

**BUDGET AND  
PERFORMANCE PANEL**

**6.00 P.M.**

**29 NOVEMBER 2011**

**PRESENT:-** Councillors Susan Sykes (Chairman), Alycia James (Vice-Chairman), Tony Anderson, Dave Brookes, Janet Hall, Richard Newman-Thompson, Richard Rollins, Elizabeth Scott and Keith Sowden

Officers in attendance:-

Mark Cullinan	Chief Executive
Andrew Clarke	Accountancy Services Manager
Mark Davies	Head of Environmental Services (part)
Richard Tulej	Head of Community Engagement
Anne Marie Harrison	Assistant Head Community Engagement (Partnerships)
Robert Bailey	Corporate Planning & Performance Manager
Stephen Metcalfe	Principal Democratic Support Officer
Tom Silvani	Democratic Support Officer

**18 DECLARATION OF INTERESTS**

There were no declarations of interest.

**19 MINUTES**

The minutes of the meeting held on 18 October 2011 were signed by the chairman as a correct record.

**20 ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN**

There were no items of urgent business.

*The chairman advised that the agenda had been rearranged to allow the head of Environmental Services to leave the meeting.*

**21 WORK PROGRAMME - REQUEST FROM PANEL MEMBER - PLANNED MAINTENANCE OF COUNCIL HOUSING**

The Panel were reminded that members of the Panel were entitled to give notice to the Chief Executive that they wished an item relevant to the terms of reference of the meeting to be included on the agenda for the first available meeting. Members were requested to determine whether the issue should be included in the Budget and Performance Panel Work Programme based on its relevance as compared to the priorities as set out in the scrutiny Work Programme (Part 4, Section 5 of the Constitution).

It was advised that following a recent article in the local press, Councillor Brookes had raised concerns regarding the planned maintenance of council housing, and whether the council was getting value for money from its partnership contractor. As such Councillor Brookes had requested that the planned maintenance of council housing be an item for

consideration in the Panel's Work Programme. The Panel were advised that the Chief Executive had been consulted regarding the request, and a briefing note had been produced by the Head of Environmental Services for members' consideration.

Members were requested to determine whether consideration of planned maintenance of council housing should be added to the Panel's Work Programme.

The Chairman advised the Panel that the issue was also scheduled to be considered by both Cabinet and the Council's Audit Committee. Councillor Brookes advised that his questions mostly related to the Audit report, and as such the Chairman advised that they would best be directed to the Audit Manager.

Members agreed that the decision regarding whether to include to the issue in the Panel's Work Programme should be made once Cabinet and Audit Committee had considered the issue.

Members asked questions of the Head of Environmental Services relating to the planned maintenance of council housing, referring both to the article which had appeared in the local press and the briefing note which had been circulated to members with the agenda.

***Resolved:***

- (1) That the determination of whether consideration of planned maintenance of council housing should be added to the Panel's Work Programme be deferred until after Audit Committee had considered the issue at its meeting on 18 January 2012.
- (2) That Councillor Brookes refer his questions regarding the planned maintenance of council housing to the City Council's Audit Manager.

***The Head of Environmental Services left the meeting at this point.***

***Councillor Sowden arrived during consideration of the following item.***

## **22 QUARTER 2 CORPORATE PERFORMANCE AND FINANCIAL MONITORING REPORT**

The Panel received a report from the Leader of the Council in respect of the second quarter performance review team (PRT) cycle for 2011/12 recently undertaken by individual cabinet members. The report had been considered by the Leader on 17 November 2011, and was due to be considered by Cabinet at its meeting on 6 December 2011.

The second quarter of individual cabinet member PRT meetings for 2011/12 had taken place between 2 and 9 November 2011. These were presented by service heads covering each portfolio area and related corporate priority. Each meeting had monitored progress against the actions included in the Corporate Plan for each cabinet member and any outstanding issues from the previous round of meetings.

Individual cabinet members had also been provided with financial reports for Quarter 2 covering their portfolio and service areas and provided with reasons for any variances and actions being taken to address these.

Following a review of the experiences from Quarter 1 PRT meetings, the guidance supporting the PRT reports had been amended slightly to include a description of the

underlying principles behind the RAG (Red, Amber and Green) ratings so that a more consistent approach was developed in determining the council's overall performance.

These ratings for both Corporate/Service Plan Outcome Delivery and council Project and Programme Delivery were set out in the report. The Corporate Financial Monitoring Report of the Head of Financial Services set out an indicative corporate picture of the council's financial performance relating to the period ending 30 September 2011 and summarised the variances reported through services' quarterly PRT meetings and identified any omissions, updates and actions required. In addition there were specific sections for salary monitoring, capital expenditure and financing, Housing Revenue Account (HRA), revenue collection performance and insurance and risk management.

Following the Leader's report members asked extensive questions regarding areas of concern, which the Leader advised would be referred to the relevant portfolio holders. These included issues relating to the following portfolio areas:

- Adactus top up grants – the Panel queried whether it was possible for the properties to be leased or rented in the short term while the council waited for the housing market to improve. It was advised that currently the houses were not in a fit state to be let, and that the council was currently awaiting an announcement from the government which should enable officers to provide a report to council regarding the properties.
- Central Promenade Morecambe, Urban Splash development – members queried why this particular area had been flagged as 'amber turning red'. It was advised that options were being considered in line with the Morecambe Area Action Plan.
- Partnership working (work with partners to support the Children's Trust Board) – the Panel highlighted that the comments included on this item indicated that the council was not currently meeting its statutory requirements for safeguarding. It was advised that this issue had been flagged internally, and that a number of steps had been identified for action by officers to address capacity issues in this area. The issue was expected to move comfortably into G(reen).
- Major budget variances – members discussed the savings which had been made across all services by deleting vacant posts. It was queried whether this had had an impact on service delivery. It was reported that if a post was vacant but needed to be filled, it would only be filled on a 1 year contract, and posts which were not contributing to service delivery would be deleted. The Chief Executive advised that the council was able to delete posts because it was narrowing the services which it wanted to provide. If the council were to decide that it wanted to do more in the next 12 months then it would be necessary to increase staffing.
- Car parking – Members discussed issues surrounding car parking in the district. It was considered that further work was necessary in order to determine why the number of people using car parks had decreased.
- Salt Ayre variances – the Panel queried the high level of variances at Salt Ayre Sports Centre. It was advised that this was caused by a number of factors,

including the influence of increased local competition, both from new pitches at Lancaster and Morecambe College, and the Globe Arena, and the new sports centre at Lancaster University. The Leader of the council advised that the council was in dialogue with other local authorities who had encountered similar issues in relation to provision of sports facilities, and that it was considering how other authorities had been able to make their facilities more successful. The Chief Executive advised the Panel that Cabinet was also due to consider the issue.

The Panel agreed that an officer should be requested to attend a future meeting of the Panel to address the concerns of the panel regarding variances related to Salt Ayre Sports Centre.

Councillor Rollins asked whether suitable accounting arrangements were in place to demonstrate eligible spend in relation to external contributions on projects such as affordable housing, as failure to do so could result in claw back of such contributions. It was agreed that a response to the question would be provided by an officer and circulated by Democratic Services.

Councillor James asked questions relating to the level of interest which the Council was receiving on its investments. The Accountancy Services Manager advised that this query would be addressed as part of the Treasury Management report which was scheduled to be considered by the Panel at its meeting on 21 February 2012.

The Chairman advised that Panel that she had submitted a number of questions relating to Treasury Management to the Accountancy Services Manager and requested that answers be provided when the panel received the treasury management report at its meeting scheduled for 21 February 2012. The questions were distributed to members at the meeting and are appended to these minutes. The Chairman requested members to submit any additional questions regarding Treasury Management to the Accountancy Services Manager in advance of the meeting. The Accountancy Services Manager advised that responses to the questions would be provided at the meeting on 21 February 2012, it was advised that a copy of the Chairman's questions would be appended to the minutes of the meeting.

***Resolved:***

- (1) That the reports be noted.
- (2) That the Chief Executive be requested to identify an officer to attend a future meeting of the Panel to address the concerns of the Panel regarding variances relating to Salt Ayre Sports Centre.
- (3) That a response be provided to Councillor Rollins question relating to external contributions on projects such as affordable housing, and that this be circulated to members of the panel when available.
- (4) That members be requested to submit any questions which they would like to ask regarding Treasury Management to the Accountancy Services Manager prior to the Panels meeting on 21 February 2012.

## 23 PUBLIC SECTOR ENGAGEMENT EXERCISE

The Panel received the report of the Head of Community Engagement to advise members of the outcomes from the recent public sector engagement exercise.

The Panel was advised that it was anticipated that the impact of the government's public expenditure reductions would continue for the foreseeable future and that this would continue to have an impact upon public services within the district. There was recognition that the issues facing this district could best be addressed by public services working even more closely together with local communities.

As a result an engagement exercise had taken place during October and early November. The exercise aimed to develop 'a conversation' with local people and organisations to:

- Share the realities we all face.
- Discuss options and opportunities.
- Encourage a shift in public thinking, expectation and behaviour, with local people considering the role can play not only in shaping their district and its services but in delivering them too.
- Use that information to work together and ensure the public services that are available in this district in the future are those that are most important to local people.

The engagement programme had included a mixture of presentations, workshops, and information for a range of groups, which had included:

- Residents.
- Lancashire Association of Local Councils (Lancaster District).
- Voluntary sector representatives.
- Community Leaders Group.
- Lancaster District Local Strategic Partnership Management Group.
- Lancaster (District) Arts Partnership.
- Business Sector.

The Head of Community Engagement provided the Panel with an overview summary of the feedback which had been received through the public sector engagement exercise. It was advised that a number of overarching themes had emerged, these were as follows:

- Firstly, there was broad recognition of the need for public services to join together and to share assets.
- There was a need to acknowledge that at a very local level, individuals, families, voluntary groups and communities would request more in the way of support from the public sector.
- Finally, the landscape was already changing quickly and unpredictably, not only for individual public sector organisations, but also others who rely heavily on public expenditure, such as community, voluntary sector and arts organisations.

Members discussed the summary of the themes that emerged across the entire engagement exercise in detail, and asked questions of the head of Community Engagement accordingly.

**Resolved:**

That the report be noted.

**24 PARTNERSHIPS**

The Assistant Head of Community Engagement (Partnerships) presented a report to inform the Panel of the background information and resolution of Cabinet on 8 November 2011 in respect of the Council's future approach to working in partnership in the district, including the use of uncommitted performance reward grant (PRG) funds.

Members were advised that at its meeting on 8 November 2011 Cabinet had resolved the following:

**Cabinet approve the new partnership arrangements proposed in the report.**

**That the uncommitted Performance Reward Grant funding of £27,535 revenue and £89,910 capital revert back to the city council.**

The report had set out the background information and recommendations of the Leader of the Council in respect of the council's future approach to working in partnership in the district, including the use of uncommitted PRG funds.

The panel was asked to consider the report in line with its terms of reference relating to partnership working and the scrutiny of the performance of the council's major partnerships.

The report had recommended that the council's efforts be dedicated to the following partnerships whilst recognising that as priorities shift, other opportunities for partnership working may be required:

- District Children's Trust
- Community Safety Partnership
- A Voluntary, community and faith sector partnership
- A Health and Well Being Partnership
- Public Sector Leaders Group
- Arts and Culture Partnership
- Economic Partnership
- Community Leaders Group
- Parish Councils

The Panel considered the Cabinet report in detail and asked a number of questions relating to individual partnerships.

Councillor Newman-Thompson queried how the Health and Being Partnership would be constituted. It was advised that the board would be Lancashire wide, and that there would be three places allocated between the 10 district councils in the area. Those nominated to these three places would be tasked with representing the interests of all 10 district councils.

The Panel discussed the Lancashire Local Enterprise Partnership (LEP), members were anxious that the city council should be actively involved in such a scheme. The Chief Executive advised that the partnership would be private sector led, and would include representatives from unitary councils in Lancashire and Lancashire County Council. Lancashire's district councils would be represented on the partnership, but there would only be 2 representatives to represent the 12 district councils which fell within the LEP's borders. It was advised that the LEP would also help Lancashire to bid for funding from the Regional Growth Fund. Currently the suggestion was that strategic schemes should be made priorities once the LEP was firmly established, it was advised that the City Council currently had 2 projects on the list of possible projects, Heysham Port and Lancaster Science Park. It was reported that currently, funding for the Lancashire LEP was in the region of £12.9M.

***Resolved:***

That the report be noted

**25 WORK PROGRAMME REPORT**

The Democratic Support Officer submitted a report to update members on the Panel's Work Programme. Members were asked to consider whether they would like to include any further items in the Work Programme. It was noted that the issue relating to Planned Maintenance of Council Housing had been considered earlier in the meeting (Minute No. 21 refers).

Members were advised that at a meeting of Overview and Scrutiny Committee on 5 October 2011, members had discussed the issue of link membership with Budget and Performance Panel. It had been reported that at a meeting of full Council held on 14 September 2011 it had been agreed to remove the requirement for a link member from the Council's Constitution.

As such, members of the Committee had been requested to determine a reporting mechanism between the Committee and the Panel. It was agreed that the Chairman of the Budget and Performance Panel be invited to attend meetings of the Overview and Scrutiny Committee as and when issues arose.

Members were advised that at a meeting of Overview and Scrutiny Committee on 5 October 2011, Councillor Barry had provided members with a breakdown of his portfolio which had included responsibility for markets, connecting with communities, voluntary sector and older people. Part of the discussion had referred to issues surrounding service level agreements (SLAs).

The Panel was advised that following the discussion the committee had agreed the following:

"That the issue of SLAs and reviewing the procedures and criteria for local organisations who receive funding from the council be referred to the Budget and Performance Panel for consideration."

Members were requested to include the issue of SLAs in the Panel's Work Programme and to agree a date for the issue to be considered. The Panel were reminded that the

issue had been included on the Panels Work Programme for consideration at its meeting on 18 October 2011, but the report had been delayed.

The Assistant Head of Community Engagement (Partnerships) advised the Panel that one of the relevant portfolio holders had requested that the report be delayed, and as such it was not yet ready to be circulated. It was hoped that the report would be ready for consideration in time for the Panel's meeting on 21 February 2012. The Panel agreed that the issue should be included on the Work Programme for this meeting.

Members were also advised that the Deputy Chief Executive had requested that an item relating to corporate plan performance be included on the Panel's Work Programme alongside the '2011/12 Qtr3 Corporate Financial Monitoring, including Treasury Management' report, which was due to be considered on 21 February 2012. The report was intended to update members on corporate plan performance.

The Assistant Head of Community Engagement (Partnerships) advised the Panel that due to the tight deadlines surrounding PRT meetings it would be difficult for the Qtr 3 Corporate Financial Monitoring report to be produced in time for the February meeting of the panel. Members discussed the possibility of pushing back the date of the meeting in order to allow more time for the report to be produced.

Councillor Bryning recommended that members of the Panel consider reading the Audit Commission's report 'Tough Times', which was a new report looking at councils' responses to a challenging financial climate.

***Resolved:***

That the report be noted and that the Work Programme be updated accordingly.

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Chairman

(The meeting ended at 8.10 p.m.)

**Any queries regarding these Minutes, please contact  
Tom Silvani, Democratic Services - telephone 01524 582132, or email  
tsilvani@lancaster.gov.uk**



**Chairman's Questions on Treasury Management for the Accountancy Services Manager**  
**Budget and Performance Panel**  
**29 November 2011**

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- I understand that LCC is still engaging the same financial advisers who advised the Council to invest in Icelandic Banks? If so, why?
- Doesn't this risk damaging the reputation and credibility of the financial services office of the Council?
- Given that LCC got its fingers so badly burnt investing in Icelandic banks, why is the Council still investing in foreign banks, namely Abbey National which is owned by Spain's Santander?

Yorkshire Bank is Australian owned, but given the lower levels of Australian government debt, this hopefully presents far less of a risk than Santander.

- Again, doesn't investing in foreign banks risk damaging the reputation and credibility of the financial services office of the Council?
- Given the well-publicised concern about the financial well-being of Spain and concern whether the Spanish government could indeed capitalise its banks, in a crisis, why does the Council have up to £4m deposited in The Abbey National and only up to £2m in The Royal Bank of Scotland which is almost entirely owned by the British tax-payer. If prudence has been the hard-earned lesson learned from the Icelandic ordeal, why has the Council not got more, or indeed all, its reserves deposited in the safer haven of a British bank which is largely government owned?

If not RBS, then the Council could also deposit with Nat West, Lloyds and Northern Rock, with the same degree of safeguard.

- Was it the advice of the Council's financial advisers for the Council to invest in Abbey National?
- How does LCC negotiate the rates of interest it receives on its bank deposits? Do officers in financial services negotiate with banks in Lancaster or through others and meeting at a higher level?
- The table of interest rcd from bank deposits earned up to 31 March, 2011 as printed in Annex B of LCC's annual treasury management report 2010/11 showed an opening and closing balance of £15m max and £7.8m min and a cumulative interest rcd on these deposits of £99,196. Whilst I do not know, from these figures, the pattern of the Council's deposits and withdrawals, if I take an average balance midway between both figures of say £11.5m, then £99,196 is just 0.87%. (Andrew please check my maths!) Why is the Council receiving a far lower rate of interest on its deposits than someone walking in off the street can achieve?
- I understand that, for reasons of prudence, all LCC's reserves are now placed in instant access accounts. Do you not think that risk is determined by where/in which banks the Council's money is placed rather than by the terms of the deposit? Certainly if the Council's reserves were in the safer haven of largely-government

owned banks then higher rates of interest could be achieved by placing the deposit with the bank on a longer term deposit.