



**Committee: CABINET**

**Date: TUESDAY, 3 SEPTEMBER 2013**

**Venue: MORECAMBE TOWN HALL**

**Time: 10.00 A.M.**

## A G E N D A

1. **Apologies**

2. **Minutes**

To receive as a correct record the minutes of Cabinet held on Tuesday, 23 July 2013 (previously circulated).

3. **Items of Urgent Business Authorised by the Leader**

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

4. **Declarations of Interest**

To 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. **Public Speaking**

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

Reports from Overview and Scrutiny

None

Reports

6. **Air Quality Grant Bid (Pages 1 - 22)**

**(Cabinet Member with Special Responsibility Councillor Hamilton-Cox)**

Report of Chief Officer (Health & Housing)

7. **Budget and Planning Process 2014/15 (Pages 23 - 32)**

**(Cabinet Members with Special Responsibility Councillors Blamire and Bryning)**

Report of the Chief Executive

8. **Corporate Performance Monitoring 2013/14 (Pages 33 - 78)**

**(Cabinet Member with Special Responsibility Councillor Blamire)**

Report of Chief Officer (Governance) and Chief Officer (Resources)

**ADMINISTRATIVE ARRANGEMENTS**

**(i) Membership**

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

**(ii) Queries regarding this Agenda**

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

**(iii) Apologies**

Please contact Members' Secretary, telephone 582170, or alternatively email [memberservices@lancaster.gov.uk](mailto:memberservices@lancaster.gov.uk).

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

Published on Thursday, 22 August, 2013.

**CABINET**

**Air Quality Grant Bid  
Cabinet 3<sup>rd</sup> September 2013**

**Report of Chief Officer (Health and Housing)**

<b>PURPOSE OF REPORT</b>			
To approve submission of the air quality grant bid to DEFRA			
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>	<b>Referral from Cabinet Member</b>
<b>Date of notice of forthcoming key decision</b>		5 August 2013	
<b>This report is public</b>			

**RECOMMENDATIONS OF COUNCILLOR HAMILTON-COX**

- (1) That retrospective approval be given to the submission of the Air Quality grant bid outlined in this report and attached as an appendix.
- (2) That Cabinet notes the commitment required to deliver this initiative over a two year period expected to commence around January 2014.
- (3) That the Council agrees to accept the grant offer and become the Accountable Body for the funding should the bid be successful.
- (4) That the Chief Officer (Resources) be given delegated authority to update the General Fund Revenue Budget should the bid be successful, subject to there being a nil impact on the Council's resources.

**1 Introduction**

- 1.1 Every year the Government department DEFRA invites applications for grants to support eligible capital expenditure by local authorities on their air quality management duties under the Environment Act 1995, Part 4 'Local Air Quality Management'. The council is an eligible local authority because, like some other councils in Lancashire, we have formally declared Air Quality Management Areas. Bids may be submitted individually or in partnership with other eligible authorities.
- 1.2 Defra wrote to councils on 23 May this year announcing the invitation of bids and providing a set of criteria for potentially successful bids. Reflecting the transfer into local government of Public Health services, the selection criteria this year include projects to improve air quality through influencing behaviour and/or raising awareness to support public health objectives. Applicants are expected to develop such projects in partnership with local Directors of Public Health.
- 1.3 The deadline for receipt of completed bids was 28 June and for this reason it

was necessary to submit our bid pending formal approval.

## **2 Proposal Details**

2.1 The DEFRA grant screening criteria are positively reflected in our existing proposals for improving local air quality. The criteria also provided a good opportunity to develop working relationships with new colleagues in the Public Health service at Lancashire County Council. Our Air Quality Officer's initial discussions with county council colleagues found strong support and good scope for a joint grant bid focussed on improving air quality through the public health 'Large Scale Change' method. A Lancashire-wide approach and greater resources in addition to work already planned at a district level can do much to promote awareness, encouragement and momentum for people to adopt less polluting travel behaviours in the Lancaster district and beyond.

Lancaster City Council is leading this bid because of it's:

- unique (for Lancashire) advantage of a draft Local Air Quality Strategy
- biggest air quality management area and most challenging percentage reductions in measured air pollution concentrations required in Lancaster city centre, making the bid in our interests in particular, and
- highly experienced and capable Air Quality Officer exploring better ways of meeting community needs and fulfilling our statutory duties on Local Air Quality Management

Without this council's lead the bid would not have been developed in time.

2.2 If our grant bid is successful the coordination and delivery of project work proposed in this bid will fall to Lancashire County Council's Public Health service. Implications for Lancaster City Council are not expected to be overly onerous therefore and will involve (1) passporting successful grant funding to the county council, and (2) carrying out the same quantity of air quality improvement activities already planned using our existing staffing resources under existing statutory duty. Any additional responsibilities falling upon the City Council associated with its role as Accountable Body can be absorbed within existing resources.

2.3 A grant bid was prepared collaboratively with positive support from councils across Lancashire. The project aims to reduce air pollution emissions and help achieve national air quality objectives in ways that:

- better understand the benefits and conflicts arising from policies, plans and actions and present them in a format to influence and assist decision makers
- provide a lasting structure for ongoing participation, consensus building and overseeing of air quality matters
- ensure clarity is provided as to what is intended from plans and policies (new or existing) and for roles and responsibilities of all stakeholders to be understood and accepted
- engage communities, businesses, local authorities and employers to understand the issues regarding air pollution and work collaboratively to reduce air pollution for the benefit of the Lancashire community.

If the bid is successful there will be a modest task inside every district to support the 'large scale change' public health methodology. This council is already planning to implement the Local Air Quality Strategy and has an established staffing commitment which serves as match funding without any

new revenue implications. With this staffing capacity we can strongly influence project design and planning on behalf of district councils.

- 2.4 The total amount of the bid against Defra's £1million grant fund for 2013-14 is £146,000 to be spent over a two year period, expected to commence around January 2014, subject to when DEFRA makes its announcement of successful funding bids. This would be matched by existing staffing resources from the participating local councils and in our own case this contribution is already part of the Air Quality Officer's duties.

### 3 Details of Consultation

- 3.1 During preparation of the grant bid there was extensive collaboration with Public Health specialists at Lancashire County Council. Through them, the proposed bid was raised at a Lancashire Local Authority Health Leads meeting where it received strong support. Our Air Quality Officer has consulted with all the district, borough and unitary councils in Lancashire and received strong support.

### 4 Options and Options Analysis (including risk assessment)

	<b>Option 1:</b> Approve submission of the Air Quality grant bid	<b>Option 2:</b> <u>Do not</u> approve submission of the Air Quality grant bid
Advantages	The project subject to the bid has significant scope to assist us with the most difficult area of air quality improvement actions, i.e. public attitudes and behavioural change.	The council would have no commitment to the work proposed in the bid.
Disadvantages	No disadvantages have been identified as our staffing resources are already focussed on work of this nature.	As the lead authority for the joint bid, the bid would have to be withdrawn and this would impact on other Lancashire councils. There would be no prospect of achieving the scale of benefits derived from this Defra funding in other ways.
Risks	No significant risks have been identified because although the city council has taken the lead in making this grant bid, the county council will undertake all further work if the bid proves successful	Reputational risk with regard to the other councils in Lancashire formally supporting this bid and also with DEFRA regarding future bidding rounds.

### 5 Officer Preferred Option (and comments)

- 5.1 The officer preferred option is Option 1 to approve the submission of the Air Quality grant bid.

### 6 Conclusion

- 6.1 Approving the submission of this bid as presented to DEFRA on 28 June 2013 (that was the closing date for applications after an extremely tight application window) will positively position the council in relation to joint working and local air quality improvement without any new demands on

resources, benefitting substantially from a pan-Lancashire focus.

**RELATIONSHIP TO POLICY FRAMEWORK**

Local air quality management is a statutory duty and the project work proposed in the grant bid is fully in line with the council's proposals under the Local Air Quality Strategy.

**CONCLUSION OF IMPACT ASSESSMENT**

**(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)**

No adverse implications have been identified.

**LEGAL IMPLICATIONS**

There are no legal implications arising from this report

**FINANCIAL IMPLICATIONS**

The £146K bid to DEFRA is expected to require some form of match funding and can include existing staff time input by each Local Authority involved in managing the project and/or undertaking any of the project work involved. It has been proposed as part of the submission therefore, that:

- Lancaster City Council will contribute 15% (or £21.9K in monetary terms) of resources through existing staff time, mainly via the Air Quality Officer;
- Lancashire County Council will contribute 20% (or £29.2K in monetary terms), and
- The other 13 Local Authorities involved will contribute 5% each (or (£94.9K in total in monetary terms).

If the funding bid is successful, then the City Council's General Fund Revenue Budget will need to be updated to include the £146K DEFRA grant. At least 50% of the grant will fund the appointment of a two year fixed term post by County Council and so the budgets will span three financial years subject to start date for the post, i.e. split across 2013/14 to 2015/16, subject to there being a nil impact on the Council's resources. Should the grant offer be less than that originally bid for, then the project including post appointment will be adjusted accordingly to fit within actual funding amounts available.

Although the City Council is the lead grant bid applicant and will be the Accountable Body if successful, the entire grant funding will be 'passported' to the County Council as the main delivery agent for the project. Formal project management is proposed with a joint City and County Council project executive. This will oversee the planning, financial management progress and completion of grant funded works. It will be for the City Council (i.e. Health & Housing Officers in conjunction with Resources) to determine appropriate timescales and conditions for 'passporting' grant onto Lancashire County Council, however and this will be undertaken using a risk based approach in line with the formal project management being proposed.

**OTHER RESOURCE IMPLICATIONS**

**Human Resources:**

No implications have been identified.

**Information Services:**

No implications have been identified.

**Property:**

No implications have been identified.

**Open Spaces:**

No implications have been identified.

**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:** Nick Howard

**Telephone:** 01524 582734

**E-mail:** nhoward@lancaster.gov.uk

**Ref:** C114

Appendix to Cabinet report, 3<sup>rd</sup> September 2013:  
**“Air Quality grant bid”**

Note: This is a copy of the grant application document



**Annex B: Defra local authority air quality grant application form 2013/14**

**Submission on behalf of:**

Lancashire Local Authorities: Blackburn with Darwen, Blackpool, West Lancashire, South Ribble, Chorley, Hyndburn, Ribble Valley, Pendle, Burnley, Rossendale, Fylde, Wyre, Lancaster, Preston and Lancashire County Council including Public Health.

28 June 2013

Application for air quality grant for local authority capital expenditure on a project to be carried out in connection with air quality management duties under Part IV of the Environment Act 1995. This application form should be a stand-alone document. No additional supporting documentation, such as commercially sensitive quotes for project work and diagrams, will be accepted.

These blue instruction boxes are used throughout the application form, to provide guidance on completing this form.

Further information which will help in the completion of this form can be obtained from the LAQM helpdesk (0800 032 7953 or email [LAQMHelpdesk@uk.bureauveritas.com](mailto:LAQMHelpdesk@uk.bureauveritas.com)).

**Applications will be evaluated against the following:**

- Quality of the proposed project.
- Proposals to evaluate the effectiveness of the project.
- The plan to disseminate findings more widely.
- The extent to which the project outcomes are more widely applicable/reproducible.
- The extent to which the project provides value for money.
- The suitability of this funding opportunity for the project.
- Whether or not additional or match funding has been identified for the project

**Applications to fund the continuation of AURN or local monitoring sites, unless essential to implementing specific actions to reduce NO<sub>2</sub> will not be assessed.**

**This form must be returned to [air.quality@defra.gsi.gov.uk](mailto:air.quality@defra.gsi.gov.uk) before 5pm on 28 June 2013. Defra reserves the right not to accept or evaluate any applications received after this time and date. A**



## Section 1: Contact Information

### 1. Local authority name/address/email and phone number

Only certain authorities are eligible to apply for grant funding as set out in the introductory letter. Please see for more information on which these are.

Where the application is for a cluster or group of authorities, please provide details for the lead authority with names of the other authorities in the group. Please give an indication of the proportion of input to be had by each local authority to managing the project and/or undertaking any of the project work. Eg Local Authority 1 – 80%, Local Authority 2 – 15%, Local Authority 3- 5%.

#### Lead Authority:-

Lancaster City Council - (15%)

Paul Cartmell, Air Quality Officer, Lancaster City Council, Health and Housing Service, Morecambe Town Hall, Marine Road East, Morecambe, Lancashire, LA4 5AF

pcartmell@lancaster.gov.uk

01524 582728

#### Other Authorities in the cluster:-

Lancashire County Council – (20%) (this will include officer time including professionals from the three Lancashire Directors of Public Health and the Lancashire Public Health Collaborative, the Environment Directorate (including Transport and Highways) and other officers and specialists as appropriate)

Note - All authorities below will provide officer time from across their organisations, ranging from environmental health to communications experts.

Blackburn with Darwen (5%)

Blackpool (5%)

West Lancashire (5%)

South Ribble (5%)

Chorley (5%)

Hyndburn (5%)\*

Ribble Valley (5%)

Pendle (5%)

Burnley (5%)

Rosendale (5%)

Fylde (5%)\*

Wyre (5%)

Preston (5%)

\*these local authorities are not included in the Defra list of eligible authorities but have indicated wish to participate in the project.

In addition to the above a project lead is sought through the grant application (full time post for period of two years located at Lancashire County Council, County Hall, Preston)

Please see emails accompanying the application (two pdf documents contain these) from the various authorities listed above indicating support for the proposed project.

**Section 2: Technical Information**

**2. Which pollutant(s) does the project target?**

Please indicate which pollutant(s) the proposed project will tackle. The 2013/14 Grant must focus on NO<sub>2</sub> issues.

NO<sub>x</sub>/NO<sub>2</sub>

NO<sub>x</sub>/NO<sub>2</sub> / PM<sub>10</sub> / PM<sub>2.5</sub> X any additional pollutants

**If additional pollutants please provide details :**

CO<sub>2</sub> emissions will also be impacted by the project

**3. Please detail the aims and objectives of the proposed project.**

Please provide details of the aim(s) of the proposed project and where possible relate these to measures relevant to your air quality action plan. (200 words or less)

**Aims:**

Achieve improved air quality through influencing behaviour and raising awareness to support public health objectives. This is considered to be the essential stage to promote suitably prioritised local action, support continued action and to ultimately effectively contribute to regional compliance with European air quality requirements.

The overarching aims of the project through the Large Scale Change model are :-

Reduce air pollution / emissions in Lancashire and specifically to work towards :  
meeting air pollution objectives/limit values for nitrogen dioxide  
minimising levels of particulate air pollution  
reducing carbon dioxide emissions

Better understand the benefits and conflicts arising from policies, plans and actions and to present them in a format to influence and assist decision makers

Provide a lasting structure for ongoing participation, consensus building and overseeing of air quality matters.

Ensure clarity is provided to what is intended from plans and policies (new or existing) and for roles and responsibilities of all stakeholders to be understood and accepted.

Engage communities, businesses, local authorities and employers to understand the issues regarding air pollution and to work collaboratively to reduce air pollution for the benefit of the Lancashire community.

**3a.**

**Objectives:**

Provide a platform for better knowledge on local air quality impacts and areas for future research to enhance knowledge (including working with DEFRA, Lancashire County Council, district and unitary authorities, public health bodies, academic institutions).

Establish and maintain a forum to obtain a consensus about public support for air quality.

Review the existing policy framework and tackle underlying conflicts or limited ambitions (e.g. local development and transport plans, procurement policies etc...) and maintain engagement where policies are amended or introduced.

Define and agree the accepted roles and responsibilities of the partnering authorities and with developers.

Behaviour change of organisations and citizens of Lancashire

**4. Provide a brief description of the proposed project for which funding is being sought.**

Please describe what the proposed project will involve. Include details on what and how this will be done, any public or private partners (refer to MOU for information on confidentiality), the overall timescale for implementation and the project duration. Where projects are to be match funded (see para.10) please describe what the air quality grant part of the project will deliver. (500 words or less)

## **Title : Delivering Air Quality Improvement through public health 'Large Scale Change' methodology**

In Lancashire region it is estimated that between 4.3% and 5.1% of deaths are attributable to particulate air pollution (see <http://www.phoutcomes.info/public-health-outcomes-framework#gid/1000043/par/E12000002/ati/102/page/3> )

In order to deliver a sustainable programme which achieves real health benefits for the people of Lancashire, we will adopt the Large Scale Change (LSC) model. This will also facilitate long term planning across physical and political boundaries.

The Process this project will follow using the the Large Scale Change model methodology is detailed in the section below. An animated video by Alison Wheeler explaining the 'Large Scale Change' methodology can be seen at : <http://www.youtube.com/watch?v=FyKRWcIOFLc>

This complex model of change management moves towards a new vision which is better and fundamentally different from the status quo. It is fuelled by the passion in Lancashire that comes from the belief that there is something very different and better that is worth striving for.

Air quality improvement lends itself perfectly to this form of project management style in order to influence multiple processes and sub-systems (e.g. public opinion, policy, procurement, traffic management and service delivery).

This model has been effective in achieving improvements for example 'Smoke Free' and ' Make Poverty History'. These two campaigns radically influenced the way in which agencies and communities behave in relation to these issues. The Lancashire Public Health Team is trained in the LSC approach and are using this methodology already.

'Large Scale Change' harnesses the imagination and participation of stakeholders and communities. It builds devolved leadership which is active. These "leaders" will work in partnership to co-design the changes which they have identified. The partners will enable these changes and provide the space to let it happen.

'Large Scale Change' is emergent and looks at whole systems change, behaviour change and is large in terms of geography and numbers of active participants.

In essence it concentrates on framing the need for change, engaging other active participants who make the changes happen, which in turn attracts further interest and active engagement to create a virtuous and sustainable circle of action and engagement and improvement.

The communication methods outlined above will act as the catalyst for this "movement" and help us to "frame" the issues to attract others and create and sustain momentum. We will work in action cycles of 30/60/90 days to enable the framing, reframing and engaging and connecting others effectively. This will ensure pragmatic changes can be made in multiple systems and processes and may be repeated in an unpredicted and iterative way.

To help this, we will:

- facilitate stakeholder co-design of the vision and plan (through an initial launch workshop)
- undertake a stakeholder continuum of commitment analysis
- create and maintain momentum
- measure and manage performance
- celebrate success
- build devolved leadership and real community ownership

The project is for two years and will be launched after completing some initial social marketing insight work with small targeted groups. These findings will feed into the communications element of the programme and will allow a more effective Lancashire implementation of the outcomes of the Defra national project (see section 7 below) planned to be delivered in February 2014.

The project will be launched in January 2014 for two years with the intention that the systems and processes will be fully embedded and momentum sufficiently gained that the approach will be mainstreamed.

**Process:**

- Appoint Lead to coordinate the approach
- Input of recommendations from Defra national consultation project (see Section 7 below).
- Insight work commissioned with Lancashire citizens to inform social marketing strategy (to direct triggers/methods to be used for effective issue communication and for behaviour change – will include work with small targeted groups)
- Launch workshop planned using insight information.
- Engage and energise key partners (directorates from each Local Authority, the County Council, business and employment networks, community groups) to develop a vision and primary drivers and identify leads for each driver.
- Each lead identifies key partners that will support them in delivery of their driver and develop secondary drivers in consultation.
- Primary driver leads meet regularly to ensure momentum continues, frame and re-frame the issues, and complete a stakeholder analysis.
- Make change visible to attract further interest.

The grant funding will deliver 50% of the project the remaining 50% being delivered through the use of existing staff resource as indicated in Section 1 above to deliver 'Large Scale Change' process.

**5. What are the key benefits and outputs of the proposed project?**

Please provide details of the key benefits and outputs of the proposed project including those benefits to the local authority / authorities and others. Letters of support from third parties evidencing the wider benefits of the project should be provided where possible

Please detail wherever possible the potential reductions in levels/emissions of the pollutant of interest that may be anticipated as a result of the proposed project, how the project may enable the local authority to make an evidence-based decision to implement measures or not, and/or how the project will enable successful cooperation and knowledge transfer between local authorities to tackle pollution issues. Please detail whether or not the project will generate any intellectual property. (300 words or less)

The issue of air quality is included in the Public Health Outcomes Framework, this enables Directors of Public Health to prioritise action on air quality in their local area to help reduce the health burden from air pollution. This project will tackle a significant public health issue estimated to be in the range of 4.3% and 5.1% of deaths in Lancashire.

We will commit resources as identified above but a key benefit is that this will allow access to the North West Regional Facilitators for 'Large Scale Change' - we will offer ourselves as roll-out advisors to other local authorities regionally and nationally.

The communication aspects of this project will act as a platform to support decision making for subsequent revitalised and prioritised Air Quality Action Planning in Lancashire and will also provide and maintain support for such action. The project will also support joint prioritised working between Public Health, the County Council (including transport sections) and the Local Authorities, so that an appropriate action response can be developed to tackle air quality issues.

This collaborative Large Scale Change approach aims to provide:

Increased awareness and behaviour change to improve the health impact of local air pollution within communities (e.g. assessed by focus groups, social media etc.)

Increased awareness by decision makers promoting proportionate, prioritised action responses.

Use of established untapped resources of communities and engagement specifically with persons affected by poorer air quality (person living in a AQMA) – Engagement with houses in AQMA using a 'Large Scale Change', asset based approach.

Providing an infrastructure to permit and maintain this communication (measured through delivery of selected infrastructure).

A shift in behaviour (e.g. captured by survey and/or monitoring methodology)

In addition to a behaviour change strategy Lancashire citizens will be challenged to consider proportionate responses to dealing with air pollution, other examples may include:

Councils working together to develop and promotes sustainable modes of transport in the light of insight provided by the project.

Traffic management options (working with Lancashire, Blackpool and Blackburn with Darwen Highways and Transport Authorities)

Working with public transport operators.

Reviewing the Highways and Transport Masterplans for Lancashire in the light of this studies findings.

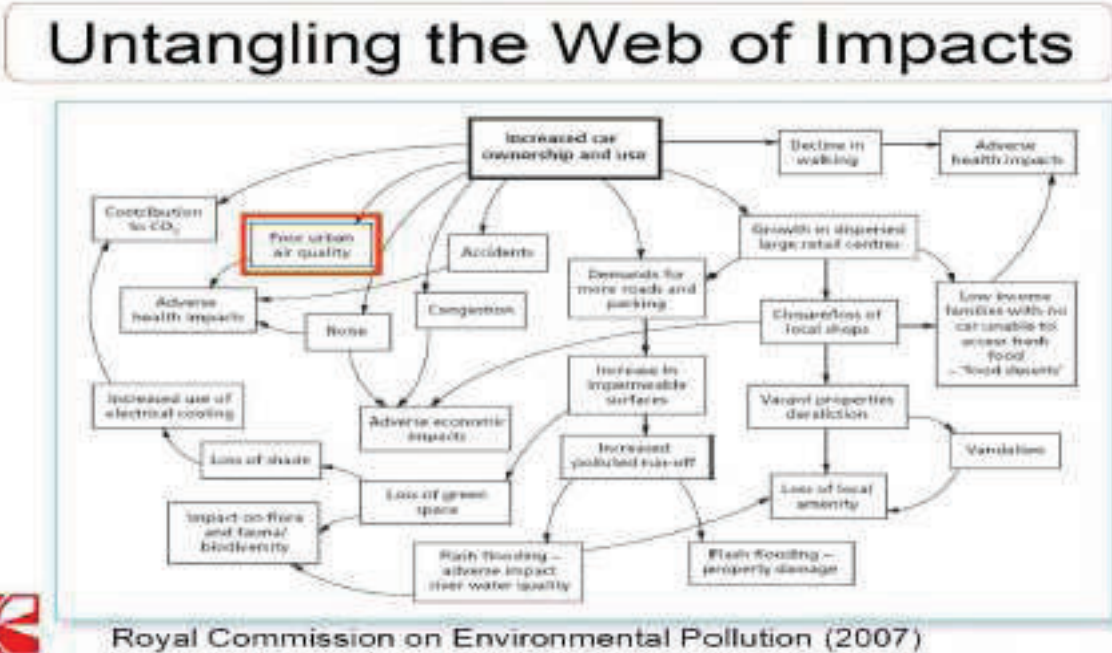
Planning policies and mitigation requirements

Councillor and celebrity buy in

**6. Please detail how the proposed project will contribute to national efforts to achieve compliance with the Air Quality Objectives and EU limit values.**

Please provide details of how this project could benefit efforts to tackle air quality issues across the country and how it could help tackle other environmental issues such as the emission of greenhouse gases and noise. (200 words or less)

- 1) Aid decision/support for local and regional action to improve air quality particularly within AQMA to contribute to EU limit value/national compliance.
- 2) Actions that reduce air pollution in AQMA's are also likely to reduce levels of noise (associated with reduced road traffic) and may reduce carbon emissions.
- 2) Influence behaviour to benefit air quality (see chart below indicating the range of potential benefits arising from decreased car ownership).
- 3) Provide a clear example of communication implementation (with lessons learnt) for other local authorities/regions to follow.
- 4) Supports the Government's desire for more 'connected communities' e.g. less traffic encourages people to move around their local environment more.



Royal Commission on Environmental Pollution (2007)  
 Chart taken from Presentation by Dr Tim Chatterton to IASPC conference in December 2008 entitled 'Urban Design, Air Quality and Health'. - available at: [http://www.iaspc.org.uk/chatterton.php?cbs\\_id=32](http://www.iaspc.org.uk/chatterton.php?cbs_id=32)



**7. Detail any previous work carried out in this area that the work will build upon.**

Please provide details of any previous work, such as previous projects, reports, which have been used in the planning of this project, and detail how these earlier findings will be expanded upon in this project. Applications will not be penalised if there is no earlier work to reference. (200 words or less)

Clearing the Air – The Air Quality Strategy for Lancaster sets out a process to set the best environment to enable a successful action plan to arise. Communication of health issues/ participation is a key element to the Strategy. Such an approach is seen as a key step for any local authority needing an effective and appropriately prioritised action plan and for delivery of the plan.

Lancaster City Council is named as a collaborator on Air Quality Consultants Limited bid to Defra relating to 'Developing communication methods for localised air quality and health impact information'. Although the successful tenderer has not yet been determined by Defra, it is anticipated that any work undertaken within this project would be fully integrated with work being undertaken at a national level (through whichever bid is successful). This may entail testing the communication toolkit proposed, hosting stakeholder workshops, or feeding in more generally to the generation of messages to be used to change behaviour in order to improve air quality in the longer term.

Previous grant award to Wyre Council regarding reducing car journeys in Poulton (Nr Blackpool). The proposed project is related in terms of promoting behaviour change.

**8. How will implementation of the project be monitored, success measured and the project evaluated?**

Please provide outline details of the selected success criteria for the proposed project and preliminary thoughts on how these will be monitored and the project evaluated. (200 words or less)

Please ensure your response relates to the project for which funding is being sought and not a future project which may, or may not, come out of any feasibility work.

The partnership group is committed to a process which requires measured and quantified outcomes from this project. Lancashire already has in place systems to monitor air quality and to count traffic amongst others. Measurement systems will include :

- 1) Delivery of recommended infrastructure/systems for communication
- 2) Communication (delivery and response counting)
- 3) Survey including Living in Lancashire (Lancashire County Council survey panel) to monitor attitude changes.
- 4) Counting systems available to assess changes (traffic count, cycle count, message count, feedback count)
- 5) Air quality monitoring and assessment
- 6) numbers / amount of community or partner involvement
- 7) numbers of community champions
- 8) PH intelligence data to use as benchmarking and improvement tool
- 9) changes made - new ways of working identified and rolled out

The nature of 'Large Scale Change' allows for evaluation techniques to be developed and changed as the project moves through the framing cycles – we will continuously evaluate as part of the 'Large Scale Change' process.

**9. How will any findings be disseminated for the benefit of other local authorities?**

Please provide details on how the findings of this project will be distributed. For example, will a report or guidance note be produced? Will the results be presented at air quality working groups or similar organisations? Information on a website etc. (200 words or less)

Report experiences of implementation and free availability of materials produced through process.

We will be proactive in encouraging others to take this approach and will be prepared to demonstrate how Large Scale Change and Assets Based Approach can have cross-over benefits as we will have co-designed services, active and engaged citizens who create their own future. They are given the space to shape, create and flourish.

The project has the potential to rolled out nationally (using the 'Large Scale Change' model) and dissemination of process would be part of the outcomes from this project (Please note we are also willing to present this proposal to Defra/other interested authorities to further explain the Large Scale Change approach).

Being able to demonstrate real value for money in todays financial climate - redesigned services (or communities doing their own stuff) which reduces the £ spend but provides more.

Public and professional facing website and use of social media will allow findings to be easily accessible and disseminated.

Attendance at regional and national events to promote the approach and findings.

**Section 3: Financial Information**

Please see for information and details on other potential funding streams for air quality management.

**10. Please answer the following questions:**

**a. Could the proposed project be financed through Section 106 agreements relating to planned developments?**

Yes  No X Don't Know

**b. Could the proposed project be financed through Section 106 agreements relating to planned developments?**

Yes  No X Don't Know

**c. Could the proposed project be financed through the Mayor of London's Air Quality Fund?**

Yes  No X Don't Know

**d. For Authorities outside of London, could the proposed project be financed through use of the Local Sustainable Transport Fund?**

Yes  No X Don't Know

**e. For London Boroughs Only, will this project be match funded through the 2013/14 LIP annual spending programme?**

Yes  No  Don't Know

If "yes" for **a**, **b** or **c** please provide details on what has been explored, whether these have been successful, what is currently being explored or is awaiting decision and any plans you have for any (further) investigation of these funding routes. (100 words or less)

If **“yes”** for **d**, will the project be identified in the TfL LIP Annual Spending proforma by detailing the Defra grant funding (and any other funding) which is contributing towards the costs of measures? (100 words or less)

**f. Please provide details of any other public funding awarded**

None

**for the proposed project (50 words or less)**

**g. Please provide details of any other public funding sought for the proposed project and the extent to which the project is reliant on this funding. 50 words or less)**

None

**h. Please provide details of any third party contributions, either financial or through support, available for the proposed project.**

For example, will the project be supported by any private sector companies, or research bodies?

Please provide a figure in £ for the total third party funding applicable to or required for the delivery of the project. Please outline any conditions attached to this funding. (200 words or less)

See below and Section 1 above regarding cluster participation

- i. Please confirm the planned financial contribution by the local authority / authorities to the project and the proportion of the total. Where more than one local authority is contributing please provide a breakdown of the total costs by local authority.**

£292 total cost

% 50 of total

Breakdown (if multiple authorities)

See Section 1 above (contribution in terms of staff time)

- 11. Please identify the total financial support sought for the proposed project, breakdown of this figure into categories and work packages and information on how has this been calculated.**

Please note there will not be a chance to later revise any amounts requested here and Defra may decide not to award the full level of grant funding you request.

Breakdown: please breakdown the total cost into the categories below. In addition, if the project has milestones or discrete packages please describe how the total cost is split between these packages, % figures or financial breakdown would be useful. Breaking your work into work packages can help our assessors in understanding and awarding funding which will ensure the success of the project.

Calculation: For example, have quotes been sought or have man hours been estimated for specific elements of the project? Please do not attach commercial in confidence quotes or name contractors.

Please note that where you seek to procure the supply of any goods, works or services from a third party you shall ensure that procurement complies in all material aspects with all relevant European and UK Legislation on public procurement, including without limitation the Public Contracts Regulations 2006.

The amount of grant requested should be made of the basis that the amount requested from the Authority takes account of all VAT liabilities and you shall not charge VAT on any expenses which are not chargeable to VAT.

Project Lead/manager	£70,000 (incl. on-costs)
Communications Interventions/tactics:	£20,000
Social Marketing Insight work	£40,000
Stakeholder Events:	£8000
Website development:	£8000
Other:	£0
<b>Total:</b>	<b>£146,000</b>

If the project has milestones or discrete work packages please provide information on the split of these packages below (50 words or less)

See description below

Information relating to how the total has been calculated (50 words or less)

The total is composed of appointment of a project lead to manage the Large Scale Change project over a period of two years. A amount of money to facilitate communication to convey messages through various media (directed by Insight study). A contracted package of work covering the social marketing needs (an Insight study investigating triggers to change behaviour and to convey the issue message) of the project provided by a specialist consultant.

Up to 10 stakeholder events covering the launch of the project, stakeholder and progress meetings and events celebrating success.

The provision of a hosted web site or branded web pages (web site costs are taken from a comparable project recently undertaken by Lancashire County Council).

**Please Note: The Deadline for Submission of Grant Applications is 28 June 2013.**  
**Please return to [air.quality@defra.gsi.gov.uk](mailto:air.quality@defra.gsi.gov.uk)**



<b>CABINET</b>
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**Budget and Planning Process 2014/15  
03 September 2013**

**Report of Chief Executive**

<b>PURPOSE OF REPORT</b>			
To agree a process for reviewing the Council's Budget and Policy Framework for 2014/15.			
<b>Key Decision</b>	<input type="checkbox"/>	<b>Non-Key Decision</b>	<input type="checkbox"/>
<b>Referral from Officer</b>			<b>X</b>
<b>Date of notice of forthcoming key decision</b>			N/A
<b>This report is public.</b>			

**RECOMMENDATIONS OF COUNCILLORS BLAMIRE AND BRYNING:**

- (1) That the report be noted and the outline budget and planning timetable set out at Appendix A be approved.

**REPORT**

**1 Introduction**

- 1.1 The Council's Constitution requires Cabinet to bring forward each year recommendations for updating the Budget and Policy Framework. This report proposes an outline timetable for doing so and it covers four main aspects, namely:

- the Corporate Plan
- other plans and strategies in the Policy Framework
- other key plans and strategies supporting the Policy Framework
- the Budget and Medium Term Financial Strategy (MTFS).

- 1.2 The draft budget and planning timetable for 2014/15 is set out in **Appendix A**, reflecting the proposals outlined in the following sections. The timetable must remain flexible, however, to ensure that the Council can take account of changing circumstances and prospects.

- 1.3 A key difference from last year is that the Council already has a much clearer picture of the really difficult financial challenges it must face. Whilst figures will no doubt alter, meeting those challenges is expected to require significant organisational change, including service reductions. Officers are currently developing outline options, for reporting to Members in due course. Importantly, the resources and time required to manage successfully such major change programmes should not be overlooked or underestimated. It should be expected that implementation of the resulting programme of budget proposals will span at least two years, and may well be more.

## 2 Corporate Plan

2.1 The Corporate Plan brings together the Council's priorities, plans and strategies, ideally focusing on a three-year period and drawing on key themes and supporting values, such as leading our communities, putting our customers first and providing value for money.

2.2 In recognition of the need to balance corporate aspirations and priorities with likely resources, however, the Council has already acknowledged that the existing Plan needs a fundamental review for next year onwards and ahead of this, a mid-year review is scheduled for reporting in November. In summary, the proposed timetable needs to make provision for considering and responding to the following:

- legislative and regulatory changes
- national policy changes and funding prospects
- changing needs of the district and its residents and visitors
- local views and perceptions
- policy and budget decisions of other key stakeholders, including local authorities
- recent performance and experience
- gaining consensus on resulting priorities.

## 3 Other Policy Framework Documents

3.1 In addition to the Corporate Plan, the Policy Framework includes various other strategies and plans, a number of which were required as a result of Government regulations or other drivers. For now, Cabinet is requested to note the following points :

### (a) Housing Strategy

The Lancaster District Housing Strategy and Housing Action Plan for 2012 to 2017 were approved by Council in April of this year, subject to annual review during the budget and planning process. Should there be a need for any formal updates, these would be brought forward early in 2014/15.

### (b) Local Plan

Two of the three main elements of the Local Plan (Development Management Policies and Morecambe Area Action Plan) will be presented to Council in September, with a recommendation that they should be approved for 'Publication' and subsequent submission to the Secretary of State. The other element (Land Allocations Document) has been delayed slightly to allow more work to be done on housing and retail requirements.

Upon final adoption, all three documents will become part of the Council's policy framework. Until then the LDF Core Strategy will remain in place.

### (c) Regeneration Strategy

In the past, the Council has produced a separate Regeneration Strategy. Over the years, the overall direction of travel and various strategic regeneration priorities have been incorporated into other key policy documents (such as the Local Plan and the Housing Strategy mentioned above).

Alongside their review, the need now is to test out how the Council (and its partners) can best support the delivery of such priorities, within the resources likely to be available. Many strands of Council activity contribute to regeneration – the arts, tourism, and improvements to housing and public realm being good examples. If, in due course, Members agree that the Council’s policy objectives and/or strategy are already set out clearly enough, then priority should be given to production of a more detailed “Regeneration Delivery Plan”, the findings of which can then feed into budget setting and bidding for external funds. This approach could then replace the requirement for a Regeneration Strategy; it will be developed further for consideration in the coming months.

(d) **Community Safety Plan**

Cabinet last considered community safety priorities in January of this year. It is intended that these will be reviewed in partnership during the budget process.

4 **Other Supporting Plans and Strategies**

4.1 Each year Members consider various strategic developments and the section below outlines other planned areas for review. In the main, these will also be reported early in next financial year.

(a) **Corporate Property and ICT Strategies**

Although much background work has been completed, the Strategies updates themselves are still under development. The Property Strategy will also incorporate an update of the Council’s Disposal Strategy, which is a key component to ensure cost-effective rationalisation of the property portfolio.

(b) **HR / Workforce Planning / Organisational Development**

A Workforce Strategy is being developed to support the organisation change process. The strategy and supporting plan sets out in detail how we will lead and manage organisational change, workforce performance and development, and how we will engage our workforce through the effective application of modern organisational development and workforce planning techniques.

(c) **Consultation**

Alongside the development of budget and planning proposals, the Council’s consultation plan needs to be updated, as does its Strategy. This is to ensure that they reflect the consultation approach outlined later in section 7.

(d) **Regeneration Related Plans and Strategies**

Following on from the comments in section 3 above, during the budget and planning process there will be a need to ensure that these are all up to date and fit for purpose going forward.

## 5 **Budget Framework**

- 5.1 The crux of the Budget Framework is the Medium Term Financial Strategy (MTFS) and the half-yearly review is scheduled for the November Cabinet meeting. Typically it is then that Cabinet is requested to review council tax targets, currently set at 2%. Members will be aware that the Government is to continue with encouraging councils to freeze council tax, although the compensation grant on offer is understood to be short term and in part only (broadly equivalent to 1%).
- 5.2 The November update will also build on information from Government's recent Spending Round, as well as other technical finance changes in the pipeline. That report will also cover General Fund capital investment priorities, which drive future capital spending and financing plans.
- 5.3 Underpinning the MTFS is the detail of the 3-year Revenue Budget and 5-year Capital Programme. The key milestones for preparing these budgets are included in the appendix and work is already underway.
- 5.4 Cabinet will again provide the forum for developing a full set of proposals to balance the budget and in this regard, it is proposed that the budget process should run in much the same way as last year. Key points to note are:
- It is assumed that the Local Government Finance Settlement will be announced around December time. Although nationally the focus of attention has been on 2015/16 of late, it is expected that the Council's 2014/15 funding position will change to some degree, drawing on the 2013 Budget announcement back in March, as well as though Business Rate Income and New Homes Bonus changes, as examples.
  - Potential savings options are being developed further by Chief Officers alongside the preparation of the current year's revised and future years' base budgets.
  - Informal Cabinet Budget Briefings will be held, to report on progress overall and to provide direction on specific aspects of budget development, including potential areas for redirection of resources. Provisionally, a number of briefings have been incorporated into the timetable, broadly on a fortnightly basis, but these may be rearranged as need be.
- 5.5 A flexible approach is required, to respond to information from Government as well as more local matters including public consultation.

## 6 **Options and Option Analysis**

- 6.1 The following options are available to Cabinet.
- (1) Approve the proposals and timetable set out in the report for reviewing and revising the Council's Budget and Policy Framework.
  - (2) Approve an amended version of the proposals, drawing on any specific issues that Cabinet have.

**7 Details of Consultation**

- 7.1 To support informed decision-making, it is intended that consultation will be focused on specific proposals, rather than seeking views on the Council's plans more generally. It is felt that this would prove more cost-effective, whilst still meeting statutory requirements. Any general consultation surrounding the budget would therefore be kept to a minimum. Nonetheless, provision is made for consultation with Budget and Performance Panel and other stakeholders in the usual way.
- 7.2 Regarding the workforce, arrangements are in place to ensure that regular communication updates are provided, so that staff are kept abreast of the Council's future general direction as well as specific service proposals. As usual, specific staff consultation will be undertaken in accordance with HR policies, where budget proposals require it.

**8 Officer Preferred Option**

- 8.1 Assuming that Cabinet has no other specific issues to address, Option 1 is the Officer preferred option, as it sets out a structured approach for Cabinet to review the existing Budget and Policy Framework, to identify savings/efficiency options, and for it to bring forward its budget and policy framework proposals for 2014/15 and beyond, within the statutory timescales. As usual, the consideration and management of risk will form a key part of the process.

<b>RELATIONSHIP TO POLICY FRAMEWORK</b>	
The plans and strategies outlined in the report together make up the Council's Budget and Policy Framework.	
<b>CONCLUSION OF IMPACT ASSESSMENT</b> (including Diversity, Human Rights, Community Safety, Sustainability etc)	
The annual review of the budget and policy framework ensures that the Council's plans and strategies are kept up to date and compliant with the above criteria for assessing their impact on local communities.	
<b>FINANCIAL IMPLICATIONS</b>	
None directly arising from this report, at this time.	
<b>SECTION 151 OFFICER'S COMMENTS</b>	
The S151 Officer has contributed to the production of this report.	
<b>LEGAL IMPLICATIONS</b>	
Legal Services have been consulted and have no observations to add to this report.	
<b>MONITORING OFFICER'S COMMENTS</b>	
The Monitoring Officer has been consulted and has nothing to add to this report.	
<b>BACKGROUND PAPERS</b>	<b>Contact Officer:</b> Nadine Muschamp
None.	<b>Telephone:</b> 01524 582117
	<b>E-mail:</b> nmuschamp@lancaster.gov.uk

# Budget and Policy Framework Timetable 2014/15 APPENDIX A

	SCRUTINY & CONSULTATION	CABINET	COUNCIL
<b>On-going, throughout the process</b>	<p>Revision of current year's budget and future years' draft base budgets underway, in context of service plans. Alongside this:</p> <ul style="list-style-type: none"> <li>• Development of savings options (efficiencies, income generation, service reductions)</li> <li>• Identification of potential growth / redirection of resource needs.</li> <li>• Development of workforce strategy to support organisational change.</li> </ul> <p>Take forward decisions of Cabinet, subject to call-in.</p>	<p>Reappraisal of proposed corporate priorities for spending and investment (and areas for reduction), in view of funding prospects.</p>	
<b>03 September</b>		Approve 2014/15 Budget & Policy Framework timetable.	
<b>10 September</b>			
<b>11 September</b>	Budget and Performance Panel meeting.		Consideration of Local Plan, in part.
<b>17 September</b>		Cabinet budget briefing.	
<b>01 October</b>		Cabinet briefing (including budget briefing).	
<b>08 October</b>		Cabinet meeting - budget/policy implications of any matters to be picked up.	
<b>15 October</b>		Cabinet budget briefing.	
<b>22 October</b>	Budget and Performance Panel meeting.		
<b>29 October</b>		Cabinet briefing (including Budget Briefing).	
<b>05 November</b>	Budget & Performance Panel meeting.	Half yearly Corporate Plan review.  Receive Budget update: <ul style="list-style-type: none"> <li>• MTFs half year review, including council tax targets.</li> <li>• Provisions and Reserves (incl. renewals).</li> </ul>	

	SERVICES	SCRUTINY & CONSULTATION	CABINET	COUNCIL
<b>12 November</b>			Cabinet budget briefing.	
<b>13 November</b>	Take forward decisions of Council.			Receive any Budget or Policy Framework updates.
<b>Late November / Early December</b>	Assumed timing for receiving and appraising provisional Local Government Finance Settlement (for General Fund).			
<b>03 December</b>	Take forward decisions of Cabinet, subject to call-in.		Receive Budget and Policy Framework updates (General Fund and Council Housing): <ul style="list-style-type: none"> <li>• Draft revenue budget</li> <li>• Capital programme update</li> <li>• Draft corporate priorities and implications</li> <li>• Fees and Charges Policy</li> </ul> Consider other budget proposals (savings/efficiencies/redirection/growth) in context of any emerging policy or priority changes.	
			Review Council Tax Support Scheme & Council Tax Charging Policies (incl. empty/second homes), for referral to Council.  Consider Consultation Strategy/Plan updates.	
<b>10 December</b>		Budget & Performance Panel meeting.	Specific Cabinet Budget Briefing.	
<b>11 December</b>	Take forward any decisions of Council.  Provide general budgetary update for staff, taking into account Provisional Settlement.			Approve MTFs review (including Capital Investment) and any changes to council tax targets.  Determine Council Tax Charging Policies / Support Scheme.

	SERVICES	SCRUTINY & CONSULTATION	CABINET	COUNCIL
<p><b>By 31 December</b></p>	<p>Tax base calculated and notified to precepting authorities, taking account of Charging Policy &amp; Support Scheme.</p>		<p>Detailed budget reviews undertaken by Chief Officers in conjunction with Cabinet Portfolio Holders.</p>	
<p><b>By 15 January</b></p>	<p>Collection Fund Surplus or Deficit position determined and notified to relevant major precepting authorities.</p>			
<p><b>21 January</b></p>	<p>Take forward decisions of Cabinet, subject to call-in.</p>		<p>Receive any recommendations from December's B&amp;PP.</p> <p>Consider draft 2014/15 Corporate Priorities and their budgetary implications.</p> <p>Agree Housing Rents and recommend Housing Revenue Account (HRA) budget / MTFs proposals for Council.</p> <p>Agree council tax, General Fund Revenue Budget and Capital Programme proposals for initial consideration by Council.</p>	
<p><b>28 January</b></p>	<p>Assumed timescale for receiving final Local Government Settlement.</p>	<p>Leader presents budget proposals to Budget and Performance Panel, other Members and economic stakeholders.</p>	<p>Cabinet Budget Briefing.</p>	
<p><b>05 February</b></p>	<p>Implement decisions of Council.</p>			<p>Consider Cabinet's initial proposals regarding the Budget and Policy Framework:</p> <ul style="list-style-type: none"> <li>• Draft Corporate Priorities.</li> <li>• Capital and Revenue proposals for General Fund and Housing Revenue Account.</li> <li>• Any other Policy Framework updates (following review).</li> <li>• Approved City council tax increases.</li> </ul>



## SERVICES

Implement resolutions of Cabinet and produce referral reports for Council.

**11 February**

## SCRUTINY & CONSULTATION

Reconsider Budget and other Policy Framework proposals in light of feedback from Council, Budget and Performance Panel and any further consultation undertaken.

Make full recommendations back to Council to complete Budget setting.

Deadline completing council tax setting report (Final Settlement and all precept notices required head of this).

**14 February**

**18 February**

Specific Cabinet Budget Briefing.

Implement decisions of Council.

**26 February**

### Approve Budget:

3yr Revenue Budget and 5yr Capital Programme for both General Fund and Housing Revenue Account (latter if not already approved).

Treasury Management Framework including Prudential Code Limits.

Medium Term Financial Strategy (including future years' Council Tax Targets and incorporating future years' housing rents targets).

Approve full Council Tax rates.

Establish financial and performance reporting arrangements for new year.

**By 31 March**

## COUNCIL

SERVICES	SCRUTINY & CONSULTATION	CABINET	COUNCIL
22 April		<p>Make recommendations to Council to complete the update of the Policy Framework and any supporting Strategy updates. In particular, consider Corporate Plan proposals for 2014 to 2017.</p>	
12 May	<p>Complete the updating of service business plans to fit with approved Budget and Policy Framework.</p>		<p><b>Approve Policy Framework:</b>  3 year Corporate Plan.  Any other Policy Framework Updates.</p>

<b>CABINET</b>
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## Corporate Performance Monitoring 2013/14

03 September 2013

### Report of Chief Officer (Governance) and Chief Officer (Resources)

PURPOSE OF REPORT			
To present the corporate performance and financial monitoring reports at Quarter 1 of the 2013/14 performance monitoring cycle			
<b>Key Decision</b>		<b>Non-Key Decision</b>	<b>Officer Referral</b>
			X
<b>Date Included in Forthcoming Key Decision notice</b>			n/a
<b>This report is public</b>			

#### RECOMMENDATIONS

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

#### 1.0 CORPORATE PERFORMANCE MONITORING 2013/14 – QUARTER 1

- 1.1 The full Corporate Plan Performance Review Report is attached as **Appendix A**. This report provides a summary of overall performance, across all services and portfolios, in relation the Council's Corporate Plan for Q 1 of the current year, 2013 to 2014.
- 1.2 At Quarter 1, no Corporate Plan success measures have a **Red** status.
- 1.3 Throughout the report commentary provided by officers responsible for each success measure highlight achievements, adds contextual information, identifies issues and outlines actions being taken / planned to get performance back on track.
- 1.4 Attached as **Appendix B** is the Corporate Plan Quarterly Trend Report. This report sets out, at a high level, the **actual** quarterly performance of each Corporate Plan success measure since Quarter2 2012/13 when the performance management information system, CorVu went live. Commentary on the reasons for variances is provided.
- 1.5 From Quarter 2 of the current year, data input / information will provide year-on-year (as well as quarter-by-quarter) trending comparisons / benchmarking affording more insight on overall performance and informing efficient and effective decisions.
- 1.6 The Corporate Financial Monitoring report for Quarter 1 is attached as **Appendix C**. This shows that in simple terms there is an underspending of £152K in respect of the General Fund, which is projected to increase to £239K by the end of the year. For the Housing Revenue Account, there is currently an overspending of £55K which is forecast to increase to £90K by the end of the year. Actions are already planned in connection with the areas of overspending.

- 1.7 The Financial Monitoring report has been changed slightly to include new sections on Future Years Savings Requirements, the General Fund Unallocated Balance and Exceptions to Tenders Awards. In addition, more analysis is provided on Council Housing Rent Arrears and Collection Fund Monitoring. The content and form will continue to evolve as the year progresses.
- 1.8 The Quarter 1 monitoring report also includes the latest position with regards to treasury management activities, and this is included at **Appendix D**.
- 1.9 Finally, a quarterly update regarding the property portfolio is provided for the first time at **Appendix E**, in line with earlier Cabinet resolutions. The content of this will also be developed over the course of the year.

<p><b>CONCLUSION OF IMPACT ASSESSMENT</b> (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p> <p>None arising from this report</p>	
<p><b>LEGAL IMPLICATIONS</b></p> <p>None directly arising from this report</p>	
<p><b>FINANCIAL IMPLICATIONS</b></p> <p>None directly arising from this report</p>	
<p><b>OTHER RESOURCE IMPLICATIONS: Human Resources / Information Services / Property / Open Spaces:</b> None directly arising from this report</p>	
<p><b>SECTION 151 OFFICER’S COMMENTS</b></p> <p>The Section 151 officer has been consulted and has no further comments.</p>	
<p><b>MONITORING OFFICER’S COMMENTS</b></p> <p>The Monitoring officer has been consulted and has no further comments.</p>	
<p><b>BACKGROUND PAPERS</b></p> <p>none</p>	<p><b>Contact Officer:</b> Performance – Anne Marie Harrison, Assistant Head (Partnerships); Finance – Andrew Clark, Financial Services Manager  <b>Telephone:</b> 01524 582018 / 582138  <b>E-mail:</b> <a href="mailto:amharrison@lancaster.gov.uk">amharrison@lancaster.gov.uk</a> / <a href="mailto:aclarke@lancaster.gov.uk">aclarke@lancaster.gov.uk</a>  <b>Ref:</b> Performance Review Cycle 2013/14 Qtr 1</p>

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders  
Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)		Report Comments
					Target	Actual	
<b>Clean, Green and Safe Places</b>							
Income generated from energy, including solar technology and climate change projects	% of household waste reused, recycled or composted	Quarterly	David Smith	High is Good	40.00%	40.80%	Green This is referred to as a 'lagging' measure as the calculated data represents the percentage of waste re-used, recycled and composted in the previous quarter. Data is calculated through the Wastedataflow system maintained by DEFRA.
	Income from energy and recycling projects	Quarterly	Tim Hamilton-Cox	High is Good	£18,000.00	£20,073.20	Green The income for Qtr 1 is extracted from the solar panels at source. Actual Feed-in Tariff generated is expected in August 2013 and may include an export tariff for some sites. This will provide additional income in Quarter 2.
Our district is safe	Increased number of diversionary activities for young people	Quarterly	Ron Sands	High is Good	2,200	2,146	Amber Measure includes diversionary activities for young people at Salt Ayre, and at outdoor facilities in areas of deprivation in Ryelands, Poulton and the West End.

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders

Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)		Report Comments
					Target	Actual	
<b>Community Leadership</b>							
Council's operations are delivered and managed efficiently and effectively to achieve better value for money	Council Tax as a % of Council Tax due	Monthly	Abbott Bryning	High is Good	30.00%	29.70%	Amber The Council Tax collected as a percentage of that due is slightly below target. Changes in the overall profiling of income from instalments mean that collections in the first three quarters are now expected to be lower than in previous years (upon which current targets are based), but it should even out in Q4. Council Tax changes including discounts and premiums, as well as the wider impact from welfare reforms, are thought to have an impact on customers' ability/willingness to pay on time, although the exact impact of these changes is difficult to estimate. Work is ongoing to improve procedures to maximise recovery against a backdrop of difficult economic times.
	Non-Domestic rates as a % of Non-Domestic rates due	Monthly	Abbott Bryning	High is Good	29.50%	30.70%	Green The percentage of NNDR collected is ahead of target at the end of the first quarter, which is good performance given the current economic climate.

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders

Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)			Report Comments
					Target	Actual	RAG	
<b>Community Leadership</b>								
	Robust and tested arrangements are in place for emergency planning	Quarterly	Karen Leytham	High is Good	On target	On target	Green	Council owned Emergency Plans continue to be revised and updated - all are current. New officers have been recruited to the Senior Emergency and Duty Emergency Incident Officer rotas to maintain resilience. Severe Weather plan was revised and re-issued during Q1 2013/14. Three major exercises are planned between October and February with many opportunities for EIOs and SEOs to participate.

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders

Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)			Report Comments
					Target	Actual	RAG	
<b>Community Leadership</b>								
	Clean bill of health given through annual governance and audit reviews	Quarterly	Eileen Blamire	Low is Good	0	1	Amber	The Internal Audit Manager's annual report to June's Audit Committee identified that of the 25 audit opinions issued since April 2012, 18 gave either substantial/maximum assurance, whereas 6 gave limited and 1 gave minimal assurance. Linked to this, the audit on Information Security has resulted in an ongoing programme to raise standards throughout the Council and an undertaking has been made to keep the Audit Committee informed of progress. This issue will be highlighted in the forthcoming Annual Assurance Statement.



# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders

Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)			Report Comments
					Target	Actual	RAG	
<b>Economic Growth</b>								
Employment opportunities are created by development of energy infrastructures which may include offshore wind, renewables and bio-mass	The activities agreed in the Planning Performance Agreement for the National Grid will be delivered	Quarterly	Janice Hanson		Not Submitted	Not Submitted		The council is one of a number in Cumbria and Lancashire that have signed up to a Planning Performance Agreement (PPA) with National Grid to ensure local communities are informed of plans to upgrade the electricity transmission system to connect new power generating sources in the North West. Agreed milestones in the PPA and the council's contribution towards its delivery were not available at the time of reporting

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders

Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)			Report Comments
					Target	Actual	RAG	
<b>Economic Growth</b>								
Lancaster district's recognition as a visitor destination is enhanced	A future approach for the provision of a Museums service is in place and working effectively	Quarterly	Ron Sands	High is Good	On target	On target	Green	Consultation on the Museums service in Lancaster took place this quarter. An analysis report of this joint work with Lancashire County Council has been produced, the data from which will inform future developments and decision-making. In Quarter 2, milestones and plans for the future provision of the Museums service and the review of current partnership arrangements will be agreed and ongoing delivery monitored and reported.

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders

Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)		Report Comments
					Target	Actual	
<b>Economic Growth</b>							
Local authority partners working together to develop plans for economic growth aligned to nationally important energy and Heysham M6 transport links	Major Government targets for determining Major Planning Applications	Quarterly	Janice Hanson	High is Good	50.00%	57.14%	Green
	Major Government targets for Special measures on Major Appeals	Quarterly	Janice Hanson	Low is Good	10.00%	0.00%	Green

Government have set a target for all council's to determine 30% of major applications within statutory deadlines with those failing being placed on 'special measures'. In many cases applications are determined within the timescale but legal delays regarding planning contributions affect the final date of decision.

In terms of continuing to achieve the target, much will depend upon the retention of existing staff when their contacts and secondment arrangements end in Spring 2014. Without retention of staff, the council will be at serious risk of being placed in special measures.

This measure sets out the council's performance in dealing with appeals on major planning applications within statutory timescales. The council is performing well and is not currently at risk of failing to meet Government targets.

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders

Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)			Report Comments
					Target	Actual	RAG	
<b>Economic Growth</b>								
More tourists coming to the district and tourist income is maximised	Number of people participating in arts, culture, entertainment and community events in the district	Quarterly	Ron Sands	High is Good	28,000	25,805	Amber	Measure represents the number of people participating in wellbeing events run by the council and our partners. A number of new events are planned for the summer which should increase participation further in Quarter 2.
The attractiveness of the district as a place to visit and invest in is improved	Number of heritage assets improved	Quarterly	Janice Hanson	High is Good	17	28	Green	Measure based on the number of Listed Building Applications approved (excluding demolitions) that will lead to the enhancement of the asset.

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders

Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)			Report Comments
					Target	Actual	RAG	
<b>Health &amp; Wellbeing</b>								
Enhanced quality of life of local residents through access to good quality housing	Number of improved homes	Quarterly	Karen Leytham	High is Good	435	575	Green	This measure indicates the Council's performance in ensuring that owner occupied and private rented homes enhance the quality of life of local residents through good quality housing.
Health and wellbeing improved and mortality rates reduced for vulnerable people in the district	Reduction in number of homeless people in the district	Quarterly	Karen Leytham	Low is Good	30	29	Green	This measure indicates the quarterly number of individuals that have been accepted as 'statutory homeless'. Performance in Quarter 1 indicates that the number of statutory homeless people in the district has been maintained below target despite the current difficult economic climate

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders

Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)			Report Comments
					Target	Actual	RAG	
<b>Health &amp; Wellbeing</b>								
	Reduction in number of people sleeping rough in the district	Monthly	Karen Leytham	Low is Good	2	2	Green	The council has signed up to the national Streetlink scheme which provides a 24/7/365 service to those sleeping rough. The scheme allows the council to record and monitor the number of rough sleepers on a monthly basis for the first time. This new information will help with early intervention support and provide an opportunity to monitor information more effectively
	Increased number of vulnerable households benefiting from Warm Homes initiatives	Quarterly	Karen Leytham	High is Good	175	198	Green	Measure includes schemes aimed at improving the level of warmth of vulnerable people in owner occupied and private rented homes. Performance in Quarter 1 indicates the number of households who benefit from the intervention of the council. External partners are also undertaking activities on behalf of the council through Warm Homes Healthy People funding, the data from which will be available later in the year.

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders

Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)			Report Comments
					Target	Actual	RAG	
<b>Health &amp; Wellbeing</b>								
	Deliver sustainable long-term improvements in local air quality through the Local Air Quality Strategy	Quarterly	Karen Leytham	High is Good	On target	On target	Green	The milestone to complete and gain the agreement of stakeholders for the Local Air Quality Strategy has been achieved in Quarter 1, being a carry forward from 2012/13 Quarter 4. A project plan to deliver long term improvements in local air quality is now being developed and will include milestones for monitoring from Quarter 2 onwards.
The health and wellbeing of local residents of all ages is improved by participation in sports and leisure activities	Increased number of people participating in sports and leisure activities	Quarterly	Ron Sands		Not Submitted	195,655		Measure incorporates sports and leisure activities and programmes across the district provided by the council and its partners. The measure is being developed and not all data was available at the time of reporting.
	A health and wellbeing strategy for the district will be in place and agreed by June 2013	Quarterly	Karen Leytham	High is Good	On target	On target	Green	The Health and Wellbeing Strategy was completed and agreed with stakeholders by the due date.

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders

Quarter 1 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 1)			Report Comments
					Target	Actual	RAG	
<b>Health &amp; Wellbeing</b>								
	Successful delivery of the Velocity Cycle race	Quarterly	Ron Sands	High is Good	On target	On target	Green	The Velocity City Centre Cycle Race was held on 28th June and took place without any major accident or incident to members of the public. Standard event management procedures were followed and a formal debrief on the event will take place in early August. The event was a success attended by approximately 3000 people.



## Corporate Plan Quarterly Trend Report

Quarter 1 2013/2014

Measure Information		Quarter 2 2012/2013		Quarter 3 2012/2013		Quarter 4 2012/2013		Quarter 1 2013/2014		Comments
Outcome	Measure	Actual	Trend	Actual	Trend	Actual	Trend	Actual	Trend	
<b>Clean, Green and Safe Places</b>										
Income generated from energy, including solar technology and climate change projects	% of household waste reused, recycled or composted	43.30%	↗	44.80%	↗	42.20%	↘	40.80%	↘	Fluctuations across the year reflect seasonal variances. Increased internet buying, reduction in public spend and improvements in packaging is seeing a general trend of 'positive' reductions in the amount of household waste being recycled.
	Income from energy and recycling projects	£20,168.24	↗	£29,189.21	↗	£31,339.74	↗	£20,073.20	↘	There has been a steady increase of income generation throughout 2012/13. In Quarter 1 2013/14 some feed-in tariff income was unavailable at the time of reporting.
Our district is safe	Increased number of diversionary activities for young people	910	↗	2,544	↗	859	↘	2,146	↗	Variances across the year reflect seasonal fluctuations. Measure now includes supplementary measures that individually and collectively indicate the number of young people who benefit from the social value of programmes and activities provided by the council and our partners.

# Corporate Plan Quarterly Trend Report

Quarter 1 2013/2014

Measure Information		Quarter 2 2012/2013		Quarter 3 2012/2013		Quarter 4 2012/2013		Quarter 1 2013/2014		Comments
Outcome	Measure	Actual	Trend	Actual	Trend	Actual	Trend	Actual	Trend	
<b>Community Leadership</b>										
Council's operations are delivered and managed efficiently and effectively to achieve better value for money	Council Tax as a % of Council Tax due	28.10%		27.90%	↗	11.20%	↘	29.70%	↗	Recovery of CTax has been proactive at a time when the economic climate is having a detrimental effect on taxpayers ability to pay. 97.10% of CTax was collected by the end of 2012/13 (reduction in Quarter 4 is because CTax is collected April to January). Ongoing reviews of processes and procedures through the shared service with Preston City Council is helping to maximise debt recovery whilst being sensitive to genuine need. The impact of Welfare Reforms on customer's ability to pay will continue to be monitored and addressed in 2013/14.
	Non-Domestic rates as a % of Non-Domestic rates due	29.20%		28.40%	↗	10.20%	↘	30.70%	↗	The current economic climate has had a particularly impact on small businesses and their ability to pay although 98.2% in NDR was collected in 2012/13. Procedures are continually reviewed through the shared service with Preston City Council to improve collection. Resources will be reviewed during 2013/14 to maximise the effectiveness of business rate collection.
	Robust and tested arrangements are in place for emergency planning	On target	On target	On target	↗	On target	↗	On target	↗	Milestones throughout the year to ensure that business continuity arrangements provide a robust emergency response have been met. All core emergency plans were updated during 2012/13 and several tests and exercises carried out. New officers have been recruited to maintain resilience.
	Clean bill of health given through annual governance and audit reviews	0	0	0	↗	0	↗	1	↘	Throughout 2012/13 there were no major shortcomings or failures in corporate governance arrangements. In the first quarter of 2013/14 Information Security issues have been raised as a significant governance matter requiring disclosure in the Annual Governance Statement.

# Corporate Plan Quarterly Trend Report

Quarter 1 2013/2014

Measure Information		Quarter 2 2012/2013		Quarter 3 2012/2013		Quarter 4 2012/2013		Quarter 1 2013/2014		Comments
Outcome	Measure	Actual	Trend	Actual	Trend	Actual	Trend	Actual	Trend	
<b>Economic Growth</b>										
Employment opportunities are created by development of energy infrastructures which may include offshore wind, renewables and bio-mass	The activities agreed in the Planning Performance Agreement for the National Grid will be delivered	High is good	On target	On target	On target	On target	On target	On target		Measure reflects the council's contribution to the delivery of key milestones in the Planning Performance Agreement with the National Grid, which were achieved in 2012/13. Information on milestones in 2013/14 were not available at the time of reporting in Quarter 1 of 2013/14.
Lancaster district's recognition as a visitor destination is enhanced	A future approach for the provision of a Museums service is in place and working effectively	High is good	On target					On target		This is a new measure in the 2013/14 Corporate Plan. Milestone to complete a consultation on the provision of the Museums service was completed in Quarter 1. Milestones and plans for future provision and the current partnership arrangements with Lancashire County Council will be considered and agreed in Quarter 2.
Local authority partners working together to develop plans for economic growth aligned to nationally important energy and Heysham M6 transport links	Major Government targets for determining Major Planning Applications  Major Government targets for Special measures on Major Appeals	High is good	55.50%	50.00%	56.25%	57.14%				The percentage of decisions made on planning applications for major developments within the 13 week statutory period (or as extended with the applicant) has consistently been at 50% or higher. The threshold set by Government, below which 'special measures' will be introduced is 30%.  This measures the 'quality' of decisions made on applications made on major developments based on the percentage number that have been overturned on appeal i.e. low percentage represents good performance. The threshold set by Government before 'special measures' are taken is 20%. Previous data is unavailable due to the way that appeals information was recorded prior to the new Government measures being introduced.

# Corporate Plan Quarterly Trend Report

Quarter 1 2013/2014

Measure Information		Quarter 2 2012/2013		Quarter 3 2012/2013		Quarter 4 2012/2013		Quarter 1 2013/2014		Comments
Outcome	Measure	Actual	Trend	Actual	Trend	Actual	Trend	Actual	Trend	
<b>Economic Growth</b>										
More tourists coming to the district and tourist income is maximised	Number of people participating in arts, culture, entertainment and community events in the district							25,805		This measure has been developed to include quality data from a number of supporting measures that individually and collectively indicate the number of people participating in wellbeing events run by the council and, on our behalf, by our partners. No comparison is shown in this report with 2012/13 as the data provided for the measure has changed.
The attractiveness of the district as a place to visit and invest in is improved	Number of heritage assets improved	30		21	↘	17	↘	28	↗	The trend analysis for 2012/13 and in the first quarter of 2013/14 indicates fluctuations across the year of the number of Listed Building Applications approved.

# Corporate Plan Quarterly Trend Report

Quarter 1 2013/2014

Measure Information		Quarter 2 2012/2013		Quarter 3 2012/2013		Quarter 4 2012/2013		Quarter 1 2013/2014		Comments
Outcome	Measure	Actual	Polarity	Actual	Trend	Actual	Trend	Actual	Trend	
<b>Health &amp; Wellbeing</b>										
Enhanced quality of life of local residents through access to good quality housing	Number of improved homes	533	High is good	554	↗	538	↘	575	↗	The number of owner occupied and private sector houses improved each quarter is relatively consistent. These improvements enhance the quality of life of local residents through good quality housing.
	Health and wellbeing improved and mortality rates reduced for vulnerable people in the district	Reduction in number of homeless people in the district	13	Low is good	17	↗	21	↗	29	↗
	Reduction in number of people sleeping rough in the district		Low is good			4		2	↗	The way that rough sleepers are monitored has changed through a new scheme that helps to provide earlier intervention and support. The number of people sleeping rough in the district is remains low.
	Increased number of vulnerable households benefiting from Warm Homes initiatives	93	High is good	325	↗	400	↗	198	↘	The number of households who benefit from Warm Homes Initiatives increased in Quarters 3 and 4 of 2012/13 when funding from a number of sources was secured and available. The actual figure in Quarter 1 2013/14 does not include people who benefit from programmes provided on the council's behalf by our partners -this will be available later in the year.
	Deliver sustainable long-term improvements in local air quality through the Local Air Quality Strategy		High is good			Slightly behind target		On target	↗	Milestones in Quarter 1 were achieved. A project plan for the delivery of long term improvements in local air quality is now being developed and this will be basis for monitoring the delivery of milestones from Quarter 2 onwards.
	The health and wellbeing of local residents of all ages is improved by participation in sports and leisure activities	Increased number of people participating in sports and leisure activities	207,171	High is good	182,606	↘	316,901	↗	195,655	↘

## Corporate Plan Quarterly Trend Report

Quarter 1 2013/2014

Measure Information		Quarter 2 2012/2013		Quarter 3 2012/2013		Quarter 4 2012/2013		Quarter 1 2013/2014		Comments
Outcome	Measure	Actual	Polarity	Actual	Trend	Actual	Trend	Actual	Trend	
<b>Health &amp; Wellbeing</b>										
	A health and wellbeing strategy for the district will be in place and agreed by June 2013		High is good					On target		Measure achieved.
	Successful delivery of the Velocity Cycle race		High is good					On target		Measure achieved.

# Corporate Financial Monitoring Quarter 1: April – June 2013

Report of: Financial Services Manager

## 1 Introduction

This monitoring report for 2013/14 sets out an indicative corporate picture of the Council's financial performance for the period ending 30 June 2013.

The report summarises the budgetary variances arising through services' monitoring, and also identifies any omissions, updates and/or actions required. In addition there are various other specific sections for salary monitoring, capital expenditure and financing, the Housing Revenue Account (HRA), revenue collection performance and various reserves. The content and format of this report will continue to evolve, to draw on both national and local finance matters.

## 2 General Fund Revenue Monitoring

### 1.1 General Fund Summary Position



The current overall General Fund summary position shows that at the end of June there is a net underspend of £152K against the budget. This is currently forecast to increase to £239K by the end of the year.

	<i>Annual Budget £000's</i>	<i>Profiled Budget £000's</i>	<i>Actual £000's</i>	<i>Current Underspend £000's</i>
Salaries	16,590	4,128	4,071	(57)
Other Net Budgets	3,229	289	194	(95)
<b>Total</b>	<b>19,819</b>	<b>4,417</b>	<b>4,265</b>	<b>(152)</b>
			<i>Full Year Projection</i>	<b>(239)</b>

### 1.2 Main Budget Variances

**Annex A** details the major true variances identified to date that have been included within individual services' monitoring 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.

<b>SUMMARY BY SERVICE</b>	<b>Current £000's</b>	<b>Current Year Projection £000's</b>	<b>Future Years Projection £000's</b>
	() Favourable / + Adverse		
Environmental Services	(51.3)	(42.0)	(40.0)
Health & Housing	+5.9	+7.0	+7.0
Governance	+8.4	+9.4	+9.4
Regeneration & Planning	(1.6)	+32.5	0.0
Resources	(56.4)	(46.1)	(85.9)
<b>TOTAL VARIANCES</b>	<b>(95.0)</b>	<b>(39.2)</b>	<b>(109.5)</b>

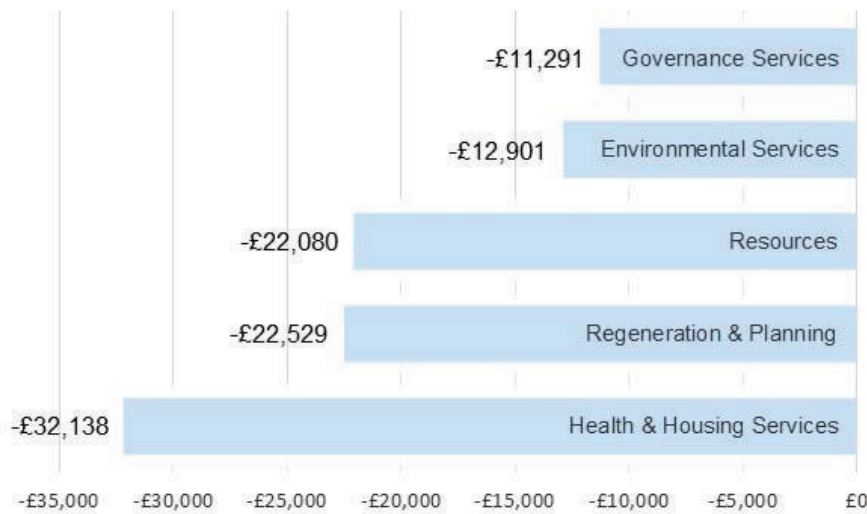


### 1.3 General Fund Salary Monitoring

Salary monitoring is reported separately, as in aggregate terms any variances can have significant effect.

To date total savings of £101K (Qtr1 2012/13 - £166K) have been achieved, which is some **£57K** (Qtr1 2012/13 - £123K) above the £44K profiled turnover target. This allows for the recently approved 1% pay award. A very simple projection would indicate that salary savings could reach around £200K by the end of the year, but a more detailed review is about to commence, to analyse vacant posts to give a more accurate savings projection. At this stage it is considered that there will be no scope to increase general turnover provisions to help meet future years' savings targets. Instead, staffing implications will be included in specific savings proposals.

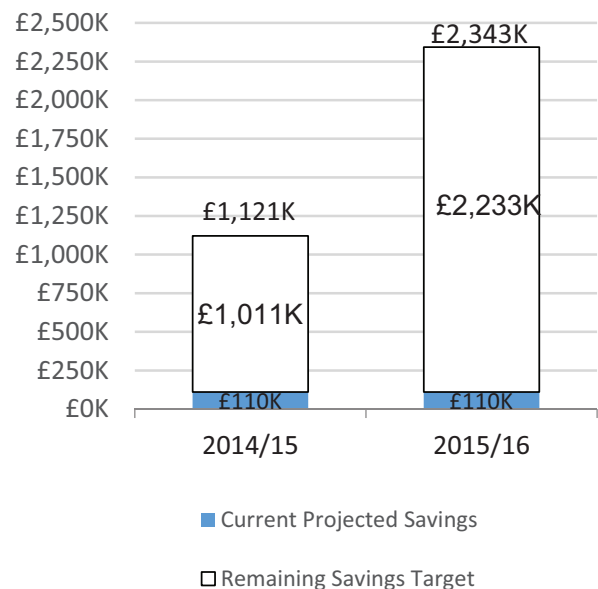
The following graph shows the savings on a Service by Service basis.



### 1.4 Future Years' Savings Requirements

The earlier table shows that there are anticipated on-going savings of £110K in future years. The graph opposite shows these savings as progress against future years' targets, as set out in the approved Medium Term Financial Strategy.

At present, the 2014/15 original target of £1.121M is reduced to £1.011M, and the 2015/16 target of £2.343M is reduced to £2.233M. This assumes the current projected savings are recurring. It is a very simplistic picture, however, as much work is underway to identify other savings opportunities.



It should also be noted that in due course, future years' savings targets will be updated to reflect more recent developments, not least Government's recent Spending Review. The scale of the challenge is expected to grow, rather than reduce.

## 2 General Fund Capital Programme

### 2.1 Capital Expenditure & Financing

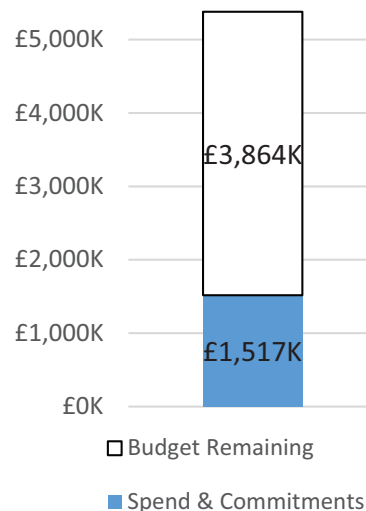
At the end of June there were spend and commitments of £1.517M against the programme of £5.381M – this has not yet been updated for slippage from 2012/13, as this was subject to approval by Cabinet in Quarter 2. Details of spend against each scheme is shown at **Annex B**.

Two changes to the capital programme have been approved in respect of the application of S106 Affordable Homes monies:

- Albion Mills £260K: Independent Cabinet Member Decision May 2013.
- Heysham Mossgate £42K: Cabinet 28 May 2013.

It should also be noted that updates will be made for vehicle purchases under delegated powers in due course, as and when orders have been completed.

No update has been incorporated as yet regarding Lancaster Market, but this will be reported back to Council in due course.



In terms of financing, receipts of £21K have been received from the total £9.443M required to finance the 2013/14 capital programme. The main receipt relating to land at South Lancaster is still outstanding and as such, various schemes wholly funded by Council resources are still on hold. Some minor spend has been required in order to progress the piloting of ICT provision for Members, ahead of presenting ICT Strategy proposals to Cabinet.

The performance of the Council's property portfolio has strong linkages with capital investment and financing, and therefore at this point attention is drawn to the exempt Property Group report, provided alongside this financial monitoring report. The property report is in accordance with the arrangements outlined to Cabinet in April. It is the first such report, and again its content and format will evolve as the year progresses.

## 3 Revenue Collection Performance

### 3.1 Collection Fund Monitoring

#### 3.1.1 Council Tax Yield (Total Collectable)

This section now provides a summary analysis of the current surplus or deficit on the Fund, shown in the table below. Such a surplus or deficit arises because of the great many changes in liability that occur throughout the year. Furthermore, any difference between estimated and actual collection performance will ultimately have a bearing.

The table goes on to compare budgeted council tax yield, or total amount collectable, with the yield position as at 30 June:

		£000's
<b>Collection Fund Surplus (June 2013)</b>		<b>(1,144)</b>
<b>Represented by:</b>		
Collection Fund Surplus b/fwd		(365)
<i>In-Year Movements to Date:</i>		
Lower Council Tax Support than estimated	(£779K) total in-year surplus	(400)
Lower Second/Empty Homes income		+96
Other Movements in Tax Base		(475)
		<b>(1,144)</b>
<b>Compared to:</b>		
	<b>Budgeted Projection £000's</b>	<b>Actual Position £000's</b>
Total Council Tax Collectable (Yield)	57,030	57,964
Actual amount collected	(17,199)	(17,199) 29.7%
Amount Outstanding	39,831	40,765
		<b>(934)</b>

As at 30 June, an estimated surplus of £1.144M is apparent, which is significantly higher than for the same period last year.

This year's position is made up of:

- a surplus brought forward from 2012/13 of £365K;
- £400K lower than estimated council tax support. This will continue to fluctuate as claimants' circumstances change, but since establishing the scheme proposals back in the autumn/winter of 2012, the trend is that the total support being claimed is reducing;
- £95K lower than estimated income from second/empty homes. There is no analysis as yet to show how much of this relates to empty homes being brought back into use, and how much is due to other changes in circumstances.

This leaves a balance of £475K relating to other movements in the tax base or other factors which have still to be substantiated. This requires more analysis and the position could change either way during the course of the year.

Nonetheless, the table clearly demonstrates that currently, overall yield is higher than was forecast in setting the 2013/14 budget. Although as yet it does align exactly with the current in-year surplus on the Collection Fund, (£934K compared to £779K), this is being explored further and it is known that there can be complexities around using information at a specific date, to give full year projections. There can be some distortion of results.

Overall, any Collection Fund surplus or deficit is shared between the relevant precepting bodies and the City Council's share is 13%. ; based on the current estimated surplus, this would amount to £169K (the equivalent of almost 2% in city council tax terms). Due to the uncertainties, this has not been allowed for against future years' savings targets (section 1.3 of this report).

The position will continue to be monitored, ahead of formal reassessment in January 2014.

### 3.1.2 Business Rates Yield (Total Collectable)

Following the introduction of the Business Rates Retention Scheme, a new section will be included in future monitoring reports to assess business rate yield against original projections and funding assumptions, and what this may mean for the Council and the major precepting

authorities going forward. More work is needed in this area, in order to understand fully the implications. Previously, any change in business rates yield had no real impact on the authorities' finances.

### 3.2 Council Tax and Business Rates Collection

The council tax collected is slightly below target. There have been several changes to council tax during 2013/14 as outlined above, which will have an impact on customers' ability and/or willingness to pay. It is too early to draw any real conclusions at this point in time.

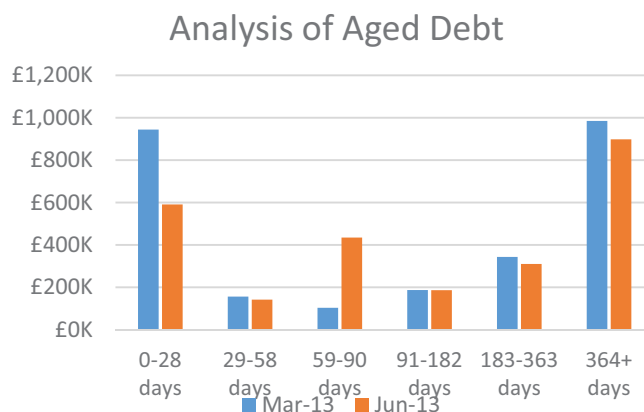
Encouragingly though, the percentage of NNDR collected is ahead of target at the end of the first quarter.

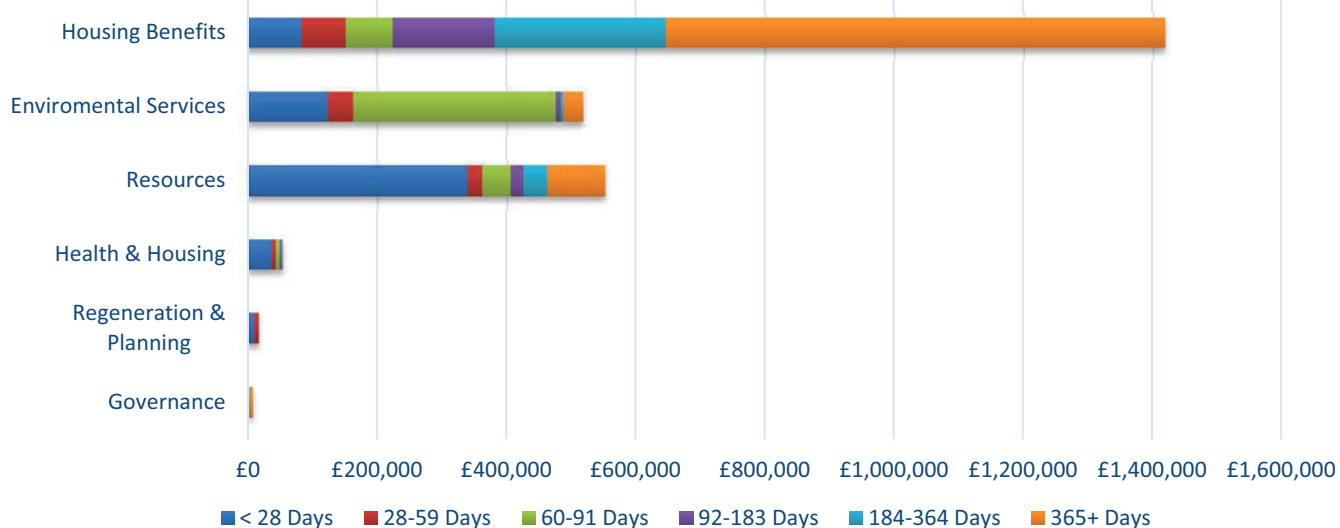
Percentage Collected	2012/13 %	2013/14 %	2013/14 Target %	2013/14 Actual %	Status
	All Years		In Year		
Council Tax	27.14	26.72	30.0	29.7	Slightly behind Target
Business Rates	24.44	24.31	29.5	30.7	Ahead of target

### 3.3 Sundry Debts

This section sets out the latest position on the level of outstanding sundry debts (excluding Council Housing). At the end of June the total debt outstanding was just over £2.5M, which is £156K less than the previous quarter.

	Mar 13	June 13
	£000's	£000's
0-28 days	944	591
29-58 days	156	142
59-90 days	103	435
91-182 days	187	186
183-363 days	343	310
364+ days	985	898
	2,718	2,562
Previous Year	2,467	2,977





## 4 Housing Revenue Account (HRA)

### 4.1 HRA Revenue Position



At the end of June the position for the HRA shows an overspend of **£55K** against the profiled budget, which is currently projected to increase to **£87K** by the end of the year. Details of the variances are as follows:

SERVICE AREA	Current £000's	Current Year Projection £000's	Future Years Projection £000's
	() Favourable / + Adverse		
Central Control – rent	0	+7	+1
Central Control – contracted services	+5	?	?
Central Control – service charges recovered	(6)	(6)	(6)
Central Control – services charges : Telecare*	+25	+55	+89*
Mgt & Admin – printing & stationery	(5)	(5)	(5)
Council Housing Rents **	0	+36	+11
Caretaker Services – feed in tariff credits	+36	?	?
<b>Total</b>	<b>+55</b>	<b>+87</b>	<b>+90</b>

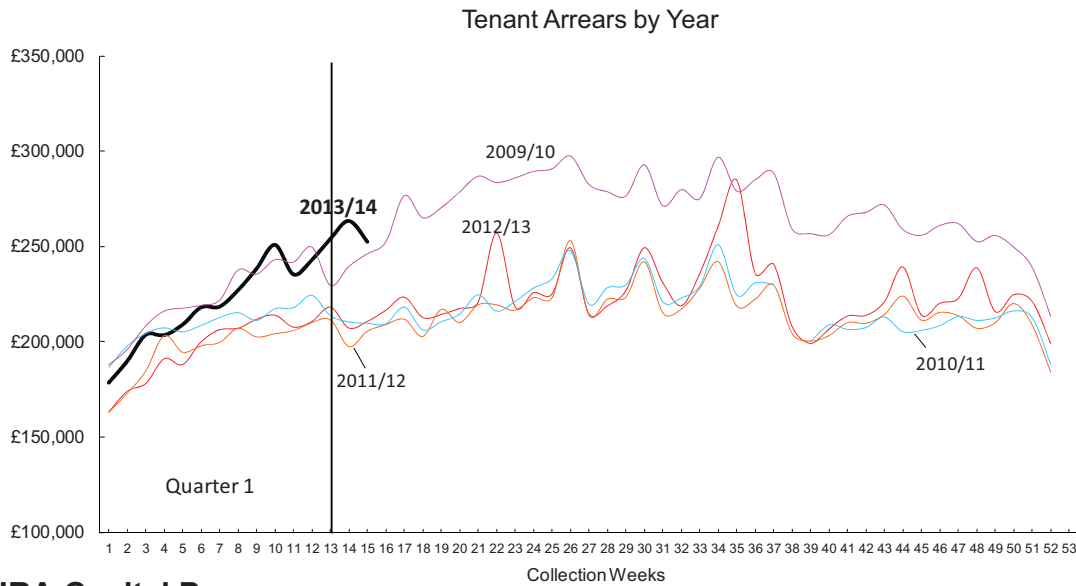
\*The number of Lancashire Telecare referrals received from the County Council has significantly reduced during the period leading up to the County determining options for the future provision of the service. As a result the budgeted income for the current year will need to be revised down during the next budget process. Regarding future years, the Council may well have decisions to take regarding its involvement in this activity.

\*\*Rental income from council houses is projected to be down slightly as a result of higher than anticipated property sales. In 2012/13 there were 7 property sales compared with the estimate of 5, and in the current year 3 properties have already been sold. This means that any further sales will impact on rental income, although they would provide additional capital financing. In addition there has been an increase in voids from 1.5% to 1.7%. To give context to the housing rents budget variance, together with the arrears section below, the total amount of rent collectable in this year is £13.458M.

### 4.2 Council Housing Rent Arrears

This section has been introduced to monitor the level of tenant arrears, to indicate any impact from welfare reforms and/or the wider economy on rent collection and in turn, to inform whether any specific actions are necessary. It will also feed into future reviews of the bad debt provision.

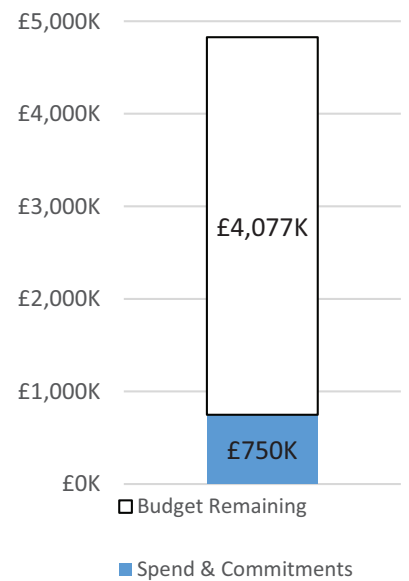
The following chart shows the current level of arrears compared to the previous 4 years. It can be seen that arrears are greater than last year; instead they are similar to the 2009/10 trend. As at 30 June, the level of arrears for 2013/14 is £254K. This will be monitored closely but it is too early to determine any full year likely impact, or reach any other conclusions.



### 4.3 HRA Capital Programme

This section analyses actual spend and commitments against the Council Housing Capital Programme at the end of June. To date spend and commitments total £750K against a budget of £4.827M leaving a balance of £4.077M. As with General Fund, the HRA programme has not been updated for slippage.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	300	18	282
Energy Efficiency / Boiler Replacement	660	64	596
Bathroom / Kitchen Refurbishment	644	219	425
External Refurbishments	1,269	267	1,002
Environmental Improvements	900	173	727
Rewiring	83	8	75
Fire Precaution Works	300	1	299
Lift Replacement	110	0	110
Re-roofing / Window Renewals	544	0	544
PV Solar Panels	17	0	17
<b>TOTAL</b>	<b>4,827</b>	<b>750</b>	<b>4,077</b>



## 5 Provisions and Reserves

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This section provides an update on key provisions and reserves, and balances.

### 5.1 General Fund Unallocated Balance

The current position with regards to unallocated Balances is set out below.

	<b>£000's</b>
Original projected balance as at 31 March 2013	2,635
Add: 2012/13 underspend	547
Less: Carry forwards (subject to full approval)	(101)
Add: Budgeted Contribution for 2013/14	367
Add: Current Projected In-Year Underspend	239
<b>Latest Projected Unallocated Balance as at 31 March 2014</b>	<b>3,687</b>
Minimum Level	1,000
<b>Amount Available to Support Future Years' Budgets</b>	<b>2,687</b>

The table shows that the current projected level of Balances would be £3.687M by the end of the financial year, which leaves £2.687M to support future years' budgets, after allowing for the minimum approved levels.

### 5.2 Insurance Provision

The current balance on the insurance provision is £441K, after making net payments of £27K in settlement of claims made.

At present, the Council's insurers estimate that the value of claims outstanding is £455K, which relates to a total of 221 claims made over a 5 year period. This estimate assumes that all these claims will be settled at the maximum reserve limit. Recent statistics show that on average, however, only 60% of the total reserve is paid. The estimated cost of claims outstanding could therefore reasonably be valued at around £273K, which is £168K less than the current provision. The overriding principle is that the Council must make reasonable provision for all its known liabilities, but the uncertain nature of insurance claims payments means that accurate predictions are difficult. This is an area for review during the budget.

### 5.3 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 4.3 the level of provision would be as follows:

Period	Debt £000's	% Cover Required	Value £000's
Up to 1 Month	591	1%	6
1 Month to 3 Months	577	5%	29
3 Months to 365 Days	496	10%	50
Over 365 Days	898	50%	449
<b>TOTAL</b>	<b>2,562</b>		<b>534</b>

The current balance on the General Fund Bad Debt provision is £609K which is £75K above the requirement indicated, but that is after allowing for this year's contribution of £100K and write-offs of £22K. The position will be reviewed again as part of the forthcoming budget process and any adjustments required will be reported accordingly.

## 6 Exceptions to Tender

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In accordance with the latest approved contract procedure rules (updated January 2013), all exceptions to tender will be reported as part of the quarterly corporate monitoring process.

Exemptions were granted for the following contracts in the first quarter of the year:

**Contract:** Provision of 2<sup>nd</sup> Class Mail Service.

**Reason for Exception:** A collaborative procurement exercise is being undertaken which uses a framework agreement established by Government Procurement Services. A mini tender exercise is being carried out using the six suppliers on the framework.

**Contract:** Provision of transport for school swimming session.

**Reason for Exception:** Different approaches have been made to encourage more suppliers to bid for this service in the past; however there has only been one submission for a number of years. The market has not changed to indicate that further competition has entered the market and neither the officer or the Procurement section have been approached by suppliers requesting to be involved in the tender process.

**Contract:** Mitre House Car Park Refurbishment Works.

**Reason for Exception:** These works are of a specialist nature and from Officers' research, there is a very limited number of suppliers available in the market suitable to carry out the works. The proposed contractor is registered with Constructionline – the Council's recognised list of approved contractors. The works currently being carried out by that contractor have been done to a quality standard, as required by the Council.

## 7 Risk Management

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No other major risk changes have been highlighted in the period to 30 June. There have been positive developments regarding Luneside East, subsequent to that date. Otherwise, in very broad terms it is considered that the main risks facing the Council are linked to meeting its future financial challenges. A fuller assessment is planned as part of the Quarter 2 monitoring / Medium Term Financial Strategy review.

Separately, the Council's risk management arrangements are currently being audited and this may result in some changes in due course, including reporting arrangements.



## SUMMARY OF GENERAL FUND MAJOR VARIANCES (Qtr 1 2013/14)

Service	Service Area	Variance	Current	Future	Reason for Variance & Action being taken
		to Date	Year	Years	
		£	£	£	
		+ = Adverse ( ) = Favourable			
		VARIANCES REPORTED THROUGH PRT PROCESS (CHIEF OFFICER COMMENTS)			
Environmental Services	Car Parking - Fees & Charges	+14,000	?	+0	Difficult to predict and potentially affected by United Utilities works. Overall usage has reduced by 4.5% in Q1 and has affected both daytime and evening charges.
	Morecambe Market - Rent Income	+9,200	+20,000	+0	Consistently 12-16 stall vacancies, expected income unlikely to be achieved.
	Highways	(35,000)	?	?	New contract entered into in August 2012 so just approaching first anniversary when financial review will take place.
	Vehicles - Fuel	(17,500)	(40,000)	(40,000)	Fuel price currently consistent with last years prices. Should price stay constant then project variance should be achieved.
Health & Housing	Trade Refuse - Income & Collection Costs	(22,000)	(22,000)	?	Re-worked budgets on latest information available from Lancs County Council.
	Cemeteries - Water Services	+1,200	+0	?	Notification from United Utilities of an increase in water charges from April 2014. The increase is to be phased in over 6 years, however the outcome of appeals and final charge letter is still awaited. Without any appeals there would be an increase amounting to £42K.
	Happy Mount Park - Water Services	+4,700	+7,000	+7,000	This projected variance is an estimate and is a combination of United Utilities surface water and drainage charges ( which have increased and are not controllable) and also water usage in the park including the Splash Park which is dependant on the weather. Usage will be monitored going forward.
Governance	Licensing Premises Fees	+10,200	+15,000	+15,000	Reduced premises licences fee income under 2003 Act due to reduction in number of licences.
	Members Allowances	(1,800)	(5,600)	(5,600)	Current level of allowances less than anticipated.
Regeneration & Policy	Middleton Wood Nature Reserve	(9,800)	(9,300)	+0	Income received in 2013/14 (budgeted for 12/13).
	Building Regulations Application Fees Income	+8,200	+41,800	?	Fewer fee bearing applications received due to external competition from approved inspectors delivering a private service.
Resources	Property : 56,58,60 Euston Road Rent/Rates	+18,600	+38,000	+0	Vacant properties resulting in loss of rental income and additional NMDR costs.
	Property : Lancaster Bus Station rates	+7,100	+7,100	+7,100	Reduction in transitional rate relief.
	Revenues: Discretionary Rate Relief	+0	(91,200)	(93,000)	No longer a direct charge to the General Fund. All future relief costs fall on the Collection Fund and are borne by all major preceptors.
	Revenues : HB Overpayments	(82,100)	(150,000)	(150,000)	Recoveries continue to exceed budget. For last year the additional income was £145K. The budget will be reviewed at revised estimate time.
	Bad Debt provision contribution		+150,000	+150,000	It is anticipated that further contributions to the bad debt provision will be required to cover any potential increases in write offs as a result of the latest welfare reform changes.
<b>TOTAL VARIANCES</b>		<b>(95,000)</b>	<b>(39,200)</b>	<b>(109,500)</b>	
Overall Salary Savings		(57,000)	(200,000)	+0	
<b>OVERALL VARIANCES</b>		<b>(152,000)</b>	<b>(239,200)</b>	<b>(109,500)</b>	

## GENERAL FUND CAPITAL PROGRAMME MONITORING REPORT

SERVICE	SCHEME	2013/14 Gross Budget	Actual to Date	Commitments (Outstanding Orders)	Total	Variance +Overspend / (Underspend)
Environmental Services	Allotment Improvements	40,000	0	0	0	(40,000)
	Car Parks Improvement Prog	120,000	0	0	0	(120,000)
	Playground Imps/Facilities	47,000	(5,222)	5,542	320	(46,680)
	Purchase of Vehicles	0	0	1,260,353	1,260,353	1,260,353
	Toilet Works	90,000	0	1,610	1,610	(88,390)
Health & Housing	Disabled Facilities Grants	653,000	149,481	0	149,481	(503,519)
	YMCA Places of Change	0	18,023	0	18,023	18,023
	Salt Ayre Works Programme	30,000	0	0	0	(30,000)
	Warm Homes Scheme	48,000	12,113	0	12,113	(35,887)
	Albion Mills - S106 Affordable Housing	260,000	0	0	0	(260,000)
	Heysham Mossgate - S106 Affordable Housing	42,000	0	0	0	(42,000)
	Will Park Imps & Enhancements	75,000	(1,360)	0	(1,360)	(76,360)
Regeneration & Planning	Amenity Improvements	36,000	0	0	0	(36,000)
	Bold Street Renovation Scheme	0	250	0	250	250
	Lancaster Square Routes	196,000	350	0	350	(195,650)
	Luneside East	50,000	141	30,359	30,500	(19,500)
	Morecambe Area Action Plan	100,000	0	3,635	3,635	(96,365)
	Morecambe TH12 A View for Eric	446,000	0	0	0	(446,000)
	Poulton Pedestrian Route	160,000	0	0	0	(160,000)
	Sea & River Defence Works	278,000	22,760	57,439	80,198	(197,802)
Toucan Crossing King Street	13,000	0	0	0	(13,000)	
Resources	Corporate Property Works	2,402,000	(106,797)	0	(106,797)	(2,508,797)
	ICT Sytems, Infrast. & Equip	349,000	(10,383)	79,134	68,751	(280,249)
<b>Total Gross Programme</b>		<b>5,435,000</b>	<b>79,356</b>	<b>1,438,071</b>	<b>1,517,427</b>	<b>(3,917,573)</b>

## 2013/14 Treasury Management Progress Report to 30 June 2013

### Report of Chief Officer (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 after the end of June, September, December and March as part of the Council's performance management framework.

Council approved the 2013/14 Treasury Strategy, which incorporates the Investment Strategy, at its meeting on 27 February 2013. This report outlines activities undertaken in pursuance of those strategies during the financial year up to the end of Qtr 1.

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 an updated Guide is now available through the Member Information section on the Intranet.

#### 2. Economic update (provided by Sector)

During the quarter ended 30 June: -

- Indicators suggested that the economy accelerated.
- Stronger household spending occurred, both on and off the high street.
- Inflation remained stubbornly above the Monetary Policy Committee (MPC)'s 2% target.
- The MPC remained in a state of limbo ahead of its new Governor, Mark Carney, arriving.
- 10-year gilt yields rose above 2.5% and the FTSE 100 fell below 6,100.
- The Federal Reserve discussed tapering the pace of asset purchases under Quantitative Easing 3 (QE3).

#### 3. Icelandic Investments Update

There were no further repayments expected or received during Qtr 1. Guidance from CIPFA, receiving during May, suggests that the expected recovery for investments with KSF should rise from 83.5% to 85.25%. The guidance reiterated that expected recovery of investments with Landsbanki remains at 100%, although this is subject to risks around exchange rate movements and timing particularly.

To 30 June, there is nothing further to report regarding Icelandic investments. The table below remains unchanged from 2012/13 outturn.

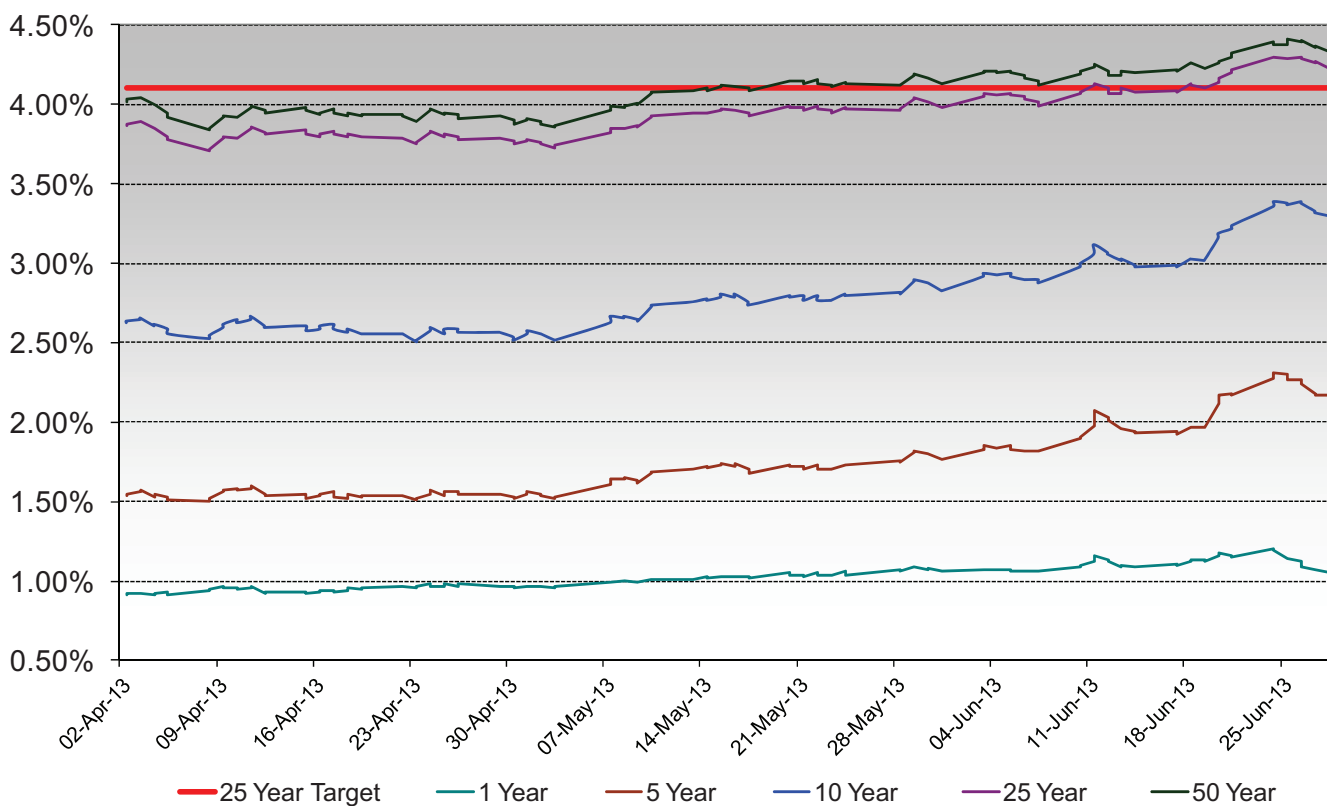
	KSF £000	Glitnir £000	Landsbanki £000	Total £000
Total Claim (including interest)	2,048	3,173	1,121	6,342
Payments received to date	1,556	2,508	529	4,593
Amounts held in ISK*		609	8	617
Total anticipated recovery (%)	83.50%	100%	100%	
Further payments due (%)	9.26%	0%	52%	
Further payments due (£000)	190	0	584	774
Total anticipated receipts	1,746	3,117	1,121	5,984

\*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 still expected to be £5.98M, meaning that the majority of the £6M principal invested will be returned.

#### 4. Current Borrowing Rates.

No new borrowing was undertaken during Qtr 1. Below is a graph of the PWLB certainty rates for the period ending 30 June 2013.



Officers continue to monitor potential saving opportunities associated with the early repayment of existing debt. This takes into account the premiums or discounts associated with early repayment and the projected cost of refinancing or loss in investment interest. At present, there are no opportunities that could generate long term savings.

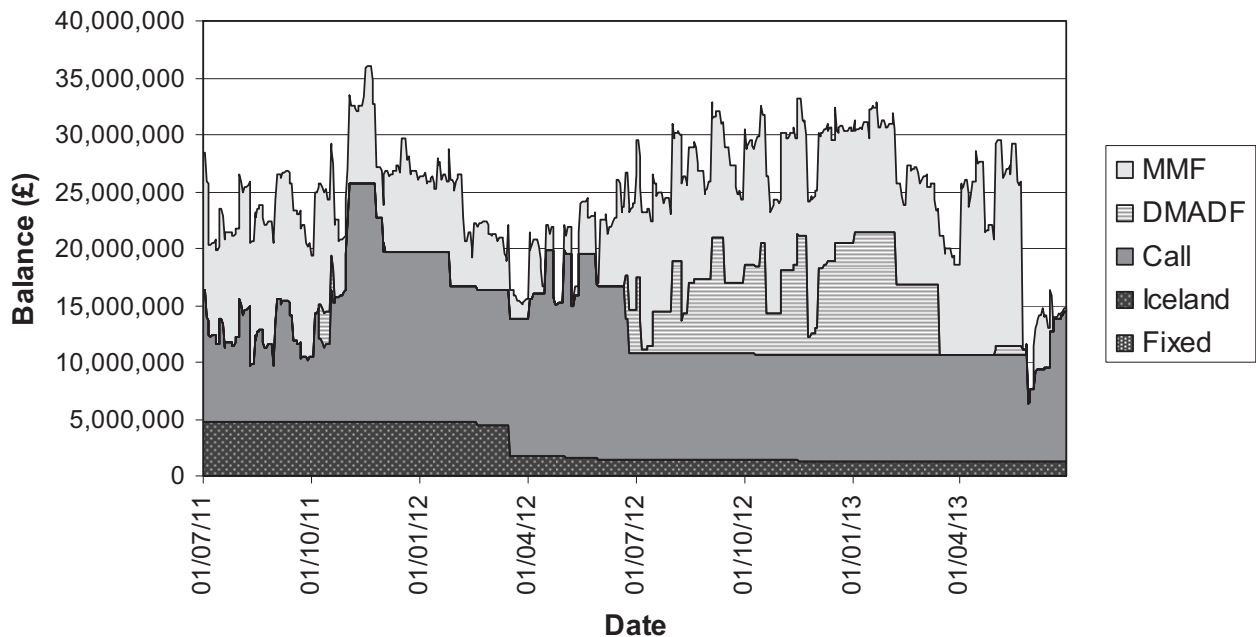
## 5. Investing Activities

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 any cash deposited.

All investment activity has been in line with the approved Treasury Strategy for 2013/14. 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 Qtr 1 is shown below

Other Investments	Opening	Min	Max	Closing	Indicative rate	Cumulative Interest £
Call: RBS	£ -	£ -	£ 3,000,000	£ 3,000,000	0.80%	£ 1,908
Call: Barclays	£ -	£ -	£ -	£ -	0.55%	£ -
Call: Lancashire County Council	£ 9,300,000	£ 5,000,000	£ 10,060,000	£ 10,060,000	0.50%	£ 10,509
DMADF	£ -	£ -	£ 890,000	£ -	0.25%	£ 155
Government Liquidity MMF	£ -	£ -	£ 5,990,000	£ -	0.30%	£ 1,404
Liquidity First MMF	£ 3,595,000	£ -	£ 6,000,000	£ -	0.41%	£ 3,459
Insight MMF	£ 4,370,000	£ -	£ 6,000,000	£ 370,000	0.33%	£ 6,918
Sub-total	£ 12,895,000			£ 13,060,000		£ 24,352

Investment pattern for the prior 2 years



During the first quarter the Council has maximised its investment in the county call account, as far as possible. The account with RBS has been given preference over the MMF due to

the higher interest rate available. This consideration of return is in view of the extent of RBS' Government backing and the impact on security; it remains part-nationalised but the position is closely monitored. If backing by the Bank of England is removed, the bank's associated credit ratings and other relevant information would take precedence.

## 6. 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	0.500%
7 day LIBID	0.485%
Lancaster City Council investments	0.504%

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

Budget to date:

Icelandic credits	£9K
Cash interest	£22K
Total	<u>£31K</u>

Actual to date:

Icelandic credits to date	£16K
Cash credits to date	£24K
Total	<u>£40K</u>

Variance £9K favourable

The favourable variance is mainly due to interest earned on Icelandic investments that was not budgeted for.

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 but given the type of investment the Council is making, it is a reasonable rate.

Over the next quarter, the Council's cashflow should start to stabilise, which in turn should support a slightly longer term investment approach, subject to appropriate risk management regarding the security of investments and market rates.

## 7. 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. Low investment returns mean that using cash invested to repay debt can appear more attractive, but the Council is not yet in position to be following such a strategy.

With regard to the Icelandic investments, there are still uncertainties over the timing and exact amounts of repayments, as well as how elements already repaid in ISK will be repatriated, but these are readily manageable and much smaller than in previous years. Measures are being considered to mitigate the remaining losses.

## **8. Conclusion**

Investment security risk and associated returns remain low, which is likely to continue for the short to medium term. Cash balances remain on the low side, due to continuing delays in securing budgeted capital receipts. Loan repayment opportunities are being monitored and would be considered. They become more attractive if the recovery of interest rates is delayed, assuming such an approach fits with the Council's future investment plans and spending needs.

## 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.
- **Quantitative Easing (QE)** – is a monetary policy used to stimulate the national economy. In very simple terms, the policy involves the central bank buying “financial assets” - typically Government bonds - from commercial banks, amongst others. This then increases those banks’ readily accessible money supply, which then puts them in a better position to increase lending to companies and individuals.
- **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.

# Property Group Update

## Quarter 1: April – June 2013

**Report from: Senior Property Officer**

## Introduction and Background

This report provides a general update on key Property Group business issues for the first quarter of the financial year 2013/14. The intention here is not to provide in depth updates on all ongoing individual property cases but rather to provide a general overview of Property Group's progress in the following areas:

1. Corporate Non-Housing Property Portfolio 1<sup>st</sup> Year Delivery Plan
2. Capital Receipts
3. Joint Property Review
4. Performance of Commercial Buildings

### 1. Corporate Non-Housing Property Portfolio 1<sup>st</sup> Year Delivery Plan

As a direct result of the comprehensive condition survey work undertaken during the latter part of 2012, a significant amount of required improvement and maintenance work was identified across the Council's corporate non-housing building portfolio. This required maintenance work has been prioritised and developed into a 5-year capital programme. The budget approved by Council of £10.637M makes up the 5-year capital programme, of which £2.402M has been assigned to the current financial year. The ultimate goal for this investment is to shift the Council from its current emphasis on reactive maintenance to a more strategic planned maintenance ethos which will deliver significant potential savings and improve financial planning in the years to come.

The projects will be delivered and managed through the property shared service collaboration arrangements in place between Lancaster City Council (The City Council) and Lancashire County Council (The County Council).

During the first quarter it has been necessary to spend a significant amount of time assessing, quantifying and programming the various individual projects in order to firm up project costs and identify where further specialist surveys and design works may be needed. This work has fed into the formulation of a preliminary first year delivery programme produced in conjunction with the County Council's Building Design Unit. Although previously reported, it is worthy of note that budget flexibility between individual projects is essential because the costs taken from the condition survey data to build up the £10.637M budget are purely indicative having been estimated based upon non-obtrusive surveys. As such, the levels of work required at each property could increase or decrease as detailed specification work for the procurement process progresses.

To date, 95% of sites identified within the 1<sup>st</sup> year delivery plan for 2013/14 have been surveyed to review the estimate and quantify the condition information. As this work is completed the information is fed into the working procurement/delivery programme to identify when each building will be worked on throughout the year. To date the following additional works have been identified following the specialist surveys carried out as a result of recommendations made during the non-obtrusive condition survey phase.

- Lancaster Town Hall Banqueting Suite ceilings – Following inspection of the barrelled ceilings significant deterioration was discovered. A conservation & structural survey has been commissioned to establish the full extent of the deterioration and to specify, quantify and estimate the remedial works. Progress on this project will be reported once full details are known.
- Storey Institute Garden Walls - As advised in the condition survey a structural survey was carried out by R G Parkins (local structural surveyors) who identified the significant deterioration of the garden walls. As part of the 1<sup>st</sup> Year delivery plan work is being

undertaken to quantify and estimate the extent of the deterioration. Again progress on this project will be reported once full details are known.

Procurement of the projects will fall into the following procurement groups:

- **Minor Works (MW):** These will be for projects up to £5K in value, there are 22 sites in this group estimated value £45K, 6 sites are Grade 2 listed and 16 of the sites have currently been assessed. Under the County Council's Partnering Framework Agreement, Garside and Laycock have been asked to produce Agreed Maximum Prices (AMP) and a programme of works. Any risks in terms of conservation will be co-ordinated for discussion with the Conservation Officer and English Heritage.
- **Intermediate Works (IW):** These projects will range from £5K to £49K in value, there bring 27 sites in this group of which 4 have a grade 2 or 2\* listing and 19 have been visited so far. The total estimated value of this work is £498K. Collectively, it was considered by the Project Board that this work is sensitive in nature for conservation reasons and it should prove beneficial to utilise some experienced local contractors. Again using the County Council's Partnering Framework Agreement, Bramall Construction is to be appointed as the principal general partnering contractor and will pursue the option of utilising some local contractors in their supply chain.
- **Projects (P):** These are the more 'sensitive/large' projects which have been grouped appropriately and are likely to have more complex conservation issues. Groupings range from £50K to £750K in value, affect 18 sites and all have been visited. Bramall Construction are to be appointed as the principal general partnering contractor for these works also, and again the option of utilising some local contractors in their supply chain is to be pursued.

Based on the indicative programmes currently available, current projections indicate likely works spend by 31<sup>st</sup> March 2014 of circa £2.077M, plus fees at circa £150K, giving an indicative total of £2.227M. This would indicate an under-spend of circa £184K which may need to slip forward into 2014/15.

As at 30 June, all figures are still indicative and therefore no formal update to the Year 1 delivery plan is presented. Furthermore, no use of the Municipal Buildings Reserve programme has been budgeted. No spending has registered as yet against the Plan, in fact, payments are yet to be made in relation to work done in the previous year.

## 2. Capital Receipts

Capital receipts totalling £9.443M are budgeted in the current year.

Against this, the capital receipts received during the last quarter are as follows:

- £21K for the Oxford Street garage, received in May

The following receipts are budgeted for during 2013/14 but none have been received as yet:

- Land at south Lancaster: Agreement of detailed legal documentation still underway (by external parties, in connection with planning issues regarding the adjoining site). It is expected that this will be completed soon, and then the sale will progress.
- 12-14 Wellington Terrace, Morecambe: Heads of terms agreed at Cabinet 28 May 2013 (minute 10).
- 56-60 Euston Rd, Morecambe: Not yet considered / reported to Cabinet.
- Land at Quernmore Rd & Willow Grove, Lancaster: Cabinet 04 September 2013 (minute 50). Heads of terms for the sale agreed at the end of June 2013, under delegated authority.
- Heysham Mossgate: Heads of terms agreed at Cabinet 28 May 2013 (minute 11).
- Housing Grant/Loan Repayments and other miscellaneous receipts.

Detailed information on the above is exempt from publication, by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.

The outcome of the proposed sales will result in some adjustment to the financing of the Capital Programme. This will be updated in Quarter 2. Information on any other key land or property disposals or plans will also be included then.

## 3. Joint Property Review (for Lancashire County and Lancaster City Councils)

The joint property review is approaching the end of the data collection phase. The next stage will be to work up a number of options based on this data. As the data compilation exercise has progressed, a number of priority areas have been identified within the portfolios of both authorities. Some of these priority areas are solely for consideration by the authority currently occupying the building in question, whilst others will require a joint approach by both authorities. From a City Council perspective, the areas (in no particular order) include:

- Cable Street Offices
- St. Leonard's House
- Palatine Hall
- White Lund Depot
- Lancaster and Morecambe Town Halls – to improve occupancy / utilisation rates

The work identified in the 1<sup>st</sup> Year Delivery Programme is being continually monitored against the progress being made with the joint property review to ensure that so far as reasonably possible no unnecessary work is undertaken. However, in some cases it will be necessary to make a judgement call by assessing the urgency of the repair works against the likelihood and timescale of the possible vacation of a building.

It is anticipated that additional information about the options being investigated will be available for the next quarterly update.

## 4. Performance of Commercial Buildings

The following table summarises the current position of the City Council's commercial property relating to the General Fund and the Housing Revenue Account (HRA) with regards to occupation, lease obligations, income and running costs as well as the total required repair and maintenance identified in the condition surveys undertaken in 2012, as discussed earlier.

Measures are being taken to improve management information and associated systems regarding property. Progress will shape the format and content of future reporting.

## Occupation

The current occupation across the City Council's total commercial property portfolio is 82%. The remaining 18% of vacant space amounts to the equivalent of 3961m<sup>2</sup>, the majority of which is attributable to:

- The Storey, which returned to City Council control in October 2012. It has a vacant floor area of 504m<sup>2</sup>, which has reduced from 652m<sup>2</sup> since the last time this exercise was undertaken early in 2013.
- St. Leonard's House currently has 1904m<sup>2</sup> of vacant space but as reported previously, the building requires considerable investment. Options are currently being explored with the County Council's regeneration partner Carillion, around alternative viable uses, for consideration by Members in due course.
- The vacancy rate at Citylab (4/5 Dalton Square) is currently running at 50% (or 649m<sup>2</sup>) which can largely be attributed to the lack of demand for office space in the current financial climate. However, there is interest in the ground floor accommodation and in "No. 4", which means that these figures could look much improved by the next quarterly update.

These three buildings account for 77% of the vacant commercial portfolio and as mentioned earlier, further options to address this will be explored during the joint property review. The remaining 23% is made up of 7 buildings that are currently between lets or to be sold.

## Lease Obligations

The column headed 'Lease' identifies the tenant obligations for repair and maintenance of the buildings under the lease. The majority are internal repairing leases, where the City Council retains responsibility for the external envelope of the building and the tenant accepts responsibility for the interior. The remainder are mainly full repairing leases where the tenant accepts responsibility for both the interior and exterior of the building.

## Income and Running Costs

The table shows the current income due from each building, broken down between the rental income and service charge.

The running costs shown include the costs the City Council incurs through ownership of the buildings including gas, water, electricity, staff, etc, some of which are recharged to the tenant through the service charge depending on the terms of the lease. These running costs do not include management costs, i.e. the officer time incurred by Property group in managing the buildings, nor do they include any financing costs in relation to the original acquisition or later capital investment.

As a very simple measure therefore, the current figures indicate a starting surplus of £464,600 in cash terms, which is equivalent to 37% of total income due.

Condition Survey

This final column provides information taken from the condition surveys undertaken during 2012. These figures show the total required maintenance over the next 5 years for each building. These figures include both internal and external repairs and therefore responsibility for the £5m total is shared between the city council and the tenants. The condition for a building with a full repairing lease has been shown as nil but for internal repairing leases the condition requirement would need to be broken down between internal and external repairs. Therefore this column should only be used as an indication of the overall condition of the building.

Property Name	Occupation by Floor Area			Lease (e.g. Full / Internal Repair)	Income		Running Costs (£ p.a.)	Annual Balance (£ p.a.)	Condition Survey (5 Year Total £)
	Total (m2)	Let (m2)	Vacant (m2)		Rent (£ p.a.)	Service Charge (£ p.a.)			
Cottage Museum	64	64	0	Compliance works only by tenant	0.00	0.00	0.00	0.00	44,194.00
5 Cheapside	243	0	243	Vacant	0.00	0.00	0.00	0.00	0.00
7 Cheapside	259	259	0	Full	-45,000.00	-800.00	500.00	-45,300.00	0.00
9 Cheapside	111	111	0	Full	-48,900.00	-400.00	200.00	-49,100.00	0.00
CityLab, 4-6 Dalton Square	1,307	658	649	Internal	-66,300.00	-37,700.00	144,500.00	40,500.00	170,672.00
Bus Station Kiosk, Lancaster	24	24	0	Internal	-19,100.00	-120,000.00	145,600.00	6,500.00	25,990.00
Stagecoach Office, Lancaster	180	180	0	Internal					
County Information Centre, Lancaster	70	70	0	Internal					
Edward Street Dance Studio	159	0	159	Vacant	0.00	0.00	0.00	0.00	111,746.00
Alfred Street Workshop 7	44	44	0	Full	-10,800.00	-200.00	3,000.00	-8,000.00	4,700.00
Alfred Street Workshop 8	44	44	0	Internal					
Alfred Street Workshop 9	44	44	0	Full					
1 King Street	77	77	0	Internal	-10,800.00	-400.00	100.00	-11,100.00	894.00
3 King Street	55	55	0	Internal	-9,000.00	-400.00	100.00	-9,300.00	5,766.00
5 King Street	21	21	0	Internal	-11,000.00	-200.00	2,300.00	-8,900.00	2,012.00
5A King Street	64	64	0	Internal					
5B King Street	24	24	0	Internal	-6,500.00	-300.00	0.00	-6,800.00	0.00
9B King Street 9B & Covered Yard	109	109	0	Internal	-10,500.00	-600.00	700.00	-10,400.00	10,008.00
Assembly Rooms, King St. - Market	157	151	6	Internal	-23,600.00	0.00	10,800.00	-12,800.00	241,652.00
Assembly Rooms, King St. - Ludus	245	245	0	Internal	-13,000.00	-400.00	10,500.00	-2,900.00	
87 King Street	212	212	0	Internal	-10,400.00	-500.00	1,100.00	-9,800.00	6,950.00
City Museum	1,075	1,075	0	Compliance works only by tenant	0.00	0.00	0.00	0.00	968,342.00
Storey Institute	1,554	1,050	504	Internal	-53,400.00	-51,600.00	189,300.00	84,300.00	517,362.00
26 Castle Park (formerly part of Storey)	234	234	0	Internal	-7,500.00	-500.00	7,600.00	-400.00	12,790.00
67-71 Market Street	308	308	0	Internal	-35,300.00	-1,500.00	1,400.00	-35,400.00	4,611.00
Moor Lane Mills	3,112	3,112	0	Full	-230,000.00	-14,300.00	13,000.00	-231,300.00	0.00
Dukes Playhouse	1,198	1,198	0	Internal	-12,500.00	-3,400.00	10,600.00	-5,300.00	93,704.00
Moor Lane Methodist Church	267	267	0	Full	-8,000.00	-200.00	200.00	-8,000.00	0.00
4 Queen Street	319	319	0	Internal	-200.00	0.00	2,500.00	2,300.00	25,344.00
Ryelands House	258	258	0	Internal	-22,700.00	-45,000.00	69,300.00	1,600.00	61,016.00
Old Mans Rest, Ryelands House	230	125	105	Internal	-13,500.00	-2,700.00	6,500.00	-9,700.00	188,002.00
26 St. Georges Quay	1,492	1,492	0	Internal	-38,500.00	-6,200.00	7,200.00	-37,500.00	37,995.00
Maritime Museum	768	768	0	Compliance works only by tenant	0.00	0.00	0.00	0.00	318,743.00
St. Leonard's House	3,164	1,260	1,904	Internal	-56,800.00	0.00	147,900.00	91,100.00	2,023,007.00
Skerton Community Centre	186	186	0	Full	-1,400.00	-50.00	0.00	-1,450.00	0.00
Stone Barn/Scout Hut King George V	107	107	0	Full except roof	-700.00	-50.00	0.00	-750.00	13,420.00
Depot Adjacent 46 Hala Road	28	28	0	Full	-1,050.00	-50.00	0.00	-1,100.00	0.00
56-58 Euston Road	253	0	253	Vacant	0.00	0.00	3,600.00	3,600.00	0.00
60 Euston Road	74	74	0	Full (but with initial works to be carried out by LCC)	-8,000.00	0.00	0.00	-8,000.00	28,612.00
Happy Mount Park Café	374	374	0	Full	-19,200.00	-800.00	0.00	-20,000.00	0.00
Clock Tower Café	174	174	0	Full	-3,800.00	-400.00	0.00	-4,200.00	0.00
Stone Jetty Café	87	87	0	Internal	-7,600.00	-800.00	2,100.00	-6,300.00	42,022.00
Regent Park Café	74	0	74	Vacant	0.00	0.00	0.00	0.00	5,762.00
West End Gardens Café	139	139	0	Internal	-5,300.00	-300.00	0.00	-5,600.00	7,004.00
Yacht Lookout Tower	20	20	0	Internal	-400.00	-100.00	0.00	-500.00	3,770.00
Palatine Hall	1,401	1,401	0	Internal	-90,500.00	-12,200.00	12,400.00	-90,300.00	28,408.00
Lodge Street Musicians Co-op	660	660	0	Caretaking agreement	-200.00	0.00	500.00	300.00	0.00
57 Highfield Road	81	81	0	Internal	-4,250	-50	0.00	-4,300	Council Housing
63 Highfield Road	66	66	0	Internal	-3,600.00	-50.00	0.00	-3,650.00	Council Housing
3 Langdale Place	99	99	0	Internal	-5,100.00	-50.00	0.00	-5,150.00	Council Housing
10 Lentworth House	34	34	0	Internal	-2,500.00	-50.00	0.00	-2,550.00	Council Housing
11 Lentworth House	32	32	0	Internal	-3,000.00	-50.00	0.00	-3,050.00	Council Housing
14 Lentworth House	29	29	0	Internal	-3,150.00	-50.00	0.00	-3,200.00	Council Housing
3 Owen Road	55	55	0	Internal	-3,800.00	-50.00	0.00	-3,850.00	Council Housing
5 Owen Road	60	60	0	Internal	-8,500.00	-85.00	0.00	-8,585.00	Council Housing
7 Owen Road	39	39	0	Internal					
9 Owen Road	41	41	0	Internal	-8,200.00	-85.00	0.00	-8,285.00	Council Housing
11 Owen Road	40	40	0	Internal					
4-6 Ridge Square	111	111	0	Internal	0.00	0.00	0.00	0.00	Council Housing
8 Ridge Square	64	0	64	Vacant	-3,000.00	-50.00	0.00	-3,050.00	Council Housing
10 Ridge Square	52	52	0	Internal	-2,900.00	-50.00	0.00	-2,950.00	Council Housing
12/14 Ridge Square	111	111	0	Internal	-5,900.00	-80.00	0.00	-5,980.00	Council Housing
<b>Totals</b>	<b>21,983</b>	<b>18,022</b>	<b>3,961</b>		<b>-955,350.00</b>	<b>-302,750.00</b>	<b>793,500.00</b>	<b>-464,600.00</b>	<b>5,004,498.00</b>
					<b>-1,258,100.00</b>				
<b>By Percentage</b>	<b>100%</b>	<b>82%</b>	<b>18%</b>		<b>100%</b>		<b>63%</b>	<b>37%</b>	