LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

Committee: **BUDGET AND PERFORMANCE PANEL**

Date: **TUESDAY, 21 FEBRUARY 2012**

Venue: **LANCASTER TOWN HALL**

Time: **6.00 P.M.**

A G E N D A

1. **Apologies for absence**

2. **Declaration of Interests**

3. **Minutes**

   Minutes of the Meeting held on 24 January 2012 (previously circulated)

4. **Items of Urgent Business authorised by the Chairman**

5. **Treasury Management Framework 2012/13** (Pages 1 - 26)

   Report of Head of Financial Services

6. **Corporate Review of Service Level Agreements** (Pages 27 - 37)

   Report of Head of Community Engagement

7. **Quarter 3 Corporate Performance and Financial Monitoring Report** (Pages 38 - 55)

   Report of Assistant Head (Partnerships) and Accountancy Services Manager

8. **Work Programme Report** (Pages 56 - 72)

   Report of Head of Governance

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

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

(ii) Substitute Membership

Councillors Chris Coates, Mike Greenall, Roger Mace, Roger Sherlock, Emma Smith and Paul Woodruff

(iii) Queries regarding this Agenda

Please contact Tom Silvani, Democratic Services - telephone 01524 582132, or email tsilvani@lancaster.gov.uk.

(iv) Changes to Membership, substitutions or apologies

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

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

Published on 13 February 2012.

Budget and Performance Panel

Treasury Management Framework 2012/13
21 February 2012

Report of Head of Financial Services

PURPOSE OF REPORT
To seek the Panel's views regarding the treasury management framework proposals for next year, prior to them being considered by Council.
This report is public

RECOMMENDATIONS

1. **That Budget and Performance Panel considers the attached Treasury Management progress report and draft framework documents for 2012/13 and makes recommendations as appropriate.**

1 **Introduction**

1.1 At its meeting on 14 February Cabinet will consider the attached report, including the treasury management framework proposals for 2012/13. In line with the updated (2011) CIPFA Code of Practice on Treasury Management, Budget and Performance Panel have been explicitly named as responsible for scrutiny of the Treasury Management function, including review of the Annual Strategy.

1.2 Given the timing of Budget and Performance panel meetings, unfortunately it has not been possible to provide for scrutiny of the treasury proposals prior to them being considered by Cabinet. However, any recommendations arising from this Panel meeting will be fed into Budget Council on 29 February, when Members will be asked formally to approve the framework.

CONCLUSION OF IMPACT ASSESSMENT **(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)** As set out in the attached report.
FINANCIAL IMPLICATIONS As set out in the attached report.
LEGAL IMPLICATIONS As set out in the attached report.
S151 and MONITORING OFFICER'S COMMENTS As set out in the attached report.

BACKGROUND PAPERS None.	**Contact Officer: Andrew Clarke** **Telephone: 01524 582138** **E-mail: aclarke@lancaster.gov.uk** **Ref:**

CABINET

Treasury Management Framework 2012/13
14 February 2012

Report of Head of Financial Services

PURPOSE OF REPORT					
This report sets out the 2012/13 Treasury Management framework for Cabinet's approval and referral on to Council.					
Key Decision	✓	**Non-Key Decision**		**Referral**	
Date Included in Forward Plan	May 2011				
This report is public.					

RECOMMENDATIONS OF COUNCILLOR BRYNING:

1. That Council be recommended to approve the Treasury Management Framework as reflected in Appendices B to D, and as updated for Cabinet's final budget proposals.

1 **INTRODUCTION**

1.1 The CIPFA Code of Practice on Treasury Management ("the Code") requires that a strategy outlining the expected treasury activity for the forthcoming 3 years be adopted, but that it be reviewed at least annually. It needs to cover various forecasts and activities.

1.2 To give context, the Quarter 3 monitoring report for the current year is included at ***Appendix A*** for information.

2 **TREASURY MANAGEMENT FRAMEWORK**

2.1 The proposed Strategy for 2012/13 to 2014/15 is set out at ***Appendix B*** for Cabinet's consideration. This document contains the necessary details to comply with both the Code and Government investment guidance. Responsibilities for treasury management are set out at ***Appendix C*** and the updated policy statement is presented at ***Appendix D***.

2.2 Key elements and assumptions feeding into the proposals are outlined below. These take account of Cabinet's existing budget proposals. Should there be any changes to the budget, then the treasury framework would need to be updated accordingly before being referred on to Council.

2.3 **Borrowing Aspects of the Strategy**

2.3.1 Based on the draft budget, for now the physical borrowing position of the Council is projected to remain constant over the next three years for the General Fund capital programme, but additional borrowing of £31.2M will be needed to support the HRA self financing buy out.

2.3.2 This position is based on:

- land at south Lancaster being sold in 2012/13;
- no capital growth on schemes funded through prudential borrowing;
- significant amounts of cash being returned from Icelandic bank investments;
- the withdrawal of Lancaster Indoor Market being managed within projected cash resources, or any borrowing need being considered later by Council.

2.3.3 The above points represent major assumptions and depending on their outcome, the debt strategy may need to be varied greatly. If so, Member approval would be sought where appropriate.

2.4 **Investment Aspects of the Strategy**

2.4.1 2011/12 has been dominated by a sovereign debt crisis, which has had a negative impact on the Euro zone as well as the UK economy including widespread downgrading of banks. This means that there is no strong argument for relaxation of the measures taken post Iceland as counterparty strength is still a major risk. There is the need, however, to ensure sufficient flexibility in managing investments without undermining security, and to ensure that risk appetite is appropriate.

2.4.2 Accordingly, the main changes to investment limits for 2012/13 onwards are:

- an increase to the proposed investment limits with the County Council. This will include retaining the option of placing fixed term deposits for up to 1 year with the County, where liquidity will allow. This will enhance yields without exposing the Council to institutions whose counterparty strength could change materially over a 12 month period, such as with banks.

- a move away from banks that had access to the Government's 'guarantee' scheme, but are not part-nationalised UK institutions.

2.4.3 Overall, the strategy put forward follows on from 2011/12 in that it is based on the Council having a low risk appetite with focus on high quality deposits, and with the potential for a core of cash to be placed fixed term with the County Council to enhance yield, as long as this fits with cash flow needs.

2.4.4 There is a cost linked to a low risk strategy as instant access accounts with good quality counterparties have relatively low yields. Markets are starting to offer significantly improved rates for longer term deposits with rates of 1.87% for a 12 month deposit (as at 30 January). This is in comparison to 0.62% being the average return for the Council's balances overall. To illustrate, placing a £6M deposit for 1 year would have a marginal yield of £75K above that for the Council 'average' investment.

2.4.5 Having said that, many of the instant access investments are linked to the bank rate and so a low risk, high liquidity strategy will still benefit from an increase in interest rates. It is judged unlikely, however, that rates will move in the near term and so the County Council facility, where the Council can place a fixed term deposit at a market rate without the risk of such market volatility, is an attractive option.

2.5 It is stressed in terms of treasury activity, there is no risk free approach. It is felt though that the measures set out above provide a sound framework within which to work over the coming year.

3 **CONSULTATION**

3.1 Officers have liaised with Sector, the Council's Treasury Advisors, in developing the proposed framework. It will be considered by Budget and Performance Panel at its meeting on 21 February 2012.

4 **OPTIONS AND OPTIONS ANALYSIS**

4.1 Cabinet may put forward alternative proposals or amendments to the proposed Strategy in Appendix B, but these would have to be considered in light of legislative, professional and economic factors, and importantly, any alternative views regarding the Council's risk appetite. As such, no further options analysis is available at this time.

4.2 Furthermore, the Strategy must fit with other aspects of Cabinet's budget proposals, such as investment interest estimates and underlying prudential borrowing assumptions, feeding into Prudential and Treasury Management Indicators.

5 **OFFICER PREFERRED OPTION AND JUSTIFICATION**

5.1 To approve the framework as attached, for referral on to Council. This is based on the Council continuing to have a low risk appetite regarding investments.

RELATIONSHIP TO POLICY FRAMEWORK This report seeks minor changes to the Council's Treasury Management Policy, and fits with the development of the Medium Term Financial Strategy.	
CONCLUSION OF IMPACT ASSESSMENT **(including Diversity, Human Rights, Community Safety, Sustainability etc)** No direct implications arising.	
FINANCIAL IMPLICATIONS The Strategy is in support of achieving the borrowing cost and investment interest estimates included in the draft budget.	
SECTION 151 OFFICER'S COMMENTS This report and its content forms part of the S151 Officer's responsibilities.	
LEGAL IMPLICATIONS Legal Services have been consulted and have no observations to make regarding this report as there are no implications directly arising.	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments.	
BACKGROUND PAPERS Treasury Management in the Public Services. CIPFA Code of Practice and Cross-sector Guidance Notes (2011)	**Contact Officer: Nadine Muschamp** **Telephone:01524 582117** **E-mail:nmuschamp@lancaster.gov.uk**

Appendix A

2011/12 Treasury Management Progress Report to 31 December 2011

Report of Head of Financial Services

1. Introduction

This report is in line with the reporting requirements of the CIPFA Code of Practice on Treasury Management, which is a technical area. To assist with its understanding, a glossary of terms commonly used in Treasury Management is attached at ***Annex A***. In addition, the Councillor's Guide to Local Government Finance also has a section on treasury and cash management and this is available through the Member Information section on the Intranet.

2. Summary

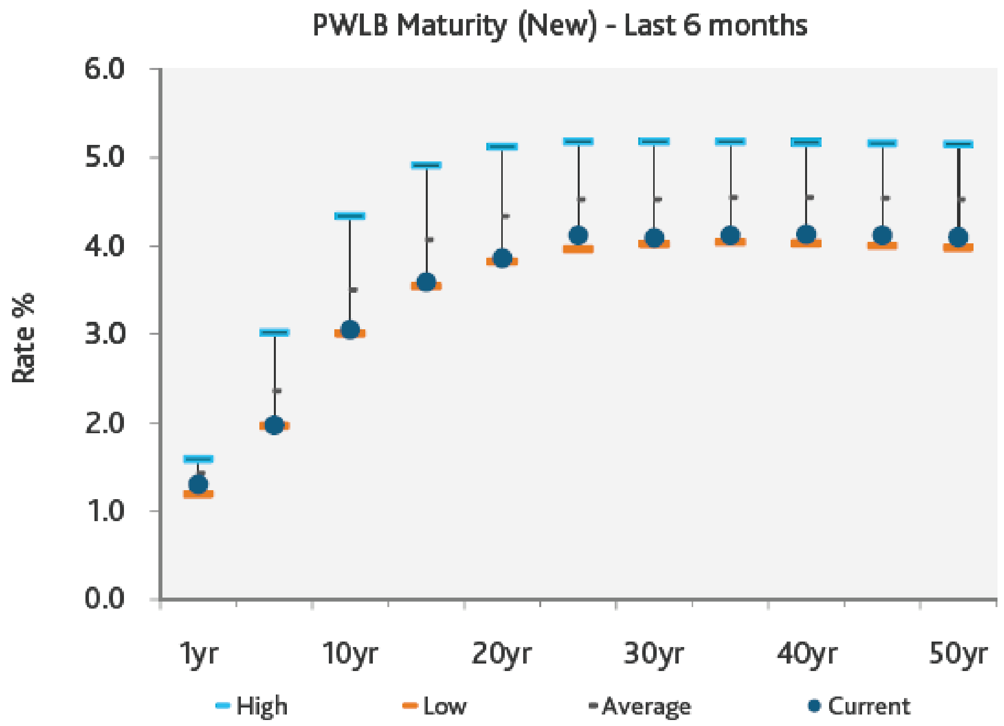
- There has been limited further information from the Icelandic banks since the positive news in the last quarter. Further information is awaited regarding repayment dates and amounts.
- On other treasury matters there have been no changes to the debt portfolio. No temporary borrowing was required during the quarter and no new long term debt has been taken on.
- There have been no material breaches of any prudential indicators or counterparty limits in the quarter and no other major risks have been identified.

3. Icelandic Investments Update

Since the good news reported at quarter 2 about the Council's Icelandic investments, little further information has been received. The Council awaits something concrete in terms of repayment plans from Glitnir and Landsbanki although material receipts are anticipated before the end of the financial year.

4. Current Borrowing Rates.

The following graph shows that the pattern seen since January 2009 has persisted, with a marked spread between short term and long term borrowing. Further, rates remain at their depressed levels even compared to the range seen over the last 6 months and have been on a downward trend, fuelled by the Eurozone crisis.



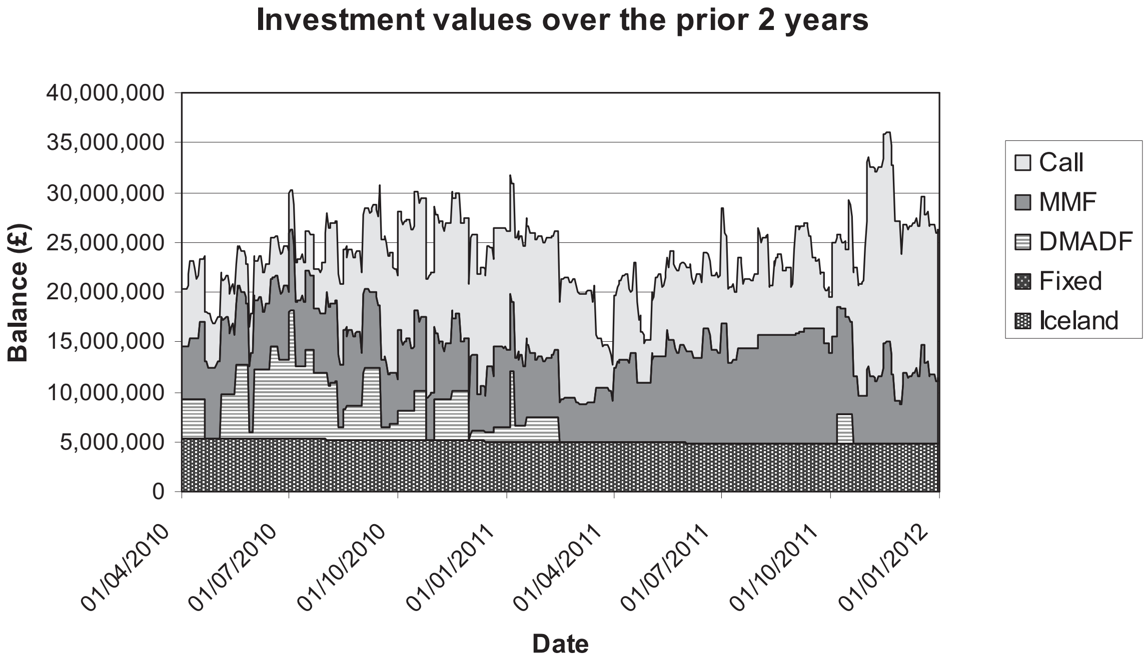
Extract from Sector weekly debt monitor 16/1/2012

This is good for the Council as it faces taking on new borrowing before the end of the financial year, in relation to the HRA subsidy buy out. The projections from Sector are that these rates will rise before the self financing buy out but will still remain relatively low. The spread of rates also means that structuring the maturity profile rather than relying on long term maturity loans would be beneficial in terms of interest cost, although it would commit the Council to either repayment or re-financing sooner than if long term loans were used.

5. Investing Activities

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

All investment activity has been in line with the approved Treasury Strategy for 2011/12. No fixed term investments have been placed; surplus cash has been managed on a day to day basis using the call accounts and Money Market Funds (MMF). A full list of the investments at the end of Quarter 3 is enclosed at ***Annex B***.



In addition, the Council has opened a call account with Barclays which came into use during the quarter. Although this does not pay as high a rate as some other Call offerings, it is judged to be more secure and would form part of the 'specified' investments unlike the other call accounts that are included on the investment list, partly on the basis of their access to Government support. In addition, the Council has started placing deposits with the County Council again, following a review of the facility.

The quarter has been another turbulent one in terms of counterparty security. Barclays limit was reduced from £6M to £3M, Santander dropped from £6M to £3M and Yorkshire bank has been removed from the list having previously had a limit of £3M. The lending list is now very limited and focuses on a small number of high quality counterparties. In terms of spreading risk, the Council has two money market funds which indirectly diversify the portfolio. In addition, the use of the County Call account has increased the pool of quality counterparties and the 2012/13 investment strategy will look at ways of increasing the use of this facility. (Note that in Quarter 4, no funds are now placed with Santander.)

6. Summary of Budget Position and Performance

In terms of performance against external benchmarks, the return on investments compared to the 7 day LIBID and bank rates over the year to date is as follows:

Base Rate	0.50%
7 day LIBID	0.61%
Lancaster CC investments	0.62%

The return is just above base but matches the 7 day LIBID. The Council has focused on secure and highly liquid deposits that have mainly been on instant access, hence the relatively poor rate of return in absolute terms, however, for the type of investment the Council is making, it is achieving a reasonable rate.

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

Annual budget (revised)	£268K	
Actual to date	£90K	(see details in ***Annex B)***
"Icelandic" to date	£134K	(see details in ***Annex B)***
Total	£224K	
Variance	£19K	favourable against evenly profiled budget

There is a £19K favourable variance which is jointly due to the real cash income and the impact of Icelandic investments. The cash budget is expected to fall back over the last quarter as balances reduce down towards year end. This is because Council Tax and NNDR are generally collected over the first 10 periods.

7. Risk management

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

There is now no option to borrow early from the PWLB for HRA self-financing, as all loans must be agreed on 26 March 2012 for payment to authorities on the 28 March 2012. Officers have been liaising with the PWLB to ensure the logistics for agreeing loans are in place.

Finally, as per the previous quarterly updates, recovery of Icelandic investments is still being managed with legal support organised through the Local Government Association.

ANNEX A

Treasury Management Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.

- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.

- **Call account** – instant access deposit account.

- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.

- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They analyse credit worthiness under four headings:

  Short Term Rating – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.

  Long Term Rating – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.

  Individual/Financial Strength Rating – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.

  Legal Support Rating – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

  The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO –** The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.

- **EIP –** Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.

- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.

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

- **LIBID** – The London Inter-Bank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time.

- **LIBOR** – The London Inter-Bank Offer Rate, the rate at which banks with surplus funds are offering to lend them to other banks, again published at 11am each day.

- **Liquidity** – Relates to the amount of readily available or short term investment money which can be used for either day to day or unforeseen expenses. For example Call Accounts allow instant daily access to invested funds.

- **Maturity** – Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.

- **Money Market Fund (MMF)** – Type of investment where the Council purchases a share of a cash fund that makes short term deposits with a broad range of high quality counterparties. These are highly regulated in terms of average length of deposit and counterparty quality, to ensure AAA rated status.

- **Policy and Strategy Documents** – documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.

- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.

- **Sector** – Sector are the City Council's Treasury Management advisors. They provide advice on borrowing strategy, investment strategy, and vetting of investment counterparties, in addition to ad hoc guidance throughout the year.

- **Yield** – see Gilts

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

Annex B

INVESTMENT INTEREST EARNED TO 31st December 2011

Icelandic investments	No	Start	End	Rate %	Principal £	Cumulative Interest* £
Deposited 2007/08						
Landsbanki Islands	004	31-Mar-08	22-Apr-09	6.25	1,000,000	27,722
Glitnir	FI02/023	31-Mar-08	22-Apr-09	5.76	3,000,000	85,699
Deposited 2008/09						
Kaupthing, Singer & Friedlander	06/07-I29	16-May-08	07-Oct-08	6.00	740,000	20,472
Sub total					4,740,000.00	133,893
Budgeted income (£100K pro rated)						125,822

Other Investments	opening	Min	Max	closing	Indicative rate	Cumulative Interest £
Call: Santander	2,470,000	1,800,000	6,000,000	3,000,000	0.75%	23,698
Call: Yorkshire bank	460,000	0	3,000,000	0	0.50%	2,800
Call: RBS	2,700,000	2,700,000	3,000,000	3,000,000	0.70%	14,961
Call: Barclays	0	0	6,000,000	3,000,000	0.65%	6,064
Call: Lancashire County Council	0	0	6,000,000	6,000,000	0.70%	3,533
DMADF	0	0	3,000,000	0	0.25%	267
Government Liquidity MMF	2,980,000	0	4,650,000	600,000	0.39%	8,763
Liquidity First MMF.	6,000,000	4,050,000	6,000,000	6,000,000	0.65%	29,982
Sub-total	14,610,000			21,600,000		90,068
Budgeted income (£105K pro rated)						79,411

TOTAL Interest	**223,961**
Variance (+ive = favourable)	**18,728**

* Under 2009 accounting guidance, interest continues to be accrued whilst Icelandic investments are on the Council's balance sheet. To counter this, however, the provisions made to cover any losses take account of this accrued interest, as well as the principal sums (i.e. the £4.84M) invested.

As at the end of Qtr 3 2011/12 £1,260K of principal had been repaid by KSF, representing 63% of the original deposit.

Appendix B

Treasury Management Strategy 2012/13 to 2014/15

Draft for Consideration by Cabinet 14 February 2012

Introduction

1. The treasury management function is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. Whilst the prudential indicators consider the affordability and impact of capital expenditure decisions, the treasury function covers the effective funding of these decisions. There are also specific treasury indicators included in this strategy that need approval.
2. The Council's activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management, revised 2011: the "Code"). This Council originally adopted the Code on 13 February 2002, and has adopted any updates as these have come into force.
3. The Code requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A further report is produced after the year-end to report on actual activity for the year as well as a mid year monitoring report. Quarterly reports will continue to be presented to Cabinet with the Quarter 2 report being forwarded on to full Council.
4. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury function.
5. This strategy therefore covers:
   - the current treasury position;
   - expected movement in interest rates;
   - the Council's borrowing and debt strategy (including its policy on making provision for the repayment of debt);
   - the Council's Investment Strategy;
   - specific limits on treasury activities;
   - treasury management indicators; and
   - specific sections on training and the use of consultants.

   This strategy document contains the relevant information to comply with both the Code and the Investment Guidance issued by Government. The sections that specifically satisfy requirements of the Investment Guidance are: specified and non specified investments (32-40 and ***Appendix B1***), credit risk assessment (32-45), use of investment consultants (51-52), training (53), borrowing in advance of need (23) and length of deposits (table 3).

Treasury Position

6. The forecast treasury position and the expected movement in debt and investment levels over the next three years are as follows.

Table 1: Gross external debt and investment forecast

	2012/13 £'000	2013/14 £'000	2014/15 £'000
External Debt			
Borrowing			
Existing	39,215	39,215	39,215
Additional HRA borrowing	31,241	31,241	31,241
Other long term liabilities	225	225	225
Finance lease liability	2,514	2,282	2,127
Total External Debt at 31 March	**73,195**	**72,963**	**72,808**
Investments			
Total investment 31 March	**14,930**	**13,990**	**14,920**
Projected average investment balances	**26,770**	**26,460**	**26,430**

7. The current capital programme assumes a reduction of £4.4M (during the 5 years 2012/13 to 2016/17) against the 'underlying need to borrow' for capital expenditure to reverse prudential funding from prior years. This is reliant on the sale of land at South Lancaster, receipt of which is assumed in the balances above. These balances may appear high but there are factors which are very likely to reduce these materially, as follows.
8. No amounts have been included for potential capital expenditure on Lancaster Indoor Market. Whatever the decision, this is likely to reduce materially the cash balances in Table 1 above. The figures also assume that the Municipal Building works budgets are reasonable estimates; should the new condition survey find additional liabilities in terms of backlog repair works, the cash figure could be reduced further. In addition, should any decision be made about significant spend on housing projects or any other capital growth items, these figures would be further reduced (see 13 – 18 below). As such, the core cash balance at the end of 2012/13 could well be more in the region of £3.5M rather than £15M.
9. Opportunities to net down the cash balances through early repayment of loans will be reviewed during the year as these factors, and therefore the likely cash balances, become clearer.
10. The revenue consequences of the balances in Table 1, namely investment income and borrowing costs, are included within the overall revenue budget. These do not currently take account of the major uncertainties outlined in paragraph 8 and so any option appraisals on these schemes will need to include their full impact on the revenue budget.
11. Although the Council holds both investment balances and long term borrowings, this is not a result of borrowing in advance of need or to on-lend. The Council's external borrowings provide the cash to help pay for a proportion of the Council's accumulated, prudentially funded, capital spend (the Capital Financing Requirement - CFR). Separate to this, the Council is required to hold a certain amount of balances, provisions and other items to ensure that resources are available when needed; these are generally cash backed. Flexibility is allowed on utilising these cash funds in lieu of borrowing, which the Council is doing in part.

Capital programme scenarios

12. The position above assumes that following the Housing Revenue Account (HRA) financing in 2011/12, there will be no pressure to physically borrow to support the capital programme over the next three years and that over the life of the current programme (including the anticipated out-turn on 2011/12) Council will be able to reverse £1.99M of

previously incurred, prudentially funded, capital expenditure. This is in line with the targets agreed by Council in the prior year.

13. There are however a number of material variables which could alter this position, the main one being Lancaster Market. Whatever proposals are taken forward on the Market, this is likely to incur prudentially funded capital expenditure in the £millions. Work is currently ongoing to investigate the various options and fully worked up proposals are to be brought back before Members in due course. These proposals are focussed on reducing the ongoing revenue deficit and so although may incur high up front cash demands, should eventually generate material savings.

14. Further, following the withdrawal of external funding for housing schemes in the West End of Morecambe, if these are to progress Council funding will be required. These proposals would not be expected to generate net savings and so need to be within the framework of a balanced revenue budget that can accommodate the growth.

15. Previous years have included Luneside East as a significant variable. It is hoped, however, that there will be no further Council budget requirement on this scheme.

16. In addition, Icelandic bank investments have also cast a shadow over previous strategies. Following the successful outcome of the court case, the Council has secured preferential creditor status and now expects to get the vast majority of its investments back. This means that the impact of these investments on the capital programme has been neutralised in 2011/12 and will have no ongoing impact in capital terms. Depending on the timing of payments from the claims, these will still impact on the treasury position overall; the estimated repayment dates have been included in the projected cash flows over the 3 years 2012/13 to 2014/15.

17. There is still a risk around the large capital receipt for sale of land at South Lancaster. However, this is judged to be more a risk over timing rather than whether it will actually be received or not. The capital budget and associated revenue costs now assume receipt in 2012/13.

Expected Movement in Interest Rates

Table 2: Medium-Term Rate Estimates (averages)

Annual Average %	Bank Rate	Money Rates		PWLB Borrowing Rates		
		3 month	1 year	5 year	25 year	50 year
March 2012	0.50	0.70	1.50	2.30	4.20	4.30
June 2012	0.50	0.70	1.50	2.30	4.20	4.30
Sept 2012	0.50	0.70	1.50	2.30	4.30	4.40
Dec2012	0.50	0.70	1.60	2.40	4.30	4.40
March 2013	0.50	0.75	1.70	2.50	4.40	4.50
June 2013	0.50	0.80	1.80	2.60	4.50	4.60
Sept 2013	0.75	0.90	1.90	2.70	4.60	4.70
Dec 2013	1.00	1.20	2.20	2.80	4.70	4.80
March 2014	1.25	1.40	2.40	2.90	4.80	4.90
June 2014	1.50	1.60	2.60	3.10	4.90	5.00

Information provided by Sector December 2011.

18. Growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two quarters of negative growth). Bank Rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite inflation currently being well above the Monetary Policy Committee inflation target. Hopes for an export led recovery appear likely to be disappointed due to the Eurozone sovereign debt crisis depressing growth in the UK's biggest export market. The

Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, may also depress growth during the next few years.

19. Fixed interest borrowing rates are based on UK gilt yields. The outlook for borrowing rates is currently much more difficult to predict. The UK total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt and have been subject to exceptionally high levels of volatility as events in the Eurozone debt crisis have evolved.

20. This challenging and uncertain economic outlook has several key treasury mangement implications:

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2012/13;
- Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

Borrowing and Debt Strategy 2012/13 to 2014/15

21. The continued uncertainty over future interest rates increases the risks associated with treasury activity. As a result there is no strong argument for a significant relaxation of the Council's treasury strategy. As outlined in the scenarios section above, there are also a number of other factors outside of the Council's direct control, which could have a significant impact on its need to borrow. As these issues are clarified, the options around borrowing will be considered in relation to the longer term prospects of rate rises.

22. The Head of Financial Services, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, if need be, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short to medium term.

23. Borrowing will only be taken on once a liability has been established although the timing of the borrowing may precede the point at which the liability actually falls due for payment. This would only be done to secure a preferential position for the Council, for example to benefit from lower interest rates. Following discussion with the Council's treasury advisors, the Treasury Indicator for Gross and Net debt has not been included as this is currently under revision by CIPFA.

24. With the likelihood of rates increasing, any debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Head of Financial Services and treasury consultants will monitor prevailing rates for any opportunities during the year. The benefit of this will be balanced against the risks attached to the more frequent refinancing that would be required.

25. The option of postponing borrowing and running down investment balances will also be considered; this would have the added benefit of further reducing counterparty risk and also could improve the revenue situation with the cost of loans currently far outweighing the return on investments, as already mentioned above. However, this will only be done once the cash needs of the Council have been clarified (see paragraph 8 above).

HRA borrowing

26. In relation to the HRA subsidy buy out, the Council will need to have the cash settlement amount of £31.2M available by the 28 March 2012. The PWLB are providing loans at interest rates 0.85% lower than the usual PWLB interest rates solely for the settlement requirements. As per the cash projections above, due to the uncertainty over material elements of capital expenditure for the Council as a whole it is judged that the full amount will need to be borrowed, rather than underborrowing to reduce cash balances and interest charges. The exact structure of debt to be drawn down will be finalised by the Head of Financial Services, ensuring that it meets the requirements of the HRA business plan and the overall requirements of the Council.

27. CIPFA have issued guidance on the accounting policies for 'post HRA buy out' debt and how the cost of this could be shared between the General Fund (GF) and the HRA. The Council is now required to approve its approach to apportioning this debt between the HRA and GF in the absence of the prescribed method, previously issued in the annual HRA item 8 determination. It is currently proposed to use a '1 pool' approach as this is judged to promote decision making that is good for the authority as a whole whilst satisfying the principles set down in the CIPFA Code (section 10), namely:

    - There should be no detriment to the General Fund.
    - The apportionment should be broadly equitable.
    - Future charges to the HRA in relation to borrowing are not influenced by the General Fund.
    - Un-invested balance sheet resources which allow borrowing to be below the CFR are properly identified between the HRA and the General Fund.

28. However, as the actual apportionment will not be made until the closure of the 2012/13 accounts, this will be subject to review once the settlement has physically happened and the overall impact on the authority is clearer.

Provision for the Repayment of Debt 2012/13 to 2014/15

29. New arrangements for calculating the Minimum Revenue Provision (MRP) were introduced from 01 April 2008 with refinements added in guidance published by Government in March 2010.

30. In line with this guidance, for 2012/13 the Council's policy for the making of provision for the repayment of debt will be as follows:

    - For all relevant capital expenditure prior to 01 April 2008, with the exception of that in respect of motor vehicles (i.e. less than 15 years life), by the application of the former prescribed formula *(i.e. for General Fund, 4% of the non-housing related Capital Financing Requirement at the start of the year)*.
    - For capital expenditure on motor vehicles prior to 01 April 2008, and for all supported or unsupported capital expenditure on or after that date, equal annual amounts based on the estimated life of each individual asset so financed, as is consistent with the revised Minimum Revenue Provision guidance (DCLG MRP guidance, March 2010, method 3).
    - For finance leases the annuity method will be used to ensure the total charges in year remain constant (MRP plus interest cost) and match what would otherwise be an annual revenue cost. This is also to be applied retrospectively to any operating leases subsequently re-classified as finance leases.

31. Although it is not mandatory to make a set aside for repayment of HRA debt, repayment of borrowing is considered an important part of the HRA debt strategy and so resources will be set aside annually to repay the new HRA debt over the 30 year business plan, but this aspect of the strategy is also subject to review during 2012/13.

Investment Strategy 2012/13 to 2014/15

32. The primary objective of the Council's investment strategy is to safeguard the re-payment of the principal and interest of its investments, with ensuring adequate liquidity being the second objective, and achieving investment returns being the third.

33. The types of investment allowable are categorised as either Specified and Non Specified investments. Details of these are set out in ***Appendix B1***.

34. Following the economic background described above, the current investment climate has one over-riding risk consideration, that of counterparty security risk. The Head of Financial Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. The use of these criteria provides an overall pool of counterparties that are considered as high quality and that may be chosen for investment, subject to other considerations.

35. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside of the lending criteria. This complies with a CIPFA Treasury Management Panel recommendation in March 2009 and the Code.

36. Credit rating information is supplied by the Council's treasury consultants (Sector) on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria will be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. More information on credit ratings is included in ***Appendix B2***.

37. The criteria for providing a pool of high credit quality investment counterparties (for both specified and non-specified investments) are:

Banks 1 - Good Credit Quality

The Council will only use banks that:

a) are UK banks; or
b) are non-UK but are domiciled in an EU country with a long term sovereignty rating of AAA,

and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated, as is consistent with the middle limit as per table 3):

i. **Short Term:** F1/P-1/A-1

ii. **Long Term:** A/A2/A

iii. **Individual Viability / Financial Strength:** bb+/C (Fitch / Moody's only)

iv. **Support:** 3 (Fitch only)

Banks 2 – Part nationalised UK banks

Lloyds Bank and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or if they meet the ratings in Banks 1 above. Investment limits will be subject to the short and long term rating limits in table 3 below.

Banks 3 – The Council's own Banker

The bank may be used for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

Building Societies – all Societies that meet the ratings for banks outlined above.

Money Market Funds – AAA-rated sterling funds with constant unit value.

UK Government – Debt Management Account Deposit Facility (DMADF)

Local Authorities (including Police and Fire Authorities), Parish Councils

Supranational institutions (e.g. European Central Bank)

38. Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in *Banks 1* above. In addition:

    - no more than 25% will be placed with any one non-UK country at any time;
    - limits in place above will apply to Group companies (eg Natwest and RBS count as a single counterparty);
    - sector limits will be monitored.

39. The Code and Investment Guidance require the Council to supplement credit rating information. Whilst the Council's strategy relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (e.g. credit default swaps, equity price, media coverage) will be reviewed prior to investments being placed.

40. For the above categories of Specified and Non Specified Investments, and in accordance with the Code, the Council has developed additional criteria to set the maximum amounts that may be invested in these bodies. The criteria, using the lowest common denominator approach are set out below.

Table 3: Counterparty Criteria and Investment Limits

	Minimum across all three ratings			Money Limit[8]	Time Limiit[9]
	Fitch	Moody's	Standard & Poors		
Upper Limit[1]	F1+/AA-	P-1/AA3	A-1+/AA-	£6M	Instant access only
				£3M	100 days
Middle Limit[2]	F1/A	P-1/A2	A-1/A	£3M	Instant access only
Other Institutions[3]	N/A	N/A	N/A	£6M	1 Year
Lancashire County[4]	N/A	N/A	N/A	£12M	1 Year
Money Market Funds[5]	AAA	AAA	AAA	£6M	Instant Access Only
DMADF deposit[6]	N/A	N/A	N/A	No limit	1 Year
Sovereign rating to apply to all non UK counterparties[7]	AAA	AAA	AAA	N/A	N/A

Notes:

1 & 2: The Upper and Middle Limits apply to appropriately rated banks and building societies.
3: The Other Institutions limit applies to other local authorities and supranational institutions (i.e. ECB).
4: This recognises the special status of Lancashire County Council as the City Council's upper tier authority.
5: Sterling, constant net asset value funds only.
6: The DMADF facility is direct with the UK government; it is extremely low risk.
7: UK counterparties are defined as those listed under UK banks or building societies in
the Sector counterparty listing.
8: Money limits apply to principal invested and do not include accrued interest.
9: Time Limits start on the trade date for the investment.

41. In the normal course of the Authority's cash flow operations it is expected that both specified and non-specified Investments will be utilised for the control of liquidity as both categories allow for short term investments. The Council will maintain a minimum £2M of investments in Specified Investments provided that the cashflow allows for this. In addition, although the Council will consider using non specified investments (as described in ***Appendix B1***), these should not exceed 50% of the portfolio at any one time. The limits applied will be consistent with the short and long term ratings in table 3 above.
42. The use of longer term instruments (greater than one year from trade date to maturity) and forward deals will not be used.
43. Expectations on shorter-term interest rates, on which investment decisions are based, show a low likelihood of the current 0.5% Bank Rate increasing over the next 12 months but with the possibility of a moderate rise in 2013/14.
44. There is some operational difficulty arising from the legacy of the banking crisis; although there is some value returning to longer term investment, credit risk remains within the market. Whilst some selective options do provide additional yield, uncertainty over counterparty creditworthiness indicates that shorter dated investments still provide better security. However, in line with limits in table 3, fixed term investing is judged to be acceptable for certain institutions or where certain credit rating limits are met.
45. Members are asked to approve the base criteria above, however, the Head of Financial Services may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval.

Risk benchmarking

46. A further development in terms of managing risk is the use of benchmarks. Yield benchmarks are currently widely used to assess investment performance but there is little comparative data available to Members to assess where this strategy sits in comparison to other authorities in terms of the types of counterparty used and the lengths of deposit.
47. At present, the criteria set down in table 3 above and through the treasury management indicators below, limit activity in terms of length of deposit (liquidity) and in terms of strength of the counterparty (security). The current strategy follows on from the 2011/12 strategy in being low risk through, for example, restricting the amount and length of deposit in any one counterparty as well as requiring high liquidity on most large deposits. The use of information from other authorities might allow the officers to refine the investment strategy once it is clearer how other local districts are performing and the investment parameters they are using. Officers will work towards obtaining comparative information from other Districts over the course of 2012/13 with a view to presenting this information to Members in due course.

Treasury Management Indicators and Limits on Activity

48. There are four mandatory treasury management indicators. The purpose of these indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. The full list of Prudential Indicators is included elsewhere on the agenda, but the treasury management indicators are as follows:
    - Upper limits on fixed interest rate exposure – This indicator identifies a maximum limit for fixed interest rates based upon the debt position net of investments.
    - Upper limits on variable interest rate exposure – Similar to the previous indicator, this covers a maximum limit on variable interest rates.

- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days – given the current economic climate the Authority is not willing to risk investing sums for fixed terms of greater than 1 year and so this is £0.

49. Council will also be requested to approve the treasury management indicators, as updated in line with final budget proposals, at its meeting on 29 February 2012.

Table 5: Treasury Management Indicators

	2012/13		2013/14		2014/15	
Interest Rate Exposures (TM 1 & 2)						
	Upper		**Upper**		**Upper**	
Limits on exposure to fixed interest rates	100%		100%		100%	
Limits on exposure to variable interest rates	30%		30%		30%	
Maturity Structure of fixed interest rate borrowing (TM 3)						
	Lower	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Under 12 months	0%	50%	0%	50%	0%	50%
12 months to 2 years	0%	50%	0%	50%	0%	50%
2 years to 5 years	0%	50%	0%	50%	0%	50%
5 years to 10 years	0%	50%	0%	50%	0%	50%
10 years to 15 years	0%	100%	0%	100%	0%	100%
15 years to 25 years	0%	100%	0%	100%	0%	100%
25 years to 50 years	50%	100%	50%	100%	50%	100%
Actual current position (not including new HRA debt)						
Under 12 months	0%					
12 months to 2 years	0%					
2 years to 5 years	0%					
5 years to 10 years	0%					
10 years to 15 years	0%					
15 years to 25 years	0%					
25 years to 50 years	100%					
Maximum principal sums invested > 364 days (TM 4)						
Principal sums invested, in 2012/13, for periods of greater than 364 days, to mature after the end of each financial year	£0M		£0M		£0M	

Performance Indicators

50. The Code requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators that are predominantly forward looking. Examples of performance indicators to be used for the treasury function are:

- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report and the mid-year report as required under the Code.

Treasury Management Advisers

51. The Council currently uses Sector as its treasury management consultants. The company provides a range of services that include:
    - technical support on treasury matters, capital finance issues and the drafting of Member reports;
    - economic and interest rate analysis;
    - debt services which includes advice on the timing of borrowing;
    - debt rescheduling advice surrounding the existing portfolio;
    - generic investment advice on interest rates, timing and investment instruments;
    - credit ratings/market information service comprising the three main credit rating agencies.
52. Whilst the advisers provide support to the internal treasury function, under current market rules and the Code the final decision on treasury matters remains with the Council. The service is subject to regular review.

Member and Officer Training

53. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This Council addresses this important issue by providing Member training in liaison with its treasury advisors and through ongoing training and supervision of officers involved the day to day operation of the treasury function.

APPENDIX B1

Definitions of Specified and Non Specified Investments

See the detailed Investment Strategy included in ***Appendix B***, for the limits to be applied.

1. Specified Investments are defined as follows.

SPECIFIED INVESTMENTS

These are to be sterling investments of a maturity period of not more than 364 days, or those which could be for a longer period but where the Council has the right to be repaid within 364 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is considered negligible. These include investments with:

(i) The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).

(ii Supranational bonds of less than one year's duration.

(iii) A local authority, parish council or community council.

(iv) An investment scheme that has been awarded a high credit rating by a credit rating agency.

(v) A body with high credit quality (such as a bank or building society).

For category (iv) this covers a money market fund AAA rated by Standard and Poor's, Moody's or Fitch rating agencies.

2. Non-specified Investments are defined as follows:

Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments are set out below. Non specified investments not explicitly referred to below are excluded.

Ref	Non Specified Investment Category	Limit
(i)	A body which has been provided with a government issued guarantee for wholesale deposits within specific timeframes. Where these guarantees are in place and the government has an AAA sovereign long term rating these institutions will be included within the Council's criteria temporarily until such time as the ratings improve or the guarantees are withdrawn. Monies will only be deposited within the timeframe of the guarantee.	Included as per table 3
(ii)	Lloyds Bank and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised.	Included as per table 3
(iii)	The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	Included as per table 3

APPENDIX B2

Background information on credit ratings

Credit ratings are an important part of the Authority's investment strategy. The information below summarises some of the key features of credit ratings and why they are important.

What is a Credit Rating ?

A credit rating is:
- An independent assessment of an organisation;
- It gauges the likelihood of getting money back on the terms it was invested;
- It is a statement of opinion, not statement of fact;
- They help to measure the risk associated with investing with a counterparty;

Who Provides / Uses Credit Ratings?

There are three main ratings agencies, all of which are used in the Authority's treasury strategy.
- Fitch
- Moody's Investor Services
- Standard & Poors

The ratings supplied by these agencies are used by a broad range of institutions to help with investment decisions, these include:

- Local Authorities;
- Other non-financial institutional investors;
- Financial institutions;
- Regulators;
- Central Banks;

Rating Criteria

There are many different types of rating supplied by the agencies. The key ones used by the Authority are ratings to indicate the likelihood of getting money back on terms invested. These can be split into two main categories:

- 'Short Term' ratings for time horizons of 12 months or less. These may be considered as the most important for local authorities.

- 'Long Term' ratings for time horizons of over 12 months. These may be considered as less important in the current climate.

In addition, the agencies issue sovereign, individual and support ratings which will also feed into the investment strategy.

Rating Scales (Fitch, Moody's and Standard & Poors)

The table below shows how some of the higher graded short and long term ratings compare across the agencies; the top line represents the highest grade possible. (There are other ratings that go much lower than those shown below, and ratings for other elements.)

Short Term			**Long Term**		
Fitch	Moody's	S&P	Fitch	Moody's	S&P
F1+	P-1	A-1+	AAA	Aaa	AAA
F1	P-1	A-1	AA	Aa2	AA
F2	P-2	A-2	A	A2	A

APPENDIX C

TREASURY MANAGEMENT FRAMEWORK DOCUMENTS AND RESPONSIBILITIES

For Consideration by Cabinet 14 February 2012

DOCUMENT	RESPONSIBILITY
CODE of PRACTICE	To be adopted by Council (as updated 2011).
POLICY STATEMENT	The Code of Practice recommends a specific form of words to be used, to set out the Council's objectives within the Policy Statement for its Treasury Management activities. It is the responsibility of Council to approve this document, and then note it each year thereafter if unchanged. This reflects the revised code November 2011.
TREASURY MANAGEMENT STRATEGY	The Strategy document breaks down the Policy Statement into detailed activities and sets out the objectives and expected market forecasts for the coming year. This also contains all the elements of an Investment Strategy as set out in the Government guidance; it is the responsibility of Council to approve this document, following referral from Cabinet.
TREASURY MANAGEMENT INDICATORS	These are included within the Strategy Statement as part of the framework within which treasury activities will be undertaken. It is the responsibility of Council to approve these limits.
INVESTMENT STRATEGY	The Investment Strategy is included within the Treasury Management Strategy. It states which types of investments the Council may use for the prudent management of its treasury balances during the financial year. Under existing guidance the Secretary of State recommends that the Strategy should be approved by Council.
TREASURY MANAGEMENT PRACTICES	These are documents that set out the procedures that are in place for the Treasury Management function within the Council. The main principles were approved by Cabinet following initial adoption of the Code of Practice; they include: *TMP 1:* Risk management *TMP 2:* Performance measurement *TMP 3:* Decision-making and analysis *TMP 4:* Approved instruments, methods & techniques *TMP 5:* Organisation, clarity and segregation of responsibilities, and dealing arrangememts. *TMP 6:* Reporting requirements & management information requirements *TMP 7:* Budgeting, accounting & audit *TMP 8:* Cash & cash flow management *TMP 9:* Money laundering *TMP 10:* Staff training & qualifications *TMP 11:* Use of external service providers *TMP 12:* Corporate governance Any changes to the above principles will require Cabinet approval. It is the Head of Financial Service's responsibility to maintain detailed working documents and to ensure their compliance with the main principles. Quarterly treasury management reports will continue to be reported through to Members.

APPENDIX D

LANCASTER CITY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

For noting by Cabinet 14 February 2012

This reflects the revised CIPFA Treasury Management Code of Practice (Code updated 2011, additions from the approved 2011/12 statement are in *italics*).

1. This organisation defines its treasury management activities as:

   "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation *and any financial instruments entered into to manage these risks*.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

BUDGET AND PERFORMANCE PANEL

Corporate Review of Service Level Agreements

21 February 2012

Report of Head of Community Engagement

PURPOSE OF REPORT
This report is to update Budget and Performance Panel on progress in relation to the corporate review of Service Level Agreements
This report is public

RECOMMENDATIONS

(1) That Budget an Performance Panel consider for comment the report and recommendations presented to Cabinet on 17 January 2012 on progress relating to the corporate review of Service Level Agreements

1.0 REPORT

1.1 The attached report presented to Cabinet on 17 January 2012 set out progress on the corporate review of the council's Service Level Agreements and recommendations arising from the review around future management arrangements, joint working and commissioning.

1.2 Budget and Performance Panel are asked to consider the report in line with their Terms of Reference relating to the monitoring of the delivery and effectiveness of Service Level Agreements

CONCLUSION OF IMPACT ASSESSMENT **(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)** None directly arising from this report
LEGAL IMPLICATIONS Legal implications are set out in the attached Cabinet Report
FINANCIAL IMPLICATIONS Financial implications are set out in the attached Cabinet Report
OTHER RESOURCE IMPLICATIONS **Human Resources:** Human Resource implications are set out in the attached Cabinet Report **Information Services:** None directly arising from this report

Property: Property implications are set out in the attached Cabinet Report **Open Spaces:** None directly arising from this report
SECTION 151 OFFICER'S COMMENTS Section 151 Officer has been consulted and her comments are reflected in the attached report
MONITORING OFFICER'S COMMENTS Monitoring Officer has been consulted and her comments are reflected in the attached report

BACKGROUND PAPERS Cabinet Report attached	**Contact Officer:** Anne Marie Harrison **Telephone: 01524 582308** **E-mail:** amharrison@lancaster.gov.uk **Ref:** SLA Review – B&PP 210212

CABINET

Corporate Review of Service Level Agreements
17 January 2012

Report of the Head of Community Engagement

PURPOSE OF REPORT					
This report is to update Cabinet on progress in relation to the corporate review of Service Level Agreements and to make recommendations for future management arrangements, joint working and commissioning.					
Key Decision	X	**Non-Key Decision**		**Referral from Cabinet Member**	
Date Included in Forward Plan	November 2011				
This report is public					

RECOMMENDATIONS OF THE HEAD OF COMMUNITY ENGAGEMENT

It is recommended that:

1. **The council continues to develop joint approaches with other funding partners, where possible, including Lancashire County Council, to achieve efficiencies and maximise impact of funding.**

2. **That a request is made to Lancashire County Council that the council is able to use any Second Homes funding that may be available to support the council's agreements with the Arts and Voluntary, Community, Faith sectors.**

3. **The council continues to develop partnership working arrangements with the Arts and the Voluntary Community, Faith sectors, to support service delivery in the district and to achieve efficiencies.**

4. **That members consider the option to end the Welfare Grants scheme and incorporate budgets into overall budgets for voluntary, community and faith sector support, in line with the proposed commissioning framework.**

5. **If Cabinet opts to end the Welfare Gants scheme, a request is made to Lancashire County Council that the match funding for the scheme is also allocated for voluntary, community and faith sector support, in line with the proposed commissioning framework.**

6. **The council works with Arts and Voluntary, Community, Faith sector partners to develop commissioning frameworks to secure important services for the district and to provide robust arrangements for management of the related funding provided by the council.**

7. **The council's funding for the Arts and the Voluntary, Community, Faith sectors is aligned with other initiatives including the Strategic Funding and Social Enterprise projects that have been initiated by the LDLSP, and also to help achieve collaboration between partners, efficiencies, sharing of resources and development of opportunities for joint working.**

8. **That existing Service Level Agreements are continued at current levels for the financial year 2012/ 13, whilst longer term commissioning arrangements are developed with partners, but that Cabinet members consider the option not to include an inflationary element.**

1.0 Background

1.1 In February this year, Cabinet considered a report on the future of the council's investment in SLA's (Service Level Agreements) with a number of local organisations (Minute No 106 refers). Cabinet resolved:

(1) That the council extend existing SLA's at current 2010/11 funding levels for the financial year 2011/12 with the exception of the specific time limited agreement with Storey Creative Industries Centre (SCIC) which will end on 31st March 2011 and any SLA's that are supported by external funding tied to specific time periods and where relevant at a reduced level already agreed as part of the 2010/11 Budget Process, e.g. The Dukes.

(2) That officers enter into discussions with County Council to consider the potential for future joint investment in the VCFS (Voluntary, Community and Faith sector), including a shared approach to monitoring and evaluation.

(3) That potential for shared administration arrangements is investigated in relation to the Council's Welfare Grants in order to achieve efficiency.

(4) That over the next 12 months, officers develop and bring forward proposals for a commissioning approach with the VCFS and other external organisations that will:

- *Maximise the impact of the council's investment*
- *To assist delivery of corporate priorities*
- *Provide appropriate support that will safeguard key services*
- *Develop the potential of the VCFS to deliver services in the district on behalf of the council.*

2.0 Proposal details

2.1 Current economic pressures are having an impact on many organisations in the district as well as the council itself. A number of VCF sector and arts organisations have suffered loss of mainstream funding and have needed to restructure their organisations and service delivery. The effects of cuts have been sharper than many expected and there seems little doubt that the services they offer to local communities will diminish.

2.2 Some organisations seem set to develop new business models, including social enterprise models, and are looking at ways of achieving additional income from activities that are more commercial in nature in order to protect services that are not viable in their own right. Some are also considering ways of cutting costs through a diverse range of efficiencies including sharing premises, staff and overhead costs. However, the assumption is that current pressures will continue into the future.

2.3 The SLA's considered in this report are primarily related to arts and culture and to voluntary and community services. These sectors are recognised as important to the district and the council's support over recent years reflects this. Changes to the way in which the council invests in such services in the future will have implications both for individual organisations and for the services they deliver.

Joint approach with partners

2.4 In line with the council's agreed priorities and the recent Cabinet resolutions on the future of partnership working (Cabinet Minute 57, 8 November 2011 refers) the proposals in this report emphasise joint approaches and collaboration with partners.

2.5 Lancashire County Council has been undertaking a significant review of its arrangements for support for the VCFS across Lancashire with some new officer and management arrangements emerging as well as different funding models. Developing a joint approach at present is complex but some initial steps have now been taken to bring together some of the monitoring processes, which is one area where some efficiencies can be gained. As both council's are currently looking at priorities for funding it is likely that common objectives will emerge and opportunities for future joint funding and management arrangements will arise. In line with a collaborative approach between the two councils, this report recommends that a request is made to Lancashire County Council that the council is able to use any Second Homes funding that may be available in the future to support its agreements with the arts and VCF sector partners. The County Council's estimated income from second homes in 2012/13 is £284K, subject to any increases in council tax.

2.6 Discussions with County Council have also led to an option to develop wider communications with other local authorities in Lancashire, which is likely to be helpful in understanding common objectives and identifying further areas where councils can work together. Development of these opportunities will be ongoing.

2.7 Some very constructive engagement between the funders for the arts and culture sector, specifically Arts Council England, Lancashire County Council and Lancaster City Council, has led to increased collaboration and agreement reached that funders will develop more synergy around the way in which arts funding is allocated in the district. At a meeting between the funding partners in December this approach was firmly re-affirmed.

2.8 The potential of the VCF sector to deliver services in the district is recognised and the ongoing need for strong partnership arrangements has been identified (Cabinet Minute 57, 8 November 2011 refers). As backdrop to the proposals in this report, there is ongoing dialogue with partners at this time to take this forward to achieve real engagement with partners at the infrastructure level and as part of a wider forum of service deliverers. Within this context the council's funding can help to support collaboration, achieve efficiencies, sharing of resources and development of more opportunities for joint working

2.9 It is recommended as part of this report that officers continue to develop these areas of work with any further reports to members being prepared as required.

Welfare Grants

2.10 The council's Welfare Grants budget allocation for 2012/13 is £4,000 of which £2,000 is funded by a contribution from Lancashire County Council. Outcomes are limited owing to the levels of funding available but also because application criteria are restrictive. Officer time in managing the allocation of these funds is high and disproportionate to the level of the grant fund. It was agreed in February that officers would investigate potential for shared administration arrangements to achieve some management efficiency but have concluded that there is no feasible option, given the criteria for the grants and the small value of the total funds available.

2.11 An alternative option is to combine the Welfare Grants budget with the overall budgets considered in this report, to be managed in line with the commissioning approach being proposed. During the next financial year, prior to commissioning arrangements being fully in place, this would create a small uncommitted fund. It is recommended that this is allocated on a one off basis by officers in consultation with the relevant portfolio holder to support activities that are exceptional in nature and meet the broad criteria identified later in this report.

2.12 In line with this proposal, a request would be made to Lancashire County Council that their contribution is also aligned with the relevant budgets and used for the benefit of people in this district.

Commissioning framework

2.13 Commissioning broadly covers the process of specifying, securing and monitoring services to meet individuals and community needs. Although there are financial processes, commissioning is much broader than traditional procurement and involves understanding the needs of people and communities, includes engagement with providers and puts outcomes for local people at the heart of the planning process. Commissioning is accepted as a means of ensuring good value for money.

2.14 Many funders are now taking a commissioning approach in order to manage investment. Most are based on identified high level objectives and desired outcomes along with core criteria to be used to assist fair and transparent assessment of proposals. There is a developing trend towards working with service providers to bring in sector expertise to help 'co-design' services at the early stages.

2.15 It is proposed that a commissioning framework is developed and introduced for all of the investments the council currently makes via SLA's in the arts and VCF sectors. Public sector bodies often undertake straightforward procurement or bidding processes and these can be effective. However, Lancaster City Council is trying to work more closely with its partners and it is recommended that the council commissioning approach is taken forward by working with the Arts and Culture partnership and a partnership for the VCFS, in line with the Cabinet's resolutions for the future of partnership working (Cabinet November 2011, Minute 57 refers). In this context, a commissioning framework offers much stronger elements of engagement with delivery partners, which can bring in delivery expertise at the service design stage as well as during delivery, maximising the impact of any investments made.

2.16 To take the development of a commissioning approach forward, this report proposes key principles and core assessment criteria for members' consideration. These will enable commissioning frameworks to be developed for the council's own investments, based on council priorities and values and aligned where appropriate with other funders. The proposals take account of the need to manage the transition from the current arrangements and to establish strong management arrangements:

Key principles for commissioning

2.17 The following key principles are recommended and provide the foundations upon which a commissioning process can be developed:

- New arrangements to be introduced as a rolling programme of change to be completed and in place by April 2013, allowing the council sufficient time to engage with partners and for delivery organisations to plan for the future
- Close engagement with delivery organisations to ensure that the commissioning framework is supported by a full understanding of development opportunities, impacts of services and sector development
- 3 yr cycles to be introduced in most cases to support forward planning but with annual performance monitoring to ensure quality standards
- Fair and transparent arrangements established for submission and consideration of proposals
- Funding to be offered in the form of grants or, if procurement is required, contracts. SLA's reserved for situations where services are involved and a concordat/ understanding is required but no direct funding is involved.
- Levels of information and monitoring to be proportionate to levels of grant

Core appraisal criteria

2.18 Proposed core appraisal criteria include the following:

- **Links to corporate priorities and other approved strategies**

Clear indication of how services will assist the council in delivering its priorities and desired outcomes and support delivery of other relevant, approved strategies

- **Deliverability**

Assurance that there are no major barriers that could negatively affect delivery of services

- **Quality Assurance**

Information to show how services can be delivered within budget, timescale and to the required quality standards

- **Value for Money**

Evidence that services are economic, efficient and effective and the return on investment can be clearly identified. Also that leverage and match funding from other sources has been achieved wherever possible

- **Added value/ additionality**
- Evidence that opportunities to add value to other initiatives in the district have been sought and acted upon wherever possible and that duplication is avoided. Alignment with other partnership projects and initiatives, for example, the LDLSP's Strategic Funding and Social Enterprise projects

- **Sustainability**

Information to show how services can become more self sustaining in the future with a reducing reliance on public sector funding. Efficiencies have been achieved where possible.

- **Collaboration**

Joint submissions where opportunities for collaborative working and shared delivery of services have been sought and proposals developed

- **Service specific criteria**

Any information which is relevant to the specific services required

Interim arrangements

2.19 A long lead time of around 15 months is recommended to develop and establish the council's commissioning framework, so as to assist local organisations currently supported. However, in the interim period there is a need to ensure that existing SLA's, offer value for money and the best possible return on council investment.

2.20 It is proposed that existing SLA's continue to be reviewed as part of standard monitoring processes but that the core appraisal criteria are now considered as part of this process. It is further recommended that any changes to existing SLA's are made in the light of current corporate priorities and Cabinet's agreed priority areas of activity. The most relevant of these are protection for the most vulnerable in the district, which is a thread that runs through all priorities, support for arts in the district and diversionary activities for young people.

Levels of funding

2.21 Given current budgetary pressures, Cabinet may wish to consider future levels of council funding to support services delivered by local organisations as described in this report. The current combined budget has a total value of £435,800 grant funding in addition to £65,900 in respect of rents paid by the council. These figures do not include any SLA's that are supported by external funding.

2.22 There is the opportunity for Cabinet to consider cuts in funding for the Arts and VCF sectors although delivery of council priorities depends to some extent on the capacity and services delivered by these sectors. The potential impact of cuts on services is not fully understood as there are many changes occurring at the present time that combine to create a very dynamic situation.

2.23 One option Cabinet members may wish to consider is to retain budgets at their current level for the next financial year without an added element for inflation, whilst commissioning arrangements are in development. This occurred in the current financial year and would offer a saving of £11,000 but is unlikely to have any serious impact on services.

2.24 Levels of funding for years 2013 and beyond will need to be considered in the light of any commissioning requirements agreed for those years.

3.0 Details of Consultation

3.1 Officers have been in discussion with delivery partners over some months and have developed a much more detailed understanding of current issues and challenges as well as opportunities. However, engagement is a key element of the proposed commissioning approach and it is expected that, following Cabinet's decision, early consultation will take place with a wide range of organisations, in particular with the Arts and Culture Partnership and key VCFS partners.

4.0 Options and Options Analysis

Various options have been outlined above. For commissioning, the options have been analysed as follows:

	Option 1 Introduce a commissioning framework	**Option 2** Do nothing – retain existing arrangements
Advantages	Opportunity to use the commissioning approach to reinforce positive engagement with partners Potential for improved value for money Improved opportunity to align council investment with delivery of corporate priorities Increased flexibility to focus funds on current high priority service areas Longer term planning opportunities for delivery partners Development of staff expertise and capacity to take commissioning forward in other areas of work	Officer time not required to develop commissioning arrangements
Disadvantages	Officer time required to develop commissioning arrangements	Funding may not be closely aligned to current priorities Current agreements limit the council's ability to steer funding towards priority activities that offer maximum return Best possible value for money may not be achieved Current arrangements not consistently supported by agreed priorities and transparent criteria for funding Lost opportunity to strengthen engagement with partners via commissioning processes

Risks	Possible concerns on the part of current delivery organisations – can be mitigated by communications and fair, transparent processes	Possible risks to high priority services if funding is already fully allocated and flexibility is not available to shift funding priorities over time

The preferred option is Option 1

5.0 Conclusion

The council has supported a number of organisations to deliver services in the district for some years. Funding has been provided as part of Service Level Agreements with the relevant organisations. Over the last year the council has reviewed these arrangements in detail and, following the review, this report makes some recommendations to ensure that the council's investment is in line with corporate priorities, that collaboration is supported and other requirements including value for money, quality standards, sustainability are met.

RELATIONSHIP TO POLICY FRAMEWORK

This report is consistent with current corporate priorities as identified within the council's Corporate Plan 2011 to 2013:

- Work to develop resilience and capacity in the Voluntary Community Faith Sector and to maximize the benefits achieved from the council's investment in Voluntary Community Faith Sector.
- Development of a thriving Arts and Cultural sector supported by a stronger Arts and Cultural partnership for the District
- Protecting the most vulnerable in our society

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

LEGAL IMPLICATIONS

The proposed commissioning framework will include contractual arrangements with partners in line with the council's grant management processes.

FINANCIAL IMPLICATIONS

The 2012/13 draft budget currently assumes inflationary increases of 2.6% for all city council funded SLA's, therefore if the recommendation to maintain grants at 2011/12 levels is approved then there will be a saving of £11,000.

In terms of the Welfare Grants, if the existing scheme is ended and the proposed new arrangements are put in place, approval would be required from the County Council in terms of their contribution of £2,000 per annum. There is a risk that they may decide to withdraw from the scheme resulting in the loss of this income.

Collaborative working with the County may generate savings as a result of using second homes monies to support agreements with the arts and VCF sector partners. The 2012/13 estimated income from second homes for the County Council is £284K, subject to any increases in Council Tax. Clearly, however, this is dependent on the County Council's decision.

Ongoing review and monitoring of future arrangements by the Partnerships Team as part of a commissioning framework will continue to be undertaken in conjunction with ongoing support from Financial Services and Legal Services where appropriate.

OTHER RESOURCE IMPLICATIONS

Human Resources:

Alternative management arrangements for Welfare Grants would result in a reduction in the administration burden for Democratic Services staff to a level which would be in line with their current staffing levels, following the recent restructure.

Development of a commissioning framework will require a significant investment in officer time to bring about the changes proposed, which needs to balanced against other priorities.

Information Services:

There are no specific Information Services implications arising from this report.

Property:

It should be noted that the figures identified as rent are those included in the current agreements relating to each property. If rents are due for review, this would result in either a reduction in the amount of usable grant aid for the organisation or the need to increase the grant aid to cover the rental value. If the grant aid was to be increased to reflect the increased rent the net effect would be zero. Increasing rent in this way would be in line with the council's policy on charging market rent to all organisations occupying council property.

Open Spaces:

There are no open space implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

Members are advised to consider the proposals in context of their draft priorities and the Council's financial prospects, as well as service objectives and value for money.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS	**Contact Officer:** Anne Marie Harrison **Telephone:** 01524 582308 **E-mail:** amharrison@lancaster.gov.uk

BUDGET AND PERFORMANCE PANEL

Quarter 3 Corporate Performance and Financial Monitoring Report
21 February 2012

Report of Assistant Head (Partnerships) and Accountancy Services Manager

PURPOSE OF REPORT
To present the corporate performance report for Quarter 3 of the 2011/12 Performance Review Team Cycle
This report is public

RECOMMENDATIONS OF ASSISTANT HEAD (Partnerships) and ACCOUNTANCY SERVICES MANAGER

(1) That Budget and Performance Panel considers and comments on the Quarter 3 Corporate Performance and Financial Monitoring Reports of the 2011/12 Performance Review Team Cycle.

(2) That Budget and Performance Panel considers the arrangements for the future scrutiny of corporate performance making recommendations to Council Business Committee as necessary.

1.0 Corporate Performance Review

1.1 Quarter three Performance Review Team (PRT) meetings with individual Cabinet members were held between 17and 26 January 2012. These are presented by Service Heads covering each portfolio area and related corporate priorities.

1.2 PRT reports discussed at these meetings set out performance on service delivery (including corporate projects and programmes) using the following RAG (Red, Amber and Green) reporting system.

Corporate/Service Plan Outcome Delivery

Rating	Target for delivery	Description
R(ed)	Significantly behind target	We have either not achieved or do not expect to achieve what we set out to do
A(mber)	Slightly behind target	We are behind schedule but still expect to achieve what we set out to do through actions/plans within the Service
G(reen)	On target	We have either achieved / exceeded / expect to achieve what we set out to do

Project and Programme Delivery

Rating	Time	Cost	Benefits
R(ed)	**Significantly behind time**	**Significantly over budget**	**Significant action needed to realise stated benefit(s)**
A(mber)	**Slightly delayed**	**Slightly over budget**	**Some action needed to realise stated benefit(s)**
G(reen)	**On time**	**Within budget**	**On track to realise stated benefit(s)**

1.3 The PRT reports also highlight achievements against key work areas together with any problems/ opportunities encountered during the previous quarter or forecast in the future. This information helped to facilitate meaningful discussions on progress over the previous quarter and any action(s) needed to get delivery back on track.

1.4 Individual Cabinet Members were also provided with financial reports for Quarter 3 covering their portfolio and service areas and provided with reasons for any variances and actions being taken to address these.

1.5 The Corporate Performance Review report was considered by the Leader of the Council on Wednesday 08 February 2012 indicating **only** those activities with a R(ed) status where further corporate intervention is/is likely to be necessary to achieve the stated outcome or realise the benefits of projects/programmes.

1.6 This report is attached as ***Appendix A*** and indicates that at Quarter 3 there are **no** activities where performance on the delivery of planned outcomes have not, or are not expected to be, achieved within target without further intervention at a corporate level.

1.7 Only the realisation of potential benefits arising from the delivery of the proposed Lancaster Town Hall Secondary Glazing Project is currently indicating a Red Status. This is because a cost/benefit analysis has been commissioned which should provide the information needed to make an informed decision on the viability of such a project. The result of this analysis is expected soon.

1.8 Whilst the published Corporate Performance Report indicates only areas of work and projects that are forecast to, or are already experiencing difficulties, it is important to acknowledge that overall corporate priorities are on track to be achieved. Notable examples include:

- Ongoing involvement and support for the investment in the new energy infrastructure in the region, including the National Grid project and Heysham Power Station
- Targeting action to build on the districts potential for tourism, including Williamson Park which has developed its retail offer and visitor service provision resulting in £16K increase in income compared to 2010/11
- Developing plans for the increased provision of a housing offer that addresses the needs of vulnerable people
- Delivery of a suite of projects, such as the Solar PV Project, aimed at reducing the council's energy costs and increasing income

- Ongoing delivery of the services that matter most to people including keeping our streets and open spaces clean and safe
- Continuing to work with partners to reduce costs and make efficiencies through joint working and shared services

1.9 The *Qtr 3 Corporate Financial Monitoring* for General Fund and the Housing Revenue Account (HRA) was also considered at the Leaders PRT meeting. These are attached as ***Appendix B and Annexe A*** respectively. The main points to note from the report are as follows:

- General Fund revenue budget current underspend of £119K, projected to reduce to £59K by the end of the financial year.
- HRA has no major variances to report.
- Capital programmes for both General Fund and HRA have been updated as part of the current budget process. General Fund capital receipts have been reprofiled to allow for the anticipated delay in the sale of land at South Lancaster.
- Revenue collection performance is still on target.
- A small surplus of £73K is being projected on the Collection Fund account, of which the Council's share equates to £9K.
- Sundry debt levels have reduced by almost £500K from the previous quarter down to £2.1M.

1.10 As a result of the meeting with the Leader an *Action Plan* has been produced, setting out the *Key Actions Agreed.* This is included at ***Appendix C*** together with information on progress to date on outstanding actions. The Action Plan that forms part of the Corporate PRT Reports outlines planned and ongoing actions that have been discussed in PRT meetings to deliver key areas of work. Service Heads have been asked to provide a more detailed briefing note on the actions identified and these will be made available to Budget and Performance Panel prior to the meeting.

2.0 Scrutiny of Corporate Performance

2.1 Over the last few years the timetabling of Cabinet and Budget Performance Panel meetings has meant that the Corporate Performance Report has been considered by Cabinet prior to being scrutinised by the Budget and Performance Panel.

2.2 In the 2011/12 municipal year it became apparent that the timetabling of both Cabinet and Budget Performance Panel meetings did not align well with Council's performance reporting cycle. With this is mind a proposed timetable has been drafted – ***see Appendix D*** - that will afford the Budget and Performance Panel an opportunity to scrutinise corporate performance, in line with their Terms of Reference, prior to Cabinet so that recommendations can be made for their consideration.

2.3 The Council Business Committee has delegated authority to agree the annual timetable of Committee meetings and the draft timetable for 2012/13 will be considered at their meeting on to 15 March 2012. As such, the Budget and Performance Panel are asked consider arrangements for the future scrutiny of corporate performance, making recommendations to Council Business Committee as necessary.

3.0 Conclusion

3.1 The Council's Performance Management Framework requires the regular reporting of operational and financial performance to Cabinet as part of the Performance Review Team cycle of meetings. The Corporate PRT report provides a summary of key matters and associated actions that have arisen in the quarter that have been escalated to the Leader of the Council and Finance Portfolio Holder for attention.

3.2 Overall the Corporate PRT report for this quarter demonstrates that positive action has/is being taken to manage corporate performance towards the achievement of stated outcomes and priorities within the Corporate Plan.

3.3 Budget and Performance Panel are asked to consider the proposed timetable and arrangements for the future scrutiny of corporate performance and to make recommendations to Council Business Committee as considered necessary.

CONCLUSION OF IMPACT ASSESSMENT **(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)** None arising from this report	
LEGAL IMPLICATIONS None arising from this report	
FINANCIAL IMPLICATIONS As set out in the attached report.	
OTHER RESOURCE IMPLICATIONS **Human Resources / Information Services / Property / Open Spaces:** None arising from this report	
SECTION 151 OFFICER'S COMMENTS The s151 Officer has been consulted and has no further comments.	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments.	
BACKGROUND PAPERS Performance Review Team Reports	**Contact Officer:** Performance - Bob Bailey, Corporate Planning and Performance Manager, Finance – Andrew Clarke, Accountancy Services Manager **Telephone: 01524 582018 / 582138** **E-mail:** rbailey@lancaster.gov.uk aclarke@lancaster.gov.uk **Ref:** PRT 2011 Qtr 3

Appendix A

<table>
<tr><th colspan="6">CORPORATE PERFORMANCE REVIEW REPORT
LEADER OF THE COUNIL: COUNCILLOR EILEEN BLAMIRE</th></tr>
<tr><td colspan="3">PRT Quarter 3 meeting</td><td colspan="3">Date of Leaders PRT meeting: Wednesday 8th February 2012 at 2.30pm</td></tr>
<tr><td rowspan="2">Portfolio Holder</td><td rowspan="2">Portfolio Area(s)</td><td rowspan="2">Key Service Actions</td><td colspan="2">Success Measures</td><td rowspan="2">Achievements and/or difficulties identified (significant ongoing issues and or forecasted risks)</td></tr>
<tr><td>Description</td><td>R/A/G Status</td></tr>
<tr><td colspan="6">There are no key areas or actions to report with a red (significantly behind target) status</td></tr>
</table>

Appendix A

CORPORATE PERFORMANCE REVIEW – PROGRAMMES AND PROJECTS LEADER OF THE COUNCIL: COUNCILLOR EILEEN BLAMIRE								
Key Programmes/Projects	Lead Officer	Performance					Risk	
		Time (R/A/G)	Cost (R/A/G	Benefits (R/A/G)	Comments		Risk (R/A/G)	Comments
Invest to Save – LTH Secondary Glazing	Graham Cox Property Services	A	A	R	Cost/benefit analysis has been carried out so that a decision can be made on the justification for the project. Results are expected in the second week of February		A	Scheme delays reduce chances for energy reductions

LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside
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Corporate Financial Monitoring
December 2011 | Quarter 3

Report of the Head of Financial Services
Corporate PRT meeting | 08 February 2012

HEADLINE INFORMATION			
REVENUE (as at December 2011)	Current (Underspend) / + Overspend £'000	Projected (Underspend) / + Overspend £'000	Future Years Projection (Underspend) / + Overspend £'000
General Fund	(119)	(59)	--
Housing Revenue Account (HRA)	+1	0	--

CORPORATE FINANCIAL MONITORING

December 2011 | Quarter 3

1. INTRODUCTION

This monitoring report of expenditure and income for 2011/12 sets out an indicative corporate picture of the Council's financial performance relating to the period ending 31 December 2011.

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

It should be noted that this quarter's monitoring is based on the Revised Budget.

2. GENERAL FUND REVENUE MONITORING

2.1 General Fund Summary Position

The current overall General Fund summary position shows that at the end of December there is a net underspend of **£119K** against the revised budget. This is currently forecast to reduce to **£59K** by the end of the year.

VARIANCES	**Current £000's**	**Current Year Projection £000's**	**Future Years Projection £000's**
Major Variances (see section 2.2)	(119)	(59)	--
Salaries (see sections 2.3)	--	--	--
ESTIMATED OUTTURN / IMPACT ON FUTURE YEARS	**(119)**	**(59)**	**--**

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 December this has been achieved.

	£000's
Net Controllable Budget	**22,608**
2% Target	+/() 452
Provisional Controllable Net Underspend	**(54)**
Percentage of Net Controllable Budget	0.23%

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 that may be outlined in this report.

2.2 Major Budget Variances

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

SUMMARY BY SERVICE	Current £000's	Current Year Projection £000's	Future Years Projection £000's
REPORTED VARIANCES :	**( ) Favourable / + Adverse**		
Environmental Services	(67)	(67)	--
Financial Services	(68)	(13)	--
Regeneration and Policy	+16	+21	--
	(119)	**(59)**	**--**
VARIANCES NOT REPORTED TO PRT MEETINGS :	**--**	**--**	
None			--
TOTAL VARIANCES	**(119)**	**(59)**	**--**

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

FACTORS INFLUENCING VARIANCES	Variances to Date £000's	Current Year Projection £000's	Future Years Projection £000's
Unforeseeable windfalls or costs	--	--	--
Demand led variances	(51)	(46)	--
Efficiency savings	--	--	--
Other service driven variances (incl delays)	--	--	--
Budget setting issues / errors	--	--	--
Other variances	(68)	(13)	--
TOTAL	**(119)**	**(59)**	**--**

2.3 General Fund Salary Monitoring

There are no variances to report at the end of December as the revised budgets have been profiled in accordance with actual spend. A full review of all staffing budgets has been undertaken as part of the budget process and all salary savings have been incorporated into the revised budget.

3 GENERAL FUND CAPITAL PROGRAMME

3.1 Capital Expenditure

At the end of December there was spend and commitments of £3.273M against the programme of £6.421M, which has been updated for slippage from 2010/11 (approved in July) and a number of new schemes. Details of the changes during the year are as follows:

	£000's
Approved Programme (Council 02 March 2011)	**5,765**

Slippage from 2010/11 (Cabinet 26 July 2011)	899
New Schemes approved under S151 Officer delegation:	
Heysham Village Phase 2 Play Area – externally funded (April 2011)	46
White Lund transport link works – s106 payment to County Council (May 2011)	76
Clay Pitts Recreation / Play Facilities Development – s106 funded (July 2011)	140
Recycling at Mainway Estate (Sept 2011; following carry forward approval)	34
Salt Ayre Sports Centre – Swimming Pool Hydraulic Floors	45
Cabinet Approvals	
Morecambe FC Footpath Works - s106 funded (26 July 2011)	69
Links to Schools - Sustrans Grant (26 July 2011)	146
Warm Homes Scheme – PRG (26 July 2011)	100
West End Temporary Car Park	19
Invest to Save – photovoltaic cells	750
Budget Process Review (Subject to Cabinet Approval)	
Reprofiling of Schemes into 2012/13 (mainly municipal building works)	(1,668)
Updated Programme	**6,421**

3.2 Capital Financing

Capital Receipts

A total of £7.627M is required to finance the 2011/12 capital programme with any additional receipts reducing the Council's underlying need to borrow. That being said, as previously reported to Members, due to a judicial review application on the planning decision associated with the sale of land at South Lancaster there is a possibility that this capital receipt may be delayed, which in turn would increase the Council's overall need to borrow to finance the capital programme. As a precaution, an estimate of the cost of this delay has been allowed for in next years budget but the exact impact will not be known until the result of the judicial review is known.

4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

4.1 HRA Revenue Position

At the end of December the position for the Housing Revenue Account shows a slight adverse variance of **£1K** against the profiled budget, which is in respect of housing rent collection as shown below.

4.2 Council Housing Rent Collection

At the end of December rent income is slightly below the profiled estimate.

Total Estimate for Year	**£12,512,300**
Profiled Budget	£9,382,400
Actual to Date	£9,381,600
Difference	**+£800**

4.3 Council Housing Capital Programme

This section analyses actual spend against the Council Housing Capital Programme at the end of December. To date spend and commitments total £2.637M against a budget of £3.760M (including 2010/11 slippage approved in July and a £20K increase to Boiler Replacement Scheme approved under S151 Officer delegation) leaving a balance of £1.123M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	250	210	**40**
Energy Efficiency / Boiler Replacement	565	334	**231**
Bathroom / Kitchen Refurbishment	1,034	646	**388**
External Refurbishments	1,331	1,018	**313**
Environmental Improvements	421	321	**100**
Rewiring	85	55	**30**
Fire Precaution Works	7	7	**0**
Choice Based Lettings	67	46	**21**
TOTAL	**3,760**	**2,637**	**1,123**

5 REVENUE COLLECTION PERFORMANCE

5.1 Council Tax & Business Rates

In year collection performance for both Council Tax and NNDR compares favourably with the same period last year. It is still pleasing to report that overall performance is still being maintained, given the level of financial savings achieved in service delivery.

Percentage Collected	2010/11 %	2011/12 %	2011/12 Target %	2011/12 Actual %	Status
	All Years		In Year		
Council Tax	80.28	79.91	97.2	86.23	On Target
Business Rates	85.38	88.39	98.7	88.92	On Target

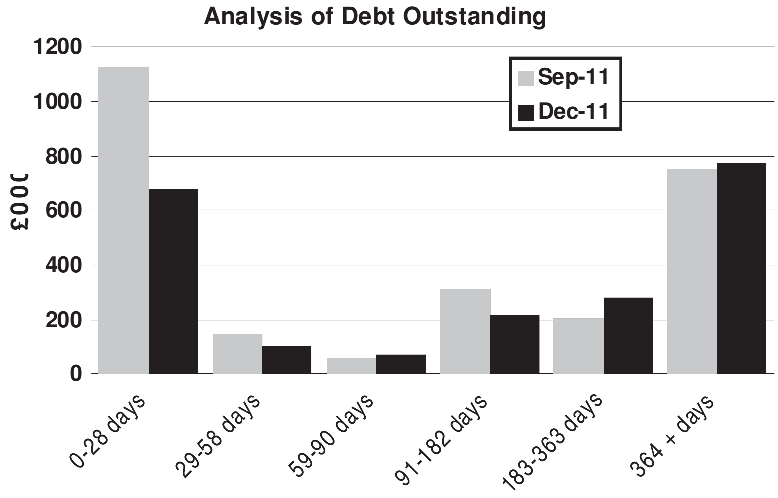
5.2 Collection Fund Monitoring

This section sets out the latest position on the Collection Fund, in particular in relation to Council Tax. Whilst the above section looks at collection performance, this section shows the current surplus or deficit on the Fund. It basically compares the amounts collectable with the Precepts levied by the relevant authorities after allowing for refunds, bad debt provisions, income collected and Council Tax benefits. The monitoring shows that as at the end of December the Fund was in surplus by £180K, but it should be noted that the surplus can fluctuate significantly month by month.

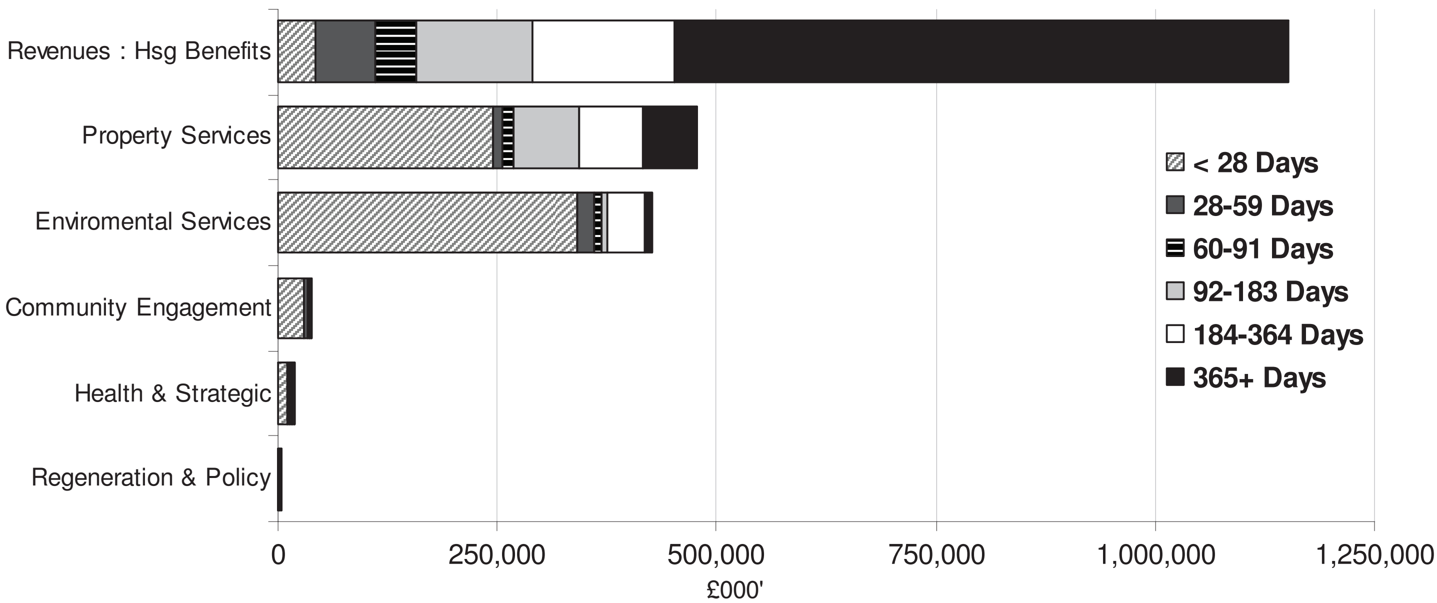
Any surplus or deficit is shared between the relevant precepting bodies and the City Council's element equates to 13% and would therefore be £23K. However, the position has formally be assessed in January, when the Council Tax base for 2012/13 was set, and a surplus of £72K has been forecast for 2011/12 which equates to £9K for the City Council. This surplus has been built into the Council Tax projections for 2012/13.

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 December the total debt outstanding was just over £2.1M, which is £478K less than the previous quarter. The level of debt over 1 year old has increased in the last quarter to 36% (29*% last quarter*) of the total outstanding debt.



	Sept 11	Dec 11
	£000's	*£000's*
0-28 days	**1,125**	**675**
29-58 days	**147**	**105**
59-90 days	**60**	**72**
91-182 days	**312**	**215**
183-363 days	**204**	**283**
364+ days	**755**	**775**
	2,603	**2,125**
Previous Year	**1,961**	**2,028**



6 PROVISIONS AND RESERVES

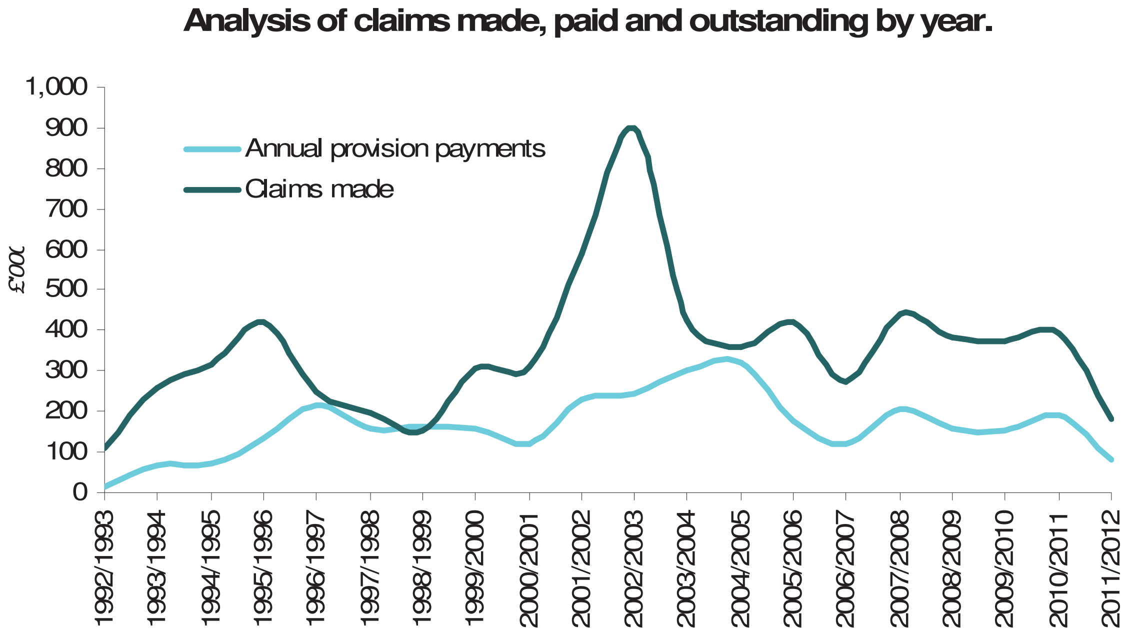
This section provides and update on key provisions and reserves.

6.1 Insurance Provision

The current balance on the insurance provision is £306K, after making net payments of £106K in settlement of claims made.

At present, the Council's insurers estimate that the value of claims outstanding is £300K, which relates to a total of 212 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 £174K, which is £132K less than the current provision. There are no proposals to reduce the provision at this stage until the outcome of the current insurance retendering exercise is completed as it is anticipated premiums will increase significantly. Therefore the next formal review will be undertaken as part of the 2011/12 closedown process.

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.



6.2 Bad Debt Provision

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

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

Period	Debt £000's	% Cover Required	Value £000's
Up to 1 Month	675	1%	7
1 Month to 3 Months	177	5%	9
3 Months to 365 Days	498	10%	50
Over 365 Days	775	50%	387
TOTAL	**2,125**		**453**

The current balance on the General Fund Bad Debt provision is £484K which is £31K above the requirement indicated, but that is after allowing for this year's contribution of £100K. Given that the majority of sundry debts relate to housing benefit overpayments, the planned welfare reforms could well have a major bearing in future. There are no proposals to amend the current level of the provision.

6.3 Other Major Reserves

As part of the budget process all reserves have been (or will be) reviewed and the outcome reported to Members. There are no other issues to highlight.

7 RISK MANAGEMENT

All known financial risks have been covered through the budget process to date. At this stage there are no other new risk areas to report on.

APPENDIX A

SUMMARY OF GENERAL FUND MAJOR VARIANCES (Qtr 3 2011/12)

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

FACTORS INFLUENCING VARIANCES	Variance to Date £	Current Year Projection £	Future Years Projection £
1. Unforeseeable windfalls or costs	+0	+0	+0
2. Demand led variances	(51,400)	(45,600)	+0
3. Efficiency savings	+0	+0	+0
4. Other service driven variances (incl delays)	+0	+0	+0
5. Budget setting issues/errors	+0	+0	+0
6. Other variances	(67,400)	(13,000)	+0
TOTAL VARIANCES	**(118,800)**	**(58,600)**	**+0**

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)						
Env Services	2	Highways	(67,000)	(67,000)	+0	The unplanned surplus to date is as a result of delays in determining the future arrangements for the delivery of Highways coupled with additional work from Council Housing compensating for the loss of drainage work.
Financial Services	6	Investment Income	(13,600)	+0	+0	Investment interest is currently up on profiled budget. This is jointly due to the improved cash flow and the impact of Icelandic Investments. The cash flow is expected to fall back over the last quarter of the year.
	6	Revenues & Benefits Shared Service	(53,800)	(13,000)	+0	Based on latest revised estimate. Future years savings are already built into the latest budget projections.
Regeneration & Policy	2	Planning application fee income	+9,100	+25,000	+0	Continued reduced application numbers due to current economic climate. Continuing effects of "permitted development" changes has resulted in reduced income. New flat fees for renewal of planning permission applications has further decreased income.
	2	Building Reg Application fee income	+6,500	+7,300	+0	Reduction in number of potential fee bearing applications coupled with private sector competition taking a greater share of the available work. Further vacancy will arise in March 12 and a member of staff will take flexible retirement at end of January.
	2	Conservation Environment Grant - Historic Buildings	+0	(10,900)	+0	Take up of grant scheme slower than anticipated in current financial year. A carry forward request will be submitted at year end for the budget to be moved in 2012/13
		TOTAL VARIANCES	**(118,800)**	**(58,600)**	**+0**	
VARIANCES NOT REPORTED THROUGH PRT PROCESS						
		TOTAL VARIANCES	**+0**	**+0**	**+0**	
		OVERALL VARIANCES	**(118,800)**	**(58,600)**	**+0**	

Appendix C

CORPORATE PERFORMANCE REVIEW - ACTION PLAN LEADER OF THE COUNCIL: COUNCILLOR EILEEN BLAMIRE					
PRT Quarter 3 meeting(s)			**Date of Leaders PRT meeting: Wednesday 8th February 2012**		
Portfolio Holder	**Portfolio Area**	**Key PRT Actions Agreed**	**Status**	**Origin**	**Comments on progress**
Cllr Hanson	Economic Regeneration - Morecambe Area Action Plan	Examine alternative means to deliver Morecambe Area Action Plan		Qtr 3 PRT meetings	Statutory Plan or planning permission normally essential to deliver any CPO requirement as has been demonstrated in the Luneside East CPO and Lands tribunals. Full risk assessment needed for alternative options
	Economic Regeneration - Morecambe Business Improvement District	Reinstate funding in budget		Qtr 3 PRT meetings	Updated comments from Lancaster and District Chamber and Morecambe Chamber have been supplied for members to consider
	Housing Regeneration - Chatsworth Gardens	Consider new affordable lifetime homes models as alternative option		Qtr 3 PRT meetings	Draft Cabinet report already advanced and does not currently include full acquisition and demolition option. Further delay anticipated
	Energy Coast - General schemes	Apply for second round Regional Growth Fund after announcement of availability.		Qtr 3 PRT meetings	Regeneration and Policy staff have examined criteria and they have not changed from the time of the first bid
	Planning Applications	Determine planning applications against government performance targets		Qtr 3 PRT meetings	Temporary measures to increase staff capacity being pursued – funding secured and recruitment to take place

Appendix C

Portfolio Holder	Portfolio Area	Key PRT Actions Agreed	Status	Origin	Comments on progress
Cllr Ron Sands	Culture & Tourism - Tourism and marketing	To arrange for an updated condition survey of Williamson Park		Qtr 3 PRT meetings	Surveys yet to be arranged
		To review the proposals for the repair of the Ashton Memorial steps		Qtr 3 PRT meetings	Currently reviewing submitted tenders from a technical and financial perspective
	Children & Young People	Cabinet member to receive formal briefing prior to each Children and Young People Trust Board meetings		Qtr 3 PRT meetings	Arrangements now in place
Cllr Hamilton -Cox	Climate Change – Renewable energy options	Investigate installation of biomass boiler in Williamson Park		Qtr 3 PRT meetings	Ongoing over the next financial year
		Salt Ayre Sports Centre - Investigate cost of replacement floodlighting with energy efficiency bulbs _		Qtr 3 PRT meetings	Proposals from perspective suppliers being reviewed. Briefing Note for Cabinet member being prepared
	Corporate Performance - To ensure that revenue income is maintained	Complete the review of St Leonards House		Qtr 3 PRT meetings	Review to be completed as soon as possible and the rent owing by health occupiers to be identified
	Corporate Performance - To ensure that capital income is maintained	Advise on the outcome of the expressions of interest for the sale of land at Middleton		Qtr 3 PRT meetings	Official closing date was 6.1.12 although other expressions of interest are still coming in. Meeting with planning w/c 6.2.12 to discuss further
	Climate Change - Invest to Save LTH Boiler Replacement	Advise on the outcome of the Lancaster TH boiler tender process		Qtr 3 PRT meetings	All tenders are in. Came in at £100,000 above budget. Meeting with Finance 3.2.12 to discuss extra finance or reducing tender
	Corporate Performance - To undertake an annual review of parking fees & charges	Identify costs of adapting P&D machines to accept card payments		Qtr 3 PRT meetings	Chamber of Commerce to be advised on the cost of adapting P&D machines to accept card payments. Also a review of change in size of coinage and card security will be carried out

Appendix C

Portfolio Holder	Portfolio Area	Key PRT Actions Agreed	Status	Origin	Comments on progress
Cllr Karen Leytham	Housing - Council Housing (Tenancy) Re-letting	Action plan to try to reduce re-let times developed		Qtr 3 PRT meetings	Ongoing - – plan to be monitored with RMS to ensure that it is effective in addressing the issue

Key: **Completed** **In Progress** **Not Started** **Continuous or multi-year activity** **Abandoned**

DRAFT MEETINGS TIMETABLE 2012/2013

Appendix D

	2012								2013					
	May	June	July	August	September	October	November	December	January	February	March	April	May	
Mon						1						1 Bank Holiday		Mon
Tue	1					2			1 Bank Holiday			2		Tue
Wed	2			1		3			2			3	1 Overview and Scrutiny Committee	Wed
Thur	3			2		4	1 Member Briefing		3			4 Member Briefing	2 Council Business Committee	Thur
Fri	4	1		3		5	2		4	1	1	5	3	Fri
Sat	5	2		4	1	6	3	1	5	2	2	6	4	Sat
Sun	6	3	1	5	2	7	4	2	6	3	3	7	5	Sun
Mon	7 Bank Holiday	4 Bank Holiday	2	6	3	8 Planning Site Visit	5 Planning Site Visit	3 Planning Site Visit	7 Planning	4 Planning	4 Planning	8 Planning	6 Bank Holiday	Mon
Tue	8	5 Bank Holiday	3 Cabinet LTH	7	4 Cabinet LTH	9 Cabinet MTH	6 Cabinet LTH	4 Cabinet MTH	8	5 Personnel	5 Budget and Performance Panel	9	7	Tue
Wed	9	6 Overview & Scrutiny Committee	4	8	5 Overview and Scrutiny Committee	10 Overview and Scrutiny Committee	7	5 Overview & Scrutiny Committee	9	6 Council	6 Overview and Scrutiny Committee	10	8	Wed
Thur	10	7 Licensing Reg	5 Member Briefing	9	6 Licensing Reg/ Member Briefing	11 Standards/ Member Briefing	8 Council Business Committee	6 Member Briefing	10 Licensing Reg/ Member Briefing	7 Member Briefing	7 Member Briefing	11	9	Thur
Fri	11 Annual Council	8	6	10	7	12	9	7	11	8	8	12	10 Annual Council	Fri
Sat	12	9	7	11	8	13	10	8	12	9	9	13	11	Sat
Sun	13	10	8	12	9	14	11	9	13	10	10	14	12	Sun
Mon	14 Business Council	11	9	13 Planning Site Visit	10 Planning Site Visit	15 Planning	12 Planning	10 Planning	14	11	11	15	13 Annual Business Council	Mon
Tue	15	12 JCC Budget and Perf Panel	10 Budget & Performance Panel	14	11 Budget and Performance Panel	16 Personnel	13 Licensing Reg	11 Budget and Performance Panel	15	12 Cabinet MTH	12 Cabinet LTH	16 Personnel	14	Tue
Wed	16	13 Council	11 Overview and Scrutiny Committee	15	12 Council	17 SPECIAL COUNCIL MEETING	14 Council	12 Council	16 JCC	13	13 JCC	17 Council	15	Wed
Thur	17	14 Standards	12 Licensing Act	16	13 JCC/ Council Bus Committee	18 Licensing Reg	15	13	17 Council Business Committee	14 Licensing Reg	14 Council Business Committee	18	16	Thur
Fri	18	15	13	17	14	19	16	14	18	15	15	19	17	Fri
Sat	19	16	14	18	15	20	17	15	19	16	16	20	18	Sat
Sun	20	17	15	19	16	21	18	16	20	117	17	21	19	Sun
Mon	21 Planning Site Visit	18 Planning Site Visit	16 Planning Site Visit	20 Planning	17 Planning	22	19	17	21	18	18	22	20	Mon
Tue	22	19	17	21	18	23 Budget & Performance Panel	20	18	22 Cabinet LTH	19	19	23 Cabinet MTH	21	Tue
Wed	23	20	18 Council	22	19 Audit	24	21	19	23 Audit	20	20	24 Audit	22	Wed
Thur	24	21 Licensing Act	19 Licensing Reg	23	20 Licensing Act	25	22 Licensing Act	20	24 Standards	21	21 Licensing Act	25 Standards	23	Thur
Fri	25	22	20	24	21	26	23	21	25	22	22	26	24	Fri
Sat	26	23	21	25	22	27	24	22	26	23	23	27	25	Sat
Sun	27	24	22	26	23	28	25	23	27	24	24	28	26	Sun
Mon	28 Planning	25 Planning	23 Planning	27 Bank Holiday	24	29	26	24	28 Planning Site Visit	25 Planning Site Visit	25 Planning Site Visit	29	27 Bank Holiday	Mon
Tue	29 Cabinet MTH	26 Personnel	24 Cabinet MTH	28	25	30	27	25 Bank Holiday	29 Budget & Performance Panel	26	26 Budget & Performance Panel	30 Budget and Performance Panel	28	Tue
Wed	30	27 Audit	25	29	26	31 Overview & Scrutiny Committee	28	26 Bank Holiday	30 Overview and Scrutiny Committee	27 Budget Council	27		29	Wed
Thur	31	28 Council Bus Com	26	30	27		29	27	31 Licensing Act	28	28 Licensing Reg		30	Thur
Fri		29	27	31	28		30	28			29 Bank Holiday		31	Fri
Sat		30	28		29			29			30			Sat
Sun			29		30			30			31			Sun
Mon			30					31 Planning Site Visit						Mon
Tue			31											Tue

BUDGET AND PERFORMANCE PANEL

Work Programme Report

21 February 2012

Report of Head of Governance

PURPOSE OF REPORT
To update Members regarding the Panel's Work Programme.
This report is public

RECOMMENDATIONS

(1) That members note the items to be carried forward for consideration at future meetings, as detailed in Appendix A to the report.

(2) That members consider whether they would like to include any further items in the work programme.

1.0 Introduction

1.1 This report provides members with recommendations for inclusion in the panel's Work Programme and advises of possible upcoming items for consideration and work in progress.

2.0 Report

2.1 <u>Consideration of Service Level Agreements</u>

Members are reminded 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 referred to issues surrounding service level agreements (SLAs).

Following this 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."

At its meeting on 29 November 2011 the panel agreed that the issue should be included on its work programme for 21 February 2012. As such this item has been included in the panel's Work Programme for today's meeting.

2.2 Corporate Plan Performance

Members were reminded 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, to update members on corporate plan performance. As such this item had been included on the panel's Work Programme for today's meeting.

2.3 Upcoming Items

- Details of upcoming items are detailed in Appendix A to the report.

At its meeting on 24 January 2012, when receiving the leader of the council's presentation regarding the council's Budget and Policy Framework Proposals, the panel discussed the issues relating to variances at Salt Ayre Sports Centre. Members requested that the issue be considered for inclusion on the panel's work programme at its meeting scheduled for 21 February 2012 in the following resolution:

(2) That consideration of financial performance at Salt Ayre Sports Centre be considered for inclusion on the panel's work programme at its meeting scheduled for 21 February 2012.

To assist members in their decision a copy of the report 'Community Engagement – Wellbeing Fees and Charges' which is due to be considered by Cabinet at its meeting on 14 February 2012, and refers to fees and charges at Salt Ayre Sports Centre, is attached at Appendix B to inform the panel in making their decision. The Head of Community Engagement and the Assistant Head of Community Engagement (Wellbeing) will be in attendance at the meeting to advise the panel.

2.4 Briefing Notes

As referred to at 2.3 in this report, a cabinet report has been circulated to members to provide background information relating to financial performance at Salt Ayre Sports Centre.

3.0 Outstanding items

3.1 Invitations to Cabinet Members

Members are reminded that they may wish to consider extending invitations to cabinet members to coincide with consideration of issues relevant to their respective portfolios, such as the budget, or issues relating to performance/financial management.

SECTION 151 OFFICER'S COMMENTS

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

MONITORING OFFICER'S COMMENTS	
The Monitoring Officer has been consulted and has no comments.	
BACKGROUND PAPERS None.	**Contact Officer: Tom Silvani** **Telephone:** 01524 582132 **E-mail:** tsilvani@lancaster.gov.uk

BUDGET & PERFORMANCE PANEL WORK PROGRAMME 2011/12

Matter for consideration	Officer responsible / External	Date of meeting
Building Control Service Area – raised in response to PRT report	Head of Planning and Building Control	27 March 2012
To address the concerns of the Panel regarding variances relating to Salt Ayre Sports Centre.	Head of Community Engagement	24 April 2012
2011/12 Qtr4 Corporate Financial Monitoring, including Treasury Management	Head of Financial Services	June 2012 (Date to be determined).
Updates on the work of the Affordable Housing Task Group, once established.	Head of Planning and Building Control	TBC – awaiting information from central government prior to establishing.
Budget Overspends/Variances	As required	As required

Invitations to Cabinet Members

Cabinet Member and area of responsibility	Issue	Date of meeting
Councillor Blamire (Leader) and Councillor Bryning (Cabinet Member for Finance, Revenues and Benefits)	2011/12 Qtr3 Corporate Financial Monitoring, including Treasury Management.	21 February 2012
Councillor Blamire (Leader) and Councillor Bryning (Cabinet Member for Finance, Revenues and Benefits)	2011/12 Qtr4 Corporate Financial Monitoring, including Treasury Management	June 2012 (Date to be determined).

Briefing Notes

Matter for consideration	Officer responsible	Date of meeting

CABINET

Community Engagement – Wellbeing Fees & Charges 2011/12

14th February 2012

Report of Head of Community Engagement

PURPOSE OF REPORT					
This report sets out options for increasing the level of fees and charges at Salt Ayre Sports Centre, Community Pools, Recreation Grounds, Williamson Park and Platform.					
Key Decision	X	Non-Key Decision		Referral from Cabinet Member	
Date Included in Forward Plan	20/01/2012				
This report is public.					

RECOMMENDATIONS OF COUNCILLOR SANDS

(1) That the charges for Salt Ayre Sports Centre, Community Pools, Williamson Park, Parks and Recreation Grounds and the Platform are increased in line with the proposed percentages (rounded to nearest £0.10) and arrangements as set out in Appendix 1 with effect from 1st April 2012, generating potential additional income of £11,300 over and above the minimum budgetary requirement to cover inflationary increases.

1.0 Introduction

Figures for income generation are set each year as part of the budget process. This report sets out to demonstrate possible increases to revenue across Salt Ayre Sports Centre, Community Swimming Pools, Williamson Park, Parks and Recreation Grounds and the Platform from 1st April 2012.

2.0 Proposal Details

2.1 Appendix 1 details the current charges and the options for increases. The charges are rounded to the nearest 10p.

2.2 **Increasing Charges**

The setting of charges within each facility is very much led by customer demand and as such is not always easily addressed by simply applying one percentage increase across the board. Some competitors within the industry apply different strategies and in some cases opt not to increase charges on the basis that customer resistance would result in dramatic reduction in throughput and therefore a decrease in income.

2.3 This report sets out increases to key charges (activities which generate majority of total income) with varying percentage increases based on officers knowledge of market demand and supply, factors such as inflation and VAT and the need for the Council to operate services which provide value for money.

2.4 **Monitoring**

Officers within Wellbeing and Finance will closely monitor impact of any price adjustments and as such will be able to respond to market demand from trend analysis as required by making adjustments or reviewing whether an activity remains viable in order to address under performance in any given area of activity.

Formal monitoring of financial performance will continue to be reported via the Performance Review Team (PRT) process on a quarterly basis.

Salt Ayre Sports Centre

Salt Ayre Sports Centre is the main revenue earning facility and as such the potential impact of increasing charges as proposed within appendix 1 is £9,800 above anticipated budget. This is the significant proportion of the overall figure of £11,300 above anticipated budget with Williamson Park providing the balance of £1, 500. The opportunity to increase prices slightly above inflation for certain activities enables officers to maximise the potential for income generation on certain activities which may withstand customer resistance. This strategy is supported by close links to the Council's marketing and promotion team which seeks to implement approaches that predict and react to market forces or Council priorities.

Based on a 2010/11 throughput figure of 357,582 (the last full years figures available) the subsidy per user for Salt Ayre Sports Centre was £3.58 based on a total net revenue expenditure of £1,279,697. Removing the non controllable support recharges and capital charges totalling £668,673 reduces the total net revenue expenditure and net subsidy per user to £611,024 and £1.71 respectively.

Salt Ayre sports centre is integral to the Health and Fitness Referral programme offered by the Active Health Team which provides all surgeries within the district the opportunity to 'refer' patients for sport and physical activity exercise as part of a health improvement scheme. Similarly, the sports centre accommodates the successful Lancaster and Carnforth swimming clubs (early morning access) and a range of other sports and community clubs in the district for which the facilities prove essential in enabling active participation for people of all ages and abilities.

Access to facilities at Salt Ayre and the Community Pools continues to provide opportunities for people to participate in sport and physical activities at reduced rates without requiring a membership fee. The swimming sessions for £1 at all facilities will continue as part of the Council's approach to encourage high participation levels in physical exercise. All facilities are integral to work with partner agencies such as the Police and County Council when offering diversionary activities particularly for children and young people. Various schemes are in place (often externally funded) which are aimed at encouraging people who may not normally access opportunities to sport and physical exercise to take part in activities in a safe and controlled manner.

3.0 Options and Options Analysis

	Option 1 To approve the increase in fees as recommended in the report	**Option 2** To approve a different increase (either in percentage or £ income terms).	**Option 3** To do nothing and retain the existing fees and charges.
Advantages	This option makes a small additional contribution to the 2012/13 budget process, whilst retaining fees at competitive levels.	This option potentially allows for a greater increase in revenue, therefore making a greater contribution to the 2012/13 budget process.	This option would mean no price increases for customers (and so the 'subsidy' of associated services by all council tax payers would increase, irrespective of whether they use those services or not). This option could, potentially, have a positive effect on income generation should throughput increase significantly as a result of no increases, but there is no strong evidence to support this.
Disadvantages	Any increase in fees is likely to be unpopular with customers.	Alternatively, if an increase less than the 2.6% general inflation assumption is approved, it would not meet the current budget requirements, and revenue raising opportunities would be lost. An increase in fees above the recommended amount is likely to meet with customer resistance. This could result in reduction in income generation and as such customer dissatisfaction that may be difficult to respond to.	Lost opportunity to raise additional revenue through fees and charges in areas that may stand an increase. This option will not meet the current budget requirements, requiring additional income or savings to be generated from other activities / services undertaken by the council.

Risks	There is always a risk that customers will choose not to access services especially with any increase in charges.	There is always a risk that customers will choose not to access services if fees are too high or move to one of the key competitors in the district. There is a risk that even current income levels will fail to be achieved if fees are perceived to be too high.	This option increases the difficulties of securing a viable budget at a time when additional income and savings are required. There is no compensating increase in throughput and the Council suffers loss of income. Perceived greater unfairness by tax payers generally.

4.0 Officer Preferred Options

4.1 The officer preferred option is Option 1. This option allows for increased revenue whilst retaining fees at affordable and competitive levels. The flexibility for the Head of Community Engagement to reduce charges from their maximum figure in line with particular promotions for activities would help to respond to changes in market demand throughout the year and this is noted on the Appendix.

RELATIONSHIP TO POLICY FRAMEWORK

Fees and charges form an integral part of the budget setting process, which in turn relates to the Council's priorities. Under the Medium Term Financial Strategy (MTFS), income generation is a specific initiative for helping to balance the budget.

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

The proposed increases are considered to be fair and reasonable.

FINANCIAL IMPLICATIONS

The 2012/13 draft budget assumes that throughput for all areas will continue at similar levels as has been projected for 2011/12. An inflationary increase of 2.6% in respect of fees and charges totalling £34,800 for all areas included within this report has been added in line with the council’s policy on fees and charges. All fees may be increased by more than this amount, as long as any impact on usage is taken into account.

For Salt Ayre Sports Centre, Community Pools and Williamson Park, in terms of fees and charges these are classed as subsidised as they do not recover the cost of the service provision and are intended to make the service widely accessible.

For the Platform and Parks and Open Spaces, their charges seek to minimise losses / maximise revenue and ideally should be based on a commercial rate.

The report sets out a number of options for Members' consideration, one of which not only meets the draft budget but also gives the flexibility to consider setting fees and charges over and above those currently projected.

Option 1 as set out in the table below is expected to provide an additional £11,300 income over and above that currently included within the draft budget. This option has an inherent risk associated with it as any increases could potentially impact on usage, although is mitigated to some extent as is based on managers' current experience of their respective areas.

	2.6% Inflation included in 2012/13 Draft Budget	**Proposed Additional Income**
Budgetary Requirement (Inflation Increase)	**(34,800)**	**--**
SASC	20,600	(9,800)
Community Pools	8,700	0
The Platform	800	0
Williamson Park	4,200	(1,500)
Recreation Grounds/Parks	500	0
Total Budget Shortfall/(Surplus)	**34,800**	**(11,300)**

Should Members seek to approve a different general increase under option 2, the exact impact on the draft budget cannot be properly quantified at this stage until the financial implications are further analysed based on what is proposed. The Head of Community Engagement would need the flexibility to apply a range of fee increases where appropriate that would not only meet the current budget requirement of £34,800, but also allow an additional contribution to be made to the 2012/13 draft budget in line with any general increase as agreed by Members. Depending on the increase chosen, this option could have significantly increased risks (assuming a higher increase is chosen), i.e. associated with increased customer resistance and any differing trends in activities undertaken which will inevitably impact on the actual income raised. There could be a need to report back on this option, prior to it being finally approved. Alternatively, if the increase chosen by Members is below 2.6%, then the financial implications would be similar to those in option 3.

Under option 3 there is no strong evidence to suggest that throughput would increase, therefore there is a high risk that income would be very similar to 2011/12 and not meet the budget requirement currently included in the 2012/13 draft budget. This could result in a potential shortfall of up to £34,800.

Members are reminded that, if option 3 is taken forward, then as it falls outside of the current budget framework and it will impact on the need to make more savings in other areas of activity, then it would need to be referred onto Full Council as part of Cabinet's overall budget proposals. This may also apply to option 2.

SECTION 151 OFFICER'S COMMENTS Members are advised to consider the proposals in context of draft priorities and financial prospects, as well as service objectives and value for money.
LEGAL IMPLICATIONS There are no legal implications arising as a result of this report
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no comment to add.

BACKGROUND PAPERS Fees & Charges 2011/12 report to Cabinet	**Contact Officer: Simon Kirby** **Telephone:** 01524 582831 **E-mail: skirby@lancaster.gov.uk** **Ref:**

Appendix 1

Platform	Current Gross Price (rounded) 2011/12	Proposed Gross Price (rounded to nearest 10p) 2012/13	Total Proposed % Increase (including 2.6% inflation)
Hire Charges - Community Rate (Hall Only)			
Daytime 9.30am to 12.30pm			
Mon, Tues & Weds	**40.00**	**41.00**	**2.5%**
Thurs	**45.00**	**46.20**	**2.7%**
Fri	**55.00**	**56.40**	**2.5%**
Sat, Sun & Bank Holidays	**130.00**	**133.40**	**2.6%**
Coffee Morning rate available Mon - Thurs only	**25.00**	**25.70**	**2.8%**
Morning Christmas Fair	**50.00**	**51.30**	**2.6%**
Daytime 1.00pm to 5.00pm			
Mon, Tues & Weds	**45.00**	**46.20**	**2.7%**
Thurs	**60.00**	**61.60**	**2.7%**
Fri	**70.00**	**71.80**	**2.6%**
Sat, Sun & Bank Holidays	**140.00**	**143.60**	**2.6%**
Evening 6pm to 10.30pm (meetings) etc			
min charge (upto 3 hours) under 100 persons	**95.00**	**97.50**	**2.6%**
up to 150	**180.00**	**184.70**	**2.6%**
Festival Use - Platform Forecourt			
Additional Charge for Fri, Sat, Sun Afternoon +PA & Tech Incorporating wet weather indoor availability	**new price**	**55.00**	**N/A**
Concerts/Events open to General Public			
Hall Only	**365.00**	**374.50**	**2.6%**
Technician to operate inhouse PA/Lights	**95.00**	**97.50**	**2.6%**
Hire Charges - Commercial Hire (Hall Only)			
Daytime 9.30am to 12.30pm			
Mon to Fri	**85.00**	**87.20**	**2.6%**
Sat, Sun	**195.00**	**200.10**	**2.6%**
Daytime 1.00pm to 5.00pm			
Mon to Fri	**95.00**	**97.50**	**2.6%**
Sat & Sun	**210.00**	**215.50**	**2.6%**
Bank Holidays	**280.00**	**287.30**	**2.6%**
Evening 6pm to 11.00pm			
Mon to Wed	**365.00**	**374.50**	**2.6%**
Thurs, Fri, Sat, Sun	**455.00**	**466.80**	**2.6%**
Bank Holidays	**525.00**	**538.70**	**2.6%**
plus extra security costs if necessary			
Evening after 11pm			
Mon to Thurs per hour	**65.00**	**66.70**	**2.6%**

Fri, Sat, Sun & Bank Holidays per hour	**90.00**	**92.30**	**2.6%**
Bank Holidays per hour	**110.00**	**112.90**	**2.6%**
Festival Use - Platform Forecourt			
Additional Charge for Fri, Sat, Sun Afternoon +PA & Tech Incorporating wet weather indoor availability	**new price**	**95.00**	**N/A**
Additional Charges			
Hire of house PA/Lights inc Technician 5 hrs	**100.00**	**100.00**	**0.0%**

Salt Ayre Sports Centre	**Current Gross Price (rounded) 2011/12**	**Proposed Gross Price (rounded to nearest 10p) 2012/13**	**Total Proposed % Increase (including 2.6% inflation)**
Main Hall			
Court Hire per hour			
Adult Peak	**9.00**	**9.50**	**5.6%**
Adult Off Peak	**8.00**	**8.50**	**6.3%**
Junior Peak	**7.50**	**7.50**	**0.0%**
Junior Off Peak	**6.50**	**6.50**	**0.0%**
Early Bird per person (2 Hrs)	**4.00**	**4.50**	**12.5%**
Main Hall Sports Hire per hour			
1/2 Hall Sport	**48.00**	**48.00**	**0.0%**
1/2 Hall Events	**37.00**	**37.00**	**0.0%**
Gymnastics (per lesson)	**4.50**	**4.60**	**2.2%**
Fitness Classes Peak	**4.50**	**5.00**	**11.1%**
Fitness Classes Off Peak	**4.00**	**5.00**	**25.0%**
Cycle Racing Circuit	**28.00**	**30.00**	**7.1%**
Swimming			
Adult	**3.50**	**3.60**	**2.9%**
Junior	**2.00**	**2.00**	**0.0%**
Senior Citizen	**2.40**	**2.60**	**8.3%**
Senior Citizen with Card	**2.20**	**2.30**	**4.5%**
Family Swim	**9.00**	**9.50**	**5.6%**
Parent & Toddler	**3.40**	**3.40**	**0.0%**
Spectators (all)	**1.50**	**1.50**	**0.0%**
Shower	**3.50**	**3.75**	**7.1%**
PTL	**2.40**	**2.40**	**0.0%**
Pool Classes Peak	**4.50**	**5.00**	**11.1%**
Pool Classes Off Peak	**4.00**	**5.00**	**25.0%**
Swim Tuition per lesson	**4.25**	**4.40**	**3.5%**
Swim Passes			
Early Bird 6 Month	**75.00**	**80.00**	**6.7%**
Adult 6 Month	**140.00**	**145.00**	**3.6%**
Senior 6 Month	**110.00**	**115.00**	**4.5%**
Junior 6 Month	**75.00**	**75.00**	**0.0%**
Adult 1 Month	**38.00**	**40.00**	**5.3%**
Junior 1 Month	**22.00**	**22.00**	**0.0%**
Learner Pool	**32.00**	**32.85**	**2.7%**
Main Pool	**55.00**	**56.50**	**2.7%**

Whole Pool	**75.00**	**77.00**	**2.7%**
Clubs Non Vat	**46.00**	**47.20**	**2.6%**
Reflexions (Priced monthly)			
Membership - Full	**34.00**	**35.00**	**2.9%**
Membership - Off Peak	**26.00**	**28.00**	**7.7%**
Membership - Monthly	**45.00**	**46.00**	**2.2%**
Membership - 55+	**22.00**	**24.00**	**9.1%**
Membership - Corporate	**28.00**	**30.00**	**7.1%**
Membership - Junior	**17.00**	**18.00**	**5.9%**
Heatwaves			
Casual	**5.50**	**6.00**	**9.1%**
Studio			
Fitness Classes Peak	**4.50**	**5.00**	**11.1%**
Fitness Classes Off Peak	**4.00**	**5.00**	**25.0%**
Fitness Classes PTL	**2.40**	**2.40**	**0.0%**
Projectile Hall			
Fitness Classes Peak	**4.50**	**5.00**	**11.1%**
Fitness Classes Off Peak	**4.00**	**5.00**	**25.0%**
Athletics Track			
School Events (with equipment)	**260.00**	**267.00**	**2.7%**
School Events	**130.00**	**133.40**	**2.6%**
Hourly Rate non vat	**33.00**	**33.90**	**2.7%**
Outdoor Hire (Per Hour)			
Full Synthetic Pitch	**34.00**	**34.00**	**0.0%**
1/2 Synthetic Pitch	**18.00**	**18.00**	**0.0%**
Aquarius Room			
Aquarius Room Hire	**24.00**	**24.65**	**2.7%**

Community Pools	**Current Gross Price (rounded) 2011/12**	**Proposed Gross Price (rounded to nearest 10p) 2012/13**	**Total Proposed % Increase (including 2.6% inflation)**
Swimming			
Adult	**3.50**	**3.60**	**2.9%**
Junior	**2.00**	**2.00**	**0.0%**
Senior Citizen	**2.40**	**2.60**	**8.3%**
Senior with card	**2.20**	**2.30**	**4.5%**
Family Swim	**9.00**	**9.50**	**5.6%**
Six Month Pass			
Adult	**140.00**	**145.00**	**3.6%**
Junior	**75.00**	**75.00**	**0.0%**
Senior	**110.00**	**115.00**	**4.5%**
Early Bird	**75.00**	**80.00**	**6.7%**
Classes			
Senior	**3.40**	**3.50**	**2.9%**
Adult	**4.20**	**4.50**	**7.1%**
Parent and Child	**3.40**	**3.40**	**0.0%**
Pool Hire			
Clubs non vat	**42.00**	**43.00**	**2.4%**
Swimming Lessons			
8 week course	**4.25**	**4.40**	**3.5%**
Ducks & Ducklings	**4.50**	**4.50**	**0.0%**

Parks, Recreation Grounds & Open Spaces	Current Gross Price (rounded) 2011/12	Proposed Gross Price (rounded to nearest 10p) 2012/13	Total Proposed % Increase (including 2.6% inflation)
Grass Pitches			
Grass Pitch (2 hours)			
Adult Game	40.90	42.00	2.7%
Junior Game	20.50	21.00	2.4%
Bowls (Summer Season Ticket)			
Adult	46.00	47.20	2.6%
Senior Citizen/Junior	23.00	23.60	2.6%
Bowls (Winter Season Ticket)			
Adult	31.50	32.30	2.5%
Senior Citizen/Junior	15.75	16.20	2.9%
Clubs Per Season/Team			
Adult	220.00	225.70	2.6%
Senior Citizen/Junior	115.00	118.00	2.6%
Bowls Casual Per Hour			
Adult	3.50	3.60	2.9%
Senior Citizen/Junior	1.75	1.80	2.9%
Exclusive Green Use			
Half Day 3 hours	34.00	34.90	2.6%
Full Day 6 hours	50.00	51.30	2.6%
Tennis Per Person			
Season Ticket			
Adult	56.00	57.50	2.7%
Senior Citizen/Junior	24.00	24.60	2.5%
Casual Per Hour			
Adult	3.50	3.60	2.9%
Senior Citizen/Junior	1.70	1.70	0.0%
Lost Ball	2.50	2.60	4.0%
2 adult 2 children	6.50	6.70	3.1%
Multi Use Games Areas (MUGA)			
Happy Mount Park			
55 mins with lights	28.00	28.70	2.5%
Adult Without lights	25.00	25.70	2.8%
Junior Without lights	12.50	12.80	2.4%
Adult Without lights			
Junior Without lights			
10x 1hr sessions - no refunds			
Adult/Junior with floodlights 12 sessions(2free)	280.00	287.30	2.6%
Adult no floodlight 12 session (2free)	250.00	256.50	2.6%
Junior Without lights 12 session (2free)	125.00	128.30	2.6%
Ridge Ryelands Palatine			
Adult Without lights			
Junior Without lights			
Playing Fields			
Football Club per Season			
Adult with changing rooms	400.00	410.40	2.6%
Adult without changing room	215.00	220.60	2.6%
Junior	190.00	194.90	2.6%

Cricket club per season -			
Adult with changing	**400.00**	**410.40**	**2.6%**
Adult without Changing	**215.00**	**220.60**	**2.6%**
Junior	**190.00**	**194.90**	**2.6%**
Cricket per match			
Adult	**60.00**	**61.60**	**2.7%**
Junior	**33.00**	**33.90**	**2.7%**
Launching Permits			
Powered Craft	**15.50**	**15.90**	**2.6%**
Datatag (one off charge)	**50.00**	**51.30**	**2.6%**
Non Powered Vessel	**15.50**	**15.90**	**2.6%**
Registration of Commercial Vessels			
All Vessels			
Quad Bike Access Permits for Shellfish Collection	**55.00**	**56.40**	**2.5%**
Day Permits - All Vessels	**11.00**	**11.30**	**2.7%**
Moored Vessel Registration			
Access to Carleton Terrace & Moorings			
Stone Jetty Permits - Disabled Anglers Vehicles	**12.50**	**12.80**	**2.4%**
Grosvenor Access Permits - Disabled Anglers Vehicles	**6.50**	**6.70**	**3.1%**
Quad Bikes - Bond	**250.00**	**256.50**	**2.6%**

Williamson Park	**Current Gross Price (rounded) 2011/12**	**Proposed Gross Price (rounded to nearest 10p) 2012/13**	**Total Proposed % Increase (including 2.6% inflation)**
Butterfly House			
Adult Admission BH	**3.50**	**3.60**	**2.9%**
Child Admission BH	**2.50**	**2.60**	**4.0%**
Concession Admission	**3.00**	**3.20**	**6.7%**
Butterfly House			
Family Admission (2 x Adult 2 x Children)	**11.00**	**11.50**	**4.5%**
Butterfly House			
School Booking Half Tour	**3.50**	**3.60**	**2.9%**
School Booking Full Tour	**4.25**	**4.40**	**3.5%**
Birthday Party Tour	**25.00**	**27.00**	**8.0%**
Junior Zoo Keeper Course	**20.00**	**22.00**	**10.0%**
Wildlife Detective Session	**3.50**	**3.75**	**7.1%**
Events			
Wedding Hire	**420.00**	**440.00**	**4.8%**
Wedding Corkage Alcoholic Drinks	**5.50**	**5.50**	**0.0%**
Wedding Corkage Soft Drinks	**3.50**	**3.50**	**0.0%**
Evening Hire	**350.00**	**375.00**	**7.1%**
Ashton Memorial Day Hire	**150.00**	**180.00**	**20.0%**
Ashton Memorial 1/2 Day Hire	**75.00**	**90.00**	**20.0%**
Art Exhibition (1 week)	**25.00**	**27.00**	**8.0%**
Car Parks			

Car Parking Permits	**20.00**	**21.00**	**5.0%**
Short Stay Car Park	**0.60**	**0.70**	**16.7%**
Long Stay Car Park	**1.20**	**1.30**	**8.3%**
Gift Shop			
Orienteering Map purchase	**1.60**	**1.70**	**6.2%**

Prices listed are maximum charges and are all subject to variation in line with market demand and specific promotional campaigns. A flexible approach with regard to setting charges is required in order for officers to maximise marketing opportunities and respond to industry trends, which could include the introduction of new activities at competitive charges.