



**Committee:** BUDGET AND PERFORMANCE PANEL

**Date:** TUESDAY, 5 NOVEMBER 2013

**Venue:** LANCASTER TOWN HALL

**Time:** 6.10 P.M.

## A G E N D A

1. **Apologies for Absence**

2. **Minutes**

Minutes of the Meeting held on 10 September 2013 (previously circulated).

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

4. **Declaration of Interests**

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

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

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

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

5. **Compliments and Complaints half yearly report (Pages 1 - 4)**

Report of Chief Officer (Environment).

6. **Salt Ayre Sports Centre Review (Pages 5 - 10)**

Report of Chief Officer (Health & Housing)

7. **Exclusion of the Press and Public**

The report for item 8 is a public report with an exempt appendix and it will only be necessary to exclude members of the press and public should members need to refer to the information in the exempt appendix.

Budget and Performance Panel is recommended to pass the following recommendation in relation to the following item if it is necessary to refer to the exempt appendix:-

“That, in accordance with Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business, on the grounds that it could involve the possible disclosure of exempt information as defined in paragraph 3 of Schedule 12A of that Act.”

8. **Corporate Performance Monitoring 2013/14** (Pages 11 - 63)

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

9. **Work Programme Report** (Pages 64 - 67)

Report of Chief Officer (Governance).

## **ADMINISTRATIVE ARRANGEMENTS**

**(i) Membership**

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

**(ii) Substitute Membership**

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

**(iii) Queries regarding this Agenda**

Please contact Tom Silvani, Democratic Services - telephone 01524 582132 or email [tsilvani@lancaster.gov.uk](mailto:tsilvani@lancaster.gov.uk).

**(iv) Changes to Membership, substitutions or 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,  
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Published on 28 October 2013.

**BUDGET AND PERFORMANCE PANEL****COMPLIMENTS and COMPLAINTS HALF YEARLY  
REPORT****5 November 2013****Report of Chief Officer (Environment)****PURPOSE OF REPORT**

To enable Budget and Performance Panel to undertake performance monitoring of the complaints procedure.

**This report is public**

**RECOMMENDATIONS**

(1) **That Budget & Performance Panel note the content of the report.**

**1.0 Introduction**

1.1 Following the introduction of the revised Customer Comments, Compliments and Complaints policy it was agreed by Cabinet in line with the recommendations of the Council's Overview and Scrutiny Committee that Budget and Performance Panel undertake regular half yearly monitoring of the complaints procedure. This report sets out key data on the level and nature of complaints for the first half of 2013.

**2.0 Details**

2.1 Complaints data from 1<sup>st</sup> April – 25<sup>th</sup> September 2013 is set out in Appendix 1. In summary results are as follows:

- There have been a total of 92 complaints received. Of these 48 have been upheld, 37 were not upheld and 7 are still awaiting an outcome. Table 1 in Appendix 1 sets out the split by service area.
- In the same period the council have received a total of 43 compliments. (Note these are compliments received via the customer service centre. It is likely that more have been received by individual services but not recorded)
- Table 2 in Appendix 1 sets out complaints split by stage. The vast majority of complaints received are stage 1.
- Table 3 in Appendix 1 sets out total complaints split by reason and service area. The main reasons identified for complaints are failure to follow procedure and neglect or unjustifiable delay.

2.2 The summary above needs to be considered within the context of the thousands of transactions that the Council undertakes each and every day across the diverse range of services it delivers.

### 3.0 Conclusion

3.1 The revised Customer Comments, Compliments and Complaints policy is now in operation and collation and analysis of data is being carried out at a corporate level. Although data is currently only available for two quarters initial indications are that the policy is working effectively. The next report is due on completion of a full years' operation at which time fuller data will be available enabling a more detailed analysis to be presented including a review of sample complaints. In addition at this time information will be available on changes to procedure made as a result of identification of areas for improvement and sharing of best practice.

<b>CONCLUSION OF IMPACT ASSESSMENT</b> (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)
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There are no direct implications as a result of this report.
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<b>LEGAL IMPLICATIONS</b>
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There are no legal implications of this report.
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<b>FINANCIAL IMPLICATIONS</b>
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There are no direct financial implications of this report.
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<b>OTHER RESOURCE IMPLICATIONS</b>
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<b>Human Resources:</b>
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None
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<b>Information Services:</b>
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None
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<b>Property:</b>
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None
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<b>Open Spaces:</b>
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None
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<b>SECTION 151 OFFICER'S COMMENTS</b>
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The Deputy Section 151 Officer has been consulted and has no further comments.
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**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None

**Contact Officer:** Mark Davies

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

**Ref:** [Click here and type Ref, if applicable]

Table 1 : Total Complaints

	Environmental Services	Governance	Health and Housing	Regeneration and Planning	Resources
Total Upheld	48		5	3	1
Total Not Upheld	37	4	12	4	4
Ongoing	7		1		
Total for Q2	92	4	18	7	5

Table 2 : Total Complaints Split By Stage

	Stage 1	Stage 2	Local Government Ombudsman	Housing Ombudsman
Total Upheld	48	46	1	Nil
Total Not Upheld	37	30	6	Nil
Ongoing	7	6	Nil	Nil
Total for Q2	92	82	7	Nil

Table 3 : Total Complaints Split By Reason & Service

Type of Complaint	Total	Env Services	Governance	Health and Housing	Regeneration and Planning	Resources
Failure to Follow Procedure	29	18	2	5	3	1
Failure to take account of relevant matters	14	6	1	5	1	1
Malice, bias or discrimination	4			4		
Neglect or unjustifiable delay	29	25	1	2		1
Unhelpful attitude of employee	16	9		2	3	2
Total for Q2	92	58	4	18	7	5

Notes:

1. 7 complaints are still ongoing and therefore not yet known whether these will be upheld or not.
2. LGO complaints are the total number referred to the LGO for a decision.

**BUDGET AND PERFORMANCE PANEL****Salt Ayre Sports Centre Review  
5<sup>th</sup> November 2013****Report of Chief Officer Health and Housing****PURPOSE OF REPORT**

To update Members of the ongoing review at Salt Ayre Sports Centre

**This report is public.**

**Recommendations of Chief Officer Health and Housing**

(1) **That the report be noted.**

**1.0 Introduction**

1.1 Following the previous report on Salt Ayre Sports Centre presented to the 26th March 2013 meeting Members resolved :

(1) *That the report be noted*

(2) *That a further report be presented to the panel once the review is completed, which it is noted is anticipated to be September 2013.*

1.2 This report updates Members on the progress of the review and highlights how the scope of the review has changed substantially since the last report to Budget and Performance Panel in March 2013.

**2.0 Report****Sports and Leisure Review**

2.1 Members will be aware that since the March meeting, the financial position the council is facing for 2014/15 and 2015/16 has become much clearer with the council having to find savings of £1.2m next year rising to £3.5m the year after. The council is undertaking a series of service reviews across all council activities to present options for service reductions to meet this financial challenge. The Salt Ayre review to date had focussed mainly on operational/staffing changes to generate savings and scope for improving income through investment in new

facilities and systems such as online booking. However, the scale of the savings required has meant that a much more fundamental question about the future provision of the sports centre has to become the main focus of the review going forward. In addition, the review will examine options for the provision community pools.

2.2 The review will take account of the views of relevant staff, trade unions and Elected Members and bring forward options that will :-

- Generate ongoing savings reducing the level of subsidy required.
- Present options for efficiency savings and service reductions that can be implemented irrespective of how the council decides to deliver leisure services in the longer term.
- Present options for alternative delivery models for the future and the process required to achieve this.
- Present options that include the Council not continuing to directly provide the sports centre and other community facilities.

2.3 The review therefore has two elements :-

1. Short term proposals/service reductions/ income generation such as

- Merging the sports development function with the Salt Ayre sports centre function to create a joined up sports and physical activity/health offer and a leaner management structure.
- Review staffing and rota patterns
- Options for continuation of the café operation.
- Investigating business case for online bookings.
- Improving marketing /advertising to generate more income.
- Overhaul of the passport to leisure scheme

2. Longer term proposals

- Options appraisal for future management of Salt Ayre e.g. leisure trusts, in house service, partnership with private developer, charitable body or social enterprise.
- Learning from the recent procurement experience at South Lakeland DC
- Option appraisal for outright sale to private sector or closure.
- As may be appropriate to the options above, soft market testing to see what potential there is for investment and development to meet demands of changing markets e.g. rope course, BMX track etc.
- Options appraisal for continuation or otherwise of the management and delivery of the community pools.

2.4 Clearly progressing some of the short term proposals does depend on decisions the council takes as to the longer term future of Salt Ayre and therefore those particular issues will be considered in that context.

2.5 Over the past few months, officers have been working closely with South Lakeland District Council (SLDC) who have recently procured their leisure management contract. This work has been invaluable to officers who should be better placed now when exploring the various options available to the Council in terms of future leisure services provision.



### 3.0 Salt Ayre Sports Centre Performance Information

3.1 Work associated with improving the performance of Salt Ayre Sports Centre has continued and the table below reflects the latest position in relation to performance indicators (APSE) previously reported on :

Key Performance Indicators	Highest in Service	Lowest in Service	Salt Aye Score 2011/2012	Quartile	Salt Aye Score 2012/2013
PI 02a - Subsidy Per Visit (low is good)	£7.33	-£0.41	£1.52	3	£1.29
PI 03 - Operational Recovery Ratio	166.18%	27.00%	61.81%	3	64.65%
PI 06 - Subsidy Per Opening Hour (Excluding CEC)	£170.60	-£256.69	£105.10	4	£100.34
PI 13 - Net Cost Per Head Of Population (low is good)	£5.61	-£6.27	£4.12	4	£3.85
PI 07 - Staff Cost Per User	£7.98	£0.87	£2.24	3	*2.38
PI 21 - Customer Spend Per Head	£5.93	£1.07	£2.45	2	**2.36
PI 31 Usage Per Opening Hour	216.65	14.31	69.34	2	***77.86

\* The increase shown in PI 07 relates to an increase in facility admissions (including non paying) during 2012/13.

\*\* Customer Spend per Head (PI 21) is calculated by dividing the annual facility admissions (including none paying) by annual income.

\*\*\* Usage per Opening Hour (PI 31) has increased this year due to the increase in annual admissions and the reduction in facility opening hours.

Quartile positions are not yet available from APSE for 2012 / 13

3.2 It can be seen from the table that the trend is one of general improvement over most of the indicators.

### 4.0 Marketing and Advertising

4.1 Members requested specific information on the approach to marketing Salt Ayre Sports Centre with particular emphasis on social media. The marketing of Salt Ayre Sports Centre encompasses a range of different printed materials, adverts in printed publications, and cross-marketing within the council. Increasingly marketing activity is moving away from traditional forms (newspapers, magazines and broadcast media) to focus on online media platforms. Such platforms provide better value for money and also provide better evaluation tools.

## Facebook

- 4.2 Salt Ayre Sports Centre has a dedicated Facebook page ([www.facebook.com/saltayresportscentre](http://www.facebook.com/saltayresportscentre)) which is used to share information, promote services and answer questions from customers.
- 4.3 The audience for the page continues to build and the most recent weekly reach figures show that 7,076 saw content associated with the page compared with 700 when it was launched in July 2012.
- 4.4 Facebook advertising is also used to promote the centre. Users are targeted based on their Facebook profile and adverts appear on their Wall pages.
- 4.5 A recent ad campaign promoting the Facebook page generated an additional 158 'likes' (people engaging with the page) and the page is also promoted internally within the centre and externally on marketing materials.

## Twitter

- 4.6 Salt Ayre does not have its own Twitter account but the corporate Twitter (@lancastercc) promotes events and activities. In addition, the search term Salt Ayre is monitored to engage with users who are talking about the centre and evaluate services.

## Website

- 4.7 Salt Ayre's web presence is within the council's corporate website. A number of improvements have been made to both the benefit of the overall customer experience and marketing of the venue. A Google calendar includes all class timetables and is updated regularly to ensure that customers can easily access information and are kept informed of any changes which occur. In the 12 month period from October 2012 the Salt Ayre pages were visited by a total of 77,204 unique users compared with 25,021 during 2011/12 (financial year).
- 4.8 The most recent SOCITM (Society of Information Technology Management) report has cited the Salt Ayre pages as an example of national best practice.
- 4.9 In February 2013 a new mobile website, specifically built to appeal to users of mobile phones and tablets, was launched in February 2013. The Salt Ayre pages are the most visited pages on the mobile website and has received 12,260 unique page views in the six months since launching.

## Gov Radio

- 4.10 The council is in the process of signing Salt Ayre up to the Gov Radio service, which will provide an in-house radio service for the centre. This will be targeted towards existing customers and provide the opportunity to cross-market services to existing customers.

**5.0 Conclusion**

- 5.1 The review so far has resulted in some efficiencies, e.g. as a result of a review of opening times and associated shift patterns and further staffing restructures will generate further savings. The conclusion of the review will present members with further short term savings as well as options for more substantial longer term savings to be achieved by different delivery models.
- 5.2 It is also clear that much of the work is recognised by the health sector and previous reports have set out the social benefits that Salt Ayre Sports Centre provides. However, the Council faces difficult choices with regard to delivery of discretionary services and the future of the council's role in sport and leisure provision should be seen in the context of the council maintaining a strong commitment to health and well being through physical activity but recognising that the council does not have to directly provide sports/leisure facilities to support this commitment.

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

None arising from this report

**LEGAL IMPLICATIONS**

None directly arising from this report.

**FINANCIAL IMPLICATIONS**

None directly arising from this report.

The areas to be considered in this review will largely relate to the revenue budget and in relation to Salt Ayre this is currently estimated at a net £971,200. This excludes capital charges of £404,300, but does include internal recharges of £332,800. There is also a capital budget of £30,000 for replacements and refurbishments, which may also be covered by the review – decisions on whether to progress these works will be informed by short-term operational needs and the service reviews.

In relation to the Community Pools, the current estimated net revenue budget is £134,400.

**OTHER RESOURCE IMPLICATIONS**

**Human Resources / Information Services / Property / Open Spaces:**

None arising from this report

**SECTION 151 OFFICER'S COMMENTS**

The S151 Officer has been consulted and has no further comments to add.

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

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<b>BUDGET AND PERFORMANCE PANEL</b>
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## Corporate Performance Monitoring 2013/14

**05 November 2013**

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

<b>PURPOSE OF REPORT</b>
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To present the corporate performance and financial monitoring reports at Quarter 2 of the 2013/14 performance monitoring cycle.
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<b>This report is public with the exception of Annex A to Appendix E (Property Update). This is exempt from publication, by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.</b>
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#### RECOMMENDATIONS

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

#### 1.0 CORPORATE PERFORMANCE MONITORING 2013/14 – QUARTER 2

- 1.1 The attached report and appendices, to be presented to Cabinet on 05 November 2013, provide a summary of overall performance, across all Services and portfolios, in relation the Council's Corporate Plan for Quarter 2 of the 2013/14 performance monitoring cycle.
- 1.2 Budget and Performance Panel are asked to consider the report and attachments in line with their Terms of Reference within the Constitution relating to the monitoring and review of the council's performance

<b>CONCLUSION OF IMPACT ASSESSMENT</b>
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<b>(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b>
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None arising from this report
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<b>LEGAL IMPLICATIONS</b>
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None arising from this report
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<b>FINANCIAL IMPLICATIONS</b>
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As set out in the attached Cabinet Report and appendices
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<b>OTHER RESOURCE IMPLICATIONS</b>
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<b>OTHER RESOURCE IMPLICATIONS: Human Resources / Information Services / Property / Open Spaces: As set out in the relevant appendices</b>
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**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has contributed to this report in her role as Chief Officer (Resources)

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

**BACKGROUND PAPERS**

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**Ref:** Performance Review Cycle 2013/14 Qtr 2

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

**05 November 2013**

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

PURPOSE OF REPORT			
To present the corporate performance and financial monitoring reports at Quarter 2 of the 2013/14 performance monitoring cycle.			
Key Decision		Non-Key Decision	Officer Referral
			<b>X</b>
Date Included in Forthcoming Key Decision notice		7 October 2013	
This report is public, with the exception of Annex A to Appendix E (Property Update). This is exempt from publication, by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.			

#### RECOMMENDATION OF THE LEADER OF THE COUNCIL

- (1) That Cabinet considers this report and makes any comments or recommendations as appropriate.
- (2) That the Treasury Management report as set out at Appendix D be referred onto Council for noting.

#### 1.0 CORPORATE PERFORMANCE MONITORING 2013/14 – QUARTER 2

- 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 Quarter 2 of the current year. It should be read in context with the mid-year report elsewhere on the agenda.
- 1.2 At Quarter 2, there are no Corporate Plan success measures with 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 Quarter 2 2012/13 when the performance management information system, CorVu went live. Commentary on the reasons for variances is provided.
- 1.5 From Quarter 2 data input and information provides year-on-year (as well as quarter-by-quarter) trending comparisons and benchmarking affording more insight on overall performance and informing efficient and effective decisions.

- 1.6 The Corporate Financial Monitoring report for Quarter 2 is attached as **Appendix C**. This shows that in simple terms there is an underspending of £383K in respect of the General Fund, which is projected to increase to £506K by the end of the year. For the Housing Revenue Account, there is currently an underspending of £16K which is forecast to become an overspend of £73K by the end of the year.
- 1.7 The Quarter 2 monitoring report also includes the latest position with regards to treasury management activities, and this is included at **Appendix D**. In accordance with the Treasury Management Strategy, this mid-year review will be forwarded onto Council for noting.
- 1.8 Finally, a quarterly update regarding the property portfolio is provided 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>As set out in the relevant appendices.</p>	
<p><b>OTHER RESOURCE IMPLICATIONS: Human Resources / Information Services / Property / Open Spaces:</b> As set out in the relevant appendices.</p>	
<p><b>SECTION 151 OFFICER'S COMMENTS</b></p> <p>The s151 Officer has contributed to this report in her role as Chief Officer (Resources).</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 – Bob Bailey, Corporate Planning and Performance Manager; Finance – Andrew Clark, Financial Services Manager <b>Telephone: 01524 582018 / 582138</b> <b>E-mail: <a href="mailto:rbailey@lancaster.gov.uk">rbailey@lancaster.gov.uk</a> / <a href="mailto:aclarke@lancaster.gov.uk">aclarke@lancaster.gov.uk</a></b> <b>Ref: Performance Review Cycle 2013/14 Qtr 2</b></p>



# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders  
Quarter 2 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 2)		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%	45.60%	Green Data reported in Quarter 2 shows a positive increase in household recycling. Following a good response to the recent Waste and Recycling Survey views will be used to look at ways of improving the scheme for residents
	Increase income from energy and recycling projects	Quarterly	Tim Hamilton-Cox	High is Good	£38,000.00	£39,207.24	Green This is a provisional cumulative figure of Feed-in-Tariff (FIT) earned at the end of Quarter 2 based on meter readings. The actual amount of FIT earned will be received in November 2013 and will include additional income for the tariff earned for the energy generated and exported back to the national grid.
Our district is safe	Increased number of diversionary activities for young people	Quarterly	Ron Sands	High is Good	2,200	6,870	Green The Council continues to provide a number of diversionary activities directly, and in partnership with, local organisations/groups working in priority areas of the district. These activities have been very popular and attracted large numbers of young people

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders  
Quarter 2 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 2)			Report Comments
					Target	Actual	RAG	
<b>Community Leadership</b>								
Better understanding of communities and needs so services that matter most to our communities are prioritised	Increased number of councillors undertaking training/development in community leadership	Halfyearly	Eileen Blamire	High is Good	25.00%	38.33%	Green	In the first half of the year the Member Development programme has covered a wide range of topics that are useful for Councillors developing their Community Leadership skills, ranging from Dealing with Challenging Situations; Time Management and an update on the Implications for the Local Community of the M6 Link Road.
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	58.20%	57.50%	Amber	The percentage collection rate is broadly in line with expectations at the end of Quarter 2. To help those finding it difficult to pay the Council now offers payment over 12 monthly instalments (previously 10 months, so the rate of collection will now be spread out over the whole of the financial year.
	Non-Domestic rates as a % of Non-Domestic rates due	Monthly	Abbott Bryning	High is Good	59.30%	60.30%	Green	Collection of Non Domestic rates continues to be achieved despite the difficult economic climate.

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders  
Quarter 2 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 2)			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	A new low-cost Incident Logging system (iModus) has been introduced and successfully been used at several events and incidents providing a more efficient, effective and easy-to-use solution to be previous paper-based approach. iModus will now be used in planned exercises within the District Control Centre
	Clean bill of health given through annual governance and audit reviews	Quarterly	Eileen Blamire	Low is Good	0.00	0.50	Amber	A programme of action is in place to actively address the ongoing issue of information governance and arrangements relating to the Government Public Services Network.
	Future years financial strategy set, in light of the Government's forthcoming Spending Review	Halfyearly	Abbott Bryning	High is Good	On target	On target	Green	An initial update of the council's financial position has been completed and reported to Cabinet following the latest Government Spending Review. A more detailed review of the Medium Term Financial Strategy will be reported to December's Cabinet.

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders  
Quarter 2 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 2)			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	The Council is working closely with Lancashire County Council, Preston City Council and the Local Government Association to determine the most effective management models for the future provision of the Museums Service. Discussions around the future governance of the service will continue in Quarter 3
Local authority partners working together to develop plans for economic growth aligned to nationally important energy and Heysham M6 transport links	Statutory requirements for the management of planning conditions are met, including Heysham M6 link, Canal Corridor and Lancaster Castle	Halfyearly	Janice Hanson	High is Good	On target	On target	Green	The Council continues to provide advice and support on the management of planning conditions on major schemes, including the Heysham M6 link, Canal Corridor and Lancaster Castle.
	Major Government targets for determining Major Planning Applications	Quarterly	Janice Hanson	High is Good	50.00%	52.00%	Green	The Council continues to meet Government targets for determining 'major' planning applications within statutory deadlines. This is, however, under serious pressure from a continued heavy workload and a reducing staff resource, which could result in the council failing to meet targets and being placed in special measures.

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders  
Quarter 2 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 2)			Report Comments
					Target	Actual	RAG	
<b>Economic Growth</b>								
	Major Government targets for Special measures on Major Appeals	Quarterly	Janice Hanson	Low is Good	10.00%	Not Submitted		Data unavailable in Quarter 2. Measure will now be reported in Quarter 3
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	32,000	34,521	Green	This measure is made up of the number of footfall visits to City Museums and The Platform. A varied programme of events over the summer period has meant that good attendances, particularly at The Platform has been achieved.
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	7	8	Green	This measure indicates the number of Listed Building Applications approved (excluding demolitions) that lead to the overall enhancement of the asset.
	Operating targets for the Storey Institute are met	Halfyearly	Janice Hanson	High is Good	60.00%	71.20%	Green	In Quarter 2 an additional tenant has taken up occupancy of one of the high quality business spaces available at the Storey Creative Industries Centre (SCIC)

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders  
Quarter 2 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 2)			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	874	1,069	Green	This measure indicates the council's performance in ensuring that owner occupied and private rented homes are improved so as to enhance the quality of life of their occupants. Performance up to the end of Q2 indicates the number of homes that have been improved through the intervention of the council.
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	16	Green	This measure indicates the quarterly number of individuals that have been accepted as 'statutory homeless'. Performance in Quarter 2 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 2 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 2)			Report Comments
					Target	Actual	RAG	
<b>Health &amp; Wellbeing</b>								
	Increased number of vulnerable households benefiting from Warm Homes initiatives	Quarterly	Karen Leytham	High is Good	175	210	Green	This measure includes schemes aimed at improving the level of warmth for vulnerable residents living in owner occupied and private rented homes. Performance up to the end of Q2 indicates the number of households who have benefitted from the intervention of the council. External partners are also undertaking activities on behalf of the council through Warm Homes Healthy People funding.
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	High is Good	134,161	233,536	Green	Measure indicates the number of people participating in sports and leisure activities and programmes provided at Salt Ayre Sports Centre and Community Swimming Pools; Parks and Greens and in schools. Activities being delivered by the Council and its partners

# Corporate Plan Performance Review Report

Portfolio: All Portfolio Holders  
Quarter 2 2013



Outcome	Success Measure	Measure Frequency	Portfolio Holder	Polarity	Latest Data (Quarter 2)			Report Comments
					Target	Actual	RAG	
<b>Health &amp; Wellbeing</b>								
	Successful delivery of the International Youth Games	Halfyearly	Ron Sands	High is Good	On target	On target	Green	The International Youth Games 2013 was successfully organised and delivered in July this year. The event received very favourable comments from all the teams that had entered.



## Corporate Plan Quarterly Trend Report

Quarter 2 2013/2014

Outcome	Measure Information		Quarter 2 2012/2013		Quarter 3 2012/2013		Quarter 4 2012/2013		Quarter 1 2013/2014		Quarter 2 2013/2014		Comments
	Measure	Polarity	Actual	Trend	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	High is good	43.30%	↗	44.80%	↗	42.20%	↘	40.80%	↘	45.60%	↗	Data reported in Quarter 2 shows a positive increase in household recycling. Following a good response to the recent Waste and Recycling Survey residents views will be used to look at ways of improving the scheme further.
	Increase income from energy and recycling projects	High is good	£20,168.24	↗	£29,189.21	↗	£31,339.74	↗	£20,073.20	↘	£39,207.24	↗	Provisional cumulative income earned from Feed-in-Tariffs (FIT) as at Quarter 2 (2013/14) is higher than for the whole of 2012/13. The actual amount of FIT earned will be received in November 2013. This will include additional income for the tariff earned for the energy generated and exported back to the national grid.
Our district is safe	Increased number of diversionary activities for young people	High is good	0	↗	0	↗	0	↘	2,146	↗	6,870	↗	This is a new quarterly corporate plan measure in 2013/14. The Council, and its partners, provide a number of diversionary activities in priority areas of the district. In Quarter 2 these activities have been very popular and attracted large numbers of young people

# Corporate Plan Quarterly Trend Report

Quarter 2 2013/2014

Measure Information		Quarter 2 2012/2013		Quarter 3 2012/2013		Quarter 4 2012/2013		Quarter 1 2013/2014		Quarter 2 2013/2014		Comments		
		Actual	Trend	Actual	Trend	Actual	Trend	Actual	Trend	Actual	Trend			
Outcome	Measure	Polarity												
<b>Community Leadership</b>														
Better understanding of communities and needs so services that matter most to our communities are prioritised Council's operations are delivered and managed efficiently and effectively to achieve better value for money	Increased number of councillors undertaking training/development in community leadership	High is good									38.33%		This is a new half yearly corporate plan measure for 2013/14. In the first six months of the year Member have received training in a wide range of topics aimed at developing their skills as community leaders. The second half of the year will concentrate more directly on Community Leadership as a topic	
	Council Tax as a % of Council Tax due	High is good	28.10%	27.90%	11.20%	29.70%	29.70%	29.70%	29.70%	28.80%	28.80%	28.80%	Recovery of C Tax has been proactive at a time when the economic climate is having a detrimental effect on taxpayers ability to pay. To help those finding it difficult to pay the Council now offers payment over 12 monthly instalments (previously 10 months) so the rate of collection will now be spread out over the whole of the financial year	
	Non-Domestic rates as a % of Non-Domestic rates due	High is good	29.20%	28.40%	10.20%	30.70%	30.70%	30.70%	30.70%	29.60%	29.60%	29.60%	Collection of Non Domestic rates continues to be achieved despite the difficult economic climate. To help those finding it difficult to pay the Council now offers payment over 12 monthly instalments (previously 10 months, so the rate of collection will be more spread out over the whole of the financial year. The percentage amount of Non Domestic rate collected this quarter is higher than at the same period in 2012/13.	
	Robust and tested arrangements are in place for emergency planning	High is good	On target	On target	On target	On target	On target	On target	On target	On target	On target	On target	On target	Quarterly milestones are set throughout the year to ensure that business continuity arrangements provide a robust emergency response. New officers have been recruited to maintain resilience and a new logging system introduced providing an efficient and effective way to manage incidents
	Clean bill of health given through annual governance and audit reviews	Low is good	0.00	0.00	0.00	1.00	1.00	1.00	1.00	0.50	0.50	0.50	0.50	Trending between Quarter 1 and 2 reflects that positive action is being taken to address the ongoing issue of meeting government requirements on information governance and related arrangements relating to the Government Public Services Network

# Corporate Plan Quarterly Trend Report

Quarter 2 2013/2014

Measure Information		Quarter 2 2012/2013		Quarter 3 2012/2013		Quarter 4 2012/2013		Quarter 1 2013/2014		Quarter 2 2013/2014		Comments	
		Actual	Trend	Actual	Trend	Actual	Trend	Actual	Trend	Actual	Trend		
Outcome	Measure	Polarity											
<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								On target		On target	↑	This is a new quarterly measure in the 2013/14 Corporate Plan. Work is ongoing to determine the most effective management models for the future provision of the Museums Service.
Local authority partners working together to develop plans for economic growth aligned to nationally important energy and Heysham M6 transport links	Statutory requirements for the management of planning conditions are met, including Heysham M6 link, Canal Corridor and Lancaster Castle										On target		This is a new half yearly measure in the 2013/14 Corporate Plan.
	Major Government targets for determining Major Planning Applications								57.14%	↑	52.00%	↓	This is a measure of the percentage number of major planning applications determined within statutory deadlines each quarter. The reduction in Quarter 2 is an indication of the current heavy workload and a reducing staff resource.
	Major Government targets for Special measures on Major Appeals								0.00%				Data unavailable in Quarter 2
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								25,862		34,521	↑	This is a quarterly measure of the number of football visits to City Museums and The Platform. A varied programme of events over the summer period has resulted in good attendances, particularly at The Platform.
The attractiveness of the district as a place to visit and invest in is improved	Number of heritage assets improved								28	↑	8	↓	This is a quarterly measure of the number of Listed Building Applications approved that lead to an enhancement of the asset. The trend analysis indicates fluctuations across the year that are difficult to predict
	Operating targets for the Storey Institute are met										71.20%		This is a new half yearly measure in 2013/14.

# Corporate Plan Quarterly Trend Report

Quarter 2 2013/2014

Measure Information		Quarter 2 2012/2013		Quarter 3 2012/2013		Quarter 4 2012/2013		Quarter 1 2013/2014		Quarter 2 2013/2014		Comments
Outcome	Measure	Actual	Polarity	Actual	Trend	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	↑	1,069	↑	This is a quarterly measure indicating the number of owner occupied and private rented homes that have been improved through the Council's intervention. Performance in Q2 indicates that a high number of homes have been improved enhancing the quality of life of occupants.
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	↔	16	↑	This measure indicates the quarterly number of individuals that have been accepted as 'statutory homeless'. Performance in Quarter 2 indicates that the number of statutory homeless people in the district has reduced on previous quarters despite the current difficult economic climate.
	Increased number of vulnerable households benefiting from Warm Homes initiatives	93	High is good	232	↑	75	↔	198	↑	210	↑	This quarterly measure includes schemes aimed at improving the level of warmth for vulnerable residents living in owner occupied and private rented homes. The number of households that have benefitted from the intervention of the council has increased in Quarter 2. External partners are also undertaking activities on behalf of the council through Warm Homes Healthy People funding.
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	0	High is good	0	↔	0	↔	195,655	↑	233,536	↑	This is a new quarterly measure in 2013/14. The good summer weather has helped to increase the number of people attending sports and leisure activities in Quarter 2.
	Successful delivery of the International Youth Games		High is good							On target		The international Youth Games 2013 was successfully organised and delivered in July this year. The event received very favourable comments from all the teams that had entered.

# Corporate Financial Monitoring

## Quarter 2: July – September 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 September 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 September there is a net underspend of **£383K** (*Qtr1 £152K underspend*) against the budget. This is currently forecast to increase to **£496K** (*Qtr1 £239K underspend*) by the end of the year.

	<b>Annual Budget £000's</b>	<b>Profiled Budget £000's</b>	<b>Actual £000's</b>	<b>Current Underspend £000's</b>
Salaries	16,590	8,206	8,065	(141)
Other Net Budgets	3,229	(1,907)	(2,149)	(242)
<b>Total</b>	<b>19,819</b>	<b>6,299</b>	<b>5,916</b>	<b>(383)</b>
			<i>Full Year Projection</i>	<b>(496)</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	(80)	(11)	+11
Governance	(102)	(108)	(17)
Health & Housing	(29)	(11)	+33
Regeneration & Planning	(3)	(13)	+52
Resources	(28)	(3)	(91)
<b>TOTAL VARIANCES</b>	<b>(242)</b>	<b>(146)</b>	<b>(12)</b>

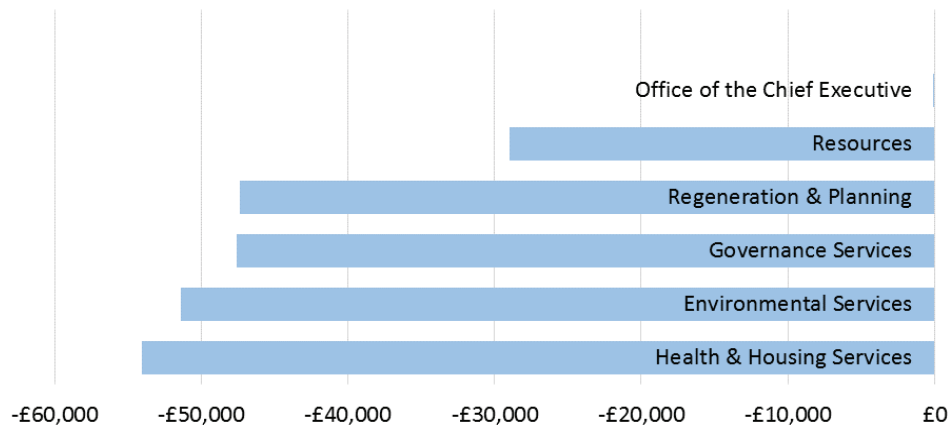
It should be noted that one specific variance of +£52,200 has arisen in relation to the charging on bins and boxes within Environmental Services. The original Budget Council resolution on 27 February approved charging subject to it being given further consideration by Cabinet. This has not yet happened and as a result there will be a budget shortfall in this year, however a report still needs to be presented to Cabinet and the Chief Officer (Environmental Services) is taking this forward.

### 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 £229K (Qtr2 2012/13 - £376K) have been achieved, which is some **£141K** (Qtr2 2012/13 - £291K) above the £88K profiled turnover target. This allows for the recently approved 1% pay award. A very simple projection would indicate that salary savings could reach around £350K (Qtr1 £200K) by the end of the year, but a more detailed review is currently underway to analyse vacant posts to give a more accurate savings projection.

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

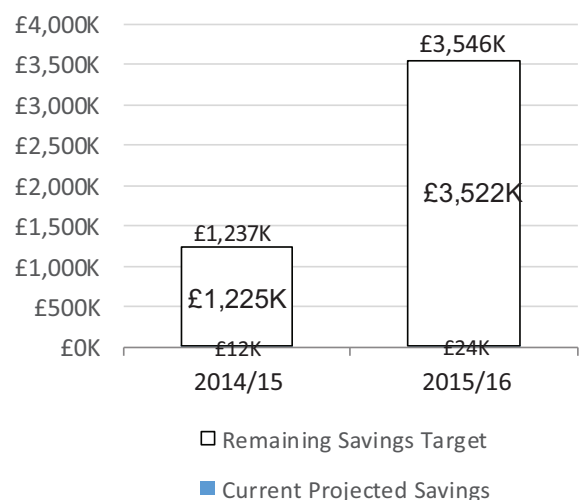


In terms of future years, staffing implications will be included in specific budget proposals. On the downside, however, the recent triennial review of the Pension Fund to inform future employer contribution rates is expected to result in additional cost pressures. This will be reported to Members in due course.

### 1.4 Future Years' Savings Requirements

The targets have been updated to reflect the report to Cabinet in October, following the latest Government spending review.

The earlier table shows that there are indicative on-going net savings of £12K in future years. This is a reduction of £98K on the Qtr1 forecast, mainly as a result of additional water charges and reductions in income.



Clearly, the savings to date do not yet make assumptions regarding the various service reviews and other planned budget reduction actions, so the £12K it is not yet representative of the progress being made.

## 2 General Fund Capital Programme

### 2.1 Capital Expenditure & Financing

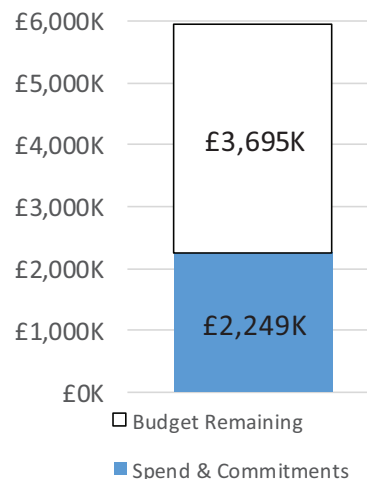
At the end of September there were spend and commitments of £2.249M against the programme of £5.944M. Details of spend against each scheme is shown at **Annex B**.

Two changes to the capital programme have been approved in this quarter in respect of the following:

- Teal Bay Flood Defence Works £71K: Cabinet 23 July 2013.
- 2012/13 slippage £438K: Cabinet 23 July 2013.

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

In addition, there has still been no update to the programme in respect of Lancaster Market, but this will be reported back to Council in due course.



In terms of financing, receipts of £71K (£50K relating to vehicle sales) 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 Property Group report at **Appendix D**, provided alongside this financial monitoring report. The property report is in accordance with the arrangements outlined to Cabinet in April.

## 3 Revenue Collection Performance

### 3.1 Collection Fund Monitoring

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

This section 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 September:



				£000's
<b>Collection Fund Surplus (September 2013)</b>				<b>(1,320)</b>
<b>Represented by:</b>				
Collection Fund Surplus b/fwd				(365)
<i>In-Year Movements to Date:</i>				
Lower Council Tax Support than estimated	(£955K) total in-year surplus			(392)
Lower Second/Empty Homes income				+68
Other Movements in Tax Base				(631)
				<b>(1,320)</b>
<b>Compared to:</b>				
	<b>Budgeted Projection £000's</b>	<b>Actual Position £000's</b>		
Total Council Tax Collectable (Yield)	57,030	58,014		
Actual amount collected	(33,371)	(33,371)	57.5%	
Amount Outstanding	23,659	24,643		<b>(984)</b>

As at 30 September, an estimated surplus of £1.320M (*Qtr1 £1.144M*) is apparent, which is significantly higher than for the same period last year, and an increase of £176K on the Qtr1 position.

This year's position is made up of:

- a surplus brought forward from 2012/13 of £365K;
- £392K 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;
- £68K 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 £631K (*Qtr1 £475K*) relating to other movements in the tax base or other factors which have still to be substantiated. It is still proving difficult to determine the factors generating this element of the surplus; this is a high priority for officers. This difficulty in reconciling the movements is also mirrored by the problems being experienced in completing the Government's annual Council Tax Base return (CTB1).

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 not align exactly with the current in-year surplus on the Collection Fund, (*£984K compared to £955K*), 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 £171K (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 1.4 of this report).

### 3.1.2 Business Rates Yield (Total Collectable)

Following the introduction of the Business Rates Retention Scheme, it is still the intention to include a new section 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. There is still more work needed in this area, in order to understand fully the implications, but the work needs to fit with other priorities and demands. Previously, any change in business rates yield had no real impact on the authorities' finances.

### 3.2 Council Tax and Business Rates Collection

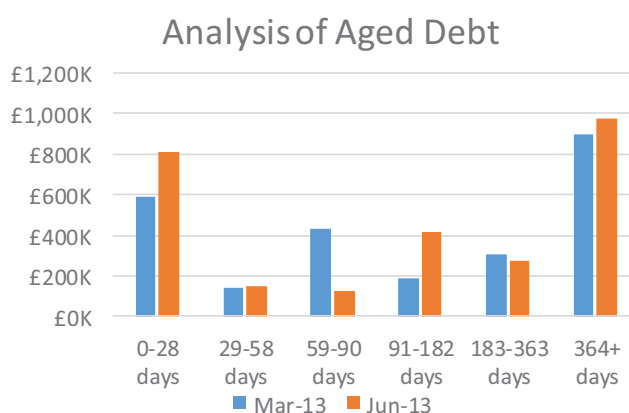
The council tax collected is slightly below target. This is considered more a reflection of the opportunity for taxpayers to pay by 12 rather than 10 installments and the levy of additional charges on long term empty properties, rather than any direct impact resulting from welfare reform changes. Encouragingly though, the percentage of NNDR collected is still ahead of target at the end of the second quarter.

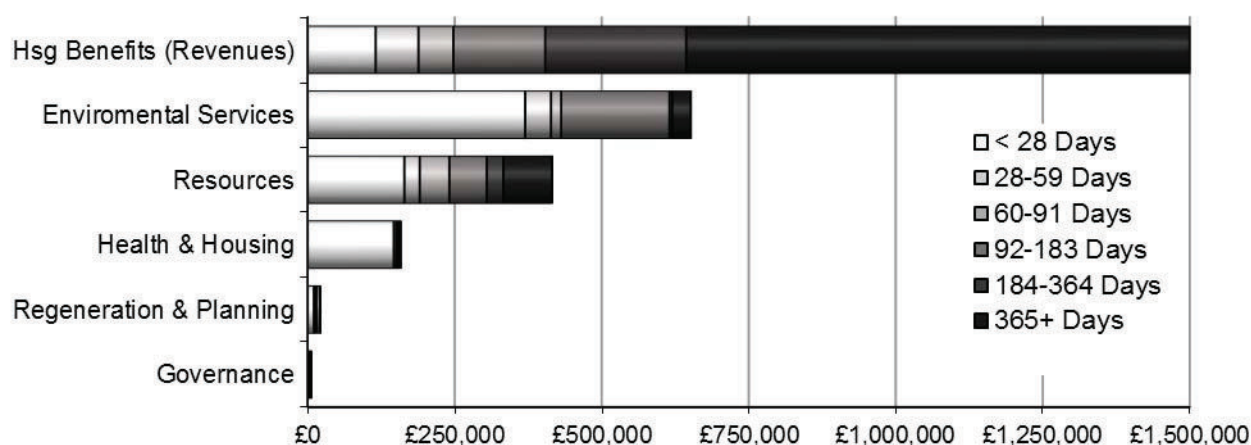
Percentage Collected	2012/13 %	2013/14 %	2013/14 Target %	2013/14 Actual %	Status
	All Years		In Year		
Council Tax	53.4	52.5	58.2	57.5	Slightly behind Target
Business Rates	59.5	59.8	59.3	60.3	Ahead of target

### 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 September the total debt outstanding was just over £2.7M, which is £191K more than the previous quarter. This is mainly due to half yearly invoices being raised prior to the end of September.

	June 13	Sept 13
	£000's	£000's
0-28 days	591	808
29-58 days	142	152
59-90 days	435	128
91-182 days	186	415
183-363 days	310	274
364+ days	898	976
	2,562	2,753
Previous Year	2,977	2,748





Attached at **Annex C** is an update on the status of debt greater than 90 days old. This shows what action is being taken in relation to the debt and at what stage the recovery is at.

## 4 Welfare and Housing Benefit Reforms

The Government's welfare reforms represent the most fundamental changes to the benefits system since the creation of the welfare state. While the reforms are intended to reduce dependency on social security and to encourage employment, they also play a key part in the Government's deficit reduction strategy – generating projected savings of more than £15 billion per year across Britain by the end of this Parliament.

Details of the various changes and their current impact are set out in detail at **Annex D**. This provides updates on issues such as the Council Tax Support Scheme, Under Occupancy Penalties, Discretionary Housing Payments and Universal Credit.

## 5 Housing Revenue Account (HRA)

### 5.1 HRA Revenue Position

**i** At the end of September the position for the HRA shows an underspend of **£16K** (*Qtr1 +£55K overspend*) against the profiled budget, which is currently projected to become an overspend **£73K** (*Qtr1 £87K overspend*) 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	+7	+7	+1
Central Control – contracted services*	+3	+38	?
Central Control – service charges recovered	(7)	(8)	?
Central Control – services charges : Telecare**	0	+24	+24
Insurance premiums	(11)	(11)	(11)
Mgt & Admin – printing & stationery	(8)	(7)	(7)
Council Housing Rents ***	0	+30	+11
<b>Total</b>	<b>(16)</b>	<b>+73</b>	<b>+18</b>

\*As a result of the changes in future provision of Lancashire Telecare and Supporting People, additional costs will be incurred to establish robust disaster recovery and business continuity arrangements.

\*\*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.

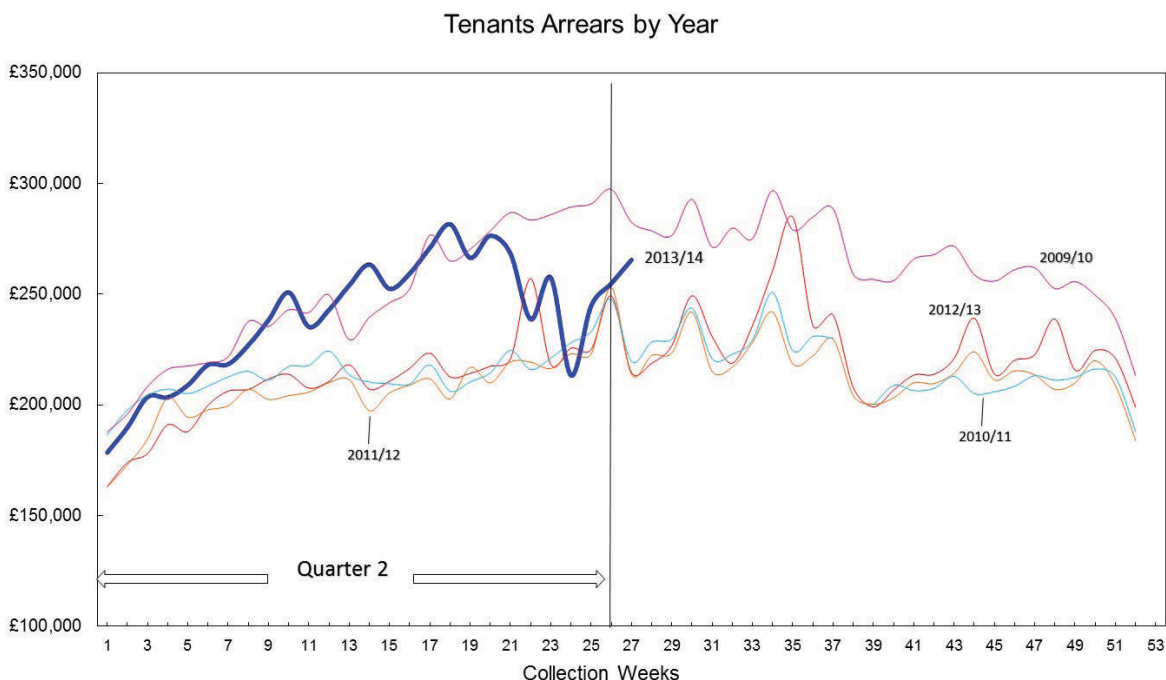
\*\*\*Rental income from council houses is projected to be down slightly as a result of higher than anticipated property sales. In 2012/13 there were 7 property sales compared with the estimate of 5, and in the current year 3 properties have already been sold. This means that any further sales will impact 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.

## 5.2 Council Housing Rent Arrears

This section monitors 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. At the end of September, the level of arrears for 2013/14 is £254K which is unchanged from the previous quarter despite several fluctuations.

*Annex D* (s8.3) refers to the introduction of the Council Tax support scheme having a negative impact on Housing Benefit processing times in the first quarter of the year, which may explain the higher than anticipated level of arrears and the subsequent reduction as processing times improved. This will be monitored closely but it is too early to determine any full year likely impact, or reach any other conclusions.



### 5.3 HRA Capital Programme

This section analyses actual spend and commitments against the Council Housing Capital Programme at the end of September. To date spend and commitments total £2.146M against a budget of £4.843M leaving a balance of £2.697M. As with General Fund, the HRA programme has now been updated for slippage.

	Current Approved Programme £000's	Spend & Commitments to Date £000's	Budget Remaining £000's
Adaptations	300	63	237
Energy Efficiency / Boiler Replacement	660	150	510
Bathroom / Kitchen Refurbishment	644	337	307
External Refurbishments	1,269	796	473
Environmental Improvements	900	326	574
Rewiring	83	27	56
Fire Precaution Works	300	39	261
Lift Replacement	110	0	110
Re-roofing / Window Renewals	544	397	147
PV Solar Panels	21	0	21
Total Mobile Upgrade	12	11	1
<b>TOTAL</b>	<b>4,843</b>	<b>2,146</b>	<b>2,697</b>

The chart displays two stacked bars. The bottom bar, representing 'Spend & Commitments', is blue and reaches the £2,146K mark on the Y-axis. The top bar, representing 'Budget Remaining', is white with a black border and reaches the £2,697K mark. The Y-axis is labeled from £0K to £6,000K in increments of £1,000K.

## 6 Provisions and Reserves

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

### 6.1 General Fund Unallocated Balance

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

	£000's
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	496
<b>Latest Projected Unallocated Balance as at 31 March 2014</b>	<b>3,944</b>
Minimum Level	1,000
<b>Amount Available to Support Future Years' Budgets</b>	<b>2,944</b>

The table shows that the current projected level of Balances would be £3.944M (*Qtr1* £3.687M) by the end of the financial year, which leaves £2.944M (*Qtr1* £2.687M) to support future years' budgets, after allowing for the minimum approved levels.

## 6.2 Insurance Provision

The current balance on the insurance provision is £383K, after making net payments of £85K in settlement of claims made.

At present, the Council's insurers estimate that the value of claims outstanding is £370K, which relates to a total of 187 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 £222K, which is £161K 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.

## 6.3 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:

<b>Period</b>	<b>Debt £000's</b>	<b>% Cover Required</b>	<b>Value £000's</b>
Up to 1 Month	808	1%	8
1 Month to 3 Months	280	5%	14
3 Months to 365 Days	689	10%	69
Over 365 Days	976	50%	488
<b>TOTAL</b>	<b>2,753</b>		<b>579</b>

The current balance on the General Fund Bad Debt provision is £589K (*Qtr1* £609K) which is £10K (*Qtr1* £75K) above the requirement indicated, but that is after allowing for this year's contribution of £100K and write-offs of £70K. The position will be reviewed again as part of the current budget process and any adjustments required will be reported accordingly.

## 7 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 second quarter of the year:

**Contract:** Lancaster Square Routes – Centre Piece for Market Square, Lancaster.

**Reason for Exception:** For procurements over £100K tenders should be openly advertised, however this request was to carry out a restricted tender process with eleven selected contractors who could undertake the bespoke commission required. Officers did not believe that the artists with the required skills for this project would be registered on “The Chest” which is the council’s portal used for open tenders.

Although the request was granted the tender has subsequently been let on an open basis following communication from the funding body ERDF. This is despite initial meetings with ERDF officers where the council’s original procurement route was discussed and no issues were raised.

## 8 Risk Management

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No other major risk changes have been highlighted in the period to 30 September. There have been positive developments regarding Luneside East and key asset sales, 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 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 2 2013/14)

Service	Service Area	Variance to Date	Current Year Projection	Future Years Projection	Reason for Variance & Action being taken
		£	£	£	
+ = Adverse ( ) = Favourable					
VARIANCES REPORTED THROUGH PRT PROCESS (CHIEF OFFICER COMMENTS)					
	Assembly Market & Street Traders Income	+7,100	+7,100	+7,100	Reduction in occupancy of Assembly Market and the number of regular traders in Lancaster from 6 to 3.
	Morecambe Market - Income	+19,700	+33,700	+33,700	Currently experiencing a 17% vacancy rate compared to 12% in 2012/13 - various incentives being offered to attract new business however due to economy no significant improvement expected.
	Public Realm - County Contribution	+9,700	+9,700	+9,700	Decision by Lancs County Council to freeze inflation on their contribution.
	Nursery Income	+20,000	+20,000	+20,000	Income down for second year running due to economy - outturn expected to be similar to 2012/13.
	Street Cleaning - Equipment & Tools	(10,000)	(10,000)	(10,000)	Contract for provision of new litter bins terminated. Bins will now be purchased as and when required.
	Off-Street Car Parks - Utilities	(8,600)	(18,600)	(17,300)	Electricity - reduced consumption and costs based on current charging levels.
	Off-Street Car Parks - Fees and Evening Parking	+14,300	+0	+0	Reduced income in Q1 and Q2 to be offset by compensation from United Utilities for the closure of Wood Street Car Park.
	Off-Street Car Parks - Income General	+2,400	(21,200)	+0	Profit share from Parksafe from the original management agreement.
	White Lund Depot	(7,300)	(12,700)	(12,700)	Savings re: security contract and waste disposal costs.
	VMU - Materials	(5,000)	(5,000)	(5,000)	Based on previous outturns, over-provision removed.
	Waste Collection - Bins & Boxes	+35,000	+52,200	+52,200	Decision to introduce charging for bins and boxes has not been implemented as yet.
	Vehicles - Fuel	(23,800)	(66,700)	(66,700)	Fuel price currently consistent with last years prices. Should price stay constant then project variance should be achieved.
	Highways	(134,200)	??	??	County Council rates used on internal jobs. These jobs are completed at costs lower than estimates thus generating surpluses plus priced jobs for the County also generate a surplus. Material prices are currently favourable.
	Search Fee income	(9,600)	(16,600)	(16,600)	Continues increase in number of full searches together with reduction in software costs.
	Members Expenses	(5,400)	(10,500)	(10,200)	Current level of allowances less than anticipated.
	Democratic Services Management	(6,700)	(9,000)	(5,000)	Various minor savings.
	Partnerships Team - County Contributions	+0	(6,500)	+0	Additional income from remaining Second Homes Funding for admin support to closedown of LSP.
	Corporate & Partnerships Initiatives - County Contributions	(80,000)	(80,000)	+0	Children and Young People income from County (as per Jan 13 Mgmt. Team Restructure report) budget updated at revised.
	Licensing Premises Fees	+0	+15,000	+15,000	Reduced premises licences fee income under 2003 Act due to reduction in number of licences required by University. (as per outturn).

## Environmental Services

## Governance



Service	Service Area	Variance to Date	Current Year		Future Years Projection	Reason for Variance & Action being taken
			£	£		
<p>SPORTS &amp; HOUSING</p> <p>£ = Adverse ( ) = Favourable</p> <p>VARIANCES REPORTED THROUGH PRT PROCESS (CHIEF OFFICER COMMENTS)</p>						
Sports & Physical Activity	Admission fees	(1,100)	(6,500)	(4,500)		Increase in admission fees as a result of some additional activities with Primary Schools.
Wellbeing Waste	Water increase to charges	+17,900	+7,600	+15,200		This projected variance is an estimate and is a combination of uncontrollable United Utilities Surface water and drainage charges. Charges will be phased in and could potentially rise to £45.7k in year 6. Charges are being reviewed in some areas and measures explored to reduce the drainage systems to reduce charges.
SASC M&A	Income	+6,000	+12,400	+12,400		The solar panels at Salt Ayre will not achieve their full budgeted income from feed in tariffs in this year, and this may not be achieved next year but this is not yet certain and is being investigated.
Regent Park	Café	+3,800	+7,400	+0		Café vacated, no prospect of suitable re-letting this year. Assume will be let for future years.
Reflexions	Income	(4,200)	(28,500)	(28,500)		Increased income due to improved yield management of membership types and facility promotion.
Heysham Pool	Income	(39,900)	+10,800	+5,400		Cancelled private hirers.
Stand-by	callout	+700	(8,900)	(17,200)		Changes to working patterns/rotas re stand by call out payments.
Williamson Park	- various areas		(22,400)	(4,000)		Combination of small savings in expenditure and additional income in some areas but in particular the Café operation (excluding standby savings).
Cemeteries -	Water Services	+1,300	+5,400	+42,000		United utilities have informed the cemeteries team of an increase in charge for water services from April 2014. The increase is to be phased in over 6 Years and the team are awaiting the outcome of appeals and final charge letter. Without any appeals by the Cemeteries team there would be an increase amounting to £42K.
Pest Control -	Income	(13,900)	+11,900	+11,900		Improved weather in the summer led to an increase in pests in comparison to last year. Demand for the Pest Control Service has decreased when comparing the overall income for the past four years.
Development	control income	(72,900)	(50,000)	(50,000)		Planning Application Fees upturn in market.
Building Regulations	Application Fees Income	+14,500	+36,800	+36,800		Fewer fee bearing applications received due to external competition from approved inspectors delivering a private service.
Middleton Wood	Nature Reserve	(9,800)	(9,300)	+0		Income received in 2013/14 which was budgeted for in 2012/13.
Winning Back	West End Property Account	+65,600	+0	+65,900		Increased R & M due to deterioration of empty properties and increased Council Tax/Rate charges due to being empty more than 2 years. Offset by HCA funding in 2013/14, however £65.9K budget shortfall in 2014/15 rising to £153.6K from 2015/16 onwards as HCA funding runs out. Expected to be mitigated as and Phase 1 and 2 of Chatsworth Gardens scheme refurbished.
Bold Street		+0	+9,400	+0		Budget variance relates to emergency demolition works that need to be undertaken re Winterdyne Garages on Bold Street.
<p>REGENERATION &amp; POLICY</p>						

Service	Service Area	Variance to Date	Current Year Projection	Future Years Projection	Reason for Variance & Action being taken
		£	£	£	
		+ = Adverse ( ) = Favourable			
		VARIANCES REPORTED THROUGH PRT PROCESS (CHIEF OFFICER COMMENTS)			
	Moor Lane Mills - Rent	+57,500	+57,500	+0	Correction of invoice allocation between financial years.
	Euston Road, Morecambe	+15,700	+38,000	+14,500	56-58 vacant and anticipate re-letting next year, although at a reduced rent from previously budgeted. 60 let from June 2013.
	Lancaster Bus Station rates	+7,100	+7,100	+7,100	Reduction in transitional rate relief.
	5 Cheapside, Lancaster	+13,100	+39,600	+40,000	Vacant. Unlikely to receive any rent in 2013/14 and reduced income expected in 2014/15 as well.
	CityLab - Rent	(48,800)	(24,500)	(24,500)	More tenant take up - current variance includes monthly rents invoiced to end of year.
	Storey Institute - Rates	+7,400	+7,400	+6,500	Original budget under estimated.
	St Leonards' house - Rent	+4,000	(16,100)	(16,100)	Increase in tenant take up.
	Pensions Payments	(7,400)	(13,600)	(13,600)	Reduced payments to County Pension Fund.
	Investment Interest	+6,000	+4,900	+0	Current investment interest is below the profiled estimate.
	Audit Fees	+0	(12,000)	(12,000)	Reduced costs for annual grants and returns audit.
	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)	?	?	Recoveries continue to exceed budget. For last year the additional income was £145K. The budget will be reviewed at revised estimate time - see below.
	Bad Debt provision contribution	+0	?	?	It is anticipated that further contributions to the bad debt provision will be required. In reference to HB Overpayments - projections simply assume a neutral budget position at this stage.
	<b>TOTAL VARIANCES</b>	<b>(241,900)</b>	<b>(145,900)</b>	<b>(11,500)</b>	
	Overall Salary Savings	<b>(141,000)</b>	<b>(350,000)</b>	<b>+0</b>	
	<b>OVERALL VARIANCES</b>	<b>(382,900)</b>	<b>(495,900)</b>	<b>(11,500)</b>	

## Resources

## GENERAL FUND CAPITAL PROGRAMME MONITORING REPORT

SERVICE		2013/14	Actual to	Commitments	Total	Variance
		Gross Budget	Date	(Outstanding Orders)		+Overspend / (Underspend)
		£	£	£	£	£
Environmental Services	Allotment Improvements	92,000	0	0	0	(92,000)
	Car Park Improvements Prog	120,000	0	0	0	(120,000)
	Playground Imps/Facilities	0	(5,222)	100	(5,122)	(5,122)
	Purchase of Vehicles	0	579,256	946,030	1,525,286	1,525,286
	Toilet Works	90,000	0	0	0	(90,000)
Health & Housing Services	Disabled Facilities Grants	817,000	381,952	0	381,952	(435,048)
	YMCA Places of Change	19,000	18,023	0	18,023	(977)
	Salt Ayre Works Programme	30,000	0	0	0	(30,000)
	Warm Homes Scheme	79,000	24,852	0	24,852	(54,148)
	Will Park Imps & Enhancements	110,000	14,050	0	14,050	(95,950)
Regeneration & Planning	Albion Mills S106 Affordable Housing	260,000	0	0	0	(260,000)
	Amenity Improvements	36,000	0	5,278	5,278	(30,722)
	Bold Street Renovation Scheme	32,000	814	9,063	9,877	(22,123)
	Ffrances Passage	4,000	3,157	0	3,157	(843)
	Great Places S106 Affordable Housing	42,000	0	0	0	(42,000)
	Lancaster Square Routes	196,000	11,349	17,392	28,741	(167,259)
	Luneside East	70,000	33,879	6,200	40,079	(29,921)
	Morecambe Area Action Plan	100,000	0	3,635	3,635	(96,365)
	Morecambe TH12 A View for Eric	462,000	0	0	0	(462,000)
	Poulton Pedestrian Route	160,000	0	0	0	(160,000)
	Sea & River Defence Works	349,000	49,073	101,957	151,030	(197,970)
	Toucan Crossing King Street	13,000	0	0	0	(13,000)
	West End Temp Car Park	5,000	0	0	0	(5,000)
Resources	Corporate Property Works	2,428,000	(102,104)	70,353	(31,751)	(2,459,751)
	IT Systems, Infrastructure & Equip	430,000	8,991	71,163	80,153	(349,847)
<b>Total Gross Programme</b>		<b>5,944,000</b>	<b>1,018,070</b>	<b>1,231,171</b>	<b>2,249,242</b>	<b>(3,694,758)</b>

**Grants & Contributions**

Capital Contributions Income	(38,000)	(55,555)	0	(55,555)	(17,555)
Capital Grants Income	(1,518,000)	(1,124,488)	0	(1,124,488)	393,512
<b>Total External Income from Grants &amp; Contributions</b>	<b>(1,556,000)</b>	<b>(1,180,042)</b>	<b>0</b>	<b>(1,180,042)</b>	<b>375,958</b>

<b>Total Net Programme</b>	<b>4,388,000</b>	<b>(161,972)</b>	<b>1,231,171</b>	<b>1,069,199</b>	<b>(3,318,801)</b>
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## ACTION BEING TAKEN BY SERVICES

Service	Total Outstanding Debt (over 90 days old)	Debt to be Written Off	Refer(red) to Debt Collection Agents	Refer(red) for Legal recovery	Debt still being pursued	Payment Received / Instalment Agreed	Other Action / Reasons	TOTAL	Notes on Other Action / Reasons
	£	£	£	£	£	£	£	£	
Regeneration and Policy	6,740			297	6,383	60		6,740	
Environmental Services	156,135	1,036	898		54,424	98,660	1,117	156,135	In administration
Health & Strategic Housing	6,092		617		5,137	339		6,093	
Property Services	220,194	4,517	10,642	61,710	56,464	86,860		220,194	
Governance	3,856				3,856			3,856	
Housing Benefits	1,272,459	1,170		10,733		1,121,154	139,401	1,272,459	
<b>Total Outstanding</b>	<b>1,665,476</b>	<b>6,723</b>	<b>12,157</b>	<b>72,741</b>	<b>126,264</b>	<b>1,307,074</b>	<b>140,519</b>	<b>1,665,477</b>	

## \* Actions relating to Housing Benefit Debt

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

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

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

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

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

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

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

## Welfare and Housing Benefit Reforms

In response to various queries from Members and Committees, the following overview has been prepared. This will be shortened in future reports, to focus on key statistics only.

### 1 Council Tax Support

- 1.1 From 1st April 2013, the national scheme of Council Tax Benefit was abolished and replaced with a localised Council Tax Support scheme. This is funded by a cash-limited grant and therefore any increase in demand for benefit over and above current levels will have to be funded by the Council and major precepting authorities (County, Fire, Police).
- 1.2 The City Council decided not to reduce Council Tax Support levels for 2013/14, leaving entitlement at its previous level. However, the decision comes at a cost and the Council is helping to fund the shortfall in grant for the current year alongside other precepting authorities. In total for all authorities, the shortfall is expected to be around £450K (less than anticipated).
- 1.3 To inform future decision-making, the Council has conducted a formal consultation exercise throughout the summer, which closed on 13<sup>th</sup> October 2013. Results are currently being analysed and they will be reported to full Council as part of the decision making process for next year's scheme.

### 2 The Under Occupation Penalty or 'Spare Room Subsidy'

- 2.1 Restrictions on housing benefit for claimants in social sector tenancies have taken effect from April 2013. These affect working age customers living in accommodation that is deemed to be too large for their needs.
- 2.2 The following size criteria reductions in Housing Benefit apply:
  - 14% reduction where there is one bedroom more than is required
  - 25% reduction where there are two or more bedrooms more than required.
- 2.3 Latest information indicates that Lancaster has 608 affected customers (reduced from 678 cases in July), creating a shortfall (additional rent collectable) for Registered Social Landlords of £8K per week (£416K annually). These cases include around 421 Council Housing cases, resulting in additional rent collectable of around £5.5K per week.

### 3 The Benefit Cap

- 3.1 In March 2012 the Welfare Reform Bill introduced a Benefit Cap for working age households. Households are defined to include the claimant and partner and any dependants. The Benefit Cap has been set at:
  - £500 per week (£26K per year) for couples (with or without children) and lone parents.
  - £350 per week (£18.2K per year) for single adults.

- 3.2 The Benefit Cap is administered by the Council, reducing Housing Benefit to the value of the cap. A minimum weekly value of £0.50 Housing Benefit will be left in payment to allow claimants to apply for a Discretionary Housing Payment.
- 3.3 There are currently 31 cases in Lancaster (reducing from 39 cases reported in July 2013, when the benefit cap was first implemented).
- 3.4 DWP wrote to all affected families to notify them of the cap, and home visits were made by Visiting Officers starting in December 2012 to all affected customers, ensuring that they were aware of this welfare reform and its impact upon them. We have also been working very closely with Job Centre Plus and they are available to discuss on-going issues. Any potential new cases are referred to the Visiting Officer's in the Housing Benefit Team.
- 3.5 CAB offices in Lancaster and Morecambe offer help, advice and budgeting/debt advice to customers affected by this reform in the local areas. Some Registered Social landlords have also made resources available to provide help to their affected tenants.

#### **4 Discretionary Housing Payments**

- 4.1 Discretionary Housing Payments (DHP) are administered by the Council and are paid to customers who are in receipt of or entitled to Housing Benefit where there is a shortfall between the level of Housing Benefit and the amount of rent charged.
- 4.2 From April 2013 Councils are no longer permitted to use DHP to meet the costs of Council Tax; this is a consequence of the abolition of Council Tax Benefit and its replacement with a localised scheme.
- 4.3 A panel of experienced senior officers sit to consider each case on its merits determine the award. Discretionary Housing Payments are typically provided for a temporary period to help people over a difficult period or to find alternative accommodation.
- 4.4 To support welfare reform changes the Government has significantly increased its Discretionary Housing Payments contributions to Councils for 2013/14. Lancaster receives £211K and to date has granted £82.5K covering 297 cases (192 successful applications). A further 22 cases are pending, awaiting consideration.
- 4.5 Authorities across Lancashire are reporting a significant increase in DHP applications and it is anticipated that pressure upon the scheme will increase in the latter part of the financial year as rent pursuance action increases and the effects of the benefit cap are felt.

#### **5 Local Welfare Provision: The Care and Urgent Needs Support Scheme**

- 5.1 The new Care and Urgent Needs Support Scheme administered by LCC commenced on 2 April 2013 replacing those elements of the Social Fund no longer administered by the DWP.
- 5.2 The function relates to the provision of financial assistance to customers who have suffered a crisis (for example a fire, flood, theft etc.) and need urgent

assistance or need support in establishing or maintaining a home (typically with cost of white goods, furnishings etc.).

- 5.3 Across Lancashire expenditure has been around £101K. The low level of expenditure is partly accounted for as a result of low demand, the use of food parcels and recycled and low cost furniture.

### **6 Universal Credit and the Local Support Services Framework**

- 6.1 DWP are currently piloting "Universal Credit" in four North West areas including Ashton Under Lyne, Oldham, Warrington and Wigan. The national roll-out scheduled for October 2013 has been delayed, and replaced with a plan to roll out to a further 6 job centres. Lancaster is not included in this latest list.

- 6.2 The target date for full implementation is 2017.

- 6.3 Under a Local Support Services Framework it is anticipated that the Council will have a role to play in face to face contact, ensuring that support is available to customers to claim online and in managing monthly payments. This would extend to those customers with more complex needs.

### **7 Housing Benefit Processing**

- 7.1 The Housing Benefit section is currently receiving an average of 110 new claims per week. The caseload, as at October 2013 is running at 13,896 claims, a small decrease compared to July 2013 where the caseload was 13,965; this forms a reducing trend from July 2012 where the caseload was 14,082.

- 7.2 Current processing times for new claims in Quarter 2 are 20 days for new claims and 12 days for changes in circumstances. The current local target is 23 days for new claims and 10 days for changes in circumstances.

- 7.3 Changes to the Housing Benefit rules and the introduction of the Council Tax support Scheme have had a negative impact on some processing times at the start of the financial year. However, as staff become more experienced in dealing with the changes, we are confident that all targets will be met.

### **8 Potential Linkages with Council Tax Collection**

- 8.1 To the end of September the Council Tax team has issued 7,990 first reminders to late payers and 3,830 summonses for non-payment, very similar statistics to the previous year.

- 8.2 Council Tax collection rates are down by 0.5% in comparison to the previous year, but this is considered more a reflection of the opportunity for taxpayers to pay by 12 rather than 10 instalments and the levy of additional charges on long term empty properties, rather than any direct impact resulting from welfare reform changes.

- 8.3 Wherever possible the team endeavour to make suitable arrangements with taxpayers who make contact after receiving a recovery document and staff have encouraged this new facility to pay over 12 months rather than 10, for those customers who are struggling to pay their monthly instalments.

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

### Report of Chief Officer (Resources)

#### 1. Introduction

The CIPFA Code of Practice on Treasury Management requires that regular monitoring reports be 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 2.

Treasury management is a technical area. To assist with the understanding of this report, a glossary of terms commonly used in Treasury Management is attached at **Annex A**. In addition, the Councillor's Guide to Local Government Finance also has a section on treasury and cash management and 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 September: -

- Indicators suggested that the economic recovery accelerated;
- Household spending growth remained robust;
- Inflation fell back towards the 2% target;
- The Bank of England introduced state-contingent forward guidance;
- 10-year gilt yields rose to 3% at their peak and the FTSE 100 fell slightly to 6460;
- The Federal Reserve decided to maintain the monthly rate of its asset purchases.

#### 3. Icelandic Investments Update

There was a fourth distribution from Landsbanki regarding the Council's investment, representing 5.23% of the original claim, of which 53.9% has now been recovered.

The initial claim of £1.1m was converted into Icelandic Krona using the exchange rate on 22 April 2009 (191.08ISK:1GBP). Distributions to date have been based on this historic rate. There has, however, been a dispute over which exchange rate should be used with the Supreme Court now ruling that the exchange rate on the date of distribution should be used. This exposes the Council to some further exchange rate uncertainties; the Icelandic Krona has weakened against the other major currencies (GBP, USD, EUR) since April 2009, although this could change in future.

The table below remains displays the outstanding balances.



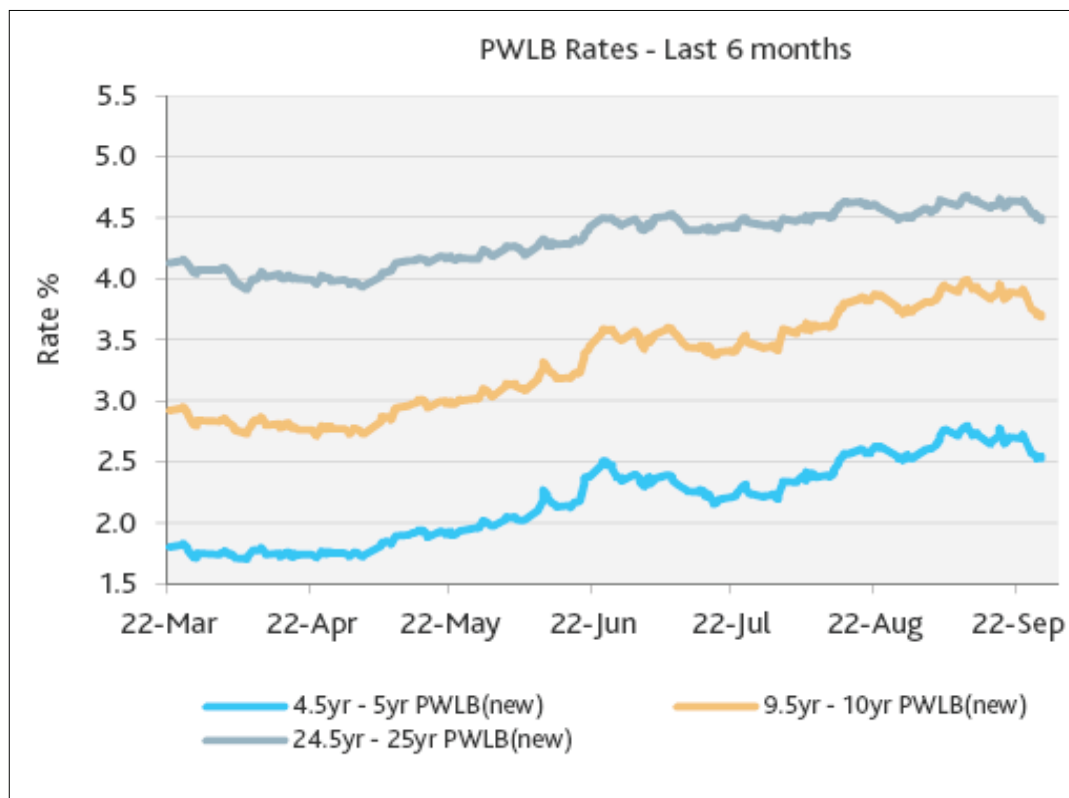
	KSF £000	Glitnir £000	Landsbanki £000	Total £000
Deposit	2,000	3,000	1,000	6,000
Claim	2,048	3,173	1,121	6,342
GBP Payments received	1,618	2,508	585	4,711
Amounts still held in ISK		609	8	617
Total anticipated recovery (%)	85.25%	100%	100%	
Further payments due (%)	6.25%	0%	46%	
Further payments due (£000)	128	0	516	644
Total anticipated receipts	1,746	3,117	1,109	5,972

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

There are no major changes to report. The Council still expects to recover around £6M, equivalent to the value of the original investments. Furthermore, there is no substantive progress to report as yet regarding the exempt matter first reported to Cabinet Members back in July.

#### 4. Current Borrowing Rates.

No new borrowing was undertaken during Qtr 2. Below is a graph of the PWLB rates for the last six month ending 30 September 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.

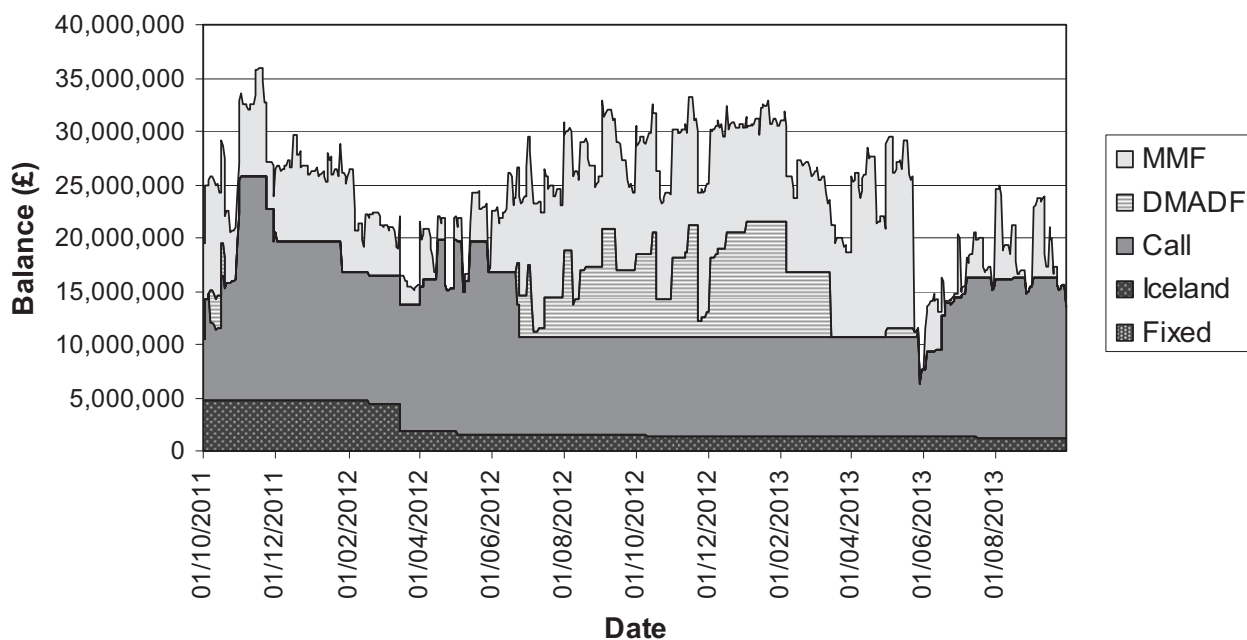
## 5. Investing Activities

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 2 is shown below

Other Investments	Opening	Min	Max	Closing	Indicative rate	Cumulative Interest £
Call: RBS	£ 3,000,000	£ 932,000	£ 3,000,000	£ 932,000	0.70%	£ 7,809
Call: Barclays	£ -	£ -	£ -	£ -	0.55%	£ 185
Call: Lancashire County Council	£ 10,060,000	£ 10,060,000	£ 12,000,000	£ 11,410,000	0.50%	£ 25,411
DMADF	£ -	£ -	£ -	£ -	0.25%	£ 155
Government Liquidity MMF	£ -	£ -	£ -	£ -	0.30%	£ 1,404
Liquidity First MMF.	£ 5,570,000	£ -	£ 6,000,000	£ -	0.39%	£ 5,918
Insight MMF	£ 370,000	£ -	£ 2,712,000	£ -	0.33%	£ 3,834
Sub-total	£ 18,630,000			£ 12,342,000		£ 44,516

Investment pattern for the prior 2 years



During the second quarter the Council has maximised its investment in the county call account, as far as possible. Furthermore the account with RBS has been given preference,

particularly over MMFs, 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	0.362%
Lancaster City Council investments	0.556%

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

Budget to date:

Icelandic credits	£18K
Cash interest	£50K
Total	<u>£68K</u>

Actual to date:

Icelandic credits to date	£17K
Cash credits to date	£45K
Total	<u>£62K</u>

Variance £6K adverse

The adverse variance is mainly due to delays in the receipt of a large capital receipt, which has meant cash balances are lower than expected at this point in the year.

The return is just above base rate 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, the rate of return is very modest but given that the Council has continued to focus on secure and highly liquid deposits, it is considered reasonable.

## 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.

Although further Icelandic investment recoveries are expected, there is still uncertainty over extent and timing but these risks are now readily manageable.

More specifically, some risks exist in relation to banking services. The Co-operative Bank, used by the Council and many other local authorities as a general account for collecting funds and making payments, has reported losses over the summer months. At the time of producing this report, it had just been reported that the Co-Op Group's proposal for resolving its financial predicament had been rejected by a small number of major bondholders. Instead, the bondholders' alternative proposal is for their bonds to be converted into shares, which would result in them having a controlling stake in the bank (and therefore the Co-op Group would lose control). It is understood that if no rescue can be agreed voluntarily, control of the bank would be seized temporarily by the Bank of England (BoE), under a process called resolution. This could involve the BoE forcing losses on Co-op Group and obliging the bank's bondholders to convert their loans to the bank into loss-absorbing shares on terms regarded by the Bank of England as fair. In future, these sorts of powers and arrangements are expected to be provided for under Banking Reform legislation, currently working its way through Parliament. The overall aim is to keep an affected bank operating as a going concern, but force its owners/investors to take the associated losses. Developments are being closely monitored by Officers; overnight balances are being minimised as much as possible, as a precaution. There are no investments placed with the Co-op – and so the risks are different to the Icelandic position, as an example – but there are uncertainties and it is unsettling, nonetheless. The Council's banking services contract is due to run until March 2016.

### 8. Prudential Indicators

These indicators are prescribed by the Prudential Code, to help demonstrate that the Council can finance its debt and have funds available when needed. The prudential indicators are listed in **Annex B**; they have been updated to reflect the current capital position and they will be referred onto Council in due course, allowing for further updates as need be to reflect other budget changes.

### 9. Conclusion

Treasury activity during Quarter 2 followed in the same vein as Quarter 1. Monitoring developments linked to transactional services (and the Co-op Bank) are high on the agenda, however, given announcements after the period end. Although in principle there should be little financial or operational risk to the Council, relevant legislative/regulatory provisions linked to Banking Reform are in their infancy and are as yet untested.

### 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.*

## PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

2012/13    2013/14    2014/15    2015/16    2016/17  
£'000    £'000    £'000    £'000    £'000

### AFFORDABILITY

<b>PI 1:</b> Estimates of ratio of financing costs to net revenue stream	Non - HRA	16.2%	12.4%	11.1%	11.2%	11.2%
	HRA	24.0%	23.3%	22.4%	21.7%	21.7%
	Overall	19.3%	16.7%	15.7%	15.5%	15.5%

<b>PI 2:</b> Actual ratio of financing cost to net revenue stream	Reported after each financial year end
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<b>PI 3:</b> Estimates of the incremental impact of new Capital Investment decisions on the Council Tax This includes the impact of all elements of funding, including any increase in the need to borrow, required to finance new schemes added to the Capital Programme	£2.81	-£8.97	-£11.64	-£0.49	-£0.79
	1.5%	-4.7%	-5.9%	-0.2%	-0.4%

<b>PI 3A:</b> Illustrative Impact of Additional Borrowing £1 million	<b>Repayment Period</b>			
		<b>5 Years</b>	<b>10 Years</b>	<b>25 Years</b>
	Increase in Council Tax (£)	£4.86	£2.65	£1.47
Increase in Council Tax (%)	2.48%	1.35%	0.99%	

<b>PI 4:</b> Estimates of the incremental impact of Capital Investment on Housing Rents	Nil	Nil	Nil	Nil
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### CAPITAL EXPENDITURE

<b>PI 5:</b> Estimates of capital expenditure	Non - HRA	5,323	5,983	6,173	3,938	3,980
	HRA	3,591	4,827	4,621	4,707	5,079
	Total	8,914	10,810	10,794	8,645	9,059

<b>PI 6:</b> Actual capital expenditure	Reported after each financial year end
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<b>PI 7:</b> Estimates of Capital Financing Requirement	Non - HRA	37,567	39,045	39,997	41,267	39,856
	HRA	45,514	44,473	43,432	42,391	41,350
	Total	83,081	83,518	83,429	83,658	81,206

<b>PI 8:</b> Actual Capital Financing Requirement	Reported after each financial year end
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### EXTERNAL DEBT

<b>PI 9:</b> Authorised Limit	Authorised Limit for Borrowing	100	100	99	99
	Authorised Limit for Other Long Term Liabilities	1	1	1	1
	Authorised Limit for External Debt	101	101	100	100

<b>PI 10:</b> External Debt: Operational Boundary	83	83	83	83
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<b>PI 11:</b> Actual external debt	Reported after each financial year end
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<b>PI 12:</b> HRA limit on indebtedness	60,194	60,194	60,194	60,194
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### PRUDENCE

<b>PI 13:</b> Treasury Management: adoption of CIPFA code of Practice	The Council has adopted the updated Treasury Management code of practice (2011).
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<b>PI 14:</b> Net debt and the capital financing requirement	Anticipated indebtedness (operational boundary)	83,295	83,435	83,435	83,435
	Anticipated investment	10,301	18,210	18,900	19,960
	CFR	83,518	83,429	83,658	81,206
	Under/over borrowed (-/+)	-10,078	-18,216	-18,677	-22,189

# Property Group Update

## Quarter 2: July – September 2013

**Report from: Senior Property Officer**



## Introduction and Background

This report builds upon the information provided in the Quarter 1 update providing a general update on key Property Group business issues for the second 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 areas identified below along with summaries of other important issues relevant at the time of writing.

1. Corporate Non-Housing Property Portfolio 1<sup>st</sup> Year Delivery Plan
2. Capital Receipts (for further details see Appendix A)
3. Joint Property Review
4. Performance of Commercial Buildings
5. Other issues
  - i. Lancashire Regeneration Partnership
  - ii. Morecambe Property Holdings
  - iii. Bailrigg Science Park

**As these first two quarterly updates have now set the scene, in a bid to prevent repetition in future reports it is proposed that from Quarter 3 onwards these reports will be condensed to highlight any key changes and emerging property issues.**

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

As detailed in the Quarter 1 update, it has been necessary for the Property Group to spend a significant amount of time assessing, quantifying and programming individual projects. This programming work provides firmer costs facilitating more accurate financial forecasting and monitoring. As indicated in earlier reports flexibility is required throughout the delivery programme because the initial unobtrusive condition survey costs were indicative and therefore the levels of work required at each property could increase or decrease as detailed surveys and specification work progresses. Furthermore, the need for specialist surveys and design works may become apparent leading to additional cost implications.

The projects included in the 1<sup>st</sup> year delivery programme fall into the three procurement groups, Minor Works (MW), Intermediate Works (IW) and Projects (P). In the main, the projects being undertaken within the 1<sup>st</sup> year delivery programme are the schemes identified in the condition surveys as the most urgent although some projects have been brought forward for economic reasons. For example, where two individual projects require scaffolding at a particular building then it makes financial sense to undertake both at the same time.

Property Group has been allocated £2.402M within financial year 2013/14 to undertake the 1<sup>st</sup> year delivery programme (this excludes slippage from 2012/13). The intention is to manage the programme of work within this sum by reallocating funding between the projects as variations to the indicative budgets become clear. Officers will report any necessary changes retrospectively through future quarterly updates.

The following tables provide a summary of progress to date. The nature of scheduled works is as set out in the report to Cabinet back in April, unless indicated otherwise:

**Table 1 – Minor Works Project Progress**

Property/Project	Total Indicative Works 1 <sup>st</sup> Year	Brought Forward Indicative Works 2 <sup>nd</sup> Year	Total Approved Tender (AMP)
Minor Works (MW)  14 Buildings  (Start date 30 <sup>th</sup> September 2013 – Project Duration 10 Weeks)	<b>£49k</b>	<b>£49k</b>	<b>£103k</b>

In total, 14 of the Minor works (MW) projects have been finalised. The Agreed Maximum Price (AMP) approved with the contractor includes repairs brought forward from the 2<sup>nd</sup> year programme for the economic reasons described earlier in this report.

Work has commenced on site for some minor works projects including Bolton le Sands toilets, Morecambe promenade shelters, the King Street covered yard and some preparation work at Williamson Park.

**Table 2 – Intermediate Works (IW) Project Progress**

Property/Project	Submit Design /tender	Approve Tender (AMP)	Total Indicative Works 1 <sup>st</sup> Year	Total Approved Tender (AMP)	Proposed Start Date
Intermediate Works (IW): programmed works are at various stages:					
<b><u>Partnering Contractor</u></b>					
White Lund Depot Work Package	18/10/13	01/11/13	£231k	TBA	05/11/13
Lancaster Cemetery Chapels	11/10/13	14/10/13	£80k	TBA	28/10/13
Lancaster Town Hall Railings	23/09/13	30/09/13	£50k	£47k	02/10/13
Lancaster Town Hall Paving	23/09/13	30/09/13	£30k	£28k	07/10/13
Morecambe Town Hall	08/11/13	21/11/13	£53k	TBA	TBA
The Dukes Playhouse	08/11/13	21/11/13	£39k	TBA	06/12/13
Palatine Recreation Ground	21/10/13	04/11/13	£26k	TBA	TBA
<b>Totals</b>			<b>£499k</b>	<b>£75k</b>	

\*TBA – to be advised or confirmed, subject to further information becoming available.

Work has already commenced on the memorial garden railings and paving projects at Lancaster Town Hall to meet conservation requirements, with a view to completing by Remembrance Day. The removal of the vegetation to the side elevation has revealed root damage to the low retaining wall, which will require rectification at additional cost prior to replacement of the refurbished railings.

Table 3 – Projects (P) Project Progress

Property/Project	Submit Design /Tender	Approve Tender (AMP)	Total Indicative Works 1 <sup>st</sup> Year	Total Approved Tender (AMP)	Proposed Start Date
Programmed Projects (P) are at various stages:					
<b><u>Partnering Contractor</u></b>					
Williamson Park buildings	04/10/13	18/10/13	£473k		15/11/13
Assembly Rooms	04/10/13	28/10/13	£158k		10/11/13
The Storey	11/10/13	10/11/13	£233k		22/11/13
The Platform	04/10/13	18/10/13	£318k		10/11/13
Ryelands Park buildings	11/10/13	10/11/13	£45k		22/11/13
City Museum	25/10/13	08/11/13	£258k		22/11/13
Maritime Museum	25/10/13	08/11/13	£253k		22/11/13
26 St Georges Quay	25/10/13	10/11/13	£38k		22/11/13
Salt Ayre Sports Centre	25/10/13	10/11/13	£21k		22/11/13
<b><u>Consultant Projects</u></b>					
Mitre House Car-park	05/06/13	08/08/13	£60k	£82k	30/09/13
			<b>£1.857m</b>	<b>£82k</b>	

### Position Overall

Currently, indicative programmes and spend profiles suggest expected spend in this financial year will be circa £1.977m, plus fees of circa £150k equating to £2.127m. Therefore, at this stage potential slippage against the approved £2.402M is estimated to be in the region of £275k.

It should be noted that as yet no provision has been made for the following additional projects raised in the Property Group Quarter 1 Update report:

- Lancaster Town Hall Banqueting Suite ceilings – A conservation & structural survey was completed in September 2013 and the full extent of the deterioration is currently being quantified and estimated. Progress on this project will be reported once full details are known.
- Storey Institute Garden Walls – Again this project is currently being quantified and estimates and progress will be reported once full details are known.

As at the 30<sup>th</sup> September 2013 it is anticipated that the Minor Works projects can be funded from the current 2013/14 Revenue Budget and therefore there is no related call against the Municipal Buildings Reserve to date.

## 2. Capital Receipts

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

Against this, the capital receipts received to date are still only as follows:

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

Additional exempt information on the progress of capital receipts that are budgeted for during 2013/14 can be found at **Annex A**.

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

The majority of the property related information and data for the joint property review has now been gathered and work has begun working up a series of options based upon 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 Officer perspective the priority areas for which options are currently being developed for further exploration and consideration include:

- Cable Street
- St. Leonard's House
- Palatine Hall
- White Lund Depot
- Lancaster Town Hall
- Morecambe Town Hall
- The Platform

It is anticipated that more detailed information about various options being worked up will be available for the next quarterly update, and to feed into the budget process.

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 and assess the urgency of any works against the likelihood and timescale of the possible vacation of a building, as well as the potential impact on property values.

## 4. Performance of Commercial Buildings

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

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.

**Please note that as you would expect after only 3 months, the table has not substantially changed since Quarter 1 but any the minor adjustments have been included in the table and have been described in the subsequent text.**

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	692	615	Internal	-66,300.00	-37,700.00	144,500.00	40,500.00	170,672.00
Bus Station Kiosk, Lancaster	24	24	0	Internal					
Stagecoach Office, Lancaster	180	180	0	Internal	-19,100.00	-120,000.00	145,600.00	6,500.00	25,990.00
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					
Alfred Street Workshop 8	44	44	0	Internal	-10,800.00	-200.00	3,000.00	-8,000.00	4,700.00
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. - Ludus	245	245	0	Internal (Rent Grant)	-13,000.00	-400.00	10,500.00	-2,900.00	241,652.00
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	1,439	894	545	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 (Rent Grant)	-12,500.00	-3,400.00	10,600.00	-5,300.00	93,704.00
Moor Lane Methodist Church	267	267	0	Full (Rent Grant)	-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>21,711</b>	<b>17,749</b>	<b>3,962</b>		<b>-931,750.00</b>	<b>-302,750.00</b>	<b>782,700.00</b>	<b>-451,800.00</b>	<b>5,004,498.00</b>
						<b>-1,234,500.00</b>			
<b>By Percentage</b>	<b>100%</b>	<b>82%</b>	<b>18%</b>		<b>100%</b>		<b>63%</b>	<b>37%</b>	

Changes from Quarter 1 include the removal of the assembly rooms ground floor, which operates as a market and is therefore not strictly speaking a commercial property under the management of Property Group. For further information, 'Ludus Dance' who are situated on the first floor of the assembly rooms and 'The Dukes Playhouse' which also includes Moor Lane Methodist Church have been identified as receiving rent grants from the City Council in the lease column.

## Occupation

The current occupation across the City Council's total commercial property portfolio is still 82% (slightly better than Qtr 1; but rounds the same). The remaining 18% of vacant space now amounts to the equivalent of 3862m2, the majority of which is attributable to:

- The Storey, which returned to City Council control in October 2012, has a vacant floor area of 545m2. This would appear to be an increase from the 504m2 reported in the Quarter 1 report but this is actually a result of some necessary adjustments being made to the overall floor areas to ensure that all of the common areas are accounted for.
- St. Leonard's House currently has 1904m2 of vacant space (unchanged since Quarter1) but as reported previously, the building requires considerable investment. Officers have recently received the 'Stage 1' report regarding viable alternative uses undertaken by the County Council's regeneration partner Carillion, the results of which will be submitted for consideration by Members in due course.
- The vacancy rate at Citylab is currently running at 47% (or 615m2). This represents a 3% improvement over the 50% vacancy rate reported in the quarter 1 update. The letting of No.4 is expected to go through shortly which will give a further boost to the vacancy rate in quarter 3.

Despite some small improvements at both the Storey and Citylab these three buildings still account for 77% of the vacant commercial portfolio. As mentioned above, recent developments at St. Leonard's House are encouraging and further options are being explored as part of the joint property review. The remaining 23% is made up of a small number of buildings that are currently between lets or to be sold. In general terms, while Property Group will continue in its efforts to minimise vacancy rates, it should be remembered that supply is currently outstripping demand in the commercial office rental market.

## 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 £451,800 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.

## 5. Other Issues

### i. Lancashire Regeneration Partnership

Lancashire County Council has entered into an agreement with a private sector provider to form a Regeneration Property Partnership. The partnership has been procured in such a way that it allows for other public sector bodies including Lancaster City Council, who were named in the OJEU documentation, to benefit from these services.

The Lancashire Regeneration Partnership is a 10 year agreement. The successful partner for the north of the county was Carillion. Carillion are a multi-national company and have a strong Northwest/Lancashire presence with approximately £12m gross value added from Carillion employees living in the region, supported by some 42 work locations

The main objectives for the regeneration property partnership are to:

- Use public sector assets as a lever for delivering sustainable regeneration;
- Support the pursuit of wider objectives by identifying and helping to deliver the best possible solutions for surplus properties balancing financial, economic and social returns;
- Ensure identification of surplus sites that are developed for the most appropriate use to meet key objectives;
- Attract investment and jobs promoting economic development in the area.

It is anticipated that the regeneration property partnerships will bring the following benefits:

- The partners will share the risks of achieving the above objectives;
- The partners will bring both capability and capacity in key areas in terms of resources to deliver the objectives;
- The partnership will provide a legal and commercial vehicle to the County's public sector partners without the need to undertake a separate procurement process;
- The partnership will bring new ways of working, thinking and innovative models for the delivery of the objectives.
- The partners will work together to unlock the economic regeneration potential of the public sector assets and support ongoing property reviews.
- The regeneration partnership will work up and deliver development proposals for identified sites/properties

The regeneration partner will:

- Work with the councils to develop a strategy for the development and/or disposal of a particular property or groups of properties. These may involve both operational and investment properties;
- Act as a single point of contact for the procurement and delivery of a project;
- Integrate and manage a diverse range of supply chain sub-contractors

The partner will recover its costs and earn returns through the projects that it successfully delivers thus being incentivised to work up proposals that result in successful projects consistent with the aims/requirements of the councils.

### **ii. Morecambe Property Holdings**

Earlier this year, the City Council was approached by a developer interested in working together to provide a new store in Morecambe for a high profile retailer. Various sites and delivery models were considered. Unfortunately, however, before the proposals could be reported, they were withdrawn.

On a more positive note, Planning and Regeneration along with Property Group are now in discussions with Carillion, Lancashire County Council's regeneration partner regarding a possible master planning exercise in the area. It is hoped that a master planning exercise will result in a more cohesive approach being taken in this vicinity of Morecambe and will reinvigorate interest from the likes of the high profile retailer referred to above. It should therefore give a better context within which the Council may consider its own land and property holdings. A report is being prepared for December Cabinet.

### **iii. Bailrigg Science Park**

In 2009 the City Council utilised funding from the former North West Regional Development Agency (NWDA) to purchase nearly 10ha of land between Bailrigg Lane and Lancaster University to build the Lancaster Science Park. The land purchase was subject to a funding agreement with the NWDA and a number of covenants in favour of the previous landowner (Bailrigg Farm Trust). Due to various factors including the recession and abolition of the NWDA, the site has yet to be developed. However, the land has the benefit of planning permission for the Science Park and Lancaster University is now taking the lead role (in partnership with the city and county councils) to develop and deliver a viable form of development. This may involve transferring ownership of the site to the University.

The above proposal has created an opportunity for the City Council to work with the Bailrigg Farm Trust on a potential joint disposal of land adjacent to the proposed science park. Property Group is currently working with the Bailrigg Farm Trust's consultant on a draft memorandum of understanding, for consideration by Cabinet in due course.



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

**BUDGET AND PERFORMANCE PANEL**

**Work Programme Report**

**5 November 2013**

**Report of Chief Officer (Governance)**

**PURPOSE OF REPORT**

To update members regarding the panel's work programme.

**This report is public.**

**RECOMMENDATIONS**

- (1) That members note the updated work programme as detailed in Appendix A to the report.**
- (2) That members consider whether they would like to include any further items in the work programme.**

**1.0 Introduction**

- 1.1 This report provides members with recommendations for inclusion in the panel's work programme and advises of possible upcoming items for consideration and work in progress.
- 1.2 The Budget and Performance Panel is responsible for setting its own annual work programme within the terms of reference, as set out in Part 3, Section 13 of the constitution.
- 1.3 Members of the Budget and Performance Panel are entitled to give notice to the Chief Executive that they wish an item relevant to the Terms of Reference of the meeting to be included on the agenda for the first available meeting, and the meeting will determine whether the issue should be included in its Work Programme based on its relevance as compared to the priorities as set out in the scrutiny work programme (Part 4, Section 5 of the Constitution).

**2.0 Report**

**2.1 Welfare Reform**

Members are advised that at its meeting on 4 September 2013, Overview and Scrutiny Committee had requested a report on the Impact on the Council of Welfare Reforms. Subsequently at its meeting on 9 October 2013 the committee had agreed that this report should be referred to the Budget and Performance Panel to avoid duplication.

As such members are requested to consider including this issue on the panel's work programme.

2.2 Partnerships

Members are asked to identify any issues of particular interest regarding partnership arrangements. Reports can then be requested on these particular issues.

**SECTION 151 OFFICER'S COMMENTS**

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

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None.

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## APPENDIX A

**BUDGET & PERFORMANCE PANEL WORK PROGRAMME**  
**2013/14**

<b>Matter for consideration</b>	<b>Officer responsible / External</b>	<b>Date of meeting</b>
Treasury Management Strategy	Financial Services Manager	4 March 2014
Qtr 3 Corporate Performance Monitoring Report	Chief Officer (Governance)	4 March 2014
Qtr 3 Financial Monitoring	Financial Services Manager	4 March 2014
Qtr 3 Property Update	Chief Officer (Resources) and Senior Property Officer	4 March 2014
Partnerships Update	Chief Officer (Governance)	TBC
Monitoring of Service Level Agreements with Voluntary, Community and Faith Sector Partners, and Arts/leisure Partners	Chief Officer (Governance)	Estimated June 2014
Budget Overspends/Variiances	As required	As required

**Invitations to Cabinet Members**

<b>Cabinet Member and area of responsibility</b>	<b>Issue</b>	<b>Date of meeting</b>
Councillor Sands (Cabinet Member for Arts and Culture) and Councillor Barry (Cabinet Member for Voluntary Sector)	To discuss partnerships within their respective portfolios.	TBC

**Briefing Notes**

<b>Matter for consideration</b>	<b>Date Requested</b>	<b>Date Circulated</b>	<b>Officer responsible</b>
Lettings of Council Buildings	11 December 2012	26 March 2013	Chief Officer (Resources)
Shared Property Services with Lancashire County Council	27 November 2012	26 March 2013	Chief Officer (Resources)
Solar Panel Project	11 June 2013	28 June 2013	Chief Officer (Environment)
Supplementary Measures – Diversionary Activities	11 June 2013	23 October 2013	Corporate Planning & Performance Manager
Public Services (Social Value) Act (with a particular emphasis on procurement)	11 June 2013		Chief Officer (Resources)
Performance management information regarding the Platform, Morecambe	11 June 2013		Chief Officer (Regeneration and Planning)