



Committee: CABINET

Date: TUESDAY, 6 SEPTEMBER 2011

Venue: MORECAMBE 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 5 July 2011 following the revision agreed upon at the meeting on 26th July (minute 17 refers) along with the minutes for 26 July 2011.

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. **Priorities Review (Pages 1 - 7)**

(Cabinet Member with Special Responsibility Councillor Blamire)

Report of the Chief Executive

7. **Lancaster Square Routes (Pages 8 - 15)**

(Cabinet Member with Special Responsibility Councillor Hanson)

Report of Head of Regeneration and Policy

8. **Quarter 1 Corporate Performance Monitoring** (Pages 16 - 44)
(Cabinet Members with Special Responsibility Councillors Blamire and Bryning)
Joint Report of the Leader of the Council and Finance Portfolio Holder
9. **Climate Change Cabinet Liaison Group** (Pages 45 - 48)
(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)
Report of the Head of Community Engagement
10. **Appointments to Outside Bodies - Lancashire Tourism Forum** (Pages 49 - 51)
(Cabinet Member with Special Responsibility Councillor Blamire)
Report of the Head of Governance
11. **Lancaster Market**
(Cabinet Member with Special Responsibility Councillor Barry)

Oral update from the Lancaster Market Cabinet Liaison Group.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Eileen Blamire (Chairman), Janice Hanson (Vice-Chairman), Jon Barry, Abbott Bryning, Tim Hamilton-Cox, Karen Leytham, Ron Sands and David Smith

(ii) Queries regarding this Agenda

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

(iii) Changes to Membership, substitutions or apologies

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

MARK CULLINAN
CHIEF EXECUTIVE
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Published on 24 August 2011

CABINET

Priorities Review 06 September 2011

Report of Chief Executive

PURPOSE OF REPORT			
To provide Cabinet Members with more information on the priorities review, to enable them to decide how they wish to proceed in terms of the Corporate Plan and Budget for 2012-15			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
Referral from Officer			X
Date Included in Forward Plan		N/A	
This report is public			

RECOMMENDATIONS OF COUNCILLOR EILEEN BLAMIRE

- (1) That Cabinet's views on reviewing each of the areas of activity identified are sought

1.0 Introduction

- 1.1 As part of the Budget and policy framework 2012/13 process, Cabinet Members have provided officers with a number of areas of activity which they wish to consider in more detail.
- 1.2 Set out in paragraph 2 below are each of the areas of activity, with brief details on how to review each of the activities identified and the timescale and process for reporting to Members.

2.0 Areas of activity

- 2.1 Increased provision for social housing (including the possibility of council housing new build)

The principles of the future direction of strategic housing and housing regeneration will be reported to Cabinet in October. Once housing priorities are set, further more detailed reports will be required. In relation to any potential council housing new build, under the new self financing system, the council will need to know what our debt settlement position is and assess the impact on the housing revenue account before making any decisions on investment. The earliest the council is likely to know the settlement figure is October this year, but a more realistic timescale would be December. The implementation date for self financing is April 2012. Further

reports will be presented to Members following the assessment of the impacts of self financing.

2.2 More allotments because of the current very long waiting lists

A Cabinet report re: Scotforth Allotments is currently being prepared and is likely to be ready for Cabinet this autumn. Work is underway to clarify the position of the Scotforth Allotments Association and establish all information in relation to the land itself, boundaries, planning requirements and possible need for burial ground. The report will also consider the wider issues around allotment provision in the district

The council's agreed approach is to support self management via Allotments Associations. However, an overall increase in the number of allotments and potentially new sites has implications for officer time. Opportunities are explored as and when they arise (eg new food growing project on the Ridge)

A call for sites was made a little while ago though, at that time, few resources were available to examine suggested sites in any detail. This piece of work could be revisited.

The council has statutory responsibilities for provision of allotments where there is no town /parish council. Potential to work with parish councils in the district to support them to create and manage allotments is being investigated and this may help to increase provision overall.

Discussions could also take place with Lancashire County Council around potential opportunities.

2.3 A programme for renewable energy on council houses – to increase energy production to reduce bills for tenants and as a potential financial investment for the council

This is being explored as part of the council's invest to save programme for climate change/energy efficiency initiatives. An options appraisal/feasibility study for feed in tariffs for council buildings (including council houses) will be commissioned as soon as possible. It is intended to report progress on all the invest to save initiatives to Cabinet this autumn.

2.4 Protection of heritage on the Canal Corridor site.

Cabinet as the council body responsible for land and property assets can influence the overall direction of the scheme.

2.5 Support for the arts in the district

The council is developing a new joint approach to tourism that has three strands: strategy, product and marketing. Ongoing support for the arts in the district will form a strand of this work if Members continue to identify this as a priority.

The city council should stress the economic importance the arts and culture sector to the district with the County Council, with a view to this being taken into account in their budget processes in the coming years.

The city council is currently leading on the development of a joint tourism marketing plan to attract visitors to the district. Partners include the Lancaster Arts Partnership, the Lancashire and Blackpool Tourist Board and Lancaster University.

Lancaster University have already expressed their desire to open up their arts offer to the wider public. Discussions between the university and the city council are ongoing.

The Storey Gallery and the Dukes Theatre both house exhibition/gallery spaces. The current review of the Museums Partnership may lead to this being considered further as part of the development of our culture and heritage visitor economy priority.

2.6 Continued funding for PCSOs

A number of the district's PCSOs are currently part funded by the Local Strategic Partnership/Community Safety Partnership. The amount required to continue to fund these PCSOs in 2012/13 will be reported to Cabinet in October. From this Cabinet will be able to consider what options there are for funding them in 2012/13.

2.7 Look at levels of street cleansing and improvement of open spaces

A report 'Maintaining the Public Realm' will be available for Cabinet this autumn.

Amongst other things, the report will allow Cabinet to consider - use of Section 106 in future as a means of funding improvement; Square Routes, options for three-year programme to improve grounds maintenance on Morecambe promenade; how we best use other partners (eg Community Payback, friends of), options to extend Street Pride to cover open spaces; can we further benefit from economies of scale by undertaking some of the maintenance of Williamson Park differently; further development of public realm arrangements with the county council; how we can make best use of workforce; street signs.

The report will be in outline but will, where available, provide indicative costs.

2.8 Diversionsary activities for young people

The reframing of council priorities and the restructure of services have led to current resources being redirected so that positive activities for children and young people throughout the district can take place all year round.

Partnership work with organisations has enabled external funding to be utilised on schemes such as the sports and arts diversionary activities programme.

Work with the Community Safety Partnership continues (reporting to MAPS) to ensure activities for children and young people are delivered in areas and at times which has maximum impact.

Sportivate projects (short courses for young people) have been approved by the Sports and Physical Activity Alliance (SPAA) and Lancashire Sport resulting in programmes delivered by Marsh Community Centre, Lancaster and Morecambe College and Vale of Lune Rugby.

Continued access to external funding is key, as is delivery by appropriate partners through their mainstream funding. The city council is resourced to play an enabling role but does not (currently) have the resources to increase its range of services – our strategy is to work with partners to take advantages of any opportunities that may arise.

2.9 Housing Regeneration

The council's approach to housing regeneration has, over the past few years, centred around working with registered social landlords, proving support for schemes through Section 106 contributions, and remodelling the 'West End' of Morecambe through several projects. A full report will be submitted to members in October which will identify all current commitments, and seek member approval to the future direction the council wishes to take with regard to housing regeneration.

2.10 Council housing opportunities – new regulations

The self financing system for council housing will give the council more direct control of its housing revenue account and more flexibility on investment decisions although the HRA will remain a ring fenced account and therefore still subject to certain financial rules. Officers are exploring what opportunities the new regime presents to contribute to the wider housing issues in the district. Again, further more detailed reports will be presented to Members once we know the impact of our debt settlement figure and following further guidance from government.

2.11 Council Tax Benefits localisation and grant reduction

As part of the 2010 Spending Review, government announced that the existing national system of council tax benefit would be withdrawn from 2013/14, with the expectation that such benefit costs would reduce

by 10%. In its place, under the Welfare Reform Bill a framework is to be introduced that will require councils to determine their own local schemes for providing support for council tax, subject to various conditions to ensure protection for pensioners and others most vulnerable in society. A consultation document has just been received and the closing date is 14 October; arrangements are in hand to develop the council's response in association with Preston City Council (and others potentially) where appropriate. The proposals represent a major challenge for all local authorities with potentially serious implications for many households. To give context, at present the city council awards around £10M of council tax benefit each year - so a 10% reduction amounts to £1M. Overview and Scrutiny Committee received an overview of all welfare reforms in July, and have retained this topic on their work programme. At some point Members will need to take decisions on the future arrangements, but timescales are not yet clear; the proposals are still in their infancy.

2.12 Implications of business rates changes as far as can be forecast.

The government is undertaking a review of the current local government finance system to enable councils to retain a share of the growth in business rates in their areas, amongst other things. The outcome is due to be implemented from 2013/14 onwards. The first consultation document has now been published as a result of that Resource Review and the deadline for responding is 24 October. Various other technical consultation papers are expected over the summer and again, arrangements are in hand to develop the council's response in conjunction with other Lancashire authorities as appropriate. Under the proposals, whilst it is expected that actual business rate setting will remain with government, changes are expected in how the resulting income is distributed between authorities, incorporating incentives for councils to promote "appropriately-sited and well-planned local business growth". That said, if an authority's business rates base falls in future, it could see reductions in its share of income. Reports on any specific aspects will be presented to Members for consideration in due course. Should it be possible, any indicative corporate financial implications will be included in the next financial strategy update for Cabinet.

2.13 Apprenticeships

Officers have identified where the creation of apprenticeships will aid both the city council's workforce and succession planning. This has highlighted key areas where we can not only establish good quality apprenticeships programmes, but also where there is a high prospect of permanent employment during the apprenticeships programme or on completion of the apprenticeship.

Officers are in discussion with colleges and training providers on how best to deliver the apprenticeships and will also discuss how the city council might link into schemes already in place within partner organisations, including the county council.

The core areas where officers see the initial apprenticeships being created are:

Vehicle Maintenance Unit x 1
Ground Maintenance x 1
Repairs and Maintenance x 1
Planning/Accounting/Legal - to be confirmed

Should the council adopt an approach to develop an apprenticeship scheme that develops skills for the district's workforce without linking the apprenticeship to a job with the council, then there is the potential to increase the number of apprenticeships, although there would be additional costs to the council in the region of £5000 per apprenticeship.

2.14 Working with the voluntary sector to reduce the amount of rough sleeping in the district.

The 3 year homeless prevention contract currently awarded to YMCA/Signposts comes to an end in March 2012. An evaluation of the success of this contract is being undertaken alongside a review of current best practice and other successful models of homeless prevention. It is intended to present a report on options for the future delivery of homeless prevention work to November Cabinet. In addition, having identified a gap in provision for single persons over 25s (often rough sleepers), the council has submitted a bid to the government's homelessness change programme for crisis and supported move on accommodation for this group. If successful this would significantly help to address the needs of rough sleepers.

3.0 Conclusion

3.1 The report highlights areas of service for review which could, in turn, affect the council's future priorities. The report needs to be seen in the current financial context which required savings to outweigh growth.

RELATIONSHIP TO POLICY FRAMEWORK The annual review of the council's budget and priorities.
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) None arising from this report
LEGAL IMPLICATIONS There are none directly arising from this report.
FINANCIAL IMPLICATIONS There are no specific financial implications at this stage, but attention is drawn to the s151 Officer comments below.

OTHER RESOURCE IMPLICATIONS**Human Resources:**

N/a

Information Services:

N/a

Property:

N/a

Open Spaces:

N/a

SECTION 151 OFFICER'S COMMENTS

Members are reminded that based on current forecasts, the council cannot afford to provide all the services it currently does, without making significant savings. Back in March the General Fund savings needed were estimated at around £1M for next year and a further £600K on top of that for the year after (to give total savings of £1.6M for 2013/14). Whilst these are estimates and the recent corporate monitoring report included elsewhere on the agenda indicates that some savings should be identifiable to help achieve these targets, there is still a considerable way to go in balancing future years' budgets. These figures also assume the council will retain a 2% year on year increase in Council Tax. They make no general provision for any growth.

At this stage, therefore, the s151 Officer is concerned that on the whole, if taken forward the activities commented on above would in all likelihood add more pressure onto the council's General Fund finances, rather than actually making savings. She advises most strongly that attention be given to identifying those areas and activities in which savings may be made. As well as balancing existing budget projections, this will be needed in order to determine whether there is any scope financially to support the redirection of resources into higher priority areas such as those listed.

To help make progress with this, further to cabinet's consideration of this report arrangements are being put in place to take forward development of the budget process, including identification of savings and potential growth options in line with the framework set out in the approved Medium Term Financial Strategy. This will be reported to Members in due course.

Different issues will affect the Housing Revenue Account and rent levels for council housing services, but these will also be covered in the budget development arrangements.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

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Ref: CE/ES/Cttees/Cabinet/6.09.11

CABINET

**Lancaster Square Routes
6 September 2011**

Report of Head of Regeneration and Policy

PURPOSE OF REPORT			
To review the Cabinet decision of 6 December 2009 to keep all existing trees within Market Square (minute 95, 1)			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan		18 July 2011	
This report is public			

RECOMMENDATION OF COUNCILLOR HANSON

- (1) That Cabinet authorise officers to implement the first phase works in Market Square as per option 3 as set out in the report.

1.0 Introduction

- 1.1 Officers are in the final stages of preparing for a first phase of works this autumn for the Lancaster Square Routes Market Square project, to complete six weeks before Christmas. This will make a real difference and if it can be completed to this programme should increase activity and benefit trading during the Christmas trading period and beyond. This year especially this period is critical given the general economic situation.
- 1.2 Cabinet at its meeting on 8 December 2009 (minute 95, 1) made the express resolution that all existing trees in the Square be retained. This decision required a significant but seemingly satisfactory adjustment to the detailed design proposals. However, translating these designs into a contract specification for the first phase has revealed difficulties in complying fully with the Cabinet decision.
- 1.3 In the light of this the Deputy Leader and Portfolio Holder for Economic Regeneration and Planning has asked that this report be brought forward to allow Cabinet to consider the implications of the decision and the available options.

- 1.4 To maintain progress towards autumn implementation officers have tendered for the first phase but have retained sufficient flexibility in the proposed works contract to adjust to whatever decision is made by Cabinet. The decision now sought is needed to proceed with the first phase this autumn.

2.0 Background

- 2.1 Lancaster Square Routes is a council led initiative to rejuvenate public realm (streets and spaces) on an east – west axis across the city from the canal corridor in the east through to the quayside and Luneside in the west. It is central to efforts to sustain and invigorate the established commercial centre and to assure the future draw of the city as a vibrant historic place.
- 2.2 On 23 June 2009, Cabinet endorsed outline concept design proposals prepared by the council's consultants Gillespies for improving spaces and routes within the city centre. On 8 December 2009, taking into account the results of extensive public and stakeholder consultations, Cabinet determined a number of parameters for further detailed design work, including Market Square. The decision included the express requirement to retain all eight lime trees in the Square.
- 2.3 On 5 October 2010 Cabinet resolved to contribute £220,000 to a city centre investment fund to help implement proposals brought forward under Square Routes. Cabinet also determined that Market Square is the top priority Square Routes project for the council.
- 2.4 The broad purpose of the works is to make Market Square fit to be the civic centre of the city. This means making the square more pleasant and enjoyable for people to spend time in and one capable of being used much better for a range of activities – a place to trade, gather, meet and celebrate. Key to the thinking is that the better use of the square should extend well into the evening and help bear down on anti-social activities.
- 2.5 Lancaster Square Routes is about physical improvements for a purpose and detailed proposals to improve the square must incorporate its future use and management. To do this, officers are working with a wide range of stakeholders to try to provide a better layout for the outdoor charter market, outdoor café use, better integration with museum and library whilst at the same time managing essential servicing and parking needs better.
- 2.6 The first phase will:
- Remove the redundant fountain. A temporary surface will establish the footprint of the “platform” space - a multi use structure to act as a focal feature in the square and to be used for seating and as a stage for both planned and impromptu performances
 - Help define this reserved space by re-siting the existing benches temporarily
 - Provide new surfacing for at least part of the main body or “carpet” to the square including “edge” detail for the future “platform”
 - Light the Square to meet highway standards including via building-mounted and column mounted lighting around the Square, including all necessary ducting and feeders

- Illuminate the front elevation of the Old Town Hall
- Rationalise some street furniture, including removal of one telephone box at the northern side of square

2.7 It should be noted that the new highway lighting in the square will be provided in partnership with the Lancashire County Council as Highway Authority. Subject to confirmation, a new lighting scheme for all of Market Street, part Penny Street and Gage Street will complement the works in Market Square and Frances Passage. If highway specifications and standards are met the County Council will both contribute to delivery and meet all future revenue costs.

3.0 Proposal Details

3.1 The design and first phase of works must provide sufficient clearance for service and other vehicles to travel on Market Street at all times and to meet highway standards in terms of access and lighting.

3.2 The engineering team advise that this cannot be achieved with tree D in situ as shown on the attached plan. It is not possible to hoard off the phase one works site during the build period and give sufficient clearance to the tree. Even if the build could be achieved as sought thereupon heavy service and emergency vehicles would overrun onto the "carpet" to keep clear of the tree and its overhang. This gives significant risk that the high quality natural surfacing materials to be used for the "carpet" will fail.

3.3 It should also be noted that the County Council have faced a number of difficulties in designing a lighting scheme to meet required highway standards across the square. In this process it has proved impossible to achieve the required lighting levels with building mounted lights only. This is because much of the light output is obstructed due to the positioning and size of the trees. Column-lighting within the square is part of the Gillespies design, albeit to a different specification. Subject to the necessary permissions being granted this seems to present an acceptable solution.

3.4 Further to the above however, whilst lighting standards might be achievable, the retention of tree H results in a drop in levels to the north-east corner of the square which cannot be mediated easily without providing additional interventions that will affect the design of the square in other ways and also make for higher costs.

3.5 There are therefore a number of options to move forward but as some of these run counter to the past resolution it is Cabinet as opposed to the Project Board that must consider them.

4.0 Details of Consultation

4.1 Consultation relating specifically to the Lancaster Square Routes initiative was reported to Cabinet in June 2009 (minute 23) and December 2009

(minute 95). It involved extensive public and stakeholder engagement. Further to this, the detailed designs were presented to the Overview and Scrutiny Committee at its meeting on 8 September 2010.

4.2 In detailing up the project and first phase for implementation officers continue to liaise with a range of organisations including the Highway Authority and the Chamber of Commerce.

5.0 Options and Options Analysis (including risk assessment)

5.1 The options analysis is supported by the attached plans.

Option	Advantages	Disadvantages
<p>Option 1: Further adjust the proposed design layout by siting the “platform” further into the square and reducing the area of the “carpet” at the eastern end</p>	<p>Works can go ahead</p> <p>Keeps all existing trees in the square as per the previous Cabinet decision.</p>	<p>A compromised layout that restricts space for a better market layout and constrains suitability for staging events</p>
<p>Option 2: Authorise removal of tree D and implement the design improvements planned</p>	<p>Works can go ahead to improve the central part of the square consistent with the design presented to Cabinet in December 2009.</p> <p>Therefore gives significant improvements and potentials for multiple and flexible use of the square, for seating and passive recreation and for the market and staging events.</p>	<p>Loss of tree D.</p> <p>Removal of the single tree makes the number of trees on the north and south sides of the square unbalanced and asymmetrical.</p>
<p>Option 3: Authorise removal of both tree D and tree H</p>	<p>As for option 2 but removal of tree H at the same time will also -</p> <p>optimise the effectiveness of the new lighting scheme in this corner of the square that presently attracts anti-social activity;</p> <p>open up the opportunity for street café use in this corner of the Square as per the Gillespie’s design</p>	<p>Loss of trees D and H</p>

	ambition reveal Anchor Lane better mean there are three trees at both sides of the Square	
Option 4: Undertake a more fundamental review	None	The project now proposed is devised after extensive consultations and review will unravel that consensus achieved to date. Would make abortive much of the time and cost inputs to date. Would involve significant time delay and new costs in design and additional consultation for which there is no financing.

Risks

Option 1 has disadvantages that compromise and restrict how Market Square can be used for different uses. These can be read as risks also. Options 2 and 3 have no risks. Option 4 gives high risk that the council cannot begin to improve the square at a difficult economic time when the improvement should help support and sustain the city centre.

Summary analysis

Option 1 adheres to the previous Cabinet decision but would mean that the re-design of the square is less accommodating and beneficial for the outdoor market than it should be, is restricting for the staging of events and less advantageous for general pedestrian circulation and enjoyment than it should be. Options 2 and 3 involve tree loss but enable the adjusted project design to be implemented largely as planned and option 3 with significant additional advantages including helping design out anti social behaviours and conferring increased flexibility for the use of this corner of the Square.

Officer Preferred Option - Option 3

6.0 Conclusion

6.1 As part of the Lancaster Square Routes initiative, a first phase of improvements for Market Square is being readied for implementation this autumn. This report sets out options, including a preferred option that will mean works can go ahead and the benefits of implementation be achieved in

time for the Christmas period.

RELATIONSHIP TO POLICY FRAMEWORK

The 2010-2011 Corporate Plan identifies Square Routes under the Economic Regeneration Priority, one of four priorities in the 2011-14 Corporate Plan and Lancaster Square Routes is identified as one of the actions under "Visitor Economy". The indicators for success in implementing the plan include if: the number of visitors to the district is increased and improved; the profile of the district as a visitor destination is improved; the retail offer and built environment in the city centre is improved; the economic impact of festivals and events is improved and an improved future for the district's museums is improved. The project contributes to all these. In addition, its importance is clearly identified in the draft new Lancaster District Cultural Heritage Strategy. The project is identified as the critical project in the strategy's action plan.

CONCLUSION OF IMPACT ASSESSMENT

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

Further to the engagement, community safety considerations in particular have informed aspects of these designs as well as access.

LEGAL IMPLICATIONS

The decision has no legal implications.

FINANCIAL IMPLICATIONS

£220k of funding is identified in the council's General Fund Capital Programme for 2011/12 and, subject to tenders, the costs of the first phase of works in Market Square will be met from this.

The discrete decision the subject of this report as to whether to remove one or two trees or not is estimated to affect the costs of the first phase by less than 1% of the first phase costs and therefore is well within the tolerance afforded by robust cost estimation and provision for a contingency. There are no other revenue implications for the city council arising from the decision to be made.

OTHER RESOURCE IMPLICATIONS

Human Resources:

None

Information Services:

None

Property:

The trees in Market Square are on adopted highway. The city council are responsible for managing these.

Open Spaces:

The project in Market Square is to improve public space and the main civic space in the city.

SECTION 151 OFFICER'S COMMENTS

The S151 Officer has been consulted and has no further comments to make.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Cabinet minutes 95(1) 8 December 2009, 5 October 2010 (51).

Regeneration and Policy Service files.

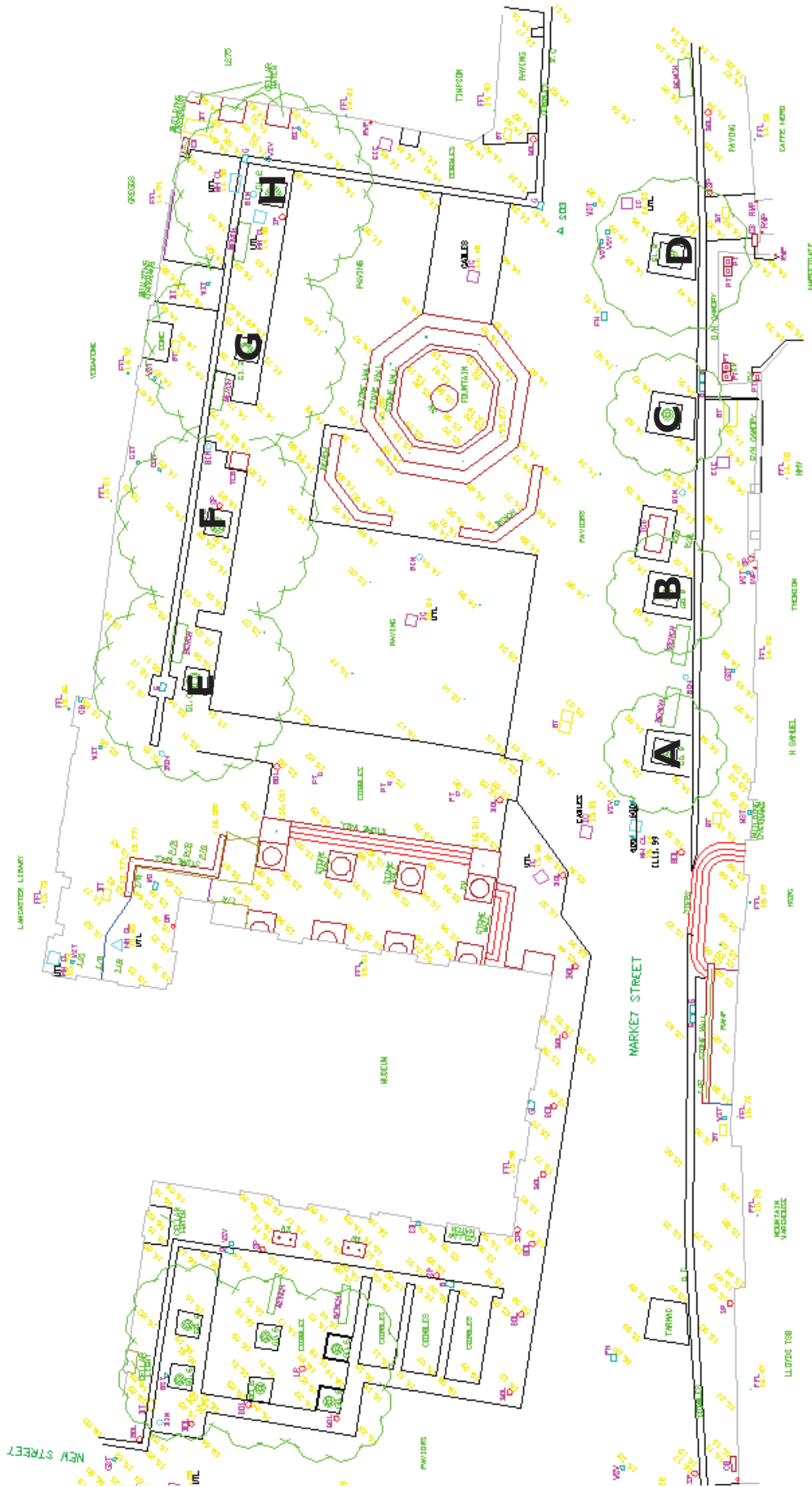
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Ref: LSR-03.03

Existing trees in Market Square



CABINET

**Quarter 1 Corporate Performance Monitoring Report
6th September 2011**

**Joint Report of the Leader of the Council and Finance
Portfolio Holder**

PURPOSE OF REPORT				
To present the corporate performance report for the 1 st Quarter of the Performance Review Team Cycle for 2011/12.				
Key Decision		Non-Key Decision		Referral from Cabinet Member
				X
Date Included in Forward Plan		N/A		
This report is public				

RECOMMENDATIONS OF LEADER OF THE COUNCIL

- (1) That the report be noted.

REPORT

1. The first quarter Performance Review Team (PRT) meetings with individual Cabinet members were held between Friday 22nd July and Thursday 28th July 2011. These were presented by Service Heads covering each portfolio area and related corporate priority. One further meeting was held on 10th August 2011.
2. Members will be aware that following approval by the Corporate Management Team a revised PRT process was used in Quarter 1 for the first time. Reports considered by individual Cabinet members included a RAG (Red, Amber and Green) reporting system indicating service delivery and programmes/projects performance. These reports set out achievements against key areas of work and any difficulties being experienced and/or expected to facilitate a focussed discussion on progress and any actions needed to get delivery back on track.
3. Cabinet Members were also provided with a financial report covering their portfolio and service area for Quarter 1 with reasons for any variances and actions being taken to address these being highlighted.
4. The *Corporate Performance Review* report was considered by the Leader of the Council on 5th August 2011. This report (See **Appendix A**) is attached providing a summary of **significant issues only**. Specifically these are separate documents incorporating:
 - o An exception report indicating service delivery performance for each portfolio area and related corporate priority considered to be '*Significantly behind target*' for delivery (Red status); and

- An exception report of individual programmes/projects that have a Red status indicating that they are considered to be significantly behind time; cost and/or need significant action to realise benefits and/or mitigate risks.
- 5. The *Corporate Financial Monitoring and Treasury Management Progress Reports* have also been considered by the Leader and Finance Portfolio Holder (Councillor Bryning). These are attached as **Appendices B and C** respectively.
- 6. As a result of the meeting with the Leader an Action Plan was produced, setting out the *Key Actions Agreed* at the Leader's PRT meeting. This is included at **Appendix D** together with information on any progress to date.
- 7. Since the meeting with the Leader, however, Officers have highlighted a further issue and this is now brought to Members' attention by Officers:
 - A partial collapse of a section of the lower steps below the Ashton Memorial has necessitated some urgent technical support to be commissioned. This is to inform what works are needed and any associated options; in the meantime the steps have been blocked off to prevent public access. A separate report is being produced on this matter, but for now Cabinet is requested to note that structural engineering and stone mason costs totalling £6,200 have been committed to date. Whilst no specific budget exists, the provisions within Financial Regulations have been relied upon (to allow expenditure to be incurred where there is the threat of major structural damage etc). Specific financing will be addressed in the separate report but in the interim, it is assumed that other underspendings in this year will be used to cover the technical support costs incurred. Council will also need to be informed of the position, as required under Financial Regulations, and this is in hand.

CONCLUSION

- 8. The council's Performance Management Framework requires the regular reporting of operational and financial performance to Cabinet as part of the Performance Review Team cycle of meetings. The Corporate PRT report provides a summary of key issues and associated actions that have arisen in the quarter and have been escalated to the Leader of the Council for attention.
- 9. To date, from the actions arising there are no new key issues presented, other than Ashton Memorial steps. In finance terms, it is expected that significant staffing savings should be identifiable for both current and future financial years, driven predominantly by efficiencies. These will be needed in any event to offset other budgetary pressures highlighted, as well as to help achieve existing savings targets.
- 10. With the experience of Quarter 1 the revised PRT process will be reviewed so that any lessons can be learned to improve the process further.

RELATIONSHIP TO POLICY FRAMEWORK

This report is a requirement of the council's Performance Management Framework (in support of the Council achieving its key tasks and objectives as reflected in its policy framework).

CONCLUSION OF IMPACT ASSESSMENT

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

None arising from this report

LEGAL IMPLICATIONS

None arising from this report

FINANCIAL IMPLICATIONS

As set out in the report and appendices.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

As set out in the report and appendices.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer's comments are reflected within the report and appendices.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Performance Review Team Reports

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Ref: PRT 2011 Qtr 1

**CORPORATE PERFORMANCE REVIEW REPORT
LEADER OF THE COUNCIL: COUNCILLOR EILEEN BLAMIRE**

PRT Quarter 1 meeting		Date of Leaders PRT meeting: Friday 5 th August 2011 at 10.00am in Chief Executives office			
Portfolio Holder	Portfolio Area(s)	Key Service Actions	Success Measures		Achievements and/or difficulties identified (significant ongoing issues and or forecasted risks)
			Description	R/A/G Status	
Cllr Janice Hanson	Chatsworth Gardens	Investigate alternative funding streams	New funding streams found.	R	Options report for housing regeneration being prepared
	Bold Street/ Marlborough Road	Investigate alternative funding streams	New funding Streams found	R	
	Affordable Housing	Investigate alternative funding streams. Support provision	Affordable homes built with council support	R	

**CORPORATE PERFORMANCE REVIEW – PROGRAMMES AND PROJECTS
LEADER OF THE COUNCIL: COUNCILLOR EILEEN BLAMIRE**

Key Programmes/Projects	Lead Officer	Performance				Risk	
		Time (R/A/G)	Cost (R/A/G)	Benefit s (R/A/G)	Comments	Risk (R/A/G)	Comments
Luneside East compensation	Andrew Dobson Regen & Policy	A	A	A	One claim to Lands tribunal arising out of CPO still outstanding	6	Land tribunal to determine compensation following hearing w/c 3 October - council has assembled a specialist team
Luneside East regeneration project	Andrew Dobson Regen & Policy	A	A	A	Delayed due to recession. Cost associated with site security and maintenance	6	A revised building agreement has now been signed with the developer
Adactus Top Up Grants	Andrew Dobson Regen & Policy	R	A	R	Funding issues	6	All mitigating steps now being taken
Vacant Shop Funds	Richard Tulej Community Engagement	R	G	A	Proposals for Morecambe have taken some time to develop leading to delay	4	Relatively low risks to the council re external funding - managed via normal internal processes

APPENDIX A

SUMMARY OF GENERAL FUND MAJOR VARIANCES (Qtr 1 2011/12)

(Not included elsewhere in the report - excluding salaries for example)

FACTORS INFLUENCING VARIANCES	Variance to Date £	Current Year Projection £	Future Years Projection £
1. Unforeseeable windfalls or costs	(94,900)	(92,000)	+30,000
2. Demand led variances	+196,500	+147,400	+102,900
3. Efficiency savings	+0	(5,000)	(5,000)
4. Other service driven variances (incl delays)	+48,000	+110,000	+110,000
5. Budget setting issues/errors	+25,600	(44,500)	(23,000)
6. Other variances	+20,400	(52,500)	(78,000)
TOTAL VARIANCES	+195,600	+63,400	+136,900

Service	Variance Type	Service Area	Variance to Date	Current Year Projection	Future Years Projection	Reason for Variance & Action being taken
			£	£	£	
+ = Adverse () = Favourable						
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)						
Community Engagement	5	Salt Ayre NNDR (Rates)	+17,300	+17,300	+20,000	Uncontrollable increase due to revaluation last year. Transitional relief applied of which 2011/12 is the last year.
	2	Salt Ayre Studio	+4,500	+20,000	+20,000	Unachievable income target in relation to fitness activity classes in a highly competitive market. Note - Reflexions (Gym) income is on target at this stage. Adjustments to be dealt with at revised budget process.
	5	Salt Ayre - VAT	+0	+12,000	+12,000	Error in way VAT was charged on debtors accounts in previous years. Issue now resolved but will lead to an estimated £12000 loss in income across the Centre this year. Issue will be monitored and reviewed as the year progresses.
	6	Williamson Park - Water Services (Surface Water Drainage)	+0	+15,600	+16,000	Uncontrollable overspend due to change in way United Utilities invoices for surface water/drainage at the park. This is a revised figure based on a successful appeal.
	6	Lancaster VIC	+500	+10,500	+11,000	Rent and service charges (SC) from SCIC to increase following recent recalculation . Breakdown of SC requested from SCIC
Environmental Services	6	Public Conveniences - Demolition	+12,500	+0	+0	Carry forward request submitted in respect of £8k of works; any further overspend will be met from savings to existing budgets.
	2	Waste Collection - Contracted Services	(6,800)	(10,000)	(10,000)	Low absence levels have resulted in reduced need for agency staff to provide short term cover.
	2	Waste Collection - Plastic Refuse Sacks	(5,600)	(10,000)	(10,000)	Increased controls over issue have been introduced resulting in decreased demand
	2	Waste Collection - Replacement Bins & Boxes	+15,000	+0	+60,000	It is estimated that this budget will be overspent by £60k should the carry forward request not be approved. By not introducing a charging mechanism a system to ration demand is difficult.
	2	Trade Refuse	+13,000	+51,000	+51,000	Trade Refuse Charges were increased by an average of 7.3% but year on year the 1st qtr income is down £26k. This position reflects the decline identified in PRT 3 & 4 of 2010-11 and added to by the decline in the income from the University contract which is down 30% in the 1st 2 months of 2011-12.
	4	Highways	+48,000	+110,000	+110,000	The highways contract with County has now ended and ongoing discussions are taking place as to the future delivery of service. Since 1st April, the nature of the work has changed and it is now almost entirely urgent work resulting from Capita inspections. This work is paid on a similar basis to "cost-plus" and it does not generate the financial returns that we were reporting with schedule of rates work. The budget includes a surplus of £200k from highways work and latest projections indicate this isn't likely to be achieved but it should be noted that the service is still expected to contribute significantly to the General Fund.
Financial Services	3	Banking / bill payment Charges	+0	(5,000)	(5,000)	Achieving PCIDSS compliance will enable reductions in charges to be achieved.
	6	Investment Interest - Recovery of Icelandic Investments	(19,000)	(105,000)	(105,000)	The current estimate assumed that a settlement would be reached by the end of June 2011, however it is now likely to be that the court decision on creditor status will be later. The savings assume that priority status will be retained.
	1	Recovery of legal costs (from issuing summonses for non-payment of council tax or business rates).	+0	+45,000	+45,000	Provisional figure only, following last year's outturn. More analysis will be undertaken over the summer. Recent increases in charges and changes in payment patterns have reduced summonses, but importantly actual collection rates have been maintained or increased slightly.

APPENDIX A

Service	Variance Type	Service Area	Variance to Date	Current Year Projection	Future Years Projection	Reason for Variance & Action being taken
			£	£	£	
			+ = Adverse () = Favourable			
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)						
Governance Services	1	Members Special Responsibility Allowances	(8,400)	(19,000)	(15,000)	Savings on 2 Cabinet places unfilled together with part of opposition leaders' SRA and savings on changeover.
	1	Elections	(50,000)	(50,000)	+0	Estimated savings made due to the sharing of some of the election costs with the Alternative Vote Referendum - the go ahead of which wasn't known at the time of setting the budget.
Health & Housing	2	Cemeteries - General - Income	+17,800	+0	+0	Lower than anticipated sale of grave spaces and Internment fees. However, last years outturn was higher than anticipated.
	5	Strategic Housing Mgt & Admin - Management Fee	+0	(12,200)	+0	Management fee from Home Improvement Agency not included in estimates as confirmation of grant had not been received.
	5	Strategic Housing Mgt & Admin - Administration Charges	(3,900)	(73,800)	(70,000)	Administration charge not included in budget as confirmation of DFG grant had not been received.
Property Services	2	7, Cheapside, Lancaster - Rent & Rates	+35,200	+43,900	+0	Vacant property. In discussions to let property this Financial year. Part year rates will be reimbursed via service charges income.
	2	CityLab - rent and service charge recharges	+17,000	+0	+0	Major tenant has moved out of the building. Reduction in income at the estimated level will result in an outturn deficit of £18.3k rather than the budgeted surplus of £30.6k, but £18.3k will be taken from the separate Reserve at outturn, to offset impact on revenue budget..
	2	Covered Yard - rent	(8,700)	(8,100)	(8,100)	New tenants have rented two units.
	1	Palatine Hall - rates	(5,000)	(5,000)	+0	Refund from 10/11 following county occupation.
	6	Car Parks rates	+26,400	+26,400	?	New RVs and appeals being considered that might lead to refunds if successful.
	2	Car Parks Fees	(18,300)	?	?	April and May income on target but below target in June. Projected variance for full year is extremely difficult to predict at this stage in the year.
	2	Car Parks Permits	+81,800	+67,600	?	Further reduced permit sales - 23% on public permits and 8% on staff and Members. Uptake on Partner Permits well below estimated figure.
	2	Energy Performance Certificates	(6,800)	(7,000)	+0	Reduced cost of and demand for certificates.
	2	St Leonard's House - rent	+0	?	?	A major tenant has unexpectedly left the building which will impact on the rental income for the year and future years.
	5	National non-domestic rates - for all properties other than identified above	+12,200	+12,200	+15,000	Uncontrollable increase due to revaluation in 2010/11. Transitional relief applied of which 2011/12 is the last year.
	1	Property Services mgt & admin - income general	(5,500)	(3,000)	+0	Increased income from land transactions.
	1	Concessionary Travel - Community Transport	(26,000)	(60,000)	+0	Since budgets were set County have made the decision to take over Community Transport from 1st July and introduce a system of fares. Based on 2010/11 monthly charges and taking into account a 2010/11 creditor adjustment the final variance could be approximately £55k-£60k.
	6	Electricity & Gas - all budgets	?	?	?	Reduced cost identified in Q1 but analysis to be undertaken during Q2 reflecting potentially large increase in unit costs due in the autumn to identify whether or not there will be a saving at year end. Some areas over-accrued for final quarter last year which will partially offset any increases.
Regeneration & Policy	2	Planning Application Fee Income	+22,000	+0	+0	Uncontrollable. Anticipated fee income dependant upon receipt of major schemes, one of which was Centros (previously anticipated to be by Spring 11 - not achieved). Full year budget achievable only if anticipated large schemes come forward.
	2	Building Control Application Fee Income	+36,400	+0	+0	Sustained competition from Private Sector Approved Inspectors - improved marketing over remainder of year should assist recovery.
TOTAL VARIANCES			+195,600	+63,400	+136,900	

VARIANCES <u>NOT</u> REPORTED THROUGH PRT PROCESS						
TOTAL VARIANCES			+0	+0	+0	
OVERALL VARIANCES			+195,600	+63,400	+136,900	

PRT Financial Report

QUARTER 1

Health & Housing HRA

VARIANCE TYPE SUMMARY	Variance to Date	Projected Variance for Year
1. Unforeseeable windfalls or costs	0	(6,000)
2. Demand led variances	0	0
3. Efficiency savings	0	(50,000)
4. Other service driven variances (incl delays)	(28,300)	(67,700)
5. Budget setting issues/errors	0	0
6. Other Variances	0	0
TOTAL VARIANCES	(28,300)	(123,700)

Service Area	Variance to Date	Projected Variance for Year	Future Years Projection	Reason for Variance & Action being Taken	Variance Type (see above)	Variance First Reported
	£	£	£			
Housing Options Choice Based Lettings - Salaries	(5,500)	(5,500)	0	Vacant post savings	4	Q1
Repairs & Maintenance - Salaries	(40,900)	(75,200)	0	Vacant Post Savings	4	Q1
Planned Maintenance - Rota Painting	0	(50,000)	(50,000)	Savings are anticipated to be made by splitting the contract in estates and agreeing a contract sum individually.	3	Q1
Planned Maintenance - R & M Paths & Fences	0	(6,000)	(6,000)	Savings on contract due to lower tender figure received	1	Q1
Responsive Maintenance - General Fees & Charges	18,100	13,000	0	Liability for some septic tank charges has been negotiated and agreed with Yealand Parish Council for years 2008/9 and 2009/10. Refunds for the Council's liability charged in error for these years have been issued.	4	Q1
	(28,300)	(123,700)	(56,000)			

ACTION BEING TAKEN BY SERVICES

Service	Total Outstanding Debt (over 90 days old)	Debt to be Written Off	Refer(red) to Moorcroft Rossendales	Refer(red) for Legal recovery	Debt still being pursued	Payment / Instalment Agreed	Other Action / Reasons	TOTAL	Notes on Other Action / Reasons
	£	£	£	£	£	£	£	£	
Community Engagement	160.00				160.00			160.00	
Community Engagement (Salt Ayre)	390.00				390.00			390.00	
Regeneration and Policy	2,145.00		1,950.00			195.00		2,145.00	
Regeneration and Policy (Building Control)	1,050.81				585.00	465.81		1,050.81	
Environmental Services	24,365.64	1,299.61	934.42	100.00	18,672.34	1,918.84	1,440.43	24,365.64	Various actions to be taken, e.g credit note to be processed
Health & Housing	8,224.37				4,189.51	780.73	3,254.13	8,224.37	Land charge registered against the property, payment will be received once the property is sold.
Property Services	162,829.53	2,970.07	10,708.53	64,503.78	29,241.07	55,406.08		162,829.53	
Financial Services	1,687.91		145.58	1,542.33				1,687.91	
Information Services	2,004.16				2,004.16			2,004.16	
Governance	2,516.01							2,516.01	Formerly Legal, Licensing & HR
Housing Benefits	920,465.11	9,014.97	81,735.50			633,962.97	195,751.67	920,465.11	* Various actions see below
Total Outstanding	1,125,638.54	13,284.65	93,524.03	68,096.11	57,758.09	692,729.43	200,446.23	1,125,638.54	

* Actions relating to Housing Benefit Debt

Appeals - where an appeal has been made against the creation of an overpayment & recovery has been suspended pending the outcome of the appeal

Bankruptcy - where a debtor has been made bankrupt & recovery of the debt is suspended until the bankruptcy has been discharged

Claim Pending - where a claim for Housing Benefit (HB) has not yet been determined & there is prospect of recovery from ongoing HB

First Reminder - where no agreement has been made to repay the debt & reminder invoice is issued

Second Reminder - where no agreement has been made to repay the debt & a reminder letter is issued

Instalment Warning - where an instalment as per an agreement has not been made & a reminder letter is issued

Instalment Termination - where instalments as per an agreement have not been made & the agreement has been terminated & a termination letter issued

Corporate Financial Monitoring

June 2011 | Quarter 1

Report of the Head of Financial Services

HEADLINE INFORMATION			
REVENUE	Current (Underspend) / + Overspend £	Projected (Underspend) / + Overspend £	Future Years Projection (Underspend) / + Overspend £
General Fund	(65)	(437)	+137
Housing Revenue Account (HRA)	(28)	(124)	(56)

Note that regarding General Fund future years' projections, this currently excludes any assumptions on likely staffing savings. Based on monitoring and trends to date however, it seems reasonable to assume that savings of at least £500K could be achieved. This would easily offset the apparent future years' overspending shown above.

CORPORATE FINANCIAL MONITORING

June 2011 | Quarter 1

1. INTRODUCTION

This monitoring report of expenditure and income for 2011/12 sets out an indicative corporate picture of the Council's financial performance relating to the period ending 30 June 2011.

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

2. GENERAL FUND REVENUE MONITORING

2.1 General Fund Summary Position

The current overall General Fund summary position shows that at the end of June there is a net underspend of **£65K** against the budget. This is currently forecast to increase to **£437K** by the end of the year. Conversely, from the information available to date future years' projections show a potential net overspending of **£137K** – see later sections for details. This is not yet based on complete information, however. In particular, no assumptions have been made regarding future years' salary savings.

VARIANCES	Current £000's	Current Year Projection £000's	Future Years Projection £000's
Major Variances (see section 2.2)	+196	+63	+137
Salaries (see sections 2.3 & 2.4)	(261)	(500)	--
Sub Total	(65)	(437)	+137
ESTIMATED OUTTURN / IMPACT ON FUTURE YEARS	--	(437)	+137

One of the key financial indicators is to keep any under or overspends within 2% of the overall net controllable revenue budget, and the following table shows that at the end of June this has been achieved. That said, actions could be taken to improve the Council's position still further.

Net Controllable Budget	£000's 22,608
2% Target	+/() 452
Provisional Controllable Net Underspend	(284)
Percentage of Net Controllable Budget	1.26%

As set out in the Medium Term Financial Strategy, Cabinet has no authority to increase net spending above the net revenue budget. Whilst the overall position may not be projected to breach this position, this does not remove the need to consider specifically whether any actions can or should be taken to address particular areas of overspending outlined in this report.

2.2 Major Budget Variances

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

SUMMARY BY SERVICE	Current £000's	Current Year Projection £000's	Future Years Projection £000's
REPORTED VARIANCES :	() Favourable / + Adverse		
Community Engagement	+22	+75	+79
Environmental Services	+76	+141	+201
Financial Services	(19)	(65)	(65)
Governance Services	(58)	(69)	(15)
Health & Housing	+14	(86)	(70)
Property Services	+102	+67	+7
Regeneration and Policy	+59	0	0
	+196	+63	+137
VARIANCES NOT REPORTED TO PRT MEETINGS :			
None	0	0	0
TOTAL VARIANCES	+196	+63	+137

As part of the 2010/11 outturn process Services were asked to identify the key factors influencing variances and this has now been continued into the PRT financial monitoring process. The following table provides an analysis of these variances and Appendix A shows how each variance has been initially categorised; this will be refined as the year progresses.

FACTORS INFLUENCING VARIANCES	Variances to Date £000's	Current Year Projection £000's	Future Years Projection £000's
Unforeseeable windfalls or costs	(95)	(92)	+30
Demand led variances	+197	+147	+103
Efficiency savings	0	(5)	(5)
Other service driven variances (incl delays)	+48	+110	+110
Budget setting issues / errors	+26	(45)	(23)
Other variances	+20	(52)	(78)
TOTAL	+196	+63	+137

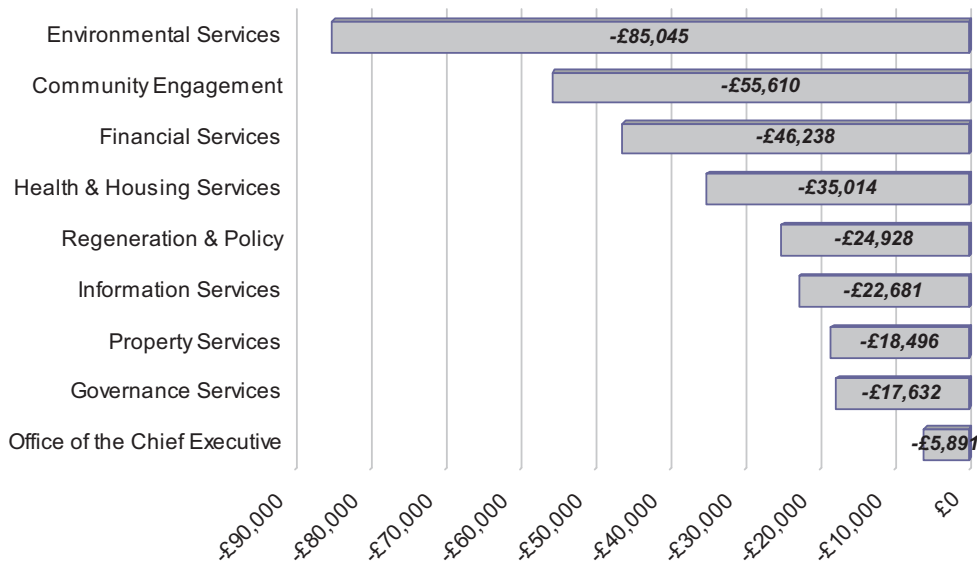
In terms of future years, the above analysis does not include any projection as yet in respect of on-going salary savings. Consideration will also need to be given to the impact of the current Fair Pay review for "red book" employees and the further review of the current pay and grading structure, as well as developments in the Shared Services agenda.

2.3 General Fund Salary Monitoring

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

To date total savings of £311K have been achieved, which is some **£261K** above the £50K profiled turnover target, and £113K above the full year target of £198K. It should be noted that the current savings include £24K in respect of an anticipated pay award of £250 for each employee earning less than £21K, as this award has not materialised.

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



Main Reasons for the variances are as follows:

Environmental Services – 1.5 vacant posts on street cleansing and 5 posts on Three Stream Waste, in addition to efficiency savings from a review of overtime.

Community Engagement – Partnerships Team 3 vacant posts, plus other vacancies at Salt Ayre, the Platform and Parks Patrol.

Financial Services (Revenues) – A number of vacant posts, maternity leave and reduced hours.

Health & Housing – A number of vacant posts different sections and reduced hours in Housing Advice.

Regeneration & Policy – A number of vacant posts in different sections.

Information Services – A number of vacant posts plus reduced hours.

Property Services – A number of vacant posts.

Governance Services – Vacant posts and restructuring.

Office of the Chief Executive – one vacant post.

Whilst it is anticipated that the current level of vacancies will reduce it is clear that the turnover target has already been exceeded by some margin. It is difficult to accurately predict the full year savings at this point in time, although a full staffing review will take place during the forthcoming budget exercise. That being said, even if the savings were to at least double then savings in the region of £500K (after allowing for the turnover target) could be achieved. It should be noted however that Revenue and Benefits is now operating as a shared service with Preston City Council (from 01 July 2011) and any future savings on the combined establishment will be split on a 50/50 basis.

Recommendation

To make progress now, it is recommended that in conjunction with services, Finance and HR undertake a review of the establishment and report back on what reductions can be actioned at this time.

2.4 Budgeted Savings Targets

There are four main savings targets included in the 2011/12 budget:

- Wellbeing function restructure - £38,700
- Partnerships function restructure - £26,600
- Regeneration efficiency savings - £24,700
- Revenues and Benefits Shared Service - £23,000

The first two items are being covered by current vacancies, and the third item is due to be implemented in the last half of the year but again will require current vacancy savings to be used to achieve the full saving. The fourth item is anticipated to be achieved following the implementation of the shared service

with Preston City Council. The outcome of achieving these savings may ultimately impact on the ability to achieve the indicative £500K salary savings.

All other savings proposals, approved as part of the 2011/12 budget setting process, have already been clearly identified within the budget. For Quarter 2 monitoring, an update on 2011/12 approved growth will also be provided.

3 GENERAL FUND CAPITAL PROGRAMME

3.1 Capital Expenditure

At the end of June there was spend and commitments of £1.5M against the programme of £6.756M, which has been updated for slippage from 2010/11 (approved in July) and 2 new externally funded schemes – see below.

	£000's
Approved Programme (Council 02 March 2011)	5,765
Slippage from 2010/11 (Cabinet 26 July 2011)	899
New Schemes approved under S151 Officer delegation:	
Heysham Village Phase 2 Play Area – externally funded (April 2011)	46
White Lund transport link works – S106 payment to County Council (May 2011)	76
Updated Programme	6,756

The other main issues to note are as follows; more information on capital is scheduled to be included within the Medium Term Financial Strategy (MTFS) update report:

- Vehicle renewals of £469K are committed or have been procured and arrangements are currently underway to determine the most cost effective financing (re either leasing or outright purchase).
- There is a contractual dispute relating to previous Public Realm works in the West End which has been refuted but as yet not resolved.

3.2 Capital Financing

Capital Receipts

A total of £8.989M is required to finance the 2011/12 capital programme. The Head of Property Services has reviewed the proposed receipts for the current year and has recommended that the forecast remains unchanged.

4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

4.1 HRA Revenue Position

At the end of June the position for the Housing Revenue Account shows an underspend of **£28K** against the profiled budget, which is currently projected to increase to **£124K** by the end of the year. A full list of the variances is shown in **Appendix B**.

VARIANCES	Variances to Date £000's	Current Year Projection £000's	Future Years Projection £000's
Major Variances	(28)	(124)	(56)
ESTIMATED OUTTURN (NET OVERSPEND)	(28)	(124)	(56)

The main variance relates to the Responsive Maintenance account where there are currently a number of vacant posts.

As mentioned in section 2.2, Services are now required to identify the key factors influencing variances as part of the PRT financial monitoring process. The following table provides an analysis of these variances and Appendix B shows how each variance has been categorised.

FACTORS INFLUENCING VARIANCES	Variances to Date £000's	Current Year Projection £000's	Future Years Projection £000's
Unforeseeable windfalls or costs	0	(6)	(6)
Demand led variances	0	0	0
Efficiency savings	0	(50)	(50)
Other service driven variances (incl delays)	(28)	(68)	0
Budget setting issues / errors	0	0	0
Other variances	0	0	0
TOTAL	(28)	(124)	(56)

4.2 Council Housing Rent Collection

At the end of June rent income is slightly higher than estimated.

Total Estimate for Year	£12,527,200
Profiled Budget	£2,869,767
Actual to Date	£2,866,500
Difference	(£3,267)

4.3 Council Housing Capital Programme

This section analyses actual spend against the Council Housing Capital Programme at the end of June. To date spend and commitments total £897M against a budget of £3.740M (including 2010/11 slippage approved in July) leaving a balance of £2.843M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	250	42	208
Energy Efficiency / Boiler Replacement	545	92	453
Bathroom / Kitchen Refurbishment	1,034	157	877
External Refurbishments	1,331	424	907
Environmental Improvements	421	164	257
Rewiring	85	17	68
Fire Precaution Works	7	1	6
Choice Based Lettings	67	0	67
TOTAL	3,740	897	2,843

5 REVENUE COLLECTION PERFORMANCE

5.1 Council Tax & Business Rates

In year collection performance for Council Tax compares favourably with the same period last year. The position for NNDR is slightly different as payments for Council owned properties have been credited in the June this year as compared with July last year. It is still pleasing to report that overall performance is still being maintained, given the level of financial savings achieved in service delivery.

Percentage Collected	2010/11 %	2011/12 %	2011/12 Target %	2011/12 Actual %	Status
	All Years		In Year		
Council Tax	27.23	27.17	97.2	29.97	On Target
Business Rates	25.65	30.99	98.7	30.92	On Target

5.2 Collection Fund Monitoring

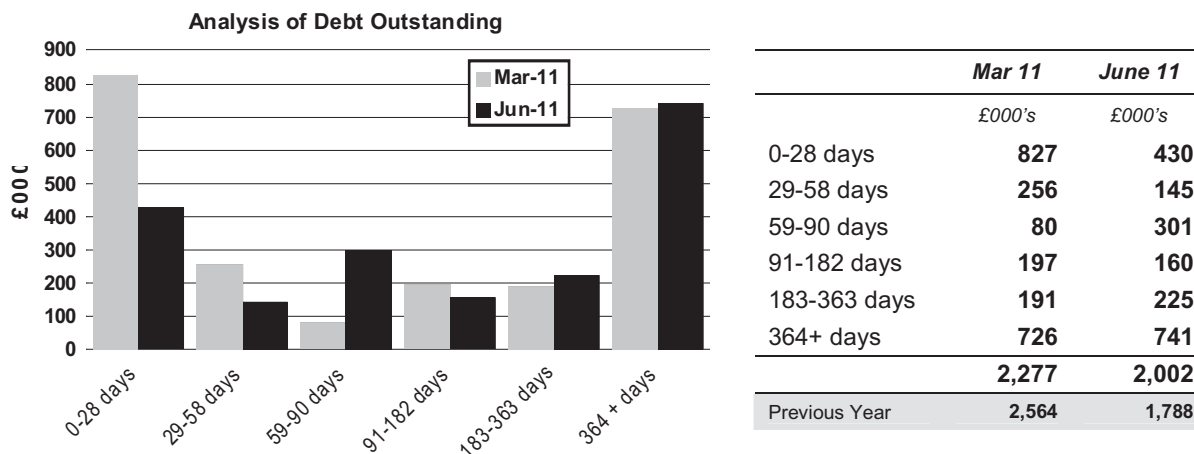
This section sets out the latest position on the Collection Fund, in particular in relation to Council Tax. Whilst the above section looks at collection performance, this section shows the current surplus or deficit on the Fund. It basically compares the amounts collectable with the Precepts levied by the relevant authorities after allowing for refunds, bad debt provisions, income collected and Council Tax benefits. The monitoring shows that as at the end of June the Fund was in surplus by £423K, but it should be noted that the surplus can fluctuate significantly month by month. For information, the equivalent value for June 2010 was a surplus of £553K reducing to £299K at the year end.

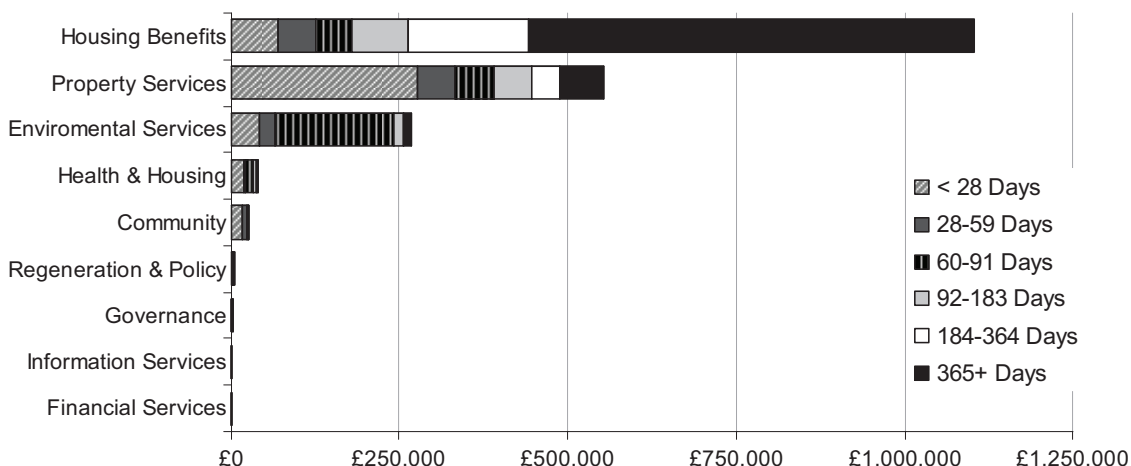
Any surplus or deficit is shared between the relevant precepting bodies and the City Council's element equates to 13% and would therefore be £55K. The position will formally be assessed in January when the Council Tax base for 2012/13 is set. At that point in time any surplus or deficit will be notified to the relevant precepting bodies for inclusion in their 2012/13 budget.

5.3 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing; these are to be incorporated in due course). At the end of June the total debt outstanding was just over £2M, which is £275K less than the previous quarter.

The level of debt over 1 year old has increased in the last quarter to 37% (32% *last quarter*) of the total outstanding debt. In addition, the total value of all debt over 3 months old has increased by £233K from the previous quarter. For information, attached at **Appendix C** is an analysis of the action being taken on debt over 90 days old.





6 PROVISIONS AND RESERVES

This section provides an update on key provisions and reserves.

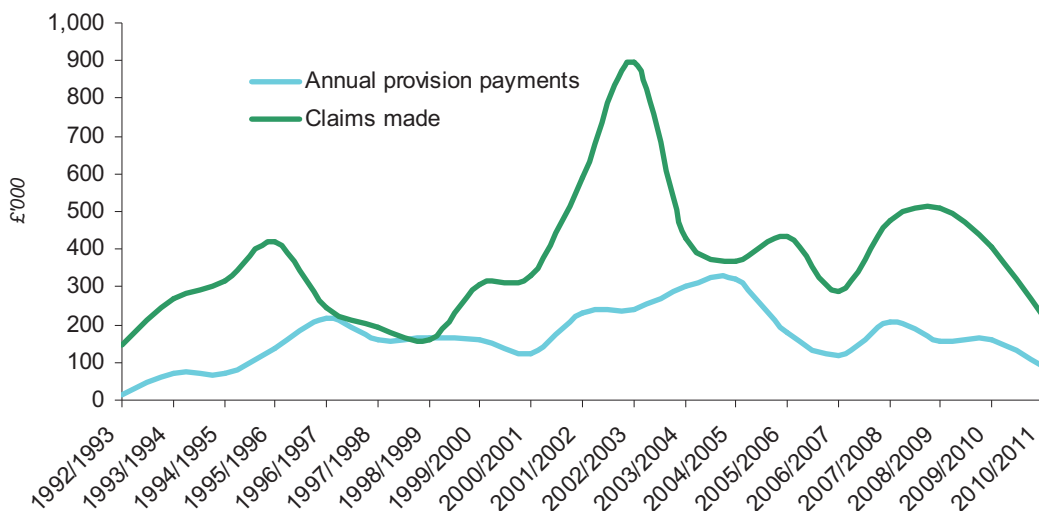
6.1 Insurance Provision

The current balance on the insurance provision is £412K, after making net payments of £29K in settlement of claims made.

At present, the Council's insurers estimate that the value of claims outstanding is £499K, which relates to a total of 269 claims made over a 13 year period. This estimate assumes that all these claims will be settled at the maximum reserve limit; however, recent statistics show that, on average, only 61% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £304K, which is £108K less than the current provision.

It is highly unlikely that all these outstanding claims will fall due for payment in the same financial year, but the uncertain nature of insurance claims payments means that accurate predictions are difficult. Nonetheless, the overriding principle is that the Council must make reasonable provision for all its known liabilities.

Analysis of claims made, paid and outstanding by year.



6.2 Bad Debt Provision

The Bad Debt provision is formally reviewed half yearly at revised estimate time and closedown. In addition, quarterly updates are now provided as part of the Corporate Monitoring process.

The level of the provision has been assessed based on assumed levels of write-off as a proportion of debt outstanding. Based on the figures shown in section 5.3 the level of provision would be as follows:

Period	Debt £000's	% Cover Required	Value £000's
Up to 1 Month	430	1%	4
1 Month to 3 Months	446	5%	22
3 Months to 365 Days	385	10%	38
Over 365 Days	741	50%	370
TOTAL	2,002		434

The current balance on the General Fund Bad Debt provision is £425K which is £9K below the requirement indicated, but that is after allowing for this year's contribution of £100K. The position will be reviewed again as part of the forthcoming budget process and any adjustments required will be reported accordingly and built into the revised budget projections. Given that the majority of sundry debts relate to housing benefit overpayments, the planned welfare reforms could well have major bearing in future.

6.3 Other Major Reserves

Invest to Save Reserve

As part of the 2011/12 budget setting process, Members identified four Invest to Save areas to be investigated which were:

- Boiler replacement – Town Halls
- Double Glazing – Town Halls
- Salt Ayre Sports Centre
 - Pipeline from landfill
 - Photovoltaic panels on roof of leisure centre.

In addition, officers have also been asked to:

- Investigate feed-in tariffs on Council buildings (including housing stock) and green deal
- Undertake a "green fleet" review.

Work is on-going in all areas and it is anticipated that a report will be presented to Cabinet in November.

Icelandic Impairment Reserve

Regarding Icelandic impairments, a decision from the Supreme Court is now expected in October.

7 RISK MANAGEMENT

As part of the business planning process, key business risks need to be considered by Service Heads and any significant ongoing or emerging risks should be reported on an exceptions basis through quarterly Performance Review Team reports, together with any actions needed to manage the situation.

The type of risks that should be reported on are major issues that could affect achievement of key objectives, expose the Council to significant financial losses or liabilities, and/or result in serious damage to the Council's reputation.

Various performance related or financial risks are included throughout the various elements of this PRT report. In considering the information, Members are advised to consider:

- whether, from their own perspectives, the key risks are covered; and

- whether the actions put forward are appropriate, and make any further recommendations if required.

The extent of ongoing or potential change within the Council also raises the Council's risk profile more generally. This has been acknowledged and the Council's Internal Audit plans reflect this position, with the aim of providing flexibility to give necessary assurances surrounding change management programmes etc.

Similarly, in strategic terms one of the biggest risks facing the Council has been the extent of funding cuts and the impact these may have on services and the Council's overall direction. Whilst the Government have provided a 2 years settlement there is still uncertainty for 2013/14 and beyond. Various measures to help the position are underway, such as considering further shared service opportunities and completing various service restructures etc. In addition, several options will be taken forward during 2011/12 to provide further savings opportunities in future years. This will include Invest to Save initiatives to be funded from the new reserve established for such schemes.

Treasury Management Glossary of Terms

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

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

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

See also PWLB.

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

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

PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

As Approved and Updated by Council 02 March 2011

		2011/12 £'000	2012/13 £'000	2013/14 £'000	
AFFORDABILITY					
PI 1:	Estimates of ratio of financing costs to net revenue stream	Non - HRA HRA* Overall	13.7% 7.2% 11.3%	11.7% 7.2% 10.0%	11.3% 7.1% 9.7%
PI 2:	Actual ratio of financing cost to net revenue stream	Reported after each financial year end			
PI 3:	Estimates of the incremental impact of new Capital Investment decisions on the Council Tax This includes the impact of all elements of funding, including any increase in the need to borrow, required to finance new schemes added to the Capital Programme	2.29% £4.41	1.12% £2.19	1.17% £2.35	
PI 3A:	Illustrative Impact of Additional Borrowing £1 million	Repayment Period			
		5 Years	10 Years	25 Years	
	Increase in Council Tax (£)	£4.99	£2.80	£1.65	
	Increase in Council Tax (%)	2.59%	1.46%	0.86%	
PI 4:	Estimates of the incremental impact of Capital Investment on Housing Rents	Nil	Nil	Nil	
CAPITAL EXPENDITURE					
PI 5:	Estimates of capital expenditure	Non - HRA HRA Total	5,765 3,658 9,423	3,822 3,616 7,438	1,196 3,616 4,812
PI 6:	Actual capital expenditure	Reported after each financial year end			
PI 7:	Estimates of Capital Financing Requirement	Non - HRA** HRA* Total	28,655 15,303 43,958	30,133 15,303 45,436	29,336 15,303 44,639
PI 8:	Actual Capital Financing Requirement	Reported after each financial year end			
EXTERNAL DEBT					
PI 9:	Authorised Limit				
	Authorised Limit for Borrowing* **	51,740	51,640	51,650	
	Authorised Limit for Other Long Term Liabilities	260	260	250	
	Authorised Limit for External Debt	52,000	51,900	51,900	
PI 10:	External Debt: Operational Boundary* **	47,000	46,900	46,900	
PI 11:	Actual external debt	Reported after each financial year end			
PRUDENCE					
PI 12:	Treasury Management: adoption of CIPFA code of Practice	The Council has adopted the updated Treasury Management code of practice (November 2009).			
PI 13:	Net borrowing and the capital financing requirement				
	Anticipated indebtedness (Authorised limit)	47,000	46,900	46,900	
	Anticipated average investment	15,960	15,750	14,590	
	CFR	47,153	44,697	45,037	
	(Under)/over borrowed	-16,113	-13,547	-12,727	
*This does not take into account potential reforms to the Housing Revenue Account Subsidy system **This is on an IFRS basis including proposed adjustments to the balance sheet for reclassification of leases.					
TREASURY MANAGEMENT					
PI 14:	Fixed Interest Rate Exposure The Authority will limit its exposure to fixed interest rate costs to the amounts payable on the following amount of outstanding debt.	100%	100%	100%	
PI 15:	Variable Rate Interest Rate Exposure The Authority will limit its exposure to variable interest rate costs to the amounts payable on the following amount of outstanding debt.	30%	30%	30%	
PI 16:	Maturity Structure of Borrowing				
	Upper and Lower Limits	Under 12 months	0% to 35%	0% to 35%	0% to 35%
		12 months and within 24 months	0% to 20%	0% to 20%	0% to 20%
		24 months and within 5 years	0% to 20%	0% to 20%	0% to 20%
		5 years and within 10 years	0% to 20%	0% to 20%	0% to 20%
		10 years and within 15 years	0% to 100%	0% to 100%	0% to 100%
		15 years and within 25 years	0% to 100%	0% to 100%	0% to 100%
		25 years and within 50 years	50% to 100%	50% to 100%	50% to 100%
	Maturity Profile of Current Outstanding Debt	Under 12 months	0%	0%	0%
		12 months and within 24 months	0%	0%	0%
		24 months and within 5 years	0%	0%	0%
		5 years and within 10 years	0%	0%	0%
		10 years and within 15 years	0%	0%	0%
		15 years and within 25 years	0%	0%	0%
		25 years and within 50 years	100%	100%	100%
PI 17:	Investments for periods longer than 364 days The Authority will not invest for periods of longer than 364 days.	Nil	Nil	Nil	

INVESTMENT INTEREST EARNED TO 30 June 2011

Icelandic investments	No	Start	End	Rate %	Principal £	Carrying value	Cumulative Interest** £
Deposited 2007/08							
Landsbanki Islands	004	31-Mar-08	22-Apr-09	6.25	1,000,000	588,718	9,174
Glitnir	F102/023	31-Mar-08	22-Apr-09	5.76	3,000,000	1,976,474	28,359
Deposited 2008/09							
Kaupthing, Singer & Friedlander	06/07-129	16-May-08	07-Oct-08	6.00	840,000	452,867	6,774
Sub total					<u>4,840,000.00</u>		<u>44,307</u>
Budgeted income (£100K pro rated)							<u>24,932</u>

Other Investments	opening	Min	Max	closing	Indicative rate	Cumulative Interest £
Call: Abbey National	6,000,000	3,900,000	6,000,000	4,850,000	0.75%	10,270
Call: Yorkshire bank	0	0	0	0	0.50%	134
Call: RBS	1,300,000	0	3,000,000	3,000,000	0.70%	3,699
Call: Lancashire County Council	0	0	0	0	0.70%	0
DMADF	0	0	0	0	0.25%	0
Government Liquidity MMF	100,000	0	5,600,000	3,000,000	0.39%	2,605
Liquidity First MMF.	6,000,000	6,000,000	6,000,000	6,000,000	0.65%	9,390
Sub-total	<u>13,400,000</u>			<u>16,850,000</u>		<u>26,098</u>
Budgeted income (£105K pro rated)						<u>26,278</u>

TOTAL Interest	70,405
Variance (+ive = favourable)	19,196

* Under 2009 accounting guidance, which is quite complex, interest continues to be accrued whilst Icelandic investments are on the Council's balance sheet. To counter this, however, the provisions made to cover any losses take account of such accrued interest, as well as the principal sums (i.e. the £6M) invested.

As at the end of Qtr 1 2011/12 £1,160K of principal had been repaid by KSF, representing 58% of the original deposit.



2011/12 Treasury Management Progress Report to 30 June 2011

Report of Head of Financial Services

1. Introduction

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

Council approved the Treasury Strategy including the Investment Strategy for 2011/12 at its meeting on 02 March 2011. This report outlines activities undertaken in pursuance of those strategies during the financial year up to the end of Quarter 1.

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

2. Summary

- There is no further news in relation to Icelandic banks, it is hoped that a decision will be made in the Icelandic courts around the end of Quarter 2.
- There is a £19K favourable variance against the budget to date. This relates to Icelandic investments, but it will need to be reviewed once it is clearer when and how much the Council will be getting back from Landsbanki and Glitnir.
- On other treasury matters there have been no changes to the debt portfolio. No temporary borrowing was required during the quarter, no new long term debt has been taken on and there has been no opportunity for repayment of existing loans.
- There have been no material breaches of any prudential indicators or counterparty limits in the quarter and no other major risks have been identified (a full list of the approved PIs is attached for information at **Annex B**).

3. Economic Review (as provided by Sector)

The economic recovery has been struggling to regain momentum after underlying activity more or less stagnated between October and March. The number of job vacancies continued to fall throughout the quarter and the claimant count measure of unemployment also continued to rise over the last three months although this partly reflected a rise in the number

of lone parents claiming Jobseeker's Allowance due to recent benefit changes. The housing market has continued to tread water with the number of mortgage approvals for new house purchases broadly unchanged at a very low level, in the region of 46,000. House prices have also remained broadly flat.

The additional bank holiday for the Royal Wedding pulled down both industrial and services output in April. The pick-up in the consumer sector seen during the spring appears to have been only temporary, reflecting the good weather and extra bank holiday as retail sales volumes fell in May, more than reversing April's increase.

Consumers appear to be reacting to the squeeze on their real incomes. Household real disposable incomes fell by 0.8% in Q4 of 2010/11 as inflation outpaces average earnings by about 2.5%. The near-term outlook for inflation has deteriorated further; although CPI inflation held steady at 4.5% in May, it now looks likely to rise to 5.5% or even higher within the next few months. Food price inflation is likely to rise further and Scottish Power announced in June a 19% rise in gas prices and 10% rise in electricity prices to take effect in August. Other utility suppliers are likely to follow suit. This is in contrast to the median pay settlement which was unchanged at 2.5% in May.

Most Monetary Policy Committee members still think that the rise in inflation will be only temporary and that inflation will fall back sharply next year. So despite the worsening of the near-term inflation outlook, the weakness of the activity data has pushed most members further away from an interest rate rise.

Overall, the economy remains in a delicate state with decreased chance of imminent interest rate rises compared to the prior quarter. This is bad in terms of investment returns but may be beneficial if additional debt is required to finance the HRA subsidy buy out discussed in sections 5 and 6 below.

4. Icelandic Investments Update

There has been no news on the Icelandic investments since the end of 2010/11. The Council is still awaiting a decision from the Icelandic courts on the creditor status of UK local authorities but it is hoped that this will be reached sometime in October 2011. Once this issue is resolved it will be much clearer as to the level of recovery on Glitnir and Landsbanki.

During the quarter, KSF made a further 5% repayment, bringing the total to 58% of the claim value (£1,160K of the £2M principal).

5. Capital Budgets and the Debt Portfolio

There has been no change to the long term debt portfolio since January 2009 and there is no immediate need to take out new long term loans. The capital expenditure from 2010/11 has not generated any further actual need to borrow and the budget for 2011/12 is for capital funding to greatly exceed the capital expenditure with the excess being used to write down the Capital Financing Requirement. This is however contingent on the completion of the sale of land at South Lancaster.

In addition, should the favourable verdict on Icelandic bank creditor status be upheld at appeal, the £2.1M capitalised expenditure added to the Council's underlying borrowing need (under directive in 2009/10) would be reversed in full. Further, the current expectation is that there should be no further significant payments in relation to Luneside East land acquisitions, although that too is awaiting conclusion at the Lands Tribunal.

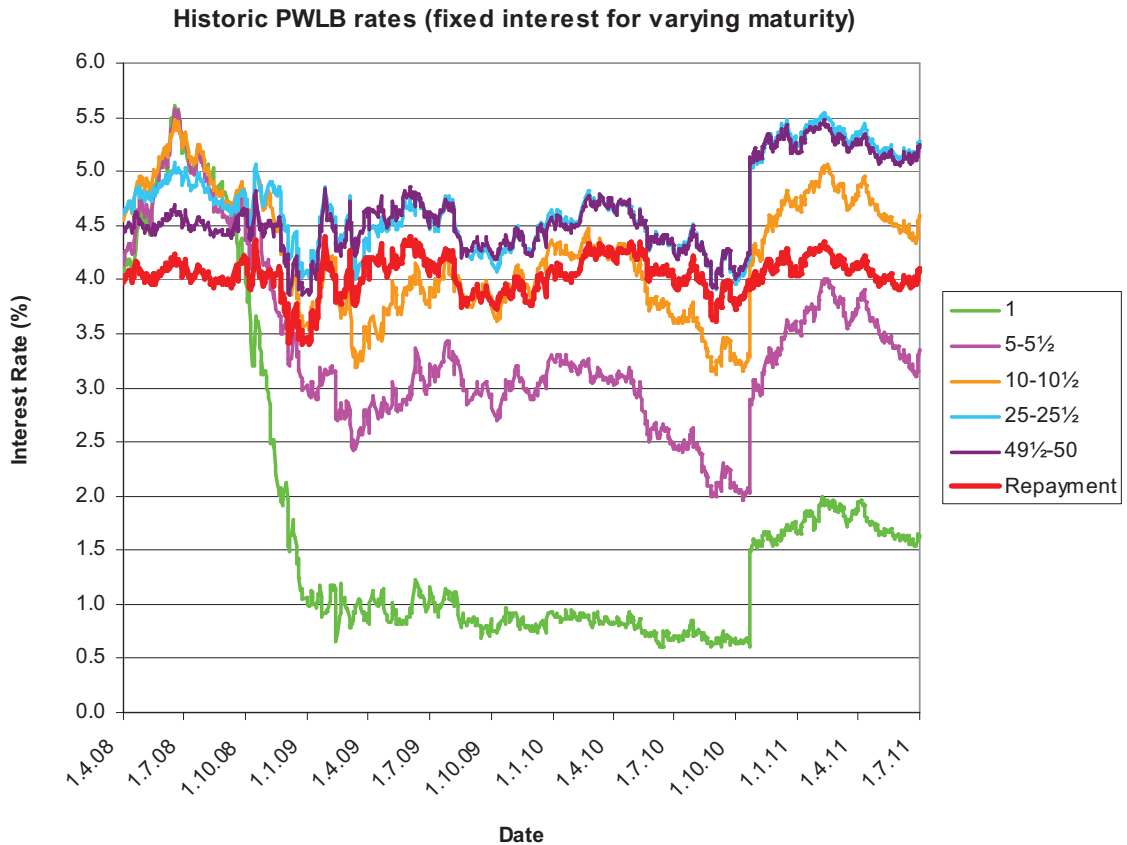
Overall then, the three big issues (Iceland, Luneside and Land at South Lancaster) for the capital programme are nearing conclusion with reason for optimism on all fronts. The next major issue will be Council Housing self financing. Officers will need to develop a strategy for financing the likely settlement (currently estimated in the region of £30M of additional debt to buy out of the subsidy system), taking into account the anticipated levels of borrowing and

cash balances available to fund the buy-out. This may be an opportunity to net down the borrowing/investment balances, as has been discussed in previous quarterly updates.

6. Current Borrowing Rates

The graph below shows that the pattern seen since January 2009 has persisted, with a marked spread between short term and long term borrowing. The main feature is the jump in rates across the board on 20 October 2010 when central government added 1% to the cost of borrowing through the PWLB. Over the quarter there has been a reduction in rates across the board, which reflects UK gilts faring relatively well in the face of sovereign debt difficulties in the Eurozone.

In relation to existing debt, the Council's cheapest major loan is at 4.6%. Only when the repayment rate rises to 4.6% could this be repaid early without penalty and as can be seen from the graph, the early repayment rate is still well below this, fluctuating around the 4% level. However, as noted in 5 above, the proposed HRA subsidy buy-out will be an opportunity to review the investment and debt portfolio and it may be that some internal cash can be used to part finance any buy out, if this is better value than taking on full additional borrowing.

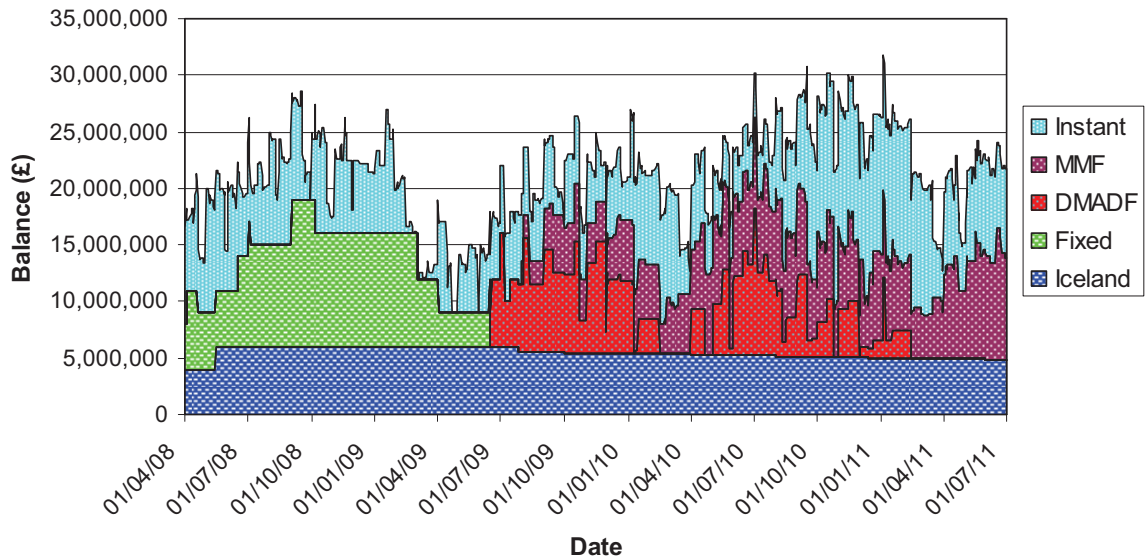


7. Investing Activities

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

All investment activity has been in line with the approved Treasury Strategy for 2011/12. No fixed term investments have been placed; surplus cash has been managed on a day to day basis using the call accounts and Money Market Funds (MMF). A full list of the investments at the end of Quarter 1 is enclosed at **Annex B**. The strategy approved for 2011/12 did not reduce credit criteria for counterparties but it did increase the investment limits for the small pool of counterparties that the Council places deposits with. This has meant that the DMADF account has not been needed in the quarter. Instead, deposits have been held in instant access accounts that are higher yielding.

Investment values over the prior 2 years



8. Summary of Budget Position and Performance

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

Base Rate	0.50%
3 Month LIBID	0.82%
Lancaster CC investments	0.65%

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

The approved Investment Strategy also allows for fixed term deposits up to 1 year with other local authorities. Further consideration will therefore be given to any such options in future, e.g. with the County Council.

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

Annual budget	£205K
Actual to date	£26K (see details in Annex C)
“Icelandic” to date	£44K (see details in Annex C)
Total	£70K
Variance	£19K favourable

There is a £19K favourable variance which is due to the impact of Icelandic investments. At the time the budget was set, the best estimate was that there was a 50/50 chance of full repayment in June 2011. The Icelandic element of the budget will need to be reviewed once the appeal case has concluded and the actual repayment amounts and dates are better known.

9. Risk management

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

There is financial risk attached to the longer term debt portfolio, associated with interest rate exposure; there has been no change to this over the quarter. Although PWLB have increased their rates for new loans, this is not judged to impact on the risks linked to the current portfolio. To mitigate the risk attached to any new borrowing, market data will be used to ensure value for money is assured on any new debt. This is particularly relevant given the proposed buy-out of the HRA subsidy system referred to in sections 5 and 6.

As noted in section 5 above, although there is reason for optimism, there is still uncertainty over some material elements of the capital programme. The financial risk that this creates is managed through regular reviews of expenditure to date as well as integration between capital budgeting and the treasury strategy; these risks are also managed through the Prudential Indicators, a full list of which is attached for information at **Annex B**.

Finally, as per the previous year's quarterly updates, recovery of Icelandic investments is still being managed with legal support organised through the Local Government Association. This should reach a conclusion around the end of Quarter 2.

10. Conclusion



The Council's treasury function has been on a low risk plateau since the Icelandic banking crisis; given the delicate state of the economy there is no strong argument for moving away from this position.

The appetite for risk has remained very low with the use of either AAA rated MMFs, and instant access call accounts. The strategy for 2011/12 was approved at budget Council on 02 March 2011 and this has continued in the same vein as prior years, being very cautious although with the limits on some counterparties increased. This is allowing more investments to be placed outside of the DMDF account whilst maintaining high credit quality.

Some significant progress has been made in the recovery of Icelandic investments with the Icelandic District Court ruling in councils' favour, however, a final judgement is still awaited by the Supreme Court. The main upcoming issue that will need addressing through 2011/12 is the HRA subsidy buy out. A detailed treasury strategy to finance the potential buy out will be developed in parallel with the Council Housing 30-year business plan and in consultation with Sector, the Council's Treasury advisors.

Quarter 1 Corporate Performance Review – Action Plan

Appendix D

CORPORATE PERFORMANCE REVIEW - ACTION PLAN LEADER OF THE COUNCIL: COUNCILLOR EILEEN BLAMIRE					
PRT Quarter 1 meeting(s)		Date of Leaders PRT meeting: Friday 5 th August 2011			
Portfolio Holder	Portfolio Area	Key PRT Actions Agreed	Status	Comments on progress	
Cllr Janice Hanson	Housing Regeneration	Bring forward Cabinet report with funding options		Options report prepared in draft and securing officer comments. Note that at this stage and in line with previous resolutions of Cabinet, any detailed funding options will only be identifiable through the budget process.	
Cllr Blamire	All	In conjunction with all services, Finance and HR undertake a review of the establishment and report back on what reductions can be actioned at this time.		Intention is to 'capture' permanent savings as soon as possible, to help make progress against existing savings targets for future years (note too that extra savings would be needed to provide scope for any growth or redirection of resources).	

CABINET

Climate Change Cabinet Liaison Group Terms of Reference

Report of Head of Community Engagement

PURPOSE OF REPORT			
To seek approval of the suggested Terms of Reference for the Climate Change Cabinet Liaison Group			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/> Referral from Cabinet Member
Date Included in Forward Plan	N/A		
This report is public			

RECOMMENDATIONS OF COUNCILLOR HAMILTON COX

- (1) That the Terms of Reference attached at Appendix 1 be approved.

1.0 Introduction

- 1.1 Terms of Reference are required in order to re-establish the Climate Change Cabinet Liaison Group with a new Chair and membership following the 2011 elections.
- 1.2 It is necessary to amend the Terms of Reference (TOR) for the new Climate Change Cabinet Liaison Group as the previous terms were developed in 2007. They related to developing and establishing a Climate Change Strategy and detailed the priorities laid out in the Corporate Plan at that time. The Strategy has now been established for several years and has been refreshed on a number of occasions. The Council's Corporate Plan current priorities are now very different from 2007 and the TOR need to reflect this.
- 1.3 The Climate Change Cabinet Liaison Group will provide a forum through which Service representatives and Members can work together to develop and have oversight of projects contained in the Climate Change Policy and Action Plan.

2.0 Proposal Details

- 2.1 Details of the proposed Terms of Reference are attached at Appendix 1

3.0 Details of Consultation

3.1 None.

4.0 Options and Options Analysis (including risk assessment)

	Option 1: Approve the TOR	Option 2: Amend the TOR	Option 3: reject the TOR
Advantages	The Climate Change Cabinet Liaison Group will be able to meet and begin delivering positive contributions to the area of climate change without further delay	Further input can be made by Members	None
Disadvantages	None	A delay to the meeting of the group	The group will not be able to form
Risks	None	None	A successful forum of discussion and Member leadership in relation to climate change activity will be lost

5.0 Conclusion

5.1 Establishing the Climate Change Cabinet Liaison Group will contribute toward effective implementation of the long-term climate change vision and development of the Climate Change Policy and Action Plan for Lancaster City Council. Member input and consultation, anticipated to be through the group, is a positive contribution and the Terms of Reference are required to formally establish the group.

RELATIONSHIP TO POLICY FRAMEWORK

Establishing the Climate Change Cabinet Liaison Group supports the effective delivery of the corporate priority on climate change.

CONCLUSION OF IMPACT ASSESSMENT

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

This group will become an important forum to discuss climate change and sustainability issues at a Member and senior officer level.

LEGAL IMPLICATIONS

None.

FINANCIAL IMPLICATIONS

None. Any recommendations by the Liaison Group would need to be referred to Cabinet for consideration

OTHER RESOURCE IMPLICATIONS

Human Resources:

None other than officer attendance at meetings of the Group

Information Services:

None

Property:

None

Open Spaces:

None

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has nothing further to add

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has nothing further to add

BACKGROUND PAPERS

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Appendix 1

Climate Change Cabinet Liaison Group – Terms of Reference

Background

Lancaster City Council is committed to action on climate change through its Corporate Plan (2011-2014), which prioritises tackling the challenges of climate change through saving energy in our buildings and fleet and generating income in the form of tariffs and other related opportunities.

To ensure effective implementation of the long-term climate change vision and development of the Climate Change Policy and Action Plan for Lancaster City Council, Member input and consultation is essential. The Climate Change Cabinet Liaison Group will provide a forum through which Service representatives and Members can work together to develop the Policy and determine or enhance projects contained in the rolling Action Plan.

Terms of Reference

The Climate Change Cabinet Liaison Group will:

1. Consider and make recommendations for the ongoing development of the Council's Climate Change Policy – Vision for 2020
2. Provide a forum for Member consultation on the development and delivery of the Climate Change Action Plan
3. Consider the delivery of outcomes and recommend any revised actions to achieve targets, which mitigate and adapt to climate change within the framework of the Corporate Plan
4. Consider and recommend effective links to external and internal policies relevant to delivery of the Corporate Plan priority on climate change and the Climate Change Policy
5. Request and consider reports from relevant Officers and Officer groups on the delivery of climate change objectives and the opportunities to secure external funding
6. Promote and raise awareness of the Council's approach to mitigating and adapting to climate change
7. To advise the Portfolio holder on budget proposals in relation to climate change projects
8. The Group will be Chaired by the Cabinet Member with responsibility for Climate Change and Property Services – Councillor Tim Hamilton-Cox
9. The Group will meet as required but in any event, no less than quarterly

CABINET

**Appointments to Outside Bodies – Lancashire
Tourism Forum
6 September 2011**

Report of Head of Governance

PURPOSE OF REPORT			
To inform Cabinet of the establishment of the Lancashire Tourism Forum and to make an appointment on the basis that full Council will determine that the appointment be made by virtue of position on Cabinet.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Officer Referral	<input checked="" type="checkbox"/>
Date Included in Forward Plan	N/A		
This report is public			

RECOMMENDATIONS

- (1) That Cabinet considers an appropriate appointment to the Lancashire Tourism Forum, on the basis that full Council at its meeting on 14 September 2011 will determine that the appointment be made by virtue of position on Cabinet.

1.0 Introduction

- 1.1 A letter has recently been received from the County Council indicating that at a recent meeting of Councillors from Local Authorities across Lancashire it was agreed that a Lancashire Tourism Forum be established to consider Local Authority tourism related issues. The Forum would comprise one Councillor from each of the County Council, the District Councils and the two Unitary Authorities across Lancashire.
- 1.2 A request has been received for the Council to nominate a councillor to attend the Forum. Whilst nominations are a matter for the Councils concerned, given the remit of the group, County Councillor Lawrenson, the County Council's lead member for Tourism on behalf of the Cabinet, has asked that, where possible, those nominated should have a similar influential role with their respective Councils.
- 1.3 In view of this, it would seem appropriate for the appointment to be made by

virtue of position, with the Cabinet Member with responsibility for Culture and Tourism well suited to represent the City Council on this outside body.

2.0 Proposal Details

- 2.1 It is for Council to determine whether appointments to outside bodies are made by virtue of a Councillor's position (such as Cabinet Member or Ward Member) or nominations invited from any Councillor without restriction, voted upon by full Council. (Council Minute 67 (2008/2009) refers). This will be considered by Council at its meeting on 14 September 2011.
- 2.2 If Council decides that the appointment should be made by virtue of position as a Cabinet member, the nomination would normally be referred back to Cabinet. However, given that the first meeting of the Lancashire Tourism Forum has been arranged for Friday 16 September 2011, to ensure that the City Council is represented at the first meeting, this report has been brought to this meeting to give Cabinet the opportunity of considering the appropriate representative in advance of the Council decision

RELATIONSHIP TO POLICY FRAMEWORK

The 2009-12 Corporate Plan identifies 'Leading our Communities' as one of the City Council's core values. Representation on outside bodies forms part of this Community Leadership role.

CONCLUSION OF IMPACT ASSESSMENT

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

Lack of appropriate representation on outside bodies and partnerships has the potential to affect the Council's ability to perform its community leadership role.

LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

FINANCIAL IMPLICATIONS

Members of Outside Bodies are entitled to travel expenses. Costs resulting from these appointments are met from democratic representation budgets.

OTHER RESOURCE IMPLICATIONS

Human Resources:

Not applicable

Information Services:

Not applicable

Property:

Not applicable

Open Spaces:

Not applicable

SECTION 151 OFFICER'S COMMENTS

The s151 officer has been consulted and has no further comments

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

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