



Committee: CABINET

Date: TUESDAY, 6 DECEMBER 2011

Venue: LANCASTER TOWN HALL

Time: 10.00 A.M.

A G E N D A

1. Apologies

2. Minutes

To receive as a correct record the minutes of Cabinet held on Tuesday, 8 November 2011 (previously circulated).

3. Items of Urgent Business Authorised by the Leader

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

4. Declarations of Interest

To consider any such declarations.

5. Public Speaking

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

Reports from Overview and Scrutiny

None

Reports

6. Consultation on Dog Control Orders (Pages 1 - 6)

(Cabinet Member with Special Responsibility Councillor Leytham)

Report of the Head of Health and Housing Services

7. Homelessness Prevention Contract (Pages 7 - 15)

(Cabinet Member with Special Responsibility Councillor Leytham)

Report of the Head of Health and Housing Services

8. **Budget and Policy Framework 2012/13 - Revenue Budget and Capital Programme Update** (Pages 16 - 60)
(Cabinet Member with Special Responsibility Councillor Bryning)
Report of Head of Financial Services
9. **Council Housing Planned Maintenance Partnering Arrangement** (Pages 61 - 97)
(Cabinet Members with Special Responsibility Councillors Leytham & Smith)
Report of the Head of Environmental Services
10. **Quarter 2 Corporate Performance and Financial Monitoring Report** (Pages 98 - 144)
(Cabinet Members with Special Responsibility Councillors Blamire and Bryning)
Report of the Head of Community Engagement

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

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

(ii) Queries regarding this Agenda

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

(iii) Changes to Membership, substitutions or apologies

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

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

Published on 24 November 2011

CABINET

Consultation on Dog Control Orders 6 December 2011

Report of Head of Health & Housing

PURPOSE OF REPORT			
To seek approval to go out to consultation on Dog Control Orders			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	1 October 2011		
Project Appraisal Undertaken	N/A		
This report is public.			

RECOMMENDATIONS OF COUNCILLOR LEYTHAM

- (1) That the commencement of the public consultation process be approved.

1.0 Introduction

- 1.1 The Clean Neighbourhoods and Environment Act 2005 (the 'Act') enables local authorities to make various types of Dog Control Order (DCOs) to replace and extend existing outdated and complex byelaws and legislation. Whilst it is not mandatory to adopt DCOs, there is at present a 'postcode lottery' in place where more recent housing developments, playgrounds etc have not been designated under all of the necessary existing dog control provisions, and it is only possible to rectify this situation by introducing DCOs.
- 1.2 It is proposed to introduce four DCOs to help counter problems caused by irresponsible dog owners, such as dog fouling on our streets, and dogs not under control causing road traffic accidents, nuisance and aggression.
- 1.3 These DCOs will allow authorised officers to issue Fixed Penalty Notices (FPNs) for all offences. At present the council can issue FPNs only for fouling offences. For other dog offences the council has to commence criminal proceedings in the circumstances that a simple caution is not appropriate. Court proceedings can be protracted and it is thought that the FPN regime will speed up enforcement and lead to a reduction in dog offences.

- 1.4 Enforcement of any new DCOs would be met from within existing staff resources. Potentially receipts from FPNs could be redirected back into dog control and further enhance enforcement, depending on Cabinet's finalised priorities and the need to make budgetary savings, noting that the amounts involved are likely to be comparatively small
- 1.5 DCOs can be worded to automatically apply to new developments, and hence do not become outdated.
- 1.6 Replacing the existing complex system of Byelaws and Acts of Parliament (and in some areas, no legislation) with DCOs, will allow the opportunity for standardising signage and save the council costs.
- 1.7 This report is seeking approval to commence the public consultation on DCOs. Once the statutory consultation process has been carried out, a further report will be presented to Members with the results of the consultation. Members will then be asked to decide whether or not DCOs should be made.

2.0 Proposal Details

It is proposed that the council adopts DCOs to deal with the offences given sub-headings below. The statutory consultation process would therefore consult on whether or not our communities are in favour of each proposed DCO set out in this report:

Removal of dog faeces DCO

- 2.1 This DCO would make it an offence if a person fails to remove their dog's faeces on any land which is open to the air on at least one side and to which the public are entitled or permitted to have access. It is proposed to apply a blanket designation across the entire district, replacing the existing provisions of the council's Byelaw enabling the council to prosecute for dog fouling offences under the Dogs (Fouling on Land) Act 1996 only in certain specified places.
- 2.2 If a DCO is not made specifically dealing with the removal of dog faeces, then any DCO made for an offence other than fouling would immediately repeal the council's Byelaw dealing with dog fouling (known as the Lancaster City Council (Fouling on Land by Dogs) Designation Order 1998) . For example, if a 'Dogs on Leads' DCO is made for public highways, these would not have the benefit of fouling being enforceable unless a Fouling DCO is also made.

Dogs on leads DCO

- 2.3 This DCO would make it an offence not to keep a dog on a lead. It is proposed to apply this to:
 - All public highways, footways and adjoining verges, including Morecambe promenade, pedestrianised areas and off-road cycle

routes.

- Car parks and public vehicle parking areas maintained by the council:
- Cemeteries and churchyards.
- Certain council parks and gardens.

There are currently no 'Dogs on Leads' provisions in the district's residential areas built since the early 1990s. This has led to inconsistency and some confusion across the district which will continue if this DCO is not made.

- 2.4 Consideration has been given to including cemeteries and churchyards being designated under a 'No Dogs' DCO rather than the 'Dogs on leads' DCO, but public consultation has already been carried out regarding this, and the majority of respondents preferred 'Dogs on Leads' control to apply in such places rather than an outright ban on dogs. The 'Dogs on Leads' DCO could be extended to other areas such as playing fields, however these are often the only facilities available for exercising dogs locally, and family recreational activity often includes the family dog.

Dog control and officer direction DCO

- 2.5 This DCO would make it an offence not to put and keep a dog on a lead when directed to do so by an authorised officer. It is proposed to use this for football fields, playing fields and athletic facilities, etc. when sports events are taking place and when dogs out of control are known to cause problems. It is proposed to apply a blanket designation enabling this power to be used as and when necessary.

Excluded land DCO

- 2.6 This DCO would make it an offence to permit a dog to enter land from which dogs are excluded. It is proposed to apply this DCO to children's playgrounds, enclosed sports pitches, the splash pool in Happy Mount Park, and enclosed school fields marked as dog-free. Note: There is already a DCO banning dogs from certain beaches during the main tourist season. This helped the council to obtain Blue Flag beach awards.
- 2.7 There is a fifth DCO available for limiting the number of dogs walked by a single person at any one time. The council is not aware of complaints or concerns regarding this matter and it is therefore not considered necessary to adopt such a DCO.

3.0 Details of Consultation

- 3.1 The Act requires a formal consultation process, including publishing notices in the local press, making information and maps available at council buildings, and publicising the DCOs on the council's website. There is then a period of 28 days for representations to be made, all of which the authority will consider before proceeding with making the DCOs.

4.0 Options and Options Analysis (including risk assessment)

	Option 1: Commence consultation as outlined in the report.	Option 2: Commence consultation on a different basis.	Option 3: Not commencing consultation
Advantages	Proceeding as recommended will lead to rapid implementation of the proposed DCOs	Reviewing the scope and content of proposed DCOs would enable more detailed member involvement at this stage <i>(NB: there will be scope for Members to influence final decisions at a later date).</i>	There would be no consultation costs incurred
Disadvantages	Cost of consultation. No other disadvantages have been identified	Based on their operational experience and engagement with communities, officers have carefully considered the DCOs on which it is recommended the Council consults. Changing the options to be consulted may go against lessons learned from operational experience and previous public consultation.	DCOs cannot be created without public consultation, in which case dog control services would have to continue with the current enforcement methods – this might delay enforcement, narrow the geographical areas in which it is possible, and be less cost effective than enforcement under new DCOs.
Risks	There are no risks from carrying out the consultation process. It is a necessary part of the process before finally approving DCOs.	Increasing the scope of consultation would complicate matters and might increase the cost of consultation.	Dog Control Services would not be able to enforce dog control in all areas in the district and enforcement would be less efficient or cost effective. The current enforcement system is inconsistent and confusing for the public.

5.0 Officer Preferred Option (and comments)

To commence consultation on the Dog Control Orders described in the Proposal Details.

6.0 Conclusion

It is necessary to initiate the public consultation process to enable the introduction of Dog Control Orders. At present dog control is enforced under a range of Byelaws and Acts of Parliament, which leads to inconsistency and confusion. This is difficult for both dog owners and enforcement officers to understand. The four proposed DCOs would rectify the situation.

RELATIONSHIP TO POLICY FRAMEWORK

Dog Control Orders are an important component of maintaining the statutory minimum level of dog-related enforcement in future. Implementing DCOs is a key activity in the Health & Housing Business Plan 2011-12.

CONCLUSION OF IMPACT ASSESSMENT

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

None.

LEGAL IMPLICATIONS

The adoption of Dog Control Orders will allow officers to discharge offences with a Fixed Penalty Notice rather than prolonged legal proceedings. If a person fails to discharge his or her criminal liability by way of paying the fine detailed in the FPN then the Council can bring prosecution proceedings for the offence.

Legal Services will approve the final draft of the DCOs after the consultation process.

FINANCIAL IMPLICATIONS

The cost of a public consultation is expected to be in the region of £600 and these costs including officer time can be managed from within existing budgets. The introduction of the Dog Control Orders may potentially increase revenue income through issuing fixed penalty notices, but estimates for any such income will be provided in future reports once a firm decision to adopt Dog Control Orders has been taken.

OTHER RESOURCE IMPLICATIONS

Human Resources:

If FPNs issued under a DCO are executed by Enforcement Officers already engaged in such duties, the introduction of the DCOs would suggest that additional staff training on the new arrangements would ensure officers are fully aware of their revised enforcement duties. The Job Evaluation for Enforcement Officers/Dog Wardens already covers the activities described in the report. However, if officer who are not normally engaged in this type of work are required to take up new/additional duties, then appropriate consultation would be required. Jobs would be evaluated to see if any new/additional enforcement work might impact on a posts existing job evaluation outcome.

Information Services:

None

Property:

None

Open Spaces:

The implications have been included within the report.

SECTION 151 OFFICER'S COMMENTS

The S151 Officer has been consulted and her comments are reflected in the report

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Clean Neighbourhoods and Environment Act
2005

Defra Guidance on Dog Control Orders

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CABINET

**Homelessness Prevention Contract
Tuesday 6 December 2011**

Report of Head of Health & Housing

PURPOSE OF REPORT			
To inform members of the options available for the future delivery of the Homelessness Prevention Contract, which is due to expire on 31 March 2012.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral from Cabinet Member	<input type="checkbox"/>
Date Included in Forward Plan	November 2011		
Project Appraisal Undertaken	No		
This report is public. Yes			

RECOMMENDATIONS OF COUNCILLOR LEYTHAM

- (1) That Cabinet agree to the continuation of the homeless prevention contract activity and;
- (2) That it is delivered in house at a reduced cost as part of an enhanced housing options service, as outlined in the report.

1.0 Introduction

- 1.1 Since 2003 the focus of the council's homelessness activity has been on the prevention of homelessness through early intervention. This is more cost effective than dealing with the consequences of actual homelessness. The District's Homelessness Strategy 2008-2013, approved by Cabinet in July 2008, sets out the Authority's strategic approach to delivering homelessness services.
- 1.2 Prior to 2009 the Council had awarded funding (via service level agreements) to voluntary organisations to provide a range of different services to homeless people. Following the adoption of the Homelessness Strategy in 2008, this arrangement was changed. The council, with a view to securing cost efficient provision for homelessness services, tendered for the wholesale provision of such services rather than arranging piecemeal provision. The contract was awarded to the YMCA/Signposts. The contract is known as the Doorstep Homeless Prevention Project which commenced in April 2009 for a period of 3 years expiring in March 2012. The current annual value of the contract is

£88,500.

- 1.3 The council has retained its statutory homeless responsibility relating to homelessness and the assessment of homelessness applications. It has successfully adopted the “Housing Options” approach and as a result has substantially reduced the number of homeless acceptances over the past 3 years. The Housing Options approach offers a wide range of options for people seeking accommodation in the public and private sector. It includes Mortgage Rescue, advice on shared ownership and affordable housing, access to rent deposit schemes, options for relocating and general advice for any housing related query.
- 1.4 The current Doorstep Homeless Prevention Project run by the YMCA/Signpost has worked in partnership with the Council’s Housing Options Team and has delivered a range of timely advice and assistance to prevent homelessness.

There is a detailed service specification in place to achieve the overarching aims of the contract which are:

- taking action to retain existing accommodation;
- securing alternative accommodation, usually in the private sector; and
- providing an outreach service to engage those who are hard to reach.

One example of this is by securing alternative accommodation (usually in the private sector) to those the authority does not have a statutory duty to offer accommodation to.

2.0 Proposals Details

- 2.1 The Housing Option’s team have adopted an holistic approach to dealing with homelessness. The team now deals with all of its enquiries by starting with a Housing Options interview. This gives officers the opportunity to provide housing advice to all applicants regardless of whether or not they are in priority need, or unintentionally homeless.
- 2.2 Successful prevention work involves not only the Council’s Housing Advice Service but relies on partnership working with other statutory and voluntary agencies. The Housing Standards Team deal with enforcement action against landlords where properties are in disrepair, where anti-social behaviour is taking place, and when landlords are illegally evicting their tenants. The Supporting People funded contract with DISC provides tenancy support to assist vulnerable households, particularly focussing on some of the districts most deprived wards.
- 2.3 The emphasis on prevention by the Housing Options service and the delivery of the homeless prevention contract by YMCA/Signposts has resulted in a considerable reduction in the numbers of households presenting and being

accepted as statutorily homeless. The Housing Options approach and the availability of services funded through the Homelessness Grant such as the rent deposit scheme, mediation, debt advice, and domestic violence prevention work have all contributed towards the downward trend of presentations and acceptances.

- 2.4 It is widely accepted that preventing homelessness from occurring (as opposed to dealing with actual homelessness) offers better outcomes for individuals in terms of their housing situation and their health and wellbeing. Prevention of homelessness is considered the most efficient and cost effective method. It reduces the need for costly temporary accommodation and social care or health service support. A move away from prevention and back to dealing with homelessness when it arises would therefore be expensive and detrimental to the lives of those most vulnerable individuals/households in our district.
- 2.5 The current homelessness prevention contractor has been successful in meeting the outputs in the contract. Officers consider that the contract was fit for purpose at the time and has helped to embed the "prevention" model firmly in the way the Council and other statutory and voluntary partners deliver homelessness services currently.
- 2.6 However, over the last 3 years there have been changes, not least the financial pressures due to the Government's spending review. This means that it is necessary to review how the Council delivers homelessness prevention services. In particular we need to assess whether there is a more cost effective way of achieving the outcomes
- 2.7 The development of the Housing Options Services, Choice Based Lettings, and the end of the LSP funded worklessness project in March 2012, gives an opportunity to consider joining up these elements more closely with the homelessness prevention work. The prevention contract work could be delivered as an element of an enhanced housing options service, either managed in house within the housing options team, or tendered to a third party working alongside the housing options team.
- 2.8 The Enhanced Housing Approach will enable the provider to deliver more detailed assessments to link in to specialist services e.g. drug and alcohol and financial assessments to assist with support into training, volunteering and job opportunities. This will build on the success of the Housing Options approach and extend the services already provided to include action to address worklessness. In this way, when the LSP funded worklessness project comes to an end, some of the best practice could be incorporated into the housing options/homeless prevention work.
- 2.9 In reviewing the options for future delivery of the Homelessness Prevention contract, officers are of the opinion that the prevention work necessary can be delivered for less than it is currently costing but achieving the same outcomes (i.e. an efficiency saving). This can be achieved by having 2 full time dedicated officers working alongside the Housing Options team. This would cost approximately £50k as opposed to the current contract cost of £88.5K.

2.10 If Cabinet agrees to the continuation of the homelessness prevention contract work on the above basis, then this will result in a recurring saving of approximately £35K.

3.0 Details of Consultation

3.1 The prevention approach is widely supported by statutory and voluntary agency partners. The voluntary sector is aware that the current Homelessness Prevention contract is due to expire on 31 March 2012 and is supportive of a continuation of funding to deliver prevention services. This has been discussed at the homelessness forum. They have not been consulted on the detail of this report.

4.0 Options and Options Analysis (including risk assessment)

	Option 1: Deliver the Homeless Prevention service in house as part of the “Enhanced Housing Options” service at a reduced cost	Option 2: Re-tender a revised Homeless Prevention Contract on the same basis as if the Council would deliver the service in house.	Option 3: Discontinue the Homelessness Prevention Service Contract and deliver its statutory homelessness function only.
Advantages	Staff expertise and established links with agencies. Cost efficiencies with joined up delivery with Housing Options service. Homeless Prevention initiatives would be embedded within Homelessness service. Maintain the current levels of homelessness presentations and continue to reduce use of temporary accommodation. Added value to incorporate outcomes for training, volunteering and employment. (worklessness).	Allows some funding to go to third sector. Contractor would be responsible for admin/staffing issues.	An initial financial saving of £88,500.

	Option 1: Deliver the Homeless Prevention service in house as part of the "Enhanced Housing Options" service at a reduced cost	Option 2: Re-tender a revised Homeless Prevention Contract on the same basis as if the Council would deliver the service in house.	Option 3: Discontinue the Homelessness contract and prevention service and resume the delivery of its statutory homelessness function only.
Disadvantages	Possible delays with recruitment of staff – possible gap in service delivery.	May not achieve efficiencies linked with housing options team. May not have skills/capacity to deal with worklessness issues. Further cost of tendering exercise.	Increase in statutory homelessness presentations and placements in to temporary accommodation. Vulnerable households will experience more disruption and poorer service.
Risks	Voluntary sector signposting all housing/homelessness enquiries to the City Council.	May not be an attractive contract and contract value so may be few suitable tenders.	This option would have long term budget implications and increased administration.

5.0 Officer Preferred Option (and comments)

The preferred Option is Option 1. This would enable the council to build on the housing options model and achieve efficiencies.

6.0 Conclusion

- 6.1 If Members decide to continue to make available the resources to continue the prevention of homelessness as a strategic priority as outlined in the district's Homelessness Strategy 2008-13, this will help ensure that the current levels of statutory homeless presentations are maintained. It will also continue to improve the housing outcomes of our most vulnerable citizens and facilitate an integrated partnership approach to homeless prevention.

RELATIONSHIP TO POLICY FRAMEWORK

Homelessness Strategy 2008-2013. The Homeless Prevention Contract contributes towards meeting the identified priorities within action 5 Prevention of Homelessness Through, Timely Advice, Intervention and Support.

Corporate plan priorities – Economic Regeneration (housing regeneration) statutory responsibilities and also meets the intention to protect the most vulnerable which underpins all the priorities.

CONCLUSION OF IMPACT ASSESSMENT

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

The Homeless Prevention Contract has assisted those who are most vulnerable by providing timely advice, intervention and support by assisting single households and families retain their existing accommodation or by sourcing suitable alternative accommodation. Homeless Prevention is targeted at those who are both vulnerable and socially excluded. Homeless prevention also contributes to social cohesion and sustainable communities.

LEGAL IMPLICATIONS

The Equality Act 2010 (section 149) places a duty on local authorities (including the Council) to have 'due regard' to the need to advance equality of opportunity between person who share a relevant protected characteristic and equality generally. Homelessness affects persons with protected characteristic more so than those without such characteristics. The options set out in this report may affect persons who share a relevant protected characteristic. This is made clear in the CLG's guidance 'Localism Bill: discharging the main homelessness duty'. This publication states that:

"Sixty-eight per cent of homeless acceptances in 2009-10 were households with dependent children or which included a pregnant woman. Forty-five per cent of homeless acceptances were lone parent households with a female applicant and a further 12 per cent were single female applicants. Seven per cent of homeless acceptances in 2009-10 had priority need because of their young age (16-17 year olds and 18-20 year old care leavers). In addition, 14 per cent of homeless acceptances in 2009-10 had priority need because of their physical disability or mental illness. Fourteen per cent of homeless acceptances in 2009-10 were black or black British; 7 per cent were Asian or Asian British; 3 per cent mixed; and 4 per cent Chinese or other.

The priority given to certain groups of young people and people who are disabled or mentally ill (who are considered most vulnerable and likely to suffer hardship if not secured accommodation), combined with the fact that households that include a pregnant woman or a dependant child are considered to have a priority need for accommodation under the homelessness legislation, means that women, pregnant women, young people and children, and disabled people are more likely to be affected by any change in the way that the main homelessness duty can be fully discharged. People from black and minority ethnic communities are also more likely to be affected because they are over-represented among homeless acceptances (compared to the general population)."

Hence, if the Council was minded to reduce the amount of money spent on homelessness prevention (option 3) this may disproportionately affect disabled persons, certain races, young people, women with dependant children, pregnant women more so than persons that do not share these characteristics.

As ceasing or limiting the Council's preventive approach could affect persons with a protected characteristic the Council should consider its duty of promoting equality amongst these protected groups when making its decision. It should consider how the decision may affect such a class of persons and whether any detrimental impact can be mitigated or removed.

A contemporaneous written record should be made and kept to demonstrate that due regard has been given.

Should option 2 be chosen, the Council's Legal Services Department would assist in the drafting of the Service Level Agreement/Contract.

FINANCIAL IMPLICATIONS

The General Fund includes a budget in respect of the Homelessness Provision Contract which amounts to £88,500 for all years. The following financial implication will need to be considered for each of the options contained within this report.

Option 1: Deliver the Homeless Prevention Contract in House as part of the "Enhanced Housing Options"

If this option is approved, two new posts at Grade 3 would be created to join the existing Housing Options Team to form an enhanced Housing Options Service Team. The costs of the two new staff are shown in the table below and the savings expected to be delivered are 2012/13 of 38,000, 2013/14 £36,700 and 2014/15 £34,800.

	2012/13	2013/14	2014/15
	£	£	£
Homelessness Contract Budget	88,500	88,500	88,500
Estimated Costs			
Employee Costs	48,800	50,100	51,700
Transport Related Expenditure	1,000	1,000	1,100
Supplies and Services	700	700	900
Estimated Total Cost	50,500	51,800	53,700
Deficit/(Saving)	(38,000)	(36,700)	(34,800)

Option 2: Re-tender a revised and reduced Homeless Prevention Contract on the same basis as if the council would deliver the service in house.

If this option is approved this may result in savings but the level of savings would be dependant upon the tender process and whether any potential bids would be forthcoming at the lower contract sum.

Option 3: Discontinue the Homelessness Prevention Contract and deliver its statutory homelessness function only.

If this option is approved then initially this may create a saving of around £88K per year but this will need to be offset against any potential increase in statutory homelessness temporary accommodation and administration costs. This would need further consideration as part of the budget process.

OTHER RESOURCE IMPLICATIONS

Human Resources

There are potential HR implications if the service is delivered in house as in Option 1. Normally due to the provisions within the Transfer of Undertaking (Protection of Employment) Regulations 2006 (TUPE) any employee engaged in the delivery of a service which is transferred would also form part of the transfer. However, due to the contractual arrangements which are understood to be in place at the current provider, no employees will be assigned to the transfer.

Information Services:

None

Property:

None

Open Spaces:

None

SECTION 151 OFFICER'S COMMENTS

Cabinet is advised to consider these proposals in context of its priorities but also in view of the need to make ongoing budget savings

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Homelessness Strategy 2008-2013

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Ref: C99



**Budget and Policy Framework 2012/13 –
Revenue Budget and Capital Programme Update
06 December 2011**

Report Head of Financial Services

PURPOSE OF REPORT				
This report provides an update on the draft revenue budget and capital programme to inform development of Cabinet’s budget proposals.				
Key Decision	X	Non-Key Decision		Referral
This report is public.				

RECOMMENDATIONS OF COUNCILLOR BRYNING

1. That Cabinet notes the draft budgetary position for current and future years.
2. That the mid-year treasury management progress report set out at Appendix C be noted and referred on to Council.
3. That Cabinet approves the allocation of up to £120K to fund the remedial works for Ashton Memorial Steps, and authorises the Head of Financial Services to update the Revenue Budget and Capital Programme once timing of the works is clear.
4. That the use of the Lancaster Market Reserve be amended to support incidental costs arising in progressing the decision of Council.
5. That in accordance with the Local Strategic Partnership’s recommendations, Cabinet confirms the allocation of £100K capital related Performance Reward Grant for a Community Capital Fund.
6. That further to the decision taken at November Cabinet regarding land at Ashbourne Road/Tan Hill Drive for affordable housing, Cabinet notes the s106 receipts position and therefore agrees that the 2010 General Consent Order be used to transfer the land in question for £nil consideration.
7. That in view of the budget savings needed in future years and Cabinet’s aspirations for supporting growth, the following actions be undertaken:
 - in terms of efficiency, all Cabinet Members undertake detailed budget reviews of their portfolio areas to identify any further efficiencies for 2012/13;

- in terms of income generation, Cabinet considers the draft Charging Policy as set out at Appendix E and indicates any areas in which it wishes to consider additional or alternative income generation options;
- in terms of service reduction, Cabinet identifies lower priority areas in which service reduction options should be developed.

8. That progress against the above actions be reported to the January Cabinet meeting.

1 INTRODUCTION

1.1 Over the last few months Cabinet has considered various proposals associated with developing the Budget and Policy Framework for 2012/13 onwards. This report provides a financial update in support of the process.

2 GENERAL FUND REVENUE BUDGET – CURRENT YEAR

2.1 At Council on 02 March Members approved the current year's budget at £22.022M, of which £21.481M relates to the City Council and £541K relates to parish precepts. Since then, various adjustments have been approved and other changes have become apparent through the monitoring process.

2.2 To draw together such changes, an in-depth analysis of all current year budgets has now been undertaken in conjunction with Service Heads. This has resulted in a draft revised budget of £19.900M for the City Council, representing a projected total net underspending of £1.581M or 7.4%. This overall position does include very large one-off variances outside of normal service provision, as shown below:

	£'000	£'000
Operational Variances:		
Staffing Savings	-784	
Other Savings and Underspendings	-401	
Reductions in Income	+701	
Increased Costs	+336	
Net Operational Underspending 2011/12		-148
Other Variances:		
Iceland: Improved Recovery Prospects		-1,158
Slippage on Revenue Funded Activities		-275
Total Net Underspending		-1,581

2.3 If the impact of Icelandic Investment recovery and slippage is excluded, the actual operational underspending is only £148K or around 0.7% of the budget. Further summaries of the budget and variance analysis are attached at **Appendices A and B**. Key points to note are as follows:

- Around £1.1M of the underspending is a direct result of the improved prospects for recovery of Icelandic investments. This is referred to within the mid-year treasury management report, attached at **Appendix C** for referral on to Council.

- Net staff savings are forecast from a combination of turnover, longer-term vacancies and from there being no pay award made this year. Also various restructurings have been undertaken.
- The impact of the national and global economic position has clearly had adverse impact. This is demonstrated through increased prices for energy and significantly reduced demand and income from services and facilities such as car parking.
- There is slippage expected on some regeneration activities such as Business Improvement District (BID) development and the Morecambe Area Action Plan. Budgets in the current year have been reduced accordingly, but this apparent saving is offset by increases in the following year.
- There are two budgetary referrals due for consideration at Council next week. The first one (for West End Car Parking, minute 44 refers) impacts only on the current year but the second (for 'Red Book' employees, Personnel Committee minute 29 refers) will have implications for future years also. This change relates to the proposed transfer of vehicle maintenance staff onto the Council's main pay and grading structure developed under the Fair Pay project.

2.4 Taking account of the above changes, Revenue Balances would stand at £3.565M as at 31 March 2012. This is some £2.2M higher than expected back in March time.

2.5 That said, there is still time for the revised budget position to change further over the coming weeks and therefore Cabinet is simply requested to note the overall position at this stage. In particular, Cabinet's attention is drawn to the following:

- Previous reports to Cabinet have highlighted the need to undertake emergency works in connection with Ashton Memorial steps. It is now expected that funding of up to £120K will be needed for full remedial works and it is recommended that this amount be allocated from the overall underspending to the Capital Support Reserve. It follows, therefore, that if Cabinet approves this allocation the total net revenue underspending would reduce to £1.461M, with Balances also reducing.
- Working is ongoing with the Storey Creative Industry Centre, to establish its trading position and any implications for the Council.
- At the time of writing this report, Council's decision on Lancaster Indoor Market had only just been taken and therefore no specific development of the financial framework has taken place. At present, there is an estimated £120K available in the specific reserve and it is recommended that its use be amended slightly as an interim measure, to fund any incidental costs arising in taking forward the decision of Council. Authority to use the reserve would stay as at present.

2.6 In terms of other earmarked reserves and provisions, a full review has not yet been completed. Aside from revenue Balances therefore, the main one-off funds available to Cabinet to help develop its budget proposals are currently as follows.

£'000

Invest to Save	1,762	Balance at March 2013, of which £750K is earmarked for photovoltaics subject to procurement and appraisal.
Restructuring	408	To cover future redundancy / early retirement costs.

3 2012/13 DRAFT REVENUE BUDGET

- 3.1 The first draft of the 2012/13 budget has also been produced, in accordance with Financial Regulations and the Council's Medium Term Financial Strategy (MTFS). Further information will be provided for the January meeting but for now, there are several key points to highlight:
- The draft provides for no changes in the budgeted contributions from Revenue Balances. Formal advice on minimum levels will be given at a future meeting.
 - Efficiency and other service savings of over £700K have been built into the base budget; these include around £375K from deleting vacant posts.
 - The draft position does not include any of Cabinet's growth options at present, nor does it include any specific savings options such as any included elsewhere on the agenda.
 - In terms of capital financing, the draft budget is based on the existing approved capital programme. There will clearly be changes coming through, once aspects such as Lancaster Market are developed further.
- 3.2 Currently the draft budget for 2012/13 stands at £20.838M, as shown in **Appendices A and D**. These appendices also include the provisional variance analysis undertaken so far.
- 3.3 If no further changes were made, the current draft budget would translate into around a 10% Council Tax increase for next year; the Band D Council Tax payable would be £212.16. Again, it is reiterated that this is before considering any savings and growth options.

4 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 4.1 At the time of writing this report the provisional Local Government Finance Settlement had not been announced, and the Localism Bill had only just gained royal assent. Hopefully a further update should be available prior to the Cabinet meeting.
- 4.2 In the meantime, existing projections of Government support have been used in the budget projections to 2013/14. These are based on either the provisional announcements made nearly a year ago, or the indicative prospects outlined in the last Comprehensive Spending Review (October 2010). For 2014/15, in the absence of any real information it has simply been assumed that there will be no change in support levels either way. The projections are summarised below.

Year	Formula Grant	Year on Year (YoY) Reduction	
		£'000	%
2011/12 (Actual)	13,128	1,996 *	13.2 *
2012/13 (Provisional, issued last year)	11,609	1,519	11.6
2013/14 (Indicative estimate only)	11,377	232	2.0
2014/15 (Estimate only)	11,377	--	--

* Year on year comparisons allow for transfer of concessionary travel responsibilities

- 4.3 The outcome of Government's Resource Review could have a major impact on the Council's financial position, but changes might only be felt from 2014/15 onwards. Unless there is a major positive shift in the direction of the economy, however, with significant sustainable local growth being delivered or some other key policy change coming through, it is considered that there is a greater risk of the Review resulting in less funding for the district, rather than more. The reason behind this is Government's apparent assertion that in future, general financial support for local government should be met wholly through local taxation – avoiding the need for Revenue Support Grant (RSG). To provide context, nationally RSG amounts to £5.9BN, as compared with Business Rate Income of £19BN and Council Tax income of £27BN.

5 BUDGET PROSPECTS FOR FUTURE YEARS (BEYOND 2012/13)

- 5.1 As part of the Council's financial planning, indicative revenue spending and Council Tax forecasts for 2013/14 and 2014/15 have been produced and are included at **Appendix A**. They are also summarised below:

	Revenue Budget Projections (excluding savings & growth options)			Council Tax Projections	
	Net Budget	Annual Increase	Assumed Contribution to / from Balances	Average Band D Tax Rate	Annual Increase (YOY)
	£000	%	£000		%
2013/14	21,036	1.0	--	£221.80	4.5
2014/15	21,273	1.1	--	£226.96	2.3

- 5.2 It can be seen that for future years, the Council's net spending is forecast to increase at a small but steady rate, with no major swings.
- 5.3 No assumptions have been made for any major service or policy changes, such as Government's welfare reforms, etc.
- 5.4 In essence, the Council still needs to make further substantial recurring savings in its Revenue Budget. It is in this context that Cabinet will be asked to review its targets for council tax.

6 COUNCIL TAX AND SAVINGS REQUIREMENTS

- 6.1 With regard to any Government constraints or thresholds for increasing council tax, it is envisaged that information will be received alongside the Settlement. Assuming that this is the case a supplementary report will be produced, setting out the implications for council tax targets and savings requirements. For now though, details of the grant support available to help freeze council tax rates is repeated below. Take up of this arrangement is voluntary.

- The Council would receive a grant equivalent to a 2.5% increase; this is estimated at around £210K. As the Council's current forecasts assume a tax

increase of 2%, in next year the Council would have a little over £40K additional income to help balance its budget.

- The difficulty is, however, that the compensation grant would be a one-off only. This means that in all subsequent years, when compared with existing tax plans, the Council would forgo council tax income of around £170K, unless it considered that it could 'recoup' this income by having higher council tax increases in future years. For example, rather than having a 2% year on year increase in tax, a freeze in 2012/13 and then a 4% increase in the following year would give broadly the same sort of income stream for 2013/14.
- The risk is, however, that a 4% increase would be viewed as unacceptable by Government, which could result in either capping applying or a local referendum being needed, depending on what Regulations are in force.
- If the Council determined that it should not (or could not) seek to 'recoup' the income foregone, then there would be the need to generate additional annual savings of around £170K from 2013/14 onwards, adding even more pressure to the budget.
- Based on the City Council's tax rate of £192.25 for a Band D property, a 2% change in tax rate amounts to £3.85 per year or around 7 pence per week.
- The same or similar offers of grant support apply to the County Council, police and fire authorities. For information, the full basic Band D tax for the area is currently £1,510.47.

6.2 It can be seen that the matter is not as straightforward as was a year ago and balancing future years' budgets is already a major challenge; the task gets even harder if scope is to be created to support any growth.

6.3 To summarise, the main scenarios for council tax and their implications for savings targets for the next three years are summarised in the following table. These will be updated in due course, to take account of the provisional Settlement.

Council Tax Increase Scenarios	Indicative Net Savings Requirements		
	2012/13 £000	2013/14 £000	2014/15 £000
a. 2% all years (existing MTFs targets)	698	948	1,000
b. 0% then 2% each year, with 'compensation' in 2012/13	657	1,119	1,175
c. 0% then 4% each year - subject to capping or local referendum?	657	952	829

7 RE-DIRECTION OF RESOURCES (SAVINGS & GROWTH OPTIONS)

7.1 At previous meetings Cabinet has approved fourteen priority areas, to form the basis of its budget proposals and corporate planning for 2012 to 2015. Various aspects have already been fed into development of the budget. As yet though, Cabinet has no leeway available in the draft budget in which to support growth; much work still needs to be done to balance the budget just allowing for existing service levels.

7.2 In view of this position, Cabinet is again advised to focus its immediate attention on identifying and prioritising areas for making recurring savings. It is reiterated that without such an approach, it runs the risk of:

- not being able to formulate a set of balanced budget proposals for consideration by Council in February, or
- resorting to drawing heavily on reserves and balances, and storing up pressures and difficulties for the following year; and / or
- not being able to take forward its draft priority list and any associated growth options.

7.3 A further update is set out below on the themes for achieving savings in line with the MTFS:

Efficiencies

Sessions with Service Heads and Portfolio Holders to review their own detailed budgets (and a wider corporate session) are currently being arranged. This will provide a useful forum in which to recognise the efficiencies already gained and identify any new areas.

Invest to Save Schemes

So far, plans for using this reserve are focused on delivering savings in the longer term only, rather than the short to medium term. The outcome of the procurement and appraisal of photovoltaic proposals, and Lancaster Market negotiations as another example, could easily absorb the funds available.

Income Generation

A draft corporate charging policy is set out at **Appendix E** for Cabinet's consideration. In particular, Cabinet is requested to review the list of charging areas included (at Annex B) and indicate any in which it wishes to see additional or alternative income generation options being developed. In doing so though, the difficulties already experienced in the current year must be taken into account.

Service Reductions

It is still expected that the Council will need to reduce the level and/or range of services provided, in order to establish a sustainable balanced budget. Cabinet's direction is therefore again sought as to the areas in which it requires savings options to be developed.

8 GENERAL FUND CAPITAL PROGRAMME

8.1 In line with the existing capital investment priorities and taking account of information available for Cabinet's new priority areas so far and other potential growth, the latest draft capital position is summarised below and a more detailed statement is included at **Appendix F**. At present a £335K shortfall is shown for the 5-year period, although more information is needed to complete the picture.

General Fund Programme	2011/12	2012/13	2013/14	2014/15	2014/15	2015/16	Total
	£'000	£'000	£'000	£'000	£'000	£'000	
Total Provisional Programme	6,357	4,023	2,991	949	859	859	16,038
Estimated Funding Available	6,357	3,688	2,991	949	859	859	15,703
Cumulative Shortfall	--	335	335	335	335	335	335

8.2 Points to note regarding investment include the following:

- a. Municipal building and other infrastructure provisions (i.e. IT and vehicle replacement) have been reviewed and updated but further changes may come through as projects develop. It is not expected that investment needs will alter substantially for 2012/13 though. The outcome of building condition surveys will feed into the next budget process, for 2013/14 onwards.
- b. Three capital growth options have been identified so far by Cabinet. One of these has arisen as a direct result of Cabinet's draft priorities, this being for allotments (minute 58 refers). Work is underway on quantifying any likely growth needs for housing regeneration proposed priorities. There are a further two growth options identified to date, which have not been directly linked with Cabinet's draft priorities so far, but they could link with existing corporate objectives:
 - Lancaster Square Routes (£300K, minute 50 refers)
 - Morecambe Area Action Plan (£200K indicative, minute 49 refers).
- c. In due course, Cabinet will be required to reconsider and prioritise these alongside its other budget proposals, but Lancaster Indoor Market is expected to create the greatest pressure on General Fund capital in the short to medium term.

8.3 Points to note regarding financing include the following:

- a. For now, the draft programme assumes that existing levels of Disabled Facilities Grant funding will be maintained and used wholly to support such schemes, rather than being redirected into other areas. It should be noted that to ensure continuity of the scheme and to avoid undue delays in processing applications, up to £150K will be committed against next year.
- b. Further to November Cabinet, unallocated Performance Reward Grant has now been built into the financing assumptions (minute 57 refers). Since that meeting, however, an anomaly has arisen in that the November report assumed that £100K for the Community Capital Fund had been already been approved by Cabinet. This was not actually the case, however, so technically, rather than there being only £89K capital funding unallocated, there is actually £189K. The draft capital programme has been produced on the basis that Cabinet accepts the LSP's recommendations and would wish to allow for the Community Fund allocation, which is targeted 'for improvements to neighbourhood/parish/community buildings that would support positive activities and involvement in the local community...'. Accordingly, this is reflected in the recommendations of this report and only £89K of unallocated grant is currently built into the draft programme.
- c. Also following on from November's meeting, it has been confirmed that there are no surplus s106 resources available for the Ashbourne Road/Tan Hill Drive affordable

housing scheme, assuming that the outline proposals for other such schemes are to be considered as priority in due course. The Council's land will therefore need to be transferred to the developer at £nil consideration in order for the scheme to go ahead; this can be facilitated legally under the 2010 General Disposal Consent Order. Whilst no monetary benefit will be obtained from this arrangement, it will help deliver 27 affordable homes within the district. This approach is reflected in the recommendations of this report and in considering this matter, Cabinet is advised to refer back to the exempt report presented in October (minute 61 refers) to ensure it takes an informed decision. The Council's property disposal policy is currently being reviewed, to determine whether a formal update would provide a clearer context in which to consider any similar affordable housing schemes in future.

- d. No other changes to the capital financing principles (as set out in the MTFS) are considered appropriate at this stage. Outcomes for Luneside East and sale of land at South Lancaster are expected in this financial year.
- 8.4 All of the Council's capital investment plans need to be affordable, sustainable and prudent. As with revenue, the big risk regarding capital investment is affordability, but prudence also needs particular consideration – this is more about ensuring that the Council does not take on too much at one time, in capital terms.
- 8.5 Members are reminded that when combined, all the potential pressures on borrowing could make it inadvisable to take forward all capital investment options at the same time, even if they were affordable (though clearly this latter point has not yet been addressed). In view of Council's stance on Lancaster Market, this represents the first priority for additional capital resources. Cabinet is advised to reflect this accordingly, in developing its draft priorities further.

9 COUNCIL HOUSING (HOUSING REVENUE ACCOUNT- HRA)

- 9.1 Cabinet will be aware that subject to all the necessary Regulations coming into force in time, self-financing will be implemented for the HRA from April next year. At the time of writing this report, the draft proposals and figures had only just been received; this was a little later than expected and there has been no time to consider their implications as yet.
- 9.2 A presentation on the self-financing arrangements is scheduled for 25 November and this will provide an opportunity for all Members to gain a better understanding of the proposals and the decisions that will need to be taken in due course.
- 9.3 Inevitably though, especially given that final self-financing figures will not be received until January time and there are various other elements of the proposed financial framework still out to consultation, it is not considered possible that there will be sufficient time to develop medium to longer term strategies for all the various aspects of the new arrangements.
- 9.4 In particular, rent setting has proved to be a difficult area for Council in recent years. Once self-financing has been introduced, there will be more time to develop and appraise different rent policies in context of the HRA business plan and investment needs, etc. Between now and February though, the immediate challenge will be to formulate a balanced set of budget proposals for 2012/13 and establish an interim framework within which the HRA can operate. This will mean that in terms of rent setting and other related strategies, a one-year focus will be taken. Any views taken from 2013/14 onwards will be indicative only and subject to further development early in 2012/13. This will then present Members with a good opportunity to have a much more in-depth review and challenge of the future direction for the HRA.

- 9.5 As context for rent setting, the current year's average rent is £64.20, representing a 6.9% increase from last year. The original projections for 2012/13 and 2013/14 assumed year on year increases of around 4.7%, drawing on the Government's policy of rent convergence.

10 DETAILS OF CONSULTATION

- 10.1 The national and local context in which the Council is developing its budget proposals was covered in the recent public sector engagement events. Cabinet should consider the feedback from these events in developing its proposals further.
- 10.2 Consultation will also be undertaken through the Budget and Performance Panel meeting in January, prior to Budget Council at the end of February.

11 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

- 11.1 In terms of the budget generally, at this stage Cabinet is requested to note the budgetary position but more importantly, take forward a number of actions to help develop a balanced set of budget proposals. In particular, direction is sought for areas in which savings options should be developed.
- 11.2 Depending on the timing of the Settlement, Cabinet may be requested to review council tax targets for future years.
- 11.3 With regard to the more specific recommendations, options are outlined below:
- For Treasury Management and land at Ashbourne Road / Tan Hill Drive, no alternative options are available. This is in view of formal reporting needs, or previous decisions of Cabinet.
 - For Lancaster Market reserve, Cabinet could choose to either approve or reject the proposed amendments in the use of the Reserve. If the changes are rejected, this could have an adverse impact on progressing negotiations.
 - For Ashton Memorial Steps, Cabinet could choose to support the allocation of funding, or defer a decision until later in the budget process. Given the nature of the memorial asset, works to rectify the steps must be undertaken at some point. For this reason, leaving the steps in their current condition for any length of time is advised against; there is no real benefit in delaying. The Council would be left with an asset that cannot be used for its original purpose, together with all the difficulties and potential liabilities that such a situation gives rise to. Clearly this would go against sound asset management practice.
 - For the Community Capital Fund, Cabinet could choose to confirm or reject the allocation of funding, or defer a decision until later in the budget process. Cabinet may wish to refer back to the Partnerships report on the November Cabinet agenda. This allocation would support purely discretionary spending; Members are advised to consider the LSP's recommendations and assumed commitments, against other potential uses for these funds.

12 OFFICER PREFERRED OPTION AND COMMENTS

12.1 The Officer preferred options are reflected in the recommendations.

13 CONCLUSION

13.1 Whilst some key elements of budget setting remains uncertain and some good progress has been made by services in making efficiency savings overall, there is still much to be done in balancing the budget. Although Member focus has been on possible growth areas, it is strongly advised that this now needs to switch to identifying ongoing savings options. Although the Council's Balances are substantially higher than originally forecast and this provides some scope and flexibility in the shorter term, their use will not resolve any structural imbalance between the Council's ongoing spending levels and its expected funding.

<p>RELATIONSHIP TO POLICY FRAMEWORK The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.</p>	
<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) None directly arising in terms of the corporate nature of this report – any implications would be as a result of specific decisions on budget proposals affecting service delivery, etc.</p>	
<p>FINANCIAL IMPLICATIONS As set out in the report.</p>	
<p>SECTION 151 OFFICER'S COMMENTS The section 151 Officer has prepared this report, and her comments and advice are reflected accordingly.</p>	
<p>LEGAL IMPLICATIONS Legal Services have been consulted and have no observations to make on the report.</p>	
<p>MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments.</p>	
<p>BACKGROUND PAPERS LG Provisional Finance Settlement 2010/11</p>	<p>Contact Officer: Nadine Muschamp Telephone: 01524 582117 E-mail: nmuschamp@lancaster.gov.uk</p>

Future Years' Budgets, Provisional Settlements and associated Council Tax Rates

For consideration by Cabinet 06 December 2011

	2011/12 Budget £000	2012/13 Estimate £000	2013/14 Projection £000	2014/15 Projection £000
Original Revenue Budget Projection (Per Budget Council 02 March 2011)	21,481	21,481	21,131	-
Latest Budget Projection - December 2011	19,900	20,838	21,036	21,273
Additional Contribution to Balances	+1,581			
Resulting Net Revenue Budget	21,481	20,838	21,036	21,273
Government Support	13,128	11,609	11,377	11,377
Collection Fund Deficit / (-) Surplus	+0	0	0	0
Amount met by Council Tax	8,353	9,229	9,659	9,895
Latest Tax Base Estimates	43,450	43,500	43,550	43,600

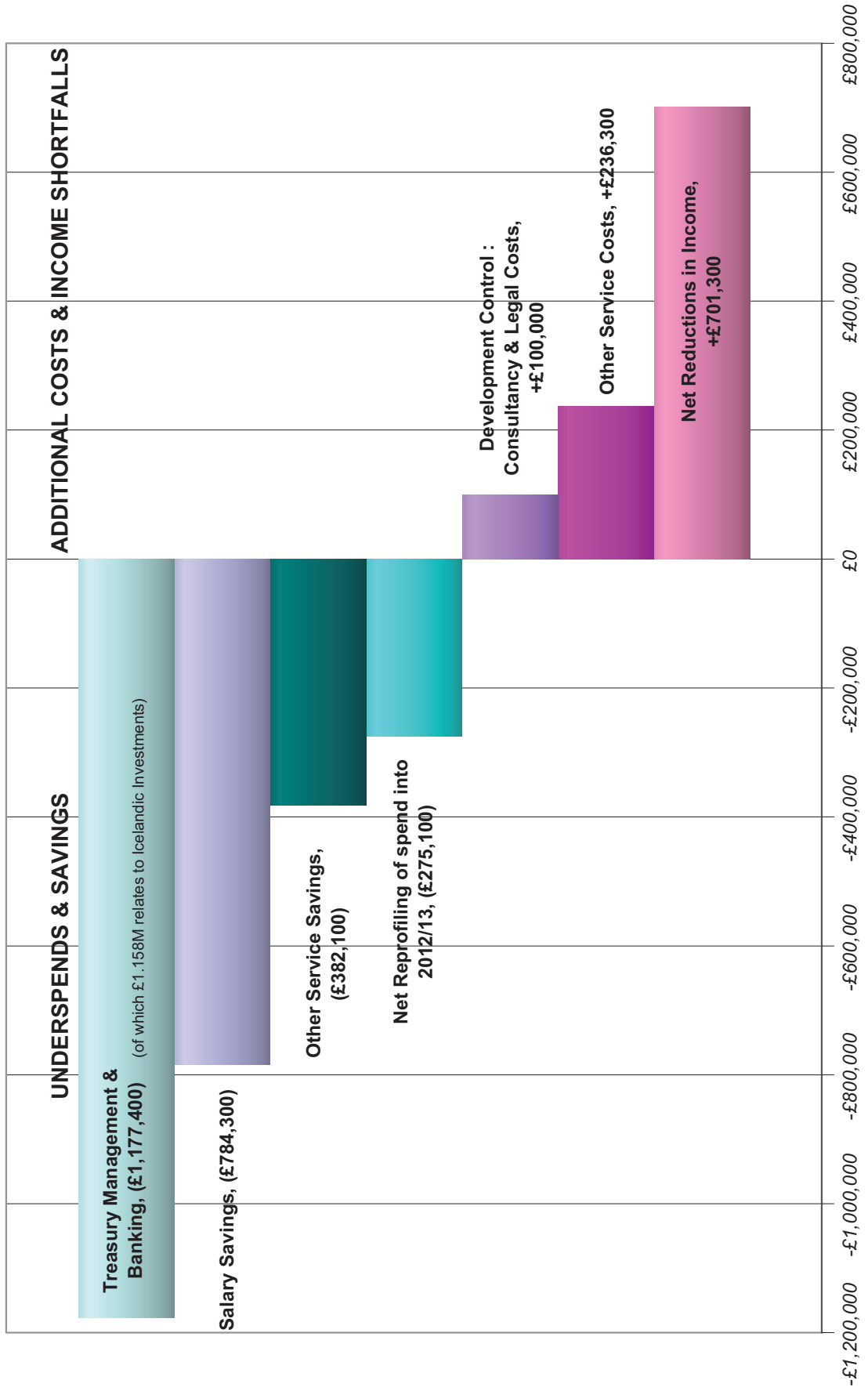
COUNCIL TAX IMPLICATIONS :

Band D Basic Council Tax (across district)	£192.25	£212.16	£221.80	£226.96
Percentage Increase Year on Year	0.00%	10.36%	4.5%	2.3%

Target Year on Year Basic Council Tax Increase	In % terms	2.0%	2.0%	2.0%
	In £ terms (Band D)	£3.85	£3.92	£4.00
Target Basic City Council Tax Rate across the District		£196.10	£200.02	£204.02
Budget assumptions to achieve these targets:		£'000	£'000	£'000
Current Revenue Budget Projection		20,838	21,036	21,273
Target Revenue Budget Requirement		20,140	20,088	20,272
REMAINING SAVINGS REQUIREMENT		698	948	1,000

2011/12 REVISED BUDGET

2011/12 Variance Analysis - Total Net Underspend £1.581M



2011/12 VARIANCE ANALYSIS - For consideration by Cabinet 06 December 2011

SERVICE	SERVICE AREA / FUNCTION	REASON FOR VARIANCE	Future Years Impact	VARIANCE (FAVOURABLE) / +ADVERSE		REPORTED AT PRT QTR2
				£	£	
CORPORATE ACCOUNTS	Capital Financing from Revenue / Reserves	Updated and reprofiled for Member / Officer delegated decisions		(214,300)		
	Investment Impairment Reserve	Net surplus fund following court ruling on preferential creditor status on Icelandic Investments		(993,900)		
	Restructuring Reserve	Updated for 2010/11 outturn and 2011/12 approved restructures		+59,800		
	Debt Repayment (MRP)	Savings linked to above Icelandic court decision - debt charge no longer required		(105,000)		(105,000)
	Debt Repayment (MRP)	Re-profiling of amounts set aside following slippage on capital programme financing		(28,000)	(1,281,400)	
COMMUNITY ENGAGEMENT	Williamson Park	Mainly additional water charges and health & safety issues	Part Recurring	+31,300		+22,900
	Community Pools	Mainly salary savings plus additional income at Camforth (£10K)		(22,200)		(1,000)
	Sports & Physical Activity	Additional admission fees and reduced overtime	Recurring	(10,600)		
	Promenade Management	Additional income from concessions		(14,300)		(14,300)
	Non-Resort Parks	Additional rental income		(5,500)		(5,500)
	Lancaster VIC	Mainly backdated & increased service charge from SCIC	Part Recurring	+32,000		+18,500
	Corporate & Partnership Initiatives	Contribution slipped into 2012/13 due to late start		+20,000		
	Salary Savings	Service wide net savings		(37,900)		+35,600
		Other Minor Variances		+7,000	(200)	+5,200
ENVIRONMENTAL SERVICES	Management & Administration	Mainly salary savings		(48,600)		(44,500)
	Highways	Changes in method of work allocation by County and reimbursement rates	Part Recurring	+120,300		+198,000
	Public Conveniences	Mainly salary savings		(6,100)		
	Street Cleansing	Mainly salary savings net of agency staffing		(46,800)		(50,000)
	Street Nameplates	Improvements to nameplates as approved at Cabinet 04 October 2011		+16,000		
	Three Stream Waste Collection	Salary savings and changes in vehicle procurement financing	Recurring	(128,600)		(219,000)
	Trade Refuse	Reduced income net of reduced waste disposal and landfill costs	Recurring	+35,400		+66,000
		Other Minor Variances		(800)	(59,200)	
FINANCIAL SERVICES	Revenues & Benefits	Net additional savings on Shared Service	Part Recurring	(84,300)		(50,000)
	Revenues & Benefits	Reduction in Legal Costs Recovered on Council Tax & NNDR resulting reduced summonses and increase in charges	Recurring	+144,100		+60,000
	Investment Interest	Additional interest mainly due to Icelandic investments		(62,100)		(20,000)
	HRA Charges (Items 8)	Revised recharge to HRA based on updated Capital Financing Requirement		(29,300)		
	Provisions	Contributions re-profiled to future years		+109,300		
	Banking & Treasury Management	Increased bank charges due to increased volume of transactions	Recurring	+12,900		
		Other Minor Variances		(6,900)	+83,700	

2011/12 VARIANCE ANALYSIS - For consideration by Cabinet 06 December 2011

SERVICE	SERVICE AREA / FUNCTION	REASON FOR VARIANCE	Future Years Impact	VARIANCE (FAVOURABLE) / +ADVERSE		REPORTED AT PRT QTR2
				£	£	
GOVERNANCE SERVICES	City Council Elections	Savings resulting from combining election costs with the Alternative Vote Referendum		(55,400)		(50,000)
	Democratic Representation	Members Expenses - savings on two Cabinet places & part of opposition leader's SRA	Recurring	(19,100)		(19,000)
	Salary Savings	Service wide salary savings		(37,400)		(38,400)
	Legal - Management & Administration	Savings on books and periodicals	Recurring	(10,000)		(10,000)
	Electoral Registration	Only 50% of postal votes are required to be reviewed - provision was made for a full review		(32,100)		
	Searches	Additional income from search fees		(16,900)		(15,000)
		Other Minor Variances		(8,400)	(179,300)	
HEALTH & HOUSING	Salary Savings	Service wide salary savings		(165,500)		(64,300)
	Management & Administration Fees	Disable Facilities Grant administration fees not originally budgeted for	Recurring	(60,000)		(60,000)
	Management & Administration Fees	Management Fee for Home Improvement Agency not originally budgeted for	Recurring	(12,200)		(12,200)
	Cemeteries	Burial of the dead services additional cost due to increased public burials	Recurring	+7,000		+7,000
		Other Minor Variances		(12,800)	(243,500)	
INFORMATION SERVICES	Salary Savings	Vacant post / restructure savings		(64,800)		(70,000)
	Software	Savings on Ordnance Survey Fee and Information Management	Recurring	(12,200)		
	External Contributions	Recharge to Preston CC re Revenues and Benefits Shared Service	Recurring	(12,500)		
	Sales - Prints & Plans	Income no longer generated from this area	Recurring	+5,300		
		Other Minor Variances		+7,400	(76,800)	
OFFICE OF CHIEF EXEC	Salary savings	Savings on PA post		(25,100)		(26,000)
		Other Minor Variances		(1,200)	(26,300)	

2011/12 VARIANCE ANALYSIS - For consideration by Cabinet 06 December 2011

SERVICE	SERVICE AREA / FUNCTION	REASON FOR VARIANCE	Future Years Impact	VARIANCE (FAVOURABLE) / +ADVERSE		REPORTED AT PRT QTR2	
				£	£		
PROPERTY SERVICES	Commercial Properties	Mainly due to reduced income at Cheapside and St.Leonard's House		+106,500		+140,300	
	Municipal Buildings	Energy Performance Certificated - reduced demand	Recurring	(10,000)		(10,000)	
	Lancaster Market	Reduced rent and service charge due to reduced occupancy levels	Recurring	+85,900		+88,000	
	Morecambe Market	Reduced rates liability	Recurring	(28,800)			
	Morecambe Market	Reduced income from stalls	Recurring	+31,700			
	Off Street Car Parks	Mainly additional rates liability (£26K) and reduced income from charges & permits (£145K)	Recurring	+159,000		+167,000	
	Parking Management & Administration	Mainly additional income from external staff time recharges	Recurring	(24,700)			
	Concessionary Travel	Community Transport provided by County Council - growth item no longer required		(65,800)		(65,800)	
	Salary Savings	Service wide salary savings		(65,700)		(39,800)	
		Other Minor Variances		(34,300)	+153,800	(13,300)	
	REGENERATION & POLICY	Building Control	Net deficit - mainly due to reduced income of £119K	Recurring	+104,800		+105,000
		Coast Protection	Mainly due to salary savings and additional capitalised salary recharges		(58,000)		
		Development Control	Additional consultancy and legal costs (£100K) and reduced fee income (£75K)	Part Recurring	+175,000		+175,000
Economic Development		Mainly due to salary savings and reduced subscriptions		(33,800)			
Lancaster BID Feasibility Study		Spend slipped into 2012/13		(20,000)		(15,000)	
Morecambe BID Feasibility Study		Spend slipped into 2012/13		(40,000)		(40,000)	
Morecambe Area Action Plan		Spend slipped into 2012/13		(66,300)			
Public Realm		Spend slipped into 2012/13 and £10K of budget transferred to finance Sustrans Project		(25,800)			
THI 2		Spend slipped into 2012/13		(10,000)			
		Other Minor Variances		+22,000	+47,900		
				Total Variance for Year (1,581,300)			



2011/12 Treasury Management Progress Report to 30 September 2011

Report of Head of Financial Services

1. Introduction

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

Council approved the Treasury Strategy including the Investment Strategy for 2011/12 at its meeting on 02 March 2011. This report outlines activities undertaken in pursuance of those strategies during the financial year up to the end of Quarter 2.

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

2. Summary

- Due to the upcoming HRA finance reforms, Cabinet is asked to note various changes to the Prudential Indicators presented at **Annex B** as well as changes to the Investment Strategy set out in section 9, for referral on to full Council.
- The decision from the Icelandic Courts was in the Council's favour. It is anticipated that the judgment is applied to all non test cases and that in broad terms the Council will recover all but £400K of the £6M invested.
- There is a £40K favourable variance against the budget to date. This relates to the 'accounting' interest accruing on Icelandic investments. Once full details of the settlement and timing are released, this will need to be reviewed.
- 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. Economic Review (section 3.1 to 3.4 as provided by Sector)

Global Economy

The Euro zone sovereign debt crisis continued with Spain, and particularly Italy, being the focus of renewed market concerns that they may soon join with Greece, Ireland and Portugal in needing assistance. This uncertainty and the lack of a co-ordinated or credible Euro zone response, left commentators concerned over the potential impact of sovereign default and resulting effect on the Euro zone banking sector. The approval by various countries of the £440bn bail out fund in September brought temporary relief to financial markets and it has now been agreed that private investors will take a 50% cut in the face value of their Greek bonds. Also, a new 130bn Euro bail-out of Greece by the EU and International Monetary Fund has also been agreed and together, these actions resulted in markets regaining their risk appetite as investors' confidence returned.

However, political difficulties in the US over their plans to address the budget deficit, the size and control over the US sovereign debt, and the subsequent loss of the AAA credit rating from Standard and Poors, has led to a much more difficult and uncertain outlook for the world economy.

Growth prospects in the US, UK and the Euro zone have been lower than expected, with future prospects similarly cut. Whilst not a central view, concerns of a double dip recession in some Western countries have increased. World stock markets fell in the second quarter of 2011/12 as a consequence.

UK Economy

Following zero growth in the final half of 2010/11 the UK economy grew by a weaker than expected 0.2% in the first quarter of 2011/12, providing a knock on effect to future growth prospects. Growth prospects are expected to be governed by UK consumer sentiment, which is currently subdued due to falling disposable income. Higher VAT, overhanging debt, high inflation and concerns over employment are likely to weigh heavily on consumers into the future.

Inflation remains stubbornly high, although the expectation of future falls, the external nature of the price increases (energy, oil, food etc.), and the negative impact a rate rise would have on the UK economy, are all likely to stop the Monetary Policy Committee from raising the Bank Rate for some considerable time to come. An indicator of the worsening position arose from the Monetary Policy Committee minutes recently, signalling a greater willingness to expand the quantitative easing programme.

International investors continue to view UK government gilts as being a safe haven from the EU sovereign debt crisis. The consequent increase in demand for gilts has helped to add downward pressure on gilt yields and sent PwLB borrowing rates to low levels. This has been partially reversed by the recent Greek debt bailout as investors confidence returned, resulting in the biggest rise in the UK 10 year gilt yield for 2 years.

Outlook for the next six months of 2011/12:

There remain huge uncertainties in economic forecasts due to the following major difficulties:

- the speed of economic recovery in the UK, US and EU;
- the likely political gridlock in the US preventing significant government fiscal action to boost growth ahead of the Presidential elections in November 2012;
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy;
- the degree to which government austerity programmes will dampen economic growth;
- the potential for more quantitative easing, and the timing of this in both the UK and US;

- the speed of recovery of banks' profitability and balance sheet imbalances.

The overall balance of risks is weighted to the downside:

- Low and modest growth in the UK is expected to continue, with a low Bank Rate to continue for at least 12 months. This will keep investment returns depressed.
- The expected longer run trend for PWLB borrowing rates is for them to rise, primarily due to the need for a high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. However the current safe haven status of the UK may continue for some time.

Sector's Interest Rate Forecast

Sector's Interest Rate View													
	Now	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
Sector's Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.25%	2.50%
3 Month LIBID	0.82%	0.70%	0.70%	0.70%	0.70%	0.70%	0.90%	1.10%	1.30%	1.60%	1.90%	2.40%	2.70%
6 Month LIBID	1.10%	1.00%	1.00%	1.00%	1.20%	1.30%	1.50%	1.70%	1.90%	2.10%	2.40%	2.70%	3.00%
12 Month LIBID	1.59%	1.50%	1.50%	1.50%	1.60%	1.80%	2.00%	2.25%	2.50%	2.75%	3.00%	3.40%	3.70%
5yr PWLB Rate	2.44%	2.50%	2.70%	2.90%	3.00%	3.10%	3.20%	3.40%	3.60%	3.80%	4.00%	4.10%	4.20%
10yr PWLB Rate	3.52%	3.80%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%
25yr PWLB Rate	4.56%	5.00%	5.00%	5.10%	5.10%	5.10%	5.20%	5.20%	5.30%	5.40%	5.40%	5.50%	5.50%
50yr PWLB Rate	4.73%	5.00%	5.00%	5.10%	5.10%	5.10%	5.20%	5.20%	5.30%	5.40%	5.40%	5.50%	5.50%

Significance of Sector's Review to Lancaster

As will be discussed below, a key issue affecting the Council is the financing of the HRA subsidy buy out, planned for the end of this financial year. The review from Sector has an important influence on planning the treasury management elements of this transaction. The forecast indicates that returns on investment balances will remain at their historically low levels for at least another year, before a steady rise in bank rate over subsequent quarters.

In terms of borrowing costs, the international factors which impact on gilt rates, and therefore PWLB rates, may keep the cost of borrowing depressed, although the projection is for a steady rise up to, and beyond, the self financing date. The recent Greek debt bailout has already led to an increase in rates although it remains to be seen whether this confidence is maintained.

What seems likely is that the existing, significant margin between what rate the Council can achieve from investments and the rate it must pay for borrowing will be maintained over the medium term. In addition, the spread of rates, where shorter term loans are significantly cheaper, will be maintained, although the trend will be for this spread to reduce over time. These factors should be taken into account when developing the strategy for financing the estimated payment to DCLG – as will other factors outlined in the sections below.

4. Capital Budgets, the Debt Portfolio and HRA self financing.

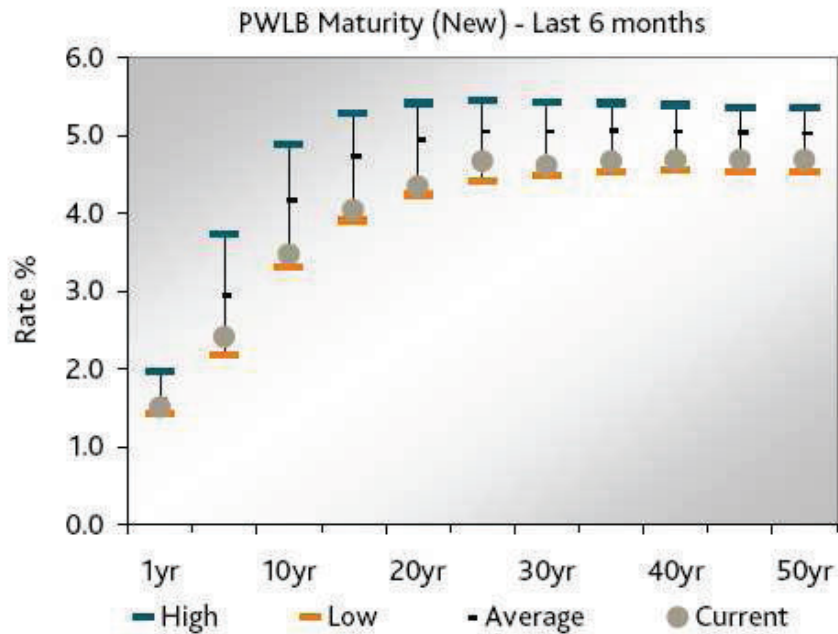
There has been no change to the long term debt portfolio since January 2009 and there is no immediate need to take out new long term loans. As noted later, the Council has positive news on Icelandic investments and as previously reported the two other big issues (Luneside and Land at South Lancaster) for the capital programme are nearing conclusion with reason for optimism on both fronts. The next major issue will be Council Housing self financing.

Officers need to develop a strategy for financing the likely settlement, currently estimated at £30M to buy out of the housing subsidy system. This will increase the underlying need to borrow but does not mean that the Council will have to borrow the whole amount. There may be an opportunity to net down the borrowing/investment balances, as has been discussed in previous quarterly updates. The upcoming capital budget process will also need to feed in to any strategy to finance the payment.

In anticipation of the self financing proposal being brought into law, a number of Prudential Indicators will need to be updated to reflect the changes to capital expenditure, debt and borrowing and the updated values are presented at **Annex B**, for noting and referral onto full Council.

5. Current Borrowing Rates and special provision for HRA self financing.

The graph below 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 and have been on a downward trend, fuelled by the Eurozone crisis.



Extract from Sector weekly debt monitor 03 October 2011

This latest trend 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, however, that these rates will rise before the self financing buy out but they 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 terms loans were used.

Furthermore, the Government have announced that for HRA subsidy buy out purposes only, the margin which was added onto PWLB rates in October 2010 will be reversed on loans agreed by the 26th March 2012. This is further good news for Council as it will reduce rates by around 0.7%, which on £30M of debt, relates to an annual saving of around £210K.

The timing and level of resource available to make future repayments will be governed by the ongoing performance of the HRA. Therefore, before a meaningful borrowing strategy can be fully appraised and developed, consensus will be needed over the main principles of the 30 year HRA business plan, for example, rent levels and investment in the housing stock. In

view of time pressures it could well mean that some of the more detailed aspects and options surrounding the HRA are developed for consideration later during 2012/13.

As noted in section 4, draft prudential indicators have been updated to ensure that the debt limits are raised sufficiently to allow for this transaction in the 2011/12 financial year. In addition, the target maturity profile of borrowings has been amended to allow maximum flexibility in planning the structure of any additional loans.

It should be noted that a figure of £35M has been used to amend the capital expenditure and debt figures as it is likely that the indicative amount of £30M will increase in the actual determination, although these final figures will not be released until January 2012.

6. Icelandic Investments Update

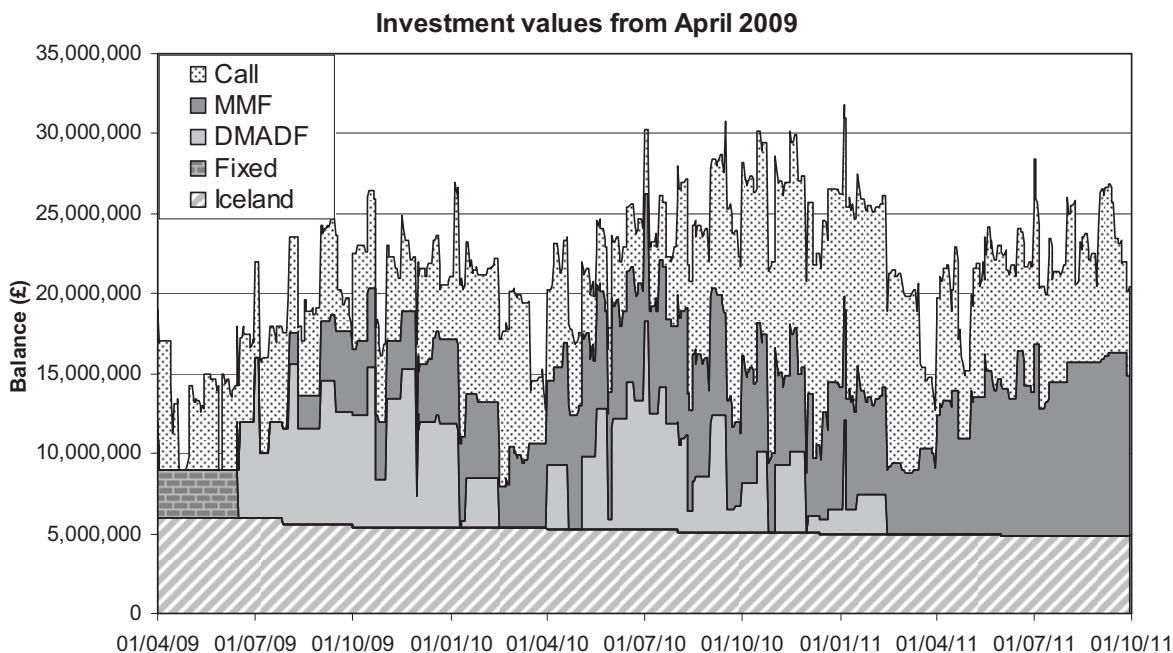
The Council has had very good news from the Icelandic Supreme Court which ruled that the local authority depositors tried as test cases, should have preferential creditor status. It is anticipated that this will be applied to the non test case authorities, including Lancaster. This means that the Council should get back all but around £400K of the £6M invested and some amounts of interest, although this is yet to be fully clarified.

The Council has already received around £1.3M (all from KSF), a further £3.3M could be paid as early as this financial year with the remaining £1M anticipated in smaller amounts to be paid over subsequent years. This is however, subject to confirmation from the administrators.

7. Other 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 2 is enclosed at **Annex C**. The strategy approved for 2011/12 did not reduce credit criteria for counterparties but it did increase the investment limits for the small pool of counterparties that the Council places deposits with. This has meant that the DMADF account has not been needed in the last quarter. Instead, deposits have been held in instant access accounts that are higher yielding.



During the next quarter Officers hope to join a local Sector benchmarking group. This will allow the Council to compare its risk profile with other similar authorities as well as the returns being obtained for that level of risk. This should help inform the Investment Strategy for 2012/13.

In addition, the Council has opened a call account with Barclays which will come into use during Quarter 3. Although this does not pay as high a rate as some other call account offerings, it is judged to be more secure and would form part of the 'specified' investments unlike the other call accounts, which are included on the investment list partly on the basis of their access to government support. In addition, the County Council call account will come back into use. These actions mean that the very low yielding Government Liquidity MMF should not be needed in future.

8. Summary of Budget Position and Performance

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

Base Rate	0.50%
3 Month LIBID	0.86%
Lancaster CC investments	0.63%

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

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

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

Annual budget	£205K
Actual to date	£54K (see details in Annex C)
"Icelandic" to date	£89K (see details in Annex C)
Total	£143K
Variance	£40K favourable against evenly profiled budget

There is a £40K favourable variance which is mainly due to the impact of Icelandic investments. At the time the budget was set, the best estimate was that there was a 50/50 chance of full repayment in June 2011 which has not happened. The Icelandic element of the budget will need to be reviewed once the appeal case has concluded and the actual repayment amounts and dates are better known although it is judged likely that this will show a positive variance at out-turn. This should more than offset an increase in fees for the LGA/Bevan Brittan which are projected at around £3K more than was budgeted for in 2011/12, based on their latest fee estimates.

9. Risk management

There has been no material change in the policy or operation of the treasury function over the quarter, in recognition of the considerable uncertainty that exists within the economy and

financial sector. The view is, therefore, that residual risk exposure for investment remains comparatively low.

There is financial risk attached to the longer term debt portfolio, associated with interest rate exposure; there has been no change to this over the quarter. There is a risk for the new loans required for HRA self financing, although as noted in section 3, current rates are very low. As the HRA business plan is crystallised, an explicit strategy for the new debt will be developed including a policy to mitigate the interest rate risks. In anticipation of this, some of the prudential indicators have been amended and are presented at **Annex B** for noting and referral on to full Council.

In addition, it is requested that the counterparty limit for the Coop and the DMADF have a special condition applied until 28th March 2011 (payment date to DCLG) to allow these accounts to hold any amounts in relation to funds transferred to the authority in relation to HRA self financing. The intention being that funds would be held in the Coop for as short a period as possible with any elongated holding of funds (for example if there was a compelling argument to borrow early) being in the DMADF.

Finally, as per the previous year's quarterly updates, recovery of Icelandic investments is still being managed with legal support organised through the Local Government Association. This should reach a conclusion in Quarter 3.

10. Conclusion

The Council's treasury function has been on a low risk plateau since the Icelandic banking crisis; even though it now looks likely that the Council will get the vast majority of its Icelandic deposits back, there is no strong argument for moving away from this position.

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

The main upcoming issue that will need addressing through 2011/12 is the HRA subsidy buy out. A detailed treasury strategy to support this is now being developed in parallel with the Council Housing 30-year business plan and in consultation with Sector, the Council's Treasury advisors.

Treasury Management Glossary of Terms

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

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

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

See also PWLB.

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

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

PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

As Approved and Updated by Council 02 March 2011 (except where highlighted, which need to be noted by Cabinet for approval by Council)

		2011/12 £'000	2012/13 £'000	2013/14 £'000
AFFORDABILITY				
PI 1:	Estimates of ratio of financing costs to net revenue stream			
	Non - HRA	13.7%	11.7%	11.3%
	HRA	7.2%	7.2%	7.1%
	Overall	11.3%	10.0%	9.7%
PI 2:	Actual ratio of financing cost to net revenue stream	Reported after each financial year end		
PI 3:	Estimates of the incremental impact of new Capital Investment decisions on the Council Tax	2.29%	1.12%	1.17%
	This includes the impact of all elements of funding, including any increase in the need to borrow, required to finance new schemes added to the Capital Programme	£4.41	£2.19	£2.35
PI 3A:	Illustrative Impact of Additional Borrowing £1 million	Repayment Period		
		5 Years	10 Years	25 Years
	Increase in Council Tax (£)	£4.99	£2.80	£1.65
	Increase in Council Tax (%)	2.59%	1.46%	0.86%
PI 4:	Estimates of the incremental impact of Capital Investment on Housing Rents	Nil	Nil	Nil
CAPITAL EXPENDITURE				
PI 5:	Estimates of capital expenditure			
	Non - HRA	5,765	3,822	1,196
	HRA subsidy buy out	35,000		
	Other HRA	3,658	3,616	3,616
	Total	44,423	7,438	4,812
PI 6:	Actual capital expenditure	Reported after each financial year end		
PI 7:	Estimates of Capital Financing Requirement			
	Non - HRA**	28,655	30,133	29,336
	Existing HRA*	15,303	15,303	15,303
	HRA subsidy buy out	35,000	35,000	35,000
	Total	78,958	80,436	79,639
PI 8:	Actual Capital Financing Requirement	Reported after each financial year end		
EXTERNAL DEBT				
PI 9:	Authorised Limit			
	Authorised Limit for Borrowing	51,740	51,640	51,650
	Additional authorised limit for HRA buy out	35,000	35,000	35,000
	Authorised Limit for Other Long Term Liabilities	260	260	250
	Authorised Limit for External Debt	87,000	86,900	86,900
PI 10:	External Debt: Operational Boundary	82,000	81,900	81,900
PI 11:	Actual external debt	Reported after each financial year end		
PRUDENCE				
PI 12:	Treasury Management: adoption of CIPFA code of Practice	The Council has adopted the updated Treasury Management code of practice (November 2009).		
PI 13:	Net borrowing and the capital financing requirement			
	Anticipated indebtedness (Weighted Authorised limit)	47,287	81,900	81,900
	Anticipated average investment	15,960	15,750	14,590
	Average CFR	47,440	79,697	80,037
	(Under)/over borrowed	-16,113	-13,547	-12,727
TREASURY MANAGEMENT				
PI 14:	Fixed Interest Rate Exposure			
	The Authority will limit its exposure to fixed interest rate costs to the amounts payable on the following amount of outstanding debt.	100%	100%	100%
PI 15:	Variable Rate Interest Rate Exposure			
	The Authority will limit its exposure to variable interest rate costs to the amounts payable on the following amount of outstanding debt.	30%	30%	30%
PI 16:	Maturity Structure of Borrowing			
	Upper and Lower Limits			
	Under 12 months	0% to 50%	0% to 50%	0% to 50%
	12 months and within 24 months	0% to 50%	0% to 50%	0% to 50%
	24 months and within 5 years	0% to 50%	0% to 50%	0% to 50%
	5 years and within 10 years	0% to 50%	0% to 50%	0% to 50%
	10 years and within 15 years	0% to 100%	0% to 100%	0% to 100%
	15 years and within 25 years	0% to 100%	0% to 100%	0% to 100%
	25 years and within 50 years	50% to 100%	50% to 100%	50% to 100%
	Maturity Profile of Current Outstanding Debt			
	Under 12 months	0%	0%	0%
	12 months and within 24 months	0%	0%	0%
	24 months and within 5 years	0%	0%	0%
	5 years and within 10 years	0%	0%	0%
	10 years and within 15 years	0%	0%	0%
	15 years and within 25 years	0%	0%	0%
	25 years and within 50 years	100%	100%	100%
PI 17:	Investments for periods longer than 364 days			
	The Authority will not invest for periods of longer than 364 days.	Nil	Nil	Nil

INVESTMENT INTEREST EARNED TO 30 September 2011

Icelandic investments	No	Start	End	Rate %	Principal £	Carrying value	Cumulative Interest* £
Deposited 2007/08							
Landsbanki Islands	004	31-Mar-08	22-Apr-09	6.25	1,000,000	588,718	18,448
Glitnir	F102/023	31-Mar-08	22-Apr-09	5.76	3,000,000	1,976,474	57,029
Deposited 2008/09							
Kaupthing, Singer & Friedlander	06/07-129	16-May-08	07-Oct-08	6.00	840,000	452,867	13,623
Sub total					<u>4,840,000.00</u>		<u>89,100</u>
Budgeted income (£100K pro rated)							50,137

Other Investments	opening	Min	Max	closing	Indicative rate	Cumulative Interest £
Call: Santander	5,550,000	1,500,000	6,000,000	2,470,000	0.75%	17,977
Call: Yorkshire bank	3,000,000	0	3,000,000	460,000	0.50%	1,501
Call: RBS	3,000,000	1,700,000	3,000,000	2,700,000	0.70%	8,931
Call: Lancashire County Council	0	0	0	0	0.70%	0
DMADF	0	0	0	0	0.25%	0
Government Liquidity MMF	6,000,000	2,000,000	6,000,000	2,980,000	0.39%	6,957
Liquidity First MMF.	6,000,000	6,000,000	6,000,000	6,000,000	0.65%	18,917
Sub-total	<u>23,550,000</u>			<u>14,610,000</u>		<u>54,283</u>
Budgeted income (£105K pro rated)						52,844

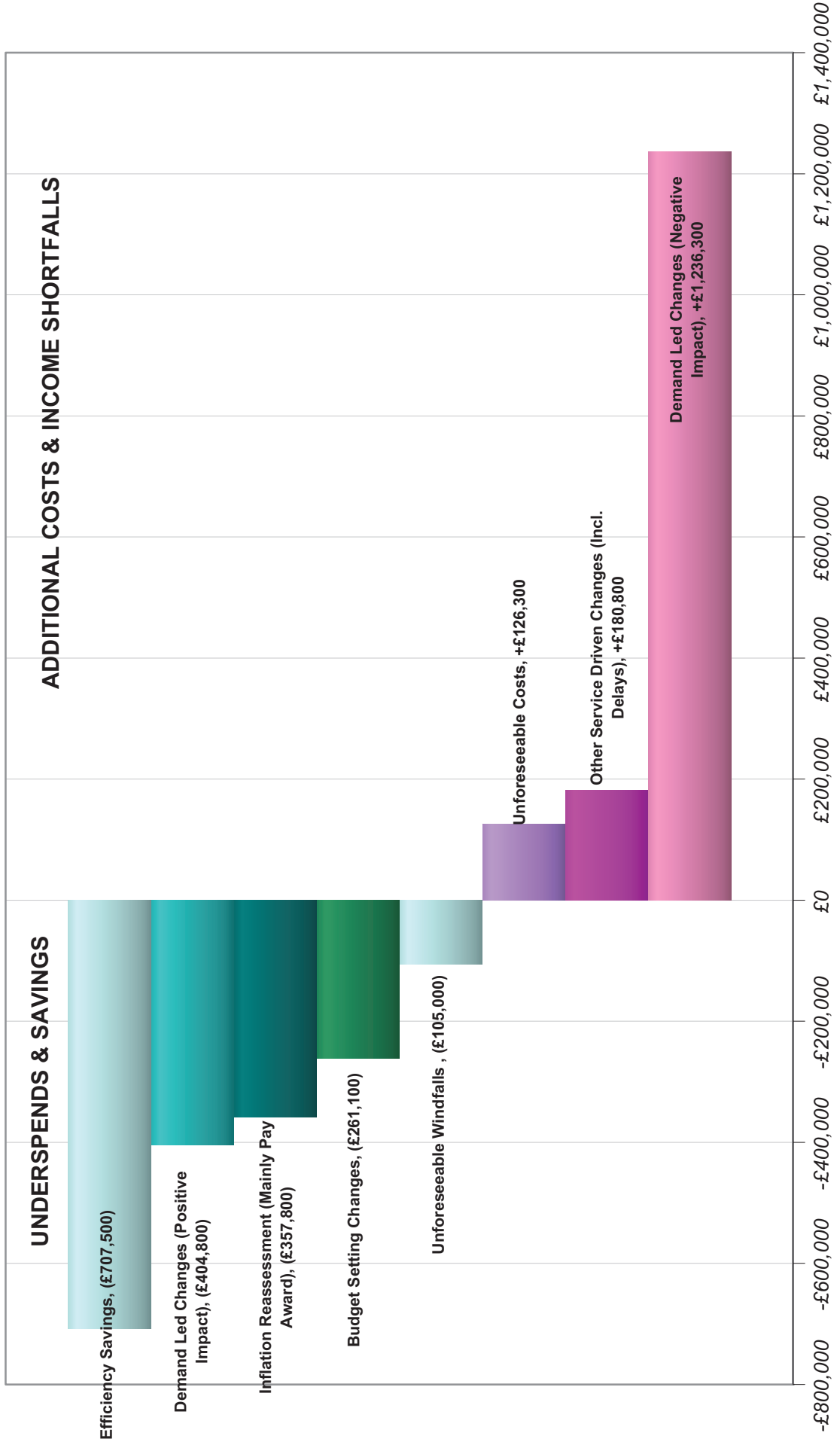
TOTAL Interest	143,383
Variance (+ive = favourable)	40,402

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

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

2012/13 ESTIMATE

2012/13 Variance Analysis - Total Net Reduction £293K



2012/13 VARIANCE ANALYSIS : For consideration by Cabinet 06 December 2011

SUMMARY		TOTAL £	Community Engagement £	Environmental Services £	Financial Services £	Governance £	Health & Housing £	Information Services £	Office of Chief Executive £	Property Services £	Regen & Policy £	Corporate Accounts £
2012/13 Base Line Budget		+20,434,200	+5,576,800	+6,795,500	+3,534,300	+1,747,600	+2,554,100	+276,100	-4,400	-977,900	+4,230,000	-3,297,900
Increments		+264,400	+66,600	+86,300	+9,300	+16,800	+36,400	+4,000	+600	+16,700	+27,700	
Original Inflation Assumed		+432,400	+68,100	+155,900	+44,900	+17,100	+22,200	+14,700	+3,800	+53,100	+52,100	+500
Original 2012/13 Forecast		+21,131,000	+5,711,500	+7,037,700	+3,588,500	+1,781,500	+2,612,700	+294,800	+0	-908,100	+4,309,800	-3,297,400
Unforeseeable Windfalls		-105,000										-105,000
Unforeseeable Costs		+126,300	+58,100		+16,300	+2,900	+1,300			+47,700		
Demand Led Changes (Positive Impact)		-404,800	-35,000	-55,500	-22,100	-25,600		-4,900		-66,100	-24,200	-171,400
Demand Led Changes (Negative Impact)		+1,236,300	+89,700	+259,300	+152,600	+9,000	+1,700	+9,400		+456,600	+144,000	+114,000
Efficiency Savings		-707,500	-166,700	-178,000	-119,800	-84,800	-10,300	-92,200	-8,000	-47,700		
Other Service Driven Changes (Incl. Delays)		+180,800	-13,800		-60,600	-2,200	-13,000	-16,200		-14,400	+184,000	+117,000
Other Budget Setting Changes (incl Member decisions)		-261,100	-9,300	-32,800	-10,300	-1,400	-61,900	-1,000		-57,500	+10,100	-97,000
Inflation Reassessment (Mainly Pay Award)		-357,800	-30,400	-168,300	-43,600	-13,400	-21,700	-4,200	-4,400	-46,700	-26,000	+900
Notional / Presentational Items		+0	+68,200	-92,500	-200,700	+31,300	+95,500	-185,700	+12,400	-7,900	+254,600	+24,800
Latest 2012/13 Budget		+20,838,200	+5,672,300	+6,769,900	+3,300,300	+1,697,300	+2,604,300	+0	+0	-644,100	+4,852,300	-3,414,100
Change from original Forecast		-292,800	-43,700	-277,800	-268,200	-94,200	-3,400	-185,700	+12,400	-676,200	+542,500	-116,700

Service Analysis

Unforeseeable Windfalls of Income

Minimum Revenue Provision (Recovery of Icelandic Impairment)

Community Engagement £	Environmental Services £	Financial Services £	Governance £	Health & Housing £	Information Services £	Office of Chief Executive £	Property Services £	Regen & Policy £	Corporate Accounts £
+0	+0	+0	+0	+0	+0	+0	+0	+0	-105,000
+0	+0	+0	+0	+0	+0	+0	+0	+0	-105,000

-105,000
-105,000

Unforeseeable Costs

Rates (Various Municipal Buildings, incl Off-Street Car Parks)
 Service Charges (LVIC)
 Waste Water (Williamson Park)
 Interest & Investment Income
 Other Miscellaneous

+17,900				+1,300			+45,900		
+15,600									
+23,000									
		+16,300							
+1,600			+2,900				+1,800		
+58,100	+0	+16,300	+2,900	+1,300	+0	+0	+47,700	+0	+0

+65,100
+15,600
+23,000
+16,300
+6,300
+126,300

Demand Led Changes (Positive Impact)

Utilities / Rates
 R & M (Three Stream Waste)
 Car Allowances (mainly less activity on Coast Protection)
 Members Expenses (not all Cabinet seats taken)
 Consultants (Building Control, fewer applications)
 ICON Managed Service
 Cost of Rate Relief
 Photocopying / Mobile Phones
 Office Waste Recycling
 Services General / Trade Refuse
 Refuse Sacks (Three Stream Waste)
 Fees & Charges Income (Mainly SASC)
 Sales General (Mainly WP Café / Shop)
 Hire of Premises
 Rents General (Various Commercial Properties)
 New Homes Bonus Grant (increased allocation)
 Other Miscellaneous

-4,400	-6,800						-14,500		
	-36,300							-11,100	
		-16,100							-5,000
		-6,500							
		-5,700							
		-4,100							
					-4,900				
-9,500	-10,400						-5,600		
-13,200									
-7,900	-2,000		-9,500						-171,400
-35,000	-55,500	-22,100	-25,600	+0	-4,900	+0	-66,100	-24,200	-171,400

-25,700
-36,300
-11,100
-16,100
-5,000
-6,500
-5,700
-4,100
-4,900
-5,600
-10,400
-9,500
-18,200
-5,700
-36,000
-171,400
-32,600
-404,800

Community Engagement	Environmental Services	Financial Services	Governance	Health & Housing	Information Services	Office of Chief Executive	Property Services	Regen & Policy	Corporate Accounts
£	£	£	£	£	£	£	£	£	£
+13,900							+6,100	+5,900	
+4,700									
+4,500	+33,400								
+6,500	+57,100	+11,200			+4,100				
	+58,300	+141,400							
	+105,800						+5,500		
+12,200							+2,800		
+36,800			+3,900						
+3,900					+5,300		+141,300		
+5,300							+82,900		
+141,300							+82,600		
+82,900							+53,500		
+82,600							+35,300		
+53,500							+72,400		
+35,300							+30,300		
+72,400							+4,200	+41,200	
+30,300								+100,000	
+4,200									+114,000
+41,200									
+100,000									
+114,000									
-57,500	+4,700		+5,100	+1,700			-57,500		
+16,700	+259,300	+152,600	+9,000	+1,700	+9,400	+0	-2,800		
+1,236,300							+456,600	+144,000	+114,000

Demand Led Changes (Negative Impact)

- Salaries (Williamson Park - new appointments on LCC rates)
- Coast Protection Staff Recharges (Fewer Capital Schemes)
- Utilities (Camforth Pool/WP Café/Municipal Bldgs)
- Trade Refuse
- Trade Refuse Income & Disposal
- Materials for Resale (WP Café/Shop)
- R & M (Commercial Fleet)
- Equipment and Tools (Three Stream Waste)
- Data Line Rental/Electronic Document Mgt
- Bank Charges
- Ctax/NNDR Legal Costs Recovered
- Highway Recharges
- Sales, Donations, Admissions (WP/Lancaster Market/Municipal Bldgs)
- SASC Fees & Charges
- Licence Income (Hackney/Gambling/Licence Act 2003)
- Sales - Prints & Plans
- Fees & Charges Income - Car Parking
- Rents General (Lancaster Market)
- Rents General (St Leonards House)
- Rents General (CityLab)
- Rents General (Other Commercial Properties, mainly 7 Cheapside)
- Service Charges Recovered (Lancaster Market)
- Service Charges Recovered (CityLab)
- Service Charges Recovered (Other Commercial Properties)
- Building Regs Application Fees
- Planning Application Fees
- Direct Revenue Financing (updated Capital programme)
- Contributions to/fr Provisions & Reserves (CityLab)
- Other Miscellaneous

+13,900
+5,900
+10,800
+4,500
+33,400
+6,500
+57,100
+58,300
+4,100
+11,200
+141,400
+111,300
+15,000
+36,800
+3,900
+5,300
+141,300
+82,900
+82,600
+53,500
+35,300
+72,400
+30,300
+4,200
+41,200
+100,000
+114,000
-57,500
+16,700
+1,236,300

Efficiency Savings

- Salaries (Vacant Post Review)
- Salaries (Service Restructure)
- Salaries (Other)
- Revenues & Benefits Shared Services (additional savings)
- Utilities (Mainly SASC/CityLab/Computer Annex)
- Postages
- Books & Periodicals
- Printing / Photocopying
- Other Miscellaneous

-375,500
-107,700
-35,400
-76,300
-66,900
-7,600
-7,300
-7,100
-23,700
-707,500

Community Engagement	Environmental Services	Financial Services	Governance	Health & Housing	Information Services	Office of Chief Executive	Property Services	Regen & Policy	Corporate Accounts
£	£	£	£	£	£	£	£	£	£
-91,000	-178,000	-27,300	-34,600	-5,700	-44,600				
-20,100		-13,700	-38,400	-300	-43,500	-6,800	-14,600		
		-76,300							
-44,100			-7,300				-22,800		
-6,600			-4,500				-1,000		
		-2,500	-4,300		-4,100		-3,000		
-4,900			-4,300		-1,200		-6,300		
-166,700	-178,000	-119,800	-84,800	-10,300	-92,200	-8,000	-47,700	+0	+0

	Community Engagement £	Environmental Services £	Financial Services £	Governance £	Health & Housing £	Information Services £	Office of Chief Executive £	Property Services £	Regen & Policy £	Corporate Accounts £
-900	-19,500							-3,000	+21,600	
-2,300								-2,300	+15,900	
+15,900	-10,300								+133,900	
+123,600								-3,400		+23,000
-3,400								-4,200		
+23,000										
-4,200										
-14,600										
+14,100	+14,100									
-12,200										
+28,000		+28,000								+107,000
-27,500		-27,500								-13,000
+107,000										
-57,000	+1,900									
-8,700										
+180,800	-13,800	+0	-60,600	-2,200	-13,000	-16,200	+0	-14,400	+184,000	+117,000

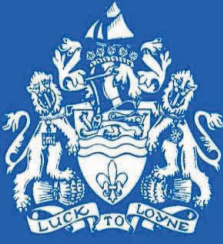
Other Service Driven Changes (Incl. Delays)

Salaries
Car Allowances
R&M General
Consultants (Mainly MAAP and BID Studies)
Contracted Services
Services General / Security Services (Luneside East)
Services - St Nicholas Arcade
Ordnance Survey Fee
Grants & Contributions
General Income (Home Improvement Grant)
Rent Rebates - Council Housing
Standard Rent Allowances
Vehicle Financing (purchased outright rather than leased)
Contributions to/for Reserves (S106 - Conservation Grant Scheme)
Contributions for Provision (Port of Heysham Slippage)
Other Miscellaneous

-4,900	+5,400									
-85,300	-18,600									
-5,200										
+8,000										
-1,400										
-11,900										
-4,100										
-5,200										
+22,400		+22,400								
-3,700										
+15,000										
+7,100										
-20,100										
-11,900										
+5,100										
-8,700										
-57,500										
-97,000										
-1,800										
-261,100	-9,300	+2,400	-10,300	-1,400	-61,900	-1,000	+0	-57,500	+10,100	-97,000

Other Budget Setting Changes (Incl Member decisions)

Salaries (Delays in CE Post Deletion/Residents On-Street Parking)
Salaries (Reversal of £250 pay award not applied)
Car Allowances / Leases
Approved Revenue Savings (HMP Casual Staff)
Utilities
Office / Computer Equipment (Partly end of LT lease Coast Protection)
Equipment Hire
Mobile Telephones
Transport & Plant Operating Leases
Security Services
Conservation & Environment (Forest of Bowland AONB)
Subscriptions (LEP)
Parksafe Contribution (Original Contract ended November 2011)
County Contributions (Residents On-Street Parking)
Receipts from Other Bodies
Interest to HRA
DFG Administration Charge Income
Minimum Revenue Provision
Other Miscellaneous



LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

FEEES AND CHARGES POLICY

DECEMBER 2011

1. INTRODUCTION

- 1.1. The decisions made by councils about charging for local public services affect everyone. Where councils charge for services, users pay directly for some or all of the costs of the services they use. Where no charges are made, or where charges do not recover the full cost of providing a service, council taxpayers subsidise users.
- 1.2. Fees and charges represent an important source of income, providing finance to assist in achieving the corporate objectives of Lancaster City Council. The purpose of this policy is to establish a framework within which fees and charges levied by the council are agreed and regularly reviewed.
- 1.3. The decision on whether to make a charge (and the amount to charge) is not always within the control of the council. But where it is, it is important that the implications of the charging decisions being taken are fully understood and that the appropriate information is available for the council to make informed decisions.
- 1.4. The policy therefore provides clear guidance to service heads and service managers on;
 - The setting of new fees and the policy context within which existing charges should be reviewed.
 - How fees and charges can assist in the achievement of corporate priorities.
 - The council's approach to cost recovery and income generation from fees and charges.
 - Eligibility for concessions.
- 1.5. The policy should allow the council to have a properly considered, consistent and informed approach to all charges it makes for its services. This will in turn, support the delivery of corporate objectives.

2. GENERAL POLICY

- 2.1. This policy relates to fees and charges currently being levied by the council and those which are permissible under the wider general powers to provide and charge for discretionary services included within the Local Government Act 2003.
- 2.2. Statutory charges also fall within the scope of the policy, even though their level may not be determined by the council. This ensures clarity and consistency and allows subsequent reviews of the policy to be comprehensive. It also enables changes to the national legislative charging framework, and any other situations that may arise in the future, to be addressed.

Council policies, strategies and priorities

- 2.3. Specific decisions and charging policies should support delivery of the council's Corporate Plan and other local strategies and service objectives.

Charging decisions will take account of the council's corporate priorities and have regard for the potential impact on other service areas.

Basis of charging decisions

- 2.4. The council will charge for all services where it is appropriate and cost-effective to do so, unless there are contrary policies, legal or contractual reasons.
- 2.5. When discretionary charges are set, the general aim shall be to cover the cost of the service or, where legally possible, the council may charge on a commercial basis. Charges will reflect the full cost of provision, unless covered by subsidies/concessions designed to meet corporate priorities or there are contrary policies or legal reasons.

Concessions

- 2.6. Subsidies and concessions should be used to help achieve specific targets or objectives. Concessions should be awarded and reviewed in relation to each service. Where subsidies and concessions are applied there should be an evaluation process in place to measure levels of success in meeting these objectives. Definitions and qualifying criteria for concessionary target groups should be consistent across the council.

Surplus Income

- 2.7. Income derived from charging will be used to offset the costs of providing the service being charged for, including support service costs. Where a surplus, over budget, is generated from charges 50% of this surplus will be considered as a corporate resource and transferred to unallocated balances. This is on the provision that this is not prohibited by other statutory requirements or government guidance.
- 2.8. However, it is acknowledged that the ability to use charges to deliver the corporate priorities of the Council requires a degree of freedom and corporate controls (as expressed through this policy) need to avoid imposing unnecessary restrictions. Therefore, proposals for re-investing any additional income raised from charging in the expansion and development of a particular service will need to be considered as part of the annual review of charges. Each proposal will therefore be considered on its own merit and in light of financial planning process.

Efficient Administration

- 2.9. Arrangements for charging and collecting fees should be efficient, practical and simple to understand by users. The reasons behind any significant changes to charges should be communicated to residents and service users. The impact of charging decisions on service users and local residents will need to be taken into account.

Regular Review

- 2.10. Charges, and decisions not to charge, will be reviewed annually in sufficient time for the impact of any revisions to be included in the budget setting process.

Policy Implementation

- 2.11. The policy will encompass decisions made as part of the annual fees and charges review process, where new charges are introduced or where existing charges are removed or amended.
- 2.12. The policy is undertaken in accordance with the council’s Constitution (Financial Regulations). These put the responsibility with Service Heads, for recommending the level of existing or new charges, to the Council.

3. CHARGING POLICY

- 3.1. Within the service and financial planning process, each fee or charge should be identified to one of the categories in the following table and the appropriate charging policy adopted in establishing and reviewing charging rates / levels. This will be subject to approval through the budget process or, for in-year changes, subject to approval by Cabinet or Service Heads under delegated authority. In all cases, in determining an appropriate charging policy, proper consideration should be given to the wider equalities implications which may be involved affecting full accessibility of all groups to council services.

CHARGING POLICY	POLICY OBJECTIVE
Full commercial	The council seeks to maximise revenue within an overall objective of generating as large a surplus (or a minimum loss) from this service.
Full commercial with discounts	As above, but with discounted concessions being given to enable disadvantaged groups to access the service.
Fair charging	The council seeks to maximise income but subject to a defined policy constraint. This could include a commitment made to potential customers on an appropriate fee structure. Alternatively, a full commercial rate may not be determinable or the council may be a monopoly supplier of services.
Cost recovery	The council wishes to make the service generally available, but does not wish to allocate its own resources to the service.
Cost recovery with discounts	As above, but the council is prepared to subsidise the service to ensure disadvantaged groups have access to the service.
Subsidised	Council policy is to make the service widely accessible, but believe users of the service should make some contribution from their own resources. Could also be due to the adverse impact a cost recovery or commercial charging policy would have on other council services.
Nominal	The council wishes the service to be fully available, but sets a charges to discourage frivolous usage.
Free	Council policy is to make the service fully available.
Statutory	Charges are set in line with legal obligations.

- 3.2. In applying the appropriate charging policy, the issues which may need to be considered in setting the level of fee and charge for any particular service include typically those set out below:

CHARGING POLICY	POLICY OBJECTIVE
Full commercial	<ul style="list-style-type: none"> • Are the charges high enough for the service to be profitable? If not, consider whether the service should be provided. • Are competitors charging similar prices? • Does the council offer any premium in terms of service levels that customers would be prepared to pay more for? • How would changes in pricing structures affect demand for the service and potentially its profitability? • How does the proposed fee structure fit in with the long-term business plan for the service?
Fair charging	<ul style="list-style-type: none"> • How do the charges compare to other providers of similar services? • Has the loss of income from not charging on a commercial basis been evaluated? • Is the policy constraint justifying this charging policy still valid?
Cost recovery	<ul style="list-style-type: none"> • Do charges recover the full costs, including overheads, capital charges and recharges? • Is it possible to charge on a full commercial basis and if so has the loss of income from not charging on a full commercial basis been evaluated? • Are Members aware of the effect on demand for this service from this charging policy? • What would be the effect of changing the policy to a different one e.g. subsidised?
Subsidised	<ul style="list-style-type: none"> • Has the cost of the subsidy been evaluated? • What has been the impact on demand and on service levels from adopting this approach? • Does this approach fit in with the requirements of other funding streams i.e. grants? • Is this approach legally required? • Is there a problem of frivolous use of the service?
Nominal	
Free	
Statutory	<ul style="list-style-type: none"> • Are charges in line with statutory requirements? • Are they set at the maximum permitted levels?

4. SUBSIDIES AND CONCESSIONS

4.1. It might be appropriate to consider subsidising some services, particularly if this helps to achieve corporate priorities and supports local strategies and policies. The main reasons for charging less than full cost are set out below;

- There is a sound financial and policy justification for the council tax payers subsidising this service.
- The desire to encourage particular sections of the community to use specific services, and they could not afford, or might otherwise be deterred by, full cost charges.
- Charging full cost discourages or prevent uptake, which may have a detrimental impact on the council's finances in the long run.

- Use of the service is sensitive to a change in price – an increase in charges reduces demand and income.
 - The council incurs higher costs than other providers because the service is provided in a way that is appropriate and accessible for all sectors of the community.
- 4.2. When considering using a subsidy, the following points should be taken into account;
- That it supports a corporate priority, objective, or policy.
 - There is evidence to suggest that the impact of the policy can be measured.
 - The cost of the subsidy can be estimated and accommodated within the council's budget.
 - That the proposal is the most effective approach available to deliver the policy objective.
- 4.3. It is recognised that in some circumstances discounts may not be appropriate and that, in all cases, it will be necessary to carefully consider the impact on income before introducing discounts or concessions to service areas which do not currently offer them.

5. NEW FEES AND CHARGES

- 5.1. Proposals for new fees and charges must be considered within the financial planning process or, where necessary, submitted to Cabinet for approval as an in-year change.
- 5.2. Proposals for new fees and charges should be analysed using the guidance in the appendix to this policy. This effectively provides a brief rationale and business case for the proposed charge.
- 5.3. The effects of any new charge on service usage and income generated will be monitored regularly over the first 12 months and reviewed within the Performance Management framework.

6. REVIEWING FEES AND CHARGES

- 6.1. Service Heads must consider charging policies and current levels of charge each year as part of the service and financial planning process. The presumption is that the value of fees and charges will be maintained in real terms over time and increased annually in line with inflation as set within the service and financial planning process.
- 6.2. If there are any significant changes in the course of a year, such as in cost, market forces or service levels, which materially affect current charges and revenues, then that charge should be reviewed and any change approved by Cabinet or through delegated authority as an in-year change.

Annual review of fees and charges

- 6.3. Service Heads should review the charge and anticipated yield from fees and charges in sufficient time to be able to influence the annual budget process.

- 6.4. As part of this process, the Head of Financial Services will determine the percentage rate for “typical” fees and charges increases. Additionally, Cabinet may decide to set income targets for specific service areas as part of an effort to identify efficiencies and/or generate additional income.
- 6.5. Service Heads will review existing fees and charges in line with this policy and the financial planning process. Any proposal to significantly amend an existing fee or charge will require a full justification and explanation to be provided.

7. COLLECTION OF FEES AND CHARGES

- 7.1. In line with the Debt Management Policy, wherever it is reasonable to do so, charges will be collected either in advance or at the point of service delivery. Where charges are to be collected after service delivery has commenced, invoices will be issued promptly, and as necessary appropriate recovery procedures followed.

8. RECORDING OF FEES AND CHARGES

- 8.1. Each service should maintain a schedule of fees and charges levied. This schedule should include, but identify separately, those charges where there are national / external procedures or other specific procedures for determining and reviewing rates of charge.
- 8.2. The council’s fees and charges are set prior to each financial year. They are widely published including the council’s website, and consist of a schedule of charges across each service area.
- 8.3. Reasonable notice should be given to service users before any decisions to amend or introduce new fees and charges are implemented, together with clear advice on VAT, together with any discounts or concessions available. Reasonable notice is defined as one calendar month.

GUIDANCE FOR NEW FEES AND CHARGES

Charging Policy
The charging policy objectives must be stated here, together with why this policy (Full Commercial or Fair Charging etc.) has been adopted. The intended aims of the charges should also be clearly thought out and explained. Any legal issues should be identified.

Comparative Information
Include here details of comparative information collected from other authorities or competitors etc.

Financial	
Information Required	Description
Level of charge	Recommended or proposed new level of charge.
Start date	Proposed implementation date for new level of charge, although it could be related to a future event.
Budgeted income	Level of income to be generated from the new charge.
Surplus / deficit as a percentage of cost	The total cost of supplying the service (including recharges and other overheads) should be calculated and deducted from the income generated. This surplus or deficit should then be compared to the total cost as a percentage. Calculating total cost may require the use of judgement and reasonable assumptions. This is acceptable, so long as a clear audit trail of those assumptions is maintained.
Surplus / deficit per usage	The difference between income generated and the total cost of providing that service, divided by the expected number of users of that service.

Impact Assessment
Any proposals must identify likely impact on the service's users including; who currently benefits from the service, the effects on them of any changes and who will benefit from new exemptions and discounts together with how demand and usage is expected to change. Equality issues must specifically be considered and reported.

Impact on Other Areas
The likely consequences in terms of reduced or increased demand for other council services must be identified here as well as any extra costs to other services. Equality issues must specifically be considered and reported.

Method of Collection

Proposals for new charges must identify what collection methods will be used. If this is a change in current arrangements it will need to identify the following:

- What the likely impact is on the rate and costs of collection;
- What account has been taken of how long low income users can pay; and
- How cost effective will the new methods be?

Alternatives

Explain here the other measures that have been considered instead of, or as well as, the proposed charge (cost cutting, reducing charges, sponsorship etc.).

Consultation

Include here the extent of consultation conducted, which will be dependent upon the impact of fee and/or charge, and the results of that consultation.

Review of Fees and Charges

Annex B

Other than where statutory or contractual obligations apply, the budget assumes inflationary price increases of 2.6%.

Basis of Charge	Service	Service Activity	Detail	2011/12 Latest Budget £	2012/13 Estimate £	Decision Making	Additional Comments
Statutory	Governance Services	Gambling Act 2005	Licence Fees	-28,700	-26,600	Licensing Act Citee	
	Governance Services	Licensing Act 2003	Personal & Premises Licences	-148,500	-152,400	Licensing Act Citee	Income down 4% in current year
	Health and Housing	Environmental Protection	EPA Authorisation Fees	-19,600	-20,100	Officer Delegation	
	Property Services	Off Street Car Parks	Fines	-132,600	-139,600	Officer Delegation	Income down 5% in current year
	Regeneration & Policy	Development Control Function	Planning Application Fees	-375,000	-400,000	Officer Delegation	Income down 17% due to fall in demand
<p>Fees in these areas have been increased by inflation and adjusted to reflect changes in demand. They are not set to maximise income but to ensure, wherever possible, that they recover the cost of the service provision and as such are limited by this. Specific statutory provisions can apply, which prevent a surplus (or deficit) being made. As such, there is no discretion to increase charges, (but in some areas there could be discretion to reduce them).</p>							
Cost Recovery / Statutory	Community Engagement	Lancaster & Morecambe V.I.C.s	Sales and Commission	-53,200	-53,200	Officer Delegation	
	Environmental Services	Grounds Maintenance	General Fees & Charges	-240,000	-240,000	Officer Delegated	
	Financial Services	Legal Costs Recovered	General Fees & Charges	-353,500	-361,800	Officer Delegated	Income down 29% in current year due to less sumonuses
	Governance Services	Hackney Carriage Licences	Licence and Inspection Fees	-160,200	-164,200	Licensing Reg. Citee	Income in line with original projections
	Governance Services	Legal Services Mgt & Admin	Professional Fees	-39,800	-38,800	Officer Delegation	
	Governance Services / Health & Housing	Miscellaneous Licences	Various Licence Fees	-16,100	-13,600	Licensing Reg. Citee	
	Governance Services	Searches Administration	Search Fees	-182,300	-169,600	Cabinet	Income up 10% in current year but projected to reduce
	Health and Housing	Mellishaw Park	Rents & Service Charges	-60,300	-60,600	Officer Delegation	
	Health and Housing	Enforcement Activity	HMO Licence Fees	-17,800	-71,800	Officer Delegation	
	Health and Housing	Homelessness	General Fees & Charges	-14,300	-14,700	Officer Delegation	
	Regeneration & Policy	Building Regulations	Application & Enquiry Fees	-118,100	-207,800	Officer Delegation	To be reviewed in order to recover current deficit
	Property Services	Commercial Land & Buildings	Service Charges Recovered	-266,700	-266,900	Officer Delegation	Fixed by the terms of the individual leases
	Property Services	Morecambe Market	Service Charges Recovered	-14,500	-14,500	Cabinet	Income down 9% in current year

Basis of Charge	Service	Service Activity	Detail	2011/12 Latest Budget £	2012/13 Estimate £	Decision Making	Additional Comments
Full Commercial	Community Engagement	Parks, Open Spaces & Rec Grounds	Rents, Service Charges, Fees and Charges	-65,000	-58,900	Cabinet	
	Community Engagement	Promenade Management	Rents & Passes	-42,900	-29,300	Officer Delegation	
	Community Engagement	Platform	Admission Fees	-93,200	-95,600	Cabinet	Income in line with original projections
	Community Engagement	Platform	Bar & Cafe	-41,500	-42,600	Cabinet	Income in line with original projections
	Community Engagement	Platform	Premises Hire	-62,000	-63,600	Cabinet	Income in line with original projections
	Environmental Services	Nurseries	General Fees & Charges	-182,600	-187,400	Officer Delegated	
	Environmental Services	Street Cleaning	General Fees & Charges, Fines	-31,100	-31,900	Officer Delegated	
	Environmental Services	Trade Refuse	Trade Refuse Collections	-947,800	-1,163,300	Officer Delegated	Review of service following increased landfill costs
	Environmental Services	White Lund Depot	Rents - General	-13,800	-14,200	Officer Delegated	
	Property Services	Commercial Land & Buildings	Hire Of Premises	-4,000	-4,100	Officer Delegation	
	Property Services	Commercial Land & Buildings	Rents - General	-703,200	-708,600	Officer Delegation	Fixed by the terms of the individual leases
	Property Services	Morecambe Market	Storage	-13,400	-13,400	Cabinet	
	Property Services	Morecambe Market	Rents - Market Stalls	-313,700	-313,700	Cabinet	Income down 9% in current year
	Property Services	Assembly Rooms Market	Rents - Market Stalls	-23,600	-23,600	Cabinet	
	Property Services	Church Street Market	Market Tolls	-63,900	-63,900	Cabinet	Income in line with original projections
	Property Services	Municipal Buildings	Hire Of Premises	-35,000	-35,900	Cabinet	Income up 21% in current year
	Property Services	Municipal Buildings	Rents - General	-100,700	-101,000	Cabinet	Fixed by the terms of the individual leases
	Property Services	Off Street Car Parks	Rents - General	-32,300	-32,300	Officer Delegation	
	Property Services	Other Land & Buildings	Rents & Service Charges	-3,900	-3,900	Officer Delegation	Fixed by the terms of the individual leases
	These fee earning areas are based on full commercial charges but with discounted concessions being given in certain circumstances.						
Full Commercial with Discounts	Environmental Services	Bulky Waste Collection	Domestic Collections & Sales	-92,700	-95,100	Officer Delegated	
	Property Services	Lancaster Market	Service Charges Recovered	-97,800	-92,300	Cabinet	Future of market determined at Council 16 Nov
	Property Services	Lancaster Market	Rents - Market Stalls	-133,200	-122,600	Cabinet	Future of market determined at Council 16 Nov

Basis of Charge	Service	Service Activity	Detail	2011/12 Latest Budget £	2012/13 Estimate £	Decision Making	Additional Comments
Fair Charging	Health and Housing	Cemeteries	Fees, Charges & Sales	-246,600	-251,900	Cabinet	Income in line with original projections
	Health and Housing	Pest Control	Insect, Pest & Rodent Control Charges	-104,800	-106,100	Cabinet	Income in line with original projections
	Health and Housing	Private Housing	Administration Charges	-72,200	-69,700	Officer Delegation	
	Property Services	Off Street Car Parks	Car Parking Fees	-2,073,500	-2,127,400	Cabinet	Income down 4.5% due to reduced demand
	Property Services	Off Street Car Parks	Car Parking Permits	-161,500	-165,700	Cabinet	Income down 33% due to reduced demand
	Property Services	Residents On-Street Parking	Car Parking Contracts	-52,000	-60,000	Officer Delegation	
<p>Each area of income has been increased for inflation and also adjusted to reflect levels in demand. Whilst fees can be increased by more than inflation this must be weighed against the impact it may have on demand. These areas are classed as subsidised as they do not recover the cost of the service provision and are intended to make the service widely accessible.</p>							
Subsidised	Community Engagement	Williamson Park	Sales, Fees and Charges	-367,700	-360,700	Cabinet	Income up 7% this year but net cost up 20%
	Community Engagement	Salt Ayre Sports Centre	Fees and Charges	-928,100	-957,400	Cabinet	Income down 5% in current year
	Community Engagement	Community Pools	Fees and Charges	-338,500	-340,000	Cabinet	Income up 2% in current year
	Environmental Services	Public Conveniences	General Fees & Charges	-18,200	-18,700	Officer Delegated	
<p>Nominal fee charges have been increased for inflation and also adjusted to reflect levels in demand. Whilst fees can be increased by more than inflation this must be weighed against the impact it may have on demand. These fees are classed as nominal as they are for services that the Council wishes to be fully available but sets a charge to discourage frivolous usage.</p>							
Nominal	Community Engagement	Playschemes	Admission Fees	-9,800	-7,700	Officer Delegation	
	Community Engagement	Holiday Activities Programme	Admission Fees	-9,300	-9,500	Officer Delegation	
	Various Services	Various minor activities	Fees & Charges	-58,400	-65,200		
		Various minor activities	Sales	-15,200	-15,900		
			TOTAL	-9,794,300	-10,269,300		

Page 60
General Fund Gross Capital Programme
Current Draft including approved slippage (Cabinet 06 December)

Service / Scheme	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £	5 year Total £
Environmental services							
District Playground Improvements	61,000						61,000
Hala Park Playground Improvements (external funding confirmed)	39,000						39,000
Heysham village Playground (external funding confirmed)	46,000						46,000
Clay Pitts Recreation / Play Facilities Development	140,000						140,000
Mainway recycling bins	34,000						34,000
Toilet Works	94,000	90,000	60,000	90,000			334,000
Allotment Extension - Scotforth	0	60,000					60,000
Allotment Improvements (subject to expenditure plan)	9,000	47,000					56,000
Community Engagement							
The Platform Improvements (subject to business case)		110,000					110,000
Warm Homes Scheme (PRG funded)	50,000	50,000					100,000
Williamson Park	0	75,000					75,000
Salt Ayre works programme	118,000						118,000
Health and Housing							
YMCA Places of Change	63,000						63,000
Disabled Facilities Grants	681,000	653,000	653,000	653,000	653,000	653,000	3,946,000
Information Services							
I.T. Infrastructure	20,000						20,000
I.T. Application Systems Renewal	21,000	50,000	225,000				296,000
I.T. Desktop Equipment	30,000	135,000	50,000	50,000	50,000	50,000	365,000
Regeneration & Policy							
Cycling England	13,000						13,000
Morecambe FC Footpath Works	69,000						69,000
Sustrans Grants - Links to Schools	156,000						156,000
Toucan Crossing-King Street	14,000						14,000
Artle Beck Improvements (Flood Defences)	240,000						240,000
Strategic Monitoring (River & Sea Defences, subject to EA funding)	98,000	98,000	101,000	101,000	101,000	101,000	600,000
Denny Beck Bridge Improvements	81,000						81,000
Wave Reflection Wall Refurbishment (subject to EA funding)	15,000	1,000					16,000
Slyndedale Culvert project	22,000	3,000					25,000
The Dome (Demolition)	12,000						12,000
Amenity improvements	37,000						37,000
Luneside East	462,000						462,000
Poulton Public Realm-Edward St, Union St, Church Walk	15,000						15,000
Bold Street Renovation Scheme	94,000						94,000
Lancaster Square Routes	220,000						220,000
Frances passage (Square routes S106)	73,000						73,000
Morecambe TH12: A View for Eric		55,000	55,000	55,000	55,000	55,000	275,000
Poulton Pedestrian Route			160,000				160,000
Public Realm Works	13,000						13,000
Greyhound Bridge Road affordable housing(S106)	250,000						250,000
Storey Institute Centre for Industries	34,000						34,000
Square Routes tranche 2		300,000					300,000
Morecambe area action plan		200,000					200,000
S106 payments to County (White Lund Industrial Estate)	76,000						76,000
Port of Heysham Sites 1&4 (Payment of Clawback)		328,000					328,000
Property Services							
Car Park Improvement Programme		80,000					80,000
Invest to Save: Addition of Photo Voltaic Panels to Municipal Buildings	750,000						750,000
Corporate & Municipal Building Works (incl. energy efficiency)	2,207,000	1,688,000	1,687,000				5,582,000
GENERAL FUND CAPITAL PROGRAMME	6,357,000	4,023,000	2,991,000	949,000	859,000	859,000	16,038,000
Financing :							
Grants and Contributions	1,551,000	743,000	870,000	743,000	743,000	743,000	5,393,000
Usable Capital Receipts (see table below)	7,627,000	780,000	1,244,000	44,000	44,000	0	9,739,000
Capital Grants Unapplied in Prior Years	190,000	50,000					240,000
Revenue Financing	1,822,000	274,000	90,000	45,000	45,000	45,000	2,321,000
Sub-total	11,190,000	1,847,000	2,204,000	832,000	832,000	788,000	17,693,000
Increase / Reduction (-) in CFR (Underlying Change in Borrowing Need)	-4,833,000	1,841,000	787,000	117,000	27,000	71,000	-1,990,000
TOTAL FINANCING	6,357,000	3,688,000	2,991,000	949,000	859,000	859,000	15,703,000
Shortfall / Surplus (-)	0	335,000	0	0	0	0	335,000
Cumulative Shortfall / Surplus (-)	0	335,000	335,000	335,000	335,000	335,000	335,000

CABINET

**Council Housing Planned Maintenance Partnering
Arrangement
6th December 2011**

Report of Head of Environmental Services

PURPOSE OF REPORT			
To provide information on the Council Housing Planned Maintenance Partnering arrangement as requested by a Cabinet Member			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral from Cabinet Member	<input checked="" type="checkbox"/>
Date Included in Forward Plan	N/A		
Project Appraisal Undertaken	N/A		
The main part of the report is public. However, Appendix B is exempt from publication by virtue of paragraph 3, of Schedule 12A of the Local Government Act 1972			

RECOMMENDATIONS OF HEAD OF ENVIRONMENTAL SERVICES

(1) That Cabinet notes the report.

1.0 Introduction

- 1.1 This report is provided in response to a request from Councillor Barry.
- 1.2 The Council spends approximately £ 3.5 million per annum on undertaking a planned maintenance programme on its council housing stock. The Council's repairs and maintenance service has responsibility for managing and delivering planned and responsive repairs to the Council's housing stock.
- 1.3 The current model for undertaking these works was agreed by Cabinet in July 2007.
- 1.4 At that meeting Cabinet agreed the following-
- *That the Repair and Maintenance Section (RMS) within Council Housing Services continues to deliver the responsive repairs service via its own in-house provision*
 - *That the Head of Council Housing Services ensures that the appropriate targets and actions for RMS (as identified within the KPMG Report) are incorporated within the Council Housing Services Business Plan.*

- *That the Head of Council Housing Services be authorised to develop the establishment of a three-five year partnership with RMS plus one external contractor for the future delivery of the Housing Revenue Account Capital Programme, plus any other relevant capital works.*

1.5 The reason for this decision was-

'Since the amalgamation of services in 2004, the Council has been able to clearly display continuous improvement in responsive repairs. Both performance and tenant satisfaction has increased significantly over the past three years, and further improvements in service delivery are scheduled to take place in the coming months. The retention of the service in-house, as recommended following an independent evaluation by KPMG, is therefore proposed. The establishment of a long term partnership for capital works will also provide an opportunity to potentially deliver further cost benefits.

Although the Council has been able to demonstrate continuous improvement, until this exercise, we have not been able to demonstrate that we have given adequate consideration to the relative costs and benefits of alternative procurement options (as recommended by the Audit Commission Inspection Service). Having now undertaken a thorough evaluation with the assistance of experienced consultants, the Council is now in a position to move forward with a preferred value for money procurement model. '

1.6 This model in operation as a result of that decision is one where a proportion of the planned maintenance work is undertaken by the Council's own in-house team and the other proportion by a contractor under a partnering arrangement. Other specialised services such as gas servicing and painting are provided via a variety of other arrangements. The majority of responsive repairs are delivered in house.

1.7 Partnering is a management approach used by two or more organisations to achieve specific business objectives by maximising the effectiveness of each participant's resources. Partnering requires considerable effort to set up and hard work to maintain. It requires that the parties work together in an open and trusting relationship based on mutual objectives, an agreed method of problem resolution and an active search for continuous measurable improvements. Importantly it is founded on an attitude of mind together with a set of procedures and it cannot succeed without both.

1.8 When managed effectively partnering can provide the following benefits-

- Duplication eliminated
- Better predictability of time and cost
- Shorter overall delivery period
- Stability which provides more confidence for better planning and investment in staff and resources
- Increased customer satisfaction
- Better value for the client
- Recognition and protection of profit margin for contractors and suppliers
- Staff development and satisfaction
- Creation of an environment that encourages innovation and technical development

- Better understanding between partners and driving down of real costs
- Design integration with specialists in the supply chain
- Improved 'buildability' through early involvement of the contractors

1.9 This report will provide information on -

- Experience of partnering to date
- Hala rendering project
- Leaseholder issues

2.0 Experience of Partnering to date

- 2.1 The repairs and maintenance section already has established partnering arrangements in place for gas servicing and painting. These operate successfully and deliver the intended results.
- 2.2 Previously general planned maintenance not done in-house had been undertaken on traditional client / contractor lines with jobs being tendered on a job by job basis. Further to findings from the Audit Commission an independent report by KPMG had provided evidence that this way of working was not the most efficient, economical or effective.
- 2.3 Following a tendering exercise through the official journal of the European Union (OJEU) H T Forrest were selected as being the preferred partner of the Council for delivering a general planned maintenance program to the value of £8 million over a five year period. The partnering agreement with Forrest began on 10th May 2010. The agreement is set out in a standard form of contract for partnering known as PPC2000.
- 2.4 Running parallel to this have been a number of organisational restructures that resulted in Environmental Health merging with Council Housing to form Health and Housing. Health and Housing have overall responsibility for the management of the Council Housing and at the time of merger were also responsible for the provision of the repairs and maintenance service.
- 2.5 In November 2010 Cabinet recommended that Environmental Services take responsibility for the repairs and maintenance of Council Housing. This decision was implemented in May 2011. The Head of Environmental Services has since then been undertaking a comprehensive review of the service. This review resulted in proposals for a two phased approach to restructuring and modernising the service being approved by Personnel Committee on October 11th 2011. Phase 1, which is being implemented, introduces a new line management structure for the service.
- 2.6 This new partnering arrangement did result in some concerns being identified by staff and other stakeholders. Therefore, Internal Audit were commissioned by the Head of Service to complete a piece of work to provide managers with reassurance and confidence in arrangements for the ongoing management of the arrangement by reviewing the following-
- Financial and operational performance of the arrangement
 - The robustness and effectiveness of contract management arrangements within the repairs and maintenance service
 - The effectiveness of the partnering arrangement as a means of service delivery
- 2.7 The report provided assurance as to these areas and also provided an action plan of areas where improvements can be made. The action plan is currently being implemented.

- 2.8 The report from the internal audit is attached as appendix A and is due to be considered by Audit Committee in Jan 2012
- 2.9 In terms of controls for specific projects the arrangement works as follows. Lancaster City Council provide a specification to Forrest to price. Forrest price all items net of overheads, profit and preliminaries. Overheads and profit are added to the bottom line of a cost plan. Cost plans are then developed on an open book basis. All subcontract and supply chain prices are supported by quotations wherever possible. Forrest provide a full labour, plant and material breakdown for any directly delivered trades. Preliminary costs are demonstrated by a fully detailed and priced schedule. Subject to agreement the cost plan will be the agreed maximum price. Any savings made will be passed to the Council.
- 2.10 The cost plans submitted are scrutinised by the relevant Council Planned Maintenance Officer with regard to accuracy and value for money. The arrangement is designed to be flexible and there have been specific examples where things like reductions in time taken to deliver a contract through employment of more direct labour have been agreed which has resulted in a reduction in costs.
- 2.11 A set of key performance indicators are in place with performance being measured on an annual basis. Reported performance in relation to 2010/11 indicates a high level of customer satisfaction with the work carried out, with high scores being achieved in relation to environmental, equality, diversity and health and safety issues. In relation to the percentage of directly employed staff working in the partnership living locally, a target of 80% has been set to be achieved by the end of 2011/12. At the time of writing this target has already been surpassed
- 2.12 The arrangement is designed to allow the Council's own in-house delivery of planned maintenance to be compared with that of HTF. On a number of like for like projects Forrest's costs have compared favourably with those of the Council's in-house team.
- 2.13 As referred to in the introduction the intention of a partnership arrangement is to provide for continuous improvement over the life of the agreement.
- 2.14 The internal audit has already identified some of these areas. Furthermore, the general review of the repairs and maintenance service also identified there is an issue of officers coming to terms with operating in a very different arrangement than before where we just operated in a traditional tender per job way. This is one of the issues the implementation of the wider review, as outlined above, will address.
- 2.15 Further improvements continue to be made. Examples include-
- Discussions are taking place with Forrest to set up apprenticeships.
 - Staff from both the Council and Forrest are due to meet to discuss progress on the partnership to date and establish where improvements can be made.
 - A training package to help staff from the Council and Forrest realise the benefits of partnering that has been used by other Councils with similar arrangements is being assessed for suitability here.
- 3.0 Hala Rendering Project**
- 3.1 The latest major project undertaken with Forrest has been the re-rendering of the flats on Hala estate. Forrest have previously already undertaken rendering works on Newton estate and prior to the partnering arrangement

submitted a tender for works on Kingsway, Heysham.

- 3.2 The methodology for pricing of the works for the Hala project was as described above.
- 3.3 Based on the first specification and period of works a maximum price was provided by Forrest.
- 3.4 Council officers revised the original specification and worked with Forrest to reduce the period of works. As would be expected Council officers closely scrutinised the costings of the works and worked with Forrest to reduce costs where appropriate. This scrutiny was based on objective assessment of the costs provided. This resulted in an agreed maximum price that was much lower .
- 3.5 The costs that make up this price are set out in Appendix B which is exempt for commercial reasons.
- 3.6 The majority of work has now taken place and the actual costs of the project are being agreed.

4.0 Leaseholders

- 4.1 There are approximately 130 leaseholders of Council properties.
- 4.2 There are statutory requirements for how landlords should deal with leaseholders. These include the need for formal consultation on larger works.
- 4.3 The Council has a clearly defined policy that sets out what leaseholders can expect from the Council. This is attached at appendix C.

<p>RELATIONSHIP TO POLICY FRAMEWORK</p> <p>NA</p>
<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p> <p>NA</p>
<p>LEGAL IMPLICATIONS</p> <p>Legal Services have been consulted and have no comments to add.</p>
<p>FINANCIAL IMPLICATIONS</p> <p>There are no direct financial implications arising from this report.</p>
<p>OTHER RESOURCE IMPLICATIONS</p> <p>Human Resources:</p> <p>NA</p> <p>Information Services:</p>

NA

Property:

NA

Open Spaces:

NA

SECTION 151 OFFICER'S COMMENTS

Given the nature of the report, the s151 Officer has no further comments at this stage

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Contact Officer: Mark Davies
Telephone: 01524 58401
E-mail: mdavies @lancaster.gov.uk
Ref:

11/0821 - Repairs and Maintenance Section - Partnership with Herbert T Forrest
Assignment Details:

Report Date: 27 October 2011

Lead Auditor: Lorraine Jeffreys - Senior Auditor

Supervisor: Derek Whiteway - Internal Audit Manager

Scope, Objectives & Approach:

The audit will aim to provide managers with assurance and confidence in arrangements for the ongoing management of the contract by reviewing the following:

- financial and operational performance on the contract;
- the robustness and effectiveness of contract management arrangements within RMS;
- the effectiveness of the partnering contract as a means of delivery.

In considering these, the audit will seek to provide assurance that:

- the form of contract employed is appropriate and effective;
- both parties are fulfilling expectations as partners under the terms of the contract;
- proper arrangements and appropriate levels of capacity have been put in place to manage the contract, responsibilities within RMS being clearly defined and proper procedures, in line with the contract, being followed;
- reporting arrangements are clear and adhered to;
- works awarded are supported by a sound business case;
- the contract is being proactively managed by RMS, performance and quality management arrangements are robust and records show best value is being achieved;
- risks are being managed effectively;
- prices are agreed and sums paid in accordance with the contract and relevant business case; and
- annual savings are correctly calculated and shared.

Assurance Opinion:

Level of Assurance Provided:  **Substantial**

The partnership has now been in place for 18 months of its five year programme. Following the clarification of a number of points regarding its operation, and a review of the RMS staffing structure, the service is in a sound position to develop and increase the benefits from the partnership. Good arrangements are in place to ensure that work carried out under the partnership agreement is completed on time, within budget and to a high standard. Working relationships between the parties have progressed positively, resulting in Planned Maintenance Officers being better positioned to develop efficiency and effectiveness in operating the partnership framework. Building on the revised line management structure, plans to review working practices throughout RMS should further strengthen current arrangements

Headline Messages:

- Good arrangements are in place for monitoring progress and spend on individual contracts.
- Contracts have been completed within agreed timescales, to a high standard.
- Customer feedback indicates a high level of satisfaction amongst tenants with the work carried out.

11/0821 - Repairs and Maintenance Section - Partnership with Herbert T Forrest

- Payment arrangements have been formalised.
- A revised line management structure is due to be implemented which will clarify roles, responsibilities and lines of accountability.
- Planned Maintenance Officers will continue to receive guidance in the form of support through coaching and/or mentoring.
- Working practices are to reviewed with a view to making sure that arrangements are as efficient and effective as possible, taking advantage of opportunities offered through the partnership to make savings and/or efficiencies.
- A structured approach is to be taken to ensure effective communication and information sharing.
- A review of competencies is to be carried out to establish any training needs within the team, and any skills/knowledge gaps will be addressd.
- Arrangements are to be put in place to ensure that the Core Group of the partnership meet at least bi-annually

Internal Audit Commentary:

In July 2007, Cabinet gave their approval for Council Housing Services to develop a three to five year partnership with an external partner for the delivery of the Council Housing Capital Programme (the work to be split between the council's in-house Repairs and Maintenance Service and the external partner). Following a competitive tendering exercise, Herbert T Forrest were appointed as the council's partner to deliver the Council Housing 5 year Capital Programme. The partnership commenced on 1st April 2010.

As part of a management restructure, in May 2011 management of the repairs and maintenance function transferred from Environmental Health and Housing to Environmental Services. Since that time the Head of Environmental Services has undertaken a review of the Repairs and Maintenance Service to ensure that it meets the needs of the council and its stakeholders. Proposals for a revised line management structure have recently been approved by the Members of the Personnel Committee and this is due to be implemented by January 2012. The second stage of the review, which is to involve an overhaul of existing systems and processes, is due to be implemented by June 2012.

Shortly after assuming responsibility for the repairs and maintenance function, the Head of Environmental Services requested that Internal Audit undertake a review in order to provide assurance as to the ongoing management of the partnership in place with Herbert T Forrest. Throughout this report, where reference is made to the "council", this is Lancaster City Council's Repair and Maintenance Section, and the "partner" is Herbert T Forrest.

The council decided to use the PPC2000 (partnering project contract) for the partnership with Herbert T Forrest, this form of contract being currently in use for other projects managed by the Repairs and Maintenance Section (RMS). A key feature of the PPC 2000 includes integrating all members of the partnership under a single partnering contract with a view to encouraging a team based approach to the project, with all members of the partnership being required to fulfil their responsibilities in accordance with the contract. One of the main advantages of this type of arrangement is that it should involve a non-adversarial approach to problem solving as issues should be addressed at an earlier stage. However, the partnering approach requires a commitment to achieving the potential improvements that this approach can offer. Strong working relationships need to be developed with the partner before a project can progress and everyone involved needs to fully understand their responsibilities for the arrangement to be successful.

This form of contract is usually used where there are a number of partners involved in the

11/0821 - Repairs and Maintenance Section - Partnership with Herbert T Forrest

project, including specialists and consultants. In this case there are only two parties involved. This does not mean that the contract is inappropriate or unsuitable, however for it to be effective it is essential that all parties involved fully understand their responsibilities.

Planned Maintenance Officers were not involved in preparatory work relating to the partnership, the majority of this work being carried out by the then Head of Council Housing, the current Repairs and Maintenance Manager, and the previous Senior Maintenance Officer. Prior to commencing new arrangements some managers felt that more guidance would have been helpful regarding the similarities and differences between the new contract, and those used previously, with which officers felt more familiar. This review identified an initial lack of confidence within the team who felt that they were not fully familiar with the aims and objectives of the partnership, or the specific terms and conditions of the contract. This is improving as officers become more familiar and confident with new arrangements, and it has been agreed that Planned Maintenance Officers will continue to receive support in the form of coaching and/or mentoring to ensure they remain fully aware of their role and responsibilities, and are competent at working within the framework of a project partnering contract.

The partnership was entered into on a shared savings basis on the understanding that any savings made against an 'agreed maximum price' for a contract were to be shared equally between the council and the partner. This is clearly stated in the signed contract. This arrangement involves the council agreeing with the partner a maximum sum for the work prior to the commencement of each project; subject to this maximum sum, payment is based on actual costs plus an agreed overhead and profit element. Any savings between the agreed sum and actual costs are shared equally between the parties. Should the cost of the works exceed the agreed maximum price (+/- any agreed variations) the partner stands the loss. However, there has been a misunderstanding between the parties in relation to these arrangements which has only recently come to light. The partner's view was that the council would pay the agreed maximum sum for the work, subject to agreed variations, irrespective of actual costs. In such circumstances the partner would therefore gain any savings, and stand any losses incurred against the agreed maximum sum for the works. In line with the contract this arrangement would be on an 'open book' basis (the commitment of partners in a contractual relationship to share information on income and expenditure). This allows the council to review and challenge costs as necessary, prior to the approval of the agreed maximum price, by requesting evidence from the partner of appropriate market testing. The council may also request evidence to support actual costs submitted as appropriate. It is essential that officers are fully equipped with the skills necessary to effectively perform this function.

An agreement has now been reached between the parties regarding future payment arrangements and approval has been given by the Head of Environmental Services. Payments made in future will be based on an agreed maximum price, subject to any approved variations, on an open book accounting basis. If the Service is to work on this basis, it is essential that a robust mechanism is in place for Planned Maintenance Officers to be able to satisfy themselves that the terms for individual contracts provide value for money, not only in terms of price and quality, but also in relation to the key performance indicators built into the partnering contract. Planned Maintenance Officers must be confident that the partner has performed satisfactory market testing and that any savings are being passed onto the council.

Progress made and costs incurred on individual projects need to be carefully monitored throughout the period of the contract, with variations being controlled. To assist with this the partner is required to provide periodic 'cost value reconciliation' reports, which detail agreed prices, variations, and actual costs incurred. Any queries arising should be dealt with immediately through consultation with the partner as necessary. Valuations submitted by the partner will also need to be reviewed and payment made once the Planned Maintenance Officer is confident that the value of work claimed is accurate.

Management of the partnership itself could be improved to provide assurance that each party is

11/0821 - Repairs and Maintenance Section - Partnership with Herbert T Forrest

fulfilling its expectations under the terms of the contract. The introduction of regular meetings of the partnership's Core Group would help to achieve this. At present this group meets on an ad hoc basis in response to a specific issue or problem which has occurred. However, benefits are to be gained from a regular review of the effectiveness of the arrangement, including an assessment of whether value for money is being achieved, and how to maximise opportunities for sharing good practice and achieving efficiencies through innovation. It has been agreed that arrangements will be put in place to ensure that the Core Group meets at least bi-annually.

Communication with the partner on an operational basis is now considered good following some initial problems at the start of the partnership. However, significant improvements are required in order to achieve more effective communication and information sharing in relation to the in-house team, and a more structured approach is needed to ensure officers feel fully informed and relationships remain strong. More team meetings need to take place offering staff the opportunity to discuss issues arising, address particular concerns they may have, and to share knowledge etc; this is especially important at pre and post contract stages. It has been agreed therefore that a structured approach will be taken in order to ensure effective communication within the in-house team.

Contract ownership is clear with Planned Maintenance Officers feeling that they have the appropriate delegated authority to manage the contracts for which they are responsible. However lines of accountability need to be reinforced, in particular the role and responsibilities of the Senior Maintenance Officer needs to be clarified. Problem solving arrangements need to be communicated to all team members, and those with specific responsibilities per the contract made aware of their role. Implementation of the recently approved line management structure should effectively address these issues. It has also been agreed that a thorough review of competencies will be carried out to establish any training needs within the team, and an action plan will be developed to address any skills/knowledge gaps identified.

Working practices need to be reviewed with a view to taking advantage of the opportunities offered through the partnership to make savings and/or efficiencies. It has already been identified that expected savings in relation to the technical staff input have not been realised. It is intended that the second stage of the Service review, as referred to above, will include a review of current systems and procedures with a view to ensuring that arrangements are as efficient and effective as possible.

Individual Planned Maintenance Officers are responsible for monitoring progress and spend on their own contracts, this being reported to the Senior Maintenance Officer on a monthly basis. Spend is also monitored and reported quarterly by the Repairs and Maintenance Manager as part of corporate capital monitoring arrangements.

Three contracts have so far reached completion during the term of the partnership and all three were completed within agreed timescales. Savings were made against the agreed maximum sums in relation to one of the contracts, the other two going over the agreed maximum price due to agreed additional works carried out.

Testing established that the standard of record keeping was variable with excellent examples being demonstrated for some contract files whilst others were not as comprehensive or complete as they should be. It has been agreed that arrangements will be put in place to ensure consistency in the maintenance of files and record keeping.

Quality and standards are monitored on an ongoing basis during site visits and monthly progress meetings with the partner. Contract files examined also showed evidence of issues highlighted being addressed and improvements made where necessary. Planned Maintenance Officers have concluded that the quality of work provided by the partner is of a high standard, this being supported by the tenant satisfaction survey results for contracts completed during 2010/11 which show a high level of customer satisfaction.

11/0821 - Repairs and Maintenance Section - Partnership with Herbert T Forrest

A set of key performance indicators is in place with performance being measured on an annual basis. Reported performance in relation to 2010/11 indicates a high level of customer satisfaction with the work carried out, with high scores being achieved in relation to environmental, equality, diversity and health and safety issues. In relation to the percentage of directly employed staff working on the partnership living locally, a target of 80% has been set to be achieved by the end of 2011/12.

The bid submitted by the partner includes proposals to bring innovation to the partnership with a view to improving service delivery, achieving efficiencies and reducing costs. To date however the council has not pursued these proposals; this is an aspect of the partnership which has been identified for further consideration.

Managers' Comments:

This audit is integral to the overall review of the Council's repairs and maintenance service that is currently underway. The purpose of the overall review is to ensure that we deliver the service in such a way as to meet both the needs of our users and the Council. Besides providing assurance and confidence in arrangements this audit has clearly identified the areas in which those involved in day to day management of the partnership arrangement should focus their efforts. Managers are committed to ensuring that the actions identified are implemented. I would like to thank all those involved in the audit.

Head of Environmental Services
21/10/11

Report and Action Plan Agreed By: Head of Environmental Services and Repairs and Maintenance Manager

Follow Up Review Due By: 18 April 2012

I would like to thank the members of the Service(s) involved in the audit for their contributions and cooperation in the audit.



Derek Whiteway CPFA, Internal Audit Manager

Distribution: Head of Financial Services
Chief Executive
Deputy Chief Executive
Head of Environmental Services
Head of Health and Housing
Repairs and Maintenance Manager
Members of Audit Committee
Leader of the Council
Cabinet Member with Responsibility for Housing and Health
Cabinet Member with Responsibility for Community Safety and Clean & Green
Audit Manager (External Audit)

Internal Audit - Risk Opinion Summary and Action Plan

Job: 11/0821 - Repairs and Maintenance Section - Partnership with Herbert

ROS/1

Risk Group: Operational

Risk: The Authority may not be achieving value for money from the partnership if effective arrangements are not in place for managing the contract. (R004399)

Current Risk Exposure: Low

Internal Audit Opinion  There is scope to improve management of the risk

Agreed Action	Responsibility	Implementation Target Date	Ref
1. To ensure effective compliance with the terms and conditions of the contract with Herbert T Forrest, staff responsible for managing individual contracts within the partnership will be fully briefed in their application.	Repairs and Maintenance Manager	31/12/2011	016244
2. Guidance and/or support will be provided for Planned Maintenance Officers to ensure that they remain fully equipped with the knowledge, skills and confidence required for them to effectively fulfil their role.	Repairs and Maintenance Managers	Ongoing	016419
3. A structured approach will be taken to ensure good communication with the partner, and effective information sharing with the in-house team.	Repairs and Maintenance Manager	31/12/2011	016252
4. As part of the second stage of the Service review, current working practices will be reviewed with a view to taking advantage of opportunities offered through the partnership to make savings and/or efficiencies.	Repairs and Maintenance Manager	31/03/2012	016256
5. A thorough review of competencies will be carried out in order to establish training needs within the team and how they can most effectively be addressed.	Repairs and Maintenance Manager	Ongoing	016257
6. Arrangements will be put in place to ensure that the partnership's Core Group meets at least bi-annually to review the effectiveness of the arrangement, and explore areas where good practice can be shared and/or efficiencies made through innovation. This review will be appropriately informed by the views, opinions and experiences of contract managers.	Repairs and Maintenance Officer	31/12/2011	016265
7. Robust arrangements will be adopted to ensure that Planned Maintenance Officers are able to satisfy themselves that agreed prices for individual contracts are providing value for money and that savings are to be shared between the council and the partner. Procedures will cover areas including: <ul style="list-style-type: none"> - market testing arrangements - monitoring of progress made and costs incurred on individual projects - variations - consultation and issue resolution - valuations and - payment arrangements 	Repairs and Maintenance Manager	18/10/2011	016270

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Council Housing Services



LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

Service Commitment to Leaseholders

Leaseholders handbook

This information can be made
available in
large print, audio, braille
and other languages.
For further details please contact us
on (01524) 582929.

www.lancaster.gov.uk

Index

Foreword	Page 5
Compliments, Comments & Complaints	Page 6
Care and Repair Responsibilities	Page 8
How and Where to Report Repairs	Page 12
The Priority Repair Schemes	Page 13
Leasehold Administration	Page 15
Leaseholder Rights	Page 19
Useful Contacts	Page 23

Our Commitment to Leaseholders

Foreword

To all Leaseholders

This 2005 Service Commitment to Leaseholders replaces the 1999 (revised) version. It sets out the various rights and responsibilities of the Council and you as leaseholder. It reflects modern standards and processes, and changes introduced by the Commonhold and Leasehold Reform Act 2002. It helps explain areas of concern or confusion, and formalises the Council's commitments to all leaseholders.



Disclaimer

The information given in the commitment is a guide to how the Council approaches leasehold management and its interpretation of the lease and the Housing Acts provisions. The Council is not responsible for any guidance or advice given to you by any appointed agent acting on your behalf prior to your purchase of the lease.

Further information is contained in the booklet Residential Long Leaseholders – A guide to your rights and responsibilities, and Applying to a Leasehold Valuation Tribunal, published by ODPM (The Office of the Deputy Prime Minister) - see Useful Contacts, page 23.

Future Changes

Any changes to processes and procedures affecting the management of the Council's leasehold portfolio that affect its commitment to you will be notified when introduced.

Useful Contacts

There are a number of contacts available for additional advice or help if you need it. These are listed from page 23 at the end of this booklet

Compliments, Comments and Complaints

Council Housing Services is determined to provide the best possible service. To do this successfully, we need your help. We need to know what you think about the quality of services. You can help us to provide a well-run service by telling us your views.

1 Reporting a dispute or complaint

The Council is committed to resolving any disputes or complaints at the earliest opportunity. Initial enquiries should be made to the Housing Office - see Useful Contacts, page 23.

If you have any complaints about the standard of workmanship, quality of materials used, length of time taken to complete a repair, planned maintenance or improvement works, consultation procedures, services provided, service charges, administrative procedures or any other leasehold matters, and you are not satisfied with the Council's response, you should register your complaint with the Housing Office quoting the Council's complaints procedure, a copy of which is available on request.



Complaints should be made in writing so that any disputes regarding leasehold matters can be substantiated and agreed:

- By letter to the Head of Council Housing Services, 38 Cable Street, Lancaster, LA1 1HH
- By e-mail to councilhousing@lancaster.gov.uk
- By telephone to 01524 582929 and a member of staff can fill in a complaint form for you
- In person at 38 Cable Street, Lancaster and a member of staff can fill in a complaint form for you.

2 Handling complaints

Our standards for handling complaints are:

- We will write to you within two working days of receipt to let you know that we have received your complaint.
- We will send a full written reply within five working days. If we cannot send you a full written reply within five working days, we will write to you to let you know the reason why this has not been done, and the date when a full reply will be given.

If you are not happy with our reply to your complaint, or if you do not think we dealt with it properly, then you can ask for it to be reviewed by the Head of Council Housing Services.

- The Head of Council Housing Services will carry out a further investigation, and will reply to you within 10 working days of your request.

If you are still not satisfied and wish to appeal, then you can take the complaint to the Housing Complaints Panel.

- The Panel should meet within 28 days of receipt of your decision to appeal.

If you are unhappy with the final response from the complaints procedure, you can apply to a Leasehold Valuation Tribunal for a determination - see Useful Contacts, page 23.

3 Getting involved

All leaseholders are encouraged to get involved in commenting on and developing the services provided.

Regular estate/site walkabouts are carried out and leaseholders are welcome to take part in these estate/site inspections. You will be advised in advance of the dates and times of these inspections, and they will also be publicised on the Estate/Site Notice Boards.

4 Equality policy

Council Housing Services aims to ensure that all people attending its services and staff, are treated with respect for their diversity and for their rights as individuals.

We aim to provide a secure environment and a customer care-orientated service for everyone regardless of race, colour, ethnic origin, disability, sexuality, gender, age and nationality.

Council Housing Services recognises that racial harassment causes problems for tenants and residents and that many people can have their quality of life severely damaged by it. Council Housing Services will not tolerate any kind of racist behaviour or racist activities on or near Council estates.

Oppressive and discriminatory behaviour will not be accepted.

Care and Repair Responsibilities

1 Care and repair

It is in the interest of the Council and leaseholder that the structure of your home and any communal areas are well maintained. The Council is responsible for the service, repair, planned maintenance and improvement of the structure and common parts of your home. This includes common areas associated with the block and estate that benefit all residents. It does the works and you are responsible for paying for your portion of them. This does not include items of works funded directly from your Council Tax payments.

The Council operates the following:

- An 'in house' repairing service for day to day repairs and maintenance.
- A contract maintenance service for the annual servicing, maintenance and call out facility for items such as door entry systems etc.
- A planned maintenance/improvement service for cyclical works and improvements such as window replacement, painting and decorating etc.

An independent stock condition survey is undertaken, approximately every 5 years. It includes identifying investment needed to maintain the structure of blocks of flats. Works are done within the planned maintenance and improvement programme. The Council inspects properties and estates to determine when work will take place. It takes into account the general condition of properties and estates, and any financial implications on the Council. These works are subject to consultation with leaseholders.

For all repairs, maintenance and improvements, the Council is in partnership with you and will consult where practicable, and always where required by law, to ensure works are carried out in the full knowledge of leaseholders. The partnership needs you to tell the Council of any services, repairs, planned maintenance or improvements you would like, or you consider are necessary. This helps the Council to fulfil its responsibility and safeguard your interests should any dispute regarding service charges occur in the future.

2 What parts of the building will the Council, as freeholder, maintain?

The lease for your property is general to cover all types of flats. It may contain some services the Council is responsible for that are not provided where it feels the cost and benefit to leaseholders and tenants does not justify providing it. If you feel that any of these services should be provided, please contact the Housing Office

The Council is responsible for maintaining:

- ❑ The estate: all the common roads, access ways and paths within the estate that are common to all residents.
- ❑ The building: all structural parts of the building in which your flat or maisonette is contained. This includes the walls, roof, foundations, floor joists, roof timbers and the window frames, but not glazing. Note that glazing is only included if window frames are renewed or repairs to the frame necessitate glass replacement.
- ❑ Ducts taking services to more than one flat or maisonette.
- ❑ External parts of the flat or maisonette including gutters, rainwater pipes, electricity supply and gas supply from any meter located in common areas to your flat or maisonette (see The Council's priority repairs scheme section 2 where some external items may require access to your home e.g. front door frame, window frame etc).

Subject to any consultation requirements, the Council will decide who should carry out the repair work and arrange for the repairs to be undertaken, normally by appointment and within the time specified against each type of work (see The Council's priority repairs scheme, page 13).

3 Which items of repair are your responsibility?

All internal items, i.e. repairs to your flat or maisonette (see also Leaseholder's rights, permission for alterations, page 21) including:

- ❑ The window and glazing except where the Council replaces window frames necessitating re-glazing
- ❑ The ceilings not including joists or beams
- ❑ Flooring but not solid floors
- ❑ All internal doors
- ❑ All plaster and other surfaces to all floors, walls and ceilings in your home
- ❑ The entrance door to your home but not the door frame
- ❑ Any water tank for your home but not communal tanks serving other flats in the block
- ❑ All plumbing and electrical services in your home including heating systems
- ❑ All fixtures and fittings in your home. An exception would be an entryphone cable and phone installed by the Council
- ❑ All internal decorations

Note: Should an emergency occur, the Council may have to undertake some of these works if a tenanted property or structure of the block is affected, but only where the cost is recoverable from the Council's insurance. For insurance not held by the Council, payment of the works is due directly from the leaseholder who can then make a claim on their insurance policy. In this circumstance it is the leaseholder's responsibility to register the claim with their insurers.

4 What other responsibilities do you have?

You must ask permission from the Council if you want to do work at your own expense to the structure of your flat or common areas e.g. double glazing etc. This does not remove the Council's liability to undertake repair or replacement works, nor your responsibility to pay for them (see also Leaseholder's rights, permissions for alterations, page 21)

Note: The Council will, wherever practicable, grant permission subject to the work being carried out to the Council's specification and you getting any necessary planning permission or building regulations approval. The Council must be notified upon completion of the work so that an inspection can determine compliance with the specification. Failure to comply could result in the Council remedying the failure or reinstating the former feature which would be at your expense.

5 Access to your home

The Council can have immediate access to your home in emergencies. Your lease asks you to give the Council access to your home where reasonable notice is given, to complete a service, repair or improvement. If you refuse the Council can serve a notice which will allow access without your permission.

6 What do you do if a repair takes longer to complete than you think is reasonable?

Tell the Housing Office about any delay. If the delay continues or you are not satisfied with the response, contact the Repairs and Maintenance Manager (see also Reporting a Dispute or Complaint, page 6).

7 Who do you contact in an emergency?

If you have a real emergency that is the Council's responsibility, either telephone 01524 582929 during working hours, or 01524 67099 if outside office hours (available year round). Only use 01524 67099 if there is an immediate danger to yourself, other people, or to the property. The Council will act accordingly.

Emergency repairs are more expensive than routine repairs, and therefore your service charges may be higher if emergency services are called. The extra cost may be charged directly to you if the repair reported is clearly not an emergency, or is found not to be the Council's responsibility. If it is genuine, it is in your and the Council's interest for a repair to be completed quickly regardless of cost.

8 Decorating – who is responsible?

The Council will decorate the external window frames and other outside woodwork and metalwork to your home, normally on a four year cycle. The other flats, maisonettes, staircases, landings and hall in your block will be decorated at the same time.

NOTE: The four year cycle is a guide only. The Council will try to achieve this but other considerations, e.g. general condition of the decoration, may result in work being brought forward or delayed. It will only do this where it is satisfied it is reasonable to do so, that compliance with the lease conditions is maintained, and subject to any consultation requirements.

9 Communal television aerials

If the communal TV aerial / satellite connection is not working, please report it to the Housing Office, but first check that your TV is not at fault.

10 Entryphone systems

If your entryphone system has broken down, report it to the Housing Office.

12 Lifts

If a lift is out of order, please report it to the Housing Office.

13 Insuring the building

The Council is responsible for insuring the building for which you will be charged the cost. On request, you have the right to a written summary of, copy of, or to inspect the policy. You can contact the insurer directly to notify damages, but not to make a claim. You do NOT have the option to insure yourself. You can contact the Council's Insurance Officer for insurance matters (see Useful Contacts, page 23).

14 Care of the property and its surrounding areas

The Council is responsible for:

- Ensuring the cleanliness of the shared area of the estate
- Enlisting the co-operation of all residents so that reasonable behaviour is maintained on the estate
- Taking appropriate action in an emergency
- Replacing light bulbs to staircases, landings and lobbies

You are asked to keep the areas outside your front door clean and tidy. Communal windows, staircases, landings and lobbies will be cleaned where contracted in accordance with the contract provisions.

How and Where to Report Your Repairs

1 Reporting

To report a repair, telephone, write to, email, call in at the Housing Office, or register via the Council's web site (see Useful Contacts, page 23).

Other than emergencies, it is preferred that any requests are made in writing or logged via the web site so that any dispute regarding service charges can be substantiated and agreed.

Unless the repair is very straight forward, or an emergency, an Inspector may need to call first, so that the right materials can be brought for the job.

If possible, leave a telephone number or tell the office when you can be at home, so that you can be contacted if needed. Repairs are by appointment where access is needed to your home. If for any reason you need to change the appointment, please contact the office as soon as possible to rearrange it. If you are not at home when the contractor calls and access is needed to your flat, a card will be left so that you can rearrange the appointment but there may be a charge.

All Council, British Gas, Electricity and water company employees carry identification. Always ask to see it. If in doubt, don't let them in.

Council employees and contractors are expected to leave your home or communal areas clean when they have finished the work. We inspect a random percentage of all repairs afterwards to check they have been done correctly. If you are not satisfied please let us know.

Planned maintenance or improvement works do not need reporting as these are carried out at particular intervals, e.g. external painting will be done approximately every four years. This does not affect your right to report a repair if you feel the condition warrants a referral. Your request will be dealt with on its merits.

Wherever possible, the Council will have completed any necessary planned maintenance or improvement works on a flat or maisonette where the lease is purchased via a Right to Buy application. However it is not obliged to do so and may have exercised its right to suspend work.

Where work has been suspended until after the Right to Buy sale of the lease of your flat or maisonette, a charge can only be made if you were correctly notified and is included in your five year service charge notice given during the right to buy process.

The Priority Repairs Scheme

1 How quickly can you expect repairs to be done?

The Council operates three categories with a different target completion time depending on the type of work required. They are subject to any statutory consultation requirements, or determination by a Leasehold Valuation Tribunal. The list is not comprehensive. Other items may be determined when reported e.g. maintenance of hedges, shrubs etc.

Category 1: Emergency work to be carried out within 24 hours

(immediately where there is danger to life or limb, or serious damage to property)

1. Gas leak in common areas.
2. Electricity supply failure or dangerous fault in common areas.
3. Water supply failure (burst pipe or tank) in common areas.
4. Breakdown of dwelling security (common door, common lock or serious window fault).
5. Drain blocked with serious leak of sewage.
6. Communal heating system breakdown.

Category 2: To be carried out within 7 days

1. Blocked drain, sewer, waste or gully.
2. Leaking soil pipe or drain.
3. Water penetration.
4. Repair or patch roof if leaking.
5. Staircase lighting (in flats – if total failure).
6. Re-glazing of communal areas.
7. Lighting in common courtyards.

Category 3: To be carried out within 6 weeks

1. Blocked or broken gutters and down pipes.
2. Re-fix chimney pot or cowl.
3. Re-fix or renew roof tile or slate.
4. Repair or ease external communal doors.
5. Repair or ease windows, frames or fittings.
6. Replace rotten flooring in common areas.
7. Repair to window sill.
8. Remedy defective plastering in communal areas.
9. Glazing repairs other than internal doors/windows.
10. Joinery repairs not specified elsewhere, that are communal/or structural.

Other than emergencies, in some circumstances and by appointment, the Council will try to complete the repair sooner e.g. if it affects nursing mothers, elderly or disabled people.

If an inspection is needed, the Inspector will identify the work required and category for completion. Our contractors must complete within the target period. If you think

work is taking too long please let us know straight away. This helps the Council ensure that categories are correctly identified and targets are being met.

The priorities do not include improvement or planned maintenance works (see How and Where to Report Your Repairs, page 12) unless repair work is needed independently of the Council's programme.

Some reported non urgent repairs may be held over until they can be included in the programme of planned maintenance, (e.g. replacement of windows, external doors, renewal areas of roof, etc) where it is considered reasonable to do so and that compliance with the lease conditions is maintained.

Leasehold Administration

1 Invoices & Statements

Invoices will only include qualifying items (see Leaseholder's Rights, Consultation, page 20). The Council believes its charging method is compliant with a reasonable and stable charging regime. The responsive repairs service is provided 'in house' and subject to Best Value audits. All other repair services are tendered for, or quotations requested, and the total tender or quotation value accepted is the lowest price meeting any specified standards and conditions. In totality the repairs service is the most reasonably priced the Council can offer. This does not guarantee that all individual works within the tender or quotation are the cheapest available. See also Charges for Heating, page 16.

The Council will record all individual elements that make up the invoice on the service charge statements issued each year. Where appropriate, items of expenditure will be highlighted and supplementary information given with the statement.

Charges may have to be apportioned to reflect the contribution required by the leaseholder. There are several methods of apportionment.

- ❑ Charges specific to the flat, e.g. insurance charged at 100%.
- ❑ Charges to the block, e.g. roof repair charged at cost divided by the number of flats in the block.
- ❑ Charges to part of the block, e.g. soil stacks charged at cost divided by the number of flats affected.
- ❑ Charges to the estate, e.g. signs on estates charged at cost divided by the number of properties on the estate.
- ❑ Management expenses. This is clearly identified in Schedule 5 of your lease, calculated as 5% of the equivalent annual rent and covers the following expenses:
 - File maintenance
 - Maintenance of computer systems
 - Production of reports from the Council's Repairs System
 - Determination of repair liability
 - Production of copy orders for file
 - Liaison with other Council Services for chargeable items, e.g. insurance
 - Calculation of the cost of liability to be charged
 - Production of service charge schedules
 - Production of service charge statements
 - Production of service charge accounts and associated documentation
 - Arrangement of tenders for improvement works
 - Statutory consultation with tenants on various works and service
 - Statutory notice of intention to collect ground rent
 - Interpretation of the various Acts in relation to Lessees

- Interpretation of the ODPM guidelines on service charges
- Liaison with Lessees, electronically, by letter, telephone, or in person
- Production of ad hoc information for Lessees, e.g. Summary of Service Charge Guidelines
- Administration of the Complaints Procedure
- Advice to Council Committees on leasehold matters
- Legal advice on leasehold matters
- Debt recovery administration

The charge is calculated by assessing 5% of the annual rent of a council flat or maisonette with the same valuation (not market value) of your home, determined by the Council's Valuation Officer. The method of calculation is in accordance with the Office of the Deputy Prime Minister guidelines determining the rent of all council housing stock.

- Charges for heating costs provided by a centralised boiler system using the Council's calculation procedures. The Council will try to ensure a best price annual contract with one of the current suppliers of gas using the Council's procurement procedures.
- The charge is calculated by dividing the estimated annual cost of heating by the total number of radiators/heating units designated for the block of flats multiplied by the number of radiators/heating units designated for your flat. The number of radiators/heating units designated is determined by the Council's Repairs and Maintenance Manager.
- Charges for insurance.

The Council will offer you a service charge loan during the first 10 years of the original lease, where the total service charge demand is more than £1900 in any one year. The minimum loan is £640 and the maximum £25,250 adjusted annually by the Retail Price Index. Loans are repayable between 3 and 10 years depending on the size of the loan. Interest is charged equal to the Council's mortgage interest rate. Alternatively, paying by standing order over a shorter period is interest free and may be a more suitable option.

The Council will consider reducing your service charge bill at your request if the total service charge demanded over five years exceeds £10,000. Although discretionary, the Council must apply the criteria laid down in respect of exceptional hardship.

2 Charging Method

All services charges should be collected estimated annually in advance, however to assist leaseholders the Council operates three charging methods:

- The Council will, for the first five years from the original sale of the lease, tell you in advance what the charges will be for each of those years. Charges are yearly in advance. If you purchased your property mid-financial year, the charge is apportioned to the 31 March, then annually for four years and apportioned in the final year to the date of the fifth anniversary of the sale. Any over charge is refunded at the end of each financial year. Any under charge will be charged except for fixed costs or for planned maintenance or improvement works.

- Leases prior to 1987 (when the five year rule was introduced), and those now outside of the five year rule, the Council will charge annually in advance for fixed costs, i.e. those that will not change during the year, and in arrears for actual expenditure incurred during the financial year.
- Leaseholders who are in leasehold for the elderly schemes are charged once only, annually in arrears for actual expenditure.

High Cost Items - The consultation process will ensure that all leaseholders are warned in advance of any future commitment.

Advance estimate of anticipated charges - For items not subject to the consultation process, the Council will inform leaseholders when orders are raised advising of the chargeable item and it's estimated cost.

3 Ground Rent

The Council will serve a notice of its intention to collect ground rent, and subsequently issue an invoice separately from any service charge demand.

4 Billing and Collection

The Council will issue you with a draft statement no later than July each year to enable any disputes to be resolved. This is in advance of the final invoices, statements, copy invoices and associated documentation that you will get no later than six months after the end of each financial year i.e. 30th September, to an address nominated by the leaseholder setting out and including:

- The service charges the individual leaseholder must pay separated by each element e.g. management costs, services, major works / improvements, responsive repairs, insurance (if applicable), items subjected to consultation etc
- The total service charges for the group of properties involved
- A copy of invoices and any other associated documents
- A brief summary of the rights and obligations of the leaseholder in relation to service charges

You may inspect, make copies of, all the original invoices and other documents produced for the statement on request giving the Council 21 days written notice. Any extra cost to the Council can be treated as a management cost and added to this element of the service charge. The Council will guarantee making available any requested inspection, for a period of no more than two months, commencing no later than one month from the date of the request.

The Council offers a range of payment options and are:

- Cheque
- Regular instalments
- Standing Order
- Post Offices
- Web
- Telephone

Income support, which is paid by the Benefits Agency, can help with service charges imposed on a claimant as a condition of occupying the home and connected with the provision of adequate accommodation. Help may be given with the charges for items such as management fees, insurance, minor repairs and the cleaning of communal areas. Service charges for personal day-to-day living expenses (e.g. heating provided to individual flats) are excluded. Charges for major repairs and improvements are also excluded but in certain circumstances income support available from the Benefits Agency can help with any loan interest taken out to cover such costs.

Housing benefit is not paid to home owners.

5 Arrears & Forfeiture

The Council will:

- Give prompt written reminders when payments and instalments are missed.
- Accept small incremental payments by agreement to ensure the charges are paid by the time the next invoice is due.
- Give house calls and home interviews.
- Offer debt counselling and welfare rights advice.
- When charges are challenged, negotiate payment of undisputed parts of the bill whilst the disagreement is being resolved.

Non-payment of charges not under investigation following a challenge (see Leaseholder's rights, page 19), may render a lease liable to forfeiture. This will only be considered for debts in excess of the specified amount, and outstanding in excess of the specified period, laid down by the Commonhold and Leasehold Reform Act 2002.

Leaseholder Rights

1 This summary, which briefly sets out your rights and obligations in relation to variable service charges, must by law accompany a demand for service charges. Unless a summary is sent to you with a demand, you may withhold the service charge. The summary does not give a full interpretation of the law and if you are in any doubt about your rights and obligations you should seek independent advice.

2 Your lease sets out your obligations to pay service charges to your landlord in addition to your rent. Service charges are amounts payable for services, repairs, maintenance, improvements, insurance or the landlord's costs of management, to the extent that the costs have been reasonably incurred.

3 You have the right to ask a Leasehold Valuation Tribunal to determine whether you are liable to pay service charges for services, repairs, maintenance, improvements, insurance or management. You may make a request before or after you have paid the service charge. If the tribunal determines that the service charge is payable, the tribunal may also determine:

- Who should pay the service charge and who it should be paid to.
- The amount.
- The date it should be paid by.
- How it should be paid.

However, you do not have these rights where:

- A matter has been agreed or admitted by you.
- A matter has already been, or is to be, referred to arbitration or has been determined by arbitration and you agreed to go to arbitration after the disagreement about the service charge or costs arose.
- A matter has been decided by a court.

4 If your lease allows your landlord to recover costs incurred or that may be incurred in legal proceedings as service charges, you may ask the court or tribunal, before which those proceedings were brought, to rule that your landlord may not do so.

5 Where you seek a determination from a Leasehold Valuation Tribunal, you will have to pay an application fee and, where the matter proceeds to a hearing, a hearing fee, unless you qualify for a waiver or reduction. The total fees payable will not exceed £500, but making an application may incur additional costs, such as professional fees, which you may also have to pay.

6 A Leasehold Valuation Tribunal has the power to award costs, not exceeding £500, against a party to any proceedings where:

- It dismisses a matter because it is frivolous, vexatious, or an abuse of process.
- It considers a party has acted frivolously, vexatiously, abusively, disruptively or unreasonably.

The Lands Tribunal has similar powers when hearing an appeal against a decision of a leasehold valuation tribunal.

7 If your landlord:

- Proposes works on a building or any other premises that will cost you or any other tenant more than £250.
- Proposes to enter into an agreement for works or services which will last for more than 12 months and will cost you or any other tenant more than £100 in any 12 month accounting period.
- Your contribution will be limited to these amounts unless your landlord has properly consulted on the proposed works or agreement or a leasehold valuation tribunal has agreed that consultation is not required.

8 You have the right to apply to a leasehold valuation tribunal to ask it to determine whether your lease should be varied on the grounds that it does not make satisfactory provision in respect of the calculation of a service charge payable under the lease.

9 You have the right to write to your landlord to request a written summary of the costs which make up the service charges. The summary must:

- Cover the last 12 month period used for making up the accounts relating to the service charge ending no later than the date of your request, where the accounts are made up for 12 month periods.
- Cover the 12 month period ending with the date of your request, where the accounts are not made up for 12 month periods.

The summary must be given to you within 1 month of your request or 6 months of the end of the period to which the summary relates whichever is the later.

10 You have the right, within 6 months of receiving a written summary of costs, to require the landlord to provide you with reasonable facilities to inspect the accounts, receipts and other documents supporting the summary and for taking copies or extracts from them.

11 You have the right to ask an accountant or surveyor to carry out an audit of the financial management of the premises containing your dwelling, to establish the obligations of your landlord and the extent to which the service charges you pay are being used efficiently. It will depend on your circumstances whether you can exercise this right alone or only with the support of others living in the premises. You are strongly advised to seek independent advice before exercising this right.

12 Your lease may give your landlord a right of re-entry or forfeiture where you have failed to pay charges which are properly due under the lease. However, to exercise this right, the landlord must meet all the legal requirements and obtain a court order. A court order will only be granted if you have admitted you are liable to

pay the amount or it is finally determined by a court, tribunal or by arbitration that the amount is due. The court has a wide discretion in granting such an order and it will take into account all the circumstances of the case.

Additional rights and responsibilities

In addition to the prescribed rights and responsibilities outlined above:

1 Insurance

The Council is responsible for insuring the structure of the building. You have the right to a written summary of, copy of, or to inspect the policy.

2 Representation

You can choose to be formally represented in leasehold matters. This can be via your local Residents' Association or Leaseholder Group. Ask the Housing Office for details. Alternatively you may choose to be represented by a solicitor.

3 Opting Out

You have the right to purchase the freehold of your flat subject to a minimum of two thirds of the flats in the block being leased. Before considering purchasing the freehold you should seek professional advice.

4 Leases

You have the right to extend the term of lease if you have owned it for more than two years, or the right is inherited from a deceased leaseholder and is within two years of the granting of probate.

You have the right to have lease provisions varied. This must be via agreement with the Council or by application to a Leasehold Valuation Tribunal.

You are entitled to receive all works and services contained in the lease.

5 Assignment

You (or your solicitor) wishing to sell your interest are entitled to request details of previous years' accounts, and supplementary information.

6 Anti Social Behaviour

The Council has a published policy and procedures document. You are afforded the protection of, and are subject to, the provisions of the document.

7 Permission for Alterations

You have the right to ask permission to undertake alteration to the structure of your home e.g. double glazing. Subject to any technical, health and safety, planning permission, building regulations, or other relevant conditions, the Council will not

withhold permission. This does not affect your, or the Council's obligations under the terms of the lease for future repairing or replacement works. It is your responsibility to ensure any planning consents or building regulations are approved in advance of any work undertaken.

Useful Contacts


1 Your landlord

Your landlord is Lancaster City Council.

The address you should serve any notices on is Lancaster City Council, Town Hall, Lancaster, LA1 1PJ.

If you have a query about your lease or matters relating to your property please contact:

Council Housing Services, 38 Cable Street, Lancaster LA1 1HH

 01524 582929

 councilhousing@lancaster.gov.uk

Leasehold service and account enquiries

 01524 582542

 councilhousing@lancaster.gov.uk

Fax 01524 33693

Repairs

All repairs can be reported to the housing office at 38 Cable Street, Lancaster by:

 01524 582929

 online at www.lancaster.gov.uk

 councilhousing@lancaster.gov.uk

We operate an out of office hours emergency repairs service that you can phone when the offices are closed.

 **01524 67099 for out of office hours emergency repairs**

Planned maintenance and improvements

 01524 582949

 councilhousing@lancaster.gov.uk

Fax 01524 582553

Insurance matters

 01524 582133

Fax 01524 582160

 finance@lancaster.gov.uk

Compliments, comments and complaints

 01524 582529

Fax 01524 33698

 councilhousing@lancaster.gov.uk

2 Copies of leasehold publications

These are available to download from:

<http://www.communities.gov.uk/corporate/publications/>

3 Independent advice

The Leasehold Advisory Service (LEASE)
31 Worship Street
London
EC2A 2DX



020 7374 5380

Fax 020 7374 5373



info@lease-advice.org



online www.lease-advice.org

Lancaster CAB
87 King Street
LANCASTER
LA1 1RH



0870 126 4035

(24 hour automated service)

Fax 01524 846447

Morecambe CAB
87-89 Queen Street
MORECAMBE LA4 5EN



01524 400400

Fax 01524 400401

4 Leasehold Valuation Tribunal

Leasehold Valuation Tribunal
20th Floor
Piccadilly Plaza
Manchester
M1 4BE

Tel 0845 100 2614 Fax 0161 237 3656

5 Income Support (benefits advice)

Social Security Office
Mitre House
Church Street
Lancaster
LA1 1EQ



01524 598000

Social Security Office
67 Queen Street
Morecambe
LA4 5HW




01524 302100

Contact Information

Council Housing Services


38 Cable Street
Lancaster
LA1 1HH

 01524 582929

 councilhousing@lancaster.gov.uk

Our office hours are 9.00 am to 5.00 pm weekdays
(10.00 am to 5.00 pm Wednesdays)

In an emergency ring the Council's Central Control Centre,
which is open 24 hours a day, 365 days a year.

The number to call is  01524 67099

Calls may be recorded
to help improve our standard of service and accuracy of information

CABINET

**Quarter 2 Corporate Performance and Financial
Monitoring Report
06 December 2011**

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

PURPOSE OF REPORT				
To present the corporate performance report for the 2 nd Quarter of the Performance Review Team Cycle for 2011/12				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Cabinet Member
				X
Date Included in Forward Plan	N/A			
Project Appraisal Undertaken	N/A			
This report is public				

RECOMMENDATIONS OF LEADER OF THE COUNCIL

(1) That the report be noted

1.0 REPORT

- 1.1 The second quarter Performance Review Team (PRT) meetings with individual Cabinet members were held between 02 and 09 November 2011. 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 a RAG (Red, Amber and Green) reporting system. The reports also highlighted achievements against key work areas and any difficulties experienced during the previous quarter and/or forecast in the future so that a meaningful discussion could be had on progress and action(s) needed to get delivery back on track.
- 1.3 Individual Cabinet Members were also provided with financial reports for Quarter 2 covering their portfolio and service areas and provided with reasons for any variances and actions being taken to address these.
- 1.4 The Corporate Performance Review report was considered by the Leader of the Council on Thursday 17 November 2011 indicating **only** those activities with a R(ed) status where further corporate intervention is/likely to be necessary to achieve the stated outcome or project/programme benefits.

- 1.5 Following a review of the experiences from Quarter 1 PRT meetings, the guidance supporting the PRT reports - which were in use for the first time in Quarter 1 – have been amended slightly to include a description of the underlying principles behind the RAG ratings so that a more consistent approach is developed in determining the council's overall performance:

These ratings for both *Corporate/Service Plan Outcome Delivery* and council *Project and Programme Delivery* are set out below.

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)

- 1.6 This report is attached as **Appendix A** and indicates that at Quarter 2 there are **no** activities where performance on the delivery of Corporate/Service Delivery Outcome Plans has not, or is not expected to be, achieved within target without further intervention at a corporate level.
- 1.7 Actions have also been/being taken since Quarter 1 to improve the prospects of realising the benefits of council projects and programmes. Of particular note is the Luneside East Project where the status has been reduced to A(mber) following a positive result from the recent Land Tribunal and the expectation that, subject to planning approvals, Phase 1 of the project and management of the site by the contracted developer will now commence in April 2012.
- 1.8 The *Corporate Financial Monitoring and Treasury Management Progress Reports* were also considered at the Leaders PRT meeting. These are attached as **Appendices B and C** respectively.
- 1.9 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 D** together with information on progress to date on outstanding actions.

1.10 At the mid point of the financial year an analysis has been carried out on progress towards the achievement of corporate plan priorities. This analysis, attached at **Appendix E**, provides a clear indication that despite facing significant challenges the council is on track overall to deliver its priorities over the three years of the 2011-2014 Corporate Plan.

2.0 Conclusion

2.1 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 and have been escalated to the Leader of the Council and Finance Portfolio Holder for attention.

2.2 The Corporate PRT report for this quarter and the analysis of delivery against the Corporate Plan demonstrates that positive action has/is being taken to manage corporate performance towards the achievement of stated outcomes and corporate priorities.

RELATIONSHIP TO POLICY FRAMEWORK	
This report is a requirement of the council's Performance Management Framework in support of the council achieving its key tasks and objectives as reflected in its policy framework	
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)	
None arising from this report	
LEGAL IMPLICATIONS	
None arising from this report	
FINANCIAL IMPLICATIONS	
As set out in the report and the appendices	
OTHER RESOURCE IMPLICATIONS	
Human Resources / Information Services / Property / Open Spaces:	
As set out in the report and the appendices	
SECTION 151 OFFICER'S COMMENTS	
The Section 151 Officer's comments are reflected within the report and appendices	
MONITORING OFFICER'S COMMENTS	
The Monitoring Officer has been consulted and has no further comments	
BACKGROUND PAPERS	Contact Officer: Bob Bailey, Corporate Planning & Performance Manager; Andrew Clarke, Accountancy Services Manager Telephone: 01524 582018/ 582138 E-mail: rbailey@lancaster.gov.uk ; aclarke@lancaster.gov.uk Ref: PRT 2011 Qtr 2
Individual Cabinet Member PRT Reports	

CORPORATE PERFORMANCE REVIEW REPORT LEADER OF THE COUNCIL: COUNCILLOR EILEEN BLAMIRE					
Date of Leaders PRT meeting: Thursday 17 th November 2011 at 11.30am in Chief Executive's office					
Portfolio Holder	Portfolio Area(s)	Key Service Actions	Success Measures		Achievements and/or difficulties identified (significant ongoing issues and or forecasted risks)
			Description	R/A/G Status	
<p>PRT Quarter 2 meeting</p> <p>There are no key areas or actions to report with a red (significantly behind target) status.</p>					

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
Adactus Top Up grants	Andrew Dobson Regen & Policy						Relates to 5 properties in the West End – properties being marketed for sale, but have not been sold to date due to failing market conditions.
Bold Street Renovations	Andrew Dobson Regen & Policy						Funding stream discontinued by the government in the final year of the project. Negotiations under way with the contractor for the project to end in January 2012.

Corporate Financial Monitoring

September 2011 | Quarter 2

Report of the Head of Financial Services
Corporate PRT meeting | 17 November 2011

HEADLINE INFORMATION			
REVENUE	Current (Underspend) / + Overspend £'000	Projected (Underspend) / + Overspend £'000	Future Years Projection (Underspend) / + Overspend £'000
General Fund (as at Sept 2011)	(416)	(235)	+325
Further Anticipated Changes : <i>Icelandic Investments</i>	-	(1,000)	-
General Fund (Updated Position)	(416)	(1,235)	+325
Housing Revenue Account (HRA)	(166)	(226)	(10)

Note that regarding the General Fund current year projection, this includes items that have come to light after the 30 September but have a significant impact on the projection. It should also be noted that this position will inevitably change again as a result of the detailed revised budget review process.

CORPORATE FINANCIAL MONITORING

September 2011 | Quarter 2

1. INTRODUCTION

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

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

2. GENERAL FUND REVENUE MONITORING

2.1 General Fund Summary Position

The current overall General Fund summary position shows that at the end of September there is a net underspend of **£416K** (-£65K *Qtr1*) against the budget. This is currently forecast to reduce to **£235K** (-£437K *Qtr1*) by the end of the year. Conversely, from the information available to date future years' projections show a potential net overspending of **£325K** (+£137K *Qtr1*) – see later sections for details. This is not yet based on complete information, however, and a more accurate position will be produced as part of the current budget process.

It should also be noted that the outcome of the Supreme Court appeal on Icelandic investments creditor status is now known. The positive outcome effectively means that losses will be significantly lower than budgeted, resulting in an estimated credit of £1M to the revenue budget in the current year (as well as the savings of around £100K in future years).

There will inevitably be more changes to come through as part of the budget process and a full revised estimate and projection for 2012/13 and future years will be reported to Cabinet in December.

VARIANCES	Current £000's	Current Year Projection £000's	Future Years Projection £000's
Major Variances (see section 2.2)	(5)	+440	+625
Salaries (see sections 2.3 & 2.4)	(411)	(675)	(300)
Sub Total	(416)	(235)	+325
Further Anticipated Budget Changes:			
Icelandic Investments – reversal of previous transactions		(1,000)	
ESTIMATED OUTTURN / IMPACT ON FUTURE YEARS	--	(1,235)	+325

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 September this has actually been exceeded. That being said, actions have already been taken to reduce controllable staffing budgets by deleting vacant posts that are no longer required (see section 2.3) which will reduce the position in future.

	£000's
Net Controllable Budget	22,608
2% Target	+/() 452
Provisional Controllable Net Underspend	(503)
Percentage of Net Controllable Budget	2.2%

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

2.2 Major Budget Variances

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

SUMMARY BY SERVICE	Current £000's	Current Year Projection £000's	Future Years Projection £000's
REPORTED VARIANCES :	() Favourable / + Adverse		
Community Engagement	+17	+17	+17
Environmental Services	+157	+186	+186
Financial Services	(21)	(155)	(45)
Governance Services	(82)	(94)	(44)
Health & Housing	(5)	(65)	(60)
Property Services	(115)	+326	+341
Regeneration and Policy	+44	+225	+230
	(5)	+440	+625
VARIANCES NOT REPORTED TO PRT MEETINGS :			
None	0	0	0
TOTAL VARIANCES	(5)	+440	+625

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

FACTORS INFLUENCING VARIANCES	Variances to Date £000's	Current Year Projection £000's	Future Years Projection £000's
Unforeseeable windfalls or costs	(115)	(155)	(19)
Demand led variances	+93	+789	+621
Efficiency savings	(41)	(109)	(55)
Other service driven variances (incl delays)	+128	+130	+130
Budget setting issues / errors	(78)	(99)	+4
Other variances	+8	(116)	(56)
TOTAL	(5)	+440	+625

In terms of future years, the above analysis does not include any projection as yet in respect of on-going salary savings. Consideration will also need to be given to the impact of the current Fair Pay review for

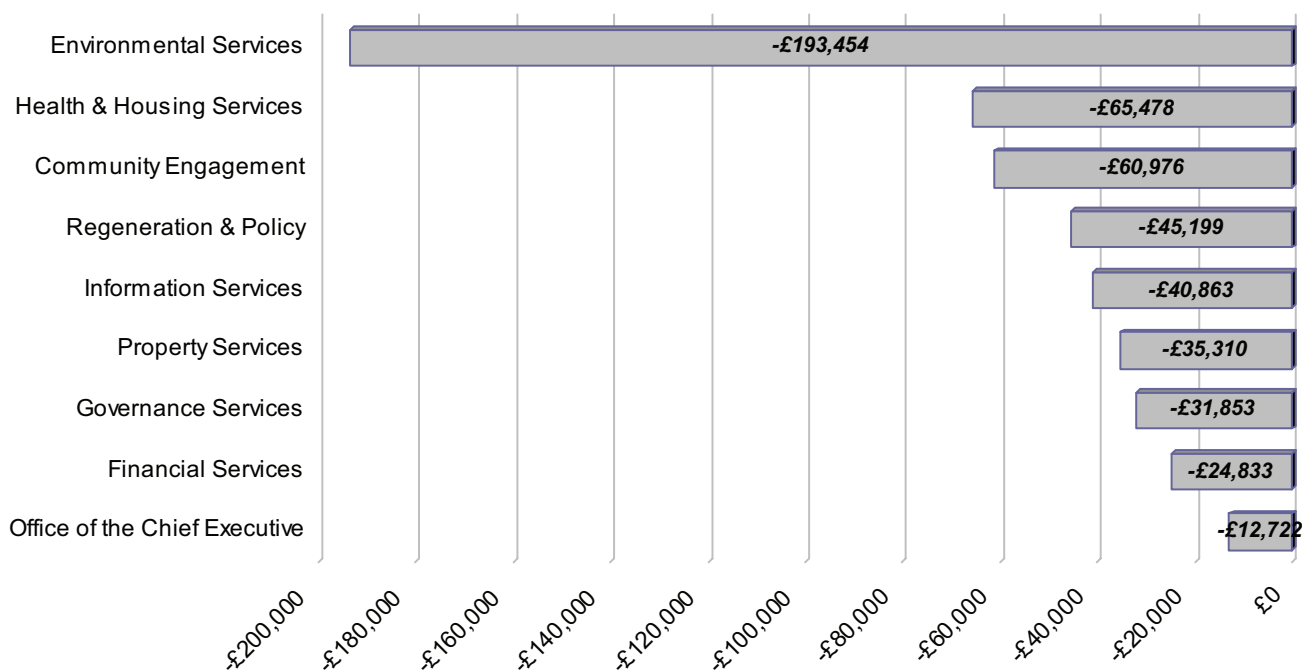
“red book” employees and the further review of the current pay and grading structure, as well as developments in the Shared Services agenda.

2.3 General Fund Salary Monitoring

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

To date total savings of £510K have been achieved, which is some **£411K** above the £99K profiled turnover target, and £312K above the full year target of £198K. It should be noted that the current savings include £48K in respect of an anticipated pay award of £250 for each employee earning less than £21K, as this award has not materialised.

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



Main Reasons for the variances are as follows:

Environmental Services – vacant posts in grounds maintenance and street cleansing plus the deletion of a number of vacant posts following an efficiency review on the waste collection services.

Community Engagement – Small savings spread across a number of areas due to vacant posts and changes to the way casual staff are being utilised.

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

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

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

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

Property Services – A number of vacant posts.

Governance Services – Vacant posts and restructuring.

Office of the Chief Executive – one vacant post.

Whilst it is anticipated that the current level of vacancies will reduce it is clear that the turnover target has already been exceeded by some margin. A full staffing review is currently underway as part of the budget exercise and early indications are that full year savings will be in the region of £675K (after allowing for the turnover target). Included within this figure are savings of £300K which have been achieved from deleting vacant posts that are no longer required.

2.4 Budgeted Savings Targets

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

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

All savings have now been achieved either through vacant posts and/or specific service restructures.

3 GENERAL FUND CAPITAL PROGRAMME

3.1 Capital Expenditure

At the end of September there was spend and commitments of £3.381M against the programme of £7.275M, which has been updated for slippage from 2010/11 (approved in July) and a number of new schemes – see below.

	£000's
Approved Programme (Council 02 March 2011)	5,765
Slippage from 2010/11 (Cabinet 26 July 2011)	899
New Schemes approved under S151 Officer delegation:	
Heysham Village Phase 2 Play Area – externally funded (April 2011)	46
White Lund transport link works – s106 payment to County Council (May 2011)	76
Clay Pitts Recreation / Play Facilities Development – s106 funded (July 2011)	140
Recycling at Mainway Estate (Sept 2011; following carry forward approval)	34
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
Updated Programme	7,275

The other main issues to note are as follows; more information on capital has also been included within the Medium Term Financial Strategy (MTFS) update report to Cabinet in November:

- Vehicle renewals of £746K are committed or have been procured and arrangements are currently underway to determine the most cost effective financing (re either leasing or outright purchase).
- There is still a contractual dispute relating to previous Public Realm works in the West End which has been refuted but as yet not resolved.

3.2 Capital Financing

Capital Receipts

A total of £8.869M is required to finance the 2011/12 capital programme. The Head of Property Services has reviewed the proposed receipts for the current year and after allowing for slippage it is anticipated there will be a shortfall of £757K in funding. However, the full impact of this will not be known until the whole programme has been reviewed as part of the current budget process.

4 HOUSING REVENUE ACCOUNT (HRA) MONITORING

4.1 HRA Revenue Position

At the end of September the position for the Housing Revenue Account shows an underspend of **£166K** against the profiled budget, which is currently projected to increase to **£226K** by the end of the year.

VARIANCES	Factor Influencing Variance (see next table below)	Variations to Date £000's	Current Year Projection £000's	Future Years Projection £000's
Choice Based Letting – salary savings	4	(5)	(5)	0
Repair & Maintenance – salary savings	4	(83)	(143)	?
Insurance – reduced premium	1	(10)	(10)	(10)
Planned Maintenance – lower tenders	1	(60)	(60)	?
DWP Grant – Access to Work claim	1	(8)	(8)	0
ESTIMATED OUTTURN (NET OVERSPEND)		(166)	(226)	(10)

As mentioned in section 2.2, Services are now required to identify the key factors influencing variances as part of the PRT financial monitoring process, and the following table provides an analysis of these variances have been categorised.

FACTORS INFLUENCING VARIANCES	Variations to Date £000's	Current Year Projection £000's	Future Years Projection £000's
1 Unforeseeable windfalls or costs	(78)	(78)	(10)
2 Demand led variances	0	0	0
3 Efficiency savings	0	0	0
4 Other service driven variances (incl delays)	(88)	(148)	0
5 Budget setting issues / errors	0	0	0
6 Other variances	0	0	0
TOTAL	(166)	(226)	(10)

4.2 Council Housing Rent Collection

At the end of September rent income is on target with the profiled estimate.

Total Estimate for Year	£12,527,200
Profiled Budget	£6,252,500
Actual to Date	£6,252,850
Difference	(£350)

4.3 Council Housing Capital Programme

This section analyses actual spend against the Council Housing Capital Programme at the end of September. To date spend and commitments total £1.484M 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 £2.276M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	250	128	122
Energy Efficiency / Boiler Replacement	565	239	326
Bathroom / Kitchen Refurbishment	1,034	241	793
External Refurbishments	1,331	615	716
Environmental Improvements	421	213	208
Rewiring	85	39	46
Fire Precaution Works	7	7	0
Choice Based Lettings	67	2	65
TOTAL	3,760	1,484	2,276

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	53.97	53.68	97.2	48.57	On Target
Business Rates	61.42	60.24	98.7	60.52	On Target

5.2 Collection Fund Monitoring

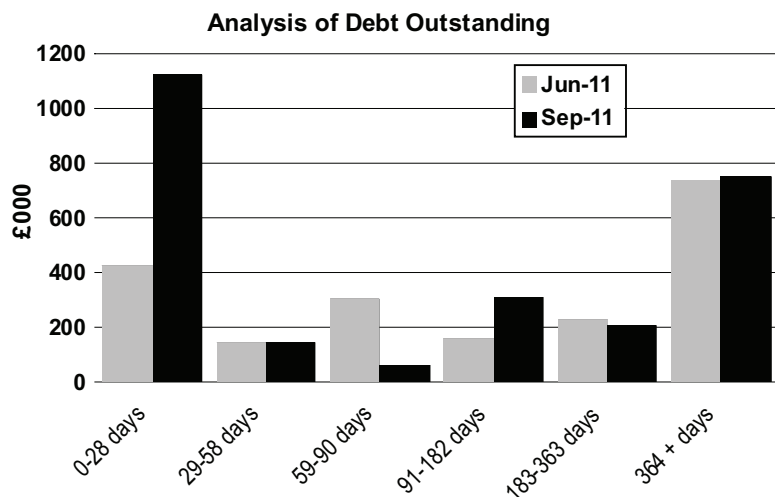
This section sets out the latest position on the Collection Fund, in particular in relation to Council Tax. Whilst the above section looks at collection performance, this section shows the current surplus or deficit on the Fund. It basically compares the amounts collectable with the Precepts levied by 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 September the Fund was in surplus by £381K, but it should be noted that the surplus can fluctuate significantly month by month. For information, the equivalent value for September 2010 was a surplus of £396K reducing to £299K at the year end.

Any surplus or deficit is shared between the relevant precepting bodies and the City Council's element equates to 13% and would therefore be £50K. The position will formally be assessed in January when the Council Tax base for 2012/13 is set. At that point in time any surplus or deficit will be notified to the relevant precepting bodies for inclusion in their 2012/13 budget.

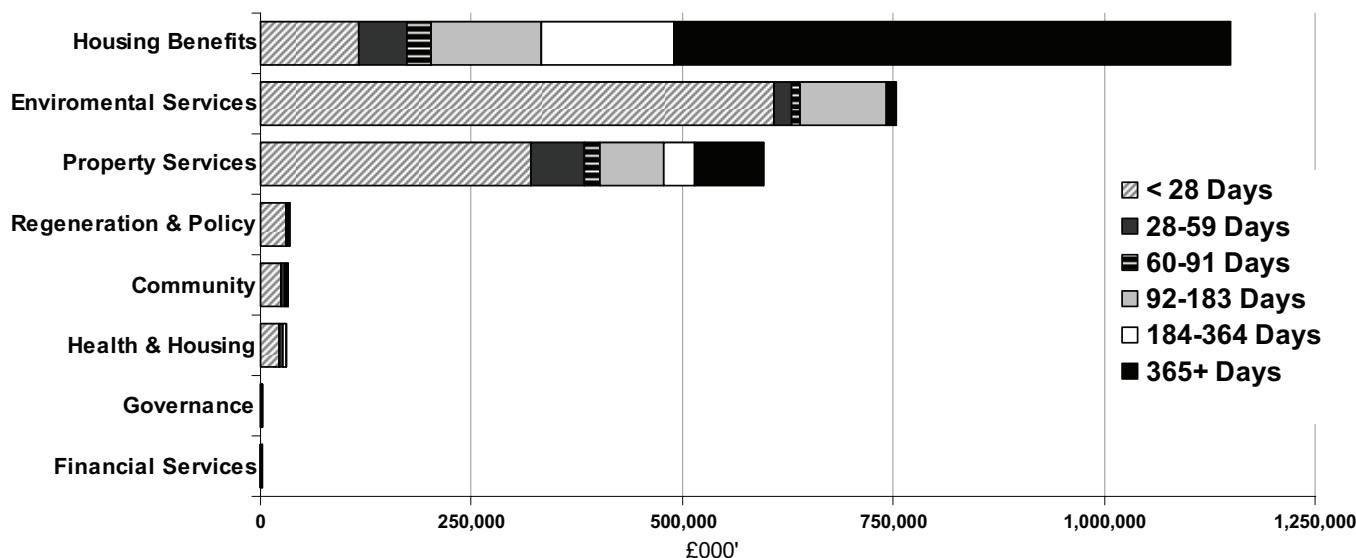
5.3 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of September the total debt outstanding was just over £2.6M, which is £600K more than the previous quarter. However, this is due to the raising of half yearly invoices in Environmental Services and Property Services. The actual level of debt over 1 month old has reduced by £94K.

The level of debt over 1 year old has increased in the last quarter to 29% (37% last quarter) of the total outstanding debt.



	June 11	Sept 11
	£000's	£000's
0-28 days	430	1,125
29-58 days	145	147
59-90 days	301	60
91-182 days	160	312
183-363 days	225	204
364+ days	741	755
	2,002	2,603
Previous Year	1,788	1,961



6 PROVISIONS AND RESERVES

This section provides an update on key provisions and reserves.

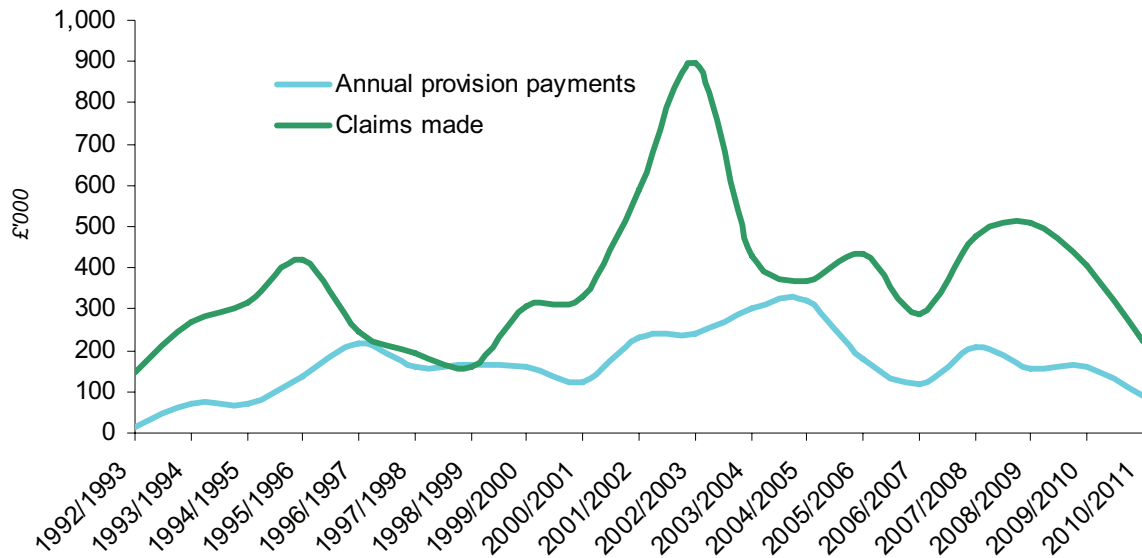
6.1 Insurance Provision

The current balance on the insurance provision is £383K, after making net payments of £57K in settlement of claims made.

At present, the Council's insurers estimate that the value of claims outstanding is £356K, which relates to a total of 219 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 £206K, which is £177K less than the current provision. The level of this provision will be assessed as part of the current budget 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.

Analysis of claims made, paid and outstanding by year.



6.2 Bad Debt Provision

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

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

Period	Debt £000's	% Cover Required	Value £000's
Up to 1 Month	1,125	1%	11
1 Month to 3 Months	207	5%	10
3 Months to 365 Days	516	10%	52
Over 365 Days	755	50%	377
TOTAL	2,603		450

The current balance on the General Fund Bad Debt provision is £514K which is £64K above the requirement indicated, but that is after allowing for this year's contribution of £100K. The position will be reviewed again as part of the forthcoming budget process and any adjustments required will be reported accordingly and built into the revised budget projections. Given that the majority of sundry debts relate to housing benefit overpayments, the planned welfare reforms could well have major bearing in future.

6.3 Other Major Reserves

Invest to Save Reserve

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

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

In addition, officers have also been asked to:

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

Update

A report presented to Cabinet in early October put forward a scheme to spend £750K on photo voltaic panels to be located on several municipal buildings and £1M on installations on council housing communal buildings. The tender have been let and the outcome of that and further financial reviews are imminent.

In addition, it was reported that initial tenders for boiler replacement at the Town Halls came in substantially above the estimates and consideration is now being given to the best method of retendering the work.

The installation of secondary glazing at Lancaster Town Hall has been delayed by a lack of resources within Property Services. This has now been resolved and a proposal is being prepared to ascertain costs for a scheme that would meet Listed Building requirements.

A preliminary feasibility study on the Salt Ayre Pipeline scheme suggests that the scheme would be very costly for the benefit obtained and as such is not being pursued at the moment.

Icelandic Impairment Reserve

As reported at the start of this report, the decision of the Icelandic Court will effectively give the Council preferential creditor status, which now means that there will be a net credit of £1M going back to revenue in the current year. As a result, the reserve will be cleared and closed in this year.

7 RISK MANAGEMENT

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

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

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

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

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

Similarly, in strategic terms one of the biggest risks facing the Council has been the extent of funding cuts and the impact these may have on services and the Council's overall direction. Whilst the Government have provided a 2 year settlement there is still much uncertainty for 2013/14 and beyond. Tackling and managing the associated risks are should be Various measures to help the position are underway. This includes the Invest to Save initiatives which were presented to Cabinet in early October.

SUMMARY OF GENERAL FUND MAJOR VARIANCES (Qtr 2 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				(115,000)	(154,600)	(19,000)
2. Demand led variances				+93,100	+788,800	+620,700
3. Efficiency savings				(40,500)	(108,800)	(55,000)
4. Other service driven variances (incl delays)				+128,000	+130,000	+130,000
5. Budget setting issues/errors				(78,400)	(99,200)	+4,500
6. Other variances				+8,100	(116,400)	(56,100)
TOTAL VARIANCES				(4,700)	+439,800	+625,100
Service	Variance Type	Service Area	Variance to Date	Current Year Projection	Future Years Projection	Reason for Variance & Action being taken
			£	£	£	
			+ = Adverse () = Favourable			
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)						
Community Engagement	5	Lancaster VIC - service charge	+300	+18,500	+0	Back charges to 2009/10 plus increase to 2011/12 from SCIC
	5	Salt Ayre - NNDR	+17,300	+17,300	+17,300	Uncontrollable increase due to revaluation.
	2	Salt Ayre - Studio income	+4,200	+20,000	+20,000	Income target not achieved for fitness activity classes - highly competitive market.
	2	Salt Ayre - Synthetic Pitch	+7,500	+11,700	+12,000	Increased local competition from new pitches at College and Globe Arena, also 1 month loss of income due to refurbishment. Promotion underway to promote this facility.
	3	Salt Ayre - Energy Costs	(26,600)	(43,800)	(45,000)	Expected savings to be achieved against energy spend as a result of prudent energy management. Projected saving based on usage and current tariffs.
	6	Williamson Park - Water Services	+22,400	+22,900	+22,900	Uncontrollable overspend due to new charge for surface water / drainage at the Park.
	1	Non Resort Parks - income	(5,500)	(5,500)	+0	Additional income from Circus / Fairground bookings at Ryelands Park
	1	Promenade - Income	(14,300)	(14,300)	+0	Additional income from funfair at Dome Arena
	1	Carnforth Pool - income	+11,500	(10,000)	(10,000)	Additional income expected from increased private hires and swimming lessons.
	2	Trade Refuse	+57,000	+66,000	+66,000	Trade Refuse Charges were increased by an average of 7.3% but year on year the 2nd qtr income is down £66k. This position reflects the decline identified in PRT 3 & 4 of 2010-11. This is partial offset by a saving on disposal costs of £9k. However, it should be noted that it is estimated that Trade Refuse will still contribute £100K to general fund this year.
Environmental Services	2	Waste Collection - Plastic Sacks	(9,000)	(10,000)	(10,000)	Increased controls over issue have been introduced resulting in decreased demand.
	4	Highways	+109,000	+130,000	+130,000	The nature of the work that has been given by the County has changed. It is now almost entirely urgent work resulting from Capita inspections. This work is paid on a similar basis to "cost-plus" and it does not generate the financial returns that we were reporting with schedule of rates work. Therefore, we are assuming that Highway works now and in the future will no longer make any contribution to the general fund. They will, however, continue to make a significant contribution to service and corporate overhead cost so the business case for delivering the service is still sound.

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)							
Financial Services	6	Investment Income	(40,000)	(60,000)	+0	+0	Investment interest is currently up on the profiled budget, mainly due to Icelandic investments. Future years' impact not yet assessed.
	6	Capital Financing Costs	+0	(105,000)	(105,000)		Whilst this is by no means certain, current creditor status for Icelandic investments indicates that other associated savings should be achievable (as losses would be significantly lower than currently budgeted).
	4	Service Staffing & Administration costs (incl audit fees)	+19,000	+0	+0		Upgrading of financial systems will result in additional costs in this year and next, but these will be met from virements from other Mgmt and Admin budgets. The changes will allow other efficiency savings to be gained in future years.
	3	Revenues & Benefits Shared Service	+0	(50,000)	+0		Based on latest budget review; provisional only at this stage. Future years' savings potential will depend on what resources are needed to prepare for implementation of any welfare reforms.
	2	Recovery of legal costs (from issuing summonses for non-payment of council tax or business rates)	+0	+60,000	+60,000		Provisional figure. Recent increases in charges and changes in payment patterns have reduced summonses, but importantly collection performance is on track.
	2	Search Fees	(14,000)	(15,000)	(15,000)		Increase in number of requests for full searches
Governance Services	3	Legal Books & Periodicals	(4,600)	(10,000)	(10,000)		Review carried out of current requirements
	1	Member Special Responsibility Allowances	(13,400)	(19,000)	(19,000)		Savings on 2 Cabinet places unfilled together with part of opposition leaders' SRA and savings on changeover.
	1	Elections	(50,000)	(50,000)	+0		Estimated savings made due to the sharing of some of the election costs with the Alternative Vote Referendum - the go ahead of which wasn't known at the time of setting the budget. Actual saving to be built into Revised budget once final claim submitted.
Health & Housing	2	Cemeteries - General - Income	+3,300	+7,000	+0		An increase in public burials as those deceased are dying without family and friends to tend for the arrangements of the funeral, the council is under statutory duty to perform the burial. The costs are eventually offset against the deceased estate, but the amount receivable may not cover the cost of burial.
	2	Cemeteries - Internment Fees	+7,900 ?		+0		Lower than anticipated sale of grave spaces and Internment fees.
	5	Strategic Housing Mgt & Admin - Management Fee	+0	(12,200)	+0		Management fee for Home Improvement Agency not included in estimates as confirmation of grant had not been received.
	5	Strategic Housing Mgt & Admin - Administration Charges	(16,000)	(60,000)	(60,000)		Administration charge not included in budget as confirmation of DFG grant had not been received.

Service	Variance Type	Service Area	Variance to Date	Current Year Projection	Future Years Projection	Reason for Variance & Action being taken	
						£	£
+ = Adverse () = Favourable							
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)							
Property Services	2	7, Cheapside, Lancaster - Rent & Rates	+42,700	+57,700 ?		Vacant property. In discussions to let property this Financial year. Part year rates could be reimbursed but uncertain at this stage.	
	2	St Leonard's House - rent	+17,500	+82,600	+85,000	A major tenant has unexpectedly left the building which will impact on the rental income for the year and future years.	
	1	Energy Performance Certificates	(11,000)	+10,000	+10,000	Reduced cost of and demand for certificates.	
	6	Electricity & Gas - all budgets	?	?	?	Reduced cost identified in Q1 - Awaiting forecast from energy suppliers (estimated at this stage to be 25% above 2010/11 prices). A full analysis to be undertaken during Q3 reflecting potentially large increase in unit costs due in the autumn to identify.	
	1	Concessionary Travel - Community Transport	(32,300)	(65,800)	+0	Waiting for final figure from Lancashire County Council - remaining budget will be removed as part of revised budget.	
	2	Lancaster Market rates	+5,300	+6,000	+6,000	Increased rates resulting from traders leaving market.	
	2	Lancaster Market Rents market stalls	+8,500	+48,000	+50,000	Reduction due to traders leaving market.	
	2	Lancaster Market Service charge income	+3,900	+34,000	+35,000	Reduction due to traders leaving market.	
	2	Municipal Buildings - hire of premises	(8,100)	(6,100)	(6,100)	Increased demand of room hire.	
	2	Lancaster Town Hall - Rents General	(3,600)	(7,200)	(7,200)	HMRC rental income.	
	3	Car Parks - Electricity	(9,300)	(5,000)	+0	Potential savings despite anticipated increases but an updated inventory for unmetered supplies could impact on Q3 and Q4.	
	6	Car Parks - Rates	+25,700	+25,700	+26,000	Uncontrollable increase due to revaluation in 2010/11.	
	5	Car Parks - Parksafes Contribution	+0	(7,800)	(7,800)	Contribution no longer payable from November 2011 as agreed with Parksafes .	
	2	Car Parks - Cash Collection Expenses	(800)	+5,500	+5,000	Increased number of collections due to increased cash volumes.	
	2	Car Parks - Evening Charges	(12,800)	(12,000)	(12,000)	Improved evening car parking income.	
	2	Car Parks - Fees	(2,100)	+86,000	+85,000	Income has been slightly below target every month although June was 11% below target. Full year projection allows for bad weather as experienced in last 2 years.	
2	Car Parks - Permits	(89,500)	+67,600	+65,000	Reduced permit sales and Partner Permits as reported at Q1. Potential for further reductions in Q3 and Q4 if more corporate customers cancel their permits.		
2	Car Parks - Fines	(49,200)	+7,000	+7,000	Reduced number of PCNs issued in Q1 and Q2 resulting in less fine income. Further analysis is being undertaken in conjunction with Lancashire Parking Services.		

Service	Variance Type	Service Area	Variance to Date £	Current Year Projection £	Future Years Projection £	Reason for Variance & Action being taken
VARIANCES REPORTED THROUGH PRT PROCESS (SERVICE HEAD COMMENTS)						
Regeneration & Policy	2	Planning application fee income	+40,000	+75,000	+75,000	Reduction in anticipated fees for "major" applications and renewals following changes to planning legislation. Continued reduced application numbers due to current economic climate. Continuing effects of "permitted development" changes has resulted in reduced number of "householder" applications.
	2	Building Reg Application fee income	+75,000	+105,000	+100,000	Continued reduction in fee bearing applications due to private practice competition and economic climate. Current vacancy has not been filled. It is also likely that the balance of fee bearing/non fee bearing will also change as unauthorised works and dangerous structures remain at the same level and staff time available has reduced.
	2	Development Control - consultants	+5,700	+50,000	+0	Cost of WYG and expert witnesses for Public Inquiry into CEP appeal (WYG previously processed the planning application).
	2	Development Control - Planning Legal Costs	+3,700	+50,000	+0	Barrister costs or Public Inquiry into CEP.
	5	Lancaster BID Feasibility Study	(40,000)	(15,000)	+15,000	Part of the spend on this project will slip into 12/13 and budgets will be revised accordingly as part of the budget process.
	5	Morecambe BID Feasibility Study	(40,000)	(40,000)	+40,000	This full study will now slip into 2012/13 and budgets will be revised accordingly as part of the budget process.
	TOTAL VARIANCES			(4,700)	+439,800	+625,100

VARIANCES NOT REPORTED THROUGH PRT PROCESS

TOTAL VARIANCES			+0	+0	+0	
OVERALL VARIANCES			(4,700)	+439,800	+625,100	

PERFORMANCE REVIEW MEETING

(Note this report needs to be reported on to Council, both for information and to update aspects of the Treasury Framework and therefore it will be included within the budget update report to Cabinet in December – for subsequent referral alongside other budget matters.)

2011/12 Treasury Management Progress Report to 30 September 2011

Report of Head of Financial Services

1. Introduction

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

Council approved the Treasury Strategy including the Investment Strategy for 2011/12 at its meeting on 02 March 2011. This report outlines activities undertaken in pursuance of those strategies during the financial year up to the end of Quarter 2.

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

2. Summary

- Due to the upcoming HRA finance reforms, Cabinet is asked to note various changes to the Prudential Indicators presented at **Annex B** as well as changes to the Investment Strategy set out in section 9, for referral on to full Council.
- The decision from the Icelandic Courts was in the Council's favour. It is anticipated that the judgment is applied to all non test cases and that in broad terms the Council will recover all but £400K of the £6M invested.
- There is a £40K favourable variance against the budget to date. This relates to the 'accounting' interest accruing on Icelandic investments. Once full details of the settlement and timing are released, this will need to be reviewed.
- 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. Economic Review (section 3.1 to 3.4 as provided by Sector)

Global Economy

The Euro zone sovereign debt crisis continued with Spain, and particularly Italy, being the focus of renewed market concerns that they may soon join with Greece, Ireland and Portugal in needing assistance. This uncertainty and the lack of a co-ordinated or credible Euro zone response, left commentators concerned over the potential impact of sovereign default and resulting effect on the Euro zone banking sector. The approval by various countries of the £440bn bail out fund in September brought temporary relief to financial markets and it has now been agreed that private investors will take a 50% cut in the face value of their Greek bonds. Also, a new 130bn Euro bail-out of Greece by the EU and International Monetary Fund has also been agreed and together, these actions resulted in markets regaining their risk appetite as investors' confidence returned.

However, political difficulties in the US over their plans to address the budget deficit, the size and control over the US sovereign debt, and the subsequent loss of the AAA credit rating from Standard and Poors, has led to a much more difficult and uncertain outlook for the world economy.

Growth prospects in the US, UK and the Euro zone have been lower than expected, with future prospects similarly cut. Whilst not a central view, concerns of a double dip recession in some Western countries have increased. World stock markets fell in the second quarter of 2011/12 as a consequence.

UK Economy

Following zero growth in the final half of 2010/11 the UK economy grew by a weaker than expected 0.2% in the first quarter of 2011/12, providing a knock on effect to future growth prospects. Growth prospects are expected to be governed by UK consumer sentiment, which is currently subdued due to falling disposable income. Higher VAT, overhanging debt, high inflation and concerns over employment are likely to weigh heavily on consumers into the future.

Inflation remains stubbornly high, although the expectation of future falls, the external nature of the price increases (energy, oil, food etc.), and the negative impact a rate rise would have on the UK economy, are all likely to stop the Monetary Policy Committee from raising the Bank Rate for some considerable time to come. An indicator of the worsening position arose from the Monetary Policy Committee minutes recently, signalling a greater willingness to expand the quantitative easing programme.

International investors continue to view UK government gilts as being a safe haven from the EU sovereign debt crisis. The consequent increase in demand for gilts has helped to add downward pressure on gilt yields and sent PwLB borrowing rates to low levels. This has been partially reversed by the recent Greek debt bailout as investors confidence returned, resulting in the biggest rise in the UK 10 year gilt yield for 2 years.

Outlook for the next six months of 2011/12:

There remain huge uncertainties in economic forecasts due to the following major difficulties:

- the speed of economic recovery in the UK, US and EU;
- the likely political gridlock in the US preventing significant government fiscal action to boost growth ahead of the Presidential elections in November 2012;
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy;
- the degree to which government austerity programmes will dampen economic growth;

- the potential for more quantitative easing, and the timing of this in both the UK and US;
- the speed of recovery of banks' profitability and balance sheet imbalances.

The overall balance of risks is weighted to the downside:

- Low and modest growth in the UK is expected to continue, with a low Bank Rate to continue for at least 12 months. This will keep investment returns depressed.
- The expected longer run trend for PWLB borrowing rates is for them to rise, primarily due to the need for a high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. However the current safe haven status of the UK may continue for some time.

Sector's Interest Rate Forecast

Sector's Interest Rate View													
	Now	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
Sector's Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.25%	2.50%
3 Month LIBID	0.82%	0.70%	0.70%	0.70%	0.70%	0.70%	0.90%	1.10%	1.30%	1.60%	1.90%	2.40%	2.70%
6 Month LIBID	1.10%	1.00%	1.00%	1.00%	1.20%	1.30%	1.50%	1.70%	1.90%	2.10%	2.40%	2.70%	3.00%
12 Month LIBID	1.59%	1.50%	1.50%	1.50%	1.60%	1.80%	2.00%	2.25%	2.50%	2.75%	3.00%	3.40%	3.70%
5yr PWLB Rate	2.44%	2.50%	2.70%	2.90%	3.00%	3.10%	3.20%	3.40%	3.60%	3.80%	4.00%	4.10%	4.20%
10yr PWLB Rate	3.52%	3.80%	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%
25yr PWLB Rate	4.56%	5.00%	5.00%	5.10%	5.10%	5.10%	5.20%	5.20%	5.30%	5.40%	5.40%	5.50%	5.50%
50yr PWLB Rate	4.73%	5.00%	5.00%	5.10%	5.10%	5.10%	5.20%	5.20%	5.30%	5.40%	5.40%	5.50%	5.50%

Significance of Sector's Review to Lancaster

As will be discussed below, a key issue affecting the Council is the financing of the HRA subsidy buy out, planned for the end of this financial year. The review from Sector has an important influence on planning the treasury management elements of this transaction. The forecast indicates that returns on investment balances will remain at their historically low levels for at least another year, before a steady rise in bank rate over subsequent quarters.

In terms of borrowing costs, the international factors which impact on gilt rates, and therefore PWLB rates, may keep the cost of borrowing depressed, although the projection is for a steady rise up to, and beyond, the self financing date. The recent Greek debt bailout has already led to an increase in rates although it remains to be seen whether this confidence is maintained.

What seems likely is that the existing, significant margin between what rate the Council can achieve from investments and the rate it must pay for borrowing will be maintained over the medium term. In addition, the spread of rates, where shorter term loans are significantly cheaper, will be maintained, although the trend will be for this spread to reduce over time. These factors should be taken into account when developing the strategy for financing the estimated payment to DCLG – as will other factors outlined in the sections below.

4. Capital Budgets, the Debt Portfolio and HRA self financing.

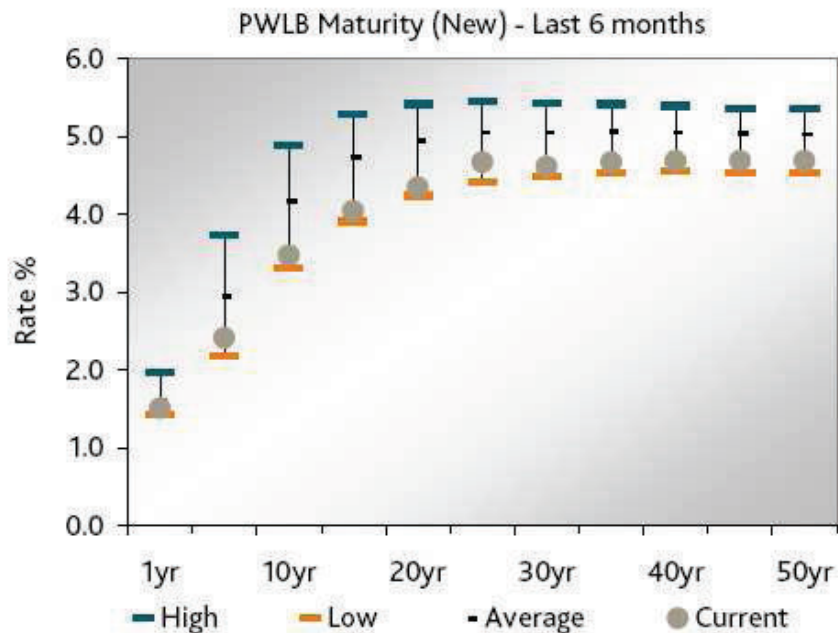
There has been no change to the long term debt portfolio since January 2009 and there is no immediate need to take out new long term loans. As noted later, the Council has positive news on Icelandic investments and as previously reported the two other big issues (Luneside and Land at South Lancaster) for the capital programme are nearing conclusion with reason for optimism on both fronts. The next major issue will be Council Housing self financing.

Officers need to develop a strategy for financing the likely settlement, currently estimated at £30M to buy out of the housing subsidy system. This will increase the underlying need to borrow but does not mean that the Council will have to borrow the whole amount. There may be an opportunity to net down the borrowing/investment balances, as has been discussed in previous quarterly updates. The upcoming capital budget process will also need to feed in to any strategy to finance the payment.

In anticipation of the self financing proposal being brought into law, a number of Prudential Indicators will need to be updated to reflect the changes to capital expenditure, debt and borrowing and the updated values are presented at **Annex B**, for noting and referral onto full Council.

5. Current Borrowing Rates and special provision for HRA self financing.

The graph below 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 and have been on a downward trend, fuelled by the Eurozone crisis.



Extract from Sector weekly debt monitor 03 October 2011

This latest trend 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, however, that these rates will rise before the self financing buy out but they 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 terms loans were used.

Furthermore, the Government have announced that for HRA subsidy buy out purposes only, the margin which was added onto PWLB rates in October 2010 will be reversed on loans agreed by the 26th March 2012. This is further good news for Council as it will reduce rates by around 0.7%, which on £30M of debt, relates to an annual saving of around £210K.

The timing and level of resource available to make future repayments will be governed by the ongoing performance of the HRA. Therefore, before a meaningful borrowing strategy can be fully appraised and developed, consensus will be needed over the main principles of the 30

year HRA business plan, for example, rent levels and investment in the housing stock. In view of time pressures it could well mean that some of the more detailed aspects and options surrounding the HRA are developed for consideration later during 2012/13.

As noted in section 4, draft prudential indicators have been updated to ensure that the debt limits are raised sufficiently to allow for this transaction in the 2011/12 financial year. In addition, the target maturity profile of borrowings has been amended to allow maximum flexibility in planning the structure of any additional loans.

It should be noted that a figure of £35M has been used to amend the capital expenditure and debt figures as it is likely that the indicative amount of £30M will increase in the actual determination, although these final figures will not be released until January 2012.

6. Icelandic Investments Update

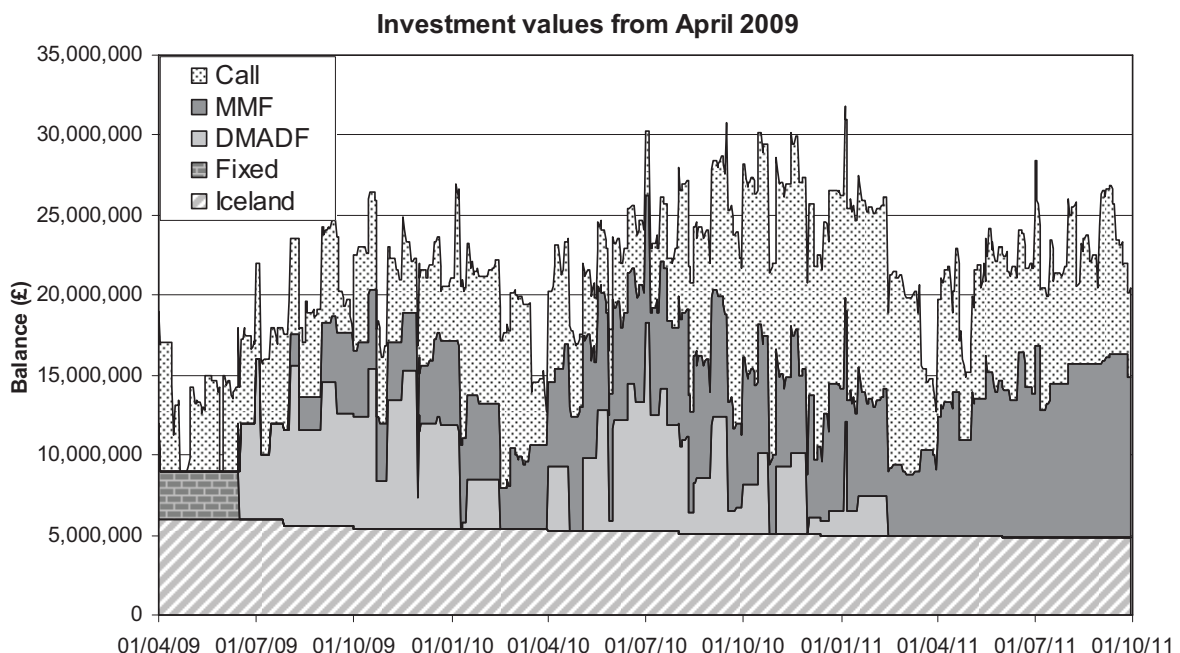
The Council has had very good news from the Icelandic Supreme Court which ruled that the local authority depositors tried as test cases, should have preferential creditor status. It is anticipated that this will be applied to the non test case authorities, including Lancaster. This means that the Council should get back all but around £400K of the £6M invested and some amounts of interest, although this is yet to be fully clarified.

The Council has already received around £1.3M (all from KSF), a further £3.3M could be paid as early as this financial year with the remaining £1M anticipated in smaller amounts to be paid over subsequent years. This is however, subject to confirmation from the administrators.

7. Other 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 2 is enclosed at **Annex C**. The strategy approved for 2011/12 did not reduce credit criteria for counterparties but it did increase the investment limits for the small pool of counterparties that the Council places deposits with. This has meant that the DMADF account has not been needed in the last quarter. Instead, deposits have been held in instant access accounts that are higher yielding.



During the next quarter Officers hope to join a local Sector benchmarking group. This will allow the Council to compare its risk profile with other similar authorities as well as the returns being obtained for that level of risk. This should help inform the Investment Strategy for 2012/13.

In addition, the Council has opened a call account with Barclays which will come into use during Quarter 3. Although this does not pay as high a rate as some other call account offerings, it is judged to be more secure and would form part of the 'specified' investments unlike the other call accounts, which are included on the investment list partly on the basis of their access to government support. In addition, the County Council call account will come back into use. These actions mean that the very low yielding Government Liquidity MMF should not be needed in future.

8. Summary of Budget Position and Performance

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

Base Rate	0.50%
3 Month LIBID	0.86%
Lancaster CC investments	0.63%

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

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

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

Annual budget	£205K
Actual to date	£54K (see details in Annex C)
"Icelandic" to date	£89K (see details in Annex C)
Total	£143K
Variance	£40K favourable against evenly profiled budget

There is a £40K favourable variance which is mainly due to the impact of Icelandic investments. At the time the budget was set, the best estimate was that there was a 50/50 chance of full repayment in June 2011 which has not happened. The Icelandic element of the budget will need to be reviewed once the appeal case has concluded and the actual repayment amounts and dates are better known although it is judged likely that this will show a positive variance at out-turn. This should more than offset an increase in fees for the LGA/Bevan Brittan which are projected at around £3K more than was budgeted for in 2011/12, based on their latest fee estimates.

9. Risk management

There has been no material change in the policy or operation of the treasury function over the quarter, in recognition of the considerable uncertainty that exists within the economy and

financial sector. The view is, therefore, that residual risk exposure for investment remains comparatively low.

There is financial risk attached to the longer term debt portfolio, associated with interest rate exposure; there has been no change to this over the quarter. There is a risk for the new loans required for HRA self financing, although as noted in section 3, current rates are very low. As the HRA business plan is crystallised, an explicit strategy for the new debt will be developed including a policy to mitigate the interest rate risks. In anticipation of this, some of the prudential indicators have been amended and are presented at **Annex B** for noting and referral on to full Council.

In addition, it is requested that the counterparty limit for the Coop and the DMADF have a special condition applied until 28th March 2011 (payment date to DCLG) to allow these accounts to hold any amounts in relation to funds transferred to the authority in relation to HRA self financing. The intention being that funds would be held in the Coop for as short a period as possible with any elongated holding of funds (for example if there was a compelling argument to borrow early) being in the DMADF.

Finally, as per the previous year's quarterly updates, recovery of Icelandic investments is still being managed with legal support organised through the Local Government Association. This should reach a conclusion in Quarter 3.

10. Conclusion

The Council's treasury function has been on a low risk plateau since the Icelandic banking crisis; even though it now looks likely that the Council will get the vast majority of its Icelandic deposits back, there is no strong argument for moving away from this position.

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

The main upcoming issue that will need addressing through 2011/12 is the HRA subsidy buy out. A detailed treasury strategy to support this is now being developed in parallel with the Council Housing 30-year business plan and in consultation with Sector, the Council's Treasury advisors.

Treasury Management Glossary of Terms

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

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

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

See also PWLB.

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

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

PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

As Approved and Updated by Council 02 March 2011 (except where highlighted, which need to be noted by Cabinet for approval by Council)

		2011/12 £'000	2012/13 £'000	2013/14 £'000
AFFORDABILITY				
PI 1:	Estimates of ratio of financing costs to net revenue stream			
	Non - HRA	13.7%	11.7%	11.3%
	HRA	7.2%	7.2%	7.1%
	Overall	11.3%	10.0%	9.7%
PI 2:	Actual ratio of financing cost to net revenue stream	Reported after each financial year end		
PI 3:	Estimates of the incremental impact of new Capital Investment decisions on the Council Tax	2.29%	1.12%	1.17%
	This includes the impact of all elements of funding, including any increase in the need to borrow, required to finance new schemes added to the Capital Programme	£4.41	£2.19	£2.35
PI 3A:	Illustrative Impact of Additional Borrowing £1 million	Repayment Period		
		5 Years	10 Years	25 Years
	Increase in Council Tax (£)	£4.99	£2.80	£1.65
	Increase in Council Tax (%)	2.59%	1.46%	0.86%
PI 4:	Estimates of the incremental impact of Capital Investment on Housing Rents	Nil	Nil	Nil
CAPITAL EXPENDITURE				
PI 5:	Estimates of capital expenditure			
	Non - HRA	5,765	3,822	1,196
	HRA subsidy buy out	35,000		
	Other HRA	3,658	3,616	3,616
	Total	44,423	7,438	4,812
PI 6:	Actual capital expenditure	Reported after each financial year end		
PI 7:	Estimates of Capital Financing Requirement			
	Non - HRA**	28,655	30,133	29,336
	Existing HRA*	15,303	15,303	15,303
	HRA subsidy buy out	35,000	35,000	35,000
	Total	78,958	80,436	79,639
PI 8:	Actual Capital Financing Requirement	Reported after each financial year end		
EXTERNAL DEBT				
PI 9:	Authorised Limit			
	Authorised Limit for Borrowing	51,740	51,640	51,650
	Additional authorised limit for HRA buy out	35,000	35,000	35,000
	Authorised Limit for Other Long Term Liabilities	260	260	250
	Authorised Limit for External Debt	87,000	86,900	86,900
PI 10:	External Debt: Operational Boundary	82,000	81,900	81,900
PI 11:	Actual external debt	Reported after each financial year end		
PRUDENCE				
PI 12:	Treasury Management: adoption of CIPFA code of Practice	The Council has adopted the updated Treasury Management code of practice (November 2009).		
PI 13:	Net borrowing and the capital financing requirement			
	Anticipated indebtedness (Weighted Authorised limit)	47,287	81,900	81,900
	Anticipated average investment	15,960	15,750	14,590
	Average CFR	47,440	79,697	80,037
	(Under)/over borrowed	-16,113	-13,547	-12,727
TREASURY MANAGEMENT				
PI 14:	Fixed Interest Rate Exposure			
	The Authority will limit its exposure to fixed interest rate costs to the amounts payable on the following amount of outstanding debt.	100%	100%	100%
PI 15:	Variable Rate Interest Rate Exposure			
	The Authority will limit its exposure to variable interest rate costs to the amounts payable on the following amount of outstanding debt.	30%	30%	30%
PI 16:	Maturity Structure of Borrowing			
	Upper and Lower Limits			
	Under 12 months	0% to 50%	0% to 50%	0% to 50%
	12 months and within 24 months	0% to 50%	0% to 50%	0% to 50%
	24 months and within 5 years	0% to 50%	0% to 50%	0% to 50%
	5 years and within 10 years	0% to 50%	0% to 50%	0% to 50%
	10 years and within 15 years	0% to 100%	0% to 100%	0% to 100%
	15 years and within 25 years	0% to 100%	0% to 100%	0% to 100%
	25 years and within 50 years	50% to 100%	50% to 100%	50% to 100%
	Maturity Profile of Current Outstanding Debt			
	Under 12 months	0%	0%	0%
	12 months and within 24 months	0%	0%	0%
	24 months and within 5 years	0%	0%	0%
	5 years and within 10 years	0%	0%	0%
	10 years and within 15 years	0%	0%	0%
	15 years and within 25 years	0%	0%	0%
	25 years and within 50 years	100%	100%	100%
PI 17:	Investments for periods longer than 364 days			
	The Authority will not invest for periods of longer than 364 days.	Nil	Nil	Nil

INVESTMENT INTEREST EARNED TO 30 September 2011





Icelandic investments	No	Start	End	Rate %	Principal £	Carrying value	Cumulative Interest** £
Deposited 2007/08							
Landsbanki Islands	004	31-Mar-08	22-Apr-09	6.25	1,000,000	588,718	18,448
Glitnir	F102/023	31-Mar-08	22-Apr-09	5.76	3,000,000	1,976,474	57,029
Deposited 2008/09							
Kaupthing, Singer & Friedlander	06/07-129	16-May-08	07-Oct-08	6.00	840,000	452,867	13,623
Sub total					<u>4,840,000.00</u>		<u>89,100</u>
Budgeted income (£100K pro rated)							50,137

Other Investments	opening	Min	Max	closing	Indicative rate	Cumulative Interest £
Call: Santander	5,550,000	1,500,000	6,000,000	2,470,000	0.75%	17,977
Call: Yorkshire bank	3,000,000	0	3,000,000	460,000	0.50%	1,501
Call: RBS	3,000,000	1,700,000	3,000,000	2,700,000	0.70%	8,931
Call: Lancashire County Council	0	0	0	0	0.70%	0
DMADF	0	0	0	0	0.25%	0
Government Liquidity MMF	6,000,000	2,000,000	6,000,000	2,980,000	0.39%	6,957
Liquidity First MMF.	6,000,000	6,000,000	6,000,000	6,000,000	0.65%	18,917
Sub-total	<u>23,550,000</u>			<u>14,610,000</u>		<u>54,283</u>
Budgeted income (£105K pro rated)						52,844

TOTAL Interest	143,383
Variance (+ive = favourable)	40,402

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

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

PRT Quarter 2 meeting(s)		Date of Leaders PRT meeting: Thursday 17 th November 2011				
Portfolio Holder	Portfolio Area	Key PRT Actions Agreed	Status	Origin	Comments on progress	
Cllr Blamire	Relationships with other councils/Communications – Revenues Shared Service Programme IT projects	Meet with Preston City Council to discuss options for bringing the programme back on track by 31.12.2011.		Qtr 2 PRT meetings	Meeting held on 15.11.11 – agreement reached to restructure priorities in order to get back on track	
Cllr Hanson	Economic Regeneration – Central Promenade Morecambe – Urban Splash Development	Options being considered in line with Morecambe Area Action plan.		Qtr 2 PRT meetings	Development agreement progress to be reviewed. Amber turning Red	
Cllr Janice Hanson	Housing Regeneration	Bring forward Cabinet report with funding options		Brought forward from Qtr1	On 04.10.11 Cabinet reaffirmed the strategic housing regeneration priorities for the foreseeable future and are to receive further reports to consider the potential of the affordable housing provision.	
Cllr Blamire	All	All Service Heads undertake a review of their service establishment and report back as to what reductions can be actioned at this time		Brought forward from Qtr1	Regular meetings are now taking place and proposed reductions are being considered as part of the budget process.	

Key:  Completed

 In Progress

 Not started

 Continuous or multi-year activity

 Abandoned

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress	
Climate Change	Income is generated from energy, including feed-in tariffs.	Develop a business case to make use of feed-in tariffs. Generate income.	G	£1.75million project to deliver PV panels on municipal buildings / council housing communal buildings in 11/12 agreed by Cabinet and underway. These will need to be in place by March 2012 to achieve maximum tariff rates.	
	CO2 emissions from Council activities are reduced.	Deliver the actions of the Green Fleet review.			
	Council's energy usage is reduced.	Complete a programme of improvement at Council buildings - complete refurbishment schemes in LTH and MTH.	G	Both main schemes with snagging issues to be dealt with.	
		Complete a programme of improvement at Council buildings - install new boiler and photovoltaic cells at LTH.	G	Poor response to tenders & over budget – none accepted. Retendering to commence in Q3 with PV cells included in separate corporate scheme.	
	CO2 emissions from Council activities are reduced.	Complete a programme of improvement at Council buildings - complete feasibility study for secondary glazing at LTH. Coordinate energy efficiency improvements	G	Ongoing	
	Council's energy usage is reduced.	CO2 emissions from Council activities are reduced.	Coordinate energy efficiency improvements	A	Development is currently ongoing but has been delayed due to a lack of clarity over Programme objectives and governance. With maternity cover confirmed for the Partnerships Officer post this will be moved forward over the next quarter.
		Council's energy usage is reduced.	Coordinate energy efficiency improvements	A	Development is currently ongoing but has been delayed due to a lack of clarity over Programme objectives and governance. With maternity cover confirmed for the Partnerships Officer post this will be moved forward over the next quarter.
	CO2 emissions from Council activities are reduced.	Reducing CO2 emissions	A	Target requires a 141.1 tCO2 saving in 2011/12. The estimated saving for Q2 will be tabled at the meeting.	
	Council's energy usage is reduced.	Energy efficiency and generation at Salt Ayre and Williamson Park.	Energy efficiency and generation at Salt Ayre and Williamson Park.	G	Current GAS reductions to date in comparison with reading in September 2010 are:- 230,044 Kw/h. Current ELECTRICITY reductions to date in comparison with reading in September 2010 are:- 58,227 Kw/h
		Income is generated from energy, including feed-in tariffs.	Develop a business case to make use of feed-in Energy efficiency and generation at Salt Ayre and Williamson Park.	G	Current GAS reductions to date in comparison with reading in September 2010 are:- 230,044 Kw/h. Current ELECTRICITY reductions to date in comparison with reading in September 2010 are:- 58,227 Kw/h

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
Economic Regeneration	A shared vision is in place for the districts contribution to the nationally important energy infrastructure.	Take a leading role in the Lancashire/Cumbria consortium of LA's on the major infrastructure project for the national grid. New nuclear build at Heysham	G	Site nominated EDF advertising site for sale but little interest received yet.
		Take a leading role in the Lancashire/Cumbria consortium of LA's on the major infrastructure project for the national grid. National grid upgrade	G	Partnership working with Cumbria near to being formalised in Planning Performance Agreement
	A shared vision is in place for the districts contribution to the nationally important energy infrastructure.	Take a leading role in the Lancashire/Cumbria consortium of LA's on the major infrastructure project for the national grid. Lancaster Science Park	A	New means to implement being investigated. One of top 6 LEP projects
		Take a leading role in the Lancashire/Cumbria consortium of LA's on the major infrastructure project for the national grid. Heysham/M6 Link	G	New process may reopen debates but Local Impact Statement being prepared
	An area action plan for Morecambe is in place.	Cultural Heritage Strategy Central Promenade Morecambe Morecambe Area Action Plan	G A G	Finding funds for schemes difficult Uncertainty over developer commitment On track and soft market testing assessing developer interest Will inevitably reopen conflicts with objectors
	A long term sustainable agreement for canal corridor north is in place to develop the potential of Lancaster city centre for both residents and visitors.	Continue to work with the private sector developer partner to bring forward a comprehensive scheme for Lancaster Canal corridor taking into account the heritage assets of the site. Corridor North	G	
	Retail offer and built environment in Lancaster City Centre is improved. The attractiveness, accessibility and enjoyment of the districts parks and open spaces for visitors is improved.	Lancaster Square Routes Business Improvement District Develop shops and visitor service provision at Williamson Park. Improve the attractiveness, accessibility and enjoyment of the districts parks and open spaces for visitors is improved.	G G G	Funding difficult to find Support must come from businesses Hala play are nearing completion. Cabinet provided clear direction for rest of this year and 12/13 onwards via recommendations of 'Maintaining Public Realm' report. Good feedback from 'in blooms' and other external sources
	A long term sustainable agreement for canal corridor north is in place to develop the potential of Lancaster city centre for both residents and visitors.	Continue to work with the private sector developer partner to bring forward a comprehensive scheme for Lancaster Canal corridor taking into account the heritage assets of the site. To continue work with the private sector developer partner to bring forward a scheme for Lancaster Canal Corridor.	G	District Value appointed and review meetings underway with private sector developer
	Retail offer and built environment in Lancaster City Centre is improved.	Complete a review of Lancaster Market	G	Report considered by Council 14/09/11 but deferred to 16/11/11.
	Retail offer and built environment in Lancaster City Centre is improved.	Complete a review of Lancaster Market - To work with Financial Services to implement a cashless rent system at Morecambe Market	G	New system implemented but concerns over potential arrears and increased workload remain. Arrears amount to £3,162.37 for 11 traders at 30/09/11

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
<p>Economic Regeneration</p>	<p>An area action plan for Morecambe is in place.</p>	<p>*Develop an area action plan for Morecambe, including central promenade *Commence delivery of townscape heritage initiative 2 in Morecambe. Museums</p>	<p>G</p>	<p>Q2 Update - The review is proceeding well with a workshop held on 20th October involving officers from County and City. A further workshop is planned for 1st November and will include officers from Policy and Regeneration, Property, Finance, HR, Communications and Wellbeing. County will similarly provide officers from various disciplines.</p>
	<p>The attractiveness, accessibility and enjoyment of the districts parks and open spaces for visitors is improved.</p>	<p>Develop shops and visitor service provision at Williamson Park. Happy Mount Park</p>	<p>G</p>	<p>The Splash park opened early this year to coincide with an earlier start to the holiday season. Staff were appointed and costs for the operation remained within budget. This facility continues to contribute towards the park's reputation as a visitor destination point.</p>
	<p>The attractiveness, accessibility and enjoyment of the districts parks and open spaces for visitors is improved.</p>	<p>Continue to work with the private sector developer partner to bring forward a comprehensive scheme for Lancaster Canal corridor taking into account the heritage assets of the site. Williamson Park</p>	<p>G</p>	<p>The communications and VIC support has demonstrated positive results. Income significantly improved and VIC tickets and park events working well.</p>
	<p>Number of visitors to the district is increased and visitor spend is maximised.</p>	<p>Continue to develop Happy Mount Park as a key visitor destination. Visitor Information Centres</p>	<p>G</p>	<p>The location of LVIC continues to be an issue. The model used when working with Williamson Park shop has considerable scope to be reused elsewhere in the district to raise standards internally and externally. This applies not just from a merchandise/income perspective but equally from a visitor customer expertise side, utilising in depth knowledge of the district as a whole to sell not just one venue or attraction but to package and add value. The skills of the VIC team are transferable to front of house/sales/tourism knowledge/visitor or attraction guide/booking service. The VIC team would need the right leadership and support to make this happen.</p>
	<p>The profile of the district as a visitor destination is improved.</p>	<p>Visitor Marketing - Optimisation work to increase profile of visitor website.</p>	<p>G</p>	<p>Unique visitors to citycoastcountryside website up 32% on same period (June - Aug) 2010</p>
	<p>The profile of the district as a visitor destination is improved.</p>	<p>Visitor Marketing - Partnership approach to visitor marketing</p>	<p>G</p>	<p>Partners including LBTB, LAP, AONBs and BTA working with city council in development and delivery of Visitor Marketing Plan. Events are a key element of the visitor marketing plan. Working closely with museums service on museum marketing.</p>

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
Economic Regeneration	Economic impact of festivals and events is increased.	<p>Work with partners to deliver a district programme of events and festivals throughout the district.</p> <p>and Events - Continue to work across Community Engagement and organise safe and successful events</p> <p>Develop shops and visitor service provision at Williamson Park.</p> <p>Festivals and Events - Impact of festivals</p> <p>Continue to work with the private sector developer partner to bring forward a comprehensive scheme for Lancaster Canal corridor taking into account the heritage assets of the site.</p> <p>and Events - develop a coordinated approach to festival and event delivery</p>	G	<p>2012 is a significant events year. This will have a big impact on resource in 2012 – staff and resource – already very tight (one dedicated officer and more than £30,000 income required in addition to city council funding in order to deliver)</p> <p>Awaiting impact assessment reports from Sandcastle and Seaside.</p>
		<p>Continue to work with the private sector developer partner to bring forward a comprehensive scheme for Lancaster Canal corridor taking into account the heritage assets of the site.</p> <p>and Events - develop a coordinated approach to festival and event delivery</p>	G	MTC funding secured towards marketing Morecambe as a festival town. Working with LAP to develop similar campaign for Lancaster.
	Number of visitors to the district is increased and visitor spend is maximised.	<p>Continue to develop Happy Mount Park as a key visitor destination.</p> <p>Olympics 2012 and legacy.</p>	G	<p>The Open water Swim event on 28/08/11 from the Yacht Club on Morecambe Promenade had 200 registered swimmers. There was a crowd of around 1000 spectators moving towards the beach at the Clock Tower when at the last minute the event had to unfortunately be cancelled due to high winds. All registered swimmers are to be offered a place in next year's event. The first Open Weekend Community Activity Programme took place between the 22 and 24 July at various locations including local park facilities, SASC and the three Community Pools. Over 1000 people took part in more than 60 activities which were offered in partnership by around 30 of our partner organisations, including local sports clubs and community organisations.</p>
				G

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
Housing Regeneration		Chatsworth Gardens	A	Options report for housing regeneration agreed by Cabinet. Awaiting new HRA rules.
		Bold Street/Marlborough Road	A	Options report for housing regeneration agreed by Cabinet. Awaiting new HRA rules.
		Lunesside East	G	
		Affordable Housing	A	
		Housing standards - improving standards in the private rented sector - Meeting annual target for removal of identified Cat 1 hazards (HHSRS)	A	7.6% (5 No.) behind target for 11/12 (% behind target has reduced since Q1)
		Housing standards - improving standards in the private rented sector - Ongoing licensing of all HMO's found to meet the statutory requirement.	G	228 HMO's currently licensed (4 in Q2, 11/12). This year sees the start of the re-licensing process (5 year cycle).
		Home Improvement Agency - delivery the DFG capital programme.	A	At end of Q2, 75% of budget committed. Proposed changes to OT referral process may still affect ability to maximise budget.
		Home Improvement Agency - enabling elderly and vulnerable people to remain in their own homes.	G	9.7% (88 No.) ahead of target at end of Q2, 11/12. (% ahead of target has reduced since Q1)

Corporate Plan Monitoring - Quarter 2

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress	
Partnership Working	The impact of budget cuts across the district is minimised through joint working between partners to deliver efficiency savings.	Develop a programme with Lancashire County Council to reduce costs by sharing more of our services. Revenues shared services - test migration of servers to Preston	A	Requirement for a major upgrade to the underlying database management system resulted in further delays to this migration. However Lancaster IS staff and Preston ICT staff worked together to perform the database upgrade themselves rather than using Capita, thereby avoiding expenditure of around £5,000 per authority.	
		Develop a programme with Lancashire County Council to reduce costs by sharing more of our services. Revenues shared services - migration of revenues staff to Preston network	A	The networks of Lancaster and Preston have now been linked so that this can be put in place by December 2011	
	The impact of budget cuts across the district is minimised through joint working between partners to deliver efficiency savings.	Develop a programme with Lancashire County Council to reduce costs by sharing more of our services. One Connect Limited - prepare the ICT programme to deliver the ICT strategy.	G	A large amount of staffing resource has been used in order to provide One Connect Limited with the information required under due diligence and this has impacted on other IS projects. However the work carried out will underpin the delivery of the ICT strategy as well as positioning us correctly for entering into the One Connect limited partnership.	
		Develop a programme with Lancashire County Council to reduce costs by sharing more of our services. One Connect Limited - support the partnership working between Lancashire strategic partnership and the city council in respect of telephony and face to face customer services. To deliver a development/training programme including training around the community leadership role of councillors.	G	IS have engaged with One Connect Limited to provide information relating to the provision of telephony services and the applications/IT services underpinning them.	
	Needs and aspirations of local communities are understood.		On 15th September, Council Business Committee approved a new Member Development Strategy for 2011/12 and this includes 5 clear objectives, the first of which is to provide a community leadership programme for councillors, which will form the basis of Level 2 accreditation for the Member Development Charter. Officers are currently planning this and looking at sourcing suitable courses - a few have been found which look as if they will contribute to this topic but the process needs to be thought out if it is to be used for Level 2.	G	
			Develop a programme with Lancashire County Council to reduce costs by sharing more of our services. Agree details of partnership and submit reports to Cabinet.	G	County council agreed as preferred partner. Detail of senior posts to be agreed to allow partnership to commence.

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
<p>Partnership Working</p>	<p>Our partnerships produce tangible outcomes that benefit our citizens.</p>	<p>Working in partnership with Primary Care Trust - Extension to Active Health GP Exercise Referral Scheme Working in partnership with Primary Care Trust - Extension to Active Health GP Exercise Referral Scheme</p>	<p>G</p>	<p>The Primary Care Trust (PCT) has, in principal offered the Council funding to extend the existing contract for the Active Health Team. The 3 year Active Health SLA Agreement with the PCT targeted the team with 1050 referrals by April 2012. To date the team have received and processed 1102 referrals to date (Sept 2011) exceeding their target with a high proportion of referrals completing their 12-week programme. From phone research during Q1, 76% of those contacted at 6 months after completion are still active and 67% are still active at 12 months after completion.</p>
	<p>Our partnerships produce tangible outcomes that benefit our citizens.</p>	<p>Working in partnership with Primary Care Trust - secure additional funding. Work with partners to deliver positive activities for children and young people.</p>	<p>G</p>	<p>In Q1 Wellbeing secured £45,000 funding for this years activities from the PCT & Community Safety Partnership. 5 Playschemes were commissioned for the summer of 2011 and ran from 1 - 26 Augu. Marsh Community Centre CEEP, Signposts and Lancaster YMCA delivered Playschemes on the Ridge, Marsh, Poulton / West End, Heysham and Skerton Areas. Wellbeing also worked with Morecambe Community Football Club who provided mobile play sessions in locations across the district. A range of sport and art diversionary activities are due to start in Q3 and run until the end of March 2012 with a range of external partners who will work on the Marsh, Ridge, West End, Vale, Ryelands and Poulton. The "Kickz" soccer project will also continue until March 2012. Previous programmes have resulted in significant reductions in anti-social behaviour, reported by the Police. Once the programmes have commenced we will look to utilise Police statistics in future PRT reports to show the outcomes of this provision.</p>
	<p>We have a thriving arts and culture sector supported by stronger and more resilient arts and culture partnership for the district.</p>	<p>Support development of an arts and culture partnership. Work with partners to support the delivery of the arts.</p>	<p>G</p>	<p>A new monitoring system was introduced this year which is providing a more effective monitoring process for our partners. The SLA review meetings for Quarter 2 are taking place throughout October, and a combined report detailing each organisations performance will be available from the Wellbeing section on request.</p>

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
Partnership Working	Our partnerships produce tangible outcomes that benefit our citizens.	Support development of the arts and culture partnership. Working in partnership with Primary Care Trust - Extension to Active Health GP Exercise Referral Scheme	G	All projects have succeeded original targets, partners involved in delivery work consist of; Lancaster YMCA, Ludus Dance, Regent Park Studio's & Lancashire Cricket Board. More detailed information and statistics are available on request. Many of the original 2009 projects are now coming to an end, however new activity projects are due to commence in Q3 under a new funding stream from the Primary care Trust.
	Local communities are actively working with partners to improve where they live in ways that matter to them.	Work with our public sector partners to deliver a range of innovative approaches to communicate and engage with our communities. Volunteers	G	As part of the SPAA programmes some 97 new volunteers have been involved in local sports clubs, exceeding the target of 42. These volunteers have been recruited and trained by our partners who are part of the SPAA programme. A new volunteer pack is being developed. Research is being carried out to identify what the current situation is locally regarding volunteer support and opportunities.
	Our partnerships produce tangible outcomes that benefit our citizens.	Continue development of a single customer service function through a shared service arrangement for all Council services. This will include improved online service delivery arrangements and capacity to include external partners. Community Pools	G	Improvements made to performance due to improvement in swimming lesson programme and a staffing structure which enables development of staff across all three sites and in addition, Salt Ayre – a much more multi skilled approach from staff.
	The district children trust board and partnership is in place and working effectively.	Work with partners to support the Children's Trust board and partnership and to develop a Children and Young People's plan for the district. Children and young people - support the development of corporate policy and the Council's approach to children and young people	A	Council is not currently meeting its statutory requirements for Safeguarding. This is highlighted in the Section 11 Audit, as required by the Lancashire Safeguarding Children Board. A number of steps have been identified for action by officers but there is a serious issue around capacity in this area - actions have been agreed to address the capacity issue
The district children trust board and partnership is in place and working effectively.	Work with partners to support the Children's Trust board and partnership and to develop a Children and Young People's plan for the district. Children and young people - support the Lancaster District Children's Trust	G	Good progress in this area with the Children's Trust Board and Partnership, as well as the Multi Agency Forum established and meeting regularly.	

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
Partnership Working	Our partnerships produce tangible outcomes that benefit our citizens.	Continue development of a single customer service function through a shared service arrangement for all Council services. This will include improved online service delivery arrangements and capacity to include external partners. Children and young people - support activity relating to children and young people within the council (e.g. Local Democracy Week and Careers fair)	G	Outstanding event achieved for Pupil Power Day as part of Local Democracy Week, which included a range of cross corporate activities. Excellent feedback from participants, officer and council members
	A strong voluntary community faith sector with a shared capability and capacity to deliver services for the benefit of the district.	Lancaster District Local Strategic Partnership (LDLSP)	A	Allocations made by LDLSP Mgt Group and PRG recommendations approved by Cabinet. Any further allocations to be considered in the light of changing requirements of County Council.
	The district children trust board and partnership is in place and working.	Work with partners to support the Children's Trust board and partnership and to develop a Children and Young People's plan for the district. Lancaster District Local Strategic Partnership (LDLSP)	A	Allocations made by LDLSP Mgt Group and PRG recommendations approved by Cabinet. Any further allocations to be considered in the light of changing requirements of County Council.
	Needs and aspirations of local communities are understood.	To deliver a development/training programme including training around the community leadership role of councillors. Lancaster District Local Strategic Partnership (LDLSP)	A	Allocations made by LDLSP Mgt Group and PRG recommendations approved by Cabinet. Any further allocations to be considered in the light of changing requirements of County Council.
	Local communities are actively working with partners to improve where they live in ways that matter to them.	Work with our public sector partners to deliver a range of innovative approaches to communicate and engage with our communities. Lancaster District Local Strategic Partnership (LDLSP)	A	Allocations made by LDLSP Mgt Group and PRG recommendations approved by Cabinet. Any further allocations to be considered in the light of changing requirements of County Council.
	Our partnerships produce tangible outcomes that benefit our citizens.	Continue development of a single customer service function through a shared service arrangement for all Council services. This will include improved online service delivery arrangements and capacity to include external partners. Lancaster District Local Strategic Partnership (LDLSP)	A	Allocations made by LDLSP Mgt Group and PRG recommendations approved by Cabinet. Any further allocations to be considered in the light of changing requirements of County Council.
	Needs and aspirations of local communities are understood.	To deliver a development/training programme including training around the community leadership role of councillors. Needs and aspirations of community better understood.		The Customer Service Centre insights report results are excellent overall with useful information regarding access for customers in the future. Will be used to inform future service delivery.

Corporate Plan Monitoring - Quarter 2

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
Partnership Working	The impact of budget cuts across the district is minimised through joint working between partners to deliver efficiency savings.	Develop a programme with Lancashire County Council to reduce costs by sharing more of our services. Development of a joint public sector approach to service delivery. Develop a programme with Lancashire County Council to reduce costs by sharing more of our services. Development of a partnership approach to customer services via the two Town Hall customer service centres online and phones. Develop a programme with Lancashire County Council to reduce costs by sharing more of our services. Continue to work with HMRC and third sector to ensure successful customer service presence at LTH		This strategic partnership project will impact on resources, particularly for the CSA/VIC manager but is being managed.
	Local communities are actively working with partners to improve where they live in ways that matter to them.	Work with our public sector partners to deliver a range of innovative approaches to communicate and engage with our communities. Connecting Communities - development of a community plan for Skerton		
	The impact of budget cuts across the district is minimised through joint working between partners to deliver efficiency savings.	Develop a programme with Lancashire County Council to reduce costs by sharing more of our services. Connecting Communities - working with Lancashire County Council to develop a local approach to 'Total Families'		
	Needs and aspirations of local communities are understood.	To deliver a development/training programme including training around the community leadership role of councillors. Connecting Communities - integrating the lessons learned as party of the Skerton Project into the mainstream thinking of the Council.		
	Our partnerships produce tangible outcomes that benefit our citizens. Older People	Continue development of a single customer service function through a shared service arrangement for all Council services. This will include improved online service delivery arrangements and capacity to include external partners.		
	We have a strong voluntary community faith sector with a shared capability and capacity to deliver services for the benefit of the district.		G	

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
Partnership Working	Local communities are actively working with partners to improve where they live in ways that matter to them.	Work with our public sector partners to deliver a range of innovative approaches to communicate and engage with our communities. Council Housing tenant involvement and empowerment.	G	Survey procurement being undertaken – selection process to be concluded end October 2011 – Survey report by end of January 2012
	Local communities are actively working with partners to improve where they live in ways that matter to them.	Work with our public sector partners to deliver a range of innovative approaches to communicate and engage with our communities. Council housing neighbourhood and community.	G	Programme of inspections on target, with action plans produced and published.
	The impact of budget cuts across the district is minimised through joint working between partners to deliver efficiency savings.	Develop a programme with Lancashire County Council to reduce costs by sharing more of our services. Council housing, housing related support and telecare.	G	TSA targets being met. Still awaiting outcome and decision on future of Lancashire Telecare from Lancashire County Council. Currently remain on 3 month rolling contract.
Statutory Responsibilities	Streets and public spaces are clean.	Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership) Local development framework - preparation of development management DPD	G	Diversions due to appeals and National Grid project possible
	Our district is safe	Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership) Local development framework - preparation of land allocations DPD	G	Diversions due to appeals and National Grid project possible
	Our district is safe	Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership) Planning application performance - determine planning applications to government performance targets - MAJOR	A	Temporary measures to increase staff capacity being investigated. No funding identified within Service. Action Note: Major step forward in addressing workload and enabling faster responses to development proposals. Red turning Green.
	Our district is safe	Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership) Planning application performance - determine planning applications to government performance targets - MINOR	A	Temporary measures to increase staff capacity being investigated. No funding identified within Service. Action Note: Major step forward in addressing workload and enabling faster responses to development proposals. Red turning Green.
	Our district is safe	Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership) Planning application performance - determine planning applications to government performance targets - OTHER	A	Temporary measures to increase staff capacity being investigated. No funding identified within Service. Action Note: Major step forward in addressing workload and enabling faster responses to development proposals. Red turning Green.
	Our district is safe	Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership) Planning application performance - determine planning applications to government performance targets - OTHER	A	Temporary measures to increase staff capacity being investigated. No funding identified within Service. Action Note: Major step forward in addressing workload and enabling faster responses to development proposals. Red turning Green.

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
Statutory Responsibilities	Deliver responsive and efficient statutory services in accordance with regulatory and service standards	Security of ICT systems - comply with government connect to secure intranet standards.	G	Accreditation was obtained on 2/8/2011 and runs until 16/6/2012
		Security of ICT systems - liaise with Preston ICT to bring the shared service project on schedule.		Accreditation was obtained on 2/8/2011 and runs until 16/6/2013
		Dealing with litigation in respect of claims for refunds of personal search fees.	A	There is a risk that legal liability may fall on the Council to refund personal search fees received over a period of years.
		Financial planning, management, other support and reporting - closure of 2010/11 accounts	G	Accounts approved and audit opinion gained by statutory deadline but some difficulties experienced on agenda publication. Measures taken to prevent this happening again in future.
		Financial planning, management, other support and reporting - financial monitoring (in accordance with timetable).	A	Quarter 2 underway, although timescales have slipped and this impacts on formally reporting to Members.
		Financial planning, management, other support and reporting - development of 2012/13 budget process and future years financial strategy.	A	Cabinet to consider MTFs review in November.
		Financial planning, management, other support and reporting - financial report to decision making	A	Competing deadlines, workload pressures (not just in finance) and changing plans have given rise to difficulties in Q2 as they did in Q1. In particular, Lancaster market has required significant work and other tasks/deadlines have slipped in order to manage workload. That said, it is considered that the financial information presented is contributing positively to the Council's decision-making arrangements
		Financial planning, management, other support and reporting - implement council housing finance reforms.	G	No further progress to report – awaiting information from Government and further accounting guidance.
		Procurement	A	Business case virtually complete; project plan being developed. Will result in scope to generate savings.
		Exchequer - achieve payment card industry data a security standards (PCI DSS) compliance for debit/credit card transactions	G	Achieved in August. (There will be new standards to achieve by the end of next year, however).

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress	
Statutory Responsibilities	Deliver responsive and efficient statutory services in accordance with regulatory and service standards	Exchequer - implement new HR/Payroll system and supporting processes (joint project)	A	Procurement now underway; aim for April implementation. Will result in scope to generate savings.	
		Revenues and Benefits - implement any agreed changes to Welfare reforms and develop proposals for other changes as government plans become clearer.	A	Government consultation undertaken in Q2 (response completed at the start of Q3). Whilst work on this area isn't 'behind' as such, meeting proposed Govt. timescales remains a cause for concern.	
		Revenues and Benefits - Local taxation collection	G	Operating with a reduced structure from 1 April 2011. Nonetheless, Collection rates are in line with provisional targets (subject to the newly formed Joint Committee approving the Business Plan).	
	Streets and public spaces are clean.	Revenues and Benefits - payment of housing benefits	A	Operating with a reduced structure from 1 April 2011. Current performance for benefits processing = 13.9 days, slightly behind the previous year. DWP have now specified that this performance indicator should be split between new claims and change events. Again, targets will be approved by the Joint Committee as part of Business Plan. The caseload is still increasing and an action plan is in place to address a slight backlog in benefit processing.	
		Internal Audit	A	Audit arrangements agreed and in the process of being implemented.	
		Various (training for members)	G	All training sessions held as planned, with good feedback being received so far.	
	Our district is safe		Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership) Work with partners to deliver services that keep the streets clean and safe (including Street Pride, Community Payback and working with the CSP) - Determine and deliver Street Pride programme for 2011/12	G	11/12 actions ongoing. Cabinet provided clear direction for rest of this year and 12/13 onwards via recommendations of 'Maintaining Public Realm' report.
			Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership) Work with partners to deliver services that keep the streets clean and safe (including Street Pride, Community Payback and working with the CSP) - Make best use of Community Payback Team	G	11/12 actions ongoing. Cabinet provided clear direction for rest of this year and 12/13 onwards via recommendations of 'Maintaining Public Realm' report.

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
<p>Statutory Responsibilities</p>	<p>Our local environment is protected by a reduction in incidents of environmental anti social behaviour (such as climate change, tipping, littering, fly-posting, graffiti and vandalism).</p>	<p>Deliver City and County Council "public realm" services, making most efficient use of resources and achieving the aim of keeping the streets clean and maintained. Work with partners to deliver services that keep the streets clean and safe (including Street Pride, Community Payback and working with the CSP) - work with CSP Partners.</p>	<p>G</p>	<p>11/12 actions ongoing. Cabinet provided clear direction for rest of this year and 12/13 onwards via recommendations of 'Maintaining Public Realm' report.</p>
	<p>Street and public spaces are clean</p>	<p>Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership). Deliver city and County Council "Public Realm" services, making most efficient use of resources and achieving objectives of keeping the streets clean and maintained - deliver public realm agreement from 2011.</p>	<p>G</p>	<p>Mowing of rural areas in 11/12 has provided to be extremely successful and has been acknowledged as such by Parish Councils. Further discussions taking place with County to establish how we can make further improvements for our citizens. Highways maintenance service delivery arrangements to be finalised.</p>
	<p>Our local environment is protected by a reduction in incidents of environmental anti social behaviour (such as climate change, tipping, littering, fly-posting, graffiti and vandalism).</p>	<p>Deliver City and County Council "public realm" services, making most efficient use of resources and achieving the aim of keeping the streets clean and maintained. Deliver City and County Council "Public Realm" services, making most efficient use of resources and achieving objectives of keeping the streets clean and maintained - deliver public realm agreement from 2011.</p>	<p>G</p>	<p>Mowing of rural areas in 11/12 has provided to be extremely successful and has been acknowledged as such by Parish Councils. Further discussions taking place with County to establish how we can make further improvements for our citizens. Highways maintenance service delivery arrangements to be finalised.</p>
	<p>Household waste reused, recycled and composted has increased.</p>	<p>Deliver the objectives of the Lancashire Waste Strategy 2008-2020 "Rubbish to Resources" including food waste collections, bulky household waste collection and increased recycling of litter. Deliver the objectives of the Lancashire Waste strategy 2008-20</p>	<p>G</p>	<p>Mowing of rural areas in 11/12 has provided to be extremely successful and has been acknowledged as such by Parish Councils. Further discussions taking place with County to establish how we can make further improvements for our citizens. Highways maintenance service delivery arrangements to be finalised</p>
	<p>Our district is safe</p>	<p>Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership). Environmental Health service delivery. Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership). Environmental Health investigation/enforcement</p>	<p>A</p>	<p>After a busy summer good progress is being made on achieving challenging 'first response' times. This is an annual target for review in March 2012.</p>

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
Statutory Responsibilities		Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership). Environmental Health Service delivery.	A	Good progress is being made in delivery of proactive work programmes in all areas except environmental permitting and air quality management where we are currently recruiting to the vacant post of Air Quality Officer.
	Our district is safe	Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership). Dog Warden Service. Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership). Pest Control.		This is an annual target for review in March 2012.
Corporate Performance		Work with partners to deliver services that keep the streets clean and safe (including street pride, community payback and working with the community safety partnership). Civil contingencies. Reducing sickness absence across the whole council	G	On target with a number of important exercises and plan reviews completed.
			G	At the end of September, the average days per employee lost to sickness absence in the year was 4.20. The target for this halfway point in the year, to achieve the attendance target of no more than 9.0 days lost to sickness per employee over the full year, is 4.50. At this time last year, the cumulative figure was 5.34 days. However, whilst the current figure is an improvement, it only gives 0.3 days leeway per employee against the target, at a time when winter is approaching with the possibility of more absences from colds/flu.
		To ensure Capital receipts programme is completed.	A	Property market still poor. Major disposal is land at Scotforth Road – planning permissions approved but appeals on adjoining site may hinder completion date.
		Undertake a review of the future of St Leonards House	G	Ongoing. Options report to be produced – delayed by lack of internal resource.
		To undertake an annual review of parking fees and charges	G	Review due in December. Ongoing monitoring of income indicates reductions in some income areas during first two quarters.
		To procure a new operating agreement for Mitre House car park	G	Options report completed for Management Team
		To implement the administration of a new residents parking scheme in the Poulton area	G	Discussions ongoing with officers (incl. county) and members

Corporate Plan Monitoring - Quarter 2

Corporate Priority	Outcomes	Actions	RAG	Comments/Progress
Corporate Performance		Strategic planning	G	Achieved. Early planning now taking place for 2012/13
		Performance Management - review of the performance management frameworks.	A	Draft PMF now available but further consultation to be undertaken following Q2
		Performance Management - procurement of an Management Information System to help improve performance reports and information across the Council.	G	MIS now procured and roll out arrangements underway.
		Performance Management - Development of Centre of Excellence to promote efficiency, sharing of expertise and good practice across the Council.	G	Project management training now undertaken with excellent take up and feedback. CoP membership increasing steadily and now at 66.
		Performance Management Development - improve the corporate standards for project and programme management to reduce risk and maximise benefits.	A	Delayed by restructure arrangements
		Supporting services in ensuring more information and services available online		Skerton Community Plan delivered
		Drive more services online		Project with university. Increased menu of opportunities resulting in % increase in usage – up from 140,854 last year to 170,533 this.
		Work with housing to develop ideal homes service.		
		Tell Us Once (TUC) project implemented.		Tell us once heavily promoted in 'Your District Council Matters' and in press releases
		Provision of allotments - development of new arrangements for allotments management.	G	All documents now prepared and approved internally. Most Allotments Associations now signed up. Discussions underway to finalise agreements with the remaining 2 Associations.
		Provision of allotments - development of allotments associations.	A	Achieved: Guidance packs available. Training plans in development. Managing new lease arrangements are taking considerable amounts of officer time. Training missed.
		Housing options (homelessness)	G	18.3% (11 No.) ahead of target to maintain 10/11 levels. (25% positive swing since end of Q1)
		Council Housing Tenancy - Ensure that council housing is let efficiently.		Awaiting Q2 figures and analysis
		Council Housing Tenancy - Ensure that rental income is collected.	A	Q2 Rent collected as a proportion of the rent owed = 98%, Q1 = 98.1% (Target = 98.5%). Current tenant arrears levels are 2% less than last year. Arrears levels still showing slight upward trend