Write Off	24,708			24,708			24,708
Williamson Park	100,000			100,000		-52,300	47,700
TOTAL	825,903	415,990	-296,288	945,605	0	-109,232	836,373

RESERVES

	31/03/10	Contributions to Reserve	Contributions from Reserve	31/03/11	Contributions to Reserve	Contributions from Reserve	31/03/12	Contributions to Reserve	Contributions from Reserve	31/03/13	Contributions to Reserve	Contributions from Reserve	31/03/14
	£	£	£	£	£	£	£	£	£	£	£	£	£
CAPITAL RESERVES													
Capital Support	507,000	615,000	-584,286	537,714		-237,000	300,714			300,714			300,714
Marsh Capital	47,677			47,677			47,677			47,677			47,677
REVENUE RESERVES													
Allotment Improvements	5,305		-5,305	0			0			0			0
Building Regulation Account	0			0			0			0			0
Business Continuity	17,199			17,199			17,199			17,199			17,199
City Lab	53,011		-16,319	36,692	35,700		72,392	36,700		109,092	31,900		140,992
Community Cohesion	14,000		-14,000	0			0			0			0
Concessionary Travel	100,000		-30,000	70,000		-70,000	0			0			0
Connecting Communities	58,000		-28,182	29,818			29,818			29,818			29,818
Every Child Matters	20,000		-8,687	11,313			11,313			11,313			11,313
HMO Registration Fees	20,785		-20,785	0			0			0			0
Invest to Save	0			0	1,436,500		1,436,500	325,500		1,762,000			1,762,000
Job Evaluation	610,797		-272,700	338,097	50,000	-285,200	102,897		-49,000	53,897			53,897
Impairment Reserve	1,363,493			1,363,493			1,363,493			1,363,493			1,363,493
Lancaster Market	0	139,537		139,537			139,537			139,537			139,537
Performance Reward Grant	239,192	84,500	-14,969	308,723		-15,000	293,723			293,723			293,723
Planning Delivery Grant	89,682		-42,776	46,906		-26,300	20,606		-5,500	15,106			15,106
Priv.Hsg-Rental Deposit Guarantee	2,000		-2,000	0			0			0			0
Project Implementation	88,633		-88,633	0			0			0			0
Restructuring	673,800	697,700	-705,479	666,021		-226,200	439,821			439,821			439,821
Revenues and Benefits	48,000	75,268	-48,000	75,268			75,268			75,268			75,268
Revenue Support	800,000		-800,000	0			0			0			0
Risk Management	15,983	10,000		25,983			25,983			25,983			25,983
Vacant Shops Fund	52,631		-22,632	29,999	18,000		47,999			47,999			47,999
MAINTENANCE / RENEWALS RESERVES													
Graves Maintenance	22,201			22,201			22,201			22,201			22,201
Municipal Buildings	0	300,000		300,000			300,000			300,000			300,000
Open Spaces Commuted Sums	215,953	37,500	-61,113	192,340		-58,800	133,540		-40,200	93,340		-40,200	53,140
Other Commuted Sums	1,155,315	410,100	-212,202	1,353,213		-250,000	1,103,213			1,103,213			1,103,213
Renewals (all services)	258,755	102,000	-160,953	199,802	119,000	-104,000	214,802	119,000	-104,000	229,802	69,000	-104,000	194,802
TOTAL	6,479,412	2,471,605	-3,139,021	5,811,996	1,659,200	-1,272,500	6,198,696	481,200	-198,700	6,481,196	100,900	-144,200	6,437,896
General Fund Unallocated Reserve	1,244,713	2,534,626	-105,300	3,674,039		-1,261,000	2,413,039		-325,500	2,087,539			2,087,539
Unallocated Government Grants - Capital (PRG)	323,723			323,723			323,723			323,723			323,723

CONTROLLABLE OVERSPENDS GREATER THAN £5,000
For Consideration by Cabinet 26 July 2011

SERVICE	DETAILS		BUDGET	ACTUAL	OVERSPEND	EXPLANATION / ACTION
			£	£	£	
Community Engagement	Salt Ayre Sports Centre	Fees and charges	-756,300	-675,264	81,036	Income from fees and charges were down last year, however compensating savings were made on other controllable budgets and there was an overall underspend of £54K - No further action is recommended.
Environmental Services	Public Conveniences	Repair and maintenance	11,000	20,966	9,966	Increased vandalism at Lancaster Bus Station resulted in more repairs. As the nature of the overspend is not controllable no further action is recommended.
	Public Conveniences	Electricity	5,200	13,091	7,891	Difficulties in predicting useage following Parish Toilet Review, therefore no further action recommended.
	Public Conveniences	Water Services	19,800	25,490	5,690	The overspend has resulted from a new surface water charge therefore no further action is recommended.
	Vehicles	Petrol & Derv	325,200	334,315	9,115	Rising cost of fuel has increased beyond expectation, however as there has been an overall underspend on vehicles no further action is recommended.
	Trade Refuse	Trade Refuse Collections	-952,000	-917,992	34,008	There has been a general reduction in demand which reflects the recession and will no doubt continue into 2011/12. As a result, and as the service was underspent overall, no further action is recommended.
Property Services	Service relocation costs		58,000	68,478	10,478	The cost of relocating services resulting from the vacation of Palatine Hall was greater than anticipated due to additional works being required. As this was a one off project and the service was underspent overall no further action is recommended.
	Municipal Buildings	Repair and maintenance	596,900	613,374	16,474	Additional unforeseen works required, however as the services was underspent overall no further action is recommended.
Regeneration and Policy	Building Regulations	Fee income	-225,000	-161,660	63,340	Reduced application numbers due to economy and increased local competition with in depth knowledge of local builders etc. The new charging regime was introduced in Oct 2010 and has completely changed how the Building Control charges are calculated. The scheme is still bedding in and has effectively increased the cost of applications for small scale domestic works and decreased the charges for major applications. Any deficit on the Building Control account is already built into the charging review and is planned to be reocvered over the next three years in line with the requirement to break even over that period. As a result no further action is recommended.
Health & Housing	Council Housing Planned Maintenance	Environmental Works	43,000	58,254	15,254	Appletree Close car parking works were due to complete early 2011/12 but were actually completed ahead of schedule in 2010/11. As there will be a compensating saving in 2011/12 no further action is recommended.

2010/11 REQUESTS FOR CARRY FORWARD

For consideration by Cabinet on 26 July 2011

General Fund

Number	Service	Budget	Carry Forward Request	
Requests in line with original budget purpose			£	
1	Community Engagement	Customer Insight	4,700	
2	Community Engagement	Climate Change - vehicle telematics	16,500	FC
3	Community Engagement	Salt Ayre Sports Centre - maintenance	30,000	FC
4	Regeneration & Policy	Local Development Framework - Special Burdens	12,700	FC
5	Corporate	Revenue financing of capital schemes	26,500	FC
6	Environmental Services	Public Conveniences - Demolition	8,700	
7	Environmental Services	Street Cleaning - equipment	4,400	
8	Governance	Corporate Training	11,000	FC
9	Governance	Taxi stands	6,800	
10	Regeneration & Policy	Local Development Framework - Special Burdens	17,100	FC
11	Regeneration & Policy	Morecambe Area Action Plan	37,400	FC
12	Regeneration & Policy	Sea Defence Works - repair and maintenance	39,000	FC
13	Regeneration & Policy	Lancaster Square Routes - BID feasibility study	40,000	FC
14	Regeneration & Policy	Morecambe TH12 - BID feasibility study	40,000	FC
Requests to change use of original budget underspend				
15	Environmental Services	Communal recycling facilities	34,000	FC
16	Environmental Services	Replacement bins and boxes	60,000	FC
17	Community Engagement	Children & Young People - Training & Start Up Costs	6,000	
18	Regeneration & Policy	New Cycle Paths & Bike It Project	34,200	FC
			429,000	
<u>Housing Revenue Account</u>				
Requests in line with original budget purpose				
19	Health & Housing	Planned Maintenance	30,000	FC
			30,000	

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

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

2010/11 REQUESTS FOR CARRY FORWARD

SERVICE	Community Engagement
BUDGET HEADING	Customer Services - Customer Insight
AMOUNT	£4,700

1

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

Customer research was commissioned in 2010/11. The total spend has been committed but is payable in two instalments. The first instalment was payable in 2010/11, however the second instalment is not payable until the completion of all research which will not be until early in 2011/12.

What the implications for service delivery will be if the carry forward is not approved.

If the carry forward is not approved then the cost will need to be met from another budget as the spend is already contractually committed, however there are no available budgets from which to fund the outstanding payment at this time.

Financial Services Comments

The 2010/11 revenue budget contained a sum of £9,200 for Customer Insight. As the work was not completed in 2010/11 there was an underspend of £4,700 against this budget. The request can therefore be met from the underspend.

2010/11 REQUESTS FOR CARRY FORWARD

2

SERVICE	Community Engagement – Partnerships
BUDGET HEADING	Climate Change
AMOUNT	£16,500

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

The funding is to install vehicle telematics for our commercial fleet of small vans as part of the Climate Change Strategy and Energy Saving Trust Green Fleet Review. The project was planned in 2010/11 but the software was unable to be procured in that year due to the need to gather data from a trial system. In addition, there was further delay due to the YPO setting up a procurement framework for tendering the project, which will hopefully reduce the overall cost. The framework was only finalised in February 2011 and procurement was unable to take place before the end of the financial year.

We are still committed to the project as an action in our Climate Change Strategy and through the delivery of our corporate priority on climate change; to save energy and generate income.

What the implications for service delivery will be if the carry forward is not approved.

Without procuring telematics for our commercial fleet of small vans we will not be able to effectively monitor mileage, fuel use and journey efficiency. Without telematics, the Council would lose out on vital carbon, fuel and money savings in this area.

There is no scope to fund telematics from 2011/12 as the budget is already earmarked for delivery of other projects under the Climate Change Strategy.

Financial Services Comments

There was a total underspend of £19,600 during 2010/11 for this area for the reasons stated above. The request is only for £16,500 as a result of benefitting from YPO procurement. As the request is in excess of £10,000 then Full Council approval will be required.

2010/11 REQUESTS FOR CARRY FORWARD

3

SERVICE	Community Engagement
BUDGET HEADING	Wellbeing (Salt Ayre Sports Centre) Equipment and Maintenance
AMOUNT	£30,000

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

As a result of the ongoing savings requirement for 2010/11 and the additional £22,700 savings roll forward from the previous year, spending in these areas was held to an absolute minimum.

The rolling programme of planned maintenance was suspended pending the savings outcome. Equipment that would have been routinely replaced last year was held over in case of a shortfall in the savings required. Expenditure on routine maintenance such as painting and decorating, replacement of worn flooring and repairs to the fabric of the building were all held back in order to ensure the savings target would be met.

What the implications for service delivery will be if the carry forward is not approved.

There is now a backlog of general maintenance works. The carry forward request is to ensure the general maintenance can be brought back up to date and replacement equipment can be purchased. This avoids a negative 'knock on' impact to the current year's plan.

If this request is refused, it will have a detrimental effect on the customer experience. In order to secure future income, the sports centre must be well maintained and well equipped.

Costs are likely to escalate further if this carry forward is not approved. Scheduled repairs in the annual maintenance plan that were postponed will cause a further slip into future budgets. This delay will also accelerate the downward spiral of decline which will be more expensive to address if not carried out in a timely manner.

In the current economic climate contractors are willing to respond well and price competitively for this type of work.

The cost of replacement equipment rises every year so the delay in replacing equipment causes a double negative. On the one hand service deteriorates and on the other renewal costs increase each year. Both factors ultimately influence income negatively.

Financial Services Comments

The combined underspend on equipment and maintenance budgets at outturn was £47,100 which covers this carry forward request.

A full breakdown of routine and planned maintenance and R&M for SASC can be provided if required.

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

2010/11 REQUESTS FOR CARRY FORWARD

4

SERVICE	Regeneration & Policy Service
BUDGET HEADING	Local Development Framework – Special Burdens Grant
AMOUNT	£12,700

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

Spending has been delayed due to progress on LDF being behind schedule. We now have a new Local Development Scheme and are on track to complete most of the work during 2011/12 with a smaller element of work due in 2012/13.

The main call on money is formal sustainability appraisal and habitats regulations screening of LDF documents, most of which will take place in 2011/12. Therefore, the budget needs to be slipped into 2011/12.

The request is to carry forward the grant monies received and use them to fund consultancy work on the LDF which will need to be split between the years 2011/12 and 2012/13 at half year budget revision to reflect the current LDF programme.

What the implications for service delivery will be if the carry forward is not approved.

The work covered by the money is mandatory given the European nature designations in the area. If the money is not rolled forward, it will still have to be paid from mainstream budgets.

Financial Services Comments

A carry forward of £28,200 into 2010/11 for special burdens was approved as part of the 2009/10 outturn, of which £24,300 has subsequently been reprofiled into 2011/12 as part of the recent budget process. The request is for an element of the third and final allocation of £16,800, which was received in March 2011, to be carried forward on the basis of £5,100 for 2011/12 and £7,600 for 2012/13.

It should be noted that the planning for climate change grant is not a ringfenced grant.

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

2010/11 REQUESTS FOR CARRY FORWARD

5

SERVICE	Corporate
BUDGET HEADING	Direct Revenue Financing
AMOUNT	£26,500

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

The carry forward request relates to the revenue financing of two capital schemes which have been completed:

Performance Management system - £17,000
 Hala playground - £8,500

Officers are currently in the process of selecting a performance management system, although no procurement has yet taken place, whereas the Hala playground works are currently ongoing.

What the implications for service delivery will be if the carry forward is not approved.

If the carry forward of funding for performance management system was not approved then it is likely the purchase of the new system would not go ahead as there are no other funds identified. This would mean the council would not benefit from the streamlining of processes and reporting in respect of programme management and operational performance management that a new system could bring.

In terms of Hala playground other funding would need to be identified from within Environmental Services budgets as the scheme is currently underway.

Financial Services Comments

The carry forward request is for the full underspend on the revenue financing budget and relates to specific schemes within the capital programme.

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

2010/11 REQUESTS FOR CARRY FORWARD

SERVICE	Environmental Services
BUDGET HEADING	Public Conveniences – Demolition
AMOUNT	£8,700

6

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

Three toilet blocks were identified for demolition in 2010/11. The contractor was unable to carry out the work before March 2011. The toilet blocks have since had asbestos surveys prior to their demolition and one of the blocks has already been demolished.

What the implications for service delivery will be if the carry forward is not approved.

As stated above, part of the work has been completed and the rest will be done in due course. There is no budgetary provision within 2011/12 for the works, therefore should the request not be approved the budget will be overspent or service savings will have to be identified to cover the remaining cost.

Financial Services Comments

Following the 2010/11 revised budget exercise, savings were identified within public conveniences and an amount of £10,000 was included to demolish the three toilet blocks. However, the works were not completed within the latter part of the financial year and the budget was subsequently underspent by the requested amount. It is therefore requested that this amount is carried forward to 2011/12.

2010/11 REQUESTS FOR CARRY FORWARD

SERVICE	Environmental Services
BUDGET HEADING	Street Cleaning Equipment
AMOUNT	£4,400

7

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

Street Cleaning equipment totalling £4,400 was ordered in March 2011. Due to delays by the suppliers, the equipment was not received until early April and therefore the cost of the equipment has fallen into 2011/12.

What the implications for service delivery will be if the carry forward is not approved.

As stated above, the equipment has been received and paid for. Although there is budgetary provision within 2011/12, it is for items of a similar nature and all this years budget has been allocated. Failure to approve the carry forward would result in a likely overspend within 2011/12

Financial Services Comments

The 2010/11 budget includes an amount of £28,200 for street cleaning equipment and was underspent by £8,800. The requested amount is within this amount and is therefore requested to be carried forward.

2010/11 REQUESTS FOR CARRY FORWARD

8

SERVICE	Human Resources - Governance
BUDGET HEADING	Corporate Training
AMOUNT	£11,000

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

The spend did not occur in 2010/11 due to three main factors:-

1. Due to the availability of the Management Team towards the end 2010 and the early part of 2011, the development programme and coaching support commenced later than expected. Therefore there is a slippage in the events into 2011/12.

2. A set of Health & Safety (H&S) training events were delayed due to the availability of staff and the training provider. The corporate programme has therefore been reprogrammed in 2011/12 to ensure we meet our statutory obligation in relation to H&S Management.

3. The management training for operational managers has been re-defined, however the pilot programme was delayed to ensure staff identified for the training could attend all three phases. The post programme review was therefore delayed which has led to elements of the training, that would have taken place in 2010/11, being moved into 2011/12. This programme of "Management Essentials" is critical in the development of core competencies/behaviours across various levels of management. This action is seen as a key component in the objective to lever change in management practice across the organisation.

What the implications for service delivery will be if the carry forward is not approved.

The objectives within the three areas above will have to be changed, with a lower level of outcome being achieved.

Each of the above activities is seen as real catalyst for change. Failure to address these areas within 2011 will leave the Council short of its desired outcomes in relation to H & S competence and general management knowledge/practice.

Financial Services Comments

The Corporate Training budget for 2010/11 was increased as part of the budget process to include an additional £9,000 towards Management Development training taking the budget to £41,000. Due to the reasons listed above there was an underspend of £11,000 and it is requested that this balance is carried forward to 2011/12. As the request is in excess of £10,000 then Full Council approval will be required.

2010/11 REQUESTS FOR CARRY FORWARD

SERVICE	Governance Services
BUDGET HEADING	Hackney Carriages
AMOUNT	£6,800

9

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

The amount is committed to works being carried out on new taxi ranks which were not completed by the end of the financial year.

What the implications for service delivery will be if the carry forward is not approved.

As stated above the work has been done, and the money is committed and the works will be completed early in 2011/12. There is no budget in 2011/12 for the works.

Financial Services Comments

There was a budget of £6,800 in 2010/11 and this was fully committed for the works to the taxi ranks. However as the works have not been completed there was an underspend and it is requested that this amount is carried forward to 2011/12.

2010/11 REQUESTS FOR CARRY FORWARD

SERVICE	Regeneration & Policy Service
BUDGET HEADING	Local Development Framework - General Services
AMOUNT	£17,100

10

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

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

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

The budget needs to be carried forward to align with the current timetable for the development and adoption of these DPDs as per the revised Local Development Scheme.

What the implications for service delivery will be if the carry forward is not approved.

The Service would not be able to produce sound Development Plan Documents or undertake the statutory steps to maintain the Local Development Framework.

Financial Services Comments

There was a total underspend of £20,500 on this budget at the year end which covers this carry forward request.

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

2010/11 REQUESTS FOR CARRY FORWARD

11

SERVICE	Regeneration & Policy Service
BUDGET HEADING	Morecambe Area Action Plan
AMOUNT	£37,400

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

The budget relates to the preparation of the Development Plan Documents (DPD) Area Action Plan for the Centre of Morecambe, associated feasibility work and any engagement the council might undertake separately as land owner with the development industry. The plan is being developed in tandem with other DPD's as per the revised Local Development Scheme.

Plan Making Budget Carry Forward £19,100

Officers have been involved in extensive community engagement as part of the issues and options stage work. Due to the iterative nature of this work it is difficult to programme. The main focus has been to engage fully and thoroughly with the community which has taken longer than anticipated. Work is now at an advanced stage with officers preparing a report to outline preferred options for public consultation in the autumn. The budget needs to be carried forward to align with the current timetable for the development and adoption of the DPD as per the revised Local Development Scheme.

Developer Engagement Carry Forward £10,000

This budget relates to the separate activity of engagement and potential procurement of development partner(s) to deliver the Area Action Plan. The plan making timetable has seen some delays in the spending for this area.. Once the plan reaches a position where the council can engage with the development industry, the budget will be required to procure the necessary legal and technical advice to assist the council in the engagement process. The carried forward will align with budgets with the current timetable.

Feasibility Studies Carry Forward £8,300

Spend in 2010/11 related solely to the undertaking of a feasibility study into the potential for a marina in the area. As plans for other areas develop and options for other sites are considered further feasibility studies for other forms of development will need to be undertaken. The carry forward will align with budgets with the current timetable.

What the implications for service delivery will be if the carry forward is not approved.

The Service would not be able to undertake the necessary work to ensure a viable, sustainable and sound DPD was prepared for public examination.

Financial Services Comments

The carry forward requests are for the full value of the underspends in all three areas at 2010/11 outturn. Whilst they could be taken individually all three elements are integral to the delivery of the Morecambe Area Action Plan and have therefore been combined into one request.

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

2010/11 REQUESTS FOR CARRY FORWARD

12

SERVICE	Regeneration & Policy Service
BUDGET HEADING	Sea Defence Works : Repair & Maintenance
AMOUNT	£39,000

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

The City Council has a duty of care to users of Morecambe Promenade to provide a safe pedestrian and cycling environment. The promenade seafront railings are in some areas over 100 years old and have over the years deteriorated beyond their serviceable life and now fall short of current safety standards in respect of the spacing and height of rails and are therefore in need of wholesale replacement.

The Environmental Management team has been replacing the posts and rails, either as part of major coastal defence projects or through the R&M budget, on a phased programme of work in order to spread the cost over a number of years. Works due to be carried out in 2010/11 between Thornton Road and Broadway were delayed, initially in part to staff shortages through prolonged sickness absence, other priorities and due to an unexpected lengthy lead in time for the manufacture and supply of the posts which has led to the works moving into 2011/12.

The outstanding posts are currently on order with delivery expected soon, works to install the posts and rails will commence shortly thereafter.

The request is to carry forward £39,000 to pay for the supply of posts for the next phase of promenade railing replacement.

What the implications for service delivery will be if the carry forward is not approved.

Failure to comply with current design standards and meet expectations in terms of providing a safe environment.

A further final phase of railing replacement, between Scalestones point and Teal Bay, is due to be carried out alongside that which has been delayed during 2011/12 - this would be compromised and further delayed, with potentially increased costs, should the carry forward be refused.

Other commitments throughout 2011/12 may also be compromised.

Financial Services Comments

Long term sickness in the Environmental Management Team greatly affected the teams ability to complete all intended works during 2010/11, resulting in underspends across several different areas. In addition to this the manufacturing problems mentioned above created further delays with the sea defence works.

If the carry forward request is not approved the purchase of the remaining posts and rails can be funded from the 2011/12 budget but the resulting delays to other works planned for 2011/12, and subsequently future years works, could increase costs if defences deteriorate further or prices increase. The total underspend on this budget was £76,400 in 2010/11 but only £39,000 of this would need to be carried forward to complete the outstanding works.

As the request is greater than £10,000 then Full Council approval will be required.

2010/11 REQUESTS FOR CARRY FORWARD

13

SERVICE	Regeneration & Policy Service
BUDGET HEADING	Lancaster Square Routes
AMOUNT	£40,000

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

October 2010 Cabinet approved £40,000 to investigate the feasibility and, if appropriate, subsequent development of a BID for Lancaster. Officers are in discussion with the Lancaster Chamber of Trade and Commerce on the arrangements for leading the work. This will probably involve using support from the North West Lancashire Chamber of Commerce who were responsible for the BID proposal development, ballot administration and service delivery for the Preston BID.

The Council will draw up a Service Level Agreement with the Chamber to enable them to access the money and for the Council to ensure that the budget is spent in a proper and timely manner.

A BID is governed by statutory procedure and the initial BID proposal development will require considerable work to be undertaken in the 2011/2012 financial year. Therefore it is requested that this budget to be carried forward to reflect the current workplan and timetable.

What the implications for service delivery will be if the carry forward is not approved.

Work into the feasibility of a Business Improvement District in Lancaster would not be able to be undertaken. This would create reputational damage for the council given its commitment to support BIDs. It was not possible to spend the money in the 2010/11 financial year but the majority of funds allocated will be spent in 2011/12.

Financial Services Comments

Delays have meant that this budget could not be spent in 2010/11. There is no further budget for the BID Feasibility Study in 2011/12, therefore if this carry forward request is not approved the study will not take place.

A separate carry forwards request has been submitted for the Morecambe BID.

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

2010/11 REQUESTS FOR CARRY FORWARD

14

SERVICE	Regeneration & Policy Service
BUDGET HEADING	Morecambe Townscape Heritage Initiative 2
AMOUNT	£40,000

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

October 2010 Cabinet approved £40,000 to investigate the feasibility and, if appropriate, subsequent development of a BID for Morecambe. The discussion into the development of a Business Improvement District Proposal in Morecambe is ongoing between the Lancaster District Chamber and the local Morecambe trade associations.

Once agreement has been reached on who will lead the work a Service Level Agreement will be entered into between the Council and the BID proposer (the lead body who will carry out the work) to ensure that the budget is utilised in a proper and timely manner.

A BID is governed by statutory procedure and the initial BID proposal development will require considerable work to be undertaken in the 2011/12 financial year. Therefore it is requested that this budget be carried forward to reflect the current workplan timetable.

What the implications for service delivery will be if the carry forward is not approved.

Work into the feasibility of a Business Improvement District in Morecambe would not be able to be undertaken. This would create reputational damage for the council given its commitment to support BIDs. It was not possible to spend the money in the 2010/11 financial year but the majority of funds allocated will be spent in 2011/12.

Financial Services Comments

Delays have meant that this budget could not be spent in 2010/11. There is no further budget for the BID Feasibility Study in 2011/12, therefore if this carry forward request is not approved the study will not take place.

A separate carry forwards request has been submitted for the Lancaster BID.

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

2010/11 REQUESTS FOR CARRY FORWARD

15

SERVICE	Environmental Services
GENERAL UNDERSPENDING ON	Three Stream Waste Collection
PROPOSED USE	Communal Recycling Facilities
AMOUNT	£34,000

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

The Corporate Plan states that on the next 3 years we will 'deliver the objectives of the Lancashire Waste Strategy 2008-2020...'

In practical terms our aim is to provide an efficient waste collection / recycling service throughout our district. We are continually exploring options and methods of how we operate and deliver our collection services in the most efficient, effective and economic ways.

This policy of continual improvement has allowed us to significantly reorganise our operational practices (eg co-mingling, food waste collection). In turn the Council has benefitted by making significant ongoing financial savings in waste collection these have been built into the Council's budget. Furthermore they have been delivered ahead of schedule and this is reflected in the 2010/11 outturn position for waste collection.

This request seeks how to meet 100% coverage of our waste collection scheme- which on an ongoing basis is financially advantageous to the Council because of the County Council's cost sharing arrangement.

What the implications for service delivery will be if the carry forward is not approved.

Whilst 97% of the district is covered by kerbside recycling we need to maintain an upward momentum in line with our strategy aim to provide kerbside recycling to 100% of the district.

There are inconsistencies in frequency and method of collection throughout the district with some areas being harder to reach than others. To ensure that services are accessible to all residents' individual arrangements for properties some requiring communal recycling are being negotiated. For areas such as Mainway, communal recycling has been identified as a suitable option ensuring accessibility for all residents. This type of collection method is more expensive than the normal kerbside collection because of the containers type and hard standing required. The costs for supplying containers, communciation and associated works would be approximately £34,000.

In order to reach our targets we need to maximise the amount of waste that is recycled and composted, including food waste.

Lancashire County Council provides financial support in the form of cost sharing. Continuing our programme of kerbside recycling will provide us with £11,022 per annum of additional income. This one off request should therefore be seen as an

2010/11 REQUESTS FOR CARRY FORWARD

invest to save initiative.

By providing Mainway with recycling facilities we will reduce the frequency of residual collection from 4 to 3 times a fortnight. Achieve a minimum of 12% recycling rate for dry recyclables. Achieve a minimum 10% reduction of residual waste helping us to achieve our NI 192 Household Waste Reuse/ Recycle / Compost target of 48% for 2011/12.

Financial Services Comments

In 2010/11 the waste collection service was underspent by £145,000 through efficiency savings and unforeseeable windfalls. As detailed in the report, £34,000 is required for extending the scheme to include hard to reach areas, including Mainway. By doing this work, the grant we receive from Lancashire County Council in respect of cost sharing arrangements is estimated to increase by £11,000. Therefore, by investing in this scheme, the payback period of the initial outlay is 3 years and 2 months.

However, it should be noted that the request is not in respect of a specific budget commitment but seeks to apply an element of the underspend for a new scheme.

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

2010/11 REQUESTS FOR CARRY FORWARD

16

SERVICE	Environmental Services
GENERAL UNDERSPENDING ON PROPOSED USE	Three Stream Waste Collection
AMOUNT	Replacement Bins and Boxes
	£60,000

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

The Corporate Plan states that on the next 3 years we will 'deliver the objectives of the Lancashire Waste Strategy 2008-2020...'

In practical terms our aim is to provide an efficient waste collection / recycling service throughout our district. We are continually exploring options and methods of how we operate and deliver our collection services in the most efficient, effective and economic ways.

This policy of continual improvement has allowed us to significantly reorganise our operational practices (eg co-mingling, food waste collection). In turn the Council has benefitted by making significant ongoing financial savings in waste collection these have been built into the Council's budget. Furthermore they have been delivered ahead of schedule and this is reflected in the 2010/11 outturn position for waste collection.

As part of the 2010/11 budget exercise we reported to Cabinet on the issue of charging for replacement bins and boxes. The report did highlight that Council spending on replacement bins and boxes was growing faster than the available budget. Cabinet requested further updates on this issue ahead of the 2011/12 budget. This request seeks to ensure that in 2011/12 there is sufficient budget for replacement bins and boxes.

What the implications for service delivery will be if the carry forward is not approved.

The current budget does not support the number of replacement bins and boxes required to operate the three stream waste collection scheme and there is no indication that there will be a reduction in the number of replacement containers this year. Since April 2011 to date we have had 2089 requests for replacement bins and boxes compared with 1803 request for the same period last year.

The prices of plastic polymers have increased by 7%, due to the rise in oil prices.

Based on last year's figures we expect that a further £80,000 will be required to meet demand for bins and boxes in 2011/12.

Introducing a system to ration demand is difficult without a charging mechanism.

It is proposed that a further report be brought to Cabinet as part of this year's budget process to establish how we deal with this growth in future years.

2010/11 REQUESTS FOR CARRY FORWARD

Financial Services Comments

When approving the various stages of the waste strategy, a 2% provision was included for the replacement of bins and boxes – in 2010/11 6,452 bins, 7,412 boxes and approximately 8,000 lids were issued as replacements which is far in excess of the 2% provision. In previous years there have been surplus bins and boxes from the rolling-out of the waste strategy but now stocks are running at low levels. Alongside the budget (albeit with a £2,300 overspend in 10/11) this has been sufficient to deal with demand in previous years.

The 2011/12 budget includes an amount of £81,700 for replacement bins, boxes and lids. Using the latest usage and costing information available it is likely that this will be exceeded by approximately £60,000.

In 2010/11 the waste collection service was underspent by £145,000 through efficiency savings and unforeseeable windfalls. By not approving the carry forward request of £60,000 and should policy not change to introduce charging then the service will find it difficult not to continue to spend at current levels resulting in an overspent budget. Therefore a base budget adjustment will be required within the forthcoming budget process to counter-act the additional expenditure.

It should also be noted that the request is not in respect of a specific outstanding budget commitment but seeks to apply an element of the underspend for an anticipated overspend in 2011/12.

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

2010/11 REQUESTS FOR CARRY FORWARD

17

SERVICE	Community Engagement
BUDGET HEADING	Wellbeing - Children & Young Peoples Services (CYP) : Consultancy
PROPOSED USE	CYP : Training and Start-Up Costs
AMOUNT	£6,000

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

Spend was limited as the Service was undergoing a major restructure which included ways of planning spend against this budget for future years. This situation has now been resolved and the budget is to be utilised appropriately against the new way of operating playschemes for children and young people.

The spend in 2010/11 was limited as the number of sessions, which would ordinarily be undertaken by staff within various venues which would need payment and associated equipment costs, were reduced significantly in order to build relationships further with organisations that could deliver playschemes on our behalf. This is a much more cost effective option to the council.

What the implications for service delivery will be if the carry forward is not approved.

The carry forward would be used to assist with the one off costs associated with the introduction of a new way of working. The funding will be key to reducing the associated risk with engaging new partners to deliver playschemes. It will ensure that sufficient training and provision of one off start up costs such as supply of equipment, are dealt with leaving partner organisations to pick up such costs in the future.

Should the funding not be carried forward it is more likely that the playschemes would operate in an environment which would not be as conducive to the effective development of children and young people. Similarly providing a safe environment is less likely to negatively affect the image and reputation of the council and is something that Community Engagement would like to provide.

It was anticipated that the specific children and young people training for our partners and the one off equipment purchases would have occurred in 2010/11 but delays have given rise to this carry forward request. If the request is not approved it would lead to a reduced provision for the anticipated playschemes programme in 2011/12.

Financial Services Comments

Whilst there is an underspend of £8,900 on the consultancy budget at the end of the year, the carry forward request relates to training and the provision of one off start up costs and therefore constitutes a change of use.

2010/11 REQUESTS FOR CARRY FORWARD

18

SERVICE	Regeneration & Policy Service
BUDGET HEADING	Public Realm Repair & Maintenance
PROPOSED USE	New Cycle Paths & Bike It Project
AMOUNT	£34,200

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

Expenditure throughout 2010/11 on the Public Realm R&M was significantly lower than expected, particularly on the TERN element of the budget - this was due in part to staff shortages through prolonged sickness absence and other priorities.

This request to carry the balance of £34,200 forward into 2011/12 is two fold.

1. The final outstanding balance of the Cycling Demonstration Town budget infrastructure element was to be spent by the end of 2010/11 - The only scheme of sufficient size to utilise the value of this funding was an extension of the cycle path along the river frontage of St Georges Quay/New Quay Road. The scheme cost however exceeded the available budget by approx £7,500 therefore this carry forward is required to defray this final expenditure, without compromising the 2011/12 R&M budget.

2. A report updating Members on the Cycling Initiatives in the Lancaster and Morecambe District is included as a separate item on the agenda including;
- i. The end of the Cycling Demonstration Town Project.
 - ii. Joint working with Lancashire County Council on future cycling initiatives.
 - iii. Success of a bid to Sustrans for funding for a cycling scheme from their Links to Schools budget.
 - iv. Partial success in a joint project with Sustrans and Devon County Council in a themed bid to the Department for Transport's Local Sustainable Transport Fund.
 - v. Proposals to extend the ongoing 'Bike It' project.

The report highlights two areas where funding from the public realm R&M budget would provide financial support to the success and delivery of two of these projects i.e.

- iii. Success of a bid to Sustrans for funding for a cycling scheme from their Links to Schools budget.

A bid was put together and submitted to the Sustrans Links to Schools Fund for a cycle route scheme comprising conversion of footways on Westgate to shared use between the Globe Arena and Buckingham Road, upgrade of the existing footpath to the rear of Heysham High School to a shared use path and development and introduction of a signed on road cycle route between Heysham High School and Morecambe town centre and the Greenway. The scheme is to include the delivery of the already proposed section 106 funded scheme associated with the Globe Arena development.

A sum of £10,000 was identified from the public realm R&M budget to increase the amount of match funding that could be allocated against the project. Whilst the total match funding offered fell short of that which Sustrans normally expect, the proposed match demonstrated sufficient commitment to the aims and objectives of the project and therefore contributed to the success of the bid.

2010/11 REQUESTS FOR CARRY FORWARD

- vi. Proposals to extend the ongoing 'Bike It' project.

The Bike It project has been running alongside the Cycling Demonstration Town project since 2005 and currently employs two part time Bike It officers. The scheme has historically been part funded by Sustrans (who employ the BI officers) and external grants i.e. the CDT funding. The current round of Sustrans Bike It funding expires at the end of July 2011. Sustrans have expressed a desire and commitment to continue the Bike It project in Lancaster & Morecambe but only have sufficient funds to extend it to the end of March 2012. Sustrans have requested that Lancaster City Council provide funds equivalent to £16,700 in order to extend this period to the end of July 2012 after which it is anticipated the project will continue further with funding from the joint thematic bid to the Local Sustainable Transport fund referred to in iv. above.

The Bike It project works in up to 12 selected schools throughout the school year to promote and encourage cycling to and from the school, both staff and pupils, by delivering skills and maintenance training, carrying out events and activities and occasional financial support through grants for such things as secure cycle parking. The project has been hugely successful during the Cycling Demonstration Town project and made a considerable contribution to its success.

What the implications for service delivery will be if the carry forward is not approved.

1. The Additional funding required will have to be found from the 2011/12 R&M budget and may compromise other commitments during the year
2. By not identifying any financial commitment to either the Sustrans Links to Schools bid or the Sustrans Bike It project the offers of external grants may be withdrawn with a resultant loss in momentum in the delivery of cycling projects in the district. In the case of the Bike It project it would also result in the loss of two valued colleagues from the Service (although they are not directly employed).

Financial Services Comments

The Public Realm R&M budget covers TERN, River Lune Millennium Park and Cycle Track maintenance across the district. Long term staff sickness in the Environmental Management Team, along with less deterioration in infrastructure than anticipated, resulted in an underspend of £34,200 in 2010/11.

The majority of this carry forward request supports initiatives going forward in a Cabinet Report to build on the success of the Cycling Demonstration Town Initiative now that funding from the Dept of Transport has ended.

If the carry forwards request were not approved it is felt that the contributions of £10,000 in 2011/12 to the Links to Schools Project and £16,700 in 2012/13 could still be made but with increased pressure on the revenue budget. This could cause delays to work schedules and result in increased costs in the long term.

It should be noted that whilst it was planned for this budget to be used to support the above initiatives the request is not for repair and maintenance, for which the budget was established, and therefore this constitutes a change in use.

As the request is greater than £10,000 then Full Council approval will be required.

2010/11 REQUESTS FOR CARRY FORWARD

19

SERVICE	Health and Housing
BUDGET HEADING	HRA Planned Maintenance
AMOUNT	£30,000

The reasons why the spend didn't occur during 2010/11 and why we are still committed to doing this work in 2011/12.

Work was planned to be carried out toward the end of the financial year. However due to an increase in insurance works arising from the inclement weather conditions during the winter period the preparation of the specification for the concrete repair works was delayed. Therefore the works were unable to be carried out during 2010/11.

What the implications for service delivery will be if the carry forward is not approved.

Temporary repair work was carried out initially to prevent any health and safety implications arising. However if the work is not completed the concrete will deteriorate further and may become hazardous possibly resulting in claims against the Council for personal injuries.

Financial Services Comments

The overall net underspend on Planned Maintenance in 2010/11 was £73,000. The carry forward request can be accommodated within this.

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

	Revised Estimate	Expenditure in 2010/11	Expenditure to be financed in 2010/11	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)		
	£	£	£	£	£	£	£	£	£	
GENERAL FUND	7,224,000	6,733,303.96	6,733,303.96	3,629,714.63	-373,723.50	411,792.69	47,406.02	0.00	3,715,189.84	3,018,114.12
HOUSING REVENUE ACCOUNT	4,274,000	4,184,631	4,184,631	1,646	0	80,541	1,283,000	2,766,911	4,132,098	52,532.87
TOTAL CAPITAL EXPENDITURE & FINANCING	11,498,000	10,917,934.92	10,917,934.92	3,631,360.51	-373,723.50	492,333.73	1,330,406.02	2,766,911.17	7,847,287.93	3,070,646.99

2010/11 CAPITAL EXPENDITURE FINANCING	Housing Revenue Account	General Fund	Grand Total for all Funds
	£	£	£
Amounts to be financed by General Capital Resources	52,532.87	3,018,114.12	3,070,646.99
Financed by:			
Unsupported Borrowing	0.00	2,352,220.01	2,352,220.01
Usable Capital Receipts	52,532.87	665,894.11	718,426.98
Total Financing from General Capital Resources	52,532.87	3,018,114.12	3,070,646.99

APPENDIX J

CAPITAL SLIPPAGE - INTO FINANCIAL YEAR 2011/12

For consideration by Cabinet 26 July 2011

	Slippage Requested	Source of Funding:		
		LCC Funded	Grant / Contributions	Total
		£	£	£
Environmental Services				
District Playground Improvements	1,000.00	1,000.00		1,000.00
Hala Park Playground Improvements	39,000.00	9,000.00	30,000.00	39,000.00
Toilet Works	4,000.00	4,000.00		4,000.00
	44,000.00	14,000.00	30,000.00	44,000.00
Community Engagement				
Energy Efficiency Schemes	22,000.00	22,000.00		22,000.00
Salt Ayre works programme	3,000.00	3,000.00		3,000.00
	25,000.00	25,000.00	0.00	25,000.00
Health and Housing				
YMCA Places of Change	63,000.00		63,000.00	63,000.00
Disabled Facilities Grants	28,000.00		28,000.00	28,000.00
	91,000.00	0.00	91,000.00	91,000.00
Information Services				
I.T. Infrastructure	10,000.00	10,000.00		10,000.00
I.T. Desktop Equipment	25,000.00	25,000.00		25,000.00
Electronic Room Hire Booking System	1,000.00	1,000.00		1,000.00
	36,000.00	36,000.00	0.00	36,000.00
Regeneration & Policy				
Cycling England	13,000.00		13,000.00	13,000.00
Toucan Crossing-King Street	14,000.00		14,000.00	14,000.00
Artle Beck Improvements (Flood Defences)	237,000.00		237,000.00	237,000.00
Denny Beck Bridge Improvements	81,000.00	81,000.00		81,000.00
Wave Reflection Wall Refurbishment	15,000.00	1,000.00	14,000.00	15,000.00
Slynedale Culvert project	21,000.00		21,000.00	21,000.00
The Dome (Demolition)	12,000.00	12,000.00		12,000.00
Amenity improvements	3,000.00	3,000.00		3,000.00
Luneside East Compensation Claims	1,000.00	1,000.00		1,000.00
Poulton Public Realm-Edward St, Union St, Church Walk	10,000.00		10,000.00	10,000.00
Bold Street Renovation Scheme	94,000.00		94,000.00	94,000.00
Public Realm Works	13,000.00	13,000.00		13,000.00
Storey Institute Centre for Industries	34,000.00		34,000.00	34,000.00
	548,000.00	111,000.00	437,000.00	548,000.00
Property Services				
Corporate & Municipal Building Works (incl. energy efficiency)	47,000.00	47,000.00		47,000.00
67-71 Market Street	23,000.00	23,000.00		23,000.00
LTH Roof Replacement	33,000.00	33,000.00		33,000.00
MTH Roof Replacement	52,000.00	52,000.00		52,000.00
	155,000.00	155,000.00	0.00	155,000.00
GENERAL FUND TOTAL	899,000.00	341,000.00	558,000.00	899,000.00
Council Housing				
Kitchen/Bath 09/10 Contract 2 Ridge	8,000.00	8,000.00		8,000.00
Fire Precaution Works 10/11	7,000.00	7,000.00		7,000.00
Choice Based Letting	67,000.00	67,000.00		67,000.00
COUNCIL HOUSING TOTAL	82,000.00	82,000.00	0.00	82,000.00

Annual Treasury Management Report 2010/11

For consideration by Cabinet 26 July 2011

1 Introduction

1.1 The Council's Treasury Management Strategy for 2010/11 was approved by Council on 03 March 2010. This report sets out the related performance of the treasury function by providing details of:

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

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

1.2 The aim of the Treasury Management Policy and associated activity is to ensure that the investment of surplus cash is managed in line the guidance issued by both CIPFA and Government, as well as in line with the Council's appetite for risk. For 2010/11 the appetite for risk remained low following the collapse of the Icelandic banks and resulting volatility in the wider economy.

1.3 Treasury management is a technical area. Training has been provided in the past to Members and this continues to be an important part of the updated CIPFA code of practice (November 2009) covering strategies from 2010/11 onwards. To assist with the understanding of this report, a glossary of terms commonly used in Treasury Management is attached at **Annex A**. In addition, the Councillor's Guide to Local Government Finance also has a section on treasury and cash management, and this is available through the Member Information section on the Intranet. Member training has been organised with the Council's Treasury Management consultants, Sector, for later in the 2011/12 financial year.

2 Summary: Headline Messages for 2010/11

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

- There is still a great deal of uncertainty in the economy with a number of competing factors in the balance as to whether interest rates may increase and the timing of any increase. Credit worthiness is still an key issue.
- Although there is reason for optimism in relation to Icelandic investments, the judgement to award preferential creditor status for Glitnir and Landsbanki has yet to be passed irrefutably. However, a concrete decision should be known before the end of the calendar year.
- Payments have continued against the KSF deposit which is now up to 53% repayment against a total predicted settlement of 82%.
- No new long term debt has been taken on in the year. The Council has not breached any Treasury Management Indicators relating to debt in the year.

Borrowings were in line with the Council's Capital Financing Requirement (CFR). They have not been above either the Operational or Authorised limits and the maturity profile/variable rate exposure on borrowings has also stayed within the approved limits, although the change to IFRS accounting has brought some very long term liabilities onto the Council's balance sheet, and these are longer than the range previously used in the maturity of debt indicator.

- Although the capital programme increased the amount of prudentially funded expenditure in year, this was offset by provision for repayment of principal so that the net underlying need to borrow was static in year.
- No long term loans have been repaid in the year and no temporary borrowings have been required to support day to day cash flow. The portfolio will monitored going forward with an eye on the potential requirement to finance a buy out of the HRA subsidy system.
- The Council has stayed within its Prudential limits for investments and has not breached any of the criteria set out in the approved strategy. As was the case in 2009/10, funds have been kept either on instant access or within short fixed term deposits at the Debt Management Office (part of Her Majesty's Treasury).
- Outturn on investment interest was £271K, which was £17K above the revised budget. This is largely due to higher cash balances in the year than anticipated and slightly higher rates of return on the call accounts and money market funds.

3 **Economic background**

2010/11 proved to be another watershed year for financial markets. Rather than a focus on individual institutions, market fears moved to sovereign debt issues, particularly in the peripheral Euro zone countries.

UK growth proved mixed over the year. The first half of the year saw the economy outperform expectations, although the economy slipped into negative territory in the final quarter of 2010 due to inclement weather conditions. The year finished with prospects for the UK economy being decidedly downbeat over the short to medium term. The Japanese disasters in March and the crisis in Libya caused an increase in world oil prices, which all combined to dampen international economic growth prospects.

The cost of the UK Government's borrowing (Gilt yields) fell for much of the first half of the year as financial markets drew considerable reassurance from the Government's debt reduction plans, especially in the light of Euro zone sovereign debt concerns. However, this positive performance was mostly reversed in the closing months of 2010 as sentiment changed due to sharply rising inflation pressures. These were also expected to cause the Monetary Policy Committee (MPC) to start raising the Bank Rate. Although this did not happen in 2010/11, it remains a continuing pressure on the MPC. However, in March 2011, slowing actual growth, together with weak growth prospects, saw consensus expectations of the first UK rate rise move back from May to August 2011 despite high inflation.

The developing Euro zone peripheral sovereign debt crisis caused considerable concerns in financial markets. First Greece (May 2010), then Ireland (December), were forced to accept assistance from a combined EU / IMF rescue package.

Subsequently, fears steadily grew about Portugal, although it managed to put off accepting assistance till after the year end. These worries caused international investors to seek safe havens in investing in non-Euro zone government bonds.

Risk premiums were also a constant factor in raising money market deposit rates beyond 3 months. Although market sentiment has improved, continued Euro zone concerns, and the significant funding issues still faced by many financial institutions, mean that investors remain cautious of longer-term commitment. The European Commission did try to address market concerns through a stress test of major financial institutions in July 2010. Although only a small minority of banks "failed" the test, investors were highly sceptical as to the robustness of the tests, as they also are over the further tests now taking place. Results for these are due in mid-2011.

Overall then, there is still a great deal of uncertainty in the economy with interest rates still at historically low levels. There are a number of competing factors in the balance as to whether rates may increase and if so, what the timing of any increase might be. Credit worthiness is still an key issue.

4 Icelandic Investments

There is still significant uncertainty over the position on the Council's Icelandic investments. Although the Council has had a favourable verdict on its creditor status for both Landsbanki and Glitnir, these rulings have been appealed and so, as yet, there is no definitive outcome. The high court ruling is expected some time in late Summer or Autumn 2011 which may, or may not, be in time for the final accounts being signed off.

Although CIPFA revised its accounting guidance, removing the worst case scenario from its recommended range of values, the Council has not adjusted the impairment on these investments, keeping them at a value that was half way between best and worst case. This is because revising the value upwards in line with CIPFAs recommended values would expose the Council to a potentially large revenue cost if the appeal led to the Council losing its preferential creditor status.

KSF are still making repayments and as at the end of the year, 53% of the claim (£1,082K including £22K of interest) had been paid. The latest prediction as per CIPFA (update 4) is that in total 82% of the claim should be refunded to the Council (£1,640K of principal and £39K of interest), which is an increase on the prior year.

As was reported in the prior year, there is an exchange rate risk linked to the Icelandic deposits. The claims with Glitnir and Landsbanki were converted to Icelandic Krona (ISK) on 22 April 2009. Repayments by the banks will be based on the value of the deposit in ISK so the sterling value received by authorities will depend on the prevailing exchange rate which may be lower than the equivalent value on 22 April 2009 (190.62 ISK/£, the rate as at 31/3/2011 was 183.4 ISK/£). However, as previously reported by CIPFA, this is not expected to be material, although it is possible that this could change in the future.

The Government allocated a £2.1M capitalisation order to the Council, all of which was used in 2009/10. Due to the upwards re-measurement of the KSF investment, £222K of the capitalisation has been reversed but the remainder is in place covering the recognised impairment on Glitnir and Landsbanki. Once a conclusive valuation for these two assets is available, the impairment and its financing will be reviewed.

5 **Borrowing and capital expenditure.**

5.1 **Longer Term Borrowing and Funding of Capital.**

Long term borrowing is an important part of the Council's capital financing. Under the Prudential Code a key indicator is the Capital Financing Requirement (CFR). This figure is calculated from the Council's balance sheet and represents, in broad terms, the gap between the value of fixed assets and that of capital reserves. In essence, this gap may be viewed as the cumulative amount of capital investment that may need to be funded through external borrowing (i.e. the amount of capital investment that hasn't 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 2010/11 the figures were as follows:

	£000
Opening CFR	50,811
Closing CFR	50,820
Average CFR	50,816
Weighted average borrowings	39,215
Weighted average finance lease liability	4,187
Weighted average investments*	18,805
Net borrowings	24,597

From this it is clear that net borrowings are well below the Council's CFR, and average gross borrowings are comfortably below, even adjusting the CFR down for the balance sheet adjustments relating to finance lease liabilities. This shows that 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:

	2009/10 (restated)	2010/11
	£000	£000
Opening Capital Financing Requirement	50,398	50,810
<i>Capital investment</i>		
Property, Plant and Equipment	9,066	8,397
Investment Properties	39	12
Intangible Assets	27	90
Revenue Expenditure Funded from Capital Under Statute	4,228	2,197
<i>Sources of financing</i>		
Capital receipts	(1,409)	(718)
Government Grants and other contributions	(5,660)	(3,258)
Direct revenue contributions	(1,499)	(1,823)
Minimum Revenue Provision	(2,076)	(2,121)
Major Repairs Reserve	(2,304)	(2,767)
Closing Capital Financing Requirement	50,810	50,819

This shows little movement in the CFR over the year. The capital programme was budgeted to have a borrowing requirement of £1.1M for 2010/11. The actual out-turn was £2.13M of prudentially funded expenditure. This increase was due to the decision to acquire vehicles and waste receptacles through capital expenditure rather than through sale and lease back agreements, on value for money grounds. Under the newly introduced international financial reporting standards (IFRS) many of these sale and lease back arrangements end up counting towards the Council's capital expenditure anyway, so future capital budgets will need to be adjusted to reflect this change in treatment and the impact on the CFR. This also explains why the 2009/10 figures have been restated as lease arrangements that were previously treated as revenue costs have been capitalised under IFRS accounting.

Although there was an increase to the Council's prudentially funded capital expenditure, this was offset by the reduction in capitalisation directive required for the impairment on the Council's investment with the Icelandic bank KSF (£222K) and through the statutory provision for repayment of principal (MRP). In summary, there has been little change in the underlying need to borrow, over the year.

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). This is summarised below:

	Actual Debt 31/03/11	Operational Boundary	Authorised Limit
	£000's	£000's	£000's
Deferred Liabilities	223		
Long term Finance lease liability	3,433		
PWLB Debt	39,215		
Total	42,871	48,100	53,110

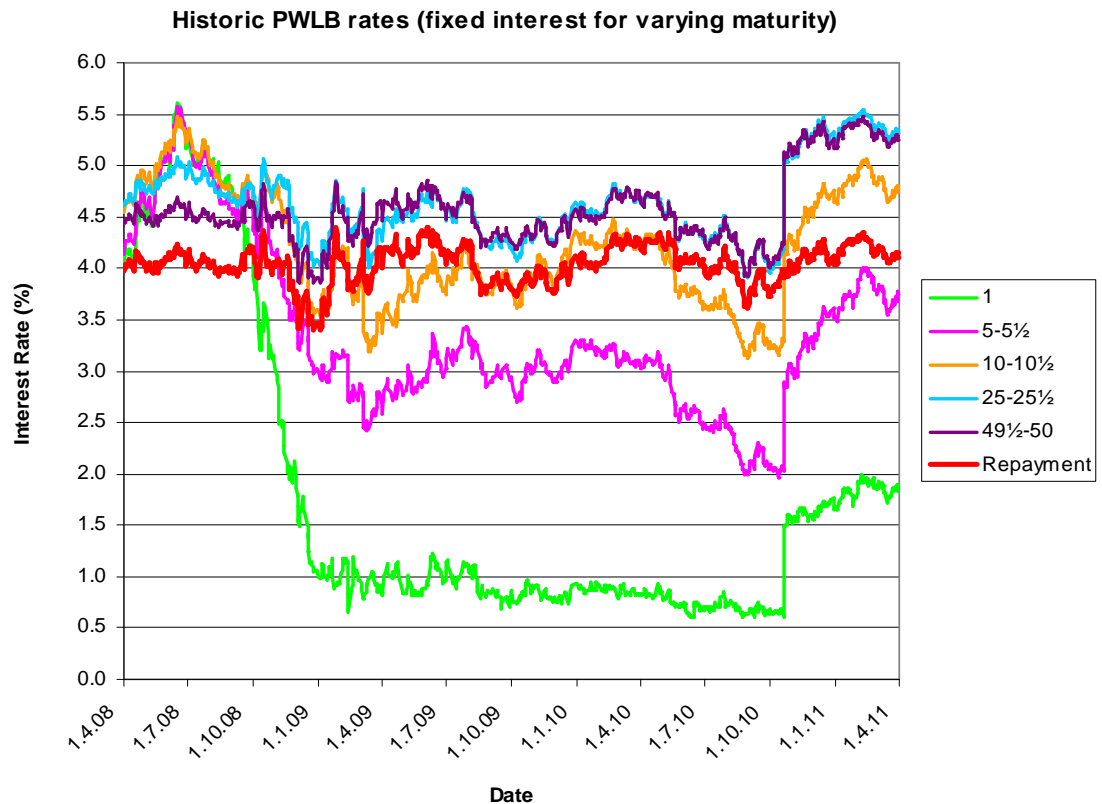
It can be seen that the Council was well below the Authorised Limit and Operation Boundary throughout the year. The debt boundaries appear high in relation to the level of debt actually incurred, but these were originally set to provide flexibility for some potentially large liabilities within the capital programme arising in connection

with matters such as Luneside East land acquisitions. These have not resulted in a direct impact on capital expenditure or income in 2010/11 and following the successful result in the first round of the Lands Tribunal, a smaller contingency is required in future years. However, other issues such the timing and likelihood of some major capital receipts still mean that flexibility is required in terms of future years' borrowing limits.

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

5.2 PWLB Interest Rate Movements

All of the Council's long term borrowings are held with the Public Works Loan Board (PWLB). During the course of 2010/11 the spread in rates which started in 2008/09 has remained, with a much lower rate for short term loans than those for longer periods. The Government did however raise rates in October 2010, adding 1% across the board on PWLB rates:



Repayment of PWLB debt is still an attractive option in the current climate, as investment returns remain far lower than the interest payable on existing debt. However, the rates during 2010/11 did not allow this without inhibitive early repayment penalties. Opportunities to make repayments will be reviewed throughout 2011/12 although this will be done with an eye on the possible need to take on more debt should HRA self financing become a reality. In this case it may make sense to keep hold of existing loans if these are below the projected market rates.

5.3 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 portfolio has not moved during the year.

None of the Council’s current longer term borrowing is due for scheduled repayment in the next ten years, although, as noted above, there may be some large changes to the debt portfolio going forward, in relation to HRA self financing.

	Treasury Indicator	Actual (restated) 31/3/10	Actual 31/3/11
Under 12 months	0-35 %	1%	1%
12 – 24 Months	0 – 20%	1%	1%
24 – 5 years	0 – 20%	1%	2%
5 – 10 years	0 – 20%	0%	0%
10 -15 years	0 – 50%	0%	0%
15 – 25 years	0 - 100%	0%	0%
25 – 50 years	50 – 100%	92%	91%
50 years and upwards		5%	5%

In line with the Prudential Code, these figures now include the finance lease liabilities brought onto the balance sheet under IFRS during 2010/11. As one of these leases is for longer than 50 years (Lancaster Market), the accounting adjustments result in a long term liability greater than 50 years in length which is outside the range of the indicators set for 2010/11. This is not judged to alter the liquidity risk of the debt portfolio which is otherwise well within the approved limits.

5.4 Interest Payable on Longer Term Borrowing

The average rate of interest payable on PWLB debt in 2010/11 was 5.68% which is identical to 2009/10 and was on budget.

	£'000
2010/11 Estimate	2,227
2010/11 Actual	2,227 (of which £724K was re-charged to the HRA)
Variance	0

There was also £429K 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 maturity debt, although again this could change in future if market conditions warrant or facilitate it.

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

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

6 Investment Activities

5.1 Performance against Prudential Indicators

In 2010/11 all investments were placed in accordance with the approved Investment Strategy; there have been no breaches of the investment criteria.

The Council has made no investments and held no investments with a maturity of longer than 365 days from the end of 2010/11; the investment strategy prohibited such long term investments. All deposits have been made either to instant access call accounts and money market funds or have been placed as term deposits with the Debt Management Office (DMO), part of Her Majesty's Treasury.

Details of deposits are included in **Annex B**.

5.2 Performance against budget and external benchmarks.

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

Indicator (mean value)	2009/10	2010/11
Base Rate	0.50%	0.50%
3 Month LIBID	0.83%	0.74%
Lancaster CC investment	0.86%	0.53%

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

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

Annual budget	£254K
Actual to date	£99K (see details in Annex B)
"Icelandic" to date	£172K (see details in Annex B)
Total	£271K
Variance	£17K favourable

There is a £17K favourable variance. This is largely due to higher cash balances in the year than anticipated and slightly higher rates of return on the call accounts and money market funds. The Icelandic income is a real credit to the general fund, unlike in previous years when this 'accounting' interest had to be reversed out to the

Financial Instrument Adjustment Account to net off against the deferred impairment charge.

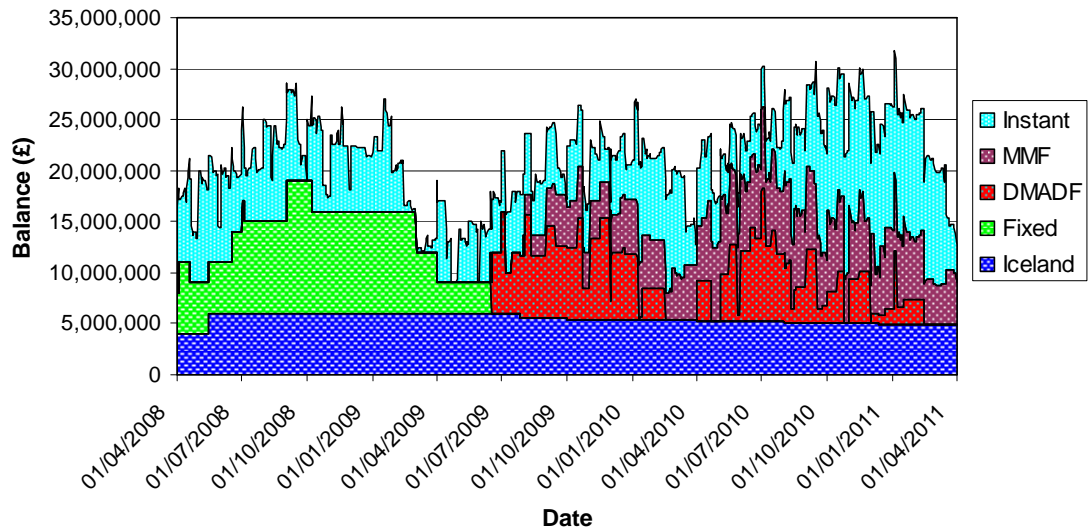
Overall, the investment returns were within the range limited by the base rate and LIBID (London Inter-bank Bid) rate. In comparison to the prior year, the overall rate of return is worse although the absolute amount of 'real' interest (not including Iceland) is similarly low (£99K vs £108K), which reflects the consolidation of the downturn which started in 2008/09. It is anticipated that returns may double over the year but as can be seen from the table below, these predictions are still cautious and are well below the high rates of investment interest being earned during 2007/08.

Date	3 month LIBID projection (%)
01/06/2011	0.80
01/09/2011	0.90
01/12/2011	1.25
01/03/2012	1.50
01/06/2012	1.75

Source: Sector, June 2011

The Investment Strategy for 2010/11 continued with the more cautious approach to managing surplus cash which has been in place since the banking crisis. This has restricted the term of deposits to a maximum of 1 year, reduced the counterparty limits and removed the option to make non EU deposits. In practice, deposits were placed on instant access in either call accounts or Money Market Funds (MMFs), or were placed on term deposit in the DMO account. The pattern of these investments over 2010/11 and the prior year can be seen in more detail below (the reduction in Icelandic balances represents the repayments made by KSF).

Investment values over the prior 2 years



Similar to the borrowing comparators, there is currently no information available regarding other Local Authorities' investment performance during 2010/11.

Treasury Management Glossary of Terms

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

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

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

See also PWLB.

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

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

7 Other Risk Management Issues

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

The risk management framework within treasury management has been recently updated within the new codes of practice from CIPFA and the new investment guidance due from the DCLG. Since 2007/08 the environment has changed from a relatively stable economy with investment returns that were higher than the cost of much of the Council's debt, to one where investment returns have slumped and the credit worthiness of counterparties is paramount. The Authority's Investment Strategy is designed to engineer risk management into investment activity largely by reference to credit ratings and length of deposit to generate a pool of counterparties, together with consideration of non credit rating information to refine investment decisions. This strategy is required under the CIPFA Treasury Management Code, the adoption of which is another Prudential Indicator. The strategy for 2010/11 complied with updated code of practice and DCLG investment guidance.

8 Other Prudential Indicators

As required under the Prudential Code, certain other year end Prudential Indicators must be calculated and these are included in a separate Appendix. They cover the other side of investment and debt management referred to briefly in 5.1 above, this being capital expenditure, and they will be incorporated into the referral report to Council.

9 Conclusion

As for 2009/10, the main issue for 2010/11 treasury management relates to Icelandic investments although progress with the legal claims is being made to the extent that, within months, the Council should have a concrete figure in terms of the amounts to be recovered from Glitnir and Landsbanki.

Due to the ongoing impact of Iceland on the Council's risk appetite and the ongoing economic malaise, all other Treasury management activity has continued within a very narrow band of low risk products and counterparties maintaining the trend of relatively low investment returns compared to the pre Iceland years.

INVESTMENT INTEREST EARNED TO 31 March 2011

Icelandic investments	No	Start	End	Rate %	Principal £	Cumulative Interest* £
Deposited 2007/08						
Landsbanki Islands	004	31-Mar-08	22-Apr-09	6.25	1,000,000	35,000
Glitnir	FI02/023	31-Mar-08	22-Apr-09	5.76	3,000,000	107,000
Deposited 2008/09						
Kaupthing, Singer & Friedlander	06/07-129	16-May-08	07-Oct-08	6.00	940,000	30,000
Sub total					4,940,000	172,000

Other Investments	opening	Min	Max	closing	Indicative rate	Cumulative Interest £
Call: Abbey National	3,300,000	0	4,000,000	2,400,000	0.75%	17,560
Call: Yorkshire bank	2,000,000	0	2,000,000	0	0.50%	8,849
Call: RBS	400,000	400,000	2,000,000	1,300,000	0.70%	13,338
Call: Lancashire County Council	0	0	4,000,000	0	0.70%	17,481
DMADF	4,000,000	0	12,950,000	0	0.25%	9,214
Government Liquidity MMF	1,600,000	0	4,000,000	100,000	0.39%	11,003
Liquidity First MMF.	3,700,000	1,000,000	4,000,000	4,000,000	0.65%	21,751
Sub-total	15,000,000			7,800,000		99,196

TOTAL Interest						271,196
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* Under the 2009 SORP, interest continues to be accrued whilst Icelandic investments are on the Council's balance sheet. As the full impairment on the investments was recognised in the 0910 accounts, this interest will be credited to the General Fund.

PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

For consideration by Cabinet 26 July 2011

2009/10*	2010/11
£'000	£'000

AFFORDABILITY

PI 2: Actual ratio of financing cost to net revenue stream		2009/10*	2010/11
		£'000	£'000
	Non - HRA	15.4%	16.0%
	HRA	8.4%	7.4%
	Overall	13.2%	13.2%

PRUDENCE

PI 6: Actual capital expenditure		2009/10*	2010/11
		£'000	£'000
	Non - HRA	9,852	6,511
	HRA	3,508	4,185
	Total	13,360	10,696

PI 8: Actual Capital Financing Requirement		2009/10*	2010/11
		£'000	£'000
	Non - HRA	35,508	35,517
	HRA	15,303	15,303
	Total	50,811	50,820

PI 11: Actual external debt		2009/10*	2010/11
		£'000	£'000
	PWLB loans	39,215	39,215
	Long term Finance lease liability	3,938	3,433
	Short term finance lease liability	498	504
	Other long term liability	223	223