LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Committee: **CABINET**

Date: **TUESDAY, 2 SEPTEMBER 2008**

Venue: **LANCASTER TOWN HALL**

Time: **10.00 A.M.**

A G E N D A

1. Apologies

2. Minutes

To receive as a correct record the minutes of Cabinet held on Tuesday, (insert), 2008 (previously circulated).

3. Items of Urgent Business Authorised by the Leader

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

4. Declarations of Interest

To consider any such declarations.

5. Public Speaking

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

Reports from Overview and Scrutiny

None

Reports

6. Implications of the Lancashire Municipal Waste Strategy and PFI Funded Waste Disposal Arrangements (Pages 1 - 8)

(Cabinet Member with Special Responsibility Councillor Barry)

Report of Head of City Council (Direct) Services.

7. Performance Management Framework (Pages 9 - 15)

(Cabinet Member with Special Responsibility Councillor Mace)

Report of Corporate Director (Finance and Performance).

8. **Response to 'Pride in Primrose' Street Pride Petition (Pages 16 - 19)**

Report of Head of City Council (Direct) Services.

9. **Storey Creative Industries Centre: Capital Project Update (Pages 20 - 25)**

(Cabinet Member with Special Responsibility Councillor Mace)

Report of Corporate Director (Regeneration).

10. **Star Chamber Review (Pages 26 - 37)**

(Cabinet Member with Special Responsibility Councillor Mace)

Report of Corporate Director (Finance and Performance).

11. **Free Swimming Programme (Pages 38 - 43)**

(Cabinet Member with Special Responsibility Councillor Fletcher)

Report of Corporate Director (Regeneration).

12. **Civil Parking Enforcement - Future Options (Pages 44 - 62)**

(Cabinet Member with Special Responsibility Councillor Mace)

Report of Corporate Director (Regeneration).

13. **Children and Young people (CYP) Cabinet Liaison Group (Pages 63 - 66)**

(Cabinet Member with Special Responsibility Councillor Fletcher)

Report of Corporate Director (Finance and Performance).

14. **Financing for Home Support Team (Pages 67 - 70)**

(Cabinet Members with Special Responsibility Councillors Gilbert and Kerr)

Report of Corporate Director (Community Services).

15. **YMCA Places of Change**

(Cabinet Member with Special Responsibility Councillor John Gilbert)

Report to follow.

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

The following report is public but appendices are exempt from publication by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972.

Should Cabinet wish to refer to the appendices, it is recommended to pass the following recommendation in relation to the following item:-

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

Members are reminded that, whilst the following item has been marked as exempt, it is for the Council itself to decide whether or not to consider it in private or in public. In making the decision, Members should consider the relevant paragraph of Schedule 12A of the Local Government Act 1972, and should balance the interests of individuals or the Council itself in having access to information. In considering their discretion Members should also be mindful of the advice of Council Officers.

Members are asked whether they need to declare any further declarations of interest regarding the exempt content of the report.

17. Storey Creative Industries Centre Revenue Implications (Pages 71 - 107)

(Cabinet Member with Special Responsibility Councillor Mace)

Report of Corporate Director (Regeneration).

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Roger Mace (Chairman), Evelyn Archer, Jon Barry, Eileen Blamire, Abbott Bryning, Shirley Burns, Susie Charles, Jane Fletcher, John Gilbert and David Kerr

(ii) Queries regarding this Agenda

Please contact Debbie Chambers, Democratic Services, telephone 01524 582057 or email dchambers@lancaster.gov.uk.

(iii) Apologies

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

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

Published on 21st August 2008

 Agenda Item 6

CABINET

Implications of the Lancashire Municipal Waste Strategy and PFI Funded Waste Disposal Arrangements
2 September 2008

Report of Head of City Council (Direct) Services

PURPOSE OF REPORT					
To inform members of the implications of adopting the New Waste Management Strategy for Lancashire 2008 to 2020 and to determine a course of action with regard to the adoption of it.					
Key Decision	**X**	**Non-Key Decision**		**Referral from Cabinet Member**	
Date Included in Forward Plan	**June 2008**				
This report is public					

RECOMMENDATIONS OF COUNCILLOR JON BARRY

(1) That the costs outlined within the report for the collection of food waste (Option 2) are built into the forthcoming review of the Medium Term Financial Strategy (MTFS), for subsequent referral on to Council.

(2) That subject to the outcome of (1) above, a service for the separate collection of food waste, as outlined in Option 2 of the report is implemented in two phases starting in April 2010 and April 2011.

(3) That the council does not currently expand the capacity of the trade service but officers continue to investigate service efficiencies that may afford greater recycling opportunities for trade waste customers. Officers will continue to assess the impact of issues like LATS and the new waste disposal facility and ensure the financial implications are built into the MTFS.

1.0 Introduction

1.1 At its meeting of 8 July 2008, Cabinet resolved in principle to adopt the New Lancashire Municipal Waste Strategy 2008-2020 (LWMS 2008-2010). This strategy sets challenging targets for waste collection authorities, including, by 2010, both the collection of food waste for composting and a segregated collection service for trade waste.

1.2 The strategy sets challenging targets for reducing waste growth and increasing recycling and composting. At a Countywide level the target is to recycle and compost 56% of all waste by 2015 and 61% by 2020. Performance against these targets will be assessed by the Audit Commission as part of the CAA process.

1.3 Performance of waste collection authorities is integral to achieving this target. In 2007/8 Lancaster City Council recycled and composted 30.83% of all waste collected. The target for 2008/9 is 33%, 2009/10- 36% and 2010/11- 40%. The actual amount of waste collected per household reduced to 371.1kg. The amount of waste collected within the District is very low which is good in terms of meeting the aim of reducing waste. The infrastructure for collecting waste that is now in place combined with an effective approach to education and enforcement should ensure that we meet our recycling and composting targets as set within the corporate plan.

1.4 Despite this increase in performance the national waste strategy and the County wide strategy demand that Councils set ever more challenging targets thus reducing the overall amount of waste landfilled. Within this District there are two waste streams that are as yet relatively untapped. These two streams are-

- Food waste
- Trade waste

1.5 **Food Waste-** The ‘Animal By-Products Regulations 2002 ’ prohibit the depositing of food waste for composting in open windrow. There is currently no locally available facility for composting food waste in an enclosed vessel and, accordingly, all food waste is taken to landfill in the residual waste stream. However, from April 2010, when the County Council’s new PFI funded waste treatment plants are operational, facilities will be available for composting food waste within enclosed vessels. It is estimated that food waste comprises around 14% of the amount of waste landfilled. This report offers options for the collecting of food waste in compliance with the cost sharing agreement we have with County and in line with Lancashire’s Municipal Waste Management Strategy.

1.6 **Trade Waste -**The Environmental Protection Act 1990 stipulates that Waste Collection Authorities have a duty to collect waste from any business within their district when requested to do so.

The Council’s collection resources are currently working at full capacity. Any increase of either tonnage of material collected for recycling or range of materials collected, such as glass, would have to be supported by an investment in extra vehicle(s) and staff posts. The collection of trade waste is a commercial activity in a fiercely competitive market. Customers could, at any time, terminate their contracts with the Council and use a private contractor for the disposal of waste. There is a risk that vehicles added to the fleet to meet an increasing demand from customers could later become under utilised and thus present a cost to be born elsewhere.

1.7 The Landfill Allowance Trading Scheme (LATS) imposes a charge on waste disposal authorities for any annual tonnage of biodegradable waste deposited in landfill over a specific predetermined target. The County Council has in turn, set similar targets for trade waste deposited by district councils. Lancaster City Council will be liable for LATS charges of £36158 in 2008/9. It is expected that there will be a substantial increase to this charge for 2009/10.

1.8 The PFI funded disposal plant will be operational in 2010/11when the gate fees for trade waste collected by district councils is likely to be approximately £130 per tonne. (We are currently charged a total of £57.47 per tonne).

1.9 The majority of the extra charges above will have to be passed on to the producers of the waste (the trade waste customers). It is difficult to assess what impact this will have on the trade refuse service but it seems likely that the customer base will alter considerably.

1.10 This uncertainty needs to be factored into the MTFS as trade waste contributes to the Council's General Fund. (£136,000 in 2007/8).

1.11 **Middleton Transfer Station -** As part of the County Council's new waste disposal arrangements work is currently taking place to build a new Waste Transfer Station at Middleton. From 2010, waste materials delivered there, will be 'bulked up' and taken to one of the Mechanical/Biological treatment plants (MBTs) at either Leyland or Thornton. Officers of the County Council have reported that they expect this facility to be complete and operational by December 2009. This will allow that some of the City Council's waste can be transported from there to contribute towards the commissioning of the MBTs.

2.0 Proposal Details

2.1 **Food Waste-** There are a number of options available for collection of food waste. Whilst officers have spent considerable time examining best practice from elsewhere, it should be noted that at this stage many Councils have not yet introduced food waste collections. What examples there are show that in order to maximise the amount of food waste collected there is a need to introduce a system that is generally acceptable to householders and makes it as easy as possible for them to recycle their food waste.

It is proposed that to achieve this the service should consist of a weekly kerbside collection of food waste, collected from 23 litre caddies. To deliver the service most efficiently households that currently take advantage of the garden waste collection service would alternate between leaving food waste in the caddie for collection one week and placing food waste together with garden waste in the green wheeled bin for collection the next week. This method of collection is the one that would be most likely to maximise recycling rates collected by the Council, be most acceptable to householders and provide the service in the most efficient way.

All households would be also provided with a smaller, 5 litre kitchen caddy (from which to transfer waste from the kitchen to the larger 23 litre caddy) and a starter pack of 25 corn starch liner bags. They would be expected to either buy further supplies of the bags from local suppliers or to line the caddies with newspaper.

Further options are outlined in the options analysis below.

2.2 **Trade Waste**

Because of the uncertainty surrounding trade waste outlined above It is proposed that the Council does not invest in any enhancements of its trade waste collection service in the short term and that officers continue to review this activity and report back to Cabinet if the situation changes.

3.0 Details of Consultation

3.1 There has been no consultation with regard to the separate collection of food waste from households

3.2 Many of our trade waste customers are requesting a separate collection of recyclable materials.

4.0 Options and Options Analysis (including risk assessment)

4.1 Food Waste

Option	Pro	Con	Risk
Option 1 All households to be provided with a 23 litre caddy Replace refuse collection vehicles with two compartment vehicles for separate food waste collection. Introduction of this option would be phased over 4 years in line with the replacement of existing collection vehicles.	Food waste can be collected separately from all households on a weekly basis. There will be no increase in the number of vehicles collecting waste from households	This is a high cost option	In low participation areas the capacity of the food waste compartment of the vehicle could be under utilised, leading to operational inefficiencies
Option 2 Weekly collection of food waste. All households to be provided with a 23 litre caddy. For householders with green bins (approx 50,000) collect food waste mixed with garden waste on one week and use purpose built vehicle to collect food waste on 'grey weeks' from a 23 litre caddy . For householders without green bins (approx 10,000) collect food waste each week from the 23 litre caddy.	This is the lower cost option, in the longer term, that provides for a weekly collection of food waste.	This option will cost more than **Options 3 and 4** and it will require the services of an extra collection crew to visit every household on a fortnightly basis	Potential for customer dissatisfaction at the number of vehicles deployed for the waste collection service

Option 3 Collect food waste fortnightly on 'green weeks' providing an additional collection resource for households without gardens. Only households without green bins (approx 10,000) to be provided with a 23 litre caddy	This is the lowest cost option that provides a fortnightly collection of food waste from all households	Householders will have to keep food waste for two weeks. Alternatively, they can also dispose of it in the grey bin as part of the residual waste stream. The process at the waste treatment plant will then yield a lower grade compost	Customer dissatisfaction that food waste is collected only fortnightly leading to greater risk of attracting vermin and flies.
Option 4 Take no action. Householders with green bins could dispose of food waste in these bins	There will be no extra cost if this option is taken up	Householders without gardens will have to continue disposing of food waste in the grey bin as part of the residual waste stream. This will yield a lower grade compost from the treatment plant	Complaints and criticism of the scheme. This could compromise the Council's position with the Lancashire Waste Partnership and the County Council could discontinue the paying of the cost sharing allowance. (currently £973,800 pa)

	Option 1	**Option 2**	**Option 3**	**Option 4**
Refuse Collection Vehicles	12 vehicles upgraded over four years as current leases expire.	None	None	n/a
18 Tonne Vehicles	None	2 in 2010/11 2 in 2011/12	1	n/a
HGV Driver	None	2 in 2010/11 2 in 2011/12	1	n/a

Refuse Loader	12 over four years	2 in 2010/11 2 in 2011/12	2	n/a
Kerbside Caddy	60,000 over four years	30,000 in 2010/11 30,000 in 2011/12	10,000	n/a
Kitchen Caddy	60,000 over four years	30,000 in 2010/11 30,000 in 2011/12	60,000	n/a
Supervisor	From 2010/11	From 2010/11	None	n/a
Driver	From 2010/11	From 2010/11	None	n/a
Vans (2 NO.)	From 2010/11	From 2010/11	None	None

4.2 Trade Waste

	Pros	Cons	Risks
Option 1 Enhance the trade waste collection service by investing in extra vehicles	This will increase the tonnage of trade waste that is recycled	Any extra collection vehicles would cost from £110,000 per vehicle	Customers can, at any time, terminate collection contracts with the Council, rendering vehicular resources to be redundant.
Option 2 Officers continue to investigate enhancements to the service whilst maintaining resources deployed at the current level.	No extra costs	It may not be possible to increase the tonnage, or range of materials recycled without further investment	None at present

5.0 Officer Preferred Option (and comments)

5.1 Food Waste

The officer preferred option is Option 2. This option provides for a weekly collection service of separated food waste from every household in the District. and at a lower cost than Option 1. It is important that even at relatively early stage officers are provided with a preferred option as in order to roll out in 2010/11 there is a need to order the necessary infrastructure, which in the case of vehicles and waste receptacles have considerable lead times.

5.2 Trade Waste

The officer preferred option is Option **2.** The trade waste market is unpredictable and any further investment at this time would be risky.

6.0 Conclusion

The report outlines options members have in respect of the implementation of a domestic food waste collection service in compliance with the LMWS. It also provides information for members in respect of the trade waste and an option in respect of its potential enhancement.

RELATIONSHIP TO POLICY FRAMEWORK

The Council's Corporate Plan 2008/9, Priority Outcome No 6 is to 'Reduce waste in the District by recycling and reuse'

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The Council's collecting of both food waste for composting and separated trade waste for recycling will contribute towards sustainability.

The service will be provided to all households.

FINANCIAL IMPLICATIONS

The report highlights a number of areas which need to be considered as part of the forthcoming Medium Term Financial Strategy review.

<u>Food Waste</u>

A detailed financial appraisal has been carried out for each of the options identified in the report and the latest revenue projections are set out below :-

	2010/2011	**2011/2012**	**2012/2013**	**2013/2014**	**Full Year Cost**
Option 1	£250,000	£331,600	£501,300	£584,400	£565,200
Option 2	£364,000	£608,900	£552,600	£552,600	£552,600
Option 3	£369,200	£208,200	£208,200	£208,200	£208,200
Option 4	* £973,800	* £973,800	* £973,800	* £973,800	* £973,800

* subject to County Council withdrawing cost sharing funding (figures exclude inflation)

As the table illustrates, option 3 is undoubtedly the cheapest option. Although the preferred option (2) has a lower full year cost than option 1, it should be recognised that the cumulative cost of option 1 would be lower for a significant period of time (37 years). Any Cabinet recommendations are to be incorporated into the forthcoming review of the MTFS.

<u>Trade Waste</u>

The 2008/2009 revenue budget includes £40,500 for LATS charging which is subject to year on year inflation of 2%. Whilst this is sufficient to cover this years charge of £36,158 there is expected to be a substantial increase within 2009/2010 which is not quantifiable at this point of time.

With regard to the anticipated 126% increase to gate fees when the PFI funded disposal plant becomes operational in 2010/2001, it is expected that a majority of this charge will be passed on to customers. However, such increases in charges will undoubtedly affect the customer base and again the amount is not quantifiable.

Although the amounts are not quantifiable as yet, the MTFS should be updated accordingly to highlight the future uncertainty, and any change to service provision at this point in time is done at serious risk.

<u>Sale of Recyclables</u>

As part of the interim cost sharing agreement with County, the City Council is currently responsible for making disposal arrangements for recyclables. Income generated from their sale contributes to the waste collection budget. Once the County Council's new waste disposal arrangements are in place the Council will deliver recyclables to the waste disposal facility and be paid a compensatory amount to cover the lost income. County state that the compensatory amount will be based on income levels from recyclables received in 2003/4. If this is applied once the waste disposal facility opens, we could potentially lose income from the sale of recyclables (2007/2008 actual is £26,900 and 2008/2009 budget is £36,000). Discussions are currently taking place between the Head of City Council (Direct) Services and Lancashire County Council, as there are a number of substantive reasons why officers consider this to be unfair. Should no agreement be reached there is a potential impact on the MTFS.

As a final point, where appropriate / possible the MTFS will be updated to take account of the 2007/08 outturn also, and Members will be aware that various savings were achieved in last year. There will also be a further opportunity to review and update the financial projections as part of the full 2009/10 budget exercise.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments to make

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS None	**Contact Officer:** Mark Davies **Telephone:** 01524 582401 **E-mail:** mdavies@lancaster.gov.uk **Ref:**

CABINET

Performance Management Framework
2nd September 2008

Report of Corporate Director (Finance & Performance)

PURPOSE OF REPORT					
This report seeks Cabinet's approval to amend the existing framework for Performance Management arrangements within the Council.					
Key Decision		**Non-Key Decision**		**Referral from Corporate Director**	**X**
Date Included in Forward Plan	**N/a**				
This report is public					

RECOMMENDATIONS OF COUNCILLOR J.R.MACE

(1) **That the proposed changes set out in the report for the Performance Management Framework be approved**

(2) **That Member and Officer briefings be arranged to inform those involved in the Performance Management Framework of the agreed changes**

1.0 Introduction

1.1 A key action from the recent CPA inspection report was to review and introduce improvements into the current Performance Management Framework (PMF). As a consequence two briefing sessions took place on 24 June (for members) and 30 June (for officers) to review the current framework and to seek improvements. The results from both those briefings are attached as ***Appendices A & B***.

2.0 Proposal Details

2.1 The key message from the briefings was that the Council has made significant progress in developing its performance management arrangements over the last few years but that further improvements could still be made. In particular, the messages from the briefings referred to above can be summarised as follows:

- on the whole, the quarterly Performance Review Team (PRT) meetings to monitor the delivery of key, strategic priorities were valued by both members and officers, but that improvements could be made to simplify the process;

- that in addition to the quarterly PRT meetings, more frequent meetings should take place between services and cabinet members to discuss less strategic issues and to concentrate on delivering the tasks in the service business plan;

- documentation for the PRTs should be simplified and include a section on key business plan targets that are not in the Corporate Plan;

- council needs to be clear what its real priorities are;

- strategic reporting needs to include partnership priorities, e.g. LAA and LSP;

- reports should be focussed and easy to understand (minimal jargon / acronyms);

- current Cabinet member portfolios make PRT reporting difficult ;

- use of Escendency (the software reporting tool for PRTs) needs further development.

- actions from PRTs should be more visible and clearly communicated;

- good news stories need publicising more to increase public awareness of improvements / successes;

- the Performance Management Framework needs to include a mechanism for receiving, reporting and acting on complaints;

- any new arrangements arising from the review should be the subject of member and officers briefings;

In considering changes to the process, there was a generally held view the new system shouldn't become an industry in itself or too burdensome.

2.2 Although the briefings identified a range of issues that could bring improvements, it was widely agreed that the current PRT system was effective but did need some fine tuning. As a consequence it is proposed to retain the current PMF system but with the following amendments:

Business Planning

The early involvement of Cabinet members, once the Corporate and Service Business Plans have been agreed, is seen as an important step in ensuring that the information to be reported on in PRTs in relevant for each Cabinet portfolio holder. As a consequence it is proposed that as an integral part of the PMF,

- Officers should ensure that service business plans should be completed and signed off in April each year as per the agreed Budget and Policy Framework timetable;

- Cabinet members should meet with service heads once their business plans are signed off to discuss the content, and agree which targets should be monitored in the quarterly PRT reports and also in Escendency;

- Cabinet members and services should agree a process for sharing information about service performance outside of the quarterly PRT meetings.

This could include regular timetabled meetings and / or use of email but should involve at least one additional meeting with officers per quarter.

This is consistent with the proposals in respect of updating the Star Chamber process elsewhere on this agenda, and would allow members to not only challenge service performance, but also Value for Money (vfm) considerations that will allow members to bring forward options to improve efficiency and to make savings.

Performance Review Teams

Cabinet members, Directors and Service Heads should continue to meet on a quarterly basis to monitor strategic targets included in the Corporate Plan and Service Business Plans. The paperwork for PRT meetings will be reduced and more focussed as set out below :-

- Reports should be generally on an exception basis and include the following sections –
  - Progress on achieving strategic targets (Corporate Plan / LAA / LSP) against approved milestones
  - Progress on achieving key business plan targets (maybe from other policies and strategies) determined by each cabinet member
  - Financial budget monitoring information including any service specific savings targets that may have been set
  - A plan that provides an update on the agreed actions from the last PRT meeting which will be updated with any new actions agreed
  - The opening service introduction section in the PRT report will no longer be necessary as this information will have been discussed in the additional informal meetings between cabinet members and service heads
  - The Value for Money (vfm) spidergram will also be discontinued for PRTs as vfm issues will be built into the revised Star Chamber process;

- The Corporate PRT meeting will continue as now. The report summarises the issues from each individual PRT meeting and will continue to be prepared for cabinet member with responsibility for performance who will present the report to both Budget & Performance Panel and Cabinet. Presenting the report to Cabinet is a new addition and will be ensure that all Cabinet are kept up to date with progress on delivering the Council's key strategic priorities.

- Escendency will be developed with a view to being used as sole method of reporting to quarterly PRTs. If this is successful, there will be no paperwork necessary apart from any subsequent action plans agreed; and Cabinet members will be able to monitor performance in real time outside of the PRTs

- PRTs will continue to be prepared and held on a service by service basis. Cabinet may wish to consider at some future stage how their portfolios could be better aligned to improve the process further.

- Any paperwork should be made available at least 5 working days ahead of the scheduled meeting to allow members to prepare

- A training programme will be developed to support Members in developing their skills in the monitoring and management of performance both within the Council and the key partnerships within which it operates.

- The Council's Risk Management arrangements are also being reviewed and updated separately, and one of the key objectives is to streamline the arrangements to integrate better (and more efficiently) with the PMF.

3.0 Details of Consultation

3.1 The proposals set out above are based on information and comments received from the officer and member briefings referred to in section 1.1 above. The officer Performance Management Group has also reviewed the proposals.

4.0 Options and Options Analysis (including risk assessment)

4.1 **Option 1** is to approve the amended Performance Management Framework as set out in the report's proposals.
The proposals reflect the views of officers and members from the briefing sessions and are designed to simplify and re-focus the PRT reporting process. The proposals are consistent with the recommendations from the Council's recent Comprehensive Performance Assessment judgement.

4.2 **Option 2** is to adopt the proposals in part and/or suggest other improvements.
Cabinet could decide to only adopt selective parts of the proposals or indeed offer new ideas for improvement. In adopting only part of the proposals, the opportunity for achieving significant benefits could be lost.

4.3 **Option 3** is not to support the proposals and to retain the current PRT arrangements.
This would not achieve the improvements that could be made from implementing the new proposals or take on board the comments from the consultation briefings.

5.0 Officer Preferred Option (and comments)

5.1 The preferred option is **Option 1** for the reasons set out above.

6.0 Conclusion

6.1 The Council has had its existing Performance Management arrangements in place for 2 years. There is a need to introduce improvements, learning lessons from the last 2 years. The proposals recommended in this report will bring improvements by simplifying the PRT system and re-focusing it on strategic exception reporting. The proposals also make arrangements to improve cabinet/service head liaison with more frequent informal meetings and there will be improved reporting of performance into cabinet in receiving the Corporate PRT report at their meetings. The recent CPA judgement identified that improvements were necessary and this report recommends how that can be achieved.

RELATIONSHIP TO POLICY FRAMEWORK

The Performance Management Framework is integral to the delivering all the targets and outcomes in this Corporate Plan and many others included in the Council's service business plans and other key strategies.

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

None directly arising from this report

FINANCIAL IMPLICATIONS

None arising directly from this report, although the recommendation to present the quarterly Corporate Performance Review Team summary report to Cabinet will strengthen the executive financial management arrangements.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

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

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS **None**	**Contact Officer:** R.C. Muckle **Telephone:** 01524 582022 **E-mail:** rmuckle@lancaster.gov.uk **Ref:** pmf/rcm

Flipchart notes from the Member Performance Management Framework Session - 24 June 2008

- Use of qualitative information
- Feedback from officers important
- More opportunities to discuss issues with officers?
- Members' feedback or performance from residents / surgeries etc.
- Consistent use of language in setting reports and targets
  - More bullet points in reports
  - Shorter and sharper is better (use of language)
- Must focus on outcomes
- Process of priority setting
- Messages to the public
  - Improve perceptions about council (District Matters?)
  - Communications (importance of)
  - Public perception
  - Crystal Mark
- Perception targets in the LAA
- What are the real priorities?
- Training / induction re complaints, use of system
- Is Performance Management in danger of becoming an industry – is it a good use of resources?
- Are we sure that the level of resources put into partnerships is delivering positive outcomes?

APPENDIX B

PERFORMANCE MANAGEMENT FRAMEWORK REVIEW

SERVICE HEADS MEETING ON 30 JUNE 2008

PERFORMANCE REVIEW TEAM MEETINGS

- Portfolios overlap/reports - a concern/duplication
- Members (more than one attending) and vice versa are a problem re PRTs
- Portfolios and service delivery issues don’t line up
- Time pressures / lack of interest from Members
- Paperwork – too much process – narrative (not focussed / duplication)
- Not exception based enough
- Not enough informal meetings with Cabinet members
- What is the balance of member involvement – strategic / operational
- Some of the PRT stuff is in BPs and not updated quarterly
- Much performance management information is not reported quarterly
- More focus on informal meetings to make PRTs strategic and exception based
- Members involvement in understanding performance – do they use Escendency
- Simpler reporting – required
- Shadow members – don’t know who they are or what they are there to do
- Training – resource implications / respective roles

BUSINESS PLANNING

- Business planning – more involvement with staff
- Linkage with other plans, e.g. Asset Management Plan / BCP
- Impacts of business plans – on each other – cross cutting / support services
- Member role needs clarifying
- 3 year plans need to reflect work force planning / training issues

CABINET

Response to 'Pride in Primrose' Street Pride Petition

2nd Sept 2008

Report of Head of City Council (Direct) Services

PURPOSE OF REPORT					
To consider the 'Pride in Primrose' Street Pride Petition presented to Council on the 23rd July.					
Key Decision		**Non-Key Decision**		**Referral from Council**	**X**
Date Included in Forward Plan	**NA**				
This report is public					

OFFICER RECOMMENDATION

That Cabinet note the petition, but take no further action, given that , under the officer Scheme of Delegation, the Head of City Council (Direct) Services has responsibility for managing the 'street pride' scheme, and that residents will have the opportunity to put forward their street for nomination, via their ward councillors for the 2009/10 programme.

1.0 Introduction

1.1 At the meeting of Council (23rd July 2008) Mr. Miles Bennington formally presented a petition and addressed Council in accordance with the provisions of Council Procedure Rule 12 as follows:

"We, the undersigned, support Miles Bennington and Lancaster Conservative's campaign to get the Primrose area of Lancaster cleaned up. Starting with Dale Street and Prospect Street we believe that the Council should use its new 'Street Pride' scheme to tidy our area."

He advised Council that his purpose in submitting the petition was to draw attention to problems of cleanliness in Primrose. Residents had complained of poor road maintenance, uneven and badly maintained pavements and problems with refuse in the alleyways caused by the fortnightly bin collections and this petition called for the Council's Street Pride scheme to be rolled out in Primrose, so that the Council could

begin to tackle the problems. Keeping Primrose, a compact area of Victorian Terrace housing clean and tidy was, he felt, essential to the well-being of the residents.
He also called on the Council to alter its current method of accepting road proposals for the Street Pride scheme. Residents should have the opportunity to suggest roads to the Council directly, rather than having to persuade the relevant councillor to nominate the road on their behalf.

(Minute 35 refers).

1.2 In accord with the Council's constitution the petition was referred to the next convenient Cabinet meeting.

1.3 Lancaster City Council's 'street pride' scheme was developed from the existing deep clean scheme and was formally launched in April 2008. The purpose of the scheme is not to replace existing maintenance schedules but to provide maintenance to areas that are often difficult to access because of parked traffic. The fact that a range of services are provided at the same time does provide a good visual impact and provides a good basis for residents to take further ownership of the area. As such the scheme has proved to be very successful and has been welcomed by residents in the areas where it has been delivered.

1.4 For the 2008/9 scheme residents were invited to nominate areas for inclusion in the schedule, via ward councillors in their role as community leaders. In accord with the officer scheme of delegation (Part 3, Section 15, 3.16.1) the final schedule was determined by the Head of City Council (Direct) Services. For 2008/9 21 'street pride' days were scheduled to take place in the District.

1.5 Ward Councillors from the John O'Gaunt ward, which includes the Primrose area, nominated several streets in the Perth St area, which, have been included in the 2008/9 'street pride' schedule. How ward councillors determined which streets to put forward from their community was left to them. As an example the streets nominated by John O'Gaunt councillors were nominated based on feedback from the PACT meeting.

1.6 The specific issues referred to in the petition of litter, broken and uneven paving slabs and blocked gullies are ones that the City Council and County Council deal with on a day to day basis. These matters are dealt with through planned maintenance regimes or via response to customers contacting the City or County Council helplines. Obviously available levels of resource determine the level of planned and reactive maintenance.

2.0 Proposal Details

2.1 In line with existing capacity the 2008/9 'street pride' schedule has been agreed and advertised. In addition records show that under the previous 'deep clean' scheme Dale Street has already been covered (17th May 2007). Therefore, it is not appropriate that the Primrose area is added to the schedule in 2008/9.

2.2 Views of local residents are always welcomed and those expressed in relation to litter will be investigated by City Council officers and dealt with appropriately, within existing resource. The concerns expressed in relation to paving and gullies will be referred to the County Council for investigation.

2.3 It is noted that in addressing Council, Mr Bennington called on it to alter its current method of accepting road proposals for the Street Pride scheme, suggesting that residents should have the opportunity to suggest roads to the Council directly, rather than having to persuade the relevant councillor to nominate the road on their behalf. As one of the purposes of the scheme is to allow ward councillors to develop their community leadership role it is not likely that the system for nominating streets will be changed when officers start to develop the 2009/10 schedule.

3.0 Options and Options Analysis

3.1 **Option 1**- To note the petition but take no further action. In accordance with the officer scheme of delegation the Head of City Council (Direct) Services has responsibility for managing the 'street pride' scheme. For the reasons outlined in the report he does not consider it necessary to add the streets in the Primrose area to the 2008/9 scheme. Any specific maintenance issues that residents have can be addressed through the appropriate channels, subject to available resources. Residents will have the opportunity to put forward their street for nomination, via their ward councillors for the 2009/10 programme.

3.2 **Option 2**- To request the Head of City Council (Direct) Services to take other action in the light of the petition. .

4.0 Officer Preferred Option (and comments)

4.1 For the reasons outlined within the report the Officer preferred option is option 1.

5.0 Conclusion

5.1 The report provides a response to the petition recently presented to Council.

RELATIONSHIP TO POLICY FRAMEWORK

The Council's Corporate Plan 2008/9, Priority Outcome No 5 is 'Cleaner streets and public open spaces'

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

None as a direct result of this report

FINANCIAL IMPLICATIONS
The 'street pride' schedule for 2008/09 is fully allocated so any new additions to this schedule would require additional funding to be identified or a reduction to the current schedule.

The recommended option (option 1) would have no additional financial implications for the Council.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS There are no legal implications arising as a result of this report	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments.	
BACKGROUND PAPERS Petition	**Contact Officer: Mark Davies** **Telephone:** 01524 2401 **E-mail: MDavies**@lancaster.gov.uk **Ref:**

CABINET

Storey Creative Industries Centre
Capital Project Update

2nd September 2008

Report of Corporate Director, Regeneration

PURPOSE OF REPORT					
To provide an update on the Storey Creative Industries capital project progress and approve the application for potentially additional external resources.					
Key Decision	X	**Non-Key Decision**		**Referral from Cabinet Member**	
Date Included in Forward Plan	7th July 2008				
This report is public					

RECOMMENDATIONS OF COUNCILLOR ROGER MACE

That Cabinet:

- **Endorses the submission of bids to the NWDA and ERDF for additional funds to extend the capital scheme;**
- **Authorises the Head of Financial Services to amend the capital programme accordingly on approval of the additional resources.**

1.0 Introduction

Previous reports have been considered by Cabinet concerning the Storey Creative Industries Centre project, most recently in June 2007 when authority was given to proceed with the capital scheme. Members will recall that the project involves the restoration and conversion of the Grade II listed Storey Institute to provide:

- business workspace for the creative industries
- improved public galleries (including the main Storey Gallery)
- a new auditorium for use by Lancaster LitFest and other events/conferences
- bar/cafe and restaurant
- a new Visitor Information Centre (relocation and remodelling of the TIC from Castle Hill).

Another important aspect of the project has been the formation and ongoing support of a 'not for profit' company, Storey Creative Industries Centre ltd (Storey CIC), to run the facility using revenues from lettings to drive the creative industry business support agenda.

The cost of the capital scheme (excluding fees) is £3.298 million. On completion of the works the building will be handed over to Storey CIC, to operate. The capital scheme commenced in November 2007 and is scheduled for completion in December 2008. At the time Cabinet agreed the scheme there were concerns about the potential major risks inherent in the building refurbishment and that a minimum specification, while being adequate to proceed, was not the optimal basis on which to deliver the project objectives.

This report provides a progress update on the capital scheme and notes the availability of additional external capital funding to enhance the scheme.

2.0 Progress with Capital Scheme

The project is being delivered via a "partnering" contract with Conlon Construction. In accordance with the Council's project management methodology (LAMP), the contractor and representatives of Storey CIC Board are directly involved in the project delivery structure

For such a complex build, working and decision making arrangements have been efficient and the contractor has partnered very positively with stakeholders to make best use of the strictly capped capital project budget. Due to partnering it has been possible to accommodate a number of unforeseen costs such as the need for repairs to the Little Gallery roof and design amendments for Storey SCIC as the potential end user within budget. For example, the capital scheme did not originally include for kitchen fixtures and fitting for the catering area as it was assumed this would be provided by a partner catering contractor under a profit share or rental deal model. However, Storey CIC's market testing through tender revealed a reluctance for prospective catering operators to take on major capital investment in the current economic climate. A full kitchen fit out can now be provided through savings on risk elements to enhance the catering offer.

The major risk element in the original budget related to the provisional sum for roof repairs which could not be estimated accurately until work started. Work has now been completed on the 'Castle Hill' roof section, the highest repair priority, within budget. Work is now underway on another main roof section on the Meeting House Lane elevation. Intrusive investigations prior to start of this element provided no particular cause for concern and significant abnormal costs are not anticipated.

Members should note that there is not considered to be any further potential for major cost overspend. Dealing with risk, under conditions of no budget tolerance and optimising the capital resource to produce the best possible scheme, has only been manageable in the spirit of partnership and close co-operation and understanding between the Council's project management team, Storey CIC and their appointed commissioning manager, and Conlon's team. This will continue through to the completion of the build project and beyond in dealing with aftercare issues.

A new challenge has however been presented to the capital project team in the potential for accommodating additional work under the present contract and timescale, and this is outlined below:

3.0 Availability of Additional NWDA and ERDF Capital

Cabinet will be aware that due to budgetary constraints the current capital scheme is based on a minimum specification. Planned works to certain areas of the building, considered at the time to be 'wants' rather than critical 'needs' of the business plan, were omitted from the project under the assumption Storey CIC could generate/bid for funds in the future to bring these areas into use. These "mothballed" areas include:

- The third floor 'roofspace' of the main building (approx 200 sqm lettable area)
- The lecture theatre
- The "Little Gallery"
- Ancillary outbuildings and annexes adjacent to the main Storey gallery (including the "cottage")

In addition, the capital scheme did not include for auditorium fit out. This fit out was to be supported by additional fund raising by the arts organisations, notably LitFest. However, lack of capacity within the arts organisations meant little progress was made under this route.

The Chair of Storey CIC has been in detailed discussion with NWDA on the possibility of additional funds to bring 'mothballed' areas into use and cover some of the fitting out costs. The indications are positive that the Agency may be able to assist. The Agency has not provided any funds from their current programmes into the project, all Agency money being 'legacy' funds from Single Regeneration Budget. There is also the possibility of matching any Agency contribution with unspent European (ERDF) resources from the Council's Lancaster & Morecambe Economic Development Zone (EDZ) programme.

There is a potential additional £280,000 capital funding available, around £150,000 from NWDA with £130,000 from ERDF. Successful bids should allow the total funding package to be reconfigured around all planned work and new eligible work allowing the majority of the above elements to be delivered and also enhance the IT specification for the business workspaces. Storey CIC will be able to increase their potential income and make the centre more attractive to tenants, improving the overall viability of the centre business plan.

NWDA funding is subject to formal appraisal, and EDZ funding subject to approval by the EDZ Partnership Board and Government Office North West. Cabinet should note that the funding bids have been submitted and are asked to agree an extension to the current capital scheme to include the additional works if bids are successful.

Cabinet should note that the accommodation of new work into the contract can in itself be considered a project risk, particularly as ERDF funds have to be spent by the end of the calendar year. However, the capital project team are confident that if approval to extend the scheme is given additional work can be designed, costed and accommodated within the current work-stream to meet deadlines.

4.0 Details of Consultation

This report follows ongoing discussions between Council officers and Storey CIC, and NWDA over recent months.

5.0 Options and Options Analysis (including risk assessment)

Option	Advantages	Disadvantages	Risk and Mitigation
Option 1 Accept the recommendation of the Project Executive for funding applications to be made for additional resources and the Storey Capital Project to be increased in line with available external funding and work implemented.	• Assists the project partners in delivering important additional elements of the scheme. • Allows for additional elements to contribute to the business plan. • Contributes towards achievement of EDZ spend targets • Council is accustomed to dealing and contracting with third parties to deliver spend and project objectives. This is the preferred option.	• Accountable body status confers additional risk and responsibility on the Council for additional funds. • Ability of the Project team to deliver on spend deadlines.	• Project management is working efficiently and spend can be accommodated under existing arrangements. • Council has already taken on Accountable status for the capital project to date.
Option 2 Cabinet does not accept the recommendation.	• No advantages identified given previous Cabinet commitments to supporting the project.	• Failure to deliver against a major additional funding opportunity offered at a high level by NWDA. • Potential loss of confidence in Council by end user key partners.	• Non-delivery of spend and benefits would not contribute to the project business plan..

6.0 Officer Preferred Option (and comments)

Option 1 is the preferred option as it provides the Council with the ability to deliver additional facilities and space in support of the project business plan and currently provides the only mechanism by which the Council can make additional capital funding available.

7.0 Conclusion

Storey CIC is a complex and ambitious project, and has had to be implemented in a form which was significantly scaled back from the original concept, due to loss of anticipated external funding from Heritage Lottery Fund. Cabinet will be aware that the original officer recommendation and Cabinet decision in October 2006 was not to proceed with the project, but that a decision was taken by members, following call-in, to allocate additional capital funds and proceed. As outlined n this report, progress with the capital scheme has gone well and with the anticipated additional funding from NWDA and ERDF, the Council will be able to hand over to Storey CIC a good product, better capable of successful operation as a creative industries centre.

It is considered that major potential capital cost risk has been addressed. The balance of risk in the overall project has shifted from the capital works to the revenue viability and business plan of the completed centre and a number of related issues will be addressed in a further Cabinet report. Nonetheless, the additional capital resources that could be applied for represent an opportunity to add significant value to the project, and would help support the future viability of the Centre as an operational unit. There is no significant additional risk in this regard, to that already undertaken by accepting accountability for the main capital project.

RELATIONSHIP TO POLICY FRAMEWORK

Directly contributes towards Corporate Plan Priority Outcome 12: Improve Economic Prosperity throughout Lancaster District.

Storey Creative Industries Centre is a key project within the Lancaster & Morecambe EDZ programme and is featured in the Lancaster & Morecambe Vision.

The project will also directly contribute towards LAA target NI 171 New Business Registration Rate

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Diversity – The proposal aims to provide a wider range of employment opportunities to residents of the area.
Human rights – No adverse impact.
Community Safety – No adverse impact.
Sustainability – The proposal looks to support development which will lead to local employment opportunities.

FINANCIAL IMPLICATIONS

Previous reports on the delivery arrangements for the progression of the project have detailed the implications, and risk of clawback, for the Council in undertaking Accountable Body status for major capital schemes. The key considerations are that:

- The Council has a track record of meeting standards and requirements, and ensuring discharge of responsibilities to the public purse.
- Robust Vision project approval, appraisal and monitoring systems are in place.
- Critical responsibilities for additional funds are contractually managed

The additional capital resources being applied for represent an opportunity to obtain additional funding which will add significant value to the project and which will enhance the future viability of the Centre as an operational unit. There is no significant additional risk in this regard to that already undertaken by accepting accountability for the main capital project.

The project incurs expenditure upfront and claims grant from the funding bodies quarterly in arrears. Additional funds will be managed in the same way as current grant funded expenditure on the project.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

The Head of Legal services has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS Previous reports to Cabinet, June 2007, September 2006, and resolutions from Cabinet 24th October 2006	**Contact Officer:** Peter Sandford **Telephone:** 01524 582094 **E-mail:** psandford@lancaster.gov.uk **Ref:** PWS

CABINET

Star Chamber Review

2nd September 2008

Report of Corporate Director (Finance & Performance)

PURPOSE OF REPORT					
To seek Cabinet's approval for revised arrangements for Star Chamber and Cabinet members in bringing forward both service improvement proposals and service efficiency/savings options to meet the targets included in the Medium Term Financial Strategy and Corporate Plan					
Key Decision		**Non-Key Decision**		**Referral from Corporate Director**	**X**
Date Included in Forward Plan	**N/a**				
This report is public					

RECOMMENDATIONS OF COUNCILLOR J.R.MACE

(1) That the revised arrangements for Star Chamber, and individual Cabinet members, in bringing forward both service improvement proposals and service efficiency/savings options to meet the targets included in the Medium Term Financial Strategy and Corporate Plan, be approved

(2) That the amended Terms of Reference for Star Chamber as proposed in Appendix A be approved

(3) That the revised timetable for Star Chamber as set out in Appendix B be approved

(4) That the outstanding items from last year's Star Chamber as set out in Appendix C be reviewed and those retained be progressed as proposed within the report.

1.0 Introduction

1.1 Following the completion of the 2008/9 budget process, there was a general consensus that the current process for identifying service efficiencies and savings need a refresh. This view was also supported by the recent Comprehensive Performance Assessment (CPA) and annual Use of Resources judgement that identified that the council has no corporate agreed approach for :-

- identifying how the council will achieve its savings and efficiency targets
- how its existing plans and strategies contribute to delivering these targets

- how it is embracing transformational government and/or business process re-engineering
- how it identifies services for improvement/investment

1.2 At the heart of this, is the need to review the effectiveness of Star Chamber and how Cabinet members could take a more active role in bringing forward budget proposals for their portfolios areas within an agreed framework. This report therefore recommends a revised process and procedure for how Cabinet can satisfy its responsibilities in bringing forward its annual budget and policy framework proposals in a structured manner.

2.0 Existing Star Chamber Process

2.1 Star Chamber was set up to assist Cabinet in bringing forward its annual budget and policy framework proposals by:-

- providing a continuing process that examines current and future spending plans with the aims of ensuring value for money,
- identifying efficiencies and so allowing resources to be redirected into Council priorities and away from non-priorities.
- considering alternative methods of service delivery.
- providing the framework and focus for achieving the financial savings targets included in the Medium Term Financial Strategy.
- considering growth bids, both revenue and capital

2.2 However, over the years, Star Chamber has become less effective in determining the above, and whilst Cabinet has always brought forward options to meet its budget setting targets, it has relied on officers identifying options for driving efficiencies that could be redirected into service improvements or to keep council tax increases at a minimum.

2.3 The proposals in this report seek to re-focus the process for identifying options for service efficiencies, reductions and reinvestment opportunities for service improvement around specific meetings outside of Star Chamber, where each Cabinet member can agree proposals that can then be shared subsequently with Cabinet colleagues in Star Chamber. However, this can only take place within a framework of clearly understanding what the council wants to achieve and in particular, knowing what its key priority service areas are. This is considered further in the proposals below.

3.0 Proposal Details

3.1 Since Annual Council, options for the future of Star Chamber have been considered by the officer Performance Management Group and discussions taken place with the Leader of the Council. In particular, separate consideration has been given to identifying efficiencies and savings in the context of providing Value for Money (vfm), the process for considering revenue and capital growth bids, the process for dealing with outstanding issues from last year's Star Chamber, and timetabling of future meetings. The outcome of these are set out below.

3.2 Review of Priorities

In order for any revised arrangements to be effective, Cabinet members need to ensure that they have a good understanding of key priorities within their portfolios and how their services contribute to them, and also of activities that are less of a priority, given funding and other constraints. It is proposed therefore that Cabinet meet separately to consider these, and to agree initial proposals regarding priority and non-priority areas, as well as how the revised arrangements can be implemented, in order that everyone understands the process. It is anticipated that this meeting should take place early in September ahead of the new arrangements being implemented. This initial meeting will set the context for the development and focus of the budget and planning process, in identifying potential areas for the diversion of resources away from non (or lower) priority areas, to support the achievement of proposed key priorities and objectives.

3.3 Vfm, Efficiencies and Savings

Vfm

In respect of vfm considerations, it is proposed that each Cabinet member has responsibility for ensuring each service activity within their portfolio is still appropriate and provides vfm. This will involve each Cabinet member gaining a thorough understanding of their service areas and copies of service business plans have already been made available to all Cabinet members.

The revised arrangements for Performance Management (see separate agenda item on this agenda) already provide for more frequent, informal meetings between Cabinet members and service heads. It is proposed that Cabinet members take advantage of these meetings to gain a good understanding of service activity and how they contribute to delivering key priorities. This will then enable cabinet members to provide a robust challenge to ensure that service delivery mechanisms are the most efficient and cost effective, and effort is concentrated on delivering key priorities. Service heads will be required to provide each cabinet member with evidence to satisfy this requirement.

It's likely that service activity for immediate review will be identified through Performance Review Team meetings, benchmarking data, outturn information, and / or Audit Commission vfm statistics. Challenge to existing performance should begin on an exception basis informed by this information and take place throughout the year. The process for review and challenge to service activity will be for the cabinet member to agree with the service head and should begin early in each financial year. However this will not be possible for the current exercise and it is acknowledged that the timing for this to begin is now early September. Each Corporate Director will be available to provide support and assistance throughout the process.

Efficiencies and Savings

Informed by the information from the above vfm challenge and the meeting to review Cabinet priorities, each cabinet member will be responsible for bringing forward options in respect of service efficiencies and savings. These will be developed throughout the year but pulled together for a special meeting in Oct / Nov between the Cabinet member, Corporate Director, and Service Head to enable them to agree options to be considered by Star Chamber prior to be presented to Cabinet. The Cabinet member with responsibility for efficiency will also attend this special meeting. The officer Performance Management Group (PMG) will assist Star Chamber in considering the options referred to them following this meeting.

Cabinet will then receive recommendations from Star Chamber to consider if these should be adopted as part of their budget and policy framework proposals. The views of the Budget and Performance Panel on the proposals will be sought prior to Cabinet meeting to discuss them.

This review will coincide with the review of the Medium Term Financial Strategy and this will determine whether the options prepared to date are sufficient to meet any revised targets for savings and efficiencies. If not, Cabinet may wish to set specific targets for each Cabinet portfolio holder to achieve from their services.

In addition to identifying service-based options, the Cabinet Member (efficiency & performance management) will meet with Corporate Director (Finance and Performance) and Head of Financial Services to determine what corporate efficiencies there may be. This exercise will follow the same timetable and framework as outlined above.

Any new ideas or options for efficiencies that arise outside of this process will be developed through the cabinet member / service head / corporate director and reported into Star Chamber.

3.4 Service Improvements - Revenue and Capital Growth

The process for identifying opportunities for service improvements will follow the same process as outlined above for identifying efficiencies and savings options. Each cabinet member and service head will discuss any revenue growth bids that may arise from their review of performance, new legislation, or any other source, but only within the context of delivering the identified key priorities. These will be developed throughout the year but pulled together for the special meeting in Oct / Nov referred to above to enable both savings and growth to be considered together. Throughout this process Corporate Directors will provide support and assistance.

Those options supported will then be worked up by service heads for the Cabinet member to refer onto Star Chamber. Recommendations from Star Chamber in respect of these options will then be presented into Cabinet for their consideration. Budget and Performance Panel will also be consulted on the proposals from Star Chamber prior to the Cabinet meeting. The officer Performance Management Group will provide advice and comments for Star Chamber.

Capital growth items will continue to use the existing Asset Management Working Group process with recommendations following the same process outlined above for revenue growth (i.e. AMWG (from service head) through to individual Cabinet member, then into Star Chamber, then Cabinet via B&PP).

Outstanding items / reports from previous Star Chambers should be presented to the appropriate cabinet member during the course of the year. This will allow any issues arising from these to be developed into options for efficiencies/investment for consideration at the special meeting referred to above.

3.5 Format of Star Chamber

The increased responsibility of the new arrangements on cabinet members will mean that Star Chamber's role will change with individual cabinet members bringing forward savings and growth proposals for their consideration.

Star Chamber however will continue to meet informally on Wednesdays between 10am and noon, will be chaired by the Leader, and consist of all cabinet members. Senior officers who will support Star Chamber will continue to be determined by Chief Executive.

A revised Terms of Reference to reflect the new arrangements has been prepared and is attached as **Appendix A.** If the new arrangements are approved there will be no requirement for early meetings of Star Chamber and on this basis a draft timetable of meetings is attached at **Appendix B**

3.6 Outstanding Star Chamber Issues

Following last year's Star Chamber exercise, there were a number of outstanding issues that were to be pursued in this year. A list of these items is attached at **Appendix C.** Cabinet is asked to consider this and determine which items it still wishes to pursue, and agree that reports concerning those items should be considered by individual cabinet members within the process identified above

4.0 Improvement and Efficiency Plan.

4.1 The proposals outlined above, set out a process for identifying options for efficiencies and service improvements. This process is not restricted to a 12 month period and will support the delivery of the Council's 3 year Corporate Plan and inform the preparation of the 3 year revenue budget, the 5 year capital investment programme, and the Medium Term Financial Strategy.

4.2 The options supported through the revised arrangements will enable Cabinet to identify a range of service efficiencies and investment opportunities, over the medium term, that can be brought together into a 3 year Efficiency and Improvement Plan designed to deliver the Council's key priorities. As such, it will provide the Council's formal, structured approach for meeting its efficiency and service improvement targets as recommended in the CPA inspection judgement.

5.0 Details of Consultation

5.1 Discussions have taken place about the options for revising the Star Chamber process within the officer Performance Management Group. Draft proposals have also been discussed with the Leader of the Council.

6.0 Options and Options Analysis (including risk assessment)

6.1 Option 1:- is to approve the proposals as set out in the report

Option 2:- is to approve the proposals either in part, or as amended at the meeting

Option 3:- is to retain the present system and make no amendments to existing processes

7.0 Officer Preferred Option (and comments)

7.1 Option 1 is the preferred officer option. It offers an improved process for assisting Cabinet in bringing forward its budget and policy framework proposals and would satisfy the recommendations from the recent CPA inspection judgement.

8.0 Conclusion

8.1 The proposals recommended in the report set out a clear process for considering options for achieving savings and efficiencies, for considering new revenue and capital growth bids, for providing a challenge to what and how we currently deliver our services, and a process for setting targets for improvement.

RELATIONSHIP TO POLICY FRAMEWORK

The proposals suggest an improved process for meeting the following Corporate Plan priorities:-

1. continue to evaluate our services to ensure they are delivered in the most efficient and cost effective way.
2. keep the City Council element of council tax increase to acceptable levels
3. provide customer focused services
4. develop a service culture that embraces transformational change

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

None directly arising from this report

FINANCIAL IMPLICATIONS

None directly arising from this report but the recommended process outlined would bring clarity and focus to identifying how efficiencies and service investment decisions are considered within a structured approach and how they contribute to meeting the specific financial targets included in the Medium Term Financial Strategy and Corporate Plan.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

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

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS	**Contact Officer:** R.C Muckle
	Telephone: 01524 582022
None	**E-mail:** rmuckle@lancaster.gov.uk
	Ref: rcm/starchamber/cab

APPENDIX A

STAR CHAMBER PROCESS – 2008/9

PURPOSE OF THE EXERCISE AND TERMS OF REFERENCE

Star Chamber is an informal meeting of Cabinet supported by senior officers. Its purpose is to consider options recommended by individual cabinet members in respect of current and future service spending plans with the aims of ensuring value for money, identifying efficiencies and diverting resources into Council priorities and away from non-priorities, as well as alternative methods of delivery. Through this, it also provides the framework and focus for achieving the financial savings targets included in the Medium Term Financial Strategy(MTFS) and those efficiencies required under the Comprehensive Spending Review CSR07 Consequently, the options that it will consider will look at financial, physical, human resource and transformational matters. This will be done through the following :-

Terms of Reference

(1) To consider options brought forward by individual cabinet members in respect of their service portfolios in respect of :-

- information regarding Service and Corporate activity, particularly what is and what is not an explicit Council priority informed by :-
  - to what extent services are mandatory and where they are mandatory if they are enhanced above minimum legislative requirements
  - Service functions or activities that no longer contribute (or make less of a contribution) to the Council's priorities
  - any new legislative issues with future spending pressures

- a programme of service efficiencies/savings (including reductions)

- an investment programme for service improvements or invest to save initiatives (This could be revenue or capital)

- other Service efficiencies/savings arising from opportunities from improved procurement and/or business process re-engineering

- potential sources of additional external funding, or increased income opportunities through a review of fees and charges

- opportunities for joint working/shared services either through collaboration or partnership arising from participation in Team Lancashire

(2) To prepare for Cabinet, a schedule of efficiencies/savings and improvement investment opportunities that can be recommended to Cabinet for inclusion in their annual budget and policy framework proposals (This could be revenue or capital)

The options brought forward by individual cabinet members as set out in (1) above will be undertaken by:

1. Challenging existing service provision levels and how they are delivered to provide Value for Money. This will necessitate where appropriate, a functional or activity analysis and eventually information on the costs of certain activities. Activities should demonstrate how they meet key Corporate Plan priorities and any statutory obligations.

2. Requiring Services (as appropriate) to produce options for efficiency gains/savings in net revenue expenditure/strategic increase in service charges that would help achieve the Medium Term Financial Strategy targets.

3. Considering organisational change reviews to improve the efficiency and/or effectiveness of Council services.

4. A thorough examination of how electronic and transformational business processes can re-engineer current service delivery

5. Considering opportunities for shared services and joint working arising from participation in Team Lancashire ie. what can be done more effectively in partnership or collaboration

6. Considering not only how to implement Council priorities, but also to disinvest in Services which are being/can be provided by other public services or partnerships and to disinvest in those Services that are primarily the responsibility of other public service agencies.

7. Receiving reports from the Asset Management Group on capital programme bids.

<u>Process</u>

Star Chamber will continue to meet throughout the second half of the year, initially from September onwards, on each Wednesday at 10.00 am and limited to 2 hours maximum.

<u>Core Membership</u>

Full Cabinet (Leader as Chairman)
Chief Executive
Corporate Directors
Head of Financial Services

Other officers will be invited when appropriate.

<u>Reporting Mechanisms – Presumption in favour of openness</u>

Informally reporting to Cabinet / Management Team informal meetings and a short Leader's report to Cabinet covering the work commenced with timescale if available. In addition, the Leader will report regularly to the Budget & Performance Panel on progress.

Formal decisions will be taken by Cabinet

Star Chamber Draft Timetable 2008/9

Date	Member Meeting	Meeting Content
2008		
Sept 2	Cabinet	Agree new Star Chamber arrangements and revised Performance Mgt Framework
10	Star Chamber	Special Star Chamber Meeting to identify Key Priorities. Also to discuss how new process for Star Chamber can be implemented
17	Council	
24	No Meeting	Opportunity for cabinet members to meet with services to progress options
Oct 1	Star Chamber	Review efficiency and savings targets for Star Chamber arising from Cabinet reports updating Medium Term Financial Strategy and Capital Investment Strategy
8	No Meeting	Opportunity for cabinet members to meet with services to progress options
15	No Meeting	Opportunity for cabinet members to meet with services to progress options
22	Council	
29	No Meeting	Opportunity for cabinet members to meet with services to progress options
Nov 5	No Meeting	Opportunity for Cabinet members to arrange special meetings with Service Heads and Directors to agree recommendations on efficiencies and investment to feed into Star Chamber
12	Star Chamber	To receive and discuss recommendations from individual Cabinet members for efficiencies and investment
19	Council	
26	Star Chamber	To receive and discuss recommendations from individual Cabinet members for efficiencies and investment
Dec 3	Star Chamber	To consider draft 2009/10 revenue budget prior to consideration at 9th Dec Cabinet meeting. To consider recommendations from cabinet members on efficiencies and investment opportunities and agree those for referral to Budget & Performance Panel prior to Cabinet

Date	Member Meeting	Meeting Content
9	Cabinet	Receive draft 2009/10 revenue budget and capital programme
10	No Meeting	
17	Council	
2009		
Jan 7	Star Chamber	Optional meeting to discuss budget proposals and feed back from B&PP
14	Star Chamber	Finalise proposals to go to Cabinet as supplementary item.
20	Cabinet	Agree budget proposals for consultation with B&PP.
21	Star Chamber	Optional meeting to discuss budget proposals and outcome from Cabinet
27	Budget & Performance Panel	Receive Leader's presentation on Cabinet's draft budget and policy framework proposals
28	Star Chamber	Optional meeting to discuss budget proposals and outcome from B&PP
Feb 4	Council	Consider Cabinet budget proposals
11	Star Chamber	Review budget proposals following Council
17	Cabinet	Consider budget proposals ahead of budget council
18	No Meeting	
25	Star Chamber	Optional meeting to finalise budget proposals
March 4	Budget Council	Agree Council Tax

APPENDIX C

Star Chamber 2007/08
Outstanding Items

Subject/Request	Officer	Cabinet Member	Comments
Concessionary Travel - Community Transport Contracts	Hd Property Services	Cllr Mace	
Car parking permits to be reviewed again during 2008/09, wef August	Hd Property Services	Cllr Mace	Completed July 8th 2008
Access to Services Project Home working and hot desking roll out & to include use of Group Rooms/Mgt Team offices as priority	Hd Property Services and Hd Information & Customer Services	Cllr Archer Cllr Gilbert	On going. Being progressed through Access to Services Project Group
Democratic Review to consider range of initiatives including review of blue bags, limiting meeting times, reducing meetings, blank pages omitted from agendas etc.	Hd Democratic Services	Cllr Gilbert	On going.
Review of Corporate Marketing / Communications/ Tourism Advertising	CD(Regen)	Cllr Charles	Project underway.
Festivals and Events review	HCS	Cllr Fletcher	Completed. Report to 31st July
Neighbourhood Management District Wide Roll Out.	CD(CS)	Cllr Mace	Report to July 31st meeting. Cabinet Liaison Group to be formed
Community Safety funding review to be undertaken, together with any other issues linked to Area Based Grant awards.	CD(CS)	Cllr Blamire	Partly considered at April 22 cabinet meeting.
Review of City Centre Mgt & CCTV function	Hd Property Services	Cllr Mace	
Community Pools Review	HCS	Cllr Fletcher	
Report back on capital implications of Market Square Fountain	CD(Reg)	Cllr Mace	
Council Housing – Policy and Management. Options for reduction in future management capacity to be produced.	CD(CS)	Cllr Kerr	

Subject/Request	Officer	Cabinet Member	Comments
CC(D)S – Vehicle Maintenance – report on shared services with adjacent districts.	CD(CS)	Cllr Barry	
Opportunities for HR structure review in the medium term when fixed term projects come to an end.	CEx	Cllr Kerr	
Performance and Projects – report on long-term feasibility of supporting the Project Manager's post	Hd of Corporate Strategy	Cllr Charles	

RCM/5 Aug 2008

CABINET

Free Swimming Programme
2nd September 2008

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT					
To provide an update on the Free Swimming Programme as offered by the Department for Culture, Media and Sport (DCMS).					
Key Decision	X	**Non-Key Decision**		**Referral from Cabinet Member**	
Date Included in Forward Plan	1st August 2008				
This report is public					

RECOMMENDATIONS OF COUNCILLOR FLETCHER

(1) That Cabinet approve the receipt of an annual grant from the Department of Culture, Media and Sport (DCMS) of £44,375 per annum for financial years 2009/10 and 2010/11 in order to provide free swimming for those aged 60 or over.

2) That subject to Recommendation No. 1 being approved, the Head of Financial Services be authorised to update the General Fund Revenue Budget in both years to reflect the additional grant and associated expenditure as part of the 2009/10 Budget Process.

(3) That Cabinet approve in principle the provision of free swimming for those aged 16 or below and submit an expression of interest for the scheme subject to the level of funding yet to be announced by the DCMS. Further details on implications for this would be reported back to Cabinet at the meeting of 7th October 2008.

1.0 Introduction

1.1 Following the announcement by the DCMS earlier this year of the incentive to provide free swimming to juniors aged 16 or below and those aged 60 or above at swimming pools throughout the country, further details have now been received.

1.2 A circular dated 29th July 2008 was received from the DCMS which detailed the amount of funding that was to be allocated to Lancaster City Council for financial years 2009/10 and 2010/11. The DCMS is keen to provide free swimming to the above age groups as part of a health initiative which builds on the theory that safe exercise is beneficial, with swimming seen as a particularly good form of exercise.

2.0 Proposal Details

2.1 A grant of £44,375 per annum for financial years 2009/10 and 2010/11 has been allocated to Lancaster City Council for the provision of free swimming to those aged 60 or over. Authorities who wish to participate in the free swimming offer must provide confirmation to the DCMS by September 15th 2008.

2.2 Authorities wishing to participate in the free swimming offer for those aged 16 or under must submit an expression of interest for this part of the programme by 15th September 2008.Government will then aim to provide details of the prospective allocation by 30th September 2008. Authorities will then be invited to confirm, by 15th October 2008, that they wish to participate in this element of the offer.

2.3 Taking up the offer of grant relating to those aged 60 or over would require providing free entrance to Salt Ayre Sports Centre, Hornby, Carnforth and Heysham swimming pools to swim during public opening times when they would normally have been admitted at a charge. It is also assumed that there would be an increase in the number of swimming lessons provided to those aged 60 and over.

2.4 The DCMS will require monitoring information to be provided as part of the grant with specific regard to (but not limited to) National Indicator targets NI8, NI55, NI56, NI110, and NI137. Therefore, the scheme will require a system to be set up that enables specific monitoring of customers who take part, with such information being fed back to the DCMS. It is envisaged that this information would also be included within Cultural Services performance management reporting as part of the PRT process.

2.5 In addition, Government is providing a total of £60,000,000 capital for capital projects designed to modernise pool provision, which are integrated with providing free swimming. £10 million would be made available in financial year 2008/09 to reward those authorities which sign up to both schemes. Such authorities would receive a pro rata population based share of the £10 million capital in financial year 2008/09 and may submit bids for the remaining funding for financial year 2009/10. Such bids cannot be used as partnership funding bids for financial year 2009/10 onwards.

2.6 This resource fund is not open to County Councils,. However, school pools if contributing to the overall free swimming scheme, will be considered for capital bids.

3.0 Details of Consultation

3.1 Consultation has not taken place within the community owing to the short timescale between receiving the circular and need to confirm participation in the schemes by 15th September 2008.

3.2 However, providing free swimming for those aged 60 or over would fit with the Service's approach to providing opportunities for safe exercise to the wider cross section of the community and indications from partner organisations such as PCT support this. There is also a link with the work undertaken by the Sport and Physical

Activity Partnership (PCT, Lancashire Sport, Education Sector) and objectives within the Sport and Physical Activity Strategy and Local Strategic Partnership.

4.0 Options and Options Analysis (including risk assessment)

4.1

Option	Advantages	Disadvantages	Risks
1. Accept grant award for providing free swimming to those aged 60 and above.	Grant funding will cover loss of income based on estimates of current usage and likely increased participation. Secondary spend opportunities gained from 'new market'. Profile of swimming in the district considerably raised providing opportunity for City Council to generate positive image for city, coast and countryside. Specific data to be collected for 60 plus age group (currently not available) Opportunities to enter in to partnership arrangements such as PCT and local GP surgeries. Council viewed as ambitious by DCMS	Potential bather discomfort if takeup is excessive..	Increase in numbers participating from the 60 plus age group unknown prior to scheme commencement (approx 30% of population aged 60 and over) - therefore degree of unknown takeup applies.
2. Turn down the offer of £44,375 for 2009/10 and 2010/11for participation in the over 60 free swimming scheme.	Current income streams from this group remain unaffected	Lost opportunities to specifically target this age group and address the health agenda by providing greater opportunities for people to exercise safely. Possible detrimental effect to relationship with organisations such as the Primary Care Trust.	Poor publicity and damage to positive image the City Council conveys.
3.Express an interest in offering free swimming to those aged 16 and under	Viewed as an ambitious Authority by DCMS Expression of interest at this stage does not represent any firm commitment.	Not fully clear as level of grant not yet allocated. Scheme would be sure to raise attendance levels amongst this age group (possibly others accompanying) with	Further information to be provided to Cabinet once grant award is known.

	Enables Officers time to work up implications once informed of grant allocation.	increased costs to staffing, energy and chemicals	
4. Turn down opportunity to express interest in participation of scheme to provide free swimming to those aged 16 and under.	Current income streams from this sector remain.	Not fully clear as level of grant not yet allocated. Opportunity to promote swimming amongst this age group lost with associated secondary spend benefits. Council viewed as not being ambitious by DCMS if expression not submitted.	Poor publicity and damage to positive image the City Council conveys.

5.0 Officer Preferred Option (and comments)

5.1 Preferred options are 1 and 3; accept grant of £44,375 for free swimming for those aged 60 and above. Also, to submit an expression of interest for participating in the free swimming scheme for those aged 16 and under. This will also provide the additional advantage of exploring receipt of capital funding from DCMS.

5.2 Further information would need to be collated in relation to free swimming for those aged 16 and under subject to the award of grant to the City Council; due to be announced by 30th September 2008. The Council would then need to confirm by 15th October whether it would be participating or otherwise.

6.0 Conclusion

6.1 The DCMS is keen to enable Authorities to contribute towards the health agenda and these schemes are clearly aimed at encouraging increased participation in swimming. Information gathered to date by officers suggests that the free swimming scheme for those aged 60 and over would likely be cost neutral owing to the grant award.

6.2 Agreement to submit an expression of interest only at this stage for free swimming to those aged 16 and under would enable the Authority to receive the offer of an additional grant from the DCMS without commitment. Officers would then be charged with determining a cost benefit analysis.

RELATIONSHIP TO POLICY FRAMEWORK

Contributes towards :
Ensuring cost effective services that give good value for money
Provide customer focussed accessible service

CONCLUSION OF IMPACT ASSESSMENT

The offer of free swimming to those aged 60 or above will provide greater opportunities for health benefits for this age group by enabling safe exercise to be undertaken at swimming pool facilities. The scheme is available throughout the district including pools at Salt Ayre, Hornby, Carnforth and Heysham.
Monitoring of throughput will be undertaken by Cultural Services thus providing valuable data which could be shared appropriately with organisations such as the PCT.

FINANCIAL IMPLICATIONS

Initial analysis has been undertaken by Cultural Services of the costs associated with the free swimming scheme for those aged 60 and above and has demonstrated that the scheme should be cost neutral. This has been reviewed by Financial Services and the assumptions made seem reasonable. Likely loss of income from this current category has been taken into account with allowances made for some increases to staffing costs, energy (marginal), pool water disinfection, lifeguarding, swimming lessons, marketing and general administration. An illustration of likely annual costs is set out below:

Income	
DCMS Grant	44,400
Total Income	**£44,400**
Costs	
Loss of Income	21,000
Increase in Senior Citizen Swimming Lessons	10,000
Increase in Life Guarding	6,000
Energy & Chemical	3,000
Administration	2,000
Marketing	2,000
Total Expenditure	**£44,000**
Surplus/Deficit (-/+)	**-400**

If Recommendation 1 is approved then the General Fund Revenue Budget in 2009/10 and 2010/11 will need to be updated as part of the 2009/10 Budget Process.

Members are reminded that if Recommendation 3 is approved that this is an in-principle only decision and that a report will be brought back to the 7th October meeting with more detail of the impact on the Council's resources.

SECTION 151 OFFICER'S COMMENTS The Section 151 Officer has been consulted and has no further comments to add.
LEGAL IMPLICATIONS Legal have been consulted and have no further comments to add
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments to add.

BACKGROUND PAPERS DCMS Circular dated 29th July 2008 Officer working papers	**Contact Officer:** Simon Kirby **Telephone:** 01524 582831 **E-mail:** Skirby@lancaster.gov.uk **Ref:**

CABINET

Civil Parking Enforcement – Future Options
2nd September 2008

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT					
This report considers the future options for Civil Parking Enforcement (CPE), previously known as Decriminalised Parking Enforcement (DPE) after the expiry of the current Agency Agreement with Lancashire County Council in September 2009.					
Key Decision	X	**Non-Key Decision**		**Referral from Cabinet Member**	
Date Included in Forward Plan	29/5/08				
This report is public.					

RECOMMENDATIONS OF COUNCILLOR MACE

(1) **That the City Council's preferred option for the management of Civil Parking Enforcement (CPE) after September 2009 is Option 1b.**

(2) **That subject to Option 1b being the implemented option, and its operation being within the budget framework, the decision of entering into the next agreement be delegated to the Corporate Director (Regeneration).**

(3) **That further discussions be entered into with the County Council with regard to the future allocation of on-street pay and display surpluses.**

1.0 Introduction

1.1 Decriminalised Parking Enforcement known as DPE has been operating in the Lancaster district since September 2004 under the "Parkwise" arrangements. Parkwise is a partnership between Lancashire County Council and 12 district councils and covers the enforcement of parking restrictions both on-street and in off-street car parks. The on-street enforcement is carried out on behalf of the County Council as highway authority and the off-street enforcement is carried out for the districts.

1.2 The parking enforcement provisions contained in the Traffic Management Act 2004 were introduced in March 2008 and one of the main changes is that DPE has been replaced by Civil Parking Enforcement known as CPE. Under these new arrangements Parking Attendants (PAs) are now known as Civil Enforcement Officers (CEOs).

1.3 The current Parkwise arrangements and Agency Agreement expire in September 2009. The County Council has been considering the future options for the delivery of CPE across Lancashire after this date and this has been the subject of a report in June to the County Council Sustainable Development Overview and Scrutiny Committee. A copy of this report and appendices are attached to this report.

Further information on the options is included in the Options and Options Analysis section of this report and this has been updated to include details of the significant changes in the legal and financial position since the County Council considered their report.

1.4 The majority of the district councils expressed concern about the information originally presented to the County Overview and Scrutiny Committee. An updated position on the significant legal and financial issues has also been discussed at the Lancashire Leaders Group on 4th August. The County Council has indicated that its Cabinet Member would be influenced by this meeting when determining the most suitable future option for the management of CPE across Lancashire. This decision is likely to be taken in early October.

1.5 The County Council is primarily responsible for determining the most suitable future option but has requested that each district indicates its preferred option by 1st October. This is to enable the tendering process to commence for the enforcement and IT contracts that need to be in place by September 2009.

2.0 Proposal Details

2.1 Background Information

Partnership Agreements

Lancaster signed the DPE Agency Agreement in April 2007 and is one of 7 districts to have completed this process. Wyre, South Ribble, Preston, Burnley and Ribble Valley have still not signed due to concerns over legal and financial issues.

The City Council has also managed on-street pay and display parking in Lancaster on behalf of the County Council since 1996. A separate Service Level Agreement (SLA) was also signed in 2007 to formalise this long standing arrangement. The SLA allows the City Council to charge a management fee for providing this service and all the income generated is passed to the County Council as highway authority.

The surplus generated is reinvested within the Lancaster district on transportation and highway schemes and the priority for expenditure is determined by the Lancashire Local. This arrangement is confirmed within the SLA. Lancashire Local approved a report in November 2006 that allocated £232,000 from the accumulated surpluses to reduce the deficit on the on-street parking enforcement account within the Lancaster district. Further information on the future management of the on-street pay and display account is provided later in this report.

Operational Arrangements

The County Council appointed enforcement contractor provides Civil Enforcement Officers (CEOs) and each district specifies the number of hours required per week and can increase or decrease this at 6 weeks notice. 10 of the 12 districts utilise this enforcement contractor with the smaller districts of Wyre and Ribble Valley using in-house CEOs. The County Council provides an IT contract and a centralised Penalty Charge Notice Processing Centre known as the back office function.

From an operational point of view the Parkwise Partnership arrangements have been very successful in achieving many of the original aims of DPE. There is now strong evidence across the county of better compliance and awareness of parking restrictions resulting in less Penalty Charge Notices (PCNs) being issued year on year.

Lancaster's operation has been very successful within these partnership arrangements and many examples of best practice have been highlighted during the various reporting procedures and some of these are covered later in this report. Lancaster has also provided added value from its parking enforcement operations through Partnership Plus, a joint SLA between the City Council, NCP Services and the Police. Joint patrols are carried out to address parking issues outside schools and to investigate disabled badge fraud and misuse and these general arrangements are now making a positive contribution to the district's Community Safety Partnership.

Financial Performance within the Lancaster District

The Agency Agreement requires the City Council to manage parking accounts for on-street and off-street enforcement. Any deficit on the on-street account should be paid by the County Council (but no mechanism has been agreed with the districts) provided the County are satisfied with the overall management of the on-street account and local enforcement arrangements. However, should the off-street enforcement account generate a marginal surplus this should be used to offset the on-street deficit. Any marginal off-street surpluses that are generated but are not required for this purpose are retained by the City Council.

Lancaster's projected financial position within the partnership to the end of the 5 year agreement is an overall surplus of £50,000. Lancaster is also recognised as providing effective arrangements and a number of examples of good practice are listed below:

- low overheads charged
- low enforcement and overall cost per PCN issued
- continuing reduction in PCN cancellations
- effective contractor management and monitoring
- good CEO retention and low sickness absence
- proactive bailiff management and liaison

2.2 **Operational and Financial Audit**

The projected financial position for all the districts at the end of the current 5 year agreement was an accumulated deficit of £868,000. The County Council commissioned a number of operational and financial audits to fully appreciate the reasons for the accumulated deficit. These audits highlighted the following issues:

- non CPE costs charged to CPE accounts
- high operational costs per PCN issued in some districts
- varying approaches to the calculation of overheads
- recharges from parking operational and support staff from 13 authorities with duplicated effort

These issues were considered by Lancashire Chief Financial Officers (LCFOs) at their meeting on 13th June. At this meeting LCFOs commissioned further work on the level of overheads charged and the income allocated to the Parkwise accounts and this work was discussed at a joint LCFOs and CPE Project Board meeting on 25th July.

A financial update on the audit issues raised is provided at 2.4.

2.3 **On-Street Pay and Display Income**

In addition to the audit, Chorley Borough Council raised the following important legal and financial issue for the County Council's Legal Service to respond to:

That in accordance with Section 55 of the Road Traffic Regulation Act 2004 (as amended) the on-street pay and display accounts in Lancaster and Preston should form part of the CPE accounts since the Traffic Management Act 2004 was introduced in March 2008 and possibly since DPE was introduced in 2004. If this is confirmed the question then is the allocation of the surpluses generated from these accounts and whether they can only be used in the districts where they are generated or whether they can be used to fund on-street enforcement deficits across the county.

This issue has now been resolved and the County Council has taken advice from Counsel that has now confirmed that this surplus income must instead be used in the first instance to offset any district deficits incurred from on-street enforcement activities.

Counsel's advice on the utilisation of the on-street pay and display surpluses potentially reduces the amount of investment in traffic and safety related schemes within the Lancaster district and this is likely to be the subject of a report to the Lancashire Local. However, the County Council has indicated that the current financial commitments made by the Lancashire Local will be honoured and can be contained within the existing budgetary provision.

A financial update on this issue is provided at 2.4.

2.4 **Current County-Wide Financial Position**

<u>Audit Issues</u>

The further work undertaken by LCFO's on overheads together with the previously agreed adjustments on income and non CPE costs has resulted in a significant reduction in the deficit from £868,000 to £434,000 as at 31st March 2008. A further small amount of work remains outstanding in relation to two districts but it is likely that the impact of this may only be marginal. The same review will be applied to the accounts for the remaining period of the current partnership agreement to minimise the potential deficit going forward. The results of this work will also contribute to a reduction in costs for on-street enforcement on an ongoing basis.

On-Street Pay and Display Income

From the inception of the current arrangements in September 2004, the surplus income received from the Lancaster scheme is £685,000 and from the Preston scheme is £295,000 (a total of £980,000). From the reserve, Lancaster has been paid £232,000 and Preston has been paid £48,000 to offset the deficits in the respective districts resulting in a remaining surplus of £700,000.

Summary

By offsetting the on-street pay and display surplus income of £700,000 against the revised deficit of £434,000, this would result in a revised financial position of a surplus of £266,000. This means there is no longer an accumulated deficit on the on-street parking enforcement accounts across Lancashire and this is crucially important when determining the future arrangements.

3.0 Details of Consultation

3.1 The ongoing and future arrangements for CPE have been discussed at meetings of Lancashire Leaders, Lancashire Chief Executives, Lancashire Chief Financial Officers and Working Groups and the CPE Project Board. The decision of the Lancashire Leaders meeting on 4th August was that there is wide agreement amongst the districts that Option 1 b is the preferred outcome.

It is understood the County Cabinet Member for Sustainable Development will be making a decision in early October. The Leader of Lancashire County Council has also indicated that individual districts can submit their comments to the Cabinet Member by the end of September. A further report will be brought back to the Lancashire Leaders Group on 27th October on the detail of how Option 1 b would operate if this is their Cabinet Member's decision.

4.0 Options and Options Analysis (including risk assessment)

These are the options considered by the County's Overview and Scrutiny Committee and the options from which the districts have been asked to indicate their preferred option by 1st October:

4.1 Option 1 a

This option is to continue with the current arrangements. This would build on the success of the current operation and would provide a sound basis for the future of parking enforcement across Lancashire. The County Council believe this option is not sustainable owing to the overall accumulated deficit despite the recent improvement in the financial position. It is therefore not their preferred option. Lancaster has demonstrated that it can deliver effective parking enforcement from both an operational and financial point of view and this originally represented the best option for the City Council. This is where effective parking enforcement could continue under the current operational and financial arrangements.

4.2 Option 1 b

This option would again build on the success of the current operational arrangements but requires the majority of the districts to sign up to accepting capping arrangements that would limit the cost of providing the on-street element of the parking enforcement. Detailed information is not available at present on how the capping limits would be applied but these would be linked to ensuring the ongoing cost effectiveness of the current arrangements.

This option does not represent a significant risk for the Lancaster operation due its good performance within the current partnership arrangements that resulted in a small deficit in 2007/08. Furthermore, there is no longer a financial issue with this option as funding any deficits from on-street pay and display surpluses has been agreed in principle. As previously mentioned this option is the preferred option of the Lancashire Leaders Group and the majority of the districts.

4.3 Option 2

Under this option the County Council would undertake the on-street enforcement and the district councils would carry out the enforcement of restrictions and charges on their own car parks. The City Council would be able to utilise the County Council's enforcement contractor and have the ability to increase or decrease these resources to suit local operational arrangements. The Council would also be able to use the back office function that deals with PCN processing, correspondence, telephone calls and payments. The City Council would still undertake the issuing authority statutory functions required by the Traffic Management Act 2004. It is likely that SLAs would be prepared for the districts requesting these services from the County Council.

This option does not allow an integrated approach to local parking enforcement which contributes to the wider management of parking and traffic within the district. There would be duplicated client arrangements and possibly two groups of CEOs working for the same enforcement contractor depending on the final arrangements and whether CEOs could be "dual badged" to represent two issuing authorities. This option would also create confusion with the public in terms of which authority is responsible for particular aspects of parking enforcement. This option is a significant move away from the successful operational approach of the current arrangements.

4.4 Option 3

This option is to externalise all parking functions and enforcement within the county and district councils. Some authorities have a contractor undertaking the back office function but this is usually where there is no existing operation and there have been time restraints at the implementation stage. Outsourcing would require an element of duplication and a monitoring team would be required to ensure the required standard of service is delivered. Also some functions must be undertaken by the issuing authority in accordance with legislation e.g. dealing with formal representations, adjudicator appeals and progressing debts. Undertaking these remaining functions would still require a significant number of staff. Inevitably all authorities would still receive direct contact from the public resulting in further duplication of work.

This option is not considered to be beneficial for the above reasons and is not supported by the County Council and the CPE Project Board.

5.0 Officer Preferred Option (and comments)

5.1 Option 1b is the preferred option building on the success of the current operational arrangements, providing an integrated approach to parking enforcement and contributing to the wider management of parking and traffic in the district. This is also likely to be the County Council's preferred option based on the latest legal advice and the revised financial position. This option is also supported by the majority of districts.

5.2 Option 1b is likely to allow Lancaster to continue the CPE operation within the budget framework, subject to further information regarding capping limits and the utilisation of on-street pay and display surpluses being available. Should Option 1b be the implemented option and assuming it can be delivered within financial limits, it is recommended that the decision to enter into the next agreement be delegated to the Corporate Director (Regeneration).

RELATIONSHIP TO POLICY FRAMEWORK

Medium Term Objective: To deliver cost effective services that provide value for money.

Links to Contribute to a Safer Society and the priority outcome of reducing crime and the fear of crime and to help residents feel safer in their communities.

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The ongoing operation of DPE/CPE has community safety impacts in terms of improving road safety, and vehicle and personal security. DPE/CPE also has sustainability impacts in terms of reducing traffic congestion and operating in financial balance.

FINANCIAL IMPLICATIONS

Based on continuing the scheme (in line with options 1a and 1b), the latest projections in respect of CPE are as follows :-

	2008/09	**2009/10**	**2010/11**
	£	**£**	**£**
On-Street	(8,500)	(2,700)	3,300
Marginal Off-Street	(5,200)	(2,700)	(100)

* bracketed figures denote surplus/positives denote deficit

The table above highlights that Lancaster is currently operating at a manageable level and the preferred option of retaining the management of CPE is financially viable within the budget framework. However, option 1b requires districts to agree to capping overheads and whilst Lancaster currently operates one of the lowest overhead rates in the County, any decrease to this rate would have a detrimental impact on the revenue budget.

If the County Council were to decide to progress option 2 it would introduce a whole host of questions including various operational issues, economies of scale, retaining an outsourced enforcement function etc. A further report to Cabinet would be required should option 2 be implemented.

As detailed in the report, option 3 is not considered viable and not supported by the County Council and the CPE Project Board.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

Legal Services have been consulted and confirm that Counsel's advice obtained by the County Council reflects the legal position as set out in the relevant legislation.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS Various reports to Lancashire Chief Executives, LCFOs, County Council Sustainable Development Overview and Scrutiny Committee and CPE Project Board.	**Contact Officer:** David Hopwood **Telephone:** 01524 582817 **E-mail** dhopwood@lancaster.gov.uk

Sustainable Development Overview & Scrutiny Committee
Meeting to be held on 24 June 2008

Part I - Item No. 7

Electoral Divisions affected: All

ParkWise - Update on Financial and Communication Arrangements
(Appendices 'A', 'B', 'C', '1a' and '1b' refer)

Contact for further information:
Paul Riley, 01772 530143, Environment Directorate

Executive Summary

Members considered an update report on ParkWise on 10 January 2008. The report highlighted a proposed financial audit to inform decisions on how the current deficit should be addressed and the appropriate model for Civil Parking Enforcement beyond September 2009. This report sets out the findings of the financial audit and suggests possible options for the operation of the partnership beyond September 2009.

Recommendation

The Committee is asked to consider the report and propose a recommendation for consideration of the Cabinet Member for Sustainable Development.

Background

In September 2004 Lancashire County Council took over responsibility for parking enforcement from the police. Leading up to this date the County Council and each district council had agreed to work under a partnership arrangement to deliver the parking enforcement. An Agency Agreement was to be signed allowing the district councils to enforce both on- and off-street parking places. ParkWise was the name given to the decriminalised parking enforcement (DPE) partnership between the county council and the 12 district councils. The County Council procured on behalf of itself and participating districts both IT and enforcement contracts as well as managing the back office processing centre. The district councils manage the day to day enforcement at a local level.

Members considered a report on the Review of Financial and Communication Arrangements on 10 January 2007 with updates on 23 May 2007 and 10 January 2008. This report updates members on progress.

Progress Since the Last Meeting

Members highlighted the need for continuing development of communication issues relating to Civil Parking Enforcement (CPE) at their meeting of 10 January 2008.

The University of Central Lancashire (UCLan) research was commissioned to investigate how the public would prefer to be informed about ParkWise activities and notified about any changes in national parking legislation. The findings informed the activities undertaken as part of the Traffic Management Act (TMA) 2004 awareness campaign. The campaign included a local media awareness campaign, radio advertising as well as direct contact with all county councillors and the development of a ParkWise TMA information leaflet.

A series of internal focus groups, including partners, were undertaken to research how staff perceived a variety of communications issues within the ParkWise partnership. This internal research is now complete and an action plan has been developed which can be built into both the ParkWise business plan and the communications strategy. This has also led to the creation of a customer focus strategy which will address the main requirements for change in the back office communications activities, e.g. letters, information we distribute to customers and telephone standards.

A review of the ParkWise website will also be completed by September 2008 which will assess the information on the website and its relevance to customers.

As a result of the feedback from staff during the internal research the communications officer identified a relevant award category for ParkWise to enter to test its standing within the parking industry. We were successful in this venture and won the Back Office Team of The Year Award 2008 at the British Parking Awards. This has helped to raise staff morale and gone some way to change the perception of the service.

The back office was also assessed for the customer service standard, Charter Mark on 28 April 2008. The service has been recommended for receiving the Charter Mark standard.

Appendix ‘A’ provides the updated operational indicators for the 07/08 financial year.

Appendix ‘B’ provides the year on year cancellation rates and shows a year on year drop in the cancellation rates from 22% down to the present level of 18%. This compares favourably with the Traffic Research Laboratory Benchmarking group which shows an average of 21%.

There is currently a review of the 2 main reasons for Penalty Charge Notice (PCN) cancellation. These are on the grounds of blue badge incorrectly displayed/used and pay and display ticket incorrectly displayed. A more in depth review of these cancellations is on going as is research into how other authorities address these cases. A further update will be presented to the Committee when proposals have been finalised.

Partnership Agreements

At the time of writing, five districts have still not signed the agreement. The districts are Wyre, South Ribble, Preston, Burnley and Ribble Valley.

Outstanding Signs and Lines Remedial Works

The outstanding remedial works continue to be progressed with orders being placed with Lancashire County Engineering Services (LCES) to undertake the works.

A defect reporting process has been agreed with the Area Managers so that performance can be more easily monitored. This more formal approach has only recently been implemented and is intended to produce indicators to monitor the progress of these works.

Traffic Regulation Orders

The Consolidation Order was sealed on 19 December 2007; works are now progressing on the 2008 Consolidation Order. This will be an annual process in order to ensure that all traffic regulation orders are up to date and easily accessible.

Finance

At 31 March 2007 the accumulated deficit on the Parkwise arrangements was £0.647m and this was projected to have increased to £0.921m by the end of the 5 year agreement in September 2009.

At the time of writing this report, 2007/08 accounts have been received from 10 authorities. Whilst a detailed examination of these accounts has not yet been undertaken, the broad picture is one of a worsening financial position with the deficit increasing by over £0.200m from that predicted. Appendix 'C' gives an analysis of the 2007/08 outturn position.

A financial audit of the ParkWise arrangements has been undertaken with a view to minimising the current deficit and informing the choice of option to be adopted for CPE beyond September 2009. The audit process started in January 2008 involving Finance Officers from the County Council, Chorley and Lancaster as well as the Project Manager for ParkWise. The audit concentrated on the period to 31 March 2007 and has identified a number of errors in allocation of income and non DPE costs (outlined in Appendix '1a') plus varying approaches to the calculation of overheads. These were considered by Lancashire Chief Finance Officers (LCFOs) at their meeting on 13 June. At this meeting LCFOs commissioned a further piece of work and this will be considered by them at a special meeting to be held by the end of July. The outcome of these discussions, together with recommendations for addressing the remaining deficit will be reported to Members in due course when outstanding issues have been finalised.

Options for the Partnership Model after September 2009.

The options considered for the future are as follows. A more detailed financial examination of each option will be presented at the meeting:

Option 1a

Continue with the current model. The estimates and the audit process to date indicate that to maintain this model in the future would require a financial investment by the county council on an annual basis in excess of £300k per annum. Appendix ‘1a’ shows the revised overall position at the end of the 5 year agreement, subject to the resolution of the income and non-dpe adjustments, and the receipt of the outstanding 2007/08 accounts. It is clear that there is still a substantial deficit and the worsening trend from 2007/08 would indicate that the overall deficit could increase further.

Option 1b

Maintain the current model with targeted financial budgets. This model is considered to be practical if **all** 12 Districts are in agreement and formally sign up to it by 1st September 2008. This will allow adequate time for subsequent tendering of IT and enforcement contracts. Appendix ‘1b’ sets out the reduction in enforcement and operational management costs needed in every District in order to achieve a break even position. This cost level will be capped at an agreed level as the County Council will not meet any future deficits. This model is based upon the current arrangements and thus assumes that the Districts will continue to contribute their marginal off-street surplus. It is anticipated that the reduction in costs could be made in two key areas. Firstly, a more efficient deployment of parking attendants would reduce enforcement costs without a detrimental impact upon income. Secondly, the work currently being undertaken by LCFOs to agree a consistent and reasonable approach to direct costs and overheads charged to the on-street accounts will seek to reduce costs in this area.

Option 2

The County Council will undertake enforcement of on-street parking across the county with the district councils enforcing off-street parking in their area. Under this model, the County Council will continue to operate the back office function and procure enforcement and IT systems and the districts will have the option of utilising these services. This option will enable savings in the operational management costs as it is envisaged that the contractor would require fewer posts to carry out the parking manager function than are employed under the current arrangements. There would need to be a more proactive management of enforcement in response to the county council’s network management duty under the Traffic Management Act 2004. Whilst the actual costs of this option will only be known once a formal tendering process has been undertaken, an exercise has been carried out to estimate the likely costs, including the savings from more efficient enforcement and control of overhead costs mentioned above.

Option 3

Externalising all car parking functions within the county and district councils. The option has been discussed by the ParkWise project board and not considered beneficial to the scheme for the reason laid out below.

Some authorities do have a contractor undertaking the back office function, but these are only where there has been no existing operation. The main reason why these authorities chose this option was because of time constraints in setting up the in house back office. There are no examples of authorities outsourcing existing back office facilities. Similar sized county councils, Kent, Hampshire and Essex have not considered this option nor do they have any immediate plans to do so.

Outsourcing of this function would involve a degree of replication of work. Firstly, there would need to be a monitoring team set up to ensure that the work undertaken was carried out timely and to the required standard. Secondly, certain functions must be undertaken by the enforcement authority. The work that the council would still have to undertake are, the determination of representations, forwarding cases to the adjudicator and progressing debts. To undertake these remaining functions would still require a significant number of staff. It would be inevitable that the council would still receive direct contact from the public which would result in it undertaking certain aspects of work that had in fact been contracted out.

Income

The review of the cancellation policy mentioned earlier in the report may have an impact upon the levels of income received. Any changes to this policy would apply to all options equally.

Consultations

N/A.

Advice

The scheme has now been in operation for over three and a half years and has been subject of operational, financial and Member reviews (O&S Task Group, summer 2006). The operational and communication issues have either been addressed or action plans are in place to address them. The financial position, however, remains a concern. Despite numerous discussions with partners through a number of different forums the scheme is currently showing a significant deficit and the recent audit indicates the position could get worse unless appropriate action is taken. This is subject of further discussion at LCFO meetings. This clearly highlights that the current model of operation is not sustainable. The only way for this option to become financially viable would be for District Councils to operate within specified expenditure limits as set out in Appendix 1b. This requires **all** District Councils to formally agree to this by the 1st September 2008. If this is not achieved by the given date, it is recommended that Option 2 should be progressed.

Alternative options to be considered

Set out within the report.

Implications: e.g. Financial, Legal, Personnel, Human Rights, Crime and Disorder or Other

Financial and legal services have been consulted and their comments incorporated into the report.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Directorate/Ext
Report to Sustainable Development Overview & Scrutiny Committee	10 January 2007	Paul Riley/Environment/ 34788
Report to Sustainable Development Overview & Scrutiny Committee	23 May 2007	
Report to Sustainable Development Overview & Scrutiny Committee	10 January 2008	

Reason for inclusion in Part II, if appropriate

N/A.

Appendix 'A'

Operational Indicators 1 April 2007 to 31 March 2008

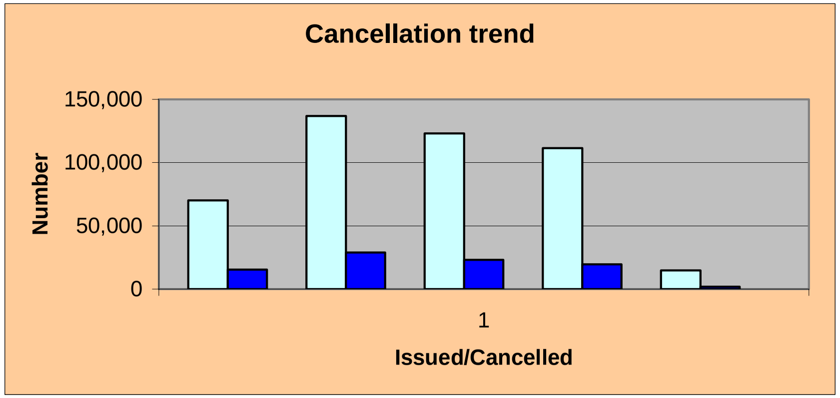
Appendix A														
	Operational Indicators 1 April 2007 to 31 March 2008													
1 April 07-31 March 08	Burnley	Chorley	Fylde	Hyndburn	Lancaster	Pendle	Preston	Ribble Valley	Rossendale	South Ribble	West Lancs	Wyre	Totals to date (31.04.08)	
PCN's generated	15603	9910	9726	4988	19180	6394	21262	2998	4506	2906	6292	7843	**111608**	
a) PCN's not issued	234	90	80	43	186	59	148	35	25	10	51	87	**1048**	
b) No of PCN's issued	15369	9820	9646	4945	18994	6335	21114	2963	4481	2896	6241	7756	110560	
Paid at Discount Rate £30	7623	4895	5597	2619	9485	3533	11081	1947	2791	1662	3324	4486	**59043**	
As % of PCN's Issued	50%	50%	58%	53%	50%	56%	52%	66%	62%	57%	53%	58%	**53%**	
Paid at Full Rate (Pre NTO) £	1814	884	908	491	2024	776	2435	314	546	267	707	612	**11778**	
As % of PCN's Issued	12%	9%	9%	10%	11%	12%	12%	11%	12%	9%	11%	8%	**11%**	
Paid at Full Rate (Post NTO)	916	480	461	287	1067	314	1384	111	253	156	298	236	**5963**	
As % of PCN's Issued	6%	5%	5%	6%	6%	5%	7%	4%	6%	5%	5%	3%	**5%**	
Paid at 150% (CC Stage) £9	190	86	97	67	174	65	312	30	52	25	51	46	**1195**	
As % of PCN's Issued	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	**1%**	
Paid at 150% + £5 reg fee £9	156	67	68	44	168	35	270	25	38	17	57	32	**977**	
As % of PCN's Issued	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	0%	**1%**	
Paid at Warrant stage £95	248	136	82	76	242	70	408	24	54	45	85	49	**1519**	
As % of PCN's Issued	2%	1%	1%	2%	1%	1%	2%	1%	1%	2%	1%	1%	**1%**	
Total PCN's Cancelled	2673	2330	1744	711	3092	763	2590	377	349	473	1229	1761	**18092**	
As % of PCN's Issued	17%	24%	18%	14%	16%	12%	12%	13%	8%	16%	20%	23%	**16%**	
Cancellation Reasons														
Management referal	141	136	71	31	114	32	77	25	32	5	7	38	**709**	
As % of PCN's cancelled	5%	6%	4%	4%	4%	4%	3%	7%	9%	1%	1%	2%	**4%**	
Mitigating circumstances	668	516	950	346	1010	344	639	104	147	154	395	807	**6080**	
As % of PCN's cancelled	25%	22%	54%	49%	33%	45%	25%	28%	42%	33%	32%	46%	**34%**	
Policy	1355	1450	494	139	1398	190	1205	150	78	244	706	726	**8135**	
As % of PCN's cancelled	51%	62%	28%	20%	45%	25%	47%	40%	22%	52%	57%	41%	**45%**	
Cancelled due to PA error	297	130	104	107	166	95	255	30	53	26	51	87	**1401**	
As % of PCN's cancelled	11%	6%	6%	15%	5%	12%	10%	8%	15%	5%	4%	5%	**8%**	
Write Offs	158	55	80	50	327	77	275	12	19	26	29	55	**1163**	
As % of PCN's cancelled	6%	2%	5%	7%	11%	10%	11%	3%	5%	5%	2%	3%	**6%**	
Part payment accepted as full	54	43	45	38	77	25	139	56	20	18	41	48	**604**	
As % of PCN's cancelled	2%	2%	3%	5%	2%	3%	5%	15%	6%	4%	3%	3%	**3%**	
PCN - Challenges														
Number of Challenges Made (	4943	3,355	2,638	1,080	5,990	1,957	4,825	622	1,077	874	2,309	2,474	**32144**	
As % of Notices issued	32%	34%	27%	22%	32%	31%	23%	21%	24%	30%	37%	32%	**29%**	
PCN - Representations														
Number of Representations Made	397	170	142	109	481	167	490	11	79	57	97	40	**2240**	
As % of Notices Issued	3%	2%	1%	2%	3%	3%	2%	0%	2%	2%	2%	1%	**2%**	
PCN - NPAS Appeal														
v	89	23	40	14	61	25	92	8	8	5	11	11	**387**	
As % of Notices Issued	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	**0%**	
PCN'S paid	10947	6548	7213	3584	13160	4793	15890	2451	3734	2172	4522	5461	**80475**	**73%**
PCN's cancelled	2673	2330	1744	711	3092	763	2590	377	349	473	1229	1761	**18092**	**16%**
PCN's written off	158	55	80	50	327	77	275	12	19	26	29	55	**1163**	**1%**
PCN's with bailiffs	754	322	257	227	1124	380	1271	48	148	87	242	127	**4987**	**5%**
PCN's outstanding	837	565	352	373	1291	322	1088	75	231	138	219	352	**5843**	**5%**

Appendix 'B'

Cancellation Trend

	2004/05			2005/06			2006/07			2007/08			2008/09 (1.4.08-23.5.08)		
	Issued	Cancelled	%	Issued	Cancelled	%	Issued	Cancelled	%	Issued	Cancelled	%	Issued	Cancelled	%
Burnley	9,264	2,130	**23**	19,546	5,302	**27**	17,517	3,531	**20**	15603	2,948	**19**	1,836	308	**17**
Chorley	6,896	1,631	**24**	12,180	2,771	**23**	10,471	2,793	**27**	9910	2,439	**25**	1,380	224	**16**
Fylde	5,314	895	**17**	9,030	1,837	**20**	10,379	2,078	**20**	9726	1,857	**19**	1,314	183	**14**
Hyndburn	3,589	863	**24**	7,100	1,283	**18**	5,302	758	**14**	4988	791	**16**	697	82	**12**
Lancaster	13,441	3,363	**25**	24,026	5,447	**23**	21,201	4,284	**20**	19180	3,402	**18**	2,759	354	**13**
Pendle	4,839	1,072	**22**	7,701	1,505	**20**	7,253	992	**14**	6394	850	**13**	934	74	**8**
Preston	16,500	3,515	**21**	31,487	6,184	**20**	22,906	3,226	**14**	21262	2,827	**13**	2,317	254	**11**
Ribble Valley	1,860	244	**13**	3,502	525	**15**	3,539	453	**13**	2998	418	**14**	247	27	**11**
Rossendale	2,236	356	**16**	4,890	663	**14**	4,984	460	**9**	4506	379	**8**	658	28	**4**
South Ribble	2,127	421	**20**	4,406	830	**19**	3,600	722	**20**	2906	491	**17**	418	44	**11**
West Lancs	2,937	715	**24**	6,676	1,436	**22**	6,529	1,609	**25**	6292	1,294	**21**	731	104	**14**
Wyre	1,074	211	**20**	6,253	1,053	**17**	9,411	2,089	**22**	7843	1,863	**24**	1,486	272	**18**
Total	**70,077**	**15,416**	**22**	**136,797**	**28,836**	**21**	**123,092**	**22,995**	**19**	**111,608**	**19,559**	**18**	**14,777**	**1,954**	**13**

Note: Cancelled figures relate to PCNs issued within the date range and cancelled at any time



Appendix 'C'

2007/08 Accounts (On Street)

		PCNs issued	**Total Income**	**Income per PCN**	Operational Management Costs	Cost per PCN	Enforcement Costs	Cost per PCN	Tickets & Permits Processing	Cost per PCN	**Total Costs**	**Cost per PCN**
		No.	**£**	**£**	£	£	£	£	£	£	**£**	**£**
Burnley		8,520	**246,331**	**28.91**	50,865	5.97	243,025	28.52	57,355	6.73	**351,245**	**41.23**
Chorley		4,077	**114,816**	**28.16**	43,338	10.63	173,007	42.43	28,401	6.97	**244,746**	**60.03**
Fylde		5,574	**166,010**	**29.78**	39,195	7.03	113,440	20.35	36,304	6.51	**188,939**	**33.90**
Hyndburn		4,793	**151,200**	**31.55**	36,672	7.65	76,261	15.91	31,863	6.65	**144,796**	**30.21**
Lancaster		12,613	**348,163**	**27.60**	53,559	4.25	218,166	17.30	83,584	6.63	**355,309**	**28.17**
Pendle		4,284	**88,665**	**20.70**	42,910	10.02	87,599	20.45	20,904	4.88	**151,413**	**35.34**
Preston		18,248	**566,074**	**31.02**	123,536	6.77	344,726	18.89	123,695	6.78	**591,957**	**32.44**
Ribble Valley		1,332	**41,731**	**31.33**	22,805	17.12	33,765	25.35	8,386	6.30	**64,956**	**48.77**
Rossendale		2,072	**70,652**	**34.10**	22,562	10.89	38,119	18.40	13,673	6.60	**74,354**	**35.89**
South Ribble	X	1,877	**47,013**	**25.05**	35,174	18.74	76,562	40.79	11,466	6.11	**123,202**	**65.64**
West Lancs		1,731	**48,090**	**27.78**	0	0.00	60,987	35.23	10,880	6.29	**71,867**	**41.52**
Wyre	X	3,388	**90,116**	**26.60**	35,665	10.53	77,782	22.96	20,241	5.97	**133,688**	**39.46**
		68,509	**1,978,861**	**28.88**	506,281	7.39	1,543,439	22.53	446,752	6.52	**2,496,472**	**36.44**

X 2007/08 Accounts not yet received - 2006/07 Accounts used

Appendix '1a'

Projected Deficit to end of the current contract (all figures in £000)

DISTRICT	Deficit / Surplus (-) to 31/3/07	Income Error	Non DPE Costs	Revised Deficit / Surplus (-) to 31/3/07	2007/08 Accounts	Projected Deficit Surplus (-) (17 months)	Projected Deficit Surplus (-) (29 months)	Projected Deficit / Surplus (-) to Sept 09
	1	2	3	4	5	6	7	8
Burnley	45	-4	-86	-45	70	-21		4
Chorley	146	22	-141	27	65	114		206
Fylde	113	-55	-23	35	1		*	36
Hyndburn	9	-2		7	-6	6		7
Lancaster	-33			-33	7	-24		-50
Pendle	29	-15		14	63	68		145
Preston	0			0	26	-39		-13
Ribble Valley	27			27	23	22		72
Rossendale	42	9	-21	30	4	23		57
South Ribble	126	-4		122			78	200
West Lancs	0			0	0	-85		-85
Wyre	143			143			66	209
	647	-49	-271	327	253	64	144	788

* No projections provided by Fylde

(excludes Fylde projected deficit)

Key to Columns:

1 Deficit / Surplus (-) as at 31/03/07
2 Income in accounts understated (-) or overstated - all figures have been agreed with districts with the exception of Pendle and Fylde
3 Non DPE costs - includes cash collection and other costs which are subject to further discussion with the districts (Burnley - £86K, Preston £60K)
4 Revised Deficit / Surplus (-) as at 31/03/07 after taking these adjustments into account
5 Deficit / Surplus (-) as per the 2007/08 accounts (accounts not yet received from South Ribble and Wyre)
6 Projected Deficit / Surplus (-) to the end of current contract (17 months for those districts which have returned 2007/08 accounts)
7 Projected Deficit / Surplus (-) to the end of current contract (29 months for those districts which have not returned 2007/08 accounts)
8 Projected Deficit / Surplus (-) to Sept 09

Appendix ‘1b’

Annual Reduction required to Break Even (2007/08 On Street Accounts)

		PCNs issued	Total Income	Income per PCN	Total Costs	Costs per PCN	Reduction Required to Break Even	Marginal Off Street Contribution	Further Reduction Required
		No.	£	£	£	£	£	£	£
Burnley		8,520	246,331	28.91	351,245	41.23	104,914	34,472	70,442
Chorley		4,077	114,816	28.16	244,746	60.03	129,930	64,789	65,141
Fylde		5,574	166,010	29.78	188,939	37.85	22,929	21,992	937
Hyndburn		4,793	151,200	31.55	144,796	30.21	0	0	0
Lancaster		12,613	348,163	27.60	355,309	28.17	7,146	0	7,146
Pendle		4,284	88,665	20.70	151,413	35.34	62,748	0	62,748
Preston		18,248	566,074	31.02	591,957	32.44	25,883	0	25,883
Ribble Valley		1,332	41,731	31.33	64,956	48.77	23,225	7,450	15,775
Rossendale		2,072	70,652	34.10	74,354	35.89	3,702	3,702	0
South Ribble	X	1,877	47,013	25.05	123,202	65.64	76,189	2,668	73,521
West Lancs		1,731	48,090	27.78	71,867	41.52	23,777	23,777	0
Wyre	X	3,388	90,116	26.60	133,688	39.46	43,572	2,000	41,572
		68,509	1,978,861	28.88	2,501,318	36.75	524,015	160,850	363,165

X 2007/08 Accounts not yet received - 2006/07 Accounts used

CABINET

CABINET LIAISON GROUPS

2nd September 2008

Report of Corporate Director (Finance and Performance)

<table>
<tr><td colspan="6" align="center">PURPOSE OF REPORT

To consider the re-establishment of the Children and Young People Cabinet Liaison Group and its revised terms of reference.</td></tr>
<tr><td>Key Decision</td><td></td><td>Non-Key Decision</td><td></td><td>Referral from Cabinet Member</td><td>X</td></tr>
<tr><td colspan="2">Date Included in Forward Plan</td><td colspan="4">n/a</td></tr>
<tr><td colspan="6">This report is public</td></tr>
</table>

RECOMMENDATIONS OF COUNCILLOR FLETCHER

(1) That Cabinet approve the re-establishment of the former Children and Young People's Task group and its revised terms of reference.

1.0 Introduction

1.1 This report has been prepared following a wish by the Cabinet Member with Special Responsibility for Children and Young People, Councillor Jane Fletcher, to re-establish this Liaison Group with slightly revised terms of reference.

1.2 The former and proposed Terms of Reference of this Group are set out at Appendix A to this report and members are being asked to approve the re-establishment of the Liaison Group and the revised Terms of Reference.

2.0 Proposal Details

2.1 The approval of the revised Terms of Reference would enable the re-establishment of this Liaison Group, as requested by the Cabinet Member with Special Responsibility, and would be consistent and in accordance with Cabinet's previous decision to establish such a group (20th March 2007, Minute 137 refers) based on the recommendations from the Overview and Scrutiny Committee's Children and Young People's Task Group.

3.0 Details of Consultation

3.1 No consultation has been necessary. Consultation may be required as a result of any future recommendations of the Liaison Group.

4.0 Options and Options Analysis (including risk assessment)

4.1 **Children and Young People Cabinet Liaison Group:**

Option No.	OPTION	IMPLICATIONS AND RISK ANALYSIS
1	To not re-establish the Children and Young People's Task Group.	This may put at risk the full consideration of issues that Cabinet may feel appropriate to pursue.
2	To establish the Task Group with the proposed terms of reference.	This option will allow for full consideration of issues that are felt appropriate by Cabinet in order to progress matters in this area.
3	To establish the Task Group with revised terms of reference.	This option could allow for full consideration of issues that are felt appropriate by Cabinet if the revised terms of reference allowed for such consideration.

5.0 Officer Preferred Option (and comments)

5.1 Option 2 is the preferred Option in that this option will allow for full consideration of issues that are felt appropriate by Cabinet in order to progress matters in this area.

6.0 Conclusion

6.1 Children and young people issues continue to be a priority for the Council and establishment of the liaison group would allow for a wider range of advice and fuller consideration of the issues.

RELATIONSHIP TO POLICY FRAMEWORK

The proposal contributes *"To support sustainable communities."*

It also promotes the Council's commitment in its Corporate Plan 2008/09 "to work to maintain a cohesive community where respect for all is valued and celebrated

The new LSP structure includes a 'Children and Young People' thematic group comprising the Lancaster District Children's Trust where the Cabinet Member with Special Responsibility for Children and Young People sits.

CONCLUSION OF IMPACT ASSESSMENT **(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)** None directly arising from this report. However, there are likely to be positive impacts arising from future recommendations from the Cabinet Liaison Group.
FINANCIAL IMPLICATIONS There are no financial implications to the authority as a result of this report, however, there may be financial implications arising from any resulting recommendations from the Cabinet Liaison Group and these would need to be fed into future years' budget processes.
SECTION 151 OFFICER'S COMMENTS The Section 151 Officer has been consulted and has no further comments to add.
LEGAL IMPLICATIONS Recommendations to Cabinet regarding the Terms of Reference of Cabinet Liaison Groups are in accordance with the City Council's Constitution.
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS	**Contact Officer:** Lynda Duff **Telephone:** 01524 586854 **E-mail:** lduff@lancaster.gov.uk

Children and Young People Cabinet Liaison Group

Former Terms of Reference:

To advise the Cabinet member for Children and Young People in all matters relating to the District Council's roles and responsibilities in Every Child Matters – Agenda for Change and in particular the development of Children's Trust arrangements in the district by 2008.

To develop as appropriate policies and strategies relating to children and young people for referral through to Cabinet.

To promote the Council's commitment in its Corporate Plan " *To improve the quality of life for children and young people by adopting the five outcomes from Every Child Matters as guiding principles in the design and delivery of our services to young people in the district."*

To ensure the engagement and participation of children and young people in respect of the planning and delivery of the City Council's services.

To ensure that the City Council's responsibilities in the Safeguarding and Well-being of children and young people are widely disseminated, understood and acted upon.

To receive reports and develop effective action plans where appropriate.

To monitor the delivery of the council's children and young people strategy.

Revised Terms of Reference

- To advise the Cabinet member for Children and Young People in all matters relating to the district Council's roles and responsibilities in Every Child Matters-Agenda for Change, and the role of council in the Lancaster District Children's Trust .
  - To develop appropriate policies and strategies relating to children and young people for referral through to Cabinet.
  - To promote the Council's commitment in its Corporate Plan priority outcome, '**Work to maintain a cohesive community where respect for all is valued and celebrated.'** by 'Implementing the Children and Young People Strategic Plan'
- To ensure the engagement and participation of children and young people in respect of the planning and delivery of the City Council's services.
- To ensure that the City Council's responsibilities in safeguarding and ensuring the well being of children and young people are widely disseminated, understood and acted upon
- To receive reports and develop effective action plans where appropriate
- To monitor the delivery of the council's children and young people strategy.

CABINET

FINANCING FOR HOME SUPPORT TEAM
2nd September 2008

Report of Corporate Director (Community Services)

PURPOSE OF REPORT					
To inform members about progress towards securing Supporting People programme monies for the Home Support Team and to seek approval for start date for funding of Vulnerable Households Project.					
Key Decision	X	**Non-Key Decision**		**Referral from Cabinet Member**	
Date Included in Forward Plan	August 2008				
This report is public					

RECOMMENDATIONS OF COUNCILLORS John Gilbert and David Kerr

Agree to accept the funding of £49,500 from Supporting People for the Vulnerable Households Project and agree for the money to be backdated to April 2008.

1.0 Introduction

1.1 Cabinet agreed in July 2008 to allow the Home Support Team to draw down from the Homelessness Reserve up to £75,000 in 2008/9, pending the Supporting People decision on funding.

1.2 The objective of the Team is to prevent homelessness and promote long-term sustainable lifestyles by addressing life issues and supporting clients into training and education

1.3 The specific projects that SP funding is sought for are

- Targeted Intervention Project – Targeting problematic HMO's – pro-actively seeking to work with and engage hard to reach clients who have failed in tenancies with good landlords and therefore are now in HMO's; they have a track record of unsuccessful engagement with specialist services. This offers an alternative solution to deal with anti-social behaviour and problematic tenants. By gaining the confidence and trust of the client this intensive support involves working with people to secure their commitment to change to sustain tenancies and prevent eviction and problems being moved on to another area.

- Vulnerable Households Project – Working intensively with a small number of the most vulnerable or "high demand" households across the District. Sanctions and incentives are used to encourage change and support is provided over a period of months (for as long as is needed) to enable those involved to sustain this change. A key worker acts as a key point of contact and co-ordinates the services which need to engage with the household. Sustainable change is the key aim of the project.

2.0 **Supporting People Funding Decision**.

2.1 At a Supporting People Commissioning Board meeting in June, it was agreed to commission a vulnerable households project in Lancaster as well as similar projects elsewhere in Lancashire. At the time of the report to Cabinet in July, the Head of Supporting People was progressing a report within the County Council that would agree waiving standing orders to allow funding of the vulnerable households project in Lancaster and other districts without going out to tender. The outcome of this has now been decided. Standing orders have been waived and Supporting People can commission the City Council's Home Support Team to run a Vulnerable Households Project. The funding will only be available for one year, as the scheme will be viewed as a pilot. But all schemes will be evaluated at that point and a decision taken by Supporting People about whether or not to fund for a further two years. The amount available is £49,500. Supporting People are prepared to make a backdated payment (to April 2008) or to start paying from the beginning of September 2008 depending on the view of the City Council.

2.2 The County Council has not agreed to waive standing orders in relation to the Targeted Intervention Project. The North Locality Development Group, a sub-group of the Supporting People Commissioning Board, has been asked to make recommendations to the Commissioning Board in September about whether this should remain a priority for Supporting People. If it remains a priority, it will then need to go out to tender.

3.0 Details of Consultation

3.1 The development of these projects has been subject to detailed consultation with partners and stakeholders. The Home Support Team is actively supported through the social impact group, a multi agency group of statutory and voluntary partners working to address social issues within the west end of Morecambe, where a high proportion of those affected live. The details of this report have not however been specifically subject to consultation with this group.

4.0 Options and Options Analysis (Including Risk Assessment)

4.1 **Option 1:** Agree to accept the funding of £49,500 from Supporting People and agree for the money to be backdated to April 2008.

4.1.1 This would allow the project to continue until April 2009. If a County wide decision is then made not to continue these projects, it would end at that point. If a decision is made that the pilots have been successful, Supporting People may procure them for a further two years: it is unlikely that this would go out to tender, but this would depend on a decision at that point on whether or not such a requirement can be waived.

4.1.2 Backdating the payment would return £20,625 to the Homelessness Reserve

4.2 Option 2: Agree to accept the funding of £49,500 from Supporting People and agree for the money to be paid from September 2008.

4.2.1 This would mean a receipt of £28,875 in 2008/9 and £20,625 in 2009/10 which would allow the project to continue until the beginning of September 2009, even if the evaluation of the pilot means that Supporting People decide not to continue to procure such projects after April 2009.

4.2.2 If Supporting People decide to continue funding, the City Council may lose the opportunity to recoup the finance made available for this purpose through the Homelessness Reserve.

5.0 Officer Preferred Option (and comments)

5.1 **Option 1:** Agree to accept the funding of £49,500 from Supporting People and agree for the money to be backdated to April 2008.

5.1.1 This option allows the City Council to recoup the finance made available for the Vulnerable Households Project pending the Supporting People decision.

5.1.2 If evaluation by Supporting People shows that the pilot has not been successful, it raises the question of whether it should continue with funding from any source.

6.0 Conclusion

6.1 Supporting People have agreed initial funding for the Vulnerable Households project and a decision if still awaited on the Targeted Intervention Project. Homelessness Reserve monies will still be required to keep this service in operation until a decision is made.

RELATIONSHIP TO POLICY FRAMEWORK

The Home Support Team helps to meet the Council’s statutory obligations towards homeless people and homelessness prevention. The Team supports the delivery and implementation of the Council’s Housing strategy, Homelessness Strategy and Winning Back Morecambe’s West End Masterplan as well as LAA outcomes

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The project makes a substantial contribution towards community safety as well as helping people secure and maintain homes. The project is targeted at those who are both vulnerable and socially excluded. It contributes towards ensuring social cohesion and sustainable communities.

FINANCIAL IMPLICATIONS

The adoption of Option 1 would mean that the full allocation of £49,500 would be received in 2008/9, this would allow 5/12 of the allocation (£20,625) to be returned to the Homelessness Reserve. The remaining allocation of £28,875 will contribute towards funding of the Home

Support Team for the period September 2008 to March 2009.

Also, if the scheme is successful, further funding may become available from Supporting People, for a further 2 years commencing April 2009 and under Option 1 the Council would be entitled to bid for this funding from this date.

The adoption of Option 2 would mean that £28,875 would come from SP in 2008/9 and £20,625 in 2009/10. No funds would be returned to the Homelessness Reserve and should further funding become available then future bids would have to be made from September 2009. This could potentially mean a lost opportunity to recover the finance made available through the Homelessness Reserve.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

Legal Services have been consulted and have no further comments

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS Confirmation from Supporting People of funding 11 8 2008 Supporting People file	**Contact Officer:** Sheelagh O'Brien **Telephone:** 01524 405837 **E-mail:** sobrien@lancaster.gov.uk **Ref:** NTF_ Home Support Team 2

CABINET

Storey Creative Industries Centre
Revenue Implications

2nd September 2008

Report of Corporate Director, Regeneration

PURPOSE OF REPORT					
To provide an update on the Storey Creative Industries Centre project and to review the level of revenue support required to assist with the initial short-term operation of the new centre.					
Key Decision	X	**Non-Key Decision**		**Referral from Cabinet Member**	
Date Included in Forward Plan	7th July 2008				
This report is public but the appendices are exempt from publication by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972.					

RECOMMENDATIONS OF COUNCILLOR ROGER MACE

That Cabinet supports Option 6, in that revenue support totalling £40,600 in 2008/09, £69,700 in 2009/10, and £28,300 in 2010/11 be provided to Storey Creative Industries Centre (SCIC), up front in each year as appropriate, and that the Council's budget be updated to reflect the rental payable for the new Tourist Information Centre, subject to

- **the funding being met from a combination of using the existing reserve of £50,000 , with the additional funding requirement being built into the current review of the Medium Term Financial Strategy, for referral on to Council;**

- **an element of the SCIC support being ring-fenced to subsidise the rental offer for the arts organisations as set out; and**

- **the revenue support to SCIC being subject to annual review against the Company's Business Plan, in that, if SCIC generates significant surplus in its activities, then the Council may reduce its revenue support accordingly, or seek clawback to the value of any additional funds supplied. Any clawback condition is to be based on a clear formula relating to SCIC year end surplus balances to be negotiated between SCIC and the Director of Regeneration in conjunction with the Head of Financial Services.**

- **any financial support to SCIC being conditional on the lease of the Storey Institute building being agreed and signed by SCIC by 31st December 2008 at the latest.**

1.0 Introduction

Previous reports have been considered by Cabinet concerning the Storey Creative Industries Centre project, most recently in June 2007 when authority was given to proceed with the capital scheme. Members have been updated on potential additional capital funding of £280,000 which will enable the project team to make the centre more attractive to tenants and provide an enhanced cultural offer for Lancaster and the wider region.

An important aspect of the project has been the formation and ongoing support of a 'not for profit' company, Storey Creative Industries Centre (SCIC), to run the facility. It is managed by a board of directors with wide experience in facilities management, business development and creative business. This report provides:

- A review of the business plan being developed by SCIC and views of potential risk and reward in the current market;
- A review of Council support for two arts partner organisations, Storey Gallery and LitFest, due to return to the building as tenants of SCIC.

The June 2007 Cabinet report was supported by a detailed 5 year business plan which assessed the operational viability of the completed centre. This was produced mainly in-house by Council officers as the SCIC Board of Directors had not had time to develop a business plan of their own. The business plan attempted to show whether the new centre could operate at a break even level from its first year of operation. The report noted:

> *Officers anticipate that, realistically, it will be challenging for Storey Ltd to overachieve against the income figures shown and it will be hard for the company to meet the 'break even' budget in the short term. Storey Ltd are confident in their business plan but Officers, in recognising the financial risks, would advise providing a 'safety net' of £25,000 per year, as an earmarked reserve. This would be available, to assist Storey Ltd with any year 1 and 2 revenue shortfall, should the need arise*.

As a consequence, Cabinet resolved:

> *That Members recognise the need to provide financial cover estimated at £25,000 per annum to assist with any year 1 and 2 revenue shortfall (should the need arise) and that an earmarked reserve be created accordingly, in line with Cabinet's discretion to increase future years' spending projections, as set out in the Medium Term Financial Strategy (MTFS).*

The balance of risk in the overall project has now shifted from the capital works to the revenue viability and business plan of the completed centre. There is therefore the need to reconsider the level of revenue support required by SCIC, and the key aspects influencing this are considered in detail below.

2.0 Storey CIC Business Plan: Emerging Key Risks

Over recent months, SCIC have been building on the work done by officers and developing their own business plan as the ultimate end user of the facility. The following changing circumstances have arisen since the previous Cabinet report:

- An unexpected decision by Folly, one of the project's original three "core" partner arts organisations that their emerging business model was not compatible with a return to the Storey building. Folly was expected to operate a media gallery in the building and occupy a substantial area of workspace (approximately 314 sqm). Folly subsequently decided not to participate in the project as a tenant. Although a major disappointment, the decision should not have an adverse impact in the medium to long term as a greater area of workspace is available for commercial letting at market rates. But, in the short term it creates a challenge for SCIC to find alternative tenants for what was thought of as substantial guaranteed income from a long term partner (a projected £40,000 from rent and service charges).

- The business model assumed a catering company partner would be secured to operate the bar/restaurant and fit out and equip the kitchen (offsetting this against an initial rental deal). SCIC's open market tender exercise revealed a reluctance for prospective catering operators to take on major capital investment in the current economic climate. The catering operation is being re-tendered and this will be greatly assisted by the provision of kitchen facilities as noted in the previous capital update report. But, in case a more substantial deal is required to secure an operator SCIC is showing a lower than anticipated first year income projection.

- A 35% national reduction in Lottery funding, has hit Arts Council England (ACE) hard, and made it difficult for the remaining arts organisation (LitFest and Storey Gallery) to raise funds for fit-out of the auditorium and gallery, and to afford the increased rental they face in returning to the improved building (see Section 3.0 below). However, SCIC have raised money to employ a fundraiser to seek grants from trusts and foundations.

- Increased risk that "credit crunch" related economic downturn may reduce the level of demand for new workspace in the short term. High value added Creative Industries, at which the project is directed, are generally well placed to ride out economic cycles. There have been twelve encouraging expressions of interest from prospective tenants and City Council officers continue to assist with 'bending' core marketing resources towards the project and working as proactively as possible with SCIC to promote the space, but this presents another short term challenge and unanticipated additional risk to the business plan. Members should note that until the head lease is signed SCIC cannot formalise contracts with any prospective tenants or catering company. Abnormal increases in utility costs, over and above large increases originally anticipated, have also been considered

Cabinet should therefore note that SCIC face wholly unforeseen and added short term challenges to break even. It can be considered that in real terms an immediate loss of at least £70k Year 1 income has had to be absorbed in the revised plan.

Current Forecast

Officers have been working with SCIC to review their business plan in the context of less favourable circumstances. The analysis accompanies this report as an exempt Appendix 1. Cabinet should note that business planning is an evolving exercise and the projections reflect the Board of Director's experienced view of potential income and operational requirements to meet stated project objectives. The Business Plan is presented on 'calendar year' basis but for the purposes of this report it is necessary to equate figures to the Council's financial year. In summary, the current Business Plan indicates that SCIC projects a revenue deficit in the following amounts:

2008-09 (Part Year Only)	£35,600
2009-10	£52,200
2010-11	£19,200
Total	£107,000

If the level of lettings of Creative Workspace were to vary either upwards by 10% (subject to a prudent maximum occupancy level of 80%) or downwards by 10%, then the support required would be as follows.

	10% Higher	10% Lower
2008-09 (Part Year Only)	£31,400	£39,700
2009-10	£39,700	£64,700
2010-11	£6,500	£31,900
Total	£77,600	£136,300

In short, each variation of 10% produces a difference of approximately £12,500 pa.

The Business Plan indicates that SCIC moves into surplus by its fourth year. This is partly dependent on the receipt of income from the refurbished Third Floor and Little Gallery which officers are confident in achieving as noted in the previous report on the capital project.

The difficulties of making firm predictions on the size of short term deficit must be emphasised. SCIC remains confident that the test case position in Appendix 1 may be bettered and medium to long term sustainability is very achievable. However, there are no guarantees and a clearer picture is unlikely to emerge until the Centre has been operating for several months.

Forecast Deficit Implications and Mitigation

The company could potentially operate under cash deficit and secure support through an overdraft facility, but it is unlikely that SCIC would be able to secure an overdraft of this nature as it will have no capital assets to use as security. Experience elsewhere has shown it is not desirable for new social enterprise organisations to be dependant on sizeable overdraft or loan facilities and that this could jeopardise long term viability. Officers consider that the projected deficit indicates a high risk of SCIC insolvency and business failure in the short term.

The sum of £25,000 pa for the first two years, referred to in Section 1.0, has been set aside in accordance with Cabinet's earlier decision. It is considered that this will be required by SCIC, but given that it has been identified as a 'safety net' rather than definitely committed, its application has not yet been included in the current year budget.

Members are therefore asked to approve a proportion of the original 'set-aside' funds in 2008-09 of £35,600. In order to have maximum effectiveness in terms of cash flow benefits to SCIC this element of the Council's revenue support will need to be paid at the beginning January 2009.

Support for future years will need to be dealt with as part of the Medium Term Financial Strategy (MTFS). Any recommended support will be subject to further testing and be based on a joint view of the market and lettings between SCIC and Council officers. Again, for cash flow effectiveness any future support agreed will need to be provided at the beginning of the financial year in April 2009, and April 2010.

SCIC accepts that the overall balance of business risk in the project should fall to the company, but expect key stakeholders to understand that matters have arisen that are beyond the control of a fledgling 'not for profit' organisation. There has been a substantial commitment by the members of SCIC Board over the past 18 months in preparing for the scheme and analysing the business. SCIC have made their business plan available for Cabinet in order for the risks to be fully understood.

Cabinet should note there is no contractual obligation on SCIC to take on the building lease on completion of the capital works. In conjunction with officers, SCIC have formed their own view on the current viability of the centre and the level of risk in signing the lease (although it should be noted that SCIC have already signed an 'agreement to lease'). The implications and risks of SCIC failing to sign the lease are outlined in Sections 6.0.

However, SCIC are unlikely to withdraw from the current proposed arrangement, unless in the last resort where no 'safety net' was provided. A commitment to deliver the original £50,000 support ceiling may enable SCIC to take up the lease but it is recognised this is at high risk to their business and they have delayed signing until additional support is explored. Certainty in coverage of the additional projected short term deficit will provide the confidence for SCIC to formalise the head lease at the earliest opportunity enabling it to proceed to secure tenants.

It should be recognised that, while there is no individual liability in the limited company, SCIC Board members are staking considerable personal reputational risk in their involvement. SCIC will provide a wide range of sustainable benefits which the City Council would otherwise struggle to achieve particularly in the improved cultural offer, impact on business, and support to the night time economy. The new TIC should increase its footfall in terms of visitors and income and moving into the building allows the Council to realise a substantial capital receipt. Full options and implications are considered in Section 6.0.

3.0 Rental Support for Arts Organisations

A second element to consider regarding the ongoing viability of SCIC relates specifically to former tenants of the storey Institute. Storey Gallery and LitFest are expected to relocate back into the premises on completion at a rent to reflect improvements to the building and market rates. All stakeholders recognise that co-locating active publicly supported arts organisations, particularly those intimately associated with the building, alongside new creative industries is vital both culturally and economically. A strong arts component will assist the SCIC achieve one of ACE's key objectives for the building: to promote contemporary culture, visual arts and language in an accessible setting. It will also contribute to Lancaster's broader cultural offer.

The Storey Gallery and LitFest are recognised as significant contributors to the Cultural heritage of the District. Their work, alongside other arts/cultural organisations, is supported by the City Council and other partners including ACE and Lancashire County Council. As "Key Cultural Partners" the following direct revenue funding is committed in the current year:

Table 1:

2008/09 Funding Support (Revenue)	**Storey Gallery**	**LitFest**
Lancaster City Council	£34,700 (Note1)	£8,800
Arts Council England – North West	£31,734	£55,972
Lancashire County Council	£13,000	£17,500
Total:	**£79,434**	**£82,272**

Note 1 The revenue support payment from Lancaster City Council to the Storey Gallery of £34,700 is split £24,900 for rent contribution and £9,800 for programme activities (via a Service Level Agreement)

Negotiations have been taking place between Storey Gallery and LitFest (as potential tenants) and SCIC (as prospective landlords) to agree the terms for their re-occupation of the building. Despite the 'not for profit'/social enterprise label, SCIC has to operate and compete in the real property market for workspace and has the same drivers as any business. It has to optimise revenue generating potential of space within a relatively constrained building and the added challenge of meeting the range of objectives surrounding the project.

It was always understood that the arts organisations faced an increase in rental charges and different terms of occupation than was the case when the City Council was landlord. Early project development phases recognised that the arts organisations would require additional skills, revenue earning and audience development capacity to support their core operations in the new landlord/tenant relationship. ACE therefore contributed funding to a programme of organisational development support and transitional funding to improve Storey and LitFest audience development/business plans (Appendix 2).

The lease within the refurbished building is a commercial negotiation between third parties – the SCIC and arts organisations. But the Council has a direct interest in the outcome because it impacts on the viability of all three organisations and Lancaster's cultural offer as a whole. Figures provided by SCIC show that the combined rental and service charge offer is as follows.

Table 2:

Organisation	**SCIC Offer (rent and service charge)**			**Previous charges under City Council as Landlord**
	2009	**2010**	**2011**	
Storey Gallery	£37,140 (Note1)	£37,812	£38,484	£24,900
Litfest	£14,724 (Note2)	£14,952	£15,192	£7,106 (Note 2)

Note 1 The proposed annual rent (including service charges) offered to Storey Gallery (starting at £37,140), is on a combined reduced and partial space-sharing arrangement compared with previous occupation level. Relocation on a like-with-like space allocation under sole occupancy, would attract a charge of £63,840 reflecting the true value of the space for commercial use (within capital grant funder and covenant constraints). Under the new arrangement Storey Gallery still has sole occupation of the main large Storey Gallery, but SCIC is able to optimise revenue from refurbished areas previously underused or used intermittently by the Gallery.

Note 2 The 'previous liability' rent figure in respect of Litfest includes service charges, amounting to £2,856. The SCIC offer also includes additional space and a partial space-sharing arrangement for use of the new auditorium, which are wholly additional new facility requested by LitFest as part of the development of their business model.

SCIC has conducted negotiations with the arts organisations in a spirit of goodwill, recognising shared objectives but with an eye to commercial realities and wider project objectives. Officers agree that SCIC has offered fair terms to both organisations, at the margin of what it considers to be a necessary contribution to secure project viability while respecting the requirements of the arts organisations. The 'offer' figures are included in the Appendix 1 business plan.

Storey Gallery has a rental shortfall of £12,240 on the current space offer (it is assumed that Storey Gallery are content with the space offer with regard to operational requirements). LitFest have a rental shortfall of £7,618 but have access to the auditorium and additional, space which provides opportunities to both further develop income generating activities and draw in more grant funding. Such opportunities for both the arts organisations will only develop over time and in the short term both arts organisations contend that meeting the rent offer will restrict their operational capability in the short term.

Both Storey Gallery and LitFest have approached the Head of Cultural Services and funding partners seeking assistance in meeting the increase in their rent liability. Officers accept the arts organisations have been hampered by cutbacks in lottery and ACE funding referred to earlier in the report. Officers also accept the organisations cannot progress their business plan models and viability to the extent hoped until they are part of a newly refurbished centre.

Discussions between Lancaster City Council and the other two primary revenue funders (ACE and Lancashire County Council) can be summarised as follows:

- In view of their significant support to-date, ACE has stated that they would not be able to provide any additional revenue funding for current and subsequent years under current funding agreement.
- County Council's position is not formally stated, but indications are that it would not be in a position to provide any additional funding support beyond its current allocations.

A solution would be to give SCIC additional short-term support to specifically assist the arts organisations in becoming established in the new facilities, linked to a 3 year sliding-scale of 100% (of projected rental deficit) in Year 1; 50% in Year 2; and 25% in Year 3. By Year 4 the support would end, as the arts organisations would have had full opportunity to develop their funding/programme profile to meet the current rental offer level. If Cabinet supports this approach the equivalent rental support from the City Council to SCIC for the two arts organisations is as follows:

Table 3:

Related Organisation	**Year 1 equivalent additional support**	**Year 2 equivalent additional support**	**Year 3 equivalent additional support**
Storey Gallery	£12,240	£6,456	£3,396
LitFest	£7,618	£3,923	£2,022

When equated to Council financial years, this becomes:

Table 4:

Year	**Additional Support**
2008-09 (Part Year)	£5,000
2009-10	£17,500
2010-11	£9,100
2011-12 (Part Year)	£4,100
Total	**£35,700**

Members should be clear that the additional support is not an additional supplement to core grant to the arts organisations. The preferred structure of the support is for it to be given to SCIC and 'ring-fenced' to enable SCIC to offer the arts organisations rent at a short-term and tapering/reducing discount to market rates. The full options and implications of a decision on support are considered in Section 6.0.

4.0 Lancaster Tourist Information Centre

In addition to the forecast revenue deficit to SCIC and additional 'ring fenced' support to Arts Organisations, the amount of rent to be charged to the Council in respect of the new TIC exceeds the current budget provision. This is a relatively minor issue overall, but still needs to be addressed in considering the cost and budget implications for the Council.

5.0 Details of Consultation

This report follows ongoing discussions between Council officers and SCIC, Storey Gallery, LitFest, Lancashire County Council and Arts Council England over recent months.

6.0 Options and Options Analysis (including risk assessment)

When taken together the total potential revenue implications of the three issues outlined are as follows:

Table 5:

Year	Forecast short – term deficit on SCIC business plan	Additional 'ring fenced' Support for Arts Organisations	TIC Rent	Total
2008-09 (Part Year)	£35,600	£5,000	£600	**£41,200**
2009-10	£52,200	£17,500	£2,300	**£72,000**
2010-11	£19,200	£9,100	£2,600	**£30,900**
	£107,000	£31,600	£5,500	**£144,100**

The full options and implications of providing SCIC support at various levels are as follows, but Members should note that the TIC rental cost issue is not considered separately due to its low relative importance when compared to the other two main issues.

Option	Advantages	Disadvantages	Risks /Mitigation
Option 1			
Abandon project – complete capital works then sell building.	No need for Cabinet decision on the potential for future support to SCIC	A requirement for clawback of funding by ACE, NWDA and ERDF, amounting to £3.5 million. Uncertainty of position and costs of TIC in a private building under a commercial owner/investor. Risk to capital receipt from existing premises. Uncertainty of position of arts organisations in returning to the building under a commercial owner/investor. Reputational cost of abandoning the project. Adverse effect on regional /national funders' views on the Council's ability to deliver complex projects. No potential for added value development of Creative Industries cluster and contribution to a national and regional economic development agenda. Uncertainty of position during building marketing period. Effect on regional /national funders' views on the Council's ability to deliver complex projects.	Clawback of all grant associated with the project (£3.5m) for non delivery. This would need to be funded initially from Unsupported Borrowing (average of £266,900 pa over the first 3 years, with reducing annual sums over the lifetime of the building). Clawback could be mitigated by building sale. But, outside of a formal valuation, there is no indication of what a sale of the building (under covenant and with no commercial sitting tenants), could achieve. It is unlikely that receipts from sale would match the level of clawback. Council may still be required to return funds. Adverse effect on regional /national funders' views on the Council's ability to deliver on wider 'Vision' agenda which could involve relationship development with third party organisations and similar risk/reward considerations. Risk to current bid for additional resources to complete 'mothballed' areas of the scheme.

Option	Advantages	Disadvantages	Risks /Mitigation
Option 2			
Complete capital scheme offering no revenue support to SCIC (neither current agreed nor any additional ‘safety net’) or additional ‘ring fenced’ support for Storey Gallery/LitFest. ***Note: it is assumed SCIC could not take on the lease under these conditions (under insolvency risk) and the project reverts to the Council to deliver.***	Council operates directly, potentially on similar lines to other operations (e.g. CityLab), as workspace with more control on cost side. Council could use minimal staffing (e.g. caretaker/receptionist) or a staffing complement sufficient to achieve some creative industries objectives in the short-term. A chance of successful delivery of some economic, business and cultural outcomes being achieved. although likelihood of achievement is at ‘medium to high risk’ May be able to avoid clawback on majority of capital costs if it is run as workspace and provides the cultural offer to some degree. The Council would have the option to negotiate arts organisation rental. Council could potentially generate operational surplus in the medium to long term. Certainty of place of TIC in building.	Invalidates the use of the value of the building as an ‘in-kind’ contribution in the capital scheme. Likely short term revenue shortfall when clawback, arts organisation rentals and market situation are considered even under minimal staffing. Development of revenue side of the building requires extensive internal staff commitment to marketing, businesses and facility management. Loss of time, commitment, energy and expertise of the SCIC Board and loss of flexibility/added value of an independent partner champion for the creative industries. Fails to achieve full economic/cultural benefit of the project as a Creative Industries Centre. Council will not be able to access finance opportunities that a third party could. Loss of innovation, potential economic/cultural reward and regional exemplar project. Attractiveness of ‘creative hub’ could be diminished for potential occupiers. Costs and risk are definitely internalised and officer workload increases.	The Council has some resources, skills and flexibility to operate the centre successfully to funders’ expectations. But it has not planned to absorb such costs/workload. Due to loss of ‘in-kind’ match funding at least £450k clawback would need be financed by additional Unsupported Borrowing - over first three years this would be £34,300 pa. Also clawback risk (£67k) on ACE intervention rate if ERDF match is lost. The clawback costs would be in addition to short term deficit faced (potentially to a proportion of the level anticipated by SCIC). Losses may be mitigated in medium-long term but officers would need to ‘drive’ the building offer. Funders’ primary concern may be to ensure that the building was continuing in the use for which grant was given (creative industries workspace) and could be supportive of this option. Clawback of the majority of capital grant may be avoided – but ACE requires a broader cultural offer. There is still medium risk of clawback on all grant if Council cannot meet overall scheme objectives or convince funders’ to their satisfaction. Loss of innovation and potential longer term rewards – delivery mechanism is not tested.

Option	Advantages	Disadvantages	Risks /Mitigation
Option 3			
Complete capital scheme offering SCIC only current agreed ‘safety net’ £50k no additional ‘safety net’ and no additional ‘ring fenced’ support to arts organisations (Storey Gallery/LitFest). ***Note 1: while it is assumed SCIC could take on the lease under these conditions viability in the short-term is unlikely.*** ***Note 2: it is assumed revenue support is delivered up front in the relevant periods to aid cashflow.***	A small chance of successful delivery of the project and full range of economic, business and cultural outcomes being achieved. although likelihood of achievement is at ‘medium to high risk’ SCIC challenged to be more flexible in their business planning and approach to cost side of the business plan. Avoids any risk of clawback if operated successfully. Certainty of position TIC in building. In the event of SCIC short term business failure the premises would have been ‘up and running’ for a period and have some commercial activity in situ.	Uncertainty and high risk for all stakeholder organisations moving forward. Possibility that one or both of the arts organisations are unable to return to the building and/or have operational and programming difficulties. High possibility of unsustainable short-term deficit in SCIC business plan and risk of potential business failure. SCIC business failure within ERDF lifetime could still invalidate the use of the value of the building as an in-kind contribution in the capital scheme. Development of revenue side of the building requires major commitment to marketing, businesses and facility management. SCIC forced cost cutting may mean they could not deliver to funders’ expectations leading to longer term clawback risk for Council. Low but present risk that SCIC may refuse to take on the lease and leave the Council facing the situation outlined in Option 2 in full. Costs and risk could become internalised and officer workload may increase.	High risk that SCIC will run into financial deficit and fail in the short term. If SCIC business fails Council could step in and run the building facing broadly the same operational situation and internal costs and revenue cost risk as outlined in Option 2 - albeit with some base commercial activity in situ. ERDF ‘in kind’ match clawback ***may*** be avoided as transfer of building would have been made. If the building is returned to the portfolio, the Council ‘regains’ the sunk value (less the value of the term income ‘lost’ while the building was under lease to SCIC. £450k clawback must still therefore be allowed to be financed as noted in Option 2 (with associated risk to element of ACE funding). As in Option 2 clawback of the majority of capital grant may be avoided – there is still medium risk of clawback on all grant if Council cannot meet overall scheme objectives or convince funders’ to their satisfaction. Potential loss of innovation and potential longer term rewards if business fails but delivery mechanism would have been fully tested.

Option	Advantages	Disadvantages	Risks /Mitigation
Option 4			
Complete capital scheme offering SCIC current agreed 'safety net' £50k, but approve only additional growth in revenue support for arts organisations up to maximum level outlined in report. ***Note: it is assumed revenue support is delivered up front in relevant periods to aid cashflow.***	A chance of successful delivery of the project and full range of economic, business and cultural outcomes being achieved. although achievement is considered to be at 'medium risk' SCIC challenged to be more flexible in their business planning and approach to cost side of the business plan, though to a lesser degree than Option 3. Low real risk that SCIC Board refuse to take on the lease of the building. Avoids any risk of clawback if operated successfully. Certainty of position TIC in building. A small chance SCIC may not require all 'safety net' allowed if business overachieves in short-term – although this will be difficult in the current climate. In the event of SCIC short term business failure the premises would have been 'up and running' for a period and have some commercial activity in situ.	Additional short-term Council revenue costs over and above current £50k 'safety net' agreed. Possible lack of incentive 'drive' for Arts Organisations to deliver on business model improvements. But mitigated by payment of support to SCIC rather than direct to arts organisations. Possibility of unsustainable short-term deficit in SCIC business plan and risk of potential business failure. Medium risk for SCIC business in short term. SCIC business failure within ERDF lifetime could still invalidate the use of the value of the building as an in-kind contribution in the capital scheme. Development of revenue side of the building requires major commitment to marketing, businesses and facility management. SCIC cost cutting may mean they could not deliver to funders' expectations leading to longer term clawback risk for the Council.	Risk that arts organisations fail to develop longer term sustainable business plans without dependence on future support requests to funding partners. Medium risk that SCIC fails to achieve its short term business plan targets and building reverts back to the Council to run with similar implications to Options 2 and 3 If SCIC business fails Council could step in and run the building facing broadly the same operational situation, clawback issues and internal cost and revenue cost risk as outlined in Option 3 - albeit with further commercial activity in situ. As in Option 2 clawback of the majority of capital grant may be avoided – there is still medium risk of clawback on all grant if Council cannot meet overall scheme objectives or convince funders' to their satisfaction. Costs and risk could still become internalised and officer workload may increase.

Option	Advantages	Disadvantages	Risks /Mitigation
Option 5			
Complete capital scheme offering SCIC current agreed ‘safety net’ £50K and approve only growth for additional ‘safety net’ (subject to ongoing review of business plan targets and market conditions). No additional ‘ring fenced’ support for arts organisations (Storey Gallery/LitFest). ***Note: it is assumed revenue support is delivered up front in relevant periods to aid cashflow.***	A chance of successful delivery of the project and full range of economic and business outcomes being achieved. although achievement is considered to be at ‘medium risk’ due to impact on partner arts organisations. SCIC challenged to be more flexible in their business planning and approach to cost side of the business plan, though to a lesser degree than Option 3. Low real risk that SCIC Board refuse to take on the lease of the building. Avoids any risk of clawback if operated successfully. Certainty of position TIC in building. A small chance SCIC may not require all ‘safety net’ allowed if business overachieves in short-term – although this will be difficult in the current climate. In the event of SCIC business failure the premises would have been ‘up and running’ for a period and have commercial activity in situ.	Additional short-term Council revenue costs over and above current £50k ‘safety net’ agreed. Uncertainty for arts organisations moving forward. Possibility that one or both of the arts organisations are unable to return to the building and/or have operational and programming difficulties. Likely reduction in cultural offer and ‘knock-on’ effect on SCIC footfall Possibility of unsustainable short-term deficit in SCIC business plan and risk of potential business failure. Medium risk for SCIC business in short term if arts organisations do not take up space. SCIC business failure within ERDF lifetime could still invalidate the use of the value of the building as an in-kind contribution in the capital scheme. Development of revenue side of the building requires major commitment to marketing, businesses and facility management. SCIC cost cutting may mean they could not deliver to funders’ expectations leading to longer term clawback risk for the Council.	Arts organisations fail to integrate into the centre with revenue, events programme and cultural impacts for SCIC and the Council. Medium risk that SCIC fails to achieve its short term business plan targets and building reverts back to the Council to run with similar implications to Options 2, 3 and 4 – with commercial activity but without arts organisations in situ. As in Option 2 clawback of the majority of capital grant may be avoided – there is still medium risk of clawback on all grant if Council cannot meet overall scheme objectives or convince funders’ to their satisfaction. Loss of a major part of the cultural offer may prove a disadvantage in discussions. Costs and risk could still become internalised and officer workload may increase. Costs and risk could still become internalised and officer workload may increase.

Option	Advantages	Disadvantages	Risks /Mitigation
Option 6			
Complete capital scheme offering SCIC current agreed ‘safety net’ £50K and approve growth for additional ‘safety net’ for SCIC (subject to ongoing review of business plan targets and market conditions) and ‘ring fenced’ support for arts organisations for incorporation into MTFS. ***Note: it is assumed revenue support is delivered up front in relevant periods to aid cashflow.*** **This is the Preferred Option**	Highest chance of successful delivery of the project and the full range of economic and cultural outcomes being achieved. SCIC has full confidence in their business plan and approach to managing costs/objectives. The company is still challenged to be flexible in their business planning due to market circumstances. No risk that SCIC Board refuse to take on the lease of the building. Avoids any risk of clawback if operated successfully. SCIC may not require all additional ‘headroom’ allowed. Both of the arts organisations are able to return to the building and avoid short term operation and programming difficulties. Tapered incentive (via SCIC market discount) for arts organisations to deliver on business model improvements. Certainty of position TIC in building. SCIC may not require all additional ‘headroom’ allowed if business overachieves in short-term. In the event of SCIC business failure the premises would have been ‘up and running’ for a period and have commercial activity in situ.	Additional short-term Council revenue costs over and above current £50k ‘safety net’ agreed. Lowest possibility of short-term deficit in SCIC business plan, lowest risk of potential business failure. Possible lack of incentive ‘drive’ for Arts Organisations to deliver on business model improvements. But mitigated by payment of support to SCIC rather than direct to arts organisations. Possibility of unsustainable short-term deficit in SCIC business plan and risk of potential business failure. Medium risk for SCIC business in short term. SCIC business failure within ERDF lifetime could still invalidate the use of the value of the building as an in-kind contribution in the capital scheme. Development of revenue side of the building requires major commitment to marketing, businesses and facility management. SCIC cost cutting may mean they could not deliver to funders’ expectations leading to longer term clawback risk for the Council.	Risk that arts organisations fail to develop longer term sustainable business plans without dependence on future support requests to funding partners. However, SCIC *may* be in a position to assist if the wider project is successful. Lowest risk that SCIC fails to achieve its short term business plan targets with implications for Council under previous Options. SCIC business could still fail but Council could step in and run the building facing broadly the same operational situation, clawback issues and internal cost and revenue cost risk as outlined in Options 2, 3 and 4 - albeit with more commercial activity in situ. Costs and risk could still become internalised and officer workload may increase. Lowest risk that SCIC fails to achieve its short term business plan. Lowest chance of business failure and the building reverting back to the Council to run with similar implications to Options 2, 3 and 4.

7.0 Officer Preferred Option (and comments)

Option 6 is the preferred option.

Under Option 1 the Council chooses to abandon the project and attempts to dispose of the building on completion. A possible capital receipt could be generated but this is unlikely to mitigate the effect of clawback of all grant funding for non-delivery. But Option 1 is not considered palatable as it will not achieve regeneration objectives and will have wider implications on the Council's reputation for delivery of major projects.

The other options (2,3,4,5 and 6) offer variations on the degree of financial support allowed to SCIC (and the 'ring fenced' arts organisations support in the short term), and consider the potential risks to the overall Council revenue position, other impacts and potential to achieve objectives across the business plan period. The key mitigating position (under SCIC future 'business failure' or in the event of the lease not being signed), is for the Council to manage the Centre. At the time of the June 2007 report, this alternative was effectively excluded because VAT regulations meant that if the Council ran the Centre itself, tax of up £750,000 would not be recoverable. Following recent changes made by HMRC this risk no longer applies (refer to Financial Implications) and it is therefore possible for the Council to take on management without recoverable VAT risk.

It is difficult to make firm predictions, however, and in judging the degree of risk in the options the following has been assumed:

- The 'un-refurbished' Storey building value is used as "in-kind" match funding for ERDF grant, but there has to be a legal transfer of the building to a third party before the end of December 2008. If this is not achieved, the Council faces clawback of £450,000 ERDF (and £67k potential ACE match against this). Unsupported Borrowing finance to cover this over the first three years would be £34,300 pa. In the event of SCIC 'failure' and the building reverting to the Council the clawback liability is still be considered to be applicable (see Financial Implications).

- Should SCIC run into financial difficulty under any agreed level of support the Council would still be faced with the options:

    a) Provide short term revenue support to SCIC to help it keep trading until recovery;
    b) Abandon the project and attempt to sell the building to a third party;
    c) Repossess the building and operate it directly;

  Members would have to judge this on the circumstances at the time, including availability of funding/impact on the Council's own budgets assessed against the strength of SCIC's prospects for recovery. But, for the purposes of the analysis it is assumed: no further support other than that agreed under this report would be forthcoming; future sale of the building is unpalatable under similar circumstances as noted in Option 1; the Council would 'step-in' judging that the innovative delivery mechanism had 'been tried but failed'.

- Under such adverse circumstances the Council could potentially take on the building and achieve staffing savings – with 'management' functions being carried out using existing staff resources. But the Council would face similar market pressures and will find it difficult to improve on the income position shown in Appendix 1. The Council would need to show sufficient staffing support for objectives to be achieved or risk clawback on the majority of grant funding. However, funders are likely to be supportive.

When clawback is taken into account it is unlikely the Council would improve on the revenue deficit shown in Table 5, particularly if taking on the building at the outset or under circumstances of SCIC failure in, say, the first year. The Council could potentially turn in a surplus over and above unsupported borrowing costs for clawback and building running costs in the medium to long term. However, event and catering are essential to make the centre viable and the Council would have to expend significant staff resource in development. In the absence of a definitive steer from funders as to what would be an acceptable offer it is difficult to analyse how much it would cost the City. All things considered, there is unlikely to be real advantage gain in budget terms than if the building is run by SCIC, being 'driven' by a highly committed Board and staff team. There is substantial grant clawback risk in bringing the project back into the Council portfolio and the loss of time, commitment, energy expertise of the SCIC Board and the loss of flexibility and added value an independent partner champion for the Creative Industries are also important considerations. SCIC will be far quicker and clinical at reacting to difficulties, making changes and assessing risk across all areas of the business, being outside a public bureaucratic framework.

The Council is not likely to improve on SCIC delivery under options 2, 3, 4 and 5 and risks the loss of an experienced driving force for creative industries and cultural development. Members should note that SCIC's greatest chance of success is achieved by adopting Option 6 – and this is the preferred option.

Transfer of public assets for ownership and management by a social enterprise realises social, economic and community benefits in appropriate circumstances. Officers consider that the potential benefits of the management and ownership model outweigh the risk, which can be minimised and managed. The ultimate 'fall-back' position of the building returning to the Council to run is a manageable position, although this would be highly unlikely under Option 6.

By adopting the preferred ownership and management model the Council will avoid long term repair and maintenance liabilities. Pre-scheme Storey budget costs varied depending on the amount of running costs and rental income received. Actual net costs to the Council in previous years were £4,300, £43,300 and £17,400 in 2003/04, 2004/05 and 2005/06 respectively. In 2007/08 wage costs were £25,300 but these posts have been removed from the establishment and staff redeployed to existing posts. These items have been taken into consideration corporately as part of the 2008/09 budget processes so defining a 'saving' is difficult. But, it should be recognised that removal of long-term revenue liabilities have already been used to provide headroom in the Council's wider Budget setting process.

8.0 Conclusion

Storey Creative Industries Centre is a complex and ambitious project, implemented in a form which has been significantly scaled back from the original concept, due to loss of anticipated external funding from Heritage Lottery Fund. It was recognised that the business plan for SCIC was based on a number of assumptions about income sources, and some limited provision was made in the capital reserve as a contingency to cover the possibility that the initial operation of the centre may need a degree of revenue support.

Progress with the capital scheme has gone well and the Council should be able to hand over to SCIC a building which will be fit for purpose and capable of long term successful operation as a creative industries centre, once established. SCIC has an experienced and professional Board of Directors who are determined to carry out their responsibilities and provide a facility that is sustainable and an exemplar project. Members should recall that the creation of SCIC was driven by the Council in response to detailed consideration over how best to achieve the physical, social, cultural and economic objectives. The reasoning and advantages in having a ‘stand alone’ not-for profit operator are still present when the issues are looked at in the round. However, there have been adverse circumstances adding short term income risk, due primarily to the unanticipated exit of Folly and economic downturn. At the same time, partner arts organisations, Storey Gallery and Litfest, have been affected by the national reduction in Arts Lottery funding associated with the diversion of funds to the London Olympics.

There is therefore a requirement for the Council to provide some additional short term revenue funding, as outlined in this report. If this can be provided, there are good prospects that the SCIC will become successfully established as a self sustainable operation as well as achieving significant economic benefits for the district by supporting development of the creative and cultural industries and visitor economy.

RELATIONSHIP TO POLICY FRAMEWORK

Directly contributes towards Corporate Plan Priority Outcome 12: Improve Economic Prosperity throughout Lancaster District.

Storey Creative Industries Centre is a key project within the Lancaster & Morecambe EDZ programme and is featured in the Lancaster & Morecambe Vision.

The project will also directly contribute towards LAA target NI 171 New Business Registration Rate

CONCLUSION OF IMPACT ASSESSMENT
(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Diversity – The proposal aims to provide a wider range of employment opportunities to residents of the area.
Human rights – No adverse impact.
Community Safety – No adverse impact.
Sustainability – The proposal looks to support development which will lead to local employment opportunities.

FINANCIAL IMPLICATIONS

Summary & Financing

In total over the three years, the two elements of potential revenue support to SCIC and the costs associated with the TIC can be summarised as follows, as shown earlier in the report:

Year	Forecast short – term deficit on SCIC business plan	Additional 'ring fenced' Support for Arts Organisations	TIC Rent	Total
2008-09 (Part Year)	£35,600	£5,000	£600	**£41,200**
2009-10	£52,200	£17,500	£2,300	**£72,000**
2010-11	£19,200	£9,100	£2,600	**£30,900**
	£107,000	£31,600	£5,500	**£144,100**

The amount currently set aside within Earmarked Reserves is £50,000, in accordance with the Cabinet decision of June 2007, although it should be noted that there will be some re-profiling required across 2008/09 and 2009/10 with this and other related Capital Reserves, if Cabinet supports the preferred option.

In total therefore, if Option 6 is supported, the net additional budgetary provision needed amounts to an extra £94,100 over the three years. Whilst 2010/11 costs can be accommodated within Cabinet's delegated authority to increase future years' budgets, 2009/10 exceeds the £50k limit and therefore it is recommended that additional budget provision over and above the Earmarked Reserve is incorporated into the MTFS review in October 2008, for referral onto Council. It should be further noted that the full allocation will only be awarded to the SCIC should the need arise and that 2009/10 to 2010/11 allocations will be subject to annual review.

If an alternative option is approved, then the cost may reduce, but clearly this will ultimately depend on how successful SCIC is against its Business Plan

Although the scenario of SCIC generating substantial surplus is not envisaged at this stage, Members may also want to consider whether there should be a condition of clawback attached to any of the additional monies due and/or paid should SCIC's financial position significantly improve during the period in question. Such conditions should however be based on a clear formula relating to year end surplus balances to ensure clarity for both SCIC and the Council moving forward. The detail of any clawback condition, if required, should be negotiated between SCIC and the Director of Regeneration in conjunction with the Head of Financial Services.

SCIC Business Plan Issues

The current view of SCIC is that the Business Plan position, as presented, is achievable and may very well be bettered, but there are a number of factors within the Business Plan which need to be noted, as follows.

a) Achievement of a surplus by the fourth year of operation is dependent on income from a refurbished third floor and the Little Gallery, and it is not yet formally known that this is certain – although there is a strong possibility that capital funds are forthcoming. Without this income, SCIC will find it difficult to break-even and may experience ongoing cash flow difficulties under its current business model and staffing structure.
b) The assumed level of income from the Cafe/Bar is likewise crucial to the forecast position. Although reduced to £10,000 in the first year, this rises to £32,000 in year 2 and £35,000 in year 3. Despite the considerable efforts made, this income stream cannot be considered to have been secured. Ultimate success in doing so may, again, depends on a successful tender and additional works for kitchen fit out - although there is confidence that this will be achieved.

c) The assumed levels of lettings of creative workspace are probably achievable, but they remain challenging, especially given current market conditions. SCIC report twelve substantive queries and viewing requests.
d) The level of Event Income in the first year has been set at a very modest level (under £10,000) and this may well be exceeded. By the later years this has risen to a little over £36,000. This appears realistic and again could be bettered, albeit this will have to be achieved in a competitive market.
e) Discussions with SCIC indicate that the cost base, including major staff costs, is relatively inflexible, leaving little scope for compensating cost savings if projected income levels are not achieved. But officers consider that flexibility has yet to be fully explored to their satisfaction in this very significant cost area.

Sensitivity analysis on the figures implies a number of potential variations which could seriously undermine the achievement of the forecast position – especially if adverse variations occur in combination. There are significant mitigating opportunities and there is no immediate reason to assume the actual deficit recorded will be higher than forecast. But given the risks and options, future requests for support beyond current forecast (to avoid for instance insolvency on the part of SCIC) cannot be ruled out. Under the assumptions in the report the Council would 'step-in' judging that the innovative delivery mechanism had 'been tried but failed'.

Other Issues

In respect of the change in VAT regulations referred to earlier, confirmation has now been received from HMRC that the variation, originally introduced for 2007-08 only, will remain in place for 2008-09. Therefore, if the Council were to take on the direct management of the Centre, there would be no implications in respect of irrecoverable VAT.

If the building is not transferred to the third party clawback of ERDF Grant of £450,000 will need to be considered. Unsupported borrowing cost of failing to achieve a transfer to a third party by 31st December 2008, would be an average of £34,300 pa over the first three years, with reducing annual sums over the lifetime of the building. In the event of SCIC 'failure' in the short term and the project/building reverting to the Council clawback liability must still be considered The 'in-kind' value of match funding to ERDF is based on the consideration that, by transferring the building and making it a part of the project, the Council has lost income potential in perpetuity – in effect, the total value of the un-refurbished building (£900k). It may be considered that, if the building is returned to the portfolio, the Council 'regains' this sunk value (less the value of the term income 'lost' while the building was under lease to SCIC). Simply, SCIC business failure and return of the project to the Council within ERDF lifetime may still invalidate the use of the value of the building as an in-kind contribution in the capital scheme. This is taken into account in the Options analysis.

If a situation arose that would lead to clawback of all public grant totalling £3.5m, and that this would have to be funded from Unsupported Borrowing, then the cost to the Council of a decision to abandon the project would be an average of £266,900 pa over the first three years, with reducing annual sums over the lifetime of the building. This could be mitigated by building sale although, outside of a formal valuation, there is no indication of what a sale of the building, under covenant and with no commercial sitting tenants, could achieve.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and her comments incorporated into the report.

LEGAL IMPLICATIONS

Legal services has been consulted and have no further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS Previous reports to Cabinet, June 2007, September 2006, and resolutions from Cabinet 24th October 2006	**Contact Officer:** Peter Sandford **Telephone:** 01524 582094 **E-mail:** psandford@lancaster.gov.uk **Ref:** PWS

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