



Committee: BUDGET AND PERFORMANCE PANEL

Date: TUESDAY, 11 DECEMBER 2012

Venue: LANCASTER TOWN HALL

Time: 6.00 P.M.

A G E N D A

1. **Apologies for Absence**

2. **Minutes**

Minutes of the meeting held on 27 November 2012 (to be circulated prior to the meeting).

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

4. **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.

5. **Salt Ayre Sports Centre - Social Value** (Pages 1 - 15)

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

6. **Service Level Agreements** (Pages 16 - 25)

Report of Assistant Head of Community Engagement (Partnerships).

7. **Corporate Performance and Financial Monitoring - Quarter 2 2012/13** (Pages 26 - 70)

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

8. **Work Programme Report** (Pages 71 - 75)

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 3 December 2012.

BUDGET AND PERFORMANCE PANEL

**Salt Ayre Sports Centre – Social Value
11th December 2012**

**Report of Head of Community Engagement and
Assistant Head (Wellbeing)**

PURPOSE OF REPORT
To update Members of the social contribution Salt Ayre Sports Centre offers to the council and its partners
This report is public

Recommendations of Head of Community Engagement

- (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 23 October 2012 meeting Members 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).i.e.*
- (4) That officers be requested to look at the various headings to consider a reduction of up to 5% (by way of example) with particular emphasis on the management and admin costs in such a way that it does not negatively impact on service provision.*
- (5) That financial information be presented in such a way that more clearly shows allocation of management and administration costs including a more detailed/informative breakdown.*

- 1.2** Members were advised at the meeting that such a report might have to be delivered in two parts. Accordingly this report concerns itself with the first resolution 'social value.' and allocation of management and administration

costs.

- 1.3 Further information in relation to performance against regional and national benchmarking standards and possible reduction against management and admin costs will follow in a future report to be received in February 2013.

2 **Report - Policy Context**

A : Council Priorities

- 2.1 The first thing to be said is that there is not a statutory requirement to provide leisure services. To do so is discretionary. However, the Council has identified the importance of providing leisure services to achieve its priorities.
- 2.2 Health and Wellbeing is one of the Councils four priorities. It is recognised that the health and wellbeing of local residents of all ages is improved by participation in sports and leisure activities.
- 2.3 Another of the Councils four priorities is Clean, Green and Safe places. Leisure services contribute to the District being a safe place to live by providing diversionary activities for young people.

B : Government policy-General Sports Participation – A Healthy Nation

- 2.4 Through successive government policy and recommendations from sports related bodies, the drive to increase sports participation in the UK and thus the health of the nation is, and has been a key target for government achievement, especially as part of the Olympic and Paralympics legacy.
- 2.5 Health inequalities stop people achieving their potential. Poor health and wellbeing prevents many citizens from working, learning, being involved in their community and enjoying their leisure time. Reduced productivity due to poor health also has a negative impact on the local economy.
- 2.6 Inactivity and mental illness place substantial cost burdens on health and adult social care services and the wider economy. Each year, inactivity is estimated to cost:
 - £1.06 billion in direct costs to the NHS across the UK
 - £5.5 billion in lost productivity from sickness absence and £1 billion from the premature death of people of working age in England.
 - The direct costs of services, lost productivity at work and reduced quality of life through mental illness have been estimated at £105.2 billion a year in England.

Appendix 1 sets out a briefing note on national research aimed at evaluating the impacts of engagement in sporting activity both from wellbeing and financial perspectives.

3 **Salt Ayre Sports Centre**

- 3.1 Before any consideration of social value of the services provided at Salt Ayre Sports Centre it is worth considering the context in which the Service operates. A profile of the district is set out in Appendix 2 and set out below are a range of initiatives provided by the centre.

3.2 Active Health Scheme: Tackling Obesity and Long Term Health Conditions

- 3.2.1 In 2008 Lancaster City Council was commissioned by the Primary Care Trust (PCT) to develop and manage a GP Exercise Referral Programme with the aim of engaging with all local GP surgeries encouraging them to make referrals to the programme.
- 3.2.2 Based at Salt Ayre Sports Centre, the “Active Health Programme” was designed to take patients who were at risk from coronary heart disease, and support them initially through a 12 week course of exercise on prescription. However many referrals also had other contributory medical conditions such as overweight/obesity, depression and smoking as well as a number of long term health conditions such as diabetes type 1 & 2, mobility problems, hypertension, post heart surgery and asthma.
- 3.2.3 The funding (£195,000) provided allowed the Council to recruit three members of staff who are responsible for liaising with the GP's and Practice Nurses, setting up and taking one to one assessments, designing individual exercise programmes, monitoring referrals progress, delivering some exercise sessions and feeding back to GP's and Practice nurses at the end of each month completing and return an on-line monitoring form to the PCT.
- 3.2.4 To date 1882 referrals have been made to Active Health and all 14 local GP surgeries within the district are making referrals. The age range of referrals is from 16 to 66+. The most popular exercise chosen by referees in their personalised programme is using the “Fitness Suite”; the second is “Swimming” and third is “Exercise Circuits”.
- 3.2.5 Encouragement to complete the 12 week programme, and then to continue an active lifestyle post programme, is the main target for the scheme. Those who are successful in continuing their change of lifestyle do benefit from a varied number of positive and individually attained health and social benefits. These benefits, although individual to the referrer, will also provide wider social benefits to the community and other public bodies such as employment, productivity, NHS treatment reductions and the possible reduction in doctor appointments.
- 3.2.6 *“Using sport to tackle the social determinants of health reduces demand on high-cost health, care and welfare services. So it delivers significant cost savings as well as health benefits. It is both an efficient and effective use of investment due to the low delivery costs and broad appeal. The 2012 ‘State of Happiness’ report argues that participation in cultural and sporting activities: “...may be some of the most affordable methods of increasing individual and community wellbeing”. Increasing physical activity through sport alone could save the tax-payer over £3 billion a year in avoided healthcare costs”.* [Local Government Association]
- 3.2.7 In terms of Active Health quality programme outcomes, post programme research analysis of completed referrers, shows that a maximum 100% agree that they have been motivated and inspired by their time on the Active Health Programme.
- 3.2.8 In 2011/12 Salt Ayre Sports Centre generated an additional £17,000 as a direct result of the subsidised activity charges of exercise referral programme.

4 Fitness Classes at Salt Ayre Sports Centre

- 4.1 The Salt Ayre fitness class timetable has a range of over 40 classes to accommodate all levels of fitness. The variety of classes range from Tai Chi, Yoga, Aqua Fit and Zumba to more advanced classes such as Power Circuits and Boot Camp. These classes draw in over 40,000 visits per year.
- 4.2 In addition the sports centre offers bespoke classes to schools who have a specific requirement for their students. For example, a class has been designed for students attending special needs schools in the district. Also Salt Ayre has a 'stepping stone' class called Simple Circuits which is aimed at people who have finished the Active Health Scheme and who would like to participate in a fitness class but who perhaps to not feel ready to attend a regular class.

5 Sport Participation for Children & Young People

- 5.1 Sport and physical education is fundamental to the early development of children and youth and the skills learned during play, physical education and sport contribute to the holistic development of young people.
- 5.2 In terms of physical and health aspects of child and youth development, there is an overwhelming amount of evidence that focuses on the (mostly positive) effects of sport and exercise on physical health, growth and development.
- 5.3 Physical education and sport also build health activity habits that encourage life-long participation in physical activity. This extends the impact of physical education beyond the schoolyard and highlights the potential impact of physical education on public health.
- 5.4 To achieve broader goals in education and development, sports programmes must focus on the development of the individual and not only on the development of technical sports skills.
- 5.5 While the physical benefits of participation in sport are well known and supported by large volumes of empirical evidence, sport and physical activity can also have positive benefits on education.
- 5.6 Studies have measured the impact of participation in sport on academic achievement (numeracy or literacy) and on 'transferable skills' such as self-efficacy. Other learning outcomes included capability to learn and truancy/behavioural problems. It is important to note that the majority of these 'sports interventions' are non-sporting activities that take place within a sporting context.
- 5.7 The main findings of these studies are that students who took part in the extra-curricular activities improved their academic attainment (numeracy) more than a pool of comparable students who did not take part in extra-curricular activities.

6 Salt Ayre Sports Centre – Children & Young Peoples Sport Provision & Value

- 6.1 **Parent & Toddler Groups** - Salt Ayre Sports Centre has always appreciated the important role it plays in offering activities and facilities to young infants and parents. Often bringing up a child can feel like an isolated experience for the parent at home all day alone with a child, so as well as offering an environment in which infants can learn, develop and enjoy such activities, it also allows parents to get together and meet new friends with similar

challenges and share their experiences.

- 6.1.1 Some of the most popular activities are Gymny Crickets which offers a first taste of pre-school gymnastics combined with interactive learning through play, games and nursery rhymes. Parent & Toddler swimming lessons also provide the same benefits. Also during public swimming times, the small pool is open for young families to enjoy.
- 6.2 **Council Swimming Lessons** - Council swimming lessons are an integral part of the swimming development programme in any community. Salt Ayre follow the ASA National Plan and provide an opportunity for people to learn to swim from 6 months up including adults.
 - 6.2.1 Learning to swim gives people a great sense of achievement and a valuable life skill but it also creates a social interaction opportunity for people of all ages to grow in confidence, become more independent, meet new people with similar interests and make new friends.
 - 6.2.2 Lessons take place on four different days throughout the week and at different times. There is currently provision for approximately 400 places on the 8 week courses which run consecutively throughout the year.
- 6.3 **Holiday Activities** - During the major five school holiday periods throughout the year, Salt Ayre Sports Centre delivers a comprehensive range of activities for 4 to 16 year olds. These activities range from Crazy Inflatable Fun sessions in the swimming pool to Learn to Cycle sessions. Coordinated by the Leisure Development Team, these activities provide much needed opportunities for children in the community at a very reasonable cost.
- 6.4 **Gymnastics** - A comprehensive programme of gymnastic courses at Salt Ayre is designed to allow children to start participating in early pre-school gymnastics from 18 months and progress through from recreational level to competitive gymnastics.
 - 6.4.1 The Gymny Crickets courses for pre-school children encourage movement and exercise through fun activities. There are currently over 80 children attending these sessions each week.
 - 6.4.2 The gymnastic courses for 4 to 16 year olds are very popular with boys and girls of all abilities including special needs. The course follows the British Gymnastic scheme where children can attain various proficiency award levels. There are currently 220 children attending these sessions each week.
- 6.5 **Diversiory Activities** - For the past 4/5 years the Council has secured external funding through the Community Safety Partnership and others to deliver sports and arts diversionary activities for young people at risk of offending and in areas that have been identified via the Police and MAPS (Multi Agency Problem Solving Group) as suffering from high levels of anti-social behaviour, thus delivering service where it is most needed.
 - 6.5.1 The service takes referrals from drug and alcohol agencies where suitable, and has also developed processes to refer young people into relevant drug and alcohol support services. This work has a multi-agency approach and uses other agencies such as PCSOs to direct young people who are at risk of causing anti-social behaviour from the streets into sports, music and arts activities.
 - 6.5.2 The funding that has been secured pays for provision of young people's activities over and above those which would be provided within core mainstream services. This is necessary as the young people that are target do not currently engage with mainstream services. The activities provided via this project are free.

7 Salt Ayre Sports Centre – Older Person’s Sport Provision & Value

- 7.1 As a growing percentage of the population, the older people in the community have become more widely catered for at Salt Ayre. The 55+ Gym membership package for Reflexions offers exactly the same benefits as a full membership but at a reduced rate.
- 7.2 Activities at Salt Ayre are not programmed specifically for older people, this strategy is deliberate and is designed to include older people within the regular activities rather than to exclude by separating them and making a distinction between which activities they can do and which they can’t. A number of examples of high usage activities by older people at Salt Ayre are badminton, indoor bowling, early bird swimming and line dancing.

8 Salt Ayre Sports Centre – Club Sport Provision & Value

- 8.1 Salt Ayre Sports Centre provides facilities for a number of successful and high profile voluntary sports clubs within the district.

- Athletics: Lancaster & Morecambe Athletics Club
The club has around 300 adult and 150 junior members at present and is supported by 20 volunteers. The club train twice a week and compete successfully at various regional and national competitions.
- Swimming: Lancaster City Swimming & Water Polo Club
The club has approximately 400 members and is supported by around 50 volunteers.
- Carnforth Otters
The club has 60 adult and 230 junior members and is supported by around 50 volunteers. The club uses Salt Ayre and Heysham and Carnforth community pool.
- City of Lancaster Triathlon Club
The club has 36 adult and 172 junior members and is supported by a core of 10 volunteers with over 30 that work on their events.
- Cogset
The club is a junior cycling club and has 164 members and is supported by 20 volunteers. The club have sessions midweek and also operate on a Saturday morning.

9 Salt Ayre Sports Disability Sport Provision & Value

9.1 Disability Cycling

- 9.1.1 Salt Ayre provides the venue for the disability cycling session. LCC took on the delivery from the Charity group network wheels in 2009 as the group were struggling to manage the session.
- 9.1.2 The project has been built up since 2009 by the sport and physical activity team who now deliver a 1.5 hour session on a Monday and a 2 hour session on a Thursday.
- 9.1.3 Participants are generally adults with a variety of learning and physical disabilities and their carers. Cycling takes place after a detailed assessment and clients are able to cycle indoors or outside depending on their abilities and confidence.

- 9.1.4 The session is supported by regular volunteers and students from the University of Cumbria attend during their first term as part of the Sports Development and Coaching degree.
- 9.1.5 LCC has received around £15,000 of investment from Lancashire County Council to support the development of the project. This includes purchase of new bikes, maintenance and storage facilities.

9.2 **Disability Adult Multi Skills Club**

- 9.2.1 The sports centre provides the venue for the Adult disability multi sport club. This session provides physical activity and a social setting for adults with a range of physical and learning disabilities on a Tuesday morning for 38 weeks of the year. The session is staffed by qualified sports coaches who have developed strong relationships with the service users over the last 5 years. Around 12 services users and their support workers attend each week.

- **Disability Swimming Gala**

SASC has hosted the county Disability swimming gala for the last 3 years. More than 150 young people with disabilities from special school across Lancashire take part in this event. The event is run in partnership with the Lancashire Sport and the School games organisers.

- **Paralympic celebration**

SASC hosted a paralympic celebration event to coincide with opening ceremony of the Paralympics. Adults and children with disabilities and their families were encouraged to take part in some sports activities during the day including swimming, archery, cycling, multi sports and football. The event had around 45 families taking part.

- **Tri – together triathlon**

New for 2013 in partnership with national disability charity Leonard Cheshire, SASC has been selected as the venue for the North of England event. The event is run in partnership with the charity, the NGB and the local club.

10 **Other Events**

- **School Swimming Gala's**

SASC hosts 4 / 5 primary and secondary gala' per year catering for around 600 swimmers and over 100 spectators.

- **Cycling Events**

Tuesday evening circuit races and a Spring series of races are overseen by volunteer officials. Cogset run a number of Go Ride events throughout the year with over 200 riders at each event.

- **Triathlon**

COLT run an aquathon, duathlon and triathlon series across the season with around 200 competitors in each event.

- **Girls Football**

Morecambe FC Community Coaches deliver the Council's primary girls football event annually at SASC.

■ **Rural 5 – a –side**

Morecambe FC Community Coaches deliver the Council's primary football event annually at SASC.

■ **Community Sport Football event**

This is a local initiative to bring groups of young people from 'rival' areas of the district together in sporting competition. This helps to break down barriers and encourages positive interaction. As many as 50 young people attend these events organised by the Ridge Community Centre.

11 Passport to Leisure – Social Discounts

11.1 The Passport to Leisure scheme is a concessionary membership package designed to offer the activities at Salt Ayre at a reduced rate to various target groups within the community. It first started at the Kingsway Baths and transferred to Salt Ayre when it first opened. The scheme also includes a group membership which is designed to target local community organisations to encourage group/team participation in sports and healthy lifestyle choices.

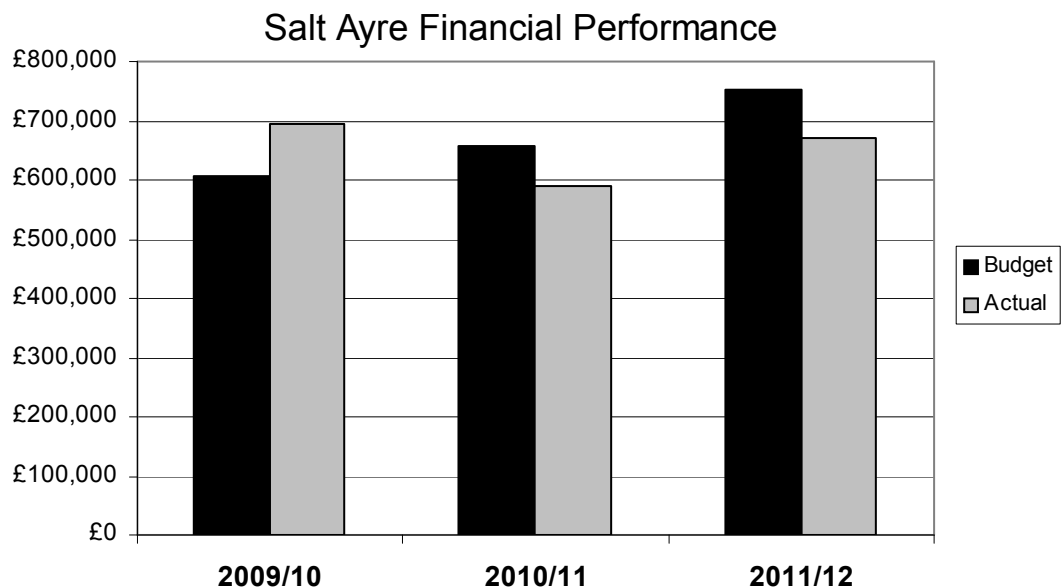
11.2 The scheme is currently being reviewed and updated. The aim of this review is to encourage a higher uptake and wider range of activities available. The scheme will also for the first time have a separate reduced price banding for juniors.

11.3 The main benefit of the scheme is that it allows all of the people within the local community to enjoy the facilities at Salt Ayre at a price which matches their economic situation.

12 Cost Allocations

12.1 Following the previous report on Salt Ayre Sports Centre presented to the 25 September 2012 meeting Members requested more detail on the actual calculation of overheads.

12.2 As a starting point however, it is important to reflect on the financial performance at Salt Ayre over the past 3 years. The following chart shows the actual net operating cost, excluding recharges and depreciation, and shows that whilst the annual budgeted cost has been increasing the actual net operating costs are still less than they were in 2009/10.



- 12.3 This report now provides Members with the additional information requested and explains the details behind the allocations. In order to recap, the main issue at Salt Ayre was that the bulk of the costs (80%) were held in one management and administration (M&A) account; for 2011/12 this was £1.480M of the total £1.848M cost for the centre. This meant that individual activities such as swimming or reflexions were not showing their true financial position and therefore it was not possible to determine whether in financial terms they were making a surplus or loss, or how they compared with similar operations at other sports centres, ie benchmarking.
- 12.4 If the review of Salt Ayre is to be effective then it is important that the individual activities are costed correctly and show their true financial position. Only when this is achieved can the information be combined with through put data and comparators from other centres be used to determine the value for money of each activity.
- 12.5 Attached at Appendix A the original summary presented to Members at the September meeting. Appendix B provides a more detailed analysis of how the main management and administration and support service costs have been allocated to the individual activity areas at Salt Ayre Sports Centre. Each of the main allocations will now be explained in more detail. For information, all data is based on the 2011/12 actuals as this provides the last full financial year.
- 12.6 The main basis of allocation has been pro rate to the square meters (m²) for each activity area, as shown below:

	M²	%
Heatwaves	210	4.34
Aquarius	6	0.13
Reflexions	325	6.72
Café	350	7.24
Main Hall	1,088	22.50
Projectile Hall	176	3.64
Studio	240	4.96
Pool	2,440	50.47
	4,835	100.00

- 12.7 More specific allocations were applied to repair & maintenance (R&M) and energy costs. Both reactive and planned R&M allocations were based on actual costs relating to each activity area, whereas energy costs were based on an assessment of usage by area, as shown below:

	Electricity (Lighting) Usage %	Gas (Heating) Usage %	Water Usage %
Heatwaves	9.40	6.00	6.50
Aquarius	0.60	0.60	--
Reflexions	12.40	14.40	10.40
Café	5.90	3.60	2.60
Main Hall	11.80	4.80	--
Projectile Hall	1.20	2.40	--
Studio	5.90	4.80	1.30
Pool	41.20	63.40	79.20
Athletics Track	5.80	--	--
Synthetic Pitch	5.80	--	--
	100.00	100.00	100.00

- 12.8 As mentioned above, the details of the resulting allocations together with the direct costs for each activity are shown in Appendix B.

13 Conclusion

- 13.1 The report sets out a number of ways that impact of sport and physical activity can be measured. It is clear that the health benefits and contribution to reducing crime and juvenile nuisance that the sports centre offers by its simple physical presence and more importantly in the programming, has real value to the district and beyond. It is essential that the sports centre operates as efficiently as possible, receiving external funding where appropriate to help deliver against mutually agreeable objectives as well as ensuring by a process of continual review that costs are kept to a minimum.
- 13.2 Officers are working with the Association for Public Service Excellence (APSE) in order to measure performance against similar sized facilities across the country. There is an intention to work with APSE and undertake a review of service provision during January 2013 to help identify areas for improvement and build on aspects which work well. Similarly, officers are in regular dialogue with neighbouring authorities to share best practice and assess levels of service provision and methods of delivery.

CONCLUSION OF IMPACT ASSESSMENT

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

None arising from this report.

LEGAL IMPLICATIONS

None arising as a result of this report

FINANCIAL IMPLICATIONS

None arising directly as a result of this report.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

None arising from this report

SECTION 151 OFFICER'S COMMENTS

Assessing social value is but one strand of assessing value for money and further work and reports are planned to complete this assessment. Similarly, the apportionment of management and administration overheads does not, in itself, provide any conclusions but it will feed into and help inform this subsequent work, including the identification of savings options.

More fundamentally, even if services clearly demonstrate value for money, this does mean that they are necessarily affordable. This applies to any discretionary (non-statutory) activity and that is why prioritisation is so important during budget setting.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Contact Officer: Simon Kirby : Assistant head Community Engagement - Wellbeing
Telephone: 01524 582831
E-mail: skirby@lancaster.gov.uk

APPENDIX 1

The CASE Programme

The Culture and Sport Evidence (CASE) programme was set up by the Department for Culture, Media and Sport (DCMS) in 2008, in collaboration with the sector-leading non-departmental public bodies (NDPBs): Arts Council England (ACE), English Heritage (EH), Museums, Libraries and Archives Council (MLA) and Sport England (SE). The programme aims to generate strategic evidence that will be used to inform the deployment of public funds.

There are three main strands to the CASE programme;

- **The Drivers of Engagement** – “What drives engagement in Culture & Sport?”
The findings from the Culture and Sport Evidence (CASE) programme on the drivers, impacts and value of culture and sport have recently been published. CASE is a major programme of innovative research that uses interdisciplinary research to inform the development of policy in culture and sport.
- **The Impacts of Engagement** – “What interventions are effective in delivering positive learning outcomes for young people?”
- This joint strategic research initiative led by Department for Culture Media and Sport in collaboration with its arms length bodies, builds understanding of the drivers, impacts and value of engagement in culture and sport.
- **The Value of Engagement** – “understanding the short term individual value of engagement and the value of long-term health benefits of engagement, specifically healthcare costs saved and improved health-related quality of life”

The CASE research presents two sets of innovative analyses aimed at addressing the value of sport engagement. Each analysis employs advanced analytical techniques and the best available evidence to identify new ways of determining the economic value of public engagement in culture and sport.

The analysis presented in the CASE research addresses the economic value of engagement in two ways:

a. Understanding short-term individual value. The improvement in subjective well-being associated with engagement in culture and sport, and the monetary value of these impacts.

b. Understand the value of long-term economic value to society. Specifically the healthcare costs saved and improved health-related quality of life generated by doing sport.

The CASE programme findings on the drivers, impacts and value of culture and sport showed that:

- young people's participation in organised sport improves their numeracy scores, on average, by eight per cent above that of non-participants;
- the participation of underachieving young people in extra-curricular learning activities linked to sport increases their numeracy skills, on average, by 29 per cent above that of non-participants, and their transferable skills by 12-16 per cent;
- sport generates substantial long-term economic value in terms of avoided health costs and improved health-related quality of life;
- engagement in sport has a positive and quantifiable effect on a person's perceived wellbeing;
- a range of factors, including age, gender, alcohol consumption, childhood experience of sport, socio-economic variables, a limiting illness or disability, educational attainment, unemployment, TV and internet use, and the proximity of local sports facilities, are directly associated with people's participation.

Participating in sport generates significant economic value in terms of healthcare costs saved and improved health related quality of life:

- **The total economic lifetime value generated by doing sport varies between £11,400 (badminton) and £45,800 (health and fitness) per person.**

The variation in value is a result of two factors: the intensity level of the activity; and the duration and frequency with which a sport is undertaken.

It should be noted that the calculation of these values is based on an analysis of people taking part in each sport separately rather than in combinations and although covering a number of the major chronic diseases it does not include all the potential health benefits for which there is a growing evidence base (including mental health). It is, therefore, likely to be an underestimate of the total value. However it should also be noted that the calculation does not take into account the costs associated with sport related injuries.

Other Information

Health costs of physical inactivity

Geography	The Health Costs of Physical Inactivity	
	Cost	Cost per 100,000 pop
Lancaster	£2,082,485	£1,490,440
North West	£127,908,653	£1,871,009
England	£764,661,980	£1,531,401

Source: Department of Health - Be Active Be Healthy, Year: 2006/7

Measure: Health costs of physical inactivity

APPENDIX 2

The Local Profile

Key facts about health locally

- Over the next 10 years the local population will increase by 7,000, with the numbers aged over 70 rising by one third.
- About 16.2% of Year 6 children are classified as obese, lower than the England average (19%).
- Levels of alcohol specific hospital stays among those under 18 and smoking in pregnancy are worse than the England average.
- While people are living longer, they are dying earlier than the England average.
- Cancer and circulatory disease are the main causes of death for people aged under 75.
- Around three-quarters of people will die from a cancer, circulatory or respiratory-related illness.
- There are big health inequalities in the area. In the most deprived areas, men die 10.4 years earlier than those in the least deprived areas; for women it is 7.4 years.
- 20% of expectant mothers smoke during pregnancy.
- Around 20% of adults smoke and 21% are obese.
[source: Lancashire North Clinical Commissioning Group & DH Health Profile Lancaster]

How Active is Lancaster district?

- 28.1% of adults in Lancaster take part in sport and active recreation compared to the national average of 21.8% *[Sport England Active Peoples Survey 5]*
- However, 42.6% of adults do no sport or active recreation at all. *[Sport England Active Peoples Survey 5]*
- 42.4% of adult residents in Lancaster want to start playing sport or do a bit more. *[Sport England Active Peoples Survey 5 - Latent Demand]*

What are Lancaster district's sporting statistics?

- 12.3% of your adult residents are regular sports volunteers, compared to the national average of 7.3% *[Sport England Active Peoples Survey 5]*
- 31.3% are members of sports clubs, compared to 23.3% nationally *[Sport England Active Peoples Survey 5]*
- 64.9% are satisfied with sporting provision in the area, compared to 69.0% nationally *[Sport England Active Peoples Survey 4]*
- Your most popular sports for adults are: Cycling, Gym, Swimming, Football and Athletics. *[Sport England Active Peoples Survey 5]*
Data released from the Active People's Survey (APS5) shows that within the district there has been a significant increase in sport and physical recreation participation by adults aged 16 years and over since the commencement of the APS survey in 2005. The data release for NI8 APS 5 shows Lancaster with a **6.0% increase** in participation, the highest increase within Lancashire and the North West.

What does inactivity cost?

- The health costs of inactivity in Lancaster is at least £2.1 million per year [*Department of Health - Be Active Be Healthy, Year 2006/7, measure: cost of inactivity*]
- Nationally the cost of responding to incidents of anti-social behaviour is £3.4 billion per year [National Audit Office, (2006)]

The value of investing in sport

- Sport contributes economically to the Lancaster district with 40 businesses trading in sporting goods or services in the area [*Sport England Local Sport Profiles (published December 2010)*]
- The health gains of a 30-49 year-old who plays football are valued at £27,600 over their lifetime [*Culture and Sport Evidence programme research (July 2010)*]
- Youngsters who are active have numeracy scores, on average, 8% higher than non-participants [*Culture and Sport Evidence programme research (July 2010)*]
- Sport is the number one choice for volunteering: 52% of adults who volunteer do so in sport. [*Communities and Local Government Citizenship Survey (2008-09)*]

Active People Survey

National Indicator 8 (formally NI8: sport and active recreation) is the indicator for sport and active recreation and it is being measured by Sport England's Active People Survey (phone based survey). It supports PSA21 – cohesive, active and empowered communities.

The definition for NI8 is: the percentage of the adult population in a local area who participate in sport and active recreation, at moderate intensity, for at least 30 minutes on at least 12 days out of the last 4 weeks (equivalent to 30 minutes on 3 or more days a week).

Measurement of NI8 measures participation in moderate intensity sport and active recreation among adults aged 16 and over.

Although the Active People Survey relates to the district as a whole, it can be surmised that a percentage of people interviewed as part of the survey and who take part in moderate activity 3 times per week, would at some time be utilising Salt Ayre Sports Centre to take part in some activity, and thus this data does provide an indication of the sports centre's value.

Data released from the Active People's Survey (APS5) shows that within the district there has been a significant increase in sport and physical recreation participation by adults aged 16 years and over since the commencement of the APS survey in 2005. The data release for NI8 APS 5 shows Lancaster with a **6.0% increase** in participation, the highest increase within Lancashire and the North West.

Adult (16+) Participation in Sport & Active Recreation (formerly NI8) by year, frequency and gender

Indicator	Year	Lancaster			North West		
		All	Male	Female	All	Male	Female
12+ days / 3x30 - NI8	2005/06	22.1%	24.3%	20.1%	20.8%	24.6%	17.2%
	2009/11	28.1%	29.7%	26.6%	22.5%	26.4%	18.8%

Source: Active People Survey, Year: 2005/06 (APS1), 2009/11 (APS4/5) or 2010/11 (APS5) if LA sample is boosted, Measure: Adult participation

NB - Former NI8 Key Indicator has been highlighted (i.e. 3x30 min sessions or more of moderate intensity activity a week)

BUDGET & PERFORMANCE PANEL**Service Level Agreements
11 December 2012****Report of Assistant Head of Community Engagement
(Partnerships)****PURPOSE OF REPORT**

This report is to provide information for Budget and Performance Panel on progress towards introducing commissioning arrangements for the future, replacing the current Service Level Agreements with voluntary, community and faith sector partners and arts/ leisure partners.

This report is public

**RECOMMENDATIONS OF Assistant Head of Community Engagement
(Partnerships)**

It is recommended that:

- **Budget and Performance Panel notes the contents of this report and provides relevant comments**

1.0 Introduction

- 1.1 The attached report has been prepared for the December Cabinet meeting and outlines the latest position regarding the introduction of commissioning arrangements for the council's investment in VCFS (voluntary, community and faith sector) and arts / leisure.

2.0 Report**Service Level Agreements/ commissioning**

- 2.1 For some years the council has had Service Level Agreements with a range of organisations delivering voluntary/ community services and arts and leisure services. At its meeting in November, Cabinet agreed that the council will move towards commissioning for services to ensure that investment is fair and transparent and that value for money is achieved.
- 2.2 Current investment in both Arts and VCFS Service Level Agreements is **£481,900**. Budgets for the current year for the Arts/ Sports/ Leisure SLA's total **£213,900** in respect of grants with a further **£25,500** for rent contributions. In current year budgets, VCFS SLA's are supported by **£228,300** with a further **£14,200** being transferred internally as rent contributions for council premises. A further contribution of **£2,000** is made for Welfare Grants matched by £2,000 from Lancashire County Council. Details of those allocations are set out in the Appendix to this report.

- 2.3 VCFS commissioning will be undertaken to be in place by April 2013 whilst arts/ leisure commissioning will be developed following the publication of the Arts Strategy in early 2013 and will be in place by April 2014.

3.0 Conclusion

- 3.1 The council has taken steps towards introducing commissioning arrangements over the last two years. A detailed review of current SLA's, an assessment of local needs and opportunities and communications and engagement work with the VCFS have been undertaken, leading to these proposals. Commissioning provides a means of steering the council's investment in VCFS services to achieve the maximum impact linked to current needs and opportunities in the district. In addition, they will provide clear, transparent arrangements that focus on Value for Money and Impact and also have the potential to underpin resilience and capacity of the VCFS to deliver services in the future.

CONCLUSION OF IMPACT ASSESSMENT

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

The proposals potentially impact on a wide range of people and organisations. The work undertaken to understand local needs and the VCFS issue and opportunities has helped to inform the proposals, which seek to have a positive impact within the limits of the funding available.

LEGAL IMPLICATIONS

Following the outcome of the commissioning exercise Service level agreements with VCFS partners will be approved by Legal Services to ensure that they reflect the council's requirements and satisfy any statutory criteria concerning discretionary grants.

FINANCIAL IMPLICATIONS

The current approved budget in 2012/13 for VCFS Service Level agreements totals £242,500 including two rent contributions and these figures have been used in the report for illustration purposes to demonstrate how the total amount would be split across the different areas of the VCFS Sector.

An inflationary element of 2.0% is currently included in budgets for future years. Cabinet has been requested to give any early indication of whether alternative budget options should be considered. For example, if the decision were taken to keep grants at the 2012/13 level there would be a total saving of £12.7k against current approved budgets.

Review and monitoring of the Commissioning Framework will continue throughout the process.

OTHER RESOURCE IMPLICATIONS

Human Resources:

Staff capacity is required for the procurement of services and ongoing engagement and performance monitoring of service contracts

Information Services:

No direct implications from this report

Property:

Currently two allocations are made to VCFS organisations in respect of rent of council premises, although this is inconsistent in that this support is not available to other organisations in the same way. Current council policy is to achieve market values for its properties and the council would be required to charge tenants in line with this.

Open Spaces:

No direct implications from 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 deputy Monitoring Officer has been consulted and has nothing to add to this report.

BACKGROUND PAPERS

Cabinet report 6 November - Commissioning Arrangements for Arts and Voluntary, Community and Faith Sector Services

Contact Officer: Anne Marie Harrison

Telephone: 01524 582308

E-mail: amharrison@lancaster.gov.uk

APPENDIX

		2011/12 Revised Budget			2012/13 Draft Budget				
		Grant	Rent	Total	Infl on Grant	2012/13 Grant (incl. Infl)	Infl on Rent	2012/13 Rent (incl. Infl)	Total
		£	£	£	£	£	£	£	£
Expenditure									
B2800	Dukes Playhouse	128,100	12,500	140,600	3,300	131,400	0	12,500	143,900
B2801	Morecambe Music Residency	10,200	0	10,200	300	10,500	0	0	10,500
B2802	Ludus	9,000	13,000	22,000	200	9,200	0	13,000	22,200
B2803	Lcr Literature Festival	9,200	0	9,200	200	9,400	0	0	9,400
B2804	Storey Gallery	10,400	26,400	36,800	300	10,700	700	27,100	37,800
B4007	Council for Voluntary Service Grant	15,700	0	15,700	400	16,100	0	0	16,100
B4008	One Voice Grant	6,000	0	6,000	200	6,200	0	0	6,200
N2101	Access For The Disabled (One Voice)	500	0	500	0	500	0	0	500
B4009	Rainbow Centre, Mcmbe	5,000	0	5,000	100	5,100	0	0	5,100
B4011	Age Concern, Lancs	7,500	0	7,500	200	7,700	0	0	7,700
B4012	Lcstr District Samaritans	1,500	0	1,500	0	1,500	0	0	1,500
B4013	Thumbprints	4,100	0	4,100	100	4,200	0	0	4,200
B4014	Citizens Advice	165,600	7,200	172,800	4,500	170,100	0	7,200	177,300
D2000	Welfare Grants	4,100	0	4,100	0	4,000	0	0	4,000
P2802	Shopmobility	12,300	0	12,300	0	12,300	0	0	12,300
S2600	Victim Support Scheme	5,000	0	5,000	100	5,100	0	0	5,100
S2601	Relate (Rent Free Accommm)	0	6,800	6,800	0	0	200	7,000	7,000
B2003	Marsh & Ridge Community Centres	41,600	0	41,600	1,100	42,700	0	0	42,700
Total:		435,800	65,900	501,700	11,000	446,700	900	66,800	513,500
Income which supports the grant payments									
B4009	Rainbow Centre, Mcmbe	-2,500	0	-2,500	0	-2,500	0	0	-2,500
B4011	Age Concern, Lancs	-3,700	0	-3,700	0	-3,700	0	0	-3,700
D2000	Welfare Grants	-2,000	0	-2,000	0	-2,000	0	0	-2,000
B2003	Marsh & Ridge Community Centres	-25,100	0	-25,100	0	-25,100	0	0	-25,100

NOTES:

In previous years £7.2k of the Citizens Advice Grant has been journalled to Property Services for their rent Friends of Storey and Relate are the only organisations which have their rent element inflated Income from County and HRA is not inflated, therefore the City Council bears the extra cost of applying the increase Citizens Advice and Relate Rents are paid (journalled) out of Grant code E3700 rather than Rent Code E1300

CABINET

Commissioning Arrangements for the Voluntary Sector

4 December 2012

Report of Head of Community Engagement

PURPOSE OF REPORT				
To advise members of progress to date in developing a Commissioning Plan to support the voluntary, community and faith sector in delivering services to meet current and emerging local needs.				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Cabinet Member
Date Included in Forward Plan				November 2011
This report is public				

RECOMMENDATIONS OF HEAD OF COMMUNITY ENGAGEMENT

It is recommended that:

- (1) That Cabinet note the timetable and process for development of a Commissioning Plan and approve the Plan for publication in accordance with the timetable.
- (2) That Cabinet note the General Fund Revenue Budget assumptions for future years and give any early indication of whether alternative options should be considered.

1.0 Background

1.1 In November 2012, Cabinet considered a report recommending an approach to take forward commissioning arrangements for Arts and Voluntary, Community and Faith sector (VCFS) services (*Minute 71 refers*). Cabinet made a number of resolutions:

(1) That the Commissioning Framework for Arts and Voluntary, Community and Faith sector services be approved in principle.

(2) That the Commissioning of Arts sector services be undertaken following the publication of the Arts Strategy in early 2013 and that existing Arts Service Level Agreements remain in place for the next twelve months

(3) That Investment in VCFS services for the three year period from 2013 – 2016 is focused on support for VCFS organisations, volunteering coordination, advice and information services and small development grants

(4) That indicative sums be agreed for each of these services by the portfolio holder and Leader once more information is available on the cost of support for VCFS organisations and volunteer co-ordination, subject to final confirmation as part of the budget process.

(5) That subject to the introduction of a small development grants scheme, the Council's Welfare Grants Scheme be removed.

(6) That final decisions on service delivery be determined as part of the procurement process and in line with the Council's Contract Procedure Rules.

(7) That the General Fund Revenue Budgets be updated accordingly as part of the 2013/14 Budget Process.

(8) That the Commissioning Plan and service specification be approved at the December Cabinet meeting, prior to the publication of the plan.

1.2 The November report set out proposals for the allocation of commissioning funding. (set out in Appendix A). Resolution 4 sets out the procedure for approval of the proposals.

1.3 This report provides information relevant to Resolution 8

REPORT

2.1 Engagement and communication in variety of ways are ongoing features at all stages of commissioning and assist in gaining the understanding that is required to focus investment on the most important services that will have the most impact. The process by which this will be achieved in respect of the Commissioning Plan is set out in the timetable attached as Appendix B

2.2 Following on from the extensive engagement that fed into the November report, two questionnaires have been developed – one for advice and information providers, the other for infrastructure support providers.

2.3 The information gathered prior to the November Cabinet report and the information gathered as a result of this exercise will inform the development of the Commissioning Plan.

2.4 The Plan will be circulated in accordance with the timetable for members' consideration at the meeting.

2.5 The Commissioning Plan will comprise details of services to be supported, intended level of investment, timescales and performance management arrangements.

3.0 Details of Consultation

3.1 Consultation with VCFS partners has been ongoing over the last two years with members and council officers engaging in discussions on a range of sector issues,

3.2 All organisations with existing SLA's with the council have been engaged in discussions regarding potential commissioning arrangements.

3.3 In addition, dialogue and engagement with Lancashire County council has taken place and areas for joint working and investment are emerging. The proposals for joint investment in volunteering coordination have arisen as a direct result of this.

4.0 Options and Options Analysis (including risk assessment)

A detailed options analysis and risk assessment was developed as part of the November report to Cabinet. Cabinet may wish to consider the draft budget assumptions and these are outlined in the financial implications section.

5.0 Officer preferred option

The preferred option is to approve the Commissioning Plan and funding allocations once published

6.0 Conclusion

- 6.1 The council has taken steps towards introducing the commissioning arrangements proposed in this report over the last two years. Detailed reviews of current SLA's, an assessment of local needs and opportunities and communications and engagement work with the VCFS have been undertaken, leading to these proposals. The recommendations provide a means of steering the council's investment in VCFS services to achieve the maximum impact linked to current needs and opportunities in the district. In addition, they will provide clear, transparent arrangements that focus on value for money and impact and support the principle already agreed by Cabinet at earlier meetings.
- 6.2 Specific steps have been taken to work with Lancashire County Council with the potential to invest jointly providing a more strategic investment in some services.

RELATIONSHIP TO POLICY FRAMEWORK

Proposed commissioning arrangements fit with Corporate Plan priorities and outcomes as follows:

- The voluntary, community and faith sector has capacity to deliver services for the district
- Local communities are actively working with partners to improve where they live in ways that matter to them
- Efficiency savings and service improvements achieved through joint working and shared services
- Impact of welfare reforms managed well to avoid any unnecessary impact on local communities

CONCLUSION OF IMPACT ASSESSMENT

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

The proposals potentially impact on a wide range of people and organisations. The work undertaken to understand local needs and the VCFS issue and opportunities has helped to inform the proposals, which seek to have a positive impact within the limits of the funding available.

LEGAL IMPLICATIONS

Contractual arrangements with VCFS partners will need to reflect the council's requirements in line with normal requirements.

FINANCIAL IMPLICATIONS

The current approved budget in 2012/13 for VCFS Service Level agreements totals £242,500 including two rent contributions and these figures have been used in the report for

illustration purposes to demonstrate how the total amount would be split across the different areas of the VCFS Sector.

An inflationary element of 2% is currently assumed in the draft budgets for 2013/14 onwards and Cabinet may wish to consider whether this remains or whether grant levels should be kept at the same level as 2012/13 – or indeed whether any other budget options should be considered. If the decision were taken to keep grants at the 2012/13 level there would be a total saving of £12.7k against future years' draft budgets.

Ongoing review and monitoring of the Commissioning Framework by the Partnerships Team will continue with ongoing support from Financial Services and Legal Services, where appropriate, throughout the process.

OTHER RESOURCE IMPLICATIONS

Human Resources:

Staff capacity is required for the procurement of services and ongoing engagement and performance monitoring of service contracts

Information Services:

No direct implications from this report

Property:

Currently two allocations are made to VCFS organisations in respect of rent of council premises, although this is inconsistent in that this support is not available to other organisations in the same way. Current council policy is to achieve market values for its properties and the council would be required to charge tenants in line with this.

Open Spaces:

No direct implications from this report

SECTION 151 OFFICER'S COMMENTS

If Cabinet wishes to consider any budget proposals regarding VCFS funding it is advisable to give an early indication now, although options could still be identified and considered later during the budget process when prospects and affordable priorities are clearer, but prior to VCFS services actually being commissioned.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

Local Assessment 2012
Engagement Workshops Report
Commissioning Framework 2013 – 2016

Contact Officer: Anne Marie Harrison

Telephone: 01524 582308

E-mail: amharrison@lancaster.gov.uk

Proposals for commissioned services 2013 – 2016

Lancaster City Council Corporate Outcomes

◆The voluntary, community and faith sector has capacity to deliver services for the district◆Local communities are actively working with partners to improve where they live in ways that matter to them◆Efficiency savings and service improvements achieved through joint working and shared services◆Impact of welfare reforms managed well to avoid any unnecessary impact on local communities

Services	Objectives	£'s pa	Services	Additional requirements/ comments
VCFS Infrastructure services	<ul style="list-style-type: none"> •To provide a central point for VCFS advice, information and support •To assist VCFS organisations to develop strong and efficient business models for the future 	£25,000	<ul style="list-style-type: none"> •Training •Business advice and development •Development of shared services/joint resourcing •Developing tendering and contracting capacity •Sector quality standards •Research and data provision •Communications across the sector •Grants and trusts •Liaison with public sector partners •Monitoring changes and sector development 	<ul style="list-style-type: none"> •Collaborative approach between a small number of infrastructure agencies with a lead agency providing coordination. •Requires that infrastructure bodies operate at a level that means they can support but are not in competition with the organisations they assist. •Requires a focus on support for high demand / critical services which may change over time
Volunteering coordination	<ul style="list-style-type: none"> •To increase levels of volunteering in the district •To provide efficient, effective coordination of volunteers at a central point 	£15,500	<ul style="list-style-type: none"> •Volunteer information and publicity •Recruitment •Training and support for volunteers and volunteer managers •Relevant checks •Vacancy management •IT and all information requirements •Development of quality standards •Monitoring the value and impact of volunteering 	<ul style="list-style-type: none"> •To be provided as match funding for Lancashire County Council contribution via One Lancashire to support volunteering coordination in Lancaster district •Collaborative approach between infrastructure agencies and partners with a lead agency providing coordination •Support for VCFS organisations and community groups to recruit and manage volunteers
Advice and information	<ul style="list-style-type: none"> •To provide accessible advice and information services •To reduce levels of debt, poverty, personal distress and isolation •To reduce demand for crisis interventions 	£190,000	<ul style="list-style-type: none"> •Specialist advice and information, such as Debt advice, basic needs and crisis advice, including food, housing, personal care, Disability and mental health •Access to services information •Liaison with public sector and VCFS •Training •Ensuring quality service standards •Monitoring changing levels and types of demand 	<ul style="list-style-type: none"> •Requires a collaborative approach between specialist agencies with a lead partner taking the coordination role •Needs to take account of predicted huge increase in demand •Focus on early intervention and prevention •Requires extensive volunteering support
Small grants	<ul style="list-style-type: none"> •To support development of VCFS organisations •To protect or develop critical services 	£12,500	<ul style="list-style-type: none"> •Grants to support sustainability of VCFS organisations, skills and development of new capacity •Grants to support design, testing and development of new services to meet identified needs 	<ul style="list-style-type: none"> •To provide limited support to meet gap created as similar schemes end in 2013 •Management agency to be selected via relevant processes

APPENDIX B

Commissioning timetable	
Milestone	Dates
Cabinet decision	6 November 2012
Detailed service design in consultation with specialist partners	6 November – 30 November 2012
• <i>Questionnaires out (Advice and Information providers / and Infrastructure support providers)</i>	<i>12 November 2012</i>
• <i>Detailed information from One Lancashire/ county council (Volunteering coordination)¹</i>	<i>12 – 28 November</i>
• <i>Deadline for responses to questionnaires</i>	<i>23 November 2012</i>
• <i>Analysis</i>	<i>26 – 28 November</i>
• <i>Commissioning Plan drafting</i>	<i>22 – 30 November</i>
• <i>Cabinet</i>	<i>4 December 2012</i>
Publication of Commissioning Plan and service specifications	14 December 2012
Deadline for submission of bids proposals for service delivery	25 January 2013
Assessment of proposals (member involvement)	w/c 4 February 2013
Contractual arrangements in place	1 April 2013
Contract monitoring / performance management	Ongoing

¹ Selnet (Social Enterprise Lancashire Network) on behalf of ONE Lancashire have recently been awarded £130,000 through Lancashire County Council's 2012-14 Central Gateway Grants to Third Sector Organisations to deliver a Pilot Project that will create and deliver a county wide strategic approach to volunteering.

BUDGET AND PERFORMANCE PANEL

**Corporate Performance and Financial Monitoring -
Quarter 2 2012/13**

11 December 2012

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

PURPOSE OF REPORT
To present the corporate performance and financial monitoring reports for Quarter 2 of the 2012/13 Performance Review Team cycle and progress as at September 2012 towards delivery of the Corporate Plan 2012 – 15 (and more recent financial context).
This report is public

**RECOMMENDATIONS OF CORPORATE PLANNING AND PERFORMANCE
MANAGER AND FINANCIAL SERVICES MANAGER**

- (1) That Budget and Performance Panel considers this report and makes any comments or recommendations as appropriate.

1.0 CORPORATE PERFORMANCE MONITORING – QUARTER 2

Individual Cabinet Member Performance Review Team (PRT) meetings

- 1.1 Performance Review Team (PRT) meetings with Cabinet Members for Quarter 2 were held between 17 and 31 October.
- 1.2 For the first time, performance reports were produced using the council's Performance Management Information system, CorVu. The reports considered at the PRT meetings set out progress towards the delivery of Corporate Plan outcomes and success measures for each Cabinet Portfolio Holder's area of responsibility.
- 1.3 Cabinet Members were also provided with the half-year report previously considered by Budget and Performance Panel (15 October 2012) and Cabinet (09 October 2012) on progress towards the achievement of Corporate Plan actions and with financial summary reports for Quarter 2 for their Portfolio.
- 1.4 Together these reports provided a more focussed and easy to understand overview of operational and financial performance and as a result positive feedback has been received on the format and content of the reports and the subsequent discussions that they helped to inform.

Corporate Performance Review Team Meeting

- 1.5 The Corporate Plan Performance Review 2012/2015 report attached as **Appendix A** was considered by the Leader of the Council and Corporate PRT on 07 November.

- 1.6 This new report shows progress towards the delivery of the corporate plan priorities at this early stage of the life of the 2012/2015 Corporate Plan. This report has also received positive feedback as it indicates performance for the whole Corporate Plan in a clear and understandable way covering all areas of work, not just those activities where performance is failing.
- 1.7 The report specifically indicates performance against agreed corporate plan success measures that are now explicit and quantifiable measurements (*Targets*) which quantify achievement of, or progress towards, delivery of the Corporate Plan priorities.
- 1.8 Based on the *Actual* data and information submitted by designated officers (indicated in the report as the '*Owner*' of the success measure), CorVu automatically rates performance against the *Target* using a Red/Amber/Green (R/A/G) reporting system in the following way:

Rating	Target for delivery
Green	<i>Actual at or above Target</i>
Amber	<i>Actual below Target but above Intervention*</i> (*This is a number set by <i>Owners</i> indicating when action would need to be taken to address failing performance)
Red	<i>Actual significantly below Target and below Intervention</i>

- 1.9 The system provides for the performance monitoring of success measures to be set at relevant and meaningful frequencies (i.e. Daily; Monthly; Quarterly; Half-yearly; Yearly). As at Quarter 2, it will be seen that there are a number of corporate success measures where no data is yet available (indicated by grey shading) this is because they have been set by *Owners* as 'Yearly' measures. As such, performance against these measures will be reported in Quarter 4 at which point performance for the whole of the Corporate Plan will be reported.
- 1.10 The main points to note from the report are that:
- At the halfway point in the first year of the 2012-15 corporate plan, the majority of success measures are at, or are above *Target*. Shown as Green
 - Three success measures are slightly behind *Target*. Shown as Amber
Commentary on the reasons for this are set out in the report
 - There are currently no success measures indicating a Red status where performance is significantly below *Target* and action is needed to get back on track.
- 1.11 The *Corporate Financial Monitoring* for General Fund and Housing Revenue Account (HRA) (see **Appendix B**) and the *Treasury Management Progress Report* (see **Appendix C**) for Quarter 2 were also considered at the Corporate PRT meeting. The main points to note from these reports are as follows:
- General Fund current underspend of £998K and projected to remain virtually the same for the remainder of the year. Main variance relates to staffing savings (£450K) and external borrowing savings (£364K).
 - Housing Revenue Account is currently overspent by £135K with only a slight improvement forecast by the end of the year down to £119K. The main variance here relates to additional subsidy payments due to the Government following the final 2011/12 submission.

- 1.12 Since producing the corporate financial monitoring report for Quarter 2, a mid-year update on the Council's Medium Term Financial Strategy has been produced, as well as a later update report on the budget, which is due to be considered by Cabinet on 04 December. This later report provides more up to date information on the revised budget for the current year, as well as providing wider context on the Council's financial prospects and the challenges it faces. For these reasons, this budget report is attached at **Appendix D**. (The treasury management appendix to this budget report is already attached, as highlighted earlier).

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.
- 2.2 The Corporate PRT report for Quarter 2 has been produced from the council's new Performance Management Information system, CorVu providing a summary of progress towards the deliver of corporate priorities. Based on real data and evidence the report clearly demonstrates that at the mid-point of 2012 the council is on track to achieve stated outcomes and priorities within the Corporate Plan 2012-2015.

CONCLUSION OF IMPACT ASSESSMENT

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

None arising from this report

LEGAL IMPLICATIONS

None directly arising from this report

FINANCIAL IMPLICATIONS

None directly arising from this report

OTHER RESOURCE IMPLICATIONS: Human Resources / Information Services / Property / Open Spaces: None directly arising from this report

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Corporate Performance Review
Team Reports Quarter 2 2012/13

Contact Officer: Performance - Bob Bailey,
Corporate Planning and Performance Manager;
Finance – Andrew Clarke, Financial Services
Manager **Telephone: 01524 582018/582138**
E-mail: rbailey@lancaster.gov.uk;
acclarke@lancaster.gov.uk
Ref: PRT 2012 Qtr 2

Corporate Plan Performance Review 2012/15

Quarter 2 2012

Corporate Outcome	Corporate Success Measure	Measure Frequency	Owner	Portfolio Holder	Polarity	Lastest Data			Year End Target 2012/13	Trends		Report Comments
						Target (Q2)	Actual (Q2)	RAG Q2		Period	Prev Year End	Year on Year
Priority : Clean, Green and Safe Places												
CO2 emissions from council activities are reduced	CGS1 Annual reduction in carbon emissions 3.4%pa (34% by 2020)	YEARLY (reported Q4)	Dan Wood	Tim Hamilton-Cox								
	CGS3 Increase average SAP rating in council homes	YEARLY (reported Q4)	Chris Hanna	Karen Leytham								
	Council's energy usage is reduced	YEARLY (reported Q4)	Dan Wood	Tim Hamilton-Cox								
	Income generated through climate change mitigation and adaptation projects for reinvesting into the invest to save fund	YEARLY (reported Q4)	Paul Cocker	David Smith						0		
	CGS4 Increase % of household waste reused, recycled or composted	QUARTERLY	Peter Taylor	David Smith	High is Good	45	43.3	Amber				43.3% is the highest actual recycling figure the District has ever achieved. The target of 45% is the target we are aiming for for a whole year. The fact that this indicator is shown as amber on the report should not be seen as a cause for concern
	CGS4 Increased income from energy and recycling projects	QUARTERLY	Dan Wood	Tim Hamilton-Cox	High is Good	1	20168.235	Green				This is the first year of energy generation from the Solar PV installations. Although generation is largely dependent on weather conditions, the figures from this year will provide a useful baseline figure for future years.
Our district is safe	CGS6 Increased number of diversionary activities for young people	QUARTERLY	Richard Hammond	Ron Sands	High is Good	394	910	Green	399			Parks & Green Space 433 Salt Ayre & Pools 477
Our streets and public spaces are clean	CGS5 Perception of people that district is safe, is improved	YEARLY (reported Q4)	Amanda Crane	David Smith					1			


Corporate Plan Performance Review 2012/15

Quarter 2 2012

Corporate Outcome	Corporate Success Measure	Measure Frequency	Owner	Portfolio Holder	Polarity	Lastest Data			Year End Target 2012/13	Trends		Report Comments
						Target (Q2)	Actual (Q2)	RAG Q2		Period	Prev Year End	Year on Year
Priority : Community Leadership												
Better understanding of communities and needs so that services that matter most to our communities will be prioritised	CL2 % of local residents satisfied with council services	YEARLY (reported Q4)	Gill Haigh	Eileen Blamire								
	CL8 Balanced budget set for 2013/14 with no more than 3.5% increase in council tax	YEARLY (reported Q4)	Andrew Clarke	Abbott Bryning								
	CL8 Clean bill of health given through Annual Governance and audit reviews	QUARTERLY	Derek Whiteway	Eileen Blamire	High is Good	1	1	Green				No issues identified at point of reporting to Audit Committee on 19/09/12
	CL8 Future years financial strategy set in light of government planned financial changes	QUARTERLY	Andrew Clarke	Abbott Bryning		0	0					The Medium Term Financial Strategy (MTFS) sets out how the council proposes to manage its financial resources in line with current corporate priorities and future challenges in service delivery. Monitoring and reviewing arrangements will be reported twice yearly, once during autumn 2012 (Q3) and once as part of the 2013/14 budget process (Q1).
	CL8 Robust and tested arrangements are in place for emergency planning	QUARTERLY	Mark Bartlett	Karen Leytham	High is Good	1	1	Green				

Corporate Plan Performance Review 2012/15

Quarter 2 2012

Corporate Outcome	Corporate Success Measure	Measure Frequency	Owner	Portfolio Holder	Polarity	Lastest Data			Year End Target 2012/13	Trends		Report Comments	
						Target (Q2)	Actual (Q2)	RAG Q2		Period	Prev Year End	Year on Year	
Priority : Community Leadership													
	CL8 NDR collection as % of NDR due	MONTHLY	Julie Smethurst	Abbott Bryning	High is Good	60.5	59.6	Amber	98.7				The collection of Business Rates is currently falling slightly short of the target for the first half of the year. Targets for 2012/13 have been set to take into account the current economic situation which particularly affecting small businesses. Procedures within the Business Rates section are continually being reviewed in conjunction with colleagues within the shared service at Preston with a view to improving effectiveness and efficiency.
	CL8 Council Tax collection as a % Council Tax Due	MONTHLY	Julie Smethurst	Abbott Bryning	High is Good	58.2	58	Amber	97.2				The collection of Council Tax for the first half of the year has fallen slightly short of the target of 58.2%. Proactive recovery of Council Tax is ongoing and although the current recession provides a difficult climate in which to operate, the teams continue to operate to the best of their ability. This recognises that customers have a responsibility to pay their debts, but also that there are instances of genuine need, which should be treated sensitively.

Corporate Plan Performance Review 2012/15

Quarter 2 2012

Corporate Outcome	Corporate Success Measure	Measure Frequency	Owner	Portfolio Holder	Polarity	Lastest Data			Year End Target 2012/13	Trends		Report Comments
						Target (Q2)	Actual (Q2)	RAG Q2		Period	Prev Year End	Year on Year
Priority : Community Leadership												
Efficiency savings and service improvements achieved through joint working and shared services	CL3 Savings/Efficiencies achieved through shared service/joint working	YEARLY (reported Q4)	Heather Armstrong	Eileen Blamire								
	CL3 Service improvements achieved thorough shared service/joint working	YEARLY (reported Q4)	Chris Woodhouse	Eileen Blamire								
	CL3 Service Improvements achieved through online service delivery and other measures	QUARTERLY	Ian Jackson	Eileen Blamire	High is Good	1	85	Green				Figure is % of people who replied OK, fairly satisfied, or very satisfied, to the question 'overall how satisfied are you with your (web) visit today?' for the quarter ending 30.09.12
	CL3 Work with partners to increased income from climate change initiatives and projects	YEARLY (reported Q4)	Dan Wood	Tim Hamilton-Cox								
Local communities will be actively working with partners to improve where they live, in ways that matter to them.	CL3 Increase levels of online engagement with local citizens	YEARLY (reported Q4)	Jen Milligan	Eileen Blamire								
	CL6 % of councillors undertaking training/developme nt in community leadership	YEARLY (reported Q4)	Debbie Chambers	Eileen Blamire								
The voluntary, community and faith sector (VCFS) have capacity to deliver services for the district	CL4 VCFS partnership working arrangements are agreed and in place	YEARLY (reported Q4)	James Sommerville	Jon Barry								

Corporate Plan Performance Review 2012/15

Quarter 2 2012

Corporate Outcome	Corporate Success Measure	Measure Frequency	Owner	Portfolio Holder	Polarity	Lastest Data			Year End Target 2012/13	Trends		Report Comments
						Target (Q2)	Actual (Q2)	RAG Q2		Period	Prev Year End	Year on Year
Priority : Economic Growth												
Lancaster district's recognition as a visitor destination is enhanced	EG6 Increased participation in local entertainment and community events	YEARLY (reported Q4)	Richard Hammond	Ron Sands								
	EG1 Number of offshore wind renewables biomass initiatives supported	YEARLY (reported Q4)	David Lawson	Janice Hanson					2			
	EG1 Activities agreed in the PPA for the National grid will be delivered	QUARTERLY	Andrew Dobson	Janice Hanson	High is Good	1	1	Green				
	EG3 Visitor enquiries increased	YEARLY (reported Q4)	Gill Haigh	Ron Sands								
More tourists coming to the district and tourist income is maximised	EG3 Visitor numbers increased	YEARLY (reported Q4)	Gill Haigh	Ron Sands								
	EG3 Visitor Spend Increased	YEARLY (reported Q4)	Gill Haigh	Ron Sands								
	EG4 Heritage Assets improved	QUARTERLY	Andrew Drummond	Janice Hanson	High is Good	1	30	Green				
The attractiveness of the district as a place to visit is improved												
The district's cultural, retail and tourism offer is maximised	EG5 Increase in the number of people participating in the arts culture and entertainment events in the district	YEARLY (reported Q4)	Gill Haigh	Ron Sands								

Corporate Plan Performance Review 2012/15

Quarter 2 2012

Corporate Outcome	Corporate Success Measure	Measure Frequency	Owner	Portfolio Holder	Polarity	Lastest Data			Year End Target 2012/13	Trends		Report Comments
						Target (Q2)	Actual (Q2)	RAG Q2		Period	Prev Year End	Year on Year
Priority : Economic Growth												
THEME: Managing resources wisely	EG2 Increase in the number of apprenticeships	QUARTERLY	Stuart Hampson	Eileen Blamire	High is Good	2	5	Green	5	👉		
												5 apprentices have now been appointed with a further two posts in the recruitment phase. The apprenticeship programme is also augmented by the 6 Craft Apprentices which the Council is joint funding as part of the partnership with HT Forrest
												The Council apprenticeships are: Marketing/Events Vehicle Maintenance Human Resources Grounds Maintenance x 2
												The other 6 Craft Apprenticeships are: Plumbing x 2 Joinery x 2 Plastering x2

Corporate Plan Performance Review 2012/15

Quarter 2 2012

Corporate Outcome	Corporate Success Measure	Measure Frequency	Owner	Portfolio Holder	Polarity	Lastest Data			Year End Target 2012/13	Trends		Report Comments
						Target (Q2)	Actual (Q2)	RAG Q2		Period	Prev Year End	Year on Year
Priority : Health & Wellbeing												
Enhanced quality of life of local residents through access to good quality housing	HW1 Percentage of council homes that fail to meet the Decent Homes Standard	YEARLY (reported Q4)	Chris Hanna	Karen Leytham					0			
	HW1 Increase in the number of affordable homes delivered	YEARLY (reported Q4)	Kath Sinclair	Janice Hanson								
	HW1 Number of new homes completed	YEARLY (reported Q4)	Maurice Brophy	Janice Hanson								
	HW1 Number of improved homes	QUARTERLY	Mike Dagger	Karen Leytham	High is Good	512	936	Green	1025			79% (413 No.) ahead of target at the end of Q2. (403 properties improved in Q1 and 533 in Q2).
Health and wellbeing improved and mortality rates reduced for vulnerable people in the district	HW2 Air Quality Strategy in place and agreed by March 2013	YEARLY (reported Q4)	Nick Howard	Tim Hamilton-Cox								
	HW2 Reduction in homeless people in the district	QUARTERLY	Mike Dagger	Karen Leytham	Low is Good	60	29	Green	120			52% (31 No.) ahead of target at the end of Q2. (16 Homeless acceptances in Q1 and 13 in Q2).
	HW2 Reduction in number of people sleeping rough in the district	YEARLY (reported Q4)	Mike Dagger	Karen Leytham								
	HW2 Number of vulnerable individuals benefitting from Warm Homes Initiatives	QUARTERLY	Dan Wood	Karen Leytham	Low is Good	0	93	Green	130			Most activity for the Warm Homes Initiative will take place during Quarter 3 and Quarter 4 when the Warm Homes Healthy People Hardship Fund becomes active.
The health and wellbeing of local residents of all ages is improved by participating in sports	HW3 A health and wellbeing strategy for the district will be in place and agreed by June 2013	HALFYEARLY	Suzanne Lodge	Karen Leytham	High is Good	1	1	Green				

Corporate Plan Performance Review 2012/15

Quarter 2 2012

Corporate Outcome	Corporate Success Measure	Measure Frequency	Owner	Portfolio Holder	Polarity	Lastest Data			Year End Target 2012/13	Trends		Report Comments
						Target (Q2)	Actual (Q2)	RAG Q2		Period	Prev Year End	Year on Year
Priority : Health & Wellbeing												
and leisure activities	HW3 Increase in take up of leisure services	YEARLY (reported Q4)	Richard Hammond	Ron Sands								
	HW3 Number of residents and visitors participating in sports and leisure activities	QUARTERLY	Richard Hammond	Ron Sands	High is Good	153541	207171	Green	293619			
Welfare reforms managed well so to avoid any unnecessary impact on local communities	HW4 Readiness for changes in welfare reform	QUARTERLY	Adrian Robinson	Abbott Bryning	High is Good	1	1	Green				

Corporate Financial Monitoring

September 2012 | Quarter 2

Report of Financial Services Manager
Corporate PRT meeting | 07 November 2012

HEADLINE INFORMATION			
REVENUE	Current (Underspend) / + Overspend £	Projected (Underspend) / + Overspend £	Future Years Projection (Underspend) / + Overspend £
General Fund	(998)	(939)	+297
Housing Revenue Account (HRA)	+135	+119	(93)

CORPORATE FINANCIAL MONITORING

September 2012 | Quarter 2

1. INTRODUCTION

This monitoring report of expenditure and income for 2012/13 sets out an indicative corporate picture of the Council's financial performance relating to the period ending 30 September 2012.

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 **£998K** against the budget. This is currently forecast to reduce to **£939K** by the end of the year.

VARIANCES	Current £000's	Current Year Projection £000's	Future Years Projection £000's
Major Variances (see section 2.2)	(707)	(489)	(63)
Salaries (see sections 2.3 & 2.4)	(291)	(450)	--
Additional capital financing costs (see section 3.1)	--	--	+360
Sub Total	(998)	(939)	+297
ESTIMATED OUTTURN / IMPACT ON FUTURE YEARS	--	--	+297

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 been achieved. That said, actions could be taken to improve the Council's position still further.

	£000's
Net Controllable Budget	24,278
2% Target	+/() 486
Provisional Controllable Net Underspend	(374)
Percentage of Net Controllable Budget	1.5%

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	(19)	(26)	(52)
Environmental Services	(111)	(30)	+172
Governance	+16	+9	0
Health & Housing	+4	(7)	(18)
Regeneration & Planning	(58)	(38)	+109
Resources	(539)	(397)	(274)
	(707)	(489)	(63)
Variances not reported to PRT meetings : None	--	--	--
TOTAL VARIANCES	(707)	(489)	(63)

The following table provides an analysis of these variances and Appendix A shows how each variance has been initially categorised.

FACTORS INFLUENCING VARIANCES	Variances to Date £000's	Current Year Projection £000's	Future Years Projection £000's
Unforeseeable windfalls or costs	(397)	(412)	(345)
Demand led variances	(222)	(54)	+158
Efficiency savings	(58)	(40)	(10)
Other service driven variances (incl delays)	(3)	(10)	(42)
Budget setting issues / errors	(47)	+27	+176
Other variances	+20	0	0
TOTAL	(707)	(489)	(63)

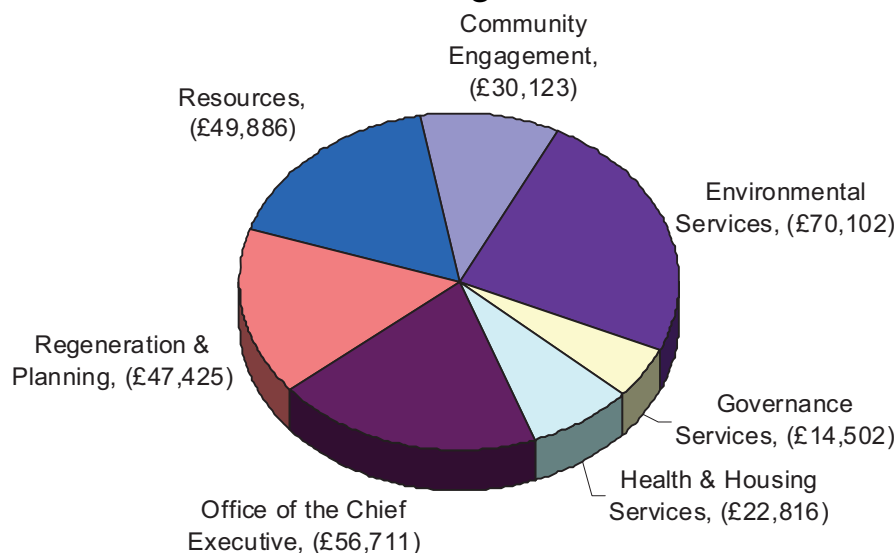
In terms of future years, the above analysis does not include any projection as yet in respect of on-going salary savings as these will be picked up as part of the current budget review process.

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 £376K (*Qtr2 2011/12 - £510K*) have been achieved, which is some **£291K** (*Qtr1 2011/12 - £411K*) above the £85K profiled turnover target. Whilst the level of savings is relatively high for the second quarter of the year, it is still less than the previous year. An initial projection shows that salary savings could reach £450K by the end of the year, however, a more detailed review is currently being undertaken as part of the budget process as mentioned above.

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



Environmental Services have the largest savings which are mainly in Street Cleansing (£49K) and Three Stream Waste Collection (£17K).

2.4 Budgeted Savings Targets

There are a number of approved savings included in the 2012/13 budget which were subject to implementation.

- CCTV revised hours - £29,100
- Grounds Maintenance – £38,400
- Refuse Collection - £21,700
- Accountancy Services - £25,000
- Revenues and Benefits Shared Service - £33,000
- HR/Payroll Software Replacement - £20,000
- Property Services shared management arrangements - £76,500

The CCTV savings will now only be £4K due to a delay in negotiations and having to finance a number of redundancy payments. The grounds maintenance and refuse collection savings have already been achieved, whilst the Accountancy and Revenues and Benefits savings have also been delayed to a degree but will still be achieved.

The HR/Payroll replacement has been achieved despite timescales for implementation being put back. There will also be a change in the proposed financing between capital and revenue, but additional savings will be made in future years.

Finally, the Property Services shared management arrangements will again be less this year due to the implementation being slightly later than originally planned.

3 GENERAL FUND CAPITAL PROGRAMME

3.1 Capital Expenditure & Financing

At the end of September there was spend and commitments of £1.353M against the programme of £4.932M, which has been updated for slippage from 2011/12 and the following additions:

- Bold St acquisitions and demolition (£208K Cabinet May)
- Refurbishment of 5 Cheapside (£49K) to secure a new tenant has been approved under delegated authority by the Head of Resources. This will be funded from the municipal building reserve.
- Lancaster Bus Station lighting (£35K) with costs to be met by the bus operator.

The progression of schemes is still dependent upon sufficient resources being available, in order to avoid any difficulties arising in financing the capital programme. Some schemes are funded entirely from external sources and as such, they can progress as normal. Others are reliant upon funding from the Council's own resources:-

- from the sale of property (capital receipts), or
- from reserves, or
- directly from the revenue budget.

An analysis of capital schemes is attached at **Annex A** which indicates the status of each scheme. The main spend, other than commitments from 2011/12, relates to corporate property renewal works at Lancaster and Morecambe Town Halls for boiler and air conditioning replacement and Council Chamber work. In addition, Lancaster Square Routes may at some stage require £45K to fit in with County Highways plans for Horse Shoe Corner. The funding required for Morecambe TH12 is covered by direct revenue financing and not capital receipts.

The 2012/13 capital programme is estimated to use receipts of £8.228M to finance schemes and reduce unsupported borrowing. To date only two deposits have been received totaling £12K. A full review of the capital receipts position is currently underway. However, the main receipt relating to land at South Lancaster is still subject to the outcome of a judicial review application regarding the planning permission of the site. It is now assumed that this will be received in 2013/14, therefore additional capital financing costs of approximately £360K will be incurred next year.

The overall capital programme is currently undergoing a full review as part of the budget process and a revised version will be presented to Cabinet in December for consideration.

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 overspend of **£135K** against the profiled budget, which is currently projected to reduce to **£119K** by the end of the year. A list of the variances is shown below.

VARIANCES	Variances to Date £000's	Current Year Projection £000's	Future Years Projection £000's
Housing Subsidy - Payments to Central Government	+148	+148	+0
Insurances - Premises Related Insurance	+47	+46	+46
Rent Income (Dwellings) - Rent - Houses	+14	+28	?
Caretaker Services - Electricity	(14)	(8)	(8)
Council Housing Supervision & Management - Salaries	(18)	(8)	+0
Council Housing Supervision & Management - Rent	+0	(7)	(7)
Council Housing Supervision & Management - Service Charges	(4)	(5)	(7)
Rent Income (Commercial) - Rents - Garages	(4)	(7)	(7)
Borrowing costs	(34)	(68)	(110)
ESTIMATED OUTTURN	+135	+119	(93)

The main variance relates to a payment made to central government in respect of the final 2011/12 subsidy return. This resulted from a technical accounting changes in the final consolidated rate of interest applied due to a higher capital financing requirement. In addition, there has been an increase in the overall insurance premium recharged to the HRA. These costs are partly offset by savings on the

borrowing costs relating to the £31M loan taken out at the end of last year to come out of the subsidy system.

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. The following table provides an analysis of these variance.

FACTORS INFLUENCING VARIANCES	Variances to Date £000's	Current Year Projection £000's	Future Years Projection £000's
Unforeseeable windfalls or costs	(34)	(68)	(110)
Demand led variances	(4)	(7)	(7)
Efficiency savings	(14)	(8)	(8)
Other service driven variances (incl delays)	(18)	(8)	+0
Budget setting issues / errors	+144	+136	(14)
Other variances	+61	+74	+46
TOTAL	+135	+119	(93)

4.2 Council Housing Rent Collection

At the end of September rental income is lower than estimated due to void re-let times and the overall number of voids increasing. Originally, the number of voids was estimated at 1.52%, however the actual level at the end September is 1.77%. In monetary terms this would lead to an estimated loss of rental income of £28K. This is actually an improvement from Qtr 1 when voids were running at 1.99% with an estimate loss of £63K.

Total Estimate for Year	£13,476,400
Profiled Budget	£6,738,030
Actual to Date	£6,724,450
Difference	+£13,580

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 £1.217M against a budget of £4.076M (including 2011/12 slippage) leaving a balance of £2.859M.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Bathroom Kitchen Refurbishment	1,088	260	828
External Refurbishment	696	19	677
Re-roofing / Window Renewals	429	395	34
Environmental / Crime Prevention Works	360	216	144
Energy Efficiency Works	460	159	301
Rewiring	333	25	308
Adaptations	250	106	144
Fire Precaution Works	300	15	285
Invest to Save - PV Solar Panels	130	0	130
Total Mobile	30	22	8
TOTAL	4,076	1,217	2,859

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, and both are on target to achieve the collection rate set for the year.

Percentage Collected	2011/12 %	2012/13 %	2012/13 Target %	2012/13 Actual %	Status
	All Years		In Year		
Council Tax	53.68	53.36	97.2	58.0	On Target
Business Rates	60.24	59.48	98.7	59.6	On Target

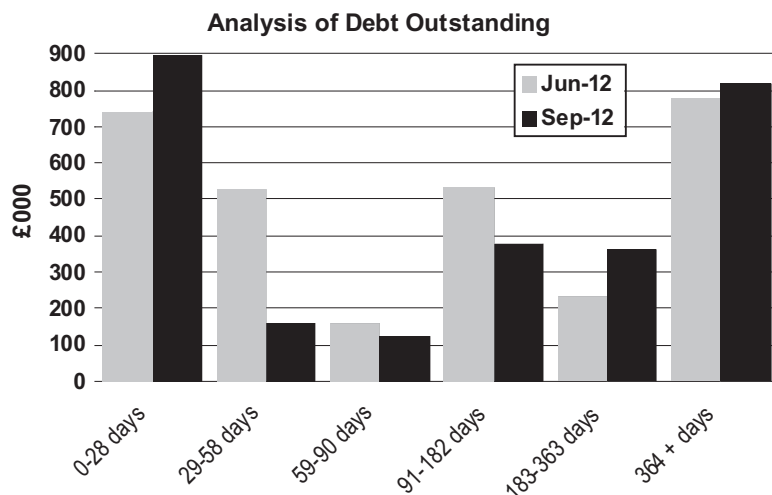
5.2 Collection Fund Monitoring

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 £119K, but it should be noted that the surplus can fluctuate significantly month by month. For information, the equivalent value for September 2011 was a surplus of £381K reducing to £146K at the year end.

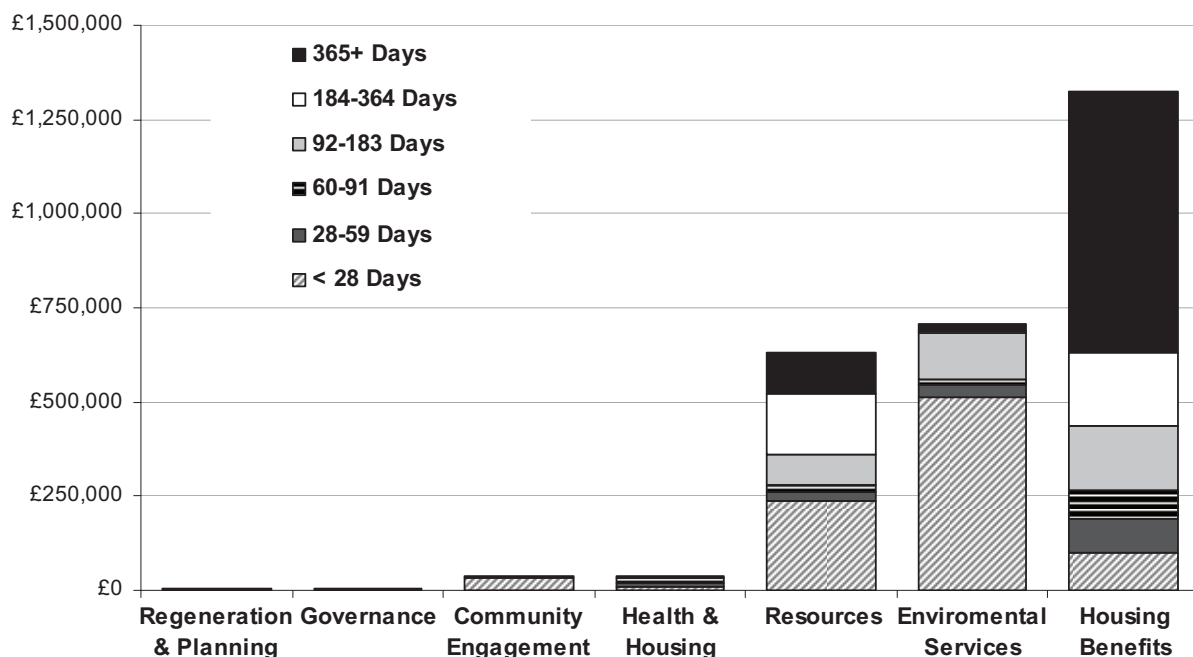
Any surplus or deficit is shared between the relevant precepting bodies and the City Council's element equates to 13% and would therefore be £15K. The position will formally be assessed in January when the Council Tax base for 2013/14 is set. At that point in time any surplus or deficit will be notified to the relevant precepting bodies for inclusion in their 2013/14 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 under £2.748M, which is £229K less than the previous quarter.



	<i>June 12</i>	<i>Sept 12</i>
	£000's	£000's
0-28 days	743	897
29-58 days	531	163
59-90 days	162	124
91-182 days	533	380
183-363 days	233	363
364+ days	775	821
	2,977	2,748
Previous Year	2,002	2,603



Attached at **Annex B** is an analysis of the actions being taken by Services on all debt over 90 days old. In addition, there is a more detailed breakdown in respect of the £1.055M housing benefit debt.

6 PROVISIONS AND RESERVES

This section provides and update on key provisions and reserves.

6.1 Insurance Provision

The current balance on the insurance provision is £487K, after making net payments of £80K in settlement of claims made.

At present, the Council's insurers estimate that the value of claims outstanding is £416K, which relates to a total of 190 claims made over a 5 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 59% of the total reserve will be paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £245K. In addition, at the end of the last financial year the council was notified that it was liable for old claims relating to the MMI scheme of arrangement for which an estimated liability of £155K was provided for in the provision. Therefore, the total value of estimated liabilities is £400K which is still £87K less than the current provision. The provision will formally 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.

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	897	1%	9
1 Month to 3 Months	287	5%	14
3 Months to 365 Days	743	10%	74
Over 365 Days	821	50%	411
TOTAL	2,748		508

The current balance on the General Fund Bad Debt provision is £567K which is £59K above the requirement indicated, but that is after allowing for this year's contribution of £100K. The position is being reviewed as part of the 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.

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.

A fuller assessment of key financial and other risks will be reported to Cabinet in December as part of the budget update report.

SUMMARY OF GENERAL FUND MAJOR VARIANCES (Qtr 2 2012/13)

Appendix B

FACTORS INFLUENCING VARIANCES			
	Variance to Date £	Current Year Projection £	Future Years Projection £
1. Unforeseeable windfalls or costs	(397,200)	(412,100)	(344,800)
2. Demand led variances	(222,300)	(53,900)	+158,100
3. Efficiency savings	(57,800)	(40,100)	(10,200)
4. Other service driven variances (incl delays)	(3,000)	(10,600)	(42,300)
5. Budget setting issues/errors	(46,800)	+27,300	+175,800
6. Other variances	+20,000	+0	+0
TOTAL VARIANCES	(707,100)	(489,400)	(63,400)

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)						
Community Engagement	2	Promenade Management - Income	(15,200)	(15,200)	(15,000)	Income relating to funfair not originally budgeted for.
	2	Carnforth Pool - Income	+0	(10,000)	?	Increased income due to increased take up of swimming lessons
	2	Salt Ayre Studio - Expenditure and Income	+6,900	+7,500	+0	Combination of increased instructor costs and reduced income as classes are included in Reflexions memberships.
	2	Salt Ayre Management & Admin - Gas and Electricity	(10,700)	(15,600)	(37,000)	The actual saving in this area is expected to be £37K for the year but it is proposed that £21K be vired to fund the cost of pool covers at the 3 community pools.
	2	Salt Ayre Reflexions - income	(3,200)	(5,200)	?	Additional memberships sold (less associated subscription charges)
	2	Salt Ayre Outdoor synthetic pitches - income	+3,500	+6,600	?	Increased competition from locals venues has resulted in a drop in income.
	5	Corporate & Partnership Initiatives - Hate Crimes SLA	+0	+5,900	+0	This additional cost will be offset by some salary savings in the main Partnerships Team.
	1	Vehicles - Fuel	(15,000)	(24,500)	?	Government delayed anticipated 3% fuel duty rise from August to January
	2	Vehicles - R&M	(50,000)	(50,000)	(25,000)	Newer fleet resulting in fewer breakdowns and greater use of warranties on repairs
	2	Trade Refuse	(10,000)	(20,000)	+0	Lancs County Council didn't implement new charging mechanism as expected resulting in savings being passed over to clients
Environmental Services	5	Highways	(65,800)	+0	+163,000	Delays in starting the new contract has resulted in work being recharged using previous SoR operated by Lancs County Council. New arrangements to commence from August (as already agreed by Council). Current underspend will offset proposed cost of function. Projected variance assumes partial use of reserve
	2	Off Street Car Parks - Fees	(2,500)	?	?	Budget profile difficult to predict. Income above target in April, May, and August but below in June, July and September.
	2	Off Street Car Parks - Permits	+5,500	+5,500	+5,000	Further reductions in sales of 8% on public permits and 10% on staff, partners and members permits.
	5	Off Street Car Parks - PCN Levy	+3,300	+9,300	+0	Late invoices for 2011/12 Q3 from Lancashire Parking Services not received until June 2012.
	5	Off Street Car Parks - NNDR	+19,300	+19,300	+19,900	Reduction in transitional relief not accounted for within original budget
	5	Bus Route Support	+4,400	+8,800	+8,900	Budget removed in error within 2012/13 budget process
	4	CCTV	+0	+21,900	+0	Agreed contribution in respect of redundancy costs of CCTV operating staff. Due to reduction on operating hours as agreed through 2011/12 budget process.

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)						
Governance	2	Legal & Court Costs	+15,800	+8,900	+0	Mainly due to costs relating to Lancaster Market. Budget to be increased as part of Revised budget exercise.
	1	Home Improvements - Administration Charges	(2,000)	(12,500)	(13,000)	Based on the increase in fees and the additional amount transferred from previous year. It is estimated that the income for 12/13 will amount to £80,000.
Health & Housing	4	Environmental Protection - Services - Radiation Analysts	(3,000)	(5,300)	(5,300)	Budget not required - Due to Radmil (Government Organisation) disbanded.
	2	Pest Control - Income	+9,100	+11,000	+0	Lower demand for Wasp and Rodent treatments.
Regeneration & Policy	2	Development Control - Planning Application Fee Income	+9,700	+60,000	?	Continued economic downturn and continuing affects of government decision to reduce renewal of major application fees to £500 each. However, government announced 15% increase on all planning application fees from. Date to be confirmed.
	2	Building Regulations - Application Fee Income	+42,400	+85,000	?	Uncontrollable income - Reduced number of applications due to increase in local competition of service providers and general downturn of development.
	2	Morecambe BID Feasibility Study	(40,000)	(40,000)	+40,000	Request for budget to be slipped into 2013/14 due to delay in ideas coming forwards from Morecambe COC. It is also hoped to tie this in with changes from the Mary Portas Funding
	2	Heysham Gateway Feasibility Study	(20,000)	(20,000)	+20,000	Request for budget to be slipped into 2013/14 - Scheme is dependant upon the involvement of Port of Heysham who are waiting for news regarding the M6 Link Road.
	2	Morecambe Area Action Plan	(39,600)	(76,100)	+76,100	Request for budget of £76.1k to be slipped into 2013/14 for Consultancy, securing a developer and further feasibility studies
	1	Middleton Nature Reserve & Pumping Station Rents - Wayleaves & Titles	(300)	(11,000)	(11,000)	New agreement with to allow cabling across the site.
	3	Regeneration & Policy M & A Subscriptions	(2,400)	(10,000)	(10,200)	LEP subscriptions no longer subscribed to
	2	Conservation & Environment - General - Grants - Lancaster Conservation Area	+0	(10,000)	+10,000	Spend to be slipped into future years
	5	Winning Back West End Property Account - Rents - Commercial Properties	(8,000)	(16,000)	(16,000)	Additional rental income. Budget to be addressed as part of revised budget process

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)						
Resources	6	Kellet Road Industrial Estate, Carnforth - General (CR) Miscellaneous	+20,000	?	?	Outstanding claim for dilapidations. Matter still with Legal. Ongoing for three years.
	2	Property Services Repairs & Maintenance	(142,000)	(20,800)	+0	Net savings predicted for year at moment, but subject to outcome of Condition Surveys may be further savings, e.g. Platform temporary heating
	2	City Centre Management	+0	+6,500	+0	Reduced number of concessions
	3	Property Services Utilities - Gas/Electricity	(55,400)	(30,100)	?	Future years savings currently being quantified as part of budget process.
	1	Revenues - Benefits Overpayment Recoveries	(197,900)	?	?	Currently up on profile although it is difficult to predict if this will continue throughout the year look at as part of Revised budget projections.
	4	Audit Charges	+0	(27,200)	(37,000)	KPMG fees reduced (as notified 16/4) giving expected saving of £27,000.
	1	Borrowing Costs	(182,000)	(364,100)	(320,800)	HRA self financing loan taken out at a lower interest rate than originally projected. This represents the element relating to the General Fund as part of the assumed single pool arrangement.
	2	Interest & Investment income	+18,000	+38,000	+84,000	Interest income down due to current strategy constraints and lower cash balances than projected. Projected to be £38K under for the year subject to South Lancaster capital receipt/Lancaster Market and a review of counterparties.
TOTAL VARIANCES			(707,100)	(489,400)	(63,400)	
Overall Salary Savings			(291,000)	(450,000)		
OVERALL VARIANCES			(998,100)	(939,400)	(63,400)	

General Fund 2012/13 Net Capital Programme

Jointly financed schemes (LCC Contribution):		£000	Comments:
Morecambe TH12: A View for Eric		25	The Council contribution is match funding for the external grant but not needed until late Sept.
Warm Homes Scheme		50	Externally funded scheme
Strategic Monitoring (River & Sea Defences)		8	Spend only relates to capital salaries.
Internally financed schemes:			
Slippage from 2011/12	Clay Pitts Recreation / Play Facilities	92	Funded from S106 monies.
	Allotment Improvements	9	Commitment of £9K raised.
	Mainway Recycling Bins	4	Direct revenue financing.
	Salt Ayre Sports Centre - Hydraulic Floor	45	Funded from reserves.
	Salt Ayre Works Programme	74	Reception refurbishment (£38K) has already started. Remainder on hold.
	Toucan Crossing - King Street	13	Funded from S106 monies.
	Amenity Improvements	33	On hold.
	Luneside East	128	Scheme still progressing.
	Williamson Park Steps	120	Urgent works required due to health & safety issues.
	Public Realm Works	13	On hold.
	IT Application Software Renewal	9	No urgent spend required.
	IT Desktop Equipment	12	No urgent spend required.
	Greyhound Bridge Rd Affordable Housing	250	Funded from S106 monies.
	Lancaster Square Routes	46	Commitment re Market Square lighting.
	West End Temporary Car Park	19	Funded from reserves.
	Corporate Property Renewal	531	Various works committed at LTH and MTH.
	Invest to Save - Solar Panels	20	Funded from reserves.
	5 Cheapside Refurbishment	49	Urgent works to secure a new tenant - being funded from reserves.
	Bold Street Renovation	208	Recycling of Bold St receipts - approved by Cabinet on 29 May 2012.
	Toilet Works	90	No urgent spend required.
	Allotment Extension : Scotforth	40	No urgent spend required.
	Allotment Improvements	47	Still subject to a spending plan being provided.
	The Platform Improvements	110	No urgent spend required, no business case submitted as yet.
	Williamson Park Renewal & Enhancement	75	No clear spending plans for this, therefore no urgent spend required.
	IT Application Software Renewal	50	No urgent spend required.
	IT Desktop Equipment	135	£31K used for licence renewals at the end of May - other essential needs relate to storage.
	Slynedale Culvert Project	3	Spend only relates to capital salaries.
	Lancaster Square Routes	300	Requested that £45K be available to fit with County plans at Horse Shoe Corner.
	Morecambe Area Action Plan	200	No urgent works required, but may require review in 6 months.
	Port of Heysham Sites 1 & 4	328	No urgent spend required.
	Car Park Improvements	80	No urgent spend required.
	Corporate Property Renewal	1,716	LTH boiler replacement & air conditioning works being undertaken.
		4,932	
Financing:			
Capital Receipts		(8,228)	
DRF Funding		(669)	
Provisions & Reserves Funding		(652)	
General Capital Grant		(150)	
Reduction in Underlying Need to Borrow		4,767	
		(4,932)	

**SUNDRY DEBT OVER 90 DAYS OLD - ACTION BEING TAKEN BY SERVICES
(SEPTEMBER 2012)**

Service	Total Outstanding Debt (over 90 days old)	Debt to be Written Off	Refer(red) to Debt Collection Agencies	Refer(red) for Legal recovery	Debt still being pursued	Payment Received / Instalment Agreed	Other Action / Reasons	TOTAL
	£	£	£	£	£	£	£	£
Community Engagement	964				964			964
Environmental Services	128,251	1,897	1,275	10,345	4,522	110,213		128,251
Governance	5,086				5,086			5,086
Health & Strategic Housing	4,222		1,576		1,610	444	592	4,222
Regeneration and Policy	1,119				999	120		120
Resources : Property	368,397		15,440	69,964	95,654	59,609	127,730	127,730
Resources : Housing Benefits	1,055,998	5,062		41,131		841,561	168,245	1,055,998
Total Outstanding	1,564,038	6,958	18,291	121,440	108,835	1,011,947	296,567	1,564,038

HOUSING BENEFIT DEBT RECOVERY

		Claimant £	Landlord £	TOTAL £
Debts to be Written Off	WOFF's	271	0	
	Recovery Suspended	4,431	359	
		4,702	359	5,062
Referred for Legal Recovery	Civil Proceedings	9,909		
	County Court Order Obtained	4,043		
	Attachment of Earnings	27,179		
		41,131	0	41,131
Payment Pending / Instalment Agreed	Invoice Agreements	136,013	201	
	Customer Agreements	68,947		
	Claim Pending	10,930		
	HB Recovery	15,334		
	DWP Recovery	95,780	680	
	Pending DWP Recovery	16,585		
	Pending BT Recovery		484	
	Debt Collection Agents	113,910		
	Pending Debt Collection Agents	8,998	1,917	
	Invoice Under HB Recovery	371,500	282	
		837,996	3,564	841,561
Other Actions / Reasons	Invoice Agreement Terminations	13,287		
	Instalment Payment Warnings	8,468	608	
	Appeals	2,924	839	
	First Reminders	5,694	351	
	Second Reminders	2,667	45	
	Bankruptcy	4,777		
	Compensation Order	19,241		
	Debt Relief Order	516		
	Inactive Debt	92,585	449	
	Invoice under HB Terminated	14,743	1,052	
		164,901	3,343	168,245
Total				1,055,998

*** Actions relating to Housing Benefit Debt**

Appeals - where an appeal has been made against the creation of an overpayment & recovery has been suspended pending the outcome of the appeal

Bankruptcy - where a debtor has been made bankrupt & recovery of the debt is suspended until the bankruptcy has been discharged

Claim Pending - where a claim for Housing Benefit (HB) has not yet been determined & there is prospect of recovery from ongoing HB

First Reminder - where no agreement has been made to repay the debt & reminder invoice is issued

Second Reminder - where no agreement has been made to repay the debt & a reminder letter is issued

Instalment Warning - where an instalment as per an agreement has not been made & a reminder letter is issued

Instalment Termination - where instalments as per an agreement have not been made & the agreement has been terminated & a termination letter issued

2012/13 Treasury Management Progress Report to 30 September 2012

Report of Head of Resources

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 2012/13 at its meeting on 29 February 2012. 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

- No further payments have been made by KSF and Landsbanki, leaving outstanding amounts due of £215K and £648K respectively.
- On other treasury matters, since the HRA self financing transaction at the end of 2011/12 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 update (provided by Sector)

The outlook for the global economy remains clouded with uncertainty. The UK economy has struggled to generate a sustained recovery so this offers little hope for a strong recovery in 2012, and possibly even into 2013. Consumer and business confidence levels are generally low and it is not easy to see potential for a significant increase in the growth rate in the short term.

Sector undertook a review of its interest rate forecasts following the issue of the Bank of England Inflation Report for August 2012. Consequently, it pushed back the first rise in Bank Rate from Q1 2014 to Q4 2014, as well as lowering the pace of rises in gilt yields.

The Bank of England forecasts of the speed and strength of recovery and rate of reduction of CPI inflation over the last four years had been attracting increasing criticism for being consistently over optimistic. In this latest Inflation Report, the Bank changed its position significantly in as much as it markedly downgraded its forecasts for the strength and speed of recovery in GDP growth. Whereas previously it had consistently been forecasting a strong recovery to over 3% p.a., it was now only forecasting growth to recover to around 2% during the period from early 2013 to the end of 2015.

	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%
5yr PWLB rate	1.50%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.30%
10yr PWLB rate	2.50%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.20%	3.30%
25yr PWLB rate	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%
50yr PWLB rate	3.90%	3.90%	3.90%	4.00%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%

Economic forecasting remains difficult with so many external influences weighing on the UK. Key areas of uncertainty include:

- The impact of the Eurozone crisis on financial markets and the banking sector.
- The impact of the UK Government's austerity plan on confidence and growth.
- Monetary policy action failing to stimulate growth in western economies.
- The potential for weak growth or recession in the UK's main trading partners - the EU and US.

The overall balance of risks remains weighted to the downside. Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. However, near-term, Quantitative Easing (QE) is likely to depress yields and further QE thereafter may lead to a reassessment of Sector's central forecast.

4. Icelandic Investments Update

As reported in the year end report for 2011/12 there have been material repayments made against the Council's Icelandic deposits from all three banks. During quarter 1 repayments were received from KSF (10%) and Landsbanki (12%), and a further payment from Landsbanki was expected in quarter 3. The current position is summarised below:

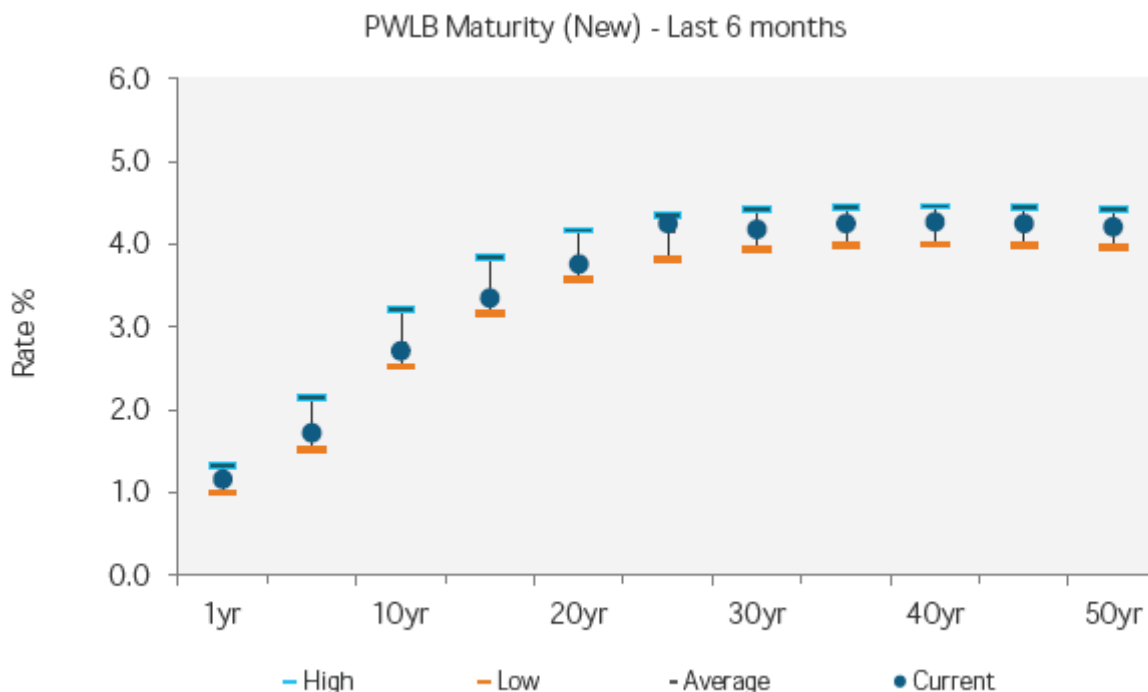
	KSF £000	Glitnir £000	Landsbanki £000	Total £000
Deposit	2,000	3,000	1,000	6,000
Claim	2,048	3,173	1,121	6,342
Payments received	1,495	2,508	464	4,467
Amounts held in ISK*		571	8	579
Total anticipated recovery (%)	83.50%	100%	100%	
Further payments due (%)	10.50%	0%	58%	
Further payments due (£000)	215	0	648	863
Total anticipated receipts	1,710	3,079	1,119	5,908

*These are earning interest but are also subject to currency fluctuations, these sums will be repatriated once Icelandic currency controls allow.

The total repayment in cash terms is now expected to be £5.9M meaning that the majority of the £6M principal invested will be returned.

5. Current Borrowing Rates.

There are few changes in relation to the cost of new debt. 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 even compared to the range seen over the last 6 months.



Extract from Sector weekly debt monitor 22/9/2012

However, as the Council is not currently looking to borrow, there is little immediate impact of these low rates. The main issue going forward could be that the margin between the Council's current loans and the threshold for avoiding penalties for early repayment will also increase but there are currently no plans to make early repayments and it will not be clear whether this is an attractive strategy until the cash demands linked to Lancaster Indoor Market are clarified, hopefully during quarters 3 and 4.

The £31M loan taken out at the end of March in respect of ending the HRA subsidy system was drawn down as an Equal Instalment of Principal (EIP) loan at 3.03% compared to the estimated 3.5%. This has resulted in annual saving of approximately £432K in interest which is split between the General Fund (£364K) and the HRA (£68K).

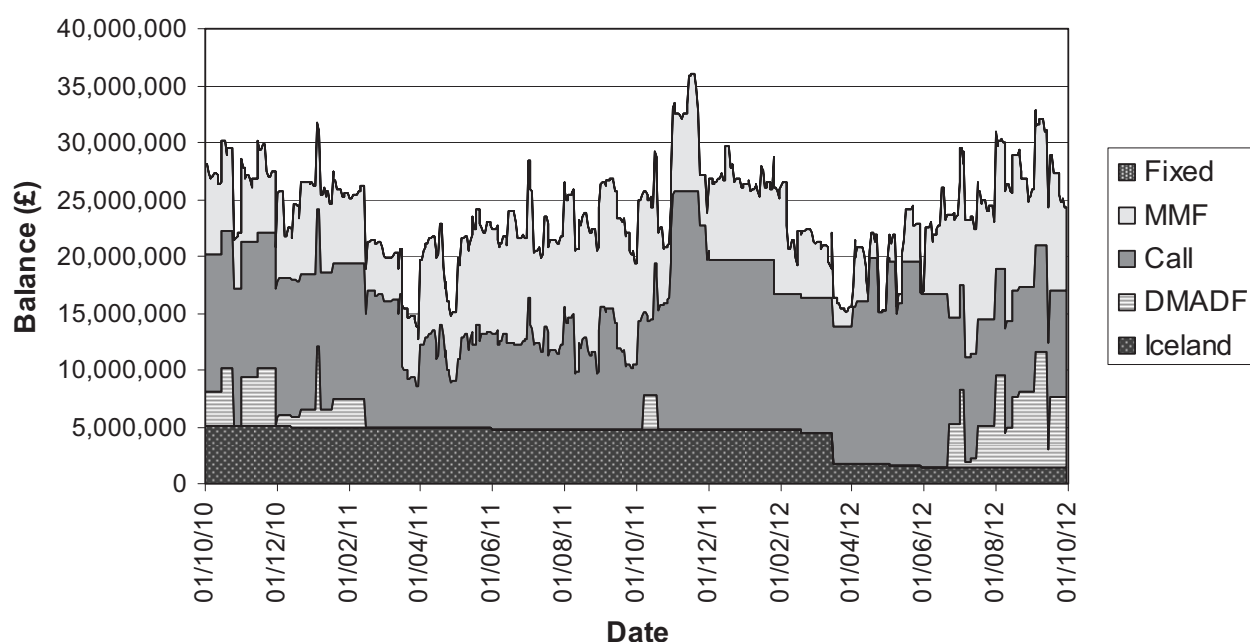
6. Investing Activities

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 2012/13. 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 shown below.

Other Investments	opening	Min	Max	closing	Indicative rate	Cumulative Interest £
Call: RBS	3,000,000	3,000,000	3,000,000	0	0.80%	5,392
Call: Barclays	3,000,000	0	0	0	0.55%	3,707
Call: Lancashire County Council	6,000,000	6,000,000	12,000,000	9,300,000	0.70%	33,163
DMADF	0	0	10,140,000	6,200,000	0.25%	3,709
Government Liquidity MMF	0	0	6,000,000	1,370,000	0.30%	4,024
Liquidity First MMF.	1,850,000	0	6,000,000	6,000,000	0.65%	14,206
Sub-total	13,850,000			22,870,000		64,200
				Budgeted income		81,974

Investment pattern for the prior 2 years



In the last quarter the Council has tried to make full use of the capacity with the County Council, once current cash demands become clear it may be that fixed term deposits are placed with County although they are at present fully borrowed and not taking on further deposits. Towards the end of the first quarter, credit rating changes to RBS and Barclays meant that these counterparties fell off the investment list. It may be that Members want to re-consider some of the limits agreed within the 2012/13 strategy to allow instant access deposits with these institutions to continue, however, until such a review, these banks will not be used. Proposals are being developed for consideration by Members and will be reported through in due course.

Given this and the reduced ability to place deposits with County, lower yielding accounts have been used such as the DMADF and governmental MMF accounts with a resultant loss of investment income. In addition, cash balances are lower than anticipated in the budget, the main reason being the ongoing delays with realising material capital receipts.

7. Summary of Budget Position and Performance

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

Base Rate	0.50%
7 day LIBID	0.43%
Lancaster CC investments	0.57%

The return is just above base and is better than the 7 day LIBID benchmark which is positive given that the Council's investments are in the main on instant access. In absolute terms as the Council has focused on secure and highly liquid deposits the rate of return is very modest however, for the type of investment the Council is making, it is a reasonable rate.

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

	Annual Budget	Profiled Budget	Actual to Date	Variance
	£'000	£'000	£'000	£'000
Icelandic Credits	50	25	25	0
Cash Interest	164	82	64	18
Total	214	107	89	18

There is an £18K adverse variance which is jointly due to lower cash balances than anticipated, as noted in section 6, as well as reduced capacity on higher yielding accounts following limits placed by the County and credit rating reductions to Barclays and RBS.

The credits from Icelandic investments are accounting adjustments to the investments that still held with the Icelandic banks. These are real credits to the General Fund balance but are subject to adjustments depending on changes to the repayment profile of outstanding amounts. At present there is no reason to alter the assumptions made at budget time but this will be kept under review.

8. 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 counterparty risk exposure for investment remains low.

There is financial risk attached to the longer term debt portfolio, associated with interest rate exposure but all of the debt is on fixed interest and there has been no change to this over the quarter. The low rates create a risk in terms of the ability to repay debt but the Council is not yet in position to be following such a strategy.

There have been very positive developments with the Icelandic banks over the last 2 quarters and the risk attached to uncertainty of the Council's creditor status has now been extinguished. There are still uncertainties over the timing and exact amounts of repayments, as well as how elements already repaid in ISK will be repatriated.

Further, there is an interest rate risk attached to the current investment strategy where the Council, as at September 2012, had no high street banks it could deal with, even on an instant access basis. The cost/benefit of the current strategy is being reviewed to ensure that the risk of foregone income is being actively monitored against a level of counterparty risk that is acceptable.

A copy of the approved Prudential and Treasury Indicators is included for reference at **Annex B**.

9. Conclusion

The Council's treasury function has been on a low risk plateau since the Icelandic banking crisis and there is no strong argument for moving away from this cautious position. However, with an ever decreasing investment list, there is some argument for a minor relaxation of limits in specific circumstances or movement away from a lowest common denominator approach to a more 'average' based approach, such as Sector's traffic light system. This will be taken forward over the next quarter for Members consideration, should workloads allow.

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 & TREASURY INDICATORS

Approved by Council 29 February 2012

		2012/13 £'000	2013/14 £'000	2014/15 £'000	
AFFORDABILITY					
PI 1:	Estimates of ratio of financing costs to net revenue stream	Non - HRA HRA Overall	16.3% 24.6% 19.6%	13.3% 23.0% 17.2% 12.7% 21.7% 16.3%	
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		£5.59	£0.00	£0.00
	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		2.9%	0.0%	0.0%
PI 3A:	Illustrative Impact of Additional Borrowing £1 million		Repayment Period		
			5 Years	10 Years	25 Years
	Increase in Council Tax (£)		£4.81	£2.57	£1.38
	Increase in Council Tax (%)		2.50%	1.34%	0.72%
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 HRA Total	4,099 3,916 8,015	3,311 3,616 6,927	1,066 3,616 4,682
PI 6:	Actual capital expenditure		Reported after each financial year end		
PI 7:	Estimates of Capital Financing Requirement	Non - HRA HRA Total	28,850 45,264 74,114	28,474 43,984 72,458	27,459 42,704 70,163
PI 8:	Actual Capital Financing Requirement		Reported after each financial year end		
EXTERNAL DEBT					
PI 9:	Authorised Limit				
	Authorised Limit for Borrowing		75,500	75,500	75,500
	Authorised Limit for Other Long Term Liabilities		2,700	2,500	2,300
	Authorised Limit for External Debt		78,200	78,000	77,800
PI 10:	External Debt: Operational Boundary		73,200	73,000	72,800
PI 11:	Actual external debt		Reported after each financial year end		
PI 12:	HRA limit on indebtedness		60,194	60,194	60,194
PRUDENCE					
PI 13:	Treasury Management: adoption of CIPFA code of Practice		The Council has adopted the updated Treasury Management code of practice (2011).		
PI 14:	Net debt and the capital financing requirement				
	Anticipated indebtedness (operational boundary)		73,200	73,000	72,800
	Anticipated investment		14,930	13,990	14,920
	CFR		74,114	72,458	70,163
	Under/over borrowed (-/+)		-14,016	-14,532	-17,557
TREASURY MANAGEMENT					
TMI 1:	Fixed Interest Rate Exposure		100%	100%	100%
	The Authority will limit its exposure to fixed interest rate costs to the amounts payable on the				
TMI 2:	Variable Rate Interest Rate Exposure		30%	30%	30%
	The Authority will limit its exposure to variable interest rate costs to the amounts payable on the				
TMI 3:	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%
TMI 4:	Investments for periods longer than 364 days				
	The Authority will not invest for periods of longer than 364 days.		Nil	Nil	Nil



**Budget and Policy Framework 2013/16 –
Revenue Budget and Capital Programme Update
04 December 2012**

Report Head of Resources

PURPOSE OF REPORT			
This report provides an update on the Council's financial position to help inform development of Cabinet's budget proposals. Given that the Local Government has not yet been received, the report is primarily for information, rather than seeking any specific decisions.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
Referral from Officer	X		
Date of notice of forthcoming key decision	05 November 2012		
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. As part of identifying service areas for review linked to corporate priorities, Cabinet indicates the lower priority areas within General Fund, for which service reduction options should be developed.
4. 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 next year onwards. A separate report elsewhere on the agenda seeks Cabinet's views regarding corporate priorities and associated services. This report provides a financial update in support of the process.

2 GENERAL FUND REVENUE BUDGET – CURRENT YEAR

- 2.1 At Council on 29 February Members approved the current year's budget at £20.732M, of which £20.190M relates to the City Council and £542K 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. This has resulted in a draft revised budget of £19.209M for the City Council, representing a projected total net underspending of £981K or 4.8%:

	£'000	£'000
Operational Variances:		
Staffing Savings	-322	
Other Net Savings and Underspendings	-244	
Reduced Borrowing Costs	-363	
Reduced Investment Interest	+52	
Reductions in Income	+170	
Increases in Income	-182	
Net Operational Underspending 2012/13		-889
Other Variances:		
Slippage on Revenue Funded Activities		-92
Total Net Underspending		-981

- 2.3 A further summary of the budget and variance analysis is attached at **Appendix A**. Key points to note are as follows:

- Net staff savings are forecast from a combination of savings measures, turnover & longer-term vacancies.
- The impact of the national and global economic position is still having an adverse impact on some service areas and their associated budgets.
- There is slippage expected on some regeneration activities such as Heysham Gateway, Business Improvement District (BID) development and the Morecambe Area Action Plan. This will be the second year that the latter two budgets have slipped. Budgets in the current year have been reduced accordingly, but this apparent saving is offset by increases in the following year. The creation of specific reserves is being considered.

- 2.4 Taking account of the above changes, Revenue Balances would stand at £2.620M as at 31 March 2013. This is some £1.342M higher than expected back in February 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.
- 2.6 In terms of earmarked reserves and provisions, a full review has not yet been completed. This will be undertaken in time to report to January's Cabinet meeting.

3 2013/14 DRAFT REVENUE BUDGET

- 3.1 The first draft of the 2013/14 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:
- At this stage, council tax support changes are simply assumed to be budget neutral. Arrangements are in hand for a special Council meeting to be held in January, in order to determine the Council's local scheme for next year.
 - The draft makes no assumptions on the outcome of the fees and charges review and other reports elsewhere on this agenda.
 - 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.
 - The draft position does not include any growth options, nor does it include any specific savings options.
 - In terms of capital financing, the draft budget is based on the revised capital programme which has been updated for delays in schemes which have been put on hold due to the delayed capital receipt from the sale of land at South Lancaster. There will clearly be more changes coming through, once aspects such as Lancaster Market are finalised and the results of the municipal buildings survey are known. The impact of the delay in the major capital receipt being received has increased the underlying need to borrow and therefore increased the revenue budget by £353K in 2013/14 only, for now – but this initial assumption is also likely to change.
 - The interest rate on the loan taken out to enable the HRA to become self financing was slightly less than originally anticipated – 3.03% instead of 3.5%, and a single 'pooled' approach is assumed for apportioning debt interest across the Council's Funds. This has resulted in lower borrowing costs of £432K, of which £364K is retained by the General Fund.
- 3.2 Currently the draft budget for 2013/14 stands at £20.196M, as shown in **Appendix A**, which also shows the provisional variance analysis undertaken so far.

4 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 4.1 The provisional Local Government Finance Settlement is not expected to be announced until later this month and therefore the impact will be reported formally into January's Cabinet meeting.
- 4.2 To reiterate, the MTFS approved back in February assumed that Government support would reduce by 2% in 2013/14 (over 4% in real terms) compared with 2012/13, and 0% (about 2% in real terms) the year after. These projections were based on the 2010 Spending Review forecasts, in the absence of any more up to date information.
- 4.3 There are various views circulating on the extent and speed of further funding reductions, but the Autumn Statement to be made by the Chancellor on 05 December will provide the real context for future funding prospects. There is a general expectation that further significant reductions will come, and in the medium term, the changes in business rates distribution arising under the Finance Act 2012 adds even more uncertainty.

5 COUNCIL TAX

- 5.1 To reiterate the points reported in November, in addition to the change in the referendum trigger threshold being reduced to 2%, the Government has also announced proposals for a continuation of the Council Tax Freeze Grant.
- 5.2 Under this proposal, the Council would receive the equivalent of a 1% tax rise (£84K) for 2013/14 and 2014/15, should it choose to freeze or reduce council tax for 2013/14. Take up of this arrangement is voluntary.
- Based on the City Council's tax rate of £192.25 for a Band D property, a 1% change in tax rate amounts to £1.92 per year or just under 4 pence per week.
 - Similar offers of grant support apply to the County Council, the Police and Crime Commission and fire authorities. For information, the full basic Band D tax for the area is currently £1,514.13.

6 SAVINGS REQUIREMENTS: SCENARIOS

- 6.1 At this stage it is impossible to give any reasonably accurate picture of what the Council would need to save next year to continue with existing services, depending on its council tax targets. This is mainly because of the uncertainties over Government funding and other legislative changes.
- 6.2 Nonetheless some scenarios are set out as follows, similar to those outlined in the November report to Cabinet. Note that these projections do not include any new Council Tax Freeze Grant for 2013/14 and 2014/15. For now they simply assume that council tax would rise by the Referendum threshold of 2%, assumed year on year. They are for information, to highlight the potential scale of savings that the Council may face.

Government Funding Cash Reduction Scenarios: 2013/14 & 2014/15	2013/14 £000's	2014/15 £000's
	Savings Required	
2% then 0% (current MTFS)	75	763
5% then 1.5%	429	1,286
7.5% then 4%	725	1,850
10% then 6.5%	1,020	2,399
12.5% then 9%	1,316	2,934
15% then 11.5%	1,611	3,454

- 6.3 As a broad measure, every 1% change in Government funding amounts to around £118K in 2013/14, or around 1.4% in city council tax terms.
- 6.4 A 1% change in council tax amounts to around £84K.
- 6.5 Where recurring savings are made in 2013/14, these would also help achieve the savings targets shown for 2014/15 (and subsequent years).

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

- 7.1 As highlighted above, the Council's financial prospects could change significantly as a result of the Government funding settlement. In view of this position, Cabinet is advised once again to focus its attention on identifying and prioritising areas for making recurring savings and this links to the Corporate Priorities report elsewhere on the agenda. It is reiterated that without such an approach, Cabinet 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
- presenting an unaffordable and undeliverable medium term Corporate Plan to Council, leading to unmanageable expectations of stakeholders.

- 7.2 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 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

At present the reserve established to fund such schemes has provisionally been fully allocated against completing the Lancaster Market leasehold surrender. If this does not change, then there will be a need to address capacity for providing up front

funding for any new invest to save proposals. A report elsewhere on the agenda seeks direction regarding the adoption of an Energy Strategy and this is one potential area in which new schemes may be developed.

Income Generation

A report elsewhere on this agenda sets out proposals for a range of increases to fees and charges for a number of key service areas, and seeks views on any other potential areas.

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 sustainable balanced budgets for the medium term. Cabinet's direction is therefore sought on the areas in which it requires savings options to be developed, and this sits squarely with reviewing services in line with corporate priorities (elsewhere on the agenda).

8 GENERAL FUND CAPITAL PROGRAMME

- 8.1 The capital programme has been updated for slippage in a number of schemes, mainly resulting from the delay in the South Lancaster capital receipt, and a number of new Information and Communications Technology (ICT) schemes. Full details are contained within **Appendix B** but a summary is also provided below.

General Fund Programme	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Gross Programme	6,903	3,977	1,838	1,155	1,085	814	15,772
Financing:							
Grants & Contributions	1,444	1,224	1,229	909	943	743	6,492
Direct Revenue Financing	357	87	30	30	30	0	534
Reserves Financing	1,012	347	70	184	70	60	1,743
Capital Receipts Applied	618	9,413	0	0	0	0	10,031
Increase / (Reduction) in Underlying Borrowing Need	3,472	(7,094)	509	32	42	11	(3,028)
Total Funding	6,903	3,977	1,838	1,155	1,085	814	15,772
Shortfall	0	0	0	0	0	0	0

- 8.2 Points to note regarding investment include the following:

- The ICT capital schemes have been updated to take account of the latest system / equipment upgrade requirements, all of which have been financed from the renewals reserve and as such are not reliant upon capital receipts or unsupported borrowing.
- Several matched funding projects linked to the recent Lancaster and Morecambe Bay Project ERDF bid have also been reprofiled, but no associated growth has been included at this stage. The schemes are Morecambe TH12 (A View for Eric), Lancaster Square Routes and the Morecambe Area Action Plan. At the time of writing the report no announcement had been made as to whether the bid had been successful. Any updates will be provided at the meeting.
- Vehicle renewals of £209K have been included in the revised programme for this year and currently they are assumed to be financed from unsupported borrowing in

accordance with delegated authority given to the Head of Resources. As and when the value for money assessment of whether to lease or buy has been made, the programme will be amended accordingly.

- d. The results of the municipal buildings surveys will be reported to Cabinet in January and as such the current programme is still based on the original estimates.
- e. No updates have been included for the £1.9M Chatsworth Gardens project as this is subject to a report elsewhere on this agenda.
- f. In terms of future investment priorities, Cabinet has already identified two potential new investment areas for consideration, these being Heysham Mossgate and Morecambe Market. These have not been included in the latest programme.

8.3 Points to note regarding financing include the following:

- a. The programme has been updated provisionally to account for new capital receipts and slippage, and changes in the timing of projects, but these assumptions will change further over the next month. The programme has been provisionally balanced, taking into account the profiling changes in unsupported borrowing resulting from the above and allowing for an overall £663K reduction in underlying borrowing need. This is not a recommended position; it is simply for presentation and it will change.
- b. 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 £200K will be committed against next year.
- c. No other changes to the capital financing principles (as set out in the MTFS) are considered appropriate at this stage. The final outcomes for Luneside East and sale of land at South Lancaster are key issues.

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 still 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 In September, Cabinet adopted a HRA medium term financial strategy and rent policy that supported the future investment needs of the HRA housing stock, whilst enabling the Council to consider using HRA funding in a wider regeneration context.

9.2 At that meeting Cabinet approved a rent setting policy which capped rent increases at no more than 3% per annum. The actual rent level for 2013/14 is still to be determined and proposals will be put before Cabinet in January for approval.

- 9.3 As part of the current budget process both revenue and capital estimates have been updated and the latest draft position is as follows:

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Draft Housing Revenue Account				
+Overspend / (Saving)	+152	+42	+57	(457)

- 9.4 The latest projections show a net overspend of £152K in the current year which would need to be met from the HRA unallocated balance of £1.205M, if no further savings can be identified. For information, the current minimum level on this reserve is still £350K, but is still subject to a formal review by the Head of Resources.
- 9.5 The current rent estimates for 2013/14 onwards have been based on an increase of 3% which is the maximum agreed increase as referred to above. For information a 1% change in rent equates to £134K in 2013/14.
- 9.6 The HRA capital programme has been updated for the items previously referred to in the September Cabinet report and include:
- Provision for additional fire precaution works
 - Provision for remodelling of sheltered schemes
 - Provision for improvements to communal areas to flats.
 - Increase the boiler replacements
 - Renewable technologies
 - Increase the environmental budget.
- 9.7 Full details of the programme, together with a detailed review of provisions and reserves will be present to Cabinet in January. This will also include proposals for rent increases and the impact they have on reserves and investment opportunities.

10 TREASURY MANAGEMENT

- 10.1 In accordance with the CIPFA Code of Practice on Treasury Management Members are presented with regular monitoring reports on treasury activities. The report for the first half of the year is attached at **Appendix C** and provides Members with the latest position on Icelandic investments as well as investment and borrowing activities.

11 DETAILS OF CONSULTATION

- 11.1 Cabinet is requested to refer to the Corporate Priorities Review report elsewhere on the agenda.
- 11.2 Consultation will also be undertaken through the Budget and Performance Panel meeting in January, prior to Budget Council at the end of February.

12 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

- 12.1 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.

- 12.2 Cabinet is requested to note the treasury management update report and refer it onto Council. There are no options presented in this regard.

13 OFFICER PREFERRED OPTION AND COMMENTS

- 13.1 The Officer preferred options are reflected in the recommendations.

14 CONCLUSION

- 14.1 Once the Settlement has been received, the Council's financial outlook should become much clearer, although generally local authorities are expecting that further significant savings will need to be made in future years.

RELATIONSHIP TO POLICY FRAMEWORK The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.	
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.	
FINANCIAL IMPLICATIONS As set out in the report.	
SECTION 151 OFFICER'S COMMENTS The section 151 Officer (as Head of Resources) is responsible for this report and her comments and advice are reflected accordingly.	
LEGAL IMPLICATIONS Legal Services have been consulted and have no observations to make on the report.	
DEPUTY MONITORING OFFICER'S COMMENTS The Deputy Monitoring Officer has been consulted and has no further comments.	
BACKGROUND PAPERS None. Background information has previously been published as part of earlier committee reports.	Contact Officer: Nadine Muschamp Telephone: 01524 582117 E-mail: nmuschamp@lancaster.gov.uk

Page 68 APPENDIX A

GENERAL FUND VARIANCE ANALYSIS

	2012/13 Revised Compared to Current Budget		2013/14 Estimate Compared to Original Forecast	
	£	£	£	£
ORIGINAL BUDGET		20,190,000		20,655,000
EXPENDITURE				
Employee Savings				
Environmental Service	-84,400		-243,500	
Community Engagement	37,400		32,600	
Governance	3,600		12,600	
Health & Housing	0		30,500	
Office of Chief Executive	-118,300		-126,100	
Regeneration & Planning	-82,200		-72,400	
Resources	-43,800	-287,700	-38,800	-405,100
Transport Expenses				
Fuel	-23,800		-32,000	
Repair & Maintenance	-67,200		-67,700	
Vehicle Hire and Leasing Costs	-139,000	-230,000	-174,000	-273,700
Premises				
Energy costs	-66,700		-47,300	
Community Pool covers (offset by savings above)	21,000		0	
Williamson Park	-9,900		1,900	
City Lab - net of reserve	11,300		8,700	
Repair & Maintenance	-30,000		-30,300	
Rates	34,800	-39,500	32,400	-34,600
Supplies & Services				
Audit Fees	-24,200		-35,000	
Rate Relief	14,300		15,500	
Software licences / ICT Infrastructure	-72,800	-82,700	-22,800	-42,300
Net Benefit Payments		47,600		88,600
Net Borrowing Costs		-363,200		-320,800
INCOME				
Housing Benefits Overpayments	-50,000		-50,000	
Legal Costs Recovered (Revenues & Benefits)	-76,200		-78,100	
Building Control Fees	91,800		91,800	
Planning Application Fees	50,000		50,000	
General Rents	-56,200		-59,200	
Sales	10,900		-15,900	
Fees & Charges	17,200	-12,500	7,200	-54,200
Interest on Investments (Net of HRA allocation)		38,200		83,800
Other Net Service Variances		-41,000		-51,100
CORPORATE COSTS				
Capital Financing (Minimum Revenue Provision)		-92,600		352,700
Revenue Financing of Capital Programme		24,600		32,600
Finance Lease Costs		-10,200		-30,200
SPECIFIC BUDGET CHANGES NOT INCLUDED ABOVE:				
Highways Agreement		0		169,400
Cost Sharing : Waste Collection		0		103,400
ICT Exchange Licence (to ensure security standards compliance)		0		100,000
Lancaster Market (provisional)		114,000		-336,000
Storey Institute (provisional)		45,700		66,700
Delayed Spending:				
Consultancy - Heysham Gateway	-20,000		20,000	
Consultancy - Morecambe Area Action Plan	-32,100		32,100	
Consultancy - Morecambe BID Feasibility Study	-40,000	-92,100	40,000	92,100
TOTAL VARIANCES		-981,400		-458,700
LATEST BUDGET PROJECTIONS		19,208,600		20,196,300

GENERAL FUND CAPITAL PROGRAMME

APPENDIX B

Service / Scheme	2012/13			2013/14			2014/15			2015/16			2016/17			2017/18		
	Revised Gross Budget	External Funding Grants & Contributions	Net Programme	Revised Gross Budget	External Funding Grants & Contributions	Net Programme	Revised Gross Budget	External Funding Grants & Contributions	Net Programme	Revised Gross Budget	External Funding Grants & Contributions	Net Programme	Revised Gross Budget	External Funding Grants & Contributions	Net Programme	Revised Gross Budget	External Funding Grants & Contributions	Net Programme
Environmental Services	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Hala Park Playground Improvements	50,000	50,000																
Car Park Improvement Programme	80,000		80,000															
Clay Pitts Recreation / Play Facilities Development	92,000		92,000															
Priorsgate playground works	14,000	14,000																
Mainway Recycling Bins	4,000		4,000															
Toilet Works	90,000		90,000	60,000		60,000	90,000		90,000									
Allotment Extension - Scotforth	49,000		49,000															
Allotment Improvements (subject to expenditure plan)	47,000		47,000															
Vehicle Renewals	209,000		209,000															
Community Engagement																		
The Platform Improvements (subject to business case)	110,000		110,000															
Warm Homes Scheme	50,000		50,000															
Williamson Park - Woodland Improvement Grant	23,000		23,000															
Williamson Park - Steps	183,000		183,000															
Williamson Park - Other renewal and enhancement	75,000		75,000															
Salt Ayre Sports Centre - Swimming Pools Hydraulic Floors	45,000		45,000															
Salt Ayre Works Programme	74,000		74,000															
Health and Housing																		
YMCA Places of Change	52,000	52,000		653,000	653,000	653,000	653,000		653,000				653,000	653,000		653,000		
Disabled Facilities Grants (future years funding to be confirmed)	802,000	802,000																
Regeneration and Planning																		
Toucan Crossing - King Street	13,000		13,000															
Artle Beck Improvements (Flood Defences)	91,000	91,000																
Strategic Monitoring (River & Sea Defences)	98,000	90,000	8,000	101,000	90,000	11,000	101,000	90,000	11,000	101,000	90,000	11,000	101,000	90,000	11,000	101,000	90,000	11,000
Wave Reflection Wall Refurbishment	41,000	39,000	2,000	10,000	10,000	10,000	20,000		20,000									
Slynedale Culvert Project	11,000	8,000	3,000	20,000	20,000		359,000	353,000	6,000									
Amenity Improvements	36,000	3,000	33,000															
Luneside East	128,000		128,000															
Bold Street Renovation Scheme	262,000	54,000	208,000	75,000		75,000	271,000		271,000									
Lancaster Square Routes (Phases 1 and 2)																		
Frances Passage (links to Square Routes)	7,000	7,000																
Morecambe TH12: A View for Eric	17,000	13,000	4,000	446,000	334,000	112,000	174,000	133,000	41,000	217,000	166,000	51,000	261,000	200,000	61,000			
Poulton Pedestrian Route				160,000	127,000	33,000												
Public Realm Works	13,000		13,000															
Greyhound Bridge Road Affordable Housing	250,000		250,000															
Storey Institute Centre for Industries	13,000	13,000		100,000		100,000	100,000		100,000									
Morecambe Area Action Plan (Improving Streets)				328,000		328,000												
Port of Heysham Sites 1&4 (Payment of Clawback)																		
West End Temporary Car Park	19,000		19,000															
Resources																		
I.T. Infrastructure																		
I.T. Application Systems Renewal	265,000		265,000	277,000	277,000	277,000	10,000		10,000	100,000		100,000	10,000		10,000			
I.T. Desktop Equipment	74,000		74,000	60,000	60,000	60,000	60,000		60,000	84,000		84,000	60,000		60,000	60,000		60,000
Invest to Save: Solar Panels to Municipal Buildings			20,000															
Lancaster Indoor Market	1,155,000		1,155,000															
5 Cheapside			49,000															
Lancaster Bus station	35,000	35,000																
Corporate Property Renewal and Enhancement Programme	2,257,000		2,257,000	1,687,000		1,687,000												
GENERAL FUND CAPITAL PROGRAMME	6,903,000	1,294,000	5,609,000	3,977,000	1,224,000	2,753,000	1,838,000	1,229,000	609,000	1,155,000	909,000	246,000	1,085,000	943,000	142,000	814,000	743,000	71,000
Financing :																		
Specific Grants and Contributions	1,294,000		1,224,000				1,229,000			909,000			943,000			743,000		
General Capital Grants	150,000			87,000			30,000			30,000			30,000			30,000		
Revenue Financing	357,000			9,413,000			70,000			184,000			70,000			60,000		
Reserves Financing	1,012,000			11,071,000			1,329,000			1,123,000			1,043,000			803,000		
Usable Capital Receipts	618,000																	
	3,431,000																	
Increase / Reduction (-) in Capital Financing Requirement (CFR)	3,472,000			-7,094,000			509,000			32,000			42,000			11,000		
(Underlying Change in Borrowing Need)																		
TOTAL FINANCING	6,903,000			3,977,000			1,838,000			1,155,000			1,085,000			814,000		

BUDGET AND PERFORMANCE PANEL

Work Programme Report

11 December 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 updated work programme 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 Upcoming Items

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

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS 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
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 Quarter 3 Corporate Performance and Financial Monitoring, including Treasury Management	Assistant Head of Community Engagement (Partnerships) and Financial Services Manager	5 March 2013
Treasury Management Strategy 2013/14	Financial Services Manager	5 March 2013
Customer Comments, Compliments and Complaints Policy and Guidance	Head of Environmental Services	5 March 2013
Empty Houses, Voids, and why Properties are in need of Repair	Head of Environmental Services	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
Section 106 Monies, regarding the introduction of new legislation, particularly the Community Infrastructure Levy (CIL)	Head of Regeneration and Planning	TBC
How the current economic climate and changes to planning legislation has	Head of Regeneration and Planning	TBC

affected revenue coming into the Council		
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)	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 Performance and Financial Monitoring, including Treasury Management	5 March 2013

Briefing Notes

Matter for consideration	Date Circulated	Officer responsible
Lettings of Council Buildings		Head of Resources