



Committee: CABINET
Date: TUESDAY, 31 AUGUST 2010
Venue: LANCASTER TOWN HALL
Time: 10.00 A.M.

A G E N D A

1. Apologies

2. Minutes

To receive as a correct record the minutes of Cabinet held on Tuesday 27 July 2010 (previously circulated).

3. Items of Urgent Business Authorised by the Leader

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

4. Declarations of Interest

To consider any such declarations.

5. Public Speaking

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

Reports from Overview and Scrutiny

None

Reports

6. 2010/11 Quarter 1 Corporate Performance Review (Pages 1 - 37)

(Cabinet Member with Special Responsibility Councillor Langhorn)

Report of the Leader of the Council.

7. Medium Term Financial Strategy Update

(Cabinet Member with Special Responsibility Councillor Langhorn)

Report of the Head of Financial Services (to follow).

8. Budget Community Engagement (Pages 38 - 41)

(Cabinet Member with Special Responsibility Councillor Langhorn)

Report of the Corporate Director (Regeneration).

9. Shared Services - Revenues and Benefits (Pages 42 - 46)

(Cabinet Member with Special Responsibility Councillor Langhorn)

Report of the Corporate Director (Finance and Performance).

10. Allocation of Affordable Housing S106 Contributions to Adactus Housing Association (Pages 47 - 52)

(Councillor with Special Responsibility Councillor Kerr)

Report of the Corporate Director (Regeneration).

11. Exclusion of the Press and Public

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

Cabinet is recommended to pass the following recommendation in relation to the following item:-

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

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

12. Chatsworth Gardens Housing Exemplar

(Cabinet Member with Special Responsibility Councillor Kerr)

Report of the Corporate Director (Regeneration) to follow.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Stuart Langhorn (Chairman), June Ashworth, Jon Barry, Eileen Blamire, Abbott Bryning, Jane Fletcher, David Kerr, Peter Robinson, (2 Conservative vacancies)

(ii) Queries regarding this Agenda

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

(iii) Apologies

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

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

Published on Thursday 20 August 2010.

CABINET

2010/11 Quarter 1 Corporate Performance Review 31st August 2010

Report of Leader of the Council

PURPOSE OF REPORT				
To receive the Leader's highlight report in respect of the first quarter of Performance Review Team meetings for 2010/11 recently undertaken by individual cabinet members.				
Key Decision		Non-Key Decision		Referral from Leader
				X
Date Included in Forward Plan		N/a		
This report is public				

RECOMMENDATIONS OF COUNCILLOR LANGHORN

- (1) That Cabinet consider the report and comment accordingly.

REPORT

- 1 The first quarter of individual Cabinet member Performance Review Team (PRT) meetings for 2010/11 took place between 2nd and 11th August. Each meeting monitored progress against the actions included in the Corporate Plan for each Cabinet member and any outstanding issues from the previous round of meetings.

- 2 The Corporate PRT highlight report was considered by the Leader on 17th August, and will be presented to the Budget & Performance Panel on 7th September 2010.

- 3 **Appendices** that set out the information that was considered, and the resulting actions, are attached. These include:-
 - PRT meeting/attendance timetable
 - Progress report on implementing the Actions from the 2009/10 Quarter 4 PRT
 - Performance exception report showing indicators for Quarter1 that are behind target
 - Quarter 1 Corporate Financial Monitoring Report
 - Treasury Management Monitoring Report
 - Agreed Actions from the Quarter 1 Corporate PRT

4 Conclusion

The Council's Performance Management Framework now requires the regular reporting of performance into both the Budget & Performance Panel and Cabinet as part of the Performance Review Team cycle of meetings. This report provides a strategic summary of how the council is performing in delivering its Corporate Plan targets using the information from the 2010/11 Quarter 1 PRT meetings with individual cabinet members

RELATIONSHIP TO POLICY FRAMEWORK

This report is a requirement of the Council's Performance Management Framework.

CONCLUSION OF IMPACT ASSESSMENT

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

None arising from this report.

FINANCIAL IMPLICATIONS

As set out in the attached appendices.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

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

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

2010/11 Quarter 1 PRT Reports

Contact Officer: Roger Muckle

Telephone: 01524 582022

E-mail: rmuckle@lancaster.gov.uk

Ref: RCM/DP

PERFORMANCE REVIEW TEAM MEETING - Q1 2010/11

SERVICE AREA: CORPORATE

DATE: 17 August 2010

PRESENT: Cllr Stuart Langhorn; Roger Muckle ; Nadine Muschamp; Richard Tulej

NO	AGREED ACTIONS QUARTER 1	RESPONSIBILITY	PROGRESS
	PERFORMANCE MONITORING		
1	<p>Actions From Quarter 4 2009/10 Update</p> <p>Performance Monitoring</p> <p>a) NIs 171/172 VAT Business Registrations</p> <p>Information on NI 171 and NI 172 in respect of Business VAT registrations was considerably out of date –being produced some 2 years after the event. Need to check relevance of these indicators and if they are still a requirement for the LAA. If not, remove from Corporate Plan</p>	<p align="center">RT</p>	<p>NI 171 is a Local area Agreement Indicator with Lancashire targets set .NI172 is not.</p> <p>There is a considerable time lag in collecting and reporting these indicators.</p> <p>Lancaster City Council is not the body responsible for collecting the data and it is recommended that these indicators are no longer reported through PRT's nor included in the Corporate Plan.</p>

	<p>b) Local KPI 1 Increase level of tourism spend by 3% from previous year Figures for 2009/10 not yet available. Ask Portfolio holder to review and monitor when available.</p> <p>c) Local KPI 7 No of Enquiries at Visitor Information Centres Concerns that number of enquiries had dropped significantly despite developing a new Lancaster VIC and extending opening hours at Morecambe VIC. Ask Cabinet member to review situation.</p> <p>Financial Monitoring</p> <p>d) Consider outturn variances in June</p> <p>e) HRA Responsive Maintenance Overspend</p>	<p>RT</p> <p>RT</p> <p>NM SL</p>	<p>Figures always produced after the end of the year therefore information is of limited value in terms of managing performance in this area – recommend that figures are no longer reported through the PRT process and removed from the Corporate Plan</p> <p>Officer review currently underway as part of the restructuring of Services that brought Customer Services and the VIC's together.</p> <p>Complete –reported into July Cabinet</p> <p>Actions put in place – Will monitor position in quarter 2. See also Financial Monitoring action (1) below</p>
<p>2</p>	<p>PRT Process Refresh Need to ensure that there is consistency in individual Cabinet members PRTs. Paperwork needs to include information about all the responsibilities included in the Corporate Plan,</p>	<p>RCM/RT/NM</p>	

	<p>in particular:- performance information about Key Targets, Key Actions, and Listed Projects. Paperwork needs to be clear to include information appropriate to each cabinet member and this includes the allocation of corporate health indicators included in the Corporate Plan that were only reported to the Leader in quarter 1. A note should be produced from each individual Cabinet member's PRT setting out actions agreed that would be sent to the Leader for use in his 1:2:1s with cabinet members and also as background information for the Leader's Corporate PRT. This action should be implemented for the quarter 2 PRTs and discussed at an appropriate Cabinet briefing ahead of the quarter 2 PRT meetings.</p> <p>Cabinet members should note that PRTs are solely for monitoring Corporate Plan actions and not service business plan targets or other service delivery issues. These should be pursued outside PRT meetings.</p>		
<p>3</p>	<p>Shared Services</p> <p>Report requested for October Cabinet on latest position in respect of Shared Services to include progress made on Community Pools and Facilities Management.</p>	<p>RCM</p>	

4	<p>LDLSP – Use of Performance Reward Grant</p> <p>Report requested for October Cabinet on progress made within the LDLSP on allocating Performance Reward Grant monies</p>	RT	
	<p>FINANCIAL MONITORING</p>		
1	<p>HRA Responsive Maintenance</p> <p>Concern that this budget item is still overspending. Noted the actions that had been agreed by cabinet member and Hd of Service. Leader to meet with both to review the position.</p>	PL/SL	
2	<p>Search Fees</p> <p>Recent proposed legislative changes will impact of the level of fee income that the council can generate through personal search charges. This will have a significant impact on the budget and could be applied retrospectively. A cabinet report was requested once the legislative position became clear</p>	ST	
3	<p>NWDA Funding</p> <p>Attention was drawn to the potential loss of external funding following the abolition of the NWDA that currently helped finance teams within both the Regeneration & Policy Service</p>	HM/RT/AD	

	and the Community Engagement Service. A report was requested for October's Cabinet meeting setting out what the teams do, what the potential funding gap might be, and what options there might be for meeting this gap.		
4	<p>Salt Ayre Sports Centre & Community Pools</p> <p>Quarter 1 PRT information identified that the current level of savings included in the budget for Salt Ayre would not be achieved. It was noted that the Cabinet member had requested options to address the position and also further information in respect of the Community Pools.</p>	RT	
5	<p>Sundry Debts</p> <p>It was noted that a report was to be produced for quarter 2 PRTs that showed the level of debt over 6 months old for each service and the actions that had been taken to manage it.</p>	NM	
6	<p>Other Variances</p> <p>It was noted that other variances had been considered in the PRT meetings and were being monitored with a view to reporting further in quarter 2</p>	All	

PORTFOLIO BASED PERFORMANCE REVIEW TEAMS

Timetable for Quarter 1 2010/11

PORTFOLIO	Meeting Arranged	Cabinet Member(s)	Director (s)	Service Head	Paperwork Received (inc. updated action from previous meeting)	Action Note received	Additional Info.
LDLSP Management Group Board - Financial Services - Information Services - Community Engagement Comms	15.00 – 10/08/10	Cllr Langhorn	Heather McManus Roger Muckle	Nadine Muschamp Sarah Taylor Richard Tulej Gill Noall	Yes		CD (Regen) office
LDLSP Management Group Board - Property Services	11.00 – 11/08/10	Cllr Langhorn	Heather McManus	Graham Cox	Yes		Leader's office
LDLSP Children and Young People	13:00 – 11/08/10	Cllr Ashworth	Heather McManus	Andrew Dobson Richard Tulej	Yes		CD(Regen) office
LDLSP Economy	11:00 – 05/08/10	Cllr Bryning	Heather McManus	Andrew Dobson	Yes		Hd Regen & Policy office, PH
LDLSP Education and Skills	10:30 – 06/08/10	Cllr Robinson	Heather McManus	Andrew Dobson	Yes		Hd Regen & Policy office, PH
LDLSP Health and Wellbeing	10.00 – 02/08/10	Cllr Kerr	Peter Loker	Suzanne Lodge	Yes		Confidential Office, Env Health, MTH
LDLSP Environment	10.00 – 09/08/10	Cllr Barry	Peter Loker Heather McManus	Mark Davies Richard Tulej Graham Cox	Yes		Ctte A LTH
LDLSP Safety	11.00 – 09/08/10	Cllr Blamire	Peter Loker	Richard Tulej Sarah Taylor	Yes		Ctte A LTH
LDLSP Valuing People	09:00 – 11/08/10	Cllr Fletcher	Heather McManus	Richard Tulej	Yes		CD(Regen) office
Leader (Corporate)	09:00 – 17/08/10	Cllr Langhorn	Roger Muckle Heather McManus	Richard Tulej Nadine Muschamp	Yes		Mgt Team Conference Room
PERFORMANCE MANAGEMENT GROUP	27 th August 2010	---	All	Nadine Muschamp Richard Tulej			
CABINET	31 st August 2010	All	All				
BUDGET AND PERFORMANCE PANEL	7 th September 2010	Leader	Roger Muckle	Richard Tulej Nadine Muschamp			

PERFORMANCE REVIEW TEAM MEETING - Q4 2009/10

SERVICE AREA: CORPORATE

DATE: 18 May 2010

PRESENT: Cllr Stuart Langhorn; Roger Muckle ; Nadine Muschamp; Richard Tulej

NO	AGREED ACTIONS QUARTER 4	RESPONSIBILITY	PROGRESS
	<p>PERFORMANCE MONITORING</p> <p>VAT Business Registrations</p> <p>Information on NI 171 and NI 172 in respect of Business VAT registrations was considerably out of date –being produced some 2 years after the event. Need to check relevance of these indicators and if they are still a requirement for the LAA. If not, remove from Corporate Plan</p>	<p style="text-align: center;">RT</p>	<p>NI 171 is a Local area Agreement Indicator with Lancashire targets set .</p> <p>NI172 is not.</p> <p>There is a considerable time lag in collecting and reporting these indicators .</p> <p>Lancaster City Council is not the body responsible for collecting the data and it is recommended that these indicators are no longer reported through PRT's nor included in the Corporate Plan.</p>
2	KPI 1 Increase level of tourism spend by 3% from previous year		<p>Figures always produced after the end of the year therefore information is of limited value in terms of managing performance in</p>

	Figures for 2009/10 not yet available. Ask Portfolio holder to review and monitor when available.	RT	this area – recommend that figures are no longer reported through the PRT process and removed from the Corporate Plan
3	KPI 7 No of Enquiries at Visitor Information Centres Concerns that number of enquiries had dropped significantly despite developing a new Lancaster VIC and extending opening hours at Morecambe VIC. Ask Cabinet member to review situation.	RT	Officer review currently underway as part of the restructuring of Services that brought Customer Services and the VIC's together.
	FINANCIAL MONITORING		
1	Noted that figures at Q4 were still provisional and work was continuing as part of the closure of accounts exercise. Agreed to consider position in June when more accurate information was available. However there was 1 item (below) that required further information at this stage.	NM	Position was reported into Cabinet and an action agreed minute 30(8) that each variance would be considered by individual cabinet members with a view to reporting into the Corporate PRT and mid-year MTFS update
2	HRA Responsive Maintenance Concern that this budget item is still overspending spending. What action is being	SM/NM	The budget continues to overspend in 2010/11. Some immediate actions have been implemented/facilitated are :-

	<p>undertaken to address</p>	<ul style="list-style-type: none">• closer working relationship between finance and RMS managers including regular monthly monitoring meetings and improved reconciliation of accounts.• Tasked RMS with analysing the reasons for the overspend and what can be done to reduce costs.• RMS have now ceased the use of external contract staff for repairs in voids and are instead using cheaper in house staff.• review of how our partnership arrangements with Herbert T Forrest for capital works.• new operations manager starts 6th September and is tasked to reduce spending on repairs.• arranged for compulsory RSO training for RSO and spending officers in the service. (to be delivered by finance).
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Corporate PRT - Leader

Service (s)	Corporate Director (Regeneration) Finance, Community Engagement		
Portfolio Holder	Cllr Langhorn		
Quarter 1	Date of meeting	17th August 2010	
Key actions	Issues from Portfolio PRTs - actions identified		
5.2 To implement the council's agreed programmed for Shared Services a nd research other opportunities wherever possible	Progress within the council was discussed. It was agreed that a report be prepared for October Cabinet Meeting to include updates across all shared service activity including the latest position on community pools.		
5.3 To worth with partners to secure the most effective outcomes from utilising Performance Reward Grant monies	Noted little progress made within LDLSP on allocating PRG to Big Ticket issues. Allocations recommended by LDLSP needed to be endorsed and approved by Cabinet. Need report to October Cabinet to approve recommended allocations.		
Cost of responsive maintenance in Council Housing	<p>It was noted that a number of actions had been agreed and put into place:</p> <ul style="list-style-type: none"> - improved monitoring arrangements have been agreed with Finance - further analysis requested on reason for increases in expenditure - cost reductions will be sought in process of bringing voids back up to lettable standard - investigate what more can be done to encourage tenants to vacate properties in good condition 		
Property	<p>Rating appeals - It was noted that officers had been asked to ensure that a process is put in place to enable new rates assessments to be appealed which, if successful, would reduce cost to the council</p> <p>Gas/electric - AS request had been made for a review of the consumption/cost figures</p> <p>Parking review - undertake review of parking process to help advise and report on options to deal with the reducing income</p>		

Corporate PRT - Leader

Key actions	Issues from Portfolio PRTs - actions identified
Disabled facilities Grants	<p>It was noted that a number of actions/issues had been identified for implementation:</p> <ul style="list-style-type: none"> - close monitoring and control of expenditure in DFGs with budget reduction - changes in transfer of Occupational Therapists from PCT to Social Services is slowing down rate of referrals so demand is likely to increase later in the year. - budget reduction will in turn mean a reduction in income from fees and charges. This will be adjusted by finance as part of 6 monthly review
Deliver the actions in the Climate Change Action Plan	<p>It was noted that a number of actions had been agreed :-</p> <ul style="list-style-type: none"> - Status update required as to current position in respect of Facilities Management / Energy Management (Energy reduction plans for each building) and Energy Manager - Information reqd for Cllr Barry to support the telemetry proposals being considered as part of the green fleet review. - PRT format does not allow for reporting on air quality via the environment portfolio - consider options - Cllr Barry requested options be developed to consider invest to save projects that can benefit from the changing regulations in respect of renewable Energy and feed in tariffs.
Food Waste Collection	<p>Introduction of the service has been delayed because County are not yet ready to recycle food waste. No indication as to when service will commence. However, due to the recycling process if this isn't this Autumn, then it won't be introduced until May 2011. The Corporate Plan targets for household waste reused/recycled/composted assumed food waste recycling would commence Aug 2010. Therefore, once is known when the service will commence targets will need to be revised. Budgets will also be revised once there is a firm date for commencement.</p>
Mixed recyclable collection	<p>Service introduced August 2010. Need to closely monitor to ensure efficiency targets are being met</p>
To deliver the council's agreed contributions to achieve the priorities and outcomes in the Sustainable Community Strategy and LDLSP's Safety Thematic Group action plan	<p>Current format of Corporate Plan, business planning, service restructuring and Cabinet Portfolio responsibilities does not allow for performance to be reported to Cllr Blamire in a meaningful way. Corporate Director, Head of Community Engagement, and Assistant Head (Partnerships) to meet to discuss a way forward</p>

Corporate PRT - Leader

Key actions	Issues from Portfolio PRTs - actions identified
<p>To continue to work with our partners to deliver the targets in the Sustainable Community Strategy and to bring about other improvements and efficiencies in the way that services are delivered locally</p>	<p>Review of Service Level Agreements - update reports to be brought to future PRT meetings. A list of SLAs to be provided to Cllr Fletcher. An update report on Connecting Communities to be provided to Cllr Fletcher</p>
<p>Lancaster District Children's Trust</p>	<p>Cllr Ashworth to be kept updated on progress with respect of new support arrangements for district Children's Trusts</p>
<p>Heritage and Cultural Tourism for the District, including Creative Industries and Employment</p>	<p>Cllr Ashworth to be kept updated on: - the progress on the development of the Local Enterprise Partnership and the impact upon the District's Tourism Strategy - progress in respect of the Cultural Heritage Investment Strategy - Financial position in respect of Community Pools and Salt Ayre Sports Centre to be reported to PRT2</p>
<p>Financial Monitoring (Updated figures to be provided to this meeting)</p>	<p>Financial Services - Noted improved investment income figures but additional external auditor costs for elector queries</p>
	<p>Revenue Services - Noted that it had been possible to keep a number of posts vacant without reducing performance. This had resulted in a significant saving above the estimated staff turnover saving for Q1. The position would be monitored and taken forward as the shared service with Preston developed</p>
	<p>Information Services - It was noted that further savings were likely in respect of telephones and printing. The position would be monitored. It was noted that it was likely there would be further savings in respect of staffing as a result of not appointing to a number of vacant posts</p>
	<p>Community Engagement - It was noted that additional income would be generated from the delayed demolition of the Dome as it had been possible to enter into a contract for the summer use of the site by a playground operator. However, the delay had also meant that there were increased costs in respect of keeping the Dome for this period. It was noted that NDR revaluation had added additional costs to Salt Ayre and that this is likely to be experienced through the council's building portfolio.</p>

Corporate PRT - Leader

Issues from Portfolio PRTs - actions identified												
Key actions												
Democratic Services - it was noted that by-elections had meant increased expenditure but that was more than matched by savings in staffing and Members allowances.												
Legal and HR - The most worrying matter was the recent changes in respect of charging for searches. These changes would result in a significant loss to the council in income and this could be made worse if provisions to apply this retrospectively weren't changed by lobbying or met from central government. The position will be monitored.												
PI No	Description of indicator	08/09 Outturn	09/10 target	Good is ?	Q1	Q2	Q3	Q4	Year to date	Status	Target owner	Commentary (highlight significant achievements or ongoing risks)
	All Place Survey Indicators									Select from drop down list		It was noted that following changes in legislation some of the corporate health indicators were now obsolete. It was agreed that this be highlighted in the Leader's Corporate monitoring report to Cabinet and that a report into council to make the changes to the Corporate Plan would be needed.
CH7	Reduce the number of days lost to sickness absence	12.06	9.days	low	2.47				2.47 days	Behind Target	ST	It was further agreed that individual corporate health indicators should be allocated to the appropriate individual cabinet member's PRTs for Q2 onwards It was noted that action had been agreed to use Risk Mgt monies to enhance Occupational Health provision - was also noted that HR are drafter a report on how existing HR policies can be amended to bring about improvements in managing sickness absence.
Local	Continue to reuse/recycle at least 50% of all bulky household waste collected	62.12%	50%	high	57.50%					Behind Target	MD	Number of bulky matters jobs down from estimates but action is being taken to reduce expenditure and try to increase income. In recycling terms though both tonnage saved from landfill and % reused / recycled has increased compared to Q1 last year

Corporate PRT - Leader

Key actions		Issues from Portfolio PRTs - actions identified	Status update
Action Plan	Agreed actions		
Quarter 1	See Attached sheet		
Quarter 2			
Quarter 3			
Quarter 4			



Corporate Financial Monitoring

June 2010 | Quarter 1

Report of the Head of Financial Services
 Corporate PRT meeting | 17 August 2010
 Cabinet Meeting | 31 August 2010

HEADLINE INFORMATION

REVENUE	Current (Underspend) / + Overspend	Projected (Underspend) / + Overspend
General Fund	(160,000)	(404,000)
Housing Revenue Account (HRA)	+50,400	+372,600

CORPORATE FINANCIAL MONITORING

June 2010 | Quarter 1

1. INTRODUCTION

This monitoring report of expenditure and income for 2010/11 sets out an indicative corporate picture of the Council's financial performance relating to the period ending 30 June 2010.

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

2. GENERAL FUND REVENUE MONITORING

2.1 General Fund Summary Position

The current overall General Fund summary position shows that at the end of June there is a net underspend of **£160K** against the budget. This is currently forecast to increase to **£404K** by the end of the year; the forecast underspending would be higher still if some significant shortfalls in income could be avoided. From the information available to date, future years' projections show a potential net underspending of **£153K** – see later sections for details.

VARIANCES	Current £000's	Current Year Projection £000's	Future Years Projection £000's
Major Variances (see section 2.2)	+21	+122	+82
Salaries (see section 2.3)	(181)	(450)	--
Sub Total	(160)	(328)	+82
Restructure Savings (see section 6.1)	--	(76)	(235)
ESTIMATED OUTTURN (NET UNDERSPEND)	--	(404)	(153)

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

	£000's
Net Controllable Budget	23,633
2% Target	+/() 473
Provisional Controllable Net Underspend	(254)
Percentage of Net Controllable Budget	1%

As set out in the Medium Term Financial Strategy, Cabinet has no authority to increase net spending above the net revenue budget. Whilst the overall position may not be projected to breach this position, this does not remove the need to consider specifically whether any actions can or should be taken to address particular areas of overspending. Recommendations regarding the most significant General Fund overspendings are set out below. Members are asked to consider these, as well as considering whether they wish any further actions to be taken on any other areas of overspending identified within the report. It should be noted that actions relating to the HRA are already underway, as outlined later.

Legal & HR Service : Search Fees – A proposed change in regulations would no longer allow the Council to charge a fee for providing personal searches, and there is a risk that this change may be applied retrospectively, meaning that Council may have to refund fee income received in recent years. This years' indicative income shortfall is £160K, rising to £194K in future years. It is also anticipated, however, that further legislative changes may well be proposed in due course.

Recommendation:

That for now, it be assumed that the income shortfalls associated with the above be offset by other general underspendings but that a separate report be presented to Cabinet once the future legislative position is clear, setting out the impact the proposed legislative changes will have on the Council, what action has been taken and whether there are any options for the future.

Regeneration & Policy Service : Regeneration Team – the gross shortfall in income is projected to be £83K for this and future years. The team was established on a permanent basis by Cabinet on 01 September 2009, on the proviso that external funds are sought on an ongoing basis to offset the Council's associated costs. In addition, the project implementation reserve would also be used to underwrite costs in the interim, for times when external monies were not secured. However, there is now insufficient monies in the reserve to cover the current shortfall in income, which has resulted from the NWDA withdrawing operational funding for partner organisations in this and future years.

Community Engagement : Projects Team – the same report referred to above also established the projects team under the same funding proviso. At present the shortfall in funding for this team will be £165K rising to £172K in future years. Again, the NWDA was the main source of assumed funding for the team. Whilst it is anticipated that funding will be provided to the emerging Lancashire Enterprise Partnership, of which the Council will be a partner, this is unlikely to be in place until April 2011 and there are no guarantees in terms of successful funding bids.

Recommendation:

That a report be presented to Cabinet setting out how the current shortfall in funding can be addressed and what assurances can be provided in respect of future funding, or what action will be taken if either cannot be achieved.

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 summary is provided in the following table.

SUMMARY BY SERVICE	Current £000's	Current Year Projection £000's	Future Years Projection £000's
REPORTED VARIANCES :	() Favourable / + Adverse		
Democratic Services	+4	(1)	0
Legal & Human Resources	+7	+155	+189
Financial Services	(39)	(96)	(65)
Information Services	(10)	(20)	(10)
Environmental Services	(6)	(50)	(88)
Property Services	+46	+9	(63)
Health & Strategic Housing	+5	+39	+39
Community Engagement	+46	+34	+23
Regeneration and Policy	+21	+99	+85
	+74	+169	+110
VARIANCES NOT REPORTED TO PRT MEETINGS :			
Property Services	(53)	(212)	(200)
Community Engagement	0	+165	+172
TOTAL VARIANCES	+21	+122	+82

Variations not reported to PRT meeting

The first item (relating to Property Services) is in respect of the latest forecast for Concessionary Travel costs, which was only received from Lancashire County Council at the end of July. The forecast shows that there could be an underspend of approximately £212K by the end of the year.

The second item relates to external funding for the Projects Team in the Community Engagement Service, and is covered in the recommendations set out in section 2.1 above.

Factors influencing variances

As part of the 2009/10 outturn process Services were asked to identify the key factors influencing variances and this has now been continued into the PRT financial monitoring process. The following table provides an analysis of these variances and Appendix A shows how each variance has been initially categorised; this will be refined as the year progresses.

FACTORS INFLUENCING VARIANCES	Variations to Date £000's	Current Year Projection £000's	Future Years Projection £000's
One-off windfalls & unforeseeable savings	(42)	(157)	(50)
Demand led variances	+37	+220	+172
Efficiency savings	(56)	(94)	(98)
Service changes & reductions	+15	+94	+77
Budget setting issues / errors	(27)	(53)	(101)
Other variances	+94	+112	+82
TOTAL	+21	+122	+82

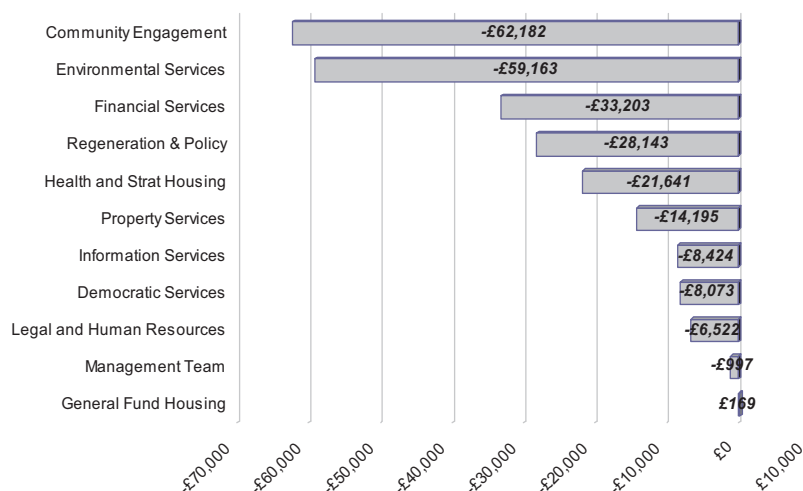
In terms of future years, the above analysis does not include any projection as yet in respect of on-going salary savings as consideration will need to be given to the impact of the current Fair Pay review for "red book" employees and the further review of the current pay and grading structure, as well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

2.3 General Fund Salary Monitoring

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

To date total savings of £254K have been achieved, which is some **£181K** above the £73K profiled turnover target, and only £38K below the full year target of £292K. The savings to date do include £25K in respect of the estimated pay award that was budgeted at 0.5%. At present, the local government employers' position is that any increase in pay for 2010/11 is unaffordable and as such they are not prepared to enter into negotiations.

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



Significant savings have been achieved in Community Engagement (15 vacancies) and in Environmental Services in Grounds Maintenance (8 vacancies) and Street Cleansing (3 vacancies). Whilst it is anticipated that the current level of vacancies will reduce it is safe to say the turnover target will be exceeded by some margin. Even if the savings reduced back to the level experienced in 2009/10 then total savings for the year would exceed the target by approximately £350K, plus a further £100K for the pay award savings, based on the current employers' position regarding the 2010/11 pay award. On this basis, £450K additional savings are assumed in the current year's forecast.

2.4 Budgeted Savings Targets

There are four main savings targets included in the 2010/11 budget:

- Salt Ayre Sports Centre £22.7K – This relates to the savings not achieved in 2009/10 which have been carried forward into 2010/11, and are in addition to the £120.8K already required for this financial year. At present, there is considerable uncertainty as to whether the targets will be met based on current performance, and officers are now meeting to determine what measures need to be put in place to ensure they are.
- Revenues staffing £21.6K – current staff savings will ensure the target is met.
- Public Conveniences £45K – current staff savings will ensure the target is met.
- Marketing and Communications review £61K – the process to consolidate budgets has started and a review of service requirements is currently underway with a view to rationalising spend and identifying sufficient savings by the end of September.

All other savings proposals, approved as part of the 2010/11 budget setting process, have already been clearly identified within the budget.

2.5 Government Revenue Funding Cuts

Recent funding reviews by the Government have seen some significant cuts in funding for Local Government. A total of £6.2BN efficiency savings have been identified of which £1.165BN relates directly to reduced funding for authorities. Whilst this seems significant the actual impact on the council is very minor, as can be seen from the following table.

<i>Grant Name</i>	Original Allocation £	Revised Allocation £	LCC Budget Estimate £	Budget Shortfall £
Housing Planning & Delivery Grant	0	Withdrawn	0	0
Connecting Communities (2 nd Yr)	0	Withdrawn	0	0
LABGI	0	0	0	0
ABG Cohesion	114,000	96,000	98,700	2,700
Future Jobs Fund (2 nd Yr)	0	Withdrawn	0	0
Total	114,000	96,000	98,700	2,700

It should also be noted that the Government has also withdrawn part of the 2nd year free swimming grant for the over 60's, although funding for 1 April to 31 July 2010 scheme running costs will still be honoured. The loss of grant will be cost neutral in terms of the budget position on the assumption that take-up will revert back to pre-grant levels with relevant expenditure budgets reducing and fees and charges income targets increasing back to their original level.

Furthermore the table does not include the Performance Reward Grant, which has been reduced by half with only the first tranche being honoured. A revenue grant allocation of £239K was received during 2009/10 and transferred into an earmarked reserve pending allocation during the current year. Spend has not yet been committed against this funding however, and therefore no budget shortfalls should arise.

3 GENERAL FUND CAPITAL PROGRAMME

3.1 Capital Expenditure

At the end of June there was spend and commitments of £1.7M against the programme of £17.781M, which has been updated for slippage from 2009/10 (approved in July). The main issues to note are as follows; more information on capital is scheduled to be included within the Medium Term Financial Strategy (MTFS) update report:

- An update of the capital programme is required following purchase of vehicles under delegated authority of the Head of Financial Services.
- A number of schemes are still being worked up in detail and are pending, prior to actual work going ahead (e.g. Salt Ayre, playgrounds, toilet works, Platform improvements, IT applications, Xmas lights, Promenade frontage, and Denny Beck Bridge).
- The municipal building works programme is currently putting some large items out to tender but the major works have yet to begin.

3.2 Capital Financing

Capital Receipts

A total of £1.856M is required to finance the 2010/11 capital programme. The Head of Property Services has reviewed the proposed receipts for the current year and has recommended that the forecast remains unchanged.

Government Capital Funding Cuts

As mentioned in section 2.5, the Government has halved the Performance Reward Grant allocation with only the first tranche being honoured. A capital grant allocation of £239K was received in 2009/10 and has now been rolled forward into the current year pending allocation. The capital programme will be grossed up for the new schemes and funding when approval has been given.

4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

4.1 HRA Revenue Position

At the end of June the position for the Housing Revenue Account shows an overspend of **£50K** against the profiled budget, which is currently projected to increase to **£373K** by the end of the year. A full list of the variances is shown in **Appendix B**.

VARIANCES	Variances to Date £000's	Current Year Projection £000's	Future Years Projection £000's
Major Variances	+50	+373	+564
ESTIMATED OUTTURN (NET OVERSPEND)	--	+373	+564

The main variance relates to the Responsive Maintenance account which has seen costs increase by 18% since 2008/09. The current position shows an overspend of £41K, and if this is not addressed then it is projected that there will be a total overspend of £373K by the end of the year, rising to £564K in future years. Clearly this is unsustainable for the HRA, which only maintains a minimum of £350K in unallocated reserves. There was an overspend of £354,500 on the same account in 2009/10 and this has been specifically referred on to Budget and Performance Panel for review as part of their current work programme.

Council Housing has now been merged with Health and Strategic Housing and the new Head of Health and Housing has already drawn up a number of immediate actions to be implemented which include the following. The outcome, together with any Member decisions needed, will be reported to Cabinet in due course:

- Closer working between Financial Service and RMS, including regular monthly monitoring meetings and improved reconciliation arrangements.
- RMS to provide analysis of the reasons for the 2009/10 overspend and identify what can be done to reduce costs.
- Cease the use of external contract staff for void repairs and only use in-house staff.
- Review of partnership arrangements for capital works.
- New operations manager to start in September and will be tasked with reducing spend on repairs.
- Financial management training to be provided to all spending officers.

Factors influencing variances

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

FACTORS INFLUENCING VARIANCES	Variances to Date £000's	Current Year Projection £000's	Future Years Projection £000's
One-off windfalls & unforeseeable savings	0	0	0
Demand led variances	+41	+374	+564
Efficiency savings	0	0	0
Service changes & reductions	(18)	(20)	0
Budget setting issues / errors	0	0	0
Other variances	+27	+19	0
TOTAL	+50	+373	+564

4.2 Council Housing Rent Collection

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

Total Estimate for Year	£11,717,900
Profiled Budget	£2,687,054
Actual to Date	£2,688,742
Difference	£1,688

4.3 Council Housing Capital Programme

This section analyses actual spend against the Council Housing Capital Programme at the end of June. To date spend and commitments total £1.272M against a budget of £4.269M (including slippage from 2009/10) leaving a balance of £2.997M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	250	85	165
Energy Efficiency / Boiler Replacement	591	150	441
Kitchen / Bathroom Refurbishment	1,099	139	960
External Refurbishments	1,317	524	793
Environmental Improvements	486	372	114
Window Replacement	224	0	224
Rewiring	83	0	83
Fire Precaution Works	200	1	199
Central Control	19	1	18
TOTAL	4,269	1,272	2,997

5 REVENUE COLLECTION PERFORMANCE

5.1 Council Tax & Business Rates

This section analyses the Council Tax and Business Rate collection performance.

In year collection performance for Council Tax compares favourably with the same period last year (29.6%). Likewise, the position is similar for NNDR with 31.4% having been collected at the same time last year, although this is partly as a result of Council payments being credited within the June quarter, which boosts performance. It is however pleasing to report that overall performance is still being maintained whilst action is being taken to reduce costs by not filling vacant posts.

Percentage Collected	2009/10	2010/11	2010/11	2010/11	Status
	%	%	Target	Actual	
			%	%	
	All Years		In Year		
Council Tax	27.19	27.23	97.0	29.8	On Target
Business Rates	31.47	25.65	98.2	32.4	On Target

5.2 Collection Fund Monitoring

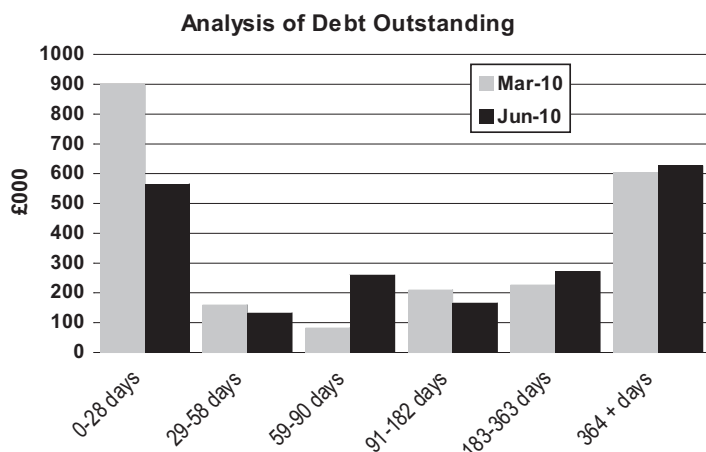
This section sets out the latest position on the Collection Fund, in particular in relation to Council Tax. Whilst the above section looks at collection performance, this section shows the current surplus or deficit on the Fund. It basically compares the amounts collectable with the Precepts levied by the relevant authorities after allowing for refunds, bad debt provisions, income collected and Council Tax benefits. The monitoring shows that at the end of June the Fund was in surplus by £540K, but it should be noted that the surplus can fluctuate significantly month by month. For information, the equivalent value for June 2009 was a surplus of £365K reducing to £240K at the year end.

Any surplus or deficit is shared between the relevant precepting bodies and the City Council's element equates to 13% and would therefore be £70K. The position will formally be assessed in January when the Council Tax base for 2011/12 is set. At that point in time any surplus or deficit will be notified to the relevant precepting bodies for inclusion in their 2011/12 budget.

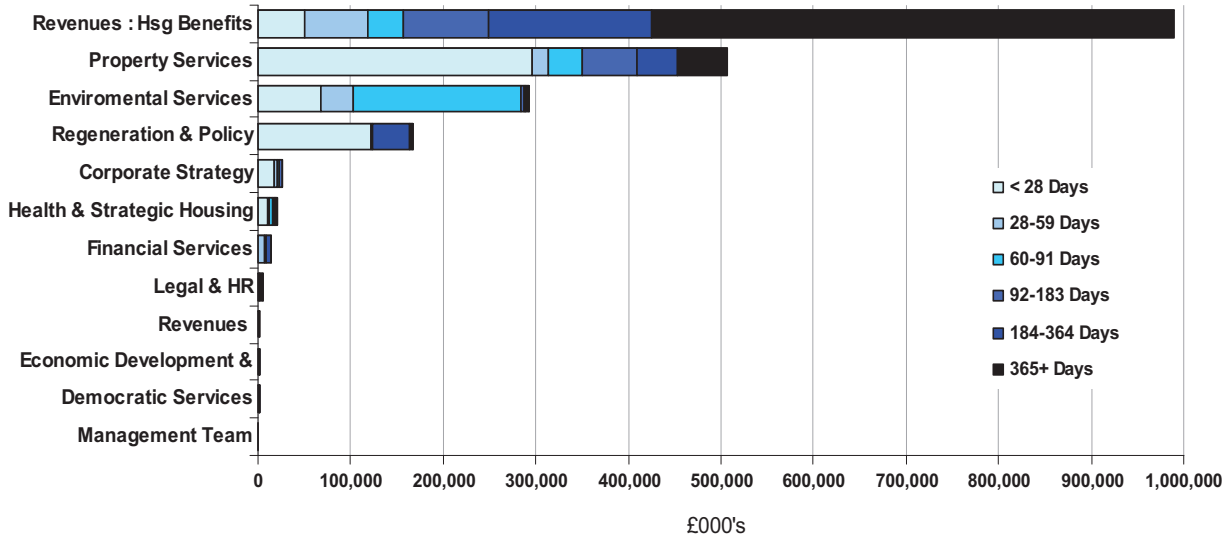
5.3 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of June the total debt outstanding was just over £2M, which is £240K more than the same period last year.

The level of debt over 1 year old has increased in the last quarter to 31% (28% last quarter) of the total outstanding debt. However, the total value of all debt over 3 months old has reduced slightly by £23K from the previous quarter.



	Mar 10	June 10
	£000's	£000's
0-28 days	905	569
29-58 days	157	131
59-90 days	79	261
91-182 days	210	165
183-363 days	226	272
364+ days	608	630
	2,186	2,028
Previous Year	2,564	1,788



For information, a full review of debt over 6 months old will be provided as part of the Qtr 2 financial monitoring report.

6 PROVISIONS AND RESERVES

This section provides and update on key provisions and reserves.

6.1 Restructuring Reserve (General Fund)

This reserve was established during 2008/09 to cover the cost of redundancies and early retirements as a result of Service restructures during 2009/10 and 2010/11. The following table shows the approvals to date and any forthcoming recommendations, as they relate to General Fund:

Restructuring Reserve		Annual Savings Generated	Comments
		£	
Balance as at	31 March 2009	(943,100)	
<i>Personnel Cttee 26 March 09</i> Corporate Strategy Restructure	63,600	30,200	
<i>Personnel Cttee 30 July 09</i> Management Team PA Restructure	56,900	15,500	Annual saving rises to £32K after 2011/12.
<i>Personnel Cttee 30 July 09</i> Senior Management Restructure NWE0 Fees (referred to Cabinet)	13,500		
<i>Personnel Cttee 12 January 2010</i> Community Engagement Regeneration and Policy	353,030 217,616	140,000 134,700	Rising to £134K from 2011/12 onwards. £171K on-going saving.
<i>Cabinet 19 January 2010</i> Additional Contribution	(720,000)		
<i>Personnel Cttee 02 March 2010</i> Revenues Management Community Engagement	122,117 162,522	39,900 70,700	£41K on-going saving £72K on-going savings
Balance as at	31 March 2010	(673,815)	431,000 Built into 2010/11 Budget
Community Engagement : Payment in lieu adjustment	(7,863)		
Quarter 1 Approvals			
<i>Personnel Cttee 25 May 2010</i> Revenues Management - w.e.f. 30/06/10 Management Team - w.e.f. 30/09/10 Democratic Services - w.e.f. 30/09/10	97,243 287,752 85,883	19,200 99,600 35,100	Rising to £25K from 2011/12 onwards. Rising to £206K from 2011/12 onwards Rising to £58K from 2011/12 onwards
Balance as at	30 June 2010	(210,800)	153,900 Additional 2010/11 Savings
		584,900	Total Savings

It should be noted that the total savings generated are only in respect of the approvals shown above. These do not include other estimated senior management restructure costs or savings relating to the management development fund, senior officer pay review, appointments at the top of grade or additional recharges to the Housing Revenue Account relating to the new Head of Health and Housing post. When account is taken of these estimated costs and savings the total net savings figure reduces to £507K, which is still £76K more than is currently budgeted for in 2010/11, and £235K more than budgeted for future years.

Overall the senior management restructure itself is estimated to save in the region of £1.9M between 2010/11 and 2012/13, and around £650K annually thereafter.

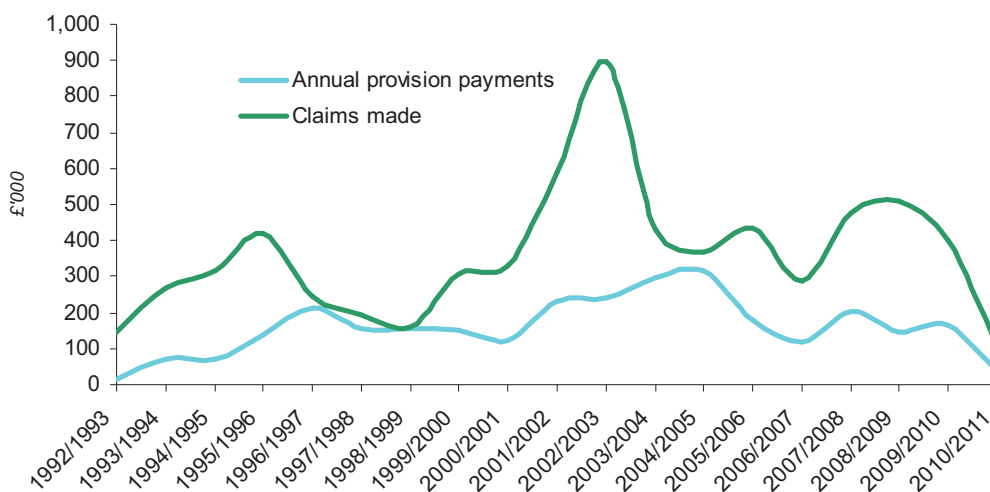
6.2 Insurance Provision

The current balance on the insurance provision is £373K, after making net payments of £45K in settlement of claims made.

At present, the Council's insurers estimate that the value of claims outstanding is £475K, which relates to a total of 255 claims made over a 13 year period. This estimate assumes that all these claims will be settled at the maximum reserve limit; however, recent statistics show that, on average, only 58% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £275K, which is £98K less than the current provision.

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

Analysis of claims made, paid and outstanding by year.



6.3 Bad Debt Provision

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

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

Period	Debt £000's	% Cover Required	Value £000's
Up to 1 Month	569	1%	6
1 Month to 3 Months	392	5%	20
3 Months to 365 Days	437	10%	43
Over 365 Days	630	50%	315
TOTAL	2,028		384

The current balance on the Bad Debt provision is £462K which is £78K above the requirement indicated, but that is after allowing for this year's contribution of £100K.

7 RISK MANAGEMENT

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

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

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

- whether, from their own perspectives, the key risks are covered; and
- whether the actions put forward are appropriate, and make any further recommendations if required.

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

Similarly, in strategic terms one of the biggest risks facing the Council is that of funding cuts and the impact these may have on services and the Council's overall direction – whilst this risk is appreciated, there is no way yet of understanding its likely scale. Again though, various measures to help manage the position are underway, such as undertaking the reviews of discretionary and statutory service levels, considering shared service opportunities and completing the senior management review etc. Over the next quarter, such measures need to be consolidated, to ensure they fit well together and provide a clear direction to inform budget and planning processes. This will be covered in future reports.

SUMMARY OF GENERAL FUND MAJOR VARIANCES (Qtr 1 2010/11)

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

FACTORS INFLUENCING VARIANCES	Variance to Date £	Current Year Projection £	Future Years Projection £
1. One-off windfalls & unforeseeable savings	(41,900)	(157,000)	(50,000)
2. Demand led variances	+37,400	+219,400	+171,900
3. Efficiency savings	(55,900)	(94,000)	(98,000)
4. Service changes and reductions	+14,700	+94,400	+76,900
5. Budget setting issues/errors	(26,900)	(52,800)	(101,400)
6. Other variances	+93,800	+112,200	+82,700
TOTAL VARIANCES	+21,200	+122,200	+82,100

Service	Variance Type	Service Area	Variance to Date	Current Year Projection	Future Years Projection	Reason for Variance & Action being taken
			£	£	£	
+ = Adverse () = Favourable						
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)						
Democratic Services	2	City Elections	+9,000	+15,000	+0	Two by-elections already in the year with another due.
	1	Member Expenses	(4,700)	(16,400)	+0	Projected savings based on no increase agreed on Members Allowances / Special Expenses and only 8 Cabinet Members.
Legal & Human Resources	3	Books and Periodicals	(6,900)	(5,000)	(5,000)	The service is building on savings made last year, and only renews subscriptions where absolutely necessary.
	2	Search Fees	+14,400	+160,000	+193,800	Reduced number of searches. This is affected by the housing market and the general economic climate. In addition, proposed new legislation would prohibit Councils from charging for search fees and may even require them to refund previous fees collected. The Government is currently being lobbied by the Council and the LGA to reconsider the proposals.
Financial Services	4	Audit Fees	+0	+27,000	+0	Additional cost of £40K are anticipated in connection with various elector challenges on the 2008/09 accounts and other in-year elector queries. Whilst some savings will arise from the abolition of the Use of Resources assessment, in the current year this will only partly offset the additional costs (and the exact amount of UoR savings is not yet clear). For future years, assuming no further additional charges arise, best estimates indicate savings of 10-15% (say £20K per year for General Fund, £3K for HRA).
	2	Corporate Pension Costs	(4,000)	(4,000)	(4,000)	Linked to mortality rates.
	4	Subscriptions etc.	(1,000)	(8,000)	(8,000)	Various items covered, but main scope for savings relates to stopping various subscriptions for services.
	3	Various banking / bill payment costs	+0	(3,000)	(3,000)	Bill payment services have recently been re-tendered, resulting in estimated savings of £3K per year. Other banking arrangements being developed / re-tendered and this should result in further savings - a total of £5K per year has been assumed at present, though this will change.
	1	Investment Interest	(26,000)	(100,000)	(50,000)	Further to making impairment provisions for Icelandic investments (to cover both principal and interest losses), the General Fund will now benefit in future years from the interest due. A very provisional figure is given for this year's projection; there will also be fairly significant amounts to be included in budgets for future years but this needs further work and appraisal.
Revenues	1	NNDR Legal & Court Costs	(7,600)	(7,600)	+0	New charges not introduced until July (one-off savings).
Information Services	3	Printing / Copying Equipment	(8,400)	(10,000)	(10,000)	Continuing the savings achieved during 2009/10.
	1	Telephone Maintenance	(1,800)	(10,000)	+0	Further maintenance savings (in 2010/11 only) due to new telephone system.
Environmental Services	5	White Lund Depot - rates	+5,600	+5,600	+5,600	Reduction in transitional relief not budgeted after revaluation of depot.
	2	Bulky Waste Collection - income	+5,200	+10,000	+10,000	Current monitoring indicates that income is 15% down. Actions to reduce expenditure and increase income taking place.
	3	Grounds maintenance - vehicle hire	(10,000)	(10,000)	(10,000)	More efficient use of fleet/less breakdowns. Ongoing efficiency variance.
	3	Grounds maintenance - waste disposal	(6,200)	(10,000)	(10,000)	Savings arising from change in contractor and revised disposal arrangements.
	3	Vehicles - repair & maintenance	(24,400)	(36,000)	(40,000)	As reported within 2009/10 revenue closedown. Unplanned maintenance savings partly due to extended warranties.
	5	Vehicles - fuel	+6,000	+24,000	+0	The budget was based upon a price of 95p per litre and the average price in the 1st qtr is 99.47p per litre. Projected variance based on price staying constant at existing levels.
	2	Trade Refuse - income & disposal costs	+17,900	+17,900	+0	Current income shortfall of £32k expected offset by reduction in waste disposal and landfill tax charges.
	4	Co-mingling	+0	+22,400	+0	Late delivery of vehicles resulting in 7 week delay in optimising delivery system.
	4	Food waste collection	+0	(30,500)	+0	Lancashire County Council unable to receive Food Waste until mid October at the earliest. 10 week delay.
	3	Highways - vehicle hire	+0	(20,000)	(20,000)	More efficient use of fleet/less breakdowns. Ongoing efficiency variance.
	5	Highways - income	+0	(23,600)	(24,000)	4.4% increase received on Schedule of Rates from LHP as opposed to budgeted 2.0% within 2009/10. Ongoing, to be built into revised budget.

SUMMARY OF GENERAL FUND MAJOR VARIANCES (Qtr 1 2010/11)

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

FACTORS INFLUENCING VARIANCES	Variance to Date £	Current Year Projection £	Future Years Projection £
1. One-off windfalls & unforeseeable savings	(41,900)	(157,000)	(50,000)
2. Demand led variances	+37,400	+219,400	+171,900
3. Efficiency savings	(55,900)	(94,000)	(98,000)
4. Service changes and reductions	+14,700	+94,400	+76,900
5. Budget setting issues/errors	(26,900)	(52,800)	(101,400)
6. Other variances	+93,800	+112,200	+82,700
TOTAL VARIANCES	+21,200	+122,200	+82,100

Service	Variance Type	Service Area	Variance to Date	Current Year Projection	Future Years Projection	Reason for Variance & Action being taken
			£	£	£	
+ = Adverse () = Favourable						
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)						
Property Services	1	CCTV Hire of equipment	(9,500)	(9,500)	+0	Revised contract agreed. Full payment made reflecting costs in previous year. One off saving expected of £9,500.
	2	Commercial Properties - Rent	+43,100	+51,000	?	Reduced rent level and lower occupancy.
	5	Off-Street Car Parks - Electricity	(7,000)	(8,000)	(8,000)	New electricity contract in place with N-Power. Flexible buying with anticipated savings at this stage.
	6	Off-Street Car Parks - Rates	+55,900	+19,600	+19,700	New 5 year rateable values with appeals being considered.
	6	Off-Street Car Parks - Fees	(4,300)	+15,000	+0	Income below target in Q1 and VAT will affect net income in Q4.
	2	Off-Street Car Parks - Permits	+4,800	+16,400	+0	Reduced permit sales - Public 16%, Staff/Members 7%
	5	Municipal Buildings - Gas & Electricity	(28,900)	(50,800)	(50,000)	At PRT QRT 1 the Flexible contract with BG & NPOWER is likely to produce savings comparable with 2009/10.
	5	Lancaster Bus Station - Service charge	+0	(16,100)	(16,000)	Budget error relating to income from CC(D)S in relation to public conveniences.
	5	Lancaster Market Rates	(17,900)	(17,900)	(18,000)	Budget set too high.
	6	Lancaster Town Hall - Rates	+9,500	+9,500	+9,500	Revaluation resulting in additional rates charges.
Health & Strategic Housing	6	Strategic Housing - admin charges	+5,000	+30,500	+30,500	Reduction in charges due to less Disabled Facilities Grants work commenced as a result of lower allocation.
	5	Environmental Protection - fee income	+0	+9,000	+9,000	A change in statutory approach to fees and charges as the introduction of risk-rated charging scheme is implemented will have the effect of reducing total charges due.
Community Engagement	1	Promenade Management - Rents	+7,700	(13,500)	+0	Additional income from fun fair expected during summer season.
	6	Salt Ayre Sports Centre - Rates	+22,600	+22,600	+23,000	Rates re-evaluation and bill increased by approx. 16%.
	5	Dome - residual costs	+15,300	+25,000	+0	Residual costs relating to pumping station and alarm system.
Regeneration & Policy	6	Development Control - legal fees	+5,100	+15,000	+0	Costs awarded against the council on appeal following planning permission being refused by Planning Committee against officer recommendations.
	4	Regeneration Team - external funding	+15,700	+83,500	+84,900	External funding bodies such as NWDA are no longer providing operational funding for partner organisations. As a result additional funding from other bodies will need to be identified as a matter of urgency to bridge the funding gap.
TOTAL VARIANCES			+74,200	+169,100	+110,000	

VARIANCES NOT REPORTED THROUGH PRT PROCESS						
Property Services	2	Concessionary Travel Expenses	(53,000)	(212,500)	(200,000)	Information provided by Lancashire County Council was not received until after the Property Services PRT report had been prepared. Based on current projections there will be an underspend of circa £212K for the year (£345K underspend in 2009/10).
Community Engagement	2	Projects Team - External Funding	+0	+165,600	+172,100	External funding bodies such as NWDA are no longer providing operational funding for partner organisations. As a result additional funding from other bodies will need to be identified as a matter of urgency to bridge the funding gap.
TOTAL VARIANCES			(53,000)	(46,900)	(27,900)	

OVERALL VARIANCES	+21,200	+122,200	+82,100
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SUMMARY OF HRA MAJOR VARIANCES (Qtr 1 2010/11)

(Not included elsewhere in the report)

FACTORS INFLUENCING VARIANCES	Variance to Date £	Current Year Projection £	Future Years Projection £
1. One-off windfalls & unforeseeable savings	+0	+0	+0
2. Demand led variances	+41,400	+373,700	+564,000
3. Efficiency savings	+0	+0	+0
4. Service changes and reductions	-17,900	-20,000	+0
5. Budget setting issues/errors	+0	+0	+0
6. Other variances	+26,900	+18,900	+0
TOTAL VARIANCES	+50,400	+372,600	+564,000

Service	Variance Type	Service Area	Variance to Date	Current Year Projection	Future Years Projection	Reason for Variance & Action being taken
			£	£	£	
			+ = Adverse () = Favourable			
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)						
Housing Revenue Account	4	Repairs & Maintenance Section - Salaries	-17,900	-20,000	+0	Vacant post savings.
	6	Insurance Repairs - income	+26,900	+18,900	+0	This represents the value of repair works on insurance claims of which it is anticipated almost £19K will be ineligible in terms of being reclaimed from the insurers. This issue was highlighted last financial year and new processes are now in place to ensure all costs can be reclaimed.
	2	Responsive Maintenance - R&M of buildings	+41,400	+373,700	+564,000	As reported at outturn, the cost of repairs has increased by almost 18% since 2008/09. Should this position not be addressed then there will be a significant overspend by the end of the year. See list of actions being taken in body of report at section 4.1.
TOTAL VARIANCES			+50,400	+372,600	+564,000	

VARIANCES NOT REPORTED THROUGH PRT PROCESS

Service	Variance Type	Service Area	Variance to Date	Current Year Projection	Future Years Projection	Reason for Variance & Action being taken
			£	£	£	
			nil	nil	nil	

PERFORMANCE REVIEW TEAM

2010/11 Treasury Management Progress Report to 30 June 2010

Report of Head of Financial Services

1. Introduction

It is a requirement of the CIPFA Code of Practice on Treasury Management (updated November 2009) that regular monitoring reports are presented to Members on treasury activities. These reports will normally be presented soon after the end of June, September, December and March.

Council approved the Treasury Strategy including the Investment strategy for 2010/11 at its meeting on 03 March 2010. This report outlines activities undertaken in pursuance of those strategies during the financial year.

2. Summary

- During the first quarter there has been no movement in terms of Icelandic investments (although since then, at the end of July, there has been a further repayment in respect of KSF). The Council's creditor status for Glitnir and Landsbanki is still being tested through the Icelandic courts and the outcome will have a material impact on the level of recoveries.
- Regarding investment interest to 30 June, income was £26K higher than budgeted and this trend should continue during the year.
- On other treasury matters there have been no changes to the debt portfolio. No temporary borrowing was required during the quarter, no new long term debt has been taken on and there has been no opportunity for repayment of existing loans.
- There have been no material breaches of any prudential indicators or counterparty limits in the quarter and no other major risks have been identified.
- A call account facility with Lancashire County Council has been opened and will be in operation from quarter 2 onwards. This will add a further highly liquid and secure counterparty to the council's approved list.

3. Icelandic Investments Update

Regarding Icelandic investments, there is little new information from that reported as part of the 2009/10 outturn. To 30 June total repayments of £716K had been received from KSF against the £2M original deposit, meaning that around £1.3M was still outstanding. (Since then, a further £205K has been received, bringing total recoveries to 45% and leaving around £1.1M outstanding on this investment.)

The legal action regarding preferential creditor status in relation to the Landsbanki and Glitnir investments (totalling £4M) is still underway in the Icelandic Courts. The Council continues as a party to the joint arrangements with other local authorities, organised through the Local Government Association and using Bevan Brittan, as this represents the most cost-effective way of taking legal action.

Further to making various provisions for potential losses within the 2009/10 draft accounts, there needs to be changes to the ongoing interest being accounted (and to be budgeted) for on Icelandic investments, which impacts on performance against the investment interest budget. This is discussed in more detail in section 6 below.

4. Debt Portfolio

There has been no change to the debt portfolio in the quarter and there is no immediate need to take out new long term loans. The Council's cash flow position remains strong, which is primarily because of the amounts being set aside each year from the budget for the future repayment of debt, through the Minimum Revenue Provision (MRP). Officers continue to monitor PWLB repayment rates for opportunities to reduce the outstanding debt balance without incurring early repayment penalties; the current position is reviewed in detail in section 5 below.

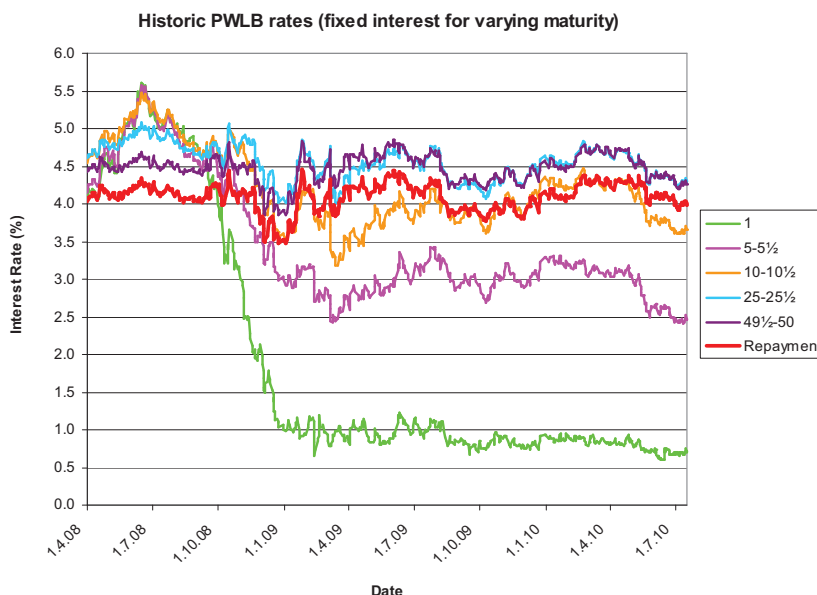
In terms of expenditure, the capital programme for the next 5 years was approved by the Council on 3rd March 2010. There may be pressure to borrow at some point over the 5 year programme depending on the progress made on South Lancaster land sales, the ultimate settlement of Luneside East compensation claims and the demands of large Council-funded capital schemes, such as the municipal building works programme. Any proposals to update the capital programme and debt strategy will be brought forward if need be, as and when more details emerge on these issues.

5. Current Borrowing Rates

The graph below shows that the pattern seen since January 2009 has persisted, with a marked spread between short term and long term borrowing. The first quarter of 2010/11 has seen a drop off in the rate for new longer term loans from around 4.6% to around 4.3% which although markedly more expensive than the short term loans, is still low relative to the Council's existing portfolio which has an average rate of 5.68%.

In addition, the rate for calculating repayment premia has also reduced which limits further the chance of early repayment opportunities. At the end of the quarter this was at around 4% in comparison to the Council's cheapest major loan which is at 4.6%; only when the repayment rate rises to 4.6% could we repay early without penalty.

Where possible early repayment is an attractive option as the interest payable on exiting loans far out weighs the interest earnable on surplus cash balances and it would also reduce the security risk associated with placing investments. Officers will continue to monitor the opportunities for early repayment through Quarter 2.

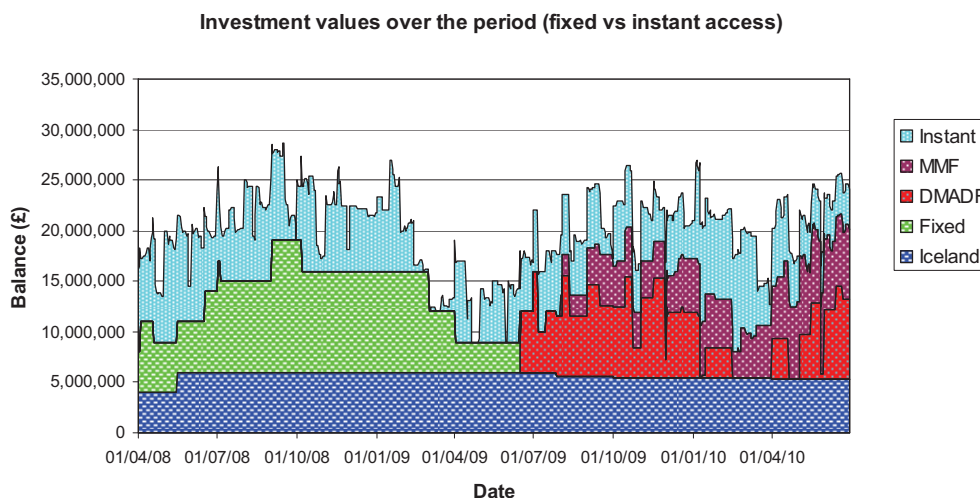


6. Investing Activities

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

All investment activity has been in line with the approved Treasury Strategy for 2010/11. No fixed term investments have been placed since September 2008, with the exception of Debt Management Accounts Deposit Facility (DMADF) deposits (i.e. with HM Government). Any other surplus cash has been managed on a day to day basis using the call accounts and Money Market Funds (MMF). A full list of the investments at the end of quarter 1 is enclosed at **Appendix B**.

The split of investments is shown graphically below (see also further details in **Appendix B**). It is clear from this that the investment portfolio is split between Call accounts, the DMADF and MMFs. This keeps deposits secure, liquid and spread over a number of counterparties. As mentioned earlier, £716K has been repaid to 30 June by KSF, which has reduced the investment balance outstanding with Icelandic banks.



7. Summary of Budget Position and Performance

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

Base Rate	0.50%
3 Month LIBID	0.66%
Lancaster CC investments	0.43%

The return is below both base and 3 month LIBID as the Council has focussed on secure and highly liquid deposits. This has limited activity largely to the DMADF and the two MMFs, all of which have returns below base rate. In addition, the use of the Santander call account has been put on hold following concerns over the standing of the Spanish parent bank. Nearly 100 European banks, including Santander, are being subjected to stress testing by the Committee of European Banking Supervisors. Officers will review the position in relation to deposits with Santander following the conclusion of this review.

Separately, a new call account facility has been set up with the County Council. This has benefits in terms of diversifying the Council's portfolio whilst meeting the criteria of secure and liquid investments; the account also pays a competitive interest rate of base + 0.2%. The approved Investment Strategy also allows for fixed term deposits up to 1 year with other local authorities, which means that the Council could take advantage of the County Council's fixed term investment offer that would match the market rate. This would pay a significant margin over the instant access rates albeit at the expense of liquidity. Current market rates for a 12 month deposit are in the region of 1.6% (as per Butler's investment monitor 19th July 2010).

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

Annual budget	£148K
Profiled budget	£37K
Actual to date	£18K (see details in Appendix B)
"Icelandic" to date	£45K (see details in Appendix B)
Total	£63K
Variance	£26K (favourable)

The reason for the favourable position is due to the increased interest that now needs to be accounted for on Icelandic investments, following the Council making full provision for estimated losses (in both principal and interest terms). Since the budgets were set expectations about recovery of Icelandic investments have been revised; it is now expected to take significantly longer than was thought at the end of 2009, which means that these investments will be on the Council's balance sheet for longer, which in turn means more interest to be accounted for, over longer periods.

Once the 2009/10 accounts have been audited, officers will be in a good position to re-estimate the Icelandic interest credits for 2010/11 and beyond, for building into the budget process.

In terms of the legal costs associated with Icelandic investments, for 2009/10 these were in the region of £5K and it is estimated that a similar level of cost will be incurred through 2010/11. The joint arrangements organised through the LGA have resulted in the costs being very low, in comparison to what there would have been had the Council commissioned such support separately.

8. Risk management

The main focus of risk within treasury management currently is security of deposits and their liquidity. The Council's investment strategy is designed to engineer risk management into investment activity largely by reference to credit ratings and length of deposit, together with supporting advice.

Officers have been maintaining the portfolio well within the agreed limits by utilising instant access call accounts and MMFs whilst avoiding any new fixed term investments except for short term deposits with the DMADF. The view is, therefore, that associated risks have remained consistently very low over the quarter.

There is also a liquidity risk associated with needing access to cash on a day to day basis. At the end of the period the Council had cash balances (excluding Iceland) of £18.8M, £10.8M of which was held on instant access. As such, liquidity is not judged to have been a significant risk during the quarter.

Aside from the above, there is also financial risk attached to the longer term debt portfolio, associated with interest rate exposure. Currently the Council is paying higher rates of interest on existing loans than it would be if new equivalent loans could be taken out. However, as discussed in section 5 above, until PWLB repayment rates improve, there will be no opportunities to restructure or repay loans without incurring significant penalties.

In addition, due to the unknowns linked to the capital programme, there is a risk that the Council may have to take on further borrowing. However, with rates at very low levels, particularly on shorter term loans, this is a relatively good period to take on new borrowings if so required. The relatively strong cash position means though that this is quite unlikely, with the preferred option being to fund any capital requirement internally and reduce investment balances.

Finally, with regard to recovery of Icelandic investments, this is still being managed with legal support organised through the Local Government Association. It is judged that this is the most effective way of maximising recovery on the Council's behalf. Provision was made in 2009/10 accounts to set aside resources to cover the worst case scenario on Icelandic banks as well as capitalising £2.1M of the impairment under a capitalisation directive. These actions serve to protect the Council against financial risks associated with uncertain recovery as well as smoothing the impact on Council Tax. Future views on recovery prospects will be informed by accounting guidance and information arising from the legal proceedings.

9. Conclusion

Consistent with the prior year, the first quarter of the 2010/11 has been steady in treasury management terms.

The appetite for risk has remained very low with the use of either AAA rated MMFs, instant access call accounts or deposits with HM Treasury. There are now options to improve returns slightly whilst remaining within the approved Investment Strategy and keeping appetite for risk still at low levels, through the placing fixed term deposits with the County Council, as an example. These will be pursued over the next quarter, and any actions will also be informed by the results of the stress testing on European banks.

Whilst some progress has been made in recovering Icelandic investments, the bulk of monies outstanding are still subject to court action with no new significant information as yet in terms of a likely outcome.

PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

Treasury Management Quarterly Update 2010/11 to 30/6/2010

		2010/11 £'000	2011/12 £'000	2012/13 £'000	
AFFORDABILITY					
PI 1:	Estimates of ratio of financing costs to net revenue stream	Non - HRA HRA Overall	12.1% 8.1% 10.8%	11.6% 8.1% 10.4%	10.1% 7.8% 9.3%
PI 2:	Actual ratio of financing cost to net revenue stream	Reported after each financial year end			
PI 3:	Estimates of the incremental impact of new Capital Investment decisions on the Council Tax This includes the impact of all elements of funding, including any increase in the need to borrow, required to finance new schemes added to the Capital Programme	2.81% £5.41	0.87% £1.74	-1.22% -£2.54	
PI 3A:	Illustrative Impact of Additional Borrowing £1 million	Repayment Period			
		5 Years	10 Years	25 Years	
	Increase in Council Tax (£)	£4.90	£2.73	£1.54	
	Increase in Council Tax (%)	2.54%	1.41%	0.80%	
PI 4:	Estimates of the incremental impact of Capital Investment on Housing Rents	Nil	Nil	Nil	
CAPITAL EXPENDITURE					
PI 5:	Estimates of capital expenditure	Non - HRA HRA Total	15,572 3,685 19,257	10,283 3,586 13,869	1,607 3,589 5,196
PI 6:	Actual capital expenditure	Reported after each financial year end			
PI 7:	Estimates of Capital Financing Requirement	Non - HRA HRA* Total	32,090 15,303 47,393	26,419 15,303 41,722	25,436 15,303 40,739
		*This does not take into account the potential extra borrowing that may be incurred through reforms to the Housing Revenue Account Subsidy system.			
PI 8:	Actual Capital Financing Requirement	Reported after each financial year end			
EXTERNAL DEBT					
PI 9:	Authorised Limit				
	Authorised Limit for Borrowing	52,820	48,520	48,630	
	Authorised Limit for Other Long Term Liabilities	280	280	270	
	Authorised Limit for External Debt	53,100	48,800	48,900	
PI 10:	External Debt: Operational Boundary	48,100	43,800	43,900	
PI 11:	Actual external debt	Reported after each financial year end			
PRUDENCE					
PI 12:	Treasury Management: adoption of CIPFA code of Practice	The Council has adopted the updated Treasury Management code of practice (November 2009).			
PI 13:	Net borrowing and the capital financing requirement				
	Anticipated indebtedness (Authorised limit)	48,100	43,800	43,900	
	Anticipated average investment	9,635	10,455	11,305	
	CFR	47,393	41,722	40,739	
	(Under)/over borrowed	-8,928	-8,377	-8,144	
TREASURY MANAGEMENT					
TMI 1:	Fixed Interest Rate Exposure The Authority will limit its exposure to fixed interest rate costs to the amounts payable on the following amount of outstanding debt.	100%	100%	100%	
TMI 2:	Variable Rate Interest Rate Exposure The Authority will limit its exposure to variable interest rate costs to the amounts payable on the following amount of outstanding debt.	30%	30%	30%	
TMI 3:	Maturity Structure of Borrowing				
	Upper and Lower Limits				
	Under 12 months	0% to 35%	0% to 35%	0% to 35%	
	12 months and within 24 months	0% to 20%	0% to 20%	0% to 20%	
	24 months and within 5 years	0% to 20%	0% to 20%	0% to 20%	
	5 years and within 10 years	0% to 20%	0% to 20%	0% to 20%	
	10 years and within 15 years	0% to 50%	0% to 50%	0% to 50%	
	15 years and within 25 years	0% to 100%	0% to 100%	0% to 100%	
	25 years and within 50 years	50% to 100%	50% to 100%	50% to 100%	
	Maturity Profile of Current Outstanding Debt				
	Under 12 months	0%	0%	0%	
	12 months and within 24 months	0%	0%	0%	
	24 months and within 5 years	0%	0%	0%	
	5 years and within 10 years	0%	0%	0%	
	10 years and within 15 years	0%	0%	0%	
	15 years and within 25 years	0%	0%	0%	
	25 years and within 50 years	100%	100%	100%	
TMI 4:	Investments for periods longer than 364 days The Authority will not invest for periods of longer than 364 days.	Nil	Nil	Nil	

INVESTMENT INTEREST EARNED TO 30 June 2010

Name	No	Start	End	Rate %	Days up to 30/6/2010	Principal £	Cumulative Interest £
Fixed term investments							
Deposited 2007/08							
Landsbanki Islands	004	31-Mar-08	22-Apr-09	6.25	91	1,000,000	8,726
Glitnir	FI02/023	31-Mar-08	22-Apr-09	5.76	91	3,000,000	26,677
Deposited 2008/09							
Kaupthing, Singer & Friedlander	06/07-129	16-May-08	07-Oct-08	6.00	91	1,282,500	9,973
Sub total						5,282,500.00	45,375
Other accounts	opening	Min	Max	closing	Indicative rate		
Call: Abbey National	3,300,000	0	3,700,000	0	0.75%		1,448
Call: Yorkshire bank	2,000,000	2,000,000	2,000,000	2,000,000	0.50%		3,274
Call: RBS	400,000	400,000	2,000,000	2,000,000	0.70%		2,967
DMADF	4,000,000	600,000	9,200,000	8,000,000	0.25%		3,067
Government Liquidity MMF	1,600,000	1,600,000	4,000,000	4,000,000	0.27%		3,160
Liquidity First MMF.	3,700,000	1,800,000	4,000,000	2,800,000	0.47%		4,007
Sub-total							17,923
TOTAL							63,298

Those investments highlighted in purple are Icelandic banks; £716K had been received from KSF as at the end of Qtr 1 2010/1.

As the Council has recognised the Icelandic impairment (on principal and interest) in its 2009/10 accounts, interest from Icelandic investments will remain in the General Fund in 2010/11. The figures above for the Icelandic investments should be treated as estimates, which will vary depending on further guidance from CIPFA and any further repayments during 2010/11.

CABINET

Budget Community Engagement 31 August 2010

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT			
To seek Cabinet's approval to timetable and process for the budget community engagement proposals to inform the 2011/12 budget.			
Key Decision		Non-Key Decision	X Referral from Cabinet Member
Date Included in Forward Plan			
This report is public			

RECOMMENDATIONS:

- (1) To approve the timetable set out in the report to deliver the 2011/12 budget community engagement plan.
- (2) To delegate approval to the final format and content of the questionnaire to be used as the basis of the engagement exercise to the Leader of Council.

1.0 Introduction

- 1.1 Last year the council carried out a high profile and engaging external budget consultation which aimed to:
 - raise the profile and educate people about what the council does
 - engage citizens and stakeholders in the financial pressures facing the council
 - and from this gain insight into where those participants felt savings could be achieved to inform the budget process
- 1.2 It comprised three main elements:
 - Town centre exhibitions
 - Registered workshops
 - Budget consultation booklet and questionnaire (online and printed copy)
- 1.3 Cabinet, at its meeting on the 27 July 2010, agreed to repeat the exercise in order to inform its budget setting exercise for the 2011/12 budget. Min.No. 32 resolved that:

- (1) *That the budget community 2011/12 engagement plan be built into the budget and policy framework timetable.*
- (2) *That the budget community 2011/12 engagement plan is delivered as outlined in the report.*
- (3) *That community listening/have your say days be held at the end of September/early October 2010 in order to inform the priority setting process.*
- (4) *That a Total Place approach, as set out in the report, be supported where possible.*

- 1.4 This report sets out more detail in respect of the approach outlined in the July report to Cabinet.

2.0 Proposal Details

- 2.1 A timetable for the budget engagement exercise is set out in Appendix A.
- 2.2 In order to meet the timetable for reporting the outcomes of the exercise to Cabinet on the 9 November, the exercise will close on the 29 October 2010. Members are asked to note that this date differs from the timetabled 5 November date set out in the Budget and Policy Framework report considered by Cabinet in July. (Min. No. 31 refers.
- 2.2 In order to meet the timetable for carrying out the budget engagement exercise and taking into account that the next meeting of Cabinet is scheduled for the 5 October, Members are also being asked to delegate approval to the final format and content of the questionnaire to the Leader of Council.
- 2.3 Members should note that it is likely that the content of the coalition government's Autumn Spending Review and its implications for public sector finance in the medium term will also be available to Members at this time.
- 2.4 The Coalition *Programme for Government*, published on 20 May 2010, stated that the Government would "give residents the power to veto high council tax increases." Members should note that the government is currently carrying out a 'technical consultation' with local government on these proposals to allow local referendums to veto excessive council tax increases as an alternative to capping by central government.
- 2.4 An illustrative timetable contained within the consultation document suggests that in late November /early December a provisional Local Government Finance Settlement will be published for consultation and council tax referendum principles announced.

3.0 Details of Consultation

- 3.1 Feedback has been sought from the 2009/10 budget consultation feedback. Corporate Management Team has been consulted on the proposed approach.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 The decision to carry out the budget engagement exercise has been approved by Cabinet in July.

Option 1

The options presented in this report are to approve the timetable for carrying out the exercise and delegate final approval of the budget questionnaire to the Leader of Council.

Option 2

To approve an amended timetable and / or an amended scheme of delegation for approval of the budget questionnaire.

5.0 Officer Preferred Option (and comments)

- 5.1 Option 1 as this provides increased opportunities for local people to engage in the process, assisting the council in its decision making process

6.0 Conclusion

6.1 That an engaging budget community consultation takes place to ensure that together with emerging government policy and legislation the council is able to capture feedback from its communities and use this feedback to inform budget decisions and future service delivery.

RELATIONSHIP TO POLICY FRAMEWORK

The budget/priorities engagement plan will help to inform future corporate priorities and budget decisions.

CONCLUSION OF IMPACT ASSESSMENT

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

The budget/priorities engagement plan does not have an adverse impact on the community as it provides a number of opportunities for people to get involved and have a say. Targeted engagement and promotion may be considered to encourage seldom heard groups to take part although this will depend on capacity and resources.

FINANCIAL IMPLICATIONS

Free/low cost venues would be used e.g. Marketgate, Lancaster Market Square, St Nicholas Arcade, Morecambe Arndale Centre and Carnforth Civic Centre.

Other costs for the budget consultation would include staff time for planning and manning events, limited design and printing for promotion and any information documents. Small initiatives may be considered. Last year's event costs were approximately £1,000. It is not expected this year's would cost any more than this figure, possibly less. The cost would be met from within existing budgets (Corporate Consultation Budget).

SECTION 151 OFFICER'S COMMENTS

The s151 Officer would advise that the content of the consultation should be determined in context of the prospects for public spending, to help manage expectations. Further reports (Quarter 1 financial monitoring and an interim financial strategy update) are scheduled to be included elsewhere on this agenda and these will provide more information on the Council's financial position and prospects.

LEGAL IMPLICATIONS

.There are no legal implications directly arising from this report.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None

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E-mail: j.ghaigh@lancaster.gov.uk

APPENDIX 1**Budget consultation plan**

27 Sept 2010	11 -15 Oct	18 Oct	19 Oct	20 Oct	21 Oct	22 Oct
Launch of online consultation, Facebook page, suggestions scheme	'Your District Council Matters' magazine distributed to every household	Briefings for staff helping out with exhibitions and community workshops	Morecambe town centre exhibition 10.30am to 2pm	Local democracy event	Lancaster town centre exhibition 1pm to 4.30pm	Carnforth exhibition 1pm to 4.30pm
			Morecambe workshop 2 pm to 4pm	Stakeholder workshop 7 to 9pm	Lancaster workshop 7 to 9pm	Carnforth workshop 7 to 9pm

W/c 25 Oct	29 Oct	2 Nov	1 - 4 Nov	5 Nov	8 Nov	9 Nov
Analyse information	Pull out headline information Close of budget consultation	Cabinet briefing	Finalise main report including detail	Add final results into report and get report signed off	Send results report outline to Cabinet	Cabinet consider results report

CABINET

Shared Services – Revenues & Benefits 31 August 2010

Report of Corporate Director (Finance & Performance)

PURPOSE OF REPORT

Following the Cabinet report dated 16 February 2010 in which Cabinet endorsed the framework for progressing Phase 1 of this initiative, i.e. a joint senior management team with Preston City Council covering Revenues and Benefits, this report seeks approval for the development of a business case for a full shared service.

The business case, based upon operating assumptions contained within this report, would then be presented at a future Cabinet meeting (9 November 2010), enabling Cabinet to make an informed decision about whether or not to enter into a full shared service arrangement for Revenues and Benefits.

Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral	<input checked="" type="checkbox"/>
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Date Included in Forward Plan	N/A
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This report is public.

OFFICER RECOMMENDATIONS :

1. That in the light of the further work carried out, Cabinet re-affirms its support for the Revenues and Benefits shared service proposal between Lancaster City Council and Preston City Council.
2. That Cabinet approves the development of a full business case for a shared Revenues and Benefits service between the two authorities, based on the assumptions presented within this report.

REPORT

1 Introduction

- 1.1 Shared services is an arrangement between two or more Council services to provide common services in partnership. The exact governance and operational arrangements of any shared service will reflect the local circumstances of each partner to provide joint benefits for each Council. These arrangements can only be determined following a full review of the options and consideration of a business case that identifies the benefits to be achieved for each partner.

- 1.2 The Project Initiation documentation identified that the key objective for this initiative is to establish a shared service arrangement for Revenues and Benefits between the two Councils, bringing immediate savings and efficiencies with no detrimental effect on service provision.
- 1.3 The documentation proposed a two stage approach with the creation of a senior management team to lead Revenues and Benefit functions at both Councils. This process is now complete. The second phase is to develop, manage and implement a shared service philosophy between the two Council's Revenues and Benefits services, with a view to creating further efficiency savings.
- 1.4 A Project Board has been set up, including the relevant Corporate Director and senior managers for both authorities with responsibility for ICT, HR and legal resources, with the terms of reference to progress the actions set out in the Project Initiation document (PID) and to consider the options for service delivery and the provision of support services.

2. Service Delivery

- 2.1 The Project Board considered a number of service delivery options including outsourcing whole or part of the service to the private sector; to continue as now but develop closer working relationships whilst keeping the senior management team across both authorities; and the development of a full shared service arrangement between the two Councils offering a joint service to our customers.
- 2.2 The Project Board consider that a shared service is likely to deliver the most savings for both Councils, however, and there are significant advantages to the Revenues and Benefits services working together in partnership:
 - a) Increasing capacity in delivering economies of scale at a time when both Councils individually are being required to make significant cuts in back office resources and expenditure.
 - b) Reduced ongoing revenue costs.
 - c) 'Best of breed' service for the level of investment, with the potential for identical documentation and improved performance.
 - d) Taking advantage of the potential for increased buying power of partnerships.
 - e) Maximising the benefits offered by shared IT support and development.
 - f) Providing a model for future shared transactional service initiatives.

3. Outline Operating Arrangements

Key issues supporting the business case for a Preston / Lancaster shared revenues and benefits service have been considered in detail by the Project Board and the following options have been selected to be developed as part of the business case model.

3.1 Accommodation

3.1.1 It is envisaged that a joint service across the two authorities with a single senior management structure will operate over the two sites with the bulk of staff below management level having the option to work in their current location. The favoured option is to develop a centre of excellence for revenues at one site and benefits at the other, whilst retaining flexibility for the workforce in the form of homeworking, different locations etc.

3.1.2 This delivery model will make best use of existing accommodation and retain local jobs at a local level, whilst reducing travel costs.

3.2 Governance

3.2.1 The Project Board have carefully considered the form of governance that may be adopted and at this stage the favoured option is to create a Shared Service Joint committee for administration purposes in relation to Revenues and Benefits.

3.2.2 The Councils would delegate certain functions to the Joint Committee, to be exercised on their behalf. As a result, it is envisaged that two members of the Cabinet from each authority would be appointed to serve on the Joint Committee, as nominated from time to time by the Leader of the Council.

3.3 Information and Communications Technology (ICT arrangements)

3.3.1 A measure of success of the shared service is for both Councils to be operating on the same software and ICT infrastructure platforms. The preferred option is for the two ICT teams to consolidate platforms and remote support facilities. This arrangement has the potential to reduce ongoing costs and provide both Councils with greater disaster recovery resilience and the infrastructure between the Councils to support future shared service initiatives.

3.3.2 Recent funding obtained from the North West Improvement and Efficiency Programme (NWIEP) will provide video conferencing facilities for corporate use, together with a satellite communications link between the two Councils to reduce time wastage and travel costs. The connection will also enable the seamless transfer of data between the shared service partners and its customers.

3.4 Customer Services

3.4.1 It is important that any changes do not have a detrimental effect upon customer services and for this reason it was agreed from the outset that face to face contact would not form part of any shared service solution. This is an important point to note; Customer Services would take on responsibility for Revenues and Benefits queries at Lancaster and Morecambe Town Halls, with resources transferred between the two services as appropriate.

3.4.2 The Project Board have considered telephony at both sites and believe that service provision should remain within each local authority area to retain the benefit of local knowledge.

3.4.3 Both authorities will follow best practice and consideration will be given to include the provision for complex revenues and benefits enquiries to be directed to the back office via a direct telephone and e-mail contact.

3.5 Accountancy & Audit

3.5.1 Financial support has been considered by the Project Board and a number of key principles have been agreed as the best option to facilitate service delivery, and at the same time deliver efficiency savings within accountancy and audit.

- a) The host authority will provide financial management support to the shared service and account for revenue budgets.
- b) The non-host authority will provide internal audit services for the shared service.
- c) Each authority will retain its own bank account and direct accounting arrangements for local tax collection and housing benefit payments / subsidy.

3.6 Human Resources

3.6.1 This is the most complex area to resolve and HR arrangements will be established that closely match the needs of the service. At this time a TUPE transfer option to one employing authority seems to provide the best solution. However, the issue of standard terms and conditions is still to be resolved.

3.6.2 Flexible working arrangements at both sites is key to the success of this project but the re-organisation of staff will eventually happen naturally over time, as management take advantage of staff turnover opportunities.

4. Consultation Exercise

4.1 Staff within the Revenues & Benefits service at both locations have received briefings on shared service proposals and a Staff Consultation Group has been set up whereby representatives are advised on progress to date.

4.2 The Human Resources Manager and Head of Revenues have met with the trade unions to commence formal consultation proceedings and further meetings will be arranged before the business case is presented to respective Cabinets.

RELATIONSHIP TO POLICY FRAMEWORK

The efficiencies delivered from moving to a shared service will greatly assist in achieving the outcomes of the Council's savings and efficiency programme and targets within the Medium Term Financial Strategy

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

A shared service business case, based upon assumptions detailed within the report, will facilitate the decision making process and ensure that identified benefits will be sustainable and achievable.

The development of a shared service may have a minimal impact upon service users in the short term as the service comes to terms with operating with a significant reduction in resources which in itself brings about a reduction in costs, enabling savings to be redirected into other council priorities.

These new arrangements will result in reduced cost and should make the service provision robust in its capacity and capability to handle new statutory requirements and the inevitable peaks and troughs in demand that arise from time to time.

FINANCIAL IMPLICATIONS

Whilst Lancaster's current Revenues and Benefits service performs well in comparison to other authorities, such performance comes at a significant cost to the authority. A shared service arrangement with Preston City Council has the potential to deliver significant savings to the Council, with marginal impact upon performance.

The Council is already reducing staffing resources in anticipation of any future shared service arrangement, in particular through holding posts vacant. This process will continue; it will also be reviewed in light of the Council's review of statutory service levels, the outcome of which will also inform (and be informed by) share service proposals.

Savings from Phase 1 of the project in relation to a shared senior management arrangement have been incorporated into budget projections.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

Legal Services are represented on the shared Service Project Board. They are assisting in the development of support service options and providing advice as appropriate.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Cabinet Report: Shared Service Programme
16 February 2010

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Cabinet

Allocation of Affordable Housing S106 contributions to Adactus Housing Association

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT			
To obtain Cabinet Member Approval to permit a grant application for £90K from the affordable housing Section 106 commuted sums.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan		19 August 2010	
This report is public			

RECOMMENDATIONS OF COUNCILLOR KERR

- (1) That the allocation of £90K of S106 monies to Adactus Housing Association be approved, to bring forward the development of 23 units of affordable housing at Marlborough Road, West End, Morecambe.
- (2) That the General Fund Capital Programme be updated to reflect the above Section 106 grant allocation to Adactus for Marlborough Road, and that £90K of Regional Housing Pot funding be re-allocated from the Marlborough Road scheme to the Bold Street scheme, to continue with further acquisition and demolition.

1.0 Introduction

- 1.1 A report was presented to Cabinet on 10 November 2009 to agree the process in allocating affordable housing S106 commuted sums.
- 1.2 Cabinet members approved that the determination of allocations of the monies will be made by Individual Cabinet Member Decision by the portfolio holder for Health and Wellbeing. Given this proposal's implications for Cabinet's decisions taken at its June meeting, however, the issue is now presented to Cabinet for consideration.
- 1.3 This is the second application that has been made to provide funds to a Housing Association via the Section 106 commuted sums. This request is to facilitate the development of 23 units of affordable housing on a shared ownership basis (part rent-part buy) at Marlborough Road, West End, Morecambe.
- 1.4 On the 22nd June 2010, Cabinet agreed that after the allocation of £100K to support Disabled Facilities Grants (DFG's), the remainder of the Regional Housing Pot

(RHP) was allocated to housing regeneration projects (minute no. 18 relates), thereby providing a framework in which to allocate funds/bring forward key schemes as deemed appropriate. It was explicit within the body of the report that Lancaster City Council was expected to provide some funding to the Marlborough Road development in this financial year and that the allocation towards DFG's would impact on delivery of other schemes such as Bold Street in that its development would take place at a slower rate in line with the reduced allocation. The developer, Adactus Housing Association, hopes to start on site (Marlborough Road) in October 2010 and anticipates that the scheme will be completed in spring 2012, should funding be available.

- 1.5 To date, Lancaster City Council has contributed £323K into the scheme, and ideally it would be required to provide a further £322K at the time of commencement of development with a further £152K upon completion. Adactus have agreed, however, that the £474K can be phased over a three year period and Cabinet have recently approved the allocation of £200K from the Private Sector Housing Capital Programme in 2010/2011, with the £274K remainder to be paid over the next two years subject to approval and funding being available. There is the risk, however, that insufficient RHP funding will be receivable in future years, especially in view of other spending pressures.
- 1.6 Section 3 of the Council's policy on Section 106 commuted sum funds outlines the criteria to be applied on spending monies. This includes circumstances where there is a gap between the funding available to a Registered Social Landlord and funding available from the Homes and Communities Agency to make an affordable housing scheme viable. The gap in confirmed funding required to make the Marlborough Road scheme viable is set out in 1.5 above, and it is considered that this satisfies the criteria within the Council's current policy.
- 1.7 Whilst in June 2010, Cabinet agreed to allow a £200K contribution to support the Marlborough Road scheme, using £90K of the Section 106 commuted sums clearly offers a benefit to the Council in either bringing forward sooner the continued regeneration in the West End, or potentially reducing other risks associated with the Private Sector Housing Capital Programme. The Marlborough Road scheme is physically very close to the site of the Bold Street proposal and continued uncertainty or delay in bringing forward the implementation of a proposal at Bold Street can have only a negative impact on the successful delivery and take-up of new properties in the Marlborough Road proposal. Thus, the provision of £90k from the Section 106 fund both directly supports the Marlborough Road proposal and, additionally, indirectly supports the Marlborough Road proposal by enabling progress to be made on the co-ordinated regeneration of the immediate physical environment.
- 1.8 The sum of £90K represents the balance of Lancaster City Council's commuted sums which can be spent in any part of the district including the West End. The remainder of the commuted sums is ringfenced to Lancaster City boundary area only.

2.0 Background/Proposal Details

- 2.1 The development is at Marlborough Road, West End, Morecambe, comprising of 23 units of affordable housing, providing 12 flats and 11 houses, all of which are for shared ownership. Since June cabinet, officers have had further detailed discussions with Adactus Housing Association regarding the Marlborough Road scheme both in relation to a variation to the original planning consent and in relation to the use of Section 106 commuted sum funds. When the scheme initially obtained planning permission in 2007, Adactus had intended designating the flats for persons aged 55

and over. However, given the current market conditions, the Registered Social Landlord has submitted an application to vary the terms of the planning permission to remove the age designation, which will allow greater flexibility in securing take up of properties and the viability of the scheme, given the market changes. This should be determined by Planning Committee in the autumn. The Planning and Housing Policy Team have supported this variation, and have informed the Homes and Communities Agency accordingly to ensure that HCA funding remains in place to make the scheme viable.

2.2 The scheme not only meets our affordable housing objectives by providing 23 units of affordable housing, but also supports the continued regeneration of the West End Masterplan, which is a key corporate priority for Lancaster City Council.

2.4 Adactus Housing Association and the Homes and Communities Agency will be committing £2.317M to the development.

3.0 Options and Options Analysis (including risk assessment)

3.1 Option 1: Approve the £90K grant to Adactus Housing Association from the S106 commuted sum funds, which will provide the necessary funding in this financial year to make the scheme viable, subject to the resultant £90K from the £200K commitment contained in the Private Sector Housing Capital Programme being used to achieve further acquisitions of properties on Bold Street as originally anticipated prior to the Regional Housing Pot funding being reduced.

An agreement will be compiled to confirm the grant. The money will be awarded to the Association at the commencement of the development along with £110K from the Private Sector Housing Capital Programme. The agreement will set out a requirement that the Association must liaise with the Council on any change of use or adaptation to the management of the properties that would impact on the original use and nomination rights.

3.2 Option 2: Do not approve the £90K grant to Adactus Housing Association from the S106 commuted sum funds. There will still be a requirement to provide a £200K commitment from the Private Sector Housing Capital Programme in this financial year, which will ensure the Marlborough Road scheme continues to be viable, but will not enable any opportunities to be gained from releasing £90K of RHP monies for other purposes. Instead, the £90K S106 money will be used to support an alternative affordable housing project within the district. To date, partner Registered Social Landlords have submitted informal expressions of interest for a number of possible schemes, which include three schemes in Lancaster city, a scheme to provide 6 x shared ownership properties in rural areas, and two schemes in North Lancaster. All of these schemes would be subject to formal approval and sufficient funding being identified. The Marlborough Road scheme is at an advanced stage of preparation and it is fully anticipated that it can be commenced in the near future.

3.3 Option 3: Approve the £90K grant and then re-allocate the released funds from the Private Sector Housing Capital Programme into the Disabled Facilities Grant programme (DFG's). Members will recall that the report to Cabinet in June highlighted the need for a waiting list to be introduced to manage the reduction in budget. Since this was introduced following Cabinet's decision, the service has experienced delays in receiving new referrals from Occupational Therapy at LCC and although officers are in discussions with county to seek a resolution, at this point in time, there is no guarantee that any additional funds allocated to DFG's would be able to be spent or committed by the end of March 2011. Furthermore, this option

offers no benefits in terms of targeting additional financial resources in bringing about the continued regeneration of the West End, as a direct result of using the Section 106 commuted sums funds, which is expressly why approval is being sought for the Marlborough Road scheme instead of alternative affordable housing schemes elsewhere in the district.

- 3.4 Option 4:** Approve the £90K S106 grant but then leave the resulting £90K of RHP funding unallocated, to cover funding risks associated with providing the remaining £274K funding needed for Marlborough Road in future years or any future changes in DFG demand. There is no certainty that the £90K of RHP funding, if left unallocated, would be used to support the regeneration of the West End; it would depend on Members' future decisions. Furthermore, in line with the comments above, there is no clear information on future funding needs for DFGs. Additionally, and as described in paragraph 1.7 above, should the Council not be in a position to progress the acquisition and demolition on Bold Street, then its continuing decline is likely to impact negatively on the potential sales and take up of properties on the Marlborough Road scheme and so potentially jeopardise the delivery of the overall intention to secure economic and social benefits in the West End through the implementation of a comprehensive and co-ordinated programme of regeneration.

4.0 Officer Preferred Option (and comments)

- 4.1** The officer Preferred Option is Option 1

- 4.2** By providing a £90K S106 grant to Adactus Housing Association, there is an opportunity to spend the remaining commitment from the Private Sector Housing Capital Programme for this financial year to bring forward the acquisition of properties on Bold Street, which is another identified key corporate priority as part of the West End Masterplan, and would bring forward the continued progress of the West End Masterplan, and associated benefits to the wider community and district. Should the regeneration of Bold Street not move further forward at the earliest possible opportunity, this is likely to have a negative impact on the Marlborough Road scheme and will undermine the regeneration of the West End and level of investment already committed. The £90K will only be granted upon Lancaster City Council and Adactus Housing Association entering into a written agreement which will bring about the delivery of the Marlborough Road scheme. The agreement will ensure that the Council can exercise their right to provide 100% nominations for the 23 affordable housing units should it choose to do so, and in perpetuity, through the Council's proposed Choice Based Lettings Scheme, which is due to be launched in April 2011. Although the Council does not currently exercise formal nomination rights for shared ownership properties within the district, the forthcoming Choice Based Lettings Scheme will provide a framework for providing a wide range of housing options within the district, which will include low cost home ownership opportunities, shared ownership and market rented/private sector rented accommodation.

5.0 Conclusion

- 5.1** A grant of £90K from the Section 106 commuted sums fund will both enable the delivery of the Marlborough Road proposal and contribute to the continued implementation of the West End Masterplan.

RELATIONSHIP TO POLICY FRAMEWORK

Corporate Plan 2009-2012 Objective 6 of the Corporate Plan is to improve the standard, availability and affordability of housing in the district to meet local needs. This is measured by Key Target NI155 - Number of affordable homes delivered (gross) and is addressed by Key Action 6.1 in the Lancaster District Local Strategic Partnership's Health & Well Being Thematic Group action plan – "Provide affordable housing in accordance with the Housing Strategy and Local Development Framework".

Housing Strategy priority 2 target is to produce a protocol for spending commuted sums and deliver affordable homes in partnership with the Housing Corporation (now the Homes and Communities Agency).

Core Strategy Meeting the affordable housing requirements of the district is set out in Policy SC4 and informed by the housing needs study endorsed by the planning policy cabinet liaison group on 14 February 2008.

Proposed MAA The regeneration of Morecambe's West End is one of the three key sub-regional priorities identified in the Mid-Lancashire Multi-Area Agreement (MAA) which has involved partnership working with the five local authorities within the Mid-Lancashire area and Lancashire County Council. The MAA when signed will provide the vehicle for channelling all housing and regeneration funding in Mid-Lancashire from this financial year onwards. Subject to member approval, all funding of this nature will be incorporated into a single overall investment plan for the district.

CONCLUSION OF IMPACT ASSESSMENT

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

Equality, Diversity and Sustainability implications have been taken into consideration in relation to the housing provided. All properties will meet the HCA standards including Lifetime Homes, and the provision of shared ownership properties will continue to achieve a better mix of tenure within the West End in relation to community safety and the longer term sustainability of the area.

All RSLs are committed to ensuring that the allocations of affordable housing are in accordance with their equality and diversity policies.

FINANCIAL IMPLICATIONS

The £90K proposed grant allocation to Adactus Housing Association represents the remaining sum of existing commuted sum funds that is not ring fenced to any specific part of the district, therefore an opportunity has arisen to promote more timely development in the West End, which is a key corporate priority for the Council.

Although, in this particular case there is no explicit contractual obligation to spend the S106 monies within a set period of time, it is usually the norm with these type of agreements that the Council must spend the commuted sum funds within five years of receipt otherwise the funds have to be returned to the developer. It is implied therefore, that in this particular case the commuted sum must be spent by 06/04/2014, otherwise may need to be returned.

A current city council internal policy exists that sets out the process for spending the Section 106 commuted sum funds, and if approved, officers from the Forward Planning Team in conjunction with the S106 Officer will be responsible for ensuring that the grant is used in accordance with this and also any specific requirements arising from the actual S106 Agreement.

Financial management of the S106 funding Programme will be further supported via regular reporting by the Head of Regeneration and Policy and in liaison with the Programmes and Funding Manager.

SECTION 151 OFFICER'S COMMENTS

As with the report to Cabinet in June, this report highlights the current funding difficulties with regeneration schemes in the West End. Nonetheless, Members are advised to consider carefully whether, in the circumstances, any proposed use of S106 monies fits within the approved policy and if so, what the most beneficial re-allocation would be for the resulting £90K of RHP monies.

LEGAL IMPLICATIONS

The £90K proposed grant to Adactus Housing Association from the S106 commuted sum funds will require a written agreement setting out the financial contribution being made by Lancaster City Council towards the delivery of the scheme, which in the current financial year will total £200K at the commencement of the development, subject to 5.1 and 5.2 above applying. The £90K grant meets the criteria set out with Lancaster City Council's Policy on the spending of Section 106 monies at set out in 3.3 of the policy by making an affordable housing scheme viable where there is a gap between the funding available to the RSL and Homes and Communities Agency.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Agenda and Minutes of Cabinet 22 June 2010.
Policy on spending Section 106 monies.

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