LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Committee: **BUDGET AND PERFORMANCE PANEL**

Date: **TUESDAY, 23 OCTOBER 2012**

Venue: **LANCASTER TOWN HALL - LTH**

Time: **6.00 P.M.**

A G E N D A

1. **Apologies for Absence**

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

3. **Declaration of Interests**

To receive declarations by Members of interests in respect of items on this agenda.

Members are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the register or at the meeting).

Whilst not a legal requirement, in accordance with Council Procedure Rule 10 and in the interests of clarity and transparency, members should declare any disclosable pecuniary interests which they have already declared in the register, at this point in the meeting.

In accordance with Part B Section 2 of the Code Of Conduct, members are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

4. **Salt Ayre Sports Centre** (Pages 1 - 5)

Report of the Financial Services Manager and Assistant Head of Community Engagement (Wellbeing).

At its meeting on 25 September 2012 the panel deferred consideration of the Salt Ayre Sports Centre report. It is attached to this agenda for member's consideration.

5. **Storey Creative Industries Centre** (Pages 6 - 13)

Report of the Head of Resources.

6. **Partnerships** (Pages 14 - 17)

Report of the Assistant Head of Community Engagement (Partnerships).

7. **Work Programme Report** (Pages 18 - 21)

Report of the Head of Governance.

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

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

(ii) Substitute Membership

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

(iii) Queries regarding this Agenda

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

(iv) Changes to Membership, substitutions or apologies

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

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

Published on 15 October 2012.

BUDGET AND PERFORMANCE PANEL

Salt Ayre Sports Centre
25 September 2012

Report of Financial Services Manager and Assistant Head of Community Engagement (Wellbeing)

PURPOSE OF REPORT
To update Members with regard to the detailed income and expenditure and allocation of overheads at Salt Ayre Sports Centre.
This report is public

RECOMMENDATIONS OF FINANCIAL SERVICES MANAGER AND ASSISTANT HEAD OF COMMUNITY ENGAGEMENT (Wellbeing)

(1) That the report be noted and that Members consider any recommendations they would wish to make.

1.0 Introduction

1.1 Following the previous report on Salt Ayre Sports Centre presented to the 12 June 2012 meeting Members resolved that:

"A more detailed report on the finances of the sports centre be requested including income and expenditure for the last year……"

1.2 This report now provides Members with the additional information requested and explains the details behind the relevant income and expenditure headings. Further to that, it goes on to explain the allocation of management and administration costs across the relevant activity areas.

1.3 Before that however, it is important to reiterate that the provision of sports centres is discretionary and is made in support of the Council's Corporate Plan priority for Health & Wellbeing :

"The Council intends to take action to improve health, for example, by providing access to sports and leisure activities….."

1.4 In addition, there are no requirements for these facilities to break-even, but the Council still needs to ensure that they operate as efficiently as possible to ensure Council Taxpayers money is being spent effectively. The review of Salt Ayre Sports Centre aims to assess all activities provided and determine where more efficiencies can be delivered, whether that be in terms of direct operational efficiencies or joint working initiatives with other partners. As and when they are identified they will be fed into the forthcoming 2013/14 budget process.

2.0 2011/12 Financial Performance – Salt Ayre Sports Centre

2.1 Attached at ***Appendix A*** is an analysis of the individual activity areas at Salt Ayre together with their respective income and expenditure for 2011/12. It should be noted at this point that for now, capital charges have been excluded from the costs on the basis that they are notional costs and as such do not impact on Council Tax. To what extent 'the cost of capital' should be reflected in Salt Ayre's pricing policy, is a matter that will be addressed later in this review. For now, the focus is predominantly on operational 'cash' costs of the sports centre.

2.2 Table 1 sets out the individual activities at the centre and the far right column shows that for 2011/12 the net cost was £939,644. In summary, the total income and expenditure can be broken down as follows :

2011/12	**Budget**	**Actual**	**Difference**
Employees	£879,700	£832,400	-£47,300
Premises	£546,600	£487,554	-£59,046
Transport	£25,100	£16,750	-£8,350
Supplies & Services	£250,100	£252,143	+£2,043
Support Services	£363,600	£259,531	-£104,069
Total Expenditure	**£2,065,100**	**£1,848,378**	**-£216,722**
Income	-£967,200	-£908,734	+£58,466
Net Cost	**£1,097,900**	**£939,644**	**-£158,256**

2.3 The table above shows that the centre made a saving of £158K in last year against the budget, however £104K of this related to support service recharges which had been allocated on a more up to date basis following a detailed review. Overall then, excluding this variance, the direct operational saving was £54K.

3.0 Income and Expenditure

3.1 It is also important to understand the detail behind the income and expenditure headings shown in this table, and this is set out below.

Employees

This covers the cost of all staff directly employed at the centre, including basic pay, overtime, national insurance, pension costs and any training costs required. Where possible staff costs are directly allocated to the activity they work in, i.e. Reflexions, swimming or the café. All other staff that cannot be directly allocated are charged to the Management & Administration account.

Premises

This covers all the maintenance, energy, water, rates, insurance and cleaning costs associated with the centre.

Transport

The main cost relates to the minibus used for school swimming.

Supplies and Services

This covers a wide range of spend on equipment renewals, clothing and uniforms, trade refuse, general office expenses, security services, telephones, and materials for resale. Where practical these costs will be allocated directly to the relevant activity area.

Support Services

Support service recharges are received from other services who provide support to the centre, either in the form of a direct service or officer time. Services provided are for example, processing payroll and creditor payments by Finance and the provision of ICT systems and infrastructure. Officer time will cover other management support from within Community Engagement. These costs are all charged to the management and administration account.

Income

Income is allocated directly to the activity it relates to. Fees and charges are reviewed annually and increased accordingly taking on board inflation, demand and competition for the activity.

4.0 Cost Allocations

4.1 The first table in Appendix A shows the current outturn position for 2011/12 for each of the activities at the centre. However, as can be seen, the majority of the costs (£1.476M) are all contained within the management and administration account. This is because it is not possible to directly charge these costs to specific areas as they cover a range of activities. For example, heating and lighting will cover the whole centre.

4.2 That being said, this does create a distorted picture if you are trying to assess performance on an activity by activity basis. For example, table 1 shows that swimming generated a surplus of £227,131 last year. However, this does not include any premises costs for heating, lighting and water, pool attendants or other general management costs as they're all contained in the management and administration account.

4.3 In order to rectify this position, officers from within Community Engagement and Finance have worked together to determine suitable methods for allocating the management and administration costs across the range of activities provided by the centre.

4.4 Clearly this is a subjective process and will always need to be undertaken with a view to balancing the detail behind the allocations with the benefit derived from such a process.

4.5 The three main drivers chosen for allocating costs were as follows:

- Employees - percentage allocation
- Planned and reactive repair & maintenance - based on previous years spend
- All other costs - based on area (m^2)

The resulting allocations are shown in Table 2 of Appendix A.

4.6 This now shows that swimming for example actually cost £632,912 as opposed to generating a surplus of £227,131, when all costs are fully allocated. However, it should be noted that these are relatively basic allocations and will be refined further. For the time being however, they are a good starting point to consider the performance of each activity in combination with customer throughput data. This in turn can be used to compare with national benchmarking statistics.

5.0 Conclusion

5.1 The full allocation of costs to individual activities is an important step in any review process. However, it should not be viewed in isolation as cost appraisal is only one aspect as there are other factors to be considered such as the health and wellbeing benefits operations such as a sports centre can delivery. That being said, they must still operate as efficiently as possible to ensure public money is being spent effectively.

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 None directly arising from the report.	
OTHER RESOURCE IMPLICATIONS **Human Resources / Information Services / Property / Open Spaces:** None arising from this report	
SECTION 151 OFFICER'S COMMENTS This report provides an update on progress, although there is still significant work to do to appraise fully the cost base for Salt Ayre, to inform future pricing policy.	
MONITORING OFFICER'S COMMENTS In the absence of the Monitoring Officer the Deputy Monitoring Officer has been consulted and has no comments to make on this report.	
BACKGROUND PAPERS	**Contact Officer:** Andrew Clarke, Financial Services Manager **Telephone: 01524 582138** **E-mail:** aclarke@lancaster.gov.uk

SALT AYRE SPORTS CENTRE (Excluding Capital Charges)

Table 1

2011/12 Actuals	Salt Ayre Mgt & Admin	Aquarius	Athletics Track	Heatwaves	Holiday Activities	Main Hall	Synthetic Pitch	Projectile Hall	Reflexions	Café	Shop	Studio	Swimming	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Employees	652,885								107,970	46,345			25,200	**832,400**
Premises	485,567		1,987											**487,554**
Transport	2,433								3,026				11,291	**16,750**
Supplies and Services	79,669			5,061		32,976	615	4,303	27,546	54,978	4,710	23,173	19,113	**252,143**
Support Services	259,531													**259,531**
Income	-4,042	-3,233	-13,200	-6,493	-3,194	-151,582	-5,615	-15,032	-271,153	-103,316	-8,304	-40,836	-282,735	**-908,734**
	1,476,044	**-3,233**	**-11,213**	**-1,432**	**-3,194**	**-118,606**	**-5,000**	**-10,729**	**-132,611**	**-1,993**	**-3,594**	**-17,663**	**-227,131**	**939,644**

Table 2

Management & Admin costs allocated to activity areas

2011/12 Actuals	Aquarius	Athletics Track	Heatwaves	Holiday Activities	Main Hall	Synthetic Pitch	Projectile Hall	Reflexions	Café	Shop	Studio	Swimming	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£	£
Employees								107,970	46,345			25,200	**179,515**
Premises		1,987											**1,987**
Transport								3,026				11,291	**14,317**
Supplies and Services			5,061		32,976	615	4,303	27,546	54,978	4,710	23,173	19,113	**172,474**
Support Services			**11,300**		**58,500**		**9,400**	**17,500**	**18,900**		**12,800**	**131,531**	**259,931**
Mgt & Admin Recharge	**600**	**3,300**	**47,200**		**204,000**	**9,500**	**32,600**	**74,200**	**68,300**		**47,900**	**728,512**	**1,216,112**
Income	-3,233	-13,200	-6,493	-3,194	-151,582	-5,615	-15,032	-271,153	-103,316	-8,304	-40,836	-282,735	**-904,692**
	-2,633	**-7,913**	**57,068**	**-3,194**	**143,894**	**4,500**	**31,271**	**-40,911**	**85,207**	**-3,594**	**43,037**	**632,912**	**939,644**

BUDGET AND PERFORMANCE PANEL

STOREY CREATIVE INDUSTRIES CENTRE
23 October 2012

Report of the Head of Resources

PURPOSE OF REPORT

To provide additional information and allow further consideration of this issue, subsequent to the September meeting of the Panel.

This report is public.

RECOMMENDATIONS

That the Panel considers the report.

1 **Introduction**

1.1 At its meeting on the 25 September 2012, the Panel deferred consideration of answers to two questions relating to the Storey Creative Industries Centre (SCIC) and also asked some additional questions around this topic. Answers are provided below.

1.2 Furthermore the Panel requested information on liabilities of directors and this is set out for completeness.

2 **Questions and Answers**

2.1 Answers to the questions (originally numbered 4 and 5) deferred from the last meeting are set out below .

Q 4: What processes of due diligence took place before the loan was agreed in principle in December 2011, when was the loan paid over to the company, and what due diligence took place between the agreement in principle, and the payment of the loan to the company?

A 4: The loan was agreed in full in December 2011. Delegated authority was given to agree terms and conditions. [The loan agreement was completed on 02 February 2012 and the loan payment to the company processed on 03 February].

Extensive queries and reviews were undertaken with evidence being sought on the company's position, from a cross-service perspective (Finance, Property, Legal, Regeneration, and to a lesser extent Community Engagement). The implications of not granting the loan were also assessed as far as possible, in particular VAT and clawback.

The company's previous year accounts and management accounts were assessed. The company had produced a sustainability plan and that was appraised. A meeting was held in December with representatives from the company, to allow questioning. Various communications took place with the Company's Board and its Finance Committee.

The processes are reflected and summarised in the exempt Urgent Business Report and the Panel is advised to refer to this for more background. Essentially, the due diligence and decision to grant the loan came down to balancing the risks either way, and the following extracts summarise the rationale for granting the loan, but acknowledging the risks involved.

"Option 1 is the preferred option as the potential risk of non-recovery of loan repayments is considered more manageable for the Council when compared to the increased likelihood of far more significant operational and financial implications arising should SCIC Ltd cease trading. That said, it is recommended that further work be done to assess VAT options and to clarify (with the aim of avoiding) clawback liabilities, in order to give the Council greater flexibility in managing its interests in the building.

Conclusion
There is an opportunity for the Council to prevent SCIC Ltd failing in at least the short to medium term by providing it financial assistance by way of a loan on a fully repayable basis over three years. If approved, it is reasonable to assume that provided the SCIC at worst case continues to maintain its current occupancy levels, it can become a self sustainable operation based on its current financial projections. This should in turn protect economic benefits for the district by ongoing support of the development of the creative and cultural industries and visitor economy. There is no guarantee of such an outcome, however."

Once the loan had been agreed, work focused on seeking details and agreement on creditors repayment plans and the terms and conditions attached to the loan. Details of the monitoring and financial management arrangements required under the loan are attached at ***Appendix A.***

Q 5: In what way and at what date did examination of the annual accounts of the company contribute to due diligence?

A 5: The draft annual accounts were reviewed at various points between August and December 2011. In particular, verification and explanation was sought on apparent discrepancies between the Council's accounts and that of the company. In summary, the accounts were used as a comparator for the company's sustainability plan and to inform the views of its overall financial position and outlook, as well as to gain greater understanding of the company's cash flow. Examples of this are highlighted in the exempt Urgent Business Report and extracts from one of the appendices are included below, to help demonstrate the processes adopted:

- *"Although [overall] forecast expenditure for 2011/12 is less than that outturned at 2010/11, this seems ok as the previous year included some one-off grant funded expenditure as verified by SCIC's draft accounts for this period.*

- *It has been queried whether it is prudent to reduce heat, light and power costs in future years compared to 2010/11 outturn, however SCIC believe they are currently being overcharged for their gas supply and are in dispute with [their provider]...."*

2.2 The additional questions arising from the last meeting are answered below.

Q1: Why was the building's VAT status not changed at that time (as a similar precaution)?

It is assumed that this means at the time the loan was considered and granted.

It was not possible to do so in the time available, recognising too all other work demands at that time. VAT is a very complex area and more time was needed to complete the assessment of the implications for the Council. There are complex linkages between VAT status, lease terms and rent levels, capital works, and any associated services being provided. Changing the VAT status of a building also has cost implications for any tenants that are not VAT registered. Effectively, opting to tax increases the rents and service charges for any such tenants.

VAT has been a complex consideration for the project from the very outset. This is evidenced from much earlier reports, at the time when the Council was deciding whether to progress the project.

Q2: (The VAT status change has now been done) Please tell us more about the purpose of the change and the circumstances in which the change would have significant impact. How long did it take to make this VAT change and for it to become effective?

An extract from the December report is included at ***Appendix B***. This provides information on the purpose of the change and its likely impact in various scenarios.

The change was notified to HMRC on 20 June once it had been fully assessed. It was effective immediately.

Q3: How much of the £90k loan is being claimed against the assets of the company in the liquidation?

All of it, together with interest and other outstanding amounts including charges for trade waste, but less any repayments made. In total the amount being claimed is approximately £129K, which includes interest of approximately £17K, and takes account of the Company having made repayments of approximately £7.5K.

Q4: Why was the £90k support to the company given by way of loan instead of by way of pure grant or some mix of grant and loan?

The company requested support in the form of a loan with provision for interest at 10%. It saw the request as 'a commercial arrangement'. It considered that it would be in a position to repay the loan and therefore there was no reason to consider grant financing. As a loan, there was the opportunity for the support to be repaid, in the interests of council tax payers. As shown earlier the company repaid two instalments totalling just over £7500, including interest. With grant financing, there would have been no opportunity or requirement for any repayment.

Q5: Was it anticipated at the time of the loan being made that it was likely to be recovered in full by means of the agreed scheme of repayments?

Yes, subject to the company managing its business relationships with sub-tenants, recovering amounts owing to it and delivering against its sustainability plan, although there was no guarantee of this and the risks attached were recognised too.

Q6: Was a deadline specified by the company for the granting of a loan, and if so what was it and why?

There was no specific deadline set. The pressure from creditors threatening legal action was the driving force behind timescales.

Cash flow projections provided on 13 December 2011 indicated that the company should have been able to manage payments for the next fortnight or so, with difficulties starting from Christmas week. In January, Officers sought to clarify the urgency surrounding the company's position. A letter of intent was supplied to the company on 24 January 2012, to assist it in avoiding enforcement action.

3 **Liabilities of Directors and Former Directors**

3.1 At the last meeting the Panel resolved:

> "that information be provided to the panel regarding whether there is any liability of any kind of the directors and former directors of the company in relation to the loan, or other liabilities of the company."

3.2 As a company limited by guarantee, under normal circumstances every director's personal liability is limited to £1 each, should the company be wound up whilst they are still in office, or within one year of them ceasing in that role.

3.3 When a company enters into Creditors Voluntary Liquidation (CVL), it is one of the liquidator's roles to investigate and report upon the conduct of the officers of the company (directors and shadow directors). Should the liquidator conclude that any "wrongful trading" has taken place, directors can be made personally liable for a company's debts. In drawing any conclusions, the liquidator would need to ascertain the point at which the company became insolvent and whether decisions and actions from that point on were made in good faith and in the best interests of the company's creditors.

3.4 In terms of the Council's appointment of a director, as with all other appointments to outside bodies, generally the Council's Official Indemnity insurance provides cover for any personal liability arising. That said, the availability or extent of cover would depend on the specific details and circumstances of any claim.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing) N/A	
LEGAL IMPLICATIONS None directly arising as a result of this report.	
FINANCIAL IMPLICATIONS None directly arising as a result of this report.	
OTHER RESOURCE IMPLICATIONS **Human Resources / Information Services / Property / Open Spaces:** None arising directly as a result of this report.	
SECTION 151 OFFICER'S COMMENTS The s151 Officer (as Head of Resources) has produced this report.	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments.	
BACKGROUND PAPERS Urgent Business Report 20 December 2011 (Exempt status under review).	**Contact Officer:** Nadine Muschamp **Telephone:** 01524 582117 **E-mail:** nmuschamp@lancaster.gov.uk **Ref:**

APPENDIX A

MONITORING AND FINANCIAL MANAGEMENT ARRANGEMENTS (AS REQUIRED UNDER LOAN AGREEMENT)

Immediately following acceptance of the loan agreement, the Borrower takes any actions necessary to ensure its financial management, monitoring and administration arrangements are robust and adequately resourced. This includes (but is not limited to) ensuring the timely setting and full recovery of all relevant rents and service charges, so as to assist the Borrower in discharging its financial liabilities to the Council under this agreement .

On request and at appropriate and timely intervals the Borrower will provide information as reasonably required by the Council's Head of Financial Services or their nominated representative, including but not restricted to:

- Creditor invoices, payment receipts and copies of bank statements to evidence both the need for advance of loan and also the subsequent application of loan and discharge of creditor liabilities
- Monthly management accounts including aged debtor and creditor lists
- Monthly cashflow statements
- Annual Business Plan
- Annual Financial Statements
- Reports produced by the Borrower's Accountants or Auditors.

The Borrower will continue to provide the Council's Head of Financial Services or her nominated representative an invitation to attend its Finance Sub-Committee meetings for the duration of the loan agreement as an observer.

The Borrower will continue to provide the Council copies of Board papers and the annual report to the Council and an invitation for the Council's contact officer to attend Board meetings as an observer.

In addition, insofar as it relates to this loan agreement or the Borrower's ability to discharge its obligations therein, the Head of Financial Services or their nominated representative may report directly to the Finance Sub-Committee or the SCIC Board.

The Borrower will allow access to the building and keep suitable records including a record of all expenditure and all other invoices, receipts and other relevant documents to support the information required by the Council's Head of Financial Services, or her nominated representative, for the duration of the loan agreement.

APPENDIX B

EXTRACT FROM URGENT BUSINESS REPORT DECEMBER 2012 - VAT CONSIDERATIONS

(Does not contain any commercially sensitive information)

VAT Considerations

4.2.5 A far more immediate and certain issue arising for the Council to consider relates to the complex VAT implications arising from the treatment of the original capital project.

4.2.6 As a reminder, the Storey building was refurbished through external grant funding totalling £3.5M between 2006/07 and 2008/09. This was then let on a peppercorn lease to SCIC, an independent management company (as required by ERDF funders). The arrangement was granted 'non-business supply' status by HMRC and this meant that the Council was able to reclaim all the VAT incurred on the capital phase.

4.2.7 Should SCIC cease trading and if subsequently the Council became directly involved in managing and letting out the building, either temporarily or permanently, it is reasonable to assume that the VAT implications arising would be two-fold:

- *The Council would in all likelihood breach what is known as its 'Partial Exemption' limit. Whilst this is a complex area, the upshot of this occurring would be that the Council would no longer be able to recover VAT on certain supplies, and so would incur additional costs currently estimated at around £170K per year. The Council could avoid this charge only if it were able to empty the building and then sell it on, or if there was some major change in the Council's other activities that significantly improved the VAT position.*

- *Under VAT regulations regarding the 'Capital Goods Scheme (CGS)', building projects are subject to a retrospective, proportionate correction to reclaimed VAT where there is a change of use (for VAT purposes) within approximately 10 years of completion. By becoming involved in direct management of the building, in all likelihood this would change the VAT purpose from 'non-business' to 'business'. This would result in a further £60K VAT charge per year, due up to 2018/19 (the tenth year after completion).*

4.2.8 One way to avoid these implications is to 'opt to tax' the building, although this means that any subsequent business supply (e.g. sale or let) of the building would then be subject to VAT.

4.3 These VAT issues are complex and material but need to be taken into account should option 2 be approved, particularly as this would present further scenarios for the ongoing operation.

Scenarios under Option 2 (refusing the loan request)

4.3.1 Should SCIC ultimately fold then the Council would probably be faced with the following three main scenarios. For all of them, various incidental costs would be incurred but for now, only the key issues are highlighted.

Scenario 1 – transfer to alternative third party management company
Under this scenario, the Council would repossess the building under the terms of the head lease and look to regain the position of granting a peppercorn lease to a third party as a non-business transaction, the main risk being over what would happen in the interim, i.e. the Council may need to 'step in' to manage the building and its tenants if an alternative third party provider could not immediately be put into place. Depending on the timescales involved and the certainty with which the business could be passed over, with reference to the Council's VAT position the best option might be to opt to tax the building.

Scenario 2 – Council takes over operation itself
Under this scenario the Council would repossess the building under the terms of the head lease and take over operational responsibility on similar lines as SCIC, the main financial risk/implication revolves around whether the Council would breach its Partial Exemption limit, as discussed above. Again an option to mitigate this would be to opt to tax the building; the downside is that VAT would have to be added to the rents and service charges. The Council would have to consider the impact of this on tenants; those who are VAT registered should not be impacted on but those who are not would have a real increase in their charges, unless some other compensation adjustment was agreed.

From an operational side, future management of the operation would need further consideration as there is currently no dedicated full time capacity within the Council to take on management of the building. There may also be 'Transfer of Going Concern' issues linked to opting to tax the building and further work would be required by Officers to assess the impact of these.

Scenario 3 – Council closes or sells building
If the Council were to close the building (assuming that this would be possible) there would be no issues from a VAT point of view as there would be no business supplies from the closed building. There may need to be negotiation regarding clawback liabilities, however.

If the Council sought to sell the building on but with tenants still in situ, then there could be VAT implications arising from the sale.

BUDGET & PERFORMANCE PANEL

Partnerships

23 October 2012

Report of Assistant Head of Community Engagement (Partnerships)

PURPOSE OF REPORT
This report is to update Budget and Performance Panel on current partnership arrangements and recent developments.
This report is public **delete as appropriate*

RECOMMENDATIONS OF Assistant Head of Community Engagement (Partnerships)

It is recommended that

(1) Budget and Performance Panel members note the information provided on the council's current partnership working arrangements

1.0 Introduction

1.1 The council's Corporate Plan 2012 – 2015 States that "It is recognised that the council is working together more and more with partners, with the community as well as internally across the council. This has become an important way of doing business and is likely to be crucial in delivering local services efficiently, effectively and sustainably in the future. In this context, it can be seen that **Working Together is Partnership** is an increasingly important way of working that cuts across all operational areas and service delivery".

1.2 During the last twelve months some significant changes and new developments have taken place which have reinforced the importance of working together but have emphasised the need to ensure that partnership arrangements add value and help to achieve results.

2.0 Partnership arrangements

Local Partnerships

2.1 For some years the district had an LSP (Local Strategic Partnership), a very broad structure with a range of governance, thematic, working and special interest groups. Partners across all sectors participated in LSP related groups in a variety of ways.

2.2 Where at one time, LSP's were statutory partnerships, this obligation was removed in 2011, providing an opportunity to consider what partnership working arrangements would work best for the district.

2.3 In November 2011, the council's Cabinet agreed the approach to partnership working in the future (Minute 57 refers). Reflecting the challenging economic issues and extreme pressures on public sector budgets, it was agreed that partnerships need to be cost effective, purposeful, offer clear added value and have a sharp focus on outcomes to be achieved. Cabinet agreed that partnership working was more important than ever but that the time for the LSP had passed.

2.4 Following this, in early 2012, the LSP agreed to dissolve and the final event was held very recently to celebrate the achievements of many of the projects.

2.5 Partnership arrangements continuing separately into the future are as follows:

- District Children's Trust
- Community Safety Partnership
- Health and Well Being Partnership
- Economy (working with the Chamber of Commerce)
- Public sector Leader's Group
- Arts Partnership
- Community Leader's Group (now Communities Together)
- Lancaster Area Committee of Parish Council's
- Voluntary, community and faith sector (developing around existing forums and an infrastructure group)

Working Together with Families

2.6 The council is working with Lancashire County Council, other partners and families to develop and deliver an important initiative known as *Working Together with Families.* This initiative will help to support troubled families with complex needs by working with them in a multi agency way. To succeed, the key agencies that would normally be involved will need to work together to communicate with families and to find joint solutions.

2.7 The learning from *Working Together with Families* is expected to be valuable in terms of a multi agency approach to many situations in the future.

Partnership Evaluation and Development

2.8 Where partnerships are identified as important, the council will wish to ensure that they are efficient and effective. In some cases, the council has specific responsibilities for the management of partnerships.

2.9 A mechanism for identifying (mapping) the number and type of partnerships that the Council is involved in and an approach to evaluating the effectiveness and performance of key partnerships has been developed. Principally, this includes a method of assessing the level of '*significance*' of each partnership towards the achievement of corporate priorities and a 'toolkit' aimed at evaluating both the effectiveness of individual partnerships and the Council's involvement in them.

2.10 Whilst the toolkit is available to all partnerships, officer support is very limited and will be available to those partnerships that have been identified as significant and on a prioritised basis.

2.11 A database has been created which will provide an overview key partnerships helping the council to achieve its priorities and will afford a means of enabling Budget and Performance Panel to *'scrutinise the performance of the Council's major partnerships'* in line with its Terms of Reference.

Revenues and Benefits Shared Service

2.12 The Council entered into a formal shared service arrangement with Preston City Council with effect from 1 July 2011 to provide a Revenues & Benefits service across both city council areas.

2.13 A Joint Committee is in place to administer the arrangement, with leader and portfolio holder representation from both Councils. The Committee meets twice per year to review and approve the detailed budget, together with the 3 year business plan, including performance targets.

2.14 The shared service arrangement is proving highly successful, operating within budget projections, with the opportunity to create additional savings through previous investment in new technology and software. It has a challenging year ahead, in implementing welfare reforms and any local taxation changes.

3.0 Conclusion

3.1 Partnership working is evident across the council's activities and is demonstrated in a number of formal arrangements. The potential to achieve efficiencies in the future by working with partners is likely to be very important.

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

No direct implications as a result of this report

LEGAL IMPLICATIONS

No direct implications as a result of this report

FINANCIAL IMPLICATIONS

No direct implications as a result of this report

OTHER RESOURCE IMPLICATIONS

Human Resources:
No direct implications as a result of this report

Information Services:
No direct implications as a result of this report

Property:
No direct implications as a result of this report

Open Spaces: No direct implications as a result of this report	
SECTION 151 OFFICER'S COMMENTS The Section 151 Officer has been consulted and has no further comments to add.	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments	
BACKGROUND PAPERS	**Contact Officer:** Anne Marie Harrison **Telephone: 01524 582308** **E-mail:** amharrison@lancaster.gov.uk

BUDGET AND PERFORMANCE PANEL

Work Programme Report

23 October 2012

Report of Head of Governance

PURPOSE OF REPORT
To update members regarding the panel's work programme.
This report is public

RECOMMENDATIONS

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

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

1.0 Introduction

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

1.2 The Budget and Performance Panel is responsible for setting its own annual work programme within the terms of reference, as set out in Part 3, Section 13 of the Constitution.

2.0 Report

2.1 Additional Meeting of the Budget and Performance Panel

At its meeting on 25 September 2012, the panel agreed that consideration of the work programme be deferred to an additional meeting of the panel prior to the next scheduled meeting on 23 October 2012. This additional meeting was subsequently scheduled for 15 October 2012. The panel also requested that the Quarter 1 Corporate Performance Monitoring Report (including reducing sickness absence) be reported to the additional meeting.

Any further requests submitted at the meeting on 15 October 2012 will be added to the work programme.

2.2 Upcoming Items

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

2.3 Briefing Notes

Appendix A contains information regarding briefing notes requested by the panel at previous meetings.

Should the panel wish to consider an issue contained within a briefing note, a report can be requested for inclusion on the agenda of a future meeting of the panel.

SECTION 151 OFFICER'S COMMENTS The Section 151 Officer has been consulted and has no further comments to add.	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments.	
BACKGROUND PAPERS None.	**Contact Officer:** Tom Silvani **Telephone:** 01524 582132 **E-mail:** tsilvani@lancaster.gov.uk

Appendix A

BUDGET & PERFORMANCE PANEL WORK PROGRAMME 2012/13

Matter for consideration	Officer responsible / External	Date of meeting
Service Level Agreements – Update on the new commissioning process	Assistant Head of Community Engagement (Partnerships)	11 December 2012
Lancaster City Council Leader's Presentation on the Budget and Policy Framework Proposals	Leader of the Council	29 January 2013 (Venue – Morecambe Town Hall)
Lancashire County Council's Director of Resources – Budget and Capital Investment Strategy Budget and Policy Framework Proposals.	External	29 January 2013 (Venue – Morecambe Town Hall)
2012/13 Qtr3 Corporate Financial Monitoring, including Treasury Management	Financial Services Manager	5 March 2013
Treasury Management Strategy 2013/14	Financial Services Manager	5 March 2013
Second Homes Funding	Assistant Head of Community Engagement (Partnerships)	To be monitored via Cabinet reports
Update Building Control Service Area	Head of Regeneration and Planning	TBC
Budget Overspends/Variances	As required	As required

Invitations to Cabinet Members

Cabinet Member and area of responsibility	Issue	Date of meeting
Councillor Blamire (Leader) and Councillor Bryning (Cabinet Member for Finance, Revenues and Benefits)	2012/13 Qtr2 Corporate Financial Monitoring, including Treasury Management	11 December 2012
Councillor Blamire (Leader) and Councillor Bryning (Cabinet Member for Finance, Revenues and Benefits)	Lancaster City Council Leader's Presentation on the Budget and Policy Framework Proposals	29 January 2013 (Venue – Morecambe Town Hall)
Councillor Blamire (Leader) and Councillor Bryning (Cabinet Member for Finance, Revenues and Benefits)	2012/13 Qtr3 Corporate Financial Monitoring, including Treasury Management	5 March 2013

Briefing Notes

Item	Date Circulated	Officer responsible
Empty Houses, Voids, and why Properties are in need of Repair		Head of Environmental Services
Damage to Council Houses by Tenants and the Implications for the Council	4 September 2012	Head of Environmental Services and Head of Health and Housing Services
Building Control	16 August 2012	Head of Regeneration and Planning
Section 106 Monies	16 August 2012	Head of Regeneration and Planning
Community Infrastructure Levy (CIL)		Head of Regeneration and Planning
The use of Tracking Devices Fitted in the Council's Vehicle Fleet to Generate Efficiencies	24 September 2012	Head of Environmental Services
Mobile Phone Website Project	24 September 2012	Head of Community Engagement