

**BUDGET AND  
PERFORMANCE PANEL**

**6.00 P.M.**

**23 OCTOBER 2012**

**PRESENT:-** Councillors Susan Sykes (Chairman), Alycia James (Vice-Chairman), Dave Brookes, Mike Greenall (substitute for Councillor Tony Anderson), Janet Hall, Roger Mace, Richard Newman-Thompson, Elizabeth Scott, Keith Sowden and Abbott Bryning

Apologies for Absence:-

Councillor Tony Anderson

Also in attendance:-

Councillor Bryning                      Cabinet Member with Responsibility for Finance,  
Revenues and Benefits

Officers in attendance:-

Andrew Clarke	Financial Services Manager
Stephen Metcalfe	Principal Democratic Support Officer
Nadine Muschamp	Head of Resources
Sarah Taylor	Head of Governance
Richard Tulej	Head of Community Engagement Service
Tom Silvani	Democratic Support Officer

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

There were no items of urgent business.

**24        DECLARATION OF INTERESTS**

There were no declarations of interest.

**25        SALT AYRE SPORTS CENTRE**

Members were reminded that at its meeting on 25 September 2012, the panel had considered the report of the Financial Services Manager and the Assistant Head of Community Engagement (Wellbeing). At that meeting the panel had deferred consideration of part of the report until this meeting.

The panel had also requested that financial information contained within the report be presented in such a way that more clearly showed allocation of management and administration costs including a more detailed/informative breakdown. The Financial Services Manager outlined the process by which management and administration costs were allocated in detail. It was advised that there were three main drivers chosen for allocating costs, these were as follows:

Employees – percentage allocation.

Planned and reactive repair and maintenance – based on previous years spend.

All other costs – based on area (m<sup>2</sup>)

Members requested that an additional report be provided to the panel which would consider whether it was possible to estimate the social value of the services provided by Salt Ayre to the council and other public sector partners. The Head of Community Engagement advised that such a report might have to be delivered in two parts.

The panel also requested that this report contain financial information regarding the amounts spent on leisure centres by other local authorities in the North West, in order that comparisons might be made with expenditure by Lancaster City Council on Salt Ayre Sports Centre.

Members also requested that a report be provided by officers on the two previous resolutions of the panel (minute no. 16 refers).

**Resolved:**

- (1) That an additional report be provided to the panel which would consider whether it was possible to estimate the social value of the services provided by Salt Ayre to the council and other public sector partners.
- (2) That the additional report include financial information regarding the amounts spent on leisure centres by other local authorities in the North West, in order that comparisons might be made with expenditure by Lancaster City Council on Salt Ayre Sports Centre.
- (3) That a report be provided by officers on the two previous resolutions of the panel (minute no. 16 refers).

**26 STOREY CREATIVE INDUSTRIES CENTRE (PAGES 5 - 8)**

Councillor Bryning was in attendance for this item in his capacity as Cabinet Member for Finance, Revenues and Benefits, in order to answer questions relating to the Storey Creative Industries Centre (SCIC) (minute no. 15 refers).

Members were reminded that on 25 September 2012, the panel had deferred consideration of answers to two questions relating to the Storey Creative Industries Centre (SCIC), and also asked a number of additional questions. The Head of Resources presented a report to provide additional information and allow further consideration of these issues. The panel had also requested information regarding the liability of directors; this information was also included within the report.

The Head of Resources presented the answers to questions (originally numbered four and five) which were deferred from the meeting of the panel held on 25 September 2012), and members asked questions accordingly.

The panel queried whether any discrepancies had been identified between the figures in the company accounts as at 1 April 2011 and the starting point of the forecasts and projections produced by the SCIC in support of the company's request for a £90,000 loan. Councillor Mace advised that he had identified a number of such discrepancies, and he had produced a summary for consideration by the panel. Members discussed the discrepancies identified by Councillor Mace.

It was proposed by Councillor Mace, seconded by Councillor Sykes, and agreed by the panel:

“That the information provided by Councillor Mace regarding discrepancies between the figures in the company accounts as at April 2011, and the starting point of the forecasts and projections produced by the company in support of the company’s request for the £90,000 loan, as appended to these minutes, be provided to the liquidators of the Storey Creative Industries Centre.”

The Head of Resources presented the answers to the additional questions which had arisen from the meeting of the panel held on 25 September 2012. Members asked extensive questions regarding the answers and information provided in the report.

The chairman welcomed Councillor Abbott Bryning, Cabinet member with responsibility for Finance, Revenues and Benefits, to the meeting, and invited him to pass comment on the SCIC and the contents of the report. Councillor Bryning advised members of his role as a director of the SCIC, and the panel asked questions accordingly.

The panel discussed the role of members who were appointed to outside bodies by the council. The panel were concerned that members appointed to outside bodies did not receive sufficient legal advice or training regarding the role that was expected of them.

It was proposed by Councillor Mace, seconded by Councillor Brookes, and agreed by the panel:

“That Democratic Services be requested to consider arranging for additional training to be provided to members who have been appointed by the council as a representative on outside bodies.”

***Resolved:***

- (1) That the information provided by Councillor Mace regarding discrepancies between the figures in the company accounts as at April 2011, and the starting point of the forecasts and projections produced by the company in support of the company’s request for the £90,000 loan, as appended to these minutes, be provided to the liquidators of the Storey Creative Industries Centre.
- (2) That Democratic Services be requested to consider arranging for additional training to be provided to members who have been appointed by the council as a representative on outside bodies.
- (3) That Councillor Bryning be thanked for attending the meeting.

**27 PARTNERSHIPS**

Members were reminded that, at its meeting on 15 October 2012, the panel had resolved to defer consideration of the Partnerships report to a future meeting of the panel.

**28 WORK PROGRAMME REPORT**

The panel noted the work programme report.

***Resolved:***

- (1) That the report be noted and that the work programme be updated accordingly.

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Chairman

(The meeting ended at 7.52 p.m.)

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

There are discrepancies between the figures in the company accounts as at 1 April 2011 (i.e. the closing figures in the company's accounts for 2010-11) and the starting point of the forecasts and projections produced by the company in support of the company's request for the £90k loan.

To summarise, the SCIC Ltd. Balance Sheet forecast at page 25 in the report of 20 December 2011 – as presented to support the request for the loan – shows “opening actual” liabilities for April 2011 exceeding “opening actual” assets by £57,329. This is not consistent with the accounts for the year to 31 March 2011 (approved two days after the formal loan decision of the 20 December 2011) which report the liabilities of the company exceeding its assets by £8,295. The directors are responsible for the accounts giving a true and fair view of the state of affairs of the company.

£57,329 and £8,295 cannot both be true. Either way there is a case for further investigation.

The response to the question from the B&P July meeting about due diligence says “The company's previous year accounts and management accounts were assessed. The company had produced a sustainability plan and that was appraised.”

The sequence of events relating to the loan included the following:-

20-12-2011 Approval of loan under City Council's urgent business procedures.

22-12-2011 Signing of annual accounts of SCIC Ltd. for year to 31 March 2011 by Ms J. Greaves (Director of SCIC Ltd.)

22-12-2011 Signing of report to the Board by auditors: CLB Coopers.

Friday 23-12-2011 receipt of accounts at Companies House.

If the company had to meet a deadline of 31 December for filing its accounts at Companies House – that would help explain why the making of the loan was urgent from the company's point of view.

These annual accounts contain the words at para 1.1 “The company made a loss of £7,394 in the year and at a balance sheet date the company's net liabilities exceeded its net assets by £8,295. The directors have prepared profit and cashflow forecasts and expect profits in the forthcoming year to exceed losses incurred to date. In addition, new sources of funding for future periods have been secured. Therefore in the opinion of the directors the financial statements should be prepared on a going concern basis.”

The Council's agreement to grant the £90k loan repayable over 3 years is justification for the directors to say in the company's accounts “new sources of funding for future periods have been secured”. The question to be investigated is whether the company was trading illegally – for example in the period preceding the approval of the loan.

Recommendation 2 of the December 2011 report, delegating to the Head of Financial Services and the Head of Governance the agreement of the detailed terms and conditions attached to the loan to protect the council's interest was without substance as the loan was already fully agreed as set out in recommendation 1 of the report.

1-2-2012 Reference to the urgent decision made in Leader's report to Council.

2-2-2012 Signing of loan agreement

3-2-2012 Payment of loan moneys to SCIC Ltd.

As making a loan to the company was deemed to warrant the application of urgent decision rules, and an undated letter from Tom Clark (Chief Executive of SCIC Ltd.) (at page 16 of the report) asks to draw down the loan in December, it is strange that payment was not made until February

**STOREY CREATIVE INDUSTRIES CENTRE**

(A company limited by guarantee)

Registered number: 05731953

**Abbreviated balance sheet**

As at 31 March 2011

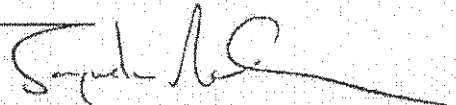
	Note	£	2011 £	£	2010 £
<b>Fixed assets</b>					
Tangible assets	2		25,018		21,494
<b>Current assets</b>					
Debtors		118,882		36,750	
Cash at bank and in hand		209		33,710	
		<u>119,091</u>		<u>70,460</u>	
<b>Creditors: amounts falling due within one year</b>					
		<u>(152,404)</u>		<u>(92,855)</u>	
<b>Net current liabilities</b>			<u>(33,313)</u>		<u>(22,395)</u>
<b>Total assets less current liabilities</b>			<u>(8,295)</u>		<u>(901)</u>
<b>Capital and reserves</b>					
Profit and loss account			<u>(8,295)</u>		<u>(901)</u>
			<u>(8,295)</u>		<u>(901)</u>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 386 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 31 March 2011 and of its loss for the year then ended in accordance with the requirements of sections 394 and 395 of the Act and which otherwise comply with the requirements of the Companies Act 2006 relating to the financial statements so far as applicable to the company

The abbreviated accounts, which have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, were approved and authorised for issue by the board and were signed on its behalf on 22 December 2011

Ms J Greaves  
Director



The notes on pages 3 to 4 form part of these financial statements

## 1. Accounting policies

### 1.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated financial statements have been extracted, have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The company made a loss of £7,394 in the year and at the balance sheet date the company's net liabilities exceeded its net assets by £8,295. The directors have prepared profit and cashflow forecasts and expect profits in the forthcoming year to exceed losses incurred to date. In addition, new sources of funding for future periods have been secured. Therefore in the opinion of the directors the financial statements should be prepared on a going concern basis

**STOREY CREATIVE INDUSTRIES CENTRE**  
(A company limited by guarantee)

**Chartered accountants' report to the board of directors on the preparation of the unaudited statutory financial statements of Storey Creative Industries Centre for the year ended 31 March 2011**

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Storey Creative Industries Centre for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet and the related notes from the company's accounting records and from information and explanations you have given to us

As a member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at [icaew.com/regulations](http://icaew.com/regulations)

This report is made solely to the board of directors of Storey Creative Industries Centre, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken solely to prepare for your approval the financial statements of Storey Creative Industries Centre and state those matters that we have agreed to state to them in this report in accordance with AAF 2/10 as detailed at [icaew.com/compilation](http://icaew.com/compilation). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Storey Creative Industries Centre and its board of directors, as a body, for our work or for this report.

It is your duty to ensure that Storey Creative Industries Centre has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the company's assets, liabilities, financial position and loss. You consider that Storey Creative Industries Centre is exempt from the statutory audit requirement for the year

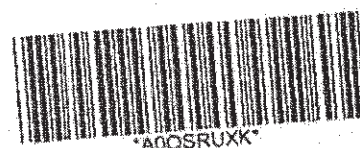
We have not been instructed to carry out an audit or review of the financial statements of Storey Creative Industries Centre. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

*CLB Coopers*

CLB Coopers

Fleet House  
New Road  
Lancaster  
LA1 1EZ

Date *22 December 2011*



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23/12/2011 #44  
COMPANIES HOUSE