LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Committee: **BUDGET AND PERFORMANCE PANEL**

Date: **TUESDAY, 27 NOVEMBER 2007**

Venue: **LANCASTER TOWN HALL**

Time: **4.30 P.M.**

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

A G E N D A

1. Apologies for absence

2. Declaration of Interests

3. Minutes of the Meeting held on 23rd October 2007 (previously circulated)

4. Items of Urgent Business authorised by the Chairman

5. Leader's 2nd Quarterly Corporate Performance Monitoring Report (Pages 1 - 15)

Report of the Leader of the Council

6. Star Chamber Progress Reports (Pages 16 - 22)

Report of the Leader of the Council

7. Update on the Storey Institute Project (Pages 23 - 86)

Report of the Corporate Director (Regeneration)

8. Procedure and Performance in the Council's Collection of Vehicular Fines (Pages 87 - 90)

Report of the Head of Property Services

9. Review of Service Level Agreements with Non-Housing Voluntary Organisations

Report of the Head of Democratic Services (to follow)

10. Work Programme Report (Pages 91 - 95)

Report of the Head of Democratic Services

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Jim Blakely (Chairman), Tina Clifford, Jean Dent, Keran Farrow, Sarah Fishwick, Mike Greenall, Tony Johnson, Ian McCulloch and John Whitelegg

(ii) Substitute Membership

Councillors Chris Coates, Roger Dennison, Rebekah Gerrard, Karen Leytham, Roger Plumb, Keith Sowden and Peter Williamson

(iii) Queries regarding this Agenda

Please contact Jon Stark, Democratic Services - telephone (01524) 582132 or email jstark@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

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

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

Published on Monday, 19th November 2007

Performance Management
CORPORATE TRAFFIC LIGHT REPORT
2nd Quarter 2007/08

X

Most Services now using Escendency – only Traffic Light reports produced for this quarter were for Licensing, Personnel, Legal, Regeneration (Coastal Works), Planning, Rural Issues and Neighbourhood Management.

For period ending September 2007 all the following were:
i.e. Failing, profiled target for the period not met, or anticipated that future year-end targets would not be met. In both cases corrective action should be identified.

LICENSING

PI Ref	LCC 26	The figure for the second quarter was 73%, and overall for the first half of the year 78%. During the second quarter one of the two Licensing Enforcement Officer posts was vacant, which meant that the other officer had to investigate all complaints. This inevitably led to delays. Meeting the target is not always within the control of the Service as the availability of any witnesses will affect the time taken to investigate. Further, in the Service Head's view it is more important to investigate complex complaints fully than to rush to meet a deadline target.
Council Priority	To deliver value for money, customer focused services	
PI Definition	% of licensing complaints where final response is given to the complainant within 10 working days.	
PI Type	Local	
Target 07/08	85%	
Future Target		

LEGAL

PI Ref	KPI8.1	The land transfer has been delayed by a lack of response from Network Rail's solicitors – outside the control of Legal Services. Legal Services have taken all steps within their powers to pursue the matter.
Council Priority	To leave the regeneration of our District.	
PI Definition	Luneside East land transfer completed by July 2007	
PI Type	KPI	
Target 07/08	Completion by July 2007	
Future Target		

PI Ref	LCC80	The figure for the second quarter was 61.5% and for the first half of the year 56%. This figure is low because the relevant postholder had a period of unpaid leave during the summer. Any delays have not prejudiced the Council's position. Further, as with the Network Rail transaction referred to above, property transactions can only move as quickly as the other party will allow. It is for this reason that the Service is intending to revise its local PIs to measure its own speed of response to instructions, rather than events which are outside its control.
Council Priority	To deliver value for money, customer focused services	
PI Definition	% of property transactions completed on or before target date where a reasonable target is set in advance by the client..	
PI Type	Local	
Target 07/08	78%	
Future Target		

2007/08 2ND Quarter PERFORMANCE REVIEW TEAM MEETING

SERVICE AREA: CORPORATE FINANCIAL MONITORING

DATE: 2 NOVEMBER 2007

PRESENT: COUNCILLOR R MACE, R MUCKLE, N MUSCHAMP

NO	AGREED ACTION	RESPONSIBILITY	PROGRESS
1	Ensure that outturn variances from 2006/07 for Planning, Cultural and I&CS are taken into account in revising budgets for current year.	NM	
2	Report back on ▪ Mobile phone variance ▪ Public conveniences variances	NM/JA	
3	Report to Star Chamber and into budget report regarding Trade Refuse and LAT charges	NM/MD	
4	Further details on interest from potential lettings of City Lab and St Leonard's House	NM/GC	
5	Report back on additional costs from Storey Feasibility Study.	NM/PS	
6	Luneside East Regeneration Project – briefing note on variance position for PMG.	NM/AD	

7	Service Managers awareness programme about informing Risk and Insurance Manager at earliest point re potential claims.	NM/LA	
8	Use of Planning Delivery Grant to finance costs awarded against Council on refused planning applications.	NM/AD	

RCM/JEB/5 November 2007

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

Corporate Financial Monitoring
April 2007
– September 2007

Report of the Head of Financial Services

Corporate PRT meeting: 02 November 2007

CORPORATE FINANCIAL MONITORING

April 2007 – September 2007

1. INTRODUCTION

This monitoring report of expenditure and income for 2007/08 sets out an indicative corporate picture of the Council's financial performance relating to the period ending September 2007 (*week 26).*

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

2. GENERAL FUND REVENUE MONITORING

2.1 General Fund Summary Position

The current overall General Fund summary position shows that at the end of September there is a net underspending of **£95,000** against the current profiled budget. It is anticipated that this will increase to circa £137K by the end of the financial year. This is £155K less than the previous forecast, and a full analysis of the movements is shown in ***Appendix A.*** These are still initial projections which are being scrutinised in more detail and updated as part of the current budget process. In due course the Revised Budget for the current year will be reported to Members for consideration / approval.

(For further comparison, the forecast underspending included in the MTFS review was £178K).

VARIANCES	Current £000	Projected £000
Major Variances (see below)	+67	+113
Salaries (see below)	-162	-250
TOTAL	**-95**	**-137**

Qtr 1 Position	**-57**	**-292**
Net Movement (see below)	**-38**	**+155**
Salaries	-61	-50
Qtr 1 Net Movements	-72	+4
Qtr 2 Net New Variances	+95	+201

2.2 Major Budget Variances

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

A number of major variances were omitted from the PRT reports and are shown at the bottom of the table. Full details are provided in Appendix A. With regard to Planning, this relates to a recent award of costs following an appeal, and enquiries are ongoing with regard to the insurance position. It is recommended that a briefing note be produced on this but alternatively, Planning Delivery Grant be considered as a source of funding. The Strategic Housing unreported variance relates to the recent Ombudsman decision, which is being considered at Cabinet in November (the timing of this will have impacted on reporting).

SUMMARY BY SERVICE	Current £000	Projected £000
REPORTED VARIANCES :		
Legal & HR	-26	-26
Corporate Strategy	0	+19
Information & Customer Services	+20	+30
Financial Services	-160	-187
Health & Strategic Housing	-10	-10
CC(D)S	-43	-90
Property Services	+60	+87
Econ Dev & Tourism	+47	+40
Cultural Services	+23	+23
Planning Services	+60	+89
	-29	**-25**
VARIANCES NOT REPORTED :		
Planning Services	+96	+96
Health & Strategic Housing	--	+42
TOTAL NET VARIANCE	**+67**	**+113**

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. These variances are being analysed in more detail to determine the reasons, and also to establish the implications for current / future years.

The profiled budget has been adjusted to keep it in line with the delayed pay award.

To date savings of £262K have been achieved against a profiled target of £100K, resulting in current savings of £162K. Based on previous years, it seems reasonable to expect this saving to increase to £250K by the end of the financial year, especially given the pay claim position. However, the position will be closely monitored on a monthly basis. It is also known that some virements are due to be processed, and these may affect the savings projections.

SERVICE	Budget	Profile	Actual	Diff.
	£000	£000	£000	£000
CC(D)S	1,120	543	539	-4
Corporate Strategy	427	207	204	-3
Cultural Services	1,847	897	858	-39
Democratic Services	432	219	217	-2
Econ Dev & Tourism	601	301	298	-3
Financial Services	1,046	488	485	-3
Health & Strat.Hsg	1,765	854	819	-35
IT & Customer Services	909	441	403	-38
Legal & HR	774	382	368	-14
Management Team	528	256	261	+5
Mellishaw Park	37	18	13	-5
Planning Services	1,315	638	588	-50
Property Services	1,060	502	511	+9
Revenues	2,654	1,288	1,208	-80
Total	**14,515**	**7,034**	**6,772**	**-262**
Turnover Target	**199**	**100**	**--**	**+100**
Saving to Date				**-162**

3 General Fund Capital Programme

3.1 Capital Expenditure & Financing

Capital Expenditure (General Fund)

The first table shows the latest approved capital programme and spend to date.

To date only £5.622M has been spent or committed leaving a total of £18.856M still to spend.

The second table shows where the main areas of underspend are. The largest is Economic Development, which relates to the Storey Institute, Science Park and Morecambe THI schemes.

The overspending on Waste Collection & Recycling relates to the acquisition of vehicles for which the financing is delegated to the Head of Financial Services. In this case outright purchase, funded by additional unsupported borrowing, is more economical than leasing.

In September the Audit Committee approved changes to the delegated authority for the Head of Financial Services to amend the Capital Programme in certain circumstances, subject to various conditions being met.

As a result of this, 4 new schemes that have been considered by the Asset Management Working Group (to September) are being approved as part of the revised arrangements. The schemes are :

Westgate Cycle Route	£35K
Salt Ayre Cycle Track	£140K
Bike It	£90K
ICON Chip & Pin	£26K

All schemes are fully financed either through external grant or by internal funding.

	£000
Current Programme	**24,478**
Spend to Date	4,782
Commitments	840
Balance	**18,856**

	Budget £'000	Spend /Committed £'000	Balance £'000
Flood Defences	3,219	1,316	1,903
Parks & Open Spaces	264	74	190
Community Safety	52	1	51
Highways & Traffic	719	186	533
Econ Dev	10,804	717	10,087
Electronic Gov't	907	636	271
Improving Facilities	2,636	615	2,021
Waste Collection & Recycling	59	555	(496)
General Fund Housing	5,818	1,522	4,296
Balance	**24,478**	**5,622**	**18,856**

Capital Receipts (General Fund)

A report was presented to Cabinet on 09 October setting out the latest position in respect of certain major capital receipts, and sought approval to progress the sale of three specific plots of land. As a result of the approval not all the anticipated receipts for 2007/08 will be received in year, and the programme will need to be re-worked in order to phase the spend in line with the financing. This is being taken forward as part of the current budget process and reported to Members accordingly.

At the end of September the total value of receipts required to finance the current programme was £3.461M of which £1.820M had been received, leaving a balance of £1.641M to be generated. This position takes on board the phasing of receipts as reported above.

4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

4.1 HRA Revenue Position

At the end of September the position for the Housing Revenue Account shows an underspend of £60K, which is an increase of £41K on the previous quarter, mainly relating to movements on Housing Subsidy and Dwelling Rents.. The revised estimates are currently being prepared and therefore a more accurate projection for the year will be provided for quarter 3.

The Housing Subsidy position will correct itself after the 2nd advance claim is submitted, which will allow for rental constraints; these were not incorporated into the 1st advance. The consultancy saving is to be put forward as a virement to support back scanning for the EDMS project. The dwelling rents are currently higher than anticipated due to notional void rent being included. Officers are currently investigating the reasons for this error and will correct the position in due course.

	Variances to Date	Project to Yr End
	£000	*£000*
Housing Subsidy	+87	0
De minimis capital rcpts	-16	-16
Estates : Electricity	-25	-20
Consultancy	-29	0
Dwelling rents	-77	0
Total	**-60**	**-36**
Qtr 1 Position	**-19**	**-31**
Movement	**-41**	**-5**

4.2 Council House Rent Collection

This section analyses the Council Housing rent income due, and shows at present the income collected is some £77K more than estimated. See comments above for explanation.

	2006/07	2007/08
Estimate	£5,281,800	£5,319,200
Actual	£5,341,271	£5,396,662
Difference	**-£59,471**	**-£77,462**
Qtr 1 Position	-£26,008	-£38,006

4.3 Council Housing Capital Programme

This section analyses actual spend and commitments against the Council Housing Capital Programme to the period ended September 2007. The programme has been updated for slippage of £157K from 2006/07. To date £2.506M has been committed (of which only £648K has actually been spent), leaving a further £1.178M still to commit.

The low level of spend was of concern in quarter 1, but at that time no information on commitments was reported.

Based on current projections, it is anticipated that there will be an underspend of £149K on the Housing Capital Programme in the current financial year; again this will be reported as part of the budget exercise.

	Latest Approved Programme £000	Spend & Commitments to Date £000
Adaptations	200	75
Bathroom / Kitchen Refurbishment	1,035	461
External Refurbishment	1,547	1,380
Environmental	397	287
Extractor Fans	80	0
Energy Efficiency Works	425	303
TOTAL	**3,684**	**2,506**

5 REVENUE COLLECTION PERFORMANCE

5.1 Council Tax & Business Rates

This section analyses the Council Tax and Business Rate collection statistics for current and previous financial years.

Collection performance statistics for both Council Tax and NNDR are up on last year. The apparent significant improvement in NNDR is due to the 2006/07 figures being unrepresentative (because of abnormally high rate refunds). 2007/08 collection rates are in line with earlier years' performance, however.

Percentage Collected	2006/07 %	2007/08 %
Council Tax	53.72	53.81
Business Rates	52.76	61.32

5.2 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts. At the end of September the total debt outstanding was £2,047,000.

The analysis shows that the overall level of debt has increased by £25K from the previous quarter. It can be seen though, that the debt over one year old has remained virtually the same. Of the overall debt, 35% is just over one year old.

When compared to the same period last year, there has been an overall decrease of £66K in the level of debt, and a reduction of 260 in the number of invoices outstanding.

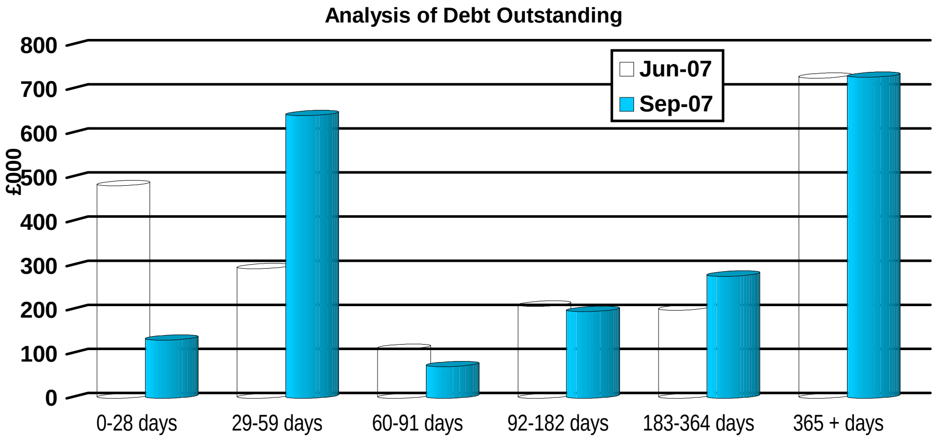
Appendix B provides a breakdown of the action being taken on outstanding debt over 90 days old. The snapshot has been taken as at 31 August in order to report into this quarter.

In accordance with the Debt Management guidance Services are required to report on debt that has been written off. This is summarised in the table opposite. Further details are available if required.

	June 2007		Sept 2007	
	No.	*£000*	*No.*	*£000*
0-28 days	692	**482**	506	**132**
29-59 days	277	**294**	637	**641**
60-91 days	278	**111**	224	**72**
92-182 days	908	**209**	669	**197**
183-364 days	594	**200**	970	**277**
365+ days	1,597	**726**	1,673	**728**
	4,346	**2,022**	4,679	**2,047**
Previous Year	--	**--**	4,939	**2,113**

Write Offs processed since 6th April 2007

Service	Under £500	Over £500
Property Services	£2,993.79	£5,432.98
Health & Strategic Housing	£2,159.13	£3,892.25
Council Housing	£29,826.74	£36,032.44
Financial Services	£94.70	
CC(D)S	£3,657.99	
Cultural Services	£499.25	
Building Control	£597.82	
Total	**£39,829.42**	**£45,357.67**



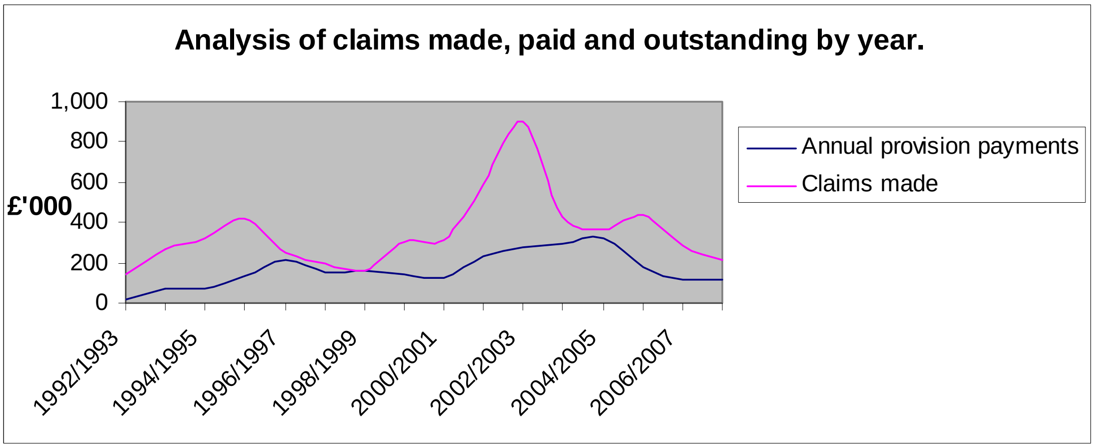
6 INSURANCE & RISK MANAGEMENT

6.1 Insurance Monitoring

The current balance on the insurance provision is £233K, after making payments of £118K in settlement of claims made, and receiving £1K as credits from the insurers in respect of claims above the excess.

At present, our insurers estimate that the value of claims outstanding is £458K, which relate to a total of 199 claims made over a 12 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 59% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £270K.

It is highly unlikely that all these outstanding claims will fall due for payment in the same financial year. For 2007/08 it is anticipated that claims paid will amount to approximately £240K. That is, a further £122,000 in claims payments, which is easily covered by the current balance on the provision and should still leave it at a prudent level at the year end. The uncertain nature of insurance claims payments, however, means that accurate predictions are difficult and, as such, the balance will continue to be closely monitored.



6.2 Risk Management

Corporate Risk Register

The Risk and Insurance Manager has completed the third update of the Corporate Risk Register. This has been revised to reflect alterations made in finalising the 2007/2008 Corporate Plan, and other issues that have arisen more recently.

In their one-to-ones with Service Heads, Directors have asked risk owners (Service Heads) to regularly review and update their strategic risks within the Corporate Plan. Feedback given to the Risk and Insurance Manager is then integrated into the Corporate Risk Register.

One of the key purposes of the register is to allow members to consider risk when setting their priorities and budgets for future years. The consideration of risk in this way, in the corporate planning process, is an essential element of sound risk management, and is reflected in the Council's Use of Resources assessment.

The Corporate Risk Register currently has the following as high risks issues in relation to existing/developing priorities. The attached report from the register shows the current and target scores for each of these risks, together with the necessary Risk Treatment Actions (RTAs) required.

- *The Council could take on liability for contaminated sites when acquiring land. (R/0004)*
- *Potential regeneration opportunity arising from M6 link road being built could be lost. (R/0115)*
- *Failure to ensure that the Canal Corridor scheme meets local planning objectives. (R/1031)*
- *Failure of Cabinet to prioritise corporate objectives effectively to meet the needs of the district. (R/0128)*
- *Funding for the Council's regeneration programmes may be clawed back. (R/1299)*
- *Loss of Performance Management System (R/1351)*

These risks need to be further reviewed and fed into the Budget and Performance timetable in order that any effect on the Council's priorities can be considered.

At this stage, consideration should be given as to whether it is felt that from the information attached, risks are being adequately controlled, and also whether there could be further risk issues that have not already been identified.

Service Risk Registers

Significant progress has been made with the development and improvement of risk registers for each service. Council Housing, CC(D)S, Health & Strategic Housing, Financial Services, Economic Development, Corporate Strategy and Information & Customer Services have been completed and are now directly linked to their own Service's Business Plan. Where appropriate, the necessary links have also been made to performance management, although further work is still required to fully integrate this with the Escendency performance management system.

The following major risks have, so far, been identified within these registers:

Economic Development Risk Register
Objective - To deliver successful regeneration programmes.

- *Claw-back could result from supplying insufficient supporting documentation for regeneration programmes.*
- *The Authority's reputation could suffer through the failure of a major capital project or cost overrun.*

Health & Strategic Housing Risk Register
Objective – To enable homeless applicants to access decent and suitable accommodation that meets their needs.

- *The use of bed and breakfast accommodation may be increased through the lack of decent/ suitable homes.*

Objective – To ensure adequate resources that are properly structured to deliver homelessness objectives.

- *Homelessness objectives may not be achieved if resources are not targeted to the areas of greatest need.*

Information Services Risk Register
Objective – To avoid breaches of law, statutory, regulatory or contractual obligations.

- *Non-compliance with statutory, regulatory or contractual requirements through inadequate protection of relevant records.*

These risks need to be regularly monitored and reviewed in order to ensure that the threats to operational success are controlled. This is integral to performance management; hence any issues or difficulties arising in managing the above risks, or indeed others that may arise, should be highlighted in the relevant service's PRT meeting.

Comments are welcome regarding any risk concerns relating to these, or indeed any other perceived operational risks.

7 2006/07 OUTTURN VARIANCES

As reported to Cabinet on 24 July 07, services were required to investigate overspends on controllable budget headings, as these are subject to automatic carry forward. They were required to comment, as part of their PRT reports, on the overspends and highlight any practical considerations and potential impact on service delivery should the overspend be carried forward.

This exercise has not been undertaken by a number of services, however, and Financial Services have also struggled to co-ordinate and support the exercise, due to other work demands. The only three services to report were Economic Development & Tourism, Finance and Property Services. From a broad analysis of the outturn, and whilst not all services incurred overspendings, it would seem that Planning Services, Cultural Services, Information and Customer Services and CC(D)S still have a need to report.

Given the circumstances and timing, It is recommended that this be completed in revising the budget for the current year.

SUMMARY OF MAJOR VARIANCES (Qtr 2 2007/08)

(Not included elsewhere in the report)

Service	Service Area	Reason for Variance & Action being taken	Variance to Date	Projected Variance to Year End		Previous Projection	Movement
			£	£		£	£
			+ = Adverse ( ) = Favourable			+ = Increase ( ) = Reduction	
		VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)					
Legal & HR	Licences - Betting & Gaming income	Income from Gambling Act 2005 not anticipated.	(26,000)	(26,000)	New	+0	(26,000)
	Search Fees (net)	Previously reported as a variance in Qtr 1 - position now in line with budget.	+0	+0		+2,200	(2,200)
Corporate Strategy	Performance Reward Grant	Grant received less than budgeted due to reduced allocation.	+0	+19,000	New	+0	+19,000
Information & Customer	Mobile Phones	Significant increase in cost of mobile phones. Previous years costs offset by credit received from previous provider.	+20,000	+29,500	New	+0	+29,500
Financial Services	Pension Costs (net)	Lancs. Pension Fund monthly recharge now c.£1,200 less than budgeted, but additional ER costs incurred . Tameside Scheme monthly contributions c £1,500 higher from May onwards, following 2006/07 outturn and reassessment.	+21,100	+19,000		+1,700	+17,300
	Audit Fees	Projected variance based on straight comparison with approved fee (incl. CPA reassessment) but profiling between years needs reviewing.	+0	+22,000	New	+0	+22,000
	Investment Interest	Broad estimate based on current position, budget currently being reviewed as part of budget process.	(9,800)	(20,000)		(50,000)	+30,000
	Bank Charges	Broad estimate based on current position, budget currently being reviewed as part of budget process.	(5,300)	(8,000)	New	+0	(8,000)
	Interest Payable	Savings of around £50k achieved through debt rescheduling. Remaining £50k saving linked to changes in borrowing assumptions.	+0	(100,000)		(50,000)	(50,000)
	Service Mgt & Admin	Net saving for period after allowing for extra spend on contract staffing. No overall saving expected for year.	(3,200)	+0	New	+0	+0
	LABGI	Additional LABGI payment received Sept - final year instalment due Feb. (Projected variance assumes that a further £87K will be receivable then).	(163,000)	(100,000)	New	+0	(100,000)
Health & Strategic Housing	Bed & Breakfast	Savings due to successful prevention initiatives	(9,700)	(10,000)	New	+0	(10,000)
CC(D)S	Public Conveniences : NNDR	Closed toilets have resulted in retrospective refund of NNDR	(4,000)	(4,000)		(6,800)	+2,800
	Public Conveniences - Clock Tower & Arndale Centre	Shortfall between usage income and the cost of maintenance contract - rental opportunity of unit in Clock Tower still being pursued.	+5,000	+10,000	New	+0	+10,000
	Street Cleansing : employee costs	Reduced sickness levels resulting in less agency staff and overtime being required.	(20,000)	(20,000)		(10,000)	(10,000)
	Waste Collection : employee costs	11 vacant posts are being held. Reduced sickness levels have reduced resulting in less agency staff being required.	(140,000)	(140,000)		(35,000)	(105,000)
	Waste Collection : Clothing & Uniforms	Improved specification clothing issued in respect of handling glass/needle stick injuries/waterproofing. Higher turnover of staff has equated to new clothing being required more often.	+5,000	+10,000	New	+0	+10,000
	Waste Collection : County contributions	Number of properties under-estimated for cost sharing purposes.	(19,000)	(76,000)	New	+0	(76,000)
	Trade Refuse - income	Income has been impacted on by loss of work and approach to schedule 2 customers. Performance of university contract and roll out of cardboard recycling are key. Detailed analysis of expenditure is taking place.	+145,000	+145,000	New	+0	+145,000
	Highways	Highways work is 'jobbing' and by nature unpredictable in terms of profitability - estimates are conservative but it is anticipated that the projected variance will not be detrimentally affected.	(15,000)	(15,000)	New	+0	(15,000)

APPENDIX A

SUMMARY OF MAJOR VARIANCES (Qtr 2 2007/08)

(Not included elsewhere in the report)

Service	Service Area	Reason for Variance & Action being taken	Variance to Date	Projected Variance to Year End		Previous Projection	Movement
			£	£		£	£
			+ = Adverse ( ) = Favourable			+ = Increase ( ) = Reduction	
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)							
Property Services	Off Street Car Parks : Fees & Permits	Fees above target at present but could be below in Q3/4. Reduced permit sales due to price increase and new private car park.	(41,300)	(10,000)		+38,300	(48,300)
	DPE : On-street parking	Variance reflects proposed reduction of £40K - Cabinet Sept 07	+15,700	+20,000	New	+0	+20,000
	DPE : On-street parking	Reduced deployment of operatives and reduced cost per ticket issued.	(8,600)	(15,000)	New	+0	(15,000)
	Church Street Market	Increased attendance but may slow down in Q3/4	(9,900)	(15,000)	New	+0	(15,000)
	Lancaster Market	Reduction in tenant numbers	+9,000	+20,000	New	+0	+20,000
	Mail Room - postages	Increase in postage by Services	+11,800	+12,000	New	+0	+12,000
	City Lab	Slow uptake of tenancies, resulting in reduced rent and service charge income.	+31,400	+25,000		+17,300	+7,700
	St Leonard's House	Slow uptake of tenancies, resulting in reduced rental income.	+52,000	+50,000		+26,500	+23,500
Economic Development	Storey Feasibility / Implementation	Costs incurred on the feasibility study and implementation of the project currently unfunded.	+46,900	+46,900	New	+0	+46,900
	Lancaster TIC Rent	Provision for rent in Storey Institute not required until 2008/09	+0	(6,400)	New	+0	(6,400)
Cultural Services	Salt Ayre : Gas & Electricity	Period 12 06/07 invoices paid in 07/08 without any allowance being made at year end, Managers aware and monitoring position.	+23,000	+23,000		+23,000	+0
Planning Services	Development Control Planning Application Fees	Increased application numbers. Government proposal to increase application fees. *(Note also use of PDG allocation will need consideration.)*	(22,600)	(40,000)		(95,000)	+55,000
	Luneside East Regeneration Project Costs	No original budget set. Costs relate to Estate Management costs prior to site being handed over to private sector.	+83,000	+128,700		+46,000	+82,700

Service	Service Area	Reason for Variance & Action being taken	Variance to Date	Projected Variance to Year End		Previous Projection	Movement
VARIANCES NOT REPORTED THROUGH PRT PROCESS							
Planning Services	Planning approvals	Costs awarded against Council following successful appeal against refused planning application. **(Note that PDG could be a funding option).**	**+96,000**	**+96,000**	New	**+0**	**+96,000**
Health & Strategic Hsg	Poulton Homezones	Compensation costs following court ruling on property disposals. To be considered at Cabinet 13 November.	**+0**	**+42,200**	New	**+0**	**+42,200**
		TOTAL VARIANCES	**+67,500**	**+112,900**		**(91,800)**	**+204,700**

Net Qtr1 Movements	**+3,500**
Net New Qtr2 Variances	**+201,200**

Appendix B

ACTION BEING TAKEN BY SERVICES (Qtr 2 2007/08)

Service	Total Outstanding Debt (over 90 days old)	Debt to be Written Off	Refer(red) to Moorcroft	Refer(red) for Legal recovery	Debt still being pursued	Payment Received / Instalment Agreed	Other Action / Reasons	TOTAL	Notes on Other Action / Reasons
	£	£	£	£	£	£	£	£	
Cultural Services	1,799.45					1,094.25	**705.00**	1,799.45	Original payment credited to old Barclays Bank a/c amount being pursued
Planning	13,301.64				13,301.64			13,301.64	
Building Control	1,074.57	0.61		523.46	550.50			1,074.57	
Council Housing	337,804.92	50,945.27	60,129.67	42,624.18	54,617.18	100,459.45	**29,029.17**	337,804.92	Action suspended pending payment of rent arrears. Please note the figures produced are for debt outstanding at **31st July 2007**
City Contract Services	105,519.87	6,555.30	1,657.92	575.00	9,613.07	86,136.64	**981.94**	105,519.87	Dispute on invoice to be resolved
Health & Strategic Housing	8,111.90	2,143.41	66.65	2,934.59	2,967.25			8,111.90	
Neighbourhood Task Force	15,561.06		87.94	8,229.96	7,243.16			15,561.06	
Property Services	94,223.74	8,128.31	42,610.53	3,719.67	17,550.20	22,215.03		94,223.74	
Financial Services	4,036.37	90.96		983.12		2,962.29		4,036.37	
Information Services	922.38						**922.38**	922.38	Invoice to be paid in October
Legal Services	622.00					622.00		622.00	
Housing Benefits	641,871.59	7,509.28		163,441.08		430,957.12	**39,964.11**	641,871.59	* Various actions see below
Total Outstanding	**1,224,849.49**	**75,373.14**	**104,552.71**	**223,031.06**	**105,843.00**	**644,446.78**	**71,602.60**	**1,224,849.29**	

*** 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 & a 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 agreeement have not been made & the agreement has been terminated & a termination letter issued

Agenda Item 6

BUDGET AND PERFORMANCE PANEL

Star Chamber
27th November 2007

Report of the Leader of the Council

PURPOSE OF REPORT					
To receive an update on the Star Chamber meetings held since the last report to the Budget and Performance Panel of 23rd October 2007.					
Key Decision		**Non-Key Decision**		**Referral from Cabinet Member**	**X**
Date Included in Forward Plan	N/A				
This report is public.					

Recommendations

(1) That the report be noted.

1.0 Introduction

1.1 Star Chamber is an informal meeting of Cabinet Members supported by senior officers. Its purpose is to provide a continuing process that examines current and future spending plans with the aims of ensuring value for money, identifying efficiencies and diverting resources into Council priorities and away from non-priorities, as well as alternative methods of delivery. It also provides the framework and focus for achieving the financial savings targets included in the Medium Term Financial Strategy and those efficiencies required under Gershon. Consequently, it will look at financial, physical, and human resource matters.

1.2 The group meets regularly and reports for information are made on a regular basis into Cabinet and also into the Budget and Performance Panel.

1.3 Star Chamber works to revised Terms of Reference as agreed at the Cabinet meeting held on 5 June 2007.

1.4 Since the last report to Budget and Performance Panel, Star Chamber met on 10 October, 17 October and 24 October. Action notes are attached as an ***Appendix***.

RELATIONSHIP TO POLICY FRAMEWORK

The work of the Star Chamber is critical to providing a challenge and review to both the way that our services are provided or their appropriateness to the targets set out in the Corporate Plan & Policy Framework. In particular this can be seen in:

- Corporate Plan Core Values – Sound Financial Management
- Corporate Plan Priority No 1 "To deliver value for money customer focused services"
- Revenue Budget & Capital Programme Monitoring
- Medium Term Financial Strategy target

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

None arising directly as a result of this report.

FINANCIAL IMPLICATIONS

None arising directly as a result of this report.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

None arising directly as a result of this report.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS	**Contact Officer:** Roger Muckle
Corporate Plan 2006/07	**Telephone:** 01524 582022
Revenue Budget and Capital Programme	**E-mail:** rmuckle@lancaster.gov.uk
Medium Term Financial Strategy 2006	**Ref:** RCM/JEB

APPENDIX

ACTION NOTES FROM STAR CHAMBER HELD ON 10 OCTOBER 2007

PRESENT: Councillors R Mace (Chair), E Archer, J Barry, A Bryning, J Gilbert, M Cullinan, J Donnellon, P Loker, R Muckle, N Muschamp, J Barlow

1 APOLOGIES

There were no apologies.

2 NOTES OF THE LAST MEETING

It was noted that Councillor Archer was not recorded as being present and should have been.

Vehicle Maintenance
A report back to January Star Chamber was requested on efficiencies in vehicle use.

Morecambe TIC
Information about the owner of the lease to be brought to a later meeting.

3 BASE BUDGET REVIEW AND VALUE FOR MONEY ASSESSMENT
REGENERATION (CONT'D)

Planning Services

Although statistical and KPI information was incomplete it was noted that Planning was a low cost service. Further information was requested on cost over service elements, and potential savings from EDMS. Report back to Star Chamber was requested.

Cultural Services

Report requested to Cabinet on in principal Options for NPDO – to include Community Pools and "invest to save" options.

Report requested to Star Chamber on energy savings using the Power Protector.

It was agreed to add to the provisional list of reports both the Dukes and the Dome.

Property Services

Statistical and KPI information was incomplete.

CCTV - Savings options were not taken.

Concessionary Travel – the minimum statutory requirement would be included in the budget and there would be a report back to Star Chamber when more information was known. It was noted there would be some discretionary choices for Lancaster within the overall county-wide scheme.

Estate Management – it was noted that the Property Review should have been completed in July. Members requested to know by 17 October Star Chamber when they could expect the final report.

There were no savings options provided for consideration.

The position regarding Ryelands House and the Health Authority to be confirmed at a future Star Chamber.

Market – No cost information provided.

A report regarding Lancaster Market would be produced for the Markets Committee.

Parking – the usual reporting process to Cabinet on fees and charges would take place as part of the B&PF. Consultation with both Lancaster and Morecambe traders should take place prior to the report.

Premises Management / R&M of Buildings – Operational efficiencies linked to financing capital works in Capital Programme and part of ATS Review.

There was a request for short term ‘invest to save’ scheme opportunities to be reported back to Star Chamber, e.g. voltage reduction system.

4 ECONOMIC DEVELOPMENT AND TOURISM – ADDITIONAL INFORMATION

There were no provisional savings taken from the Marketing and Promotion Budgets or the Tourism Marketing Budgets. It was noted that a report was going to a future Cabinet on Business Grants.

5 BRIDGE AND OTHER STRUCTURE MAINTENANCE ARRANGEMENTS

There were some mid to long term budget pressures. Negotiations were continuing with the County Council to adopt additional structures. It was unlikely that estimated liabilities would fall within the current budget period.

A report was requested showing long term investment required on remaining structures.

6 DATE OF NEXT MEETING

17 October 2007 – Progress Review

It was noted Cllr Gilbert would not be able to attend.

JEB/12 October 2007

ACTION NOTES FROM STAR CHAMBER HELD ON 17 OCTOBER 2007

PRESENT: Councillors R Mace (Chair), E Archer, J Barry, A Bryning
M Cullinan, P Loker, N Muschamp, J Barlow

1 APOLOGIES

Cllr Gilbert, John Donnellon, Roger Muckle

2 NOTES OF THE LAST MEETING

Estate Management Information about the date of the Property Review was outstanding.

Market A report to Cabinet detailing all options would be prepared in the context of the Budget and Policy Framework process. Information about the current lease conditions was requested.

3 REVIEW OF PROGRESS

A briefing note and list of options was considered. There was still a need to find £500K after taking account of balances. It was noted that cross-service savings would be built into the budget but these would not be significant.

Further reports and information was requested as follows:

Communications – report on options for the future and potential to be merged with other service areas.

Organised Events – report on options for reducing staffing. With regard to this it was requested that if possible measurement of what benefit the Festivals and Events brought to the district be reported.

Friends of Storey – confirmation that the figure of £35K is part of the new calculations for the Creative Industry Centre.

CAB – a consultants report prepared relatively recently to be circulated to Star Chamber.

Corporate Strategy – a report back was requested on the outcomes of each element of the Service.

Sports Development – circulate to Star Chamber the Cabinet report prepared last year.

Youth Games – report back on how the money is spent.

SRA Political Groups – members to consider and report back to Cllr Mace.

Arts Development – it was agreed to consider this further on 24 October following the Special Council later that day.

Additions to the list of reports required:
Leisure Grants, Lancaster Market, The Dome, Member Training, Civic Support.

4 TIMETABLE

A decision would be made in 2 weeks as to whether to reinstate some of the cancelled November meetings to avoid running behind further with the process. Cllr Gilbert had agreed to chair the meetings in the absence of Cllr Mace.

5 DATE OF NEXT MEETING

10.00 a.m. Wednesday 24 October – to consider the Base Budget Review and VFM Assessments of the Chief Executive's Directorate and the Neighbourhood Task Force; Arts Development.

JEB/18 October 2007

ACTION NOTES FROM STAR CHAMBER HELD ON 24 OCTOBER 2007

PRESENT: Councillors R Mace (Chair), E Archer, J Barry, A Bryning, J Gilbert
M Cullinan, P Loker, R Muckle, N Muschamp, J Barlow

1 APOLOGIES

John Donnellon, Nadine Muschamp

2 NOTES OF THE LAST MEETING

The record of the last meeting was noted.

3 NEIGHBOURHOOD TASK FORCE – BASE BUDGET REVIEW AND VFM ASSESSMENT

Options for savings were discussed in relation to manpower and delivery of the work programme. Further work was requested on the impact on the work programme of reductions to manpower and also opportunities in respect of external funding.

4 OPTIONS FOR SAVINGS

Arts Development – a further report to Star Chamber was requested regarding manpower involved in Arts Development and Festivals.

Sports Development –past reports to Cabinet on the Review of Cultural Services were re-distributed for information. Options on the range of activities would be considered at future meeting together with the options paper on Community Pools.

5 CHIEF EXECUTIVE'S DIRECTORATE
BASE BUDGET REVIEW AND VALUE FOR MONEY ASSESSMENT

Legal and HR Services

Legal – it was noted that a cross-Lancashire exercise was underway to research opportunities for shared services but this is not a short term option for this budget exercise.

Licensing – It was noted that this was largely required to break even and not operate at a profit but that it did benefit from a shared service with South Lakes District Council.

HR – There might be opportunity for medium term reductions in manpower as key projects are completed. Progress on Fair Pay was noted plus the need to complete the exercise by April 2008.

A report on officer training recently considered by Management Team would be made available to the Panel.

The request for information on Member Training at a previous meeting was repeated.

It was noted that improvements already made to recruitment and selection procedures had already saved £50K/pa.

Democratic Services

Electoral Registration/Elections Management – a potential growth item to comply with the Electoral Admin. Act would be considered as part of the budget process.

The cost of parish by-elections to be added to the options list of provisional savings but it was noted that the cost of parish elections would be further considered as part of the wider review of special expenses; and that the establishment of additional town councils would have a budgetary cost.

Electoral Registration – information about 2008 national targets was requested.

Democratic - A report back to Star Chamber was requested on potential savings from limiting the time of all meetings to 2 hours; reducing the number of meetings; and dealing with questions for council electronically. It was noted that any constitutional amendments should be dealt with by Audit Committee.

It was noted that with immediate effect blank pages were to be omitted from Agenda producing a saving of £800/pa.

Civic and Ceremonial – further information about costs and income was requested.

6 STAR CHAMBER TIMETABLE

It was agreed that Star Chamber meetings would be re-instated on 14th and 21st November in the absence of the Leader, and would be chaired by Cllr Gilbert.

7 CABINET REPORT REQUESTS

All requests for reports should go to the December Cabinet, i.e. The Dome, Lancaster Market and Cultural Trust Options.

8 DATE OF NEXT MEETING

7 November 2007: Base Budget Review and VFM Assessments – Finance and Performance Directorate.

RCM/JEB/25 October 2007

Budget and Performance Panel

Update on the Storey Institute Project

27th November 2007

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT
To provide Panel Members with an update on the current position with the Storey Project.
This report is public

RECOMMENDATIONS

(1) That the report be noted.

1.0 Details

1.1 Cabinet approved the Storey Project after considerable discussion as a fixed price contract to be delivered through a partnering contract and managed under the LAMP methodology. The project is based on providing the minimum works necessary to get the Creative Industries Centre in place and transferred to the Storey Board for them to run. The approach delivers a number of objectives for the Council, it utilises available external funding along with Council funds to create a new set of workspaces for a growing sector and it deals with a problem building with a significant repair bill largely through the use of external funds.

It is worth saying that the LAMP process being used is working successfully in flagging up any project changes and any increasing risk. The specific issues raised relate to the potential for increased costs, the issue of an item in the forward plan for a contract to be signed and whether or not there is any unauthorised project redesign taking place.

Increased costs: The LAMP process has flagged up through its reporting process an increased risk with roofing costs. The strategy with the building was not to completely re roof the building but to focus on areas of priority need to produce a fit for purpose building. The costs for phase 1 following detailed examination are still within budget but higher than anticipated meaning that the risk of higher costs in further phases is increased. The strategy for dealing with this is to review other areas of the project to see if specifications can be reduced and to review the risk register which has a provisional sum attached to items of potential risk.

Item in the forward plan: The original contract to be used for the project was a standard partnering contract which shares any savings between the partners and is intended to provide an incentive to both partners to deliver as cost effectively as possible. The Council resolution on the Storey requires any savings to be returned to the Council and not shared so a new form of contract is required. The contractor is currently working under a letter of intent while contract documentation is finalised.

Project redesign: The project is designed to deliver a minimum specification to provide the facility. Any redesign represents a reduction in specification in order to meet other risks that may occur with the project with the aim of staying within the capped budget. The risk register represents what would, under older forms of contract, have been an unallocated contingency. In the case of the Storey the risk register has been constructed to anticipate possible risks in a building of this nature, should some of the risks not occur then there is flexibility to apply risk register funds to other risks that are highlighted.

The project is progressing as planned and the LAMP process is working as demonstrated by the flagging up of an area of increased risk. Given that the project is still within budget albeit with an increased risk regarding the roof there would be no need to seek any further member decisions at this time. The fact that the contract has still to be signed does give the Council a further decision point but cancelling the project at this stage would require an assessment of the financial risks of doing so. It is likely if the Council sought to back out at this stage that it would face claims from the contractor and possibly clawback requests from funding agencies. The independent QS is being asked to assess and quantify these risks so that should members seek a change in approach all the relevant risks can be considered. The QS assessment will be available before the contract documentation is completed for signature.

Attached as Appendices to this report are the original report that went to the Cabinet meeting on 5th June 2007 and the Minute extract relating to that item and the Storey Creative Industries Centre Highlight report, Little Roof Exception report and the Storey Main Roof Exception report.

SECTION 151 OFFICER'S COMMENTS

The S151 officer notes that this is an information report only. Given the timescales involved in Agenda production, the S151 officer was not in a position to consider any more detailed comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer notes that this is an information update only.

BACKGROUND PAPERS Cabinet Report and Minute extract from 5th June 2007. Storey Creative Industries Centre Highlight report. Little Roof Exception report. Storey Main Roof Exception report.	**Contact Officer:** John Donnellon **Telephone: 01524 582301** **E-mail:** jdonnellon@lancaster.gov.uk **Ref:** JD/CD(R)

CABINET

Lancaster & Morecambe Economic Development Zone
Storey Creative Industries Centre
5th June 2007

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT					
For Members to consider providing additional funding to proceed with the refurbishment of Storey Institute into a Centre for Creative Industries as part of the Lancaster & Morecambe Economic Development Zone, together with resolution of associated operational matters.					
Key Decision	**Y**	**Non-Key Decision**		**Referral from Cabinet Member**	
Date Included in Forward Plan	April 2007				
This report is public					

RECOMMENDATIONS

(1) **Members note the progress to date on the detailed design phase and the revenue business plan.**

(2) **Should Members wish to proceed with the Storey project as outlined in the report:**

i. **That Council be recommended to allocate an additional £200,000 to the Storey project and that the Capital Programme be updated accordingly.**

ii. **That subject to Council agreeing to the allocation of additional funds and confirmation that the project meets existing grant funding conditions, the contract to deliver the capital scheme be let in accordance with Conlon Construction's tendered financial proposal.**

iii. **That income received from Luneside Studios for the licence to occupy space in the Storey Institute be ring fenced for year 1 start up costs incurred by Storey Ltd**

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

v. **That Members agree the terms of the lease and service level agreements as included at Appendices 2 and 3, including the lease being at a peppercorn rent, as a basis for negotiation between the Council and Storey Ltd, subject to agreement by the relevant Cabinet Member as an Individual Cabinet Member decision.**

vi. **That the Head of Financial Services be authorised to update the revenue budget for current and future years accordingly.**

(3) **Should Members not wish to proceed with the Storey project as outlined in the report, then a further report be brought back to Cabinet on options for the disposal of the building.**

1.0 Introduction

A number of previous reports have been submitted to Cabinet concerning progress with development of the Storey Institute Creative Industries Centre project. Members should be aware that the project development has been ongoing for a number of years and the scope of the project has had to be changed as a result of difficulties in securing external funding from some sources, notably Heritage Lottery Fund.

The overall desired outcomes of the project have not changed over the project development period. In simple terms the project has always been based on:

- Restoration and conversion of the Storey Institute, a dilapidated and underused building in need of substantial investment in repair and maintenance
- Creation of a new Creative Industries Centre, operated by a new and independent not-for-profit company,
- Development of a financially sustainable business and cultural ‘hub’ that provides a base and resources to drive the development of the creative industries sector in the district

Within these desired outcomes the project has taken a variety of forms driven by the funding expectations experienced at particular points in the project’s history. The project started out as an ambitious £7 million scheme. However, the realities of competing for scarce external funding has seen the project consistently scaled back in accordance with the prevailing financial situation. Gaining certainty on the funding package over 2006 was particularly difficult. Two major funding sources, Heritage Lottery Fund (HLF) and Lancashire County Developments (LCDL) had to be discounted. The bid to HLF failed and LCDL’s investment conditions were thought, on balance, unattractive and unworkable in the context of an already challenging business plan.

A report to Cabinet on 10th October 2006 outlined a number of options for the Council, ranging from abandoning the project and selling the building on the open market, through to proceeding with a scaled back “contingency “ scheme with a £3.5 million budget (which depended on a £500k capital contribution from the Council.

It was made clear to Cabinet in the October report that there would have to be significant revision of the capital costs and that this ‘contingency’ scheme would in itself be challenging to deliver in terms of maintaining a balance between capital cost and ‘fit for purpose’ viability.

Cabinet decided that it could not invest £500k in the project at that time due in part to wider pressures on the capital programme.

The decision led to a 'call-in' process. This resulted in a number of resolutions arising from a Cabinet meeting on 24th October 2006:

- *That funding drawn from the Industrial aid provision (£100k), SRB under spend (£150K), and estimated revenue savings arising from concessionary travel (£150K) and treasury management (£100K) are allocated to the Storey project to make up the current £500,000 shortfall in funding.*
- *That the Head of Financial Services be authorised to update the Revenue Budget and Capital Programme accordingly.*
- *That the above funding arrangements be reviewed as part of the 2007/08 budget process, in light of the updated revenue and capital position, and in recognition of the funding risks attached.*
- *That the terms of the lease are such that surpluses achieved in the running of the Storey project be used to provide for a development fund that could be used to complete elements of the project omitted from the current scheme and repay the Council ' s contribution to the project.*
- *That the terms of the lease allow for the Council to step in in the event of the business plan failing to achieve its financial and European funding targets, or in the event of additional capital costs being incurred over and above the £3.1m estimated to complete the contingency plan, to ensure any risk to the Council can be mitigated.*
- *That the terms of the lease be agreed between the board and officers before being brought back to cabinet for consideration."*

Cabinet agreed to the progression of the scaled back 'minimum' plan for the Storey project to use available resources from Arts Council, SRB, ERDF, and City Council. Significant progress has been made since then, both in terms of design of the capital scheme and also negotiations and discussions with the proposed operating company Storey Centre for Creative Industries Ltd (Storey Ltd). (Cabinet agreed the principle of handing the refurbished building over for operation by an independent, not for profit organisation (Storey Ltd) in February 2006).

A tight deadline is now being imposed on the Council in relation to ERDF and SRB funding, and it is now necessary for the Council to formally confirm its own commitment to implementing the current scheme and address issues that have arisen since the last report.

2.0 Proposal Details

Full details of the proposal concept and a range of material illustrating the main features of the design will be available at the meeting. The progression of this development proposal has overcome considerable constraints but the Council's and funders' general requirements are considered to have been met. Facilities within the building will include:

- 2800 sq m of refurbished floorspace
- A refurbished Storey Gallery
- A new 100-seat auditorium space and conference venue - the first purpose-built spoken word venue in the North-West
- New Media gallery space operated by Folly

- A new Tourist Information Centre, making full use of new technology and acting as a “hub” for the wider TIC network in the district
- Visitor hospitality facilities, including a bar/restaurant/café and toilets, and exhibition space

Economic outputs from the project include

- 129 jobs generated or safeguarded in the first three years, rising to 486 after 15 years
- 22 new creative businesses in the first three years
- A programme of creative business support

Once it becomes fully operational the building is expected to become fully self-financing, including generation of funding for future repair and maintenance of the buildings, creating a sustainable long-term future for the both the property and the activities of Storey Ltd.

Design and costs of capital works

The grant funding available for the project currently stands at £3,491,695. This figure comprises an original construction budget of around £3,100,000 with the remaining funds supporting fees, charges and grant to Storey Ltd.

The process of delivering the ‘contingency’ or minimum scheme involved making cutbacks in key structural areas from the more ambitious scheme which would have been delivered with HLF and LCDL funding contributions. A balance has had to be achieved between issues of time, cost and quality against:

- A strategic view of whether elements were essential requirements to a viable centre.
- The potential beneficial impact of individual elements to the proposed business plan and practical operation of the completed building.

Since the beginning of the year the project design team has attempted to ensure that the ‘minimum’ product would meet the aspirations of the Council and Storey Ltd (as end users) via a design workshop and close dialogue. Principal key design features agreed as necessary to provide the minimum viable scheme included:

- Retaining the separate café/restaurant and bar element rather than making a combined café/bar.
- Relocating the TIC to a different room on the Ground Floor
- Relocating reception to allow potential/flexibility for integration with the TIC
- Moving proposed Folly Gallery to first floor to create a new Arts hub alongside Storey Gallery and Litfest.

Design work was completed in March and all stakeholders agree that the project provides a viable proposition even under a minimum specification.

However, the contractor and Council’s cost consultant advised that uncertainty had been introduced due to the increasing inflationary pressures on the prices estimated for the previous larger HLF/LCDL funded scheme on which the ‘minimum’ scheme was based. A formal market based re-costing exercise was therefore required before the contractor’s suppliers could commit to price certainty on the current design.

Following this exercise the design team advised that the project could not be delivered to the quality, budget and contingencies anticipated without either wholesale reduction in fit out of key areas or progression of the scheme with no contingency sum.

The contractor and Council's cost consultant has advised that to maintain the optimum balance between price, quality and risk the overall capital budget should be increased from the original estimate of £3,100,000 to £3,248,000, a requirement for an additional £148,000. These current project costs assume a start on site date in late July 2007.

Council engineers have also indicated that it may be necessary for the Council to resolve a pressing highway issue as part of this contract. An independent report by consultant engineers has noted shearing movement in a retaining wall within the curtilage of the Storey Institute on Castle Hill. The report recommends a partial or complete reconstruction to ensure the long-term safety of highway vehicles and pedestrians. Correspondence from County Council states a view that maintenance is the responsibility of the City Council as owners of the Storey Institute and not the County as Highway Authority. This is arguable as the pavement level appears to have been raised, and the increased load on the top section of the wall has caused considerable movement of its top courses.

However, Storey Ltd cannot reasonably be left with this issue and responsibility/cost liability will not be resolved in the immediate future between City and County Council. The issue is in itself part of wider ongoing discussions between the City Council and Highway Authority over maintenance of bridges and structures. Therefore, without prejudice to future action against the Highway Authority it is recommended that the wall repair be brought into the Storey refurbishment contract. The contractor advises that a provisional sum of £50,000 be allocated for further investigation, design and mitigation.

Taking into account all the above, the project is now costed at around £200,000 over budget, a principally inflationary increase of around 6% from October and it is unlikely that further savings could be made without adding unsupportable risk into the capital project. No further matching funds can be identified. Although officers would continue to work on reducing capital costs and reviewing funding opportunities, it is considered that in order for the project to progress, the Council would need to make a further contribution to the scheme from its own resources.

Business Plan

The operating company Storey Creative Industries Centre (or Storey Ltd) would be responsible for all aspects of running the building, managing staff, tenancies and the catering/conference facilities. The Company would oversee the delivery of the creative/cultural programme within the building, and in conjunction with the regional Creative Industries network, provide dedicated business support mechanisms to the local Creative Industry sector. It also has to take ownership of the financial business plan and make key decisions on income resource allocation from the baseline case business plan provided by the City Council.

The company Board has already been heavily involved in refining the design of the building. The Board has created several sub groups and is fully aware of the need to create a detailed action plan to cover the next 18 months and beyond. Project management staff would support this planning and implementation process. However, critical to this side of the process is the early involvement of direct staffing support for Storey Ltd itself. A funding allowance of around £95,000 is included in the scheme to support the Storey Board in the 12 month period prior to the projected opening. The 12 month period is known within the project as ‘Year Minus One’, and funding would cover project management support costs, marketing, programme development advertising of key posts and other board development work.

Part of the building would be let under licence during the construction period to Luneside Studios. The terms of this negotiation are ongoing but it is assumed that the Council’s income from the licence would be reinvested in Storey Ltd as part of the Council’s support to Storey Ltd’s costs in building up to opening the facility. Cabinet are asked to confirm this arrangement. (The value of this licence is still being negotiated but is unlikely to exceed £10,000 pa).

A detailed 5 year business plan has been produced to show the viability of the scheme from opening. The ‘expenditure’ side may be viewed as pessimistic to some degree in that it is based on current core building costs. Staffing levels have been agreed by Storey Ltd as acceptable to meet their and the Council’s operational objectives. A summary is attached in Appendix 1. Estimated income streams to balance these costs are generated from:

- workspace rental income;
- catering and bar income;
- hiring out the rehearsal, workshop and meeting rooms, and the Litfest auditorium;
- hosting events and conferences
- Other project based income (as this is not guaranteed it is not included in current business plan projections)

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

If Cabinet is minded to support the progression of the project, this ‘safety net’ could be facilitated through the discretion that Cabinet has (through the Medium Term Financial Strategy - MTFS) to increase future years’ budget projections by up to £50K per year. Any sums would also be reviewed as part of future years’ budget processes also – as would Storey Ltd’s financial position.

This would also secure/mitigate any reputational risk to the Council of an unmanageable deficit being built up by Storey Ltd in the early years of operation. .

3.0 Options and Options Analysis

Option analysis

Cabinet considered the arguments for and against proceeding with Storey Institute project in September and October last year. Essentially, the options/arguments remain as before and are summarised and updated as follows:

Option	Advantages	Disadvantages	Risks and Mitigation
1) Do nothing – Abandon the project and continue to operate Storey Institute as at present.	Avoids the risks associated with undertaking a complex, externally funded capital scheme and any risks associated with the ongoing operation of the CIC.	Immediate loss of almost £3 million of external funding from ACE and ERDF Leaves the Storey Institute in its dilapidated condition and in need of major repair and maintenance (estimated at over £2 million) The building is now unoccupied (apart from Oxford Archaeology) and there would be a substantial revenue deficit unless new tenants can be found Over £400,000 of public investment in the project development work will have been wasted. Design fees of around £70,000 will have to be funded by the Council plus 'highway' costs of around £50,000. Adverse impact on the Council's reputation with key partners. No contribution to overall Council 'vision' and economic development/regeneration objectives.	1) Leaves the Storey Institute in its dilapidated condition and in need of major repair and maintenance (estimated at over £2 million). 2) Risk of continuing revenue deficit if sufficient new tenants cannot be found 3) The main form of mitigation would be to move to option (2) below – sale of the building.
2) Abandon the project and attempt to sell the building to a private sector investor/developer	No cost to the Council's capital programme Generation of a possible capital receipt	(As for option 1): Loss of almost £3 million of external funding from ACE and ERDF (As for option 1): Over £400,000 of public investment in the project development work will have been	1) No certainty that a suitable purchaser could be found. In this case, the Council would be in the same position as for option 1, facing continued dilapidation of the building and escalating repair and maintenance bills 2) Risk that a private sector purchaser would be able to over-ride the covenant and change the use of the building to more

		abortive. Design fees of around £70,000 will have to be funded by the Council plus ‘highway’ costs of around £50,000. Possible adverse public reaction to the sale of the Storey Institute. No external funding available to support the private sector in developing a viable scheme.	profitable uses which are not in keeping with the original bequest to the City by Sir Thomas Storey.
3) (Preferred Option) Affirm the decision of October 2006 but increase council capital contribution by £200k and implement the scheme within acceptable quality and risk thresholds.	Secures a sustainable, long term future for one of Lancaster’s key heritage assets Can achieve the full range of economic development and regeneration benefits arising from this project Maximises the financial viability of the building Storey Ltd and provides the best opportunity for creation of a viable business. Avoids unsupportable quality/risk issues which would otherwise inevitable occur. Resolves a serious highway issue.	Requires the current council capital contribution to be increased to £550,000, with no provision for recovery. Commits the council to the risks associated with undertaking a complex, externally funded capital scheme with a third party operator. Lost opportunity to generate a possibly substantial capital receipt	1) Risk of overspend is inherent in a complex, externally funded**,** capital project. These have been mitigated by the use of the Partnering approach. The project team has worked on an open basis to secure a maximum market price for the build, within which the Council’s partner contractor Conlon Construction will be contractually obliged to deliver the scheme. The ‘partnering’ method of procurement is regarded by experts as the single most positive step a project can undertake to control capital cost risk. The risk of matters outside the contract impacting adversely on the agreed maximum price are/will be reduced by: • Early contractor involvement and commitment to partnering and ongoing value engineering against agreed work packages, provisional sums and identified risk items; • The quality of contract design documents and the upfront appreciation of end user needs/expectations; • Adequate risk contingency monies for unforeseen impacts; • Quality of the design team and their length of involvement and knowledge of the building; • Independent cost consultants employed on behalf of the Council The contractor is offering a ‘maximum’ price (equivalent to a tender figure) with a lower ‘target cost’ set as a performance indicator. It is the intention of the project team to drive towards this lower figure with any savings accrued returned to the project to assist in further mitigating potential risk items. Project costs

			and variations will also be monitored through the use of LAMP methodology and any risks of cost-over-run will be identified at the earliest practical stage so that appropriate action can be taken. In accordance with LAMP methodology, a full capital project Risk Log has been produced and is available as a background paper if required. 2) There are risks to the revenue costs of the completed building in handing it over to a not for profit organisation. These are quite complex issues and are outlined in the text below.

Discussion and Preferred Option

The issues surrounding the original proposed investment in the project by the City Council have been well rehearsed in previous reports, but can be summarised in the question: Does the benefit of maximising the capital funding available to the project outweigh the impact of doing nothing?

Should the Storey scheme be abandoned, and if the Council chooses to continue to run and operate the Storey building, the liability for running costs will fall back on the Council to generate. The Council may also have less rental income from tenants who have already left the Storey building as there is no guarantee they will return to a building that has not been maintained.

This situation points to an option, where in order to avoid high ongoing net running costs and a call on the capital programme, the City Council could choose to try and dispose of the building. This option also has other difficulties in terms of:

- Trying to sell a poor quality building in need of high investment with a restrictive covenant;
- A building within the Council's portfolio continuing to deteriorate;
- Popular community reaction against the council selling off a building to which it is a 'custodian'.

It does have the advantage, however, of generating a possible capital receipt, to help fund the capital programme.

Through inflationary pressures and a detailed market based testing exercise the £3.1 million budget is, unfortunately, considered to be insufficient to deliver the minimum viable scheme without unacceptable cost risk to the Council. The introduction of the recent highway issue introduces another element of cost/risk burden to the scheme. The council's cost consultant, working closely with the contractor, has clearly advised that to reduce high cost/core elements of the scheme (particularly building envelope and mechanical and electrical work) will lead to problems in the ability of the contractor's supply chain to deliver. There is no further benefit, in terms of price, to be gained from driving down the price offers from key subcontractors.

There may be small gains to be made on fit out elements, but the end user must be given a building that is fit for purpose as a minimum and which can generate income from day one. It is not feasible for the Council to deliver to Storey Ltd a simple 'shell' as may be expected under a standard commercial arrangement for premises or workspace. The project specified a minimum standard fit out allowance for key public areas such as the auditorium, bar, café and gallery spaces for optimum income generation. It will be 'false economy' to reduce allowances for items which will be key to the end building experience.

Therefore, the preferred option is Option 3 – additional capital funding to allow the minimum scheme to proceed.

Members should note that since October, design costs of around £70,000 have been incurred in revising and developing the scheme and these would have to be paid by the Council if the project did not proceed.

If members agree to the approval of additional £200,000 this will bring the Council's capital investment in the project to £550,000.

Risks/Benefits associated with the preferred option

Cabinet agreed the principle of handing the refurbished building over for operation by an independent, not for profit organisation (Storey Ltd) in February 2006. For the City Council, this is an innovative approach, and members will need to be aware of the specific risks and benefits that this approach presents.

Primarily, these relate to the risk that Storey Ltd fails to achieve the income targets in its business plan, and runs into financial difficulties, either at an early stage or later in its operational life. Should this lead to a change in the use or ownership of the building, this could potentially trigger clawback of the ERDF, SRB and Arts Council grant aid invested in the building.

Should Storey Ltd run into financial difficulty, the Council would be faced with three main options:

Option	Comments	Clawback risk
1) Provide short term revenue support to Storey Ltd to help it keep trading and recover	This would have to be judged on the circumstances at the time, including availability of funding within the Council's own budgets and an assessment of the strength of Storey Ltd's prospects for recovery.	Minimal, provided Storey Ltd continue to operate and let the workspace for grant eligible activities (ie small /medium businesses)
2) Repossess the building under the terms of the lease, and operate it directly, on similar lines to its recent operation, as flexible workspace with minimal staffing (eg caretaker/receptionist)	This effectively puts the Council back to where it is at present, but with a refurbished and repaired building with no immediate maintenance and repairs liability. There may be a short-term income deficit if the building is not fully occupied, but on past experience the building may be capable of running at break even or better.	Negotiations would have to be held with GO-NW to determine whether this would invalidate the use of the value of the building as an in-kind contribution in the capital scheme. Potentially, this could lead to clawback of part or all the ERDF grant. It is expected that GO-NW's primary concern would be to ensure that the building was continuing in the use for which grant was given (ie managed workspace) and that they would be supportive of the Councils' actions under this option.
3) Repossess the building under the terms of the lease and sell it to a third party at market value.	The building value would have been enhanced by the refurbishment scheme and would exceed the current £900k valuation, but cannot be quantified at present.	Clawback of both SRB, ACE and ERDF grant would be triggered. This would be offset by the receipt from sale of the property. It is not possible at this stage to say whether the receipt would meet or exceed the clawback amount.

Members should note that the risk of Storey Ltd's failure has been mitigated as far as possible by recruiting company directors of considerable quality and experience. A recruitment process facilitated by Business in the Arts North West (BIANW) appointed the members necessary to allow the company to legally discharge its responsibilities. Individual directors have considerable experience of running companies in both the profit and non-profit making sectors and there is particular expertise in workshop facility and marketing/events management. Project management staff will continue to support the company's planning and implementation process.

In broad terms this transfer of public assets for ownership and management by a social enterprise realises social, economic and community benefits in appropriate circumstances. Officers consider that the benefits of this type of management and ownership outweighs the risks and any opportunity costs. There are risks, but they can be minimised and managed – there is plenty of experience to draw on. All parties are working together in a business focussed approach which, while not the norm within the public sector, is an approach that works. The stake that Storey Ltd has in the building imposes a degree of financial and legal responsibility but also gives greater freedom to exploit the building's potential. There has been a rational and thorough consideration of the risks and officers consider this project to be a 'smart' investment of public funds and the council's own asset which has the potential to achieve high level outcomes.

4.0 VAT, Lease and Service Level Agreement

Members should be aware of the impact of certain resolutions made by Cabinet if it agrees to proceed with the capital scheme as outlined above.

Previous detailed VAT studies indicated that the preferred Management structure for the completed building would involve the development of an Independent third party trust/management company to take on a fully repairing and insuring lease and run the refurbished building. The creation of such a body ensured that VAT on the capital build cost incurred by the Council would be reclaimable if a lease was offered at a true 'peppercorn' and as 'non-business supply'. This approach eliminated the risk of Lancaster City Council exceeding its VAT threshold on 'non-statutory/essential' activity.

However, as noted in Section 1.0 Cabinet has resolved:

> *That the terms of the lease are such that surpluses achieved in the running of the Storey project be used to provide for a development fund that could be used to complete elements of the project omitted from the current scheme and repay the Council's contribution to the project.*

This resolution has a fundamental impact on the project approach and VAT risk. Informal advice from the HMRC is clear that the capital project's 'non-business' status would be invalidated by lease clauses that demand:

- A requirement for the repayment of any capital sum expended on the refurbishment
- A requirement to deliver the building back to the Council in an improved form
- A requirement to carry out, or make financial contributions towards, any arts/creative industries activities beyond those involved in meeting the Centre's own output objectives (though the Council can be specific about what those outputs are to be).

If Cabinet wishes to control or make use of the income generated during the period of the lease then it has to use an 'Option-to-Tax' route to be certain to reclaim VAT on the build costs. However, under this route a 'demonstrably commercial' rent must be set or the arrangement could be viewed as contrived and in contravention of anti-avoidance legislation. For certainty, then, the lease should be clearly either a 'commercial' or 'non-commercial' arrangement.

The main problem with a 'commercial' arrangement is that the business plan has been developed on the basis that there will be no rental liability on Storey Ltd. It is difficult to define what is commercial in terms of HMRC attitudes and the context of this project. If the Centre could obviously make £150k a year before rent and rent was set at £1k, then this would appear to look like a preferential, not commercial, arrangement. However, if the company is making very modest profits then £1k could be considered 'commercial'. There is also the risk of protracted negotiation between the company and the Council before this issue could be resolved. It is inevitable that a rent would have to be low making 'payback' relatively meaningless when compared to the Council's capital investment.

The Council is however able to exercise control through a number of elements in a 'non-commercial' approach that reduce the risk of non-performance of the company while giving VAT certainty. A 'peppercorn' lease is still able to define overall use of space and include the grant funder's use terms (Draft terms currently being discussed are attached in Appendix 2). It also allows the Council to 'step-in' in the event that Storey Ltd's business objects or terms of reference are altered to move the company from its current 'not for profit' status.

There is no VAT issue if the Council defines targets and actions through direct grant funding to Storey Ltd. In section 2.0 it was noted that some grant will be paid to Storey Ltd for project development purposes. Storey Ltd's access and use of these funds can be made conditional on specific achievements in terms of outputs and outcomes. A draft service Level Agreement is attached for information (Appendix 3).

In summary, Cabinet could commit to the arrangement with Storey Ltd as 'non business' under the broad lease and Service Level terms outlined and be confident that its own VAT position is secure and that an appropriate degree of control is being exercised over project outcomes. The apparent downside to this is that the Council would not be able to recover any of its capital contribution to the project, if Storey Ltd ever generated sufficient profits in future – but realistically there is little prospect of this situation occurring. (Members should also note, however, that recovery of the Council's contributions to the capital scheme could have led to complications with external funders, notably ERDF, as such repayments could be subject to clawback). This is different to the resolutions of Cabinet back in October, hence the re-consideration of this issue.

5.0 Conclusion

There is an opportunity to bring to fruition a development project that will contribute to the growth of the local economy by the provision of new employment generating workspace and supporting the Storey Ltd to become a powerful advocate for the creative industries sector in the district. This will require a significant financial contribution outside of the current Capital Investment framework and budgetary projections, however. Members are therefore asked to consider whether this scheme should proceed or not, under the terms outlined in the recommendations.

RELATIONSHIP TO POLICY FRAMEWORK

Corporate Plan - The project contributes towards the following Strategic Objectives Corporate Plan Priority 4 – "To lead the regeneration of our district

The capital financing position of the project falls outside of the Council's approved Capital Investment Strategy, however. That is why Cabinet would need to make recommendations on to Council, should it wish the project to proceed.

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

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

FINANCIAL IMPLICATIONS

CAPITAL

In line with the Council's Capital Investment Strategy, funding of the increase of £200,000 in the capital cost of the scheme will require approval by Council. The basic options are:
- use of prudential (unsupported) borrowing,
- additional use of revenue funding, and
- reductions elsewhere within the Capital Programme.

The outline implications of each are as follows. These would be assessed in greater detail for any subsequent report to Council.

- Including both interest and repayment of principal, the costs of borrowing would be between £17-20K per annum over the 25 year term of the project.

  Cabinet may be aware that following additional grant funding being obtained for the Luneside Scheme, there is almost £0.5M of 'unused' prudential borrowing, the costs of which have been provided within the revenue budget. Nonetheless, if Members choose to allocate any of this borrowing to the Storey project, there will be borrowing costs incurred as outlined – these would be avoided if the scheme did not progress.

- With the use of revenue funding, then compensating savings would need to be found, which could impact directly on the achievement of other objectives or priorities. Alternatively, if additional revenue reserves could be identified, there could still be a loss in investment interest of around £12,000 per annum.

- Reductions elsewhere within the Capital Programme would also impact directly on the achievement of other identified objectives and priorities.

REVENUE

The latest financial projections, as prepared by the Board of Storey Limited, have been reviewed in detail. In summary:

- adequate provision is made for expenditure, including levels of staffing sufficient to support the operation of the Centre,
- the one amendment that has been identified is that allowance should be made for irrecoverable VAT, estimated at approximately £15,000 pa, (note- this concerns Storey Limited's ability to recover VAT and is a separate matter to the VAT implications of the project for the Council, which are dealt with below,)
- there are remaining risks around two of the three main income streams, as follows:
  - ♦ lettings of creative space – targets are attainable, but challenging, with material risk of non-achievement, and
  - ♦ casual lettings of auditorium, etc – high risk of non-achievement,
  - ♦ the Board has identified a number of potential additional income streams which can be reasonably expected to mitigate these.

Taken together, these indicate that there is a material level of risk that financial targets will not be met, and that Storey Limited will require financial support during its early years of operation. Should this be the case then there are a number of potential sources of such support, but direct support by the Council may very well be needed and so some provision should be made for this at an early stage.

There are no net cost savings arising directly from the project to cover this. A number of possible other savings and additional income have been identified, but these are not yet definite. However, the key issue now is that, if approval is to be given to the progression of the scheme, the need for this provision is recognised and this is reflected in the recommendations. This could be provided through the existing flexibility and discretion that Cabinet has to increase future years' budget forecasts, as outlined in the report. Further detailed consideration would also be included within the 2008-09 budget process.

The recommended minimum level for such provision is £25,000 per annum for the first two years.

Storey Limited has a good prospect of its operations being self-financing by no later than the fifth year, but the possibility that it will require financial support, even if at a reduced level, into the fifth year and beyond, cannot be ruled out entirely, and Members would need to accept this residual risk. Should the performance of Storey Ltd be considerably poorer than anticipated, the Council would need to consider alternatives as set out in the report - such as stepping in as landlord and assuming control of the building, or agreeing a revised plan with some further initial short term revenue support - if there was convincing case that this would achieve a sustainable future for the Centre in the longer term.

Given the ongoing revenue position, as set out above, there is, unfortunately, no real prospect of Storey Limited being in a position to make the repayment of the Council's contribution to the capital cost, as was previously envisaged. Members should also note, however, that recovery of the Council's contributions to the capital scheme could have led to complications with external funders, notably ERDF, as such repayments could be subject to clawback.

Other revenue implications to note are as follows:

Luneside Studios: The recommendations provide for this income, estimated in the region of up to £10,000 pa to be used to help with Storey's start up costs. This has not previously been budgeted for, and so would not have any net impact on the Council.

Storey Gallery: At present the City Council provides grant funding to this organisation, which leases premises within Storey Institute. Once the Centre has opened, its rent payable will increase but it is assumed that the level of City Council grant funding will remain at current levels.

ASSET MANAGEMENT

The Council's principal contribution to the project, i.e. the commitment of a key asset with an estimated market value of £900,000, remains unchanged.

GRANT FUNDING

In the light of the changes made to the project, compared to the original proposals, clarification is being sought in order to ensure that these developments have had no impact on the validity of the existing grant funding approvals. This is for completeness and to ensure that the Council's interests are safeguarded, rather than because there is perceived to be an immediate problem. Should any difficulty be encountered then this would be referred to Cabinet.

VAT

A number of complexities in respect of VAT have been addressed.

In summary, in order to recover the VAT incurred on the capital project (a sum in excess of £500,000), and avoid rendering certain other amounts irrecoverable, the Council must either:
- charge Storey Limited only a peppercorn rent and classify the arrangement as 'non-business, or
- charge Storey Limited a 'commercial rent' and opt to charge VAT on this amount.

The latest advice from HM Revenue and Customs has indicated that, in this instance, a commercial level of rent could be a relatively low amount, eg £1,000 pa, which would not, in itself, jeopardise Storey Limited's financial viability.

The key distinction is that if the Council wished to require Storey Limited to either:
- make repayments of the Council's contribution to the capital scheme,
- carry out further development works to the building
- use its resources to contribute to the Council's activities beyond the operation of the Centre and its objectives, or
- provide the Council with any form of service, other than at full market price,

then the 'non-business' option would be invalidated and a 'commercial rent' would have to be charged.

If the Council does not wish to make any such requirement (and see above comments on the likelihood of the Business Plan being able to support them), then the 'non-business' route (i.e. based on a peppercorn rent) is the less complicated and the more appropriate of the two.

Should Members wish to pursue the option of disposing of the property instead of completing the project, then more work would be required to firm up options and likely disposal values. In essence though, the more development constraints etc. that Members wished to attach to the building, the lower the likely sale proceeds.

SECTION 151 OFFICER'S COMMENTS

The report provides up to date information on the estimated costs, together with financial and other associated risks attached to the project, based on contract prices and a more robust appraisal of the business plan. It also includes available indicative information on the implications for disposal of the property, although more work would be required to assess detailed options for this and this is reflected in the recommendations.

In essence the report sets out a clear choice for Members, i.e. whether to identify and allocate further capital and revenue funding to allow the scheme to progress, or whether to pursue disposal of the property. Each of these options would help support different objectives under the Corporate Plan – it is a question as to which one should take priority.

In reaching a decision, the s151 Officer would advise Cabinet to have regard to the financial outlook of the Council, in particular:

- capital prospects, including the need to generate capital receipts to fund the existing programme, as well as yet unquantified capital pressures such as those in relation to the wider accommodation review.

- Revenue prospects and the need (and scope) to make ongoing revenue savings if Council Tax / MTFS targets are to be achieved. This also includes consideration of prospects for Government funding, in line with the Comprehensive Spending Review.

The completion of the project would add further pressures to the Council's financial position. If Members wish the project to go ahead, therefore, the s151 would advise that Members need to be satisfied that they can achieve sufficient income and / or savings in order to deliver a balanced capital programme and revenue budget for the future.

The current Capital Investment Strategy, which was approved by Council in March, basically provides for any extra capital resources (such as from additional land sales or from unused prudential borrowing) to be 'set aside to cover any potential funding difficulties attached to the forecast capital receipts assumptions. It will not be used to support new or additional capital investment'. Should Cabinet wish the project to proceed, the extra investment required would be contra to the Strategy, hence the reason why referral on to full Council would be required.

LEGAL IMPLICATIONS

Legal Services have been consulted and will advise on the form of lease and service level agreement to satisfy the requirements for this proposed scheme

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS	Contact Officer: Paul Rogers
Previous report to Cabinet dated 05 September 2006 and Cabinet meeting resolutions from 24th October.	**Telephone:** 01524 582334 **E-mail:** progers@lancaster.gov.uk

Cabinet Minute Number 8, 5th June 2007

The resulting Minute that came from consideration of this report went as follows:

(Cabinet Member with Special Responsibility Councillor Abbott Bryning)

(It was noted that Councillors Roger Mace and Abbott Bryning had declared personal interests with regard to this item).

The Corporate Director (Regeneration) submitted a report that considered providing additional funding to proceed with the refurbishment of Storey Institute into a Centre for Creative Industries as part of the Lancaster and Morecambe Economic Development Zone, together with resolution of associated operational matters.

The options analysis including risk assessment, were set out fully in the report. The options were set out as follows:

(1) Do nothing – Abandon the project and continue to operate Storey Institute as at present.

(2) Abandon the project and attempt to sell the building to a private sector investor/developer.

(3) Affirm the decision of October 2006 but increase council capital contribution by £200k and implement the scheme within acceptable quality and risk thresholds.

The Officer Preferred Option was Option 3.

It was moved by Councillor Roger Mace and seconded by Councillor Jon Barry:-

"That the recommendations, set out in the report, be approved, subject to the following amendments:

That recommendation (1) be amended to read:

That Members note that design work was completed in March and all stakeholders agree that the project provides a viable proposition even under a minimum specification.

Insertion of the words "prudential borrowing" after the word "project" and prior to the word "and" in recommendation 2(i).

Deletion of recommendation (3) and the insertion of:

Should Council agree to provide further Capital support that the budget of £3.298M be set as a maximum sum for delivery of the agreed specification and that any amount recovered from Lancashire County Council as Highways Authority and any contractual savings that may result from the partnering process either through savings against the tender price or contingency remain with the Capital Programme for determination by Cabinet at a future date."

By way of amendment it was moved by Councillor Jon Barry and accepted as a friendly amendment by the mover and seconder of the original proposition: -

"(1) That public access is maintained to the garden and that this be put in the lease.

(2) That Star Chamber reviews the Capital Programme as soon as possible."

Members then voted as follows on the proposition, as amended.

Resolved unanimously:

(1) That Members note that design work was completed in March and all stakeholders agree that the project provides a viable proposition even under a minimum specification.

(2) That Council be recommended to allocate an additional £200,000 to the Storey project via prudential borrowing and that the Capital Programme be updated accordingly.

(3) That, subject to Council agreeing to the allocation of additional funds and confirmation that the project meets existing grant funding conditions, the contract to deliver the capital scheme be let in accordance with Conlon Construction's tendered financial proposal.

(4) That income received from Luneside Studios for the licence to occupy space in the Storey Institute be ring fenced for year 1 start up costs incurred by Storey Ltd.

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

(6) That Members agree the terms of the lease and service level agreements as included at Appendices 2 and 3 to the report, including the lease being at a peppercorn rent, as a basis for negotiation between the Council and Storey Ltd, subject to the lease including public access being maintained to the garden and agreement by the relevant Cabinet Member as an Individual Cabinet Member decision.

(7) That the Head of Financial Services be authorised to update the revenue budget for current and future years accordingly.

(8) Should Council agree to provide further capital support, that the budget of £3.298M be set as a maximum sum for delivery of the agreed specification and that any amounts recovered from Lancashire County Council as Highways Authority and any contractual savings that may result from the partnering process, either through savings against the tender price or contingency, remain with the Capital Programme for determination by Cabinet at a future date.

(9) That Star Chamber reviews the Capital Programme as soon as possible.

Officers responsible for effecting the decision:

Corporate Director (Regeneration).
Head of Financial Services.

Reason for making the decision:

The decision recommends to Council a secure sustainable, long term future for one of Lancaster's key heritage assets. The City Council will also be able to achieve the full range of economic development, employment and cultural development benefits arising from this project. It will also maximise the financial viability of Storey Ltd and provides the best opportunity for creation of a viable business, avoids unsupportable quality/risk issues which would otherwise inevitable occur and resolves a serious highway issue.

The decision also enables Cabinet to be able to review the Capital Programme through the Star Chamber process.

Appendix 1

Summary of Expenditure Income Projections

Year 'minus one' (Pre Opening)	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	TOTAL
GRANT INCOME	£81,005	£833	£833	£833	£833	£0	£833	£6,833	£833	£833	£833	£833	£95,339
EXPENDITURE	£14,091	£8,291	£2,291	£2,541	£3,866	£3,866	£5,691	£7,441	£8,441	£14,791	£8,043	£15,991	£95,339

Year One (Opening Sep 08)						Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	TOTAL
INCOME						**£19,648**	**£19,648**	**£19,648**	**£19,648**	**£19,648**	**£19,648**	**£19,648**	**£137,533**
EXPENDITURE						**£19,712**	**£19,712**	**£19,712**	**£19,712**	**£19,712**	**£19,712**	**£19,258**	**£137,533**
												SURPLUS	**£0**

Year Two	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	TOTAL
INCOME	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£21,860	£262,316
EXPENDITURE	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£21,757	£22,989	£262,316
												SURPLUS	**£0**

Year Three	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	TOTAL
INCOME	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£24,688	£296,255
EXPENDITURE	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£24,626	£25,373	£296,255
												SURPLUS	**£0**

Year Four	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	TOTAL
INCOME	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£27,429	£329,143
EXPENDITURE	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£27,242	£29,479	£329,144
												SURPLUS	**£0**

Year Five	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	TOTAL
INCOME	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£27,767	£333,198
EXPENDITURE	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£27,597	£29,632	£333,198
												SURPLUS	**£0**

Example Expenditure Profile (Year 3)

	Cost P/A			Cost P/A			Cost P/A
Staffing costs			**Building and Maintenance (cont.)**			**Office Running costs (cont.)**	
			On going general repairs	3,000		General office expenses	4,200
Centre Manager	39,306		Cleaning contract - whole building	23,870		Telephone, printing, stationary	4,947
Assistant Centre Manager	21,197		Window cleaning	2,546		Professional (legal & accounts)	2,596
Receptionist	30,618		Security Servicing	1,061		Marketing	5,000
Caretaker	17,664		Fire servicing	1,591		Web site maintenance	6, 365
Other staff costs (temp/recruitment etc)	3,819		IT servicing	2,575		***Office sub total***	***23,108***
Staffing sub total	***112,604***		Heating servicing	2,122		**Allowances**	
Building and Maintenance			Lift Servicing	2,122		Contingency for bad debt @ 2.5% of total income	7,406
Storey Ltd. Business Rates	17,345		Boiler servicing	2,060		Contingency I.e. reserves @ 10% of income	25,162
Water services	7,426		Grounds Maintenance	2,060		Sinking Fund for major repairs @ 4.5% of income	11,323
Heat Light & Power	30,900		Refuse collection	2,122		***Allowances sub total***	**50,804**
Insurance	15,914		***Building Sub Total***	***116,652***		**Total all 'Expenditure'**	**296,255**

Example Income Profile (Year 3)	Annual Income	Monthly Income
Event Income	£64,747	£5,396
Service charges @ 80% occupancy	£101,862	£8,488
Rents @ 80% occupancy	£129,646	£10,804
Total all income	**£296,255**	**£24,688**

Assumptions made to support Storey five-year revenue budget

Year minus one

It is assumed that the Board will receive £95k to assist them with pre opening costs from various external sources including cash for marketing from the City Council.

The Board is presently drafting a comprehensive pre opening Action Plan, which includes plans to:

1. Hire a Capital Project Commissioning Manager who will act as a temporary “Centre Manager”. This post will be contracted to a “consultant” at a cost of about £31.5k plus VAT. The consultant will work closely with LCC staff and the Design Team to ensure that all systems such as fire/security/ICT, the design of bespoke areas and the catering facility are fit for purpose. The consultant will be the main point of contact for potential tenants.

2. Design and deliver a marketing plan, to include the creation of a WEB site (an audience development plan, the development of a booking system, the Building Sites Initiative, BillBoard, leaflets and later an advertising campaign). In addition, the plan will include a launch event.

3. Set up financial systems.

4. Staff recruitment. It is assumed that permanent manager will be recruited and in post by July 2008. The remaining staff will be in post shortly before opening.

5. Draft a Business Plan (a draft business plan must be submitted to ACE NW within 6 months of opening i.e. March 2009).

6. Draft applications for external funding.

7. Develop the business support services.

Assumptions that apply to all Years (one to five)

Services Charges

This version of the Business Plan charges a straight £6 per sq. ft. to each tenant as a service charge.

Rental income

1. Rent will vary between tenants. It is assumed that the existing Resident Art Organisations will pay a total of £12 per sq. ft. (rent and service charge). Therefore by charging £6 per sq. ft. service charge the rent to Folly, Storey Gallery and Litfest will be £6 per sq. ft.

2. Rents to other tenants are calculated likewise e.g. all existing vacant space (except the catering unit) will start at a rent of £8 per sq. ft. (£14 per sq. ft. in total).

3. The current Business Plan assumes an income from the catering unit of £16 per sq. ft. (a rent of £10 and service charge of £6).

4. The TIC will occupy rooms on the ground floor and space for storage (to be agreed) at a rent of £8 per sq ft and a service charge of £6 per sq ft. Also that the TIC rooms will be refurbished with NWRDA/LCC funds.

5. That Luneside Studios would continue the occupation of the Old Folly Annex and pay £10,000 per year.

6. It is assumed the occupancy level of “current” vacant space will be 60% early in year one. This will require that 15 workspaces are rented out early in the first year.

7. It is assumed that occupancy levels will increase at 10% per year to a maximum of 80% of “current” vacancies.

Other issues

1. At present it is assumed that VAT would not be charged to tenants.

2. That all tenants would pay their own business rates.

3. That the all Centre staffed (one Centre Manager, an Assistance Manager, two receptionists and one caretaker) are all paid 11% on costs. With the Centre Manager receiving a 3% pension.

4. That all non-staff expenditure on running costs, such as heat and light etc. would be very similar to existing costs and is therefore based upon existing centre costs and/or costs of similar serviced office accommodation.

5. Bad debt contingency is set at 2.5% of event income & 2.5% of rent from vacant space.

6. That inflation will be 3% pa and in the current Business Plan has been applied to expenditure only.

Specific notes on Year 0ne (From September 08 to March 09 only)

It is assumed:

1. The centre will open late August/early September 2008 staffed with a centre manager, supported by 4 staff.

2. It is assumed that the TIC will contribute towards the staffing of the reception area (details to be agreed).

3. That the old lecture theatre, the room opposite the theatre, the little gallery, old folly and the whole of the fourth floor would not be refurbished until after year 5 and therefore would not generate a ***regular*** rental income.

4. That occupancy levels (mainly the third floor) will quickly reach 60%.

5. That the catering unit will generate an income from day one.

6. That revenue from "events" e.g. conferences, meetings, weddings etc. would be low until the restored centre was established.

7. That Storey Ltd. not being a registered charity would be liable for business rates.

8. That Storey Ltd. would need to create provision for a working reserve (it is good practice to run any business with at least 6 months reserves), a provision for bad debt and a sinking fund for longer-term major repairs/restoration work.

Year One - Assumptions per budget line

1. Salaries
   - Centre Manager starts on £32,500 plus 3% pension
   - Assistant Manager starts at £18,000
   - Receptionists *2 start on £13,000
   - Caretaker starts at £15,000

2. On costs are set at 11%

3. A provision for other staff costs is set at £300 per month to cover recruitment, training and temporary staff

4. It is assumed that all business support services to clients will be delivered by external agencies.

5. Storey will pay business rates at c. £16k per year – this figure was supplied by LCC Property services.

6. All building and maintenance costs were estimated using current running costs of Storey, experience of LCC staff running other business support centre e.g. City Lab.

7. Office running costs are those needed to support the Centre staff group.

8. Professional fees are low as it assumed Board members will contribute in kind revenue costs.

Appendix 2

SCHEDULE OF TERMS AND CONDITIONS

FOR LETTING AT STOREY INSTITUTE

Landlord:	Lancaster City Council Town Hall Lancaster LA1 1PJ
Tenant:	Storey Creative Industries Centre
Premises:	Land and buildings known as the Storey Institute, Meeting House Lane, Lancaster and shown edged black on the attached plan.
Term:	From the date the City Council is granted hand over of the Premises from the contractor (a date to be determined) for a term of 25 years.
Rent:	One peppercorn if demanded.
Rates:	The Tenant will be responsible for business rates.
Insurance:	The Landlord will insure the building against fire and special perils, and shall recoup the premium from the Tenant
Existing Lettings:	This Lease is subject to several letting or occupational agreements which the Tenant must honour and take on the responsibility of the City Council where applicable. See Schedule 1.
Repair and Maintenance:	The premises are to be let on a full repairing lease This means that the Tenant is responsible for the premises and all additions thereto, including windows, window frames, glass, (including stained glass), door, door frames, locks fastenings, landlord's fixtures and fittings, (including monuments and statutes), all walls, roof, main timbers, sanitary and water apparatus, all drains, soil and other pipes, eaves, gutters, cables and wires, in good and tenantable repair, and to decorate and paint the interior and exterior of the premises to the reasonable satisfaction of the Head of Property Services
Assignment/Subletting:	There is an absolute bar against assigning this lease.

The Tenant is not to sublet the premises without the written consent of the City Council, except sublettings of parts of the building for a term of less than 5 years. Such consent not to be unreasonably withheld.

Sublettings can only be granted to small and medium-sized enterprises (SME's).

The definition of an SME that is applied by all funders of the scheme and has been agreed by the UK government and the European Commission is:

Companies classified as small and medium-sized enterprises (SME's) are officially defined by the EU as having fewer than 250 employees. In addition, they can have an annual turnover of up to50 million euro, or a balance sheet total of no more than 43 million euros. This definition is important when figuring out which companies can benefit from EU programmes aimed at SME's, and from certain policies such as SME-specific competition rules. In reality, 99% of businesses in the European Union are small and medium-sized enterprises. It is noted that it is expected that the Storey CIC project will usually service "micro-businesses" i.e. with 10 or less employees.

Permitted Use: The Premises is to be uses for Creative Industries.

The UK Government Department of Culture, Media & Sport (DCMS) defines the Creative Industries as:

Those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.

The DCMS creative industries categories consists of production in the following sectors: Adverting, Broadcast network talent, Design, Journalism, Film, Fine Art, Game Development, Craft, Music, Performing Arts, Publishing, Software Development & Computer Services.

The use has also to comply with the restrictive covenant on the Council's ownership (in brief the building is to be used for science, art, technical and industrial education, along with art, science, literature & history. Religious and political meetings are prohibited).

Alterations:	The Tenant is not to make any alterations or modifications to the accommodation without the written approval of the Landlord (such consent not to be unreasonably withheld).
Fees:	The Tenant is to bear the City Council's legal costs of drawing up the lease.
Requirements of the Funders:	The Tenant must comply with the requirements of the funders. These requirements are detailed in Schedule 2.
Monitoring:	The Tenant must allow Lancaster City Council staff and the monitoring/audit staff of all funders free access to the building and Storey Creative Industries Centre's records and any and all times.
Other Terms:	Other terms shall be in accordance with the City Council's standard form of contract.

SCHEDULE 1

Agreement relating to the Tasting Garden with Art Transpennine

Between Lancaster City Council and Art Transpennine Limited of 74, The Headrow, Leeds. LS1 3AA.

The Company commissioned artwork, which is located within the garden at the Storey Institute.

Term of 10 years from 23rd May, 1998.

Agreement with Lancaster University for cabling within the Building

To be attached

Agreement with Seeds Savers for use and care of the Tasting Garden

To be attached

SCHEDULE 2

Requirements set down by the Funders of the Scheme

A. European Regional Development Fund (ERDF)

In summary the following European Commission requirements apply:

STRUCTURAL FUND REGULATIONS

Council Regulations 1260/99 (General Regulations) and 1685/2000 (Eligibility) apply to this project. Other Regulations produced under relevant Articles in 1260/99 and notified by the Commission from time to time may also apply to this project.

EUROPEAN COMMUNITY STATE AID RULES

The European Commission has considerable powers to monitor, control and restrict the forms and levels of aid given by all Member States to their industries. The principles underlying State Aid are set out in Article 88(3) of the EEC Treaty. Detailed guidance on State Aid rules can be found in "European Community State Aids: Guidance for all Departments and Agencies" published by DTI in March 1999 and the various frameworks and guidelines issued by the Commission on the application of the rules. All State Aid (other than those covered by de minimis provisions – see below) must be notified to and approved by the Commission in advance of implementation, otherwise it is illegal.

COMMUNITY PUBLICITY REQUIREMENTS

Commemorative plaques

A permanent commemorative plaque shall replace the billboard, where the infrastructure project is accessible to the general public (e.g. congress centres, airports, stations, etc.). Such plaques must include the Community emblem, mention the EU's contribution and may mention the Fund concerned, (e.g. ERDF). In the case of physical investments in commercial business premises, commemorative plaques shall be installed for a period of a year.

MONITORING

Article 38 of EC Regulation 1260/1999 sets out the general provisions for financial control.

The City Council takes responsibility in the first instance for financial control of ERDF assistance. The measures taken shall include:

(a) verifying that management and control arrangements for individual projects have been set up and are being implemented in such a way as to ensure that Community funds are being used efficiently and correctly;

(b) carrying out on-the-spot checks, including sample checks, on the operations financed by ERDF funds and on management control systems;

(c) ensuring that all assistance is managed in accordance with all the applicable Community rules and the funds are used in accordance with the principle of sound financial management.

B. Arts Council

In relation to ownership and use, Art Council has stated that as a condition of their funding, the Tenant must advise that funding provider (and the city Council) if it wants to make any significant changes to the activities or use which differ from those detailed in the “Permitted Use” clause. The Arts Council may alter or withdraw the grant it has given if it considers the change in planned activity to be unreasonable. Therefore, the Tenant must not go ahead with any changed activity prior to receiving written consent to this change from the City Council and the Arts Council.

Should the Tenant:

(a) significantly change the activity for which the Arts Council granted funding without prior written approval from the Arts Council and the City Council or

(b) not use the Premises for the purpose the grant funding was awarded

then the City Council may be requested to pay back the grant to the Arts Council and the Arts Council will stop any further payments.

The Tenant must indemnify the City Council against this and ensure that this does not happen.

C. Single Regeneration Budget (SRB)

All or part of the grant is to be repaid to the SRB by the Landlord if:

1. There is a substantial change to the scheme which the Regional Development Agency (RDA) (funding body for SRB) has not approved, or any attempt is made to transfer or assign any rights, interests or obligations created under the funding agreement letter or substitute any person in respect of any such rights, interests or obligations, without the written agreement in advance of RDAs;

2. The Tenant or any other member of the Partnership fails to comply with the terms and conditions of the funding agreement letter.

3. A charge is taken on an asset financed wholly or partly from grant monies, without the written agreement in advance from the RDA;

4. SRB grant has not been used for the purpose for which it was given;

5. Any European Community obligation which restricts the payment of grant or limits the amount of grant payable under the State Aid rules is breached (in addition to State Aid rules);

6. Any other European Community obligation, which applies to the Partnership, to any project or to the Scheme, is not complied with;

7. A decision of the Commission of the European Communities requires repayment of all or part of the grant or a reduction in the amount of grant.

Appendix 3

LANCASTER CITY COUNCIL

DRAFT SERVICE LEVEL AGREEMENT

BETWEEN

LANCASTER CITY COUNCIL – ECONOMIC DEVELOPMENT & TOURISM DEPARTMENT (REGENERATION)

- and -

Storey Centre for Creative Industries (Storey Ltd)

PARTIES

This is an agreement between Lancaster City Council (hereinafter called "the Council") and Storey Centre for Creative Industries (hereinafter called "Storey Ltd.")

Lancaster City Council agrees funding for the provision of services by Storey Ltd., as set out in Parts 1-4 of this Agreement.

CONTENTS:

PART 1 - GENERAL CONDITIONS

1.1 OBJECT OF AGREEMENT

To operate the Storey Creative Industries Centre and provide services as set out in Parts 1-4 of this Agreement.

To recognise, represent and act as a voice for the Creative Industries sector within Lancaster & Morecambe District and local communities (see also Service Objectives and Specifications see Part 2).

The Council wishes to support the services of Storey Ltd. as by doing so, it will achieve a number of its corporate objectives (see also Service Objectives and Specifications see Part 2)

1.2 PERIOD OF THE AGREEMENT

The agreement will commence on 1st July 2007 and continue until March 31st 2012 a period of five years and nine months and could continue on an annual basis after that unless it is terminated under 1.15.

1.3 THE PARTIES' OBLIGATIONS

Storey Ltd. agrees to provide the services specified in Part 2 of this agreement (Service Objectives and Specifications).

The Council agrees to make the grant payments specified in Part 3 of this agreement (Financial and resourcing arrangements).

1.4 STATUS OF AGREEMENT

It is not the intention of either party that this Agreement shall be legally binding. However, the Council reserves the right to reclaim the funding provided if it is not used for the purposes set out in this Agreement.

1.5 STATUS OF SERVICE PROVIDER

In carrying out this agreement, Storey Ltd. is acting in its own right as a not for profit organisation.

1.6 MANAGEMENT

Responsibility for the management of Storey Ltd. is vested in its Board of Trustees, the membership and operation of which is laid down by a constitution of Storey Ltd.

1.7 PARTIES' REPRESENTATIVES

The Council and Storey Ltd. will each appoint a contact officer.

The role of the Council's contact officer is to:

- Be the initial point of contact within the Council for Storey Ltd.
- Inform Storey Ltd. of any issues which may have an effect on the implementation of the service provision in this agreement
- Provide information, advice and support to Storey Ltd. as reasonably required
- Set up quarterly monitoring meetings with Storey Ltd. contact officer to consider the information set out in Part 4 of this agreement
- Inform Storey Ltd. of any change in the Council's contact officer
- Monitor and audit outputs as specified in Part 2

The role of the Storey Ltd. contact officer is to provide the information required in Part 4 of this agreement and to inform the council's contact officer, in writing, if there is:

- a proposal by Storey Ltd. to change or reduce the services set out in Part 2 of this agreement;
- any amount to be taken into account under 3.2b (this must be notified by 1st February for the following financial year)
- a major change to the Storey Ltd. financial budget;
- a change to the Storey Ltd. constitution; or
- a change in the Storey Ltd. contact officer.
- To provide on request output information and any other information required by Council staff or auditors of external funding agencies

The parties' contact officers will be the (   ) for the Council and (   ) for Storey

Ltd. (Insert Job Title)

1.8 CONFIDENTIALITY

The Council accepts that some of the services Storey Ltd. offers are confidential and that all matters raised by individuals are kept confidential.

The Council expects that Storey Ltd. will not share the contents of this Service Level Agreement with anyone who is not either a member of the Board of Trustees and who is not an employee of Storey Ltd.

1.9 STAFFING

Storey Ltd. will be responsible for recruiting and training all staff and volunteers
Storey Ltd. will be responsible for managing all staff and volunteers

1.10 HEALTH AND SAFETY

The Storey Ltd. shall have regard to the requirements of the Health and Safety at Work Act, 1974 and any other Acts, Regulations, Directives or Orders etc about health and safety, including:

- Normal operating procedures(Copy needs to be supplied to the Council)
- Emergency operating procedures(Copy needs to be supplied to the Council)
- Activity Risk Assessments
- Child Projection Policy (Copy needs to be supplied to the Council)
- Staff qualifications (including all staff CRB checked at enhanced level)
- Suitable staff to client ratios on and off site
- Lone working – Risk assessments in place (including a response plan, who to contact)
- Safe operational methods (e.g. restricted access to kitchen etc)

1.11 INSURANCES

The Storey Ltd. will provide proof of adequate public liability insurance to cover such liabilities as may arise in the course of the services provided by Storey Ltd.

1.12 DISPUTE RESOLUTION

If either party considers the other to be in breach of their duties under this agreement or has a grievance about some aspect of the agreement's operation, the parties shall make every effort to resolve the issue through joint discussions.

Where this fails:

the party wishing to make the complaint should provide the other with written details, including proposals for resolving it;

a written response should be sent to the initiating party within 14 days;

if the response is not considered to resolve the issue, the initiating party may request in writing to the contact officer a meeting of the authorised signatories (or their successor);

where possible the meeting should be held within 14 days of the contact officer receiving the request;

If either party is dissatisfied with the outcome as notified to it in writing within seven days of the meeting, arbitration can be requested and this will take place with a mutually acceptable external party.

1.13 REVIEW

This agreement may require amendments in the light of experience of implementing its terms. Any amendments will need to be negotiated and agreed in writing by both parties.

The mechanism used for determining the grant set out in Part 3 cannot be the subject of an amendment under a).

An annual review of the level of services specified in Part 2 can be requested by either party, and a meeting held as soon as practicable after this.

Any amendment to the service specification under c) will need to be negotiated and agreed in writing by both parties, as would any amount to be taken into account under Part 3).

1.14 RENEWAL

This entire agreement shall be subject to a formal review beginning in January 2008 with the aim of establishing the conditions applying for the period commencing 1st April 2008.

1.15 TERMINATION

The agreement can be terminated by either party giving the other party six months notice in writing

Notice can be served if delivered, posted or faxed to the contact officer

PART 2 - SERVICE OBJECTIVES AND SPECIFICATIONS

2.1 PRINCIPLES UNDER WHICH THE SERVICES ARE PROVIDED

By working in partnership with the Storey Ltd., the Council will move towards achieving a number of its corporate objectives.

- To stimulate private investment.
- To achieve substantial area-wide environmental improvements in key locations.
- To provide new and refurbished business accommodation suitable for high growth and ICT businesses.
- To stimulate the creation new jobs and safeguard existing jobs
- To ensure that 15% of the new jobs created within the EDZ are accessed by residents of Communities in Need
- To support sustainable communities
- *Cultural Services Objectives to be added*

To contribute to a level of funding to assist the revenue “set up” costs (pre opening period from July 2007 to September 2008) associated with operating and providing services at Storey Creative Industries Centre

2.2 SERVICES FUNDED UNDER THIS AGREEMENT

1. Storey Ltd. to be responsible for providing the management function at the Storey Creative Industries Centre

2. Storey Ltd. to deal with all issues relating to the running of the Storey Creative Industries Centre including keeping the building clean and tidy, dealing with bookings and other enquires, stock control and replacement of consumable items (at no further cost to the Council) etc.

3. Storey Ltd. to provide a staffing structure to operate and provide services at the Storey Creative Industries Centre

4. Storey Ltd. to provide a minimum of 1,000sqm of work and office space for Small to Medium Enterprises SMEs belonging to the Creative Industries sector (see below for definitions of an SME and the Creative Industries). It is recognised that the minimum of 1,000 sqm will only be achieved once the third floor has been opened and refrublished

5. Storey Ltd. to provided a minimum of 209 sqm of gallery space i.e. the existing main gallery on the first floor

6. With the remaining space Storey to provide (at its discretion) other services to support client businesses and the wider community within the limitations set by the covenant and restrictions imposed by the external funders

7. Storey Ltd. to provide, in partnership with other business support agencies, a business support and advice service for all SMEs belonging to the Creative Industries sector, giving priority to businesses based within the Lancaster & Morecambe District

8. Storey Ltd. must ensure that all business support, direct or indirect, does not breach EU State Aids regulations (see below for details)

9. Storey Ltd. to deliver agreed outputs detailed in the grant Offer Letters of the European Union EU, Arts Council of England ACE NW and North West Regional Development Agency NWRDA (see below for details)

10. Storey Ltd. to promote and provide (with a range of art & cultural partners) a varied programme of art based activities and events for the whole community: Within the limitations placed on the building by its covenant and whilst ensuring all barriers to access are removed (see below for definitions)

11. Storey Ltd. to provide accommodation (at a fair and agreed rent) for the Lancaster City Tourism Information Centre TIC, which will act as a sub-regional TIC Hub

12. Storey Ltd. to promote and encourage suitable local clubs, groups and organisations to use Storey Creative Industries Centre

13. Storey Ltd. to work in partnership with relevant City Council Services in promoting and providing joint initiatives e.g. business support and art and cultural initiatives

14. Storey Ltd. may provide other support services for all clients using the Centre such as access to catering facilities

15. Storey Ltd. may develop and provide a range of commercially based services in order to generate additional income: Within the limitations placed on the building by its covenant and those impose by external funders

16. Storey Ltd. to actively seek external funding to expand the services provided at Storey Creative Industries Centre and to work towards making Storey Creative Industries Centre sustainable

17. Storey Ltd. to be keep detailed records for monitoring, evaluation and audit purposes. The records and the manner they are kept must be acceptable to the City Council and all external funding agencies for both the capital build and any future revenue activity e.g. the European Union, Arts Council of England NW, North West Regional Development Agency and lottery funding.

18. Storey Ltd. to be responsible for ensuring that State Aids rules are adhered to i.e. that a client SME does not receive more aid than allowed under EU law. Due to the nature of this project it is important that a record is made of all aid received by a client SME over the previous two years. In addition, that a record is kept of all support given to an SME, whether direct (cash) or indirect (an in-kind contribution/goods or services e.g. business advice) by Storey Ltd over the following third year. Please see below for details

19. Storey Ltd. should constantly press the case for improvements to the Storey Creative Industries Centre and services provided at the centre

20. Storey Ltd. should reinvest any surpluses back into the Centre for the benefit of all its stakeholders

21. Storey Ltd. should at all times allow a plaque(s) of an acceptable size to be placed in a prominent position (visible by users at the reception area) which acknowledges the contribution made to the Centre by all funding agencies. Each agencies should be represented equally in terms of size, position and visibility (see below for details)

2.3 DEFINITIONS OF TERMS USED ABOVE

<u>Definition of a Small to Medium Enterprise SME</u>

The definition of an SME that is applied by all funders of the scheme and has been agreed by the UK government and the European Commission is:

Companies classified as small and medium-sized enterprises (SME's) are officially defined by the EU as having fewer than 250 employees. In addition, they can have an annual turnover of up to 50 million euro, or a balance sheet total of no more than 43 million euros. This definition is important when figuring out which companies can benefit from EU programmes aimed at SME's, and from certain policies such as SME-specific competition rules.

Please note:
In reality, 99% of businesses in the European Union are small and medium-sized enterprises. It is noted that it is expected that the Storey CIC project will usually service "micro-businesses" i.e. with 10 or less employees.

Definition of the creative industries.

The UK Government Department of Culture, Media & Sport (DCMS) defines the Creative Industries as:

Those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.

The DCMS creative industries categories consists of production in the following sectors: Adverting, Broadcast network talent, Design, Journalism, Film, Fine Art, Game Development, Craft, Music, Performing Arts, Publishing, Software Development & Computer Services.

European State Aids Rules

The European Commission has considerable powers to monitor, control and restrict the forms and levels of aid given by all Member States to their industries. The principles underlying State Aid are set out in Article 88(3) of the EEC Treaty (basically State Aid law is anti competition law). Detailed guidance on State Aid rules can be found in the DTI "The State Aid Guide: Guidance for state aid practitioners" published by DTI in October 2006, a copy can be downloaded from the following WEB site:
HYPERLINK http://www.dti.gov.uk/bbf/state-aid/,
http://www.dti.gov.uk/bbf/state-aid/,
.

A more recent document issued by the EU can be found at:

http://ec.europa.eu/comm/competition/state_aid/studies_reports/vademecum_on_rules_2007_en.pdf.

A summary of State Aids relating to SMEs:

State Aid at the level of the SME. There is no aid to th
he SMEs provided that it is shown that they are charged the market rate for the services provided (or where there is some divergence between actual and market rents this will be "de minimis").

At the level of the users (the SMEs benefiting from aid), the measure (aid support) would constitute state aid within the meaning of Article 87(1) EC Treaty, except in so far as the de-minimis ceiling of €200,000 per aid recipient I(per

SME) is not exceeded over a period of three years … .

This means an SME can receive aid to the value of €200,000 within a three year period. It is therefore important that all previous aid and aid granted is recorded and should not exceed this limit.

The EU has a list of what constitutes aid, a few common examples are:

- State grants
- Provision of goods or services – free or at reduced cost
- Consultancy advice – free or at reduced cost
- Free advertising/marketing support
- Rents free or at less than market cost

Outputs

For all business support, job related and increase in sales outputs and results etc. need to be achieved by March 2012.

The European Union ERDF outputs are:

Premises Provided (sq m)	3,008
New Jobs Created	74
Of which, from under represented groups	33
Jobs Safeguarded	46
Of which, from under represented groups	18
Increased Sales	2,050,000

Net Additional Jobs	39
Net Jobs safeguarded	29.5
Net additional Value added	1,400,000
Net Value added safeguarded	637,875

The Arts Council of England outputs are:

Please note that ACE NW does not detail outputs as other funders but lists general activity/actions and "deliverables". Within the revised contract ACE NW states:

"The Storey will not be an arts centre. The centre will promote contemporary culture, visual arts and language … It will be an incubator for creative industries providing enterprise support for both resident and non-resident enterprises. The building will provide workspace, exhibition and sale space for the creative industries. The building will provide new conference/auditorium for up to 100 people

A post construction deliverable (6 months after reopening) will be an up to date 3 year business plan.

The North West Regional Development SRB outputs are:

Area of new/improved business floor space	2879 sq m
Number of buildings improved or brought back into use	2
New Business Start ups	15
Number of full-time equivalent permanent jobs created	4
Number of full-time equivalent permanent jobs safeguarded	29.5

The Convenant

The use has also to comply with the restrictive covenant on the Council's ownership (in brief the building is to be used for science, art, technical and industrial education, along with art, science, literature & history. Religious and political meetings are prohibited).

Barriers to Access

In order to ensure that no stakeholder group or individual citizen is excluded from the Centre, its events or the services it supplies, potential barriers to access should be over come. The Centre has to becomes as "inclusive" as possible to as wide an audience as possible; taking care that the following areas (the list is not exclusive) are covered:

Organisational barriers e.g. image, opening hours
Physical barriers e.g. mobility issues, the elderly and the young
Sensory barriers e.g. visual and hearing issues
Intellectual barriers e.g. people with learning difficulties
Social and cultural barriers e.g. image and language
Financial barriers e.g. free or cheap access is available to people on low incomes.

Please note: Storey Ltd. should consider developing its own Access Policy and Plan

Acknowledging contributions from various agencies

For all funders a permanent commemorative plaque shall replace the billboard (erected outside the building during the construction phase) where the infrastructure project is accessible to the general public. Such plaques must include the correct logo/emblem, mentioning if necessary the correct wording.

For example the EU emblem is the European Flag (using the colours pantone blue and yellow) with the wording “This Project was Part Financed by the European Union - European Regional Development Fund”. Examples of the logs to be used are (acceptable official alternatives can be used):

2.4 MEANS OF ACCESSING THE SERVICE

Storey Ltd. should ensure that an adequate marketing campaign is maintained and where possible local and regional media is used to promote the centre and its services.

2.5 SERVICE DEVELOPMENT AND IMPROVEMENT

The "partners" (Lancaster City Council’s Regeneration Services and the Storey Ltd.) will work together for the joint aim of enhanced service development and improvement.

2.6 USER FEEDBACK AND INVOLVEMENT

The Storey Ltd. will operate a procedure for representations and complaints about the service (copy needs to be supplied to the Council).

The Board of Trustees is to be constituted in such a way as to encourage representation from as wide a range of people.

PART 3 - FINANCIAL AND RESOURCING ARRANGEMENTS

Note: Initial start up costs will be provided in advance for the first year prior to opening only

For the financial year beginning April 2007, the Council has agreed that the grant to be paid to the Storey Ltd. shall be £(to be agreed) and used to fund:

- A Capital Project Commissioning Manager
- Staffing (to be employed shortly before the centre opening during the summer of 2008)
- Basic office equipment for centre staff
- Materials

- Marketing and promotion (including the building sites initiative)

- A limited programme of activities including the provision of an opening event

For the financial year beginning April 2007, Storey Ltd. must provide the Council with a pricing policy to include:-

- Details of an acceptable procurement procedure
- Commercial fees and charges and what this covers and to who that would apply to
- Discounted fees and charges and what this covers and to who that would apply
- Income targets
- Fund raising/Accessing external funding

Any grant(s) for potential future years will be determined and agreed by both partners as part of the review process and will need to be applied for separately from this SLA. It is expected that such grant applications will be for specific "projects" associated with measurable outputs and will not be used to cover the core costs of Storey Ltd.

Storey Ltd. agrees to submit, to the Council in each year of this Agreement, a copy of its audited accounts.

PART 4 - MONITORING & PERFORMANCE ARRANGEMENTS

Regeneration Service's will monitor and evaluate the implementation of the Service Level Agreement and how it performs against corporate objectives.

Each year a full Budget proposal shall be submitted to the appropriate Review Board in time for consideration as part of the Budget process.

Storey Ltd. will provide a copy of the Annual Report to the council and an invitation for the council's contact officer to its Annual General Meeting.

Storey Ltd. will provide information reasonably required by the council, subject to those requirements not being in breach of clients' confidentiality. Information will not be required more frequently than at quarterly intervals

These monitoring arrangements can be amended by agreement between the council and Storey Ltd. to reflect changes in service practice, for example data collection.

Regeneration Services expect that registers of attendance at events, appropriate records of business support, records of jobs created and safe guarded and increase in sales will be produced, using forms agreed by both parties

Storey Ltd. will allow access to all parts of the building and all records associated with outputs and external project financial information to monitoring and audit staff from the City Council and external funding bodies. Normally prior notice in writing will be given but Storey Ltd. should be aware that external funding programme audit staff can, if they wish, visit the centre without prior notice.

Regeneration Services expect that the contact officer for Storey Ltd. will attend regular meetings and if they can not attend then they will send a representative

Regeneration Services expect that if any services are stopped they will be informed immediately

Regeneration Services expect that all activities will be linked to meeting the aims the Council's Corporate Plan and Regeneration Services Business Plan

PART 5 - DECLARATION

On behalf of Lancaster City Council I confirm that I have read the agreement as set out above and the council will comply with the terms and conditions contained within

Signed…………
Date:……………………………………

Name of authorised signatory for Lancaster City Council :…………
.

Position:…………
.

Address to which communications relating to this agreement should be sent:

Head of Regeneration Services,
Lancaster City Council,
Town Hall,
Morecambe
LA4 5AF

On behalf of the Storey Ltd. I confirm that I have read the agreement as set out above and the Storey Ltd. will comply with the terms and conditions contained within

Signed …………
Date:…………………………………….

Name of authorised signatory the Storey Ltd.

…………
……………………………………..

Position:…………
.

Address of Storey Ltd.:

Storey Ltd.
Storey Insitute
Meeting House Lane
Lancaster
LA1 1YQ

PROJECT DOCUMENTATION

HIGHLIGHT REPORT

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

<Storey Creative Industries Centre>

Version: 0.02

Date: 10th October 2007

This Project Utilises the Lancaster City Council Approach to Managing Projects (LAMP) Methodology

Author: Paul James

Project Executive: Peter Sandford

Project Manager: Paul James

Project/Programme Board: Storey PET

Highlight Report

Purpose of Document

To provide the Project Executive Team/Asset Management Group with summary information of the project progress to date.

Date of Report: 9th October 2007

Period Covered: From 1st July 2007 to 30th September 2007

Distribution

Name	Title
Peter Sandford	Project Executive
Paul Kondras	Project Executive (User)
Kate Midgley	Project Executive (User)
Jim Burrow	Project Executive (Supplier)
Bob Bailey and Jan Lees	Principal Auditor Projects & Performance Officer (Project Assurance)
Asset Management Group via Lucie Slight	Assistant Accountant

Overall Project Status

Briefly explain the reasons for assigning the overall project status as red, amber or green as appropriate and relate the reasons to any tolerance limits set by the Project Board and/or criteria defined within the PID.

Project risk adverse effects possible

Although the contractor, Conlon Construction Ltd. is now on site, work is going to plan and preliminary works will be completed soon, the overall project status is amber due to the issues of the main roof and Little Gallery roof raised by the architect and the Structural Engineer respectively.

Please refer to Issue and Risk Logs and Exception Reports:

- Exception Report Main Roof
- Exception Report Little Gallery Roof

The main roof

The issue of the main roof could be dealt with as recommended i.e. prioritising the roof into sections and working each until funds are used up and reserving all savings from other areas for roof repairs. Therefore this issue can be managed with the scope and tolerances of the existing PID except the plan maybe revised due to the issue of the Little Gallery roof.

The Little Gallery roof

The issue of the Little Gallery poses a more serious (but relatively small) risk to the project. Since publication of the Exception Report it has become apparent that the recommended option i.e. that LCC provide additional funds (of about £8,000) to repair the leaking roof is not possible.
If additional funds are not secured, the existing plan to prioritise the main roof will need to be revised e.g. the Little Gallery roof could be placed as second or third on the list of priorities.

Please note: this could result in the course of action recommended under Option 3 with its consequences. It should be noted that since issuing the Exception Report it is now felt that there would be no serious impact upon the costs and timescales leading up to the release of the Bill of Quantities. Therefore Option 3 could be revised to read:

"Option 3 – Fund the repairs from possible savings from the main works i.e. capital budget of £3,243,270

- It would involve a reversal of the current recommendation that all savings be reserved for the repair of the main roof.
- It *could* involve either additional areas being "mothballed" and/or a reduction of quality of finishes to areas."

Even-so, the Project Manager still feels the comments made in the Exception Report, page 3 still stand (whether nothing is done or decisions lead to additional areas being "mothballed" or a reduction in the quality of finishes) it is important to maintain the confidence of our key partner:

"Please note: It is important that the current level of confidence in the project is maintained by all partners, particularly the SCIC Board who are being asked to manage the restored centre, generate the required income and achieve the agreed outputs with no post opening revenue support from the Council."

Budget Status

Explain how the project budget currently stands and if necessary explain the reasons for assigning the budget status as red, amber or green as appropriate. Consider what impact any changes to the project will have on the budget. Identify any major items that have been purchased or ordered in the period, and whether there will be significant expenditure in the next period.

Project risk adverse effects possible

The budget status is amber because the repairs to the Little Gallery roof are not included in the Bill of Quantities or any budget line or plan for possible savings and therefore represents "unforeseen" works.

Please note: The Project Executive and Manager are in consultation with the contractor and our own independent QS to try and solve this problem. A final decision on action to be taken can only be made once the Bill of Quantities has been approved by our QS i.e. a better understanding of the consequences can only be made once we are fully aware of what the contractor can deliver within the existing budget and what flexibility there is to move funds between budget lines.

Expenditure this quarter (Jul to Sept 07):

The £239,884 has been paid to:

Conlon Construction Ltd. £219,884 (this includes VAT) for construction works

Storey Creative Industries Centre, the Storey Board £20,000 for the Building Sites Initiative (£10,000) and the employment of a Capital Commissioning Manager (£10,000).

Spend this period	Spend to date	Balance
£239,884	£1,139,884	£3,446,413

Expenditure next quarter (Oct to Dec 07):

Should be around £250,000 with nothing unusual (assets) purchased just spend on construction works and professional; fees.

Schedule Status

Explain where the project stands against its plan and the reasons for assigning red, amber or green.

On track

Outputs/tasks/milestones Completed

Describe what the project has achieved in the period covered. Focus on what the project has delivered rather than the activities that have taken place. Reference the outputs/tasks/milestones delivered back to the plan. Identify any products that should have been delivered during the period (according to the plan) but which were not delivered. Explain when these will be delivered.

Construction/building works
This quarter has focussed on reviewing and if necessary revising designs, agreeing detailed costs, drafting and auditing the Bill of Quantities and preparing for the Project Executive Team meeting (19th October 2007) to approve the revised PID.

Project Management and administration
This quarter has been focussing on setting tight timetables for the contractors, fine tuning the project management structure, revising the PID, setting up administration systems and making claims.

Working with the Storey CIC Board
During this quarter work has continued on supporting the Storey Board to develop its capacity and to involve it as much as possible with important decisions which affect the project.

Actual Problems (Issues)

Give an outline of any actual problems. These should also appear in the Issues Log. You can cut and paste the key current Issues from your Issue Log.

Please see Issue Log included

Potential Problems (Risks)

Give an outline of any potential future problems. These should also appear in the Risk Log. You can cut and paste the most significant risks (e.g. risks scored 7+) from your Risk Log.

Please see Risk Log included

Forward Plan

What outputs/tasks/milestones are due between now and the next scheduled Highlight Report? Indicate whether you have a high level of confidence that things will go to plan (Green) or there may be problems delivering to plan (Amber) or you believe there is little chance of achieving what was planned (Red). ***Be realistic!***

With regard to the amber issues outlined above, the project management team need to plan to:

1) Wait for the details contained within the Bill of Quantities and to seek the advice from the Construction Team before making a firm decision.

2) As yet the full construction contract has not been signed. Please note the following:

    a. It was originally planned to use a NEC 3 Option C Partnering contract with a guaranteed maximum price GMP and with an option to share savings with the contractor.

    b. Advice given by our independent QS has suggested that the NEC 3 Option C contract may not be the most appropriate contract and therefore the project management team will be seeking an alternative which best protects LCC. The main reason being is that it has been agreed with the contractor that all savings are not shared but put back into the project.

       It is planned to deal with the issue of the contract after the Bill of Quantities has been issued by our QS i.e. after we better understand what the contactor is proposing to deliver within the agreed budget.

3) Applications for additional funds

It was always planned to apply for additional funds from various sources. Please note:

Additional funds have been applied for but the timescales involved and approval are outside the control of the PET.

An expression of interest (in the form of a "Concept Form") has been submitted to Northwest Development Agency for £640,000 for works to the roof above the third floor rooms, bringing the third floor into use, bringing the Lecture Theatre into use (this budget could be used to repair the Little Gallery roof which lies directly above the Lecture Theatre), improving the quality of finishes to public areas and ICT equipment for "hot desking".

It is expected that NWDA will be able to give an initial response to this request during the next 2 months, but for the present time the project has to be managed on the assumption that this has a low probability of success.

PROJECT DOCUMENTATION

EXCEPTION REPORT

< Storey Creative Industries Centre – Little Gallery Roof >

Version: 0.03

Date: 4th October 2007

This Project Utilises the Lancaster City Council Approach to Managing Projects (LAMP) Methodology

Author: Paul James

Project Executive: Peter Sandford

Project Manager: Paul James

Project/Programme Board: Storey Project Executive Team

1. Background

In the original £5m plus project all rooms, floors, annex and buildings were to be restored and or developed. Due to a reduction in total project grant, the Construction (formally Design) Team were asked to recommend areas of the project site to be “mothballed” i.e. excluded from restoration work. The Construction Team suggested, as part of the cost cutting exercise, that the Little Gallery be “mothballed”, even though at the time (late 2006) it was known that a section of the roof needed repair.

At the beginning of 2007 John Angus (CE of Storey Gallery) raised the issue as a request for change asking that the roof be repaired. Taking advice from the architect (Anthony Dalby) supported by Conlon Construction Ltd. it was felt that 1. the damage at that time was not serious, 2. it did not represent a serious issue or risk to the project and therefore 3. it was decided not include the Little Gallery roof within the revised works to be done.

At a recent Pre-commencement (Construction Team) Meeting held at the Storey Building on Friday 21st September 2007, the Project Leader for Buro Happold (Sarah Cropley) pointed out that the damage to the Little Gallery roof had become much worst over the last few months.

The Project Manager was shown the problem and (as it was raining heavily that day) water was flowing freeing down the adjoining wall and dripping onto the wooden floor. Sarah Cropley (a Structural Engineer) was of the opinion that the leaking roof, if not repaired, would represent a serious structural risk to the building within the near future, 2-4 years. In her opinion, the damage to the gutter and obvious wet rot to the wooden cross beam could if left unchecked result in:

- The main roof beams becoming infected with wet rot
- On drying, the spread of dry rot
- Dry rot spreading across the roof and into the main building
- Water leaking through the Little Gallery floor into the Lecture Theatre below

When asked to estimate the work and costs needed to repair the roof Sarah Cropley stated that it is not possible to accurately estimate the costs of repair without knowing the condition of the main roof beams but that in her opinion the beams “appeared” be in good condition. If the main roof beams were not water damaged the repairs to the roof could be limited to the internal wooden cross beam (this needs replacing) and the external lead guttering.

Sarah Cropley stressed, if left, the whole roof (a large, elaborate wood, glass and lead structure) would eventually need replacing at an estimated cost of £50,000 (a figure suggested by the architect , Conlon Construction Ltd. And agreed to by LCC’s QS.

The estimated cost for the limited repair of just the worst leaking areas of the roof adjoining the Main Gallery wall is £8,000. A figure suggested by the architect, Conlon Construction Ltd. and agreed to by LCC’s QS.

Please note: The Bill of Quantities will include details of the roof repairs and costs and this will be issued to the PET by 12th October 2007. Due to the fact that the NEC 3 contract will specify a Guaranteed Maximum Price GMP and there are no other sources of funding available within the Bill of Quantities i.e. all unforeseen work will either not be done or paid for by reducing funds from other budget lines.

The Little Gallery Roof will not be included within the Bill of Quantities.

2. Issue Log Ref: 15 & 31

Issue 15 was raised by John Angus CE of Storey Gallery on 12th January 2007 who requested that the Little Gallery roof be made water tight. It was decided at the time to "mothball" the Little Gallery as part of a cost cutting exercise.

Issue 31 was raised by Sarah Cropley, Project Leader from Buro Happold on 21st September 2007. Sarah pointed out the damage to the roof had become a lot worst.

3. Consequences

In particular specify how the following aspects of the project will be affected if no action is taken:

- Business case
  In this case as the project was developed pre LAMP, the consequences to the Business Plan is that plans to hire the Little Gallery out for even minimal rent will not be possible. Therefore predicted income will by less than anticipated in the current 5 year budget and the expenditure (repairs) budget line will be much greater.

  A more serious consequence (which relates directly to previous severe cuts in costs resulting in areas being mothballed and a reduction of the quality of finishes) is that the project may not able to deliver a building which is fit for purpose. I.e. the "restored" building is not able to generate an appropriate income and therefore not able to support a viable business.

  Please note: It is important that the current level of confidence in the project is maintained by all partners, particularly the SCIC Board who are being asked to manage the restored centre, generate the required income and achieve the agreed outputs with no post opening revenue support from the Council.

- Project objectives
  None.

- Project scope
  In reality the Project Scope covers the whole building complex and therefore there are no changes scope but ***it should be noted that the Little Gallery is outside of the current cost specifications/work programme*** i.e. is not included in any construction budget line or list of work to be done, even if an under spend is generated.

  In addition, a recent Construction Team Meeting has recommended to the PET that any savings identified should be reserved to repair the main roof, please see Exception Report – Storey Main Roof 26th September 2007.

- Project timescales
  In terms of the construction phase time scales, there will be no consequences.

  In terms of the post restoration (income generating) activity time scales, there will be an impact on the length of time it takes for the centre to become financially viable and therefore remain dependent on grant support (most likely to be applied for from Lancaster City Council).

- Project costs
  At present the total project costs are £4,586,296, this includes £900,000 of 'in kind' match therefore the actual cash available to renovate and convert the ***current agreed parts of the building*** and pay for pre opening revenue activity is strictly limited to £3,686,296. This means there is only £3,243,270 for capital works and £211,580 for fees (the remaining £231,446 for other activity, funded by LCC e.g. the retaining wall, revenue costs and marketing and ACE NW, mainly marketing & public art work).

  In short, there are no funds identified within any budget line to pay for the repairs.

- Project quality
  There will be no short term consequences for the quality of finishes to the main building (product). The quality of the environment of the Little Gallery is currently so poor it would not be possible to let the space and if the damage is not repaired the quality of the environment of the Lecture Theatre will also deteriorate quickly. The problem could spread into the main building within 2-4 years.

4. Available Options

Option 1 – Do nothing

In a worst case scenario, the consequences of doing nothing could lead to a failure of the Little Gallery roof structure, the need to replace the entire roof, mayor damage to the floor and Lecture Theatre ceiling and the spread of dry rot into the main building.

Option 2 – Fund the repairs from the existing capital budget of £3,243,270

This option is open, but if taken it would have serious consequences on the project (as presently agreed by all partners and described in the Bill of Quantities currently being drafted by the contractor), namely:

- It would involve a major re-costing exercise.
- It would involve a delay in the issue of the Bill of Quantities and delay in exchange of contracts.
- It would involve either additional areas being "mothballed" and/or a reduction of quality of finishes to areas.

Option 3 – Fund the repairs from possible savings from the main works i.e. capital budget of £3,243,270
It should be noted that the possibility of making any savings is, at present, remote.

This option is open, but if taken it would have serious consequences on the project (as presently agreed by all partners and described in the Bill of Quantities currently being drafted by the contractor), namely:

- It would involve a reversal of the current recommendation that all savings be reserved for the repair of the main roof.

- It would involve a major re costing exercise.
- It would involve a delay in the issue of the Bill of Quantities and delay in exchange of contracts.
- It would involve either additional areas being “mothballed” and/or a reduction of quality of finishes to areas.

Option 4 – Fund the repairs from possible savings from the retaining wall budget line of £45,000

It should be noted that the possibility of making any savings is at present remote.

Although using possible savings from this budget would mean the repairs to the Little Gallery could be treated as a separate “contract” it would involve:

A reversal of the current recommendation that all savings be reserved for the repair of the main roof.

Option 5 – Seek additional funding from external sources

This option would be difficult to achieve in that the author knows of no funding programme that would support (in isolation) the repairs needed to the Little Gallery roof. Having stated this, the author has applied for additional funds to restore the Lecture Theatre below the Little Gallery from NWRDA, if the application is approve it may be possible to include this repair work within the restoration costs for the Theatre. But, the process could be time consuming (a couple of months for possible approval from NWRDA and up to a year for an alternative application) and if unsuccessful the project could be left with a serious problem in several months time; with a substantially increased repair bill.

Option 6 – Lancaster Council funds the repairs

The Council agrees to classify this issue as an “emergency repair” and fund the work from internally resources.

If agreed the repair work could be carried out immediately at no cost to the main project budget and therefore at no increase risk to the project.

5. Recommendation

The most attractive option would be to pay for the repairs from possible savings but if this option were chosen the main roof could be put at serious risk, both in terms of the area of roof which could be restored and to the quality of finish (this will affect the length of time before repairs have to take place again).

In addition, due to previous severe cut backs, the quality of internal wall & floor finishes have been driven down to a bare minimum and to mothball other areas would impact upon the future income generating capacity of the project.

Therefore It is recommended that Option 6 should be the preferred option.

PROJECT DOCUMENTATION

EXCEPTION REPORT

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

< Storey Creative Industries Centre – Main Roof >

Version: 0.01

Date: 26th September 2007

This Project Utilises the Lancaster City Council Approach to Managing Projects (LAMP) Methodology

Author: Paul James

Project Executive: Peter Sandford

Project Manager: Paul James

Project/Programme Board: Storey Project Executive Team

1. Background

In the original £5m plus project the entire roof was to be restored. Due to a reduction in grant and a need to cut costs the budget reserved for repairs to the roof was reduced to approximately £200,000.

A recent roof survey and increasing costs of lead and scaffolding has meant the costs of repairs are so high that it represent a risk to the project.

At the Construction Team Meeting held on 24th August 2007, Anthony Dalby (the Architect novated to the contractor Conlon Construction Ltd.) informed those present that the roof survey had taken place and it revealed that although the roof structure is relatively sound, some sections of the roof covering need replacing and all of the lead work needs to be replaced.

At present Conlon feels the budget reserved for roof repairs (c. £200,000 for all works & scaffolding) will only cover the cost of repair of about one third of the roof area.

Therefore Conlon (supported by all members of the Construction Team) made the following recommendations:

A) That the roof represented the highest risk to the project and this should be reflected in the risk register and Risk Log:

B) That the roof be divided into sections and prioritised in terms of work to be done. That the roof be divided into the following sections ***(in order of priority)***:

1. The roof above the stair wells and rooms of PD1,2,3 and 4 (the top end of Castle Hill)

2. The roof above the stair wells and rooms of PC10,11, 14 and 18 (the bottom half of Castle Hill)

3. The roof above the stair wells and rooms of PC1, 2, 3, 4, 5, 6, 7, 8, 9, and 32 (from the corner of Castle Hill along the main road to, but not including, the main Gallery roof)

4. The main Gallery roof.

Please note: excluded completely from the list of priorities are the following sections of roof:

- **The Little Gallery roof (please refer to Exception Report “Little Gallery Roof”)**
- The Old Cottage roof
- The Old Folly and roof joining it to the main building
- The roof above the room PB30.

In addition, the following two recommendations were made:

I. That counter lever scaffolding would not be used (due to the expense) and that scaffolding should only be erected to cover the section of roof under repair at any one time.

II. That any savings made during the construction phase be held in reserve for the main roof and it is repaired in the order of priority recommended above.

Please note: The Bill of Quantities will include details of the roof repairs and costs and this will be issued to the PET by 12th October 2007. Due to the fact that the NEC 3 contract will specify a Guaranteed Maximum Price GMP and there are no other sources of funding available within the Bill of Quantities i.e. all unforeseen work will either not be done or paid for by reducing funds from other budget lines.

2. Issue Log Ref: Issue Log ref no 30 & Risk Log ref no R2

3. Consequences (if no action taken)

The risks are:

- That most or all of the potential savings could be used on the roof.
- In a worst case, if it was decided that the roof should take priority over all other work it may be necessary to mothball other areas or reduce the quality of finishes to an unacceptable level.

In particular, specify how the following aspects of the project will be affected if no action is taken:

- Business case
  If substantial parts of the roof are left in a state of disrepair, future roof repair bills will be higher than expected. In the short to medium term this could result in a less than viable project and a longer reliance on grant funding (with LCC being targeted for grant applications).

- Project objectives
  None.

- Project scope
  None.

- Project timescales
  None.

- Project costs
  At present the total project costs are £4,586,296, this includes £900,000 of 'in kind' match therefore the actual cash available to renovate and convert the *current agreed parts of the building* and pay for pre opening revenue activity is strictly limited to £3,686,296. This means there is only £3,243,270 for capital works – this is the Guaranteed Maximum Price. Within the GMP is £200,000 for roof repairs and there are no funds identified within any budget line to pay for additional of unforeseen repairs. To do nothing could result in the roof repair budget being expended before the whole of the main roof has been restored.

- Project quality
  If sufficient savings are not identified or priority is not given to the main roof as informed by the roof survey and recommended by Conlon Construction Ltd. The quality of finish to the main roof may have to be reduced with the result that the life span of the roof is reduced and the SCIC Board will face an increase roof repair bill sooner than normally expected.

4. Available Options

Option 1 – Do nothing i.e. reject the recommendations of the Construction Team

In a worst case scenario, the consequences of doing nothing could lead to substantial areas of the main roof not be restored.

Option 2 – Apply for additional funds to support the repairs

Please note that additional funds have been applied for but the timescales involved and approval are outside the control of the PET. An expression of interest (in the form of a "Concept Form") has been submitted to North West Regional Development for £640,000 for works to the roof above the third floor rooms, bringing the third floor into use, bringing the Lecture Theatre into use, improving the quality of finishes to public areas and ICT equipment for "hot desking".

Option 3 – Approve the recommendations of the Construction Team

This option would give clear guidance as to the order of priority the roof should e repaired and the order of priority of where savings (if any) should be targeted.

It should be noted that by agreeing to this option the PET will restrict its options on how to deal with the issue of the Little Gallery roof – see Exception Report "Little Gallery Roof".

5. Recommendation

It is recommended that the PET approve Option 3.

Please note:
Clearly Option 2 would be the most attractive first choice but applying for additional funds is both time consuming and outcome is outside the control of the PET.
To rely solely on applications for additional funds would be a high risk strategy.

Budget and Performance Panel

Procedure and Performance in the Council's Collection of Vehicular Fines

27th November 2007

Report of Head of Property Services

PURPOSE OF REPORT

The purpose of the report is to explain to members the procedures and performance in the Councils collection of vehicular fines.

This report is public

RECOMMENDATIONS

(1) That the report be noted.

1.0 Introduction

1.1 This report will only contain information relating to vehicular fines issued to vehicles for the contravention of waiting restrictions on and off street. These are called Penalty Charge Notices (PCNs) and are issued by Parking Attendants. The name of the process is De-criminalised Parking Enforcement (DPE) and the Council commenced DPE on the 6 September 2004 in partnership with the County Council as part of the ParkWise scheme in Lancashire.

1.2 Once a PCN is issued, DPE progresses through an administrative process and ends with the PCN being paid, cancelled or written off as an unrecoverable debt. The administrative process involves both County Council ParkWise and City Council Parking staff at different stages. The City Council's Parking Operations Manager oversees the whole DPE process and monitors performance in conjunction with the ParkWise Manager. A dedicated software package called ICPS is used to administer the DPE process involved. This software is managed by ParkWise staff.

1.3 The administrative process changes depending on actions taken such as payments and appeals made against the PCN. The appeal process may result in any payments being delayed or the PCN being cancelled. For simplicity this report will disregard the appeal process where possible and explain only what happens if the PCN is not paid.

1.4 Once a PCN has been issued to a vehicle it is the registered keeper of the vehicle not the driver who is liable. The PCN is a £60 charge, but the amount is discounted to £30 if paid within 14 days from the date of issue. If no payment or challenge is received, on the 15th day a request is made to the DVLA to provide the registered keepers name and address. Once this information is received a Notice to Owner (NTO) is posted to the registered keeper on the 29th day from the date of issue. The NTO informs that the PCN is unpaid, the charge due is £60 and gives the opportunity to make a representation against the PCN.
If no payment or representation is received, on the 57th day from the date of issue, a Charge Certificate (CC) is posted to the registered keeper. This informs them that the PCN is unpaid and the amount has increased to £90. On the 71st day from the date of issue, if the PCN is unpaid the £90 debt is registered with the Traffic Enforcement Centre (TEC) in Northampton.

1.5 The TEC is a County Court bulk-processing centre, which registers all the unpaid PCNs as debts from the Councils who operate DPE. There is a £5 charge for registering each PCN and this is added to the total debt. At this stage the PCN is £95 and on the 92nd day from the date of issue, a Notice of Debt Registration (NODR) is posted to the registered keeper. A NODR informs that the amount outstanding is £95 and that a final appeal can be made. Eventually, after the 113th day from the date of issue, if no payment is made a warrant can be issued to a Bailiff to collect the debt. The debt due is £95, but the Bailiffs will add their costs so the total amount is greater.

1.6 The process of responding to PCN challenges, processing payments, sending out the NTOs, CCs, NODRs, registering debts at TEC and sending warrants to Bailiffs is administered by the County ParkWise staff. The City Council Parking staff, who also advises ParkWise staff as required, administers the process of responding to formal representations.

2.0 Details

Monitoring Procedures

2.1 The ICPS software generated the figures used in this briefing note. The software has set parameters to progress each PCN depending on its age and status. This is automated unless a PCN is put on hold or reaches the Bailiffs. The Parking Operations Manager monitors overall progress on a monthly basis using various system reports from the ICPS software. This information is also using by County and City Council Finance officers to report the DPE financial position.

2.2 Between the 1 April and 30 September this year 9,657 PCNs have been issued. A breakdown of the figures is as follows.

5,753 (60%) Paid - PCNs that have been paid in full and the cases closed.

1,397 (14%) Cancelled - Can be sub-divided into 4 sub categories.

Cancelled on Appeal – A successful appeal was made against the PCN
Written off – The PCN debt cannot be recovered. Eg No keeper details, keeper untraceable, keeper bankrupt.
Avoidable Error – Parking Attendant (PA), administrative or equipment fault after PCN issued.
Not Issued – PCN not legally issued e.g. Vehicle drove away, test ticket or PA spoil.

2,507 (26%) In Progress – PCNs that are outstanding at the different stages of the DPE process described above. This figure should reduce over the year as PCNs get paid, cancelled or written off.

3.0 Conclusion

3.1 There are no write off reports created within the software. This means PCNs written off appear in the PCN cancellation data. The result is that at the end of the year, the cancelled figures look too high. A separate write off category is required to give a true picture. This issue has been raised by the Parking Operations Manager and being progressed by ParkWise.

3.2 The current legislation and cost of the recovery process prohibits the recovery of PCN debts from residents located outside England and Wales. This means that “foreign” registered vehicles cannot be pursued for payment.

3.3 It should also be noted that not every vehicle has keeper details registered at the DVLA and some registered keepers are untraceable. This is particularly true for older vehicles purchased at public auctions or via private “For Sale” adverts.

3.4 Changes in legislation to allow the recovery of debts outside of England and Wales would help improve debt recovery rates. The alternative is to clamp and remove Persistent Evaders (those with more than 3 unpaid PCNs), but this is not 100% effective especially when total debts are greater than value of car. Increased enforcement operations by the Police such as Operation Boswell would stop unregistered vehicles being driven illegally.

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

None

FINANCIAL IMPLICATIONS

Since the commencement of DPE on 6 September 2004 to 31 March 2007 a total of 58,668 PCN’s have been issued on and off-street. PCN’s issued with a date prior to 6 October 2006 are now deemed uncollectable due to legal reasons regarding the wording on the PCN, this has equated in 2,305 (£218,000) on-street and 1,082 (£102,800) off-street PCN’s being considered for write-off. It is estimated that a further 792 (£75,200) on-street and 249 (£24,600) off-street PCN’s will be uncollectable for the remainder of 2006/07, all these amounts have been provided for within the City Council’s bad debt provision.

Year	PCN’s Issued	Total Value	Bad Debt Provision	Income
2004/05 (part)	13,447	423,100	110,000	313,100
2005/06	24,020	811,500	182,600	628,900
2006/07	21,201	725,600	128,000	597,600
TOTAL	**58,668**	**1,960,200**	**420,600**	**1,539,600**

The above table suggests that each PCN raised has an average cash value of £26.24, this compares across the County as follows :-

Burnley	£25
Chorley	£27
Fylde	£28
Hyndburn	£27
Pendle	£27
Preston	£29
Ribble Valley	£29
Rossendale	£30
South Ribble	£29
West Lancs	£27
Wyre	£29

The total average cash value for all PCN’s issued within the County is £27.

SECTION 151 OFFICER'S COMMENTS

The s151 officer would highlight that proposals are currently being considered for reviewing further the operation and overall financial performance of the current county wide partnership – and clearly the collection rate of fines is one important aspect. The review would be done at district level, to build up a county wide position.

LEGAL IMPLICATIONS

None

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS	
None	**Contact Officer:** Iain Wishart **Telephone: 01524 582658** **E-mail:** iwishart@lancaster.gov.uk

BUDGET AND PERFORMANCE PANEL

Work Programme Report
27th November 2007

Report of Head of Democratic Services

PURPOSE OF REPORT
To update Members with regard to the Work Programme.
This report is public

RECOMMENDATIONS

(1) That Members consider the request for a report detailing a six month review on the usage and cost efficiency of the new Customer Services facilities and whether this should be added to the work programme.

(2) That Members note that a report on car park pricing against the cost of enforcement and the possibility of adding barriers to car parks will be available for consideration at the Budget and Performance Panel's meeting on 26th February 2008.

(3) That Members note that a report on recharging and in-house costs between Council Services will be available for consideration at the Budget and Performance Panel's meeting on 26th February 2008.

1.0 Introduction

1.1 <u>**Request for item to be added to the Work Programme – Customer Service Centres**</u>

A request has been made for the Budget and Performance Panel to consider adding a six month review of the Council's Customer Service centres to the Work Programme in light of the perceived low level of use of the Morecambe Town Hall facility.

The request from Members has indicated that the Panel would like to be given details of the footfall at each facility and the measures taken by Managers to increase the usage if it is perceived to be underused. It is requested that a cost breakdown be given for the whole life and running costs of the centres compared to the investment made so that the Panel can gauge the value for money achieved through the developments.

Members are asked to consider whether it would be useful to request a report on this and add it to the Work Programme.

1.2 **Referral from Overview and Scrutiny Committee – Parking Strategy**

At its meeting on 5th September 2007, in response to a referral from Cabinet with regard to the Parking Strategy, the Overview and Scrutiny Committee agreed to review the Parking Strategy in six months. However it was noted that there were one or two issues which warranted more immediate consideration, one of which has been referred to the Panel. This relates to the issue of pricing of car parks and the possibility of installing barriers.

Overview and Scrutiny Committee recommended that the Panel consider the issue of pricing of car parks and the possibility of installing barriers and question the cost of charges against the cost of enforcement and at the last meeting the Panel agreed to add this to their Work Programme.

The Panel are requested to note that the report relating to these matters will be available for their consideration at the meeting on 26th February 2008.

1.3 **Recharging and In-House costs**

At its last meeting the Panel agreed to request a report from City Contract (Direct) Services and Information Services justifying the costs the two services charge other internal Council Services. This item has been added to the Work programme and a report will be presented to the Panel at its meeting on 26th February 2008.

Members are requested to note the report relating to these matters will be available at that meeting on 26th February 2008.

BACKGROUND PAPERS	**Contact Officer:** Jon Stark **Telephone:** 01524 582132 **E-mail:** jstark@lancaster.gov.uk **Ref:**

ISSUE	JUNE 12TH	JULY 17TH	JULY 31ST	SEPTEMBER 11TH	OCTOBER 23RD	NOVEMBER 27TH	JANUARY 29TH	FEBRUARY 26TH
STAR CHAMBER								
B&P FRAMEWORK								
PERFORMANCE MANAGEMENT MONITORING	Leader's 4th Quarterly Corporate Performance Monitoring report			Leader's 1st Quarterly Corporate Performance Monitoring report		Leader's 2nd Quarterly Corporate Performance Monitoring report		Leader's 4th Quarterly Corporate Performance Monitoring report
PERFORMANCE MANAGEMENT AND DATA QUALITY TRAINING/AUDIT COMMISSION								
PARTNERSHIP MONITORING				Funding to non-Housing voluntary organisations and SLAs				
EXETER BENCHMARKING								
HOME WORKING PILOT SCHEME – INTERIM REPORT			John Donnellon to present					
BEST VALUE AND PERFORMANCE PLAN (ANNUAL REPORT)				Double Glum KPIs report				

ISSUE	JUNE 12TH	JULY 17TH	JULY 31ST	SEPTEMBER 11TH	OCTOBER 23RD	NOVEMBER 27TH	JANUARY 29TH	FEBRUARY 26TH
VALUE FOR MONEY/EFFICIENCY STRATEGY	Forward Annual Efficiency Statement		Review of Efficiency Strategy					
HOUSING SLA's								
ACCESS TO SERVICES – MONITORING OF OUTCOMES (TO BE AGREED)								
DISCUSSIONS WITH SERVICE HEADS (ONGOING)			Head of Property Services	Head of Democratic Services				
HOMELESSNESS MONITORING FORM REVIEW								
SCRUTINY OF FUNDING TO EXTERNAL BODIES								
LEGAL FEES FOR LEASES								
COLLECTION OF VEHICULAR FINES								
CAR PARK PRICING AND ENFORCEMENT AND THE POSSIBILITY OF ADDING BARRIERS TO CAR PARKS								

ISSUE	**JUNE 12TH**	**JULY 17TH**	**JULY 31ST**	**SEPTEMBER 11TH**	**OCTOBER 23RD**	**NOVEMBER 27TH**	**JANUARY 29TH**	**FEBRUARY 26TH**
RECHARGING INHOUSE COSTS BETWEEN SERVICES								

Please Note:
Performance Management - Following consideration of performance management information the Panel may be minded to timetable meetings with Service Heads and Cabinet Members as a need is identified.