



Committee: BUDGET AND PERFORMANCE PANEL

Date: TUESDAY, 25 SEPTEMBER 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 17 July 2012 (previously circulated).

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. **Storey Creative Industries Centre** (Pages 1 - 6)

Report of the Chief Executive and Head of Resources.

6. **Salt Ayre Sports Centre** (Pages 7 - 11)

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

7. **Work Programme Report** (Pages 12 - 25)

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 17 September 2012.

BUDGET AND PERFORMANCE PANEL**STOREY CREATIVE INDUSTRIES CENTRE
25 September 2012****Report of the Chief Executive and Head of Resources****PURPOSE OF REPORT**

To respond to questions raised by Councillor Mace at the 17 July 2012 meeting.

This report is public.

**RECOMMENDATIONS OF THE CHIEF EXECUTIVE AND THE HEAD OF
RESOURCES**

(1) That the report be noted.

1.0 Introduction

1.1 At its meeting on the 17 July 2012, the Panel was requested to consider a number of questions from Councillor Mace regarding the Storey Creative Industries Centre (SCIC). It was agreed that a report be requested to be submitted to the Panel in relation to these questions.

1.2 Councillor Mace has submitted five questions: question numbers 1-3 have been answered by the Chief Executive and question numbers 4 and 5 by the Head of Resources.

2.0 Questions

2.1 The questions answered by the Chief Executive are set out below:

Q 1: Has any contact taken place between representatives from sub-tenants of the building and the City Council as ultimate landlord (owner of the building)?

A 1: A meeting took place with the tenants of the building on Wednesday, 11 July. The purpose of the meeting was to gather information from the tenants in terms of the detail of their leases with SCIC Limited. At the time the meeting was organised, the Council was planning to have a smooth transition from SCIC Limited to the Council. However, by the day of the meeting it was necessary to update tenants that as a result of the call in, the Council was yet to resolve its position.

A second meeting took place with tenants on Friday, 17 August, following SCIC Limited ceasing trading on 15 August. This was to share information on the current position, particularly the interim arrangements put in hand by

the sub-tenants to keep the building open. Sub-tenants were keen to know the Council's future plans for the building, pending the outcome of the liquidation process. It was necessary to explain to tenants the Council's position in advance of Council reaching a decision on its intentions for the Storey Institute, which would not be made before the 12 September.

A further meeting with tenants was held on 05 September. This was arranged to outline the Council report and highlight the opportunity for sub-tenants to make statements to Council, as well as share the limited information available regarding the liquidation and any updates on the interim arrangements.

There have been various email communications in response to the Council report.

Further meetings and updates will now be held with tenants in view of Council's decision.

Q 2: Did the City Council pay the insurance bills and a utility bill for SCIC in mid 2011 and if so, why and on what authority? Why did the City Council not take further action to protect its interests at that time?

A 2: The insurance bills are always paid by the Council as it is the policyholder. The policy covers all relevant council buildings for the full year - there isn't a separately policy or bill for each building. For 2011, the Council then recharged the apportioned insurance costs in the normal way, by raising an invoice to the company. Insurance arrangements are the responsibility of the Head of Resources. Recharging arrangements back in 2011 were the responsibility of the Head of Property Services (who now form part of Resources).

With regard to energy, the Storey was always included on the Council's energy contract; this had allowed the company (and, therefore, the sub-tenants) access to cheaper energy rates. The company had paid the energy bills for the building directly, but when the company experienced cashflow difficulties, it entered into a payment plan with its provider. To protect the Council's interests, the building was removed from the Council's contract at the beginning of November. The company could not keep up its repayment plan. Such energy arrangements were the responsibility of the Head of Property Services (again, they now form part of Resources).

The total £38,000 owing to the City Council in respect of insurance and energy was considered and incorporated into the loan agreement. In effect, £12,900 was deducted from the £90,000 loan, resulting in a cash advance of £77,100. The remaining £25,100 owing was consolidated into the loan agreement, repayable over three years with interest.

Q 3: Why was the decision taken in December 2011 to grant the loan to the company without democratic accountability? [Opening it up to scrutiny could have saved at least four more months of losses and inaction.]

A 3: The decision was taken with democratic accountability and in accordance with the City Council's Constitution. The decision was taken in consultation

with the Leader of the Council and the Cabinet Portfolio Holder. (In fact, the Leader took the unusual step of discussing the matter informally with Cabinet Members in advance of taking the decision.) The urgent decision was then considered in terms of waiving the call-in by the Chairman of the Overview and Scrutiny Committee and subsequently the urgent decision was reported to Full Council in the Leader's report. It is not correct to say that waiving the call-in led to loss of savings or inaction. The decision preserved the continued running of the building and the costs/risks of making the loan were considered alongside the greater cost/risks of VAT and clawback.

2.2 The questions answered by the Head of Resources are set out below.

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

A 4: The loan was agreed in full in December 2011. Delegated authority was given to agree terms and conditions.

Extensive queries and reviews were undertaken with evidence being sought on the company's position, from a cross-service perspective (Finance, Property, Legal, Regeneration, and to a lesser extent Community Engagement). The implications of not granting the loan were also assessed as far as possible, in particular VAT and clawback. The VAT risks were estimated at around £230K per year, based on the building's VAT status at that time.

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

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

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

Conclusion

There is an opportunity for the Council to prevent SCIC Ltd failing in at least the short to medium term by providing it financial assistance by way of a loan

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

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

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

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

- *“Although [overall] forecast expenditure for 2011/12 is less than that outturned at 2010/11, this seems ok as the previous year included some one-off grant funded expenditure as verified by SCIC’s draft accounts for this period.*
- *It has been queried whether it is prudent to reduce heat, light and power costs in future years compared to 2010/11 outturn, however SCIC believe they are currently being overcharged for their gas supply and are in dispute with [their provider]....”*

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

N/A

LEGAL IMPLICATIONS

None directly arising as a result of this report.

FINANCIAL IMPLICATIONS

None directly arising as a result of this report.

OTHER RESOURCE IMPLICATIONS

Human Resources:

None arising directly as a result of this report.

Information Services:

None arising directly as a result of this report.

Property:

None arising directly as a result of this report.

Open Spaces:

None arising directly as a result of this report.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer (as Head of Resources) as contributed to this report.

DEPUTY MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has been consulted and has no observations to make on the contents of this report.

BACKGROUND PAPERS

Urgent Business Report 20 December 2011
(Exempt from publication)

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Ref: CE/ES/Committees/B&PP/25.09.12

APPENDIX A

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

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

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

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

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

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

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

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

BUDGET AND PERFORMANCE PANEL**Salt Ayre Sports Centre
25 September 2012****Report of Financial Services Manager and Assistant
Head of Community Engagement (Wellbeing)****PURPOSE OF REPORT**

To update Members with regard to the detailed income and expenditure and allocation of overheads at Salt Ayre Sports Centre.

This report is public

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

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

1.0 Introduction

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

“A more detailed report on the finances of the sports centre be requested including income and expenditure for the last year.....”

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

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

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

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

2.0 2011/12 Financial Performance – Salt Ayre Sports Centre

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

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

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

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

3.0 Income and Expenditure

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

Employees

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

Premises

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

Transport

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

Supplies and Services

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

Support Services

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

Income

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

4.0 Cost Allocations

- 4.1 The first table in Appendix A shows the current outturn position for 2011/12 for each of the activities at the centre. However, as can be seen, the majority of the costs (£1.476M) are all contained within the management and administration account. This is because it is not possible to directly charge these costs to specific areas as they cover a range of activities. For example, heating and lighting will cover the whole centre.
- 4.2 That being said, this does create a distorted picture if you are trying to assess performance on an activity by activity basis. For example, table 1 shows that swimming generated a surplus of £227,131 last year. However, this does not include any premises costs for heating, lighting and water, pool attendants or other general management costs as they're all contained in the management and administration account.
- 4.3 In order to rectify this position, officers from within Community Engagement and Finance have worked together to determine suitable methods for allocating the management and administration costs across the range of activities provided by the centre.
- 4.4 Clearly this is a subjective process and will always need to be undertaken with a view to balancing the detail behind the allocations with the benefit derived from such a process.
- 4.5 The three main drivers chosen for allocating costs were as follows:
 - Employees - percentage allocation
 - Planned and reactive repair & maintenance - based on previous years spend
 - All other costs - based on area (m²)

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

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

5.0 Conclusion

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

<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p> <p>None arising from this report</p>	
<p>LEGAL IMPLICATIONS</p> <p>None arising from this report</p>	
<p>FINANCIAL IMPLICATIONS</p> <p>None directly arising from the report.</p>	
<p>OTHER RESOURCE IMPLICATIONS</p> <p>Human Resources / Information Services / Property / Open Spaces:</p> <p>None arising from this report</p>	
<p>SECTION 151 OFFICER'S COMMENTS</p> <p>This report provides an update on progress, although there is still significant work to do to appraise fully the cost base for Salt Ayre, to inform future pricing policy.</p>	
<p>MONITORING OFFICER'S COMMENTS</p> <p>In the absence of the Monitoring Officer the Deputy Monitoring Officer has been consulted and has no comments to make on this report.</p>	
<p>BACKGROUND PAPERS</p>	<p>Contact Officer: Andrew Clarke, Financial Services Manager Telephone: 01524 582138 E-mail: ac Clarke@lancaster.gov.uk</p>

BUDGET AND PERFORMANCE PANEL**Work Programme Report****25 September 2012****Report of Head of Governance****PURPOSE OF REPORT**

To update members regarding the panel's work programme.

This report is public

RECOMMENDATIONS

- (1) **That members note the items to be carried forward for consideration at future meetings, as detailed in Appendix A to the report.**
- (2) **That members consider whether they would like to include any further items in the work programme.**

1.0 Introduction

- 1.1 This report provides members with recommendations for inclusion in the panel's work programme and advises of possible upcoming items for consideration and work in progress.
- 1.2 The Budget and Performance Panel is responsible for setting its own annual work programme within the terms of reference, as set out in Part 3, Section 13 of the Constitution.

2.0 Report

- 2.1 Partnerships (including the shared Revenues and Benefits Service with Preston City Council)

At its meeting on 12 June 2012 the panel resolved that the monitoring of partnerships including the Revenues and Benefits Service with Preston City Council be included in its work programme.

This issue has now been included in on the panel's work programme for its meeting on 23 October 2012, and will be a joint report of the Head of Community Engagement and the Head of Resources.

- 2.2 Storey Creative Industries Centre

At its meeting on 17 July 2012 the panel requested that a report be included on its work programme regarding the Storey Creative Industries Centre. The panel also agreed a list of questions which they wished to be considered by officers when producing the report. The future of the storey has recently been

considered at Council. However, a further report answering the specific questions asked has been included in the panel's work programme for consideration on 25 September 2012.

2.3 Reducing Sickness Absence

At its meeting on 12 June 2012 the panel requested that reducing sickness absence be kept under regular review, with reports being provided to the panel to coincide with performance monitoring reports. An update on the issue will be incorporated in the quarter one performance monitoring report which is included in the panel's work programme for its meeting on 23 October 2012.

2.4 Damage to Council Houses by Tenants and the Implications for the Council

At its meeting on 12 June 2012 the panel requested a briefing note relating to Damage to Council Houses by Tenants and the Implications for the Council. The Head of Environmental Services and the Head of Health and Housing have requested that the panel provide more information before a briefing note is produced.

At its meeting on 17 July 2012 the panel agreed a list of questions which they wished to be considered by officers when preparing the briefing note. This briefing note has been circulated to members and is attached to this report at Appendix B.

2.5 Upcoming Items

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

2.6 Briefing Notes

As referred to at 2.4 a briefing note regarding Damage to Council Houses by Tenants and the implications for the Council is attached to this report at Appendix B (circulated 4 September 2012).

At its meeting on 12 June 2012 the panel requested briefing notes regarding Building Control and Section 106 Monies. These notes were circulated to members on 16 August 2012, and are attached to this report at Appendix C and D. Members also requested a briefing note regarding Community Infrastructure Levy (CIL), which will be circulated to members when available.

At its meeting on 17 July 2012 the panel requested briefing notes regarding the following issues:

- **The use of tracking devices fitted in the council's vehicle fleet to generate efficiencies.**
- **That clarification of the need for a mobile phone compatible website at a cost of £6,000 be requested.**

These notes have been requested and will be circulated to members when available. Should members wish to discuss the briefing notes further the notes can be included as an agenda item for consideration at a future meeting of the panel.

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.

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Appendix A

BUDGET & PERFORMANCE PANEL WORK PROGRAMME
2012/13

Matter for consideration	Officer responsible / External	Date of meeting
Partnerships (including the shared Revenues and Benefits Service with Preston City Council)	Assistant Head of Community Engagement (Partnerships) and Head of Resources	23 October 2012
Quarter 1 Corporate Performance Monitoring Report (including Reducing Sickness Absence)	Assistant Head of Community Engagement (Partnerships) and Head of Governance	23 October 2012
Service Level Agreements – Update on the new commissioning process	Assistant Head of Community Engagement (Partnerships)	11 December 2012
Lancaster City Council Leader's Presentation on the Budget and Policy Framework Proposals	Leader of the Council	29 January 2013 (Venue – Morecambe Town Hall)
Lancashire County Council's Director of Resources – Budget and Capital Investment Strategy Budget and Policy Framework Proposals.	External	29 January 2013 (Venue – Morecambe Town Hall)
2012/13 Qtr3 Corporate Financial Monitoring, including Treasury Management	Accountancy Services Manager	5 March 2013
Treasury Management Strategy 2013/14	Accountancy Services Manager	5 March 2013
Second Homes Funding	Assistant Head of Community Engagement (Partnerships)	To be monitored via Cabinet reports
Update Building Control Service Area	Head of Regeneration and Planning	TBC
Budget Overspends/Variations	As required	As required

Invitations to Cabinet Members

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

Briefing Notes

Matter for consideration	Date Circulated	Officer responsible	Date of meeting (if required)
Empty Houses, Voids, and why Properties are in need of Repair		Head of Environmental Services	
Damage to Council Houses by Tenants and the Implications for the Council	4 September 2012	Head of Environmental Services and Head of Health and Housing Services	
Building Control	16 August 2012	Head of Regeneration and Planning	
Section 106 Monies	16 August 2012	Head of Regeneration and Planning	
Community Infrastructure Levy (CIL)		Head of Regeneration and Planning	

Appendix B

Briefing Note

To:	Budget and Performance Panel
From:	Head of Health and Housing Services & Head of Environmental Services
Date Requested:	17 July 2012
Date Circulated:	4 September 2012
Subject:	Damage to Council Houses and the State Some Homes are Left in by Some Residents

Questions From Budget and Performance Panel 17 July 2012.

- **What are the terms, conditions and legal obligations on the tenant's agreement? Do we have a policy on responsible ownership?**

The council's tenancy agreement covers all aspects of a tenancy including rent and other charges, repairs and improvements, community responsibilities, using your home, tenant involvement, moving house, and ending your tenancy. The tenancy agreement was reviewed in 2008.

The tenancy agreement is comprehensive and sets out the tenants responsibilities and promotes "responsible ownership".

The council also has an anti-social behaviour policy which also covers unintentional damage to property, and other aspects of behaviour of tenants, their household and their visitors.

- **Can it be subject to changes if our policy need to be reviewed?**

The tenancy agreement can be reviewed and is subject to a statutory process of consultation.

The anti-social behaviour policy is currently under review.

- **How quickly do we check a home if we get complaints from a neighbour, for example overgrown gardens & run down state of the property?**

Our standards in response to individual reports are:

- Every report will be quickly and formally acknowledged
- Every report will be investigated by the tenancy and estate management team
- Investigations will seek to identify and interview all interested parties
- Investigations will start at the earliest possible time after receipt of the complaint and be conducted with all reasonable speed
- We will not pre judge any complaint – decisions and actions will be based on facts
- Every report will be graded to assist in prioritising our initial response

The Estate Manager will normally make contact with a complainant within 5 working days and will agree an action plan.

- **Do we call in on the day the tenants vacate the property to check that it is not trashed and left in a desperate state?**

We do not call in on the day a tenant vacates a property but we aim to undertake a pre-vacation visit during the period of notice.

The purpose is to enable the Inspector to carry out a full inspection of the property noting the time scale for carrying out repairs, repairs which will be rechargeable to the outgoing tenant and the decoration of the property prior to the tenant leaving; this is supplemented by a full inspection once the keys have been received and the property is fully empty.

In addition the estate manager also visits to reinforce the requirements of what the tenant needs to do when moving out.

- **The tenant hands in the keys on leaving at the Council office? Is this best practice!**

The current arrangements regarding the handing of keys in are inline with “best practice”. The council regularly reviews its processes in relation to empty (void) property management looking at the practices of other social landlords, and developments in the managing of voids. A further joint review of the void management process is being undertaken by the Health and Housing Services and Environmental Services who share the responsibility for ensure effective management of the overall process.

- **What is the turn around in Council housing?**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Number of properties relet	322	351	345	352	423	294	323

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Average relet times (cal. days)	35	38.3	32.2	41.89	37.8	38.31	49.9

- **Has the housing department ever considered checking and collecting the keys from the tenant’s home on the day they leave?**

This has been considered in the past but had not been found to be practical nor cost effective. Health and Housing Services and Environmental Services are looking at all aspect of the process as part of the current review

- **We reward council tenant’s £75 cash if they leave the house in good condition. How much do we spend on this incentive per year? Given that money is tight, should we continue this scheme?**

The scheme we have adopted is an example best practice and is a common measure within the social housing sector. Current take up is low and over the last three years only a total of £750 has been paid out. Given the low take up, the financial impact is negligible, and consideration is being given to increase the incentive as part of the current review of void management.

- **Should the tenant not have a duty of care to the property?**

All tenants have responsibilities through a legal implied obligation to use a property in a tenant like manner. In theory damages are recoverable against a tenant who is in breach terms within the tenancy conditions either expressed or implied. Whether this is an appropriate remedy in practice will depends on the facts of each case and in particular on the financial means of the tenant. Where a tenant is without means there is no point in pursuing him or her for damages.

- **How much do we spend on refurbishing trashed up homes per year in our district?**

It is not possible to provide the spend for refurbishing “Trashed up homes” but the overall costs of bring void properties back up to the council’s lettable standard can be provided together with the level of charges made to ex-tenants for the proportion of repairs that are “not deemed fair wear and tear”. The costs related to repair that are “not deemed fair wear and tear” have fallen over the last two years and appear to be continuing to reduce.

	2010-11	2011-12	2012-13
No voids	312	347	82
Total Cost of Void Repairs	£379,184.00	£397,817.00	£68,716.00
Average Cost of Void Repairs	£1,215.33	£1,146.45	£838.00

Of which:

Void Repairs Recharged	£77,812.00	£57,071.00	£2,392.00
Average recharge	£249.40	£164.47	£29.17
Percentage of recharge	20.52%	14.35%	3.48%

- **Why is it difficult to trace a tenant when they leave Lancaster for non payment and also trashing homes?**

The majority of tenants leaving with debts are traced. The council uses “Experian” and this is a very effective tool for tracing past tenants as part of the debt recovery processes.

Appendix C

Briefing Note

To:	Budget and Performance Panel
From:	Head of Regeneration and Planning
Date Requested:	12 June 2012
Date Circulated:	16 August 2012
Subject:	Building Control

BACKGROUND

In my previous briefing note to you dated March 2012, I reported on the background of the Building Control service which had, at that time, led to a projected £75k trading account deficit for 2011/12 and projected cumulative trading deficit totalling £292.6k at 31st March 2012.

It was therefore felt that the time was right to consider alternative options for delivering a much smaller building control operation in partnership with other parties. The options outlined were as follows:

- Partnership with South Lakeland District Council
- Partnership with Capital/Urban Vision (Salford City Council)
- A joint venture with the two options above
- Complete outsourcing to a local private sector operator

Whilst exploratory discussions have been held with some of the parties, no conclusions have yet been reached.

CURRENT POSITION

Discussions with South Lakeland District Council have revealed that they too are considering a shared service with Capital/Urban Vision and officers are awaiting the opportunity to have further talks with South Lakeland DC about their timetable.

The business position for the Council's current operation has stabilised, with fee income slightly increased at this point in the financial year, compared to the same point last year.

Service managers are currently diverted on other tasks but hope to re-engage with this issue later in the year.

Appendix D

Briefing Note

To:	Budget and Performance Panel
From:	Head of Regeneration and Planning
Date Requested:	17 July 2012
Date Circulated:	16 August 2012
Subject:	Section 106 Monies

INTRODUCTION TO S106 AGREEMENTS

Section 106 (S106) of the Town and Country Planning Act 1990 allows a local planning authority (LPA) to enter into a legally-binding agreement or planning obligation with a landowner in association with the granting of planning permission. The obligation is termed a Section 106 Agreement.

These agreements are a way of delivering or addressing matters that are necessary to make a development acceptable in planning terms that cannot be secured through planning conditions. They have been increasingly used to support the provision of services and infrastructure, such as highways, recreational facilities, education, health and affordable housing.

The use of planning obligations has more recently been subject to additional control through Community Infrastructure Levy Regulations 2010 introduced on 6 April of that year. Furthermore, whilst Local Authorities are not compelled to adopt CIL, from 6 April 2014 they will be further limited by CIL Regulation 123 from using planning obligations to leverage general contributions from new development for community infrastructure. Nevertheless, Section 106 may continue to be used for affordable housing and for anything required to make developments acceptable in planning terms.

The Council has commissioned consultants GVA and Aecom to undertake economic viability testing and determine the borough's future infrastructure needs. This will enable the Council to make an informed decision as to whether to adopt CIL. Irrespective of whether the Council adopts CIL, planning obligations will continue to play a role in mitigating the impacts of development, as CIL can only be adopted if it is economically viable.

Whereas CIL is a non-negotiable charge on development, S106 planning obligations are subject to negotiation based upon an assessment of the impacts of development. It is important to note that not all planning obligations involve monetary contributions. Some agreements are entered into purely to secure appropriate control over developments, (such as caravan and holiday accommodation or agricultural worker dwellings). Furthermore, whilst collected CIL monies are not linked directly to the impacts of development and consequently may be spent on unrelated infrastructure projects; monies collected through S106 planning obligations are linked directly to the impacts of development s and must be used strictly in accordance with the terms of the agreements entered into.

It is also a requirement of many s106 obligations that unspent monies should be refunded. Refund clauses typically give local planning authorities 5 years from date of receipt to spend contributions for the purposes for which they were collected. A recent example of

this related to an under spend of collected monies by Lancashire County Council on road improvements relating to development at Ocean Edge Caravan Park at Heysham.

The Council has more recently used a form of planning obligation called a Unilateral Undertaking (UU) to secure contributions from small residential developments which are designed to grow funds to contribute to the delivery of affordable housing in the Borough. These UUs are not subject to repayment clauses.

SECTION 106 MONIES – POSITION AS AT 31ST MARCH 2012

For the financial year 2011/12 a balance of £1,786,378.00 was held as at 31st March 2012. Total spend since 2007 was £662,250.00 on total receipts of £2,437,809.00 between 2007 and March 2012.

A breakdown of S106 income received since 2007 together with subsequent expenditure is set out below:

PROPOSED USE	SUM (£)	YEAR RECEIVED	SPEND	BALANCE
CAPITAL				
Poulton Pedestrian Route	127,000	2007	0	127,000
Ffrances Passage	72,824	2011	66,375	6,449

Sub total	199,824		66,375	133,449

REVENUE RESERVE				
Historic Building Grants	153,000	2007	153,000	0
	30,000	2007	27,036	2,964
Moneyclose Lane Highway Imps	25,000	2008	14,181	10,819
Highway Imps White Lund	76,292	2009	76,292	0
PROPOSED USE				
Landscape Imps Canal side	20,000	2009	0	20,000
Westgate Highway Imps	44,259	2009	44,259	0
	24,741	2010	24,741	0
	8,379	2010	0	8,379
Toucan Crossing King Street	60,000	2010	57,214	2,786
Cyclepath Spring Garden St	10,000	2010	0	10,000

Conservation Area Imps	25,000	2011	0	25,000
20mph zone, Chapel Street, Galgate	2,000	2010	0	2,000
Foot/cyclepath to Greenway	55,000	2010	0	55,000
Traffic Calming £50,000 Bulington/Lathom	50,000	2010	0	50,000
MUGA & Footpath To Charles/Hope St	140,000	2010	48,333	91,667
Tree planting Contribution	43,257	2012	0	43,257
Bus service, Cyclepaths & 20mph limits	500,000	2012	0	500,000
Sub total	1,291,903		445,056	846,847

AFFORDABLE HOUSING RESERVE

Affordable Housing & ETIS	£390,390 £390,390	2009 2010	0 0	£390,390 £390,390
Affordable Housing	£140,000	2009	£140,000	0
Affordable Housing	£1,808	2011	0	£1,808
Affordable Housing	£3,853	2011	0	£3,853
PROPOSED USE	SUM	YEAR RECEIVED	SPEND	BALANCE
Affordable Housing	£4,036	2011	0	£4,036
Affordable Housing	£2,952	2012	0	£2,952
Affordable Housing	£5,106	2012	0	£5,106
Affordable Housing	£1,064	2012	0	£1,064
Affordable Housing	£6,483	2012	0	£6,483
Sub Total	£946,082		£140,000	£806,082
TOTAL	£2,437,809		£651,431	£1,786,378

COMMUTED SUMS FOR GROUNDS MAINTENANCE

In addition to the above, the Council receive commuted sums specifically for grounds maintenance works which is administered by Environmental Services. A detailed breakdown of income and expenditure is shown on the attached spreadsheet.

ANDREW DOBSON
HEAD OF REGENERATION & PLANNING SERVICE
August 2012